



friends
of the earth



<http://www.foe.org.hk>



2528 5588



foehk@foe.org.hk



Unit 1301-1302, 13/F, Block A, Sea View Estate, 2 Watson Road, Hong Kong

Friends of the Earth (HK) Response to the 2025-26 Budget Consultation

Introduction

Sustainable development is key to building and promoting liveability. Despite its claim as Asia's world-class city, Hong Kong falls behind in areas of climate change and circular economy. The indefinite postponement of the waste charging scheme is just one recent example. The Hong Kong government must unlock the resource needed to facilitate its green strategy and the sustainable development of the city. Friends of the Earth (HK) recommends the government to:

Decarbonising Hong Kong's major emitters

- Realise green finance ambition through renewables
- Review electricity contracts for renewable energy adoption
- Implement carbon pricing to control emission
- Lower building energy demands
- Expedite zero-emission transport transition

Making Hong Kong more climate resilient

- Conduct climate risk assessment and management
- Adopt nature-based solutions in urban planning
- Establish an authority to lead climate actions

Building up Hong Kong's recycling capacity

- Reduce commercial and domestic food waste
- Enhance collection and recycling channels
- Expand coverage of producer responsibility

Solidifying Hong Kong's green finance hub position

- Extend and expand green finance capacity building programmes
- Promote taxonomy equivalence for market efficiency
- Strengthen taxonomy implementation support across sectors

A world-class international city should be a zero-carbon, climate resilient city. The government must proactively address climate change, accelerate waste reduction efforts, and strive to achieve sustainability. Through collaborative efforts, we can strive together to construct a more environmentally conscious Hong Kong.

Decarbonising Hong Kong's major emitters

In “Hong Kong's Climate Action Plan 2050”, the government has pledged to reduce the city's emission by 50% from 2005 level before 2035. Its actual roadmap falls short of other international cities however, with no clear path of realising a 60-70% zero-carbon electricity supply. Hong Kong may not be a major greenhouse gas producer in the global context, but it must demonstrate climate leadership as Asia's purported world city.

1. Realise green finance ambition through renewables

High cost and limited space are often cited as reasons why utility-scale renewable energy is constrained locally. Renewable energy development however does not have to be bound to within the city territory. The government should adopt Singapore's “regional power grids” approach,¹ partnering with Greater Bay Area neighbours to invest in renewable energy projects and import clean electricity into Hong Kong—leveraging the city's international financial centre infrastructure and reputation. This would also advance the government's ambition to position Hong Kong as a regional green finance hub.

2. Review electricity contracts for renewable energy adoption

The current Scheme of Control Agreements (SCAs) with Hong Kong's two electricity providers are set to expire in 2033, presenting a critical opportunity to accelerate the city's transition to clean energy. A reformed SCA framework should open the market to third parties to the grid, promoting renewable energy integration and innovation. The government should begin reviewing for the next SCAs, setting clear and enforceable targets for phasing out fossil fuels, alongside incentives for renewable energy investments and disincentives for continued coal and natural gas use.

3. Implement carbon pricing to control emission

The cost of climate change impacts and healthcare burden is still not properly factored into fossil fuel use. In 2023, explicit and implicit subsidies for fossil fuels have reached US\$7 trillion globally.² Many jurisdictions, including China, have since implemented carbon taxes or

¹ [Energy Market Authority, Regional Power Grids](#)

² [IMF, IMF Fossil Fuel Subsidies Data: 2023 Update](#)

emissions trading systems to internalise the cost of carbon emissions and drive low-carbon innovation. The government should formulate a carbon pricing system to discourage excessive fossil fuel use, incentivise clean energy solutions, and encourage the private sector to transition towards a low-carbon economy.

4. Lower building energy demands

Buildings consume most of the electricity generated in Hong Kong, and consequently contribute to the bulk of local carbon emissions. Minimising energy demand reduces emissions and would make transitioning away from fossil fuels cheaper and easier. The government should provide stronger incentives to encourage the adoption of building energy efficiency retrofits, specifically targeting the growing number of ageing buildings with poor energy performance. At same time, it should maximise the installation of solar panels across all public housing estates, where feasible.

5. Expedite zero-emission transport transition

Transport is another key contributor to local emissions, but electrification efforts have been slow. Excluding private cars, less than 1% of licensed road transport uses non-fossil fuel sources.³ The government should scale up the trialing and use of alternative energy options for transport, capitalising on the new energy technology trend in the mainland and advancing Hong Kong's green technology industry.⁴ To target hard-to-decarbonise sectors like maritime and aviation, green finance should also be leveraged to support the development of alternative fuels, such as transport and storage for hydrogen and ammonia and blending facilities for sustainable aviation fuels.

Making Hong Kong more climate resilient

2024 just had the dishonour to be the first year to exceed 1.5°C above pre-industrial levels.⁵ Local universities predict that extreme heatwaves and heavy rainfall will become more frequent and severe under climate change, leading to economic disruptions, property damage, and potentially

³ [Transport Department, Monthly Traffic and Transport Digest – June 2024](#)

⁴ [Ministry of Ecology and Environment, Energy in China's New Era](#)

⁵ [Copernicus, 2024 is the first year to exceed 1.5°C above pre-industrial level](#)

lives lost.⁶ Even if the world stops pumping out greenhouse gases today, the impacts of climate change will not disappear overnight. The government must ensure that Hong Kong is adequately prepared for the new norm.

1. Conduct climate risk assessment and management

As a coastal city, Hong Kong is highly susceptible to physical risks such as coastal flooding and storm surges. To better cope with extreme weather, the government must carry out climate vulnerability assessments, based on the RCP8.5 worst case climate scenario, to map out and address risk areas, reinforce critical infrastructure, and develop contingency plans against intensifying extreme weather events. It should also allocate resources to enhance meteorological monitoring and early warning systems, support local universities and research institutions in conducting climate-related research, and strengthen cooperation with the Mainland to build a more resilient and well-prepared city.

2. Adopt nature-based solutions in urban planning

Nature-based solutions (NbS) offer sustainable and effective approaches to addressing environmental challenges. Green infrastructures, such as trees, parks and green roofs, can mitigate heat island effects, while mangroves and wetlands serve as natural buffers against flooding. NbS can also boost biodiversity and improve liveability. The government should increase the adoption of NbS in urban planning and design to enhance climate resilience. It should reference Singapore's Green Plot Ratio (GPR), a metric for assessing and facilitating greenery in cities and buildings. The government should also streamline its current tree management staffing model for better urban forestry management.

3. Establish an authority to lead climate actions

Addressing climate change requires coordination across government departments and across all sectors of society to implement strategies effectively. The introduction of the Commissioner for Climate Change does not replace the need for a dedicate office. To ensure effective leadership and accountability, the government should allocate funding in the budget to establish a dedicated climate change authority. This office would lead the development and

⁶ [CUHK, CUHK-led collaborative research predicts hot nights to increase by 50% in 2040s and extreme rainfall to increase by over 40%](#)

implementation of comprehensive climate strategies, including setting science-based targets, managing funding for climate initiatives, and overseeing progress towards Hong Kong's climate goals.

Building up Hong Kong's recycling capacity

According to the latest waste statistics for 2023, landfilling fell slightly while recovery increased,⁷ likely in anticipation of the waste charging scheme back then. With the scheme now shelved by the government indefinitely, the surge in public awareness over the last couple years could soon be lost. Hong Kong must strike while the iron is hot and ensure that positive gains are sustained in realising a circular economy.

1. Reduce commercial and domestic food waste

Food waste accounts for almost a third of municipal solid waste entering Hong Kong's landfills. It is also a major sticking point for households due to the lack of collection channels. The government must speed up the installation of food waste bins in public housing estates and provide subsidies for their installation in private housing estates and villages. Refuse collection stations and other suitable venues (e.g., wet markets) should be revamped to provide citizens with more locations for food waste separation and recycling. The government should reference France in formulating regulations to ban supermarkets from discarding or destroying unsold food and work with food businesses to facilitate the redistribution of surplus food.

2. Enhance collection and recycling channels

Improvements to waste reduction awareness—however minor—cannot be sustained without a robust collection infrastructure to ensure the ability to recycle conveniently and easily. This means not solely developing and relying on the Green@Community network to the detriment of other existing channels. The government should use the end of the “Pilot Scheme on Collection and Recycling Services of Plastic Recyclable Materials” to revise how funding distribution is handled to better support the industry's sustainable development. At the same time, Hong Kong should explore collaboration with China in reconnecting recycling channels to facilitate greater recovery and processing of recyclables.

⁷ [EPD, Monitoring of Solid Waste in Hong Kong 2023](#)

3. Expand coverage of producer responsibility

Producer Responsibility Schemes (PRS) are vital for fostering a circular economy by holding producers accountable for the end-of-life management of their products. While existing schemes like those for electronic waste have made progress, their scope remains too narrow in tackling the more common waste types. The government should expedite the implementation of a comprehensive PRS to cover all single-use beverage packaging formats, packaging waste, and food waste. It should clearly define the responsibilities of manufacturers, importers, wholesalers, retailers and consumers, ensuring a more effective approach to addressing Hong Kong's persistent waste challenges.

Solidifying Hong Kong's green finance hub position

With the recent launch of the government's Roadmap on Sustainability Disclosure in Hong Kong⁸ and the new set of local standards developed by the Hong Kong Institute of Certified Public Accountants (HKICPA) in December 2024⁹, Hong Kong needs to continuously strengthen support for its green finance ecosystem. This will require a combination of green talent development, promoting taxonomy equivalence and practical implementation guidance.

1. Extend and expand green finance capacity building programmes

The success of existing initiatives like the Pilot Green and Sustainable Finance Capacity Building Support Scheme (GSF), evidenced by over 1,500 Certified ESG Analysts in Hong Kong, demonstrates the growing demand for sustainability expertise.

With the GSF set to expire at the end of 2025, we propose further extending the scheme to support the development of Hong Kong's green finance capabilities. The government should also allocate sufficient funding to expand the Continuing Education Fund (CEF) to cover all GSF-eligible sustainability courses. This is especially crucial with the launch of the new roadmap, local sustainability standards, and the constantly evolving global sustainable finance landscape.

⁸ [FSTB, Roadmap on Sustainability Disclosure in Hong Kong](#)

⁹ [HKICPA, HKFRS Sustainability Disclosure Standards](#)

2. Promote taxonomy equivalence for market efficiency

The lack of interoperability between different sustainable finance taxonomies creates complexity for market participants and reduces capital flow efficiency. Hong Kong's position as an international financial centre provides a unique opportunity to lead in promoting taxonomy equivalence.

By facilitating equivalence between major frameworks like the EU Taxonomy, China's Green Bond Catalogue, and the ASEAN Taxonomy, Hong Kong can help reduce compliance costs and improve market access. This alignment will enable both local and international stakeholders to more easily access sustainable finance opportunities while maintaining high standards of transparency.

The government should prioritize this equivalence initiative to strengthen Hong Kong's role as a green finance hub and support efficient capital allocation for sustainability initiatives across the region.

3. Strengthen taxonomy implementation support across sectors

Following the May 2024 launch of Hong Kong's taxonomy framework introduced by the Hong Kong Monetary Authority (HKMA)¹⁰, practical implementation support is now critical.

The framework currently covers 12 economic activities across power generation, transportation, construction, and water and waste management sectors, with plans to expand to more sectors and transition activities. The government should develop sector-specific implementation guides and provide capacity building and training to help financial institutions and businesses effectively align with the taxonomy.

¹⁰ [HKMA, Hong Kong Taxonomy for Sustainable Finance](#)