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**Submission on the Public Consultation for the 2021-2022 Budget
Views from Business Environment Council Limited
商界環保協會有限公司**

Over the last 29 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 ranging from Hong Kong's major holding companies to small and medium-sized enterprises.

Global pandemic and green recovery

Since BEC's submission to the Government on the Chief Executive's 2020 Policy Address¹ almost 5 months ago, Hong Kong has yet to recover from the impacts of COVID-19 and other external factors such as deteriorating China-US relations. It is acknowledged that the Government's top priority is to focus resources on containing the pandemic and stimulating economic and social recovery. That said, BEC reiterates the importance of not losing sight of environmental issues and long-term sustainability and resilience of the city in the face of long-standing problems such as climate change, air pollution and waste management, among others. These are issues that require committed resources for the formulation of strategies and policies, the provision of suitable

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https://bec.org.hk/sites/default/files/policy_submissions/BEC_Submission_on_2020_Policy_Address.pdf

infrastructure, and the effective implementation of plans. The cost and implication of inaction is substantial.

BEC strongly suggests the Government to tackle both post-COVID-19 recovery and major environmental issues such as climate change together, through the provision of green stimuli to create a sustainable, resilient, inclusive and future-proof city. Hong Kong should take note from other leading countries and jurisdictions that have already rolled out recovery plans with conditions that include clear environmental or sustainability goals.² In the following paragraphs, we will discuss major areas where budgetary support is urgently needed.

Transition to carbon-neutral economy by 2050

In November 2020, Chief Executive Mrs Carrie Lam announced in her 2020 Policy Address that the Government “will strive to achieve carbon neutrality before 2050.”³ This landmark announcement echoes President Xi Jinping’s pledge for China to become carbon neutral before 2060 during the United Nations General Assembly in September 2020. It also provides a swift and positive response to the recommendations made by the Council for Sustainable Development in their report to the Government on the Public Engagement on Long-term Decarbonisation Strategy.

BEC welcomes an absolute carbon reduction target set by the Government and looks forward to an update of the Climate Action Plan in mid-2021. With target set and the formulation of plans in motion, BEC urges the Financial Secretary to prioritise financial resources in the 2021-22 Budget to support Hong Kong’s decarbonisation. As noted in previous submissions, BEC seeks to highlight that funding is needed for, but not limited to, the following:

- The establishment of a new, dedicated climate team within the government structure and the recruitment of a Chief Climate Officer, with sufficient power and resources, to oversee the implementation of the updated Climate Action Plan, the co-ordination of climate resilience and adaptation efforts across government agencies, as well as the fostering and strengthening of partnerships between the Government, the business sector and other stakeholders in society; and

² For example, in July 2020, the European Union agreed to create a €750 billion ‘Next Generation EU’ fund to help member states recover from COVID-19 with green strings attached, with 25% of the funding set aside for climate action (https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_en) Mayors of the C40 Cities also launched the *Agenda for a Green and Just Recovery* and the Global Mayors COVID-19 Recovery Task Force to rebuild their cities and economies in a way that improves public health, reduces inequality and addresses the climate crisis. (<https://www.c40.org/other/covid-task-force>)

³ The Chief Executive’s 2020 Policy Address, paragraph 126.

- The provision of stimuli and incentives to businesses of different size to decarbonise. The HK\$200 million Green Tech Fund being set up recently is a great example of focused funding support for the R&D and application of decarbonisation and green technologies.⁴ Other financial incentives, such as dedicated funding, interest-free loans, rent and rate relief, and tax concessions, could also be put in place (i) to support businesses in measuring carbon emissions, setting targets, and managing their carbon reduction plan; and (ii) to encourage other non-technical practices, such as the promotion of zero-waste, zero-carbon, energy efficient building design, energy and carbon audit and management, creation of jobs relating to decarbonisation and resilience, capacity building and staff training, plus climate risk assessment and management.

For individual businesses to meet their own carbon reduction target, apart from enhancing energy efficiency and shifting to cleaner technologies, another option is to procure renewable energy (RE) in the short- to medium-term. With limited RE available in Hong Kong, the Government will have a key role to play in facilitating the procurement of RE from outside of Hong Kong. To make this option commercially viable for local businesses, that is, with affordable and stable price, BEC suggests the Government to take these financial aspects into consideration in Budget preparation and planning.

Transitioning to zero-carbon transport

With the roadmap on the popularisation of electric vehicles (EVs) in Hong Kong due for completion and publication by the Government in the first quarter of 2021, BEC welcomes the \$2 billion EV-Charging at Home Subsidy Scheme⁵ that will promote the installation of EV charging-enabling infrastructure in car parks of existing private residential buildings in the next few years. In view of the growing demand and popularity of EVs in Hong Kong, BEC asks the Financial Secretary to prudently allocate additional resources for this Scheme so that the target of 60,000 private parking spaces could be surpassed, and other premises such as commercial buildings could also be included.

While home-based charging should form the backbone of Hong Kong's EV charging network for electric private cars (e-PCs), public charging facilities are also an integral part of the infrastructure to serve the needs of both e-PCs and electric commercial vehicles (e-CVs). At present, many public car parking spaces are owned by private owners. BEC encourages the Government to look into opportunities to incentivise these private owners to set up public charging

⁴ <https://www.gtf.gov.hk/en/index.html>

⁵ <https://www.evhomecharging.gov.hk/en>

facilities open for public use in normal operating hours, in order to significantly increase the number of public charging points. The incentive or subsidy can be set and reviewed regularly, taking into consideration the location, building type, power rating of charging facilities, and committed maximum charging fees.

Another way to enhance the public charging network and the utilisation of public charging facilities is to keep the charge point operators (CPOs) interested to invest in this business. With free charging, the market is distorted as EV owners would less likely utilise commercial public EV charging stations, which in turn dissuades the CPOs to invest further in charging facilities. In this connection, BEC recommends a two-pronged approach in that free charging should be progressively phased out in the government- or public sector-owned carparks and financial incentives could be provided to CPOs to encourage investment. For the regulated utility companies, we see their role as primarily (i) providing a limited number of geographically distanced charging points to underpin territory-wide coverage of a basic charging infrastructure, with a proportion of quick charging and multi-standard chargers to provide underlying resilience to the charging system and hence consumer confidence in purchasing and using EVs and (ii) the strategic and longer-term development of the targeted city-wide EV charging infrastructure, for public transport hubs and interchanges, key public transport operators, as well as facilities that are specialised or dedicated to particular usage applications.

Regarding vehicles, there are around 7,000 taxis (40% of the taxi fleet) which have been in service for over 10 years. More than 3,000 public light buses (PLB), or 70% of the entire PLB fleet, will reach the end of their typical life cycle within the next 3 years. As such, BEC urges the Financial Secretary to provide funding in the 2021-22 budget for the gradual replacement of these old taxis and PLBs in the coming years with low- or zero-carbon vehicles. Electric taxis and PLBs would be preferred, but other clean vehicle types should also be considered if they are the best available options. Missing this opportunity would mean another 10 to 15 years for the next major overhaul, and the consequent external cost to society in terms of air pollution and carbon emission will be very significant.

Aside from battery EVs, BEC also suggests the Government to allocate funding resources for exploring feasibility, supporting research and development (R&D), and facilitating the uptake of new energy vehicles and vessels in Hong Kong. For example, the use of green hydrogen fuel and fuel cell technologies in the road transport sector, primarily for heavy goods vehicles and buses, and the use of liquefied natural gas (LNG) in the maritime sector. As identified in the Council for Sustainable Development report to the Government on long-term

decarbonisation published in November 2020⁶, LNG is a market-ready transition fuel for Hong Kong. Riding on the opening of the floating storage and re-gasification unit (FSRU) scheduled in 2022, the Government should study the feasibility of LNG bunkering for the marine sector in Hong Kong for improving air quality and lowering carbon emissions.

Other than transitioning to zero-carbon vehicles, BEC maintains the importance of investing in Hong Kong's public transport system, especially the mass carriers such as railways and buses, in non-motorised and active transport modes such as walking and cycling, and in transport demand management measures like congestion charging. Avoiding and reducing motorised journeys should be an integral part of the comprehensive plan to decarbonise the transport sector.

Enabling a Circular Economy

As the *Hong Kong Blueprint for Sustainable Use of Resources* will expire in 2022, the Government will announce an updated long-term strategy on waste management this year. BEC has high hopes that the strategy will gear closer to a circular approach on resource use and management, rather than keeping a linear economy approach with emphasis on end-of-pipe waste treatment solutions. It is important that clear circular principles are integrated across different government functions and policies, and truly embedded in government operations.

Financial resources will be required to implement the required strategy. In this respect, BEC asks the Government to consider the following:

- Expedite the passing of the municipal solid waste (MSW) charging bill, as MSW charge premised on the “polluter-pays” principle is a proven means to drive behavioural change and achieve waste reduction, and an effective way to make recycling a financially viable option. Revenue from MSW charging could be ploughed back to enhance waste reduction and recycling, and support the transition from a linear to circular economy in the long term;
- Earmark funding and other financial incentives to support companies committed to promote zero-waste design, resource recovery and re-purposing through job creation, training and capacity building, R&D and innovation; and
- Provide resources to educate the wider public and school children on the circular economy, proper sorting, clean recycling, repair and maintenance

⁶ https://www.susdev.org.hk/download/report/council_report_e.pdf

through city-wide campaigns, school-based events, and community programmes.

Positioning Hong Kong as a Sustainable Financial Hub

BEC supports Hong Kong's position as the sustainable finance hub for the Greater Bay Area (GBA), facilitating the flow of green and sustainable capital into the GBA for the following:

- Develop green/sustainable infrastructure in the GBA (for examples, in municipal/private investments into waste, water, energy, transportation, and buildings);
- Extend the current Green Bond Grant Scheme to other sustainable finance products, such as green loans, sustainability-linked loans, etc;
- Provide government-backed innovative financing schemes to encourage the uptake of distributed renewable energy systems (for example, riding on the current feed-in tariff scheme); and
- Prominently establish Hong Kong as the hub to access international sustainable capital by organising GBA-focused sustainable finance events in Hong Kong, and attracting experts and human capitals through the setting up of professional training schemes in Hong Kong for GBA professionals.

Enquiries

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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