

Hon. John LEE Ka-chiu, GBM SBS PDSM PMSM  
Chief Executive  
Hong Kong Special Administrative Region  
Tamar, Hong Kong

Dear Chief Executive,

**Submission on the 2024 Policy Address Public Consultation**

Since 1983, Friends of the Earth (HK) (“FoE (HK)”) has led the environmental dialogue by engaging government, business and community with equitable solutions to protect our local and regional environment. With the vision to promote a healthy and sustainable environment for all, we enclose our submission in response to this term’s policy address consultation.

Hong Kong experienced its second warmest year on record last year. With 2024 having a high chance of ranking among the ten warmest years as well, it shows that 2023 was not an anomaly but a continued trend of climate change impacts. Despite this, Hong Kong has not made significant headway with its climate targets, underscoring the need for greater urgency. A world-class international city should be a zero-carbon, climate resilient city. Our submission is as attached and offers overarching recommendations with a focus on decarbonisation and green finance.

We are ready to engage with the relevant government bureaux and departments. If there are any queries on the submission, please contact me at [jeffreyhung@foe.org.hk](mailto:jeffreyhung@foe.org.hk).

Yours Sincerely,



Dr Jeffrey Hung  
Chief Executive Officer  
Friends of the Earth (HK)

## Regional Collaboration

### Decarbonising the energy sector to mitigate climate change

China is leading the world on clean energy today, with almost two-thirds of new wind and solar capacity being built in the country.<sup>1</sup> It also met its 2030 target of installing 1,200GW of renewables in August, six years ahead of schedule.

The Paris Agreement, which calls for limiting global warming to 1.5°C above pre-industrial levels, supposedly applies to Hong Kong under national policy. Yet Hong Kong's climate ambition has lagged behind the Mainland, despite the city's reputational status and financial capacity. Notable actions to decarbonise energy consumption have been climate-adjacent at best, such as switching to natural gas for air quality and commissioning the T/O/I/\*-PARKs for waste management.

On the other hand, utility-scale renewable energy development is constrained for cited reasons of high construction and operating costs and lack of space. The government has failed to significantly facilitate the introduction of renewable energy through its policies, such as the Scheme of Control Agreements (SCAs). Roadmaps for complementary energies, like hydrogen, are limited in scope and scale as well. These same constraints however have not stopped other jurisdictions in Southeast Asia and Europe from cooperating on decarbonisation efforts.<sup>23</sup>

Rather than constraining itself to imagined boundaries, Hong Kong should instead foster stronger collaboration with the Greater Bay Area and the Mainland. **The city should make use of its status as an international financial centre and its ambitions as a green finance hub, while benefitting from falling capital costs and technology improvements from China, to finance renewable energy projects and import clean energy. Hong Kong must also explore supporting the development of other alternative energy options, such as green hydrogen, ammonia, and methanol and sustainable aviation fuels (SAF), to speed up the city's decarbonisation efforts.**

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<sup>1</sup> [Global Energy Monitor, China continues to lead the world in wind and solar, with twice as much capacity under construction as the rest of the world combined](#)

<sup>2</sup> [Sembcorp, Renewables Imports](#)

<sup>3</sup> [Federal Ministry for Economic Affairs and Climate Action of Germany, Germany and the Netherlands sign two joint declarations of intent for even closer cooperation on hydrogen](#)

## Achieving resource efficiency with circular economy

Friends of the Earth (HK) reiterates our disappointment towards the government's decision to shelve the waste charging scheme indefinitely, despite its importance in driving necessary behavioural change and facilitating a circular economy transition. Although local recovery has increased with the expansion of the community recycling network, it is still lower than comparable neighbouring cities. Processing and recycling are limited within Hong Kong owing to various barriers—from economic to policy—hindering a stable and secure environment for investment for recyclers.

While Hong Kong has taken a step back, the Mainland is advancing in implementing circular economy principles. In February, China published the “Opinions on Accelerating the Construction of a Waste Recycling System”.<sup>4</sup> Among the various principles to foster the recycling industry and remove barriers to entry, it calls for achieving a 60% utilisation rate for new bulk solid waste; increasing the annual utilisation of scrap metals, paper and other key renewable resources to 450 million tonnes; and raising the recycling industry's annual economic output to RMB5 trillion by 2025.

The government has to address the barriers to resource recovery, correct market failures to reflect the producer pays principle, and repair confidence in the city's recycling system and waste policy. **Hong Kong should align with China's new policy direction, reconnecting recycling channels to facilitate greater recovery and processing of recyclables. At the same time, Hong Kong should strengthen collaboration with the Mainland's research institutes and universities to develop sustainable materials and move away from low-value recyclables (e.g., plastics).**

## Green Buildings and Energy Use

Buildings are the largest energy user and, consequently, the biggest contributor to greenhouse gas emission in Hong Kong. One of the major culprits comes from air conditioning, which is expected to rise as climate change continues to push temperatures higher. While decarbonising energy would address the issue of greenhouse gas emission directly, Hong Kong needs to break the climate feedback loop by targeting building energy efficiency and sustainable consumption. Minimising

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<sup>4</sup> [中華人民共和國中央人民政府, 國務院辦公室關於加快構建廢棄物循環使用體系的意見](#)

energy demand would make transitioning away from fossil fuels cheaper and easier to plan as well.

At the moment, there are mostly carrots but not a strong enough stick to push developers and building owners towards greener building designs and more efficient energy use. For example, private buildings are granted GFA (gross floor area) concessions for incorporating green design elements. Attaining different levels of BEAM Plus certifications is strictly voluntary and more of a bragging right. Despite the recognition of air quality to public health, the government is reliant on building managers to self-regulate for the maintenance of healthy IAQ (indoor air quality).

Building energy audits are only mandated for commercial buildings and commercial portions of composite buildings. Building owners are required to re-certify every 10 years, but not obligated to adopt any energy management opportunities. Existing buildings however should be prime targets for retrofitting to improve energy performance, especially for the large and growing number of ageing buildings over 50 years old. The government should lead by example in making all government premises energy-efficient.

The government should not overlook tackling the use of other energies in buildings either. The current energy efficiency and conservation policy only seeks to cut electricity use (30-40% in commercial buildings and 20-30% in residential buildings by 2050); town gas however accounts for a non-trivial portion of energy consumption in buildings—for cooking and hot water purposes. More should be done to promote the use of energy-efficient appliances while phasing out inefficient appliances under the Mandatory Energy Efficiency Labelling Scheme.

Green buildings should be the norm rather than the exception. **Hong Kong has to ensure its building codes and regulations incorporate the latest green building practices, including nature-based solutions like green roofs and façade and permeable paving. The Energy Audit Code should align with the Building Energy Code, expanded to cover Schedule 1 buildings under the Buildings Energy Efficiency Ordinance. Hong Kong needs to shorten the gap between audit reviews, mandate the adoption of energy management opportunities and IAQ, incentivise the retrofitting of ageing buildings, and ensure alignment with the government's decarbonisation goals.**

## Scheme of Control Agreements

Electricity in Hong Kong has all along been provided by two privately-owned power companies, The CLP Power Hong Kong Limited and The Hongkong Electric Company Limited. Both companies are vertically integrated, meaning they own and operate their entire electricity supply chains, including generation plants and transmission/distribution networks. They also supply electricity directly to customers and provide customer services within their respective service areas.

Under the current SCAs, the government does not obligate the two power companies to invest in renewable energy, yet still allow generous rates of return.<sup>5</sup> This ignore viable opportunities to develop renewable energy, such as developing offshore wind farms and collaborating with the Greater Bay Area to harness the region's abundant resources.

Over the past few decades, many countries have liberalised their electricity market. Market liberalisation empowers alternative energy suppliers to enter the market, allowing for more decentralised energy generation and the growth of sustainable renewable energy.<sup>6</sup> In China, renewable power generation recently surpassed coal power.<sup>7</sup> Additionally, the UAE, Saudi Arabia, and Egypt have established dedicated renewable energy companies backed by sovereign fund to drive the low carbon transition.

**Hong Kong should begin reviewing the SCAs for 2033 to liberalise the electricity market, creating opportunities for new competition, technologies and sustainable renewable energy. The government also needs to formulate a more ambitious roadmap for renewable energy to achieve the carbon neutrality goal.**

## Climate Adaptation and Response

Human-induced climate change is exposing us to stronger and deadlier extreme weathers. With a record-high of very hot days and second-high of hot nights, 2023 was the second warmest year for Hong Kong.<sup>8</sup> A recent study found that heatwaves in the city contributed to 1,677 deaths over the

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<sup>5</sup> [Panel on Environmental Affairs: Background brief on the Scheme of Control Agreements with the two power companies prepared by the Legislative Council Secretariat](#)

<sup>6</sup> [Nicolli, F., Vona, F., Energy market liberalization and renewable energy policies in OECD countries](#)

<sup>7</sup> [SCMP: China's wind and solar power generation capacity to surpass coal in 2024](#)

<sup>8</sup> [Hong Kong Observatory, The Year's Weather - 2023](#)

past 10 years.<sup>9</sup> Another pointed to a considerably greater risk of hospitalisation during hot nights, especially among the socioeconomically disadvantaged and the elderly.<sup>10</sup> Those who have to work outdoors, such as cleaners, construction workers, and couriers, are particularly exposed to heat stress, but insufficiently protected by safety regulations.

Heat is not the only concern. In last year, Super Typhoon Saola and the black rainstorm that followed Haikui left Hong Kong with a HK\$1.9 billion bill in property damage, business disruption, and other compensations—the second highest insurance claim on record.<sup>11</sup> A joint research by local universities predicts that extreme rainfall will become more frequent and intense under climate change, accompanied by a greater risk of landslides and flooding.<sup>12</sup>

**Hong Kong has to conduct climate risk assessments to address areas of vulnerabilities. To cope with rising temperatures and extreme weather, the city should strengthen climate resilience, such as through the adoption of sponge city measures and nature-based solutions in urban planning and design; it should protect the workforce against extreme heat as with any other occupational hazard. Hong Kong must establish a climate change authority to lead and coordinate the government’s climate strategies and response more effectively.**

## Transport Strategy and Pedestrianisation

The transport sector is a major contributor to greenhouse gas emission and air pollution in Hong Kong; the phase out of fossil fuels in the sector however continues to be slow. Excluding private cars, less than 1% of licensed road transport use non-fossil fuel sources.<sup>13</sup> The publication of the “Strategy of Hydrogen Development in Hong Kong” in June highlights the potential for the government to scale up its ambitions and introduce other alternative energy options (e.g., ammonia, methanol and SAF) for hard-to-decarbonise vehicle types and sectors (i.e., maritime and aviation), leveraging the Mainland’s direction to develop the new energy technology and industry.

<sup>9</sup> [SCMP, Hong Kong’s past heatwaves potentially contributed to 1,677 excess deaths: university study](#)

<sup>10</sup> [Guo \*et al.\*, The risk of hospitalization associated with hot nights and excess nighttime heat in a subtropical metropolis: a time-series study in Hong Kong, 2000–2019](#)

<sup>11</sup> [Insurance Authority, Extreme weather events demonstrate the social role of insurance in enhancing community resilience](#)

<sup>12</sup> [CUHK, CUHK-led collaborative research predicts hot nights to increase by 50% in 2040s and extreme rainfall to increase by over 40%](#)

<sup>13</sup> [Transport Department, Monthly Traffic and Transport Digest – June 2024](#)

This is especially so for the maritime and aviation industry, given Hong Kong's role as a supply chain hub.

On road transport, the government should keep in mind that switching to zero-emission vehicles does not alleviate traffic conditions. This is particularly relevant for private cars, which has outpaced population growth and contribute little to passenger flow relative to the road space they occupy—especially as families trend towards larger minivans and SUVs. Tyre wear from vehicles also generate fine and suspended particular matter pollution, as well as microplastic pollution.<sup>14,15</sup> The government would do well to greatly expand its “Walk in HK” initiative, and move towards a people-oriented approach in urban design and planning if it hopes to market itself as a liveable city.

**Hong Kong must expedite the transition to zero-emission transport—following the International Maritime Organization to set a clear timeline for phasing out traditional engines in the maritime industry, and increase the adoption of SAF to maintain the city's leading aviation hub status—if it intends to achieve its 2050 target. The city also should strengthen walking, cycling and other sustainable transport modes to complement public transportation, while reducing the role of private cars in its long-term road transport strategy.**

## Green Finance

### Leveraging Continuing Education Funds to Strengthen Hong Kong's Green Talent Pipeline

The launch of the Pilot Green and Sustainable Finance Capacity Building Support Scheme (GSF) and the new Core Level of the Enhanced Competency Framework on Green and Sustainable Finance (ECF-GSF) have been tremendous successes in recognising and investing in the development of a skilled workforce in the green industry. The number of Certified ESG Analysts (CESGA) has reached over 1400 in Hong Kong since the inception of the GSF scheme, a testament to the growing demand for sustainability professionals in Hong Kong.

Thus, to continue on the momentum of green finance in Hong Kong, it is crucial to nurture green talents with multi-disciplinary functions. Sustainable finance professionals often need to upskill via

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<sup>14</sup> [Giechaskiel \*et al.\*, Contribution of Road Vehicle Tyre Wear to Microplastics and Ambient Air Pollution](#)

<sup>15</sup> [Xiao \*et al.\*, Are vehicle tires major contributors to microplastic emissions into the China seas? A simple model perspective](#)

various green and sustainable finance courses to keep abreast with latest market developments. The deep talent pool is a critical element to solidify Hong Kong's position as a leading green finance hub.

**To facilitate this, Hong Kong government could consider extending the Continuing Education Fund (CEF) to cover all eligible sustainability courses under the GSF scheme. This move would allow sustainability practitioners to better equip themselves via continuing education opportunities, empowering them to acquire more necessary multi-disciplinary skills and knowledge to drive the green and sustainable agenda forward.**

Friends of the Earth (HK) is a pioneer of green finance public education in Hong Kong. We look forward to develop more green and sustainable finance courses with different knowledge partners to assist capacity building of green and sustainable finance, and to contribute to the success of green talent development initiatives.

### Promoting Taxonomy Equivalence in Hong Kong

Sustainable Finance taxonomies across different jurisdictions facilitate the effective flow of capital towards sustainable investments. As the market lacks interoperability between different local and regional taxonomies, it creates complexity for financial market players and undermines transparency and efficiency in the overall green finance ecosystem, ultimately hindering the allocation of capital needed for the net-zero transition.

Hong Kong, as an international financial centre with an aspiration to become a regional green finance hub, can take the lead to promote taxonomy equivalence by examining and selecting relevant parts of other developed taxonomies, such as the EU Taxonomy, PBOC's Green Bond Endorsed Projects Catalogue, or the ASEAN Taxonomy for Sustainable Finance, amongst others. A promotion of taxonomy equivalence will enable local and international borrowers and investors to more easily access cost-competitive capital for sustainable projects, as well as promoting the transparency and credibility of such transactions, elevating Hong Kong's position as the green finance hub.

In the medium to long term, taxonomy equivalence can help to reduce compliance costs for



investors and industries, while providing clearer guidance and oversight for regulators. These efficiencies ultimately benefit the Hong Kong investment market through better investment decisions and more effective mobilization of capital towards sustainability objectives.

**The Hong Kong government should take a proactive role in promoting taxonomy equivalence, which will help to lay the foundation for a more transparent, efficient, and collaborative green finance ecosystem. This will solidify Hong Kong's position as a leading hub for sustainable finance and support the territory's transition to a low-carbon economy.**

### Development of an Integrated Platform for Identifying and Assessing Climate-related Risks

The increasing frequency and severity of extreme weather events due to climate change pose significant risks to Hong Kong's financial stability and economic development. Despite the growing recognition for investment needs in climate adaptation and resilience, the financing gap for climate adaptation in Asia remains at an estimated US\$25 billion per year. Hong Kong is highly susceptible to physical risks, but is also uniquely positioned as a green bonds financing centre to plug the gap for adaptation and resilience projects.

We should take inspiration from initiatives like Project Viridis, undertaken by the Monetary Authority of Singapore (MAS) and the Bank for International Settlements (BIS). Project Viridis explored the development of an integrated climate risk platform to help central banks and financial authorities identify and assess material climate-related financial risks.

The government should establish a similar climate risk assessment platform for Hong Kong, with appropriate funding, to be empowered to lead on all works related to physical risks, adaptation and resilience. It would be preferable for the platform to have key responsibilities and accountabilities including:

- Provide sufficient updated data on physical risk assessments of assets, including critical infrastructure that enables stakeholder understanding of risks and encourages action on adaptation and resilience
- Act as a key coordinator and provide oversight of adaptation work between all government bodies to ensure a comprehensive approach to adaptation planning and financing

- Assign implementation responsibilities, timelines, and evaluation criteria within different government bodies
- Act as a key representative for Hong Kong to engage with counterparts in the Greater Bay Area, as required by the National Adaptation Plan, as well as with representatives from other countries in the region to identify and collaborate on cross-border climate impacts and adaptation planning
- Act as key touch point to collaborate with other stakeholders including communities, businesses and financial institutions

**By taking these steps, the Hong Kong government can demonstrate its commitment to a city-wide adaptation plan, based on updated scenario analysis, including a worst-case high future emissions scenario that references the Intergovernmental Panel on Climate Change (IPCC), underpinned by development of a pipeline of adaptation projects, mapped to the city's overall plan together with implementation responsibilities, timelines, and evaluation criteria, to stimulate action and unlock private financing.**