



**Climate Change Business Forum
Submission to Hong Kong Legislative Council
Panel on Environmental Affairs**

The Climate Change Business Forum

The Climate Change Business Forum (CCBF) is a platform for Hong Kong's most astute business leaders to collaborate on tackling climate change. Initiated in 2008 by the Business Environment Council, CCBF today comprises about 25 member companies¹ with investments throughout the region and the world. CCBF commissions actionable research, engages in best practice sharing, sponsors public events and generally informs public discourse on a broad array of topics related to climate change.

CCBF's mission is to help pioneer Hong Kong's transition to a low-carbon economy. To this end we support progress in corporate/governmental measuring, monitoring and reduction of carbon and energy footprints; the introduction of schemes and regulations to create a more sustainable built environment; and business-government-community dialogue on a more sustainable city, including transport, energy, financing, and education/engagement elements.

CCBF invests in research and tools to help the Hong Kong business community advance their low carbon goals. In the past two years we've published:

- [The Hong Kong Guide to Emission Reduction - Capitalising on the Business Opportunities](#)² – a primer on climate change for Hong Kong business, with practical steps to measure and manage corporate carbon emissions;
- [Low-Carbon Economy for Hong Kong: Sector Regulations Paper](#)³ – a survey of regulatory measures coming into place around the world to engender a low carbon economy, with recommendations for Hong Kong;
- [Every Building a Powerhouse](#)⁴ – an analysis of 29 technologies and techniques for increasing energy efficiency in existing buildings, with recommendations for Hong Kong's own building stock (Phase 2 of this study is currently underway).

Climate Change: An urgent issue for the World...

The UN Intergovernmental Panel on Climate Change, which tracks climate indicators, has documented the link between human activity and climate change. The outcomes of climate change identified to date include temperature rise, climate variations, severe weather events, sea level rise, ice sheet collapse, and loss of species. Scientists warn that Earth is approaching dangerous 'tipping points' in many of these areas. If tipping points are surpassed, the ecosystem services upon which human life depends – including clean air, arable land, potable water, a temperate climate – could be endangered.

The intergovernmental climate meeting in Copenhagen last year set out to develop a binding global framework to limit the addition of carbon dioxide (CO₂) and other greenhouse gases into the atmosphere to a

¹ CCBF member companies as of November 2010: Cathay Pacific, Sino Group, Hang Lung Properties, HSBC, Airport Authority Hong Kong, Arup, Bank of East Asia, CLP, Gammon, Great Eagle Holdings, HACTL, Hang Seng Bank, Hongkong Electric, Hongkong Land, Hongkong International Terminals, Kreab Gavin Anderson, Lai Sun Group, MTR, Oglivy, PCCW, SagaCarbon, Swire Pacific, Towngas, WalMart,

² Available in English & Chinese on the CCBF web site at <http://www.climatechangebusinessforum.com/en-us/ghg>.

³ Available on the CCBF web site at http://www.climatechangebusinessforum.com/en-us/research_06072010.

⁴ Available on the CCBF web site at http://www.climatechangebusinessforum.com/en-us/research_15062010.

level that would constrain temperature rise to 2 degrees Celsius.⁵ Leading global businesses, including CCBF members, support this goal. As corporations, we need legal certainty to make the kind of investment needed to stave off the most dangerous effects of climate change and drive our transition to a low carbon economy.

Unfortunately, Copenhagen failed to deliver a global deal. According to the International Energy Agency, this failure has “increased our estimated cost of reaching the 2°C goal by \$1 trillion and undoubtedly made it less likely that the goal will actually be achieved.”⁶ Lack of an agreement has also had the unfortunate effect of delaying the widespread introduction of a carbon price to Asian and other markets. In the absence of market signals or regulatory frameworks, many countries have yet to take decisive action.

... For Business...

But there are some positive signs. Business, for its part, is starting to recognize and respond to the challenges climate change poses. Some are just beginning to climb the carbon learning curve; others are well advanced. The Hang Seng Sustainability Index (HSSI), published for the first time in July 2010, recognizes Hong Kong businesses that have deeply and systematically incorporated sustainability into their operations. We consider the HSSI an important indicator of investor belief that companies that prioritize sustainability and carbon-efficiency are well managed businesses.

Small and medium-sized enterprises in Hong Kong are also starting to respond. According to a survey conducted by CCBF in September⁷, fully 82% of business managers see low-carbon products and services being critical in the market within the next three years. This is despite the fact that very few (17%) currently have registered customer demand for such products and services to date. Respondents also recognize the risks borne by climate change, citing rising energy prices (71%), disrupted transport and logistics networks (58%), disruptions due to pandemics or infectious diseases (51%), and scarcity of environmental resources (48%) as endemic concerns. These business managers believe action is needed from Government to drive energy-efficient, climate-friendly practices. Key areas for Government leadership are education (69%), market incentives (50%), the upgrading of standards and regulations (37%) and skills training (36%).

CCBF members agree with this assessment. And we’ve started to invest in reducing greenhouse gas emissions. CCBF member companies have been upgrading building energy efficiency, replacing inefficient equipment, de-carbonizing primary fuels, taking excess energy and chemicals from operational processes, and engaging with supply chains to be more resource-, energy- and carbon-efficient. As a result, we’ve reaped financial savings.

...And for Hong Kong

Chinese policy and business practices help drive Hong Kong Government strategy. Recently China, to its credit, has prioritized climate change. In the past few months we’ve witnessed signals that the 12th Five Year Plan will include planks to increase renewable energy, boost industrial energy conservation, curb industrial pollution and build low-carbon development models for cities and provinces. The oft-cited national target of a 40-45% carbon intensity reduction by 2020 will be codified and regionalized, with local officials held accountable for delivering results.

⁵ According to top US climate scientist James Hansen, “we have witnessed only about half of the eventual global warming due to carbon dioxide already in the air,” which makes a 2 degree rise in temperature close to inevitable even if emissions are cut drastically now. Hansen’s quote is from *The Price of Change*, [South China Morning Post](#), November 3, 2010.

⁶ *World Energy Outlook 2010*, International Energy Agency, released November 9th, 2010.

⁷ The Hong Kong Business Survey on Energy Efficiency and Climate Change will be available on the CCBF web site, www.climatechangebusinessforum.com, as of November 25th. It represents the views of 501 business managers representing a wide swath of mostly small and medium-sized Hong Kong businesses, including the trading, manufacturing, services industries.

We in Hong Kong need to both support these efforts, and ensure we keep up. There is already an emerging “regulatory gap” between China and Hong Kong. We need to move quickly to avoid a “market gap” or “skills gap” in the nascent low-carbon marketplace.

As businesses leaders, we welcome the HK government’s recent release of a draft climate change response plan. CCBF supports the Government’s overall target of a 50%-60% reduction in emissions intensity, in large part because it translates to a real CO₂ reduction of 19%-33%. We do note, however, that the majority of this reduction stems from changes in the fuel mix. The community, particularly the business community, can do more.

This challenge for Hong Kong is akin to the challenge that many developed cities are facing. The recent C40 Cities Workshop, hosted in Hong Kong November 5th-6th, 2010, underscored the vital role cities can and must play in creating the regulatory and market structures to transition from a carbon-intense economy, to a carbon-light one.

Pulling the right levers in the right direction

An ambitious target is the first step. We applaud the Government’s proposal in this regard. The next step is putting in place a plan to achieve the goals. In this regard CCBF endorses Government’s decision to prioritize Hong Kong’s fuel mix, transport, waste, and building energy use in the policy proposal. These are key levers to curb Hong Kong carbon emissions. We believe that rigorous change in each of these areas is necessary. The largely supply-side measures in the Government proposal should be complemented by demand-side measures targeted at both businesses and individuals. In particular:

- **Buildings: CCBF advocates mandatory energy performance audits and standards.** Buildings are the largest energy consumer in Hong Kong. Existing commercial buildings hold the most promise for demand-side management, or conservation. The Government should consider bolstering its proposal with progressive policies to phase out inefficient chillers and other high-consuming building equipment. All buildings should be subject to regular energy/operational performance audits, with results posted publicly. Buildings should be required to meet operational performance standards that are benchmarked on best global practice and reviewed / upgraded over time. Strategies should be put in place to incent energy conservation in buildings, with rewards that accrue to those who act.
- **Transport: CCBF supports low carbon zones and clean fuel vehicles as part of an overall low-carbon transport plan.** CCBF supports a comprehensive low-carbon transport plan that optimizes personal mobility and makes more low-carbon choices available to Hong Kong residents and visitors. To this end, we advocate creation of low emission zones, and upgrade or replacement of all high-polluting buses and goods vehicles with clean-fuel vehicles within the next few years.
- **Waste: CCBF supports the proposed new waste facilities as part of a comprehensive waste reduction and management plan.** The waste-to-energy, waste incineration and organic waste treatment facilities proposed in the Government’s plan are a good start to addressing the 9,800 tons of solid municipal waste that Hong Kong generates every day.⁸ But these must be complemented by schemes to reduce waste generation at its source. The Government has studied waste separation and charging for some time but has yet to implement them on a large scale. Now is the time.
- **Public Choice & Consumer Demand. CCBF recommends measures to prompt more low-carbon consumer behavior.** Everyday choices about how to travel, what to buy, and how to spend leisure time, have significant impact on the environment and the climate. Conscious consumer choice has an important role to play in decreasing the consumption of high-carbon goods and services. We would advocate measures to raise public awareness of this issue, and to make low-carbon choices more attractive and less costly for all.

⁸ Figure excludes construction waste.

- **Fuel mix: CCBF supports increasing nuclear energy to 50% of the fuel mix.** CCBF supports the Government's proposal to achieve a fuel mix of 50% nuclear, 40% gas, 3-4% renewable energy and 6-7% coal by 2020. This plan should be supplemented by a comprehensive, long-term energy strategy to provide the power companies the certainty needed to make long-term investments in safe, secure and affordable energy supply. The Government also has the responsibility to build the safest, most reliable nuclear power and transmission facility possible, and to engage the public for their information and support.

Government Leadership

When Ken Livingston, then Mayor of London, engaged his local business community in advancing the city's carbon goals a few years ago, businesses responded that they needed the plan to be *long, loud and legal*.

CCBF agrees. We would urge the Hong Kong government to use its four unique powers - as creator of laws and standards; protector and defender of public health; keeper of public goods (including both physical goods such as public land and buildings, and less tangible goods such as clean air); and market maker – to advance a low carbon economy. In particular:

- *HKSAR Government Reduction Target and Sustainability Report:* The best way for the Government to manifest its commitment to sustainability is to set its own, progressive carbon reduction targets for Government buildings and operations, and report on these in an annual sustainability report. Key elements of the report would include a commitment to weight carbon intensity in Government procurement, and a pledge that all Hong Kong Government owned or occupied buildings meet at least the 2nd highest BEAM standard by a date certain prior to 2020⁹. Carbon audits on individual buildings and major infrastructure projects would complement this process.
- *Education & Training* – Working with trade and industry bodies, Government should establish ongoing education for business owners/operators to perform similar environment-cum-carbon audits and upgrades. Incentives for first movers could help spur action. Special attention should be granted to ensuring that Hong Kong businesses have sufficient energy expertise to secure their place in the global supply chain going forward.

Moving Forward

Hong Kong needs to move quickly and decisively to mitigate those climate change impacts we can prevent; adapt to those we cannot avoid; and consciously create a sustainable city. The business element of this process is to design and manage Hong Kong's transition to a low carbon economy. This is not an easy task. But Hong Kong can learn from those cities, sectors and corporations that have already demonstrated substantial progress. Top of the list will be sensible government policies that drive significant reductions in energy and fuel use, incorporating both supply-side and demand-side strategies.

The Climate Change Business Forum would like to be a resource to you, the Environmental Panel, as you consider how best to build a more economically resilient, and environmentally sustainable, Hong Kong.

⁹ According to a Government report to the Panel on Development and Panel on Environmental Affairs for discussion December 14th 2009, the HKSAR Government has already committed to achieving at least the 2nd highest building energy performance rating, according to an internationally or locally recognized rating system, for all its new buildings. This proposal would extend that commitment to existing buildings as well.