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Submission on the Public Consultation for the 2019-2020 Budget
Views from Business Environment Council Limited
商界環保協會有限公司

Over the last 26 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.

Background

In BEC's submission on the 2018 Policy Address, we made recommendations under eight different themes, namely climate change strategy, buildings energy efficiency, transport and logistics, waste and the circular economy, green finance, greener Greater Bay Area, smart sustainable city, and harbourfront.¹ We are pleased that some of the recommendations were taken up by Chief Executive Mrs Carrie Lam, and in this connection BEC urges the Government to provide adequate financial resources in the 2019 Budget to support the successful implementation of these policies.

¹ https://bec.org.hk/files/images/Resource_Centre/Submission/2018_CE_Policy_Address_-_Core_Submission.pdf

In the following paragraphs, BEC highlights the policy areas that we believe require budgetary support.

Buildings Energy Efficiency

Buildings are a major energy end-user in Hong Kong and improving buildings energy efficiency is crucial to conserving energy resources and reducing carbon emissions. In this regard, BEC wishes to highlight a previous recommendation² that would address one of the barriers to better energy efficiency performance in Hong Kong.

BEC suggests the Government establish a fund that supports pilot schemes for the installation of sub-meters in tenanted commercial premises. This will allow commercial tenants to pay their energy bills based on actual consumption rather than office floor area which inform them of their energy usage and hence may inspire them to adopt more energy saving practices.

Low-Emission Transport

The Chief Executive's 2018 Policy Address stated that the Government will "... continue to encourage the use of new energy vehicles ... [and] as the first step ... may consider ceasing the first registration of diesel private cars subject to consultation with stakeholders".³ BEC acknowledges the need for Hong Kong to progressively substitute diesel- and petrol-powered vehicles, both private and commercial, with new energy alternatives. In the same manner, it is pleasing that the Government announced the plan to phase out Euro IV diesel commercial vehicles by the end of 2023. BEC suggests that as the Government plans financial resources in the coming years to pay for the replacement scheme, it is worthy to consider rewarding vehicle owners with higher ex-gratia payment if they replace their vehicles earlier during the scheme (e.g. during the first rather than the last year of the scheme) or with vehicles that out-perform Euro VI emission standards.

On promoting the use of new energy vehicles, the current first registration tax concessions for electric vehicles (EVs) will last until 31 March 2021, and profit tax

² It was mentioned in the submission on the public consultation for the 2018-19 Budget:

https://bec.org.hk/files/images/BEC_Policy_Submission/BEC_Submission_on_2018-19_Budget.pdf

³ The Chief Executive's 2018 Policy Address, paragraph 268.

deduction for capital expenditure on environment-friendly vehicles will continue. BEC asks the Government to look beyond vehicle owners and operators to provide incentives to develop charging infrastructure and other support systems. For example, an incentive scheme can be set up to encourage the installation of EV charging facilities in existing premises as a means to expand the charging network. Funding should also be allocated to study the infrastructure need of new energy commercial vehicles, which has proven to be a different and more complex matter than that of private cars.

BEC welcomes the Government's plan to review the scope of the Pilot Green Transport Fund (PGTF). We urge the Financial Secretary to inject additional funds to the PGTF. With broadened scope and stronger financial backing, PGTF should, amongst other things, assist the transition to electric commercial vehicles that were proven successful in previous trials, as well as pilot the use of green technologies in local ferries and other vessels.

In addition to supporting the use of new energy vehicles and green technologies, the 2019-2020 Budget should initiate fiscal measures to manage the growth in private vehicles and the worsening of traffic congestion. BEC re-iterates our support for electronic road pricing (ERP)⁴ and strongly urges the Government to implement the ERP pilot scheme in Central and its adjacent areas as soon as possible.

Waste and Circular Economy

BEC fully supports municipal solid waste (MSW) charging as proposed in the Waste Disposal (Charging for Municipal Solid Waste) (Amendment) Bill 2018.⁵ With the Government making MSW charging revenue-neutral, it leads to opportunities and new resources to support waste reduction and recycling in Hong Kong.

To realise such potential, BEC asks the Government to specify how dedicated funds and additional financial resources will be allocated to achieve different means – including continued education, effective enforcement and on-the-ground support to players in the recycling and waste industry who need space and transport/logistics to

⁴ https://bec.org.hk/files/images/Resource_Centre/Submission/BEC_Submission_-_ERP_Pilot_Scheme.pdf

⁵

https://bec.org.hk/files/images/Resource_Centre/Submission/20181227_BEC_Support_Statement_on_MSW_Charging_Scheme.pdf

operate. Additional resources should also be directed to support extended producer responsibility in different product streams as a means to help producers minimise their environmental impact, especially during the post-consumer stage.

Climate Action and Decarbonisation

The United Nations Intergovernmental Panel on Climate Change special report on 1.5°C informed policymakers that rapid and far-reaching transitions and transformations across countries and sectors are required to combat climate change and to reduce the severity of climate impacts. BEC holds the view that in order to support and expedite more climate action from different sectors, the Government should continue its effort and commitment to develop Hong Kong into a regional green finance hub. Specifically, green financial products such as green bonds and green loans should be encouraged in the market to facilitate and support investments or practices that would contribute to decarbonisation.

BEC recommends the Government to put in place a dedicated fund that supports the business sector in building capacity for climate action and investing in decarbonisation. While the specific scope and management of the fund can be determined later, the principle is to incentivise, acknowledge and support companies with verified evidence of achieving carbon reductions, especially where there are other demonstrable environmental co-benefits. As a complementary measure, the Government may also consider offering tax incentives to businesses that invest in climate resilience.

To support and co-ordinate climate adaptation and resilience amongst government bureaux and departments, as well as to foster and strengthen partnerships between the Government, the business sector and other stakeholders, BEC suggests that resources should be provided to recruit a resilience officer to oversee such work.

Biodiversity

Green space and rich biodiversity are key to creating a green and healthy living environment in both Hong Kong and the Greater Bay Area (GBA). Limited resources for enforcement teams are a principal reason for the degradation of habitats of ecological importance in Hong Kong by fly-tipping and illegal dumping of construction waste. This degradation not only harms our biodiversity, it also undermines the

Government's commitments to conserve sites of high ecological importance under the Biodiversity Strategy and Action Plan and the Lantau Development Plan. Sites such as Mui Wo Marsh, Pui O, Shap Long, and the Deep Bay Wetlands are continually suffering progressive small-scale degradation, often with unauthorised site formation conducted at weekends and evenings. Since conserving these areas were presented as the quid pro quo for encouraging greater development elsewhere, such degradation undermines their value to the community and the GBA, and raises questions about the validity of previous commitments by the Government to protect them.

Correspondingly BEC recommends the Government to set aside resources to conduct a legal review of methods to strengthen land-use and lease condition enforcement to better enable enforcement; establish a multi-departmental enforcement taskforce to address illegal dumping, fly tipping and other forms of habitat degradation; and identify sites of high ecological value that are both threatened by persistent trashing and unauthorised development for resumption.

Conclusion

In summary, BEC asks the Government to invest in a sustainable, low-carbon, resource-efficient future and to incentivise appropriate action. These investments will make Hong Kong more competitive and resilient in the long run and will save future public spending. Some external costs to society can be internalised through fiscal measures under the polluter-pays principle or user-pays principle, such as MSW charging and ERP. Revenue generated from these policy measures should be ploughed back into the same policy area for dedicated use.

For queries related to this submission, please contact our Chief Executive Officer, Mr Adam Koo at adamkoo@bec.org.hk.

Yours sincerely,



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