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Submission on the Chief Executive's 2020 Policy Address
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.

1. COVID-19 and policy agenda on the environment

- 1.1. At the time of writing, Hong Kong has yet to recover from the political and social unrest in 2019. Economic hardship and the dire economic outlook were exacerbated by COVID-19 and other factors such as deteriorating China-US relations. While the Government is pulling all resources together and concentrating on dealing with a public health and economic crisis of unprecedented magnitude, it is important not to lose sight of its focus on the environment. Major issues with far-reaching impacts such as climate change still demands attention and requires substantial investment *now*.
- 1.2. One option is for the Government to tackle both post-COVID-19 recovery and climate change together, by providing green stimuli to create a sustainable, resilient, inclusive and climate-ready city.¹ The Green Employment Scheme and the Graduates Subsidy Programme are good examples of including environmental elements in the Government's recovery plan. It is imperative that the Government should also put in place other stimuli for both large corporations and small- and medium-sized

¹ For example, in July 2020, the European Union agreed to create a €750 billion 'Next Generation EU' fund to help member states recover from COVID-19 with green strings attached, with 25% of the funding set aside for climate action (https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_en) Mayors of the C40 Cities also launched the *Agenda for a Green and Just Recovery* and the Global Mayors COVID-19 Recovery Task Force to rebuild their cities and economies in a way that improves public health, reduces inequality and addresses the climate crisis. (<https://www.c40.org/other/covid-task-force>)

enterprises that drive and support business investment in climate resilience and business climate actions.

2. Climate change and decarbonisation

- 2.1. BEC reiterates the importance for the Government to consider climate change as one of the most imminent agendas of the administration, as swift and concrete actions are required to decarbonise in line with the Paris Agreement, which Hong Kong has acceded to. As the most important actor in shaping climate change policy, the Government should adopt a more proactive stance to address climate change. The first step to show the Government's commitment and climate leadership is to set absolute intermediate science based carbon reduction targets that would eventually lead to carbon neutrality around 2050 and beyond. Taking the views gathered during the Long-Term Decarbonisation Strategy public engagement exercise into consideration, the Government must develop an overarching policy framework supported by a roadmap with critical timeline to facilitate cross-departmental collaboration and public-private community partnership for decarbonisation and community outreach. In all these efforts, continuous engagement with the community maybe needed to address concerns and gain support. In this respect, BEC welcomes the opportunity to participate in outreach programs together with the Environment Bureau.
- 2.2. BEC emphasises the need for the Government to develop closer partnerships with the business sector and other stakeholder groups. Accounting for more than 60% of the electricity consumption in the city, the business sector has elevated their commitment in scaling up emission reduction efforts by joining decarbonisation initiatives, such as the BEC Low Carbon Charter. With 35 more companies signing the Charter in 2020, a total of 69 companies across various sectors have committed to set and achieve decarbonisation targets as of mid-July 2020. It is recommended for the Government to set up a cross-sectoral coalition that allows business leaders and the administration to co-develop decarbonisation strategies, coordinate and scale up business actions with policy support, as well as disseminate relevant information to the wider community to inspire joint actions.
- 2.3. Further decarbonising the fuel mix is vital in reducing carbon emissions in the city, as electricity generation accounts for around two-thirds of greenhouse gas emissions in Hong Kong. In order to further increase the ratio of clean energy in our fuel mix for achieving Hong Kong's 2030 carbon reduction target, BEC recommends that Hong Kong should speed up its pace of switching from coal to gas in power generation not only to meet the 2030 targets earlier but to get ready for the challenging 2050 target ahead. BEC also encourages the Government to continue to upgrade existing facilities with higher efficiency equipment e.g. combined cycle gas turbine (CCGT) units in the short and medium term, as well as maximise local renewable energy supply and scale-up waste-to-energy projects when practical after the phase I of the integrated waste management facilities to be fully commissioned in 2024.
- 2.4. In the long term, given the constraints brought about by Hong Kong's highly urbanised environment, scarce land and limited local renewable energy resources, taking a pragmatic approach in collaborating with other regions including the Greater Bay Area for the sourcing of low- and zero-carbon energy should remain an option. Given the long lead time required and with cities also competing for clean energy supply, we urge

the Government to put in place early a framework to study all options while taking energy reliability and affordability into account, as well as to begin dialogue regarding collaboration. BEC also encourages the Government to think long-term and ask the gas and power companies to study zero-carbon energy options that may have potential but are some way from being market ready, such as zero-carbon hydrogen.

- 2.5. Apart from reducing emissions from power generation through decarbonising the fuel mix, it is equally important to decarbonise the buildings sector through early electrification of construction sites and to promote demand-side energy management. Construction diesel generators are one of the major sources of air and noise pollution in densely populated neighbourhoods as well as carbon emission at construction sites, and electrifying construction sites at the beginning of the project could enable constructors to reduce the use of diesel generators. With new, advanced battery energy storage systems proven to be successful in Hong Kong, it is recommended that the early electrification of construction sites should be included as a requirement for all Government construction projects in urban areas and promoted as a best practice in the industry. Eventually, early electrification of construction sites should be made mandatory in Hong Kong.
- 2.6. The Government should also put more attention on the existing building stock by providing incentives through rates or rents and encouraging investment in energy efficiency and generating savings through landlord-tenant collaboration and shared benefits. In March 2020, BEC published a new research report, *Improving Data Transparency in Buildings Energy Performance*². The report found that the lack of data such as gross floor area, occupancy rate, building type (multi-tenant or single-owner) and function to track the energy performance of individual buildings or groups of buildings with similar characteristics prevents meaningful benchmarking in energy performance, which can incentivise building owners and users to maintain and improve their buildings. We therefore recommend the Government, in collaboration with a trusted third party, to set up a data collection, analysis, benchmarking and aggregated reporting system on the energy performance of buildings. This will not only enable building owners and managers to improve their energy efficiency with benchmarking results as a proof of performance, but will also provide crucial information for the Government to formulate future climate and building energy efficiency-related policies.
- 2.7. BEC calls for the Government to establish a cross-departmental resilience team that is led by principal officials to oversee the formulation, implementation, and regular review of climate resilience and adaptation plans. The urgency to address climate change and the wide-scale disruption due to COVID-19 serve as a reminder of the need to make our city resilient. During the process, the views of the business community should be incorporated through collaboration mechanisms. The Government should also map out and share information on the possible changes in regional and local climate in this century based on the latest scientific findings, and reveal the physical risks in different parts of the city. As most companies, especially the SMEs, lack the human and financial resources to conduct comprehensive climate risk assessments,

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https://bec.org.hk/files/images/Resource_Centre/Publications/Improving%20Data%20Transparency%20in%20Buildings%20Energy%20Performance.pdf

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sharing of this information would be essential for the private sector to acknowledge and manage climate risks and improve climate resilience. This could be done by the establishment of a cross-departmental climate resilience office within the government structure.³

- 2.8. In face of the business disruptions brought by the COVID-19, BEC also suggests the Government to provide stronger incentives to facilitate green recovery in the business community. Tax concessions, green funds, and interests-free loans can be provided to businesses from different sectors, especially carbon-intensive industries, to invest in decarbonisation or climate mitigation and resilience technologies or facilities. Incentives should be designed to encourage accelerated climate action (for corporations that are more advanced in decarbonisation) and to welcome newcomers in the decarbonisation journey (such as SMEs).

3. Circular economy and resource management

- 3.1. As highlighted in BEC's past submissions, BEC re-emphasises the need for the Government to adopt a circular approach to resource management. COVID-19 has intensified the need for a conducive environment, supportive policies, appropriate facilities and innovative technologies to tackle the rising levels of medical and single-use disposable waste. Given the *Hong Kong Blueprint for Sustainable Use of Resources* will expire in 2022 and we will fall short of the 10-year reduction targets set in 2013, we urgently need to develop a new blueprint based around the circular economy concept with clear targets and timeline for the city, as well as a plan for individual sectors, with specific strategies highlighted to enhance circularity and facilitate a better use of resources.
- 3.2. First and foremost, the Government must make it clear to all bureaux, departments and agencies that circularity is a core principle of the Administration and they should all embrace and support it. Government policy is also critical to supporting the development of a circular economy in Hong Kong. For example, the allocation of land across Hong Kong (rather than on the fringe of the city) for waste sorting, separation and processing; the provision of the necessary sorting and separation infrastructure; and policies that reduce the quantity of recyclables going to landfills. Education to raise public and business awareness on circularity should also be part of the plan. Within the roadmaps developed, the Government need to identify the indicators essential to measuring and tracking the city's development towards circularity. Information obtained from the indicators would allow for benchmarking and enable the administration and the private sector to make more informed policy and business decisions respectively.

³ BEC has made this recommendation in our past policy address submissions and our written submission to Hong Kong's long-term decarbonisation strategy public engagement exercise. See BEC's *Submission on the Chief Executive's 2019 Policy Address* (https://bec.org.hk/files/images/BEC_Policy_Submission/BEC_Submission_2019_Policy_Address.pdf) and BEC *Submission on Long-term Decarbonisation Strategy* (https://bec.org.hk/files/images/BEC_Policy_Submission/BEC_Submission_on_Long-term_Decarbonisation_Strategy_20190918.pdf)

- 3.3. BEC remains supportive of government measures and business actions to promote eco-friendly product design and improve waste separation, collection and recycling. We recommend the Government to further promote the importance of waste separation and purity of recyclables for effective recycling. Adopting a circular approach, BEC also reiterates the importance for the Government to take a holistic view in policy formulation and infrastructure planning. Co-ordination and collaboration between different stakeholders in the resource/waste cycle is critical to achieving circularity. Stakeholders indirectly working in waste management sectors could also be identified and involved. For example, architects play a key role in building design, where the arrangement of hallways, waste storage rooms etc. by the architect may influence the method and efficiency in sorting, collecting and handling different types of waste. Similarly, city or district planners may also impact the process and ease of waste collection on the street and city level. It is imperative for the Government to take the lead in facilitating dialogue with stakeholders in the Greater Bay Area, where low-hanging opportunities are available for regional co-operation in achieving circularity.
- 3.4. BEC cannot emphasise enough the importance of having the municipal solid waste (MSW) charging scheme passed and the producer responsibility schemes (PRS) extended to cover more waste streams, as both are considered the cornerstone of a comprehensive resource management strategy. It is therefore disappointing that the MSW charging bill scrutiny was discontinued by the Legislative Council (LegCo). BEC strongly requests the Government to make it a priority in the new LegCo term to expedite the passing of the MSW charging bill and the early implementation of the PRS on plastic beverage containers.

4. Sustainable living environment

- 4.1. Improving air quality has always been one of the most important environmental topics in Hong Kong. BEC commends the Government for preparing an amendment bill to the Legislative Council for the implementation of the new Air Quality Objectives (AQOs) and for planning the publication of the Clean Air Plan for Hong Kong 2.0. We support the early implementation of the new AQOs in Hong Kong for the protection of public health. We also look forward to the update of Hong Kong's air quality management blueprint.
- 4.2. Navigation is the primary source of four of the six major local air pollutants⁴ in Hong Kong. BEC fully supports the Pilot Scheme for Electric Ferries, which will largely reduce emissions from the local ferries. To reduce the associated air and carbon emissions related to ocean-going vessels and river vessels, which contribute a significant portion of the air pollution emitted from ships, BEC recommends the Government to encourage and promote the use of liquefied natural gas (LNG) as a fuel for the marine and road transport sector, riding on the scheduled operation of the Floating Storage

⁴ In 2017, navigation is responsible for 52% of sulphur dioxide (SO₂), 37% of nitrogen oxides (NO_x), 34% of respirable suspended particles (RSP), 41% of fine respirable particles (FSP), 17% of volatile organic compounds (VOC), and 24% of carbon monoxide (CO) emissions in Hong Kong. Data from https://www.epd.gov.hk/epd/english/environmentinhk/air/data/emission_inve.html

Regasification Unit (FSRU) in Hong Kong around the end of 2021. While we acknowledge that LNG is not a carbon free fuel, it still has major role to play as an interim option until other zero carbon solutions become market ready. We also foresee LNG bunkering facilities will be a worthwhile investment in terms of enhanced economic competitiveness and improved environmental performance for the maritime sector in Hong Kong. BEC will soon begin a research and engagement project on LNG bunkering in Hong Kong, making reference to other major international bunkering ports like Rotterdam and Singapore.

- 4.3. In addition, reducing roadside emissions remain a challenge for the both the Government and businesses. BEC fully supports the implementation of several key measures to improve roadside air quality, such as the Ex-gratia Payment Scheme for Phasing Out Euro IV Diesel Commercial Vehicles, the Pilot Scheme for Electric Public Light Buses, the \$2 billion Pilot Subsidy Scheme to Promote the Installation of Electric Vehicle Charging-enabling Infrastructure in Car Parks of Existing Private Residential Buildings, the Review of the Pilot Green Transport Fund (now renamed to New Energy Transport Fund), and the setting up of the Green Tech Fund.
- 4.4. In particular, BEC restates the importance to facilitate the transition to electric vehicles (EV) with holistic and comprehensive planning and well-defined targets to convey a clear message to the businesses and the wider community. For example, setting a target date to phase out all fossil fuel vehicles is as important as strengthening EV charging infrastructure. Providing financial support to public transport operators as an incentive to accelerate the transition is also an option. BEC recently set up a task force on EV under the BEC Sustainable Living Environment Advisory Group, looking to contribute ideas from BEC members to the formulation of Hong Kong's first roadmap on the popularisation of EVs.
- 4.5. Other than battery EVs, BEC also encourages the Government to consider and promote other new energy vehicles such as hybrids and fuel-cell vehicles. With careful planning and policy support, hybrid vehicles, which are a cleaner option compared to fossil fuel vehicles, could play an interim role before the full transition to electric private and public transport, as mainstreaming EVs in the market may take some time, but the pressure to decarbonise the road transport sector is mounting.

We welcome the opportunity for ongoing dialogue with government bureaux to help move these recommendations forward. For queries related to this submission, please contact our Chief Executive Officer, Mr Adam Koo at adamkoo@bec.org.hk.

Yours sincerely,



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