

27 October 2014

The Honourable Leung Chun-ying, GBM, GBS, JP
Chief Executive
Hong Kong Special Administrative Region
Chief Executive Office
Tamar, Hong Kong
E-mail: ceo@ceo.gov.hk

Dear Chief Executive,

Submission on the 2015 Policy Address

Views from

Business Environment Council Limited 商界環保協會有限公司

Over the last two decades, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has taken a leading role in advocating the business case for environmental excellence in Hong Kong. Our members are committed to actively engaging with the HKSAR Government (“the Government”) on a range of issues relating to the environment and sustainability.

BEC is a membership organization, currently with about 180 member companies that span across major holding companies to small and medium-sized enterprises in Hong Kong. Views expressed in this submission are those of BEC, and are based on consultation with our members but may not necessarily correlate with the positions of individual members.

In our prior years’ Policy Address submissions, BEC’s core advocacy areas have been (1) waste management, (2) energy policy, (3) environmental, social and governance (“ESG”) reporting and performance, (4) climate change and (5) establishment of a Harbourfront Authority. In this submission, we have expanded the scope of our focus to also cover (6) biodiversity and (7) water management.

This submission is structured into two parts:

1. Overview of key challenges, progress to-date and recommended next steps for 2015
2. Detailed recommendations for BEC’s core advocacy areas

BEC looks forward to working constructively with the Government in taking our policy recommendations forward. Indeed, the business community is ready to act and partner with Government in finding appropriate solutions to the serious environmental issues we continue to face now and in the long term. BEC is at your service to support stronger policy development for a greener and more sustainable Hong Kong. If there are any questions or concerns in regards to the content of this submission please contact our Chief Executive Officer, Ms. Agnes Li, at agnesn@bec.org.hk or 2784 3950.

Yours sincerely,



Prof John Chai
Chairman
Business Environment Council Limited

cc Ms Agnes Li, CEO, Business Environment Council

BEC 2015 Recommendations

Overview of Key Challenges, Progress and Next Steps

Below we outline the most pressing challenges for Hong Kong in 2015, alongside BEC's policy recommendations from last year's submission (2014) and an assessment of progress achieved thus far.

BEC is pleased that a number of issues have indeed progressed well in 2014. But many others have not. We firmly remain of the opinion that Hong Kong needs to commit to making substantial progress on the challenges outlined below to ensure that we remain competitive, enhance our resilience, and retain our position as one of the most liveable cities in the world.

Waste Management

Key Challenges

- The generation of waste outpaces progress and investment in facilities to manage it, meaning that based on BEC's 2014 estimates Hong Kong will run out of current landfill capacity as early as 2017.
- In an effort for recycling to make a significant contribution to our waste management strategy, the new Recycling Fund must have a lasting and significant impact for enhancing handling capacity and operational sustainability of the recycling industry.

BEC's 2014 Recommendations	BEC's 2015 Recommendations
<p>1 Commit to a detailed timetable for implementation of landfill extension, MSW charging, IWMF, food waste management infrastructure and broadening of PRS.</p>	<p>BEC notes that Government has made good progress in submitting proposals to Legislative Council ("LegCo") on landfill extensions, integrated waste management facility ("IWMF") and organic waste treatment facility ("OWTF"). LegCo approval is currently awaited.</p> <p>BEC urges the earliest possible implementation of municipal solid waste ("MSW") charging and the producer responsibility scheme ("PRS") for waste electrical and electronic equipment ("WEEE"). For PET and glass bottles, BEC also recommends extending the PRS to include product take-back schemes.</p> <p>BEC calls upon Environment Bureau ("EnB"), Development Bureau ("DevB") and the Chief Secretary for Administration to redouble efforts to communicate the importance of these policies and strategic infrastructure projects to LegCo and the public, to reach out to the local communities affected and provide additional funding for local amenity enhancement for those areas which will host waste management infrastructure on behalf of Hong Kong as a whole.</p>
<p>2 Strong support for development of recycling infrastructure and recycling industry.</p>	<p>BEC is pleased to see the establishment of the Advisory Committee on Recycling Fund and looks forward to the rollout of the Recycling Fund.</p> <p>BEC recommends that EnB further clarify the scope of the Recycling Fund. In particular, BEC is concerned that the HK\$5 million cap in the proposed scheme is not sufficient to support significantly large enough recycling facilities capable of making a meaningful contribution to the industry. EnB should refine the terms of this public funding mechanism to enable significant up-scaling of recycling activities in the short term.</p>
<p>3 Conduct a study to assess environmental, social and economic costs if the <i>Hong Kong Blueprint for Sustainable Use of Resources 2013-2022</i> is NOT implemented.</p>	<p>BEC appreciates the commitment by EnB to solve our current waste challenges.</p> <p>However, BEC remains concerned that if the current solutions advocated by EnB do not receive approvals, there are no alternatives (i.e. Plan B) to cope with our waste challenges. BEC recommends again (as in 2014) that EnB consider alternatives and clearly articulate environmental, social and economic implications to the community.</p>

Energy Policy

Key Challenges

- Following the recent fuel mix consultation Government must provide swift and decisive direction about the future of local generation of electricity in Hong Kong.
- The current state of building energy efficiency in Hong Kong is not meeting the potential for cost and energy savings.
- Transport emissions continue to grow due to the lack of appropriate initiatives by the government, and as a result are causing pollution in city center areas damaging Hong Kong's reputation and quality of life.

BEC's 2014

Recommendations

BEC's 2015 Recommendations

Fuel Mix

- | | |
|--|--|
| <p>4 Conduct a cost-benefit analysis to assess the energy trilemma discussion and get a better understanding of the costs of the status quo vs. alternative fuel mix scenarios.</p> | <p>The Fuel Mix Consultation document provided preliminary insights into the balancing of priorities for reliability, cost and environmental performance (trilemma) of the electricity supply.</p> <p>EnB must provide additional background with respect to the impacts of these three priorities on any changes in electricity market regulations. The cost-benefits of the various fuel mix choices must be disclosed in order to make the upcoming consultation about the Scheme of Control Agreement ("SCA") meaningful. BEC maintains its 2014 recommendation.</p> |
| <p>5 Develop a fuel mix policy for Hong Kong based on a comprehensive and transparent consultation process.</p> | <p>BEC is pleased to see that EnB undertook a comprehensive process for the Fuel Mix Consultation.</p> <p>EnB must now publish the detailed results of the consultation, clearly and transparently articulate its decision, move forward with a plan for implementation and then proceed with the next phase of the public engagement process (i.e. the SCA consultation).</p> |

Building Energy Efficiency

- | | |
|---|---|
| <p>6 Focus on commercial buildings, implement mandatory BEAM Plus, develop strong energy efficiency expertise in Hong Kong, and maintain simple tariffs.</p> | <p>The Building Energy Efficiency Funding Scheme ("BEEFS") allowed buildings to better prepare for the new Building Energy Efficiency Ordinance ("BEEO"). Uptake of BEEFS had been significant and BEC congratulates Government on this achievement.</p> <p>However no new initiatives have been announced since the introduction of BEEO by Electrical and Mechanical Services Department ("EMSD") in 2012. BEC is looking forward to seeing a comprehensive series of concrete proposals – with clear and ambitious energy saving targets and timelines – in the forthcoming energy efficiency policy paper to be published by EnB. BEC maintains its 2014 recommendations on building energy efficiency.</p> |
|---|---|

Low Carbon Transport

- | | |
|---|---|
| <p>7 Coordinate EV charging infrastructure, implement mandatory fuel blending, control diesel commercial vehicles ("DCV"s), introduce Euro 6, expedite bus route rationalization and study road pedestrianization.</p> | <p>Efforts to improve bus route rationalization have progressed steadily over the year but are still moving too slowly. With the three new MTR lines opening in the coming two years consideration should be given to how the process for rationalisation can be accelerated while ensuring communities are adequately served by public transport.</p> <p>BEC recommends that EnB, in consultation with Transport and Housing Bureau ("THB") and Development Bureau ("DevB"), coordinate quick and decisive action to build a secure EV charging infrastructure for Hong Kong within the next 5 years. BEC also recommends that THB and DevB introduce measures to support the faster deployment of electric taxis and minibuses, and to further enhance traffic flow and consult the public on widening pedestrianization measures for select areas of Hong Kong. BEC maintains its 2014 Low Carbon Transport recommendations.</p> |
|---|---|

Environmental, Social and Governance (“ESG”) Reporting and Performance

Key Challenges

- ESG reporting has a very slow take up in industry, and as a result capital markets continue to underprice ESG factors within investment decisions.
- Capital markets need to foster greater use of ESG data and regulators need to improve coordination in developing and enforcing new disclosure requirements.

BEC’s 2014

Recommendations

8 Take the lead in regularly publishing a Sustainability Report for Hong Kong.

BEC’s 2015 Recommendations

BEC recommends that Government should arrange for the publication of regular reports on key sustainability issues such as:

- Long term supply of energy and water for Hong Kong,
- Providing for the health care needs of Hong Kong’s ageing population,
- Long term competitiveness of Hong Kong,
- Liveability of Hong Kong.

BEC further specifies that this initiative should be led by the Chief Secretary for Administration, and such reports be published on an annual basis.

Financial Services and The Treasury Bureau, EnB and Hong Kong Exchanges and Clearing Limited should further improve coordination on new ESG disclosure requirements.

Climate Change

Key Challenges

- Hong Kong’s communities and the city’s infrastructure are not resilient in the face of a changing climate.
- Government and business need to better understand the implications of a changing climate and how to make Hong Kong resilient, in particular with respect to long-life infrastructure.

BEC’s 2014

Recommendations

9 Follow a regional approach to tackling climate change issues and expand the remit of the Council for Sustainable Development to include regional collaboration on issues such as climate change.

BEC’s 2015 Recommendations

BEC is pleased to see the formation of a “Hong Kong/Guangdong Joint Liaison Group on Combating Climate Change”.

BEC remains of the view that Government should develop a comprehensive climate change strategy, including a clear carbon reduction target and action plan for 2020 and beyond, including strategies for widening the uptake of renewable energy sources.

BEC encourages EnB to form a high-profile government-business task force on a public-private partnership basis to improve the resilience of our city against the impacts of climate change. EnB should publish a risk assessment and action plan before the end of this administration’s term.

Establishment of a Harbourfront Authority

Key Challenges

- We congratulate the Government on progress thus far and look forward to the speedy establishment of the Harbourfront Authority.

BEC’s 2014 Recommendations

10 Establish a new Authority that is financially autonomous and whose remit covers the entire harbour and harbourfront areas.

BEC’s 2015 Recommendations

Prior to formation of the Harbourfront Authority, the Harbourfront Commission should be resourced to develop a comprehensive, multi-sector strategic plan for long term harbour development so that the proposed Harbourfront Authority is in a position to deliver on public expectations soon after its establishment.

Biodiversity

Key Challenges

- The town planning and the environmental assessment processes need to take account of public expectations in order to make Hong Kong's Biodiversity Strategy and Action Plan ("BSAP") a meaningful tool for mainstreaming biodiversity into the future development agenda.

BEC's 2014

Recommendations

11 N/A (New in 2015)

BEC's 2015 Recommendations

BEC praises the Chief Executive for prioritizing biodiversity conservation as part of his manifesto and policy agenda. We look forward to the publication of the BSAP for public comment in the first half of 2015.

Biodiversity management facilitates resource preservation and has potential to strengthen the transparency and predictability of the development planning process. BEC urges Government to consider biodiversity by assessing its value based on natural capital accounting methods.

It is now time for a cross-bureaux steering group, chaired by the Chief Secretary for Administration to consider ways to reduce conflicts between biodiversity conservation and development.

Water Supply and Waste Water Management

Key Challenges

- Poor marine water quality has been a lingering problem in Hong Kong for many years, diminishing the recreational value and quality of life for local residents.
- Hong Kong must consider the options available for increasing water self-sufficiency in light of the rapidly changing regulatory landscape for source water management on the mainland as well as changing weather patterns and persistent drought conditions across large parts of China, including the Pearl River Delta ("PRD").

BEC's 2014

Recommendations

12 N/A (New in 2015)

BEC's 2015 Recommendations

BEC is pleased to see that the Harbour Area Treatment Scheme ("HATS") 2A is nearing completion, and is anticipating significant improvements in marine water quality in and around Hong Kong over the coming year. This is a commendable effort and Government deserves praise for this.

BEC recommends that Government now proceed with HATS 2B as originally planned, or otherwise provide justifications and scientific evidence as to why this portion of HATS is no longer necessary from an environmental perspective and/or viable from an economic standpoint.

13 N/A (New in 2015)

Water Supplies Department (WSD) must now devise a comprehensive plan for achieving long term drinking water security with a target timeframe for sourcing raw water locally and for leakage reduction targets.

On the supply side, after replacement of half of the aged water mains to reduce leakage, it is time to consider new raw water sources such as desalination and water recycling. On the demand side, WSD should review water tariff reform, ways to increase seawater flushing coverage, regulatory approaches in order to substantially advance building water efficiency and reuse in Hong Kong, and rigorous public campaigns to encourage water efficiency and re-use.

Future planning scenarios should take into consideration the cost-benefits of water imports vs. sourcing water locally via desalination.

Detailed Recommendations for BEC's Core Advocacy Areas

Waste Management

The BEC Submission on the 2014 Policy Address stressed the importance of the comprehensive and timely implementation of **all** the policies and initiatives outlined in “Hong Kong Blueprint for Sustainable Use of Resources 2013-2022” (“the Blueprint”). It is regrettable to see that some of the key components, for example the Integrated Waste Management Facility (“IWMF”), are still encountering difficulties in their implementation. With another year gone, the waste disposal targets set in the Blueprint for 2017 are becoming ever harder to achieve.

We maintain the same recommendations from BEC's Submission on the 2014 Policy Address, but would like to highlight the following:

Cost-Benefit Analysis

- A balanced approach is required to foster public debate on controversial initiatives, such as IWMF and landfill extensions. Government needs to evaluate the environmental, social and economic implications by considering the “natural capital cost” of these facilities in terms of the currently proposed approach vs. possible alternatives. Apart from environmental impacts of waste management infrastructure, economic and social factors provide a more balanced basis for decision-making. Government should adopt this approach towards future phases of the Organic Waste Treatment Facility (“OWTF”) to further improve food waste reduction.

In terms of new developments in waste management that have emerged in 2014, BEC is cautiously optimistic of the establishment of the Recycling Fund and urges EnB to act decisively in the following areas:

Scope of Recycling Fund

- The structure of the Recycling Fund scheme should be clearly defined. BEC suggests that apart from focusing on the quality and quantity of recyclables recovered (especially those with low commercial value, such as plastics and glass), the Advisory Committee on Recycling Fund should also identify suitable industry education programmes. Public education programmes should continue to be funded by the Environmental Conservation Fund (ECF) and Sustainable Development Fund (SDC), but not the new Recycling Fund.
- BEC strongly believes that the Recycling Fund should be granted on a competitive basis only. Under the current scope, grants for individual recyclers to undertake operations are set at 50% of approved expenditure items and capped at \$5 million per application. BEC advocates the expenditure item percentage limit be set at 80% instead, in order to make other high-quality funding proposals that have a greater expenditure ratio eligible for application. Furthermore, for larger capacity projects such as recycling facilities capable of processing 500 tonnes per day, a \$5 million grant might not be adequate, given that the capital expenditure for such projects easily surpasses the \$70 million mark.
- The viability of any proposed project expenditure, particularly in terms of long term operational costs, should be evaluated carefully as part of the vetting and approval process. Recyclables must be significantly processed by fund recipients, i.e. transformed into a resource as part of the recycling process. Such value add would then support the capital expenditure and the overall intent of the Recycling Fund.
- BEC strongly believes that a robust monitoring mechanism should be in place to ensure effective use of the Recycling Fund. For instance, the Advisory Committee on Recycling Fund should include more representatives from the recycling, waste management and building management sectors to better enable the fund to address actual upstream and downstream needs.

Enhancing Recycling Practices and Handling of Recyclables

- BEC urges the Government to expand the producer responsibility scheme to include product take-back schemes (i.e. deposit systems) for PET and glass bottles. In view of the MSW charging scheme

and other policies, the amount of material to be recovered would increase substantially if a bottle deposit system is implemented. A take-back scheme would reduce the incidence of discarded PET and glass bottles.

- The implementation of the producer responsibility scheme should be fast-tracked for waste electrical and electronic equipment (“WEEE”) in view of the current delay of funding approval. As an important first step, BEC suggests Government to lay down collection, recycling and recovery targets for WEEE to ensure effective implementation.
- Hong Kong needs to prepare the necessary infrastructure to support the proper processing of materials collected for recycling. To further boost the recycling rate and create a favourable investment environment for the recycling industry, Government should plan on imposing more stringent measures, such as landfill bans for glass bottles and PET bottles.
- Government should play an active role in promoting recycling amongst the civil service. A code of practice specifying implementation of separate collection and processing should also be included in Government cleaning contracts.

Education and Other Support for the Recycling Industry

- Securing land at an affordable cost is of critical importance to the recycling industry. BEC looks forward to the findings of the Government’s study on the land requirements of the recycling industry and the measures proposed to support waste recovery and recycling activities. This is particularly the case for operations with transport, noise and smell nuisance issues.
- Government should also consider supporting smaller scale recyclers. For instance, offering a low rental rate in existing vacant factory buildings, and providing utilities and a centralized wastewater treatment system (EIA approved) would allow recyclers to clean the recyclables thereby adding value in the process. This would also create opportunities for collaboration between recyclers and other building tenants.
- While the Recycling Fund should be used to ensure recyclables are utilized locally, it is inevitable that some recyclables generated locally will be shipped to Mainland China or overseas due to lack of manufacturing industries in Hong Kong. In this regard, BEC stresses the importance of the value-adding component during Recycling Fund approvals and urges Government to enhance logistics infrastructure to enable economies of scale for transportation of recycled products.
- BEC suggests Government investigates the practicality and the merits of at-source sorting versus sorting of mixed waste at a Material Recovery Facility (“MRF”). Although BEC considers on-site separation a better option from a commercial perspective, we fully appreciate the challenges associated with on-site sorting in high rise buildings. For mixed waste, BEC proposes sorting be done off-site at a large centralized MRF or at several mini-MRFs. Furthermore, mixed recyclables from domestic sources are extremely difficult to sort, especially those with lower intrinsic value. BEC urges Government to allocate a portion of the Recycling Fund specifically for piloting potential solutions in this area.
- The overall capability and skills of the recycling industry should be enhanced. Government should provide suitable vocational training to support the development of recycling professionals.
- The proposed Community Green Stations (“CGS”) are designed to be small in size, hence temporary storage and sorting space for recyclables is limited. BEC suggests Government to provide centralized logistics for CGSs to enable cost-efficient and just-in-time transportation of recovered recyclables between CGSs and the local recyclers. This would minimise on-site storage needs.
- Government should structure the Recycling Fund to encourage secondary markets for recovered or recycled products. Territory-wide education should be implemented to promote the uptake of second-hand goods. Also, design for environment (“DfE”) should be encouraged to get intact goods back into the hands of consumers for continued use.
- Economic incentives are an important driver for commercial and industrial sectors to perform recycling. The currently proposed MSW charge should be reviewed in due course to investigate whether recycling in the commercial and industrial sectors needs to be further incentivized.

Energy Policy: Fuel Mix, Building Energy Efficiency and Low Carbon Transport

BEC is looking forward to working with Government in developing a long term energy policy for Hong Kong. BEC would like to reiterate our 2014 recommendations to Government in the areas of building energy efficiency and low carbon transport, and remind Government of our stance in the fuel mix debate.

Fuel Mix

In response to the consultation on the *Fuel Mix for Hong Kong's Future Electricity Supply* ("Fuel Mix Consultation"), BEC's submission was sent to EnB on 13 June 2014. In summary, BEC recommended in this submission that Government should make initial moves now to decarbonize electricity generation in Hong Kong via natural gas (Option 2). And over time, Government should consider imports of genuinely clean, low carbon energy from the Mainland as soon as this can reliably be delivered. BEC would like to offer the following additional recommendations on the subject:

- EnB must now publish the detailed results of the consultation, clearly and transparently articulate its decision, move forward with a plan for implementation and then proceed with the next phase of the public engagement process (i.e. the SCA consultation).
- Increasing natural gas generation would bring us numerous side benefits. Improvements in local air quality will protect public health and help to promote Hong Kong's competitiveness as a world city. We share the same air shed with the Pearl River Delta region and we should continue to do our part to reduce emissions at source to help alleviate the regional air quality burden.
- Demand side initiatives are equally important. We would welcome further policy proposals from Government as soon as possible. Indeed, if demand can be reduced from the projected levels foreseen in the consultation document, it may be necessary to revisit the need for new supply side infrastructure in the short term. Until it is clear whether longer-term demand growth can be moderated or not, significant additional infrastructure investments should not be made.

Building Energy Efficiency

In 2012, the Hong Kong Green Building Council ("HKGBC") published a green building roadmap outlining that absolute electricity consumption of buildings in Hong Kong could be reduced 30% by 2030¹. BEC supports the overall target and objectives of this roadmap and recommends that Government develop a long term policy framework to support energy efficiency improvements in buildings.

The Building Energy Efficiency Funding Scheme ("BEEFS") closed in April 2012 and allowed buildings to better prepare for the new Building Energy Efficiency Ordinance ("BEEO"). Uptake of BEEFS had been significant and BEC congratulates Government on this achievement. However no new initiatives have been announced since the introduction of BEEO by EMSD in 2012. Government needs to re-evaluate existing voluntary measures and seriously consider additional regulatory approaches in order to substantially advance building energy efficiency in Hong Kong.

Government must table a comprehensive series of concrete proposals, with clear energy saving targets and timelines, to take energy efficiency to the next level. BEC offers the following considerations in support of the energy efficiency policy paper currently in preparation by EnB:

New & Existing Buildings

- BEC maintains its 2014 recommendations that the focus for energy efficiency improvements should be on new and existing commercial buildings because these offer the most payback in terms of reducing overall electricity demand. There are a number of 'quick-wins' for energy savings in these buildings, most of which can be made with relatively little or no cost to the building owners/managers. Regulatory measures to support implementation of the 'quick-wins' should be prioritized.

¹ Hong Kong Green Building Council ("HKGBC"), 2012. "HK 3030: A vision for a low carbon sustainable built environment in Hong Kong by 2030 (Version 1.0)". Available at: [http://www.hkgbc.org.hk/upload/HK3030/Home/HK3030-Paper---Final-\(Version-1.0\).pdf](http://www.hkgbc.org.hk/upload/HK3030/Home/HK3030-Paper---Final-(Version-1.0).pdf)

- For instance, it is suggested that automation and performance tracking software (benchmarking) be used for building energy management. The performance data should be available to the building owners and tenants at minimum. In the long term, public disclosure of such data should be made mandatory, via channels such as annual reports and displays in prominent areas of buildings themselves (e.g. reception, lifts, etc).
- Stronger focus must be placed on the operating efficiency of a building during the tender award stage. The project contractor should be held partly accountable to the specifications of the actual energy performance of a building once it operates.

Existing Buildings

- Voluntary awareness campaigns to encourage tenants to enhance energy efficiency have proven to be effective in other jurisdictions, in particular as a platform for landlord and tenants to implement energy efficiency commitments.
- Government may wish to consider offering incentives such as tax deductions to encourage energy efficiency retrofits.
- BEC suggests that in general and as far as practicable electricity charges should be separated from building management charges. This would allow for tenants to better monitor electricity consumption and encourage energy savings.
- Government should take the lead in improving energy performance for existing Government buildings, in order to showcase how to conduct energy efficiency retrofits in Hong Kong and demonstrate potential savings.

New Buildings

- BEC maintains its 2014 recommendation for Government to introduce BEAM Plus as the mandatory green building standard for Hong Kong, in particular for new buildings.
- Gross floor area (“GFA”) concessions for new buildings have become a key success factor for driving green building certifications in Hong Kong. BEC is encouraged by this development, but a connection between the amount of GFA concessions and the actual BEAM Plus grade is still missing. BEC urges Government to make this adjustment, in order to further incentivize the market to adopt higher standards of BEAM certification.

Training and Certification

- There is a need amongst facility managers to increase knowledge in forecasting future savings and payback associated with energy efficiency retrofits. This is necessary to encourage appropriate long term investment. As in 2014, BEC urges Government to subsidize training courses and annual certification for facility managers on the topic of energy efficiency in building management.

Electricity Tariff Structure

- The structure of our electricity tariffs is one of the elements for energy conservation, while Government legislation, incentives, education and behavioural change also support energy conservation.
- BEC suggests keeping the current tariff structure because it provides transparency for easier monitoring and management of electricity consumption and retains the competitiveness of Hong Kong. The public should also be made aware that tariffs will likely increase alongside increased cost of fuels, in particular if the portion of natural gas in our fuel mix would be substantially increased.

Low Carbon Transport

Poor air quality continues to undermine the competitiveness of Hong Kong as a regional hub for business and imperils the health of the local population. The *Clean Air Plan for Hong Kong* published by EnB in March 2013 is fundamental for informing appropriate solutions to the enduring problem of poor air quality in Hong Kong.

BEC recommends that EnB, in consultation with THB and DevB, coordinate quick and decisive action to build a secure EV charging infrastructure within the next 5 years. BEC also recommends that THB and DevB introduce measures to support the faster deployment of electric freight, taxis and minibuses passenger vehicles and to further enhance traffic flow and consult the public on widening

pedestrianization measures for select areas of Hong Kong. Taxis and minibuses operate far more intensively than private cars, hence the benefit of changing one taxi to an EV may be far greater than changing one private car to an EV.

BEC wishes to provide the following suggestions on select priorities to ensure continued progress is made in implementing new and innovative policies in the transport sector:

Support for Hybrid and Electric Vehicles (“EVs”)

- Currently there are only a limited number of EV quick charging stations in operation in Hong Kong. A comprehensive electric vehicle quick charging network is essential for Hong Kong to ensure EVs receive long term support as a viable transport option and to alleviate ‘range anxiety’ amongst EV users. Government needs to develop parameters to identify suitable charger locations, the ratio of quick chargers, and the number of charging stations within public and private residential estates as well as commercial buildings.
- In addition, Government needs to publish clear guidelines outlining which type of EV charging standards Hong Kong will adopt going forward. Without Government direction on EV charging standards, property owners and facility managers will continue to be reluctant to install chargers because of the risk that the standard may change in the near future.

Efficiencies in Franchised Bus Operations

- BEC urges Government and franchised bus operators to continue the process of bus route rationalization to help improve efficiencies, reduce duplication in franchised bus trips, and improve overall air quality.
- With three new MTR lines opening over the next two years, consideration should be given to how the process for rationalisation can be accelerated while ensuring communities are adequately served by public transport.

Diesel Commercial Vehicles (“DCV”)

- Non-road vehicles and non-road mobile sources need supporting regulations and incentives to improve fuel efficiency and emission levels.
- Hong Kong should adopt the Euro VI standard as soon as possible for those classes of vehicles that are commercially available in Hong Kong and other parts of the world.

Alternative Fuels for Road Vehicles and Vehicle Emission Standards

- BEC supports the introduction of alternative fuels into the Hong Kong market, in particular the blending of diesel fuels. Mandating biofuel use in Hong Kong can be beneficial in reducing roadside emissions based on readily available technology.
- BEC notes that the Government’s “Climate Change Strategy and Action Agenda” consultation document (2010) included a recommendation (see section 5.18 of that document) for the adoption of B10 (10% biodiesel blend) and E10 (ethanol) by 2020.
- Europe currently has the most progressive biofuel regulations and fuel efficiency standards globally. EU member states have introduced the Mandatory Blending Requirements for biodiesel, where blend ratios currently range from 4.5% - 7% and are required to be 10% by 2020. Apart from the EU, there are mandatory biofuel standards in over 30 other countries around the world.
- Mandatory blending requires minimal to no change to fuel infrastructure, has negligible costs, and does not require consumer behavioural change. Hong Kong could reduce fossil fuel reliance by 2020 by mandating that petrol and diesel is blended with a minimum of 10% of ethanol and biodiesel respectively.
- If Government moves ahead with mandatory blending of biofuels in Hong Kong, it is essential that the supply chain of biofuels favours sustainable sources, and indeed restricts the use of non-sustainable sources. Furthermore, the source of biofuels determines the level of carbon savings, further underscoring the importance of sourcing biofuels from appropriate sources.

Traffic management

- The significant new road and public transport infrastructure coming online in the next 1-3 years (i.e. Central-Wan Chai bypass, South and West Island MTR Lines, etc), justifies rolling out a congestion charge for roadways in Central, Wan Chai, Admiralty and Causeway Bay. This charge could be

applied at different time zones to stagger traffic commuting hours and lowered for fully occupied vehicles to encourage car-pooling.

- In addition, Government should consult the public on widening pedestrianization measures for select areas of Hong Kong, specifically in areas such as Pedder Street/Queen's Road Central, Johnston Road, Percival Street and Des Voeux Road amongst others. This should be rolled out in conjunction with an increase in bus, taxi and tram priority measures to keep public transport moving at a faster pace than private vehicles. In addition, Government should consider 'car-free' days across certain areas on evenings and weekends, and investigate how to further improve connectivity between commercial and residential buildings via dedicated overhead walkways.
- As an alternative mode of transport, cycling should also be supported. To encourage cycling in the New Territories, more bicycle racks should be installed at MTR stations to encourage people to combine taking the train to work with healthy exercise. Cycle awareness programs for drivers should also be rolled out, and safe dedicated bicycle lanes added to existing road networks as far as practicable, in particular between MTR stations and major population centres.

Environmental, Social and Governance (“ESG”) Reporting and Performance

Sustainability Reporting or ESG disclosure is the basic first step in driving improved performance. BEC recommends that Government publish regular reports on key sustainability issues such as the long term supply of energy and water for Hong Kong, providing for the health care needs of the increasing number of elderly people in Hong Kong over the coming two decades, the long term competitiveness of Hong Kong, and/or the liveability of Hong Kong. These are key issues discussed internationally and areas where Hong Kong can demonstrate leadership. BEC specifies that this initiative should be led by the Chief Secretary for Administration, and such reports be published on an annual basis.

In addition, Financial Services and The Treasury Bureau, EnB and Hong Kong Exchanges and Clearing Limited should further improve coordination on new ESG disclosure requirements:

ESG Disclosure for Hong Kong Listed Companies

- BEC is supportive of mandatory ESG disclosure to stimulate ESG performance amongst companies in Hong Kong. BEC is pleased that Hong Kong Exchanges and Clearing Limited (“HKEx”) introduced the ESG Reporting Guide (“ESG Guide”) in 2012, and that the Companies Ordinance has been updated in 2014 to include non-financial metrics for annual reporting.
- BEC is strongly in favour of raising the ESG Guide from ‘voluntary’ to ‘comply or explain’, and will continue to press this issue with other professional and business associations. BEC also recommends closer collaboration between HKEx and the Securities and Futures Commission (“SFC”) on the matter to ensure that financial markets receive most up-to-date information on regulatory developments.

Carbon Footprint Repository for Hong Kong Listed Companies

- BEC recommends that Government engage stakeholders in an open and constructive manner to facilitate information and experience sharing with respect to the *Carbon Footprint Repository for Hong Kong Listed Companies*.
- BEC would very much welcome the opportunity to further collaborate with relevant Government departments to fine-tune the online Carbon Footprint Repository and inform the business community about the emerging database. Further refinement of the repository may solicit additional support from issuers to voluntarily disclose information in the online database.

Climate Change

BEC has long been promoting awareness of climate change mitigation and adaptation activities amongst the BEC membership and generally amongst the business community in Hong Kong. Understanding how climate change will affect Hong Kong, and more specifically whether Hong Kong is climate change resilient is an important issue for business.

The BEC-Climate Change Business Forum September 2013 publication *The New Normal* illustrates climate change adaptation issues for six key sectors in Hong Kong. Besides this publication there is limited Hong Kong-specific guidance for business about how to create climate resilience and what specific measures Government should implement to make Hong Kong more resilient.

BEC is currently undertaking a project to better understand the financial implications of climate resilience for Hong Kong infrastructure (both private and public), the results of which could facilitate more serious consideration of the issues by business and government alike. BEC would welcome collaboration with Government on this important project.

In addition, BEC wishes to provide the following suggestions on select climate change priorities:

- For Hong Kong to address climate change in a more strategic manner it must be part of a regional solution or at least one that takes into consideration the regional context. BEC is pleased to note that the "Hong Kong/Guangdong Joint Liaison Group on Combating Climate Change" was constituted in 2012.
- BEC recommends that Government formulate a work plan for achieving the 2020 carbon reduction target, including strategies for widening the uptake of renewable energy sources.
- Hong Kong needs to maintain its climate resilience leadership role in the long term and catch up with its peer cities in China on climate mitigation measures. Hong Kong, as a member city of the C40, should strive to demonstrate its work on climate change and assist in best practice exchange internationally. BEC recommends that Government formulate a special task force on climate change, similar to the Task Force on Economic Challenges² or the Financial Services Development Council³. A task force on climate change would facilitate government business collaboration to support this objective.
- BEC recommends that EnB publish a detailed risk assessment and action plan before the end of this administration's term, as a first step to demonstrate resilience of our city to the impacts of climate change.
- BEC remains of the view that Government should develop a comprehensive climate change adaptation and mitigation strategy, including a clear carbon reduction target and action plan for 2020 and beyond. The plan should include relevant metrics, a detailed timeline to achieve the respective targets, and clear accountability.

Establishment of a Harbourfront Authority

Harbour Business Forum ("HBF") is pleased to see the progress made regarding the proposed establishment of a Harbourfront Authority ("HFA") to oversee future harbourfront planning and development in a holistic and innovative manner and flexible management approach.

Further to the (presently ongoing) Phase II Public Engagement exercise, HBF, an initiative of BEC, makes the following recommendations:

- Prior to the formation of the HFA, the Harbourfront Commission be resourced to develop a comprehensive, multi-sector strategic plan to guide the long term development of our harbour, as well as any necessary changes to the existing planning and delivery systems, so that HFA is in a position to deliver on public expectations as soon as possible after its establishment;

² See <http://www.fso.gov.hk/tfec/>

³ See <http://www.fsdc.org.hk/>

- HFA be adequately resourced such that it can guide, direct and manage all interventions at the harbourfront;
- HFA resources and processes should apply a test of proportionality⁴ in relation to the Protection of the Harbour Ordinance to enable key public interest improvements;
- HFA be financially autonomous with meaningful urban design, implementation and management powers and a remit covering the entire harbourfront and harbourfront areas;
- HFA be a champion for our harbour but also streamline existing systems rather than increasing bureaucracy.

Biodiversity

BEC welcomes Government's initiative to formulate a city-level Biodiversity Strategy and Action Plan ("BSAP") for Hong Kong and looks forward to the opportunity to provide feedback on the draft BSAP when it is released for public consultation in early 2015.

- BEC notes that a growing number of private and public development projects have been opposed, delayed and blocked by some stakeholders on the grounds of preserving biodiversity - even when regulatory approval is secured. Government should carefully consider how public expectations on preserving biodiversity affect the implementation of infrastructure and development projects. In particular, Government is requested to consider how to ensure that relevant regulation (particularly the EIA and Town Planning Ordinance) is better aligned with public expectations about biodiversity conservation. Policies are required which both preserve biodiversity and meet the need for and benefits of development
- Biodiversity management facilitates resource preservation and has potential to strengthen the planning process. BEC urges Government to consider biodiversity by assessing its value based on natural capital accounting methods. This will facilitate a willingness to pay and invest in preserving the value of ecosystems. It is now time for cross-bureaux steering group, chaired by the Chief Secretary for Administration to consider ways to reduce conflicts between biodiversity conservation and development.

Water Supply and Waste Water Management

The general public feels comfortable and secure with current water supply and water quality in Hong Kong. This attests to the many achievements in water management and infrastructure that Government can take credit for, given that 40-50 years ago drought and water rationing were relatively common in Hong Kong. However, the innovation that characterised Hong Kong's approach to sustainable water resource management in the 1950's and 1960's has been replaced with relative inaction and dependency on the current water sources. This, along with pricing set far below the cost of production, has led to complacency and wastefulness amongst the general public and business alike.

BEC is indeed concerned about the future of Hong Kong's water supply. There appears to be a lack of future planning and foresight in ensuring that water supply does not become an issue over time, for the following reasons:

1. The current water source for Hong Kong, primarily drawn from the Dongjiang basin, supplies water to an ever-growing population in Southern China. Increasing demand and decreasing supply has already seen the introduction of provincial water quotas across China, including a reduced quota for Guangdong province.
2. Water availability continues to decline across China. The Dongjiang basin has seen a 30% drop in its average available water resource over the last ten years. This is in part due to changing weather patterns and man-made climate change.

⁴ The test of proportionality in the context of the harbour refers to the consideration of whether a project has enough advantages to be public to justify the loss resulting from any associated reclamation.

3. Institutional challenges remain amongst Government departments, in particular between Drainage Services Department (ensuring stormwater runs off as quickly and safely as possible) vs. Water Supplies Department (sourcing drinking water as efficiently and cost effectively as possible) vs. Environmental Protection Department (responsible for regulating direct discharges to water and sewerage systems). Each department has its own priorities, with at times competing objectives.
4. Charges for water have not been increased since 1995 and now amount to less than 40% of the cost of water. With the increase in charges for water from Dongjiang this percentage will decline further if nothing is done. The resulting low cost of water is likely to lead to increased consumption. Not charging the full cost of water thus increases its actual cost to Hong Kong people as the balance of the cost is paid out of rates and general tax revenue.

Government needs to provide the following assurances, to business and citizens alike:

- Due to Hong Kong's reliance on water from the PRD it is essential that Hong Kong water policies align with the new mainland water policy that was promulgated in the 'Opinion on Implementing a Strict Water Management System for Water Resources.'
- Publish comprehensive planning scenarios taking into consideration the cost-benefits of water imports vs. sourcing water locally via desalination.
- Water tariffs which have not been reviewed since 1995 should be reflective of real costs for providing secure and long term infrastructure to ensure a safe and reliable supply of drinking and flushing water.
- Much good work has been done to reduce the amount of 'non-revenue' water (i.e. system leakage) in Hong Kong, But considering that most major cities in Japan, the US, France and Germany have leakage rates below 10%, Hong Kong can do better, and should therefore set a more ambitious target to further improve upon the 18% (2012) leakage rate.
- Technology is available to make desalination a feasible option for Hong Kong but studies are required to weigh its cost and impact on Hong Kong's carbon footprint.
- More needs to be done in relation to water re-use and re-cycling. Government should consider regulatory approaches in order to substantially advance building water efficiency and reuse in Hong Kong, similar to the standards imposed in mainland cities such as Beijing where rainwater harvesting is mandatory for all new builds. Rigorous public campaigns to encourage water efficiency and re-use – such as promoting more intensely the use of water saving devices and water recycling facilities – should be rolled out.