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**Submission on the Chief Executive's 2024 Policy Address  
Views from Business Environment Council Limited  
商界環保協會有限公司**

Over the last 32 years, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engage with the HKSAR Government (“the Government”) to help develop a supporting policy framework as well as impactful implementation in respect of environmental protection and sustainability.

Views expressed in this submission are those of BEC, in line with BEC’s Mission and Vision as well as policy position on relevant issues, but may not necessarily be the same as the views of each individual member. BEC is an independent charitable membership organisation comprising over 300 member companies from Hong Kong’s major holding companies to small and medium-sized enterprises.

Views are structured based on BEC’s work with the three environmental focus areas on climate change, circular economy and sustainable living environment, and several emerging topics.

## **1. Addressing Climate Change**

1.1. The Government should encourage collaborations with businesses in prioritised areas to implement the Climate Action Plan 2050 (“CAP2050”). Cooperation among countries and corporations is crucial in striving towards a goal of net-zero emissions in the future. CAP2050 sets a strategic direction to mitigate climate risks. In 2024, it is imperative for both the Government and the business community to advance efforts to address physical and transition risks by focusing on (1) transition planning, (2) climate adaptation and resilience and (3) climate-related disclosures.

### Transition Planning

1.2. We appreciate that CAP2050 has outlined the overarching climate vision. Additional granular sectoral decarbonisation targets and roadmaps with timelines are still needed by the business sector. The Office of Climate Change and Carbon Neutrality should collaborate with experienced industry leaders to create these roadmaps and promote best practices, helping to identify and address the challenges that businesses face in their transition journey. The Office should take the role on alleviating regulatory barriers together with other bureaux / departments to encourage innovations in decarbonisation.

- 1.3. It is a commendable step that Hong Kong Taxonomy for Sustainable Finance (“Hong Kong Taxonomy”) was published by The Hong Kong Monetary Authority (“HKMA”) on 3 May 2024. However, the current taxonomy falls short compared to those in regions like Mainland China, Singapore, and the European Union (“EU”) by omitting key environmental objectives. The Government should expand the Hong Kong Taxonomy to include (1) climate change adaptation, (2) sustainable use and protection of water and marine resources, (3) protection and restoration of biodiversity and ecosystems, (4) circular economy, and (5) pollution prevention and control, supporting a comprehensive green finance framework. It is also worth noting that the provision of zero-carbon electricity in addition to conventional renewables is considered in Mainland China and EU’s taxonomies.
- 1.4. To strengthen Hong Kong’s leadership positioning as an international green financial hub, the Government should encourage businesses to participate in the voluntary carbon markets (“VCMs”). The Government should ensure that Hong Kong’s own VCM Core Climate supplies high-quality carbon credits with transparency, by aligning with international / national standards and avoiding double counting. On the other hand, the Core Climate could also explore the possibility of cross-border projects in the Greater Bay Area (“GBA”) to support regional decarbonisation. Concerning the price of carbon, the Government should provide guidance to Hong Kong companies to support minimising their exposure to the Carbon Border Adjustment Mechanism (“CBAM”) of the EU.
- 1.5. As electricity generation constitutes over 60% of Hong Kong’s total greenhouse gas (“GHG”) emissions, the city’s climate transition can be accelerated by reducing city-wide electricity emission intensity. The two power utilities have been taking efforts in disclosing their latest grid emission factors on an annual basis. To meet the net-zero electricity generation goal as stated in CAP2050, the Government should work closely with the power utilities to ensure the city’s mid-term 2035 targets on zero-carbon and renewable energy are on track and revisit the targets at timely basis to raise ambition under favourable social-economic conditions. Corporates with international exposure and investors are looking towards more ambitious carbon reduction targets, near- to mid-term grid emission forecasts, and support on corporate renewable energy procurement to assist with their transition planning and disclosure. The Government should take a proactive approach in coordinating latest emission data sharing to the public. For example, the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings In Hong Kong” remained at 2010 edition (see also Section 1.10).

#### Climate Change Adaptation and Resilience

- 1.6. The Government needs to improve coordination capability for climate adaptation and resilience. With the increasing sea level rise and frequency of extreme weather events as predicted by the Hong Kong Observatory (“HKO”), the Climate Change Working Group on Infrastructure (“CCWGI”) should urgently accelerate the capabilities in public engagement, collaboration and data transparency despite the ongoing preventative maintenance work on different government infrastructure. The business sector expects the CCWGI in leading public engagements, extending data and resources to climate

risk assessment and response planning, as well as collaborating with corporates in carrying out resilience related management measures.

- 1.7. A central repository should be established for storing all climate-related government data in Hong Kong. BEC appreciates the effort of the HKO in providing climate services to support resilience, collaborating with the Hong Kong Federation of Insurers and HKMA on extreme weather impacts, and engaging in public education. However, the business sector still finds it challenging to obtain climate-related data, scenarios, and projections via the public domain for them to develop adaptation or resilience plans for their needs. As HKO has already developed climate scenarios under Intergovernmental Panel on Climate Change Sixth Assessment Report (IPCC AR6), we welcome the Government to share more granular data to support companies in climate risks and impacts assessment, stress testing, and appropriate mitigation and adaptation plans. The Government should allocate more resources to collect and consolidate climate-related data and make it accessible through a comprehensive government webpage to support businesses in their adaptation and resilience efforts.
- 1.8. The scope of HKMA's climate risk stress test should consider including all financial institutions. HKMA started two rounds of climate risk stress tests ("CRST") with selected institutions from 2021 to 2023. The Government should extend the CRST to encompass all financial institutions with (1) detailed parameters for assumed climate events, (2) a map linking the Global Industry Classification Standard and China's National Economic Activities, and (3) standardised and consistent tools and methods. The European Central Bank's stress testing framework could offer a benchmark for this expanded approach.

### Climate-related Disclosures

- 1.9. Training and resources should be provided to the listed issuers following Hong Kong Exchanges and Clearing Limited ("HKEX") publishing the climate disclosure guidelines within its environmental, social, and governance ("ESG") framework on 19 April 2024. The Government should provide additional capacity building and resources, ensuring the business community comprehends and aligns with the new climate disclosure requirements. Furthermore, listed companies should be provided with adequate support to meet international disclosure standards, addressing current capacity gaps including climate-related scenario analyses, financial impact quantifications, and credible Scope 3 emissions assessments. For instance, the United Kingdom's Financial Conduct Authority offers a comprehensive framework for climate-related financial disclosure training, which could serve as a model.
- 1.10. The Government can provide more resources to support non-listed companies in climate data accounting (see also Section 1.5). It is anticipated that both listed and private companies will be requested by investors and customers to provide climate-related information, particularly concerning Scope 3 emissions related to their products and services. The Government should expand industry specific support and capacity-building resources to support businesses and supply chain entities that often lack the necessary knowledge and resources to these stringent requirements.

## 2. Sectoral Decarbonisation and Sustainable Living Environment

### Digitalisation for Sustainable Living and Efficiency

- 2.1. The Government should take a multi-pronged approach to promoting sustainable digital transformation. Increased financial incentives and support schemes should be provided to encourage wider adoption of innovative technologies, such as smart grids and smart meters, especially for SMEs. The Government should strengthen collaboration with the GBA on research and development in fields like machine learning and AI, as well as initiatives to retain digital talent through education and training programs. It should also leverage the redevelopment of current buildings and the planned construction of new buildings to adopt smart home and office technologies that leverage the Internet of Things concept, further integrating the digital solution to enhance energy efficiency and sustainability across Hong Kong's built environment.
- 2.2. Digital solutions play a fundamental role in decarbonisation as they enable efficiency, reducing significant energy and resource waste across a range of industries, including buildings, transport, power and utilities. Beyond environmental impacts, the integration of demand-side technologies also allows for substantial cost savings, and increases productivity, wellbeing, safety and collaboration across individual sites and connected systems. For example, integrated cloud-based platforms can collect and analyse energy and resource data from multiple site locations. With AI data analytics, the energy management system can generate actionable insights, leading to a reduction in energy use and expenditure, and an improvement in operational performances. On the other hand, cloud systems are consuming more energy due to increase in use demands, the Government should explore long-term measures to improve energy efficiency of and pursue zero-carbon cloud system development.

### Green and Healthy Buildings

- 2.3. The Government should take a comprehensive approach to promoting health and wellbeing considerations in the design and operation of the indoor and neighbourhood environment. Owing to the linkage between unhealthy building, human health and burden to healthcare system, the Government should encourage developers and facility managers to prioritise health and wellness factors in their projects, through the development of clear local guidelines that establish criteria for indoor air quality, daylighting, thermal comfort, and other health-enabling features. The Government should consider providing appropriate incentives, such as Gross Floor Area ("GFA") concessions, to the industry in order to drive the incorporation of these health-related features into building and neighbourhood design. The "BEAM Plus New Buildings V2.0" and "BEAM Plus Neighbourhood V1.0" are some existing frameworks to guide related practices. This would help catalyse investment in high-performance building design and operating practices across the real estate industry.
- 2.4. Conducting regular energy audits ensures existing buildings stay up to date with their energy usage intensity ("EUI") performance. As disclosure of energy audit report information is suggested to be mandatory in the proposed amendments to Cap. 610 Buildings Energy Efficiency Ordinance ("BEEO"), the Government may consider developing and maintaining a database on building EUI performance, enabling building

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management companies, owners and building occupants to benchmark their energy performance against industry peers, to further encourage active energy reduction strategies. Category approach and rating system like the Mandatory Energy Efficiency Labelling Scheme or Indoor Air Quality Level may be good approaches to set up the benchmark mechanism.

- 2.5. As suggested in the latest proposed amendment to BEEO, disclosure of identified energy management opportunities (“EMOs”) is required. The Government can consider implementing supporting schemes for the industry to carry out the EMOs identified, so as to facilitate energy reductions. The Government should provide further technical guidance and case studies to build up the capacity and keep the industry up to date with related technologies and solutions. It can take the lead to conduct energy audits and implement EMOs for the communal areas of public buildings to demonstrate successful cases. Efforts stated in Sections 2.4 and 2.5 should further aim at accelerating retrofit of existing buildings.
- 2.6. Currently, decarbonisation efforts focus on the operation phase, while global best practices have started to address embodied carbon and through a life cycle approach. California has included whole-building embodied carbon requirements in its California Green Building Standards Code (“CALGreen”). Regarding low carbon materials, the Government needs to remove restrictions and enable policies to discuss wider adoption of sustainable materials like wood, as successful cases have been demonstrated elsewhere with similar climate pattern. The Government can start by piloting such innovation in smaller scale public facilities.
- 2.7. Scope 3 and embodied carbon emissions are well understood to contribute to significant life cycle emissions and countries are moving fast to tackle these challenges (see Sections 1.9, 1.10 and 2.6). While there are certain initiatives that cover embodied carbon aspects such as Hong Kong Green Building Council’s Climate Change Framework for Built Environment and Construction Industry Council’s Green Product Certification Scheme, BEC members largely agree there is lack of regulation and limited local guidelines for developers to reduce embodied carbon in projects. The Government should further support expansion of green product certification scheme and related database to include more low carbon materials and reward suppliers. This could be achieved through government interventions, for instance, the Government may set a good example in tender consideration, and by starting to develop relevant technical guidelines on embodied carbon reduction that will need to be considered by works departments.

### Electrification

- 2.8. To promote construction site electrification, subsidy for purchase of electric equipment would be helpful to help the industry and users to adopt electrified alternatives. Currently, the uptake of electric equipment or machinery remain slow although the market gradually starts to provide more options. Public projects could play their role to pioneer electric solutions and specific subsidy schemes can be considered for the construction sector, considering the major developments in upcoming years.

- 2.9. To achieve zero vehicular emissions by 2050, the Government should prioritise expanding charging infrastructure by collaborating with the industry including traditional fuel suppliers and property and charging point operators to develop new EV charging stations, with a particular emphasis on expanding public fast charging facilities. It is also proposed that EV charging facilities can be shared at residential buildings. The popular EV-Charging at Home Subsidy Scheme, which closed at the end of 2023, should be extended to further incentivise the installation of home charging infrastructure. While EV adoption has rapidly increased among private vehicles in Hong Kong, the adoption lags behind in the commercial vehicle sector. Consequently, it is crucial for the Government to propose policies to accelerate the transition to e-commercial vehicles, especially medium-to-heavy-duty vehicles, due to their significant contribution to greenhouse gas emissions. Given environmental, economic and technological maturity had been clearly demonstrated for electric light goods vehicles (e-LGV), it is suggested to launch concrete supporting policies to accelerate the transition to e-LGVs
- 2.10. For the maritime sector, besides the hybridisation of ferries, the Government could expand trial projects from electrical ferries to other near-shore crafts including tugboats, pilot boats and similar port-based work and cargo vessels. Infrastructure to consider for exploration for these vessels would be dockside charging and battery-swapping provisions. For the international and regional trade, onshore power supply infrastructure to support ocean going vessels should also be developed in meeting international emission compliance and to help Hong Kong meet its own emissions reduction targets. Government subsidies and grants have been proven by other countries to drive uptake of maritime electrification and onshore power supply.

#### Low-carbon Alternative Fuels

- 2.11. The Government should take a more strategic approach on sustainable biofuel usage. New biofuel initiatives, such as Renewable Diesel (“RD”), should be supported by the policymakers. RD, as an effective transition fuel due to their drop-in nature, would lower Scope 1 transport and industrial emissions with little to no impact to operators, allowing enterprises in hard-to-abate sectors to decarbonise effectively, until electrification or other low-emission fuels become available. RD currently faces a high premium due to low demand and lack of knowledge on this fuel option. Project tenders issued by the Government should act as forerunner in adopting RD to ramp up demand. Current legislations related to automotive diesel requirement should be revisited to accommodate RD density properties and facilitate the blending of such fuel for various road applications where electrification remains less feasible. Nevertheless, in all cases, the use of biofuels should be carefully managed to avoid roadside air emissions.
- 2.12. Sustainable Aviation Fuel (“SAF”) is crucial for aviation decarbonisation in foreseeable future. To maintain its leading position as an international aviation hub, Hong Kong should scale up the use of SAF. BEC is delighted to see the mentions of SAF in 2023 Policy Address and 2023-24 Budget, and the lead from Government on carrying out a feasibility study on SAF. Challenges remain on bridging the price premium (two to four times) between SAF and conventional jet fuel. In the case of Hong Kong where supply infrastructure is not present, it is suggested that more actions should be focused on

first driving demand. BEC initiated the Hong Kong Sustainable Aviation Fuel Coalition early 2024 with value chain partners to address challenges in the SAF sector. The Coalition will soon release a whitepaper to detail its recommendations, including: (1) a levy scheme as sustainable income source to support green premium of SAF purchase and infrastructure development; (2) a subsidy scheme to offset price premium for purchasing SAF in the near-term; and (3) the setup of an interdepartmental working group to continuously support sustainable aviation and SAF development.

- 2.13. BEC welcomes the newly announced Hydrogen Strategy, which showed a clear policy direction of adopting a step-by-step approach in upscaling hydrogen, and the introduction of an amendment bill to provide a legal basis for regulating the manufacture, storage, transport, supply and utilisation of hydrogen, and moving to green hydrogen to achieve real emissions benefit. Current hydrogen usage is being trialled at public transportation, light service vehicles, EV charging, and in construction site. More applications in the commercial transport sector can be considered, however the Government needs to evaluate the cost efficiency, long-term operational sustainability and GHG emission reduction of these projects as compared to electrification and other fuel options. As for sourcing of hydrogen, in addition to the upcoming locally produced green hydrogen from landfill gas (to be commissioned in 2025) and noting the current availability of grey hydrogen, the Government should also consider supporting and fostering local green hydrogen production projects. The lower carbon hydrogen opportunities (such as blue hydrogen) in the GBA region should also be considered to tap into as transition fuel for the near term, until technology and supply of green hydrogen scales up.
- 2.14. BEC extends support to the Shipping Legislation (Use of Fuels and Miscellaneous Amendments) Bill 2024. The amendments on current marine fuel provisions will help drive the implementation of alternative "new fuels" for the marine sector such as LNG, and green versions of methanol, hydrogen, ammonia, ethanol, and others. There are current frameworks such as the Energy Efficiency Design Index and the Ship Energy Efficiency Management Plan by the International Maritime Organisation ("IMO") for the Government to reference to when tailoring the decarbonising scope of the sector. This of course entails that assessments on economic and environmental credentials of each fuel type should be conducted, prioritising the fuel types fit-for-purpose for the climate action plan of the city. Developing Hong Kong to be a green marine fuel bunkering centre will also bring economic benefits and enhance the competitiveness of the city as an international and decarbonised maritime centre. An evaluation of global advancements and adoption trends should be considered, especially on cases of leading green ports. Additional policy actions should include enhancing marine infrastructure and planning, along with training for industry personnel.
- 2.15. Beyond green marine fuel, Hong Kong port's development is hampered by two issues: reputational issues arising from disputes between buyers and sellers on bunkering quantity and the absence of technological enablers to digitise the current manual bunkering process. It is a common practice for the bunkering industry to use weight for billing and volume for deliveries. Conversion from volume to weight is needed to determine the final billing quantity. However, this manual process is often subjected to human errors. Other variables such as density, temperature, and tank geometry in the

calculation, and the complexities usually cause further disputes between sellers and buyers. Jurisdictions like Mainland China, Netherlands and Singapore have adopted digital measurement technologies combined with regulations to address such challenges, which Hong Kong should follow suit.

### Sustainable New Development Area

- 2.16. The Northern Metropolis development should prioritise sustainable and environmentally conscious planning and construction practices. This should include measures to mitigate the impact on migratory birds and other wildlife, and addressing the effects of lighting, noise and pollution during construction. The development should also aim to enhance the urban green space coverage, more efficient and ecologically friendly land use, and preserve key green corridors and habitats. Additionally, the drainage infrastructure and site formation should be designed to the latest guidelines to enhance climate resilience to the risks of climate change and increased rainfall patterns. Beyond floods, climate resilience consideration should also extend to conduct holistic physical risk assessment. The development should enhance connectivity between the new and existing areas. By adopting these sustainable and integrated development principles, the Northern Metropolis can serve as a model for Hong Kong's future urban planning.
- 2.17. New development areas should be designed and built to be digital and green from the very beginning. The Government should consider financial incentives and support schemes to drive the uptake of more digital technologies in new development areas. For example, grid decentralisation or microgrid technologies with battery storage in new development areas could support the energy transition and stabilise the grid.

### Harbourfront Enhancement

- 2.18. Victoria Harbour is a key component of Hong Kong's offer to both residents and visitors for enjoyment. To bolster the harbourfront's ability to withstand the impacts of climate change and establish an environment that is both sustainable and enjoyable for the public, the Government should tie the enhancement works into the work of the Harbourfront Commission and actively promote the incorporation of improved design principles, innovative materials, and the integration of green spaces in projects along the harbourfront.

## **3. Circular Economy**

### Food Waste Management

- 3.1 The Government should further promote the establishment of food waste collection points near residential areas and consider policies to incentivise and further mandate food waste collection practices, with an initial focus on food and beverage sectors. In 2022, food waste in Hong Kong amounted to over 3,300 tonnes per day. However, only 210 tonnes of food waste were properly collected per day according to the recent disclosure. Efforts should be prioritised on engaging commercial, industrial and residential sector to separate out food waste. In the longer run, the Government need to expedite the construction of additional facilities, such as O Park 2 and the Co-digestion Trial in Sha Tin, and consider building more facilities to meet the growing

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demand for food waste treatment as the current capacity in Hong Kong stands at 250 tonnes per day. The Government should also consider subsidising decentralised facilities to process food waste on a small scale at source of generation, such as households and restaurants. This approach has proved to provide environmental benefits and economic advantages, including the reduction of transportation costs and the production of compost or fertilizer for local use.

### Recyclables Collection and Waste Reduction

- 3.2 BEC is delighted to see the Government's efforts to explore legislation requiring major housing estates and single-block buildings with a relatively large number of flats to collect separated recyclables and pass them to recyclers for processing and launch the Waste Reduction and Recycling Charter in 2024 to engage property management companies, owners' corporations, and residents' organisations of private residential premises to set up collection points for recyclables. The Government should accelerate the legislative process and offer incentives to encourage the participation of stakeholders in the Charter as collection points located within residential areas are more accessible than those situated in "GREEN@COMMUNITY" locations. For recyclables collected, the Government should facilitate technologies and initiatives that can help close the loop locally (see also Section 3.7).
- 3.3 The Government should introduce the landfill tax or increasing the gate fee for Municipal Solid Waste ("MSW") sent to landfills and the I.Park in the future to help achieve the reduction targets set in the Waste Blueprint 2035. Additionally, the Government may implement a tiered pricing structure, imposing higher fees for materials that are more recyclable or biodegradable. Compared to several European countries, such as Sweden, Austria and the UK, the landfill fee in Hong Kong is approximately three times lower.

### Funding for Circular Economy

- 3.4 Currently, the Government has proposed initiatives, such as the Recycling Fund, to promote recycling efforts in business sectors. However, it is imperative that the Government could introduce additional funding incentives or expand the targets of existing programmes aimed at encouraging businesses to prioritise waste avoidance, reduction, and reuse, in line with the waste management hierarchy. For instance, the Government of Ireland recently launched the Circular Economy Innovation Grant Scheme ("CEIGS") to support the growth of the circular economy, from the product design stage to waste recovery. Victoria, a state in Southeast Australia, renamed its Recycling Victoria Councils Fund to the Circular Economy Councils Fund. This change allows for a wider range of projects focused on the circular economy to receive governmental support, beyond conventional recycling initiatives.

### **Circularity Disclosure**

- 3.5 HKEX could consider including circularity disclosure in the mandatory disclosure list, as it is a mainstream requirement in global ESG reporting. For instance, the sustainability report guidance issued by the three stock exchanges in Mainland China requires issuers to disclose their circularity performance. In Europe, companies subject to the Corporate Sustainability Reporting Directive ("CSRD") have to report according to European Sustainability Reporting Standards ("ESRS"). While ESRS E5 is optional, it is specifically set for resource use and circular economy, including the circularity of material resource inflows and resource outflows, providing insights into the

sustainability of products and materials.

### Ecodesign

- 3.6 The Government should establish ecodesign standards, implement policies to incentivise businesses to transition to ecodesign practices, and increase information transparency about the environmental impact of products throughout their life cycle. Since 80% of a product's environmental impact is determined at the design stage, it is considered that the current policies driving the transition to ecodesign in Hong Kong are insufficient. The European Union's Ecodesign for Sustainable Products Regulation ("ESPR"), which came into force in July 2024, mandates businesses to enhance product performance in areas such as durability, reusability, upgradability, and reparability, and requires improved information transparency through a Digital Product Passport. Moreover, the Government should integrate more criteria related to ecodesign and end of life into decision-making for its green procurement policies.

### Land Supply and Collaboration with Greater Bay Area

- 3.7 The Government could consider utilising restored landfill sites and offering longer-term leases at EcoPark and other Government sites for high-grade recycling activities given their significant capex requirements, as the available land for recycling is insufficient to meet the 55% recovery target proposed in the Waste Blueprint. Furthermore, it would be beneficial for the Government to engage with Mainland China authorities to explore ways to enhance collaboration within the GBA under the Cooperation Arrangement on Control of Waste Movements Between the Mainland and HKSAR, leading to higher recycling efficiency and more treatment options for Hong Kong on end-of-life materials.
- 3.8 Advanced facilities for waste sorting should be considered by the Government when designing new waste treatment facilities despite land constraints, as the use of material recovery facilities ("MRFs") is essential for ensuring efficient resource utilisation. For instance, in European countries, mechanical sorting before incineration has become mainstream because manual sorting by labour is insufficient to achieve refined sorting. Shenzhen and Guangzhou have established policies to promote the construction of MRFs in 2024.

### Municipal Solid Waste Charging Scheme

- 3.9 The Government needs to re-introduce a clear timeline for implementing the deferred MSW Charging Scheme, a crucial component of the Waste Blueprint to drive reduction and resources circulation. This process should involve initiating more pilot schemes, sharing successful case studies from these pilots and hearing feedback from related sector such as property management for enhancement. Additionally, the Government could consider a phased approach which begins with all government-controlled facilities, commercial and industrial waste from institutional premises before addressing domestic waste. The implementation of regulations on disposable plastic tableware and other plastic products has been relatively smooth, attributed to the phased approach and the specific focus on the commercial and industrial sectors. Continuous city-wide education and major public buy-in need to be mainstreamed before a full roll-out of the scheme.

### Ecolabels and Claims

- 3.10 The Government is suggested to launch educational platforms on ecolabels or

introduce standardised approach for measuring circularity consistently to improve consumer awareness and avoid greenwashing. BEC members shared views that many face challenges and confusion over different ecolabels and claims in Hong Kong. In 2021, the German Government updated its platform, siegelklarheit.de (“label clarity”), which assists consumers in understanding sustainability labels and provides assessments based on a methodology designed by its government in collaboration with experts, civil society, and the private sector. Hong Kong could achieve it by utilising previous experiences in online platforms like the “Green Tableware” initiative.

- 3.11 The Government could consider restricting or prohibiting the use of terms associated with “degradable” and “compostable” as overhandling or misplacing these plastics can undermine recycling efforts. For example, Canada is drafting a policy to prohibit the use of the term “degradable” or “biodegradable”. Similarly, in California, the United States, the law mandates that products shall not be labelled as “compostable” or “home compostable” unless they can fulfil specific requirements as of January 2026.

#### Producer Responsibility Schemes

- 3.12 Hong Kong’s Producer Responsibility Schemes (“PRS”) may become more effective by adopting the eco-modulation framework, which encourages producers to design products that are more environmentally friendly, durable, and easier to recycle by offering financial incentives in the form of reduced recycling levies. In addition, the Government could further expand the current coverage of end-of-life products. For instance, the Netherlands introduced PRS for textile waste in July 2023, and the United Kingdom will introduce the PRS for packaging waste, which will be enforced in 2026. Office future is another area highlighted by BEC members where take-back programmes can be further developed. Moreover, setting a reasonable transition period for new products within PRS and introducing the PRS logo are necessary for effective implementation.

## 4. Biodiversity and Nature

- 4.1. China released the fourth edition of its national biodiversity policy, known as China’s Biodiversity Conservation Strategy and Action Plan (2023-2030), in January to drive the implementation of the post-2020 Global Biodiversity Framework. The plan outlines biodiversity conservation targets for 2030 and 2035. Participation of the private sector is explicitly acknowledged with proposed actions to involve companies and financial institutions to meet targets. The Government must ensure that Hong Kong’s upcoming city-level Biodiversity Strategy and Action Plan (2025-2035) is in alignment with China’s national commitments and make references to international frameworks such as the Taskforce for Nature-related Financial Disclosures (“TNFD”). To enable greater corporate action, the Government must uplift key barriers for businesses to invest in nature, such as financing mechanisms, clear top-down policy positioning, greater guidance on corporate biodiversity disclosure and the inclusion of biodiversity considerations in regulation for planning and development.

#### Corporate Assessment and Disclosure on Biodiversity and Nature

- 4.2. Corporate disclosure on biodiversity can help businesses assess their impacts, dependencies, risks and opportunities on nature, to incorporate biodiversity considerations into business decision-making and strengthen the business case for

nature. Globally, there has been a 30% increase in corporate adoption of the TNFD, bringing the total number of companies committed to disclosing material nature-related issues surpassing 400. In Hong Kong, nine companies are already piloting the framework across business operations. To align with international trends, the Government should support the establishment of a standardised framework for corporate biodiversity assessment and disclosure e.g. by adopting TNFD collaboratively with HKEX on corporate disclosure based on materiality as such frameworks continue to mature in coming years. To support such reporting, the Government should support provision and promotion of existing guidance in the form of measurements, metrics and tools to inform businesses on disclosure, business opportunities and risk management and mitigation.

### Financing Biodiversity and Nature Conservation

- 4.3. In terms of financing biodiversity, some current instruments already acknowledge biodiversity and nature conservation considerations, such as Hong Kong's Green Bond Framework. To drive and greenlight the case for financing biodiversity, a stronger policy signal is needed. This could take form in recognising the link between climate change and biodiversity, for instance, by explicitly acknowledging nature in Hong Kong's CAP2050 and other relevant regulatory targets. In terms of funding, aside from public funds, innovative financial instruments should also be explored to leverage greater biodiversity investment from the private sector, such as promoting public-private partnerships, blended finance and subsidies to mainstream investment in nature conservation projects.

### Integrating Biodiversity and Nature-based Solutions into Development

- 4.4. To promote biodiversity conservation, sustainable development and minimise impacts on nature arising from construction and development, the Government should undertake a holistic review of integrating biodiversity into all relevant legislation and ordinances, including (but not limited to) Environmental Impact Assessment, Hong Kong Planning Standards and Guidelines and Town Planning Ordinance to ensure such frameworks specifically address biodiversity considerations and biodiversity assessment in the next 3-5 years. This will ensure biodiversity-related impacts are considered during initial stages of a project's design and planning for both private and public developments and facilitate better-informed decision-making and mitigation of negative impacts on biodiversity. Biodiversity assessment criteria may also be integrated into small development projects that do not require EIAs. A biodiversity baseline should also be established on sites pre-development to understand biodiversity value. The Government should also explore a mechanism to incentivise developers to incorporate biodiversity net gain principles into larger-scale development, for example, the UK Government's 10% Biodiversity Net Gain has been effective from January 2024 to drive net positive impacts to the local environment after development.
- 4.5. Protecting biodiversity is critical for the sustainability and resilience of Hong Kong businesses, as they rely on natural ecosystem services, including clean air, water and soil. Nature-based solutions ("NbS") can enhance biodiversity and climate resilience. The Government should include NbS in Hong Kong's climate adaptation strategy and

prioritise NbS in city planning, infrastructure and policy frameworks such as the Hong Kong Planning Standards and Guidelines. Incorporating NbS into existing coastal community plans, particularly in vulnerable areas like Tai O, can help protect against climate change impacts such as rising sea levels and storms. Scaling up NbS can offer a natural protection mechanism for these climate-vulnerable communities. Additionally, new development areas such as the Northern Metropolis should designate NbS during early planning stages for community resilience.

#### Valuating Ecosystem Services

- 4.6. To better understand Hong Kong's economic dependencies on its ecosystems, more resources should be allocated to ecosystem service accounting, which values natural services like water and air filtration, flood protection, pollination and natural carbon sequestration. Building on existing studies and the development of an ecological database and localised valuation approach to accounting for ecosystem services would be recommended. Assigning a monetary value to nature can help to drive the argument behind investing in biodiversity and mainstreaming the topic into public and private decision-making. The Government can take reference to UN's System of Environmental-Economic Accounting Ecosystem Accounting ("SEEA EA") and China's economic modelling efforts for natural capital accounting. This approach could be applied to new planned developments, such as the Northern Metropolis and encourage private sectors, such as property development, to consider ecosystem data in new development projects.

#### Research and Funding Support

- 4.7. To enhance nature conservation, the Government should prioritise funding to support biodiversity-specific research relevant to Hong Kong. Existing public financial and funding resources such as the Environment and Conservation Fund, Sustainable Development Fund and other funds, should be expanded to facilitate biodiversity-specific research. Or new mechanisms should be created for such purpose, drawing on successful existing private-public fund models. Research topics could include quantifying carbon credits to better understand the natural carbon sequestration potential of habitats in Hong Kong. The feasibility of biodiversity credits should also be explored for various ecosystems, recognising the geospatial relevance of biodiversity compared to carbon, while learning from the successes and weaknesses of carbon credit markets. Other research areas could extend to biodiversity assessments on a genetic level, including database development and lab testing capability to accurately identify the presence, abundance and distribution of a given species or population.

#### Increasing Marine Protected Areas ("MPAs")

- 4.8. To protect Hong Kong's unique marine biodiversity, it is crucial for the Government to allocate increased resources for existing MPAs with a particular focus on areas with high marine biodiversity, such as the northeastern waters. Just 5% of Hong Kong's waters are currently designated as marine protected areas ("MPAs") and only five out of 31 identified ecological hotspots are protected and actively managed. To remain in line with international developments, at least 30% of Hong Kong's waters should be established as MPAs or Other Effective Area-Based Conservation Measures

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(“OECMs”) by 2030, while the proportion of no-take zones within MPAs should be increased to 20% to effectively protect marine biodiversity.

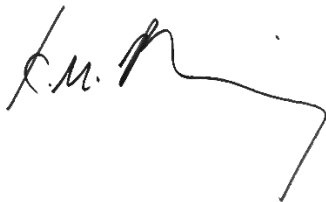
*Establishing Multi-stakeholder Alliance on Biodiversity and Nature*

- 4.9. There is a need to establish a multi-stakeholder alliance with Government support and participation to drive positive action on biodiversity considerations with the business community. Such an alliance could fill an existing gap and act as a platform to facilitate long-term collaboration between different stakeholders, including the private sector, cross-governmental departments, industry associations, financiers, professional bodies, and others towards protecting biodiversity. An alliance would serve to inform Government in key areas in coming years, including (but not limited to) mainstreaming biodiversity disclosure, exploring innovative financing mechanisms for biodiversity, securing funding to scale up local biodiversity research, collating and sharing a biodiversity knowledge database. If high-level targets are set, the alliance can also offer a way to track and evaluate progress and establish key performance indicators.

**Enquiries**

For queries related to this submission, please contact our Chief Executive Officer, Mr Simon Ng at [simonng@bec.org.hk](mailto:simonng@bec.org.hk).

Yours sincerely,



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