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By Email and Post

Dear 

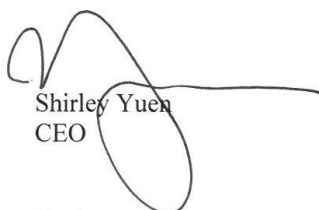
**Public Engagement on Long-term Decarbonisation Strategy**

The Hong Kong General Chamber of (“HKGCC”) welcomes and supports efforts by the Council for Sustainable Development (“the Council”) to engage the public on developing a long-term decarbonisation strategy for Hong Kong.

Despite its small geographical size, Hong Kong is only the city of the 13,000 surveyed by the Norwegian University of Science and Technology to have the dubious honour of ranking in the top ten with the highest carbon footprint on an absolute and per capita basis. It is clear that concrete and decisive measures must be taken to reduce emissions. To that end, we are pleased to submit our suggestions on rethinking our practices and habits to enable us to live within our ecological means.

The exercise of reducing our carbon footprint will require extensive and concerted efforts across all segments of the community and we would welcome the opportunity to engage with the Council and the Government on taking forward plans in this regard.

Yours sincerely,

  
Shirley Yuen  
CEO

*Encl.*

## **Council for Sustainable Development Public Engagement (“PE”) on Long-term Decarbonisation Strategy**

### **Response by the Hong Kong General Chamber of Commerce (“HKGCC”)**

#### **Introduction**

1. HKGCC welcomes this opportunity to respond to the PE on formulating a long-term decarbonisation strategy for Hong Kong.
2. We note that the Council has provided a standardised views collection form, but, given the wide spectrum of views from our members, we would like to provide the Council with a submission in a different format.
3. Although this submission concentrates on four main areas, we would highlight an important part of the PE document – the contribution that can be made by lifestyle changes. The Council has identified<sup>1</sup> three major sources of terrestrial Greenhouse Gas (“GHG”) emissions in Hong Kong. As listed in the published inventory<sup>2</sup>, electricity generation accounts for around 65% of emissions and transport sector constitutes about 18%. Other fossil fuels and industrial processes accounts for about 10%, while another 7% goes to waste. The GHG inventory issued for Hong Kong does not however include Scope 3 emissions - indirect emissions that occur in areas such as the purchase of goods and services - although these could be reduced if individuals adopt lower-carbon lifestyles.
4. We would also like to point out that although it appears encouraging that agriculture, forestry and other land use are responsible for just 0.1% of carbon emissions in Hong Kong, the city misses a major opportunity in turning these resources into a *negative* figure like other countries. **There is potential for Hong Kong to explore enhanced planting to create carbon sinks and offset difficult to decarbonise sectors of the economy.**
5. We consider tackling climate change as one of the most important issues of our time. Hong Kong needs to play its part, not only by reducing carbon emissions but in making proper preparations to improve our resilience as a highly urbanised coastal city in dealing with its potential impact.

#### **Focus Areas for This Response**

##### *Electricity Generation*

6. In response to questions 1 and 2 set out in the PE document, **HKGCC supports the Government’s policy of gradually phasing out the use of coal. We support increasing the use of gas and non-fossil fuels such as nuclear and Renewable Energy (“RE”)** to achieve carbon targets already set in Hong Kong. Recognizing the growing consensus of the need to achieve net zero emissions by 2050, we urge the Administration to give serious consideration to the infrastructure and administrative processes required for Hong Kong to

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<sup>1</sup> [https://www.susdev.org.hk/download/pe\\_document\\_e.pdf](https://www.susdev.org.hk/download/pe_document_e.pdf)

<sup>2</sup> [https://www.climate.gov.hk/files/pdf/2017\\_GHG\\_by\\_sector.pdf](https://www.climate.gov.hk/files/pdf/2017_GHG_by_sector.pdf)

be powered by zero carbon electricity within this timeframe. **When considering the long-term fuel mix for Hong Kong, the priority should be to remove the maximum amount of carbon from the grid while maintaining our existing high levels of reliability, security and availability of support and with full regard to affordability.**

7. We believe the reliability of electricity supply is critical to support effective operations and the proper functioning of our city. Our power companies currently provide world-class supply reliability and any changes to electricity generation must ensure that this is not put in jeopardy. Energy costs are also important for business competitiveness, so changes should be made on a planned and phased basis so that the impact on electricity tariffs can be better managed. As such, the Government may need to provide financial support to smaller businesses and the most vulnerable in our society to alleviate the economic costs of transition.
8. In response to question 3 set out in the PE document, we believe that the most important single measure to enable deep decarbonisation would be **to increase the proportion of zero-carbon energy Hong Kong, mostly through regional cooperation, which may include working with other cities in the Greater Bay Area.** This must be carefully planned and done such that supply reliability is always maintained and costs are controlled to garner support from the general community. We support the encouragement of local RE projects but given today's technologies, constraints on land use and the intensity of natural resources, these may not be able to contribute meaningfully to satisfying Hong Kong's energy needs in the short to medium term.
9. Hong Kong has successfully imported carbon-free nuclear power, which has proven to be a stable and cost-effective energy source, to meet a quarter of our needs for almost 25 years. **We therefore suggest that additional supplies of nuclear together with imported RE, should provide the bulk of the additional zero-carbon energy Hong Kong needs to deeply decarbonise.**
10. We estimate the new interconnection to take more than 10 years to design and build, and will need strong support from governments on both sides of the boundary, although this could be supported under the GBA initiative. **This new infrastructure could be built to Hong Kong standards and operated by Hong Kong power companies to ensure reliability.** Local gas plants will also be needed, not only to help in meeting variations in electricity demand but to also serve as a fall-back in the interest of reliability. To enable the best negotiation leverage possible and to establish a clear provenance for the zero carbon energy purchased, **Hong Kong's two power companies should be able to negotiate directly with a range of zero-carbon energy generators,** in contrast to the suggestion of 'grid purchase' made in the last public consultation on the fuel mix for electricity generation.
11. We have to keep in mind that the above approach may trigger higher carbon pricing in the medium to long term, as the GBA localities may keep zero-carbon energy for themselves. **Plans to ensure the affordability and continuity in power supply from GBA are therefore essential,** in order to avoid significant disruption to Hong Kong's electricity supply.

12. Considerations should be given to the possibility of a **more open market for clean energy**. A well-developed allocation and accounting mechanism would encourage healthy competition, which could serve as a means to aggressively strive for zero-carbon energy and driving the influence of decarbonisation. This must be carefully planned with full regard to the reliability of electricity supply.

#### *Energy Efficiency and Fuel Use in Buildings*

13. The Government's Energy Saving Plan for Hong Kong's Built Environment<sup>3</sup>, which details energy saving measures applicable through to 2025, provides a useful baseline for achieving energy efficiency in buildings. However, more needs to be done through such means as the introduction of new initiatives and strengthening of existing ones if Hong Kong were to meet its carbon reduction target. Policy parameters, both for appliances that use gas and electricity, and buildings should be progressively tightened. **The Government should therefore put in place a mechanism to review the existing building codes and tendering procedures for Government projects and incentivise the adoption of new materials and building techniques to reduce both the embedded carbon in new buildings and improve operating energy efficiency for all buildings.**
14. **Performance rating schemes for buildings should be enhanced gradually, with the help of financial incentives for existing buildings and the retro-commissioning of older buildings**, so as to encourage the retrofitting of more energy efficient end-use applications such as air-conditioning, lighting and elevators. Efforts should also be made to introduce new low-emission technologies such as heat pumps, induction cooking and high-tech Building Management Systems. In that regard, **government incentives should be provided as a precursor to tighter regulations** to achieve significant energy savings as Hong Kong progresses towards the 2050 decarbonisation target.

#### *Transportation*

15. For public mass transit, the Chamber supports the Government's policy of a "rail first" approach. We believe that **steps should be taken quickly to move beyond initial plans to the active pursuit of design, build and transfer options for building additional lines that have already been identified**. In addition to environmental gains, these would also have the advantage of spurring economic growth. Hong Kong should also emulate cities on the Mainland and overseas by **introducing low emission buses for road-based mass public transit along with the provision of more comprehensive public and private electric charging networks**. **To further promote the usage of public transport, the Government and relevant sectors could consider releasing real-time public transportation data**. This should be carried out carefully without compromising technology and company data privacy.
16. We suggest that the Government consider a range of policy measures to **significantly increase the uptake of electric vehicles (EVs)**, which has declined following the 2017 reduction in the first registration tax waiver for EVs. **Possible measures include not only capital cost incentives for companies and individuals but also tax relief or other support for the installation of charging networks**. The Government should also consider

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<sup>3</sup> <https://www.enb.gov.hk/sites/default/files/pdf/EnergySavingPlanEn.pdf>

**introducing an end-date for the registration of new internal combustion engine cars, perhaps by the mid-2030s,** to align with measures adopted in other developed economies.

17. Carpooling should be encouraged in the short to medium term as a way to not only help reduce carbon emission on the road but also improve air quality and the city's chronic traffic congestion. Ultimately, the Government should consider discourage the use of private cars, if Hong Kong is to achieve its net-zero carbon emission target by 2050.
18. In order to accelerate the rate of electrification of hard to decarbonize vehicle classes the Government is invited to consider **expanding the scope of the Pilot Green Transport Fund to include non-road mobile machinery ("NRMM")**. This will encourage NRMM fleet owners to test the capabilities of pioneering new technologies for vehicles that must otherwise burning diesel.
19. In addition, the Government is urged to **require and incentivise the adoption of biodiesel for all road vehicles that will continue to burn diesel**. Facilities for the production of biodiesel from locally collected waste cooking oil and other sustainable feedstocks are well established in Hong Kong and the GBA. But without clear policy direction this fuel is being exported to other countries rather than being used as an excellent example of a circular economy solution for Hong Kong. We note that the Government has significant prior experience in successfully mandating and incentivising the introduction of other environmentally-friendly fuels, and hope that this experience might provide the foundation for a "quick win" reduction of transport-related emissions.
20. Although marine transport does not fall within the scope of this PE exercise, **consideration should also be given to helping owners and operators achieve electrification wherever possible**. This would help reduce both air and carbon emissions through such means as electric ferries, shore to ship power and electric-powered cargo handling facilities. In addition, Liquid Natural Gas (LNG) bunkering for local vessels, supplied by the new offshore LNG terminal now being built in Hong Kong waters, would serve as an interim solution in reducing emissions as other carbon-neutral technologies are being explored.
21. We support the Government to continue to **promote walkability to reduce reliance on mechanised transport for short-distance commuting**. Other than environmental benefits, a more walkable community would encourage physical activity, which is essential to the public's health. In terms of economic benefits, a pedestrian-first policy promotes accessibility, as well as better business opportunities as a result of the increase in footfall. **The Government should therefore consider ways to incentivise businesses and property developers to build more walkable neighbourhoods**.
22. Improving walkability of our community would also encourage another type of active travel – bicycle – which is a commuting option overlooked by city planners and treated mostly as a recreational activity. **The Government should take the lead in turning Hong Kong from a car-centric to a bicycle-friendly** by changing its policies and recognising cycling as a legitimate transportation mode.

## *Waste Reduction and Greener Lifestyles*

23. Whilst utility companies are working to capture and use GHG emissions from existing landfills, Hong Kong needs recognise the economic value of waste through both **better recycling programmes, such as widening the scope of the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, extending initial government projects to support waste-to-energy generation and ramping up the scale of food waste reduction, recycling and recovery**. These changes would have the advantages of alleviating pressure on landfills and optimising the use of waste as a source of energy through such means as MSW incineration, and generation of biogas from sewerage treatment and organic waste treatment.
24. The HKGCC submitted a statement of support for an MSW Charging Scheme on 9 January 2019. **We, as an advocate of the polluter-pays principle, would like reiterate our support to such a charging scheme**, which we would help bring about the requisite change in public behaviour on reducing waste at source and promoting a greener lifestyle.
25. It has been observed that some waste collectors do not provide trucking service to their clients. The responsibility therefore falls on recyclers to deliver recycled materials to recycling locations. Since these locations are usually situated some distance away from waste collection areas, the resultant trips therefore have the effect of increasing carbon emissions. It is recommended that the Government consider **subsidising the transportation cost incurred by recyclers** to encourage these operations to provide door-to-door collection services.
26. As with Sweden and the Netherlands, we propose that the Government consider **incorporating carbon emission reference figures in its dietary guidelines<sup>4</sup> to enable citizens to make informed decisions vis-a-vis carbon reduction**. We note that studies have shown<sup>5</sup> that Hong Kong's meat consumption per capita (especially beef) is higher than the global average, making the city one of the world's largest contributors to GHG. We believe that the public would be more amenable to reducing their meat consumption if they had a better understanding of the relationship between food choices and the corresponding level of carbon emission.
27. The effectiveness of government policies to deeply decarbonise Hong Kong largely depends on the society's acknowledgment of climate change. Apart from community-based outreach programmes to create public awareness, **the Government should seriously consider making climate change and sustainability a mandatory school subject** and educate the next generation who would be tasked with managing climate change impact in the future.

## **Setting a Carbon Reduction Target for Hong Kong**

28. The existing 2020 and 2030 carbon reduction targets for Hong Kong are based on a 'carbon intensity' approach, which does not address the increase in emissions as GDP grows. As

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<sup>4</sup> <https://www.chp.gov.hk/en/static/90017.html>

<sup>5</sup> <https://iopscience.iop.org/article/10.1088/1748-9326/aabd45>

with most developed economies, **Hong Kong should also adopt a target based on the “absolute reduction in carbon emissions” for 2050.**

29. The PE document highlights three potential objectives: a 60% reduction over a 2005 base in 2050, a reduction of around 80%, or as an ultimate objective moving to a net zero-carbon position. All of these imply significant changes in the way electricity is generated, buildings are operated and transportation is developed, as well as impacting both business and lifestyle decision-making. **The Chamber suggests that a minimum target should be set in line with the suggestion by United Nation’s Intergovernmental Panel on Climate Change, based on limiting temperature rises to 1.5°C, of at least a 60% reduction in carbon emissions.** In addition, **we recommend setting out an aspirational objective for Hong Kong to achieve the subsequent and higher threshold of an 80% reduction.** This could be done through the Council recommending the adoption of a range target, incorporating the two values. Although there may be pressure to set a higher minimum target than a 60% reduction at this point, the Paris Agreement incorporates a process of regular 5-year reviews. As such, the initial target could be revised upwards after there is the opportunity to review progress and the degree of community buy-in. Later adjustments would also allow Hong Kong to see how new technologies could be used to facilitate further emissions reductions.
30. The Council notes in its engagement document<sup>6</sup> that achieving a ‘net zero’ target by 2050 would need mandatory changes to lifestyles and business operations, rigorous (but as yet unknown) technological breakthroughs and 100% zero-carbon energy which the document notes could mean almost all electricity being imported under very close regional cooperation. Implementing these changes collectively would be very challenging and, as such, a more moderate position should be adopted at the initial stage.

## **Conclusion**

31. The Chamber believes the human activities that give rise to climate crisis are also contributing factors to poor health, as in the case of air pollution. The cost of climate change would ultimately have to be borne by the public and government, which have to deal with such consequences as a strained healthcare system, disrupted food chains and damage to property and infrastructure. The exercise of decarbonising Hong Kong would therefore bring multiple benefits.
32. The Chamber understands the need for reductions in carbon emissions and that, in doing so, this will affect everyone in Hong Kong. We agree with the Council that combating climate change requires collaborative efforts across the entire community. These choices are often complicated and sometimes costly, which results in a general reluctance to address the issue of hand. These challenges are however not insurmountable and the Chamber looks forward to engaging further with the Council in turning Hong Kong into a greener and more liveable city

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<sup>6</sup> [https://www.susdev.org.hk/download/pe\\_document\\_e.pdf](https://www.susdev.org.hk/download/pe_document_e.pdf) – page 20.