HONG KONG MONETARY AUTHORITY
香港金融管理局

Consultation Report: Prototype of Hong Kong Taxonomy for Sustainable Finance (Phase 2A)

January 2026

Contents

Chapter 1:

Introduction

The Hong Kong Monetary Authority (HKMA) published Phase 1 of the Hong Kong Taxonomy for Sustainable Finance (thereafter referred to as the "Hong Kong Taxonomy" or "the Taxonomy") in May 2024 as an enabling tool to help market participants make informed decisions regarding green and sustainable finance and scale up relevant capital flows.

Building on the publication of Phase 1 of the Taxonomy, the HKMA has adopted a phased approach to further enhance the Taxonomy. On 8 September 2025, the HKMA published the prototype of Phase 2A Taxonomy for public consultation. Phase 2A introduces new green activities, transition elements, and a new environmental objective on climate change adaptation.

The consultation period invited diverse perspectives from financial institutions, corporates, industry bodies, non-governmental organisations, and other stakeholders. The HKMA received constructive feedback, reflecting a wide range of views on the proposed scope, criteria, and applicability of the Phase 2A prototype.

This report prepared by the HKMA in collaboration with the Climate Bonds Initiative (Climate Bonds) presents the key findings of the consultation, summarising respondents' comments, areas of broad support, concerns raised, and suggestions for improvement. It also outlines the HKMA's responses and the adjustments made to Phase 2A Taxonomy in light of the feedback received. The insights gained through this process have been instrumental in ensuring that the Hong Kong Taxonomy remains robust, internationally aligned, and practical for the local market, while advancing Hong Kong's sustainable finance objectives.

Chapter 2:

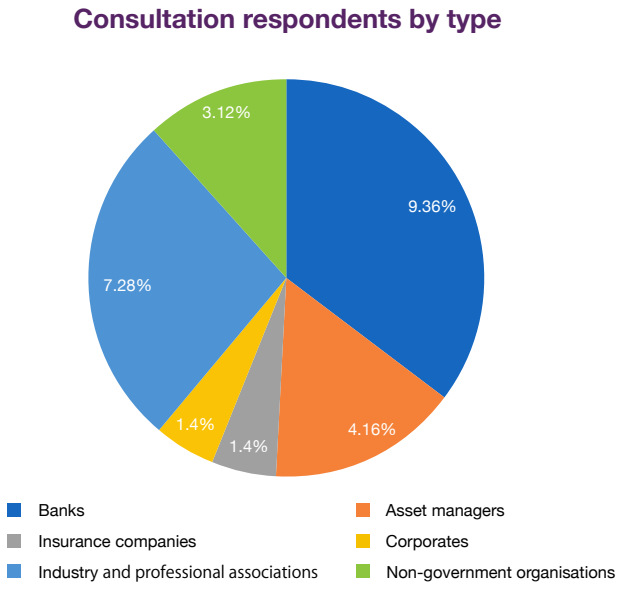
Feedback Overview

The HKMA received 25 responses to the public consultation on the Phase 2A prototype of the Hong Kong Taxonomy. Overall, the proposed enhancements were well-received and strongly supported by market participants, with respondents recognising Phase 2A as an important step forward in advancing a credible, interoperable, and usable sustainable finance framework for Hong Kong.

A breakdown of the responses by respondent type is presented in Figure 1 below.

Figure 1: Type of respondents to Phase 2A taxonomy prototype

Type of respondents	Number of respondents
Banks	9
Asset managers	4
Insurance companies	1
Corporates	1
Industry and professional associations	7
Non-government organisations	3
Total	**25**



Respondents across the banking sector, professional associations, and non-government organisations expressed strong support for the design, structure, and enhancements introduced in Phase 2A. They found the framework to be well-designed, logically organised, and robust, with clear hierarchical structure and user-friendly activity cards that aid navigation. The classification of activities into green, transition, and exclusion categories, resembling a traffic-light approach used regionally, was perceived as a credible and practical way to guide market participants.

Respondents welcomed the inclusion of key transition principles, which highlighted the finite nature of transition and underscored the importance of embedding safeguards to avoid carbon lock-in. The use of science-based methodologies, time-bound criteria, and explicit sunset dates for transition activities and measures was also regarded as essential to ensuring rigour, credibility, and alignment with Hong Kong's Climate Action Plan 2050.

The expansion of the Taxonomy's scope to cover new sectors, namely Manufacturing and Information and Communications Technology (ICT), was noted as a major improvement, alongside the introduction of climate change adaptation as a new environmental objective (with a focus on water-related measures for Phase 2A). The addition of adaptation elements was considered particularly relevant in light of Hong Kong's exposure to flooding and extreme weather events, further strengthening the Taxonomy's focus on local climate resilience needs.

Chapter 3:

Feedback Summary

This section provides an overview of the feedback received during the public consultation, along with the HKMA's responses to the key points raised. The consultation gathered diverse inputs from stakeholders across various sectors, offering valuable perspectives on the design, scope, and practical application of the Phase 2A prototype.

Consultation questions

Table 1 below sets out the consultation questions used to solicit stakeholder feedback on the Phase 2A prototype. These questions were designed to address key aspects of the proposed enhancements, including its structure, scope, methodologies, activity criteria, and potential applications.

Table 1: Consultation questions of Phase 2A taxonomy prototype

Consultation questions	
1	**Taxonomy design, structure, and scope**
A	What are your views on the design and structure of the Taxonomy?
B	Is the Taxonomy easy to navigate across chapters and sections? If not, how can it be improved?
C	Are the graphics clear and comprehensible? If not, how can they be improved?
D	What are your comments on the current scope and coverage of the Taxonomy? What other sectors, activities, environmental objectives, and elements, etc. would you recommend to be included in subsequent phases of the Taxonomy?
2	**Taxonomy methodology**
A	On climate change mitigation, what are your comments on the classification framework, such as the principles and definitions for each category (i.e. Green Activity, Transition Activity, Transition Measure)? Is the framework credible, usable, and clear?
B	On climate change adaptation, what are your comments on the adaptation framework, such as the core principles and proposed adapting measures? What are your views on the development of subsequent phases, including the approach for classification and scope of activities?
3	**Sector chapters** (For the following questions, please specify the sector and economic activity concerned.)
A	Is the sector introduction clear and the level of context and detail sufficient? If not, are there other sources or related information that can be referenced? Please include the document link(s).
B	What are your comments on the metrics and technical criteria, including their credibility, usability, clarity, interoperability with global taxonomies, and level of ambition, etc.? Please provide specific suggestions for improvement.
C	What challenges do you foresee in implementing the metrics and technical criteria? Please provide specific details on how these challenges can be addressed with supporting information and evidence.
D	Are there any metrics and technical criteria that could be further adapted in the local context?
E	Please provide any feedback on specific sectors/ activities, along with evidence to support your recommendations.
4	**Taxonomy implementation**
A	What are your suggestions on how the Taxonomy could be used in Hong Kong? What use cases do you consider should be prioritised?
B	Given that the Taxonomy is a voluntary tool at this stage, what actions or support do you think regulatory agencies can provide to increase its adoption?

C	The Taxonomy is a living document. How often would you like to see updates and expansions to the Taxonomy? Are there specific sectors or activities that you consider should be prioritised for more frequent updates? Do you have any other feedback on Taxonomy implementation and maintenance?
5	**Additional comments**
A	Do you have any other questions, comments, or suggestions?

3.2. Taxonomy (Phase 2A) development

This section summarises the feedback received during the public consultation and outlines the HKMA's responses to the main issues raised, as highlighted in purple boxes.

3.2.1. Taxonomy design and structure

General market sentiment

The Hong Kong Taxonomy for Sustainable Finance (Phase 2A) was generally well-received by the market for its expanded scope, robustness, and clear structure. The inclusion of additional sectors and activities, along with the introduction of transition elements and climate change adaptation objective, was welcomed as a significant step towards greater interoperability and market alignment. Respondents also found the framework as both scientifically grounded and contextually practical, recognising its potential to guide green and sustainable finance activities in Hong Kong while serving as a useful reference for cross-border financing and alignment with international frameworks. Additionally, respondents noted improvements in coherence, ease of navigation, and overall usability compared to Phase 1 Taxonomy.

Our response

We appreciate respondents' support for the expansion of the Hong Kong Taxonomy (Phase 2A) and its newly introduced components.

Harmonisation and interoperability

While respondents recognised the Taxonomy's alignment with regional and international frameworks, they suggested providing clearer explanations on how the alignment is established. A common recommendation was to include a visual mapping of activity codes, metrics, and technical criteria to facilitate easier comparison with major frameworks, such as the European Union (EU) Taxonomy, China's Green Bond Endorsed Project Catalogue, and the Multi-Jurisdiction Common Ground Taxonomy.

Some respondents also sought clarification on the continued applicability of Phase 1 Taxonomy.

Our response

We recognise the importance of interoperability with global standards, given Hong Kong's role in bridging sustainable finance flows internationally. Indeed, the principle of interoperability has all along guided

the development of the Taxonomy. Specifically, Phase 2A draws reference from mainstream taxonomies including the EU Taxonomy, China's Green Bond Endorsed Project Catalogue, and other taxonomies in the Asia-Pacific region. These references have been documented in the methodological sections of each sector chapter. To facilitate cross-referencing, we have further added International Standard Industrial Classification of All Economic Activities (ISIC) codes to each activity. Going forward, Hong Kong will also continue to participate in relevant international interoperability initiatives.

Phase 2A Taxonomy has already incorporated the content of Phase 1 Taxonomy as appropriate and will therefore supersede Phase 1 Taxonomy. Accordingly, all future references to activities and measures should align with the latest technical criteria established under Phase 2A Taxonomy.

Interface between the Taxonomy and transition plans

Some respondents suggested that entity-level criteria be developed, such as recognising credible entity-level transition plans that capture broader decarbonisation initiatives. This could allow for flexibility in context-specific classifications and support the assessment of general corporate-purpose financing. In the same vein, a few respondents commented that transition plans could be helpful in supporting transition efforts across all sectors, rather than being limited to the maritime sector, which currently is the only sector in the Taxonomy with such requirements.

Our response

The Hong Kong Taxonomy adopts an activity-level and asset-level approach to assessment, in line with global taxonomies. Under Phase 2A, transition plans at either the activity or entity level are required in specific cases to demonstrate that the activity is on a credible transition trajectory towards meeting the relevant Green Activity criteria. Such cases are outlined below:

- Activity-level transition plans: Required for certain Transition Activities. For example, maritime vessels classified as Transition Activities must include a managed reduction plan outlining retrofit and fuel-switch pathways. Similarly, data centres transitioning at the activity-level must demonstrate a commitment to align with the Green thresholds for power usage effectiveness (PUE) over time.

- Entity-level transition plans: Required for certain Transition Measures involving forward-looking decarbonisation technologies with capacity-based requirements. These plans serve as safeguards to ensure continued progress and tangible decarbonisation outcomes. For example, maritime vessel engines designed for renewable energy adaptation but are not yet operating on such fuels must be accompanied by an entity-level transition plan aligned with a 1.5°C pathway.

Overall, the Taxonomy is intended to complement transition plans. By providing detailed, activity-level technical criteria, it serves as a reference point for developing credible and science-based transition strategies at the corporate level.

Furthermore, from an investment perspective, the Taxonomy is most directly applicable to use-of-proceeds debt financing, given its activity/asset-level focus. However, it can also support the development of general-purpose financial instruments, such as sustainability-linked bonds. In these cases, key performance indicators (KPIs) and sustainability performance targets (SPTs) could be calibrated to reflect alignment with the Taxonomy.

Risk annotations

One respondent suggested embedding climate risk annotations in the activity cards, which could help financial institutions identify physical and transition risks.

Our response

The Hong Kong Taxonomy is not a risk assessment tool. Its primary purpose is to identify and facilitate green and sustainable activities and scale up relevant capital flows. That said, to an extent, the Taxonomy can indirectly mitigate transition risks by defining decarbonisation pathways for activities that are consistent with a low-carbon future. Additionally, physical climate risks are addressed in the chapter on climate change adaptation, which identifies material climate hazards and outlines corresponding measures to enhance climate resilience.

3.2.2. Taxonomy methodology

Mitigation framework – transition elements

The new transition elements were well-received. Respondents emphasised the importance of incorporating transition, particularly in the Asia context. They highlighted that transition is not a "sub-green" classification, but rather a well-recognised and credible designation, supported by both banks and investors. Additionally, the development of separate sets of criteria for "pure green" and "transition-focused" projects was seen as addressing a critical gap in Hong Kong's sustainable finance landscape, while also aligning with banks' need to differentiate risk pricing for the two project types.

Notably, Transition Measures were regarded as a valuable mechanism to facilitate transition finance towards small and medium enterprises (SMEs), which often have limited influence over the sustainability attributes of the wider project.

Separately, some respondents further sought clarification on the distinction between the Transition Activity and Transition Measure categories, and whether both categories qualify for transition financing.

Our response

We appreciate respondents' support for the mitigation framework. Both the Transition Activity and Transition Measure categories are developed to facilitate transition financing opportunities. Their distinctions are clarified below.

- **Transition Activities** refer to economic activities that are not yet aligned with a 1.5°C pathway but are progressing towards alignment, or enable significant short-term emissions reductions by the designated sunset date. The category allows the entire activity to access sustainable financing.

- **Transition Measures** refer to specific components and interventions within an activity that could partially improve the emission performance of the activity. The category facilitates access to sustainable financing options for granular processes and technologies, particularly when the entire activity does not meet the criteria for Green Activity or Transition Activity.

As an example, a Transition Measure for aluminium production is the purchase of renewable and low-carbon energy to support the decarbonisation of the broader activity (i.e. aluminium production). However, this does not mean that the activity itself meets the emissions thresholds required for classification as a Green Activity or Transition Activity. Since Transition Measures target improvements in specific components rather than transforming the entire activity into Green or Transition, they are only eligible for transition capital expenditure (CapEx) and operational expenses (OpEx) financing, and cannot claim revenue alignment with the Taxonomy.

Mitigation framework – sunset dates

Respondents generally supported the inclusion of sunset dates as a time-bound and science-based approach to transition. There were suggestions to extend the sunset date, such as to 2040.

Our response

The sunset dates are determined having regard to a basket of factors, including the maturity of relevant technologies, sectoral emission profiles, market readiness, Hong Kong's climate commitments, and international alignment. The sunset dates are carefully calibrated to reflect the unique characteristics and transition pathways of each sector and activity. For example, a 2040 sunset date has been set for the manufacture of aluminium, in light of the time needed for the development of relevant abatement technologies and the longer lead time required for the industry to transition.

Adaptation framework

Respondents expressed support for the inclusion of climate change adaptation as an objective in the Taxonomy. The whitelist approach was acknowledged as a pragmatic and appropriate starting point. Respondents also recognised that adaptation measures often form part of larger infrastructure or real estate projects rather than existing as standalone activities, and welcomed the added visibility that the Taxonomy provides.

Regarding further development of the adaptation framework, respondents raised diverse views. Some recommended expanding the whitelist, while others suggested incorporating technical criteria and maladaptation checks. Additionally, respondents requested a clear yardstick for determining which activities and measures can be whitelisted and which should undergo criteria-based assessments.

To develop robust technical screening criteria, leveraging various data sources was suggested. The data sources included government datasets from the Hong Kong Observatory, Environmental Protection Department, Environment and Ecology Bureau, as well as other sources like climate risk standards from the International Organisation for Standardisation, data from ESG reporting frameworks, insurance risk models, engineering firms, and relevant publications on climate adaptation.

Our response

We appreciate respondents' support for the adaptation framework. Given the relatively nascent state of adaptation research, a whitelist approach was adopted as an initial step. The whitelist comprises measures with two essential qualities: (i) able to substantially contribute to adaptation outcomes across a broad range of contexts, and (ii) pose minimal maladaptation risks. In subsequent Taxonomy phases, we will consider to explore more sophisticated assessment approaches whilst recognising the challenges involved, including the need to account for specific local contexts and the general lack of universal guidance. Future enhancements to the adaptation framework will aim to stay in step with evolving global and local understanding and expand the adaptation-related investment scope. They will be pursued subject to project priorities, institutional capacity, and cost-benefit analysis.

Taxonomy alignment metrics (CapEx, OpEx, revenue)

Some respondents sought clarifications regarding capital expenditure (CapEx), operational expenses (OpEx), and revenue, including their definitions and significance in terms of claiming Taxonomy alignment.

Our response

To explain, CapEx and OpEx are commonly used metrics for determining the eligibility of an activity or measure in raising Green or Transition labelled debt, while revenue is used to report or disclose the alignment of an activity as Green or Transition. While definitions may vary across accounting standards and reporting frameworks, the general interpretation of these terms is outlined below, with reference to the Climate Bonds Taxonomy 101 Guide[1]:

- **Revenue** or net turnover refers to the money derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover. Taxonomy-aligned revenue represents the proportion or amount of net turnover of activities that are aligned with the Taxonomy criteria.

- **CapEx** is a payment for goods or services for companies to maintain existing property and equipment and to invest in new technology and other assets for growth (for example, the purchase of land, vehicles, buildings, or heavy machinery). It is recorded, or capitalised, on the balance sheet instead of expensed on the income statement. Taxonomy-aligned CapEx represents the proportion or amount of capital expenditure of activities or measures that are aligned with the Taxonomy criteria.

- **OpEx** is a shorter-term expense or non-capitalised costs required to meet the ongoing operational costs of normal, day-to-day business operations (for example, servicing and maintenance of property, plant, and equipment assets to ensure their continued and effective use, research and development, renovation measures, or short-term leases). Taxonomy-aligned OpEx represents the proportion or amount of operating expense associated with activities and measures that are aligned with the Taxonomy criteria.

1 https://www.climatebonds.net/files/documents/publications/CBI-Taxonomy-User-Guide_12-November.pdf

3.2.3. Sector chapters

Energy sector

A-004 Transmission and distribution of electricity

Respondents proposed removing the emissions thresholds for transmission and distribution networks, in view that the networks serve as enablers of the net-zero transition rather than direct sources of emissions. Relatedly, some respondents commented that the specific thresholds of 67% for newly connected generation capacity under Green Activity and 50% for Transition Activity lacked clear justification and requested further explanation of how these figures were determined.

Additionally, clarification was requested on whether the calculation of grid emissions factor should be based on historical data or forward-looking data. Respondents cautioned that relying on historical data might fail to account for future construction of transmission and distribution infrastructure, while a forward-looking approach would necessitate a robust and transparent transition plan.

Our response

The activity aims to support the broader integration of low-carbon electricity into the energy system through the construction, retrofitting, and operation of relevant transmission and distribution networks. Emissions thresholds on power generation are therefore necessary safeguards to support a whole-system approach to decarbonisation and ensure that grid modernisation progresses at a sufficient pace to facilitate the integration of low-carbon electricity. This approach aligns with global taxonomies. Specifically, the threshold of 67% for Green Activity aligns with the EU Taxonomy, which requires that this share of newly enabled generation capacity meets the emissions threshold of 100 gCO_2e/kWh. The Transition Activity threshold of 50% aligns with the Hong Kong Climate Action Plan 2050, which mandates a 50% reduction in total carbon emissions from the energy sector by 2035.

Regarding the grid emissions factor, the five-year period refers to historical years, including the most recent year for which data is available. This approach aligns with global taxonomies and ensures that the grid's decarbonisation trajectory is grounded in actual performance. For anticipated connections, the Taxonomy provides alternative options for direct or grid connection, as outlined in points (1) and (2) of the Green Activity and Transition Activity criteria.

A-005 Transmission and distribution of renewable and low-carbon gases

Respondents requested a clear definition of "renewable and low-carbon gas" and suggested that long-term power purchase agreements (PPAs) for such gases be considered eligible.

Additionally, respondents sought clarification on whether the percentage gas thresholds for Green Activity and Transition Activity apply to design capacity or actual throughput. There were comments that basing thresholds on design capacity alone could pose greenwashing risks.

Our response

Renewable and low-carbon gases are defined in the "Activity Description" of A-005 as non-fossil gases, including biogas, biomethane, and hydrogen and its derivatives. Such gases can be sourced via long-term PPAs.

Separately, the percentage gas thresholds are based on actual throughput.

A-006 Storage of electricity

Respondents sought confirmation on the eligibility of all batteries and all sources of thermal energy, including fossil fuel-based energy production.

Our response

We confirm that all types of batteries are eligible. Electricity storage is primarily deployed to mitigate intermittency and enhance the reliability of renewable-based electricity, while storage is less commonly associated with fossil fuel-based electricity. However, fossil gas-based electricity storage is permitted to solely support firming and backup power applications.

A-007. District heating and cooling

Respondents requested an explanation of how the thresholds were determined, particularly for Transition Activity. Relatedly, there was a proposal to exclude waste heat or cogenerated heat from fossil fuel-based operations.

Our response

The thresholds for Green Activity are developed with reference to the EU Taxonomy, which requires district heating and cooling systems to meet the definitions laid down in Article 2, point 41, of Directive 2012/27/EU. For Transition Activity, the thresholds are further tiered to promote inclusivity and reflect Hong Kong's context.

In response to feedback on activity scoping, we have refined the activity scope to exclude waste heat and cogenerated heat derived from fossil fuel-based operations.

Fossil gas power generation

The Phase 2A Prototype highlighted the potential inclusion of fossil gas-fired power generation in future sub-phases, which elicited diverse feedback. One respondent considered that such power generation should be excluded from the Taxonomy, citing the IEA Net Zero by 2050 Roadmap, which states that no new unabated gas power capacity should be added to achieve a 1.5°C pathway. Conversely, other respondents supported its inclusion, and recommended that the technical screening criteria align with the EU Taxonomy for credibility and interoperability.

As regards emissions thresholds, respondents suggested that they should reflect Hong Kong's unique context, and account for the availability and maturity of commercially viable decarbonisation technologies. Some proposed adopting alternative transition thresholds, such as those set by the Transition Pathway Initiative (TPI) for non-OCED countries at 345 gCO_2e/kWh with an earlier sunset date, or developing Hong Kong-specific thresholds through a transparent, evidence-based process similar to that by the EU.

Our response

As outlined in *Chapter IV: Looking Forward* of the Taxonomy, we acknowledge the transitional role of fossil gas in Hong Kong's energy transition, and fossil gas-fired power generation is under consideration for inclusion in subsequent phases.

The current emissions thresholds in the Taxonomy reference TPI's Below 2°C global pathways and apply to Phase 2A activities. We will assess the applicability of such thresholds for new activities and develop criteria that are science-based and fit-for-purpose for the local context. Additionally, a localised decarbonisation pathway tailored to Hong Kong's circumstances may be considered in future iterations of the Taxonomy, drawing on credible inputs including government publications, research papers, and other authoritative sources as appropriate.

Transportation sector

B-002 Personal mobility devices, cycle logistics / B-003 Transport by motorbikes, passenger cars and light commercial vehicles

One respondent sought clarification on the scope of light commercial vehicles covered under B-003, and asked whether B-002 overlaps with B-003 by including motorbikes as well.

Our response

We do not intend for any overlaps in the scoping of B-002 and B-003.

Light commercial vehicles under B-003 refer to vehicles with a maximum weight limit that complies with relevant local regulations. In Hong Kong, the maximum weight limit for light commercial vehicles is 5.5 tonnes. This will be further indicated in the footnote of the activity description of the Taxonomy.

As for motorbikes, they should only be considered under B-003 (not B-002), as indicated in the footnote

of the activity description of the Taxonomy. To clarify, electric scooters mentioned under B-002 refers specifically to electric kick scooters, which are classified as electronic mobility devices and are distinct from motorbikes or motorcycles.

B-004 Transport of freight by sea / B-005 Transport of passengers by sea

Respondents provided feedback on the thresholds for Energy Efficiency Operational Indicator (EEOI) and Annual Efficiency Ratio (AER) under Green Activity. In general, respondents considered these metrics credible and suggested that the thresholds could be progressively tightened beyond 2030. Some detailed clarifications and technical questions were also raised:

- **Scoping:** A respondent sought clarification on whether the Taxonomy is agnostic to fuel type, provided the EEOI or AER thresholds are met. Additionally, the inclusion of onboard carbon capture and storage (OCCS) was also raised.

- **Compliance:** Some respondents expressed concern that new vessels may lack operational data required for EEOI and AER metrics. They also enquired if alignment with forward-looking EEOI and AER thresholds up to 2050 is required, and whether the information could be projected by issuers themselves or if external verification would be required.

- **Vessel size:** A respondent suggested that vessel size should be determined based on deadweight tonnage rather than gross tonnage.

Our response

Scoping: The Taxonomy criteria are designed to be technology-agnostic and do not prescribe the type of fuel used, as long as the relevant thresholds for EEOI or AER are met. As for OCCS, while it is recognised as a potential decarbonisation technology by the International Maritime Organisation (IMO), it remains relatively nascent and under study. Future versions of the Taxonomy will consider alignment with emerging global guidance, including IMO's regulatory framework for the use of OCCS[2], which is currently under development.

Compliance: For newbuilds, they should initially report their expected EEOI or AER values. Subsequently, the vessels will be required to report their actual EEOI or AER values based on performance from the first year of operation. Further details on the application of forward-looking thresholds will be provided in subsequent phases, drawing on approaches adopted in mainstream taxonomies.

Vessel size: The column on "size" in Tables 6 and 7 of the Taxonomy has been updated to align with the classification system under the IMO's 4th Greenhouse Gas (GHG) study, which adopts different size metrics (including deadweight tonnage (dwt), twenty-foot equivalent units (TEU), cubic metres (cbm), and gross tonnage (GT)) for different types of ships. This update does not impact the EEOI and AER thresholds now specified in the Taxonomy.

2 https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/MEPC%2083-17-Add.1%20-%20Annex%208.pdf

Additionally, respondents provided comments on the Transition Activity criteria.

- **Definitions:** Clarifications were sought on several terms, including "per transport work" and "state-of-the-art measures and technologies".

- **Renewable and alternative fuels:** There were queries on the scope of renewable and alternative fuels, and whether include B100, bio-methanol, e-methanol, and bio-methane were covered.

- **Energy Efficiency Design Index (EEDI) and Energy Efficiency Existing Ship Index (EEXI) pathways:** EEDI and EEXI were suggested to be combined, given that they do not seem to have a clear differentiation. Additionally, concerns were raised that the 20% reduction target below the EEDI requirements for 2022 is too stringent, with some questioning its alignment with the IMO pathways.

Our response

Definitions: "Per transport work" is expressed as a factor of distance travelled by the ship multiplied by its capacity of cargo carried (or the ship's capacity in the absence of actual data)[3,4], which can be calculated on a per-voyage basis and/or aggregated to an annual average basis. For guidance on "state-of-the-art measures and technologies" to mitigate methane slippage emissions, reference can be made to IMO's Guidelines for Test-bed and Onboard Measurements of Methane (CH_4) and/or Nitrous Oxide (N_2O) Emissions from Marine Diesel Engines[5].

Renewable and alternative fuels: Definitions for renewable and alternative fuels will be provided in subsequent phases of the Taxonomy, as we continue to study relevant maritime fuels for bunkering and storage, low-carbon liquid fuels, and basic chemicals.

EEDI and EEXI pathways: EEDI and EEXI are distinct metrics designed to address different aspects of vessel efficiency. EEDI applies to new ships, while EEXI applies to existing ones. Both pathways draw reference from IMO's EEDI reference line and requirements for EEDI and EEXI applicable from 1 April 2022 and 1 January 2023 respectively. To align with global taxonomies, a further 20% reduction of EEDI and 10% reduction of EEXI have been introduced.

Furthermore, respondents suggested alignment with global guidance and the latest industry frameworks, including updating the current criteria to reference the Poseidon Principles' 2023 trajectories. The carbon intensity indicator (CII) ratings, which are being increasingly adopted by the industry, were also suggested as an additional metric for consideration.

Our response

The Taxonomy criteria strive to align with global guidance and the latest industry frameworks. For example, the criteria for the maritime sector under Phase 2A have been updated from Phase 1 to reference the Poseidon Principles' 2023 trajectories. The EEOI and AER thresholds under Green Activity also align with the IMO 4th GHG Study trajectories, while the ambition and interim emissions reduction target of the 2023 IMO GHG

3 https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Circ-684.pdf

4 https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Air%20pollution/MEPC.336(76).pdf

5 https://wwwcdn.imo.org/localresources/en/KnowledgeCentre/IndexofIMOResolutions/MEPCDocuments/MEPC.402(83).pdf

Strategy have been reflected under Transition Activity. As regards CII, we note that reduction factors for 2027-2030 were released recently and will consider incorporating CII as a metric in future phases of the Taxonomy.

B-006 Low-carbon transport infrastructure

A respondent questioned the rationale for classifying trans-shipment activities as a Green Activity without technical metrics. Furthermore, there was a proposal on the inclusion of infrastructure for supporting sustainable aviation fuel (SAF) refuelling.

Our response

The activity scope is defined to include only infrastructure that facilitates trans-shipment, which is automatically classified as Green given its enabling role. This includes terminal infrastructure and superstructures for loading, unloading, and trans-shipment of goods. As regards the actual transportation of goods via different modes of transport, the emission intensity of the vehicles and vessels used need to be assessed for compliance with the relevant activity under the Transportation sector. For example, if trans-shipment occurs by sea, the corresponding maritime vessel has to meet the criteria laid out in B-004 Transport of freight by sea. This approach aligns with global taxonomies.

The inclusion of SAF infrastructure will be considered in future phases as part of the broader development of aviation-related activities.

Construction sector

C-001 Renovation of existing buildings

Respondents sought clarification on the emissions reduction requirement of 30% specified in criterion A(1) and B(1) under Green Activity. Specifically, respondents queried the scope of "direct GHG emissions" referenced, noting that it appears to refer to Scope 1 direct emissions from fuel combustion, while most emissions associated with buildings are indirect Scope 2 emissions from electricity consumption. Respondents also suggested adding a definition of "building's historic average", noting that the current criterion could disproportionately benefit poorly performing buildings with long operating histories. They also further highlighted challenges in obtaining reliable data for older buildings.

Our response

Scope of emissions: The criterion in the Taxonomy has been revised by replacing "direct GHG emissions" with "operational emissions" to ensure that both Scope 1 and Scope 2 emissions are covered.

Building's historical average: We recommend following market best practices, such as guides by the Hong Kong Green Building Council. In cases where data is limited, alternative options for assessments have been provided in the Taxonomy, including the obtainment of Zero-Carbon-Ready Building Certification and Net Zero Energy Building Certification.

Respondents expressed concern over the stringency of the emissions reduction threshold, currently set at 30%, given the recent increase in electricity consumption caused by hot weather. Respondents also queried if the reduction threshold applies only to en-bloc (whole building) reductions, or if reductions from individual tenants are also factored in.

Our response

The energy or emissions reduction threshold of 30% aligns with international ambitions such as the EU Taxonomy and the Climate Bonds baseline. Detracting from this target would compromise the Hong Kong Taxonomy's goal of aligning with international best practices.

How the building emissions boundary is determined depends on the building type and ownership structure, as these factors influence the availability and granularity of emissions data. Typically, the boundary includes emissions from heating, hot water, ventilation and air-conditioning of the entire building, lighting and power in common areas, and the operation of lifts. Whether reduction from individual tenants is within the boundary will be subject to the factors mentioned above, in particular the ownership structure of the building.

Respondents proposed adding a category on Transition Measures by drawing from the list of building equipment indicated under C-003.

Our response

The Taxonomy is designed such that C-003 Installation, maintenance, and repair of building equipment is a separate, standalone activity that can be categorised as "Green" upon fulfilment of the relevant criteria. This approach is consistent with other global taxonomies. For better clarity, we have refined the language under C-003 by replacing "measures" with "equipment" in criteria A(1)(f) and A(1)(h). In subsequent phases, we will explore developing transition pathways for the Construction sector.

C-002 Construction of new buildings

Respondents highlighted challenges in obtaining detailed BEAM Plus score breakdowns required for compliance, and there were suggestions to remove the extended requirements for BEAM Plus. Instead, the criterion could rely solely on percentage energy savings, with greater flexibility in the use of Building Energy Code (BEC) baselines. In this connection, it was suggested to add a BEC 2015 baseline for BEAM Plus New Building v1.2 and a BEC 2018 baseline for BEAM Plus New Building v2.0, or to standardise at 25% energy savings against a BEC 2015 baseline for all projects.

One respondent further opined that the current drafting may limit the use of BEAM Plus certification outside of Hong Kong.

Our response

Score breakdown: It is understood that detailed category scoring is provided to applicants during the BEAM Plus certification submission and assessment process. We encourage transparent communication between project owners and other market players to facilitate Taxonomy compliance assessments.

Technical criteria: The Taxonomy references the Energy Use category under BEAM Plus certification, which represents the most material component for assessing building energy performance and climate mitigation impact. The Energy Use category focuses on two critical aspects: emissions reduction and minimum compliance with Hong Kong Building Energy Codes. These elements aim to drive decarbonisation in the construction sector by delivering direct emissions reduction and promoting long-term efficiency in building operations.

We note the requests for greater flexibility in using BEC baselines and standardising the energy saving thresholds. The current thresholds in the Taxonomy were developed during Phase 1 and align with the latest BEAM Plus requirements at the time, referencing BEC 2018 baseline for BEAM Plus New Building v1.2 and BEC 2021 baseline for BEAM Plus New Building v2.0. Recent updates to relevant standards, such as BEAM Plus New Building v2.0 (2025 edition) and BEC 2024, are under review and will be considered for inclusion in future phases of the Taxonomy.

Separately, on Zero-Carbon-Ready Building Certification, we have removed the reference to a 25% reduction, as the reduction percentage required evolves over time. Additionally, we have clarified that Level 2 improvements are assessed against a 2015 BEC baseline.

Application of BEAM Plus certification: The application of BEAM Plus is not limited to Hong Kong. We have updated the presentation of the technical criteria in the activity card for better clarity.

Other feedback relevant to C-001 Renovation of existing buildings and C-002 Construction of new buildings

Respondents provided the following suggestions on building certification schemes:

- Incorporate BEAM Plus Existing Building v2.0 and v3.0 certifications, particularly its Comprehensive and Selective Schemes focused on Energy Use.
- Include Carbon Risk Real Estate Monitor (CRREM) decarbonisation pathways, which are widely endorsed by global investors and cited in the annexes of the EU Taxonomy.
- Include Building Research Establishment Environmental Assessment Method (BREEAM), which is widely used in the United Kingdom (UK). Hong Kong property developers would use this certification in the UK.
- Clarify whether requirements under National Australian Built Environment Rating System (NABERS) Energy can be met using GreenPower.

Our response

We welcome the suggestions to expand the coverage of building certifications and will assess their inclusion in subsequent phases of the Taxonomy.

As regards the NABERS scheme, we align with Australian Government's prevailing Commercial Building Disclosure Program not to allow the use of GreenPower to meet relevant requirements. While the use of green power is recommended, it should not serve as a substitute for intrinsic building efficiency improvements.

Some respondents suggested considering a whole lifecycle approach that includes embodied carbon to align with global standards, such as Leadership in Energy and Environmental Design (LEED) v5, BREEAM v7, and other scientific studies by the Intergovernmental Panel on Climate Change (IPCC), United Nations Environment Programme (UNEP), and Science Based Targets Initiative (SBTi). Relatedly, there was also a suggestion to reference the Green Product Certification Scheme by the Construction Industry Council (CIC) for building materials, as well as standards by the China Building Material Federation.

Our response

At present, the Taxonomy is designed to only include operational emissions due to a general lack of data on embodied emissions and globally standardised thresholds, along with a limited global supply of sustainable building materials. To address upstream emissions, the Manufacturing sector will be expanded by phase to include activities such as cement production and iron and steel manufacturing, with the aim of promoting sustainable building materials. We will continue to keep in view the latest development and best practices on embodied emissions.

C-003 Installation, maintenance, and repair of building equipment

Respondents noted that the criteria are mostly qualitative and suggested incorporating quantitative thresholds, as well as a list of eligible international labelling schemes or local regulations for energy efficient equipment.

Our response

The Taxonomy criteria are designed to be qualitative in order to accommodate a broad range of building equipment. To provide additional clarity, criterion (A) requires that energy efficient equipment fall within the two highest energy efficiency classes. In Hong Kong, relevant certifications include, but are not limited to, Grade 1 and Grade 2 equipment labelled under the Mandatory Energy Efficiency Labelling Scheme (MEELS) and the Voluntary Energy Efficiency Scheme (VEELS). A footnote has been added to the Taxonomy for elaboration.

Waste sector

D-001 Sewage sludge treatment – anaerobic digestion or co-digestion / D-003 Utilisation/treatment of domestic waste – anaerobic digestion or co-digestion

Respondents requested a quantitative definition of the term "majority of the produced biogas" as indicated in point (2) of D-001 and D-003. Further clarifications were also sought regarding the threshold for bio-waste and definition of chemicals under D-003.

Our response

It is intended for all biogas produced to be utilised as indicated in the Taxonomy under normal circumstances. However, we acknowledge that there may be rare cases of equipment breakdown that restrict the utilisation of such biogas. In these cases, the biogas concerned should be safely flared.

All bio-waste should be source-segregated and collected separately. In cases where food and feed crops are used as input feedstock, they should be limited to 10% of the total feedstock. As for chemicals, they include ammonia, volatile fatty acids, lactic acid, alcohols, and other trace compounds based on the feedstock, digestion conditions, and microbial communities involved.

Manufacturing sector

E-001 Manufacture of hydrogen

Respondents sought clarifications on the activity scoping and whether geological hydrogen and hydrogen derivatives, including low-carbon ammonia and methanol, are included.

Separately, there were questions regarding lifecycle emissions scoping, in particular the accounting of emissions from conversion and reconversion, as well as the end use of the hydrogen produced. Furthermore, a detailed lifecycle assessment calculation template was requested.

There was also a suggestion to further quantify the measurements of additional renewable electricity usage, specifically whether they should refer to hourly, monthly, or average annual measurements.

Our response

Activity scoping: Geological hydrogen is not included in the Taxonomy at this stage due to complexities in the extraction process which necessitate more detailed technical criteria. As for manufacture of hydrogen derivatives such as low-carbon ammonia and methanol, they are standalone activities separate from E-001 and will be considered for inclusion under a future activity related to the manufacture of basic chemicals in subsequent Taxonomy iterations.

Lifecycle emissions scoping: A "cradle-to-site" methodology is applied to E-001, as outlined in Figure 3 of the Taxonomy. This methodology accounts for emissions from various manufacture processes, including feedstock acquisition, electricity generation, hydrogen production, conditioning, conversion and

reconversion, transportation and distribution, and storage, while excluding emissions related to the end use of hydrogen (e.g. hydrogen used as a fuel). Instead, emissions from end uses are addressed under the relevant sectors, such as Energy, Transportation, Buildings, and other Manufacturing activities. Additionally, we recommend referring to the latest versions of the ISO standards (ISO 14040, ISO 14044, ISO 14067, and ISO 19870) for detailed guidance on lifecycle assessment calculations specific to individual hydrogen production pathways.

Additional renewable electricity: The use of additional renewable electricity is required to be temporally and geographically correlated with the hydrogen production plant in cases where there is no direct connection to a renewable energy source. For temporal correlation, issuers should demonstrate that the renewable electricity is produced and used simultaneously, with monthly measurements as the minimum requirement and hourly measurements as the best practice. This approach ensures an adequate demonstration of additionality while minimising administrative burden. For geographical correlation, issuers should demonstrate the physical capacity to transport the electricity to the hydrogen production site. Additionally, the electricity should not pass through zones of grid congestion or overload that could prevent it from reaching the hydrogen plant.

A respondent highlighted a scenario in which a hydrogen manufacture facility currently complies with the Green Activity criteria, but may fail to meet the forward-looking Green Activity emission thresholds in 2030. Clarification was requested regarding the treatment of the facility's "Green" label in such circumstances, and whether de-labelling would be required from 2030 onward. Additionally, a proposal was put forward to permit the use of fossil fuel feedstock under the Transition Activity category.

Our response

We are considering various approaches for addressing forward-looking thresholds and will provide further clarification in subsequent phases. With respect to the inclusion of fossil fuel feedstock under the Transition Activity category, while the higher emissions intensity threshold is intended to promote greater inclusivity, it is necessary to restrict eligibility to technologies with the highest decarbonisation potential (i.e. electrolysis technologies) to prevent carbon lock-in in the long term.

E-003 Manufacture of aluminium: Alumina refining / E-004 Manufacture of aluminium: Aluminium smelting

One respondent requested additional details on the calculation methodology based on the International Aluminium Institute's (IAI) emissions budget for the alumina refining process and projections for primary aluminium demand. Another respondent suggested adopting the methodology used by the EU Taxonomy and developing Hong Kong-specific thresholds by setting the initial emissions threshold based on the top 10% performance of producers in Hong Kong or companies listed in Hong Kong.

Moreover, a respondent highlighted that the EU Taxonomy is subject to update every five years, which could result in alignment issues as EU policies and ambitions evolve. In light of this, it was suggested to define forward-looking emissions thresholds as ranges for each time period, or to include language that allows flexibility for revising such thresholds over time.

Our response

The alumina refining thresholds are determined based on the IAI's 1.5°C scenario for the aluminium sector[6], referencing the IAI's emissions budget for the refining process, as well as projected production of primary aluminium up till 2050. In future phases of the Taxonomy, we will explore the feasibility of developing Hong Kong-specific thresholds in line with globally accepted and credible methodologies.

We note the potential changes to EU Taxonomy thresholds and the implications for alignment with the Hong Kong Taxonomy. As a living document, the Hong Kong Taxonomy's forward-looking emissions thresholds will be regularly reviewed in light of developments in major reference frameworks, taking into account considerations of interoperability, technological changes, and local market circumstances.

There was a suggestion to consider including "percentage increase in the utilisation of secondary aluminium or recycled/ scrap aluminium" as a Transition Measure.

Our response

As secondary aluminium production from scrap does not involve the same emission-intensive processes as primary aluminium production, it can be considered automatically eligible under Green Activity.

ICT sector

F-001 Data processing, hosting and related activities

Regarding the general methodology and criteria development, respondents suggested incorporating the BEAM Plus standards more explicitly. Additionally, detailed feedback regarding the individual requirements is outlined below:

- **Water usage:** One respondent highlighted water scarcity in Hong Kong as a pain point in complying with the Water Usage Effectiveness (WUE) threshold, and suggested that alternative options be included, such as using recycled water and air cooling.

- **Global warming potential (GWP) of refrigerants:** Some respondents noted that refrigerants used in data centres in Hong Kong, typically R134a, cannot be replaced until the prevailing chiller systems are decommissioned. Therefore, they considered it premature to impose GWP requirements on existing data centres, and suggested limiting such requirements to new data centres, which have greater flexibility in the type of refrigerants used.

- **Construction of new data centre building:** Respondents considered that the requirements for new data centres appear to be more stringent than those for new commercial buildings. They also sought clarifications on whether multi-functional data centres that include other commercial uses (e.g. offices) should be assessed under this activity (F-001) or C-002 Construction of new buildings.

6 https://international-aluminium.org/resources/aluminium-sector-greenhouse-gas-pathways-to-2050-2021/

Our response

General methodology: The Taxonomy criteria are designed to be inclusive and applicable to a broad range of local and international data centres. Noting that BEAM Plus is the most common certification used in Hong Kong for data centres, the relevant PUE and water recycling requirements in the Taxonomy have been mapped to the corresponding BEAM Plus requirements, as indicated in the footnotes.

Water usage: Alternative options have been provided in the Taxonomy to demonstrate efficient water usage, including the suggestion to reference recycled water usage. Specifically, as an alternative to meeting WUE thresholds, data centres can incorporate water treatment systems with 8 or more cycles of concentration with acceptable water quality. Additionally, the Taxonomy also allows for the use of air cooling. It is further specified that in such cases, water usage requirements will not apply.

GWP of refrigerants: The GWP threshold of 675 is set to align with global taxonomies. It also encourages a shift to more sustainable refrigerants and minimises carbon lock-in, especially for newer data centres. For existing data centres, the decommissioning and replacement of current chiller systems to allow for a switch in refrigerants fall within the scope of retrofitting under Transition Activity.

Construction of new data centre building: C-002 includes criteria related to building structure. It generally considers emissions from heating, hot water, ventilation and air-conditioning of the whole building, light and power in common areas, and lifts. On the other hand, F-001 sets requirements that are specific to data centre operations. C-002 and F-001 are intended to be complementary standards. In the case of multi-functional data centres, the construction of the building structure should be assessed against C-002, while specific data centre design and operations should be assessed against F-001.

F-002. Data-driven solutions for greenhouse gas emissions reductions

Regarding ICT solutions that improve the emissions profiles of other sectors, respondents sought clarifications on how their GHG emissions reductions can be demonstrated to be on par with best performing solutions.

Regarding ICT solutions that improve the emissions profile of the IT industry, respondents queried whether there are minimum requirements for energy efficiency improvements and GHG emissions reductions.

Our response

The Taxonomy criteria are designed to be broad and qualitative to enable inclusion of a wide range of ICT solutions. For ICT solutions that improve the emissions profiles of other sectors, best performing solutions can be identified through market research and the GHG emissions of the proposed ICT solution should be compared against the best performers. For ICT solutions that improve the emissions profile of the IT industry, while there are no minimum thresholds, the ICT solution is expected to contribute positively to increasing energy efficiency, reducing GHG emissions, or maximising product use.

3.3. Further development and implementation of the Taxonomy

3.3.1. Expansion of the Taxonomy

Mitigation and adaptation

For climate change mitigation, there was broad consensus on the proposed areas for consideration in future development as indicated in *Chapter IV: Looking Forward* of the Taxonomy. Several new activities were recommended for inclusion, including waste-to-energy, landfill gas collection, methane recovery, water and wastewater treatment and distribution, desalination, critical mineral mining and refinement, and professional, scientific, and technical activities.

For climate change adaptation, additional hazards relevant to the Hong Kong context were suggested, including heat stress, mass movement damage, as well as storm damage. Having regard to these hazards, along with the currently identified hazards of flood damage and water stress, further adaptation solutions were recommended. The recommendations include the installation of sea walls or dikes, increase of flood drainage capacity, installation of water pumps, flood resistant roof retrofits and buildings, heat-resilient building design, and coastal road storm surge reinforcement. Nature-based solutions and community empowerment and urban planning measures were also proposed.

Our response

We will consider the suggestions as we enhance and expand the Taxonomy to make it more comprehensive and practical. We will prioritise recommendations that are the most material and relevant to the context of Hong Kong, the Greater Bay Area, and ASEAN region, as indicated in *Chapter IV: Looking Forward* of the Taxonomy.

Other environmental objectives

While there was a general consensus that climate change mitigation and adaptation should be prioritised for development, other environmental objectives were also proposed for consideration, in line with global taxonomies. These include:

- **Pollution prevention:** Addressing air and water quality challenges faced by Hong Kong and the wider region.
- **Biodiversity and nature:** Complementing global frameworks such as the Kunming-Montreal Global Biodiversity Framework and ASEAN taxonomies.
- **Sustainable use and protection of water resources:** Tackling water-related risks and impacts that are particularly relevant to Hong Kong.
- **Circular economy:** Promoting resource efficiency, with a focus on recycling and recovery of critical minerals, plastics, and textiles.

Additionally, sectors that cut across various environmental objectives were also proposed, including agriculture and forestry (covering soil protection, water management, and biodiversity conservation), as well as the food and beverage industry.

Our response

We would emphasise that the Taxonomy, at this juncture, will first focus on the objectives of climate change mitigation and adaptation, with a view to expanding the scope of eligible activities/measures that can substantially contribute to these objectives. This prioritisation aligns with international development, and we will continue to monitor how other environmental objectives are being incorporated into global taxonomies.

DNSH and MSS

Some respondents highlighted the need for further guidance regarding Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS), including considerations of a just transition as necessary safeguards. A clear stance on the inclusion of DNSH and MSS was also requested, particularly whether the approach will align with the EU Taxonomy and global standards, or be simplified to encourage broader adoption.

Our response

We note the feedback received and will consider the incorporation of such components in future development of the Taxonomy, potentially starting with DNSH and bearing in mind the principles of interoperability and usability.

3.3.2. Taxonomy implementation

Taxonomy use cases

Respondents identified the channelling and scaling up of sustainable capital flows from the public and private sectors as one of the priority use cases of the Taxonomy. Specific applications include:

- **Sovereign issuances:** Guide and inform the Government Sustainable Bond Programme and activities of the Exchange Fund.
- **Sustainable debt issuances:** Underpin debt capital markets and loan markets for sustainable debt issuances.
- **ESG fund product issuance, labelling, and screening:** Serve as a benchmark for defining eligible assets in ESG product portfolio construction.
- **Creation of innovative financing products:** Facilitate the creation of innovative financing solutions, particularly for adaptation finance.

Respondents also recognised the Taxonomy as a useful tool in shaping local policies and corporate and investment strategies. Specific applications include:

- **Transition planning:** Demonstrate alignment of business activities with transition-related opportunities, and serve as a reference point for financial planning in corporate transition plans.

- **Investment and strategic asset allocation:** Guide investment decisions and asset allocation by referencing Taxonomy scoping and criteria.

- **Adaptation roadmaps:** Inform the development of adaptation roadmaps linked to Taxonomy scoping and criteria.

- **Stewardship practices:** Complement the Principles of Responsible Ownership issued by the Securities and Futures Commission (SFC).

Meanwhile, there were mixed views on the use of Taxonomy in disclosures and reporting. A few respondents advocated for encouraging, or even mandating, companies and financial institutions to report on their Taxonomy-aligned business activities and green asset ratios. There were also suggestions to integrate the Taxonomy into existing sustainability disclosure frameworks by the Stock Exchange of Hong Kong (HKEX) and SFC to streamline reporting and enhance alignment across datasets. On the other hand, there were also views that the Taxonomy should remain a voluntary tool at this stage, with the potential for mandatory implementation to be considered in the future.

Our response

We note the feedback received and are encouraged by the recognition of the Taxonomy's potential to support diverse applications. Our current focus is on developing a robust framework for classifying green and sustainable activities, with the goal of creating a market-oriented tool for voluntary use by the industry. Over time, as awareness and experience with Taxonomy adoption and application grow, we will consider the need for introducing new regulatory requirements, taking into account factors such as global regulatory trends, industry readiness, and the availability of reliable data, etc. We will also continue to maintain close dialogue with the industry.

Further guidance required

Some respondents raised the need for further guidance to facilitate adoption, including:

- **Application of the Taxonomy**, including guidelines on labelled-debt issuances, general corporate purpose financing, sustainability-linked financing, investment decision-making, retail banking products, and academic research.

- **Monitoring and verification**, including seeking external and independent review or assurance.

- **Disclosures and reporting**, including detailed steps for reporting CapEx, OpEx, and revenue alignment, as well as clarifications on whether there would be any potential alignment with standards issued by the International Sustainability Standards Board (ISSB).

Our response

We note the feedback received and will take the suggestions into account as we explore the need for additional guidance on the use of the Taxonomy. We will continue to build capacity and explore ways to facilitate uptake of the Taxonomy. We also wish to highlight that there are no specific requirements under ISSB standards to report on taxonomy alignment.

Some respondents also raised the need for further guidance on loan and bond structuring, including:

- **Loans and bonds:** to accredit three to five third-party institutions that can review and verify Taxonomy alignment. Also, there were suggestions for the HKSAR Government to align its Green Bond Framework with the Taxonomy and issue bonds that align with Taxonomy criteria to set an example for the market.

- **Transition loans and bonds:** the lack of consensus and established precedents for applying the transition label on an activity basis was identified as a key challenge. Respondents sought clarification on whether alignment with the Taxonomy's transition criteria alone is sufficient or if transition plans are also required. Additionally, guidance was requested on assessing the credibility of transition plans.

- **Adaptation loans and bonds:** clarifications on whether such loans and bonds can be labelled as green or transition.

Our response

HKSAR Government's Green Bond Framework: The HKSAR Government issues bonds under the Government Sustainable Bond Programme (GSBP) to promote green and sustainable finance and development in Hong Kong. Since the launch of the Hong Kong Taxonomy in 2024, projects under the GSBP which fall within the scope of the Hong Kong Taxonomy shall align with the relevant taxonomy criteria. It is expected that the HKSAR Government's current Green Bond Framework will also be updated in due course to reflect the adoption of the Hong Kong Taxonomy.

Transition loans and bonds: Issuers may assess the alignment of assets or activities against relevant taxonomy criteria and use this alignment as the basis for labelling transition loans and bonds in order to have better access to financing opportunities. With the exception of specific cases where a transition plan is explicitly required as part of the taxonomy criteria (e.g. under the Hong Kong Taxonomy, maritime vessels must include a managed reduction plan to qualify as a Transition Activity), having a transition plan is not a prerequisite for taxonomy alignment. As outlined on page 11 of this report, taxonomies and transition plans are complementary tools. By providing detailed, activity-level technical criteria, taxonomies can serve as a reference point for developing credible and science-based transition strategies.

We note the other feedback received and will take the suggestions into account as we explore the need for additional guidance on the use of the Taxonomy. We will also continue to build capacity and explore ways to facilitate uptake of the Taxonomy.

Further initiatives and government support

Respondents highlighted the importance of capacity building. They suggested training programmes, workshops, seminars, forums, dialogues, and knowledge exchange sessions for banks, corporates, and assessment agencies. Additionally, there were suggestions to convene a Taxonomy pilot or working group to test the usability of the Taxonomy using existing or past cases, with case studies of successful Taxonomy-aligned transactions showcased for demonstration.

Additionally, respondents highlighted the burden of verification costs and a lack of incentives as barriers to Taxonomy adoption. In this regard, several suggestions were proposed:

- To provide more subsidies under the Green and Sustainable Finance Grant Scheme so as to help reduce the burden of verification costs for issuers.

- Preferential treatment of Taxonomy-aligned assets in prudential frameworks.

- Provision of subsidies and discounted funding as a fo rm of government-supported blended finance.

Some respondents also raised data unavailability as another challenge. This includes gaps in reported data from corporates, particularly SMEs and upstream supply chains, as well as granular climate data to ascertain adaptation benefits across diverse contexts. In this regard, there were suggestions for shared data solutions to be developed by Hong Kong policymakers, with a view to encouraging contributions from the private sector to improve the accessibility and quality of data for taxonomy assessments.

Our response

Green and Sustainable Finance Grant Scheme: The Green and Sustainable Finance Grant Scheme currently covers the transaction-related fees paid to recognised external reviewers for (i) pre-issuance external review, and (ii) post-issuance external review, which already include the verification costs in question. The Scheme aims to foster the adoption of sustainable finance, enrich the local ecosystem, and promote good market practice. Hence the HKMA will continue to, as we had in the past, refine the Scheme from time to time considering market developments and industry feedback.

We note the other feedback received. We will take into account the suggestions when exploring potential ways to facilitate uptake of the Taxonomy and build capacity within the industry.

Frequency of Taxonomy updates and priority sectors

Frequency of updates: Respondents provided varied suggestions regarding the frequency of Taxonomy updates, ranging from yearly to five-yearly intervals. Some feedback suggested that each sector should have its own timeline for update based on its pace of change. Additionally, updates should align with major milestone years (e.g. 2030 and 2050) and key reference frameworks, such as the Hong Kong Climate Action Plan 2050, the EU Taxonomy, and TPI guidance.

Priority sectors: Respondents identified several priority areas for updates and development, including maritime transport, aviation, sustainable aviation fuels, iron and steel, cement, data centres, buildings, hydrogen, nuclear energy, as well as measures and activities for climate change adaptation.

Transparency and governance: Respondents expressed a need for greater transparency on Taxonomy development. In particular, they suggested publishing a roadmap for Taxonomy updates; establishing a clear governance structure with representation from relevant government bodies, private sector players, technical expert groups, and industry associations; and established channels for open feedback and communication.

Our response

We recognise the need for the Hong Kong Taxonomy to be regularly updated. To this end, we will closely monitor global developments, industry trends, and market sentiments. Additionally, we will explore ways to enhance transparency and strengthen the governance processes for future Taxonomy updates, as well as continue to maintain close dialogue with the industry.

HONG KONG MONETARY AUTHORITY

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