

# *“A Change in the Weather – The Opportunity(ies) for Sustainable Financial Services in Hong Kong”*

*PwC, 21/F., Edinburgh, Tower  
The Landmark, Central  
Hong Kong*

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3 March 2014



# Agenda

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1. Is Climate Change a Big Deal?
2. What does “Green Growth” Mean for Financial Services Sector?
3. The Role of the Financial Services Sector in Hong Kong’s “Green Growth”
4. Concluding Thoughts

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# Is Climate Change a Big Deal?

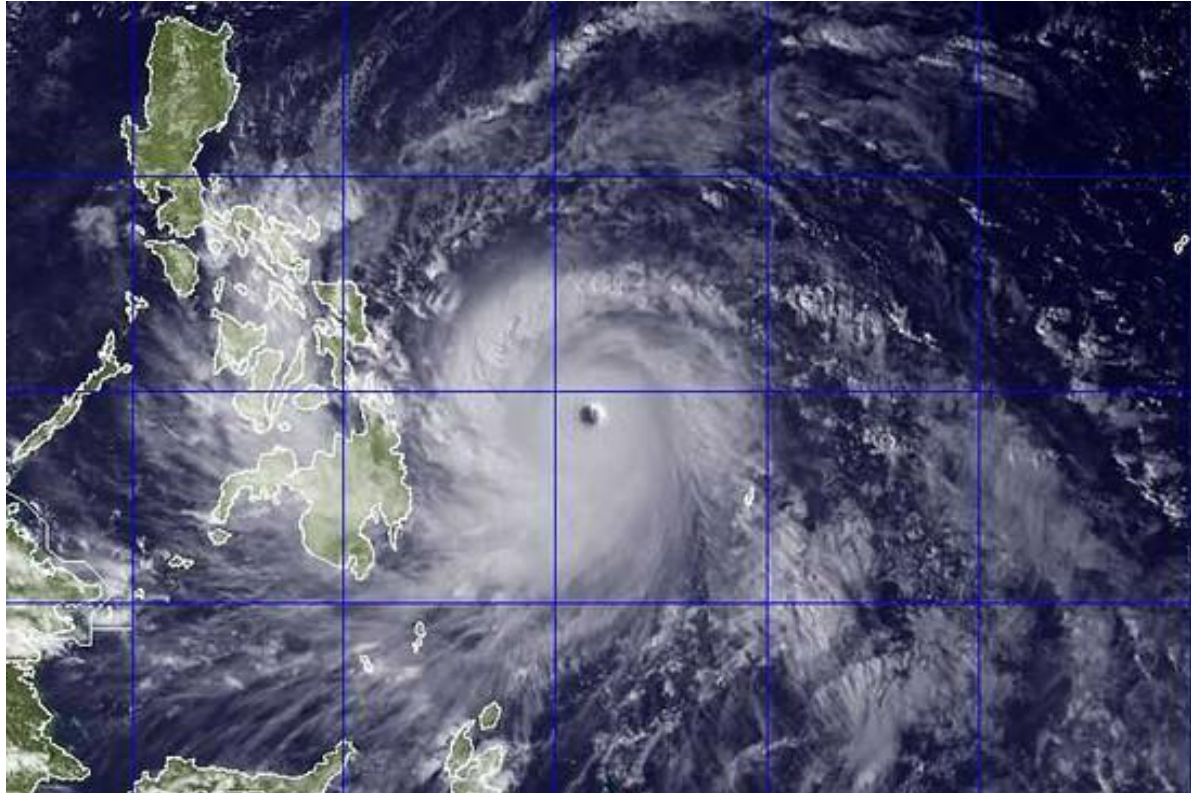
## 2013 Catastrophe Summary – Surprisingly Normal

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- Total number of natural disaster events: 296
  - Natural disaster event is one causing at least an economic loss of USD50 million, insured loss of USD 25 million, ten fatalities or 2,000 homeless or displaced
  - Above the 2002-2012 average of 259
- Overall economic losses: US\$192 billion
  - 4% below the 10 year average of US\$200 billion
- Total insured losses: US\$45 billion
  - Lowest since 2009 and down from US\$72 billion in 2012
  - 22% below the 2002-2012 average of US\$58 billion
- 2013 tracked well with long term averages – where’s the “new normal” ?
- Global events in 2013 were heavily concentrated in Europe and Asia
  - “Super” Typhoon Haiyan ([maximum sustained 1-minute surface winds](#) of at least 150 mph)
  - Estimated economic loss may approach US\$15 billion – close to 700,000 displaced

## But....Super Typhoon Haiyan, Philippines was not normal

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- The U.S. Military Joint Typhoon Warning Center details:
  - Sustained Winds: 194 mph
  - Gusts: 236 mph
  - Storm surge of 7 meters (23 feet)

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## What does “Green Growth” Mean for Hong Kong’s Financial Services Sector?

## Challenges to Green Growth

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- It is unclear how effective the investments into energy efficiency, renewable energy, and sustainable growth have been – R&D is required
- The banking sector's participation in financing energy efficiency is still pending...
- Hong Kong's policies and standards for provision of “green finance” by banks
- The associated regulatory system to ensure green policies (e.g. energy efficiency) achieve the desired effect

## Opportunities – Hong Kong's Leveraging Role

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- Financial Services Industry contributes 16% of Hong Kong's GDP
- Facilitator of Capital Flow in the Asia region
- Gateway for foreign companies entering China
- “Going out” platform for Chinese companies
- Substantive pool of expertise in both financial services and climate change



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# The Role of the Financial Services Sector in Hong Kong's “Green Growth”

# Hong Kong stakeholders impacted by both climate change and “Green Growth”

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- Energy Service Companies (ESCOs)
  - Schneider Electric
  - Johnson Controls
  - Honeywell
  - Siemens
  - CLP
  - SMEs
- Government of the HKSAR
- Hong Kong “investors and interests”
  - Guangdong factory ownership
- Lenders/ECAs/MLLs
  - Standard Chartered/HSBC
  - IFC/World Bank
  - Asian Development Bank
  - Credit Guarantee & Investment Facility
- Real Estate
  - Hang Lung
  - Hutchison Properties
  - Swire
  - “SME” Real Estate Developers
- Supply Chain/Factories
  - Li & Fung
  - PCH
  - Wal-Mart (USA)
  - Tesco (UK)
  - Carrefour (France)
- Infrastructure Owners/Operators
  - CLP Holdings
  - Power Asset Holdings
  - MTRC
  - Hutchison Port Holdings

## Aon's Role in Sustainable Finance

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- Support accelerated growth in Energy Efficiency through development of financial risk management instruments
- Natural Catastrophe Analytics (e.g. Aon Benfield)
- Development of an APAC Surety facility as Performance Security option for global ESCO
  - Treasury management strategy
  - Surety as *supplementary* instrument to LCs in Asia
- Development of an aggregated portfolio insurance solution for installation contracts for a global ESCO
- Development of an Energy Savings Insurance product:
  - Address performance risk
  - Address counterparty credit risk
- Working with NGOs, global retailers, real estate entities, manufacturing concerns, lenders, hosts, developers and insurers to promote energy efficiency and renewable energy (e.g., solar warranties)

# Hong Kong, Climate Change and Sustainable Finance

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- Develop more robust regulatory framework – the Singapore Example
  - BCA Green Mark Scheme
  - EDB Tender T26/2013 on Energy Efficiency
- Development of an Energy Efficiency framework for the real estate sector
  - New build (LEED/BEAM etc.) but more importantly in terms of;
  - Retrofitting old stock
- Hong Kong as an innovation center and global leader in climate change mitigation and/or risk management
  - Development of an Energy Savings Guarantee Fund (cross border?)
  - Supply Chain Carbon Risk Management – It's not just Guangdong's problem
- Natural Catastrophe Analytics

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## Concluding Thoughts

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- Hong Kong's location makes it vulnerable to climate change
  - Surrounded by water, traditional typhoon track, highly urbanized
  - Ranked 7<sup>th</sup> most vulnerable megacity on a natural hazards risk register for the world's megacities
  - “Hong Kong is like a frog in water that is gradually being brought to the boil; people do not seem to be aware of the long-term effects of climate change.”
    - Edwin Lai Sau-tak, Hong Kong Observatory, *SCMP* 21/11/2013
- Hong Kong's infrastructure and real estate sectors need to actively participate in hardening Hong Kong to climate change
- The Financial Services and insurance sectors need to place greater focus on “Green Growth” working hand in hand with government (PPP framework)
  - Natural Catastrophe Insurance Fund
  - Energy Efficiency Guarantee Fund
  - “Green Exchanges”
- Energy Efficiency and Hong Kong

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