BUSINESS ENVIRONMENT COUNCIL 商界環保協會

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Submission on the Public Consultation for the 2025-2026 Budget
Views from Business Environment Council Limited
商界環保協會有限公司

Over the last 33 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 response 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 non-profit membership organisation comprising over 300 member organisations including multinational corporations, listed companies, small and medium-sized enterprises, startups and NGOs.

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.

Addressing Climate Change

1. The outcome of Conference of the Parties to The U.N. Framework Convention on Climate Change ("COP29"), with its substantial increase in the global climate finance target, highlights the urgent need for accelerated climate action. This necessitates mobilising private sector investment and promoting wider adoption of robust green taxonomies to ensure alignment between business and investment strategies and global climate goals. This international imperative directly informs Hong Kong's own decarbonisation strategy, motivating proactive transition planning by forward-thinking local companies that extend beyond immediate decarbonisation targets to identify new, low-carbon opportunities.
2. The Hong Kong's Climate Action Plan 2050 ("CAP2050") commits HK$240 billion to carbon reduction in the next 15 to 20 years. A detailed breakdown of this substantial funding, with specific allocations to support Hong Kong businesses in mitigating climate risks and capitalising on emerging opportunities, is critical. This commitment reflects Hong Kong's alignment with international best practice. Local businesses are increasingly addressing physical and transition climate risks by prioritising: (a) comprehensive transition planning, (b) robust climate adaptation and resilience measures, and (c) transparent climate-related disclosures. This proactive, multi-faceted approach is essential for achieving Hong Kong's long-term decarbonisation goals and net-zero ambitions.

Transition Planning

3. The 2024-25 Budget's support for green finance and technology, including subsidies for green debt and the Green Tech Fund, is a positive start. However, achieving CAP2050's decarbonisation targets requires substantially increased funding for direct, sector-specific

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actions. This necessitates: (a) developing and expanding detailed sectoral decarbonisation roadmaps with clear targets and timelines; (b) providing direct financial support to businesses undertaking decarbonisation projects, at a level comparable to the HK$400 million Green Tech Fund allocation; and (c) fostering collaboration between government and industry. The Office of Climate Change and Carbon Neutrality should lead this initiative, working with other departments to remove regulatory barriers and ensure effective resource allocation. This strategic investment will empower businesses to navigate the transition, overcome challenges, and accelerate decarbonisation efforts.

4. To accelerate the transition, the Hong Kong Monetary Authority ("HKMA") must continue updating the Hong Kong Taxonomy for Sustainable Finance ("Hong Kong Taxonomy") and develop a practical and relevant Hong Kong-specific taxonomy to focus on much needed transition finance especially in transforming industries including hard-to-abate sectors and major greenhouse gas emitting sectors in Hong Kong context such as commercial buildings. Given that successful transition requires both public and private sector investment, a collaborative funding programme should be developed, potentially involving a partnership between HKMA and financial institutions, to provide tailored financial support to businesses undertaking decarbonisation projects in these sectors. This could draw inspiration from successful international models such as the UK Government's Green Financing Programme, which raises financing from investors to fund green expenditures that tackle climate change. This collaborative model will leverage the expertise and resources of both the public and private sectors to catalyse decarbonisation in Hong Kong's most challenging sectors.

5. The Hong Kong Exchanges and Clearing Limited ("HKEX") has expanded its voluntary carbon market ("VCM") to include Gold Standard Verified Emission Reductions ("GS-VERs"), facilitating carbon credit settlement for corporates. However, the operationalisation of global carbon markets, as defined by COP29's Article 6 decisions, requires further strategic action. Government support including budget allocation is crucial for HKEX to leverage these developments, exploring opportunities for cross-border carbon projects within the Greater Bay Area to support regional decarbonisation and assisting Hong Kong companies in navigating the complexities of the European Union's Carbon Border Adjustment Mechanism ("CBAM") to maintain their international competitiveness.

6. Given that power generation accounts for about 60% of Hong Kong's greenhouse gas ("GHG") emissions – significantly higher than the global average – accelerating the city's transition to a low-carbon electricity sector is paramount. The two power utilities have been taking efforts in reducing the power grid emissions and disclosing the respective grid emission factors on an annual basis. To reduce Hong Kong's carbon emissions by 50% before 2035 and 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 carbon reduction 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 expanding corporate renewable energy procurement options to assist with their transition planning and disclosure, as they also see limited renewable energy procurement opportunities within Hong Kong. HKSAR's pathways and up-to-date progress towards the 2035 target mentioned above will be included in China's second Nationally Determined Contribution to be submitted to the UNFCCC in 2025.The Government should take a proactive approach to coordinate and improve the public sharing of the forward-looking information in line with Hong Kong's carbon reduction initiatives and carbon neutrality target timeline to promote transparency and facilitate more effective planning. For example, the "Guidelines to

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Account for and Report on Greenhouse Gas Emissions and Removals for Buildings In Hong Kong" remained at 2010 edition. To facilitate transparent and accurate reporting on GHG emissions according to HKEX New Climate Disclosure Requirements, there is an urgent need to update the Guidelines to encounter the emissions of using different forms of energy.

Climate Change Adaptation and Resilience

7. The increasing frequency and severity of extreme weather events, as predicted by the Hong Kong Observatory ("HKO"), demand improved coordination for climate adaptation and resilience. The Government and the Climate Change Working Group on Infrastructure ("CCWGI") must significantly increase investment in: (a) enhancing public engagement initiatives such as sharing of climate-related data and consultation of climate resilience enhancement works, (b) strengthening collaboration with the business sector on resilience management, (c) improving data transparency to support informed decision-making, alongside ongoing preventative maintenance of government infrastructure, and (4) mainstreaming nature-based solutions as part of the city's adaptation strategy.

8. Effective climate adaptation requires readily accessible, high-quality data. The Government should therefore allocate sufficient funding to establish a central, publicly accessible repository for all climate-related data, including cross-border information. This repository will provide businesses with the data, scenarios, and projections needed to develop effective adaptation and resilience plans and identify regional climate anomalies. The previous HK$100 million investment in the Smart City Blueprint's data integration platform in the 2020-21 Budget sets an example, corresponding investment is necessary for this crucial climate initiative, especially given the need for international collaboration.

9. Climate risk is a major concern for Hong Kong's financial sector. Over the past year, banks have been preparing for the HKMA's Climate Risk Stress Test, due in June 2024. The Government and HKMA should allocate budget in its scope expansion to include all financial institutions, including (a) detailed parameters for assumed climate events, (b) a mapping system linking the Global Industry Classification Standard and China's National Economic Activities, and (c) standardised and consistent assessment tools and methodologies.

Climate-related Disclosures and Sustainable Finance

10. To ensure Hong Kong's publicly accountable entities ("PAEs") comply with international best practice in sustainability reporting, significant investment is required to support the full adoption of the International Sustainability Standards Board ("ISSB") Standards. This is in line with the Financial Services and the Treasury Bureau's sustainability disclosure roadmap, launched on 10 December 2024, and the subsequent publication of the Hong Kong Financial Reporting Standards ("HKFRS") S1 and S2 by the Hong Kong Institute of Certified Public Accountants on 12 December 2024. These standards, effective 1 August 2025, are fully aligned with ISSB requirements. The Pilot Green and Sustainable Finance Capacity Building Support Scheme should encourage and prioritise necessary training needed for successful implementation.

11. To complement the support for implementing HKFRS, the extended Green and Sustainable Finance Grant Scheme should further expand its scope and ensure that all Hong Kong businesses, including non-listed companies and supply chains, can accurately address the particular challenges of Scope 3 emissions. This requires targeted training, industry-specific support, and resources to address capacity constraints, particularly amongst smaller entities. Given the successful HK$1 billion allocation to the Construction Industry Council's manpower training in the 2022-23 budget, a similar-scale investment is

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needed to establish a comprehensive sustainability disclosure ecosystem across all sectors.

Sectoral Decarbonisation and Sustainable Living Environment

Digitalisation for Sustainable Living and Energy Efficiency

12. With the great potential of digitalisation on decarbonisation, the Government should allocate increased financial resources to promote sustainable digital transformation, providing incentives and support schemes to encourage the adoption of innovative technologies such as smart grids and smart meters, particularly for Small and Medium Enterprises who face difficulties to allocate resources to adopt latest digital technologies. Funding should also be allocated to facilitate collaboration on research and development with the Greater Bay Area in fields like machine learning and AI, and for educational programs to cultivate digital talent, so to nurture the development of digitalisation industry in Hong Kong. For instance, budget should be earmarked to incentivise the development of integrated cloud-based platforms that utilise AI data analytics to improve energy management systems. This investment will enhance operational efficiency, reduce energy use and costs, and ultimately contribute to decarbonisation efforts across various sectors.

Green and Healthy Building

13. To incentivise health and wellness in building design, appropriate incentives, such as Gross Floor Area concession scheme, should be budgeted to encourage developers to incorporate health-enabling features in their projects. Locally established green building standards such as BEAM Plus New Buildings v2.0 include corresponding health and wellness components and can be taken as reference. The Government should consider leading the industry by facilitating pilot projects in prioritising health and wellbeing enabling features in building and neighbourhood designs and operations of public facilities and development.

14. Converting existing buildings to green buildings and more energy efficient buildings is one of the key actions of the HK 2050 carbon neutral road maps. To encourage modifications in exciting buildings to incorporate green and energy efficient building features, the Government can consider providing incentives for facilitate owners to convert existing buildings to Green Buildings or more energy efficient buildings. In the current practice, the implementation of identified Energy Management Opportunities (“EMOs”) in energy audits is voluntary. Financial support schemes should be established to encourage the implementation of identified EMOs. The Government should budget for technical guidance and case studies to enhance industry capacity in adopting new technologies for energy efficiency. Budgeting on establishing a comprehensive database on building Energy Use Intensity performance will enable benchmarking and encourage energy reduction strategies across the developments, which also help incentivise implementation of EMOs. The Government can also consider a market-driven approach initiating public-private partnership. This could include establishing subsidy schemes, design competitions, and seed funding to initiate partnerships, while encouraging active collaboration with industry stakeholders, for example, partnering with utilities companies and relevant institutions on financial support schemes, leveraging industry expertise through professional associations, and developing an industry-led comprehensive database.

15. To address embodied carbon, the Government should earmark funds for piloting the use of sustainable materials in public facilities, alongside developing policies that promote wider adoption of these materials in the construction sector. The Government can consider offering supportive policies with incentives to attract supplies of low-carbon materials and encourage developers to conduct embodied carbon calculation and reporting, ensuring

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developers have access to necessary resources for reducing embodied carbon in their projects. The Government is recommended to allocate funds for the use of low carbon cement and steel in new Government facilities and new development areas to lead the industry by examples in reducing embodied carbon.

Sustainable Aviation Fuel

16. With the commitments from the Government in the Policy Address 2024 to set up Sustainable Aviation Fuel ("SAF") usage target within 2025, the Government should consider financial support mechanisms to encourage the aviation industry to invest on and adopt SAF. Seed investments should be made as a prompt action to leverage Hong Kong's capability to SAF procurement. The investment can subsidise the high-cost differential between SAF and standard jet fuel in the intermediary period. For a more sustainable financing mechanism in the long run, the Government should also consider the implementation of levy dedicated solely to SAF procurement to facilitate sustainable SAF ecosystem development. The establishment of a blending infrastructure, public awareness and education programme are all vital for SAF ecosystem development in Hong Kong, which requires in advance financial planning to proceed on implementation. BEC launched the Hong Kong Sustainable Aviation Fuel Coalition initiative early 2024 and released the Policy Whitepaper on SAF Strategy for Hong Kong [1] in November. Detailed recommendations can be found from the Policy Whitepaper.

Decarbonising Maritime Sector

17. The Government proposed the Action Plan on Green Maritime Fuel Bunkering in 2024, which includes green incentives aimed at decarbonising the maritime industry. Alongside the focus on green fuel especially for international shipping, electrification presents another effective approach to decarbonising vessels operating shorter distance in Hong Kong waters, particularly for Class I and Class II vessels. The Government is piloting four electric and four hybrid ferries in Hong Kong waters. In addition to providing support to cover the high upfront costs, the Government is recommended to develop a sustainable business model and subsidise businesses in the development of shore power infrastructure.

Electrifying Road Transport & Non-Road Mobile Machinery

18. BEC is pleased to note the rapid increase in the adoption of electric vehicles ("EVs") among private vehicles in Hong Kong. However, it was recognised that the commercial vehicle sector is not keeping pace and that additional charging infrastructure is essential to support this transition. Noted that the Government's "New Energy Transport Fund" (NETF) will cease accepting applications for trial of all electric commercial vehicles from April 1, 2025**,** It is suggested that the Government could introduce other means of financial support targeted at electric commercial vehicles, such as direct replacement subsidies and payload concessions or exemptions for EV batteries in medium goods vehicles ("MGVs") and heavy goods vehicles ("HGVs") including container trucks. The EV-Charging at Home Subsidy Scheme ("EHSS") ended in 2023; the Government should continue to incentivise the installation of home charging infrastructure and more investment is required for charging infrastructure in workplaces, public destinations, and on-the-go locations. As public transport is the preferred primary mode of transport in Hong Kong, the Government should also timely evaluate and adjust its EV support initiatives to ensure they would not lead to overall passenger car growth in the city.

[1] https://www.bec.org.hk/sites/default/files/publications/SAF%20Strategy%20for%20HK.pdf

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19. The Government should also provide incentive electrification of construction site including for the conversion of non-road mobile machinery (such as mobile crane, trucks operating in industrial sites, construction sites) from using fossil fuel to cleaner energy such as electrification and other new energies to further reduce greenhouse gas emissions. Lastly, the Government should also consider allocating more resources for the installation of superfast charging stations and battery swap stations where applicable, while maintaining sufficient petrol filling station choices for motorists to ensure an efficient energy network.

Low-carbon and Green Hydrogen

20. China has published its standard "Standard and evaluation of low-carbon hydrogen, clean hydrogen and renewable hydrogen" 《低碳氢、清洁氢与可再生能源氢气标准及认定》 in 2020 to specify the relevant definitions of low carbon / clean and renewable hydrogen. It is essential for Hong Kong to further establish a similar standard to incentivise the production and use of low-carbon and green hydrogen, after the successful introduction of Strategy of Hydrogen Development in Hong Kong last year.

Contributing Role of Biofuels in Climate Transition

21. The Government should consider utilising biofuels as a transitional alternative in sectors heavily dependent on diesel-powered operations, including construction and industrial transportation sectors. For instance, second-generation biofuel renewable diesel ("RD") is an effective transition fuel due to its drop-in nature without significant upfront costs. The Strategy of Hydrogen Development released in June 2024 highlights the potential of green hydrogen, its adoption remains limited in the short term due to limited access and the associated high costs in the initial stages. As the Government schedules to release its commercial vehicle energy transition roadmap later in 2025, it is recommended that the Government allocate resources to conduct research on the environmental and financial impacts of regulating and adopting new generations of biofuels for in-service MGVs, HGVs, generators, and heavy-duty machinery. The findings could guide the Government in determining the role of RD and other biofuel as transitional fuels to decarbonise fleet operations in its roadmap. The Government could also consider taking the lead in using lower emission fuels such as RD for its diesel fleet, consistent with its own Action Plan on Green Maritime Fuel Bunkering, in which 55% of the diesel-fuelled vessels (166 in total) in the Government fleet will switch to green maritime fuels (including biodiesel in low concentration) by 2026, subject to fuel availability.

22. The Government should also allocate budget for piloting, education and free trial programmes to raise public awareness and engage with stakeholders about adopting low-carbon alternative fuels before fully transitioning to zero-emission vehicles and equipment. For example, the US government has set up Clean Fuels and Products Shots and Biodiesel Education Grants to support the advancement of alternative fuel research and adoptions among stakeholders.

New Development Areas with Sustainable Planning and Innovation

23. The Northern Metropolis development should receive budget allocations that prioritise sustainable urban development and construction practices, enhancing climate resilience and urban green space. For instance, incentives should be provided to support the integration of digital technologies such as smart energy management systems in new development areas. These can enable efficiency savings for consumers through reduced energy consumption, while introducing flexibility in the energy systems through change in consumption patterns, which will lower the overall costs for decarbonisation.

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Phasing out Refrigerants with High GWPs

24. To meet Hong Kong's obligations under the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer, it is necessary for the Government to decrease the consumption of hydrofluorocarbons ("HFCs"), which are of higher global warming potentials ("GWPs"). To ensure a successful transition, the Government should allow more resources on stakeholder engagement and take a holistic approach to assess the overall market impact including capital and operating costs, availability of the MVAC equipment for new refrigerant in the market and to explore more climate-friendly alternatives to hydrofluorocarbons to the local market. On the other hand, the Government should consider, from value chain management and lifecycle cost perspectives of early retirement of the existing MVAC systems that still use HFCs.

Circular Economy

Empowering Businesses to Embrace Circularity

25. Currently, the Government has proposed various initiatives, such as the Recycling Fund, to encourage recycling efforts within business sectors. However, it is crucial for the Government to introduce additional funding incentives or expand the targets of existing programmes to motivate businesses to prioritise waste avoidance, reduction, and reuse, aligning with the waste management hierarchy. For example, the Government of Ireland recently launched the Circular Economy Innovation Grant Scheme ("CEIGS") to support the growth of the circular economy, encompassing everything from product design to waste recovery. Similarly, Victoria, a state in Southeast Australia, has renamed its Recycling Victoria Councils Fund to the Circular Economy Councils Fund. This change broadens the scope of governmental support to include a wider range of projects that are essential for enabling and scaling up circularity, such as verification guidelines and platforms / systems to communicate on circular products.

26. Given the global progress in circularity disclosure, such as the sustainability reporting guidelines established by the three stock exchanges in Mainland China and the European Sustainability Reporting Standards ("ESRS") E5, the Government is recommended to allocate resources to explore opportunities of circularity disclosure in Hong Kong and build cross-sectoral channel to help prioritise how to operationalise the suitable frameworks. It would not only help align the region with current global ESG reporting standards but also encourage businesses to embrace circularity practices due to the pressure of disclosure requirements.

27. Government support is essential for establishing circular business models through subsidised training and funding, particularly to build up the capacity for startups in the early stages of crafting their business models and for established companies adapting to new market demands and regulations. By offering financial assistance and resources for workforce education, the Government helps equip businesses with the knowledge and skills needed to implement circular practices effectively. This support empowers companies to investigate innovative strategies such as extending product lifecycles, optimising resources, and creating closed-loop systems, resulting in reduced waste, enhanced resource efficiency, and improved sustainability, ultimately facilitating the transition to a more circular economy. For instances, BEC is actively promoting circularity by launching the first circular design training hub in Hong Kong, in collaboration with CIRCO from the Netherlands. This hub will provide a circular design programme that assists companies in developing their own circular business cases while encouraging collaboration among stakeholders throughout the value chain.

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Waste Collection & Recycling

28. Food waste is a challenging issue in Hong Kong. It is suggested that the Government continue investment in the establishment of food waste collection points in residential areas and consider implementing policies to incentivise food waste collection and recycling practices in commercial sector, as recent disclosures indicate that less than 10% of food waste is collected properly. In parallel, the Government should look into investing in more facilities and providing subsidies for decentralised facilities to process food waste, in order to address the growing demand for food waste treatment.

29. BEC is delighted to see the Government's efforts to explore legislation on recyclable collection in major housing estates and single-block buildings with a relatively large number of flats. The launch of the Waste Reduction and Recycling Charter in 2024 is commendable while BEC also encourages the Government to expand charter coverage to business sectors. In addition to legislation and initiatives, the Government should invest more resources or provide subsidies to property management companies and other applicable parties to establish more accessible recyclable collection points, ease logistical costs and adopt smart waste management technologies.

30. Apart from expanding the capacity of recyclable collection areas, the Government needs to review its waste sorting practices and consider investing in advanced material recovery facilities ("MRFs") when planning future integrated waste management facilities to enhance the quality of recyclables. Furthermore, the capacity for processing recyclables should be assessed. To enhance capacity, it is recommended that the Government provide more affordable land for the recycling industry in Hong Kong, collaborate with nearby regions (such as the Greater Bay Area) for the treatment of recyclables, ease restrictions on the import of recyclables if necessary depending on industry needs, and offer financial incentives to businesses entering the recycling sector for materials that are currently not scaled in Hong Kong, such as retired EV batteries.

Fostering a Sustainable Consumption Community

31. To encourage sustainable consumption practices, the Government should spare its resources to help nurture repair and reuse businesses. BEC published its research study in 2023 to explore the feasibility of repair and reuse business model in Hong Kong context and underline the industry support required[2]. Some sectors have seen rising opportunities of repair and reuse, such as tableware, office furniture, and electrical and electronic appliances. The Government should provide both physical spaces and financial resources for the establishment of dedicated organisations to facilitate repair and refurbishment practices, such as sharing and repairing everyday items, storage and maintenance. By offering consumers access to necessary tools, resources and expertise, this would encourage a culture of repair and reuse, ultimately helping to minimise waste and foster a more sustainable approach to consumption.

32. BEC members expressed concerns regarding the challenges and confusion many individuals face due to the various eco-labels and claims in the market. To address this issue, BEC recommends that the Government allocate resources to establish educational platforms focused on eco-labels or introduce a standardised approach for consistently measuring circularity. Such initiatives would enhance consumer awareness and help prevent greenwashing. This could be accomplished by referencing similar platforms developed in other countries, such as "label clarity" (siegelklarheit.de), developed by the German Government, as well as the successful implementation model of the Green

[2] https://bec.org.hk/sites/default/files/publications/RepairandReuseExploringthefeasibilityofRepairandReusebusinessmodelinHongKong.pdf

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Tableware Platform. The Government's green procurement list should also reflect latest eco-label and eco-design principles.

33. Municipal Solid Waste ("MSW") charging provides sustainable resources for the Government to manage waste. The deferred MSW Charging Scheme should be reviewed and reintroduced with a clear timeline after assessing the progress of current waste reduction initiatives. A phased approach may be more feasible, starting with certain business sectors where companies have allocated resources to prepare for the charging scheme. Provision of price signals related to charging and benefits of waste reduction measures could mobilise corporates to take further actions. At the same time, it is crucial to keep increasing resources for educational and promotional campaigns aimed at the public, increasing their awareness of waste reduction at source, proper waste sorting and recycling practices, and fostering a culture of reuse and repair.

Producer Responsibility Schemes

34. The Government will introduce the bill in 2025 to establish a common legislative framework of producer responsibility schemes ("PRS") on different products, thereby facilitating the progressive inclusion of such products as plastic beverage containers and beverage cartons in future with a market-led approach. To support smooth implementation after the enactment of the legislation, the Government should spare resources on setting up enforcement framework, data management system, and recycling infrastructures in collaboration with stakeholders in industry of the relevant products.

Biodiversity and Nature

35. Hong Kong's updated Biodiversity Strategy and Action Plan (2025-2035) will be published this year and is expected to align with both national commitments and international frameworks. On the international stage, unlocking finance for nature and biodiversity conservation was a critical topic of discussion during the recent UNCBD COP16 Conference. However, the discussion concluded without a definitive resolution. According to the Kunming-Montreal Global Biodiversity Framework (KMBGF), Target 19 aims to mobilise US$200 billion annually for biodiversity from all sources. Substantially increasing local financial resource mobilisation will be a key enabler in ensuring the successful implementation of Hong Kong's BSAP objectives/outcomes. China's Biodiversity Conservation Strategy and Action Plan (2023-2030) explicitly recognises the need to provide multi-level financial resources to secure strong support towards biodiversity conservation. Mobilising increased financial resources for nature brings about far-reaching benefits for the city, particularly from a climate resilience and adaptation perspective.

Corporate Assessment and Disclosure on Nature-related Risks and Opportunities

36. Businesses and financial institutions are acknowledging nature as a strategic risk management issue. At present, 10 Hong Kong companies are leading in efforts to pilot the Taskforce on Nature-related Financial Disclosures ("TNFD") framework across their business models to assess and disclose their nature-related impacts, dependencies, risks and opportunities. Considering the rapid evolution of international developments and the anticipated rise in regulatory requirements for corporate nature-related disclosures, the Government should allocate resources toward supporting local capacity-building activities and promotion of existing guidance in the form of practical tools to enable a greater uptake. By supporting corporate adoption of the TNFD framework in mainstreaming nature-related disclosure, Hong Kong can further strengthen its position in nature-based finance and capitalise on emerging opportunities within evolving green finance and investment landscape.

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Financing Biodiversity and Nature Conservation

37. For financing biodiversity, China's Biodiversity Conservation Strategy and Action Plan (2023-2030) recognises the need for strengthening the coordination of resources; maintaining existing funding channels; and enhancing the assignment of financial resources. Funding also formed a key discussion area of COP16, which recognised that around US$200 billion is required to reverse nature loss by 2030. In Hong Kong, the Government should explore innovative finance mechanisms to leverage more funds for biodiversity financing, including public-private partnerships, blended finance and subsidies to mainstream investment in nature conservation projects.

38. To expand on existing green bonds, blue and biodiversity bonds should be explored and the scope of future bond issuances should be enriched to include investment in nature and biodiversity conservation.

Integrating Biodiversity and Nature-based Solutions into Development

39. The prioritisation of nature-based solutions ("NbS") in development is critical to ensure biodiversity value and natural assets will not be severely impacted due to development plans and should be integrated into early development stages rather than a compensatory or mitigation mandate. To support this, the Government could prioritise developments that take such an approach, through incentives or subsidies. Integrating NbS principles can allow long-term cost savings while simultaneously achieving socioenvironmental objectives including improving climate resilience, boosting urban biodiversity and mitigating climate impacts such as flood risk and the heat island effect.

Valuating Ecosystem Services

40. According to the World Bank, it is estimated that a collapse of natural services provided by healthy ecosystems such as natural carbon sequestration, flood protection and air filtration could cause a decrease of US$2.7 trillion in global GDP by 2030. Assigning a monetary value to nature's services can further drive the rationale to invest in biodiversity and nature and mainstream nature-related financing into public and private decision-making processes. The Government should consider allocating resources to support quantifying and reviewing Hong Kong's ecosystem service accounting, taking reference to the UN's System of Environmental-Economic Accounting Ecosystem Accounting ("SEEA EA"), mainland China's "Gross Ecosystem Products" and similar economic approaches.

Research and Funding Support

41. Biodiversity-specific research relevant to Hong Kong should be prioritised and supported through funding. Existing public funds such as the Environment and Conservation Fund, Sustainable Development Fund and others should be expanded to include biodiversity-specific research. New innovative mechanisms, such as public-private funds, could also be explored as the Government can collaborate with business and other organisations on projects such as developing more comprehensive biodiversity database. Existing similar models could be referenced, for instance, the UK Government has a grant scheme called Nature-based Solutions for Climate Change at the Landscape Scale to support biodiversity through research and monitoring projects. The pilot also explores blended funding models to combine public and private financing.

Increasing Marine Protected Areas ("MPAs")

42. With the establishment of the North Lantau Marine Park in November 2024, Hong Kong's protected marine habitat stands at around 8,500 hectares. To follow global targets including those outlined in the KMGBF, at least 30% of the city's waters should be designated as MPAs or Other Effective Area-Based Conservation Measures by 2030 with

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the proportion of no-take zones within MPAs to grow to 20% to effectively protect marine biodiversity. There is existing work being undertaken by sustainable finance stakeholders/NGO to examine financing public and private mechanisms to sufficiently protect Hong Kong's ocean waters. With the current budget set aside for Hong Kong's marine conservation standing at around HK$87 million in 2024[3], funding must be increased to allow MPA designation in Hong Kong waters to align with international ambition.

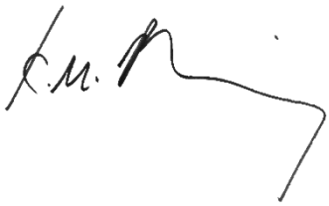
Establishing a Multi-stakeholder Alliance on Biodiversity and Nature

43. To keep Hong Kong in line with international, national and local policy developments in this space, there is a need to establish a multi-stakeholder alliance or task force with Government support and active participation to drive positive action on biodiversity with key stakeholders, including the private sector. To ensure effective multi-stakeholder collaboration, the Government should put resources toward the creation of an interdepartmental working group to oversee biodiversity action in Hong Kong and participate in industry-led task forces, such as the alliance. Reference could be made to the Climate Change Working Group on Infrastructure ("CCWGI"), which is under the lead of the Civil Engineering and Development Department.

Enquiries

For queries related to this submission, please contact our Chief Executive Officer, Mr Simon Ng at simonng@bec.org.hk.

Yours sincerely,



Kevin O'Brien
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[3] https://www.scmp.com/business/article/3278456/hong-kong-firms-need-prepare-nature-biodiversity-related-disclosures-experts-say

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