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**Submission on the Chief Executive's 2022 Policy Address**  
**Views from Business Environment Council Limited**  
商界環保協會有限公司

Over the last 30 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.

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. Climate Change and Decarbonisation

- 1.1. The Government announced Hong Kong’s Climate Action Plan 2050 (“CAP2050”) in October 2021, committing to achieve carbon neutrality before 2050. The CAP2050 also outlines the overall strategies, plans and targets to reduce carbon emissions and address climate change adaptation and resilience. BEC welcomes the reduction targets set by the Government and looks forward to the implementation of decarbonisation measures, as well as the early establishment of the Office of Climate Change and Carbon Neutrality to monitor and accelerate the progress. The Government should not focus only on the 2050 goal but also the interim 2035 target of halving city-wide emissions. Early and aggressive mitigation actions are needed to avoid carbon lock-in, which otherwise makes carbon neutrality more challenging and costly to achieve. For example, an energy inefficient building constructed today will continue to emit more greenhouse gases for decades.
- 1.2. Actively fighting against climate change is essential to help Hong Kong stay competitive and prosperous, as it will drive green growth, incubate industries with solutions, and create jobs. There are plenty of examples from Mainland China as well as other jurisdictions like Europe. Hong Kong shall also be the pioneer to support Mainland China’s commitment to achieve carbon neutrality by 2060. BEC recommends the Chief Executive to inform the strategic importance of green growth to all bureaux/departments and factor in climate change as one of the priorities in governance.
- 1.3. Climate risks are increasing, and business sectors need to address physical risks such as sea-level rise, but they are not able to assess and mitigate risks solely on their own.

There is a need of stronger central coordination mechanism at government level to disclose transparent climate-relevant data, information and plans, as well as engaging business continuously. The new Office of Climate Change and Carbon Neutrality should consider capacity to support requests from the business sectors when setting up its responsibilities.

- 1.4. The Government should devote time in educating the whole city on what carbon neutrality means and how it can be achieved in the Hong Kong context. Currently many discussions are at the high level on policies as well as large corporate actions. The Government should be careful not to leave out individuals and smaller firms, as otherwise they may find the topic much distant from their daily lives. Inclusiveness and behaviour change of the whole society is the key to success. In addition, the provision of measurable targets and indicators in different areas and industries will help everyone understand better the concept of carbon neutrality, allow transparent benchmarking between companies, and accelerate climate actions as peers compete between themselves on performance.
- 1.5. With 60% of the greenhouse gas emissions in Hong Kong attributed to electricity generation, the Government should continue efforts with the power companies in searching for and investing in new development opportunities to help ensure an orderly transition away from coal by 2035 or earlier. This includes further increasing the share of clean energy in the local fuel mix for electricity generation and continuing to explore ways to enhance regional cooperation on zero-carbon energy. To reach the long-term net-zero ambition, further investment is needed in the research and development of adequate infrastructure for clean energy transmission and emerging technologies like green hydrogen (given also its potential with large commercial vehicles) and battery storage. The Government should also lead by example by driving the demand of renewable energy through public infrastructure projects, e.g. integrating solar panels with highway acoustic barrier projects.
- 1.6. As buildings consume around 90% of Hong Kong's total electricity and are thus a major greenhouse gas emitting sector, continuous efforts should be given to promoting the implementation of various energy-saving measures and exploring wider application of digitalisation and innovation on analysing building performance. Cross-sector cooperation is needed to support the above, in which the Government should incentivise, better engage, and strengthen collaboration with the business sector and wider community. The Government may lead by benchmarking performance of buildings under its management against international and domestic green building standards and insert green leasing requirements. According to BEC's experience, large corporates have been taking self-initiatives as there are cost saving incentives, and BEC suggests the Government focus on providing support such as subsidies to small and medium enterprises and citizens as upfront investment costs may be a barrier to them, as well as removing regulatory barriers for maintenance works required under green building standards.
- 1.7. Construction is well known as an industry of high embodied carbon emissions. Besides emissions occurring at the operational stage of existing buildings, BEC encourages the Government to also place attention over building design and construction phase to minimise the whole lifecycle carbon emissions of buildings. Designs should adopt latest technologies like those mentioned in the section on Sustainable Living Environment below. The Government should continue to enforce the DEVB TC(W) No. 13/2020, encourage the adoption of various strategies including early electrification in construction sites (as application rate remains relatively low in public projects), use of other electrical equipment,

construction with digitalisation tools, procurement of low embodied carbon or recycled raw materials, and other innovating construction methods. BEC will continue to support actions (e.g. estimation of power needed at sites, approval permit streamlining) via the Power Up Coalition, a BEC sectoral initiative that supports the construction industry to decarbonise towards zero-emission construction.

- 1.8. With climate-related issues gradually incorporated into corporate governance and strategy, regulations concerning their transparency have become more stringent. The Securities and Futures Commission (“SFC”) and the Hong Kong Exchanges and Clearing Limited (“HKEX”) are also evaluating a climate-first approach to implement the upcoming International Sustainability Standards Board (“ISSB”) reporting standards for listed companies. The Government should play an active role to enhance corporate sustainability, especially on climate risk management, green business opportunities and target setting. Sector-specific guidelines on climate resilience practices and disclosures would be needed to complement regulatory control. Measurement and disclosure are important steps to sustain climate actions. In this regard, BEC has launched a new initiative in 2022 – the Carbon Disclosure Programme, which provides capacity building to companies and supports them to start the disclosure journey through credible platform.
- 1.9. Progress has been made in regulatory frameworks for certain sectors and financial institutions, including listed companies, banks and asset managers. BEC urges the Government to accelerate the establishment of guidance for decision-making and requirements for disclosure of insurance companies and pension trustees, in order to implement mandatory climate-related disclosures aligned with the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations no later than 2025, for reasons of risk management, beneficiary protection, as well as social responsibility fulfilment.
- 1.10. CAP2050 is a good starting point but more needs to be done. BEC would like to highlight below challenges that BEC members identify commonly as Hong Kong moves towards carbon neutrality, for the Government to consider further actions: 1) demand gap of climate change and sustainability talents remains, and education institutions need to step up efforts to educate next generation as changemakers; 2) embodied carbon is a key area to address but discussions remain fragmented over its importance, material inventory, accounting and potential standards.

## 2. Circular Economy

- 2.1. BEC is delighted to witness the passing of the municipal solid waste (“MSW”) charging scheme by the Legislative Council in August 2021. The scheme will be the main driving force in meeting the objective of waste reduction in Waste Blueprint for Hong Kong 2035 (“the Blueprint”), which encourages enterprises and public to practice waste reduction and recycling proactively. As demonstrated by cases in other major cities like Seoul and Taipei City, MSW charging should reduce overall amount of waste disposal at source effectively.
- 2.2. As highlighted in BEC's past submissions, BEC emphasises the importance of adopting the circular economy approach in Hong Kong to maximise the life cycle of products and reduce waste to a minimum. In fact, Mainland China and other countries like France have high-level laws on circular economy to provide better ground for circular actions. The Government should steer more discussions on circular economy since it remains a new term and not familiarised by the public and major businesses in Hong Kong. It is important that the Government emphasise to the society that circular economy is not just about waste management, but also focusing on reducing resource depletion through earlier life

- cycle interventions, like product design, repair, and reuse, etc. For instance, BEC also pledges to establish a Task Force on Repair and Reuse and support further upstream circular economy practices in Hong Kong. Given international practice (e.g. France is the first country to introduce a mandatory reparability index on electronic and electric products) and local consumption patterns, furniture, textile and electrical and electronic equipment (“EEE”) could be promising sectors to address further<sup>1</sup>.
- 2.3. Successful practice of circular economy needs to demonstrate business case. The Government should consider measures that identify and match both demand- and supply-side, e.g. strengthening policies on credible labelling, green public procurement and exploring regional cooperation when local circular options are not available.
  - 2.4. The Blueprint specifies a medium-term target of reducing the per capita MSW disposal by 40-45% and increasing the recovery rate to about 55%. BEC believes proper building design and management can largely contribute to meeting the target in the upper stream of the material cycle. Under BEC’s in-house research on Zero Waste Design for Buildings, effective practices are identified to assist waste reduction, including: (i) creating ecosystem to promote reuse culture, (ii) providing platforms for sharing goods and services, (iii) providing various facilities to reduce waste generation (e.g. drinking water stations), (iv) embracing digitalisation to avoid waste generation and support recycling, and (v) engaging building occupant on awareness raising. In addition, better waste diversion at buildings can also be achieved through: (i) providing well-managed collection facilities with sufficient space for different waste streams, thus equal convenience for disposal, and (ii) adopting technologies like reverse vending machines and onsite food waste treatment facilities. BEC suggests the Government prioritise initiatives at buildings to help ease pressure of downstream waste management. This may potentially include providing regular subsidies for food waste collection and expanding centralised recyclable collection schemes (e.g. the latest Green Collect service) at buildings.
  - 2.5. The Government also pledged stronger downstream measures over waste separation and resources circulation. Currently waste separation practices are largely based on manual sorting. In the European Union and some Asian countries, material recovery facilities (“MRFs”) are widely adopted to sort and process recyclables mechanically. MRFs have common benefits like requiring less space for waste stream separation at residential and commercial buildings and ensuring good quality of feedstock for recycling facilities. However, MRFs are also costly in general and in most cases require government intervention on space and budget provision. BEC suggests the Government consider the suitability of developing MRFs in Hong Kong, while BEC is conducting desktop research and market interviews to help understand the potentials of MRFs adoption in Hong Kong.
  - 2.6. Food waste treatment remains an unsolved challenge in Hong Kong. While O-PARK1 and O-PARK2 have a combined treatment capacity over 500 tonnes per day, daily food waste generation stands at more than 3,000 tonnes. Still, it may be difficult to run the facilities at full capacity due to the lack of policies to direct domestic food waste (accounting for

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<sup>1</sup> Hong Kong produced 153 000 tonnes of electronic waste in 2019, nearly 0.29% of E-waste globally, while around 3.4% and 5% of municipal solid waste are textile waste and furniture waste.

three-quarters of food waste generated) to the treatment facilities. The implementation of MSW charging even prompts the urgency to answer the question as general citizens still have no means to separate food residues. By contrary, e.g. South Korea's waste charging covers food waste by providing separate bags or bins for collection. On the other hand, besides centralised treatment facilities, the Government may, starting through providing incentives to the commercial and industrial sector, promote innovations and practices that encourage decentralised or on-site food waste handling. This also reduces inefficiency and costs, and eases burden to the centralised treatment facilities.

- 2.7. The Government recently consulted a market-led mechanism of the Producer Responsibility Scheme on Plastic Beverage Containers (“PPRS”). In BEC's submission to the Government, which encourages a push for early passage of PPRS, BEC holds an open view on operating the PPRS through a market mechanism, provided the system has a robust and transparent data registry over beverage containers of concern and their flows in the value chain of the PPRS as a common problem of waste streams in Hong Kong is traceability. Upon implementation, lessons should be drawn to extend regulations to cover other single-use plastic containers.
- 2.8. Like the consultation on PPRS, the Government gradually progresses to regulate more types of disposables. While moving in the right direction, the implementation mechanisms could vary widely between waste streams. There is a potential risk of casting confusion over the public and leading to mistrust over recycling practices in Hong Kong. The Government should take the opportunity to actively provide the public with more guidance on handling different disposables and knowledge on their recycling process.
- 2.9. BEC members shared views that many people face challenges and confusion over different eco-label claims, e.g. differences between compostable, biodegradable, oxo-biodegradable, bio-based, etc. Consumers at both industrial and individual levels in general lack enough knowledge on product selection. Mishandling of different eco-labelled disposables may further contaminate recycling streams. BEC suggests the Government work towards more precise and robust eco-labelling practice in Hong Kong and makes timely communication to consumers on proper disposal and treatment of such waste.

### 3. Sustainable Living Environment

- 3.1. In the past few years, the Government needed to balance the objective of building a liveable city and formulating pandemic measures. But in fact, the pandemic has also provided the city opportunity to innovate for better living environment, as demonstrated by the improved air quality management in public spaces for disease prevention, and the use of Modular Integrated Construction (“MiC”) for the construction of Penny's Bay quarantine facilities. BEC encourages the Government to continue adopting appropriate technologies to promote (post-)COVID resilience in the short term, as well as to improve the economic outlook and living standards of citizens in the long term.
- 3.2. MiC has the potential to simultaneously tackle the issue of embodied carbon emissions in the construction sector, the housing shortage and its affordability in Hong Kong, the latter being a key policy objective of the Chief Executive. The main challenge faced by the construction sector is the high labour costs and labour shortages locally. BEC recommends the Government to foster greater technical and regional collaboration with cities in the Greater Bay Area (“GBA”) like Zhaoqing, which are well-positioned to support Hong Kong's developments with resources and rapid advances in MiC technologies.

- 3.3. Smart building technologies have experienced rapid advances in energy-saving capacities and will be an integral part of achieving carbon neutrality before 2050. In particular, the Building Information Modelling (“BIM”) technology is highlighted as one of the key initiatives in the Smart City Blueprint. However, not all players in the construction and property management sector have the means or incentives to adopt such technologies. As such, the Government should ensure wider adoption of innovative technologies for more industry players on new and existing buildings. BEC recommends the Government to (i) provide relevant financial incentives or support schemes, such as for small and medium enterprises (“SMEs”); (ii) incorporate smart building technologies into the Building Energy Code (current version from 2021, next update in 2024); and (iii) promote diagnostics and predictive solutions for building operation and maintenance.
- 3.4. Electric Vehicle (“EV”) ownership has been steadily increasing but the difficulty in locating a charging spot or the long-wait time is still one of the main deterrents for some drivers to switching to EVs. The Environment and Ecology Bureau (“EEB”) acknowledges this problem by introducing the “EV-Charging Easy” mobile app in June 2022, which provides real-time EV charger vacancy information to drivers. While there are similar apps mostly run by EV-charger providers, they run in silos, which still poses inconvenience to EV drivers. BEC recommends the Government to work with private stakeholders (e.g., property management, EV charger operators) to establish a common portal for the sharing of real-time charger vacancy and related data, which removes silos and encourages the greater adoption of EV. The Government should also go beyond passenger cars to support further the electrification of Hong Kong’s public transport and commercial vehicles, given their potential in driving decarbonisation and roadside air emissions reduction.
- 3.5. As the number of EVs continues to grow, the Government needs to promote smart EV charging stations with load management system to manage power distribution to chargers when vehicles are charging simultaneously. This helps optimise charging services when more vehicles arrive to charge and allows more chargers to be installed, especially in older areas whether there is limitation on electricity capacity.
- 3.6. To actualise the Government’s vision for a smart and carbon-neutral community, BEC urges the Government to promote greater technology use for the wider community. For example, autonomous driving or ‘Demand-responsive Transport’ can serve to reduce roadside emissions and enhance the connectivity of citizens. The Government should further mainstream discussion of Mobility as a Service (“MaaS”) in Hong Kong society. Moreover, new town developments such as Northern Metropolis and Lantau Tomorrow can act as ideal testing grounds for various technologies. In support of this, BEC has published a report “Smart and Sustainable City Development: Hong Kong and International Experiences” to provide policy recommendations on this matter and is currently considering a Task Force on Digitalisation to accelerate discussions on how smart technologies can help improve the city’s liveability.
- 3.7. As Hong Kong moves to decarbonise and strives for better air quality for the citizens, the Government should continue to provide support to other transport sectors beyond road transport, which also helps to maintain Hong Kong’s competitiveness on international trade and business. Stated in the Clean Air Action Plan for Hong Kong 2035, the Government has committed to taking forward the use of LNG bunkering in the marine transport sector. There is wide consensus among the industry that the development of LNG bunkering is mature in other jurisdictions, and BEC recommends the Government to

step up its effort to work with the industry in developing relevant standards and licensing procedures, as LNG still has a major role to play as a transition fuel in the sector.

- 3.8. Likewise, the commercial aviation industry is under pressure to decarbonise. As zero-carbon energy and technologies such as electric and hydrogen fuel cell are not yet market-ready, especially for medium- and long-haul operations that account for almost three-quarters of the industry's CO<sub>2</sub> emissions, the up-scaling of the use of sustainable aviation fuel ("SAF") becomes crucial. BEC strongly recommends the Government to put in resources to create an environment conducive to the development of SAF infrastructure and supply in Hong Kong, including financial incentives to the private sector and funding for R&D in SAF production, which will help Hong Kong businesses to reduce Scope 3 emissions on the one hand, and strengthen Hong Kong's position as the aviation hub in the GBA on the other hand.

#### 4. ESG & Sustainable Finance

- 4.1. Advancement in green and sustainable finance ("GSF") has been evident in recent years, both on investment amount and number of projects. BEC recognises the function of GSF in promoting capital allocation for transition towards a net-zero and environmentally sustainable society. Leveraging Hong Kong's world-class regulatory framework and its role to facilitate global capital flows with Mainland markets, BEC continues its support to the Government's GSF Cross-Agency Steering Group in strengthening Hong Kong as a green finance hub. In particular, BEC urges the Government to expedite the development of a green classification framework for an early adoption of the Common Ground Taxonomy by the International Platform on Sustainable Finance in the local market.
- 4.2. By providing clearer definitions around terminology related to climate neutrality and disclosure requirements with misconduct inspection mechanism, the Government will help reduce greenwashing behaviour of corporates through low-quality green finance products. On the other hand, quasi-government entities and SMEs have limited opportunities to participate in GSF. The Government should provide relevant financial measures and support access to the right products. Enabling green technology solution providers to take on CAPEX risks through GSF will help accelerate technology innovation in Hong Kong.
- 4.3. Emission trading system can play a key role in reducing global carbon emissions cost-effectively and achieving a carbon neutral economy. With an increasing number of trading systems around the globe, carbon markets are expected to grow significantly. HKEX has recently launched the Hong Kong International Carbon Market Council to explore carbon opportunities in the region and develop carbon market plans. BEC encourages the Government to closely work with the financial sector in this regard, actively pursue the opportunities as identified by the GSF Cross-Agency Steering Group in its preliminary feasibility assessment of carbon market opportunities for Hong Kong and strengthen collaborations in the GBA, aiming to develop Hong Kong into a regional carbon trading centre with an active and high-quality voluntary market.
- 4.4. To close the gap on the required funding for net-zero transition, BEC supports the Government to raise market capital and provide incentives for investment in supporting local and regional green and sustainable infrastructure projects, like some of those mentioned above along with nature-based solutions. BEC encourages further initiatives to be set out by the GSF Cross-Agency Steering Group, the HKMA Infrastructure Financing Facilitation Office and other mechanisms.

4.5. BEC welcomes the setting up of the Pilot Green and Sustainable Finance Capacity Building Support Scheme announced in the 2022-23 Budget. With promising opportunities and prospects for GSF around the world, BEC encourages the Government to continue building up the talent pool and maintaining a good capacity for ESG and GSF in Hong Kong, to keep abreast of the global trend and meet the demand for expertise in this area.

## 5. Nature

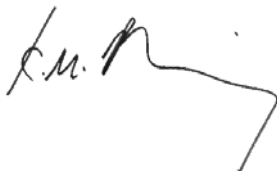
5.1. Nature-based solutions (“NBS”) can be understood as actions taken to protect and sustainably manage nature to address different societal challenges like climate change mitigation and adaptation, food security, human health etc., benefiting both human well-being and biodiversity. The term has become more popular over the years as it highlights more the multiple benefits of nature than conventional practice of nature conversation for environmental purpose only. BEC recommends the Government to lead the promotion of NBS concepts and demonstrate the use of NBS in public works, as little is being discussed at government level.

5.2. This is of high relevance to Hong Kong, a city with high population density and scarce land. In many cases it is difficult to separate human beings and nature. The development of Northern Metropolis (especially the wetland areas) and Lantau Tomorrow Vision are clear examples where conflicts arise between development and conservation. NBS provides the opportunity for the Government to break the silos of polar opinions, actively manage natural environments thus adding values to existing ecosystem and enhance the urban resilience of Hong Kong. At the business level, business success is reliant on a sustainable supply on materials. Understanding the biodiversity impact along value chain minimises business disruption and helps business review investments with high biodiversity risks. BEC designates NBS as cross-cutting topic and the team will work with nature experts and support the Government to educate developers and companies on NBS and its importance, cost-benefit valuation and best practices.

## 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,



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