

The Fred Kan & Co. for 2019 was awarded to Li Fengyi, Fibula for her M. Sc. (Environmental Management), University of Hong Kong, dissertation: How Air Passengers Relate To The Climate Impact Of Flying And Its Implications For The Corsia, which is reviewed in this edition of the UPELQ.

AIR PASSENGERS' CLIMATE CHANGE AWARENESS HAS IMPLICATIONS

The Editors

# **CONTENTS**

FEATURE:	Page	FOR THE CORSIA AND AVIATION'S GLOBAL WARMING IMPACTS
AIR PASSENGERS' CLIMATE CHANGE	1	Objectives of the study
AWARENESS HAS		Following the global community's commitment in Paris (December 2015) to limit the
IMPLICATIONS FOR		climate-warning effects of human caused emissions to $2^{\circ}$ C or less increase on pre-industrial
THE CORSIA AND		levels by the end of this century, the International Civil Avocation Organisation (" <b>ICAO</b> ")
AVIATION'S GLOBAL		finally began to take steps to control carbon dioxide emissions from international aviation.
WARMING IMPACTS		Thus, in October 2016 the Carbon Offsetting and Reduction Scheme for International Aviation (" <b>CORSIA</b> ") was established. The author notes: "The scheme is welcomed by the
TOWN PLANNING	5	industry but condemned by green groups as inadequate, while the public is unaware of it".
LEGISLATION DIGEST	6	The study, which culminated in the dissertation, "aimed to find out how air passengers relate themselves to the climate impact of flying, in terms of awareness, behaviours and attitude, so
WEST KOWLOON	7	as to derive implications for the impending scheme".
CULTURAL DISTRICT		The study methodology comprised two main components (in addition to a wide-ranging
(WKCD)		review of relevant papers published during 2008 – 2018):
HONG KONG BRIEFING	7	(a) a survey of 200 departing passengers at Hong Kong International Airport (" <b>HKIA</b> ");
		(a) a survey of 200 departing passengers at riong Kong international Aliport ( <b>HKIA</b> ), and
ADVISORY COUNCIL ON THE ENVIRONMENT	9	(b) two interviews with senior airline industry managers.
(ACE)		Climate change impact of aviation
CLIMATE CHANGE	10	In 2017 the world's airlines carried 4.1 billion passengers. This figure is expected to climb to
		8.2 billion by 2037.
REGIONAL &	11	
INTERNATIONAL		Airlines generate a range of negative environmental consequences, including noise and air pollution, carbon waste and greenhouse gas (" <b>GHG</b> ") emissions. Aircraft use fossil fuels emitting carbon dioxide (" <b>CO</b> <sub>2</sub> ") as well as other GHGs: e.g. nitrogen oxides. Currently,
		aviation accounts for 2-3% of global anthropogenic $CO_2$ emissions. If aviation were a nation, it would be in the top 10 GHGs emitters.

#### ICAO's basket of climate change measures

Since the Paris Agreement (2015) ICAO, a United Nations agency, has focused on controlling international aviation's  $CO_2$  emissions, with the objective of 50% reduction by 2050. Examples of measures ICAO has introduced include the following:

"The first measure, aircraft technologies, includes lighter-weight materials for the fuselage and more efficient engines (ICAO 2019c). They have the potential to save aviation jet fuel and hence reduce carbon emissions. Furthermore, the ICAO Council has adopted a new  $CO_2$  emissions standard for the certification of new aircraft type designs after 2020.

The second measure includes operational improvements both on the ground and in the air (ICAO 2019c). Without compromising safety, improved air traffic management can save fuel as well as money, delivering environmental and economic benefits at the same time.

The third measure, alternative aviation fuels, attracts as much acclaim as controversies. Compared to conventional fuels, alternative renewable fuels reduce life-cycle  $CO_2$  and can be produced by a broad range of feedstock including biomass and waste (ICAO 2019e). Bio-feedstock includes oils, fats, sugars, starch and lignocelluloses, while waste feedstock includes municipal solid waste and industry waste exhausts. There is a concern that crop-based biofuels may compete with food for water and land (Reuters 2012), and production processes may involve huge energy input (National Geographic 2019). Nevertheless, the ICAO is developing the sustainability criteria for alternative fuels, and over 25 airlines have operated flights using a blend of alternative fuels as of 2017."

The ICAO is exploring the use of "market-based measures" to reduce the industry's  $CO_2$  emissions. Such measures "make use of pressing and market forces to alter the behaviours of market players, which are airlines and passengers in this case". One such measure is known as "carbon offsetting", which is: "compensating the carbon emissions of one activity by reducing the emissions in another activity".

The aviation industry is a buyer of "carbon offset units", whereas projects (in other parts of the economy) which reduce  $CO_2$  emissions (e.g. solar and wind generated electricity) are the sellers of offset units. The author comments:

"Many of these projects are registered under the Clean Development Mechanism (CDM) of UNFCCC, which organized a regulated market for voluntary offsets. According to the Kyoto Protocol, developed countries can implement GHG-reduction projects in developing countries through the CDM (UNFCCC 2019d). For each tonne of  $CO_2$  or its equivalent reduced, a certified emission reduction (CER) credit can be earned and then transacted (UNFCCC 2019d).

There is a wide variety of CDM carbon offsetting projects – biogas facilities at farms, renewable energy, forestry, etc. For example, China implemented an eco-farming biogas project to turn waste into energy, replacing traditional fuel such as coal and firewood (World Bank 2016). To reduce fossil fuel consumption, India implemented a wind farm project for electricity generation in the state of Gujarat (UNFCCC 2013). A small-scale reforestation project was carried out in Southern Nicaragua to provide sustainable firewood and reduce the reliance on native forests (UNFCCC 2010).

Besides the CDM, voluntary offsets are also offered by other intuitions. Non-UNFCCC offsets are estimated to constitute 66% share of global trade in the voluntary market (Gossling and Upham 2012).

The CDM and other offsetting standards have stirred much controversy. There are accusations of fraud and doubts about whether the projects are 'additional'. To be 'additional' means that real  $CO_2$  reductions are made – that the projects would not proceeded without the funding provided by the offsetting market. In order to enhance transparency and assurance, independent third-party standards were developed. Examples include Gold Standard, Voluntary Carbon Standard and VER+. However controversial it is, offsetting remains a cheap and convenient option for airlines when technological solutions are still limited in decarbonising aviation."

#### The CORSIA

The CORSIA "mitigates climate change by reducing the net carbon emissions from international flights through mandatory carbon offsetting". Key elements of how CORSIA works are described in the following (abridged) section of the dissertation.

"The CORSIA addresses the extra  $CO_2$  emissions above 2020 levels to achieve CNG for international aviation. Hence, the first step is to establish a baseline, which is the average annual emissions of 2019 and 2020. Exceedances above the baseline, after accounting for sustainable fuels and improvements in technology and operation, will be compensated by carbon offsets.

All airlines have to monitor their  $CO_2$  emissions, purchase the required offsets, verify data accuracy, and report to the civil aviation authority of their home countries. The ICAO will consolidate the emissions data from each country and calculate the annual growth of the sector.

The CORSIA is divided into three phases – pilot phase from 2021 to 2023, first phase from 2024 to 2026, and second phase from 2027 to 2035. Participation is voluntary in the pilot phase and first phase, but mandatory for all ICAO member states in the second phase. Least Developed Countries (LDCs) Small Island Developing States (SIDS). Landlocked Developing Countries (LLDCs), as well as states with international air traffic below 0.5% share of world total will be exempted from the CORSIA unless they join it voluntarily.

But what about flights between a participating country and an exempted one? Consider China and Mongolia. China tops the chart in terms of international air traffic, but its neighbor Mongolia is an LLDC. Does it mean Chinese airlines should offset their  $CO_2$  emissions on the Beijing-Ulaanbaater route, but Mongolian airlines are exempted?

To avoid market distortions that cause unfair competition between airlines on the same route, the CORSIA utilizes a 'routebased approach' – only routes connecting two participating states are covered by the CORSIA, and all airlines operating on the same route have the same offsetting requirement.

During the pilot phase, first phase and the first three years of the second phase, all airlines will have to offset their emissions according to the sectoral growth instead of their individual growth. The  $CO_2$  offsetting requirement for an airline in a given year y between 2021 and 2029 is calculated by the formula below:

 $Offset Requiremen_{y} = Emission_{y} \times Sectoral Growth Factor_{y}$ 

where

 $Sectoral \ Growth \ Factor_y = \frac{Sectoral \ Emission_{y_-} Sectoral \ Emission_{baseline}}{Sectoral \ Emission_y},$ 

Whilst the aviation industry has welcomed the creation of the CORSIA, "go green groups and civil society organizations, including prominent ones like Greepeace, jointly condemned it as a false solution which merely shifts emissions from one section to another and undermines the world's ability to limit warming".

The author notes that "most air passengers are unaware that carbon offsetting for international flights will soon be mandatory".

#### Survey of passengers' "willingness to pay" ("WTP")

To structure the survey, the author first reviewed various similar, previous surveys to identify the "research gap". A conclusion to be drawn from these earlier studies is that European travellers had a far higher level of WTP (that is, willingness to pay for voluntary carbon offsets – for their flight) than Asian air passengers. The author identified two research gaps in the existing literature:

- "1) No linkage between passenger perspectives and the CORSIA.
- 2) Insufficient research in the Asian context."

Objectives of the author's study, in preparation of the dissertation, were as follows:

"The first objective – to find out air passengers' awareness, behavior and attitude with regard to aviation's impact on climate change and relevant mitigation measures – was achieved by conducting a survey on departing passengers at Hong Kong International Airport (HKIA). The set-up, content and features of the passenger survey are explained in Section 3.2.

The second objective - to derive any implication for the CORSIA - was met by interviewing senior management people in the aviation industry. By sharing with them the passenger survey results and then asking relevant questions, insights were gathered to link passenger perspectives to the CORSIA. The details about the interviews are given in Section 3.3.

By combining the methodologies of passenger survey and interviews, relevant data were collected to address the research question."

#### Passenger survey

The survey was conducted at the departure level of HKIA, which is a busy hub-airport handling approximately 75 million passengers per year.

Two hundred passengers (limited to English, Cantonese and Mandarin speakers) were randomly interviewed and questioned as to their awareness of climate change issues, carbon-offset and "CORSIA – related questions": Passengers indicated the percentage of offsetting costs they were willing to pay, using an on-line format the author designed. Each interview took approximately 15 minutes.

#### Senior management interviews

The author interviewed an airline manager and a manager from a global organisation "which represents the airport sector". The interview format essentially comprised the interviewee being shown preliminary results of the passenger survey and then questioned in accordance with a list of 11 or more questions related to CORSIA and voluntary carbon offsets, and related matters.

#### **Results of survey and interviews**

The mix of passengers surveyed is described as follows:

"Around 70% of respondents were flying short-haul flights to North East Asia, South East Asia and South Asia, while the rest were flying long-haul to other regions in the world. Over 80% travelled on full-service carriers (i.e. legacy airlines) and the remaining respondents took low-cost carriers (i.e. no frills, budget airlines). Close to two-thirds were leisure travelers, with the rest travelling either on business or other purposes.

In terms of passenger profile, half of the survey respondents were male while the other half were female. Younger age brackets, the 18-25 and 26-35 groups, combined to dominate over two-thirds of the sample. Respondents aged 36-45 occupied close to 20% share, while the 46-55 and over-56 age groups each occupied less than 10% share. Hong Kong locals and Mainland Chinese each accounted for about 30% share of respondents. The other North East Asians from Taiwan, South Korea and Japan combined to constitute over 10% share of respondents. South East Asians (e.g. from Singapore, Malaysian, Thailand, Vietnam, Indonesia and the Philippines) and South Asians (e.g. from India) collectively formed around 10% share of

respondents. Westerners from Europe, North America and Australasia constituted another 10% approximately. Respondents from other parts of the world (e.g. Africa and the Middle East) accounted for the rest.

Respondents can also be classified by their education level, occupation and travel frequency. Over 80% of respondents attended university, with a fifth among them attained master or above degree. One respondent only had primary education. The rest graduated from secondary school. In terms of occupation, over one-third of respondents were professionals, executives or managers, and about one-fourth were white-collar employees. Students, smaller employers, blue-collar employees, retirees and housewives accounted for the rest, in descending order by percentage share. Finally, in terms of travel frequency, around 40% went for 1-2 trips by flight each year, another 40% went for 3-4 trips per year, and the rest went for 5 trips or above annually."

To the central question: "Have you heard of carbon offsetting before?", the responses were:

- a) No: 71.5%
- b) Yes, but do not really know what it is: 19.5%
- c) Yes, and know what it is: 9%

#### The author noted (abridged):

"Awareness about voluntary offsetting in aviation is also weak. Among respondents who had heard about offsetting, only 24.6% (i.e. 14 respondents) how they could purchase offsets for their flights. Twelve of the 14 correct respondents refer to the option to purchase offsets during flight booking or through website. Another correct response talked about making donations to organizations that provide offsets. One respondent, who did offset his upcoming flight, mentioned his company's green travel programme

Across the passenger mix, the proportion of respondents who knew something about offsets (i.e. either they gave correct examples on offset projects or knew how to buy offsets for flights, or both), against those who had not heard of or knew nothing about offsets, was analysed.

Using cross-tabulation methods, chi-square (X2) goodness-of-fit test was performed to determine if the breakdown depends on any profiling attribute (e.g. gender, age group). Nationality was found to be a significant factor in determining whether respondents knew about offsets. Respondents from Europe, North America or Australasia and respondents with master or above education were significantly more knowledgeable about offsets."

Of the entire set of questions, respondents on average answered 5.41 questions (out of 10) correctly. As might be expected, 95% of respondents did not offset the emissions of their current flight.

Some of the other results of the survey are:

- Passengers showed good awareness of the role of fuel-efficient aircraft in mitigating climate change, the relationship between CO emissions and global warming and that higher GHG emissions are generated by air travel compared to travel by train
- Respondents wrongly expected that improved fuel efficiency would offset increasing CO emissions from the rapid growth in air travel
- Leisure travelers are more willing to fly economy instead of first or business class
- Younger respondents tended to prefer airlines which use biofuel
- Different nationalities showed varying preferences for climate change measures:

"Close to 80% of respondents from the West indicated their willingness to choose airlines with modern aircraft. Hong Kong locals came a distant second at 57.1%. Other groups hovered around 50%, with the exception of Taiwanese, South Korean and Japanese respondents who came last at 32.0%. The differences are statistically significant. Potential explanations include different levels in the safety performance and fuel efficiency of new aircraft types, or merely cultural variations in accepting new technologies.

On the willingness to substitute flying by other transportation means, significant differences are observed between nationality groups. Three nationality groups – Westerners, South and South East Asians, and Mainland Chinese – have over 40% of respondents who are willing to use land or water transport instead of flying for short trips."

- Respondents aged 18-25 led other age groups with a WTP of 63.6%; c.f. 46-55 35.4%; over 56 41.3%.
- The WTP percentage varied with nationality, being lower, especially, among respondents from Mainland China, South East Asia, and South Asia

### Reaction to the CORSIA

The CORSIA was explained to each respondent, who was then asked to select a statement which best described his/her "reaction towards the CORSIA". The results were:

- 28% excellent, because now everyone is responsible for flight emissions 68.5% this makes flying more expensive, but "it's good for the Earth"
- 3.5% another surcharge on my ticket? No way.

The significant majority of respondents (74.5%) said they "will fly a bit less" as a result of CORSIA, whilst 25.5% said they will fly as much as before, or even more often.

### Industry insights

Responses and comments from the 2 interviewees varied, probably because they came from different sectors of the air travel industry. We shall not attempt a detailed analysis of the interviewees' input to the author's study, but instead highlight several of their main points (collectively or individually made).

- (i) Wide support for the CORSIA is expected despite ticket cost increase. CORSIA will be a much lower cost (per ticket) than fuel cost; e.g. HK/London fuel cost per passenger is "a few hundred HK\$", but CORSIA will add only HK\$ 10 – 20. However, the airport representative estimated the CORSIA charge will amount to 2% – 3% of the ticket cost;
- (ii) Voluntary offsetting should cover only the portion of emissions not offset by the CORSIA;
- (iii) Mandatory offsetting is fairer (than voluntary schemes) and is effective in generating funds for global warming mitigation;
- (iv) The CORSIA is not expected to change passenger behaviour (i.e. to fly less); and
- (v) The CORSIA is only part of the solution and cannot alone "achieve the industry's goal in decarbonising aviation".

The author sets out a number of "policy recommendations" arising from her study results.

These include that:

- (i) airlines run voluntary offset schemes in parallel with the CORSIA;
- (ii) airlines should improve their "communication effort on offsets"; and
- (iii) a wide variety of offsetting projects should be offered for the CORSIA.

#### **Conclusion**

The essence of the author's extensive study and very well written dissertation is reflected in her following remarks:

"After a fruitful research involving a survey on 200 departing passengers at HKIA, two interviews with the senior management in aviation, as well as an email enquiry with the Government, passenger perspectives have been linked to the CORSIA. The conclusions reached are given below.

First of all, air passengers are found to relate weakly to the climate impact of flying. Most passengers do not have high awareness about how aviation exacerbates climate change or how the industry tries to mitigate it. Behaviourally, hardly any passenger offsets his or her flight emissions. Passengers also appear to be greener in their attitude when flying is not involved – there is a widespread belief that flying is an exception when it comes to taking actions to mitigate climate change.

By leveraging industry insights to interpret passenger responses and their perspectives on the CORSIA, this study concludes that the CORSIA is a necessary and feasible scheme which will be widely accepted, and it will be of significance in decarbonising aviation. Its necessity arises from the failure of airlines' voluntary offsetting schemes amid air travel growth. It is politically feasible because no demand control is involved. Wide public acceptance is expected judging from passengers' positive initial response and their WTP level for offsets. And finally, the CORSIA is significant in funding offset projects and delivering mitigation benefits. It is the first step towards the ultimate goal of decarbonising aviation."

## TOWN PLANNING

#### Draft Pak Lap Outline Zoning Plan amended

The Town Planning Board has amended the Pak Lap Outline Zoning Plan (the "Pak Lap OZP").

Due to recent Court rulings in a judicial review of the decision of the Chief Executive in Council approving the three draft OZP's for Pak Lap, Hoi Ha and So Lo Pun, the Board has decided to review the need for Small House development in the Pak Lap OZP.

The Board has made amendments to the Pak Lap OZP as outlined in the Schedule of Amendments. The amendments involve rezoning of an area south of the village cluster at Pak Lap from "Village Type Development" to "Government, Institution or Community (1)" ("G/IC(1)") and an area farther south of the village cluster at Pak Lap from "G/IC" to "Conservation Area".

[Town Planning Board Press Release, 29/04/2020]

#### Approved Tai Po Outline Zoning Plan referred back for amendment

The Town Planning Board announced on 8 May 2020 that the Chief Executive in Council (the "Chief Executive") has referred the approved Tai Po Outline Zoning Plan (the "Tai Po OZP") to the Board for amendment. The Tai Po OZP was last approved by the Chief Executive in August 2018.

[Town Planning Board Press Release, 08/05/2020]

#### Draft Ngau Tau Kok and Kowloon Bay Outline Zoning Plan approved

The Chief Executive in Council (the "Chief Executive") has approved the draft Ngau Tau Kok and Kowloon Bay Outline Zoning Plan (the "Ngau Tau Kok and Kowloon Bay OZP").

The Planning Scheme Area (the "Area"), covering approximately 341 hectares of land, is located within Kwun Tong District in East Kowloon. The Area is divided into two, with residential areas to the east and employment areas in the west.

About 66.8 hectares are zoned "Residential (Group A)" and cover existing residential developments in the Area. "Residential Group (B)" is approximately 4.7 hectares and located north-east of the Area.

A number of sites, with a total area of 2.4 hectares in Kowloon Bay, are zoned for commercial developments.

About 44.3 hectares are zoned "Other Specified Uses" ("OU"). The main areas listed as OU are "Business" zones. These Business Zones are for industrial, office and commercial use. The other OU zone is located at the junction of Sheung Yuet Road and Wang Kwun Road, which is to be developed to cater for transportation terminals.

About 49.6 hectares and 48.3 hectares are zoned "Government, Institution or Community" and "Open Space" respectively. Another 52.6 hectares covering mainly steep hill slopes located east of the Area, are zoned "Green Belt".

[Town Planning Board Press Release, 08/05/2020]

#### **Approved Stanley Outline Zoning Plan amended**

The Town Planning Board announced amendments to the approved Stanley Outline Zoning Plan (the "Stanley OZP").

The amendments involve the rezoning of the Maryknoll House site from "Government, Institution or Community" to "Other Specified Uses", annotated "Residential Development with Historic Building Preserved". The Board will also make technical amendments to the Stanley OZP to include the latest as-built conditions of the Stanley area.

[Town Planning Board Press Release, 05/06/2020]

# **LEGISLATION DIGEST**

#### Non-domestic water charge waivers

The Executive Council advised, and the Chief Executive ordered, that the Sewage Services (Sewage Charge) (Amendment) (Charge Concessions) Regulation 2020 (the "Sewage Charge Amendment Regulation") be made at the meeting of the Executive Council on 21 April 2020.

The Sewage Charge Amendment Regulation implemented a waiver of 75% of the sewage charge for fresh water supplied for non-domestic purposes for twelve months from 1 December 2019 to 30 November 2020, subject to a monthly cap of \$12,500 for each meter covered by a water bill.

In order to support enterprises and employment in the face of unprecedented challenges in the social and economic environment in Hong Kong, the waiver of the sewage charge will benefit about 250,000 non-domestic fresh water users and should help to reduce operating costs for these businesses.

#### [Legislative Council Brief, 04/2020]

#### Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) (Amendment) Regulation 2020

The Secretary for the Environment has made the Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) (Amendment) Regulation 2020 (the "Amendment Regulation") under Section 43 of the Air Pollution Control Ordinance (Cap.311), to progressively phase out Euro IV diesel commercial vehicles ("DCVs").

The Chief Executive proposed in the 2018 Policy Address to launch a new incentive-cum-regulatory programme to phase out Euro IV DCVs progressively in order to further improve roadside air quality.

In particular, the Environmental Protection Department proposed to: (i) offer an ex-gratia payment ranging from 31% to 37% of the average taxable values of new vehicles to vehicle owners for phasing out their Euro IV DCVs, and offer an extra 15% subsidy of average vehicle body prices to goods vehicles assembled with vehicle additions; and (ii) require registered Euro IV DCVs to progressively phase out use of these vehicles from specified dates, with reference to their respective dates of first registration.

The Amendment Regulation is to effect the proposed retirement deadlines for Euro IV DCVs by requiring Euro IV DCVs to comply with vehicle design standards set out in the Air Pollution Control (Vehicle Design Standards) (Emission) Regulations (Cap.311, sub. Leg.J) that is applicable to a DCV of the same class and design weight at the time when the vehicle licence is applied for, as if the vehicle were first registered on the date on which the application for the vehicle licence is made. Failure to comply with the requirement may be a ground for the Commissioner for Transport to refuse to license the vehicle.

The Amendment Regulation is important for implementing the retirement deadlines for Euro IV DCVs. Phasing out Euro IV DCVs will improve roadside air quality and is compatible with the sustainability principles of reducing air pollution and providing a living environment which protects public health.

[Legislative Council Brief, 05/2020]

# WEST KOWLOON CULTURAL DISTRICT

### The 88th Meeting of the Board of the WKCDA

The Chief Executive Officer of the West Kowloon Cultural District Authority ("WKCDA") reported that on 20 March 2020 the Financial Committee of the Legislative Council has approved funds for a number of public infrastructural projects, including the Artist Square Bridge, and construction of the integrated basement.

According to the CEO, the integrated basement is the prerequisite for any topside development in the remaining sections of the project. Accordingly, the approved funding would enable further development of the cultural and commercial aspects of the West Kowloon Cultural District ("WKCD"), which are essential to the long term sustainability of the area.

The approval will also enable the commencement of construction of the Artist Square Bridge, which will be important public infrastructure to enhance the accessibility of the WKCD.

Unfortunately, due to the pandemic, all construction in WKCD has experienced a substantial delay, including the M+ Museum, the Lyric Theatre Complex and the Hong Kong Palace Museum. Besides, as a prevention measure against the coronavirus, performance venues have been temporarily closed and activities were either cancelled or re-scheduled.

Despite Hong Kong's lockdown, the WKCDA has made an effort to provide quality performing arts to audiences in Hong Kong and worldwide. For example, Freespace has provided live music performances through online streaming every Friday and Saturday evening and Sunday afternoon since early February. Audiences can access Freespace's Facebook page or Instagram page to listen to live jazz, alternative rock, classical or Indie music performances.

[West Kowloon Cultural District Authority Board Meeting (Open Session), 25/03/2020]

#### The 29th Meeting of the Consultation Panel of the WKCDA: Update on the progress of WKCD development

Since the last update in September 2019, three projects have been fully completed, six projects are under construction and three projects are in the planning or design stage.

The Xiqu Centre was officially opened to the public in January 2019. The Centre has entered its defect liability period and the contractors have been rectifying various defects, which was about 99% completed as at the date of the consultation paper.

The portable Competition Pavilion, which was a winning design in the Young Architects and Designers Competition back in March 2018, was originally built on a waterfront location in the Nursery Park at WKCD. The pavilion has become a spectacular location for small events and activities since its opening in February 2019. Having gained approval from the licensing authorities to extend the opening of the pavilion, WKCDA is looking for another suitable location where the pavilion might be relocated.

Since the last update and following the termination of the previous main contractor, the construction of M+ has seen very substantial progress. M+ was targeted to open in the second quarter of 2021. However, the project has suffered some delays because of the COVID-19 virus situation.

All three phases of the Art Park have been gradually opened for public enjoyment, beginning early 2018. Outdoor events have been successfully held on the green open space for outdoor performances and exhibitions.

Freespace obtained its Occupation Permit in March 2019 and the first press event was held in May 2019. Defects rectifications have been ongoing.

The foundations for Hong Kong Palace Museum were completed satisfactorily in April 2019. Construction of the superstructure of the Hong Kong Palace Museum has been progressing well and was approximately 80% completed as at the end of April 2020. The whole museum development was expected to be completed at the end of 2021, ahead of the grand opening in mid-2022.

The Lyric Theatre Complex project is under construction. It is expected that the final phase of the project will be completed in 2023, for opening in 2024.

Progress in construction of certain other public infrastructural facilities was also reported in the consultation paper.

[West Kowloon Cultural District Authority Paper, 27/05/2020]

### HONG KONG BRIEFING

Government falling behind on environmental promises

On 22 April 2020 Green group Friends of the Earth (HK) ("FoE") published a review warning that Hong Kong will miss a waste reduction target, putting an even greater strain on landfills.

Whilst on the one hand stronger regulations had been adopted to control air and marine pollution, on the other hand Hong Kong is unlikely to hit its goal of cutting per capita waste by 40 per cent from 2013 levels by 2022, said the green group.

The Waste Disposal (Charging for Municipal Solid Waste) (Amendment) Bill 2018, which was expected to help the government achieve its goal of reducing rubbish, has stalled in the Legislative Council. Legislators doubted if it would be passed before the term ends in October this year.

The Environmental Protection Department estimates the city's landfills will be full by this year, and a planned incinerator will not be in operation until at least 2024. FoE said the government should work towards increasing recycling rates and that incineration should be a last resort.

Since the coronavirus outbreak in January, Hongkongers have collectively used 101 million pieces of plastic packaging and cutlery for takeaway and delivery meals alone, the green group estimated.

The review also highlighted areas of success. The government was providing subsidies for the recycling industry, and has established a producer responsibility scheme for electrical and electronic equipment waste and glass drinking bottles. Authorities also launched a conservation and sustainable development plan aimed at protecting biodiversity.

FoE warned that Hong Kong was already suffering from the effects of climate change, giving Typhoon Mangkhut in 2018 as an example. The government was urged to take stronger measures, particularly in the aftermath of the pandemic, to incorporate environmental policies into economic stimulus plans, such as greater investments in renewable energy.

#### [South China Morning Post, 22/04/2020]

#### Restoration of Hakka village and wetland area

Two conservation projects have received more than HK\$20 million in government funding: the revival of a wetland area of Sha Lo Tung in Tai Po and the restoration of Lai Chi Wo, a 400-year-old Hakka village.

The Countryside Conservation Office (CCO) was formed in July 2018 under the Environmental Protection Department (EPD) to promote conservation and sustainable development of the city's rural areas. A total of HK\$1 billion was reserved for use of CCO, as pledged by the Chief Executive, Carrie Lam, in her maiden policy address in October 2017.

The Lai Chi Wo project is managed by the Hong Kong Countryside Foundation, which is restoring 14 vacant houses in the Hakka settlement and turning them into guest accommodation for up to 56 visitors.

Green Power has taken on the conservation of Sha Lo Tung, an ecologically rich wetland area in rural Tai Po which is home to several rare animals, including the crab-eating mongoose and Ryukyu Dusk-hawker dragonfly.

Other environmental improvement work carried out by the CCO includes the restoration of damaged waterside footpaths, slope improvement, upgrading of public toilets and sewage treatment systems and a 3D geospatial survey, which aimed to improve eco-tourism facilities.

#### [South China Morning Post, 20/05/2020]

#### Environmental group urges expansion of Chinese white dolphins' habitat

WWF-Hong Kong has urged authorities across the Pearl River Delta, including Hong Kong, to expand protected marine habitats to save the Chinese white dolphins, as their numbers continue to decrease.

The environmental NGO has proposed, as a priority, to conserve areas around south and west Lantau Island, where most of Hong Kong's dolphins feed and breed. And fishing and development are banned.

According to the Agriculture, Fisheries and Conservation Department, the number of dolphins has fallen by 80% over the past 15 years; fewer than 50 were spotted between 2017 and 2018.

Since the construction of the Hong Kong-Zhuhai-Macau Bridge began in 2012, the dolphins largely disappeared from northeast Lantau and concentrated in southern and western Lantau, where the long and continuous natural coastline provides them with abundant prey.

About 2,000 Chinese white dolphins live in the Pearl River Delta. Whilst they are also found across Asia, including in Bangladesh, Malaysia, Singapore, Taiwan and Vietnam, the population in the Pearl River Delta is likely to be the largest in the world.

The International Union for Conservation of Nature's Red List lists the Chinese white dolphins as vulnerable. They are particularly susceptible to habitat loss and degradation due to development works. Shipping and illegal fishing also pose threats to their food sources, while pollution, marine rubbish and climate change are exacerbating the problem. The species also reproduce slowly and many of their offspring die prematurely.

The environmental group suggested widening environmental impact assessments to include underwater noise, which affects the dolphins' hunting and navigating abilities. The government was also urged to improve regulation of fishing, marine traffic and coastal development and to formulate a cross-boundary water quality management plan to control marine pollution.

#### [South China Morning Post, 02/06/2020]

#### Most candies packaged in unspecified plastic

Despite a global pledge by leading producers to switch to more environmentally friendly materials by 2025, more than half of the candies sold in Hong Kong were packaged in unspecified types of plastic, according to a survey conducted by The Green Earth in April and May.

According to public data, Hong Kong's recycling rate has been decreasing, with only 30 % of the city's 4.17 million tonnes of waste being recycled in 2018. Whilst plastics comprised 21% of the total waste, they made up only 4% of total recycled materials.

Three major players, the Ferrero Group, Mars Incorporated and Nestle – which together have about 40% of the candies market share in Hong Kong – signed on to the New Plastics Economy Global Commitment. Under the pledge, all three companies vowed to switch to 100% reusable, recyclable or biodegradable packaging by 2025. Ferrero and Mars also said they would have clear recycling labels on their packaging, while Nestle said it would roll out paper packaging to replace plastic wraps.

The Green Earth criticised these companies for continuing to ignore the fact that Hong Kong lacks the infrastructure to widely recycle plastic packaging and urged the companies to switch to other materials, such as paper, to wrap products, and to provide consumers with the option to buy loose (unpackaged) candies.

The Green Earth also urged the government to expedite the introduction of producer responsibility legislation to establish a producer-pays scheme which would see companies taking responsibility for the recycling and processing of waste from their products, as well as a municipal waste-charging bill, which has been delayed for more than 10 years. The city has producer responsibility schemes only for plastic bags and waste electronics, while a bill for plastic bottles is yet to be passed. The proposed waste charging scheme would see the average household pay between HK\$33 and HK\$51 per month on average to dispose of their rubbish.

#### [South China Morning Post, 11/06/2020]

# ADVISORY COUNCIL ON THE ENVIRONMENT (ACE)

#### Summary of Minutes of the 239th Meeting of the ACE held on 6 January 2020

The main item considered at the meeting was a review of Hong Kong's Air Quality Objectives (AQOs). Members' views were sought on the final recommendations and way forward to update the AQOs.

#### Tightening the 24-hour AQOs of PM<sub>2.5.</sub>

A member proposed that the government should forecast the concentration of PM<sub>2.5</sub> and the number of exceedances over a timeline and establish meaningful milestones in respect of existing and planned measures, to better promote air quality improvement in Hong Kong.

The government agreed the provision of relevant forecasts could assist the public and Legislative Council members to better understand the rationale of tightening the 24-hour AQOs of  $PM_{2.5}$ . The government further explained that the concentrations of nitrogen dioxide,  $PM_{2.5}$  and respirable suspended particulates had dropped by approximately one-third in the past 5 years and more than 50% in the past 10 years. The government advised that pursuant to the 2025 air quality modelling results, there would be continuous improvement in the ambient  $PM_{2.5}$  concentration level in 2025.

#### Pearl River Delta (PRD) Regional Influences

A member suggested that information in respect of the progress of the mainland China, in particular the Guangdong Province, on improving the air quality should be provided because the local  $PM_{2.5}$  concentration was mainly caused by activities in the Pearl River Delta ("PRD").

The government replied that they had been collaborating with the Guangdong Provincial Government to reduce emissions from different kinds of air pollution sources, for example: power plants; factories; and motor vehicles in the region. The government added that an Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area has been drafted, with the aim of strengthening coordinated efforts to improve air quality in the region in the following years.

#### Possible scope for tightening the AQOs for $O_3$ and $PM_{10}$

Since there was no proposal to tighten the AQOs for ozone (" $O_3$ ") and PM<sub>10</sub>, a member considered that there might be less driving force for the public and private sectors to reduce emissions from relevant sources to decrease the concentrations of the pollutants.

For  $PM_{10}$ , the government responded that the air quality assessment results anticipated that annual concentrations of  $PM_{10}$  in most parts of Hong Kong would still exceed the next higher Interim Target level.

For  $O_3$ , the government replied that they would continue to work with the Guangdong Provincial Government closely to improve regional air quality and explore opportunities to further tighten the relevant AQOs in the next review.

# CLIMATE CHANGE

#### Scientists fear car surge will see CO<sub>2</sub> rebound

Daily global emissions of CO<sub>2</sub> have fallen by 17% due to measures taken by governments to combat COVID-19.

Almost half the drop in global emissions was due to fewer car journeys. However, it is feared that without stronger and permanent reduction measures, following the pandemic  $CO_2$  emissions could be higher than before the crisis.

In the UK, Transport Secretary, Grant Shapps, has pledged £250m for improvements to cycling and walking infrastructure. Other countries have also considered other alternatives to make real changes to transport and personal mobility.

During the peak of COVID-19 in early April, daily emissions dropped by 17% compared to the previous year, which translates to approximately 17 million tonnes less CO<sub>2</sub> emitted per day globally.

With the virus at the forefront, many businesses were presented with the opportunity to consider new climate change policies.

A letter signed by 155 major companies, representing \$2.4 trillion in market capitalisation, calls for a net-zero emissions response to the pandemic crisis.

A number of corporations, including Carlsberg, Iberdrola, EDF and Coca Cola Europe, have said that they want governments to "prioritise a faster and fairer transition from a grey to a green economy".

Researchers agree that whilst  $CO_2$  emissions may be temporarily reduced, there are still high  $CO_2$  concentrations in the atmosphere, which are warming the planet. To make a change, action should be taken now.

#### [BBC, 19/05/2020]

#### Reduced carbon emissions from lockdowns will not slow climate change

During May, concentration levels of carbon dioxide in the atmosphere increased to 418 parts per million, which is the highest ever recorded in human history.

Whilst Covid-19 global confinements have reduced daily emissions by 17% compared to last year, according to research done by Nature Climate Change, local warming gases are still lingering in the atmosphere.

Energy and Climate expert, Constantine Samaras, commented: "A pandemic is the worst possible way to reduce emissions. There's nothing to celebrate here. We have to recognize that, and to recognize that technological, behavioural, and structural change is the best and only way to reduce emissions."

Staying home is far from solving the climate crisis. The biggest change in carbon activity has taken place in the aviation industry. Air traffic emissions dropped by an average of 75% in early April. The other major reduction in emissions resulted from reduced surface transportation. Between January and April, people drove less and consequently 6 megatons of  $CO_2$  did not enter the atmosphere each day, which equals approximately 1.2 million American cars' yearly emissions.

The reduction in emissions this year brings us back to 2006 levels. However, the Intergovernmental Panel on Climate Change recommended that the world needs to get back to 1990s emissions level within a decade to save the planet.

[National Geographic, 20/5/2020]

#### No escape from climate change

Although deeper layers of the ocean are warming at a slower speed than the surface, animals in the ocean are still exposed to climate warming and face increasing degradation of their habitat.

An international team of scientists, led by Australia's University of Queensland and Japan's Hokkaido University, analysed contemporary and future global patterns of climate change across the depths of the oceans.

The scientists concluded that climate velocities in the mesopelagic layer of the ocean are projected to be between 4 to 11 times higher than current velocities at the surface by the end of this century. Marine life in the mesopelagic layer includes an abundance of small fish that are food for larger species, such as tuna and squid. Higher temperatures in the deep sea would pose challenges for the predators and prey in the future.

The team of scientists recommended a precautionary approach that limits negative interference with marine life, such as by deep sea mining and fishing, as well as establishing climate –smart networks of Marine Protected Areas for the deep ocean.

[Science Daily, 25/05/2020]

#### **Glasgow climate talks postponed**

The UN climate change conference, known as Cop26, was to be held in Glasgow in November. However, since early April, governments around the world have been faced with lockdowns, and after further deliberation, it looks likely the conference will be moved to November 2021.

Despite the one year delay, governments are still required to prepare plans before Cop26 on how to cut their greenhouse gas emissions in line with the Paris agreement. The Intergovernmental Panel on Climate Change has warned that to limit the catastrophic effects of severe warming, the world must change course before 2030.

Carbon dioxide emissions have fallen sharply since the Covid-19 lockdown; there was a 17% drop since early April. In the midst of Covid-19, an Oxford study showed that implementing "green projects" could create more jobs and provide greater return on investment.

[*The Guardian*, 26/5/2020]

# **REGIONAL & INTERNATIONAL**

#### WORLD

### Slump in oil demand could encourage clean energy

On 20 April 2020, the price of a barrel of West Texas Intermediate, the benchmark for US oil, fell as low as minus US\$37.63. For the first time in history, the price of oil turned negative. This was despite the fact that in early April, the Organisation of Petroleum Exporting Countries (OPEC) members and allied non-members agreed a record restriction of global output by about 10%, representing the largest cut in oil production ever to have been implemented by OPEC. The severe drop on that day was just one instance illustrating that the oil producers around the world are overproducing the commodity, and that the international deal was insufficient to control the drop in price.

Amid the Covid-19 outbreak, most analysts are predicting there will be a huge drop in demand for oil this year. For example, on 15 April, the International Energy Agency predicted that global oil demand would fall by 9.3 million barrels a day this year.

Historically, a slump in oil prices has tended to reduce the competitiveness of costlier clean energy, such as natural gas, solar and wind power. As a result, oil companies have always been reluctant to tackle climate change by increasing their investment in clean energy.

What is different this time is that while travel restrictions imposed globally have caused a huge reduction in demand for air travel and thereby reduced demand for oil, demand for power has decreased less. Take France as an example: there has been a reduction of 70% to 90% of consumption of gasoline and diesel, but power demand has reduced by merely a fifth.

Further, the corona virus prompted a host of behavioural changes in the workplace, such as working from home and replacing business travel with video conferences. Even after the lockdowns are eased, these changes could affect long-term growth in oil demand.

Low oil prices encourage big oil companies to invest in clean energy and to prepare for a future beyond oil. Those companies are increasingly facing pressure from investors to tackle global warming emissions, especially in light of stricter controls imposed by governments. For example, after engaging with a group of major investors, Royal Dutch Shell PLC on 16 April 2020 announced that it would target net-zero carbon emissions from its own operations by 2050.

[Bloomberg, 25/04/2020; The Wall Street Journal, 16/04/2020; BBC, 21/04/2020]

#### UKRAINE

#### Chernobyl fire poses radiation risks

A wildfire occurred in the Chernobyl exclusion zone in Ukraine on 3 April this year.

By way of background, the fourth reactor of the Chernobyl nuclear power plant exploded on 26 April 1986. Following this disastrous event, an exclusion zone with a radius of 30 kilometres (19 miles) was created to limit the number of people accessing the zone.

The police have arrested a 27-year-old man and accused him of starting the fire. Hot, dry and windy weather in Chernobyl made this fire far larger than typical fires in the Chernobyl zone.

An estimated 57,000 hectares, or 22% of the total of the Chernobyl exclusion zone, has burned as at 23 April, according to satellite images cited by Greenpeace Russia. The fire reached a point only 4 kilometres away from the sarcophagus covering the fourth reactor of the power plant.

Rashid Alimov, head of energy projects at Greenpeace Russia, said, "A fire approaching a nuclear or hazardous radiation facility is always a risk". This might be because there are many critical infrastructures in the Chernobyl zone, such as the nuclear plant itself as well as highly contaminated trucks and vehicles that were left from the original disasters.

In the 34 years since the Chernobyl disaster, the soil, the roots of moss, trees and other vegetation around Chernobyl have absorbed some radiation. When the trees burn, radioactive particles are brought to the surface and spread to various areas in smoke. Those radioactive

particles include, for example, caesium-137, plutonium-238 and plutonium-239. Plutonium particles are estimated to be around 250 times more harmful than caesium-137.

The main risk from the fire comes from inhaling radioactive particles via the smoke. Olena Miskun, an air pollution expert with Ecodiya, said, "wind can raise hot particles in the air together with the ash and blow it toward populated areas". A small increase of radioactivity above usual levels was detected in Kyiv, the Ukrainian capital which is 250 kilometres from the zone; and a small increase of caesium-137 concentration was detected in Norway.

Ms. Miskun added: "we are lucky to have quarantine measures in place now". As people confine themselves at home, they are less likely to inhale the contaminated smoke.

[The New York Times, 11/04/2020; Greenpeace, 23/04/2020; Reuters, 14/04/2020]

#### NORWAY

#### Norway's Supreme Court to hear Arctic oil challenge

The Norwegian Supreme Court will soon hear an appeal challenging the Norwegian government's decision to open new areas of the Arctic for oil exploration. The appeal was filed by Greenpeace and Nature & Youth (the Norwegian branch of Friends of the Earth). The Court has not yet set a date for the hearing.

Catherine Hambro and Emanuel Feinberg, Legal Counsel for the plaintiffs before the Norwegian courts, said: "We are very satisfied that the Norwegian Supreme Court has decided to hear the appeal. The Court will hear the case in a plenary session with all Justices present, which underlines the importance of the case."

The plaintiffs filed the case asking Norway to ban new licenses for Arctic oil drilling because they breach the constitutional right to a healthy environment for future generations. They also point out that continued oil and gas exploration in the Arctic ignores Norway's commitments under the Paris Agreement, and violates the right to life and right to family life guaranteed by the European Convention of Human Rights.

ELAW submitted an Amicus Curiae Brief to the Oslo District Court in 2017 to share jurisprudence from courts and tribunals that have ruled on issues similar to those raised by the plaintiffs, and to address critical errors and gaps in the EIA provided to the decision makers that formed the basis for the Licensing Decision.

Despite losing their appeal in January of this year (in a lower court), the plaintiffs made some important progress. The court agreed that the right to a healthy environment in the Norwegian constitution is a rights-based provision, and that emissions from Norway's oil and gas exports are relevant to the assessment of whether this constitutional right is breached. This is a key point, given that Norway exports most of the oil and gas it produces.

"We look forward to a thorough examination as to whether the government breached the Constitution and the European Convention on Human Rights when they chose to grant new oil licenses in the Arctic," said Frode Pleym, head of Greenpeace Norway. "They knew then that the world was already in the midst of a climate crisis which grows more acute each year. We believe the Norwegian state must be held accountable and that the oil licenses must be judged invalid. Winning in court will be a major victory for the climate and for our children."

We eagerly await this hearing and expect that Norway's Supreme Court will protect the rights of future generations!

#### [ELAW Press Release, 29/05/2020]

#### China Financing for "clean coal" projects to be banned

On 29 May 2020, three Chinese regulatory authorities (the People's Bank of China ("the PboC"), the China Securities & Regulatory Commission ("the CSRC") and the National Development & Reform Commission ("the NDRC") jointly published a draft of "Green Bond Endorsed Projects Catalogue (2020 Edition)" (《绿色债券支持项目目录(2020 年版)》) ("the Green Bond Catalogue") for public comments.

This was the first time in which the Green Bond Catalogue has been jointly announced by the three regulatory authorities and the first time in which all green bonds issued in China, regardless of their issuing authorities, will be subject to the controls set out in the Green Bond Catalogue.

In the past, the three authorities had jurisdiction to provide approval for projects proposed by different entities respectively. For example, the PboC had jurisdiction regarding financial entities, the NDRC for non-listed companies, and the CSRC for listed entities. In addition, each of the three authorities had previously set their own standards as to what constituted eligibility for green bond financing in China.

Another landmark development in the Green Bond Catalogue is the exclusion of the so-called "clean fossil fuels" projects from the catalogue, following representations by watchdogs for the green bond markets, such as Climate Bonds Initiative (CBI). They have argued that efforts to improve efficiency of fossil fuel use should not receive green financing, as investment in those initiatives could slow the transition to renewable energy sources. With clean fossil fuels projects removed, the Chinese authorities align themselves more closely with international standards in green bond markets, such as the Green Bonds Principles and Climate Bonds Standard.

Until the present revision of the Green Bond Catalogue, standards adopted by Chinese authorities for green bond issuances have diverged from international standards. For example, according to the CBI, Chinese green bond issuances that met international standards raised US\$31.3 billion in 2019, making China second only to the US green bond market which raised US\$51.3 billion in 2019. Yet, also in 2019, Chinese green bonds that did not meet international standards raised US\$24.2 billion.

The result may be that the "search" costs of offshore investors can be reduced when more Chinese green bonds align with international standards, thereby increasing the attractiveness of Chinese green bonds to the international investment community.

Despite reforms of the Green Bond Catalogue, the regulatory system applicable to green bonds in China remains divergent from international standards in fundamental ways. For example, while international standards (such as Green Bonds Principles) mandate all money raised from green bond issuance goes towards sustainable assets, Chinese regulators permit 50% of the money raised to be used for general working capital.

The public consultation process on the Green Bond Catalogue was opened until 12 June. If the proposals in the Green Bond Catalogue come through the consultation process in substantially the same form, they would benefit the international green bond market by providing a more unified, global acceptance of what constitutes an eligible project for the purposes of green financing.

[Financial Times, 29/05/2020; Lexology, 03/06/2020; Climate Bonds Initiative, 10/06/2020]

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: April to June 2020 (April and June 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:

#### May 2020

Ninety-one convictions were recorded in May 2020 for breaches of legislation enforced by the Environmental Protection Department (EPD).

Twelve of the convictions were under the Air Pollution Control Ordinance, three were under the Environmental Impact Assessment Ordinance, 13 were under the Noise Control Ordinance, one was under the Noise Control Protection Ordinance, 23 were under the Public Cleansing and Prevention of Nuisances Regulation, 37 were under the Waste Disposal Ordinance and two were under the Water Pollution Control Ordinance.

A company was fined \$35,000, which was the heaviest fine in May, for using powered mechanical equipment not in accordance with the conditions of a construction noise permit.

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