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Mr TSE Chin Wan, BBS, JP
Secretary for Environment and Ecology
Hong Kong Special Administrative Region Government
16/F, East Wing, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Secretary Tse,

**Submission on the Update of Hong Kong's Climate Action Plan 2050
Views from Business Environment Council Limited
商界環保協會有限公司**

Over the last 34 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.

As the global climate discourse evolves, BEC recognises that achieving long-term sustainability requires balancing ambitious emission reductions with a pragmatic clean energy transition and robust climate adaptation strategies. 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 non-profit membership organisation comprising over 300 member organisations including multinational corporations, listed companies, small and medium-sized enterprises, startups and NGOs.

Part I - Background and Context

The upcoming 5-Year Review and Update of Hong Kong’s Climate Action Plan (“CAP”) 2050 arrives at a critical moment.

Globally, the macroeconomic and geopolitical landscape has shifted. While long-term carbon neutrality remains the ultimate destination, international focus is increasingly pivoting towards the immediate realities of the clean energy transition, energy security, and climate adaptation. Extreme weather events are intensifying, and global energy markets remain volatile, necessitating a strategy that prioritises resilience and affordability alongside decarbonisation.

As Hong Kong strives to achieve a **50% carbon reduction by 2035** and **carbon neutrality before 2050** compared to the 2005 baseline, the updated plan must also align with the Paris Agreement and China's updated 2035 Nationally Determined Contributions ("NDCs").

A Strong Foundation: Recognising Hong Kong's Progress

BEC commends the HKSAR Government for the substantial and measurable progress delivered under CAP2050 since its launch in 2021. Hong Kong's total carbon emissions have maintained a downward trend since peaking in 2014, **a reduction of almost 30%** from the 2014 level.

Encouraging momentum is evident across all pillars of the Plan:

- **Net-zero electricity generation:** The share of coal in the daily generation fuel mix is being progressively reduced, with zero-carbon energy reached around 25% in 2025 and 60–70% by 2035.
- **Energy saving and green buildings:** Around 3.7 billion kWh of electricity has been conserved in 2024 compared with 2015, underpinned by the Buildings Energy Efficiency Ordinance and the Mandatory Energy Efficiency Labelling Scheme.
- **Green transport:** Electric vehicles have moved firmly into the mainstream, with newly registered electric private cars rising from around 6% of the total in 2019 to about 70% in 2024, complemented by a rapid expansion of charging infrastructure (from roughly 1,000 in 2015 to some 90,000 by end-2024) and the roll-out of hydrogen fuel-cell trials.
- **Waste reduction and recycling:** Municipal solid waste has passed its peak and entered a steady downward trend, with the overall recovery rate rising to around 33% and three large-scale waste-to-energy facilities (T·PARK, O·PARK 1 and O·PARK 2).
- **Nature, adaptation and green finance:** Country and marine parks now cover approximately 40% of Hong Kong's land area; extensive urban-forestry, flood-prevention and coastal-protection works have strengthened climate resilience; and Hong Kong has consolidated its standing as Asia's largest green and sustainable bond hub, arranging around 45% of the region's issuances.

These achievements provide a strong and credible foundation on which the updated CAP2050 can build, and reflect the Government's sustained commitment to Hong Kong's climate ambition.

From Progress to the Next Phase: Emerging Gaps

At the same time, the reductions achieved to date have largely captured the more accessible abatement opportunities. The next phase of deep decarbonisation will be considerably more demanding, requiring the city to overcome significant market barriers, mobilise private capital

at scale, and decarbonise sectors where mature, cost-competitive solutions do not yet exist. Recent global energy disruptions have further underscored the critical importance of energy security and affordability. Against this backdrop, BEC has identified several gaps that the updated CAP2050 is well placed to address.

On the **energy and grid** side, the Government should set out concrete clean energy transition actions in their 1st and subsequent Five-Year Plans, to keep businesses abreast of a credible and transparent progress of the energy transition pathway, not only a long-term net-zero promise, but also science-based target-setting and financing, while hard-to-abate sectors such as maritime, aviation and heavy industry need a diversified low-carbon energy portfolio including electricity, low-carbon gases, hydrogen, biofuels and other clean fuels during the transition course.

In the **built environment**, the transition must move beyond voluntary measures towards mandatory performance disclosure, deep retrofitting of the existing stock, and the growing challenge of embodied carbon in construction.

In **transport**, commercial vehicles, ocean-going and local vessels, and aviation each face distinct barriers of adopting new energy that a one-size-fits-all approach cannot resolve.

In **waste and resources**, the recent pause of Municipal Solid Waste Charging has altered the local reduction timeline and left the private sector seeking predictable policy signals, reinforcing the case for an upstream shift towards prevention, reuse and a genuine circular economy.

Beyond the four original strategies, several areas that the original CAP2050 did not fully anticipate have grown in importance. These include the need for **economy-wide carbon mapping and broader sectoral support** (such as aviation, maritime, industrial process emissions and refrigerants), the largely unquantified potential of **nature and carbon sinks**, the elevation of **climate adaptation** to a strategic, government-led priority commensurate with mitigation, and the central role of **green finance** in mobilising capital and enabling the 98% of Hong Kong enterprises that are SMEs to participate in the transition.

Aligning Climate Ambition with Economic Success

To maintain credible targets and sequence actions carefully, the Government must undertake careful planning to ensure targets and timelines are realistic and implementable, with clear dependencies (e.g., infrastructure readiness, technology maturity, and supply certainty). Recent global energy disruptions have highlighted the critical importance of energy security and affordability.

Crucially, the updated CAP2050 must be designed not only to deliver decarbonisation but also to enable business continuity, unlock new business opportunities, ensure cost-effectiveness

for industry, and reinforce Hong Kong's economic success, competitiveness and connectivity. Climate policy and economic strategy must be aligned, with sectoral transition plans clearly linked to Hong Kong's wider economic, trade and hub-status goals.

To support effective implementation of the updated CAP2050, the Government should establish a structured public-private climate transition platform, drawing reference from international best practices, to facilitate ongoing collaboration between Government and stakeholders. Such a mechanism could support regular dialogue on implementation challenges, monitor transition progress, identify opportunities for innovation and investment, and ensure that climate ambition remains aligned with economic competitiveness and business realities.

To ensure the transition is both business-friendly and practically achievable, BEC urges the Government to adopt the following industry-led policy recommendations across the four major decarbonisation strategies and emerging aspects.

Part II - Policy Recommendations Highlights

BEC's recommendations are organised into **eight strategic areas**:

- **Four major strategies**, retained and refreshed from the original CAP2050:
 - Strategy 1: Clean Energy Transition & Grid Resilience
 - Strategy 2: Energy Saving & Green Buildings
 - Strategy 3: Green Transport
 - Strategy 4: Circular Economy
- **Four emerging strategic areas** that have grown in importance since 2021.
 - Strategy 5: Decarbonisation Pathway & Broader Sectoral Support
 - Strategy 6: Nature & Carbon Sinks
 - Strategy 7: Adaptation & Resilience
 - Strategy 8: Green Finance

The four major strategies remain the most material sources of Hong Kong's emissions and continue to require deepening action. We suggest strengthening the original framing:

- Firstly, expanding the scope of "Net-zero Electricity Generation" to *Clean Energy Transition & Grid Resilience*, reflecting that businesses now need long-term net-zero promise that is backed by a credible and up-to-date progress of the energy transition pathway and a resilient grid, not only a long-term net-zero promise. While the import of zero-carbon energy shall be covered in the Government's 1st and subsequent Five-Year Plans for regional cooperation, local net-zero electricity generation will remain an important element of the city's decarbonisation strategy and should be included in the Five-Year Plans.

- Secondly, from “Waste Reduction” to *Circular Economy*, signalling a shift from end-of-pipe management to upstream prevention, eco-design, reuse, repair and resource recovery.
- Next, it is also critical to include aviation and maritime sectors in the “Green Transport” strategy, as these are key industries with high energy consumption, which will become major sources of emissions by 2030, and maintaining Hong Kong as a leading hub in both sectors means leadership in decarbonising these sectors as well.

The **four emerging strategic areas** respond to developments that the original CAP2050 did not fully anticipate. These include the mapping of Hong Kong’s decarbonisation sectoral coverage and pathways, the intensification of physical climate risks and management, the rising importance of nature in urban resilience, and the central role of green finance in mobilising capital for the transition.

Taken together, the 4+4 structure is designed to make the updated CAP2050 **more comprehensive** (covering the full economy, including hard-to-abate sectors and essential Scope 3 emissions faced by businesses), **more pragmatic** (sequencing actions against infrastructure readiness, technology maturity, and supply certainty), and **more business-implementable** (giving companies the policy signals, data, and financial tools they need to act).

In addition, the Government must strengthen collaboration among industry, academia and research institutions to develop future-ready capabilities in emerging energy solutions, carbon management, sustainable finance and low-carbon technologies. Targeted training, professional certification and skills development programmes can help build a robust talent pipeline, support innovation and accelerate the deployment of decarbonisation solutions across the economy.

Furthermore, the Government should also integrate robust public engagement initiatives into the CAP2050 update to raise awareness, drive behavioural change, and build broad-based support for Hong Kong’s net-zero transition and the proposed strategies. By implementing targeted schemes, the Government can effectively incentivise citizen participation and foster a deeply rooted culture of sustainability and supporting climate change actions across the community.

The next section presents a concise synthesis of each strategy, followed by a consolidated annex table mapping detailed actions of the 8 strategies to the relevant government and non-government stakeholders, which will be attached separately for reference.

Four Major Strategies

Strategy 1: Clean Energy Transition & Grid Resilience

Synthesis

This strategy decarbonises Hong Kong's energy supply while keeping the grid stable, affordable, and resilient. It enhances grid infrastructure and set out transparent Government's policy directions to guide corporate target-setting and financing decisions, maximises local and regional zero-carbon energy supply, facilitates regional cooperation on zero-carbon energy transition, and builds a diversified multi-fuel portfolio, spanning green hydrogen, alternative and transitional biofuels to decarbonise the sectors that cannot rely on electrification alone. A dedicated central coordinating function for energy, for example, an Energy Office, can be explored to integrate these interdependent workstreams.

Rationale ("Why")

Electricity generation accounts for 61% of Hong Kong's total emissions, making it the most consequential lever for the city's climate ambition. Direct electrification, paired with a progressively cleaner grid, is the most efficient and scalable pathway for the majority of end uses, including buildings, transport, and commerce.

Strong grid decarbonisation signals will help corporates anchor science-based targets and providing references for their pursuit of sustainable finance. Publishing granular, forward-looking decarbonisation pathways is not, however, a matter that power companies can resolve unilaterally: it depends on clear Government policy direction and regulatory certainty. Grid decarbonisation disclosure is a joint Government–utility undertaking.

Expanding the availability of alternative low-carbon solutions, improving the affordability of Renewable Energy Certificates ("RECs") and accelerating their wider adoption providing alternatives will broaden the range of low-carbon options to corporate buyers. Given Hong Kong's geographic and land constraints, pairing indigenous renewable capacity with regional clean energy supply will be essential.

On the other hand, several sectors central to Hong Kong's economy cannot rely on electrification alone, underscoring the need for low-carbon energy carriers and associated regional infrastructure. This has important implications for the power sector: emission abatement options such as CCUS and green hydrogen would similarly depend on regional transport, storage and supply-chain infrastructure. Hard-to-abate / -electrify sectors such as maritime, aviation, and heavy industry could benefit from a diversified portfolio of energy solutions, such as green hydrogen, ammonia, methanol, SAF, and biofuels. Close G2G coordination will therefore be essential to strengthen collaboration with the Greater Bay Area and enable shared regional infrastructure development, which will reinforce Hong Kong's role as a global maritime and aviation hub.

In the near term, drop-in biofuels can offer a deployable, lower-carbon option for construction, road, marine, and aviation users. Structured collection and processing of Used Cooking Oil (“UCO”), which is valuable feedstock for many types of biofuels, could also strengthen Hong Kong’s circular economy.

Building this portfolio will help these hard-to-abate sectors transition at pace, keep Hong Kong competitive as an international maritime, aviation, and trading hub, and position the city to capture new business opportunities in the regional clean fuels and hydrogen economy.

Delivering this portfolio requires sustained coordination across bureaux, utilities, infrastructure providers, terminal and airport operators, and cross-boundary partners. The Government should explore a dedicated Energy Office, or an equivalent central coordinating function, with a clear mandate covering energy transition planning, fuel diversification, infrastructure sequencing, standards and cross-boundary energy cooperation. A single, accountable point of coordination would give industry greater clarity on where to engage, reduce duplication between departments, and help ensure energy security, affordability and decarbonisation objectives are weighed together rather than in isolation.

Recommendations (“What”)

1. **Requiring a Predictable Grid Decarbonisation Pathway** to Incorporate planned actions of grid decarbonisation into the Government’s 1st and subsequent Five-Year Plans to give business sectors greater visibility to set credible science-based targets and providing references for their pursuit of sustainable finance, while preserving fuel-mix flexibility to maintain energy security, reliability and affordability.
2. **Accelerating Local Renewables, Innovation, and Regional Cooperation on Clean Energy** to maximise indigenous clean electricity with Hong Kong’s land and grid constraints and to broaden the cost-effective low-carbon options for corporate buyers.
3. **Prioritising and Scaling Green and Low-Carbon Hydrogen and Alternative Fuels** to provide hard-to-abate sectors with viable low-carbon energy options, position Hong Kong as a regional offtake and infrastructure hub, and unlock investment in clean energy supply chains.
4. **Driving Sustainable Biofuels Adoption and Exploring Local Circularity** to deliver near-term, drop-in fuel solutions for, construction, road, marine, and aviation users, while strengthening Hong Kong’s circular economy through structured Used Cooking Oil collection and processing.
5. **Exploring a Dedicated Energy Office to Coordinate the Transition** to integrate energy transition planning, fuel diversification, infrastructure sequencing and

cross-boundary cooperation, providing industry with a single accountable interface and ensuring energy security, affordability and decarbonisation are considered together.

Strategy 2: Energy Saving & Green Buildings

Synthesis

This strategy accelerates the decarbonisation of Hong Kong's built environment through a bifurcated approach: driving deep energy efficiency and behavioural change in existing buildings, while pushing the boundaries of innovative green technologies and low-carbon materials in new builds.

Rationale (“Why”)

Buildings are central to Hong Kong's decarbonisation journey, accounting for around 90% of the city's electricity consumption. As cooling demand, digitalisation, data centre expansion and emerging AI-enabled applications continue to increase electricity use, incremental efficiency gains alone will not be sufficient to achieve carbon neutrality. Hong Kong's ambition to develop into an international innovation and technology hub is expected to drive further growth in data centres, which are among the most electricity-intensive building types. This reinforces the need for stronger energy performance monitoring, transparency and efficiency standards across both conventional commercial buildings and digital infrastructure. The deployment of cloud computing and AI-enabled energy management solutions should be encouraged, where appropriate, to improve resource utilisation and reduce building-related emissions. According to the Asia Cloud Computing Association, cloud infrastructure is at least five times more efficient than typical APAC on-premises data centres. The International Energy Agency also found that the PUE of cloud data centres was 1.345 in 2024, significantly outperforming that of traditional data centres, at 1.88.

A more urgent and systematic approach is required to reduce energy demand in existing buildings while ensuring that new developments are designed to minimise both operational and embodied carbon over their full life cycles.

For existing buildings, which comprise the vast majority of Hong Kong's building stock, deeper retrofitting, greater energy transparency and wider deployment of smart technologies are needed to unlock substantial energy savings, particularly in energy-intensive systems such as HVAC. While energy benchmarking and disclosure can improve transparency, transparency alone does not necessarily drive action. Many building owners continue to face economic, operational and split-incentive barriers that discourage investment in energy-saving measures, particularly where landlords bear the costs of retrofits while tenants realise the resulting energy savings. As Hong Kong progresses towards more ambitious decarbonisation goals, stronger market-based mechanisms may be needed to create clear economic incentives for continuous improvements in building performance and deeper retrofitting of the existing building stock.

For new developments, there is an opportunity to integrate innovative low-carbon technologies and materials from the design stage. At the same time, as operational emissions decline with grid decarbonisation, embodied carbon from construction materials will become an increasingly important source of emissions requiring dedicated policy attention.

Recommendations (“What”)

1. For Existing Buildings: Mandating EUI Transparency & Accelerating Retrofitting:

Progressively strengthen the Buildings Energy Efficiency Ordinance (“BEEO”) by requiring mandatory disclosure of Energy Use Intensity (“EUI”) for commercial, institutional and government buildings, starting with Government buildings to lead by example. As Hong Kong’s building stock evolves, the Government should complement energy-efficiency requirements with a greater focus on whole-system carbon performance, encouraging building owners and operators to optimise emissions outcomes through the most appropriate combination of energy efficiency measures, electrification, gas, renewable energy, district cooling, energy storage and other low-carbon solutions.

As data centres become an increasingly important component of Hong Kong’s digital infrastructure and electricity demand, the Government should also develop sector-specific energy performance benchmarking and reporting frameworks, including Power Usage Effectiveness (“PUE”) monitoring, adoption of recognised best-practice operational standards, and recognition of cloud computing technologies’ sustainable benefits.

2. For New Builds: Streamlining Green Tech Approvals & Addressing Embodied Carbon:

Establish a fast-track, inter-departmental approval mechanism to facilitate the safe and rapid deployment of innovative green building technologies. Collaborate with industry practitioners to standardise lifecycle assessment databases (e.g., CIC database) for embodied carbon, verification, quality assessment and recognition of Chinese Mainland’s EPDs for use in Hong Kong projects and embodied-carbon calculations to encourage the use of low-carbon construction materials.

3. Exploring Cap-and-trade Potential for Building Sector:

Explore the long-term potential of market-based mechanisms that could strengthen incentives for building owners and operators to improve energy performance and reduce emissions. Drawing on international experience, including Tokyo’s building-sector cap-and-trade programme, Hong Kong should assess the costs, benefits and practical implications of any building-sector decarbonisation framework in light of local market conditions. The implementation of emissions trading systems does come with complexity and administrative burden and take time to evolve, priority should first be given to strengthening energy benchmarking, performance disclosure, incentive schemes and financing mechanisms that can drive energy efficiency improvements and emissions reductions in a more practical and cost-effective manner.

Strategy 3: Green Transport

Synthesis

This strategy delivers a holistic, multi-modal framework to decarbonise Hong Kong's transport sector across road transport, maritime transport, and aviation. It acknowledges that transitions in each sector happen at different speeds and aligns sectoral transition plans with Hong Kong's wider economic goals, safeguarding its position as a premier international logistics and aviation hub. The Green Transport strategy also needs to dovetail with energy and infrastructure planning to ensure a holistic approach to decarbonisation.

Rationale (“Why”)

Decarbonising Hong Kong's transport sector requires differentiated pathways that reflect the operational realities, technology readiness and economic role of each transport segment. While electrification represents the long-term direction for many applications, transition speeds will vary significantly across road transport, maritime transport and aviation.

Furthermore, international aviation and maritime transport both are central to Hong Kong's role as an aviation, maritime and trading hubs, and both now face global decarbonisation regimes: the IMO's net-zero framework for shipping and ICAO's CORSIA for aviation. Ports and airports that cannot serve green-fuelled fleets risk losing traffic to regional rivals, while early movers can capture new business in green bunkering and Sustainable Aviation Fuel (“SAF”) supply chains. A successful strategy should therefore combine near-term emissions reductions with long-term transformation while safeguarding Hong Kong's competitiveness as an international logistics, maritime and aviation hub.

Road Transport

While electrification is widely recognised as the long-term decarbonisation pathway for road transport, the transition speed differs significantly between passenger vehicles and commercial fleets. Hong Kong has achieved substantial progress in private electric vehicle adoption, but commercial vehicles—including heavy goods vehicles, construction equipment, coaches, container tractors and certain specialised fleets, for instance those used in the logistic sector, continue to face practical challenges related to vehicle costs, charging infrastructure availability, operational downtime and depot space constraints. These barriers may take years to fully overcome.

Given the urgency of reducing emissions this decade, relying solely on fleet electrification, which is subject to charging infrastructure readiness, risks delaying near-term carbon reductions and limits options for those companies with immediate decarbonisation targets (e.g. through SBTi). Sustainable drop-in biofuels, such as Hydrotreated Vegetable Oil (“HVO”, also known as Renewable Diesel), can provide up to 90% immediate greenhouse gas reductions with utilising existing engines and refuelling infrastructure with minimal operational disruption. While fleets continue to be electrified, biofuels can serve as an important immediate and

transitional solution for hard-to-electrify commercial vehicle segments, especially for companies with near-term and long-term science-based targets. Some companies have also been exploring low-carbon and green methanol and hydrogen as complementary solution for hard-to-electrify transport applications.

Government policy should therefore adopt a dual-track approach: accelerate the deployment of commercial electric vehicles where technically and economically viable, while recognising the interim role of sustainable drop-in biofuels in delivering immediate emissions reductions from legacy fleets. This approach maximises cumulative emissions reductions during the transition period instead of waiting for full fleet electrification to occur.

Maritime Transport

Decarbonising the maritime sector requires differentiated pathways that reflect the distinct operating characteristics of ocean-going vessels and local harbour craft. Unlike road transport, maritime decarbonisation is heavily influenced by wider vessel range requirements, fuel availability, international regulations and infrastructure constraints.

For ocean-going vessels, battery electrification is currently impractical for most long-haul routes due to energy density limitations and extended voyage requirements. As international shipping companies increasingly align with IMO decarbonisation targets, demand for alternative marine fuels—including green methanol, sustainable biofuels, ammonia and other low-carbon fuels—is expected to grow. To maintain Hong Kong's competitiveness as an international maritime centre and green marine fuel bunkering and trading hub, the city must develop the infrastructure and regulatory framework necessary to support future low-carbon fuel supply and bunkering services.

At the same time, substantial emissions are generated while ocean-going vessels are berthed at port. The deployment of Onshore Power Supply ("OPS") can significantly reduce local air pollutants and greenhouse gas emissions by allowing vessels to switch off onboard auxiliary engines and connect directly to the electricity grid during port stays, which becomes more mainstreamed as companies gradually strengthen their GHG reduction policies.

In contrast, vessels operated in local Hong Kong water generally operate over shorter and more predictable routes within Hong Kong waters, making electrification an increasingly attractive long-term decarbonisation pathway for many new vessels. However, many existing vessels have relatively long service lives and may remain in operation for decades. Replacing or electrifying the entire fleet within a short timeframe may therefore be neither technically nor economically feasible.

At present, local marine vessels continue to rely predominantly on conventional fossil fuels, contributing to greenhouse gas emissions as well as local air pollutants that affect air quality in Hong Kong's coastal and harbour areas. While electrification should be prioritised for new

vessels and suitable operating profiles, low-carbon and drop-in alternative fuels may provide an important transitional pathway for existing vessels that are not yet ready for full electrification. A successful decarbonisation strategy should therefore evaluate the most suitable technology pathways for different vessel classes and deployment timelines, while avoiding long-term carbon lock-in and delivering early improvements in both carbon emissions and local air quality. Moreover, vessel replacement cycles, charging infrastructure requirements and regulatory certainty will play a critical role in determining the pace of deployment. Early action is therefore needed to avoid locking in high-emission vessel technologies for decades to come.

Aviation

Aviation is one of Hong Kong's most strategically important industries, underpinning the city's position as a leading international aviation, logistics and business hub. However, it is also one of the most hard-to-abate sectors to decarbonise due to the limited availability of commercially viable alternatives to conventional jet fuel for long-haul air transport. Unlike road transport, where electrification is advancing rapidly, large-scale battery-electric or hydrogen-powered aircraft are unlikely to play a meaningful role in long-distance aviation in the next decade. SAF will be the primary lever for decarbonisation.

In addition to domestic decarbonisation objectives, Hong Kong's aviation sector must increasingly respond to evolving international climate obligations. The International Civil Aviation Organization ("ICAO") has established the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") and adopted a Long-Term Global Aspirational Goal ("LTAG") of net-zero carbon emissions from international aviation by 2050. As airlines serving Hong Kong progressively face Sustainable Aviation Fuel ("SAF")-related requirements, emissions reporting obligations and carbon compliance costs under international frameworks, Hong Kong must ensure that its aviation ecosystem is prepared to support and enable a cost-effective transition.

For Hong Kong to remain a leading aviation hub, it also needs to lead on aviation decarbonisation as this is a global trend. This means leading on SAF uptake, because SAF is regarded as the most credible near- and medium-term pathway for reducing aviation emissions. SAF remains significantly more expensive than conventional jet fuel, while global production capacity and supply chains are still developing. Many jurisdictions are introducing SAF mandates to stimulate demand, but these measures may also increase compliance costs if sufficient supply is not available. For an international aviation hub such as Hong Kong, decarbonisation policies must therefore balance environmental ambition with the need to maintain competitiveness, connectivity and affordability.

Hong Kong should focus on creating the necessary demand-side and supply-side supports for a successful SAF transition. This includes collaborating with the GBA and Chinese Mainland in developing SAF supply and infrastructure, facilitating market demand, aligning criteria with

emerging international reporting and accounting frameworks, and providing regulatory certainty that enables long-term investment decisions. A flexible and pragmatic approach will allow Hong Kong to support aviation decarbonisation while preserving its role as a leading global aviation gateway.

Recommendations (“What”)

1. Establishing Sub-sector Decarbonisation Roadmaps and Performance Metrics:

Develop a comprehensive transport decarbonisation framework with sector-specific transition pathways, interim milestones and performance indicators covering road transport, railways, aviation support equipment and maritime transport. Targets should reflect the operational characteristics and technology readiness of different transport sub-sectors, including private vehicles, commercial freight and logistics fleets, buses, taxis, railways, local harbour craft, ocean-going vessels and aviation support equipment. A combination of absolute emissions reductions, carbon-intensity indicators, energy efficiency metrics and fuel-transition indicators should be adopted to provide a transparent and measurable basis for tracking progress. The framework should provide long-term policy certainty, guide infrastructure investment decisions, and ensure transport decarbonisation remains aligned with Hong Kong's climate objectives and economic competitiveness.

2. Road Transport: Accelerating Commercial Vehicle Decarbonisation:

Accelerate the transition towards low-carbon commercial road transport through a dual-track approach. Prioritise commercial vehicle electrification by addressing charging infrastructure constraints, land-use bottlenecks and vehicle cost barriers, while supporting battery circularity through recycling and repurposing initiatives.

Concurrently, establish a policy framework that recognises, provides clearer regulatory pathways, incentives and import facilitation measures for the adoption of sustainable drop-in biofuels, such as HVO, facilitating them as transitional solutions for vehicle fleets with long services lives facing near-term electrification barriers or immediate decarbonisation requirements. Current legislation that restricts the deployment of 100% HVO for vehicles on road needs to be reviewed in accordance with international practice.

3. Maritime Transport: Providing Multi-fuel Options for Ocean-going Vessels and Addressing Hong Kong Waters Emissions:

Establish a comprehensive maritime transition framework that supports both international and local vessel decarbonisation pathways.

For ocean-going vessels, accelerate the development of green marine fuel bunkering capabilities, supporting storage, transfer and supply-chain infrastructure, while facilitating wider adoption of Onshore Power Supply (“OPS”) to reduce at-berth emissions. Strengthening green fuel receiving, storage, transfer and bunkering facilities at ports, anchorages and container terminals will further reinforce Hong

Kong's position as a leading regional green marine fuel bunkering, trading and maritime services hub.

For vessels operating in Hong Kong waters, develop a technology-neutral decarbonisation roadmap covering electrification, sustainable biofuels and other low-carbon marine fuel options across different vessel classes and operating profiles. The framework should prioritise emissions reductions, improve local air quality and avoid long-term carbon lock-in, while ensuring charging, battery-swapping and fuel infrastructure are developed in parallel.

4. **Aviation: Developing a Sustainable Aviation Transition Framework and Regional SAF Ecosystem:** Establish a dedicated aviation decarbonisation framework that aligns Hong Kong with evolving ICAO requirements while preserving its competitiveness as an international aviation hub. The framework should include sectoral emissions pathways, SAF supply chain development, infrastructure planning, book-and-claim readiness, demand-side incentives, and alignment with international reporting and accounting standards. Focus should be placed on reducing SAF cost premiums, strengthening regional and GBA collaboration, and providing long-term policy certainty for investment. The GBA production, Hong Kong blending and application model supports SAF feedstock pre-processing and production in the Greater Bay Area while developing blending, certification, storage and airport fuelling infrastructure locally. At the same time, deepen industry-academia-research collaboration to advance sustainable feedstocks, waste-to-fuel pathways, synthetic aviation fuels and next-generation SAF technologies, positioning Hong Kong as a leading green aviation hub and a showcase for low-carbon aviation innovation.
5. **Cross-sector Green Fuel Ecosystem: Developing Hong Kong as a Regional Green Fuels Trading, Certification and Services Hub:** Launch pilot programmes to attract local, Mainland and international enterprises to participate in SAF, green marine fuel and related infrastructure projects. Expedite the establishment of a Hong Kong green fuel certification centre and develop internationally recognised lifecycle carbon accounting, sustainability verification and certification systems covering fuel production, transportation, storage and end-use. Leverage Hong Kong's strengths in finance, professional services and commodity trading to develop a regional trading ecosystem for energy and low-carbon fuels, including SAF, green methanol and other emerging fuels, strengthening Hong Kong's position as an international financial, trading and sustainability services centre.

Strategy 4: Circular Economy

Synthesis

This strategy transitions Hong Kong from a linear “take-make-dispose” model to a robust circular economy, positioning resource management as a core decarbonisation lever. The

proposed strategy addresses both direct emissions from downstream waste disposal and indirect emissions from upstream production.

First, the strategy targets direct landfill emissions by diverting food waste, which accounts for roughly one-third of landfill volume, formulating a clear post-MSW charging roadmap, and optimising regional recycling synergies. Second, to fully align with the waste management hierarchy, it shifts the focus upstream to reduce waste at the source and enhance the repairability and recyclability of products, thereby decreasing indirect emissions. Ultimately, this strategy simultaneously lowers both direct and indirect GHG emissions, enhancing resource efficiency, and ensuring local enterprises remain competitive in an increasingly regulation-driven global market.

Rationale (“Why”)

A significant proportion of global greenhouse gas emissions is associated with how products and materials are produced, consumed and managed throughout their lifecycle. Circular economy approaches therefore complement energy decarbonisation by reducing emissions embedded in materials, products and supply chains while improving resource productivity and resilience. Therefore, Hong Kong should address both these indirect lifecycle impacts and its direct waste emissions.

Direct waste emissions in Hong Kong primarily stem from landfills, where food waste accounting for roughly 30% of the total disposal volume. As such, establishing a comprehensive strategy that prioritises prevention, mandates commercial collection, and expands decentralised treatment is essential to mitigate GHG emissions from waste.

Waste reduction and recycling, alongside Waste-to-Energy (“WtE”) facilities, serve as the two major directions in Hong Kong’s waste management strategy. Initially, the Municipal Solid Waste (MSW) Charging scheme was envisioned as the core driver for waste reduction. However, its recent pause has altered the anticipated timeline, leaving the private sector seeking predictable policy signals to justify green investments aimed at lowering their waste-related carbon footprints. To regain corporate momentum, the Government is expected to articulate a clear post-MSW charging roadmap.

Concurrently, to make the recycling pillar truly viable, the Government should continue to support local recycling industry and explore regional collaboration within the Greater Bay Area (“GBA”) for processing high-value secondary materials. This is crucial, as Hong Kong’s high land costs and short lease tenures currently hinder local recyclers from adopting advanced, energy-efficient technologies.

Furthermore, in addition to mitigating direct emissions, a robust climate strategy should consider indirect emissions to boost long-term business competitiveness. Relying predominantly on downstream WtE facilities is insufficient for achieving carbon neutrality.

Incinerating fossil-based waste generates direct CO₂ emissions, and these mega-facilities face strict capacity limits. This points to the need for upstream intervention to incentivise waste reduction at source, reward product repairability and recyclability, and encourage widespread green procurement. These actions fully align with the waste management hierarchy by prioritising reduction, reuse, and recycle over mere recovery.

Overall, to provide greater policy certainty and guide circular transition, the Government is expected to upgrade the current Waste Blueprint into a comprehensive Circular Economy Roadmap.

Recommendations (“What”)

1. **Executing a Comprehensive Food Waste Decarbonisation Strategy** to aggressively cut landfill methane by mandating commercial source separation, expanding decentralised treatment networks, and promoting private sector partnerships to drive upstream food waste prevention.
2. **Formulating a Clear Post-MSW Charging Strategy** to maintain corporate momentum in waste reduction. This includes providing a reassessment timeline, exploring a phased introduction starting with major commercial and industrial (“C&I”) emitters, outlining alternative policies to bridge the gap, and accelerating the legislative timeline to mandate the setup of recyclable collection points.
3. **Supporting the Local Recycling Industry and Exploring Regional Synergies** to make the recycling pillar reliable. Key actions include providing longer land tenures for local recyclers, establishing a government-led digital platform to map all collection points, exploring the use of advanced sorting facilities, enacting enabling policies to support decentralised treatment facilities, and pursuing government-led frameworks within the GBA for high-value secondary materials.
4. **Shifting Focus to Upstream Intervention** to cut the carbon footprint of consumer goods by incentivising waste prevention at the design stage, rewarding product repairability and recyclability, and driving widespread green procurement.
5. **Transforming the Waste Blueprint into a Circular Economy Roadmap** to ensure policy predictability and steer the city's transition.

Four Emerging Strategic Areas

Strategy 5: Decarbonisation Pathway and Broader Sectoral Support

Synthesis

This strategy makes the updated CAP2050 truly economy-wide. It extends to emission sources the current Plan treats lightly and consolidates scattered measures into sectoral roadmaps supported by a Marginal Abatement Cost Curve (“MACC”). It also establishes the governance, coordination and stakeholder engagement mechanisms needed to support implementation, monitor progress and align climate ambition with economic competitiveness.

Rationale (“Why”)

CAP2050 is built around Hong Kong’s territorial greenhouse gas inventory. This rightly prioritises the largest sources: electricity generation (61.5% of 2024 emissions) and transport (18.3%). It leaves others lightly covered: non-road fuel use in commercial, industrial and domestic premises at 7.2%; Industrial Processes and Product Use (“IPPU”), including refrigerants and SF6, at 5.0%; and Agriculture, Forestry and Other Land Use (“AFOLU”) at 0.1%, which is relevant to carbon sinks. Together these exceed 12% of territorial emissions, a gap the updated Plan can close while keeping reporting aligned with international standards. Aviation and maritime sectors are also currently excluded from inventory scope due to constraints in greenhouse accounting on international transport, despite both sectors being key contributors to Hong Kong’s economy with carbon impacts (which we provide recommendations in Strategy 3 Green Transport).

In high-emitting and hard-to-abate sectors, measures have been introduced gradually. Each is sound, but together they do not form a visible trajectory: neither Government nor business can judge their cumulative effect, and companies lack the forward view needed to time capital investment, fleet replacement and retrofits. Sectoral roadmaps, underpinned by a MACC that ranks options by cost per tonne abated, would give both a shared basis for sequencing action, and could extend to other key industries as the transition deepens.

Given the scale and complexity of the transition, stronger public-private collaboration will also be essential. A structured platform that brings together government, industry, financial institutions, academia and civil society could help identify implementation barriers, share best practices, monitor progress and ensure that climate actions remain aligned with Hong Kong’s competitiveness and economic development objectives.

A further gap is structural: Hong Kong’s support for frontier climate technologies remains modest relative to its net-zero ambition and regional peers. Emerging climate innovations are essential to abate residual, hard-to-abate emissions, and city-scale pilots de-risk private capital while positioning Hong Kong to develop and export solutions through its universities and GBA links.

Recommendations (“What”)

- 1. Broadening Sectoral Support Beyond the Current Inventory Focus** to address non-road fossil fuel use across buildings, industry, and commerce, and to set clear reduction pathways for refrigerants, aerosols, SF6, and other industrial process emissions, defining initiatives, responsibilities, and milestones for each part of the economy, supported by cross-cutting strategies on workforce, finance, and technical standards.
- 2. Building Sectoral Decarbonisation Roadmaps and a Marginal Abatement Cost Curve (“MACC”) for High-Emitting and Hard-To-Abate Sectors** to establish clear long-term trajectories that inform business investment and direct policy and public spending to the most cost-effective options. The Government should develop sector-specific roadmaps for key industries of Hong Kong (e.g. hard-to-abate, food and beverage, hospitality, data centres) to strategically guide R&D, pilots, and public support toward lowering future decarbonisation costs and enhancing economic competitiveness.
- 3. Strengthening Climate Technology Innovation R&D Funding, Piloting, and Long-term Role Exploration** in collaboration with academic and research institutions on emerging climate innovations e.g. Carbon Capture, Utilisation, and Storage (“CCUS”), Battery Energy Storage Systems (“BESS”), Climate Risk & Adaptation Intelligence, green materials etc.
- 4. Enhancing Public-Private and Cross-Sector Climate Governance** to support the implementation of the updated CAP2050. A structured public-private climate transition platform will facilitate regular dialogue among Government, industry, financial institutions, academia, and civil society. Crucially, it will utilise cross-sector metrics to review progress, identify synergies and cost-efficiencies, and ensure that decarbonising one sector does not unduly burden another. This integrated mechanism will identify implementation barriers and ensure that climate objectives are fully aligned with Hong Kong's wider government priorities, economic competitiveness, and development goals.

Strategy 6: Nature & Carbon Sinks

Synthesis

This strategy advocates prioritising nature & biodiversity as a dedicated pillar within the updated CAP2050. It emphasises the critical role of both terrestrial and blue carbon sinks in sequestering carbon to support Hong Kong's progress towards decarbonisation and achieving true net-zero by 2050, while aligning with the nature-related targets set out in the local BSAP 2035 and the National 15th Five-Year Plan. It also recognises that explicitly acknowledging nature in the CAP2050 will position nature as both an environmental and investable asset for

Hong Kong's biodiversity conservation and climate resilience, creating a stronger case for action and investment for corporate and financial stakeholders. It's worth nothing that nature-based contributions should still be seen as complementary to, rather than a substitute for, direct emissions reductions at source.

Rationale (“Why”)

Nature and climate are intrinsically linked. One cannot be solved without taking the other into consideration. As such, nature must be designated as a dedicated pillar within the updated CAP2050. Establishing this as a new pillar is timely, given the recent release of the Hong Kong Biodiversity Strategy and Action Plan (“BSAP 2035”) in December 2025 and the publication of the Hong Kong Nature-based Solutions Design Guidelines (“HKNbSDG”) and can support local interdepartmental efforts while creating a stronger case for action for key stakeholders including the private sector and financiers. This also reassures that Hong Kong will remain in strong alignment with broader national direction, actively supporting accelerated environmental commitments under the National Biodiversity Strategy and Action Plan (“NBSAP”).

The climate mitigation benefits provided by Hong Kong's natural landscapes and the healthy, functioning ecosystems within them remain largely unquantified and undervalued. Recent studies identify that Hong Kong's existing forests store over seven million tonnes of carbon. Another local [study](#) found that old-growth Fung Shui Woods (ancient primary forests that have been preserved and managed) and large trees store significant quantities of carbon in above-ground biomass, highlighting the potential carbon sequestration contributions, and therefore climate mitigation benefits, of native and large trees in Hong Kong.

However, more robust, granular territory-wide research to quantify and value the city's forest stocks remains lacking. While existing sequestration cannot directly “net off” emissions in current mechanism, advancing robust measurement of Hong Kong's ecosystems' carbon-sinking capacity holds potential to provide a science-based foundation for investment by financial institutions and corporates in local conservation efforts and to demonstrate climate leadership. As Hong Kong advances toward its mid-century carbon neutrality targets, understanding and enhancing the role of natural carbon sinks in addressing residual emissions will be a critical component. Achieving true net-zero requires a data-backed understanding of how our natural environment can support the city's overall carbon budget and partially close up remaining gaps.

Beyond carbon sequestration, there are significant untapped opportunities in mainstreaming nature-based solutions (“NbS”) and urban greening across both public works and private developments and mega-developments. The benefits provided by implementing NbS not only support and strengthen local biodiversity but are also a crucial tool for climate mitigation and adaptation. Strategically deployed NbS and natural green infrastructure can significantly mitigate the physical impacts of climate change and extreme weather events, enhance urban

resilience, and mitigate financial impact through avoided economic costs linked to damage from extreme weather events, such as flood damages. NbS can also deliver direct economic co-benefits such as reducing the urban heat island effect and lowering energy demand for cooling, translating into further cost savings for businesses and households, and provide numerous social benefits to society.

To fully unlock these ecological and economic benefits, current systemic gaps in landscape management and carbon accounting must be addressed. This includes establishing robust monitoring for land-use change emissions and transitioning from passive conservation to the proactive ecological management of Hong Kong's country parks. Optimising these natural assets will yield significant benefits and opportunities for Hong Kong's climate resilience and overall carbon budget. Integrating such benefits holistically into the CAP2050 narrative will increase relevance and appeal to business stakeholders while ensuring that nature is viewed as a fundamental component of Hong Kong's infrastructure to deliver both climate resilience and financial value.

Recommendations (“What”)

- 1. Quantifying Ecosystem Services & Local Carbon Sinks** to establish robust, baseline data and formally integrate the nature pathway into the updated CAP2050 roadmap / trajectory, demonstrating exactly how local nature offers an additional pathway to sequester residual emissions to achieve true net-zero by 2050 and providing a science-backed case for how preserving and protecting Hong Kong's local biodiversity and landscapes contributes to local and national climate commitments
- 2. Leveraging Nature-based Solutions (“NbS”) for Climate Resilience and Co-benefits in Hong Kong's Decarbonisation** to recognise untapped potential provided by NbS can actively contribute to the city's climate mitigation and biodiversity targets under the CAP2050 framework and mitigate avoided damages from climate impacts such as flood damage. Explicitly highlighting NbS co-benefits such as reducing urban heat island effect and reduced energy demand solidifies the NbS case to both policymakers and businesses, positioning NbS as infrastructure that delivers value ecologically, financially and socially. Encouraging the development of robust certifications for NbS could also build credibility and confidence from corporates and financiers in investment and adoption.
- 3. Advancing Native Species & Forest Carbon Management for Climate Action and National Alignment** to position the CAP2050 in alignment with China's 15th Five-Year Plan by mobilising native species, strengthen existing local forest carbon sinks and holistically embed biodiversity into climate mitigation and resilience pathways.
- 4. Enabling Nature Financing for Conservation and Climate Resilience in Hong Kong** to create a more enabling environment and mobilise capital toward financing for nature conservation and nature-based objectives. This should emphasise investment

in the measurement, enhancement and stewardship of local carbon sequestration capacity (including forests, mangroves, wetlands, soils). Developing robust local data on sequestration potential can provide a science-based foundation for financial institutions and corporates to channel funding directly into conservation, supporting Hong Kong's decarbonisation and resilience goals. Consider research and development into feasibility of high-quality and credible investable carbon removals backed by robust local data. Recognising the current limitations of offsets and the local context applicability, this should be viewed as a complementary financing pathway rather than a direct offsetting mechanism. Consider a development-linked biodiversity offset or even net gain mechanism, which requires developers to address residual impacts on ecosystems and threatened species as part of the approval process for new developments.

Strategy 7: Adaptation & Resilience

Synthesis

This strategy elevates climate adaptation to a strategic, government-led priority on par with mitigation. It covers consolidated adaptation planning across stakeholders for major developments and assets, public access to forward-looking climate risk and adaptation data, and accelerated adoption of adaptation technologies to enhance the resilience of Hong Kong's urban environment. It focuses on securing consolidated planning and governance outcomes, while actively exploring the most suitable vehicle for Hong Kong rather than pre-determining a standalone plan document.

Rationale (“Why”)

Physical climate risks are intensifying. More frequent and severe typhoons, heatwaves, extreme rainfalls and rising sea levels pose growing threats to Hong Kong's urban environment, infrastructure, and coastal communities. Super Typhoon Mangkhut alone caused an estimated HK\$4.6 billion in direct economic losses in Hong Kong, including HK\$3.1 billion in insurance claims. Proactive adaptation is therefore loss prevention, every dollar invested in resilience averts a multiple in avoided damages and foregone business activity. Adaptation is no longer a project-level consideration anymore. It requires the same level of strategic planning, government-led coordination as mitigation.

China's National Climate Change Adaptation Strategy 2035 has elevated adaptation to a national priority, with many provinces and major cities developing resilience and adaptation plans to address growing physical climate risks. This highlights the importance of further consolidating adaptation as a strategic, whole-of-government priority within Hong Kong's climate transition framework.

Strategy 6 and 7 are complementary: Strategy 6 addresses nature's contribution to mitigation (Nature & Carbon Sinks), while Strategy 7 addresses how the city adapts to physical risks,

with nature-based solutions offer significant opportunity to support Hong Kong's climate adaptation and resilience by delivering flood attenuation, cooling and coastal protection alongside sequestration and economic co-benefits.

To date, city-level adaptation infrastructure (e.g. drainage, slope safety, coastal defences) has been delivered capably by individual government departments (e.g., DSD, CEDD) on a project-by-project basis, and asset-level adaptation efforts so far have mainly been led by individual developers and asset owners. What is missing is not effort but consolidation: without a citywide framework, action remains fragmented and resilience outcomes uneven across districts. Major future developments such as the Northern Metropolis and the existing urban area renewal, require consolidated citywide coordination to achieve effective shoreline management and infrastructure resilience. Active engagement of the insurance and asset valuation sectors is also needed to quantify the financial benefits of resilience and to align capital flows with risk-reduction outcomes.

At the same time, businesses face rapidly evolving regulatory expectations on climate risk disclosure and stress testing under HKMA supervisory guidance and HKFRS S2. Without granular, forward-looking, and accessible climate risk data, these requirements are difficult to meet, and capital allocation toward resilience cannot be optimised. Combined with rapid advances in AI and digital tools for predictive maintenance and risk modelling, there is now a clear opportunity for the Government to enable both private-sector compliance and the broader resilience of Hong Kong's built environment.

Recommendations (“What”)

1. **Strengthening Strategic Climate Adaptation Governance and Consolidated Adaptation Planning** by establishing government-led, consolidated adaptation governance that coordinates resilience planning across bureaux, departments and stakeholders, rather than leaving adaptation to individual developers and project-by-project delivery. The Government should establish the best delivery vehicle, such as a standalone climate change adaptation plan or CAP2050 integration, with reference to Chinese Mainland's 2035 Strategy.
2. **Improving Climate Adaptation Data Accessibility and Publishing Common Reference Scenarios for Corporate Disclosure** to give businesses and financial institutions the granular, forward-looking geospatial physical climate risk data they need to meet HKMA and HKFRS S2 stress test requirements, support credible adaptation planning, and enable risk-based capital allocation
3. **Accelerating Climate Adaptation Technology Adoption** to enhance the resilience of the Northern Metropolis and existing urban areas by drawing on technologies whose performance has been demonstrated or validated under Hong Kong operating conditions such as shared Meteorology-as-a-Service (“MaaS”) Cloud Infrastructure, cool and permeable paving materials, deep water source cooling, and nature-tech

solutions such as bioengineered shorelines, while supporting the growth of Hong Kong's climate technology sector.

Strategy 8: Green Finance

Synthesis

This strategy positions green finance as the critical enabler of Hong Kong's CAP2050 transition. It ensures SMEs can participate in climate disclosures and access transition finance, develops carbon pricing pathways that connect Hong Kong with regional and Mainland markets, and establishes targeted funding to de-risk hard-to-abate decarbonisation. Together, these actions reinforce Hong Kong's role as a leading international green and transition finance centre.

Rationale ("Why")

Green finance carries a dual mandate for Hong Kong. Domestically, mobilising private capital at scale is essential to deliver Hong Kong's 2035 and 2050 climate targets. Public funding alone cannot finance the level of investment required across power, buildings, transport, industry, and adaptation. Regionally, Hong Kong is Asia's largest green and sustainable bond hub, arranging around 45% of regional issuance; its deeper strategic role is channelling international capital through green and transition bonds, sustainability-linked loans, blended finance and, increasingly, carbon markets into the decarbonisation of the Mainland and Southeast Asia. A well-designed green finance ecosystem is therefore both an enabler of decarbonisation and a strategic economic opportunity for Hong Kong as an international financial centre.

SMEs, which comprise over 98% of Hong Kong's enterprises, are central to this transition but face acute barriers. They typically lack the data systems, technical capability, and financial scale to meet evolving HKEX climate disclosure requirements or to access existing schemes such as the Green and Sustainable Finance Grant Scheme ("GSFGS"), whose structuring costs effectively favour large corporates. Without dedicated SME support, larger corporates will continue to struggle with Scope 3 data gaps in their supply chains, and the city's overall transition will lag.

Voluntary carbon market is another important lever in Hong Kong. Deeper integration with the Mainland's voluntary carbon market through recognition of China Certified Emission Reduction ("CCER") credits via HKEX's Core Climate, would deepen liquidity in the voluntary carbon market and channels finance into additional mitigation projects across the Mainland and the wider region, while positioning Hong Kong as a strategic offshore gateway.

Finally, hard-to-abate sectors and early-stage green technologies require targeted funding and blended finance structures, supported by clearer application of the Hong Kong Taxonomy for Sustainable Finance. Corporations are increasingly seeking to fund high-impact climate

projects beyond their operations. This demand represents a massive, untapped pool of private capital that could accelerate local and regional decarbonisation. However, policy gap exists: the current Hong Kong Taxonomy focuses primarily on standard urban infrastructure; project types such as CCUS, engineered carbon removals, and NbS are not yet eligible for green financing. Project developers struggle to secure the initial green loans or bonds needed to build them. Expanding the Taxonomy to explicitly cover additional physical activities and linking local platforms to regional carbon markets will allow Hong Kong to build a robust, bankable pipeline of transition projects capable of capturing global corporate capital.

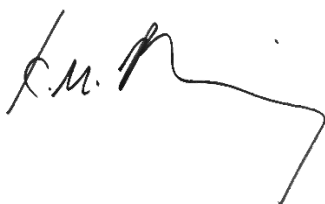
Recommendations (“What”)

1. **Providing Dedicated SME Support for Disclosures and Transition Finance** to enable the 98% of Hong Kong enterprises that form the backbone of the economy to participate in the transition, bridge Scope 3 data gaps for larger corporates, and unlock SME-scale financing at affordable cost.
2. **Integrating a “Carbon Connect” Link between CORE Climate with the Mainland’s CCER Market** to enable seamless two-way trading, allowing international and Hong Kong-based buyers to purchase high-quality carbon credits from mainland projects while simultaneously enabling Mainland-based buyers to acquire internationally verified credits. By acting as a two-way cross-border gateway, Hong Kong will channel offshore international capital directly into regional decarbonisation efforts, and channel Mainland capital into global mitigation projects, significantly boosting liquidity and demand within both sides of the voluntary carbon market.
3. **Establishing Targeted Funding and Streamlining Cross-Border Capital in Both Directions** to facilitate two-way green capital flows (i.e. inbound capital for Hong Kong’s own transition and outbound green investment into the GBA and wider region) to de-risk hard-to-abate decarbonisation and mobilise green investment, through blended finance, the Hong Kong Taxonomy, and mutual recognition of carbon credits within the GBA.
4. **Accelerating the Development and Implementation of the Hong Kong Taxonomy for Sustainable Finance (Phase 2B)** to expand sectoral coverage and transition finance. The update should fit the local context to align with Hong Kong’s decarbonisation pathway to ensure it could be applied by Hong Kong companies.
5. **Mobilising Green and Transition Finance for Hard-to-Abate Transport** to ensure that aviation and maritime decarbonisation assets and supply chains can access mainstream green and transition finance, through explicit taxonomy treatment of SAF and green marine fuel production, blending, storage and bunkering infrastructure, onshore power supply, and fleet and vessel renewal; the use of transition bonds, sustainability-linked loans and blended finance to bridge SAF and green fuel cost premiums; and coordinated engagement between the finance sector, airlines, shipping lines, terminal and airport operators and fuel suppliers.

Attached Annex - Detailed Strategy Actions & Stakeholder Mapping of the Climate Action Plan 2050 Update

For queries related to this support statement, please contact our Chief Executive Officer, Mr Simon Ng at simonng@bec.org.hk.

Yours sincerely,



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