



# **Friends of the Earth (HK) Response to the 2022-23 Budget Consultation**

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## Introduction

The health and livelihood of Hong Kong citizens are threatened by a triumvirate of climate change, waste crisis, and air pollution. While the government may have issued various roadmaps over the past year to address those environmental issues, the city is still behind on many milestones, such as:

- Scaling up investment into renewable energy production and import
- Internalising the cost of climate change with carbon pricing
- Strengthening the city's recycling system to aid waste reduction efforts
- Improving public green procurement to stimulate green businesses
- Accelerating efforts to electrify the transport grid
- Implementing electronic road pricing in central business districts
- Building up ESG and sustainable investing capacity in HKMA and SFC
- Expediting the incubation of ESG talents in Hong Kong

The ongoing pandemic should not be an obstacle but rather an opportunity for the government stimulate investments, create new employment, and transition towards a greener and more sustainable economy.

## Zero-Carbon City

The threat of climate change cannot be understated. The 2021 Henan floods were a grim reminder that extreme weather events are becoming more severe and frequent<sup>1</sup>—Especially when Hong Kong and the Greater Bay Area are located in some of the highest risk areas in the world for storm surges. In November last year, world leaders reaffirmed their commitment to decarbonise with the Glasgow Climate Pact.<sup>2</sup> The Hong Kong government has also pledged to become carbon neutral before 2050, and thus must invest appropriately to realise its ambitions.

1. Around two-thirds of Hong Kong's carbon emission comes from electricity generation.<sup>3</sup> The current proposed target of only meeting 7.5-15% of the energy mix with renewable energy in the latest climate action plan is far from what is needed for the city to achieve carbon neutrality. The oft-repeated assertion that Hong Kong has low realisable renewable energy potential should not be a limitation. Instead, the government should take the opportunity to explore regional collaboration with the Greater Bay Area to invest, develop, and import renewable energy.
2. Buildings account for about 90% of Hong Kong's electricity demand, and almost 40% of the electricity generated goes towards air conditioning and lighting purposes.<sup>4</sup> Many older

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<sup>1</sup> [Al Jazeera, Death toll in China's Henan floods triples to 302, dozens missing](#)

<sup>2</sup> [Reuters, U.N. climate agreement clinched after late drama over coal](#)

<sup>3</sup> [Environment Bureau, Greenhouse Gas Emissions in Hong Kong by Sector](#)

<sup>4</sup> [EMSD, Hong Kong Energy End-use Data 2021](#)

buildings in particular suffer from poor energy performance, leading to high energy wastage. In 2019, the government proposed a HK\$10.5 billion subsidy for building owners to repair 5,000 old and dilapidated domestic buildings.<sup>5</sup> The government should also offer similar subsidy schemes specifically to encourage building owners to retrofit and improve building energy efficiency.

3. The transport sector is the second largest contributor to Hong Kong's carbon emissions. Hydrogen fuel cell vehicles can serve to supplement battery electric vehicles—especially for goods vehicles where long charging times is less ideal.<sup>6</sup> Mainland China is currently building the world's largest green hydrogen plant to compete with petrol and diesel fuel.<sup>7</sup> It is worth for the government to invest in green hydrogen development and infrastructure to support a zero-carbon transport network.
4. The environmental impact of climate change is not yet internalised into the cost of carbon-emitting activities in Hong Kong. Over 40 countries and 30 cities today have implemented some form of carbon pricing scheme.<sup>8</sup> China launched its national carbon trading scheme in July last year as well, covering the power sector and will integrate other carbon-heavy sectors in the future.<sup>9</sup> The government must align with the world and introduce carbon pricing in Hong Kong to drive the low-carbon transition.

## Circular Economy

Waste management continues to be a long-standing issue for Hong Kong. It took 16 years for the city to finally pass the bill on municipal solid waste charging last year.<sup>10</sup> Meanwhile, the world is starting to transition towards a circular economy since China began tightening rules for importing recyclable waste in 2017.<sup>11</sup> The Hong Kong government has to catch up with global practices and trends to realise its vision of “Waste Reduction · Resources Circulation · Zero Landfill” and demonstrate the city is indeed worthy of standing amongst international cities.

1. The Legislative Council passed the municipal solid waste charging bill in August 2021, but the scheme would not enter into operation until a minimum of 18—now 12—months of preparatory period.<sup>12</sup> While this long interim period is not ideal given the already-long delay,

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<sup>5</sup> [Development Bureau, Government enhances four subsidy schemes on building safety and rehabilitation \(with photo\)](#)

<sup>6</sup> [Transport and Environment, Comparison of hydrogen and battery electric trucks](#)

<sup>7</sup> [SCMP, China's Sinopec banks on green hydrogen with Xinjiang solar-powered plant](#)

<sup>8</sup> [Institute for Climate Economics, Global Carbon Accounts 2020](#)

<sup>9</sup> [Reuters, China's carbon trading scheme makes debut with 4.1 mln T in turnover](#)

<sup>10</sup> [The Standard, Waste charges approved after 16-year delay](#)

<sup>11</sup> [Yoshida A., China's ban of imported recyclable waste and its impact on the waste plastic recycling industry in China and Taiwan](#)

<sup>12</sup> [EPD, Q&A on Municipal Solid Waste \(MSW\) Charging as passed by the Legislative Council and Related Arrangements](#)

it is critical for Hong Kong to also have the infrastructure in place to ensure people are able to practice waste separation at source. The government must invest into strengthening the recycling system to support the waste charging scheme.

2. Over 30% of municipal solid waste entering the city's landfills comes from organic waste.<sup>13</sup> Unlike paper, plastic, and metal waste, there is still no system for the collection and recycling of organic waste on a municipal scale. The planned Organic Resources Recovery Centre will only have a total treatment capacity of 500 tonnes of organic waste per day<sup>14</sup>—a far cry from the volume of organic waste being produced. The government must drastically scale up organic waste collection and recycling capacity in Hong Kong to tackle organic waste.
3. Even discounting the COVID-19 recovery stimulus measures, public spending in Hong Kong has always accounted for a sizable portion of the city's GDP.<sup>15</sup> Public spending can be a major driver in developing the green sector and spurring businesses to adopt greener practices. The government should expand green procurement and increase the scoring weight of green specifications in tender exercises. We also recommend the government to improve the transparency of green procurement spending.

## Air Quality

Poor air quality continues to be a pressing issue in Hong Kong. Air pollution leads to several potential health effects, from asthma to chronic obstructive pulmonary diseases.<sup>16</sup> It also leads to negative effects on the economy with air pollution-related healthcare costs.<sup>17</sup> Road transport contributes significantly to air pollution in Hong Kong<sup>18</sup>—particularly on the roadside. The Hong Kong government must prioritise the use of electric vehicles over diesel vehicles and promote the use of public transportation to achieve its vision of “Zero Carbon Emissions · Clean Air · Smart City”.

1. The “Hong Kong Roadmap on Popularisation of Electric Vehicles” published last year only targets to set a timetable around 2025 for electrifying public transport and commercial vehicles.<sup>19</sup> Many international cities have already set target dates to have zero-emission streets.<sup>20</sup> The government should be setting ambitious targets to electrify all public transportation and commercial vehicles before 2025, rather than merely setting a timetable without concrete measures towards electrification. The government must accelerate efforts

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<sup>13</sup> [EPD, Monitoring of Solid Waste in Hong Kong: Waste Statistics for 2020](#)

<sup>14</sup> [EPD, Organic Resources Recovery Centre \(ORRC\)](#)

<sup>15</sup> [FSTB, Appendix B: Analysis of Expenditure and Revenue](#)

<sup>16</sup> [Jiang et al., Air pollution and chronic airway diseases: what should people know and do?](#)

<sup>17</sup> [OECD, The economic consequences of outdoor air pollution: Policy Highlights](#)

<sup>18</sup> [Environmental Protection Department, Data & Statistics: Hong Kong Air Pollutant Emission Inventory](#)

<sup>19</sup> [Environment Bureau, Hong Kong Roadmap on Popularisation of Electric Vehicles](#)

<sup>20</sup> [C40 Cities, Green & Healthy Streets](#)

to electrify transport grid, by subsidising electric vehicle purchases and the setup of charging stations, to reduce the use of fossil fuels.

2. Although around 90% of the total passenger journeys in Hong Kong are made on public transport system, the 10% of the remaining journeys that travel by private cars contribute significantly to traffic jams, as these cars take up more than their fair share of road space. Traffic congestion slows down road speed and reduces fuel efficiency, leading to worsening air quality. The government should adopt electronic road pricing in central business districts. These measures are implemented in cities such as London and Singapore, which are proved to be effective in alleviating traffic congestion and improving air quality in the areas covers.<sup>21</sup>  
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3. Good pedestrianisation and cycling infrastructure help to support the first and last-mile connection between public transit stops to a person's destination. While Hong Kong is a walkable city, the walking experience is not necessarily pleasant, with issues such as narrow walking space and dripping air conditioners. Other notable walkability issues in Hong Kong include air pollution from construction sites and poor hygiene conditions.<sup>23</sup> It is crucial for the government to devote more resources on improving walkability, to enhance low-carbon modes of travel such as walking or cycling.
4. Although most of the commuting journeys are done by public transport, the number of private cars continue to rise steadily from around 552,000 in 2017 to 581,000 by the end of 2021.<sup>24</sup> The government has also proposed no measures in deterring private car growth in its electric vehicle roadmap. To better achieve environmental protection and improve the air quality, the government should encourage the sustainable development of the transport grid with by pairing electric vehicle incentives with financial disincentives, such as implementing vehicle quota system<sup>25</sup> and higher vehicle registration taxes to curb the continuous growth of private cars registration.

## Green Finance

1. Friends of the Earth (HK) encourages asset owners, including public authorities, to lead in incorporating climate-related risks when managing their own funds and selecting external asset managers. The Treasury for example could consider inviting experts on ESG risks, sustainability, and climate governance into investment committees of their six funds and investment portfolios. The Financial Secretary should provide additional resources for HKMA and SFC to build up their capacity on ESG and sustainable investing, allowing them to better

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<sup>21</sup> [Ministry of Transport, ERP](#)

<sup>22</sup> [The International Council on Clean Transportation, Congestion Charging: Challenges and Opportunities](#)

<sup>23</sup> [Civic Exchange, Measuring and Improving Walkability in Hong Kong Final Report](#)

<sup>24</sup> [Transport Department, Registration and Licensing of Vehicles by Class of Vehicles](#)

<sup>25</sup> [One Motoring: Certificate of Entitlement \(COE\)](#)

support and advise other public authorities in incorporating climate-related risks and other ESG considerations into fund management.

2. The HKMA Centre for Green and Sustainable Finance (CGSF) should enhance the capabilities of market participants in green finance and ESG. As green finance education and training is still in its infancy, it is primed for greenwashing. Friends of the Earth (HK) is collaborating with the European Federation of Financial Analysts Societies (EFFAS) to offer training for Certified ESG Analyst (CESGA)—an internationally recognized gold standard of ESG and sustainable investing—in Hong Kong. The HKMA CGSF should consider recognizing international accreditations to build the pipeline for the industry, such as the Certified ESG Analyst (CESGA®) accreditation offered by the EFFAS, with support in training subsidy. In addition, the Government could review and encourage relevant government subsidy programs (e.g. WAM, CEF) to be more inclusive of green finance and ESG-related courses, as they can be operated by various institutions in this newly developing field.
3. We are pleased to see the HKUST launched the Green and Sustainable Finance undergraduate course, but that cannot bridge the gap of the shortage of ESG and green finance talents in Hong Kong. That would affect the competitiveness of Hong Kong to become a global green finance centre. The Financial Secretary could consider funding support for postgraduate (i.e. Master levels programs) across the eight universities and higher education institutions to expedite the ESG talent incubation in Hong Kong. Furthermore, the Education Bureau could consider funding programs with NGOs in introducing ESG and green finance knowledge into schools.
4. Financial institutions and multinational globally have endorsed the launch of a new market-led Taskforce on Nature-related Financial Disclosures (TNFD) and International Sustainability Standards Board (ISSB), which will support business in assessing emerging nature-related risks and opportunities. Given HKMA and SFC are the main authorities in Hong Kong to drive the climate-related disclosures in order align with the main objectives set out by the Task Force on Climate-related Financial Disclosures (TCFD), it would be prudent for HKMA and SFC to take initiative on working with the TNFD Alliance to introduce the framework to all listed companies in Hong Kong by 2030.
5. The Government should widen general public awareness by strengthening collaboration amongst IFEC, regulators, industry practitioners, and other relevant stakeholders. As a pioneer of green finance public education in Hong Kong, we look forward to becoming a close partner of IFEC to promote green and sustainable finance to the general public.