BUSINESS ENVIRONMENT COUNCIL 商界環保協會

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Response to Preliminary Development Proposals for Lung Kwu Tan Reclamation and the Re-planning of Tuen Mun West Area
Views from Business Environment Council Limited
商界環保協會有限公司

Over the last 33 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 engaging 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 300 member companies from Hong Kong's major holding companies to small and medium-sized enterprises.

Background

BEC takes the opportunity to provide industry feedback to the Government's forward-thinking "Development Proposal for Lung Kwu Tan Reclamation and the Re-planning of Tuen Mun West Area." The proposal outlines a significant land-use strategy to create approximately 301 hectares of new developable land. At its core is the vision to establish a **"Smart and Green Industrial Port" (「智綠產業港」)** focused on four pivotal industries: Green / New Energy, Advanced Construction, Circular Economy, and Modern Logistics.

This development represents a crucial opportunity for Hong Kong. Nonetheless, as the development also involves significant near-shore reclamation in an ecologically sensitive area, its success cannot be measured by economic output alone. True success will be defined by how the project balances industrial advancement with a profound commitment to environmental stewardship. It is therefore imperative that the project's planning and execution are deeply integrated with the city's most critical long-term strategies, including not only specific targets like the "Waste Blueprint for Hong Kong 2035," but more broadly with Hong Kong's overarching climate commitments as detailed in the "Hong Kong's Climate Action Plan 2050." This alignment is essential to ensure the project actively drives Hong Kong's transition towards carbon neutrality while safeguarding our valuable natural assets.

To translate the vision of a "Smart and Green Industrial Port" into a competitive, world-class reality, it is imperative that the project benchmarks against and learns from leading international and regional hubs. Ports in the Greater Bay Area, such as Shenzhen, are rapidly setting new global standards for smart and green operations, achieving remarkable efficiency

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gains and deep decarbonisation through the strategic deployment of technology and green infrastructure. Adopting this high level of ambition is not an option, but a necessity if the LKT/TMW development is to attract premier businesses and investment, and secure Hong Kong's long-term competitiveness.

This document is a response to the HKSAR Government's public engagement on the development proposal (LC Paper No. CB(1)1200/2025(05)). While this submission details policy recommendations representative of the business community, we believe that realising this ambitious vision requires a holistic, cross-sectoral, and genuinely "industry-led" planning approach that engages all stakeholders from the outset.

Response to Development Proposal

Developing a Strategic Governance and Investment Framework

To succeed, a project of this complexity and long-term nature cannot be managed through conventional institutional arrangement where different departments may work in silo. It requires a dynamic, empowered, and commercially astute governance structure.

1. **Establish a Coordinated Governance Mechanism**

   We recommend the Government explore establishing a high-level steering committee or a dedicated project office to oversee the long-term strategy and development of the industrial port. To be effective, this body should include significant representation from the four core industries, as well as logistics and finance experts. A more centralised and expert-led mechanism would help ensure agile decision-making, and that the infrastructure and policies developed are practical and aligned with real-world business needs.

2. **Leverage Innovative Financing Models like Public-Private Partnership ("PPP") and Blended Finance**

   Given the scale of investment required, we encourage the Government to actively explore and promote flexible PPP models for financing, building, and operating key infrastructure. Furthermore, the Government should advocate for blended finance structures that strategically combine public funds with private capital and philanthropic donations to de-risk investments and catalyse projects with high social and environmental value. Priority areas for consideration could include:

   - Sea-crossing bridge and road upgrades.
   - District-wide smart and green utilities (e.g. district cooling, water recycling).
   - Specialised facilities for advanced construction and circular economy industries.
   - Digital port community system.

3. **Align with the Hong Kong Taxonomy for Sustainable Finance**

   The "Smart and Green" positioning must be underpinned by verifiable standards. While a mandatory requirement may be premature given the data availability challenges in Hong Kong, the Government should encourage all developers and tenants within the Smart and Green Industrial Port to reference and align with the economic activities set out in the Hong Kong Taxonomy for Sustainable Finance. This approach would provide a clear, common language for investors, developers, and operators to attract green finance and prevent greenwashing, without unduly limiting the scope of potential tenants and development.

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4. **Consider Green Procurement with Transparent Assessment**

   The development can become a testbed to drive green business through procurement prescription. To ensure environmental accountability, procurement contracts, land leases, and financing agreements should embed green procurement principles. This includes requiring suppliers of key building materials to submit third-party reports such as verified life-cycle assessment ("LCA") detailing the full environmental impact of their products, particularly their embodied carbon. These results should be weighed significantly in procurement evaluation criteria to drive market demand for sustainable materials.

Green / New Energy

The 54 hectares allocated for Green / New Energy present a landmark opportunity to anchor Hong Kong's energy transition. To maximise its strategic value, we provide the following recommendations:

5. **Assess Existing Green Energy Capacity to Optimise Land Use**

   The development of the Green / New Energy hub at LKT should not occur in a silo. Before committing to new infrastructure, the Government should engage with the energy industry to conduct a thorough assessment of the existing landscape and capacity for green energy supply, with a particular focus on established hubs such as Tsing Yi, which currently serves as the primary centre for fuel storage and distribution. A strategic assessment should identify how existing assets can be repurposed or upgraded to support the blending, storage, and distribution of new green fuels. This will ensure that the development at LKT complements and optimises, rather than duplicates with existing facilities, preventing the under-utilisation of both new and existing assets in the energy transition.

6. **Develop a Hub for Green Marine Fuels**

   The global shipping industry is undergoing a massive fuel transition. To capture this opportunity, the LKT development must be planned as a hub for next-generation marine fuels, as mentioned in the Government's proposal (e.g., green methanol, green ammonia). We recommend that part of the strategic reserve be specifically positioned to attract pioneering pilot and commercial-scale projects in these emerging fields. This would cement Hong Kong's role as a key bunkering port for the green shipping corridors of the future. The Government should also take into consideration the potential synergy and differentiation with nearby ports in the Greater Bay Area ("GBA"). Fleet going to and from the area of modern logistics as specified in the proposal may also benefit from using these green marine fuels.

7. **Facilitate a Sustainable Aviation Fuel (SAF) Ecosystem**

   Given its proximity to Hong Kong International Airport and the Permanent Aviation Fuel Facility, the new development has potential to advance the sustainable aviation fuel ("SAF") ecosystem in Hong Kong. The Government should proactively engage with the aviation industry during the planning process to discuss feasibility of potential SAF blending infrastructure. This initiative is a critical step towards fostering long-term SAF consumption in Hong Kong, thus reinforcing the city's position as an international aviation hub. In January 2024, BEC launched the Hong Kong Sustainable Aviation Fuel Coalition Programme ("HKSAFC"). The group is committed to supporting the Government by

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providing industry insights and evidence-based policy recommendations regarding infrastructure for SAF blending, which the Government has also highlighted in its 2025 Policy Address.

8. **Enable Local Production of Transitional Fuels**

Hong Kong generates a significant amount of used cooking oil ("UCO") annually, a valuable feedstock for advanced biofuels. However, a substantial portion of this resource is exported elsewhere at the moment, representing a missed opportunity for Hong Kong's own decarbonisation efforts. The proposed development's strategic proximity to EcoPark, which already hosts a facility for converting UCO into first-generation biodiesel, provides a unique opportunity to create a more advanced and synergistic circular economy hub. By establishing a commercial-scale advanced biofuel production facility (such as Renewable Diesel / HVO, which has been drawing interests from those hard-to-abate sectors like heavy good vehicles, as identified in one of BEC's latest study report) in the new Green / New Energy area, Hong Kong can upgrade its existing "waste-to-energy" capabilities. This new facility could leverage the feedstock collection and initial processing networks already centred around EcoPark, creating a powerful industrial cluster. Building this local capacity would not only create a circular economy for a local waste stream but would also directly support the decarbonisation of the adjacent logistics and construction hubs, enhance local energy security, and capture the economic value currently being lost through export.

Advanced Construction

The allocation of approximately 47 hectares for an advanced construction park is a strategic move. To catalyse the advanced construction park, the industry needs certainty of demand. To create a truly integrated and circular industry hub, we recommend the following:

9. **Create Market Certainty through Strategic Procurement**

The Government can create a stable pipeline of demand by requiring the use of advanced construction technologies and materials produced in the new park for a significant percentage of future public works projects, including housing and infrastructure. This would provide the commercial certainty needed for companies to invest in large-scale, cutting-edge facilities.

10. **Foster a Circular Construction Ecosystem with EcoPark**

The park's strategic location offers a unique opportunity to create a closed-loop system for construction materials in synergy with the nearby EcoPark. The advanced construction park should become a hub for R&D and manufacturing of building materials that incorporate recycled content. This could include using recycled aggregates from construction and demolition waste, or developing new composite materials from recycled plastics and wood processed at EcoPark, thereby turning local waste streams into valuable construction resources.

11. **Pioneer a "Material Bank" for Future-Proofing**

The park should be designed to pioneer the concept of a "Material Bank" for Hong Kong. This involves promoting "Design for Disassembly" (DfD), where buildings are constructed as repositories of valuable components that can be easily recovered and reused at the end of a building's life. The park could host facilities for cataloguing, storing, and re-

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certifying these components, turning future demolition sites into valuable resource mines and fundamentally shifting the industry from a linear to a circular model.

12. **Prioritise Embodied Carbon Management**

    The Government should establish a project-specific embodied carbon baseline and set reduction targets for key materials like concrete and steel. Furthermore, a portion of the Advanced Construction Park should be dedicated to the R&D and commercialisation of low-embodied-carbon materials, such as mass timber, recycled aggregate concrete, and carbon-negative materials, while promoting local sourcing from within the GBA to reduce transport emissions.

Circular Economy

BEC is encouraged to see the Government's inclusion of the circular economy as one of the Planning Highlights in the new development area, with 32 hectares of land reserved. This commitment represents a significant step towards advancing sustainable resource management and fostering the growth of the circular economy. To maximise the impact, BEC recommends that the Government consider the following suggestions to achieve greater results with more effective efforts:

13. **Optimise Land Use and Create Local Synergies**

    According to the current proposal, 3 out of the 32 hectares of land reserved for circular economy development will be allocated from industrial land in Lung Kwu Tan, primarily earmarked for reorganising brownfield operations associated with circular economy activities in the area. BEC recommends that the Government explore opportunities to develop yard waste recycling and treatment facilities on this 3-hectare site, thereby strengthening synergistic ties with Y·PARK, which is situated in Lung Kwu Sheung Tan. In parallel, it is proposed that certain existing waste recycling operations currently based on brownfields be relocated to EcoPark or the new zone within Tuen Mun West. This relocation initiative would not only help mitigate environmental risks associated with the open-air storage of recyclables but also facilitate more efficient management of these operations within purpose-built, standardised facilities.

14. **Bridge the Logistics Gap with EcoPark**

    As the majority of the reserved land (29 out of the 32 hectares) is situated in Tuen Mun West, the Government should explore strategies to enhance synergy with EcoPark, particularly addressing the current spatial disconnect caused by intervening modern logistics and river trade terminal, which physically separate EcoPark from this 29-hectare circular economy zone. To bridge them, the Government could consider establishing a "Circular Logistics Corridor" featuring scheduled zero-emission freight routes and a shared transportation service, designed to streamline the efficient transfer of recyclable materials and processed resources between the new zone and EcoPark. Concurrently, a unified, shared digital platform could be developed to integrate real-time monitoring and management of recycling operations across both areas, enabling stakeholders to track material flows, coordinate processing capacities, and share data on waste inventory, recycled material stock, and end-product output. This integrated approach would reduce operational inefficiencies and information silos.

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15. **Support Industries Aligned with the Producer Responsibility Scheme**

For the planned Tuen Mun West circular economy zone, priority is recommended to be assigned to planning and reserving space for recycling industries focused on plastic beverage containers, beverage cartons, electric vehicle batteries, vehicle tyres, and lead-acid batteries, the core initial targets of Hong Kong's Producer Responsibility Scheme ("PRS"). Proactively prioritising these sectors in the zone's development planning will lay the groundwork for a dedicated recycling ecosystem tailored to PRS-aligned waste streams. This forward-looking arrangement will ensure that sufficient industrial capacity is in place to support the upcoming PRS implementation, facilitating smoother uptake of regulated waste collection, processing, and resource recovery.

16. **Foster High-Value Upcycling and GBA Export Opportunities**

It is important to note that the development of the circular economy industry also emphasises supporting local green technology sectors to commercialise research outcomes into marketable products, for example, upcycling local waste materials into high-value goods. Building on this, it is recommended that the Government explore cross-border collaboration within the Greater Bay Area ("GBA") focused on the export of such high-value recycled products, leveraging the planned Tuen Mun West zone's strategic coastal location.

17. **Establish a Circular Economy R&D and Incubation Hub**

Beyond co-locating recyclers, the Government should dedicate space to establish a world-class R&D Centre for Circular Economy. This hub would serve multiple functions: fostering local business model innovation, attracting overseas talent and investment, acting as an educational and demonstration site for new technologies, and building international partnerships, particularly within Asia. This would create a focal point for local talent and help their circular solutions expand overseas.

<u>Modern Logistics / River Trade Terminal ("RTT")</u>

The development of the approximately 41 hectares allocated for modern logistics / RTT should aim to create a world-class green port for river trade vessels by integrating sustainable infrastructure and operations. It is crucial to benchmark against and learn from leading ports in the region that have made significant strides in smart and green development, leveraging technology advancement in operations such as 5G, AI, and automation with driverless trucks and green technology such as Onshore Power Supply ("OPS") and other green fuel for bunkering service.

18. **Integrate Green Port Infrastructure**

The plan should incorporate critical green port components from the outset. This includes developing comprehensive OPS facilities to eliminate emissions from docked vessels and designing infrastructure to support the use of renewable energy and transitional fuels in port operations.

19. **Foster Synergy with the Green Energy Hub**

A key strategic advantage of this co-location is the ability to create a closed-loop energy system. The modern logistics hub should be designed to be an offtaker for applicable

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green fuels produced at the adjacent Green / New Energy hub. This would create a living laboratory for decarbonising port operations, from drayage trucks to terminal equipment.

20. **Digitalise Port Operations**

To enhance efficiency and reduce emissions, the Government should invest in digital infrastructure, such as a port-wide 5G network and a digital "Port Community System," to enable smart logistics. The "planning flexibility" mentioned in the proposal should be clearly defined to allow for high-value-added activities (e.g., automated repackaging, cold chain logistics) beyond basic warehousing.

Building Future-Proof, Resilient, and People-Centric Infrastructure

A smart and green port is an ecosystem that must be resilient and attractive to talent, supporting the goal to create approximately 35,000 job opportunities.

21. **Invest in Smart and Green Utilities**

The planned transport links (sea-crossing bridge, Lung Mun Road upgrade) must be designed with redundancy and climate resilience in mind. Furthermore, the Government should have the vision and co-invest in "smart and green" utilities, such as a district cooling system, a smart power grid ready for high-capacity charging, and comprehensive water recycling network across the park.

22. **Create a High-Quality Environment**

The "mixed facilities" mentioned in the proposal must be planned in detail to attract and retain talent. This includes reliable public transport, canteens, basic retail, and childcare facilities. The "eco-shorelines" and "green channels" should be designed as genuine amenities for the working population.

23. **Assess Climate Risks and Budget for Adaptation**

The planned development is along the coast and more susceptible to climate change impacts. A formal climate risk assessment should be conducted for the specific industries and critical infrastructure planned for the site. This assessment should model the potential impacts of sea-level rise, extreme heat, and storm surges on the operational viability and financial performance of the core industries, informing more targeted and effective adaptation strategies. Crucially, the Government should require that these climate adaptation plans include dedicated budgets for implementation. This would address the common difficulty of securing board-level approval for such expenditures and ensure that resilience measures are not just planned but funded and executed.

Conserving Nature and Biodiversity

24. **Acknowledge the Critical Ecological Value of the Site**

Lung Kwu Tan ("LKT") holds critical ecological significance as a coastal habitat for several land and marine species. A main concern is for the Chinese White Dolphin – a locally protected species and recognised as an endangered species on global lists such as CITES Appendix 1 and vulnerable under the IUCN's Red List of Threatened Species. The dolphin population in North Lantau Waters is acknowledged by the CEDD's Project Profile as a

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water-sensitive and ecological sensitive receiver that would be directly impacted by reclamation activities. Beyond marine life, the site also supports rich terrestrial biodiversity. A WWF-HK report released this year cites Lung Kwu Tan as one of Hong Kong's butterfly hotspots having recorded over 150 species of butterflies in the area, and 54 at-risk species which include butterflies but also birds, freshwater fish, and reptiles.

25. **Conduct Pre-Development Ecological Baseline and Ecosystem Services Studies**

Considering this, comprehensive ecological baseline studies should be conducted prior to any development or reclamation activities to establish a holistic understanding of both terrestrial and marine biodiversity and safeguard existing biodiversity. This is especially critical given that the proposed plans are situated within a highly sensitive coastal area to ensure that baseline ecological conditions are fully documented and accounted for before any disturbance occurs. Additionally, ecosystem services in the area must be fully assessed - using blue accounting for both the reclamation site and its surroundings - to understand how proposed reclamation may affect these vital services. This highlights the need for comprehensive marine and coastal spatial planning to protect and restore priority conservation zones before development.

26. **Consider Strategic Environmental Assessment**

According to Schedule 3 of the EIA Ordinance (Major Designated Projects Requiring EIA Reports), any urban development or redevelopment project covering an area of more than 50ha requires an EIA to be conducted. Considering this Project's potential reclamation extent is estimated at around 145ha, BEC recommends the Government to consider conducting a Strategic Environment Assessment ("SEA") to consider environmental impacts beyond the project boundary. As suggested by the EPD's Strategic Environmental Assessment Knowledge Centre, SEA is a proactive mechanism to incorporate nature considerations into spatial planning to support suitable development, focusing on the early stages of overall planning and decision-making. One of the stated SEA objectives notes it should be used to identify and understand the cumulative environmental impacts that are not fully handled by project-specific EIAs, and integrate environmental considerations, rather than just to mitigate impacts.

27. **Create Values Beyond Mitigation**

In addition to mitigation measures, the Government should consider implementing biodiversity enhancement measures to not only mitigate, but improve biodiversity levels. International examples, such as the UK's 10% Biodiversity Net Gain ("BNG"), should be referenced. The BNG aims to drive net positive impacts to the local natural habitat compared to that of before development. The Government should also consider other measures, such as habitat creation, revitalisation of habitats (such as coral communities), or replanting native plant species on surrounding land, to ensure a holistic effort is made beyond just mitigation and compensation once development is completed.

28. **Prioritise Nature-based Solutions (NbS) for Climate Resilience**

Nature-based Solutions ("NbS") are proven to be highly effective to improve not only biodiversity but also climate resilience, with particular benefits for climate-vulnerable environments. Given the location of the proposed development, NbS should be holistically considered in the early stages of planning and development strategy to ensure climate

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resilience along the coastal site which can support climate adaptation and risk of flooding and future sea level rise. Blue-green infrastructure elements should be considered, as well as sustainable urban design concepts to enhance climate resilience. Should a formal NbS guideline be released prior to this project's development, the actions recommended within the framework should also be holistically integrated into planning and design stages.

Conclusion

BEC supports the strategic vision to establish a "Smart and Green Industrial Port", recognising its potential to strengthen Hong Kong's green industries and foster sustainable economic growth. We also recognise that this development covers or is connected to ecologically sensitive areas. The recommendations outlined in this submission are designed to offer a pathway to create additional, lasting value by creating market demand and embedding biodiversity enhancement, circularity, and climate resilience into the very foundation of the project. By adopting this ambitious approach, the Government can transform inherent challenges into opportunities for innovation towards a sustainable port.

Enquiries

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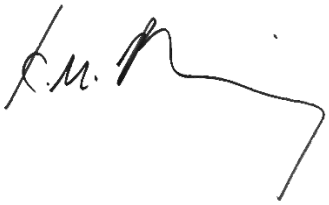
Yours sincerely,



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