



Friends of the Earth (HK) Response to the 2020-21 Budget Consultation

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Climate Mitigation

Climate change is happening and getting worse. Hong Kong's climate actions are built around a 2°C target. The Intergovernmental Panel on Climate Change stated with high confidence that a half-degree difference between 1.5°C and 2°C will significantly magnify climate risks. The world needs to cut emissions by 45% from 2010 levels by 2030 and to reach net zero by around 2050 if it intends to avoid catastrophic climate risks.¹ Hong Kong must quickly transition away from fossil fuels and increase the supply of renewable energy. The feed-in tariff introduced in 2017 is a step in a good direction, but it should be reviewed regularly to provide long-term financial incentive for the public and the private sector to adopt renewable energy. The Government should stimulate public awareness and strengthen its climate goals by allocating more resources to install renewable energy infrastructure on government properties and lands. The Government needs to also explore the feasibility of a regional collaboration with the Greater Bay Area to import renewable energy.

Beyond decarbonising the electricity supply, reducing energy consumption is equally important. The lion's share of electricity generated in Hong Kong goes to meeting building energy demand—specifically air conditioning and lighting.² More than 3,600 buildings in the city are over 50-years old with varying energy performance.³ The Government must fast track the transformation of the city's electricity grid into a smart grid, providing real-time feedback to grid operators and end-users to enhance efficiency. The Government must provide incentives to help building owners to retrofit existing buildings and adopt energy-efficient designs and technologies. They need to support the development of low-carbon buildings for new builds as well. Further, the Government must implement carbon pricing internalise the environmental cost of carbon-emitting activities. In British Columbia, the carbon tax has helped reduced the province's carbon emissions by 5-15% over a four-year period with little impact on economic performance.⁴

There are other decarbonisation opportunities that the Government should explore. The Government should invest in the research on carbon capture and storage technologies. Plants are natural carbon sinks and reduce energy consumption by mitigation urban heat island. The Government must allocate more resource into urban forestry rehabilitation and development. Mangrove restoration is also important as they are efficient carbon sinks as well.⁵ The Government must also take into the consideration of embedded carbon in building materials. They should invest in the research on green

¹ [IPCC, Global Warming of 1.5°C](#)

² [EMSD, Hong Kong Energy End-use Data 2018](#)

³ [URA, 2018-19 Annual Report](#)

⁴ [Murray, B.C. and Rivers, N., British Columbia's revenue-neutral carbon tax: A review of the latest "grand experiment" in environmental policy](#)

⁵ [Donato, D.C. et al., Mangroves among the most carbon-rich forests in the tropics](#)



materials and provide financial incentives for sustainable procurement.

Climate Adaptation

In addition to climate mitigation, the city must adapt to an increasingly warming climate. The world is already experiencing some of these changes in the form of severe flooding and rampant wildfires.⁶

⁷ Hong Kong is particularly susceptible to flooding and storm surges as a coastal city. The Government must allocate more resources to ramp up coastal defence infrastructures and adopt sponge city designs. A 'sponge city' mimics the natural water cycle by absorbing excess water and releasing it when needed.⁸ Healthcare capacity needs to be expanded as well to tackle heat-related illnesses and vector-borne diseases as they become more common.⁹

Climate change will make the world less water secure. Although the Dongjiang water supply agreement with the Guangdong government guarantees a stable supply of freshwater,¹⁰ climate change will reduce the water availability of the river and create conflicts with other users.¹¹ The Government must develop alternative sources of freshwater, such as water reclamation and desalination. Aside from new source of water, the Government should also tackle the high degree of freshwater leakage.¹² They must allocate more resources to hasten the implementation of the Water Intelligent Network.¹³

Green Transportation

The transport sector is still a major contributor to local air pollution and the second largest source of greenhouse gas emission in Hong Kong.^{14,15} The HK\$2 billion pilot subsidy scheme for the installation of electric vehicle (EV) charging infrastructure in private residential estates is welcomed.¹⁶ The Government should also continue to provide tax incentives for private and commercial EVs, with decarbonising public transportation as the ultimate goal.¹⁷ They can consider following the European Union in imposing a registration tax based on the vehicle's emission levels.¹⁸ As the largest spender,

⁶ [Al Jazeera, India's monsoon flooding more erratic and the season weaker](#)

⁷ [BBC, Is climate change to blame for Australia's bushfires?](#)

⁸ [Su et al., Development of a water cycle management approach to Sponge City construction in Xi'an, China](#)

⁹ [Campbell-Lendrum et al., Climate change and vector-borne diseases: what are the implications for public health research and policy?](#)

¹⁰ [HKSAR Government, Agreement ensures stable supply of Dongjiang water to Hong Kong \(with photos\)](#)

¹¹ [Hartley, K. et al., Political dynamics and water supply in Hong Kong](#)

¹² [WSD, Leakage Rate of Government Mains](#)

¹³ [WSD, Water Intelligent Network \(WIN\)](#)

¹⁴ [EPD, Data & Statistics](#)

¹⁵ [ENB, Greenhouse Gas Emissions in Hong Kong by Sector](#)

¹⁶ [HKSAR Government, ENB prepares pilot subsidy scheme for electric vehicle charging-enabling infrastructure in car parks of private residential buildings \(with photos\)](#)

¹⁷ [EPD, Promotion of Electric Vehicles in Hong Kong](#)

¹⁸ [ICCT, Using Vehicle Taxation Policy to Lower Transport Emission](#)



the Government should promote EV development by electrifying government vehicles. They should also stipulate government contractors to adopt EVs. At the same time, the Government should explore the potential of developing a hydrogen economy to replace fossil fuels as a transport fuel. Hydrogen has higher energy density than electric, making them more useful for heavy-duty transport and for refuelling.¹⁹

Beyond cars, the Government must devote more resources to make Hong Kong more walkable and cycling-friendly, promoting healthy, low-carbon modes of transport. This is particularly so for new town development where there is still flexibility in urban planning. They must also develop shore side electricity to reduce port emission from marine vessels—the biggest contributor to air pollution.

Waste Management

Hong Kong's waste continues to be a major issue for the city. Rather than reaching the target of 40% reduction in municipal solid waste (MSW) disposal by 2022,²⁰ the volume of MSW going into the landfills continue to be on the rise. Compounding this problem is the ban on waste import, started by Mainland China and now followed by many Southeast Asian countries, which is cutting off channels for recyclable materials.²¹ The overall MSW recovery rate decreased from 32% in 2017 to 30% in 2018. In particular, the recovery rate of plastic recyclables dropped most from 13% to 7%.²²

The expansion in the scope of the Recycling Fund has been helpful for recyclers to cope with the new requirements. The Government must continue to allocate resources including tax incentives to upgrade the local recycling industry. At the same time, they should establish materials recovery facilities throughout the 18 districts in Hong Kong to support clean recycling. The Government should promote a circular economy model by enacting producer responsibility schemes on packaging materials and recyclables, procuring sustainable goods, providing financial incentives on sustainable procurement, and more.

Green Finance

Hong Kong is one of the world's major financial centres. The city however lags behind in terms of its green finance commitment; Hong Kong is placed 35th according to the latest Global Green Finance Index—after Shanghai, Beijing, Shenzhen, Guangzhou and many other cities in Asia.²³ For Hong Kong to transition into the green finance hub of Asia Pacific and become the world's top three green finance centres, there is a dire need for the Government to address the absence of coordination in policy

¹⁹ [European Commission, Hydrogen Roadmap Europe](#)

²⁰ [ENB, Hong Kong Blueprint for Sustainable Use of Resources 2013-2022](#)

²¹ [Deutsche Welle, Amid plastic deluge, Southeast Asia refuses Western waste](#)

²² [EPD, Monitoring of Solid Waste in Hong Kong 2018](#)

²³ [Long Finance and Financial Centre Futures, The Global Green Finance Index 4](#)



efforts and change how we invest, how we measure financial risks, and how we assign value to stranded assets. We have identified three major areas of opportunities that the Government should target: (1) data analytics and innovation for green financial systems; (2) education and research for sustainability and green finance; and (3) development and investment of green financial products.

Building a comprehensive database for data assessment and analytics

It is imperative for the Government to formally endorse the report by the Task Force on Climate-related Financial Disclosures (TCFD) and promote it to the public and private sectors. The Hong Kong Exchange (HKEx) and the Securities Futures Commission (SFC) has to request all companies listed on the Main Board and major asset owners—with assets under management of over US\$5 billion—in Hong Kong to publish ESG reports with disclosures aligning with the recommendations from TCFD by 2025. The Hong Kong Monetary Authority (HKMA) must similarly require all banks under their supervision to follow suit. The Government needs to develop an open-access management information system to store, manage, and analyse the ESG data submitted.

Establishing a powerhouse for knowledge and people

To become a knowledge powerhouse for green finance, the Government needs to create new specialised programmes on green finance and incorporate elements of green finance and sustainability into existing courses. The Financial Secretary's Office (FSO) is recommended to support green finance education with funding and grants. While some universities have started such associated programmes, there is a concern with regards to the quality and level of green finance training and education provided in comparison with overseas universities such as in Singapore and Mainland China. FoE(HK) would be pleased to offer our expertise and introduce a world-class green finance knowledge curriculum into Hong Kong.

To strengthen community awareness, FSO should set up a platform, similar to the Asian Sustainable Finance Initiatives initiated in Singapore,²⁴ with HKMA, SFC, and/or HKEx to explore with industry practitioners and professionals on what is needed to speed up green finance development—FoE (HK) would be more than welcomed to provide the necessary support to set up this initiative. The Government should coordinate with universities and business schools in Hong Kong to visit universities in overseas that are leading in the field of green finance education to explore the possibility of setting up study programmes for green finance. The Investor and Financial Education Council must be provided with extra resources and should take a more proactive role in promoting and educating the public on green finance—such as enriching existing green finance content on their website and other media channels, producing marketing videos on green finance and sustainability

²⁴ [Asia Sustainable Finance Initiative, Home](#)



topics, and organising workshops and seminars for the public on green finance. All major asset owners in Hong Kong should fully adopt SFC's "Principles of Responsible Ownership" in their investment decisions, including but not to the HKMA, Subsidised Schools Provident Fund, and Hospital Authority Provident Fund Scheme.

Regaining the lead in product innovation and green product development

Hong Kong has all of the ingredients to succeed in innovating and developing green financial products, not only for the fixed income market but also for the equity market. Green mortgages, ESG-linked exchange traded funds, green asset-backed securities, funds or derivatives associated with green indices are some major lines for green financial product development.

Other than developing new green financial products, the Government should inspire asset owners and organisations to incorporate ESG factors in investment analysis and decision making. To drive green investment, the Government should provide tax incentives to encourage individuals to choose green or ESG-certified investments (e.g. green bonds and ESG funds) for long-term holding. HKMA should incorporate ESG factors fully into their investment decisions and increase the allocation of the Exchange Fund to green bonds and other stable certified green financial products. The Mandatory Provident Fund Schemes Authority should incorporate ESG factors into its trustee approval and monitoring process and to encourage trustees to take into account of international ESG standards.

Last but not least, these recommendations involve policy coordination and close communication with other partners globally to make green finance in Hong Kong a real success. The Government is strongly recommended to assign a Green Finance Commissioner under FSO to provide leadership and oversight for the development of green finance industry in Hong Kong. Please refer to our submission to the 2019/20 Policy Address for more details.²⁵

²⁵ [FoE \(HK\), Friends of the Earth \(HK\) Submission to the 2019/20 Policy Address – Green Finance Policy Address](#)