

## **Eddie Yue: Opening remarks - International Conference "Climate, capital, and policy: advancing sustainable economic frameworks"**

Opening remarks by Mr Eddie Yue, Chief Executive of the Hong Kong Monetary Authority, at the International Conference "Climate, capital, and policy: advancing sustainable economic frameworks", Hong Kong, 20 April 2026.

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Professor Weder di Mauro (Beatrice Weder di Mauro, Geneva Graduate Institute and Centre for Economic Policy Research), Professor Bolton (Patrick Bolton, Columbia Business School, Imperial Business School and Centre for Economic Policy Research), distinguished guests, ladies and gentlemen, good morning.

Let me begin by thanking the Centre for Economic Policy Research (CEPR) for collaborating with us again this year and for bringing together such a distinguished group of researchers, policymakers, and practitioners from Hong Kong and around the world for this gathering.

The theme of today's conference is both timely and important. The transition to a more sustainable development path is becoming central to how we think about risk, resilience, investment, and growth.

### **A New Phase in the Transition**

I will start with a simple observation. The global conversation around ESG and sustainable finance has become more complex. Sentiment is shifting in some markets, and geoeconomic developments are drawing attention elsewhere. But the underlying reality has not changed: the climate is changing relentlessly, and the transition to a low-carbon economy is becoming more important, not less.

This question is especially important in Asia-Pacific. The region accounts for more than half of global carbon emissions<sup>1</sup>, yet its economies are still expanding rapidly and their energy needs continue to grow. This reality makes clear that sustainable finance should expand its remit and support credible transition pathways in high-emitting sectors that remain essential to growth and development.

China's approach to addressing climate change offers valuable insights for a comprehensive response. Its recent 15th Five-Year Plan targets a 17% reduction in carbon intensity per unit of GDP by 2030<sup>2</sup>, making decarbonisation part of its economic blueprint and aligning the transition with broader growth objectives. The implication for markets and policymakers is clear: the question is not whether to transition, but how to do it in a structural way.

### **Policy Priorities for a Structural Transition**

In order to achieve such a goal, what kind of policy design is needed? Nobel laureates and CEPR Fellows Daron Acemoglu and Philippe Aghion argue in a recent study that reducing carbon emissions is compatible with economic growth, and may even drive it

in the long term.<sup>3</sup> However, a deliberate and purposeful policy effort is required to reshape incentives and facilitate a successful transition across the economy. Their work points to three key lessons.

First, while carbon-intensive activities impose costs on society through environmental impacts, reducing emissions generates economy-wide benefits by enabling the adoption of cleaner technologies and, in turn, promoting more sustainable economic growth. Effective policies should address both aspects by accounting for the societal costs of fossil fuels and supporting a transition to more beneficial options.

Second, when economies are heavily reliant on fossil fuels, it becomes more challenging to adopt new approaches. Early and credible policy actions are important because, as low-carbon alternatives become more competitive and scalable, policy support can gradually diminish.

Third, progress in one economy can make progress easier in others. When one country makes significant strides in low-carbon production, it can create a ripple effect, making it more appealing and accessible for other countries to follow suit and this, in turn, can help reduce global emissions.

## **The HKMA's Action Agenda**

These lessons resonate with the rationale for the HKMA's Sustainable Finance Action Agenda launched in 2024.

First, the HKMA is deploying a broad set of tools to make the transition less costly for adopters. We are leveraging our work in FinTech to reduce transaction and operational costs in green and transition finance, for example, through the tokenisation of green bonds and carbon credits. Through our Alliance for Green Commercial Banks and other collaborations, we are also helping banks in the region reduce the cost of building green capacities and developing talent.

As an investor, we demonstrate our commitment by ensuring that our own portfolio supports the transition. We are allocating capital to new sectors, such as renewable energy, and mobilising our partners to support sustainable development across the region. However, we also recognise that the scale and complexity of the transition challenges require a more nuanced approach, which is why we believe that blended finance approaches are important to filling the funding gaps and leveraging private sector capital to support sustainable development.

Second, the HKMA is acting early and decisively to prevent the real economy from being locked into high-emission infrastructure. The Action Agenda provides a multi-year framework that gives the market greater clarity to plan and deploy capital. Two rounds of climate risk stress testing, together with the integration of transition planning into supervisory expectations, are helping banks to become active agents in redirecting capital away from carbon-intensive activities now, rather than later.

Third, we are leveraging Hong Kong's role as a premier international financial centre to drive progress beyond borders. To channel capital mobilised in Hong Kong towards decarbonisation across the region and beyond, the HKMA has published Phase 1 and

Phase 2A of the Hong Kong Taxonomy, both of which have been designed with cross-border compatibility in mind. We are also developing regulatory requirements to ensure that bank disclosures are consistent with international frameworks and standards. Through active participation in global and regional forums, we share best practices and contribute to shaping the international sustainable finance agenda.

Taken together, these initiatives form an ecosystem that is designed to lower transition costs, prevent reliance on fossil fuels, and facilitate progress in our economy, thereby accelerating transition developments in other economies. The policy agenda is broad, but its objective is clear: to make the green transition itself sustainable.

## **Building Momentum through Research and Collaboration**

And that brings me to the role of research and collaboration. A transition of this scale will succeed only if policymakers, financial institutions, and researchers share a common understanding of the risks, constraints, and opportunities ahead.

I am therefore very pleased that the HKIMR has just published a new report examining the landscape and opportunities of transition finance.<sup>4</sup> Drawing on extensive research and a global survey, the report finds growing momentum in transition finance, particularly in Asia. It highlights that scaling transition finance will require deep collaboration across borders and sectors, with public-private partnerships, blended finance, multilateral institutions, and private capital all playing complementary and synergistic roles.

The same spirit of thought leadership is reflected in today's programme. We will hear keynote addresses examining the current and future state of ESG from different angles. We will discuss how public-private collaboration, standards, and guidance can help scale the transition to net zero. And we will learn from academic studies on climate policy as well as the macroeconomic effects of climate change and green innovation.

As a strong supporter of two-way engagement between research and policy, I hope this conference will provide common ground for researchers, practitioners, and policymakers on the way forward. To achieve this, we need to discuss and agree on sustainable economic frameworks that enhance the quality of the green transition and its positive spillovers for markets and communities.

Thank you, and I wish you a productive and insightful interaction.

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<sup>1</sup> 2024 Review of climate ambition in Asia and the Pacific. The United Nations Economic and Social Commission for Asia and the Pacific. Available at: [www.unescap.org/sites/default/d8files/2024-11/ESCAP-2024-Review-Climate-Ambition-Asia-Pacific-Full.pdf](http://www.unescap.org/sites/default/d8files/2024-11/ESCAP-2024-Review-Climate-Ambition-Asia-Pacific-Full.pdf).

<sup>2</sup> ([www.gov.cn/yaowen/liebiao/202603/content\\_7062633.htm](http://www.gov.cn/yaowen/liebiao/202603/content_7062633.htm))

<sup>3</sup> Acemoglu, Daron, Philippe Aghion, Lint Barrage, and David Hémous. "Green innovation and the transition toward a clean economy." *Peterson Institute for*

*International Economics* (2023). Available at <https://www.pie.com/sites/default/files/2023-12/wp23-14.pdf>.

<sup>4</sup> HKIMR Applied Research Report No.2/2026 "Navigating the Green Shift: Opportunities and the Evolving Landscape of Transition Finance". Available at <https://www.aof.org.hk/docs/default-source/hkimr/applied-research-report/tfrep.pdf>