

A Green Recovery – Calling for a Green Dimension to drive sustainable growth in Hong Kong

In response to the economic impact of Covid-19, the Hong Kong SAR Government (the 'Government') has so far provided a total of HKD 311.5 billion¹ in relief measures to a broad range of sectors.

The Sustainability Committee of the Swedish Chamber of Commerce in Hong Kong ('SwedCham') supports the Government's attempts to support parts of the economy particularly impacted by Covid-19, but urges the Government not to miss this opportunity to use pandemic recovery measures to drive sustainability and better prepare Hong Kong for the future.

Without decisive action now the economic and social impacts of climate change will cause far worse damage in coming years than the impacts of the current pandemic, and failing comprehensively to support a green economy may see Hong Kong fall behind other leading financial centres.

SwedCham therefore calls the Government's attention to a 'Green Recovery'.

'Green Recovery' as a way out of the economic crisis and to create jobs

When governments seek to sustain economies amid the Covid-19 pandemic, stimulus packages, structural reforms, long-term planning and an attractive vision for a Green Recovery endorsed by the public are key. Government spending in green infrastructure can both boost the economy and create jobs.

Hong Kong currently has an opportunity to step up its climate action as a way out of the current economic downturn, while also creating an attractive investment climate and living environment for the long-term. Diversifying the economy, embracing innovation and encouraging new technologies in a sustainable way will also mitigate both the impact of future crises and the consequences of increasing income inequality.

Sweden is leading by example to become the first fossil-free welfare nation

Sweden was the first country to pass an environmental protection act in 1967. It continues to take a leading role in tackling climate change through government action: setting a goal of carbon neutrality by 2045 that is more ambitious than the Paris Agreement; and ranked no.1 in sustainable development performance² out of 193 UN Member States. The Swedish government has successfully decoupled CO₂ emissions from GDP growth since 1997,³ without compromising on public welfare and while increasing prosperity for its 10 million inhabitants.

Swedish companies and individuals are willing to use their experience and know-how to support Hong Kong in adopting a green strategy that drives long-term growth and prosperity.

Green growth strategies are being adopted in Europe and Asia

The EU launched the European Green Deal in 2020 with a clear vision to transform the Europe-wide economy for a sustainable future. It is a comprehensive and ambitious plan for creating new employment and economic growth, along with benefits such as carbon neutrality,

¹ As of 17 September 2020

² <https://dashboards.sdgindex.org/rankings> (last accessed 7 October 2020)

³ <https://ourworldindata.org/grapher/co2-emissions-and-gdp?tab=table&country=-SWE> (last accessed 7 October 2020)

energy efficiency, food security, preserved biodiversity and clean air – a transition that will be enabled by mobilizing EUR 1 trillion for sustainable investments.

Asian economies are also driving sustainable agendas: South Korea announced the USD 60 billion Green New Deal in April 2020 as part of a national strategy to remodel South Korean society towards net-zero emissions by 2050. Investments in the next five years would create 659,000 jobs, focusing on building smart cities and eco-friendly infrastructure and promoting low-carbon industries and renewable energy production.

A similar green transition can be achieved in Hong Kong, channeling public and private investments to accelerate the development of green infrastructure and climate change adaptation assets.

Swedish companies and competence can facilitate a green recovery in Hong Kong

SwedCham's Business Climate Survey in 2020 showed that Swedish companies in Hong Kong are actively working to promote sustainability across a broad range of industries, but consider there to be insufficient Government leadership in driving the sustainability agenda.⁴

SwedCham's Sustainability Committee proposes that the Government focus further attention on the following six priority areas:

Energy transition and decarbonization

Sweden is leading the way towards a low-carbon economy – it already has the lowest share of fossil fuels in its primary energy supply and the second-lowest CO₂ emissions per GDP and per capita among IEA member countries.⁵ Almost half of Sweden's energy production now comes from renewable sources and Sweden aims to have 100% renewable electricity generation by 2040 by continuing the expansion of hydro, nuclear, and wind power.

- **Enact a decarbonization plan in the law.** Hong Kong's Climate Action Plan needs a bolder decarbonization strategy for the production and use of energy, supported by regulation, economic and fiscal measures. This plan should be enacted in the law, similar to climate laws that legally commit the Swedish government and European Commission to achieve net-zero emissions by 2045 and 2050 respectively. Sweden has successfully adopted market-based policies such as emissions trading and carbon taxation to decarbonize the energy sector and promote renewable energy across several sectors. Another key factor for maintaining the Swedish electricity supply is the regional power market, in which Sweden is a large net exporter of electricity to its Nordic and Baltic neighbours.
- **Invest in renewables and modernize the electricity grid.** The IEA recommends measures to expand and modernize electricity grids to reduce high-cost disruptions, improve the integration of renewables, and enable demand-side response and cross-border trade, as part of governments' recovery plans to boost growth and create new jobs.⁶ A USD 10 million investment would create 75 jobs in renewable energy (wind, solar, bioenergy, geothermal, hydro) or 77 jobs in energy efficiency (industrial, smart grid, mass transit), compared to 27 jobs created by equivalent spending in fossil fuels (oil, gas and coal), according to a McKinsey report on green recovery stimulus.⁷

⁴ www.swedcham.com.hk/wp-content/uploads/2020/10/Team-Sweden-in-Hong-Kongs-Business-Climate-Survey-report-2020.pdf (last accessed on 8 October 2020)

⁵ <https://www.iea.org/countries/sweden> (last accessed on 7 October 2020)

⁶ <https://www.iea.org/reports/sustainable-recovery/evaluation-of-possible-recovery-measures#abstract> (last accessed on 7 October 2020)

⁷ <https://www.mckinsey.com/business-functions/sustainability/our-insights/how-a-post-pandemic-stimulus-can-both-create-jobs-and-help-the-climate> (last accessed on 7 October 2020)

Renovate and retrofit buildings. There is a clear benefit for Hong Kong to upgrade energy-efficiency in buildings (through HVAC⁸ systems, appliances, insulation) to reduce operational costs, and to install solar panels on a larger scale, since buildings account for more than 90% of electricity consumption in Hong Kong.⁹ According to IEA, retrofitting buildings and improving energy efficiency would create the largest amount of new jobs. Installing smart HVAC systems and replacing inefficient cooling systems could be implemented relatively quickly and, in some cases, have a shorter payback period than other measures.¹⁰ As an example, Japan's stimulus package allocated USD 74 million in subsidies to energy-efficient renovation of public spaces.

Transportation

Sweden has been working actively to decarbonize the transport sector for decades and a number of transport operators have already managed to fully decarbonize their fleets.¹¹ In addition Sweden was one of the first countries to run carbon neutral public transport fleets in several cities, and since 2018 its capital, Stockholm, has boasted one of the largest carbon neutral bus fleets in the world.¹² Sweden is now preparing to continue its work on decarbonization targeting a reduction of transport emissions by 70% from 2010 to 2030, by further expanding the scope of its work in transportation.¹³

The lesson drawn from the Swedish efforts is that three factors are of utmost importance:

- **Adopt a common vision** for what the Hong Kong transport system of the future should look like. We welcome the vision proposed by Civic Exchange:

By 2050 Hong Kong's transport system, encompassing both the flows of people and goods, will be a force for good – enabling world class quality of life, economic opportunity, and an inclusive and equitable society. Vehicles in all categories will emit no tail-pipe emissions, produce a minimum of noise and vibrations, and offer world-leading comfort, coverage, and affordability. The transportation system will also be a key enabler of Hong Kong's long-term journey to a carbon neutral society by enabling a shift away from fossil fuel sources.¹⁴

- **Set the right targets to achieve that vision.** Targets for the transport sector, in respect of air pollution and carbon dioxide emissions need to be set according to public health concerns and a 2050 net-zero carbon objective respectively. In order for stakeholders to cope with aggressive target setting, these targets need to be set early and planned for the long-term to allow industry and users to adapt and plan ahead.
- **Create the partnerships needed for change.** Due to the large-scale nature of the change needed, the fact that investments need to be locked-in, and the multi-stakeholder make-up of the transportation system, meaningful changes cannot happen on their own through traditional market mechanisms. Each individual mode of transport needs its own task-force and multi-stakeholder groups in order to plan, test, implement, and achieve the transition to a sustainable transport system.

Recycling and waste management

⁸ Heating, Ventilation and Air Conditioning

⁹ https://bec.org.hk/files/images/Resource_Centre/Publications/Investing_in_Buildings_Energy_Efficiency.pdf, section 1.3 (last accessed on 7 October 2020)

¹⁰ <https://www.iea.org/reports/sustainable-recovery/evaluation-of-possible-recovery-measures#abstract> (last accessed on 7 October 2020)

¹¹ <http://fossilfritt-sverige.se/utmaningar/transportutmaningen/> (last accessed on 7 October 2020)

¹² <https://www.stockholmdirekt.se/nyheter/nu-ar-alla-sls-bussar-helt-fossilfria/reprid!DBHE1YFuyOkkXbkUuh8X2Q/> (last accessed on 7 October 2020)

¹³ <http://fossilfritt-sverige.se/> (last accessed on 7 October 2020)

¹⁴ <https://www.leqco.gov.hk/yr19-20/english/panels/ea/papers/ea20200122cb1-336-18-e.pdf> (last accessed 7 October 2020)

Sweden has a world-leading waste management system for reducing, sorting, treating and recycling, and municipal waste to landfill is almost non-existent. This extensive and efficient system is based partly on public education and individual responsibility. Sweden is also a global leader in 'waste-to-energy': about 99% of all household waste is recycled or recovered as energy for district heating and electricity.¹⁵ Treating waste as a resource has been key to fundamentally transforming the waste management system, for which Sweden offers innovative solutions and extensive know-how in both waste collection and recycling.

- **Adopt a circular economy.** Hong Kong has an alarming need for long-term waste management solutions to substitute its landfills which are near-saturated. The Covid-19 pandemic has further exacerbated the waste crisis, with increases in personal single-use waste, a detrimental impact on recyclers, and a delay to the crucial proposed waste charging scheme. Other countries are already actively adapting to the reality; Hong Kong also needs to do its part. Sweden has adopted a 'circular economy' approach which involves using products that can be reused completely and a 'cradle-to-cradle' approach by which the end-of-life recycling process is a core focus of the initial design stage for new products.¹⁶ In addition, the Swedish government has established a special advisory group that establishes groups of experts in priority areas to help make the circular economy a key functioning part of its overall policy. Investing in recycling instead of more landfills could also create three times more jobs – a study for the Australian Government concluded that for every 10,000 tonnes of waste, recycling creates 9.2 jobs while landfills create 2.8 jobs.¹⁷
- **Impose a recycling fee.** Taiwan has gone through a remarkable green transformation with a national development strategy aimed at revitalizing the economy while supporting environmental sustainability. Taiwan serves as a circular economy pioneer with a successfully implemented recycling program, boasting a recycling rate of 55% (higher than Sweden at 48%, and Hong Kong at 37%).¹⁸ The "4-in-1 recycling programme" involves government, manufacturers, consumers and licensed recycling enterprises all taking an active part in the process.¹⁹ Manufacturers and importers have to pay a recycling fee to the Taiwan Environmental Protection Administration (EPAT) and must offer to collect waste from consumers for recycling. The recycling fees contribute to the Recycling Fund, which subsidizes collection and recycling by licensed enterprises. Since the launch of Taiwan's "Pay As You Throw" and "Extended Producer Responsibility" schemes, waste generation per capita in Taipei has fallen 31% in 15 years and the recycling reforms have generated new commercial opportunities for Taiwanese companies.²⁰
- **Waste for profit.** As one of the world's leading countries in waste management, South Korea has successfully allowed privately-run companies to collect waste and sell it for profit – with the government providing financial support.²¹ In addition waste disposal and recycling policies are set by the Ministry of Environment, which has implemented policies banning both colored plastic bottles and PVC.²² South Korea is also phasing-out disposable cups and plastic straws, getting rid of these products completely by 2027.²³

¹⁵ <https://smartcitysweden.com/focus-areas/climate-energy-environment/waste-to-energy/> (last accessed on 7 October 2020)

¹⁶ <https://sweden.se/nature/the-swedish-recycling-revolution/> (last accessed on 7 October 2020)

¹⁷ https://www.environment.gov.au/system/files/resources/5cc6a848-a93e-4b3f-abf7-fc8891d21405/files/waste-and-recycling-employment_doc (last accessed on 7 October 2020)

¹⁸ <https://resource.co/sites/default/files/World%20Recycling%20League%20-%20Full%20Report%20-%20FINAL.pdf> (last accessed on 7 October 2020)

¹⁹ https://recycle.epa.gov.tw/en/recycling_knowledge_01.html (last accessed on 7 October 2020)

²⁰ <https://www.rapidtransition.org/stories/taiwans-transition-from-garbage-island-to-recycling-leader/> (last accessed on 7 October 2020)

²¹ <https://www.nspackaging.com/analysis/best-recycling-countries/> (last accessed on 7 October 2020)

²² <https://www.foodnavigator-asia.com/Article/2020/01/31/No-colour-no-PVC-South-Korea-bans-hard-to-recycle-plastic-materials-for-F-B-packaging#> (last accessed on 7 October 2020)

²³ https://www.koreatimes.co.kr/www/nation/2018/09/371_255022.html (last accessed on 7 October 2020)

Plastic waste

SwedCham has been working actively since 2017 to raise awareness of the issue of plastic waste, engaging a multitude of stakeholders from the Government, academia, NGOs and the business community, as well as issuing a position paper calling for firm action to tackle the escalating problem of plastic waste.²⁴ SwedCham took the lead on this issue by initiating a pledge to eliminate plastic bottles and cups from the workplace, which nearly all of Swedish Chamber of Commerce member companies in Hong Kong, China and Singapore adopted.

- **Reduce plastic waste and impose a tax on plastic bags.** The surge in take-away and delivery food during the current anti-Covid-19 measures has significantly increased the amount of plastic waste generated in Hong Kong. Hong Kong needs to implement more concrete, city-wide action to reduce plastic waste generated by the retail and food and beverage sectors in order to complement commitments already made by private actors. China, one of the world's biggest users of plastic has announced a ban on single-use straws by the end of 2020 and on non-degradable bags by 2022, while also taking a lead on innovative 'green' techniques such as Alibaba gamifying recycling and reduced use of plastic bags across its platforms.²⁵ The Swedish policies of taxing all plastic bags and replacing plastics with biomaterial as a norm can serve as good initiatives for Hong Kong to adopt, but they require Government energy and incentives to take off fully. Taking a firm grip of the issue of plastic bags could also give Hong Kong the upper hand compared to other Asian cities such as Singapore, that practice a more relaxed approach to plastic bags while justifying the waste produced by claiming it is burned to produce energy.
- **Introduce a comprehensive PET bottle deposit scheme.** SwedCham welcomes the limited introduction in Hong Kong of reverse vending machines for PET bottles.²⁶ Making such a scheme comprehensive would be an effective and relatively low-cost intervention to increase PET bottle recycling rates in Hong Kong (which currently lie at less than 10%). Given the recent slump in PET prices, increasing the recycling rate will also require firm stimulus and guidance in order to prevent manufacturers simply increasing their usage of virgin PET. Sweden has a very effective, country-wide plastic bottle deposit scheme that rewards consumers for recycling. More action is needed on Producer Responsibility Schemes and effective recycling infrastructure to achieve widespread participation across Hong Kong.

Financial sector

Sweden is a front-runner in sustainable finance in many ways: financial institutions such as SEB and Nordea have led the green bond market; research institutes widely cover the topics of green and sustainable finance; the Swedish International Development Cooperation Agency, Sida, is exploring public-private partnerships for sustainable investing; and the Swedish government has been a pioneer in establishing best practice for sustainability and responsible business conduct, being the first country to mandate GRI reporting²⁷ for state-owned companies.

- **Mobilize capital.** Sustainable finance, green investments and green bonds must be mobilized effectively to facilitate Hong Kong's green transition. Earlier this year, the EU Green Deal was introduced with an extensive investment plan and much-awaited

²⁴ <http://www.swedcham.com.hk/wp-content/uploads/2018/10/Position-Paper-SwedCham.pdf> (last accessed on 7 October 2020)

²⁵ <https://dailyfintech.com/2019/11/19/gamification-via-a-fintech-ecosystem-wins-a-un-global-climate-action-award/> (last accessed on 7 October 2020)

²⁶ <https://wgo.org.hk/scchkrvmeng/> (last accessed on 7 October 2020)

²⁷ Global Reporting Initiative – <https://www.globalreporting.org/> (last accessed on 7 October 2020)

sustainable finance taxonomy regulation²⁸ – setting a milestone for how the financial system will support a green recovery going forward. Sweden has introduced a ‘sovereign green bonds’ framework²⁹ to finance a portfolio of expenditures that meet the highest green ambitions in line with the carbon-neutrality goal; in September 2020, the first sovereign green bond was issued, with proceeds to be allocated largely to maintenance and reinvestment of the railway system, especially fossil-free steel production.³⁰ Hong Kong’s green bond framework from 2018 provides similar opportunities and should be reassessed and reinvigorated in light of the current economic conditions in order to target a green recovery.

- **Foster green equities.** Hong Kong has a unique chance to reinforce its standing as an international financial center by attracting environmental solutions and low-carbon companies to list directly on HKEX, as well as offering access to Chinese domestic A-shares through the Stock Connect program. Leading index providers have introduced climate change indices which will help to channel more investment into environmentally friendly and low carbon companies, such as MSCI’s China-focused ‘MSCI China Climate Change Index’.³¹

Tourism sector

*Sweden’s success in preserving nature has been underpinned by legal protections. Europe’s first national park was introduced in Sweden in 1909, granting nature the strongest protection to preserve it for future generations. Sweden’s access to its abundant nature (97% of land area is uninhabited³²), is also constitutionally guaranteed through the universal right of public access to nature, called *Allemansrätten*. The concept of the land being open to everyone is deeply ingrained in the culture and creates a sense of collective stewardship and responsibility of the land.*

- **Promote green tourism.** Hong Kong must consider carefully how to relaunch and future-proof its labor-intensive tourism industry, which is a pillar of the Hong Kong economy, beyond reactive immediate relief measures such as the *Green Lifestyle Local Tour Incentive Scheme*. A comprehensive tourism recovery plan should include new ‘safe and clean’ labels and digitalization (information apps, contact-less and self-service facilities), in addition to rebuilding and promoting Hong Kong as a destination for green and nature tourism with an emphasis on outdoor activities and green trail destinations. Areas of nature and rural destinations can stimulate local tourism and act as a first recovery driver, since external demand for luxury hotels, business travel and conferences (dependent on international tourism) may take two or more years to recover fully, according to the OECD.³³ Sweden has implemented an eco-certification for tour operators using the ‘Nature’s Best’ label, assuring that tour operators adhere to a strict code of conduct and that travelers make a positive contribution to the environment. As country parks and nature reserves cover 40% of Hong Kong’s land area (compared to 10% in Sweden), there is enormous potential for Hong Kong to boost green tourism and thereby stimulate a faster, and more sustainable, economic recovery.

²⁸ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en (last accessed on 7 October 2020)

²⁹ <https://www.government.se/information-material/2020/06/swedens-sovereign-green-bond-framework/> (last accessed on 7 October 2020)

³⁰ <https://www.riksgalden.se/en/press-and-publications/press-releases-and-news/press-releases/2020/swedens-sovereign-green-bond-sale-meets-strong-demand/> and <https://www.stockholmsustainablefinance.com/sweden-issues-its-first-green-bond/> (both last accessed on 7 October 2020)

³¹ https://www.msci.com/documents/10199/4b7e8a2a-5bfe-e2da-1c22-e9cb50c6b051?utm_source=esg&utm_medium=email&utm_campaign=esg-climate-change (last accessed on 7 October 2020)

³² <https://sweden.se/nature/swedes-love-nature/#> (last accessed on 7 October 2020)

³³ <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-covid-19-6466aa20/#boxsection-d1e31> (last accessed on 7 October 2020)

- **Raise public awareness about nature and the ecosystem.** Hong Kong must take steps to protect nature for generations to come by increasing public understanding and appreciation for nature and the natural ecosystem, starting at an early age. The Swedish school curriculum, for instance, integrates various outdoor activities to provide an understanding of nature and the natural ecosystem. Being close to nature and the countryside is a part of Swedish culture – around a third of Swedes engage in outdoor activities at least once a week,³⁴ with positive effects on health and wellbeing. Given Hong Kong's size, and proximity to nature of urban areas, implementing similar policies should be relatively easy in Hong Kong. Other easy ways to introduce a healthy lifestyle that contribute to a cleaner environment in Hong Kong are through the Swedish eco-sport 'plogging', through which joggers pick up trash along their running trail, and encouraging environmentally friendly use of Hong Kong's extensive trail network.

Conclusion

SwedCham's Sustainability Committee calls on the Hong Kong Government to take firmer leadership towards a Green Recovery in order to rebuild the economy resilient to future crises. Hong Kong is at a critical moment for choosing a growth path in which job creation is targeted at decarbonization, sustainable transportation, waste management, a circular economy, sustainable finance and tourism.

While some of the measures we have recommended are easier to implement than others, a long-term and holistic strategy will be needed to implement an effective Green Recovery. However, the opportunity to gain a competitive advantage in Asia and globally will help Hong Kong to prosper for generations to come.

*The Sustainability Committee of the Swedish Chamber of Commerce in Hong Kong
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The Swedish Chamber of Commerce in Hong Kong – Promoting Swedish business and values in Hong Kong since 1986. By members for members.

SwedCham exists to advance the interests of Swedish business in Hong Kong. In this role, we build networks among corporations of all sizes, as well as between decision makers and opinion leaders within Hong Kong and beyond. We advocate a fact-based approach to analysis and problem solving, supported by Swedish values. SwedCham HK has 160+ member companies and 60+ individual and young professional members.

³⁴ <https://www.folkhalsomyndigheten.se/livs villkor-levnadsvanor/friluftsliv/> (last accessed on 7 October 2020)