BUSINESS ENVIRONMENT COUNCIL 商界環保協會

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Submission on the Chief Executive's 2025 Policy Address
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 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 has successfully established the Climate Action Plan 2050 ("CAP2050"), leading to a consistent downward trend in emissions. The commitment to a five-year review cycle, with the next update in 2026, is a crucial mechanism for maintaining momentum. In 2025, both the Government and the business community should continue to advance efforts to address physical and transition risks by focusing on (1) contribution to China's Nationally Determined Contribution submission, (2) CAP2050 update, (3) transition planning, (4) climate adaptation and resilience and (5) climate-related disclosures.

Contributing to China's Nationally Determined Contribution ("NDC") Submission and International Climate Dialogue

1.2. UN Climate Change Executive Secretary Simon Stiell has expressed the urgency for countries to submit stronger NDCs by September 2025. Hong Kong's delegation and presence at COP30 in Belém, Brazil should be strategically designed to showcase its unique capabilities in finance, technology, and professional services. It is suggested that Hong Kong curate a diversified delegation, including (a) senior officials from the Government such as the Environment and Ecology Bureau ("EEB"), Financial Services and the Treasury Bureau ("FSTB"), and InvestHK, (b) a select group of CEOs and

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senior business leaders who are actively engaged in green finance and transition, and (c) leaders from professional services, academia, and youth groups. Hong Kong delegation should closely participate and co-host sessions in the China Pavilion to demonstrate Hong Kong's unique role in supporting national NDC. Delegates from the Government should clearly state how Hong Kong could play a unique role in supporting NDCs and align HK's CAP2050 with national goals to create synergistic policies in Hong Kong as the green finance hub and the low-carbon urban model.

1.3. The Government has made a commendable effort in transparently communicating its climate action progress through the publication of the "Hong Kong's Climate Action Plan 2050" Strategies & Progress pamphlet in May 2025. The review of the CAP2050 in 2026 can be explicitly framed as "Hong Kong's Input for China's 2035 NDC." This report should be officially submitted to the Central Government ahead of key United Nations Framework Convention on Climate Change ("UNFCCC") deadlines and simultaneously published to inform the international community. This act of formal submission elevates the report from a simple progress update to a clear statement of intent and commitment, solidifying Hong Kong's role as a key partner in the national climate strategy and as a proactive global city in the fight against climate change.

CAP2050 Update

1.4. The Government should supplement the CAP2050 Progress pamphlet with a more detailed, technical report, serving as the formal evidence base, containing granular data, methodologies behind the calculations (e.g., for emissions reductions), detailed policy analysis, and forward-looking projections that underpin the summary figures. In addition to demonstrating a clear and forward-looking contribution to the national goal, the Government should also publish a clear policy agenda for the next five-year term. This would serve as a robust foundation for policy planning in the next term and position Hong Kong as a key partner in shaping the ambition of the future national target.

1.5. With China announcing that its upcoming NDC will cover all economic sectors and greenhouse gases, Hong Kong should follow suit by setting an example as a leading city—establishing comprehensive targets that encompass all sectors and all greenhouse gases. There is a need for more structured, deep collaboration with the business community to translate the plan into concrete, sector-wide action. Businesses require a clearer framework to actively contribute to and align with the city's transition, moving beyond individual efforts to a coordinated response. The Government should encourage collaborations with businesses in prioritised areas to implement the CAP2050. Cooperation among jurisdictions and corporations is crucial in striving towards a goal of net-zero emissions in the future.

1.6. For the 2026 CAP2050 update, the Government should establish formal, sector-specific "Climate Action Taskforces" for high-impact areas like real estate & construction, logistics & transport, and power generation. Chaired by the EEB and with majority representation from industry leaders and enablers including financial institutions and climate technology solution providers, these Taskforces would be mandated to co-develop detailed, investable decarbonisation roadmaps, policy proposals, and collective action plans to adopt decarbonisation solutions and

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technologies. The Government should also pay specific attention to supply chain decarbonisation policies and opportunities in the Mainland China for sectors with deep connections between the Mainland and Hong Kong.

Transition Planning

1.7. BEC acknowledges the significant progress made in defining granular roadmaps including the electrification and green transformation of public transport, the development of hydrogen energy infrastructure, green marine fuel bunkering, and the cessation of new fuel-propelled private car registrations by 2035. The Office of Climate Change and Carbon Neutrality should now focus on ensuring these roadmaps are implemented on schedule and collaborate with experienced industry leaders to identify and address emerging challenges, promote best practices, and alleviate regulatory barriers to accelerate innovation.

1.8. EEB should continue its collaboration with HKMA in Phase 2 of the Hong Kong Taxonomy for Sustainable Finance ("Hong Kong Taxonomy") update. Given that the Government has already commenced the second phase development to expand the taxonomy's coverage to include transition activities, the next priority should be developing practical, sector-specific guidance to support this expansion, with the consultation with related sectors and business associations. To drive adoption, a clear linkage between taxonomy and government policies should be established. For example, projects that align with the "green" or "transition" categories of the taxonomy could be fast-tracked for permits or become eligible for subsidies. To enhance the taxonomy's credibility and align it with international best practices (like the EU and Australia), the Government should develop clear "Do No Significant Harm" criteria. This ensures that a project classified as "green" or "transitional" for its climate benefits does not, for instance, harm local biodiversity or have negative social impacts.

1.9. Hong Kong is building its role as a regional carbon marketplace primarily through the HKEX's Core Climate, launched in 2022, which offers unique settlement in both HKD and RMB. However, the market currently faces challenges, including limited trading volume compared to global exchanges, a lack of local mandatory demand, and the need for more authoritative regional standards to bridge the Mainland and international systems. Apart from local electric utility companies currently regulated under the Scheme of Control Agreement, the Government should explore cap-and-trade pilot programmes targeting the high-emitting sectors in Hong Kong to stimulate local demand and provide a clear price signal. (For example, Tokyo Metropolitan Government launched the world's first urban Cap-and-Trade program and achieved 23% carbon emission reduction in 4 years). The Government should also accelerate Greater Bay Area ("GBA") integration by establishing concrete pilot programmes for cross-border carbon market connectivity. The Government should work with authorities in Guangdong and Macau, alongside HKEX, to explore common carbon credit standard(s) that support certifying high-quality, technology-based, and nature-based carbon reduction and removal projects within the GBA, creating a trusted and regionally relevant supply of credits for the market.

1.10. Electricity generation remains the largest source of emissions (61% in 2023). The Government has set clear 2035 targets: increasing zero-carbon energy to 60-70% of

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the fuel mix and ceasing the use of coal for daily electricity generation. 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, publish clear emission factor roadmaps to aid companies in their transition planning, and revisit the targets at a timely basis to raise ambition under favourable social-economic conditions. The emission factor roadmap should also take into account emissions from the waste-to-energy facilities which will begin operation in 2025, and with its capacity expected to increase. 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.

1.11. The Government should take a proactive approach in coordinating the sharing of emission data to the public beyond the high-level GHG inventory of the city, such as providing further information on sub-sector emissions and the emission factors used. Hong Kong's current approach is backward-looking, as evidenced by Hong Kong's foundational "Guidelines to Account for and Report on Greenhouse Gas Emissions", remaining at the 2010 edition, is critically outdated and misaligned with global best practice. It should be updated to reflect significant international developments, such as the Greenhouse Gas (GHG) Protocol's ongoing revision of the Scope 2 Guidance, to better reflect the realities of electricity consumption and clean energy procurement. This discrepancy undermines the quality of corporate reporting and creates inconsistency, particularly as the HKEX has advanced its own ESG reporting guidance, rendering the 2010 government guideline obsolete for listed companies. To empower businesses, the Government must not only modernise this foundational guidance but also provide forward-looking forecasts. This will enable organisations to set credible science-based targets considering Scope 1, 2, and 3 emissions, make informed green investment, and align with CAP2050 targets, thereby enhancing the integrity and international comparability of Hong Kong's climate data.

Climate Change Adaptation and Resilience

1.12. The Hong Kong Government should consider requiring all major public and private infrastructure projects - including those in the Northern Metropolis – to conduct and publish forward-looking climate impact assessments, and carry out comprehensive review of existing infrastructure such as working with existing asset owner to identify flooding hotspots and improve the overall climate resiliency of the neighbourhood These assessments must model risks based on internationally recognised climate projections (e.g., sea-level rise, extreme heat, and typhoon intensity) over near-, mid- and long-term, and demonstrate that project designs incorporate sufficient adaptation and resilience measures to ensure long-term operational viability. For example, locally the BEAM Plus New Buildings (NB) framework offers guidance for integrating resilience at the design stage.

1.13. To enhance the effective decision-making for businesses, the Government should launch a single, publicly accessible digital platform consolidating all decision-useful government climate-related data. While BEC acknowledges the Hong Kong Observatory ("HKO")'s efforts in providing climate services, businesses still face challenges accessing and applying granular data for risk assessments. We urge the

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Government, led by the Climate Change Working Group on Infrastructure ("CCWGI"), to establish a cross-departmental digital platform that not only integrates IPCC AR6-aligned projections with other relevant datasets (e.g., infrastructure maps, flood exposure map, demographic data, climate risk models and adaptation plans at a district level), but also provides clear information on the Government's own physical risk action plans, mitigation measures, and infrastructure adaptation progress, enabling more effective stress testing and adaptation planning. For example, the Australia government's national science agency has developed regional climate models to help sectors to mitigate and adapt to climate change impacts while providing high-resolution climate information.

1.14. To ensure that climate data is translated into actionable business strategies, the Government should fund a dedicated programme to connect businesses, especially Small and Medium Enterprises ("SMEs") in critical supply chains of large, listed companies, with climate scientists and engineering experts. This could provide the technical guidance necessary for companies to interpret high-level climate data, conduct meaningful climate risks assessments, and develop actionable adaptation and resilience business strategy.

Climate-related Disclosures

1.15. The Government has done excellent work in aligning Hong Kong with global best practices by launching the Roadmap on Sustainability Disclosure and implementing IFRS S2-aligned requirements. The primary challenge now shifts from mandating reporting to enabling carbon reduction. Many companies, especially SMEs within the supply chains of listed companies, have the will but lack the technical capacity and financial resources to move beyond disclosure to decarbonisation. Hong Kong's commitment of HK$200 million and the extension of the Green Finance Capacity Building Scheme to 2028 is a positive and necessary step to develop sustainable finance expertise. BEC also appreciates that the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) published the *Non-listed Company Questionnaire on Climate and Environmental Risk* whereas BEC has also been supporting companies to conduct climate-related disclosures through our Carbon Disclosure Programme. The Government should further provide dedicated and practical support to equip SMEs with critical skills to understand terminologies, conducting carbon audit, climate risk assessment, and developing decarbonisation roadmap and transition plan. This would significantly improve the effectiveness of climate actions and disclosure for SMEs.

1.16. As Hong Kong prepares for the rollout of the IFRS S2 Standard, it is crucial to consider the inclusion of a safe harbour legislation to encourage companies to disclose forward-looking information without the fear of legal repercussions. For instance, Australia has established a fixed three-year relief period for disclosures related to Scope 3 emissions and certain climate-forward looking statements. During this period, only regulators, not private parties, can bring action. Under the U.S. SEC safe harbour provisions, both regulators and private parties cannot bring actions for forward-looking statements, provided they include appropriate cautionary language, whereas entities are not mandated to disclose Scope 3 emissions. BEC strongly recommends introducing safe harbour provisions and criteria around Scope 3 reporting and future-facing statements,

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particularly around the potential financial impacts of climate-related risks and opportunities.

1.17. The Government should update its procurement scoring criteria to give preferential weighting to companies that not only disclose their climate data but can also demonstrate a year-on-year reduction in their emissions intensity and have a credible, science-aligned net-zero plan. For example, BEC has already established the Net-zero Carbon Charter ("the Charter"), which consists of more than 90 signatories aligned with two tiers of net-zero commitments with annual review and disclosure obligation. The Government could use the recognition information in the market, such as from the Charter, to support the public project tendering process.

2. Sectoral Decarbonisation and Sustainable Living Environment

Energy Transition in Transport and Construction

2.1. The price premium between sustainable aviation fuel ("SAF") and the traditional jet fuel remains the major concern for SAF adoption for aviation decarbonisation. BEC is delighted to see the Government's commitment to setting SAF consumption target within 2025, and developing SAF supply chains by formulating the long-term plan for industry development. We envision that this consumption target is credible and would be supported by strong demand and supply supportive policies. The Government should work with the industry, explore regional collaboration especially with Chinese Mainland authorities regarding SAF supply to Hong Kong, and consider relevant policies, such as implementation of levy, subsidy or other demand-driven schemes and facilitating the construction of local blending infrastructure, to bridge the price gap and scale up SAF adoption. Through the Hong Kong Sustainable Aviation Fuel Coalition ("HKSAFC"), BEC is coordinating four work groups to advise further measures in developing credible SAF usage target, blending facilities, public awareness and corporate SAF buy-in, which provides more detailed recommendations to the Government, specifically to the Transport and Logistics Bureau and Environment and Ecology Bureau at regular intervals. More information is also available at BEC website on HKSAFC.

2.2. BEC is delighted to see the Government's announcement of the Action Plan on Green Maritime Fuel Bunkering in late 2024, which provides a direction for promoting green marine fuel bunkering in Hong Kong. The Government should develop a comprehensive maritime decarbonisation implementation plans for both international and local shipping. The Government should prioritise providing sufficient supply and bunkering service of low-carbon fuels (such as biofuels, green methanol and ammonia) for ocean-going vessels by aligning with IMO's Net-zero Framework, while incentivising local ferries to transition to lower emission fuels and electrification through subsidies and onshore charging infrastructure development. The Government should also expedite the development of a comprehensive Onshore Power Supply ("OPS") policy and implementation timetable to promote the development of facilities at ports to reduce GHG and air pollutant emissions from docked vessels and maintain Hong Kong's maritime competitiveness. In formulating this strategy, Hong Kong needs to align with the evolving international standards to maintain its competitiveness and ensure compliance with global best practices. BEC fully supports the Government's

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commendable announcement of the "Green Maritime Fuel Bunkering Incentive Scheme" in 2025. Achieving the status of a leading green bunkering hub requires addressing other critical areas, including infrastructure development, fuel availability and supply chain, scaling up and cost reduction, and developing Hong Kong's green shipping corridors.

2.3. To achieve zero vehicular emissions by 2050, BEC is encouraged by the significant increase in the percentage of electric vehicles ("EVs") among newly purchased vehicles and the promotion of charging infrastructure development. While EV adoption has grown rapidly among private vehicles in Hong Kong, the commercial vehicle sector continues to lag behind in low-carbon transition. This is concerning given the sector's substantial contribution to greenhouse gas emissions. It is encouraging to note that the Government plans to unveil a dedicated roadmap for wider commercial vehicles in 2025, providing much-needed direction and support for the transition to low-carbon transport. To strengthen the effectiveness of this roadmap, and through our engagement with stakeholders related to the commercial vehicles in recent period, BEC has identified several critical enablers to Accelerate Electrification of Commercial Vehicles in Hong Kong for the Government to consider. Most importantly with existing technology advancement, setting clear targets for the near and medium terms in phasing out internal combustion engine of lighter commercial vehicles (e.g., vans, trucks, etc.) will enable the ecosystem to better plan and accelerate decisions for their low-carbon transition. Additionally, the Government should address the need to allocate more spaces for the installation of charging facilities and invest in ultra-fast charging technology to create a more robust ecosystem for EV adoption. Noted that the Government's "New Energy Transport Fund" ("NETF") has ceased accepting applications for trial of all electric commercial vehicles from April 2025. It is suggested that the Government could introduce other means of financial and non-financial support targeted at electric commercial vehicles, such as incentivising demand with fleet operators and payload concessions or exemptions for EV batteries in medium goods vehicles ("MGVs") and heavy goods vehicles ("HGVs") including container trucks. More details can be referred from the abovementioned paper.

2.4. The Government needs to also recognise that a one-size-fits-all approach may not be suitable for the diverse commercial vehicle sector. While electrification is a viable path for many LGVs and MGVs, challenges remain significant with HGVs and long-haul logistics, that transitional and alternative fuel solutions like biofuel and hydrogen (see 2.5 and 2.6) are much considered by these stakeholders. Therefore, infrastructure policy needs to support this diversity by facilitating the installation of not only ultra-fast EV charging but also adopting new energy refuelling stations. For Hong Kong to maintain its role as a logistics hub, it is crucial to harmonise technical standards for these new energy vehicles with the Mainland, minimising cross-border barriers for HGVs that deliver goods to Hong Kong. Furthermore, as new and conventional energy sources will operate concurrently during the extended transition period - potentially increasing operational costs - the Government should implement appropriate policies to ensure a stable and affordable energy supply, thereby safeguarding orderly transition and Hong Kong's economic competitiveness.

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2.5. BEC recommends the Government establishes a clear energy transition framework in its climate action plan and encourage the use of recognised biofuels, such as renewable diesel ("RD"), as interim solutions to decarbonise hard-to-abate sectors e.g. heavy-duty transport and construction, where switching to carbon-free energy is not yet viable. A straightforward first step is to amend existing legislation, notably Cap 311L Air Pollution Control (Motor Vehicle Fuel) Regulation, to provide legal recognition for the use of internationally certified paraffinic diesel fuels on Hong Kong's roads without constraints, as many other jurisdictions have done so (e.g. the EN15940 standard is widely recognised and accepted in the EU and US). This framework should also consider introducing incentives or blend mandates to address cost barriers and ensure all biofuels meet credible international sustainability certifications, such as ISCC EU, to build market confidence. BEC has recently released the study Biodiesel and Renewable Diesel in Hong Kong: Assessing Demand-Side Readiness for Decarbonisation that provides insights on countries policies, demand and supply perspectives, and detailed recommendations.

2.6. 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.

2.7. To enable new business models and applications in electricity charging and battery swapping for construction equipment and non-road mobile machinery ("NRMMs"), the Government should provide comprehensive policy support and financial incentives. This should include introducing targeted subsidies for electric construction equipment and other NRMMs with viable electric options, noting the planned tightening of emission standards of NRMMs. To further support this transition, the Government must expedite the statutory approval process for land use changes and lease matters in order to adapt to the various new business models and applications, facilitate the upgrade of power grid infrastructure in high-demand areas, ensure the timely installation of temporary electricity supply for construction sites, and promote battery energy storage system integration. Public projects should lead by example, and market readiness should be enhanced through pilot programmes, procurement support, and collaboration with industry on technical tools, such as the BEC Power Up Coalition's guideline for estimating electricity needs at construction sites. These integrated measures will reduce diesel reliance, lower emissions, and accelerate the transition to zero-emission construction and transport.

Green and Healthy Buildings

2.8. The Buildings Energy Efficiency (Amendment) Bill 2025 was passed recently, expanding the scopes of mandated disclosure of the technical data in the energy audit report and the identified energy management opportunities ("EMOs"). The Government should further consider incentivising implementation of the EMOs, and establishing a centralised energy usage intensity database to drive performance benchmarking and energy reduction strategies. A combination of regulatory

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requirement and enforcement should be implemented to fast-track the decarbonisation of existing buildings which consume the most electricity in the city. The Government could consider a public, cross-sectoral building energy benchmarking system aligned with existing green building frameworks to require annual reporting for large and retrofitted buildings. It may also work with the power utilities, which hold comprehensive database, to share aggregate data in an anonymous way. Benchmarking matters because it provides the transparency and data infrastructure needed to de-risk investments, guide retrofit priorities, and signal long-term policy commitment to the market. Singapore's BEBR, which has tracked energy use intensity ("EUI") across commercial, healthcare, and institutional buildings since 2014, offers a proven model for Hong Kong to follow. To accelerate building decarbonisation and unlock building retrofitting market, the Government could consider private green finance and introduce public-private partnerships ("PPP") for retrofitting existing buildings, where the government provides enabling works.

2.9. To promote health and wellness, the Government should offer gross floor area ("GFA") concessions for buildings incorporating health-enabling features such as daylighting, evidence-based biophilic design, and improved indoor air quality ("IAQ") and thermal comfort features, aligning with international standards and local green building standards such as the BEAM Plus frameworks. Tiered incentives based on the level of environmental and health outcomes can further promote the advancement of performances. It is also important to ensure the green and healthy feature of the buildings are upheld in the long run beyond the initial application of GFA concession or else clawback clauses should be considered. Furthermore, the Government can set an example by using public buildings to showcase the benefits of health-enabling design and biophilic design principles, and to promote green leasing policy. The Government is also recommended to conduct regular reviews of the IAQ objectives, to ensure Hong Kong building designs would be able to safeguard the health and wellbeing of the community according to the latest global IAQ standards.

2.10. While operational carbon has traditionally been the primary focus for emissions reduction, the embodied carbon associated with material consumption in buildings and infrastructure developments also contributes significantly to Scope 3 and the overall carbon emissions. Given global momentum, the Government should take a more proactive role in building up the capacity of the industry by piloting low-carbon materials in public projects to reduce embodied carbon, demonstrate feasibility and performance, and develop technical guidelines, standards and tools or even establish targets with the industry to assess and manage embodied carbon across the building lifecycle. For instance, this could include establishing a Hong Kong specific carbon dataset for construction materials that aggregates carbon performance labels, existing environmental product declarations ("EPDs") and verified generic values of major building materials, and driving wider EPD adoption through support programmes for manufacturers. This will send market signals along the supply chain and speed up the manufacturing and adoption of low-carbon materials in the region. The Government can also conduct market sounding of the supply of low carbon materials for building and infrastructure projects, and put together a list of pre-qualified suppliers for the industry to use.

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Technology for Decarbonisation and Sustainable Living

2.11. To reflect Hong Kong's smart and sustainable city ambitions, the Government should drive the adoption of proven and emerging decarbonisation technologies, including energy-efficient digital infrastructure, such as cloud computing and artificial intelligence ("AI"), across public and private sectors. In particular, APEC member economies supported the recommendation to encourage businesses to migrate to cloud services, recognising that cloud service providers can achieve significant energy efficiency improvements through improved IT utilisation compared to traditional IT services. This includes requiring cloud platforms and AI systems to meet minimum sustainability standards, supported by targeted funding such as "Green Cloud and AI Grants". For instance, the Government should require all new and upgraded data centres to meet a Power Usage Effectiveness ("PUE") target of 1.5 or below - referencing China's national standard for green data centres - and integrate this requirement into the BEAM Plus certification framework for data centres. This would align with international best practices, such as Singapore's Green Mark for Data Centres, which mandates a PUE of 1.39 or below for Platinum certification. These measures will help address the rising energy demand from AI workloads and encourage the use of renewable energy and energy-efficient cooling technologies in local data infrastructure. Cases in other jurisdictions demonstrate how strong implementation frameworks, including sustainability-by-design principles and centralised procurement, can accelerate adoption while reducing emissions.

2.12. Public buildings should lead by example, hosting city-scale digital twins and demonstrating the climate resilience and operational efficiency enabled by sustainable AI infrastructure. Regulatory flexibility should be actively encouraged to enable piloting of innovative cloud and AI-driven solutions (e.g. AI-optimised traffic scheduling or smart building energy management systems). The Government can also take reference to international references and work with local solution providers to develop a city-scale "digital twin" of Hong Kong. Hosted on the cloud, the AI-powered model would enable sophisticated simulation of climate risks and urban planning scenarios, directly improving resilience and sustainability while fostering local technological expertise. Digital transformation not only drives emissions reduction but also strengthens Hong Kong's economic resilience by ensuring business continuity and global connectivity.

2.13. Building on regional collaboration on innovation, the Government should strengthen collaboration with the GBA in AI to accelerate development of smart energy solutions. This would accelerate the creation of region-wide smart energy grids, predictive climate risk models for shared natural resources, and AI-optimised cross-border logistics to reduce emissions. To better retain digital talent, the Government can focus on high-demand skills like cloud architecture and machine learning operations, creating a vibrant ecosystem that provides talent with compelling, large-scale projects, thereby anchoring them within the GBA and positioning the region as a global leader in green technology.

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3. Circular Economy

Producer Responsibility Schemes

3.1. It is encouraging to see the Government advancing a common legislative framework for the Producer Responsibility Scheme ("PRS"), with the business community showing a positive attitude toward the policy. Robust stakeholder engagement and sufficient transition period are crucial when developing subsidiary legislation for other items under the PRS framework to ensure smoother implementation post-legislation. Specifically, for the initial items under this framework, Plastic Beverage Containers and Beverage Cartons, the Government is expected to address key concerns from businesses. These include clarifying recycling mechanisms and data tracking, such as, which recycling approaches will be counted, the rules for rewards and penalties, a verifiable baseline for recovery target calculation, and how recyclables collected through non-Reverse Vending Machines ("RVMs") will be tracked. Additionally, businesses seek a clear and enforceable definition of and any exemption terms for "large retailers", an assessment of whether the current number of RVMs in Hong Kong is sufficient and the need to increase the public network of RVMs (e.g. in schools, housing estates, existing recycling centres, community centres) to minimise burden on retail spaces during a challenging time for the industry, and the establishment of a price stabilisation mechanism for r-PET to support recyclers. In addition, the Government should consider mandating a PRS logo on beverage packaging to help the public clearly identify regulated products, raise public awareness, and prevent market loopholes. Meanwhile, it is expected that the Government should help for businesses to better understand how the regulations will impact them.

3.2. In addition to plastic beverage containers, beverage cartons, electric vehicle batteries, vehicle tyres and lead-acid batteries mentioned in the Policy Address 2023, BEC suggests the Government should expand the scope of PRS to include other products, such as packaging and textiles, by referencing successful overseas cases. For instance, the Netherlands introduced a PRS for textile waste in 2023, while the United Kingdom plans to implement a PRS for packaging waste by 2026.

Waste Reduction and Recycling

3.3. As a crucial component of the Waste Blueprint to drive waste reduction and promote recyclables circulation, the deferred Municipal Solid Waste ("MSW") Charging Scheme should be reintroduced with a clear timeline, with enhancements that reflect feedback from relevant sectors, such as property management, to enhance implementation. A phased rollout could be considered, beginning with government-managed facilities and commercial and industrial waste from institutional and commercial premises, before extending to domestic waste, and that using alternatives to single use in all formats (including glass, metal, plastic, and others) should be incentivised for commercial premises. The successful implementation of regulations on disposable plastic tableware and other plastic products highlights the effectiveness of a phased approach, particularly when focused on the commercial and industrial sectors. If the introduction of the MSW Charging Scheme is expected to be delayed, the Government should consider exploring alternative measures to achieve the targets outlined in the Blueprint. To further incentivise waste reduction, it is suggested that the gate fee for MSW sent

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to landfills and the I·PARK in the future should be adopted and adjusted in future, taking reference to the current construction waste disposal scheme. In the longer run, the Government is also encouraged to consider the gate fee ideas for various waste streams in terms of their recycling, recovery, and disposal options, and implement with a tiered pricing structure, with higher fees imposed on materials that are less recyclable or biodegradable.

3.4. BEC is pleased with the positive outcomes of the Waste Reduction and Recycling Charter, which successfully engaged 900 private residential premises, encompassing 760,000 households within a year. To build on this success, the Government should expedite legislation requiring major housing estates and larger single-block buildings to allocate space to collect separated recyclables and ensure their proper transfer to recyclers, further institutionalising waste recycling efforts. On the other hand, it is important that the Government provide timely and sufficient support for housing estates to set up recycling process. From previous experience, it takes quite a long time to participate in the charter and receive the smart bins after application. The Government may need to consider extending the subsidy period for smart bins as well to cultivate habit for recycling in housing estates. In addition, it was encouraging to see the positive results of the Packaging Reduction Charter, which engaged over 110 signees within just four months, an important step toward reducing significant packaging waste. To further strengthen the impact of this initiative, it is recommended that the Government incorporate more capacity-building components for businesses, particularly SMEs, which make up 98.5% of the territory's business units.

3.5. To complement these recyclable collection efforts, the Government should prioritise the development of advanced sorting facilities for recyclables, such as material recovery facilities (“MRFs”), in new waste treatment infrastructure. Mechanical sorting, widely adopted in Europe and supported by new policies in some cities within the Greater Bay Area (“GBA”), such as Shenzhen and Guangzhou, is far more efficient than manual sorting and essential for maximising resource utilisation. More information can be also found from BEC’s research report Materials Recovery Facilities (“MRFs”): Exploring Recyclables Sorting Options in Hong Kong. In addition, given Hong Kong’s land constraints, restored landfill sites and longer-term leases at EcoPark and other government-owned sites should be leveraged to support high-grade recycling activities, which require significant capital investment. Furthermore, enhanced collaboration with the Mainland for waste recycling under the Cooperation Arrangement on Control of Waste Movements could improve efficiency and expand treatment options for Hong Kong through GBA partnerships.

3.6. It is noted that the Government is exploring a new waste to energy plant in Northern Metropolis. According to the latest figures, Hong Kong is disposing of around 11,000 tonnes of MSW into landfills every day. When I·Park 1 & I·Park 2 are completed, their total handling capacity should be around 9,000 tonnes per day. In order to achieve zero landfill as envisioned in Hong Kong’s waste blueprint, instead of building a new waste to energy plant which will likely cost tens of billion dollars, the Government should consider stepping up efforts to achieve waste reduction at source and also enhance recycling with the following combined measures: (i) re-instate the MSW charging scheme to reduce waste disposal at source, (ii) introduce material recovery

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facilities to maximise resources recovery, and (iii) provide subsidy to the local recycling industry to raise incentives for enhancing recycling of comparatively lower valued recyclables into usable resources.

Reduction at Source and Reuse

3.7. In line with the waste management hierarchy, reduction at source and reuse should take precedence over recycling and recovery. The Government should establish policies or regulations to promote eco-design, minimise waste at the design stage, and make repairs more accessible to foster a culture of reuse. For eco-design, Hong Kong can establish technical standards to regulate eco-design for specific products, such as PRS label designs and beverage packaging. In addition, Hong Kong could draw inspiration from the European Union's Ecodesign for Sustainable Products Regulation ("ESPR"), which sets design standards for improving product durability, reusability, and repairability, as well as the Right-to-Repair Directive, which clearly defines manufacturers' obligations, such as providing repair services, extending warranty coverage for repaired products, and offering transparent repair information. Building on prior research in this area, such as BEC's publication named Repair and Reuse: Exploring the Feasibility of Repair and Reuse Business Model in Hong Kong, the Government could further support these goals by establishing a centralised online repair platform to connect consumers with repair service providers. Moreover, to revitalise the repair market, the Government should implement incentives such as repair vouchers, subsidies, and community-led repair initiatives, thereby fostering a robust and sustainable repair ecosystem.

3.8. Beyond empowering consumers with the right to repair, the Government should also provide targeted incentives to businesses to align them with waste reduction and reuse objectives. While existing initiatives, such as the Recycling Fund, have supported recycling efforts in the business sector, there is a pressing need to expand funding programmes and incentives to focus on waste avoidance, reduction, and reuse at the source for key sectors (such as F&B service on R&D over sustainable tableware and smart reuse systems). For instance, Ireland's Circular Economy Innovation Grant Scheme ("CEIGS") and Victoria, Australia's Circular Economy Councils Fund, emphasise circular economy innovations that extend beyond traditional recycling practices.

Food Waste Management

3.9. Food waste, accounting for around 30% of Hong Kong's MSW, is a significant environmental challenge. Consequently, the Government is expected to adopt a more comprehensive approach to tackling food waste by prioritising prevention, reduction, and recycling. Developing a strategic framework similar to the National Food Waste Strategy in Australia, which outlines clear actions to systematically address these priorities, would provide a structured roadmap for implementation.

3.10. For waste prevention and reduction, the Government should build on existing policies, such as Food Wise and food donation initiatives, by introducing additional measures. These could include partnerships with the private sector to promote aspects like portion size adjustments, improved packaging designs, first in first out, recognising differences between best before date vs. used by date labels, alongside public education

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campaigns to encourage food waste reduction before recycling. For food waste collection and recycling, the Government is suggested to incentivise and mandate food waste collection, starting with the food and beverage sectors (Resource Sustainability Act in Singapore is one of the examples), along with progressively expanding collection points near residential areas and non-residential areas with high concentrations of food waste—such as streets with clusters of restaurants and supermarkets, through initiatives such as EPD's Smart Food Waste Bins. To further enhance recycling efforts, the Government should fast-track the construction of additional treatment facilities to handle the increasing volume of food waste collected. Additionally, subsidising decentralised facilities to process food waste locally, such as in households, restaurants and commercial properties, could reduce transportation costs and support the production of compost or fertiliser for local use. Policy support for the use and promotion of these products derived from food waste is also essential.

Circularity Disclosure

3.11. To promote the adoption of circular economy practices and enable businesses to assess their circularity performance quantitatively, HKEX should closely monitor international development and adopt applicable circularity disclosure requirements. For instance, 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. In addition, the sustainability report guidance issued by the three stock exchanges in Mainland China in 2024 requires issuers to disclose their circularity performance. While such requirements may not be extended to non-listed companies and thus many SMEs, they may be requested to provide relevant data and activities in the future, the Government should support these operations in understanding the requirements and building the capacity. It should be noted that data collection is a challenge for some sectors including SMEs, e.g. weight measurement of waste at retail stores. If Hong Kong is to advocate circularity disclosures, this should be a staged approach where the initial stages should really focus on improving waste data collection.

3.12. Achieving circularity and fostering effective collaboration with other regions requires a comprehensive understanding of Hong Kong's current state and potential for circular practices. This can be achieved through the routine collection, interpretation, and dissemination of relevant data, which should be made accessible to businesses, policymakers, and the wider community. To support this, the Government should establish key performance indicators ("KPIs") for the circular economy in Hong Kong to systematically measure and monitor progress in addition to those related to waste disposal. These KPIs could include metrics such as the percentage of secondary (recycled) materials used in production and the waste-to-energy conversion rate after the I·PARK is put into operation. Taking reference to international practice like Circular Transition Indicators, the Government should support development of business related metrics for key sectors (such as those in manufacturing industry) to offer a measurable and compatible framework that supports companies to measure and report their efforts

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in circularity, and thereby providing a clear pathway for organisations to integrate circular economy principles in their reporting practices and business operations.

Ecolabels and Claims

3.13. The current Hong Kong Green Label Scheme is geared toward building materials and industrial products. To enhance consumer awareness in a broader perspective, it is recommended that the Government explore the development or endorsement of green product labelling schemes that cover a wider range of consumer goods. This would empower local consumers to make more informed and environmentally responsible purchasing decisions. To prevent greenwashing, the Government should also develop educational platforms on ecolabels and support alignment of local practices with international standards. Many BEC members face confusion over inconsistent ecolabels in Hong Kong. Germany's siegelklarheit.de ("label clarity") serves as a model, helping consumers understand sustainability labels through government-led assessments. Building on experiences like the Green Tableware initiative, Hong Kong could implement similar platforms. Additionally, the Government should restrict misleading terms like "degradable" and "compostable," as improper handling undermines recycling. For example, Canada is drafting policies to ban the term "degradable", while California mandates strict criteria for "compostable" labelling by 2026. Adopting such measures would improve transparency and accountability. To further support transparency, the Government should also promote the standardisation and comparability of environmental data. Establishing consistent data frameworks would help ensure that environmental claims are reliable, verifiable, and actionable across industries.

4. Biodiversity and Nature

Below is a condensed list of key policy recommendations for the Government's consideration applicable to driving business action on biodiversity and nature conservation. Please refer to the recent full draft of BEC's Response to Updates to Hong Kong Biodiversity Strategy and Action Plan (BSAP) – Public Consultation Document for more details.

High-level Policy Signalling

4.1. The Hong Kong Government should ensure its city-level policy remains aligned and follows national and global developments regarding nature-related commitments, namely China's National Biodiversity Conservation Strategy and Action Plan (2023-2030) and the Kunming-Montreal Global Biodiversity Framework ("KMGBF"). It is positive to see biodiversity acknowledged in the Government's recently released Hong Kong's Climate Action Plan 2050: Progress Pamphlet. BEC advocates for nature and biodiversity to be explicitly included in the upcoming review of Hong Kong's CAP2050 to mainstream nature considerations into the city's environmental regulatory landscape.

4.2. Given that addressing nature and biodiversity conservation requires an interdisciplinary approach spanning multiple areas (policy, conservation, education, development and planning, finance, infrastructure, etc), the Government should consider an interdepartmental working group within the Government specifically dedicated to biodiversity to enhance coordination and ensure a unified strategy. Reference can be taken to the existing interdepartmental Climate Change Working

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Group on Infrastructure ("CCWGI"), formed in 2016 to coordinate efforts among works departments in addressing climate change impacts on Government infrastructure.

Corporate Assessment and Disclosure on Biodiversity and Nature

4.3. To date, twelve Hong Kong companies have committed to pilot the Taskforce on Nature-related Financial Disclosures ("TNFD") framework to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. Local capacity-building initiatives are also growing – BEC and the Hong Kong Green Finance Association have jointly launched the TNFD Hong Kong Consultation Group as co-conveners, while the Institute of Finance and Sustainability has launched the Consultation Group in the Mainland, highlighting increasing interest and action on corporate reporting on nature. The International Sustainability Standards Board ("ISSB") is midway through its research project on Biodiversity, Ecosystems and Ecosystem Services ("BEES") as part of its 2024-2026 work plan, by giving due consideration to the work done by TNFD.

Should ISSB decide to pursue standard-setting for disclosure requirements the Government needs to take corresponding actions to integrate the agenda into the Roadmap on Sustainability Disclosure in Hong Kong co-led by the Financial Services and the Treasury Bureau ("FSTB") and the Securities and Futures Commission ("SFC") with the support of the Cross-Agency Steering Group Members. The Hong Kong Institute of Certified Public Accountants ("HKICPA") will need to review the Hong Kong Sustainability Disclosure Standards on ISSB alignment, and the Hong Kong Stock Exchange ("HKEX") will need to be prepared to review Appendix C2 of the Listing Rules with considerations to strengthen requirements on nature-related disclosures as part of its ESG Reporting and conduct market consultation similar to its New Climate Requirements. Companies should be encouraged to adopt disclosure with particular consideration to materiality, as such frameworks continue to mature in the coming years. A phased approach with a reasonable timeline should also be considered in a similar manner to the adoption of the Taskforce for Climate-related Financial Disclosures ("TCFD"). At this stage, the Government should focus on ensuring there is adequate support in the form of practical tools and guidance for companies to better quantify nature impacts and dependencies that are relevant for local businesses and suitable for the Hong Kong context.

Financing Biodiversity and Nature Conservation

4.4. Hong Kong is well-positioned to become a green and sustainable finance leader in the region. The Government should implement several financial measures to further drive investment in nature. The Hong Kong Government should align with national ambition and consider a diverse set of financial instruments to do so, including blended finance, grants, subsidies and incentives, to unlock new resources for nature conservation. Cross-border green finance collaboration should also be promoted with the Mainland and its Greater Bay Area.

4.5. Nature-related criteria should be considered for inclusion in the Hong Kong Monetary Authority's Sustainable Finance Taxonomy for Hong Kong, which currently focuses on only climate change mitigation. Reference to other existing taxonomies with specific biodiversity objectives, such as the EU Taxonomy, which incorporates six

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environment-related objectives (such as biodiversity and ecosystem protection and restoration) and includes technical screening criteria for projects with direct influence on habitat restoration or conservation, nature-based solutions and sustainable agriculture, should be taken.

4.6. The Government should expand green bond and sustainability-linked loan frameworks to include biodiversity-specific metrics and impact indicators. Measures to support nature-based solutions should also be incentivised. A starting point could be the Government Sustainable Bond Programme ("GSBP"), which aims to promote the development of green and sustainable finance in the sustainable bond market. The use of proceeds in future bond issuances should also consider extending to nature and biodiversity protection.

Integrating Biodiversity Considerations into Development

4.7. Biodiversity and other nature-related concepts such as Nature-based Solutions ("NbS") should be integrated into existing legislation, ordinance and framework related to development with intermediary urgency (in the next 3-5 years) to ensure biodiversity considerations are holistically accounted for in the initial stages of project planning and design. Relevant legislation and Government guidelines including but not limited to the Environmental Impact Assessment Ordinance, Hong Kong Planning Standards and Guidelines, Sustainable Building Design Guidelines (APP 152) and the Town Planning Ordinance should be reviewed with the aim of focusing resources on projects with potential impact or opportunities with significant relevance to biodiversity and nature. This is particularly important in the context of the ongoing major development of Northern Metropolis.

4.8. Biodiversity assessment should be included in smaller development projects (typically smaller in scale, projects located at less sensitive ecological zones or those that have already existing environmental assessments conducted) not classified in the Environmental Impact Assessment Ordinance ("EIAO") designated Project Schedule to ensure that baseline biodiversity is accounted for pre-development. Existing similar metrics such as the UK Government's Small Sites Metric (Statutory Biodiversity Metric) calculation tool could be referenced for a locally tailored assessment, which would need to be supported by practical guidance and tools for developers to use. More broadly, biodiversity enhancement measures should be acknowledged in guidance under official development and mitigation policy and legislation. The Government should refer to international examples, such as the UK Government's 10% Biodiversity Net Gain ("BNG") policy, which was implemented in 2024 to drive net positive impacts to the local natural habitat compared to that of before development through consultations with relevant industries.

Data, Research and Funding

4.9. Hong Kong still lacks a standardised framework to measure and quantify ecosystem services (both terrestrial and marine). The UN's System of Environmental-Economic Accounting Ecosystem Accounting ("SEEA EA"), Mainland China's Gross Ecosystem Products ("GEP") and similar economic modelling can be used as references. Data surrounding this should be made publicly available and accessible to stakeholders,

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and for businesses in their assessment and reporting on nature-related dependencies, impacts, risks and opportunities under TNFD.

Increasing Protection for Hong Kong's Marine Habitats

4.10. Hong Kong's marine habitats need greater protection in policy to support local marine biodiversity. It is promising to witness more of Hong Kong's waters being given protection alongside improvements in marine habitat connectivity. However, to further align with the KMGBF's 30x30 objective to call for 30% of world's waters to be effectively conserved and managed through MPAs or Other Effective Area-Based Conservation Measures ("OECMs") by 2030, protection must be given to more of Hong Kong's waters to support meeting the target and create a network of connected MPAs that offer protection to all marine habitat types.

4.11. MPAs can form a crucial part of Hong Kong's blue economy strategy, and contribute to its long-term environmental and financial sustainability. From a climate perspective, MPAs can support the carbon sink potential of Hong Kong's ecosystems. The proportion of no-take zones within MPAs should also be increased to at least 20%. Increasing the protection level of some MPAs, such as four of the most recently designated MPAs in Hong Kong's western waters, which still permit commercial fishing, could support progress toward this goal.

Nature-based Solutions

4.12. Nature-based solutions ("NbS") have proven to be highly effective for improving biodiversity and climate resilience as a natural solution for climate-vulnerable communities and infrastructure. Hong Kong communities and businesses depend on natural ecosystem services, including clean air, water and soil, as well as climate regulation. Hong Kong has an opportunity to lead in urban NbS if it is integrated into early-stage planning and development (particularly in upcoming planned developments such as the Northern Metropolis), NbS principles are mainstreamed and brought into standard practices and frameworks, and enabling policy is implemented to support financing and investment into projects. The Government should take greater efforts to adopt NbS to facilitate a more holistic planning process, particularly in new developments and including those in coastal areas.

4.13. To promote greater NbS adoption across the GBA region, driving financing and nature investment should be a key priority area. Meanwhile, innovative financing mechanisms, including green bonds and carbon credits, should be utilised to support high-impact NbS projects and encourage nature financing. Public-private partnerships and impact-focused financing, backed by credible accountability systems, could encourage further investment.

Sustainable Consumption and Procurement

4.14. The Government should encourage its own departments and businesses to prioritise sustainable sourcing of natural resources through the value chain to reduce harmful impacts to nature and biodiversity where possible. A stricter approach should be taken to scrutinise companies which utilise Hong Kong's natural resources to ensure they consume such resources with consideration to prioritise conservation and mitigation of negative environmental impacts. From a development perspective, the Government

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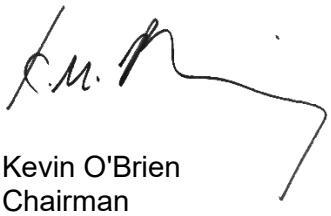
should consider enhancing green public procurement responsibilities in both public and private works, such as infrastructure projects, housing and urban renewal projects. Priorities should be given to responsibly sourced, circular and low-carbon materials. Hong Kong can take reference to international best practices, such as South Korea's mandatory green procurement framework which requires public institutions to prioritise certified eco-friendly products over 100 categories, which includes office equipment, lighting, and construction materials. Existing mandates for property maintenance contractors and developers that may harm local biodiversity (such as inorganic chemical pesticide applications, planting of non-native species, and construction site management and landscape maintenance practices with negative environmental impacts) should also be reviewed and amended to reduce negative impacts as much as possible.

Enquiries

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

Yours sincerely,



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