



28th August 2017

The Honourable Carrie Lam, GBM, GBS
Chief Executive
Hong Kong Special Administrative Region
Chief Executive Office
Tamar, Hong Kong
Email: ceo@ceo.gov.hk

Dear Chief Executive,

Submission on the October 2017 Policy Address
Views from
Business Environment Council Limited 商界環保協會有限公司

We would like to take this opportunity to congratulate you on your election as Hong Kong SAR's Chief Executive and to welcome your new team of principal officials.

As you may know, over the last 25 years, BEC has played a leading role in advocating the business case for environmental excellence in Hong Kong. Our members are committed to actively engage with the HKSAR Government on a range of issues relating to the environment and sustainability. Our ongoing work reflects the increasing interest in Hong Kong's business and finance world in supporting environmental protection and a low carbon economy.

We are a membership organisation with over 190 members spanning major listed and multi-national companies as well as small and medium-sized enterprises, from a wide range of sectors. We also have affiliate members from trade associations, NGOs, and academic institutes. Views put forward in this submission represent the views of BEC as a whole, and may not necessarily correlate with the views of individual members.

Our preferred approach is to work with the Government and provide a sounding-board in developing policy solutions and implementation plans. We welcome your interest in a stronger collaborative approach towards stakeholders and look forward to working with your administration in this way.



Our Policy Submission sets out recommendations in relation to 5 key themes, with an overview at the outset for ease of reference, which we have previously supported and continue to support. Most of our recommendations can be adopted in the near future and will bring social, economic and environmental benefits for Hong Kong. A comprehensive summary with regard to your Manifesto is also attached.

We look forward to liaising with the relevant bureaux/departments in the coming months to discuss our recommendations and to liaise with them on the detail of policy development and implementation. We have a proven record in convening dialogues on important topics and can bring businesses together, including many who are expert on these topics, to work through the practical and technical detail of possible policy changes and implementation. BEC also regularly provides a platform for the Government to communicate its initiatives.

If there are any queries as to this submission, please contact our Chief Executive Officer, Mr Adam Koo at adamkoo@bec.org.hk.

Yours sincerely,

Mr Richard Lancaster
Chairman
Business Environment Council Limited

Submission on the October 2017 Policy Address

Overview - Policy Recommendations

- **Enable a transition to a low carbon, resilient and competitive economy:** adopt measures to operationalize the Climate Action Plan 2030+, with enhanced co-ordination across government and stakeholder engagement; ensure adequate renewable energy feed-in tariffs; introduce a set of policy measures for demand-side energy reduction with a focus on existing buildings; and support low carbon construction practices.
- **Enhance the liveability of our City:** take swift steps to tighten our air quality objectives and ensure a smart low emission transport system through an integrated approach to transport - from the MTR and buses to walking & cycling (including e-bikes); carry out a study to explore how best Hong Kong can embed “smart transport” taking on board new technologies such as EVs and fuel cells; and take steps to further reduce marine emissions including from local vessels.
- **Reduce the impacts of waste and optimise our use of resources:** implement key measures such as MSW charging swiftly, and set up a taskforce to develop a plan for a resource efficient and circular economy that seeks to “close the loop”¹ for key “waste streams” like plastics, e-waste, paper and organic waste.
- **Secure Hong Kong’s longer term position as a smart and sustainable city:** embed natural capital approaches within planning policies and decision-making approaches, develop expertise by trialing new technologies in order to leverage belt & road business opportunities. Also, review public procurement processes, prioritise brownfield development, and make the most of HK’s urban spaces e.g. the Harbourfront.
- **Strengthen Hong Kong’s position as a regional green economic hub:** take a series of actions towards a centre of excellence for responsible investment practices and robust corporate ESG reporting and practice, including reporting against the SDGs by the Government and ending the domestic ivory trade.

¹ By which we mean, end the “take, make and dispose” approach to materials.

A. Transition to a low carbon, resilient and competitive economy

Background

- Considering the Paris Agreement² commitment to transitioning to a net zero carbon economy by the second half of the century to keep the global temperature rise within 2°C, BEC supports a long-term forward-looking policy framework on climate change mitigation and welcomes Hong Kong's Climate Action Plan 2030+.
- BEC has signed the Paris Pledge showing support for orderly and systematic change, published the Climate Resilience Roadmap for Hong Kong³, and our project entitled Low Carbon Hong Kong – Supporting Businesses to Set Targets⁴ is underway.

Recommendation 1: Enhance co-ordination across bureaux/departments and reporting of actions, supported by greater stakeholder involvement.

To build on progress to date, we recommend:

- assignment of specific goals to each government bureaux/department backed by annual reporting on these goals. Examples of goals to be assigned are: revised infrastructure and building guidelines to reflect sea level rise and temperature rises (CEDD and BD), infrastructure assessment upgrades e.g. to drainage and sewerage systems (DSD), detailed risk maps (HKO), and guidelines on managing health impacts (DH).⁵
- identification and review of procedures of different bureau/departments that may unnecessarily hinder actions by business that benefit the environment, for example procedures in relation to electric vehicles charge points and obtaining access to electricity at construction sites.
- continuation of the Ministerial-level Chief Secretary-led inter-departmental steering committee on climate change supplemented by the establishment of a standing forum or dialogue platform to regularly engage business and other key stakeholders on progress and further action across Government.

² <http://www4.unfccc.int/Submissions/INDC/Published%20Documents/China/1/China's%20INDC%20-%20on%2030%20June%202015.pdf>

³

http://bec.org.hk/files/images/Resource_Centre/Publications/BEC_Hong_Kong_Climate_Resilience_Roadmap_for_Business_report.pdf

⁴ https://bec.org.hk/files/images/Resource_Centre/Publications/Low_Carbon_Hong_Kong_Supporting_Business_Set_Targets.pdf

⁵ The UK's climate change adaptation governance procedures involve a 5 year assessment and a sub-Committee, part of the Committee for Climate Change.

Recommendation 2: Support action by businesses in line with the 4Ts Charter, and enhance this Charter.

To enhance the excellent 4Ts Charter programme, we recommend that the Government:

- supports target-setting through information provision, especially annual carbon emissions factors for power, gas, water/drainage and waste management,
- works with the business community to study how responsibility for reducing emissions can cost-effectively be shared out across sectors e.g. the supply and demand-side⁶, and
- promotes setting targets broadly aligned with the over-arching objectives of the Paris Agreement (net zero GHG emissions in the second half of the century) and backed up by implementation plans.

Recommendation 3: Put in place appropriate measures as to the feed-in tariff and renewable energy certificates, and optimize energy generated from waste to energy facilities.

We have to date, and continue to support, a multi-pronged approach to supply-side emissions including greater use of LNG, incentives for renewable energy, exploring potential for greater usage of nuclear and renewable energy from the mainland, and optimizing energy from waste.

For the immediate future, we recommend the Government:

- ensures the Feed-in Tariff (“FiT”) is in place as soon as possible and set at a level that gives a reasonable payback period to investors in local renewable energy generation;
- ensures procedures for applying for a grid connection and obtaining a FiT are straightforward and clear;
- provides clarity as to eligibility of the public and private sector to feed in tariffs; and
- introduces Renewable Energy Certificates along with the FiT and keeps implementation details under review.

For future energy from waste facilities, we encourage the Government to develop standards to optimize the use of energy from waste facilities, drawing on the R1 criterion used in the EU⁷ plus other relevant international standards.

⁶ This relates to BEC’s project: Low Carbon HK: Supporting Business to Set Targets, which will involve some discussion as to how much can be done by different sectors. We welcome Government’s support and participation in this project.

https://bec.org.hk/files/images/Resource_Centre/Publications/Low_Carbon_Hong_Kong_Supporting_Business_Set_Targets.pdf

⁷ EU Directive 2008/98/EC

Recommendation 4: Adopt an enhanced approach to demand-side management of energy (“buildings energy efficiency”) focused on the longer term transition as well as short term progress.

We reiterate the importance of a substantially enhanced policy framework for demand-side reduction in buildings energy usage.⁸

(a) For existing buildings:

We recommend a set of measures and welcome the opportunity to work with the Government on the detail.

Targets:

- Annual targets for retrofitting Hong Kong’s buildings, with the aim of retrofitting all buildings (with a focus on commercial buildings) with a significant lifespan and which can cost-effectively be retrofitted in a timespan aligned with the Paris Agreement. The measures set out below will help ensure these targets are met.

Codes/Regulations:

- Reduce the threshold for application of the Building Energy Codes to refurbishments.
- Set minimum energy efficiency requirements for new HVAC systems, lighting, water heating, lifts & escalators.
- Enhance the Energy Audit scheme (the BEEO): require companies to devise and put in place implementation plans as to “energy management opportunities” identified, and link incentive schemes to these plans.

Finance and Incentive Schemes:

- Supplement the sums set aside by power companies with Government funds to ensure sufficient support through loans and match funded grants, for all Hong Kong’s buildings of a sufficient lifespan to be progressively retrofitted in accordance with Paris Agreement timespan.
- Support action by the market through Energy Service Companies⁹ (ESCOs) through Government backed guarantees for loan or equity financing.
- Explore tax incentives for owners/occupiers of energy efficient premises

⁸ Government’s action to date as set out in its Energy Saving Plan 2016 is recognised and supported, in particular committing to regularly review buildings and appliance standards and codes.

⁹ ESCOs not only carry out audits and give advice but can take the responsibility for incurring capital expenditure. This is done at present in Singapore under the BREEF Scheme. (<http://www.greenfuture.sg/2015/02/16/2015-guide-to-singapore-government-funding-and-incentives-for-the-environment/>) Other incentives in terms of tax exemptions and grant schemes for ESCOs should also be explored.

Energy Performance Rating Scheme:

- enable landlords to obtain recognition for their improved buildings through an energy performance ratings scheme (like the Australian NABERS scheme, taking on board Hong Kong initiatives like BESTOF).
- support such rating schemes through the Government's leasing policy, in the interim by only renting BEAM Plus Existing Building Gold standard.

(b) For new buildings:

BEC takes the view that an enhanced policy framework is necessary to ensure that Hong Kong's building stock in the second half of the century will be highly energy efficient. We recommend:

- In the short term,
 - strengthen the impact of the Gross Floor Area (GFA) concession through a link between additional GFA granted and energy efficiency performance, for example energy performance requirements in BEAM Plus Gold;
 - address any unnecessary barriers to improvements e.g. shading and insulation being counted as part of GFA, which discourage such features.
 - ensure the Building Department's review of the OTTV is sufficiently ambitious and aligned with Climate Action Plan goals.
- Develop a roadmap to ensure both Residential Thermal Transfer Values/Overall Thermal Transfer Value as well as the Buildings Energy Code are aligned with Hong Kong's buildings being ultra-low energy buildings by around 2050. To be informed by research and piloting of new approaches such as passive house standards and use of natural ventilation, as well as new building materials.

(c) Support the use of smart technologies and access to data: We support the introduction of smart meters, to support time of use tariffs, peak demand rebates, and behaviour change. More specifically, we recommend:

- information be provided to customers in a format that is easy to understand; and
- smart metering to be introduced for commercial customers (in rented premises and otherwise) to enable them to monitor and manage their actual energy usage.

Recommendation 5: Adopt measures to support low carbon construction of buildings and infrastructure.

Considering the high proportion of carbon emissions from materials used for infrastructure and property development (70% of the emissions from construction), it is important that Government supports low carbon construction, encouraging the use of recycled and materials produced in a low carbon manner, and good design which reduces the quantity of high carbon materials needed. To achieve this, we recommend:

- include embodied carbon as a KPI in the tendering process for works contracts with a focus on key construction materials;
- support labels for low carbon materials labels (e.g. G-Pass and CIC) through requiring certified products in Government works contracts;
- a review of Building Department regulations to remove hindrances to lower carbon construction;
- funding for R & D in materials and design;
- exploration of what may be the most appropriate measures to support increased longevity of buildings, which should bring substantial carbon and waste benefits.

Local transport is responsible for 17% of Hong Kong's carbon emissions, and this aspect is covered in the next section in conjunction with the air quality impacts. Organic waste which also emits a significant component of GHG emissions is covered in section C.

B. Enhance the Liveability of our City

Background

- We continue to support action in the transport & logistics sector (road transport & logistics, marine), the largest source of air pollution in Hong Kong and which generates 17% of our carbon emissions.
- We recognise the importance of the primacy of public transport considering Hong Kong's land scarcity. We see considerable potential from mature and developing technologies and fuel sources, as well as from smarter tax systems, to reduce emissions and optimize the use of our limited road infrastructure. Our recommendations for business and Government are detailed in our Roadside Emissions Taskforce Report 2016¹⁰.

¹⁰ http://bec.org.hk/files/images/Resource_Centre/Publications/Roadside_Emissions_Report_Final.pdf

- We support policy initiatives like the ERP pilot scheme, and would like to see this introduced swiftly. We are happy to work with the Government to help resolve some of the detailed issues that may arise e.g. the impact on delivery businesses.¹¹
- We continue to support improved cross-border work on air pollution, clean energy generation, and action to reduce marine emissions, noting progress to date.
- We support actions to improve the quality of our coastal waters and protect Hong Kong's natural environment for leisure and well-being purposes as well as biodiversity.¹²

Recommendation 6: Take forward an integrated approach to sustainable transport & logistics, focused on reducing carbon as well as reducing other air pollutants.

The approach we recommend involves close co-ordination across ENB/EP, THB and DevB, as well as a holistic approach explained more fully in our Roadside Emissions Taskforce Report.¹³

Our key short term recommendations are:

- Following the AQO review, **set ambitious forward-looking air quality objectives for the energy and transport sector**, looking not only at WHO standards but also cities like Tokyo with more stringent standards, and consider setting standards in a roadmap format so business can prepare for longer term changes well in advance.
- **Work with businesses through a dialogue platform to support a transition to low emission road transport & logistics** in terms of vehicles and fuel types, routing and drive behavior, focusing on both carbon and air quality. This needs to be supported by engagement on key policy initiatives to support this transition such as the extent and coverage of incentive schemes for low emission vehicles and fuels, bus lane provision, and smart traffic management systems such as ERP.
- To move people and goods quickly and comfortably, **continue to develop public transport including MTR expansion, adopt a public transport-based approach to planning of NDAs with primacy given to rail, and commit to a programme for gradual introduction of bus priority lanes, bus priority junctions**, and improved bus interchanges, making travel by bus more attractive and efficient.
- **Speed up the transition to electric single decker buses** (green Public Light Buses and franchised buses) through a range of measures including ex-gratia payments to support upgrades, charging facilities at each transport hub, and simplifying the permitting procedure for installation through a single point of contact

¹¹ http://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_-_ERP_Pilot_Scheme.pdf

¹² http://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_on_BSAP.PDF

¹³ http://bec.org.hk/files/images/Resource_Centre/Publications/Roadside_Emissions_Report_Final.pdf

for Government permits. Opportunities should be identified for shifting from conventional engines to electric buses, for example on the Hong Kong Zhuhai-Macau Bridge for which we recommend that e-buses are mandated and the necessary infrastructure installed at the outset.

- **Support the use of biodiesel made from locally sourced waste cooking oils and other organic waste**, considering the substantial GHG benefits (85% lower GHG emissions¹⁴) and safe use as a blended fuel (for example a 5% blend known as B5¹⁵). We recommend a 3-pronged approach for this:
 - Government contracted vehicles e.g. waste trucks to use biodiesel made from local waste cooking oil
 - consideration of how to reintroduce a price advantage to support this shift¹⁶, and;
 - explore requiring petrol pumps to supply B5 diesel made from waste cooking oil.
- In line with the Government's Walk in HK initiative, continue to **improve the pedestrian experience** by introducing a choice of walking – over or underground, or at street level - safe junctions, and more appealing pedestrian routes with shade and shelter and shopfront experiences.
- **Support commuter cycling** including by:
 - Trialing this along the waterfront in Kowloon East or on Hong Kong Island,
 - Mandating cycling provision and setting targets for cycling routes in new development areas (NDAs), and setting targets for routes in other parts of Hong Kong, and
 - Consider allowing, subject to strict safety and quality standards, the use of low-powered and low-speed motor-assisted bicycles without licenses in all or some parts of Hong Kong, to align with neighbouring cities.
- **Commit to rationalizing charges and payments** so there is closer alignment between air pollution/GHG emissions whilst also seeking to maintain or reduce private vehicle (passenger car) numbers. More specifically we recommend:
 - a closer relationship between the **first registration tax and vehicle license fee with** vehicle emissions;

¹⁴ ASB Biodiesel's figures

¹⁵ Diesel which includes 5% biodiesel, made from waste cooking oil.

¹⁶ The additional cost of B5 over ordinary diesel is approximately HKD\$0.15/litre.

- consideration of introduction of **scrappage payments** for ageing cars and taxis to support replacement with the best performing equivalents, having regard to waste and life cycle carbon in deciding on the detail.

Recommendation 7: Develop a roadmap for a smart city with low emission vehicle types and practices.

We welcome the Government's recently completed smart city study and consultation, and recommend that the Government follows this up with:

- a further specific study by THB in conjunction with DevB and ENB on transport, having regard to sustainability objectives and the range of recent and emerging technologies, such as EVs, hybrids, and hydrogen fuel cell vehicles, with regard to suitability and cost-effectiveness in Hong Kong. This should be aimed at developing a 5-10 year Roadmap for the adoption of new technologies in Hong Kong or parts of Hong Kong, with proposals for investment in infrastructure needed e.g. EV charging infrastructure¹⁷.
- establishing a working group with a range of industry players to support the above.
- for the shorter term, explore the potential from smart systems for parking, enforcement of pollution prevention, road pricing, and data analytics for routing purposes.

Recommendation 8: Develop a plan to reduce further emissions from shipping and local vessels.

We are pleased that Hong Kong successfully took the lead in a transition to low sulphur fuel (0.5%) for ships leading to stricter standards in the region.¹⁸ However we consider there is still more to be done as Hong Kong's air quality still does not meet WHO health standards¹⁹, and considering the economic and well-being benefits from Hong Kong's iconic Victoria Harbor area, and from Hong Kong being a highly liveable city.

We recommend that the Government:

- explores further steps to reduce shipping emissions having regard to standards in other Emissions Control Areas (0.1% Sulphur requirements, NOx and particulate limits) and HK's specific AQ issues.

¹⁷ This may reduce peak demand through more flexibility as to when to charge vehicles.

¹⁸ http://bec.org.hk/files/images/Resource_Centre/Submission/20170426_MarineEmissionsConsultation_Submission.pdf

¹⁹ As of 2015: 59% of Hong Kong's sulphur emissions, 37% of NOx, 34% of RSPs, and 39% of FSPs

- takes action to reduce emissions from river traffic, ferries and boats, considering amongst other options an ex gratia payment scheme to support cleaner engines (as with road-based diesel commercial vehicles).

C. Circular Economy: Reduce the impacts of waste and optimise our use of resources

Background

- BEC recognises the enormous challenge faced in terms of waste management, with 9000 tonnes of municipal solid waste, including over 3000 tonnes of organic waste, cumulated by restrictions in China as to movement of waste across the border.
- We also recognize the excellent work done to date with the Blueprint for Sustainable Use of Resources in particular as to constructing facilities for managing waste.
- We see the next step as going beyond this approach to develop a strategy for a more circular economy where products are regarded as materials for future use and not materials to be disposed of, taking on board that worldwide growth places increasing demands on resources, as well as energy from waste.

Recommendation 9: To take forward this new approach, set up a Circular Economy Taskforce tasked with developing a medium term action plan.

We recommend that Government:

- **establishes a Taskforce** with representatives from business (production, importation, waste management), business organisations, academia and Government, tasked with formulating an action plan including a policy framework for circular economy, commissioning a study, and advising on allocation of funds eg ITF and Recycling Fund.
- **develops an Action Plan** with the help of the Taskforce which:
 - includes short term plus longer term measures in terms of voluntary action by business, legislative solutions, R & D, and capacity building.
 - addresses key waste streams individually e.g. plastics, paper, e-waste, considering the specificity of solutions for facilitating a circular approach.
- **commissions a Circular Economy Study** designed to identify cradle to cradle solutions for different materials, looking at each stage of the loop, and explore new business models like leasing and sharing, opportunities to create local employment, cross-border issues, as well as policy solutions.

Recommendation 10: Swiftly put in place the foundations of a circular economy.

Though some aspects of a circular economy require further study and funding, some important steps are clear and well-recognised. We urge the Government to take action as follows:

- **introduce municipal solid waste charging (“MSW charging”) without delay and at an effective level** to create an incentive for the collection of recyclables, reinforced by firm enforcement of illegal dumping of waste.
 - **ensure sufficient space for waste collection & sorting and cost-effective transportation** to recycling facilities:
 - address regulatory barriers to use of space such as the minor works application process to the Building Department;
 - designate spaces close to shopping malls for recycling businesses to operate; and
 - provide for use of underground space.
 - **review the system for organic waste to ensure new facilities are fully utilized** and optimum use is made of energy and residual organic matter.
 - **ensure space for sorting of construction waste** and consider whether sorting should be mandated, as considerable construction waste is still exported or put in landfill whilst imported materials are used for land reclamation.
 - as to packaging waste, **formulate in discussion with stakeholders a voluntary guideline for importers and producers** as to the type of materials and the volume of packaging. In developing in place this guideline, the Government should have regard to the standards set out in the EU Packaging Directive.²⁰ Government should monitor the effects and consider how to ensure impact, exploring a range of policy options including the Singapore approach of voluntary packaging reduction plans.
- a. **ensure that sufficient funding is made available** to support different aspects of the circular economy e.g. sorting as well as turning waste into exportable materials, exploring what is needed in terms of capital and operational costs for businesses to be viable.

Recommendation 11: Create demand for products made from recycled materials and for re-use of goods.

Purchase of recycled materials or reuse products is important for a cradle to cradle approach. To

²⁰ <http://ec.europa.eu/environment/waste/packaging/legis.htm>. This is regarded as having had a positive impact not only on waste but GHG emissions and access to raw materials. http://ec.europa.eu/environment/waste/pdf/target_review/Final%20Report%20Ex-Post.pdf (Page 7)

achieve this, we affirm our recommendations of previous years for the Government to introduce minimum requirements as to these materials in the Government's Green Procurement standards, monitor and report on their application, and promote this approach more widely.

Additional actions that we recommend are for the Government to:

- introduce **clear definitions of a sustainable/green product**, possibly with reference to the Government's green procurement standards, plus development of a fit for reuse label ("certified pre-used" products) to give consumers confidence in second hand goods;
- **pilot re-use in Government procurement** beginning with product lines such as furniture.
- **develop a system for accrediting suppliers of products** which carry Hong Kong ecolabels, through HKAS, and providing information on private sector labels,
- **review how purchase of blended B5 diesel made from local waste could be encouraged**, through addressing cost issues (reflecting that a price differential was originally in place in Hong Kong), and consider if the purchase of any other such products could also be boosted through price differentials supported by taxes or incentives.

D. Secure Hong Kong's longer term position as a smart and sustainable city

- In BEC's policy submission on the Biodiversity Strategy and Action Plan²¹ and Hong Kong 2030+²², BEC stressed and we continue to affirm the value of protecting and enhancing our local environment e.g. our harbourfront, for economic and well-being reasons, and emphasizes the importance of planning policy (HK 2030+) being aligned with Hong Kong's Climate Action Plan 2030+.
- By seeking to be a leader in the field, Hong Kong can ensure a high level of liveability in and also secure its economic development for the longer term by leveraging business opportunities from the global transition to low carbon sustainable cities. Visibility of action taken locally is important in this respect.
- We welcome the finalization of HK 2030+ as well as information as to how the Government intends to implement what we understand is a non-binding framework. We

²¹ http://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_on_BSAP.PDF

²² http://bec.org.hk/files/images/Resource_Centre/Submission/20170427_HK_2030_Submission.pdf

would like to emphasize the importance of a **plan to ensure implementation** which most importantly should cover planning standards and guidance.

- We also have some specific recommendations to make as set out below.

Recommendation 12: Refine processes for evaluation of projects and consideration of options with regard to social, economic and environmental implications, using natural capital, ecosystem services and carbon footprinting approaches.

To effectively take on board multiple considerations and the long term sustainable development of Hong Kong, BEC has and continues to support refinement of the evaluation process – both the SEA and EIA processes.

In particular we recommend:

- Enhancement of guidance²³ relating to the EIA and Strategic Environmental Assessment process for Government projects and plans to take on board natural capital, ecosystem services and carbon footprinting, with consideration of alternative approaches including using “natural processes”. For example, the “blue-green drainage schemes” being trialed by the Drainage Services Department. Both SEA and EIA processes need to be consistent and transparent and supported by sufficient training and monitoring of outputs. (See our reference to a Strategic Environmental Assessment approach in our policy submission on the Biodiversity Strategy and Action Plan²⁴).
- A review of the EIA Ordinance process to ensure that the relevant Government decision-maker is best qualified to take on board complex social and environmental impacts and weigh up different options, and sufficiently independent of the development of Government proposals and plans to avoid perceptions of conflicts of interest. This will help ensure the credibility of decisions made and in our view reduce the likelihood of legal challenges.

Recommendation 13: Foster a culture of innovation and seek to cultivate human capital and business expertise in line with an outward looking business-related vision of a “green, resilient and sustainable city”

Hong Kong is in a good position to develop expertise in sustainable urban development and “Smart City” approaches. By positioning itself as an exemplar in urban design, energy efficient buildings, use of new materials and technologies, and waste management, it can leverage its

²³ The Green Book developed by the UK’s HM Treasury is a good starting point.

²⁴ http://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_on_BSAP.PDF Question 4.

skills for business opportunities regionally and beyond. To achieve this, we recommend that the Government fosters a culture of innovation including by:

- continuing to refine and enhance the Hong Kong 2030+ strategic plan to identify areas and opportunities for trialing new technologies and practices,
- providing sufficient financial incentives through grant schemes²⁵ to enable trialing and piloting of innovative approaches in the context of sustainable development for example in the arena of waste to energy, and
- seeking to identify existing regulatory measures which may create barriers for innovative approaches in the context of sustainable development e.g. building standards that may deter low carbon construction, and consider how to address any unnecessary regulatory barriers.

Recommendation 14: Review public procurement procedures to support innovation and choice of the best available option.

Public sector procurement has an important role in encouraging innovation and exemplary projects. To fully utilize public procurement, we recommend:

- ensuring sufficient time for detailed bids to be developed recognizing the complexity of options for substantial projects,
- more outcome focused and less prescriptive specifications so that businesses are able to develop the best solution;
- holding more pre- procurement discussions to explore alternatives and enable a range of options to be considered that deliver optimum value to the taxpayer²⁶.

Recommendation 15: Create certainty for business by prioritizing brownfield land for development, ensuring clear criteria for zoning and designation of protected land, and developing policies for the protection of land of high ecological, leisure or landscape value.

In line with the principle of protecting land of high ecological, leisure and landscape value and providing certainty to enable business to make informed investment decisions, we recommend:

- systematic identification of brownfield land. We look forward to the Development Bureau shortly publishing its study on available brownfield sites.

²⁵ ITF funds are focused on R & D but our recommendation relates to developing expertise from implementation.

²⁶ An issue that has arisen is whether the current approach to waste facilities discourages smaller facilities where the developer may have to pay the full land cost.

- prioritization of development on brownfield land and poorly used land, and optimizing the use of existing built up land, exploring the alternative policy measures to achieve this considering for example legislative change, zoning, and incentive schemes.
- protecting and enhancing land of high ecological, leisure or landscape value, including by refining the “land swap” approach and addressing pressure to degrade land to increase its value, and taking decisions in relation to potential new developments having regard to incremental impacts.

Please see BEC’s Policy submission on Hong Kong 2030+²⁷ and the Biodiversity Strategy and Action Plan for more information.

Recommendation 16: Make the most of Hong Kong’s urban spaces including the Harbourfront which needs to be further developed as a world class asset.

Hong Kong’s waterfront along the north of Hong Kong Island and Kowloon side has huge potential for recreation, leisure and even healthy commuting with considerable benefits for the local economy. We encourage the Government to:

- put in place the necessary structures including a fully funded Harbourfront Authority without delay to capture these long term benefits.
- identify other actions to enhance Hong Kong’s urban green spaces and potential spaces for example along waterways e.g. the Tsui Ping River through enabling connectivity between spaces and along rivers, of value in terms of community leisure activity and also for our urban ecology.

E. Strengthen Hong Kong’s position as a regional green economic hub: responsible investment practices and robust ESG reporting and practice.

Background

- BEC affirms its views on the importance of business transparency in the transition to a highly sustainable economy, including through underpinning responsible investment and green finance practices and increased financial resilience.

²⁷ http://bec.org.hk/files/images/Resource_Centre/Submission/20170427_HK_2030_Submission.pdf

- We continue to support action to become a centre of Green Finance²⁸, not only in the issuance of Green Bonds and ancillary activity, but in screening and analysis for a responsible or impact investment.
- The momentum is growing with: HKEx’s “comply or explain” listing requirements and new guidance for investors on climate risk – the Taskforce on Climate-related Financial Disclosures recommendations. Total assets managed under responsible investment strategies are now USD \$22.89 trillion, 26%²⁹ of global professionally managed assets.³⁰

Recommendation 17: Enhance Environmental, Social and Governance reporting, building on Hong Kong Exchange’s recent adoption of a “comply or explain” approach to sustainability reporting.

To help Hong Kong maintain an important position in the Finance Sector in East Asia going forward, we make 4 specific recommendations to the Government to put Hong Kong in a leadership position:

- work with Hong Kong Exchange (HKEx) to incorporate recent changes including the recommendations of the Taskforce on Climate-related Financial Disclosures in the HKEx guidelines, beginning with including a requirement for a climate risk assessment.
- work with HKEx to ensure high governance standards to discourage inaccurate reporting.
- seek to standardize carbon emissions metrics within key sectors, where practicable, for example in the form of emissions per square metre for property, to support comparability within a sector thereby ensuring meaningful and actionable reporting.
- to make good reporting easier for business (listed or otherwise), review the existing Carbon Repository to establish how it can be used to support reporting by business rather than create an extra administrative burden. For example it may be possible to transition this to a common portal for web-based sustainability reporting which enables companies to easily comply with the HKEx reporting requirements and possibly other internationally recognised reporting frameworks. If enhancement to this effect is not practicable then the value of the stand-alone Carbon Repository is limited and should be retired.

Recommendation 18: Support investment in sustainable companies and investment products such as Green Bonds through incentives and capacity building.

Hong Kong can position itself as a leader in raising the US \$90trillion needed to fund green

²⁸ <http://www.fsd.org.hk/sites/default/files/Green%20Finance%20Report-English.pdf>

²⁹ Global Sustainable Investment Alliance (GSIA), 2016 *Global Sustainable Investment Review* http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf

³⁰ GSIA, Sustainable Investment Review, 8.

infrastructure globally. To grasp this opportunity, we would like to see the Financial Services Development Council's Green Finance Working Group's recommendations taken forward. In particular, we recommend that the Government:

- supports training, capacity-building, and the development of professionals in relation to assessment of environmental risk and impact, as well as wider ESG risks, including by issuing a Government green bond or a social bond to develop capacity in relation to application of relevant standards as well as other skills.
- embeds high standards in relation to Green Finance, exploring the development of a label or promotion of existing labels/standards as to financial instruments including green bonds e.g. Climate Bonds Initiative, but also equities and funds themselves.
- explores tax and other incentives for investment in green bonds.
- requires all MPF providers to have at least one Green Fund or ESG Fund and explores in partnership with the SFC the enhancement and refinement of the SFC's Principles of Responsible Ownership.

Recommendation 19: Take forward the Ivory Bill to ban the domestic trade in ivory, without providing compensation.

We commend the Government's efforts to date to take action to ensure Hong Kong is playing its part in stopping the trade in endangered species.

- We strongly support the Government's bill to ban the domestic trade in ivory, and take the view that compensation should not be granted considering the lead in time that business has been given to adjust and the risk that compensation will allow traders to profit from highly damaging practices, and may in fact increase the demand for illegal ivory.

Recommendation 20: Report back on a regular basis having regard to the UN's Sustainable Development Goals ("SDGs").

The UN's SDGs are gaining currency as a means of companies or fund managers evaluating impact and benchmarking progress. To support this process, BEC recommends:

- the Government report back against these goals periodically, thereby supporting this rapidly developing approach within the business sector to monitoring and communicating success.

This is not only important for Hong Kong as a centre of robust ESG reporting and practice, which underpins responsible investment, but also to our Overarching Recommendation D on planning for a smart sustainable city as it supports a co-ordinated approach across Government.