

20 August 2019

Policy Innovation and Co-ordination Office,
26/F, West Wing,
Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong
Email: policyaddress@pico.gov.hk

Submission on the Chief Executive's 2019 Policy Address
Views from Business Environment Council Limited
商界環保協會有限公司

Over the last 26 years, Business Environment Council Limited 商界環保協會有限公司 (BEC) has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engage with the HKSAR Government (the Government) to help develop a supporting policy framework as well as impactful implementation in respect of environmental protection and sustainability.

Views expressed in this submission are those of BEC, in line with BEC's Mission and Vision as well as policy position on relevant issues, but may not necessarily be the same as the views of each individual member. BEC is an independent charitable membership organisation comprising over 200 member companies from Hong Kong's major holding companies to small and medium-sized enterprises.

Climate Change and Decarbonisation

BEC welcomes the Council for Sustainable Development's (SDC's) public engagement on Hong Kong's long-term decarbonisation strategy launched on 14 June 2019¹, and we reiterate our support for Hong Kong to set a long-term, science-based decarbonisation target for 2050 and beyond, and to establish a clear pathway and comprehensive strategy to achieving it. Such a target and strategy will help drive and inform necessary actions and behavioural change that are required to reduce carbon emissions from different business sectors and other members of society. BEC's recommendations on decarbonisation will be discussed comprehensively in our forthcoming written submission in response to SDC's public engagement exercise.

¹ https://www.susdev.org.hk/download/pe_document_e.pdf

Power generation accounts for two-thirds of greenhouse gas emissions in Hong Kong. While the committed transition to a cleaner fuel mix for electricity generation by the two power companies (with ~50% gas and ~25% coal in 2020²) will eventually result in an estimated 20% absolute reduction of carbon, this is not enough for Hong Kong to align with the goal of limiting global warming to well below 2°C. In order to further increase the ratio of clean energy in our fuel mix, BEC encourages the Government to maximise local renewable energy supply as much as practical, and to proactively explore opportunities for regional collaboration on the supply of renewable and zero-carbon energy to Hong Kong, with the conditions that energy reliability, security, safety and affordability³ will not be compromised.

Other than decarbonising energy supply, BEC highlights the importance of energy conservation and efficiency, especially in buildings. It was identified in a recent BEC study⁴ that energy efficiency in buildings can be further improved through stronger government leadership to serve as an example and give a clear direction for private sector buildings in Hong Kong. This could include requiring existing government-owned or leased buildings to attain a minimum level of energy and environmental performance⁵, and setting specific targets for non-public buildings⁶ such as building energy use intensity or green building certification targets. Greater attention should be placed on existing buildings, as they contribute significantly to building energy consumption, but are less incentivised to conserve energy compared to new buildings⁷.

Business leaders are willing and ready to step up their decarbonisation efforts as demonstrated by recent voluntary initiatives such as the BEC Low Carbon Charter⁸. As BEC continues to encourage and facilitate business actions, we would also urge the Government to fully involve the business sector in developing long-term climate strategies. One recommendation is for the Government to consider setting up a dedicated coalition with business leaders from different sectors on decarbonisation and climate action, with the aim to discuss sectoral target setting; to co-ordinate, broaden, scale up and accelerate business actions; and ultimately to align business decarbonisation targets with Hong Kong's carbon reduction target by 2050.

² <https://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

³ For example, the Government should continue to subsidise the underprivileged to lessen their burdens on energy cost during the transition to a low carbon city.

⁴ Please see BEC's *Investing in Buildings Energy Efficiency: How to Enhance Hong Kong's Policy Framework* report, which describes specific initiatives and recommendations for Hong Kong to improve buildings energy efficiency. https://bec.org.hk/files/images/Resource_Centre/Publications/Investing_in_Buildings_Energy_Efficiency.pdf

⁵ Such as waste and water footprint reduction.

⁶ Similar to the 5% electricity consumption reduction target set for public buildings by 2020 with 2014 as the baseline.

⁷ Financial incentives such as energy efficient mortgage have been implemented in countries such as Japan. For more information, please see BEC's *Investing in Buildings Energy Efficiency: How to Enhance Hong Kong's Policy Framework* report.

⁸ <http://bec.org.hk/articles/bec-low-carbon-charter>

The Government should, with inputs from the business sector, develop a clear and comprehensive climate resilience and adaptation plan for Hong Kong. In the process, the Government should take into consideration the possible regional and local climate based on the latest findings on climate science, and the different economic and urban development scenarios in the coming decades. These plans and information should be made easily accessible, as they would significantly support the business community to manage physical and transition risks, and to strategise their business plans and investments accordingly. Likewise, these information should also be used to enhance education and public awareness on climate risks and resilience. The Government should consider establishing a cross-departmental resilience team to coordinate such efforts and to serve as a central point for liaison with businesses and the community on all climate resilience and adaptation-related issues.

The process of changing corporate behaviour and adjusting business practices to lower carbon footprint is not straightforward. In this respect, the Government should offer suitable support and incentives to enable change. One suggestion is for the Government to encourage R&D in developing local low/zero carbon energy solutions through the proceeds raised under the Government's Green Bond Programme. For small- and medium-sized enterprises (SMEs) in particular, decarbonisation may not be among their top priorities, and they may also have limited capacity and resources to do so. Hence, BEC suggests that the Government could provide incentives strong enough to trigger climate action among the business community, especially among SMEs. These incentives tailored for SMEs may include, but not limited to, tax concession to businesses that invest in climate mitigation and resilience; dedicated funds that support business climate action, innovation and investment in decarbonisation; and other special programmes. One current example of such programme is the Renewable Energy Certificates (REC) Programme which allows SMEs to contribute towards sustainable energy consumption while encouraging local RE development.

Resource Management and Circular Economy

BEC reiterates support for the municipal solid waste (MSW) charging scheme and the producer responsibility schemes (PRS). We look forward to the public consultation on the PRS on plastic beverage containers.

On waste collection and recycling, BEC emphasises the importance of waste separation and purity of recyclables for effective recycling. In this respect, we recommend the Government to further promote and enhance wet (food) waste⁹

⁹ We acknowledge the Government's ongoing work on facilitating the separation of dry waste at source, for example through three-colour bins and recycling programmes for glass bottles and rechargeable batteries.

separation at source¹⁰, through a comprehensive programme that includes education and training for the general public, property management companies and property owners; provision of a sufficient network of collection outlets and processing facilities for wet waste and recyclable materials; identification of markets for recyclables; and legislation that supports implementation.

On plastic waste reduction, the Government should develop policies that significantly reduce single-use plastics, such as banning of non-recyclable food and beverage containers, and packaging and tableware, with a clear and practical roadmap so that the business sector will have enough lead time to react to the new legislation. This should be supported by a suite of policies that includes the development of eco-packaging regulations to reduce waste at source; the provision of standards and guidelines for the use of alternative materials that safeguards hygiene and product safety; and the proper use of funds collected through PRS to subsidise collection and local processing/recycling. A well-planned and well-timed ban with appropriate enforcement measures could drive change in individual behaviour and business practices, encourage innovation through better design and use of sustainable materials, and significantly reduce plastic waste.

Ultimately, BEC asks the Government to adopt a circular approach to resource management. Key to this is the development of a comprehensive circular economy roadmap with critical milestones; supporting eco-design of products to avoid and reduce waste at source and encourage the use of recycled materials as alternatives; implementing PRS that would increase material recovery rate¹¹; and supporting recycling and reprocessing facilities to turn waste into resources, including small-scale waste-to-energy plants¹².

Sustainable Living Environment

Hong Kong's air quality has generally improved over the past years. Nevertheless, roadside air quality remains poor for people, and the levels of nitrogen dioxide and ozone stand out as the main current issue. As clean air is one of the key considerations for talents to work and for investors to set up businesses in Hong Kong, BEC reiterates the importance for the Government to take swift action to improve air quality and protect public health. We therefore urge the Government to further tighten Hong Kong's Air Quality Objectives, which are currently under review, and take significant action to reduce air pollution at source through new control measures and regulations.

¹⁰ This is an action item generated from the EUO x BEC Plastic Waste Reduction Workshop. https://bec.org.hk/files/images/Resource_Centre/Publications/EUO%20x%20BEC%20Plastic%20Waste%20Reduction%20Workshop%20Report.pdf.

¹¹ PRS on food and beverage containers should cover all packaging types so that migration from one packaging type to another will be discouraged.

¹² The Government may consider including small-scale waste-to-energy plants in the existing feed-in tariff (FIT) scheme.

BEC holds the view that the Government should accelerate the transition of Hong Kong's fleet from diesel/petrol vehicles to new energy vehicles¹³, with emphasis on commercial vehicles which are the main source of roadside air pollution. Of all the commercial vehicle types, BEC suggests that light goods vehicles (LGVs) should be targeted in the near term, as their performances on emission reduction and operating cost savings were the most promising compared to diesel and petrol LGVs according to results from trials supported by the Pilot Green Transport Fund¹⁴. The same transition should also apply to local vessels¹⁵ in particular passenger ferries, and non-road mobile machinery. Financial incentives and infrastructural/regulatory support should be provided to enable the shift, as the price of inaction will be too high to bear.

Traffic congestion is a long-standing problem and a major factor that contributes to roadside air pollution in Hong Kong. The alarming rise in the number of private vehicles over the past few years and the growing traffic during peak hours exacerbate both congestion and air pollution, causing economic loss in the form of delays and health problems. In light of this, other than supporting the use of new energy vehicles which are zero- or low-emission, BEC also supports the Government to implement the pilot electronic road pricing (ERP) scheme in Central and its adjacent area as soon as possible as a means to reduce traffic and associated air pollution. In addition, BEC encourages the Government to consider other schemes that are successful in addressing both traffic congestion and roadside air pollution, such as London's congestion charge¹⁶ and Ultra Low Emission Zone¹⁷.

Transport demand, trip distance and the resulting congestion and traffic-induced air pollution are largely determined by how a city is planned and land use pattern determined. While end-of-pipe solutions for vehicles are proven and largely effective, they do little to influence the demand for mobility. In order to better manage transport demand, BEC recommends a "Avoid-Shift-Improve" approach – avoid unnecessary, short-distance journeys on mechanised mode of transport by promoting walking and cycling; shift essential, long-distance journeys from road-based, mechanised mode of transport to public, mass transport (preferably non-road based); and improve remaining road-based, mechanised travel by using new energy vehicles, retrofitting existing vehicles with emission reduction devices and ensuring those already fitted are working properly.

¹³ New energy vehicles should not be limited to electric vehicles. The use of other fuels such as biodiesel, especially from waste, as well as hydrogen fuel cell technology, should be thoroughly explored.

¹⁴

https://www.epd.gov.hk/epd/english/environmentinhk/air/prob_solutions/pilot_green_transport_fund_trial_reports.html#Trial_Reports_EV.

¹⁵

https://www.epd.gov.hk/epd/sites/default/files/epd/english/environmentinhk/air/studyreports/files/GFS_summary%20report_eng.pdf.

¹⁶ <https://tfl.gov.uk/modes/driving/congestion-charge>.

¹⁷ <https://tfl.gov.uk/modes/driving/ultra-low-emission-zone>.

Additionally, BEC supports Hong Kong to become a world-class walkable city, as improved walking environment will encourage people to walk more and become less reliant on vehicles, consume less energy, reduce roadside air pollution, make people healthier, enhance workforce productivity, and have a positive impact on retail and businesses. Besides, Hong Kong is endowed with Victoria Harbour and a harbourfront that is essential to making Hong Kong's living environment sustainable and enjoyable. BEC strongly promotes the idea of preserving the harbourfront for leisure activities, and to make it accessible to the public by walking, cycling and other means of zero-carbon public transport. BEC encourages the Government to review the current land use and utilisation along the harbourfront, especially the possibility of releasing under-utilised or redundant land under Government/Institution/Community (GIC) zoning to become public open space.

On water conservation, BEC suggests the Government to expedite and scale up measures to reduce Hong Kong's water footprint: providing education and practical support for water conservation, building a resilient and intelligent network to reduce the significant water loss occurring today, and using more recycled water. Fundamental to achieving meaningful water consumption reduction is a review of the existing water tariff structure and rates, which has been unchanged for more than two decades. Reducing water consumption can also reduce energy use for pumping and treatment, and the associated carbon footprint.

Smart Governance in the Public and Private Sectors

BEC recommends the Government to incorporate the United Nations' Sustainable Development Goals (SDGs), along with the specific targets and indicators, into the Hong Kong's planning and development work as well as policy formulation. Moving forward, we expect to see progress made in line with the SDGs, along with regular reporting by the Government on the city's progress as well as actions taken and planned in working towards the goals.

The Government should continue to support the integration of environmental, social, and governance factors into the governance and practices of the private sector, including continued support for green finance. For example, the Government should consider extending the subsidies for certification of green bonds to also cover green loans and other sustainable financial products.

It is expected that new skill sets will be required for developing new technologies for environmental protection and decarbonisation. The Government should closely monitor the skills required and provide appropriate training and re-training to the workforce so that Hong Kong could take full advantage of the economic transformation driven by environmental protection and sustainable development.

For queries related to this submission, please contact our Chief Executive Officer, Mr Adam Koo at adamkoo@bec.org.hk.

Yours sincerely,



Richard Lancaster
Chairman
Business Environment Council Limited