

Civic Exchange's Response to the 2021-22 Budget

Civic Exchange is pleased to offer its response to the Government budgetary planning for the 2021-22 Financial Year.

Despite this challenging COVID-19 period of lower growth and the prospect of financial deficit in coming years, we take particular note of the Government's efforts in the 2021-22 Budget to make progress towards its target to reaching net-zero carbon emissions by 2050, and to build a more sustainable, liveable, green city.

We specifically address key points and action items in the 2021-22 Budget and our recommendations for amplifying impacts on commitments made especially in terms of Energy, Buildings, Mobility, Waste and supporting a Low-Carbon Lifestyle.

In brief, we note:

1. The Government's target to cease registration of internal combustion engine (ICE) private vehicles by 2035 or earlier is welcomed, but further decarbonization targets and measures for commercial vehicles and public transport, as well as Government fleet purchase commitments are needed.
2. The increase in vehicle first registration tax and license fees are steps in the right direction, but more comprehensive measures must be implemented to curb private car usage, especially by moving forward with electronic road pricing (ERP).
3. The release of the updated Climate Action Plan in mid-2021 is anticipated. The Government shows commitment in installing renewable energy systems and providing funding for energy audits and energy-saving appliances, but further efforts must be made in mandating reduction in building operation carbon footprints and in granular energy-use reporting.
4. The continued support of the recycling fund is important to sustain the development of a circular economy in our city and must be supplemented by enacting the municipal solid waste (MSW) charging scheme for a holistic, integrated waste strategy.
5. The continued waiver of water and sewage charges and the subsidy for residential electricity accounts are counter-productive to the development of more conservation conscious resource-saving behaviours and should be substituted by other forms of relief measures.

6. First steps in moving towards a wider spread use of advanced information technology and digital services are visible and should be expanded as vital components of future lower-carbon work and lifestyles.
7. Programs in the construction sector need substantial enhancement to specifically address green building construction that adheres to recognized standards.
8. Revival measures for the tourism industry could stimulate domestic demand and offer further opportunities for developing low-carbon in-bound tourism.
9. Measures to incorporate appropriate urban green and open space features should be boosted across Hong Kong.

We provide details on each mentioned item below, in the *Appendix* to this response.

As Hong Kong gradually moves to recover from the pandemic with a green recovery we can look forward to impetus for fresh employment, business activities and sustained growth to help build a low-carbon city, creating promising future prospects for Hong Kong and its people.

Visit us at: www.civic-exchange.org

CIVIC EXCHANGE IS A COMPANY WITH LIMITED LIABILITY AND A REGISTERED CHARITY IN HONG KONG

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Appendix

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1. We welcome the Government's target to **cease registration of internal combustion engine (ICE) private vehicles by 2035 or earlier** and to expand the provision of facilities for electric vehicles (EVs) as a crucial step in decarbonizing the mobility sector. We highly anticipate the release of further details on the long-term policy objectives and measures in the upcoming EV Roadmap in March, later this year.

While the Government has pledged to take the lead in using more EVs, **we hope that there will be a firmer commitment with a concrete implementation date for all-zero emission vehicle purchases, and phase-out of all ICE vehicles by Government bureaus and departments**, aligning with the policy on private vehicles.

Civic Exchange further urges the **development of corresponding decarbonization targets and measures for both commercial vehicles and the public transport sector as soon as possible**. References to these sectors in the Budget are limited to the continuation of the ex-gratia payment scheme for the replacement of older diesel commercial vehicles and the pending update for the Clean Air Plan, which is far from sufficient.

2. We consider the **increase in vehicle first registration tax by 15% and in vehicle license fee by 30% principally as steps into the right direction**. However, we believe that **much more comprehensive measures are needed to curb the rapid increase in private car usage**.

The **mere continuation of the studies on congestion charging is not far reaching enough** and we must emphasize that trialling of **electronic road pricing (ERP) and further wider-spread implementation** should be realized as soon as possible.

ERP is fundamental to tackling traffic congestion in Hong Kong and will bring additional long-term benefits of abating environmental and health costs. The additional source of revenue can further be directed to funding measures for enhancing public transport and non-motorized transport, i.e. walking and cycling, which will reduce the extent of increased government expenditure on these items and in devising better overall comprehensive transport strategies.

3. Following the Chief Executive's announcement of Hong Kong's target to reach net-zero emissions in her 2020 Policy Address, **we anticipate the release of Hong Kong's updated Climate Action Plan slated for mid-2021** to provide details on the captioned strategies and action plans. We recognize that the Government is making efforts to improve its

energy performance by six percent by 2024-25. In terms of clean energy, **we appreciate the commitment to taking a lead in installing small-scale renewable energy systems** at Government buildings and infrastructure, **as well as in providing funding for energy audits and energy-saving appliances** for social welfare NGOs.

While we understand the current fiscal constraints, **we expect the Government to take larger strides in moving towards minimizing building operational carbon** footprints by taking forward **retro-fitting and retro-commissioning across Government-owned and -operated premises** and with more ambitious annual energy reduction targets to accelerate the decarbonization of the building sector. This should go in line with the incorporation of measures to facilitate **reporting and open publication of granular energy use data and area-based energy intensity metrics** to enable detailed energy use evaluation and track changes in consumption patterns.

4. The **continued support of the recycling fund** is important to support Hong Kong's development into a **circular economy** and to reinforce on-going efforts **in reducing waste disposal and improving waste management**.

Enacting the municipal solid waste (MSW) charging scheme before the end of the current Legislative Year will be a further essential component for a holistic waste strategy, providing additional Government revenue and considerably reducing the associated costs of waste management.

5. The **continued waiving of 75% of water and sewage charges introduced in last year's relief package is counterproductive** and should be discontinued. Hong Kong's **water management is in urgent need of fundamental reform** with an upward adjustment of its pricing mechanism and tariff structure to better reflect a **user-pays principle**. This will ensure our water resources' long-term sustainability and climate resilience as well as provide relief for the recurrent government expenditure on water provisions.

The **provision of a subsidy to residential electricity accounts similarly thwarts the encouragement of resource consciousness and resource-saving behaviours**.

For the larger long-term interest of resource conservation, relief and support measures for residents and businesses, while doubtlessly important, would be better placed in other forms of subsidy which do not directly compensate for the use of energy or precious water resources.

6. The **Distance Business Programme** under the anti-epidemic fund (AEF) to adopt information technology and for related employee training as well as the allocation of **funding to the Hong Kong Trade Development Council (HKTDC)** for enhancing online activities and further digitalisation are **good first steps in moving towards a wider spread use of advanced information technology and digital services**.

The Government must further expand on these efforts beyond the pandemic with **appropriate programmes, infrastructure and support networks to enhance online education, virtual meetings and work-at-home or work-near-home in both the public and private sectors**, as vital components of future **lower-carbon work- and lifestyles**.

7. The continued promotion of the **Modular Integrated Construction (MiC) method and the digitalization of public works** through data integration and analysis to monitor project performance can play an important role in improving sustainability in construction.

We believe that the **objectives of these programs need to be substantially enhanced to specifically address green building construction**, by setting appropriate green building standards and by incorporation and adoption of low-carbon processes and materials.

8. We welcome that **revival measures for the tourism industry** include specific funding for local cultural, heritage and creative tourism projects. This will contribute to **growing domestic demand to substitute for carbon-intensive out-bound** travel.

Funding earmarked for the Hong Kong Tourism Board (HKTB) in reviving the tourism industry should be similarly oriented to **furthering low-carbon** options (e.g. eco-tours) **for in-bound tourism**.

This also aligns with the budget allocations for the enhancement of country park facilities and popular hiking trails.

9. Apart from the on-going harbourfront enhancement project, **measures to incorporate appropriate urban green and open space features should be boosted across Hong Kong's urban landscape**.

The Government must significantly enhance its efforts in augmenting public spaces and greening urban environments as part of its **“placemaking” strategy** to improve life quality and urban experience, residents’ physical and mental health and to capitalize on environmental benefits such as natural cooling and improved air quality.

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