BUSINESS ENVIRONMENT COUNCIL 商界環保協會

Building a Greener and Smarter Hong Kong

Executive Summary

PROJECT BACKGROUND

The HKSAR Government announced that Hong Kong will strive to achieve carbon neutrality before 2050, and subsequently published the Hong Kong's Climate Action Plan 2050 (CAP2050) and several other policy blueprints regarding Hong Kong's interconnected environmental issues in 2021.

Business Environment Council (BEC) conducted this study to capture the latest sustainability landscape in Hong Kong. Valuable feedback is obtained from a total of 205 respondents in a range of industries, and three focus group discussions of business leaders with sustainability responsibilities. These were undertaken between August and September 2022. The main insights are summarised as follows.

CURRENT STATE OF SUSTAINABILITY LANDSCAPE AND COMPANY PERCEPTIONS

According to the survey, organisations are starting to integrate sustainability into their businesses, with 84% of respondents state that sustainability is a core part of their organisation's strategy. However, more resources and planning are needed as only around half (49%) of the respondents reflected that their organisations currently have dedicated sustainability team and governance approach, and a same portion of them have comprehensive sustainability strategies and policies in place.

Businesses are confident in aligning with climate-related initiatives and targets, with 69% of respondents stating that their organisations' efforts are strongly or generally aligned with CAP2050, as well as the goal towards net zero. This is supported by the fact that 60% of respondents report their organisations have public commitments on decarbonisation. The positive outlook is mainly driven by the changing behaviour or needs of customers and stakeholders in light of climate change, as experienced by 69% of respondents; as well as the increased pressure to reduce emissions in their business offerings, faced by 51% of respondents.

OBSTACLES TO SUSTAINABLE STRATEGY IMPLEMENTATION AND TARGET SETTING

However, the survey shows that understandings of specific instruments remain inadequate. For example, only 28% of respondents know what the Sciences Based Targets Initiative (SBTi) is about, and 21% of them have a clear understanding of the Task Force on Climate-Related Financial Disclosures (TCFD).

Underlying issues exist with a portion of respondents. They encounter structural and technical challenges when formulating their sustainability strategies, identifying the top three challenges as changing longstanding business practices or organisational mindsets (62%), striking a balance between realistic and aspirational targets (55%), and accessing accurate data and information (41%). The dilemma in target setting is echoed by the fact that 14% of respondents are not confident that their organisation will achieve the committed decarbonisation targets. If companies over-commit and fail to meet their targets, this may reduce accountability, erode public trust and upset projected reductions which rely on them.

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HIGHLIGHTS OF FOCUS GROUP

Lack of government support and intervention is commonly echoed from the three focus group discussions held, with respective theme on low-carbon and net-zero buildings, waste management and circular economy, and green and smart transport. While the CAP2050 provides high-level strategic directions, the business sectors call for further guidance in their net-zero transition journey and appreciate more support and responsibility from the Government.

In the low-carbon and net-zero buildings focus group discussions, we observed that Hong Kong's net-zero building development remains at a rudimentary stage due to several constraints, from Hong Kong's sub-tropical climate to building design and materials availability. The high-density and high-rise environment combined with the lack of open spaces are challenges to developing net-zero buildings in Hong Kong. Currently onsite renewable generation is unable to meet the respective building energy demand, and building professionals are calling for progressive grid decarbonisation to help address the challenges.

Participants in the waste management and circular economy focus group pointed out that Hong Kong's recycling industry development remains immature in terms of weak regulations and financial incentives, which largely hinders local recycling capability. In many cases, direct disposal of waste streams remains less costly than recycling the materials.

The transport industry has utilised software and applications to plan routes and distribute goods to reduce vehicle mileage and improve efficiency. The sector is keen on exploring new technologies like alternative fuels or autonomous driving to further improve operational efficiency and safety, while these would also need further government coordination or deregulation.

UNLOCKING SUSTAINABILITY POTENTIAL IN ENERGY MANAGEMENT AND DIGITAL STRATEGIES

Companies need to gather resources and momentum to formulate forward-looking energy management and efficiency strategies in order to mitigate emissions to the greatest possible extent and avoid missing their commitments or targets. Regarding energy sources, companies should tap into the growing supply and accessibility of renewables as a means to hedge against the inherent risks of fossil fuels as an energy source. Respondents named the top three risks that they encounter in the energy and resources supply market as carbon or energy regulations (69%), a volatile market (53%), and reliability of supply (36%). Currently, only 42% of respondents consider that their organisations are doing well in transitioning towards renewable energy sources. These findings suggest that there is both a need and potential to accelerate the transition.

Regarding energy efficiency, organisations can go further by harmonising digitalisation strategies with energy management. Respondents acknowledge that digital analytics is value-adding in the areas of monitoring the organisation's sustainability performance and optimisation of operation efficiency, productivity, or reliability. Only 52% of respondents pursued digital solutions to lower carbon footprint in the past 12 months and 21% consider that they are fully utilising technologies to operate more sustainably. This gap needs to be addressed by a firm buy-in and financial commitment by an organisation's decision-makers. 16% of the respondents show an increase in investment in digitalisation in the past 12 months. Industries and the government need to work together to create financing schemes that create synergy and ensure sustained benefits.