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Dear Glenda,

On behalf of the British Chamber of Commerce in Hong Kong, we are writing to provide suggestions from our Chamber members on the development of Hong Kong's international voluntary carbon market, drawing on the insights and experience across many sectors.

The Chamber was pleased to learn about the launch of Core Climate in October last year and we believe that this platform could serve a critical role in enhancing Hong Kong as a green and sustainable finance hub, leveraging our connection to the Mainland to be the first and only carbon exchange to allow trades in HKD and RMB. We are aware of the existing International Carbon Market Council which has already included banks and some larger corporates, however our members would also like to contribute to the discussion and have also gathered some questions based on the existing framework of the Core Climate initiative on which we would like to obtain more clarity.

It is stated that Core Climate will adhere to international standards, which the Chamber understands as the IC-VCM / Core Carbon Principles. Minimizing fragmentation while ensuring harmonisation with international standards will be critical to ensuring the scale and liquidity of carbon markets needed internationally for the global economy to meet today's significant climate challenge, not to mention improving much-needed confidence in carbon markets. We understand that there will be an intention to "localise" these standards to ensure Hong Kong acts as a bridge between China and other markets. Based on this, we ask the following:

1. What criteria are to be used for certification standards and on what basis? Has the Exchange committed to full alignment with the Core Carbon Principles (CCPs) and Assessment Framework (AF) of the ICVCM? If yes, how will you ensure implementation and alignment?
2. What due diligence processes will the Exchange have in place to ensure the validity of the credits being sold? Is there a plan to ensure participants have confidence in the transparency and quality of the market, for instance the transparency level of due diligence?
3. Will there be guidelines for how to claim the use of carbon credits to ensure integrity?
4. What does "localization" mean, and how will their standards differ from CCPs? Are there any preliminary thoughts or preliminary ideas on how to bridge the gap between Chinese and international practices?
5. Carbon credit pricing has been considered a challenge by some in the business community, partially owing to carbon credits being heterogenous. How are the carbon credits priced in Core

Climate to strike a balance between attracting investors but also supporting a meaningful pricing scheme?

6. The Science Based Targets initiative (SBTi) recommends that companies transition their offsetting away from avoidance projects (cookstove, RE projects) towards using predominantly Removal projects (CCS, reforestation etc.). Other exchanges have committed to ensuring that their exchanges are to be heavily weighted to selling removal projects; what is the approach of HKEX?
7. What specific mechanisms are in place to validate the additionality of the underlying projects i.e. if the eligible projects were to happen even without investment in carbon credits?
8. What is the plan to increase liquidity in the market over time?
9. What is the plan to address some of the technical challenges faced by participants with respect to utilising (and onboarding, in the case of regulated institutions) the platform?
10. Are there any data on trades since inception available to the public? We think this is important in building confidence in the wider business community.

We note your comments in early December 2022: "The global voluntary carbon market is full of frictions, the lack of harmonized standards and transparency, counterparty risks. To create a vibrant market, we need a mechanism for price discovery, transparency and investors' trusts on what they invest in." In our view, the questions listed above are decisive for carbon market trading to flourish.

We would very much welcome a meeting with you and your colleagues attended by senior members of the Chamber to discuss the above questions and the initiative more generally.

We look forward to hearing from you. The Chamber stands ready to work with you to promote and create best-in-class voluntary carbon market infrastructure, products and services that our stakeholders need in their net-zero transition for Hong Kong. We hope that we can develop a close dialogue with you and your team.

With very best wishes.

Yours sincerely,



Ir Dr Anne Kerr
Chair, BCCHK

Cc: Mr Ken Chiu, Senior Vice President, Head of Carbon & ESG Products, HKEX
Ms Alys Pun, Senior Vice President, Carbon & ESG Products, HKEX
Mr David Graham, Executive Director, BCCHK
Ms Christy Ng, Business Policy and Corporate Relations Manager, BCCHK