



Friends of the Earth (HK) Response to the 2023-24 Budget Consultation

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Introduction

Hong Kong continues to be threatened by climate change, air pollution and waste crisis. The government's desire for Hong Kong to be seen as a competitive, liveable city is hindered by its sluggish pace in promoting sustainable development. Friends of the Earth (HK) urges the government put money where its mouth is to help Hong Kong transition towards a greener and more sustainable economy by:

- Scaling up investment in renewable energy production and import
- Subsidising demand side energy efficiency measures
- Improving resilience against coastal flooding and storm surges
- Implementing carbon pricing to internalise the cost of carbon emission
- Implementing electronic road pricing and other transport measures
- Accelerating the greening of public transport and commercial vehicles
- Developing a pedestrian and cycling-friendly city
- Supporting the development of a circular economy
- Allocating resources to drive education for sustainable development
- Expanding board oversight of ESG and climate-related financial risks

Climate Change

1. Climate change cannot be regarded as just a problem looming over the horizon any longer. Extreme weather and other climate hazards are empowered under a warming planet. Last year, China was hit with record-breaking heatwave and drought that disrupted food production, factory operation, power supplies, and more.¹ Pakistan still has not fully recovered from the unprecedented floods that resulted in an estimated US\$40 billion of damages.²
2. While Hong Kong saw a drop in carbon emissions with the switch from coal to natural gas for power production,³ natural gas is only a bridge fuel. The government must fully wean the city off fossil fuels if it intends to reach net zero by 2050. It should prioritise carbon reduction and not use carbon offsets as a substitute for decarbonisation. The government must both invest in the development of local renewable energy infrastructure and strengthen regional cooperation to import renewable energy.

¹ [SCMP, China's record heatwave, worst drought in decades](#)

² [AP News, Pakistan: World Bank estimates floods caused \\$40B in damages](#)

³ [Environment and Ecology Bureau, Greenhouse Gas Emissions in Hong Kong \(by Sector\)](#)

3. Around 30% of electricity generated in Hong Kong goes towards air conditioning.⁴ Climate change is breaking high temperature records and will only drive up air conditioning demand in Hong Kong.⁵ The government should subsidise families to switch to more energy-efficient appliances and building owners to retrofit to reduce energy use.
4. Natural disasters resulted in losses of approximately US\$270 billion last year—most of which came from floods, storms, and extreme temperature.⁶ As a coastal city, Hong Kong is also vulnerable to many weather-related threats that are exacerbated by climate change. Even if the world were to decarbonise today, it may take decades for the climate to stabilise. The government must enhance Hong Kong’s ability to adapt to and withstand against coastal flooding and storm surges.
5. Since 2022, 68 jurisdictions, including China, now have explicit carbon pricing mechanisms in some form.⁷ Putting a price on carbon-emitting activities serves to internalise the environmental cost of climate change. It also helps to drive the private sector to pursue a low-carbon economic transformation. The government must align with the world and implement carbon pricing to reflect producer responsibility on carbon emission. Rebate mechanisms can be implemented to mitigate the burden on low-income households.⁸

Air Quality

1. In the “Clean Air Plan for Hong Kong 2035” and the “Hong Kong Roadmap on Popularisation of Electric Vehicles”, the government has pledged for Hong Kong to see zero vehicular emissions before 2050. Both the white papers however lacked concrete policies and timetables on how the city would effectively electrify its transport sector.
2. Other international cities have committed to more ambitious targets, pledging for major areas to be fossil fuel-free by 2030.⁹ With 90% of vehicular NOx emissions in Hong Kong coming from commercial vehicles, the government must fast-track the greening of public and commercial transport to tackle roadside air pollution.

⁴ [EMSD, Hong Kong Energy End-use Data 2022](#)

⁵ [The Standard, HK records the hottest day in September since 1884](#)

⁶ [Munich Re, Climate change and La Niña driving losses: the natural disaster figures for 2022](#)

⁷ [I4CE, Global carbon accounts in 2022](#)

⁸ [Government of Canada, Climate action incentive payment](#)

⁹ [C40 Cities, Green and Healthy Streets](#)

Besides electric vehicles, the government should also explore the feasibility of hydrogen vehicles in the city to take advantage of regional development on hydrogen energy.

3. Electric and new energy vehicles are not the cure-all however; they indirectly create roadside air pollution by contributing to traffic congestion,¹⁰ and they still produce particle pollution through tyre wear.¹¹ The government needs to tackle traffic congestion and curb the number of private cars on road by implementing electronic road pricing, increasing registration tax and licence fees, and introducing a vehicle quota system.
4. Walking and cycling are healthy, low-carbon modes of transport. Although Hong Kong is regarded as very walkable, the experience is not necessarily comfortable or accessible.¹² Cycling is still poorly regarded as a legitimate transport mode in urban planning.¹³ The government must devote more resources into designing Hong Kong into a pedestrian and cyclist-friendly city to encourage more sustainable modes of travel.

Circular Economy

1. The government made a midterm goal to reduce the per capita waste disposal rates in the city by 40-45% in the “Waste Blueprint for Hong Kong 2035”, but waste generation has continued to rise steadily despite past government efforts. The latest Hong Kong’s waste statistics showed that the per capita waste disposal rates returned to the highest level—tied with 2018 since records started.¹⁴
2. Hong Kong’s recycling rate is lower than those of other neighbouring cities, whether it is Singapore, Taipei, or Seoul.^{15,16,17} It is most imperative for the government to follow through with its plans to implement the municipal waste

¹⁰ [Wang et al., The adverse impact of electric vehicles on traffic congestion in the morning commute](#)

¹¹ [Timmers and Achten, Non-Exhaust Emissions: Chapter 12 - Non-Exhaust PM Emissions From Battery Electric Vehicles](#)

¹² [Civic Exchange, Measuring and Improving Walkability in Hong Kong](#)

¹³ [SCMP, Bicycles still discouraged in Hong Kong urban areas due to ‘high traffic density’](#)

¹⁴ [EPD, Monitoring of Solid Waste in Hong Kong Waste Statistics for 2021](#)

¹⁵ [National Environmental Agency, Waste Statistics and Overall Recycling](#)

¹⁶ [Department of Environmental Protection \(Taipei City Government\), Municipal Waste Management \(Waste Treatment Division\)](#)

¹⁷ [Statista, Recycling rate of metal waste in South Korea from 2008 to 2020](#)

charging scheme within this year and engage the city in waste separation at source. To ensure people are truly able to recycle, the government must support the development of the recycling industry through land provision and upgrading recycling operations and fill in existing gaps—such as the collection and recycling of organic waste.

3. Although Y·PARK has entered into operation in 2021, just around 10% of yard waste produced is being recycled.¹⁸ Grass clippings, fallen leaves, pruned branches and such however are all fully biodegradable. The government should provide subsidies for purchasing composting equipment and set up shared wood shredders for local districts to boost yard waste recycling.
4. The government has been making strides towards introducing producer responsibility for various plastic items. Plastics however just make up for one part of the some-11 thousand tonnes of waste entering landfills every day. The government must expand the scope of producer responsibility to cover more products and encourage manufacturers and suppliers to develop more sustainable product designs, end-use practice, and/or end-of-life handling.

Sustainable Development

1. Urban forests and trees are often taken for granted and overlooked despite the vast number of benefits they bring to cities—such as mitigating urban heat island, sequestering carbon, bettering physical and psychological health, and more.¹⁹ The Food and Agriculture Organisation explicitly asks countries and cities to recognise the role of urban forests and trees in achieving the Sustainable Development Goals.²⁰ The government must invest in enhancing urban forests and trees for Hong Kong to promote greater liveability.
2. With some exceptions, urban vegetation can have tremendous benefits for air quality, because plants can filter and absorb many air pollutants.²¹ Careful urban forest management is crucial for maintaining good air quality. Relevant government units should come together to devise integrated solutions to create a healthy living environment for Hong Kong.

¹⁸ [EPD, Monitoring of Solid Waste in Hong Kong Waste Statistics for 2021](#)

¹⁹ [Wolf *et al.*, Urban Trees and Human Health: A Scoping Review](#)

²⁰ [FAO, Seoul Action Plan for the development of Urban Forestry in the Asia-Pacific Region](#)

²¹ [Ren *et al.*, Trees help reduce street-side air pollution: A focus on cyclist and pedestrian exposure risk](#)

3. Many cities are now enhancing the quality and performance of urban services by becoming more intelligent through digitalisation. New technologies, such as artificial intelligence, edge computing, and blockchain, are driving the evolution of smart cities.²² Hong Kong however has fallen far behind on smart city development.²³ The government must invest into building up the digital infrastructure for a more informed environmental policymaking and monitoring ecosystem.
4. The implementation and effectiveness of green policies—whether it is climate change, air quality, waste management or others—is reliant on an educated society. Education for sustainable development in Hong Kong is however lacking in schools and at the community level. NGO outreach cannot replace the systematic and comprehensive planning and implementation of education for sustainable development. The government must provide the appropriate level of resource to train educators and promote environmental concepts.
5. Hong Kong consumption emission is a major aspect that cannot be ignored. A significant portion of the city’s actual emission is hidden in the consumption of various goods and services.²⁴ The government has to address consumption-based emission and promote responsible consumption and healthier diets to truly decarbonise the city. The government should develop carbon footprint certification and labelling for products to facilitate low carbon lifestyle.
6. With Hong Kong poised to show economic recovery, instead of simply returning to business-as-usual, the government should take the opportunity to make inroads towards low-carbon sustainable development. Ensuring a low-carbon transition will help stimulate green job creation and growth.²⁵ The government must allocate more of its budget towards environmentally-positive measures--through grants, tax reductions, and other subsidies—to support green innovation and skills training.

²² [Badidi, Edge AI and Blockchain for Smart Sustainable Cities: Promise and Potential](#)

²³ [Smart City Governments, 2020/21 Publication](#)

²⁴ [Our World in Data, Annual consumption-based CO₂ emissions per capita](#)

²⁵ [World Economic Forum, How many jobs could the clean energy transition create?](#)

Green Finance

1. The Hong Kong Monetary Authority (HKMA) has introduced the new Supervisory Policy Manual module GS-1 on climate risk management for financial institutions and corporates. Friends of the Earth (HK) appreciates the action taken by the HKMA to drive the climate-related disclosures in order to align with the main objectives set out by the Task Force on Climate-related Financial Disclosures (TCFD). However, the government should also widen public awareness on climate risks and also the ways financial institutions can contribute on low carbon and circular economy. Compliance-driven policies are not long-term solutions for green finance without the understanding and support from the public.
2. The government should widen general public awareness on climate change and also ways to contribute on low carbon and circular economy via education by strengthening collaboration amongst schools, the Investor and Financial Education Council (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 closer partner of the IFEC, Education Bureau or relevant parties to promote green and sustainable finance to the general public.
3. Friends of the Earth (HK) is glad to see the launch of the Pilot Green and Sustainable Finance Capacity Building Support Scheme before the end of 2022. By recognising international accreditations with support in training subsidy to build the pipeline for the industry, such as the Certified ESG Analyst (CESGA[®]) accreditation offered by the EFFAS and collaborating with Friends of the Earth (HK), the HKMA Centre for Green and Sustainable Finance (CGSF) is showing strong execution on enhancing the capabilities of market participants in green finance and ESG.
4. Board oversight of climate-related financial risks should be much better integrated into both regulatory frameworks and supervisory expectations for listed companies. Not only listed companies should have at least one member of the board of directors to have ESG and climate-related expertise or credentials, it is recommended for all financial institutions to have similar setups for strengthening climate-related financial risk management, as green financing and green financial products are becoming more and more critical in the financial market. More financial institutions should actively build up their expertise in ESG risks, sustainability, and climate governance especially after the publishing of the HKMA SPM-GS1 supervisory requirements.