

Gradually world political and business leaders are realising the urgent need to implement measures to reduce the rate of environmental destruction and global warming. In recent years, "green finance" has emerged as a key mechanism for achieving this objective. This edition features a brief overview of aspects of green finance.

The Editors

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# What is green finance?

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"Green Finance" ("**GF**") may be defined broadly as any structured financial activity or scheme which has been created specifically to ensure a better environmental outcome, as well as providing participants with an economic incentive or profit.

Thus, GF has two fundamental objectives. One is to fulfil an economic or business requirement, the other is to enhance environmental conservation. Thus, GF is a way of meeting the needs of environmentalism and capitalism simultaneously.

The need for external funds to finance a given (environmentally responsible) project lies at the heart of GF. Thus, GF is a general term for an array of loans, debt mechanisms, bonds and investments which are used to encourage undertaking of green projects and to minimise impacts on the world's climate from development or infrastructure projects – or a combination of both.

Examples of projects which are within the GF category are those which have, as a main project – objective:

- provision of renewable energy and/or increased energy efficiency
- pollution prevention and control
- measures for biodiversity conservation
- to encourage "circular economy" initiatives
- achieving *sustainable* use of natural resources and land.

However, there is no single, accepted definition of GF, or what might rightly be called green or sustainable finance. Some projects and investments are undoubtedly greener than others, such as projects which produce pollution - free energy, or which preserve threatened ecosystems; e.g. coral reefs and rain forests.

The broadest definition of GF is: any kind of investment fund which uses an investment strategy associated with *sustainability*.

The longest standing and prevalent sustainability strategy is the adoption of negative or exclusionary screening of projects to exclude from the subject fund's potential investment projects those which are undesirable, environmentally or socially; e.g. oil, coal, tobacco, alcohol businesses.

The greenest or "best-in-class" GF vehicles are those which strictly adhere to meaningful rules on environmental, social and corporate governance matters (commonly referred to in the financial industry as "**ESG**").

# Evolution of GF

GF has evolved primarily as a result of the United Nation's long overdue decision to encourage much higher investment in sustainable and environmentally responsible (or, at least, less harmful) development projects world-wide.

In 2015 the UN adopted its Agenda for Sustainability Goals ("ASG") to be achieved by 2030. There are 7 goals, some of which are not strictly environmentally focused. Examples are:

- eliminate poverty
- provide clean water and sanitation to all persons
- good health and well-being for all
- gender equality
- provide affordable, clean energy to all
- climate action
- protection of land and water ecologies.

Approximately US\$400-600 billion per year will be needed to finance effective world-wide conservation of land, forests and water. An additional US\$350 billion of environmental capital will be required to fund energy and efficiency and renewable energy projects.

At present, less than 15% of the minimum capital requirement is directed to conservation projects, the bulk of which comes from the public purse and philanthropic entities.

# **Overview** of world-wide GF

Aside from the ASG, the principal driver of increased acceptance of GF – by both governments and private investors/businesses – is climate change and consequential global warming. As well, businesses are being encouraged by financial administrators to manage their affairs on an ESG basis.

The vast majority of climate scientists accept that human activity (mainly the use of fossil fuels) contributes significantly to global warming. In turn, most political leaders (Trump is an obvious exception) recognise the need for practical measures to reduce greenhouse gas emissions and to conserve our natural environment.

Therefore, many governments have encouraged GF in one way or another.

#### China

In September 2020, President Xi of China announced to the UN that China aims to achieve net zero greenhouse gas emissions by 2060, which will require an estimated investment of US\$20 trillion.

To achieve this goal, China is mainly focused on replacing combustion engine vehicles with electric ones. It is estimated that by 2035 all new cars sold in China will have either electric or hybrid engines.

China also is embracing GF to help reach its zero emissions target, and to try to reverse the vast environmental damage caused by its rapid economic development. Guidelines for domestic and international GF products have been jointly published by a number of central government agencies, including the Ministry of Ecology and Environment and the National Development and Reform Commission.

In June 2020, China released a *Green Bonds Endorsed Projects* catalogue to govern their green bonds market. As at June 2020, China's GF market held approximately 12.3 trillion yuan.

# Hong Kong

On 24 November 2020 the HK Institute for Monetary & Financial Research (a research arm of HK Academy of Finance) released a report concerning Hong Kong's emerging GF market, titled: *The Green Bond Market in HK: Developing a Robust Ecosystem for Sustainable Growth* (which we shall review in another edition).

The Institute said at the time that the report "illustrates the state of the green bond market in HK and globally, and sheds light on the benefits of green bonds to issues and investors".

The HK government subsidises, to a maximum of HK\$800,000, the cost of green bond issues certified by the HK Quality Assurance Agency. The stated objective is to create a HK\$100 billion green bond market, which is one of the largest government led bond issuance programmes in the world. The initial green bond issue raised inaugural US\$1 billion.

Consequentially, Hong Kong's professional advisers-- including solicitors-- are increasingly involved in structuring and accessing GF for clients.

# Other countries

The top three green bond issuing countries are the US, China and France. In 2017, approximately US\$30.7 trillion was held in the world's GF market. Examples of individual markets are:

•	Europe	-	US\$14 trillion
•	USA	-	US\$12 trillion
•	Japan	-	US\$2.2 trillion
•	Canada	-	US\$1.7 trillion

• Australia/NZ- US\$0.7 trillion.

#### "Green bonds"

Green bonds, an important example of GF, are a fixed income/interest instrument to raise money from investors for designated ASG projects. The bonds are backed by the issuing entity's balance sheet and therefore usually have the same credit rating as the issuer's other debt obligations.

Green bonds were first issued in 2007. Since then, more than US\$1trillion has been invested in global green bonds. In 2020 to date, approximately 366 green bonds have been issued globally, raising US\$168 billion for climate and environmentally responsible projects.

By some estimates, climate change investigation projects globally could reach an investment level of US\$90 trillion by 2030!

So, the opportunities for professional advisers specialising in GF, and GF providers themselves, are likely to increase significantly in the near term and beyond, both regionally and internationally.

# **TOWN PLANNING**

# Draft Sai Ying Pun & Sheung Wan Outline Zoning Plan approved

On 13 November 2020, the Chief Executive in Council approved the draft Siu Ho Wan Outline Zoning Plan (OZP).

The Planning Scheme Area covers an area of about 146 hectares and is bounded by Hill Road to the west, Bonham Road and Caine Road to the south, Jubilee Street, Pottinger Street, D'Aguilar Street and Glenealy to the east, and the harbourfront to the north.

Specified zones are:-

- 1. 21.04 hectares are zoned "Commercial", which covers an area bounded by Connaught Road Central to the north, Centre Street to the west, Des Voeux Road West, Queen's Road Central and Hollywood Road to the south, and the Central District to the east, which is an extension to the Central Business District.
- 2. 38.58 hectares comprise the established residential neighbourhoods that are zoned as "Residential (Group A)" for high-density residential development.
- 3. 0.26 hectare is zoned "Residential (Group C)" for residential developments subject to specific plot ratio and building height restrictions.
- 4. 13.23 hectares are zoned "Government, Institution or Community"
- 5. 13.13 hectares are zoned "Open Space" to serve the needs of local residents and the general public.
- 6. 13.18 hectares are zoned "Other Specified Uses", which includes historical sites preserved for commercial, creative industries, cultural, recreational and open space uses

The approved Sai Ying Pun & Sheung Wan OZP No. S/H3/34 is now available for public inspection.

[Town Planning Board Press Release, 13/11/2020]

#### Completion of northern connection of the Tuen Mun -Chek Lap Kok Link (TM-CLKL)

The TM-CLKL will provide the most direct route between the Northwest New Territories and Hong Kong – Zhuhai – Macao Bridge (HZMB), the Airport and North Lantau Island, and also an alternative route to the Airport. It was announced by the government that the commission will take place on 27 December 2020.

The TM-CLKL road project, which cost HK\$47 billion, will offer a more direct route of much shorter driving distance between the Northwest New Territories and Lantau. The journey time from Tuen Mun South to the HKIA will be reduced by about 20 minutes.

The TM-CLKL route also provides alternative access between the Hong Kong International Airport and the urban area, in addition to the Lantau Link. It will help divert traffic to and from Lantau, thus creating an opportunity to avoid the tolls of the Tuen Mun-Chek Lap Kok Tunnel and the Lantau Link.

At present, construction works for the Northern Connection is in the final stage, such as the replacement of existing traffic signs to match with the commissioning of the Northern Connection and the toll-free arrangement of the Lantau Link.

[Government of the Hong Kong Special Administrative Region Press Release, 18/11/2020]

# Controversial HK\$624 billion Lantau Tomorrow housing project

During her fourth policy address, the Chief Executive announced that the government will not give up on the controversial Lantau Tomorrow Vision housing project and that the estimated HK\$624 billion project will begin as soon as possible.

It is envisioned that 70% of the island project will be public housing. The government maintains that the artificial island will be more effective in alleviating medium-term and long-term housing needs than changing land-use zoning in existing urban areas.

It is proposed that reclamation will take place around Guishan Island. However, there are two main drawbacks to the proposed plan:-

1. the island is off the south eastern tip of Lantau Island, which would be a long commute to almost anywhere; and

2. the island is not in the territory of Hong Kong; rather, it is administered by Zhuhai.

It will be a long wait for the Hong Kong housing problem to be alleviated by this project.

[Hong Kong Free Press, 25/11/2020]

# Draft Wong Nai Chung Outline Zoning Plan approved

On 4 December 2020, the Chief Executive in Council approved the draft Wong Nai Chung Outline Zoning Plan (OZP). The approved OZP provides a statutory land use framework to guide development and redevelopment in the Wong Nai Chung area.

The Planning Scheme Area, covering about 138 hectares, is bounded by Leighton Road in the north, Hong Kong Stadium and Tai Hang Road in the east, Wong Nai Chung Gap Road in the south and Stubbs Road in the west.

Specified Zones are:-

- 1. 2.84 hectares of the planning scheme area will be for commercial development, which may include offices, shops, services, places of entertainment, eating places and hotels.
- 2. The southern part is predominately residential in nature, where 5.65 hectares, 15.4 hectares and 17.83 hectares are zoned "Residential (Group A)", "Residential (Group B)" and "Residential (Group C)" for high, medium and low-density residential developments respectively subject to specific building height restrictions.
- 3. 13.48 hectares are zoned as "Government, Institution or Community".
- 4. 9.34 hectares are zoned as "Open Space" to serve the needs of local residents as well as the general public.

The OZP is now available for public inspection.

[Town Planning Board Press Release, 04/12/2020]

# **LEGISLATION DIGEST**

# Report of the Bills Committee on Waste Disposal (Charging for Municipal Solid Waste) (Amendment) Bill 2018

# Need for municipal solid waste charging

Municipal solid waste ("MSW") comprises domestic, commercial and industrial (excluding construction and demolition ("C&D") waste) chemical and clinical waste. The need to reduce waste disposal has become more imminent as there is an increasing amount of waste dumped in Hong Kong's limited landfills in recent years. The government aims to introduce a MSW scheme to create financial incentives to encourage changes in the community's consumption and waste disposal behavior to reduce the overall amount of MSW.

#### Proposed municipal solid waste charging framework

Based on the "polluter-pays" principle, the government introduced the MSW collection and disposal system and proposes to make further adjustments to that system, such as: (a) charging by pre-paid designated bags/designated labels ("DBs or DLS"); and (b) charging by weight-based "gate fee". The charging system applicable to a waste producer will depend on the waste collection service used by him/her.

# The Waste Disposal (Charging for Municipal Solid Waste) (Amendment) Bill 2018

The Waste Disposal (Charging for Municipal Solid Waste) (Amendment) Bill 2018 ("the Bill") was published in the Gazette on 2 November 2018 and received its First Reading in Legco on 14 November 2018. The Bill is to amend the Waste Disposal Ordinance (Cap. 354) ("WDO") and the Waste Disposal (Refuse Transfer Station) Regulation (Cap. 354M) to establish a charging scheme for MSW disposal ("the proposed charging scheme") and to make related amendments to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Cap. 354N) and the Fixed Penalty (Public Cleanliness and Obstruction) Ordinance (Cap. 570).

# The Bills Committee

While the members support the policy direction of waste reduction, some hold different views about the effectiveness of the proposed charging scheme. Members questioned whether and how the proposed charging scheme can be enforced to tackle problems of people evading MSW charges deliberately. They questioned the effectiveness of the complementary measures to support waste reduction and recycling in parallel.

At the meeting on 22 June 2020, the Bills Committee decided by a majority to discontinue its scrutiny of the Bill and to report the decision to the House Committee.

The Bills Committee noted that under the proposed charging scheme, waste charges will be collected through the use of DBs or DLS via waste vehicles, refuse collection points ("RCP's") and specified bins, as well as through MSW collected by private waste collectors ("PWCs"). The MSWs will have to be properly wrapped in DBs or DLs before disposal into waste vehicles, then at RCPs the waste will be sorted into different categories for calculation of applicable charges.

The mode of charging by way of DBs or DBLs will apply to most residential buildings, village houses, street-level shops and institutional premises --which account for approximately 80% of daily MSW, disposed of in landfills.

# Issues relating to waste collection

The Administration has advised that according to the existing waste collection and delivery mode in HK, it is proposed to add the term "waste collection officer" to cater for the scope of the proposed section 20L(1) of the Bill.

Further, the government has proposed a textual amendment to the definition of "collection authority" in section 2(1) of WDO under the Bill. In particular, the government explained that "collection authority" means Director of Environmental Protection ("DEP") in relation to chemical waste and clinical waste; and Director of Food and Environmental Hygiene ("FEH") and DEP in relation to any other waste (including MSW).

# Implementation strategy

The government believes that to drive behavioural and cultural changes, it will have to adopt a multi-faceted strategy based on: (a) provision of appropriate preparatory time; (b) enhanced support for waste reduction and recycling; (c) intensive public education, publicity and engagement drives; (d) application of innovation and technology initiatives; (e) assistance for the needy; and (f) risk-based enforcement approach.

# Enforcement approach

The Administration has advised that public awareness and participation during the initial stages of MSW is crucial to its smooth implementation. Following passage of the Bill, the government will conduct a preparatory period of 12 to 18 months to allow time for stakeholders to prepare for the actual implementation of the proposed charging scheme.

# Assessment of the effectiveness of the municipal solid waste charging scheme

The government maintains that the "Hong Kong: Blueprint for Sustainable Use of Resources 2013-2022" has set a target of reducing the MSW disposal rate by approximately 40% on a per-capita basis through implementation of various measures, including the proposed charging scheme, food waste reduction and recycling initiatives.

The government will monitor and review the overall effectiveness of MSW charging in reducing waste disposal following its implementation.

[Legislative Council Brief, 10/07/2020]

# WEST KOWLOON CULTURAL DISTRICT

# The Hong Kong Palace Museum to open in mid-2022

The West Kowloon Cultural District Authority ("WKCDA") announced on 18 November 2020 that construction of the Hong Kong Palace Museum ("HKPM"), which commenced in 2017, has been completed. HKPM is scheduled to open in mid-2022.

HKPM is a collaborative project between WKCDA and the Palace Museum in Beijing. Among the 9 exhibition halls, five will be special exhibition halls where exhibitions open for more than a year will be held.

In an interview with Ming Pao in late November 2020, Dr. Louis Ng, Museum Director of the HKPM, revealed that two of the special exhibition halls will introduce the history and culture of the Forbidden City. The remaining three special exhibition halls will display imperial porcelain from the Ming and Qing dynasties, imperial portraits from the Qing Dynasty, and a collection of Qing-period and contemporary crafts.

Dr. Ng added that while HKPM will display mainly Beijing Palace Museum's exhibits in the first year following its opening, the future curatorial direction will not be so limited. He emphasised that the operation of the HKPM will be independent of the Palace Museum in Beijing. Future cooperation with Taiwan's National Palace Museum will not be ruled out.

[West Kowloon Cultural District Authority, 18/11/2020; Mingpao, 27/11/2020]

# The 94th Board Meeting of the WKCDA

The WKCDA's 94th board meeting was held on 16 December 2020. Mrs. Betty Fung, the Acting Chief Executive Officer of WKCDA, reported to the meeting on the recent events in the WKCD:

- 1. Formal completion of construction of the HKPM took place on 18 November 2020. Media interviews were arranged with Dr. Louis Ng, Museum Director of HKPM. The event was widely covered by local, Mainland China and overseas media, generating more than 280 items of media coverage.
- 2. Statutory inspections of the M+ Museum will be completed soon. Once they are, the Occupation Permit can be obtained. According to the website of M+, the M+ museum is scheduled to be completed in 2020 and to open in 2021.
- 3. Construction of the Lyric Theatre Complex and Integrated Basement continued to progress well.

4. Whilst the performing arts venues in the WKCD have been temporarily closed until 31 December 2020 due to the fourth outbreak of the COVID-19 pandemic, members of the public had the opportunity to explore arts and culture topics at home through a series of online programmes, which were held on video-conferencing platforms and attracted thousands of online participants.

[West Kowloon Cultural District Authority, 16/12/2020]

# HONG KONG BRIEFING

# LegCo approves funding for Lantau Tomorrow Vision

On 4 December 2020, the Hong Kong Legislative Council approved a HK\$550 million application to fund a study for Lantau Tomorrow Vision, a plan which aims to build 1,000 hectares of artificial islands in the waters east of Lantau Island.

Nine environmental concern groups, such as GreenPeace, Hong Kong Dolphin Conservation Society and The Conservancy Association, expressed disappointment at the government's decision to proceed with the scheme.

According to an ecological survey conducted in March 2019, the waters and seafloor around Sunshine Island located near the eastern coast of Lantau Island have diverse ecology. There are also protected species of eagles, lizards and sea pens in the affected area.

Similarly, a study of undersea sounds, published by WWF last year, revealed that there are rare marine species, such as finless porpoises, seahorses and sea dragons, living in the proposed reclamation area.

Further, a report jointly released by Greenpeace and economics experts (such as Kwan Cheuk-chiu Andy, a former Associate Professor of the Department of Economics of the Chinese University of Hong Kong) provided economic reasons for opposing the reclamation scheme. The report found that Hong Kong's public finances are facing multiple crises, including uncertainties caused by the COVID-19 pandemic and global economic recession, as well as the ageing population in Hong Kong.

The environmental concern groups argued that while the precious marine ecology would certainly be sacrificed if the Lantau Tomorrow Vision proceeds, the massive reclamation scheme might also not be economically feasible. They urged the government to seek alternatives, like developing brown-field land in Yuen Long, Tuen Mun and Tai Po and other areas in the New Territories.

According to a Brownfield Study Report published by the Planning Department in November 2019, there are 7,373 brown-field sites in the New Territories, covering an area of 1,414 hectares. Greenpeace estimated that the development on brown-field sites would cost about HK\$33.3 billion, and was estimated to provide at least 139,000 flats, which would be similar to the number of units that could be built if Lanta Tomorrow Vision is implemented. Thus, developing brown-field sites is a better option from both economic and environmental perspectives.

# [Greenpeace, 04/12/2020; WWF, 04/12/2020]

# Financial regulators advocate new climate disclosure rules

The Green and Sustainable Finance Cross-Agency Steering Group (the "Steering Group"), which was established in May 2020 and is cochaired by the Hong Kong Monetary Authority ("HKMA") and the Securities Futures Commissions ("SFC"), announced on 17 December 2020 its green and sustainable finance strategy for Hong Kong, and 5 short-term key action points.

The key action points consist of the following objectives:

- 1. By 2025, it will be mandatory for Hong Kong financial institutions (e.g. banks, asset managers, insurance companies and pension trustees) to disclose the financial impact of climate change in line with standards set by the Task Force on Climate-related Disclosures ("**TCFD**"). As for listed companies, they will be required to provide climate-related disclosures for financial years commencing on and after 1 July 2020.
- 2. Adopt the Common Ground Taxonomy in Hong Kong, which will be developed by mid-2021 by the International Platform on Sustainable Finance ("**IPSF**") co-led by China and the European Union. The Taxonomy will provide a unique common reference point for the definition of environmentally sustainable investments across jurisdictions that will have joined the IPSF.
- 3. Support the International Financial Reporting Standard Foundation's efforts to develop a uniform set of sustainability reporting standards.
- 4. Encourage banks, insurers and large asset managers to go through pilot climate risk stress testing exercises to assess impacts on financial institutions under different climate change scenarios.
- 5. Establish a platform that can coordinate cross-sectoral cooperation between financial regulators, government agencies, industry stakeholders and academia.

Mr. Ashley Alder, Co-Chair of the Steering Group and the Chief Executive of the SFC, said that Hong Kong has a vital role to play in directing capital to activities which lower carbon emissions over time, given that Hong Kong's HK\$45.7 trillion worth of capital markets are internationally significant.

Mr. Eddie Yue, Co-Chair of the Steering Group and the Chief Executive of HKMA, pointed out that he hoped that the green and sustainable finance strategic plan will support Hong Kong's carbon neutrality goal.

[Hong Kong Monetary Authority, 17/12/2020]

# **ADVISORY COUNCIL ON THE ENVIRONMENT (ACE)**

# Confirmed Minutes of the 242nd Meeting of the Advisory Council on the Environment (ACE) held on 5 October 2020 at 2:30 pm

# Increasing acceptance of electric vehicles ("EV")

The Chairman noted that it was encouraging that approximately 65,000 of over 80,000 private parking spaces created in new developments from April 2011 to March 2020 had been provided with EV charging-enabling infrastructure. The new developments cover both residential and commercial buildings.

A Member suggested that charging facilities should also be provided at open-air car parks and on-street parking spaces, which could be a first step to push forward EV technology and the use of EVs.

The government commissioned a study to identify sites suitable for territory-wide network of quick charging facilities. Further, the government is exploring the feasibility of installing quick charging facilities in a few districts where traffic is more confined, and then, depending on the feedback, the network will be expanded to more populous districts.

A Member suggested that the government should encourage EV owners to install their own chargers to minimise the burden of public charging networks. Since 2011, the government had relaxed the gross floor area concession requirements so that underground car parks in new private buildings are able to install EV charging-enabling infrastructure. Another Member noted that there may be technical and financial issues if EV owners were to install their own chargers, such as: (a) insufficient power supply capacity; (b) high costs to be shared by flat owners; and (c) unavailability of consent from owners' corporations ("OC").

To address these concerns, the government devised a plan for a \$2 billion pilot subsidy scheme to provide existing private residential car parks with financial and technical assistance for the installation of the charging-enabling infrastructure. The scheme would require subsidy applicants to obtain consent from the OCs first, before applying.

The Chairman pointed out that some flat owners who are non EV owners are reluctant to shoulder the costs of installing EV charging-enabling infrastructure, given that only a small percentage of people own EVs.

Members opine that EV charging infrastructure should be prevalent and provided in all car parks in the long run.

# Parking and charging management

The Chairman raised concerns that the provision of charging facilities, especially for on-street parking spaces, might lead to traffic disruption due to queuing to use the charging stations.

A Member suggested that the government should consider introducing a" smart parking system" in car parks to enable automatic parking and charging to avoid this problem.

Another Member remarked that imposing a fee for using EV charging facilities will promote a high car parking space turnover rate.

# Settingf goals for EV adoption

The Chairman, together with the support of five Members, suggested that the government should set a timetable to meet targets for EV adoption. This may include: (a) the percentage of EVs out of the total number of private cars ("PC") and (b) the percentage of parking spaces equipped with charging facilities.

A Member also suggested that the government should consider banning the sale of conventional international combustion engine ("ICE") vehicles in the future to pave the way for eventual 100% use of full EVs. The Member pointed out that many overseas countries had set timetables for a total ban on the sale of ICE vehicles.

# Promoting f EVs

The Chairman affirmed that existing electric PC owners were eligible for the first registration tax concession under the "One-for one Replacement Scheme" when purchasing replacement electric PC's. The objective of the scheme is to promote wider use of EVs, and to improve roadside air quality and ease traffic congestion.

# Conclusion

The Chairman stressed that it is important for the government to take the lead in promoting the use of more EVs. He suggested that a time-line should be set for terminating use of conventional ICE cars as government vehicles.

With the support of the New Energy Transport Fund, the government is planning to investigate whether electric school buses and tourist coaches are suitable for use in Hong Kong.

# [Advisory Council on the Environment, 05/10/ 2020]

# **CLIMATE CHANGE**

# Hong Kong 4Ts Partnership

The Paris Agreement under the United Nations Framework Convention on Climate Change, effective from 4 November 2016, is now a global driving force for climate change action, to which Hong Kong is also bound. The Paris Agreement is based on sound science and calls upon the world to keep global average temperature increase well below  $2^{\circ}$ C of pre-industrial levels and to pursue efforts to limit it to  $1.5^{\circ}$ C

To order to implement the Paris Agreement, Hong Kong is seeking to deepen energy saving in existing buildings in Hong Kong through '4Ts Partnership'. The "4 Ts" are: there must be a carbon-related reduction 'Target' and 'Timeline'; efforts to combat climate change can be shown with appropriate metrics so that there is 'Transparency'; and everyone's effort matters, so we must work 'Together'.

Buildings account for about 90% of electricity used in Hong Kong and over 60% of our carbon emissions. Energy savings in buildings must be a long-term, on-going part of our work to achieve our climate mitigation goals. Hong Kong has set an ambitious carbon intensity reduction target of 65% to 70% by 2030, using 2005 as the base-line which is equivalent to 26% to 36% absolute reduction and a reduction to 3.3-3.8 tonnes of carbon emissions on a per capita basis. It is observed that Hong Kong's carbon emissions have shown a decreasing trend since 2014.

# [Government news, 01/12/2020]

# Beer and crisps used to help tackle climate change

The well-known Crisps firm Walkers has adopted a technique that will reduce  $CO^2$  emissions from its manufacturing process by 70%. Creating fertiliser normally produces high  $CO^2$  emissions. The new technology will use  $CO^2$  captured from beer fermentation in a brewery, which is then mixed with potato waste and turned into fertiliser. The fertiliser will then be spread across UK fields to feed the following year's potato crop.

Together, the beer and crisps process performs a dual function. It stops the emission of brewery  $CO^2$  into the atmosphere and it saves on the  $CO^2$  normally generated by fertiliser manufacture.

This innovation could provide a new direction for the whole of the food system, enabling the agriculture sector to play its part in combating climate change. This technology is developed with a grant from the UK government by an employees start-up called CCm. It is expected that there will be more related inventions along the way to reduce the over-heating of the planet.

# [BBC News, 07/12/2020]

# Covid drives record emissions drop in 2020

According to climate change researchers, the global response to the covid-19 pandemic has resulted in the biggest annual fall in  $CO^2$  emissions since World War Two.

According to the Global Carbon Project team, this year saw carbon emissions decline by 2.4 billion tonnes. In particular, France and the United Kingdom witnessed the largest fall, mainly due to severe shutdowns in response to the second wave of infections. There was a 12% drop this year across Europe and the US.

Aviation around the world has been badly hit by restrictions; by the end of this year it is expected that emissions from this sector will still be 40% below 2019 levels.

China experienced a big drop in emissions in February and March, during China's first outbreak of covid. The datasets for the level of emissions towards the end of 2020 differ, some show the daily emissions level is the same as in 2019.

All the researchers involved in this project agree that a rebound of emissions in 2021 is almost certain.

# [*BBC News*, 11/12/2020]

#### Extreme weather causes surge in solar power insurance costs

In recent years, solar power has been used to address climate change. Large scale solar farms are being constructed; these are large scale solar plants containing rows of solar panels mounted on outdoor racks covering hundreds or thousands of acres.

However extreme weather, such as unusual hailstorms, wildfires and tornadoes, has been making projects more costly, damaging solar panels and driving up insurance premiums for solar farms as much as 5 times over the past two years. Insurers are also raising deductibles and stripping away areas of coverage.

It is reported from the International Energy Agency that solar power is consistently cheaper than new coal or gas fired power plants in most countries. Yet, rising insurance premiums and straitened terms for borrowers and investors are creating challenges for solar developers.

[Financial Times, 14/12/2020]

# **REGIONAL & INTERNATIONAL**

# ANTARCTICA

# New marine parks on hold

This week the Antarctic Treaty nations around the world met to discuss whether or not they'll support the proposal for this desperately-needed marine park. Three marine park proposals were on the agenda: the East Antarctic, the Weddell Sea and the Antarctic Peninsula marine parks.

Global disruption and travel restrictions due to Covid meant that this year's meeting of the Antarctic nations had to take place by videoconference, and over a much shorter period of time. This meant it wasn't possible to consider the marine park proposals properly. While I'm deeply disappointed to report that the marine parks didn't get over the line this year, we did see some promising steps forward.

In a show of solidarity, many of the nations signed a pledge declaring the urgent need to create the network of marine parks across the Southern Ocean - home to some of our most special marine life and one of the fastest warming regions on Earth.

Excitingly, Norway and Uruguay joined forces with Australia, France and the EU as new co-sponsors of the East Antarctic marine park. And Australia continued to demonstrate our strong leadership on Antarctic protection by becoming a co-sponsor for the Antarctic's Weddell Sea marine park.

Support continues to build and its now just a matter of time until these urgently-needed Antarctic marine parks become a reality. Australia's leadership will be essential to drive the diplomatic push needed over the next year to secure the full backing of the 26 Antarctic nations. And you can help play an important role.

Already, thanks to thousands of you taking action, the Australian Government has made Antarctic protection a priority, and together we must keep up the momentum to get these marine parks over the line.

2020 marks the 200th anniversary since the first sighting of Antarctica! I look forward to continuing to work with you to ensure our Antarctic wildlife receives the protection it deserves.

Thanks again for all that you do and I'll keep you posted on how you can help.

Kind regards, Tim Jarvis AM Antarctic Explorer and Environmental Scientist

[For Save Our Marine Life, 05/11/2020]

# AUSTRALIA AND JAPAN

# **Co-effort to curb emissions**

The Australian government has been trying to curb the nation's greenhouse gas emissions. Yet, Australia is still one of the biggest per-capita emitters in the world to date, owing to its energy export industry.

Recently, Australian and Japanese companies have been studying ways to capture carbon emissions by Australian industrial companies and to keep it under the seabed off the coast of Australia. Although the project faces technical issues and is over budget, major energy producers have welcomed the project.

In 2020, 40 million tonnes of carbon dioxide will be captured in 21 operating facilities in the world. Although the figure seems huge, it is only a small fraction of total global emissions of 51 billion tonnes per year. The Australian project aims to capture 1.5 million tonnes of carbon dioxide a year.

Similar efforts are also being considered by other countries. Northern Lights Initiative, backed by the Norwegian government and others, is also taking measures and plans to store 1.5 million tonnes of carbon dioxide a year under the North Sea in 2024.

Another Australian project, CarbonNet, aims to store 5 million tonnes of carbon dioxide a year under the sea near southeast coast of Australia by 2030.

It seems that this project is equivalent to creating another kind of dumpster, in a fancy and unprecedented way of storing gases instead of physical objects. However, like the traditional dumpster or landfill, it does not seem like a sustainable and constructive way to handle pollution problems. The only way out is to cut the daily carbon footprint by changing our lifestyle and committing ourselves wholeheartedly to a low-carbon lifestyle.

[SCMP, 07/12/2020]

# HONG KONG

# Hong Kong's bid to reduce carbon emissions

Recently, the Council for Sustainable Development published documents in relation to Hong Kong's long-term decarbonisation strategy and has outlined ways to achieve it.

The consultation was launched more than a year ago in a bid to guide the Hong Kong government in crafting the climate change blueprint.

The council's report mainly focuses on the energy sector, built environment, transport, low-carbon lifestyles etc. This report also emphasises that Hong Kong must achieve net zero carbon emissions by 2050, in an effort to limit the global average temperature increase to below 1.5 degrees Celsius (that is, lower than the minimum target of 2 degrees Celsius set in the Paris Agreement) above pre-industrial levels by the end of this century.

Proposed measures to relieve traffic congestion, i.e. restricting car ownership and piloting electronic road pricing schemes, are listed for serious consideration within a 10-year time frame.

The Paris Agreement aims to restrict the global average temperature increase to below 2 degrees Celsius above pre-industrial levels. It seems that the goal set by the Council is an aggressive and perhaps unrealistic, but welcome, objective, if we continue to cling steadfastly to our current habits and lifestyle.

# [SCMP, 23/11/2020]

# JAPAN

# Radioactive water dumped into the sea

In October 2020, the Japanese government confirmed the radioactive water stored at the Fukushima Daiichi nuclear power plant will be released into the sea when the plant reaches its storage capacity, which is likely to be in 2022.

The debate over how to manage the waste water has been ongoing for years, ever since the Fukushima Daiichi nuclear power plant was destroyed by the 2011 tsunami.

Are there any other viable options aside from dumping the waste water into the sea? In fact, another option is to keep building storage tanks to store the waste water until it becomes less radioactive. However, the officials said that dumping the water remains the best option.

Chief Cabinet Secretary Katsunobu Kato said in a press conference that they cannot further postpone the plan to deal with the waste water, so as to avoid further delays in decommissioning the plant

However, experts have warned that it is too dangerous to release waste water into the sea. The waste water should be kept diluting with clean sea water before it's disposed of into the sea in the next 30 years, in a bid to keep the radioactivity to a safe level.

[Tomorrow Science, 24/10/2020; Futurism, 16/10/2020]

# RUSSIA

# Potential ecological catastrophe in Russia

In October, Russian investigators were looking into a potential ecological catastrophe in the eastern Kamchatka region, following the discovery of mass carcasses of sea creatures (i.e. seals, octopi, starfish etc.) washed ashore.

Following the incident, a number of surfers in the bay suffered chemical burns to their eyes and throats. They also complained about the unnatural odor and colour of the sea. Some threw up and complained of breathing problems.

Reports showed that levels of oil products and phenol were several times higher than usual. The source of the contamination is still unknown. Officials are now attempting to find the origin of the contamination.

The bay is a 1250-km-long volcanic peninsula, well-known for its landscapes, with 160 symmetrical volcanoes and diversity of wildlife.

[NBC News, 05/10/2020; Earth.org, 14/10/2020]

# **SOUTH AFRICA**

#### Court denies coal-fired plant application

ELAW partners at the Centre for Environmental Rights (CER) share great news:

"Major climate impacts and exorbitant costs have sounded the death knell for a new proposed coal-fired power station in South Africa."

A green light for the proposed Thabametsi plant in Limpopo province would have made it one of the most greenhouse gas emission-intensive coal-fired power stations in the world.

In 2016 and 2017, CER worked with Earthlife Africa to challenge the project's environmental authorization in court. They succeeded in having the decision referred back for consideration of the project's climate impacts – a victory hailed as South Africa's first climate change case.

Despite the significant climate impacts, the project was re-authorized and the parties went back to court to in 2018 to challenge Thabametsi's authorization. This month, Earthlife Africa and groundWork secured agreement from Thabametsi and the state to cancel the environmental authorization.

Meanwhile, Korean Electric Power Company and Japanese Marubeni -- the two major shareholders in the project – have withdrawn and major development finance institutions have reportedly advised that they will not be supporting the project.

"ELAW has collaborated with CER for years to help win this big victory," says CER attorney Nicole Loser.

ELAW Staff Scientist Dr. Mark Chernaik provided CER with a critical review of the power company's Climate Impact Assessment. Mark's review included an estimate that the power plant's expected  $CO^2$  emissions would cause more than \$480 million per year in climate damages. Mark also provided a critique of the power company's draft Atmospheric Emissions License, and material to rebut the power company's defense of the Ministry's grant of environmental authorization that has now been set aside.

"Coal kills people and is the largest source of CO<sup>2</sup> emissions," says Mark. "We simply cannot continue burning coal if we hope to protect the climate."

Congratulations CER, Earthlife Africa, and groundWork for this thrilling victory protecting communities and the climate!

[Elaw Press Release, 18/11/2020]

# SPAIN

# Coastal wilderness saved from development.

After almost twenty years of social and judicial battles for the defense of the Regional Park "Calnegre and Cabo Cope," the door is finally closed to further appeals by the developer. In October, the Supreme Court of Spain dismissed the appeals of Iberdrola Inmobiliaria SAU, owner of a large amount of land in the Cope Marina, and declared the last Judgment of the Superior Court of Justice of the Region of Murcia of January 25, 2019 final.

This stretch of coastline is one of the few remaining wild areas along the coast of Murcia, and is home to endangered species and unique plant life. Since 1992, the Cabo Cope-Puntas de Calnegre Regional Park has been recognized for its important ecological, landscape, and geomorphological values, including 700 hectares of internationally recognized habitats, among which are priority marine ecosystems.

Iniciativa Ciudadana y Profesional para la Defensa Jurídica del Litoral (Prolitoral), defended by ELAW partner Dr. Eduardo Salazar Ortuño, celebrate the hard-won victory! Prolitoral is a collective formed by Ecologistas en Acción, the Asociación de Naturalistas del Sureste (ANSE), Amacora and other environmental and legal professionals. These organizations now seek immediate approval of the "Regional Park's Natural Resources Land Plan."

Eduardo affirms that, "the definitive decision of the protection of the Park will end with the discussion about the future of the area, the last wild landscape in the Murcia's coast. The Park was declared 30 years ago but the regional Administration was not able to enforce the law and manage the area. This is a victory for all lovers of nature and for the future generations... and a great impulse for a change in the management of the coast in Spain." Eduardo writes, "Thanks to all the ELAW partners who supported the case during the last 20 years and especially to Ginés Ruiz Maciá, who was working on it."

In 2017, ELAW shared news of a favorable decision to stop this short-sighted coastal development, but the project rose up again before being put down permanently in October. Congratulations to all the people who worked so hard to protect this wild gem!

[Elaw Press Release, 13/11/2020]

# **UNITED STATES**

# California to ban combustion engines by 2035

In the wake of the catastrophic California wildfires earlier this year, California Governor, Gavin Newsom, announced in September 2020 that he had signed an executive order to end the sale of gasoline-powered cars in the state by 2035.

This order aims to phase out cars with combustion engines in the next 15 years, to be replaced by cars with zero emissions, in a bid to combat the worsening environmental pollution issue.

According to the Governor, "For too many decades, we have allowed cars to pollute the air that our children and families breathe... Californians shouldn't have to worry if our cars are giving our kids asthma. Our cars shouldn't make wildfires worse – and create more days filled with smoky air. Cars shouldn't melt glaciers or raise sea levels threatening our cherished beaches and coastlines."

The order further directs the California Air Resources Board to adopt regulations mandating trucks to be zero-emission compliant by 2045.

The order does not bar citizens from owning or purchasing gasoline-powered cars from the second hand market in 2035 and onward; so whether this order will be effective enough to significantly cut emissions is unclear.

[NBC News, 24/09/2020]

This Quarterly Report does not constitute legal advice given on any particular matter. Whilst all effort has been made to ensure completeness and accuracy at the time of publication, no responsibility is accepted for errors and omissions. Further information and enquiries in respect of this quarterly should be directed to Fred Kan & Co.

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Convictions under environmental legislation: September to December 2020 (December 2020 data not available)

# [Note: the EPD no longer classifies second (and subsequent) offences.]

The EPD's summary of convictions recorded and fines imposed during the above period is as follows:

#### September 2020

Forty-one convictions were recorded in September 2020 for breaches of legislation enforced by the Environmental Protection Department.

Seven of the convictions were under the Air Pollution Control Ordinance, one was under the Noise Control Ordinance, 10 were under the Public Cleansing and Prevention of Nuisances Regulation, 19 were under the Product Eco-responsibility Ordinance, three were under the Waste Disposal Ordinance and one was under the Water Pollution Control Ordinance.

A company was fined \$15,000, which was the heaviest fine in September, for importing controlled waste without a permit.

#### October 2020

Sixty-two convictions were recorded in October 2020 for breaches of legislation enforced by the Environmental Protection Department.

Five of the convictions were under the Air Pollution Control Ordinance, 8 were under the Noise Control Ordinance, one was under the Ozone Layer Protection Ordinance, 34 were under the Public Cleansing and Prevention of Nuisances Regulation, one was under the Product Eco-responsibility Ordinance and 13 were under the Waste Disposal Ordinance.

A company was fined for importing controlled waste without a permit in two respective cases. A \$40,000 fine, which was the heaviest fine in October, was imposed on the company for each of the offences.

#### November 2020

Fifty-two convictions were recorded in November 2020 for breaches of legislation enforced by the Environmental Protection Department.

Eight of the convictions were under the Air Pollution Control Ordinance, 4 were under the Noise Control Ordinance, 19 were under the Public Cleansing and Prevention of Nuisances Regulation, 19 were under the Waste Disposal Ordinance and 2 were under the Water Pollution Control Ordinance.

Separately, two companies and one person were fined \$20,000, which was the heaviest fine in November, for importing controlled waste without a permit and depositing waste unlawfully. Fred Kan & Co. Solicitors Suite 3104-06 Central Plaza 18 Harbour Road Wanchai Hong Kong