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**Submission on the Public Consultation for the 2020-2021 Budget  
Views from Business Environment Council Limited  
商界環保協會有限公司**

Over the last 27 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.

## Background

In 2019, BEC made two important submissions to the Government. First, in our submission on the Chief Executive's 2019 Policy Address, BEC put forward policy recommendations on how to combat climate change, accelerate decarbonisation, enhance resource management, promote a circular economy, enable a sustainable living environment, and practise smart governance in both the public and private sectors in Hong Kong.<sup>1</sup> Second, BEC as the voice of business offered clear and unwavering support to the Government in charting Hong Kong's long-term decarbonisation strategy by 2050 and beyond.<sup>2</sup> In our submission, BEC specifically called for the Government to set aspirational carbon reduction targets that put Hong Kong on the road towards carbon neutrality, as tackling climate change is widely considered one of the most urgent priorities for businesses. We also made it clear that even with a clear roadmap to decarbonise, policy and financing support is still necessary and critical to the successful implementation of any climate action and strategy.

In recent months, Hong Kong has experienced unprecedented political and social unrest leading to economic downturn. Understandably, the Government's primary

<sup>1</sup> [https://bec.org.hk/files/images/BEC\\_Policy\\_Submission/BEC\\_Submission\\_2019\\_Policy\\_Address.pdf](https://bec.org.hk/files/images/BEC_Policy_Submission/BEC_Submission_2019_Policy_Address.pdf)

<sup>2</sup> [https://bec.org.hk/files/images/BEC\\_Policy\\_Submission/BEC\\_Submission\\_on\\_Long-term\\_Decarbonisation\\_Strategy\\_20190918.pdf](https://bec.org.hk/files/images/BEC_Policy_Submission/BEC_Submission_on_Long-term_Decarbonisation_Strategy_20190918.pdf)

focus in the forthcoming Budget Speech and other policy measures may be placed on the provision of support and relief measures to businesses and individuals. Nonetheless, BEC reminds the Government that they should not lose sight of urgency in addressing environmental issues and the pressing need to invest in these areas. For instance, climate change or the state of climate emergency, as it is being declared recently, is seriously affecting the well-being of businesses and individuals. As such, allocating government resources to accelerate decarbonisation and to improve climate resilience of the city now should be considered crucial and necessary investments.

In the following paragraphs, BEC highlights areas where budgetary support is required.

### Tackling Climate Change

As highlighted in BEC's various past submissions, Hong Kong is in desperate need for a clear and comprehensive climate resilience and adaptation plan, as well as effective, long-term financial planning to support the plan. A critical part of that should be the establishment of a new, dedicated climate resilience team within the government structure and the recruitment of a Chief Resilience Officer to oversee the preparation of the plan, the co-ordination of climate resilience and adaptation efforts amongst government bureaux and departments, as well as fostering and strengthening of partnerships between the Government, the business sector and other stakeholders in society. In this regard, BEC urges the Government to earmark financial resources in the Budget to support the setting up of this team.

In addition to the proposal to create a focal point within the Government to lead and co-ordinate climate resilience and adaptation work, BEC also stresses the need to set aside financial resources that support and further stimulate the business sector to decarbonise. It can be provided in the form of a dedicated climate fund or through other financial incentives, such as tax concession to those who have taken climate action with investment in operation or capacity building that facilitate transition and transformation towards climate resilience. The main purpose of these financial means is to incentivise and acknowledge companies with verified carbon reductions. Special attention should be given to businesses that are most in need of help, such as small- and medium-sized enterprises and companies most vulnerable to climate risks.

BEC re-emphasises that buildings contribute significantly to carbon emission. Greater attention should be placed, especially on existing buildings, to incentivise better building design, energy conservation and other environmental performance improvement measures such as retro-commissioning or retrofitting throughout the building life cycle.<sup>3</sup> One specific example of such financial provision could be a fund directed to support installation of smart sub-meters in tenanted commercial premises, so that commercial tenants would pay their air conditioning and energy bills based on actual consumption rather than a blanket management/utility fee determined by office floor area. The Government may also consider financial supports other than direct cash

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<sup>3</sup> Financial incentives such as energy efficient mortgage have been implemented in countries such as Japan. For more information, please see BEC's *Investing in Buildings Energy Efficiency: How to Enhance Hong Kong's Policy Framework* report.

[https://bec.org.hk/files/images/Resource\\_Centre/Publications/Investing\\_in\\_Buildings\\_Energy\\_Efficiency.pdf](https://bec.org.hk/files/images/Resource_Centre/Publications/Investing_in_Buildings_Energy_Efficiency.pdf)

funding, such as rent and rate relief, loans or tax concessions on energy saving measures. With multiple incentives, energy-efficient behaviour would be better encouraged and energy reduction potential in buildings could be further realised.

In the last couple of years, Hong Kong has made significant steps to becoming a regional hub for green finance. On the one hand, the Government should ride on its recent green bond issuance to strengthen Hong Kong's financial planning on climate resilience and adaptation. On the other hand, green financial products such as green bonds and green loans should be encouraged in the market to facilitate and support investments or practices that would contribute to deep decarbonisation and accelerated climate action.

BEC commends the Government's issuance of its green bond and urges the Government to ensure the proceeds are used to fund projects and initiatives that are aligned with the ambition of the Paris Agreement.

### **Enabling a Circular Economy**

Waste management and reduction is a long-standing challenge in Hong Kong. Existing landfill sites are operating at close-to-full capacity. Per capita disposal rate of municipal solid waste (MSW) has continued to rise from 1.27 kg per day in 2011 to 1.53 kg in 2018. Waste also contributed about 6% of total carbon emissions in Hong Kong.

BEC recommends a circular economy approach to resource management as a way to reduce waste at source, to recapture value from different waste streams, and to reduce carbon emissions from the waste sector. The Government should set aside funding and other support for the formulation of a comprehensive circular economy strategy and action plan with a detailed roadmap and critical milestones, as well as for long-term investment on facilities. Such strategy should include clear policy, supporting regulation and standards, measurable targets for specific waste streams and adequate funding support to ensure the economic viability of sustainable and circular practices. These supports should be made available to the entire value chain including upstream and midstream manufacturers, logistics and consumers, rather than just focusing on downstream waste collection and treatment points.

In addition, early implementation of the MSW charging scheme and the extended producer responsibility schemes (PRS) to cover all significant waste streams are also important to reducing waste generation and improving the material recovery rate. BEC suggests the Government to utilise the PRS as a means to enable and accelerate the shift of different waste streams from a linear model to a circular one. For example, the Government may want to provide both technical and financial supports to facilitate the shift.

### **Promoting Low-Carbon Transport**

It is pleasing that the Government has taken on board one of BEC's recommendations

in our last Budget submission<sup>4</sup> and announced in the Chief Executive's 2019 Policy Address a \$2 billion incentive scheme to promote the installation of electric vehicle (EV) charging-enabling infrastructure in car parks of existing private premises as a means to expand the EV charging network.<sup>5</sup> In addition, it was also announced that the Government will replace the entire fleets of 11 ferry routes and introduce greener vessels from 2021 onwards by purchasing 47 new ferries.<sup>6</sup> While BEC commends the Government's latest plans to promote low-carbon transport as described above, the pressing need to accelerate the transition of Hong Kong's transport sector still remains – including land-based and water-based transport, passenger and freight transport, as well as non-road mobile machineries (such as ground service equipment at the airport and other construction equipment) – from being fossil fuel dependent to one that is driven by new energy sources such as zero-carbon electricity and hydrogen/methanol fuel cell technologies. With improved air quality, especially at the roadside, public spending on healthcare will be significantly reduced.

To facilitate the transition, we need a comprehensive transition strategy rather than piecemeal initiatives. In this regard, BEC suggests that a roadmap is required to map out the transition with clear targets and a well-defined phase-out strategy. For example, the Government should put forward a clear pathway and definite timeline to phase down new sales of internal combustion engine (ICE) vehicles in Hong Kong. As a complementary measure, the Government may expand the scope covered by the Pilot Green Transport Fund (to be renamed to New Energy Transport Fund) to support trials that would accelerate wholesale transition, and set aside sufficient funding for the proposed "Applications for Use" section to subsidise the early retirement of ICE vehicles and to incentivise the purchase of new energy vehicles. To successfully introduce green ferries to Hong Kong, the Government may have to allocate public funding for the provision of onshore power supply to existing ferry piers.

As the transition to low-carbon transport hinges on Hong Kong's overall energy transition policy, BEC encourages the Government to clearly outline the pathway to new energy sources, including the role of interim fuel options such as liquefied natural gas (LNG) in the power and transport sector. If it is determined that LNG has a part to play in such transition, BEC urges the Government to provide financial and policy support in order to make LNG readily available to different users in Hong Kong.

Last but not least, BEC re-iterates our support towards electronic road pricing (ERP)<sup>7</sup> to manage transport demand in congested areas during peak hours. The Government should provide the necessary resources to implement the ERP pilot scheme in Central and its adjacent areas as soon as possible.

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[https://bec.org.hk/files/images/Resource\\_Centre/Submission/20190204\\_BEC\\_Submission\\_on\\_Public\\_Consultation\\_or\\_2019-2020\\_Budget.pdf](https://bec.org.hk/files/images/Resource_Centre/Submission/20190204_BEC_Submission_on_Public_Consultation_or_2019-2020_Budget.pdf)

<sup>5</sup> The Chief Executive's 2019 Policy Address, paragraph 9 (<https://www.policyaddress.gov.hk/2019/eng/pdf/PA2019.pdf>); The Chief Executive's 2019 Policy Address Supplement, p.110 ([https://www.policyaddress.gov.hk/2019/eng/pdf/supplement\\_full.pdf](https://www.policyaddress.gov.hk/2019/eng/pdf/supplement_full.pdf))

<sup>6</sup> The Chief Executive's 2019 Policy Address, paragraph 42 (<https://www.policyaddress.gov.hk/2019/eng/pdf/PA2019.pdf>)

<sup>7</sup> [https://bec.org.hk/files/images/Resource\\_Centre/Submission/BEC\\_Submission\\_-\\_ERP\\_Pilot\\_Scheme.pdf](https://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_-_ERP_Pilot_Scheme.pdf)

## Conclusion

In conclusion, BEC urges the Government to invest timely and smartly in making Hong Kong sustainable, carbon-neutral, zero-waste and resource-efficient. Incentives and financial support should be channelled into real action and implementation, as the cost of inaction will be unbearable in various forms of externalities, and ultimately public money will have to be spent to cover those costs. For queries related to this submission, please contact our Chief Executive Officer, Mr Adam Koo at [adamkoo@bec.org.hk](mailto:adamkoo@bec.org.hk).

Yours sincerely,



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