

Green focus for Belt and Road

Environmental, social and governance factors are key considerations as investment in BRI projects gathers pace, forum hears

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Green and sustainable development is of great importance to the Belt and Road Initiative, since every large-scale project along the route reflects long-term investment.

Over the next 10 years, investments in BRI projects — there are more than 900 to date — are expected to reach at least \$1.5 trillion. While adding a significant amount to the supply equation of infrastructure investment, it is important to take ESG into account since the lifespan of those projects will last for decades, bringing benefits not only to China, but also to recipient and neighboring countries, said Angus Hui, head of Asian and emerging market credit at asset management company Schroders.

ESG stands for environmental, social and governance factors that need to be incorporated into investment decisions, believed to be conducive to better risk management and more sustainable returns.

Hui was speaking at a forum held at the Hong Kong Maritime Museum on Oct 12, under the theme ESG: Greening the Belt and Road Initiative for our planet/for tomorrow/for a brighter future.

The more than 100 participants at the event, presented by advisory firm Ascent Partners and co-organized by *China Daily*, included business leaders, investors and academic researchers.

Hui said China has put great emphasis on the concept of sustainability in recent years. For example, sustainability is among the main government policies to develop a green China. In addition, guidelines regarding green finance or green bonds have been issued by China's central bank and the China Securities Regulatory Commission.

"Sustainability has become increasingly important across the globe, as well as in Asia," said Hui.

Nearly 70 percent of institutional investors in Asia believe sustainable investing will gain importance in the future, according to the *Schroders Institutional Investor Study 2018*. Though the number is not as high as in Europe (83 percent), Hui said the increase from the previous year's 59 percent already shows a positive trend.

China accounted for 23 percent of global green bond issuance in 2017, yet green bonds only took up 2 percent of the total bond issuance in China, which indicates huge potential in the future, said Hui.

He added that China's national-level carbon pricing mechanism, which is expected to launch in 2020, will also bring more changes to the market. Setting up a carbon price is



On Oct 12, a forum discussed the importance of green and sustainable development to the Belt and Road Initiative. The event was presented by advisory firm Ascent Partners and co-organized by *China Daily*. ROY LIU / CHINA DAILY ASIA WEEKLY

regarded as a policy push to encourage enterprises to lower carbon emissions.

"Sustainability of a business is becoming more essential," said Patrick Lee, executive vice-president for North East Asia and Australasia at Intertek, a leading total quality assurance provider. "It is about making changes in a balanced way."

Measuring tools

Lee said insurance companies will soon realize the need to invest in ESG, due to extreme weather conditions and natural disasters brought by climate change and global warming.

Due to the recent Typhoon Mangkhut — which saw Hong Kong hoisting a signal-10 warning for an unprecedented 10 hours last month — assessors said they expect record-high claims exceeding \$127 million.

Intertek is working to promote the Low Carbon Manufacturing Programme initiated by the World Wildlife Fund. The program provides corporations with measurement tools to boost their effectiveness in reducing greenhouse gas emissions.

As the BRI gives rise to major infrastructure projects, the risk of climate change "has become something that needs to be increasingly considered," said Jonathan Beard, executive director, head of business advisory and head of transportation and logistics in Asia at Arcadis, a global design and consultancy firm.

"It is not just about how those projects will have an impact on climate change and global warming, but also how the latter will impact our projects," said Beard. "For example, how will higher temperature

have an impact on concrete?"

In addition, Beard said climate change has the potential to affect achievement of nonfinancial objectives, especially on development, community and environmental issues. He said more emphasis will be put on green supply chains, especially in emerging markets as air pollution and greenhouse gas emissions generate more concern.

Building a smart and resilient infrastructure system can be the answer to maintaining sustainability, said Beard, noting that innovative urban infrastructure solutions will help cities remain cooler and more resilient. The focus on city population is especially critical to Asia's booming cities.

"It is important to focus on better BRI project preparation and independent assessment of whether to proceed," said Beard. "It is also important to focus on mainstreaming sustainability and resilience at the front end of project preparation."

Public transport providers can play a role in helping save more space on the planet through improved mobility, said Cyril Aubin, managing director of Hong Kong Tramways, which is owned and operated by RATP Dev Transdev Asia.

It is predicted that 65 percent of the world's population will be living in cities by 2050, up from 53 percent in 2014, said Aubin. The needs for mobility will grow simultaneously as the number of urban trips will grow from 7.5 billion in 2014 to 12 billion in 2025.

"The future public transport system will be a complex and customer-centric ecosystem," said Aubin. He expects the use of electromobility

and autonomy, such as autonomous vehicles, to pick up steam and lead the future trend due to the advancement in the 5G network and other technology, despite the current infrastructure of smart cities not being ready and the adoption of new mobility solutions being slower than expected.

The wellness and hospitality industry can also help to promote the concept of ESG through its service and educational experience for its guests, said Jeffery Smith, vice-president of sustainability at Six Senses Hotels Resorts Spas, a hospitality company that operates in 21 countries.

Reporting initiative

The privately owned company has been publishing a sustainability report since 2015. Operational data is collected from all properties monthly and the ESG issues are reviewed at the highest level of management, according to Smith. The company is now starting to follow the Global Reporting Initiative standard, one of the world's most widely adopted ESG standards.

Smith hopes a high-speed and low-carbon transport and logistics system can be built with the green development of the BRI.

Mei Ng, chairperson of the Hong Kong-based environmental organization Friends of the Earth (HK), said environmental advocacy groups and green charity organizations could play a strategic role in greening the BRI.

"Greening the BRI helps to transform future cities and communities to become dynamic systems that are 'mutually' beneficial and 'symbolical-

ly' balanced and resilient," said Ng.

"Greening the Belt and Road is a journey of mutual enlightenment, mutual empowerment and mutual progress," she said, adding that all stakeholders in the BRI can share their best practices in green inspiration and sustainable development with each other through "regenerative partnership".

"(It is important to) keep sharing, keep inspiring and keep connecting for a greener and more resilient future of Hong Kong and everyone along the Belt and Road route," said Ng.

Francis Ngai, founder and CEO of nonprofit organization Social Venture Hong Kong, said that among all issues we face today with ESG, "the biggest issue is actually us — the people".

"There are a lot of good minds and good resources around. Money is not a problem. We have got technologies and solutions," said Ngai. "But we need facilitation. We need to work together."

Founded in 2007, Social Venture Hong Kong has incubated and invested a series of enterprises targeting different environmental and social issues, including a point-to-point taxi service for the disabled, helping to solve housing problems for the poor, and promoting healthy and sustainable lifestyles.

"I don't think social entrepreneurs can save all the people. I don't think just with the business or with all the invested money we can solve all the problems," said Ngai. "But how we can work together and get the same mind-set is more important at the end, when we talk about sustainability."