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Policy Address Team,  
Chief Executive's Policy Unit,  
26/F, West Wing, Central Government Offices,  
2 Tim Mei Avenue,  
Tamar, Hong Kong  
Email: [policyaddress@cepu.gov.hk](mailto:policyaddress@cepu.gov.hk)

**Submission on the Chief Executive's 2023 Policy Address**  
**Views from Business Environment Council Limited**  
商界環保協會有限公司

Over the last 31 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 250 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. With the Hong Kong Climate Action Plan 2050 (“CAP2050”) announced, Hong Kong as a metropolis should continue the efforts by contextualising economy-wide transition plan. This will involve (i) prioritising the decarbonisation targets for interim and long term; (ii) incorporating target setting into government services and decision making in order to create an enabling environment for decarbonisation; (iii) engaging with stakeholders to communicate targets and policies that would drive a net-zero future; (iv) setting up metrics and sub-targets that would better manage the outcomes of the strategies and (v) establishing cross-department / cross-sector initiatives with good governance in addressing the risks and opportunities brought by climate change and bringing in talents in managing the issues.
- 1.2. While the CAP2050 demonstrates the Government’s climate vision, more granularity over targets and sectoral decarbonisation roadmaps are demanded by the business sector, as it would help to drive different sectors to establish decarbonisation blueprint with targets and timelines. The Office of Climate Change and Carbon Neutrality should lead by example through working with industry sectors with more decarbonisation experience on designing roadmaps and promoting replicable practices. Through such actions, the Government can also understand and address the challenges faced by businesses in different industry sectors along their net-zero transition journey.

- 1.3. This is important as corporates are under investor or client pressure to develop implementable near-term and long-term net-zero targets. They would require the Government's timely sharing of grid emission factor projection and industrial actions not currently covered under CAP2050, which would enable corporates to identify resources and investments needed to reach net zero and contribute to the city's carbon neutral commitment. Most of the businesses depend on grid decarbonisation data when planning their targets. The Government should also take the opportunity of Interim Review of the Scheme of Control Agreements to promote further uptake of renewable energy and broader sustainability performance. In addition to grid emission factor projection, the Government should also manage the roles and expectations of various lower emission fuels, and provide clear fuel roadmaps to enable business sectors to develop their emission reduction plans.
- 1.4. This summer the world has seen weather records shattered across various locations, which raises concerns whether the public sector is prepared to adapt to climate change. The Government has established in 2016 the Climate Change Working Group on Infrastructure ("CCWGI") to manage climate change impacts on public infrastructure in respect of adaptation and resilience. While this is well acknowledged and will benefit public infrastructure, the business sector find it difficult to obtain climate-related data, scenarios, and projections via public domain for them to develop adaptation or resilience plans for their needs. Indeed, some jurisdictions have already put more focus on climate change adaptation by developing specific plans, including Mainland China's National Climate Change Adaptation Strategy 2035. Hong Kong should follow suit and go beyond the current project-based approach on the adaptation and resilience agenda. Climate-related data hosted by the Government should also be released.
- 1.5. BEC appreciates the launch of the Core Climate by the Hong Kong Exchanges and Clearing Limited ("HKEX") as a key step to develop voluntary carbon markets in the region. BEC believes different types of carbon pricing and higher pricing values are effective instruments to reduce emissions. The Core Climate should ensure the supply of high-quality carbon credits with transparency, by aligning with international standards like the Core Carbon Principles by the Integrity Council for the Voluntary Carbon Market. Innovation like tokenisation of carbon can be considered to address double counting issue. Meanwhile, it is notable that Singapore introduced carbon taxes since 2019 on carbon-intensive industries and has set tax increment schedule up to 2030 to support its net-zero target.
- 1.6. HKEX has recently closed its consultation on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework to mandate climate-related disclosures. In our submission, BEC supports HKEX's close alignment with the IFRS S2 Climate-related Disclosures as this will drive issuers to establish their climate governance in accordance with international best practices. However, BEC also highlights the current capacity gaps in Hong Kong that may hinder issuers from fulfilling the requirements and suggests significant capacity building components will need to be introduced, on topics like climate-related scenario analysis, quantitative disclosures of current (and anticipated) financial effects, credible scope 3 emission assessment, and cross-industry and industry-based metrics.
- 1.7. HKEX's relevant requirements are only applicable to listed companies. However, some large non-listed companies may also have significant emissions, which should be revealed through suitable provisions. For instance, Singapore proposed disclosure

requirements which would apply to companies with annual revenue over 1 billion local currency values.

- 1.8. Regarding scope 3 emissions, while the Government's city-level greenhouse gas inventory does not go beyond its physical boundary, major corporates will be mandated to report scope 3 emissions along their value chains. Currently there is a lack of government support on scope 3 emission factors, the "Guidelines To Account For And Report On Greenhouse Gas Emissions And Removals For Buildings In Hong Kong" are not able to cope with the latest greenhouse gas accounting requirements on companies. Countries are actively preparing to support their businesses to address scope 3 emissions, e.g. the US Environmental Protection Agency maintains an up-to-date supply chain emission factor database that is available to public.
- 1.9. Major development is scheduled to happen around the Kau Yi Chau Artificial Islands ("KYCAI") and the Northern Metropolis, which will lead to significant carbon emissions during the entire project life cycle. The Government has positioned KYCAI to achieve the target of carbon neutrality through smart, green and resilient city strategy. The business sector is looking towards practical carbon neutrality action plans and guidelines for these new development areas that are crucial to help Hong Kong achieve its 2050 climate target, nurture green technology and stay competitive against international counterparts. Beyond relying on new town development, Hong Kong needs to foster urban regeneration and brownfield reutilisation strategy to deliver a climate smart future.
- 1.10. These new development areas are understood to be much vulnerable towards climate change and sea-level rise. While the Government has experience on public infrastructure through the CCWGI, more details on adaptation planning should be released for timely exchange and discussions, as the globe is facing unprecedented physical climate risks and Hong Kong is no exception. The harbourfront is another area under climate change impacts. To showcase the Government's dedication to safeguarding Hong Kong's harbourfront and fostering a resilient and sustainable future, it is imperative to formulate a climate resilience strategy that encompasses measures to tackle rising sea levels and adverse weather events. Additionally, it is crucial to accompany this strategy with a transparent implementation roadmap with improved design nature-based principles, thus making the harbourfront sustainable and creating additional economic and social values.
- 1.11. In order to meet Hong Kong's obligations under the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer, it is necessary for the Government to decrease the consumption of hydrofluorocarbons ("HFCs"). HFCs are synthetic gases commonly used as refrigerants in air-conditioning and refrigeration equipment with significantly higher global warming potentials ("GWPs"). Hong Kong does not produce HFCs domestically, they are imported. To gradually reduce the use of HFCs, it is crucial to implement measures such as a quota system to limit new HFC imports, impose restrictions on the availability of HFC-related products in the market, and promote the recycling of HFC refrigerants.

## 2. Sectoral Decarbonisation and Sustainable Living Environment

- 2.1. Digital solutions offer significant potential in reducing carbon emissions and enhancing operational efficiency across industries. Building experts have also pointed out that the current Building Energy Code needs to further include provisions on the use digital solutions to leapfrog building energy efficiency. The Government should encourage

the wider adoption of innovative technologies, such as smart grid, smart meters, proptech, HVAC, Demand Responsive Transport (“DRT”), and smart bins. Financial incentives and support schemes, particularly for small and medium enterprises (“SMEs”), will drive the integration of digital technologies. Additionally, promoting Mobility as a Service (“MaaS”) discussions and utilising new town developments as testing grounds for various technologies will further foster a sustainable living environment.

- 2.2. Smart grid infrastructure and decentralisation has a pivotal role in energy transition, as it provides a lower cost transition and more flexible energy systems. It addresses challenges like energy suppliers struggling to manage diverse energy sources with fluctuation and maintain grid stability to avoid outages. The Government should take the opportunity of new town development to adopt successful grid decentralisation solutions elsewhere, e.g. stabilising the grid through vehicle to grid technology such as the use of parked electric vehicles as battery storage when they are not in use.
- 2.3. It is well understood that buildings contribute to most of Hong Kong’s carbon emissions. To strengthen the current Building Energy Code, benchmarking international best practices can be made in areas of lower GWP refrigerant, limiting indoor lumen level, increasing design ambient and indoor temperature, and tightening chiller plant coefficient of performance. In local context, the Government should also consider Gross Floor Area concession with higher rating of BEAM Plus. It is worth noting that more jurisdictions like the UK are adopting mandatory building energy labelling scheme / performance disclosure to allow transparent benchmark performance between different types of buildings, which encourages building owners to improve energy efficiency of existing buildings.
- 2.4. To address the upfront challenges on SMEs and residents, funding and loans for them to facilitate investment in retrofitting buildings and replacing inefficient appliances should be made available. The Government should also encourage the use of low interest or interest-free loans for energy efficiency improvement projects, while taking the lead on enhancing energy efficiency of public buildings’ operation by retrofitting and retro-commissioning practices.
- 2.5. Currently, the majority of decarbonisation efforts focus on the operation phase, while global best practices have started to address embodied carbon and through a life cycle approach. California recently approved the inclusion of whole-building embodied carbon requirements in its California Green Building Standards Code (“CALGreen”). Regarding low carbon materials, the Government needs to remove restrictions and enable policies to discuss wider adoption of sustainable materials like wood, as successful cases have been demonstrated elsewhere. The Government can start by piloting such innovation in smaller scale public facilities.
- 2.6. On the other hand, electrifying construction processes have become prevalent with market supply of various electric equipment. A number of cities (e.g. Oslo) have signed the C40’s Clean Construction Declaration to procure and when possible use only zero emission construction machinery from 2025. The Government should further strengthen its Technical Circular DEVB TC(W) No. 13/2020<sup>1</sup> that public infrastructure

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<sup>1</sup> DEVB TC(W) No. 13/2020: Timely Application of Temporary Electricity and Water Supply for Public Works Contracts and Wider Use of Electric Vehicles in Public Works Contracts

procurement terms should favour early electrification in construction sites and the use of low embodied carbon or recycled raw materials, as well as construction equipment with low or zero emissions. With more mature electric equipment becoming commercially available, the Government needs to ensure sufficient regional power supply distribution and corresponding infrastructure available in construction and heavy industry areas (e.g. Kwai Tsing) to support equipment electrification.

- 2.7. Hong Kong's status as an international shipping centre provides an opportunity to lead in sustainable shipping practices. Apart from promoting the use of liquefied natural gas ("LNG") bunkering for oceangoing vessels and attracting LNG-powered ships to dock in Hong Kong for refuelling, development of alternative sustainable fuels like green methanol and ammonia should be prioritised as the shipping sector is also facing call to decarbonise. Availability of hydrogen refuelling services will also benefit Hong Kong in attracting vessels to dock in Hong Kong. Collaboration with the industry to develop relevant standards and licensing procedures will be essential.
- 2.8. On the aviation front, the Government should form a multi-sector taskforce or equivalent mechanisms to explore the potential of sustainable aviation fuels ("SAF"). Jurisdictions like Mainland China, EU, Japan, Singapore and USA have been discussing SAF policies to keep their aviation hubs competitive and sustainable. It is imperative that encouraging the use of SAF in aviation, investing in infrastructure, and providing financial incentives for SAF production will not only contribute to reducing emissions in the aviation industry but also maintains its global competitiveness. The development of SAF under the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA")'s pilot phase in 2021 – 2023 has started to set industry standards, impacting investment in SAF supply chains, including industry players based in Hong Kong.
- 2.9. To attain carbon neutrality within logistics industry, significant investments in heavy-duty machinery, equipment, and vehicles powered by green fuels are necessary for operators. Current Government funding programme, e.g. New Energy Transport Fund is restricted and allows for limited trials of vehicles with conversion requirements. The Government should augment the funding program and explore comparable approach to Mainland authority to subsidise green fuel replacement.
- 2.10. To facilitate a swift transition to sustainable transport with EVs, the Government should take additional actions to (i) support establishing a common portal for real-time EV charger vacancy information in collaboration with private stakeholders; (ii) accelerate the electrification of public transport and commercial vehicles through holistic roadmaps and initiatives like payload concession or exemption for EV batteries in medium goods vehicle ("MGV") and heavy goods vehicle ("HGV"); (iii) expand charging infrastructure in public spaces; (iv) provide guidelines on EV charging fees for land developers to take reference; (v) promoting smart EV charging stations with load management systems; and (vi) considering extending the "One-for-One Replacement" Scheme.
- 2.11. Beyond transportation, the Government should expand its focus on green energy adoption across various sectors, including manufacturing and construction. Encouraging the adoption of renewable energy sources and large-scale energy efficiency applications, such as solar panels, wind turbines and waste heat utilisation, will substantially decrease carbon emissions and create new opportunities for job growth and technological innovation. By championing green energy initiatives in

different sectors, Hong Kong can reinforce its commitment to sustainability and promote a cleaner and more eco-friendly future for all citizens.

- 2.12. The Chinese Government's focus on the high-quality development of the hydrogen industry presents an opportunity for Hong Kong, especially in areas where electrification is not an option. The Government should facilitate know-how exchange between enterprises and talents, foster specialised courses in new energy, storage, transportation, and applied chemistry at universities and post-secondary education institutions, and support research and development platforms. By learning from advanced cases both locally and globally, Hong Kong can improve the practical application of hydrogen technology and contribute to its sustainable development. It is also important to allocate financial resources to promote the development and use of green hydrogen, acknowledging blue, grey and brown hydrogen practices could catalyse technologies and hydrogen uptake in interim term. The public should receive clear message from the Government that a net-zero future comes with zero-emission energy sources throughout life cycle, not just in use phase.
- 2.13. Biofuels are used as a transitional alternative to traditional fossil fuels in various sectors, including construction (non-road machinery) and transport (marine and road). While biodiesel shows versatility and reduce emissions, the extent of use could impact the development and market of greener alternatives. The Government should conduct research, consult with industry stakeholders and inform businesses its perspectives and timelines on biofuel mix in its energy supply strategy for different industries.
- 2.14. Given that over 90% of businesses in Hong Kong are SMEs, the Government should take the lead in advocating corporate sustainability and green transformation of SMEs through designated training and network schemes for knowledge sharing. Promoting sustainable business practices will play a pivotal role in advancing the goal of carbon neutrality and fostering a sustainable living environment. Active public involvement is also vital to achieve sustainability goals. Emphasising the impact of individual sustainable consumption actions and preferences on businesses will lead to greater demand for environmentally friendly products and services, thereby promoting a sustainable living environment in Hong Kong.
- 2.15. To bolster the harbourfront's ability to withstand the impacts of climate change and establish an environment that is both sustainable and enjoyable for the public, the Government should actively promote the incorporation of improved design principles, innovative materials, and the integration of green spaces in construction projects along the harbourfront.

### 3. Circular Economy

- 3.1. As emphasised in BEC's prior submissions, it is important for Hong Kong to adopt a circular economy approach to maximise product life cycles and minimise waste. However, most of the current government support goes into end-of-life treatment and recycling. The Government should consider developing a dedicated funding scheme beyond Recycling Fund and Green Tech Fund, which could provide incentives on circular economy activities like green procurement, product eco-design, repair, reuse and repurposing across various industries. For instance, the Victoria State of Australia renamed its Recycling Victoria Councils Fund to Circular Economy Councils Fund in 2022 to include more diverse projects that can receive governmental support.
- 3.2. The municipal solid waste ("MSW") charging scheme is crucial for achieving the objective of waste reduction outlined in the Waste Blueprint for Hong Kong 2035 ("the

Blueprint”). The delay on rolling out the scheme is undesirable and BEC urges the Government to expedite the planning and ensure timely implementation of the scheme without further delay.

- 3.3. The Blueprint sets a medium target of reducing per capita MSW disposal by 40-45% and increasing the recovery rate to approximately 55%. To achieve this goal, the Government should consider additional policy measures like implementing landfill tax or increasing the gate fee for MSW sent to landfills. The Government could gradually work towards regulating and banning the disposal of recyclables in landfills and incinerators. Such policy measures would incentivise the market to recycle different materials in Hong Kong.
- 3.4. Food waste treatment remains a major challenge in Hong Kong. Despite the O-PARK facilities having a combined treatment capacity of over 500 tonnes per day, they are yet to operate at their full potential due to the lack of proper policies and regulations directing domestic food waste to these facilities. The Government, when preparing regulations that govern the proper collection and handling of recyclables in residential buildings by 2024, should take into the consideration of food waste or initiate relevant pilots alongside. Food waste collection facility such as smart bins at residential buildings should be further subsidised to increase incentives for residents to recycle. Additionally, the Government should review the Gross Floor Area concession for waste collection rooms to ensure that there is enough space available for effective separation at the source of waste.
- 3.5. BEC is pleased to see the preparation of the Regulation of Disposable Plastic Tableware, which is proposed to be implemented in the fourth quarter of 2023 at the earliest. While the Government established the Green Tableware Platform to address opinions from the food and beverage industry and provide information about alternatives to disposable plastic tableware, the business sector is looking towards more detailed implementation guidelines with specific approaches and specifications of viable alternatives, with additional funding for trials aimed at scaling up research and development as well as supply of alternatives to the Hong Kong market.
- 3.6. On the other hand, support for reusable tableware remains insufficient as compared with other jurisdictions like Tokyo and Seoul. Taiwan further stipulated that chain convenience stores and fast-food restaurants provide reusable cup rental service since beginning in 2023. The Government should learn from other Asian cities to actively support reusable tableware schemes apart from intermittent funding mechanism. Indeed, public facilities can be the pioneer to introduce reusable container services as BEC observes providers have started to enter the Hong Kong market.
- 3.7. Apart from disposable tableware, more countries are moving towards supporting sustainable packaging with initiatives. For example, the UK Government is set to regulate organisations that supply or import packaging since 2024. Depending on their size, they may need to collect and report data on the packaging, pay waste management fee, scheme administrator costs and charge to the environment regulator. The Singapore Government’s Technical Reference 109 (Sustainable packaging guiding framework and practices) is another industry-led effort that has provided guidance on efficient resource utilisation, such as energy, water, and recycled content, while also offering guidelines on labelling and reverse logistics to support the circular economy of packaging. It’s time the Hong Kong Government take reference and consider regulating packaging activities.

- 3.8. Land supply is always one of the biggest challenges faced by the recycling industry in Hong Kong. In line with the industry support suggested in the six major areas of action in the Blueprint, the Government should utilise restored landfills to provide land for the industry. Additionally, the Government should consider longer term leases for high-grade recyclers at EcoPark and other government sites given their significant capex requirements. This would also contribute to the green technology development in Hong Kong.
- 3.9. The gradual increase in volume of recyclables collected points to an urgent need for a better recovery system and increasing local recycling capacity at infrastructure level. Currently, waste separation practices in Hong Kong are largely based on manual sorting. While the Government is piloting a sorting facility in the I-PARK1 construction process, it should further consider the suitability of developing appropriate material recovery facility (“MRF”) system in Hong Kong (e.g. in future integrated waste management facilities and new development areas) that complements to its recyclable collection policy. MRF technology is well-developed and has been successfully implemented in European cities with benefits including less space for waste stream separation in residential and commercial buildings and ensuring high-quality feedstock for recycling facilities. The phased-out landfills can be repurposed to create MRFs, which would facilitate the recovery of valuable recyclable materials and promote the growth of the recycling industry in Hong Kong and the Greater Bay Area.
- 3.10. As the Government is looking into producer responsible scheme (“PRS”) on retired EV batteries, it reveals shortcomings that the Government has to address beyond systematic collection of EV batteries: (i) the provision of safe storage and dismantling guidance that is currently lack of; and (ii) a clear roadmap on planning local and regional repurposing and recycling capacity as this is key to create the real market for retired EV batteries than just considering them as chemical wastes or environmental burden.

#### 4. Nature

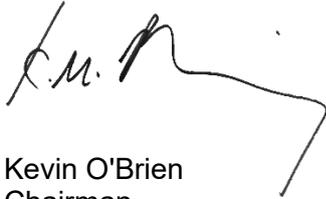
- 4.1. The 15th Conference of the United Nations Convention on Biological Diversity (“COP15”) in Montreal, Canada saw negotiators adopt a global agreement aimed at halting and reversing biodiversity destruction. The Kunming-Montreal Global Biodiversity Framework, which includes four goals and 23 targets to be achieved by 2030, forms part of this agreement. To support Mainland China's commitment to these targets, the government should allocate additional resources towards updating its city-level Biodiversity Strategy and Action Plan and release the next 5-year plan as the previous plan (2016-2021) has expired.
- 4.2. Improved transparency in accounting and reporting the value of nature can have a positive impact on Hong Kong's business sector. The Taskforce for Nature-related Financial Disclosures (“TNFD”) is currently developing recommendations on corporate reporting obligations and is set to finalise them by the end of 2023. Hong Kong corporations may eventually be required to assess their impact on nature, dependencies, risks, and opportunities, which can be complex. To support the business sector in meeting the growing international demand for nature-related disclosure, the Government should also study relevant provisions, disclose further city-level nature and biodiversity assessment data and information. This will enable businesses to prepare and adapt to these new requirements.

- 4.3. To ensure nature-friendly construction practices and a sustainable future for Hong Kong, the Government should mandate biodiversity assessments in construction projects. This demonstrates a commitment to environmental stewardship, aligns with global efforts to protect ecosystems, and preserves our natural heritage. These assessments provide insights into project area biodiversity, enabling informed decision-making and the implementation of measures to mitigate negative impacts. By promoting biodiversity conservation and sustainable development, this mandate supports the ecological well-being of Hong Kong's surroundings.
- 4.4. Biodiversity and nature-based solutions (“NBS”) are critical for the sustainability and resilience of the Hong Kong business community. As all businesses depend on natural resources, including clean air, soil, and water, it is imperative to protect these resources. To achieve this, the Government should establish standards and recommended procedures to assist companies in integrating natural solutions into their daily operations.
- 4.5. To align with the principles and objectives of NBS, the Government should review and update its current policies. This involves integrating NBS into various public initiatives such as urban planning, infrastructure development, and environmental conservation efforts. For instance, NBS can be incorporated into coastal community planning and development, particularly in vulnerable areas like Tai O. These communities are at risk of being displaced by climate change-induced events such as rising sea levels, storm surges, and typhoons, and NBS can offer a natural defence mechanism against coastal hazards to protect these communities.
- 4.6. To promote the effective implementation of NBS in Hong Kong, the Government should prioritise research, innovation, knowledge, and adaptive learning. This includes reviewing existing research to identify gaps in understanding the effectiveness of NBS, developing new research initiatives to address these gaps, and promoting knowledge sharing across different sectors and organisations.
- 4.7. To promote NBS projects in Hong Kong, the Government can consider developing an interactive online map that presents project details and enables users to explore them based on location, organisation, ecosystem, or environmental challenge. This map will enhance public awareness of NBS, act as an educational resource, reveal Hong Kong's leadership in NBS, and contribute to the Government's sustainability objectives by encouraging collaboration between sectors.
- 4.8. To protect Hong Kong's marine environment, it is crucial to increase the establishment of marine protected areas (“MPAs”). As only 5% of Hong Kong's waters are currently designated as MPAs, the Government can identify and designate new areas as MPAs, including important habitats for endangered species, critical migration routes, and areas with high biodiversity.

## Enquiries

For queries related to this submission, please contact our Chief Executive Officer, Mr Simon Ng at [simonng@bec.org.hk](mailto:simonng@bec.org.hk).

Yours sincerely,



Kevin O'Brien  
Chairman  
Business Environment Council Limited