

BEC's Report: Low Carbon Hong Kong: Supporting Business to Set Targets

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Low Carbon Hong Kong: Supporting Business to Set Targets is a landmark report prepared by BEC Climate Change Business Forum Advisory Group, which conveys the benefits to businesses of setting carbon reduction targets and explains the methodologies for doing so. The following article is the highlights of this report.

Background

- The Paris Agreement on Climate Change 2015 is widely regarded as a game-changer. 197 countries across the world committed to the overarching objective.
- The objective is to keep the global temperature rise below 2°C, with carbon neutrality in the second half of the century.
- For the Agreement to be effective, businesses need to reduce their emissions in line with this overarching objective.
- This means thinking ahead and developing strategies to achieve this goal.
- Target-setting helps with this strategic focus.

Why should businesses look to set 2°C carbon reduction targets?

A. It's a legal requirement.

Under the Paris Agreement, China committed to work towards achieving no more than a 2°C temperature rise and to set carbon reduction targets with the aim of net zero carbon emissions in the second half of the century. Hong Kong, as part of China, is expected to do the same. Accordingly, in January 2017, the Hong Kong SAR Government (the Government) committed to reduce the carbon intensity of its economy by 65-70% by 2030 (from 2005 levels), as a first step. It also committed in the Energy Saving Plan to tighten codes and regulations.

B. It's the right thing to do.

It is in Hong Kong's interest to take action to avoid dangerous climate change: we have much to lose from climate change effects, which include heat stress, flood risk and landslides, plus rising sea levels (around 1 metre and possibly substantially more by 2100 if we continue with business as usual) and risks to our supply chain from extreme weather and water scarcity.

B. It's the right thing to do. (Cont'd)

Acting now to address climate change is important not only for the benefit of our children and grandchildren, but also for those in poorer parts of the world already being affected by climate change. The evidence is that it will cost us less to prevent severe change than for the next generation or the more vulnerable to address that change.

For the Paris Agreement to be effective, all must play their part; the failure of one party to act may reduce the willingness of others to act resulting in a classic “tragedy of commons” outcome detrimental to all.

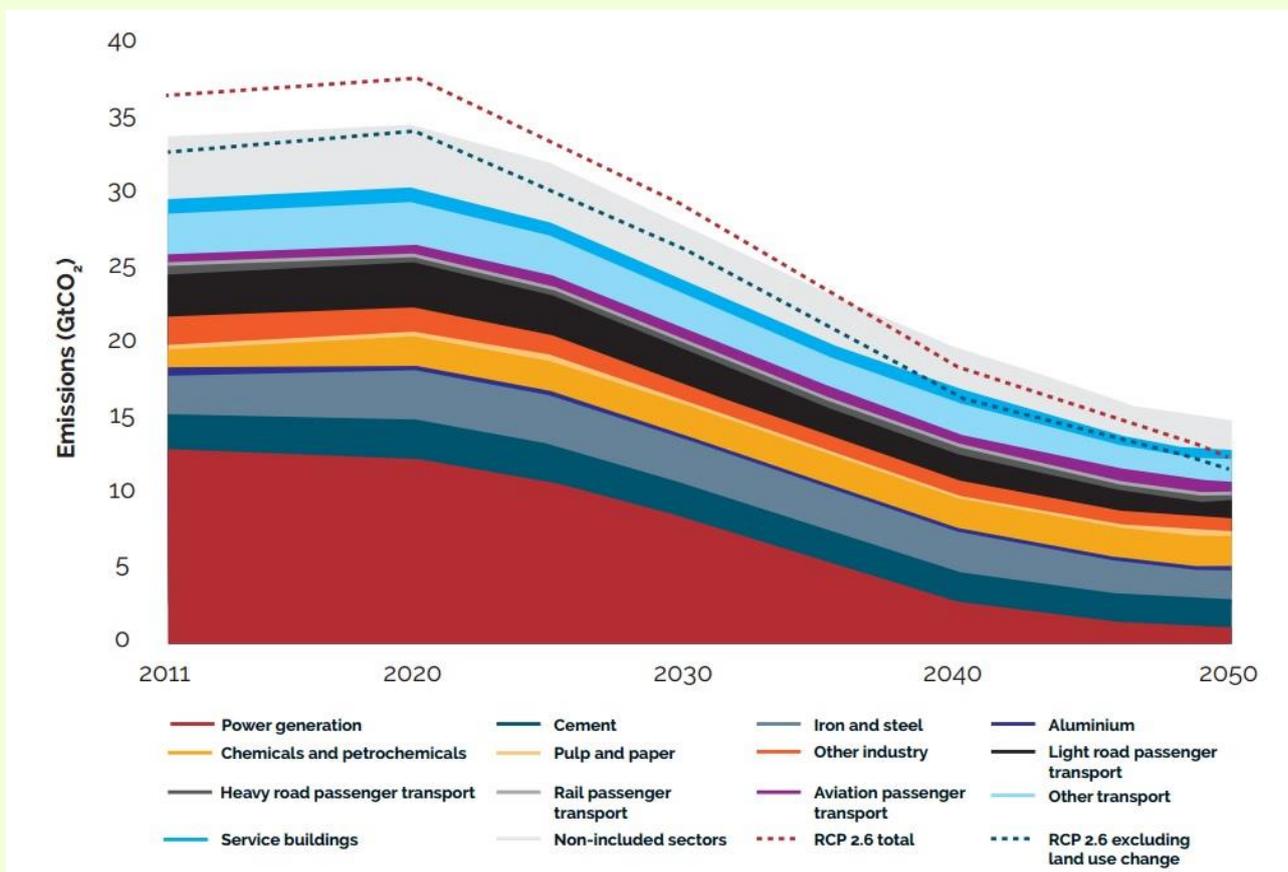
C. It makes good business sense.

There is not only a legal and a moral case, but a direct commercial interest for business to act:

- **Levering in efficiency/costs-savings:** Reducing carbon emissions generally means reducing energy usage, not only within the business but within the supply chain. Evidence shows that substantial savings can be made even in the short term. With the risk of rising energy costs connected with inevitable public policy changes and rising temperatures, through long term planning businesses can ensure that they are lean and efficient, and future-proofed in terms of climate impact and regulatory risk.
- **Strategic change to make the most of wider business opportunities:** By aligning your business model with the regional and global transition to a low carbon economy and developing the necessary skills and expertise, businesses can position themselves to make the most of wider markets.
- **Securing Investment:** Investors are beginning to pay increasing attention not only to companies past carbon emissions but also to their potential to withstand climate change and financial risk relating to carbon intensity. The launch of the G20's Financial Stability Board's Taskforce on Climate-related Financial Disclosures reflects this expected shift; and a recent UN Environmental Programme Financial Initiative (UNEP FI) report on the real estate sector emphasises the fiduciary duty or legal obligation on fund managers to take on board these risks.
- **Stimulating ambition and innovation:** Setting long term targets can help bring employees, clients and the supply chain along in a process of change and transformation. Business leaders all know the importance of setting a vision, enabling staff to act purposefully with a clear end in mind. Demanding targets can help stimulate a culture of improvement and catalyse change.
- **Enhancing the reputation of your business:** “playing your part” in ensuring the Paris Agreement holds together will enhance your business' reputation with customers, investors, and Government. We expect it will be a core part of the “license to operate”, going forward.

How far and how fast do we need to reduce our emissions for a 2°C maximum?

- The 2°C Scenario or “2DS” scenario of the International Energy Agency (IEA) underlies the trajectories that we are looking at.
- This anticipates a reduction in carbon emissions with a goal of close to net zero by 2050.
- The emissions of different sectors will fall by different amounts and at different speeds, reflecting the need in some parts of the world for substantive growth in some sectors and less growth in others, as well as available cost effective technology. See the graph below.

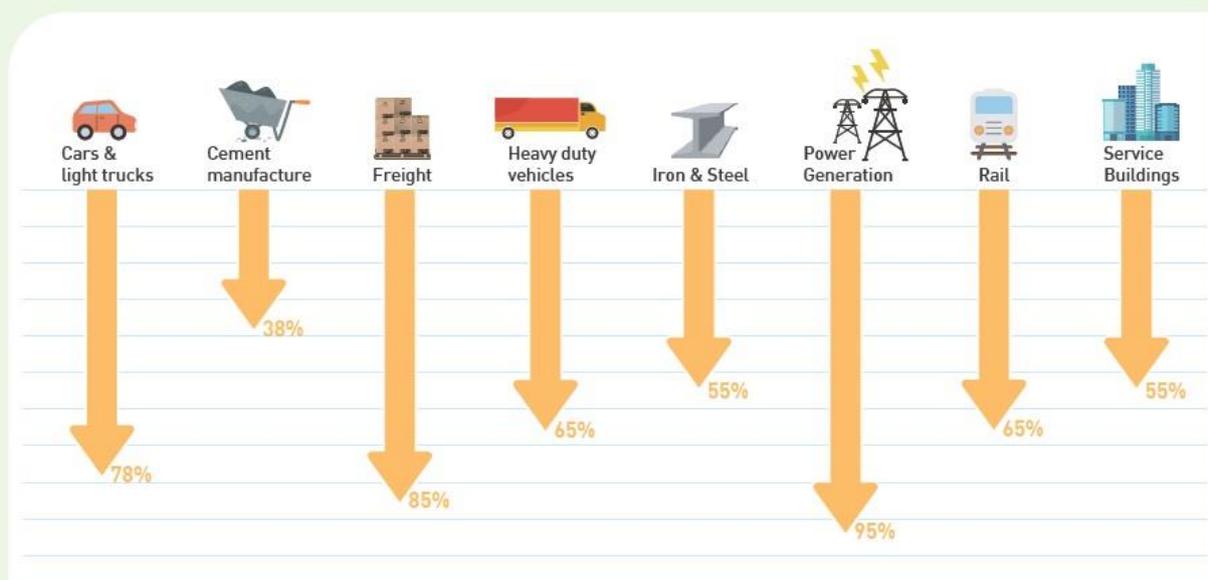


Sectoral breakdown of absolute CO₂ emissions budget, 2011-50 (Source: SBTi Guidance 2015, IEA ETP 2DS 2014)

Are there satisfactory methodologies for setting long-term targets?

- This report suggests the use of the Sectoral Decarbonisation Approach for Hong Kong, based on the International Energy Agency's 2 degree Celsius Scenario ("2DS") which sets trajectories for a number of sectors based on achieving the deepest cuts in the most effective way. The infographic below shows recommended global sectoral carbon reductions by 2050 from 2010 levels.
- Going forward, we propose sectoral level working groups to enable businesses to work together and solve some of the issues that will inevitably arise as they develop these targets.

Recommended Global Sectoral Carbon Intensity Reductions by 2050 from 2010 Levels – the Sectoral Decarbonisation Methodology



How can you initiate this process within your company?

- There are a number of challenges in setting targets, and our report explains how these may be dealt with. One of the challenges is initiating this process within your company. Below table show how you can initiate this process and build the support needed for change.

Influencing Up: senior management	Influencing Down and Across
<p>Be Targeted</p> <ul style="list-style-type: none"> Analyse and map senior management audiences Be concise – develop your elevator pitch 	<p>Raise Awareness</p> <ul style="list-style-type: none"> Make sustainability visible internally, using company “collateral” But cut through the communications clutter
<p>Present the Data</p> <ul style="list-style-type: none"> Articulate value in a compelling way Ban jargon 	<p>Explain sustainability clearly</p> <ul style="list-style-type: none"> A narrative – simple and engaging story Communicate a clear plan: why? how and what? Integrate sustainability story into corporate story
<p>Stay on top of emerging trends</p> <ul style="list-style-type: none"> Be a subject matter expert Work out how those trends may affect your business Drive senior management to capture first mover advantage – be bold! 	<p>Drive Action and Innovation</p> <ul style="list-style-type: none"> Connect the dots: what does it mean to each dept Co-create: and carry out trials, and share successes Develop practical tools: checklists, cross-functional teams, KPIs, innovation support schemes

[To view the full report, please click HERE](#)

About Business Environment Council Limited 商界環保協會有限公司

Business Environment Council Limited (“BEC”) is an independent, charitable membership organisation, established by the business sector in Hong Kong. Since its establishment in 1992, BEC has been at the forefront of promoting environmental excellence by advocating the uptake of clean technologies and practices which reduce waste, conserve resources, prevent pollution and improve corporate environmental and social responsibility. BEC offers sustainable solutions and professional services covering advisory, research, assessment, training and award programs for government, business and the community, thus enabling environmental protection and contributing to the transition to a low carbon economy.

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