BUSINESS ENVIRONMENT COUNCIL 商界環保協會

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

Submission on the Chief Executive's 2021 Policy Address
Views from Business Environment Council Limited
商界環保協會有限公司

Over the last 29 years, Business Environment Council Limited 商界環保協會有限公司 ("BEC") has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engage with the HKSAR Government ("the Government") to help develop a supporting policy framework as well as impactful implementation in respect of environmental protection and sustainability.

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

1. Climate change and decarbonisation

1.1. In November 2020, Chief Executive Mrs Carrie Lam announced in her 2020 Policy Address that the Government "will strive to achieve carbon neutrality before 2050." BEC welcomes an absolute carbon reduction target set by the Government and looks forward to an update of the Climate Action Plan in the coming months.

1.2. BEC recognises that this is an ambitious target for Hong Kong and we need multi-sector, all-hands-on-deck effort to achieve it. While we have roughly 30 years to become carbon neutral, the next 10 years will be most critical in terms of setting out the right pathways for different sectors, galvanising collective and joined-up efforts, mobilising human and financial resources, and having all these translated into transparent, quantifiable and well-on-track progress.

1.3. To enhance collaboration on different fronts, BEC calls for the Government to establish a Climate Office led by principal officials to oversee the formulation, implementation, and regular review of the Government's climate action plan. This Climate Office will also co-ordinate climate resilience and adaptation efforts amongst government departments, as well as to foster and strengthen partnerships between the Government, the business sector and other stakeholders in society. A holistic approach should be taken to enhance soft infrastructure of climate resilience, such as public education and awareness raising, development of knowledge base and talent, and' communication and engagement with stakeholders. This Office will complement the Government's

Business Environment Council Limited
商界環保協會有限公司
2/F, 77 Tat Chee Avenue, Kowloon Tong, Hong Kong
香港九龍塘達之路77號2樓
T. (852) 2784 3900
F. (852) 2784 6699
www.bec.org.hk

Steering Committee on Climate Change led by the Chief Secretary for Administration which focuses on high-level steering and co-ordination of climate action within the Government.

1.4. As a bridge between the Government and the business sector, BEC stands ready to drive and support decarbonisation through our ongoing programmes (such as BEC Low Carbon Charter) and new initiatives (such as Power Up Coalition), and to foster, facilitate and scale up public-private-community partnerships on knowledge sharing, education, training and on-the-ground climate action.

1.5. With electricity generation accounting for two-thirds of greenhouse gas emissions, the transition towards low and zero carbon energy supply is crucial for Hong Kong. Replacing coal with natural gas for local power generation and increasing the ratio of clean energy (such as renewable energy, nuclear power and waste-to-energy) in Hong Kong's power generation fuel fix has put the power sector on the right track to decarbonise. To accelerate and deepen carbon reduction in this sector, Hong Kong must be receptive to two propositions: (i) future fuel mix is expected to be more diversified than it is today and Hong Kong should be prepared to facilitate and bring in new fuel options to the market in a timely manner; (ii) explore opportunities to co-operate with other regions, including but not limited to the Greater Bay Area, in the importation of zero-carbon energy and technical exchange in zero-carbon technologies. Towards this, BEC urges the Government to put in place as soon as possible a framework to study all energy options while taking reliability and affordability into account.

1.6. For example, hydrogen as an energy carrier can be used to generate electricity, power up transportation and produce heat. Green hydrogen produced by electrolysis using zero carbon electricity can help decarbonise the maritime transport and aviation sectors. The Government should work with the business and wider community to establish an appropriate framework for removing institutional barriers, enabling the development of a hydrogen economy, and incentivising early investments in technology trial and building the hydrogen infrastructure.

1.7. Buildings account for about 90% and 70% of electricity and gas used in Hong Kong, respectively, which translates into more than 60% of the city's total carbon emissions. To decarbonise effectively, BEC suggests that first, efforts should be directed to both new and existing buildings, with improving energy efficiency of the latter proved to be very challenging due to building age, fragmented ownership, lack of awareness and resources, among other factors. Second, efforts should also be channelled to addressing both operational carbon (mainly through reducing energy use and enhancing energy efficiency of buildings in operation) and embodied carbon (by reducing the carbon embodied in the building materials and construction process throughout the whole building lifecycle). According to the *2020 Global Status Report for Buildings and Construction*, the building and construction sector accounted for 38% of the total global energy-related carbon dioxide (CO_2) emissions in 2019, of which 11% came from the manufacturing of building materials and the construction process.

1.8. Relating to the last point, BEC highlights construction sites as an important focused area to decarbonise in Hong Kong in the short and medium term. In September 2020, the Development Bureau announced that all public work

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contracts tendered after February 2021 must apply for temporary electricity and water supply during the detailed design phase to ensure completion of the connections before construction starts. This would reduce the use of diesel generators and could facilitate the use of other electric plant, equipment and vehicles. With the Government taking the lead, BEC together with Gammon Construction Limited launched an initiative called the Power Up Coalition in April 2021 to encourage and facilitate similar requirements and practices in construction sites of non-public works projects to promote early electrification and long-term decarbonisation.

1.9. The Government should also explore the wider application of innovation and technology for monitoring and analysing building performance, and identifying energy efficiency and savings opportunities.

2. Zero-carbon transport and clean air

2.1. Transport is an important sector that keeps Hong Kong ticking, with the movements of people and goods both essential for the city's economic and social well-being. On the flip side, however, the transport sector contributes about 18% of greenhouse gas emissions in Hong Kong and roadside air pollution has remained a major problem that is also affecting public health. BEC advocates that long-term, ambitious targets must be set for the sector's transition to carbon neutrality, supported by comprehensive measures and practical solutions.

2.2. With that, BEC welcomes the announcement of *Hong Kong's Roadmap on the Popularisation of Electric Vehicles* ("The Roadmap") by the Government in March 2021, which provides comprehensive short, medium and long term strategies of electric vehicle ("EV") development, including the transition to electric private cars and commercial vehicles ("CVs"), expansion of the charging network, provision of maintenance services and development of battery recycling. BEC acknowledges that these are all important topics critical to the popularisation of EVs in Hong Kong in the years to come.

2.3. According to the Roadmap, Hong Kong will stop new registration of fuel-propelled private cars by 2035, including plug-in hybrids and hybrids. As CVs account for around 75% of carbon emissions and 95% of PM_{10} and NO_X emissions from all vehicles, and different CV segments are facing specific challenges to electrify, BEC urges the Government to pay extra attention to CVs with a multi-pronged approach in supporting the transition to different types of electric commercial vehicles ("e-CVs") – facilitate early transition of those with proven and available technologies, and conduct trials with new technologies and vehicle models that are not yet market-ready – and a time limit to phase out CVs that use fossil fuel as its only energy source similar to the one for private cars. A clear time frame would help CV operators plan their transition with least disruption to business operation and service provision.

2.4. Also critical to the popularisation of EVs in Hong Kong is the timely and strategic development of a comprehensive charging network, including private and public charging facilities, as well as charging stations that support the needs of different vehicle types. The Roadmap highlights the Government's target to have at least 150,000 parking spaces in private residential and commercial buildings equipped

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with EV charging infrastructure and at least 5,000 public chargers provided by 2025. Considering the Government's decision to stop new registration of fuel-propelled private cars in 2035 or earlier, and the benefits of early transition to EVs and e-CVs, BEC foresees the need for a significant increase of charging stations in the next 10 years to match the growing demand. It requires careful and forward planning to address and overcome issues such as site availability, accessibility, traffic impact, land zoning, technical feasibility, investment, and ownership.

2.5. Beyond EVs, BEC encourages the Government to look into other low- and zero-carbon vehicle options such as natural gas-powered medium and heavy goods vehicles and hydrogen-powered fuel cell vehicles, as well as to support certain industries in adopting cleaner fuel options such as biodiesel. Biodiesel is a practical, short- to medium-term transition option for in-use diesel-powered CVs with a considerably long remaining lifespan (typical lifespan of CVs is around 15 years) and hence not financially prudent to immediately switch to e-CVs. In this regard, BEC asks the Government to actively provide enabling policies (e.g. to facilitate the development of a refuelling network) to support biodiesel as a transition fuel.

2.6. Instead of just focusing on clean fuel and new energy vehicle technologies, the Government must continue to invest in the public transport system and to develop a people-centric transport system that is also pedestrian- and bicycle-friendly. These measures will check the growth of vehicle number and mileage and hence reduce transport's energy use.

2.7. It is a major task to improve air quality in Hong Kong to protect public health and to provide a sustainable living environment for everyone. BEC commends Environment Bureau's new *Clean Air Plan for Hong Kong 2035* published in June 2021, which sets out enhanced air pollution control strategies for Hong Kong up to 2035. While there are several areas to improve, notably roadside nitrogen dioxide level and regional smog problem, Hong Kong's air quality has improved significantly in the past five years backed up by better air quality readings and improved visibility.

2.8. Among the new proposed actions, BEC wants to highlight and welcome measures related to vessels, which is the major local source of air pollution, including trials for electric and hybrid ferries, tightening the sulphur content limit of locally supplied marine fuels to 0.001%, imposition of emission standards for new petrol-powered outboard engines, taking forward the use of liquefied natural gas (LNG) in ocean-going vessels, and formulation of technical requirements and safety standards for LNG bunkering in Hong Kong. Relating to the last point, BEC is completing a study on LNG bunkering in Hong Kong and will proactively engage the shipping industry and the relevant government departments for that matter.

2.9. International aviation is important to Hong Kong's economy and maintaining Hong Kong's position as an aviation hub in the Greater Bay Area (GBA) is vital. Like the other transport sectors, the commercial aviation industry is under pressure to decarbonise. As new, low- or zero-carbon energy and technologies, such as electric and hydrogen fuel cell, are not yet market-ready, especially for medium- and long-haul operations that account for almost three-quarters of the industry's CO_2 emissions, the up-scaling of the use of sustainable aviation fuel (SAF) becomes crucial. To support Hong Kong and its businesses to reduce Scope 3

Business Environment Council Limited
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emissions, and to cement Hong Kong's role as GBA's aviation hub, BEC suggests the Government to explore, promote and support the development of SAF supply chain in Hong Kong and the GBA through direct investment, financial incentives to the private sector, and enabling policies and regulations.

3. Circular economy

3.1. BEC believes that moving away from the "take-make-waste" linear model with the circular economy approach will vastly improve resource utilisation and reduce waste production in Hong Kong. Hence, BEC supports the Environment Bureau's *Waste Blueprint for Hong Kong 2035* ("The Waste Blueprint") announced in February 2021, with the ambition of achieving "Waste Reduction • Resources Circulation • Zero Landfill" and the goal of progressively develop a circular economy. In the Waste Blueprint, the Government highlights plan to implement municipal solid waste charging, strengthen financial support for recyclers and green tech innovators, work with other cities to reduce waste and increase education on waste reduction and recycling for the general public.

3.2. Based on BEC's February 2021 report *Circularity Assessment of Hong Kong*, other key opportunities are identified to accelerate Hong Kong's transition to a circular economy, namely, (i) to set up a high-level, cross-bureau working group on circular economy for better integration of circular economy principles across the government, (ii) to promulgate policies and standards and to provide financial/tax incentives that encourage circular design, repair, reuse, refurbishment and remanufacturing; (iii) to re-examine existing legislations and regulations to support the development and operation of circular businesses, (iv) to collect, manage and make accessible data that would measure, track and assess Hong Kong's progress towards circularity (such as material recovery data); and (v) to accelerate collaboration with the Greater Bay Area on circularity.

3.3. On other waste management issues, BEC strongly supports a mandatory producer responsibility scheme ("PRS") to enhance the recycling of plastic beverage containers. Better still, BEC prefers an inclusive PRS that covers all single-use beverage packaging formats permitted in Hong Kong such as drink cartons and flexible plastic packaging to prevent switching to unregulated packaging materials.

3.4. It is important to incentivise consumers to return used beverage containers, either via a rebate or deposit return system. BEC acknowledges that the two approaches are conceptually different and argues that either system, provided that the chosen one will be properly designed, managed and monitored, will significantly improve recovery and recycling rate supported by a convenient and cost-effective collection network. Even more important is to set targets on recovery rate with a timeline and to keep the PRS transparent in order to build public trust and confidence. Hence, the PRS has to be run not-for-profit by an independent body with professional knowledge and solid governance enabled by government legislation, and the operation will be kept lean, transparent, accountable, flexible and target-driven.

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3.5. Last but not least, BEC reiterates our support to the municipal solid waste (MSW) charging scheme, which is an integral part of the Waste Blueprint and a key driver to achieving a circular economy in Hong Kong.

4. Sustainable finance

4.1. To support Hong Kong's transition into a zero-carbon and circular economy, and a city that offers liveability and sustainable living environment, it is necessary to meet the ambition with new investment and private finance injection. Given Hong Kong's strength and proximity to the Asian markets, BEC strongly supports the Government, in particular the Government's cross-agency steering group on sustainable finance, to strategically position Hong Kong as the sustainable finance hub in Greater China with linkage to international investors and stakeholders, as well as rest of the Asian markets.

4.2. In addition to people/talent developments and broader green finance market developments that is mentioned recently by the Hong Kong Monetary Authority, Hong Kong could play a stronger role in bridging international sustainable finance requirements (e.g. TCFD, net zero transitions) with Asia markets.

Enquiries

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

Yours sincerely,

Richard Lancaster
Chairman
Business Environment Council Limited

Business Environment Council Limited
商界環保協會有限公司
2/F, 77 Tat Chee Avenue, Kowloon Tong, Hong Kong
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