

30th September 2016

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 2017 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 on a range of issues relating to the environment and sustainability.

BEC is a membership organisation, currently with more than 190 members that span across major listed and multi-national companies, small and medium-sized enterprises, non-government organisations, trade associations to academic institutes 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.

Our submission, entitled “Transitioning to a Low Carbon and Circular Economy”, covers the themes of:

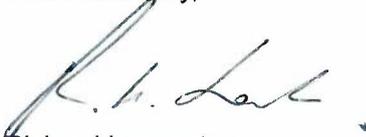
- transition to a low-carbon and competitive economy;
- low emission transport system and tightened air quality;
- waste reduction and optimizing use of resources;
- our status as a centre of expertise in responsible investment and green finance in the region; and
- balance between sustainability and development planning.

Please refer to the attached for the detailed views and recommendations of BEC.

BEC looks forward to working constructively with Government in taking these policy recommendations forward. Indeed, the business community is ready to act and partner with Government in finding appropriate environmental solutions for a greener and more sustainable Hong Kong.

If there are any queries regarding this submission, please contact our Chief Executive Officer, Mrs Christine Cheung, at christinecheung@bec.org.hk or 2784 3950.

Yours sincerely,



Richard Lancaster
Chairman
Business Environment Council Limited

c.c. Secretary for Commerce and Economic Development
Secretary for Development
Secretary for the Environment
Secretary for Transport and Housing
Mrs Christine Cheung, CEO, BEC



BEC POLICY SUBMISSION: TRANSITIONING TO A LOW CARBON AND CIRCULAR ECONOMY

BEC's 5 key policy recommendations for 2017 are focused on achieving social, economic and environmental benefits for Hong Kong, and are of relevance to all HKSAR Government ("the Government") bureaux/departments.

Our Overarching Policy Recommendations

- **To enable a transition to a low carbon, resilient and competitive economy, put in place an ambitious and comprehensive Action Plan** to help ensure our businesses become lean and efficient, using new technologies and practices to minimise their energy usage, and with the experience and know-how to make the most of business opportunities arising from a global shift to a low carbon economy.
- **To enhance the liveability of our city, tighten our air quality objectives and ensure a smart low emission transport system.** A low emission and efficient transportation system including walking, cycling and improved public transport, facilities help ensure Hong Kong is a place where people want to live, study and work.
- **To reduce the impacts of waste and optimise our use of resources, implement key measures swiftly and set up a taskforce for the medium-long term.** A circular and resource efficient economy makes the most of local and imported resources through reducing waste at source, reuse and recycling, and creating energy from residual waste where those options are not viable.
- **To strengthen our position as a regional economic hub, take a series of actions to create a centre of excellence of responsible investment and business.** Considering the shift to responsible investment worldwide and the need to raise US\$90 trillion¹ capital worldwide for green infrastructure, there is an economic opportunity to become a centre of expertise in responsible investment and green finance.
- **To secure Hong Kong's longer term development and social well-being, embed principles of sustainability, including the protection of natural capital and enhancing well-being, within Hong Kong's planning policies and longer term growth and development strategies.** By achieving a good balance between protecting the natural environment and physical and social development as well as making the most of its natural assets, such as its harbourfront, Hong Kong can help secure its long term economic future and the social well-being of its community.²

Our detailed recommendations are summarised at the end of this document.

¹ <http://www.unep.org/newscentre/Default.aspx?DocumentID=27074&ArticleID=36167>

² See note relating to this section (p.11/12)



A. Transition to a Low Carbon, Resilient and Competitive Economy: put in place an Ambitious and Comprehensive Action Plan

BEC affirms its support for a long-term policy framework on climate change that enables forward-looking action by business. For 2016, we stressed the importance of taking on board the Peoples Republic of China's climate change policy, working on a regional level, and establishing a good cross-departmental structure, to reduce GHG emissions and ensure HK's resilience. We are pleased that the Government has set up a cross-departmental ministerial-level structure, has commenced developing carbon reduction targets for 2030, and published the Climate Change Report 2015 with a detailed account of climate risk for Hong Kong.

In the coming year, to build on this progress, we welcome the Government's intention to put in place an Action Plan for the longer term. We would like this to be ambitious and sufficiently wide in coverage, thereby providing a roadmap for transforming Hong Kong into a low carbon and resilient economy enabling business to make the most of the many opportunities such a transformation is anticipated to bring in the domestic market and abroad.

We recommend that the Action Plan includes the following:

- 1. A clear articulation by the Government of its aspirations for a future low carbon Hong Kong:** to give business and the wider community a clear sense of purpose and direction, which should be developed through business and community engagement and be widely disseminated through media, educational institutes, and social and environmental NGOs.
- 2. Greenhouse Gas Emission targets for 2030:** developed to put Hong Kong on track to meet the objectives of the Paris Agreement, with contributions from both the supply and demand-side, and which takes on board the commitments of the government of the People's Republic of China³ and the impacts on business and the wider Hong Kong community.
- 3. Plans for enhanced institutional arrangements including for continued stakeholder dialogue:** a commitment to build on progress to date, including the establishment of the new inter-departmental committee chaired by the Chief Secretary, in developing a co-ordinated governance system for addressing Climate Change. Enhancements could usefully include clear assignment of goals to each government bureaux/department as well as embedding of climate mitigation, adaptation and resilience goals in the strategies of those Departments. Given the importance of climate change to society as a whole, we also recommend a commitment to report on progress over fixed periods of time and a standing forum to regularly engage business, NGOs, and other key stakeholders.

³ <http://www4.unfccc.int/Submissions/INDC/Published%20Documents/China/1/China's%20INDC%20-%20on%2030%20June%202015.pdf>



4. Funding and action to support public engagement and capacity-building: in order for business and others to translate targets into sectoral level plans and implement those plans, we recommend: (a) ensuring sufficient Environment and Conservation Fund (“ECF”) funding is made available for educating, informing and developing know-how in the business community on climate change; (b) awareness-raising initiatives within and on the part of different Bureau/departments eg Civil Engineering and Development Department , Drainage Services Department, Buildings Department with their stakeholders; (c) funding made available to raise awareness amongst and engage the general public in relation to adapting to climate change and ensuring resilience as well as reducing GHG emissions, considering the importance of public backing for investment and other changes that will be needed.
5. **A multi-pronged approach to supply-side emissions:** As recommended previously, we encourage the Government to adopt a multi-pronged approach including: (a) effective incentives for renewable energy generation by energy companies; (b) ensuring opportunity for grid connection of clean distributed energy generation in Hong Kong on fair and reasonable terms; (c) consideration of the opportunities for importing more low carbon energy, like renewable energy and nuclear, from Mainland China in the longer term taking on board the reliability and additionality tests; (d) introducing measures to optimize the use of energy from waste facilities including landfill gas; and (e) supporting the development of Liquefied Natural Gas receiving facilities to ensure security of supply of natural gas at competitive prices facilitating the transition to a cleaner fuel mix.
6. **An enhanced approach to demand-side management:** As experience worldwide shows, increasing energy efficiency of the built environment can be a cost-effective means of reducing emissions. We support the Government’s action to date as set out in its Energy Saving Plan, in particular committing to regularly review buildings and appliance standards and codes⁴ and to reduce the Government’s own electricity consumption. Issues including principal-agent problems (underlying the limited incentives on landlords and tenants to improve efficiency under many lease arrangements), substantial capital costs, and uncertainty in savings, mean that further policy measures are needed in the short and medium term for both new buildings and existing buildings. We make the following recommendations:
 - (a) **For new buildings**, the Government should act swiftly to ensure all newly constructed buildings are highly energy efficient, through:
 - (i) **strengthening the impact of the Gross Floor Area (GFA) concession as to energy efficiency** by modifying the energy-related pre-requisite so that there is a strong link between the level of additional GFA and the actual energy efficiency of the building. We will submit more detailed recommendations following further work by our Energy Advisory Group.
 - (ii) mandating the Residential Thermal Transfer Value (RTTV) so that it is independent of the GFA concession⁵, and reviewing the values to ensure the requirement is sufficiently demanding.

⁴ As stated in the Energy Saving Plan p.68

⁵ At present, if a building cannot get the GFA concession for some other reason the developer does not have an incentives to meet the RTTV.



(b) For existing buildings:

- (i) incentivise energy efficiency retrofit measures by establishing a Government fund** to which existing building owners can apply for a grant towards the costs of improvements. In terms of the detail of the scheme we suggest:
- for commercial developments above a specified threshold, funding to be on a matching basis⁶ to ensure money is spent well;
 - monitoring and transparency of outcomes to be a condition of award of funds;
 - consideration of the Urban Renewal Authority (“URA”) delivering the scheme, as it currently delivers another in respect of upgrading residential buildings; and
 - that the amount of funding available be calculated to ensure it is sufficient to facilitate the retrofit of a substantial proportion of commercial and residential buildings in Hong Kong over a period of time as part of a rolling programme of retrofitting Hong Kong’s building stock.

Note: Access to this fund could be linked to measures identified following the Energy Audit (see below). In addition, in developing eligibility requirements consideration should be given to whether large developers who are able to access capital and who will recoup their capital investment through energy savings should be excluded from this scheme⁷.

- (ii) support action by the market through Energy Service Companies (ESCOs)** and property managers by provision of Government backed guarantees for loan or equity financing up to a certain level. This will help ensure affordable finance to ESCOs and property management companies, and address a reluctance to spend capital in the light of uncertainties as to returns (as ESCOs will bear the risk⁸). This is done at present in Singapore under the BREEF Scheme. Other incentives in terms of tax exemptions and grant schemes for ESCOs should also be explored.
- (iii) Introduce a requirement for owners of buildings to put in place an implementation plan as to the improvements identified in their Energy Audit**, which will need to be supported by the energy efficiency fund referred to above. This should be complemented by the Government's actions to reduce emissions from public sector buildings, streets and public spaces to create momentum in respect of the transition towards energy efficiency.

⁶ Part of the funding from this Energy Efficiency Fund and part from the business.

⁷ The other measures included in this set of recommendations such as the proposed rating system will encourage them to take action at their own cost.

⁸ ESCOs not only carry out audits and give advice but can take the responsibility for incurring capital expenditure. <http://www.greenfuture.sg/2015/02/16/2015-guide-to-singapore-government-funding-and-incentives-for-the-environment/>



(c) To stimulate the demand for new and existing energy efficient buildings and enhance the impact of the Energy Audit under the Buildings Energy Efficiency Ordinance, the Government should:

- (i) Explore the introduction of a simple rating system for buildings, looking at NABERS, Australia⁹ as a possible model to follow as well as taking on board the BESTOO tool developed by HKGBC. Government should consider linking this to the Energy Audit system so that the audits are used to determine the rating of the building. This would require a review of the methodology used and greater frequency of the audits. To support the usage of this scheme, the Government should explore: the public sector committing to only lease, rent or buy buildings of certain ratings (subject to certain exemptions); reductions in stamp duty or government rates for high performing buildings¹⁰; and the UK model of a minimum rating being met before buildings can be let out (after a lead-in period of several years).
- (ii) Use the buildings data submitted to date through the Energy Audit to compile an anonymized distribution of levels of energy usage of buildings within different sectors eg hotels, malls, office blocks and clubhouses, which will enable benchmarking of performance.
- (iii) introduce a financial incentive for buying or renting energy efficient buildings in the form of a reduction in stamp duty for purchase of or rental of high performing buildings and/ or a reduction in government rates.

(d) Enable the use of smart technologies: Government to facilitate the development of a smart grid, by mandating the introduction of smart meters for all new and replacement meters from 2018 as this will support time of use tariffs, peak demand rebates, advice to customers from electricity companies as to better management of energy, as well as behaviour change by providing customers timely information as to their energy use. This is an application of green technology where local expertise will help put Hong Kong businesses in a good position in other markets and in terms of accessing PRC Government funding for green technologies.

7. Ensure climate adaptation and resilience: BEC's Climate Resilience Roadmap sets out risks to businesses and the importance of a systematic approach to address these risks by business and government. We affirm the recommendations therein¹¹, recognising progress made by Government in terms of co-ordination. To build on this progress, we recommend that in the short term the Government:

- sets clear goals for bureaux/departments, to take action on adaptation and resilience, and monitors progress over fixed periods of time¹². This will help ensure climate resilience of Hong Kong and give business an assurance of security.

⁹ Currently used in Hong Kong by Link REIT.

¹⁰ As mentioned in earlier section on existing buildings.

¹¹

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

¹² The UK's climate change adaptation governance procedures involve a 5 year assessment and a sub-Committee, part of the Committee for Climate Change



- supports Hong Kong Observatory in ensuring that risks from sea level rise, flooding and landslides, are clear on a more granular level with maps showing areas of high risk, and that these risks are communicated to building and infrastructure owners as part of the Government's Climate Ready @ HK programme of public engagement.
- 8. Address embodied carbon:** To date the focus of Government policy has been emissions in Hong Kong. As a high proportion of Hong Kong's carbon emissions arise from the materials used and products consumed, in particular for infrastructure and property development as well as retail, hospitality, commercial work-spaces, homes and other refurbishment, BEC takes the view that the Government should begin to actively support a sustainable consumption culture with substantial change on this front being a longer term objective. This would involve taking on board the carbon impacts of the production of these materials and products. This is aligned with wider initiatives on sustainable consumption including the Sustainable Development Council's work on sustainable use of biological resources (ie timber, forests), Construction Industry Council's carbon labels for construction products, Hong Kong Green Building Council's G_PASS labelling, and the Government's Green Procurement Specifications. We recommend that Government begins by:
- **encouraging sustainability in procurement and supply chain management through a focus on construction** (as materials are highly carbon-intensive). This can include making carbon a KPI in public procurement contracts, which will support Construction Industry Council labels.
 - **including supply chain emissions in Green Public Procurement** specifications for commonly purchased consumer products like paper, palm oil and soy, and promote these criteria more actively to the business community for their own procurement and supply chain decision-making.

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. GHG emissions from organic waste also make up a significant component of GHG emissions. This is covered in section B.

B. Enhance the Liveability of our City: tighten our air quality objectives and ensure a smart low emission transport system

As transport and logistics are the largest source of air pollutants in Hong Kong, whilst also generating 17% of Hong Kong's carbon emissions, BEC has for several years advocated environmental excellence in Hong Kong's transport & logistics infrastructure. We have also supported improved cross-border work on air pollution and a regulatory framework for clean energy generation. Other measures to enhance livability we have asked for include 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. (See our policy submission on the BSAP¹³).

¹³ http://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_on_BSAP.PDF



To take forward this agenda in 2017, we recommend prioritization of an integrated approach to transport, focused on reducing carbon as well as reducing other air pollutants, encompassing the elements set out below, with further detail to follow in our forthcoming Roadside Emissions Taskforce Report:

1. **Review of the Air Quality Objectives:** we strongly welcome this process, considering the high priority put by residents on good air quality and its public health benefits. We recommend the Government:
 - Sets ambitious forward-looking air quality objectives for the energy and transport sector, looking not only to the standards set by the World Health Organisation but also cities like Tokyo which are taking a more stringent approach.
 - Ensures transparency in the approach to setting and developing these standards.
2. **Enhanced public transport:** we are pleased to see the continuing expansion of the MTR which provides an excellent transport system for many. To make the public transport system even better, bus services can be improved and to do so we recommend:
 - that the Government introduces more bus priority lanes and puts greater effort and resource into enforcing breaches of existing bus lanes;
 - supports greater connectivity between modes of transport including better information on bus routes making use of smart or ICT-enabled approaches and connecting walking and cycling routes;
 - continued expansion of the MTR.
3. **Address congestion and emissions from private vehicles:**
 - **take forward the proposed electronic road-pricing pilot for Central:** seeking to expand this further in the longer term if successful. Full details of our recommendations are set out in our policy submission on Electronic Road Pricing. In line with an integrated approach, they include a recommendation for ring-fencing the use of funds to improve alternative transport/mobility systems from pedestrian walkways and cycling routes, to improved bus provision and out of town parking.
 - **continue to improve pedestrian and cycling facilities in built-up areas,** at street level as well as overground or underground, whilst also trialing commuter cycling for example along the waterfront in Kowloon East or on Hong Kong Island, supported by setting targets for improved pedestrian and cycling routes in the territory.
 - **link the level of incentives for the purchase of cleaner private vehicles to the expected improvement in carbon emissions and air quality** (and thus people's health). This will mean **modifying the First Registration Tax (FRT) waiver for Electric Vehicles**, due to expire in March 2017, so that the discount is more proportionate to the social/environmental benefits obtained and takes on board the full range of low emission vehicles now on the market. BEC will submit more detailed recommendations in this respect in due course following completion of on-going work by the Transport & Logistics Advisory Group.



- **support the installation of a reasonable number of EV chargers in existing residential buildings**, in the short term through an incentive scheme put in place to encourage owners committees to do so (despite the management time involved which can be a barrier to action). In the medium term, it is recommended that the Government introduces an ordinance to allow owners to install EV chargers for their parking spaces subject only to health and safety plus technical feasibility considerations.
- 4. Support a transition to low emission buses and trucks, and low emission non-road mobile machinery:** The Government's funding for the transition to Euro V and above has been successful. For the future, in line with the principle of ensuring that funds are used proportionately to the environmental damage avoided we would like to see these funds extended to:
- enable a transition to low emission **Non-road Mobile Machinery** used in construction and locations like the airport, which are currently highly polluting;
 - support a transition to **Euro VI vehicles** and not simply Euro V as well as to **hybrid/electric buses**, where these are viable, with the level of subsidy broadly reflecting the roadside air quality improvement and carbon reductions that will be achieved. EV technology is viable currently for single deckers such as the Green Public Light Buses as well as franchised bus single deckers and Euro VI is available for all larger vehicles. For larger buses, the Government should explore using the assurance of future demand to encourage manufacturers to design and produce the type of innovative ultra low emission vehicle required; and
 - support the use of **low carbon biofuels** made from locally sourced waste cooking oils and other organic waste. This could be through requiring Government contracted vehicles eg waste trucks to use blended fuel (B5¹⁴), made from local waste cooking oil blended with diesel, which is substantially lower in carbon emissions than ordinary diesel, and following this through with the industrial sector too. (See Waste section for wider ecological benefits).
- 5. Adopt a forward-looking evidence-based approach to transitioning to low emission and innovative vehicle types combined with proportionate short-term measures:** this should include converting the current Electric Vehicle Working Group into a Low Emission Transport Working Group. It should be tasked with developing a 5-10 year Roadmap for the adoption of new technologies, such as EVs, hybrids, renewable fuel vehicles, and hydrogen fuel cell cars, making recommendations as to which are suited to Hong Kong or parts of Hong Kong and making recommendations as to the infrastructure needed to support them, whilst recognizing the essential primacy of public transport and walking and cycling in our high density city. We encourage the Government to constitute this group to include a wide range of industry players plus some independent parties in order that recommendations can be made on the right way forward for Hong Kong.

¹⁴ Diesel which includes 5% biodiesel, made from waste cooking oil.



C. To reduce the impacts of waste and optimise our use of resources, implement key measures swiftly and set up a taskforce for the medium-long term, focused on a resource efficient and circular economy.

Hong Kong faces a challenge in terms of waste management with landfill close to capacity and high carbon costs as a result of limited reuse and recycling. Large quantities of food and other organic waste nearly all of which goes to landfill emits methane, a highly potent Greenhouse Gas, which is only partially captured and used.

The Blueprint for Sustainable Use of Resources is a good start but we are not yet on track to make sizeable reductions in residual waste to landfill or incineration. The linkage between climate and waste management goals could also be better developed. To address this challenge, BEC advocates the development of a circular and resource efficient economy based on the waste hierarchy, beginning with reducing waste at source and reusing materials.

This is a complex task with the number of sectors and waste streams involved, the range of environmental impacts including carbon emissions as well as pollution risk and limited land space, and the range of available technologies. We are pleased that the Government has commissioned a 25-year forward-looking study which we anticipate will support a robust plan for the future. Now we would like to see immediate action on some fronts combined with a cross-departmental Taskforce for the medium to long term that engages business and others in considering options and implementation plans.

1. In the short term, the Government is encouraged to take **swift action to enable the developing waste management industry to respond to this challenge** in particular through:
 - introduction of regulatory measures including municipal solid waste charging (“MSW charging”) and producer responsibility charging schemes without delay and at an effective level to ensure an incentive for collection of recyclables;
 - removing minor regulatory barriers to waste collection spaces in buildings and for recycling related activities in Hong Kong through, amongst other things, simplifying the application process for minor works submissions to the Building Department;
 - creating demand for recycled materials by introducing minimum requirements as to these materials into the Government’s Green Procurement standards, monitoring and reporting on their application, and promoting this approach more widely. Transparency is vital for others to follow this lead;
 - modifying the policy framework to support greater local use of diesel blended with biodiesel, sourced from local waste cooking oil, obtaining both carbon and waste management benefits; and
 - exploring the potential for setting up an ecolabel, or introducing into existing ecolabels, provision for taking on board local recycling of products.



2. For change in the medium term and beyond, **it is recommended that the Government establishes a Circular Economy Taskforce:** to formulate a concrete action plan and a policy framework to pave the way for circular economy. The Taskforce should be cross-departmental and consist of representatives from Government departments, waste management experts, business and academia. It should have sector specific working groups (e.g. construction, electronics, food), as well as a working group on cross-border collaboration which is fundamental for a circular economy in Hong Kong. Its goals should be to develop an Action Plan and recommended policy framework to support a circular economy in Hong Kong, in a manner that also supports objectives as to a low carbon economy, a thriving waste management industry and also multiple use of resources. The development of new initiatives that go beyond PRS and MSW charging such as deposit schemes for bottles should be part of the remit of this Taskforce.
 3. **Drive innovation by setting up a circular economy innovation fund:** open to businesses experimenting with new business models, those developing products suitable for a circular economy, and other relevant waste reduction pioneering innovations. Funds from MSW charging could be used to set up this scheme as well as the Government's Innovation & Technology Fund.
 4. **Firm enforcement of illegal dumping of waste:** ensuring sufficient funding for investigation and legal proceedings on the part of the relevant Department. This is of importance in ensuring that the forthcoming provisions on MSW are effective and also to address the accumulation of waste in Hong Kong's marine water, beaches, and rural areas.
- D. To strengthen our position as a regional economic hub, put in place smart streamlined systems to create a centre of excellence for responsible investment and business**

BEC has to date emphasized the business opportunities from a focus on a highly sustainable economy, including from green technologies. This year, considering developments at an international level on the G20 Climate-related Financial Disclosures and taking on board the Financial Services Development Council Working Group's recent report on Green Finance¹⁵, we recommend that the priority should be to work **towards a medium term aim of making Hong Kong not only a centre of green finance but of responsible finance and responsible business.**

This aligns with increasing recognition by investors that they must take into account longer term risk relating to the environment, such as carbon intensity and vulnerability to climate change, to minimise financial risk. From 2012-2014, growth in responsible investments increased significantly with the proportion of responsible investments relative to total global professionally managed assets rising from 21.5% to 30.2%.¹⁶ In the same period in Asia, the total value of responsible investments increased from US\$40 billion to US\$53 billion.¹⁷

¹⁵ <http://www.fsdcc.org.hk/sites/default/files/Green%20Finance%20Report-English.pdf>

¹⁶ Global Sustainable Investment Alliance (GSIA), *2014 Global Sustainable Investment Review* (Bloomberg L.P., 2015), 7.

¹⁷ GSIA, *Sustainable Investment Review*, 8.



Responsible Business

With the growth of responsible investment practices, it is important for the Government to support businesses in playing close attention to environmental impact, including climate and carbon resilience, as well as other Environmental, Social and Governance issues ensuring they can continue to raise capital at attractive rates. Hong Kong Exchange's initial steps to enhance our responsible business culture, through embedding a good reporting system for listed companies can be improved by the Government supporting a simple streamlined system for recording information in a way that is comparable across a sector, ensuring meaningful and actionable reporting. This means examining the reporting requirements under different international frameworks and identifying topics where the use of common metrics or units of measurement could be of value for comparison purposes.

For this purpose, we recommend that the Government:

1. works with business, the financial services sector, and Hong Kong Exchange to develop a **simple set of sector specific metrics related to Environmental, Social and Governance (“ESG”) issues**, which would ensure that the ESG impacts/risks of businesses within Hong Kong's key business sectors is comparable, and therefore, actionable by investors. The early steps in this process should be the standardization of carbon emissions metrics, taking on board the recommendations of the G20 Task Force on Climate-related Financial Disclosures.
2. **makes the Carbon Repository database smart and streamlined.** The database should incorporate the metrics developed in relation to carbon and climate change risk mitigation for different sectors and be open to all companies– listed or otherwise - to log relevant data. Those who report to CDP should be encouraged to log their data here as well. By enabling voluntary reporting on the basis of common metrics and reporting by a larger number of businesses, local businesses will be able to benchmark their performance and seek to improve and third parties such as investors will be able to make use of this information.

Responsible Finance

Developing the expertise and tools to manage money effectively taking into account Environmental, Social and Governance risk as well as positioning Hong Kong to help raise the US \$90trillion needed to fund green infrastructure will boost our financial services sector. To grasp this opportunity, we would also like to see the Green Finance Working Group's recommendations as to the development of Hong Kong as a “Regional Hub of Green Finance” taken forward. In particular, we recommend that the Government:

1. **Retains the Green Finance Working Group:** to refine and monitor the implementation of the recommendations made by the Financial Services Development Council's Green Finance Working Group. The group could be enhanced by including broader representation from the wider business community.
2. **Supports training and capacity-building:** in relation to assessment of environmental risk and impact, as well as wider ESG risks, which is critical for supporting improvements on the part of businesses. Development of knowledge and expertise is also important in terms of issuing of Green Bonds considering the growth of this market.



- 3. Embeds high standards in relation to Green Finance:** explore the development of a label or promotion of existing labels/standards as to green bonds eg Climate Bonds Initiative, equities and funds to strengthen HK's expertise and credibility in this field.

E. To secure Hong Kong's longer term development and social well-being, embed principles of sustainability, including the protection of natural capital and enhancing well-being, within Hong Kong's planning policies and longer term growth and development strategies.

BEC has over a number of years emphasized the importance of achieving a good balance between protecting biodiversity and the natural environment and economic growth as well as making the most of its invaluable natural assets such as its harbourfront. Hong Kong can in this way ensure a high level of liveability in the city, the social well-being of its community, and secure its sustainable development for the longer term.

To achieve this, we recommend that the Government:

- 1. Adopts a Natural Capital valuation approach:** Decisions related to development of strategies and plans should involve systematic consideration of the impact on natural capital and demands on resources as well as the social and economic benefits, to ensure that good decisions are made for the longer term. Guidance should be developed to enable a clear assessment of impacts for the purpose of projects and development options, for example as to siting of new developments. (See our reference to a Strategic Environmental Assessment approach in our policy submission on the Biodiversity Strategy and Action Plan http://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_on_BSAP.PDF).
- 2. Keeps the EIA Ordinance process under review:** to ensure that it takes on board the above approach and the process works in a way that assures the public that proper consideration has been given to these issues, thereby reducing the risk of judicial review.
- 3. Seeks to create certainty for business:** ensure clear criteria for zoning and designation of protected land. Certainty in this respect is important to enable business to make informed investment decisions. Challenges such as the commercial incentive at the moment to destroy biodiversity value of land to enable higher value building development should also be addressed as part of the process of creating certainty and a level playing field.
- 4. Supports climate resilience:** Climate risk in the form of more extreme weather, higher energy needs, rising sea level and increasing water scarcity, needs to be taken on board in developing planning policy to ensure Hong Kong adapts to and is resilient in the face of a changing climate (see BEC's Hong Kong Resilience Roadmap for Business).



- 5. Puts in place without delay the necessary structures to enable Hong Kong to develop the Harbourfront 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 so helping to support the local economy. We encourage the Government to put in place the Harbourfront Authority without delay to capture these benefits.

BEC will provide further comment on this topic on the release for HK 2030+ which we are expecting to be published shortly for consultation.

Summary

- **To enable a transition to a low carbon, resilient and competitive economy, put in place an ambitious and comprehensive Action Plan.** The plan should articulate the Government's aspirations for a future low carbon Hong Kong, and include targets, an enhanced governance structure, and measures relating to the supply-side and the demand-side, in particular effective incentives for and schemes supporting market demand for energy efficiency of new and existing buildings. It should also include clear time bound commitments to introduce and make the most of smart technologies. Actions to adapt and ensure climate change resilience should be supported and early steps taken to take on board embodied carbon considerations. Transport and waste management policy should be aligned with climate change objectives, not only resource efficiency and air quality objectives.
- **To enhance the liveability of our city, tighten our air quality objectives and ensure a smart low emission transport system.** The Government should set ambitious AQOs, continue to support public transport as the main means of mobility, and give financial support for a transition not only to low emission buses and goods vehicles but also to low emission non-road mobile machinery. It should dampen the increase in private vehicle numbers through electronic road pricing, increasing the speed of bus travel, and making walking and cycling part of the solution. At the same time, appropriate and proportionate support should be given to low emission vehicles through FRT discounts and other incentives. For the longer term, to commence the task of developing a 5-10 year Roadmap for our transport system which explores which new technologies are suited to Hong Kong and makes recommendations as to the infrastructure needed for their support.
- **To reduce the impacts of waste and optimise our use of resources, swiftly implement key measures and set up a taskforce for the medium-long term.** In the short term measures should be introduced including waste charging mechanisms, allocating landscape for necessary processes, removal of barriers to waste collection spaces, and creation of demand to stimulate the circular economy. For the longer term, developing a plan for a Circular Economy through a cross—departmental multi-stakeholder Taskforce, and allocation of funding for innovative solutions.



- **To strengthen our position as a regional economic hub, take a series of actions to create a centre of excellence of responsible investment and business.** Government to work with business to put in place key standard metrics that support existing sustainability reporting frameworks, in order to make reporting comparable and therefore actionable by investors, whilst also developing the carbon repository so that it is easy to log data and useful for investors and other third parties. At the same time, Government should support the development of Hong Kong into a hub for responsible investment with clear standards and labels, training and capacity building arrangements, and a standing green finance working group with a medium term focus.

- **To secure Hong Kong’s longer term development and social well-being, embed principles of sustainability, including the protection of natural capital and enhancing well-being, within Hong Kong’s planning policies and longer term growth and development strategies.**
To achieve this, Government is encouraged to: adopt a “natural capital” approach as well as take on board climate resilience, in developing planning policies and other long term strategies; keep the EIA process under review to ensure that it also reflects this approach and gives the public the assurance it needs; ensure planning policies and conservation strategies create the certainty that business requires; and that we make the most of our invaluable natural assets such as Hong Kong’s unique harbourfront.

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