

3 January 2013

The Honourable Leung Chun-ying, GBM, GBS, JP
Chief Executive
Tamar
Hong Kong Special Administrative Region
People's Republic of China

E-mail: ceo@ceo.gov.hk

Dear Chief Executive,

Addendum Submission on the 2012-13 Policy Address

Views from



BUSINESS
ENVIRONMENT
COUNCIL
商界環保協會

Business Environment Council Limited,



CCBF
Climate Change Business Forum
氣候變化 商界論壇

Climate Change Business Forum, and



Harbour Business Forum
海港商界論壇

Harbour Business Forum

Introduction

Over the last two decades, Business Environment Council (BEC) has taken a leading role in advocating the business case for environmental excellence in Hong Kong. Our members are committed to actively engaging with the HKSAR Government (the Government) on a range of issues relating to the environment and sustainability.

Following BEC's *Submission on the 2012-13 Policy Address* delivered to the Chief Executive-elect on 25 June 2012, the Environment Bureau has identified four key environmental priorities – air quality, waste management, energy and conservation – for its current five year term. In this Addendum we would like to further elaborate BEC's views in the context of the government priorities on air quality, waste management and energy, and reiterate our views on carbon and the low-carbon economy. The views in this Addendum are those of BEC, as well as the Climate Change Business Forum (CCBF) and Harbour Business Forum (HBF), both BEC initiatives. BEC's policy priorities identified in June 2012 are attached in the Appendix for further reference.

BEC's membership includes some of the largest companies in Hong Kong. BEC strives to create thought leadership in support of the Government's environmental and sustainability objectives, and in pursuit of building trust between the Government, the business sector and the public. New views expressed here are based on consultation with our members, but may not necessarily correlate with the positions of individual members.

The Government Priority Areas

Air Quality

BEC Recommendation

BEC recommends that the government develop targeted policy measures in response to the Audit Commission report on the implementation of air quality improvement measures. BEC recommends that the government employ an in-house environmental economist to delineate the social - including health - environmental and economic costs (investments) as well as benefits (returns) of different policy options. This will allow the government to prioritize policy initiatives and justify government spending, as well as to communicate the chosen plan to the public.

Background

Poor air quality continues to undermine the competitiveness of Hong Kong as a regional hub for business and imperil the health of the local population. On 26 October 2012 the Audit Commission published a report outlining past government successes and failures in air quality monitoring and in the implementation of air quality improvement measures. BEC considers the findings fundamental to informing appropriate solutions to the enduring problem of poor air quality in Hong Kong.

Recommended Policy Priorities

1. Highly polluting diesel vehicles – implement a phased program to eliminate pre Euro IV diesel commercial vehicles from public roadways via the vehicle registration system and generous government subsidies, by 2014 at the latest.
2. Vehicle emission standards – Hong Kong should adopt the Euro VI standard as soon as possible for those classes of vehicle that are commercially available in other parts of the world.
3. LPG vehicles – improve monitoring and increase fines for LPG vehicles, if excessive emissions are released after implementation of the emission-reduction-device replacement scheme.
4. Efficiencies in franchised bus operations – in consultation with stakeholders improve efficiencies and reduce duplication in franchised bus trips.
5. Service life of existing and new franchised buses – conduct a thorough review of the length of service life for franchised buses and benchmark against current best practice in other major cities in developed economies.
6. Emission from existing franchised buses – set the minimum remaining service life to three years for buses participating in the emission-reduction-device retrofit project (remaining service life based on proposed installation date of the retrofit device). Instead of offering retrofit subsidies (for the emission-reduction-device) for vehicles with a remaining service life of three years or less, accelerate the purchase of new buses via government subsidies.
7. Fuel for road vehicles – support the introduction of alternative renewable fuels into the Hong Kong market.
8. Fuel for local marine and river-trade vessels – require vessels to use ultra-low-sulphur diesel, to be implemented fully by 2015.
9. Fuel for ocean-going vessels – develop a 3-5 year subsidy scheme for clean fuel. Pair this with a mandate that ocean-going vessels use diesel with a sulphur limit of 0.5% in Hong Kong waters, but set a clear sunset clause for the subsidy.
10. Berthing at Hong Kong ports – facilitate the provision and use of shore side power for ocean-going and river-trade vessels that berth at Hong Kong ports.
11. Dark smoke vessels – seek immediate legislative support to adopt the Ringelmann Chart as a reference to measure dark-smoke emissions from vessels

12. Traffic management – with significant new road and transport infrastructure coming online in the next 3-5 years (i.e. Central-Wan Chai bypass, South and West Island MTR Line, etc), roll out a congestion charge for roadways in Central, Wan Chai, Admiralty and Causeway Bay. In addition, consider widespread pedestrianization of roads such as Pedder Street, Queen's Road Central, Des Voeux Road Central, Johnston Road, and Percival Street amongst others. This should be rolled out in conjunction with an increase in bus, taxi and tram priority measures to keep public transport moving at a faster past than private vehicles.
13. Support for electric vehicles (EVs) – in order to continue the development of an EV charging infrastructure and facilitate the adaptation of EV in Hong Kong, the government should help to standardize the charging mechanism and provide incentives for an increase in charging stations in public and private residential estates as well as commercial buildings.

Waste Management

BEC Recommendation

Hong Kong's waste management has been a top priority for BEC for a number of years. Unfortunately the problem is threatening to become a crisis. All manner of policies should be considered to reverse wasteful trends and turn waste that cannot be avoided to useful means. To this end, BEC endorses the immediate implementation of the Government's Food Wise Hong Kong Campaign. Urgent action is also required to increase the recycling rate for both domestic and commercial waste, as well as a decision on integrated waste management. BEC recommends a decentralized waste management approach.

Background

It is encouraging that the government acknowledges that Hong Kong is facing an imminent waste management crisis. BEC welcomes the new infrastructure being developed such as the Sludge Treatment Facility and the Organic Waste Treatment Facility. Given the strong public opposition to large-scale centralized incineration and the extension of landfill sites, BEC encourages the government to consider alternative options to a centralized incineration system. A decentralized waste management system may create greater efficiencies in the hauling of waste and allow for successful implementation of low emission gasification.

Recommended Policy Priorities

1. Waste charging – implement a waste charging system for households and businesses, and a producer responsibility scheme for commercial and industrial waste, by 2014 or as early as possible. For greater expediency, and in light of the response to the recent consultation on waste charging, BEC recommends that clear charging framework options for both household and businesses be stated during future public consultation in determining the amount of the future waste charge. The MSW charging scheme should not bear a revenue-generating objective. In addition, the amount of charge shall be linked with the quantity of waste disposal if a MSW charging scheme shall be implemented in such a way to incentivize best practices for waste reduction.
2. Organic (including food) waste – innovative solutions are available to support the collection of organic waste, such as biodegradable plastic bags. These, paired with a well-conceived waste separation and charging scheme, can divert a significant amount of waste from landfill and redirect it to productive ends, such as composting, fish food and biofuels.
3. Food waste – targeted education campaigns for schools and business to tackle the issue of food waste are essential to reach the target of 10% reduction; BEC would be a trusted partner in delivering appropriate programs and campaigns to reach the right audience.

4. Incineration – decentralized, community-focused gasification of waste is common practice in municipalities such as Tokyo and Berlin. This approach minimizes the distance required for haulage, collectively produces lower emissions and inherently encourages the community to reduce wastage and increase recycling. BEC recommends the government consider this option in an open and transparent process of selecting locations and technologies for waste-to-energy facilities.
5. Recycling – significantly enhance the waste recycling network in Hong Kong. Both policy and financial support are necessary to ensure that recycling becomes a viable industry. Determine where separation, collection, sorting and re-generation can take place, how it will be funded and how it will scale to the current need. Streamline regulatory approval for siting and professional licensing. This support structure should allow for recycling of glass, wood, food electronics and other recyclables, and further enhance recycling facilities for paper, plastics and metals.
6. Construction waste – change current regulations to allow for off-site aggregation and sorting, for re-use and recycling. Such a facility should be run by a licensed service provider.

Energy

BEC Recommendation

Low-carbon power is Hong Kong's most powerful lever to concurrently reduce carbon emissions, clean the air and jump-start the transition to a low carbon economy. Engaging this lever requires an integrated, long-term energy strategy. Such a strategy should be based on an updated fuel mix which prioritizes clean, low-carbon energy and the protection of public health. Ageing power infrastructure, untenably dirty air and the dwindling time period to contribute to the National 2020 carbon intensity reduction commitment make this a matter for urgent decision and investment. BEC recommends that the government set a clear fuel mix target to sustain the future of Hong Kong's electricity supply in a clean, reliable and secured fashion with minimized environmental impact at affordable price, while at the same time prioritize demand side management to substantially increase building energy efficiency in Hong Kong.

Background

Work on a long-term energy strategy for Hong Kong was halted following the Fukushima event. It is time to kick-start this process in a manner that engages the public but is not held hostage to the false hope of unanimous public opinion. Long term planning is fundamental to the securing of energy and the development of infrastructure projects. Electricity is fundamental in ensuring that Hong Kong's economy continues to thrive. Energy security, air quality, climate change considerations and pricing are inextricably linked to the supply of electricity. Decisions need to be made now to ensure that the right infrastructure is in place to meet current and future demands of the community.

BEC recognizes the value of business leadership in building energy efficiency. In this spirit BEC and CCBF launched the Building Energy Pledge in October 2012. The Pledge commits corporate signatories to perform an energy or carbon audit; set reduction targets consistent with transformational change; and report annually on their progress. We will work to invite other Hong Kong business leaders to make similar commitments.

Recommended Policy Priorities

1. Carbon target to drive fuel mix – BEC calls on Government to formalize a carbon (or health) target to drive the critical decision on the future fuel mix. Progressive targets over time (2020, 2035) will provide much-needed investment certainty given the long lead times and substantial sums required to develop energy infrastructure.

2. Negotiate energy prices which (a) reflect the costs of the constituent portions of the fuel supply and (b) discourages over-consumption and rewards energy efficiency. Users that have taken significant steps in increasing energy efficiency (per square foot) should be supported and encouraged to further reduce consumption.
3. Model, require and enforce Demand-Side Management through a variety of means. These should include *inter alia*, tightening requirements for building energy efficiency and energy efficient appliances. More far-reaching incentives such as premium allowance or reduced government rents should be investigated in closer detail in order to steer new developments to adopt green building certifications (i.e. BEAM).
4. The government should also consider directly supporting pilot projects that demonstrate the value of retrofit existing commercial buildings to higher levels of energy efficiency. The Hong Kong Green Building Council (HKGBC) is anticipating close collaboration with BEC for our planned project of transforming the BEC Headquarters – the “Jockey Club Environmental Building” which houses “think tanks” for promoting green building and other environmental activities in Hong Kong. The objective of BEC’s transformation project is not only to showcase how an existing fully operational commercial building can be transformed into a highly energy efficient building qualified for BEAM Plus Platinum rating within an acceptable return on investment, but also to serve as an education hub to drive behavioural change among building owners, property developers, tenants, general public, green technology suppliers, professionals and educators.

BEC Priority: Movement toward a low-carbon economy

A healthy environment is fundamental to both quality of life and business competitiveness. Both are at risk in Hong Kong. BEC believes that the best way to ensure a healthy, thriving society is through the lens of sustainable development: investing in the economic, physical and environmental infrastructure fundamental to high-quality living and low-carbon growth. This is less choice than necessity, as the world prepares for a carbon-constrained future. Hong Kong’s competitive advantage will come from rigorous application of our core strengths, in a manner complementary to China’s 12th Five-Year plan.

BEC’s proposed action agenda centres on a comprehensive climate change plan, including a clear carbon reduction target for 2020 and beyond. The plan should include relevant metrics, a detailed plan to achieve the targets, and clear accountability. BEC suggests an inter-departmental task force led by the Chief Secretary authorize and oversee implementation of this strategy.

Concluding Remarks

BEC is looking forward to working constructively with the new Government in taking our recommendations forward. Indeed, the business community is ready to act and partner with government in finding appropriate solutions to the serious environmental issues we continue to face. BEC is at your disposal to support stronger policy development for a greener and more sustainable Hong Kong.

Yours sincerely,

Prof John Chai
Chairman
Business Environment Council Limited

Appendix

Submission on the 2012-13 Policy Address from 25 June 2012

25 June 2012

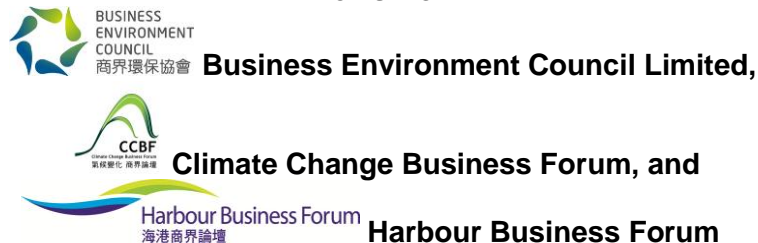
The Honourable Leung Chun-ying, GBM, GBS, JP
Chief Executive - Elect
12/F, West Wing, Central Government Offices
Lower Albert Road
Hong Kong

E-mail: ceeo@ce-elect-office.hk

Dear Chief Executive - Elect,

Submission on the 2012-13 Policy Address

Views from



Introduction

Over the last two decades, Business Environment Council (BEC) has taken a leading role in advocating the business case for environmental excellence in Hong Kong. Our members are committed to actively engaging with the HKSAR Government (the Government) on a range of issues relating to the environment and sustainability. This submission reflects the views of BEC, as well as the Climate Change Business Forum (CCBF) and Harbour Business Forum (HBF), both BEC initiatives. The key priority policy areas include: low-carbon economy, energy, air quality, land use, built environment, transportation, waste management, research, and harbour planning.

BEC's membership includes some of the largest companies in Hong Kong. BEC strives to create thought leadership in support of the Government's environmental and sustainability objectives, and in pursuit of building trust between the Government, the business sector and the public. Views expressed here are based on consultation with our members, but may not necessarily correlate with the positions of individual members.

In our view, Hong Kong needs two things: a vision of a sustainable future and a roadmap for getting there. These views are elaborated below.

The Vision

Hong Kong needs to commit to sustainable development in all its policies and actions, in order to create liveability now and in the future. The Government has the responsibility to balance economic growth with environmental and social priorities. This balance needs to reflect a just, fair, and transparent governing system.

It has become increasingly clear that **environmental degradation is impeding Hong Kong's quality of life and competitiveness** as a regional business centre. Hong Kong requires clear strategies for managing energy, air quality, and waste that are consistent with conserving and valuing these critical environmental resources. Investment in sustainable environmental management is investment in quality of life and in Hong Kong's prospects to continue to thrive as a regional and global business centre.

Hong Kong's competitiveness is best served by acknowledging the global push towards a low-carbon, sustainable economy. Thus Hong Kong should seek to transition towards an economy that provides economic opportunity, supports social cohesion and development, while remaining mindful of environmental priorities and constraints. This means achieving more efficient use of energy and other resources, and reducing carbon in every sector.

The Priority Areas

Low-Carbon Economy

Recommendation 1

BEC recommends the HKSAR government set a clear Hong Kong carbon reduction target for 2020 and beyond (2035 / 2050); outline a detailed action plan to achieve the targets; and establish an inter-departmental task force led by the Chief Secretary to oversee implementation of this strategy.

Background

Hong Kong's wealth was built on a few key industries, among them trade, logistics, property development and financial services. Our continued prosperity will depend upon how we address the global challenges of financial volatility, societal expectations of democracy, and the social and environmental pressures caused by pollution and over-exploitation of natural resources – all exacerbated by climate change. In Hong Kong, actively driving the transition to a low carbon economy will require the combined intellectual and policy resources of most, if not all, Government bureaus. A necessary forcing mechanism is an economy-wide carbon target. Critical steps for achieving the target are addressed in the recommendations below.

Key Policy Areas

BEC advocates urgent action to:

- Review, refine if necessary and formalize Hong Kong's carbon reduction target¹ for 2020 and beyond (2035 / 2050).
- Establish an intra-government working group comprised of all relevant bureaus, with accountability to achieve these targets.
- The same group should also:
 1. Scientifically assess Hong Kong's vulnerability to climate risk and recommend strategies for environmental and economic resilience going forward, with particular attention to at-risk industries and geographies: and
 2. Spur eco-innovation in the private sector by providing the latest in technology and strategy information on low-carbon, energy efficient transport, supply chains, etc. Existing organizations, such as the TDC, Business Environment Council, and business chambers can support this goal.

¹ In 2010 the Government proposed a carbon intensity reduction target of 50%-60% from a 2005 baseline by 2020. This translates to an actual reduction of carbon emissions of 19%-33%.

Energy Policy

Recommendation 2

Hong Kong should develop an integrated, long-term energy vision, and an action plan to reach it – inclusive of an updated fuel mix which prioritizes cleaner, lower-carbon energy and protecting public health. The Government must charge, empower and support the electricity companies to achieve a clean, reliable and secure supply of energy in line with environmental and health goals.

Background

Hallmarks of a low-carbon economy include practical steps to achieve energy efficiency and curtail excessive consumer electricity demand, while shifting to low-carbon, clean energy sources. In the long run a holistic approach to energy and resource management covering all sectors is the best way to achieve the environmental, social, health and competitiveness benefits we seek.

Key Policy Areas

The new Government's energy action plan should include:

- Clarity on the process that government will utilize in order to meet the carbon reduction target and which government agencies and bureaus will be involved;
- A definitive decision now on the expected 2020 and 2035 fuel mix as a major driver of Hong Kong's carbon reduction targets (and also taking into consideration long term energy security and supply reliability), given the long lead times and substantial investment needed to develop energy infrastructure (typically 5-10 years);
- Energy pricing which
 - Reflects the rising cost of electricity generation, using price as a lever to induce conservation; (It should be noted that Hong Kong electricity prices are very low by global standards and will need to rise to both reflect the price of energy inputs and deter energy wastage.)
 - Supports low-carbon energy over traditional fuels;
 - Discourages over-consumption and rewards energy efficiency; and
 - Provides for the basic electricity needs of domestic households which cannot afford an increase in energy costs.
- Greater integration with the Mainland, especially with regard to energy infrastructure links and access to the fuel inputs necessary to power Hong Kong;
- A commitment to energy conservation by all stakeholders – business, government, the general public and the energy companies. This will require concerted education and engagement on the benefits of using less, and cleaner, fuel.

Air Quality Policy

Recommendation 3

BEC recommends that the Government implement the proposed air quality objectives as soon as possible. Future air quality undertakings should be calculated with public health as the main benefactor (and indicator).

Background

Hong Kong suffers from some of the worst roadside air quality amongst developed economies. This state of affairs is no longer acceptable to the community and the business sector, as it inherently carries significant health costs while reducing the competitiveness of Hong Kong as a regional and global business centre. Clean energy options for the utility and transport sectors will make significant contribution to improve air quality in Hong Kong.

Key Policy Areas

BEC recommends the following actions with regard to air quality policies in Hong Kong:

- Hong Kong should adopt the World Health Organization (WHO) air quality guidelines as an immediate target. Tighter air quality standards should be implemented via transport policy, fuel quality standards, engine emission standards, and supporting marine pollution reduction efforts. Congested urban areas and busy harbour / marina areas should be prioritised;
- Further reduce emissions from power generation by de-carbonizing the fuel mix, reducing the use of coal and increasing the use of cleaner fuel, such as natural gas and nuclear;
- Introduce legislation to mandate the blending of clean, low-carbon low-emissions fuels such as biodiesel in proportions of at least 10% with petroleum-based diesel;
- Encourage and support use of Electric Vehicles (EV), EV charging infrastructure, hybrid vehicles and Euro V or higher standard vehicles to reduce roadside pollution, particularly for heavy/light goods vehicles and buses. Business and Government should explore options to expand polluting vehicle replacement incentive schemes. Cross border vehicles should meet the same environmental standard as Hong Kong vehicles before being allowed to enter the SAR;
- Require all public transport vehicles to meet a minimum emissions performance by a fixed date, in line with other advanced economies around the world;
- Invest in additional LPG fuelling stations for taxis/mini-buses, and expand electric and LPG options to other commercial vehicle types.

Land Use Policy

Recommendation 4

Hong Kong requires an integrated land use, housing and transport policy pursued using the principles of sustainable development and underpinned by a transit oriented land use strategy. BEC recommends the Government carefully consider the appropriate structure to support policy integration in these areas, prioritizing increased efficiency and transparency.

Background

Land use in Hong Kong dictates how we live and prosper as a society. It also inadvertently impacts quality of life and the environment. Much opportunity exists for Hong Kong to follow the principles of sustainable development through an efficient and predictable land use policy.

Key Policy Areas

BEC offers the following suggestions on how land use policy should support sustainability goals:

- Increase transparency in the Town Planning Board to ensure land is used in a more efficient way;
- Set a visionary and unified development plan, based on a holistic view of an integrated transport network, which clearly prioritizes high-density over low-density areas;
- Review population projections and targets to ensure that land use planning is consistent with future needs;
- Minimize land reclamation and instead maximize
 - Rationalisation and development of under-utilized areas (especially in the New Territories);
 - Efficient and predictable rezoning of industrial areas;
 - Redevelopment of existing areas; and
 - Private-Public-Partnership programmes to speed up the redevelopment of land.

Built Environment Policy

Recommendation 5

Hong Kong needs to reduce building energy demand by setting mandatory minimum building energy efficiency standards that **all** buildings must meet during operation. BEC recommends that standards become more stringent over time, with set dates and targets, so that building owners/tenants have investment certainty.

Background

Buildings in Hong Kong consume about 90% of all electric power – more than twice the figure for buildings globally. More can be done to achieve building energy efficiency in line with international best practice. Progress in the green building industry requires various drivers, including clear policy support and government incentives.

Key Policy Areas

The Government's plan should include:

- *More practical engagement.* The Building Energy Efficiency Ordinance of September 2012 is a good start, but requires further improvement to support the transition to a low-carbon economy. In particular, Government should step up outreach and communication to property owners and managers. In addition, the Government should review statutory requirements which mandate wasteful practices, such as 24 hour lighting in building common areas such as staircases. In China noise detection systems are often used to switch on lights late at night.
- *More far-reaching incentives.* The incentive GFA concession granted for new developments with BEAM Plus assessments and green features is clearly defined and seems to be working. To encourage even better environmental performance of buildings additional GFA concessions could be given for developments achieving a BEAM Plus Platinum rating. Similar incentives should also be considered for existing buildings, which comprise the majority of Hong Kong's built environment and are the greatest contributor to our energy and carbon footprint. In order to encourage the uptake of BEAM Plus certifications for existing buildings and concessions, tax breaks could be given to building owners / operators for achieving BEAM Plus ratings.
- *Mandatory certification.* BEC recommends that the Hong Kong green building standard, BEAM Plus, become the mandatory certification standard for all new buildings and major retrofit projects. All such projects should be required to achieve a certain BEAM Plus rating. This would follow similar assessment requirements that have already been implemented in Singapore.
- *Transparency.* Every building should be tested, accredited and labelled with its energy performance in a very visible and transparent manner. This will help those who lease or buy property in Hong Kong to better understand the value of their investment and help Hong Kong join other advanced economies in developing a market premium for green buildings. Such an initiative requires careful planning and would need to be rolled out in phases.

Transport Policy

Recommendation 6

Hong Kong's last comprehensive transport strategy, *Hong Kong Moving Ahead*, was produced in 1999. Since then transport projects have been taken forward either individually or in the context of single-sector reviews. Hong Kong urgently needs a comprehensive, multi-sector transport strategy to reflect the SAR's updated needs and facilitate better co-ordination across relevant Bureaux.

Background

The transportation network in Hong Kong is of world class quality, both for the movement of people and goods. In order to retain this status and to further improve quality of life by minimizing environmental and health impacts, additional steps should be taken with the right mix of Government and business support.

Key Policy Areas

BEC offers the following comments on public transport, infrastructure and shipping:

Public transport

- Mass Transit Railway is one of the key public transport networks in Hong Kong. Further efficiencies can be achieved through the integration of public transport systems among existing modes of transport, including bus, mini-bus, rail and ferry services. In particular, the consolidation of duplicate and economically inefficient public transit routes should be prioritized through liaison with local district councillors and coordination amongst different operators;
- Hong Kong requires a common sense transport policy based on the metrics of convenience, environmental quality, protection of public health, and affordability. Operators need support from Government to implement public transit upgrades aligned with economic considerations;
- The current policy of public transport being provided on commercial principles without any operating subsidy may not be consistent with environmental ambitions. To realise a more environmentally sensitive approach to public transport, Hong Kong may require a re-think of this policy or an increase in fares.

Infrastructure

- The 10 major infrastructure projects (plus the third runway) should be rationalized, as far as practicable, to align with the need for an extended and steady period of investment. This will allow the construction industry to stabilize workload, helping to ensure availability, development and retention of skilled labour in the long-term;
- Prioritize expansion of electric vehicle (EV) charging infrastructure and EV subsidies to support the development of a zero emissions private and public vehicle transport network;
- Implement road pricing, congestion charges and equalization of cross-harbour tunnel tolls to optimize the flow of traffic in Hong Kong;
- Introduce pedestrian zones in congested areas and consider a buffer zone between these areas and vehicles, both public and private.

Shipping

- Hong Kong's strategy on marine fuel standards requires clarification and certainty, in particular in regards to the availability and pricing of low-sulphur fuel in the local market. The shipping industry is looking for a level playing field on fuel standards. The current Fair Winds Charter is only a short-term measure in support of a more comprehensive and coordinated approach to creating the right regulatory environment in both Hong Kong and the Pearl River Delta;
- Existing port terminals and land immediately adjacent to the terminals need to be fully utilized before port operations grow in other areas of Hong Kong. Barging terminals require expansion in order to reduce parking/idling in harbour before berthing. Government land planning should be sensitive to these realities.

Waste Policy

Recommendation 7

BEC recommends urgent policy action to support implementation of a waste charging scheme, a significant recycling network in Hong Kong, and appropriately scaled, advanced waste-to-energy facilities at the right locations.

Background

BEC has long supported the Government's waste management strategy but has been disappointed by lack of major progress in implementation. There is a significant need in Hong Kong to reduce, recycle and reuse waste as a resource both for energy generation and to feed the circular economy.

Key Policy Areas

BEC urges immediate action on the following portfolio of waste policies:

- Implement waste charging for municipal solid waste and a producer responsibility scheme for commercial and industrial waste;
- Increase collection of recyclables and waste separation at source. Support commercial, industrial and domestic facilities in the provision of space for this process to take place;
- Introduce policies to make recycling a viable industry in Hong Kong. This will necessarily include financial support and a streamlined regulatory approval process for siting and professional licensing. The support infrastructure should allow for recycling of glass, wood, food, and electronics in Hong Kong, and further enhance recycling facilities for paper, plastic and metals;
- The Government should allow for a progressive, open and transparent process in identifying technology and locations for waste-to-energy facilities, including deployment of advanced incineration facilities as well as the conversion of organic waste to fertilizer and biogas;
- Encourage less packaging of consumer goods to reduce waste. Incentivise producers to design for reuse, based on principles of a producer responsibility scheme;
- Educate the public on waste reduction, recycling, and waste source separation and hold all sectors of society accountable.

Research and Development on Environmental Technologies

Recommendation 8

BEC recommends that the Government continue to build on existing initiatives to strengthen research and development of environmental technologies in Hong Kong, to retain and attract high-value industries and to facilitate the investment environment. BEC would be pleased to support the Government in engaging the local business community, and to connect with industry professionals..

Background

Hong Kong has the potential to differentiate itself as a regional hub of excellence for environmental technology and research. The Government should prioritize support for research and development (R&D) in the areas of environmentally friendly transport, building technology, waste management, and air quality, in line with the priorities outlined above. The Legislative Council paper *Budget Initiatives on Promotion of Innovation & Technology and Testing & Certification* (LC Paper No. CB(1)1298/11-12(07)) outlines promising areas of improvement.

Key Policy Areas

In addition, BEC offers the following suggestions:

- Support education and research to ensure a consistent flow of expertise in environment, construction, and more broadly in the area of sustainable development;
- Introduce policies that encourage the application of advanced technologies and elimination of inefficient equipment. Streamline the support for R&D from government by speeding and simplifying application procedures for grants, thereby contributing to the development of Hong Kong as a hub for resource efficiency;
- Support research and development for energy efficiency technology in Hong Kong.

Establish the Harbour Authority

Recommendation 9

BEC endorses the recommendation of the Harbour Business Forum (HBF) on the creation of a financially autonomous Harbour Authority with strong planning, delivery and management powers, whose remit covers the entire harbour and its harbourfront areas.

Background

Victoria Harbour is one of Hong Kong's greatest assets, an international icon and a source of significant comparative advantage. Making the most of this asset – both the harbour and the harbourfront areas – requires a keen eye for detail, great flexibility and innovative cross-departmental solutions. In 2009 HBF proposed a new integrated approach to harbour planning, delivery and management to help turn our greatest natural asset around. Some of these recommendations have since been enacted or in the process of being reviewed, including the creation of a new Harbour Authority; but in other areas scope for significant improvement remains.

Key Policy Areas

To realise Victoria Harbour's potential for a better Hong Kong, BEC endorses the recommendations of the HBF as follows:

- That the new Harbour Authority be a champion for our harbour, but, just as importantly, also streamline existing systems rather than increase bureaucracy, while at all times respecting existing property rights and the statutory planning powers of the Town Planning Board.
- The development of a comprehensive, multi-sector strategic plan to guide the long term development of our harbour, as well as necessary changes to our existing planning and delivery systems to allow the Harbour Authority to deliver on this plan once in place.
- That the Harbour Authority be resourced such that it can guide, direct and manage all interventions at the harbourfront, including resources and processes to apply the test of proportionality and the Protection of the Harbour Ordinance to enable key, small-scale public-interest improvements such as the construction of public piers and landing steps at West Kowloon and Kai Tak.

Prior to the establishment of the new Harbour Authority, it is important that:

- The Harbourfront Commission be provided with adequate support and resource to monitor and, where necessary, provide input and guidance on on-going projects being undertaken by the Government around the Harbour so that no detrimental or irreversible decisions or actions relating to the harbour or harbourfront are taken prior to the Harbour Authority commencing work;
- The introduction of key project appraisal, implementation and area management reforms are facilitated to allow appropriate land uses to be prioritised and delivered. This is particularly the case around our harbour's scarce sheltered waters where sites continue to be planned without appreciation of their implications for adjoining water-bodies.

In Closing...

We trust the Chief Executive - Elect will take due consideration of these recommendations in his upcoming Policy Address. Energy and land use planning are critical areas that the Government needs to proactively manage. The built environment and transport sector form the backbone of Hong Kong society and require urgent support to maintain quality, viability and increased levels of efficiency. At the same time, air quality and waste management remain key stumbling blocks to create the quality environment that the people of Hong Kong

have come to expect. Finally, managing the transition to a low carbon economy is one of the key avenues for ensuring Hong Kong's continued competitiveness.

BEC is looking forward to constructively working with the new Government in taking our recommendations forward. Indeed, the business community is ready to act and partner with government in finding appropriate solutions to the serious environmental issues we continue to face. BEC is at your disposal to support stronger policy development for a greener and more sustainable Hong Kong.

Yours sincerely,

Prof John Chai
Chairman
Business Environment Council Limited