

The Honourable Mr John Lee Ka-Chiu
Chief Executive of the Hong Kong SAR
Chief Executive's Office
2 Tim Mei Avenue, Tamar
Hong Kong

9 November 2022

Dear Chief Executive,

The Chamber is delighted to hear your delivery of the Policy Address this year on 19 October and is pleased to see that the Administration will be stepping up decarbonisation efforts by conserving energy in relation to improving energy performance of government buildings and infrastructure, as well as the intention to promote waste reduction in the community to achieve the goal of Zero Landfill by 2035. We are very excited to see the advances made on climate action and the importance laid on environmental impact in Hong Kong's Climate Action Plan 2050 as well. The implementation of the Office of Climate Change and Carbon Neutrality is also welcomed by the Chamber, and we look forward to engaging with colleagues in this office in due course.

In response, this Chamber are looking forward to further developments from and potential collaboration with the Hong Kong Government on these topics. Drawing on the considerable expertise and experience in the Chamber's Environment and Energy Committee we have some further recommendations to be considered to aid the initiatives laid out by the action plan. We have used this paper to provide suggestions aligned with themes from your recent manifesto, specifically to help:

- **Enhance overall competitiveness and pursue sustainable development**
- **Streamline procedures and provide more housing and better living**

Hong Kong has reached a pivotal point in its development where actions taken in respect of sustainable development and decarbonisation will aid its standing globally as well as improving standard of living for its citizens, in turn becoming a great example for the rest of the Greater Bay Area (GBA). The four key areas we would like to discuss are:

- 1. Improving energy efficiency of both old and new buildings**
- 2. Improving Hong Kong's waste management systems**
- 3. Retaining and growing ESG talent**
- 4. Reducing the carbon footprint of the logistics industry**

The paper sets out the concerns we have in each of these areas and recommendations for the Government and private sector to overcome the related challenges in order to help accelerate Hong Kong's sustainable agenda.

We would welcome an opportunity to discuss these recommendations with you and relevant Government colleagues.

Yours faithfully,



Ir Dr Anne Kerr
Chair



Mr Pat Woo
Chair, Environment and Energy Committee

1. Improving energy efficiency of both old and new buildings

Great developments in Hong Kong's building efficiency measures have been made through the introduction of Building Energy Code, initiatives and accreditations such as BEAM Plus. However, much of this focus has been on new builds as opposed to retrofitting old buildings to improve their energy efficiency. We would like to understand what plans there are from the Government to incentivise businesses, developers and homeowners to retrofit inefficient buildings.

We think it is important for the Government to formulate a holistic policy framework – on its priority, instruments and institutional arrangement on decarbonization of buildings, by tasking the Environment and Ecology Bureau to work with the Buildings Department and professional institutes (e.g. Hong Kong Green Building Council) to promote a retrofit certification scheme as well as the following recommendations:

A. Upgrade the Energy Audit Code

- Ensure Energy Audit Code and its implementation for existing buildings is regularly reviewed and energy-efficiency measures are being implemented.

B. Mandatory disclosures

- Mandatory energy performance disclosures for commercial buildings with a benchmark on the energy intensity should be introduced.
- Those within the worst 25th percentile should make plans to retrofit to 50th percentile and the energy intensity threshold will be revised regularly, achieving a continuous improvement process.

C. Funding/ loans for small businesses and residents

- Micro fund / loans facilitate investment in retrofitting buildings and replacing inefficient appliances.
- Coordinate with and build on existing schemes such as the Eco Building Fund and Smart Power Building Fund for buildings and Electrical Equipment Upgrade Scheme, the Green Tech Fund and Smart Power Care Fund from CLP and HKE respectively.
- Provide funding or other financial incentives to private sector to subsidise the costs for obtaining green building certifications for retrofitting existing buildings.

D. Cap-and-trade control mechanism

- A mechanism to control the emission limits should be in place for commercial buildings. If buildings exceed the limit, carbon credits should be purchased to offset the imbalance.
- Create an urban cap-and-trade system for Hong Kong would be a major incentive to building owners and enable Hong Kong to develop its own Emission Trading System (ETS) or tap into China's National ETS.

E. Introduce public-private partnerships (PPP) for existing buildings

- A framework should also be established for implementing the updated Energy Audit and Code and should be considered to scale the uptakes of energy retrofits.
- Enabling works from the Government to support private green finance on large retrofits, such as replacing inefficient chillers, should be addressed.

F. Procurement policies should allow adoption of innovative retrofitting solutions

- The Government should take the lead on enhancing the energy efficiency of public buildings' management or operation by adopting retro-commissioning practices, applying energy efficient technology and introducing embodied Carbon Control on the procurement of public buildings e.g. measuring and reporting on the upfront embodied carbon performance of new public buildings.
- This could be specified in the Government tender specifications and requirements of all Government contracts.

2. Improving Hong Kong's waste management systems

Due to the space constraints within Hong Kong, a broader GBA waste management strategy is important to the sustainability of the region. Smart management is needed at source which would require larger facilities, but we do understand the difficulties in retrofitting new waste management systems. According to the Circularity Gap Report, circular economy strategies can also cut greenhouse gas emissions by 39%¹ and we think it is important to build on the Waste Management Blueprint for Hong Kong 2035 by incorporating more Circular Economy concepts. Our key recommendations in this respect are:

A. Promote resource minimisation and recyclability at the design stage for all products

- Encourage lifecycle level interventions such as product design, repair, reuse, etc, ultimately creating an ecosystem to promote reuse, providing platforms for sharing, facilities to reduce waste generation (e.g. water stations), and community-level bulk recycling stations, etc.
- Run a public education campaign in parallel to any new initiatives to tackle problem from the root, focusing on prevention and changing behaviour and mindsets of consumers.

B. Introduce legislative or tax incentives that promote circular practices including design for recycling and use of recycled materials

- Implement robust eco-labelling regulations similar to UK's Green Claims Code – that ensure that any environmental claims on goods and services do not mislead customers and can be substantiated.

C. Allow for simple bulk recycling collection systems that are easily accessible

- Systems should be easily expandable to include additional material types in the future e.g. HDPE bottles, liquid cartons, polyfoam and non-REE electronic waste.

D. Broaden and speed up the Produced Responsibility Scheme (PRS)

- Other consumer packaging types should be included beyond plastic beverage containers to help prevent use of less recyclable packaging types.
- A stronger approach should be adopted to encourage all businesses/ brands to participate in such programme.

E. Drive increased material recovery through repurposing/ replacing waste transfer stations to be modern Material Recovery Facilities (MRFs)

- Current inefficient waste transfer stations could be repurposed or replaced by state-of-the-art MRFs to efficiently sort recyclables for onward shipment to and processing by their respective recycling facilities.

F. Support to downstream recyclers with subsidised land and long leases

- The incident of Mil Mill shows how hard it is to find land and financing for recycling facilities. The Government should be looking at green industries like material recovery firms as part of its reindustrialisation plan. The Government should look to examples like where, through their investment in resource in 2016 there were more than 635 enterprises involved in recycling, generating an additional 2 billion euros of GDP.

¹ [60210bc3227314e1d952c6da_20210122 - CGR Global 2021 - Report - 210x297mm.pdf \(website-files.com\)](https://www.circularitygap.org/en/2021-03-22/circularity-gap-report-2021)

Larger waste management facilities should be required for new developments. To combat this issue, we recommend:

A. Update waste management facilities Gross Floor Area (GFA) concessions

- In order to have sufficient space for separation at source, the refuse rooms need to be significantly bigger, and considerations need to be updated on this matter.

B. Adopt global best practices for waste reduction and circularity in the design of new buildings

- Introduce requirements on the use of recycled materials in buildings. Such as establishing embodied carbon targets for municipal buildings to drive the use of recycled steel and concrete.
- The flow of materials through a building should be considered at the design phase. Developers should develop an initial waste management plan that accounts for disposal, separation, storage, movement and collection of all waste streams.

There are also many successful examples of new waste management systems and technologies being developed for smart cities. It would be beneficial to apply these in more ambitious developments such as the Northern Metropolis or Lantau Tomorrow. New technology includes:

A. Waste-Level Sensors

- Waste-level sensors can be used to gauge how much garbage is in a bin and predict when receptacles need to be emptied, for example to link with imminent MSW charging, sensors/ smart waste monitoring system to measure the recycling rate for performance benchmarking. This can help prevent overflowing and allows garbage trucks to be used efficiently. For example, building waste systems into the infrastructure like the Amsterdam city to avoid overspill and to encourage usage or educate to create a stigma for SUP use). The average garbage truck achieves three miles per gallon during operation thus improving use efficiency will help to reduce carbon emissions of the waste management system.

B. Pneumatic Waste-Collection Systems

- We understand that this type of waste system has been installed in certain areas in Hong Kong, we would like to point to New York installing its first network of pneumatic tubes in Upper Manhattan in 2021, where citizens can dispose of different types of garbage in specific receptacles. Once receptacles are full, a network of vacuum's carry the materials directly to processing facilities where the waste is compacted and taken off-site.

C. Recycling AI

- Recycling AI is becoming the latest sustainability trends for smart cities. Specialised receptacles utilising cameras and sensors can sort garbage and send it to the correct sorting or recycling facility.

3. Retaining and growing ESG talent

Hong Kong is striving to become a regional centre for ESG, sustainable finance and related products and services, with regulations and guidance being implemented across industries. On top of new regulations from the HKMA, SFC and HKEX, the Green and Sustainable Finance Cross-Agency Steering Group has also announced plans for mandatory TCFD-aligned climate-related disclosures by 2025. These regulatory developments place

pressure on Hong Kong's 2500 publicly listed companies and 2000+ registered financial institutions to implement new practices and articulate how they are incorporating ESG factors into the wider business operations of the firm. As a result, there is now huge demand for ESG professionals in Hong Kong.

It is imperative for Hong Kong to be able to grow and retain local ESG talent, as well as attract the best minds globally to the region.

Collaboration between the public and private sectors will be a critical success factor. Our recommendations for the Government to help facilitate this endeavour are:

A. Promote a sustainable city

- Environmental, social and economic needs should be built at the forefront of the blueprint for the city.

B. Flexible immigration

- Laws on work visas for ESG qualified individuals should be favourable. This is necessary whilst local ESG standards and talent are lacking or in short supply.

C. Schooling programmes

- Encourage local & international schools to practice and teach ESG as part of their curriculum e.g. addressing circularity, sustainability and social inequalities.
- Job fairs need to showcase viable careers and growth opportunities.

D. Provide education subsidies

- Promote ESG education by providing subsidies to universities and alternative education institutes and relevant professional institutions in providing accredited courses.

E. Ensure available green finance for SMEs and start-ups

- Low-cost finance with ESG stipulations can be provided through government grants and commercial loan policies.

F. Encourage ESG literacy of board directors

- All Board Directors should be educated/ exposed to ESG matters through mandatory training.

G. Facilitate the development of professional qualification boards

- Ensure they are of high quality, integrity and align with global consensus.

We also do not believe that this is solely the role of the Government, so we also have recommendations for the private sector that the Government and regulators could help guide:

A. Provide scholarships and job opportunities

- Young talent who are interested in ESG matters should be given every opportunity to pursue a career. Give priority to local hires and communicate clear career paths and remuneration.
- Provide internship programmes for undergraduates in ESG.

B. Ensure Board members are elected objectively

- ESG literacy should be a pre-requisite for board members.

C. Inculcate ESG standards into the company's vision and values

- ESG metrics should in turn determine investments, commercial targets, choice of resources, employee KPIs, Bonus calculations and overall strategy.

4. Reducing the carbon footprint of the logistics sector

The Net Zero plan for Hong Kong has a big focus on both scope 1 and scope 2 emissions but we would like to see more on scope 3. If Hong Kong businesses are to attain net zero status, then it is important for Hong Kong and its businesses to not only address their scope 1 and 2 emissions, but also their scope 3 emissions. This will require not only policy recommendations to tackle road emissions, but also aviation and shipping emissions.

To retain Hong Kong's leading role as an international aviation hub during time of green transition, the Government and other stakeholders should be championing Sustainable Aviation Fuel (SAF) deployment in Hong Kong and make Hong Kong International Airport a SAF hub. Although chemically similar to traditional jet fuels, SAFs can be produced from sustainable feedstocks and can create up to 80% fewer emissions than conventional jet fuel.²

We would refer you to the Clean Skies for Tomorrow: Sustainable Aviation Fuel Policy Toolkit.³ This report recommends several government commitments that this chamber believe should be considered within the budget. The key recommendations we have for Hong Kong are:

A. Allocation of renewable feedstocks need to be managed

- Allocation should be based on each sector's carbon intensity and on the cost and availability of alternative decarbonisation technologies. Hardest to abate sectors, such as aviation, should be given special consideration.

B. R&D for SAF needs to be funded and promoted

- Dedicated innovation funds or financing options to support early-stage SAF production pathways at lower technology readiness levels need to be established. This includes supporting the creation of knowledge hubs and innovation centres to accelerate SAF development.

C. De-risk first-of-a-kind SAF production plants

- Establish contract-for-difference schemes to reduce the price gap between SAF and conventional jet fuels based on life-cycle assessment of GHG emissions.
- Establish a government-backed price floor to support SAF provision during the early stages of deployment.
- Provide a combination of up-front capital grants, low-interest loans and favourable tax treatment for building and running first-of-a-kind plants.

D. Support the scale up of SAF production

- Provide a combination of upfront capital grants and low-interest loans for the building and running of SAF production facilities to attract private investments.
- Create mechanisms to limit the volatility of SAF feedstock prices for production routes.

E. Stimulate sustainable feedstock production and processing

- Grant tax exemptions for SAF with a focus on the regional location of production and on the provenance of the feedstock, while ensuring strict sustainability criteria.
- Invest in comprehensive municipal waste collection infrastructure at scale and establish separate collection of organic waste to increase biomass supply.

² [Decarbonization in Aviation: 4 Ways the Industry is Moving Forward \(naa.edu\)](https://naa.edu)

³ [WEF Clean Skies for Tomorrow Sustainable Aviation Fuel Policy Toolkit 2021.pdf \(weforum.org\)](https://weforum.org)

Similarly, as a shipping hub in Asia, Hong Kong needs to ensure that its highly active ports are suitable to harness new technologies geared towards reducing the carbon footprint of shipping. The UN's International Maritime Organisation has set a target to halve CO2 emission by 2050⁴, and with the sector's huge reliance on fossil fuels, technological advancement of new fuels is a great place to start.

The best source of optimism derives from hydrogen, hydrogen-based fuels and hydrogen technologies⁵. If nurtured and harnessed correctly, these fuels can contribute significantly to the decarbonisation of the maritime sector. Advancements can be facilitated much in the same way as SAFs, with government backing and reduction of regulatory barriers to R&D and implementation.

With the publication of Hong Kong's Climate Action Plan 2050 there is a great opportunity for Hong Kong to accelerate its own sustainable development and become an ESG leader in the Asia region. The Government, industry leaders and regulators have a unique opportunity to enhance overall competitiveness and pursue sustainable development whilst providing better living. We hope this paper shows the Chambers commitment to these goals and willingness to collaborate with the Government on a brighter future.

9 November 2022

Environment and Energy Committee

The British Chamber of Commerce in Hong Kong

⁴ [Decarbonisation in the maritime industry | Standard Chartered \(sc.com\)](https://www.sc.com)

⁵ [Ammonia as a shipping fuel \(globalmaritimeforum.org\)](https://www.globalmaritimeforum.org)