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**Submission on the Public Consultation for the 2022-2023 Budget
Views from Business Environment Council Limited
商界環保協會有限公司**

Over the last 30 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. Supporting post-pandemic green recovery

- 1.1. In face of the ever-evolving COVID-19 outbreak in Hong Kong and around the world, it is acknowledged that the control of the pandemic and economic and social recovery are top priorities on the Government’s policy agenda. BEC reiterates the importance and necessity of delivering a post-pandemic green and resilient recovery, which is vital for tackling the urgent challenges of climate change and many other environmental issues such as the waste crisis and biodiversity loss.
- 1.2. The Government should consider sustainability as an opportunity to re-fuel the economy after the COVID-19 wake-up call and steer its capital works projects towards net-zero, as well as its economic revitalisation measures along the direction of green and low-carbon transition and sustainable development. As such, the Government must allocate resources to support the implementation of existing environmental plans, investment in innovation and infrastructure, and development of green industries.

2. Addressing climate change and achieving net-zero carbon

2.1. In October 2021, the Government announced Hong Kong's Climate Action Plan 2050 ("CAP2050"), setting out the vision of "Zero-carbon Emissions, Liveable City, Sustainable Development". BEC welcomes the overall strategies, plans, targets and actions outlined in CAP2050 to achieve carbon neutrality before 2050. Financial resources, as illustrated below, are needed to support the implementation of major decarbonisation strategies and accelerate Hong Kong's transition towards net-zero carbon.

Supporting the steering and coordination of decarbonisation strategies

2.2. BEC welcomes the proposal to set up the Office of Climate Change and Carbon Neutrality and an inter-departmental Carbon Neutrality Task Force. We ask for sufficient human and financial resources to be given to the Office and Task Force in order to lead climate resilience and adaptation work, to strengthen the implementation and coordination of decarbonisation strategies, as well as to foster partnerships between the Government, the business sector and other stakeholders in society.

Assisting businesses in taking climate action

2.3. Moreover, BEC stresses the need to set aside financial resources, for example dedicated funding, interest-free loans, rent and rate relief and tax concessions, to incentivise and stimulate businesses, especially those lacking capacity and resources to consider the following actions:

- Measure carbon emissions, set carbon reduction targets aligned with the goals of the Paris Agreement, formulate and implement carbon management plan;
- Invest in hardware and/or build capacity that facilitate the transition and transformation towards net-zero carbon and climate resilience; and
- Adopt practices such as zero-waste, zero-carbon and energy efficient building design, green procurement, energy and carbon audit and management, and climate risk assessment and management.

Promoting green buildings and construction

2.4. Buildings contribute significantly to carbon emission throughout the building lifecycle. Attention should be placed not only at the operational stage of existing buildings, but also at the construction phase. BEC encourages the Government to support the construction sector in operational and embodied carbon reduction, by providing private developers and contractors with funding or incentive scheme in adopting early electrification, the use of other electric plant and equipment, the use of low-carbon construction materials (such as concrete and steel with recycled content), the use of renewable energy at construction sites, conducting embodied carbon accounting, and innovative construction methods such as

Battery Energy Storage System (“BESS”) and Modular Integrated Construction (“MiC”).

3. Advancing towards zero-vehicular emissions

- 3.1. In response to global climate change and to facilitate the development of a green and liveable city, achieving zero-carbon emissions from vehicles is one of the key strategies to drive for carbon neutrality and further improve roadside air quality in Hong Kong. BEC welcomes a series of policies and measures announced in the Roadmap on the Popularisation of Electric Vehicles (“EVs”), promoting EV adoption with financial resources allocated for the installation of charging infrastructures and various trial schemes.

Expanding charging infrastructures

- 3.2. The provision of charging facilities and infrastructures is the key to achieve mass adoption of EVs. BEC urges the Government to allocate additional resources for encouraging the installation of EV charging infrastructures in both new and existing private residential buildings, with the plan to increase the current target of 60,000 private parking spaces and extend the coverage to commercial buildings. To serve the needs of different types of EVs, especially for the electric commercial vehicles, financial resources should also be put to develop and enhance public charging network and the underlying infrastructure by setting up more EV chargers in public car parking spaces.

Promoting the adoption of electric and zero-carbon commercial vehicles

- 3.3. To speed up the electrification of commercial vehicles, including taxis, public light buses (“PLBs”) and goods vehicles, the Government should set aside sufficient funding to subsidise and incentivise trials on different e-commercial vehicles to test their technical and commercial viability for operating in the local environment. BEC also urges the Government to capture the opportunity of subsidising or providing tax incentives for the gradual replacement of old commercial vehicles with low- or zero-carbon vehicles, which will retire within the next few years.

Supporting new energy option without overlooking low-carbon fuel as interim solutions

- 3.4. Besides, BEC suggests the Government to support the use of other zero-carbon fuel and new energy for vehicles, like the use of green hydrogen fuel and fuel cell technologies in the road transport sector, by allocating funding resources for exploring feasibility and backing research and development (“R&D”) of green transport technologies. Where transport operations cannot be readily electrified or replaced by zero-carbon fuel or technologies in the near term, the Government should also incentivise the use of low-carbon fuel that is proven and available in the market as interim options. Examples include the use of liquefied natural gas (“LNG”) in vessels and biodiesel in commercial vehicles.

Decarbonising the aviation industry

- 3.5. Like other transport sectors, the commercial aviation industry is under pressure to decarbonise. As zero-carbon energy and technologies such as electric and hydrogen fuel cell are not yet market-ready, especially for medium- and long-haul operations that account for almost three-quarters of the industry's CO₂ emissions, the up-scaling of the use of sustainable aviation fuel ("SAF") becomes crucial. BEC strongly recommends the Government to put in resources to create an environment conducive to the development of SAF infrastructure and supply in Hong Kong, including financial incentives to the private sector and funding for R&D in SAF production, which will help Hong Kong businesses to reduce Scope 3 emissions on the one hand, and strengthen Hong Kong's position as the aviation hub in the Greater Bay Area ("GBA") on the other hand.

4. Building a circular economy

- 4.1. The Government announced the Waste Blueprint for Hong Kong 2035 in February 2021, with the ambition of achieving "Waste Reduction · Resources Circulation · Zero Landfill". Waste management strategies, goals and measures to tackle the waste challenge up to 2035 and progressively develop a circular economy are outlined in the document. Substantial investments and financial resources will be required to support the implementation of the planned actions and achieve the ambitious goals.

Promoting waste reduction and local recycling

- 4.2. Financial incentives are important to stimulate and drive behavioural change. BEC welcomes the passage of the Municipal Solid Waste ("MSW") Charging Scheme and looks forward to the implementation of the upcoming Producer Responsibility Scheme ("PRS") on plastic beverage containers. To get businesses and the community better prepared for the implementation of MSW Charging Scheme and other waste-related regulations such as the control on disposable plastic tableware, resources are needed to support education and promotion campaigns for the general public and to mobilise relevant industries (such as property management companies) on waste reduction at source, proper sorting, clean recycling and the reuse and repair culture.
- 4.3. It is critical for the Government to provide adequate resources in supporting the operation of local recycling industry and enhancing both the quality and quantity of local recycling. The \$1 billion Recycling Fund is a good example in providing funding support to local recycling businesses and projects, facilitating the upgrading of the operational efficiency and capabilities of local recycling plants. Other areas that required Government's attention and support include the provision of recycling infrastructure, training and capacity building, R&D, and innovation.

Supporting businesses in waste reduction

- 4.4. Both technical and financial resources are required to support companies, especially small- and medium-sized enterprises, in exploring more circular ways of doing businesses and developing new, circular business models. Funding and other financial support, as well as business advisory services and investment guidance can incentivise and encourage companies to adopt different waste reduction strategies such as promoting zero-waste product design and resource recovery.

5. Promoting the growth of green and sustainable finance in Hong Kong

- 5.1. Funding and investment are needed to fuel sustainable development and support sustainable economic activities and projects. Being an international financial centre and benefiting from its geo-strategic location next to Mainland China, Hong Kong is well-positioned as the green and sustainable finance hub for the GBA. Together with a robust framework of institutions, regulations, standards and reporting networks, the city can be at the forefront in building a financial system that supports the transition to a low-carbon, resource-efficient and sustainable economy.
- 5.2. A more co-ordinated approach to climate and environmental risks management in the financial sector is required to accelerate the growth of green and sustainable finance in Hong Kong. Resources are also needed to facilitate the development of green or sustainability related investment products, raise investors' awareness and support capacity building in Hong Kong.
- 5.3. BEC also sees the needs for the Government to expedite the assessment process carried out by the Centre for Green and Sustainable Finance ("CGSF") on the feasibility of developing Hong Kong as a regional carbon trading centre, to strengthen collaboration in the GBA, and capture the opportunities arising from carbon markets in both China and overseas.

Enquiries

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Yours sincerely,



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