

Business Action for Clean Air

A Report on “Business for Clean Air Conference”

27 November 2006

As public anxiety sharply rises over deteriorating air quality in Hong Kong, the message was clear and unanimous from businesses gathered recently at the Hong Kong General Chamber of Commerce’s Clean Air Conference: enough talk, the time has come for businesses to act, and to act boldly.



The Chief Executive signed the Clean Air Charter

The end-November call to urgent action came as Donald Tsang, Hong Kong’s Chief Executive, formally signed up the Government and all of its Bureaux and Departments to the HKGCC’s Clean Air Charter, a campaign launched in the middle of 2005 that seeks detailed company commitments to actions that encourage energy efficiency and emissions reduction. The Charter has now been endorsed by more than 500 Hong Kong companies.

“Instead of just a piece of paper, or statement of good intentions, the Clean Air Charter can become the basis for a network of environmentally caring businesses,” said David Eldon, Chairman of the Chamber: “The success of the movement hinges not on Government-led incentives, but on an overall attitude change within the business sector.”

The Chamber at the same time launched a 50-page Business Guidebook with a wide range of detailed and practical suggestions on how to contribute to cleaner air. According to Alex Fong, the Chamber’s Chief Executive: “The key takeaway of the Guidebook is that together we can make a difference. Every company can find a way to get started immediately. Charter compliance is not as difficult as many people may think, and is applicable to both big corporations and SMEs, as many of our case studies illustrate”

Mr Eldon called not just for clear and specific action, but for more businesses to sign up to the Charter: “When you consider that Hong Kong has more than 300,000 registered businesses. When you consider that there are more than 70,000 Hong Kong-owned factories in the PRD. When you consider that the business sector as a whole has been one of the more vocal commentators about Hong Kong’s poor air quality.... You realize that this “pretty good” response rate to the Clean Air Charter is, in fact, pretty bad.”



He called for action about “the air that we breathe” before it becomes “the air that we taste”.

The Chamber initiative attracted strong endorsement from Donald Tsang and the Hong Kong Government, not just in terms of department-level commitment to the Clean Air Charter, but because it signified the commitment of so many in business to improving Hong Kong’s air quality.



While Tsang cautioned against overly-alarmist depictions of the challenge (reminding business that air quality in Hong Kong compared favourably with cities like Tokyo, Seoul, Barcelona and Los Angeles), he called for a concerted and regionally coordinated effort to reduce pollution across the Pearl River Delta: “We recognize there is a problem, and we are acting to fix it.”

The facts about air quality

A detailed and sobering factual picture of the air quality challenge faced by the community was provided by Professor Lam Kin Che, Chairman of the Advisory Council on the Environment (ACE) and Director of the Chinese University’s Centre for Environmental Policy and Resource Management. This included:

- The total of “poor visibility days” has risen from less than 5 days a year up to 1988 to up to 28 days between 1998 and 2004, with particulates up by 15% over this period and ozone up by 26%.
- Street level pollution is acute because of high intensity of vehicle use (271 vehicles per kilometer of road, compared with 33 in the US), a large population of diesel vehicles (30% versus 17% in Singapore and 4% in the US) and poor air dispersal because of dense, high-rise urban communities.
- The air quality problem is clearly a regional problem, with 80% of NO_x coming from the PRD, along with 87% of sulphur dioxide, 89% of volatile organics and 96% of particulates.
- While most of the sulphur dioxide comes from power stations, industry accounts for most of the particulates, with the power sector and transport sharing main responsibility for NO_x.
- Hong Kong is on track to meet 2010 emissions reduction targets for particulates (down 28% against a 1997 target of 55%), volatile organics (down 23% against a target of 55%) and NO_x (down 16% against a target of 20%, but has seen a 47% rise in sulphur dioxide pollution versus a targeted 40% reduction..
- Guangdong’s progress towards 2010 reductions is less encouraging, with evidence that the targets themselves are being revised strongly upwards. Dr Lam simply noted that “Guangdong emission reduction targets do not appear to agree with regional reduction targets set in the 2002 Joint Air Quality Study Group.
- Guangdong’s disappointing progress is in large part explained by strong growth in the economy, a more-than doubling in demand for electricity since 1997, a 20% population increase, and an almost three-fold increase in vehicle activity.



“Business needs to own the problem and share responsibility,” Dr Lam said: “Most important, we need to consider the consequences of doing nothing now.” This view was strongly echoed in the recent UK Stern report on global warming, which claimed that investment amounting to 1% of global GDP now will save damage amounting to around 20% of global GDP over 50 years as a price of inaction.

Action now

Speaker after speaker during the conference reiterated David Eldon’s call for an end to talk, and a commitment to concrete action. Eldon had reminded attendees that “more column inches, more media reports, more debates, and more speeches (have been) devoted to (the environment) than any other topic in Hong Kong in recent memory.” Notably, he recalled a Government white paper published almost two decades ago complaining that between 1.5m and 2m Hong Kong people “are exposed to unacceptable levels” of sulphur dioxide and about 3m people are exposed to high particulate levels: “Air pollution is hardly a new issue.”

Past reluctance to act was attributed to a number of factors, predominantly that companies believed the scale of the challenge was simply too large for them as individuals to make a difference, and that fiercely competitive and fine margin businesses were anxious about the competitive impact of investing in clean technologies. Many companies in the Pearl River Delta apparently expressed concern that if they invested unilaterally in new and expensive technologies, then competitors could gain a crucial competitive edge. In such circumstances, the tendency will be to wait until moves are forced on all companies by clearly-defined Government legislation.

Proposed actions

Both keynote speakers, as well as contributors to the subsequent business leaders’ forum, and audience participants tabled a wide range of proposals for action by business, repeatedly referring to the Chamber’s Business Guidebook” as a valuable “How To...” source. Proposals included:



- Agreement to subject a company to environmental audits and certification: “If new rules are likely to come anyway, then there is something to be said for being one step ahead: noted David Eldon.
- Commitment to Environmental Reports as part of a company’s financial reporting process.
- Undertaking environmental “footprint” assessments to quantify the total emissions impact a company has on the environment. Such “audits” are now widespread in Europe where a large-scale carbon dioxide emissions trading scheme has been in place since 2004, so can be undertaken at relatively low cost.
- Enhanced investigation into technological innovations that can ameliorate emissions from a given company or industrial process.
- Christopher Cheng, chairman of the Council for Sustainable Development, called for a “high level commission” supported by technical experts from both public and private sector, that could “galvanise the community”.
- Andrew Brandler, Chief Executive of China Light and Power, Hong Kong’s leading power utility and thus the largest local contributor to air pollution, expressed confidence that investments in gas desulphurization at its coal-fired power station, and the early commissioning of LNG supplies, would enable Hong Kong fully to meet its 2010 emissions targets, but he expressed concern about prospects in the Pearl River Delta: “The focus of the debate has to be how to help companies in the PRD to reach their targets.”
- In particular Brandler called for transfer payments or subsidies from Hong Kong taxpayers to incentivise progress in the PRD: “The realpolitik is that unless Hong Kong digs into its own pocket, there is unlikely to be adequate progress across the border. We have to bite the bullet, grasp reality – and not just the current 500 companies that have signed up to the Charter.”
- Daniel Cheng, Chairman of Group 26 (Environmental Industries), insisted that action would only follow if the pollution problem became specific to the individual. He called on Chamber members to endorse and where appropriate support the Hong Kong Federation of Industry’s “one-one-one” initiative, by which every factory in the PRD commits to undertake at least one pollution reducing initiative every year.
- Tony Tyler, Chief Operating Officer at Cathay Pacific Airways complained that a large proportion of airlines’ pollution was determined by engine technology, and was therefore beyond their control. He nevertheless called for changes to the Pearl River Delta’s air traffic management system that would allow aircraft landing and taking off from Hong Kong International Airport to enter Mainland airspace more flexibly. Current air traffic restrictions enforced by China’s military force aircraft to take large circles to the south of Hong Kong as part of take-off and departure, resulting in unnecessary burning of 84,000 tonnes of fuel per year – resulting in additional CO2 emissions of over 250,000 tonnes a year. He noted that Cathay Pacific contributed approximately 40% of this additional pollution, and noted how air traffic reform would not only cut emissions, but also significantly trim Cathay Pacific’s very large annual fuel bill.
- Peter Sullivan, CEO of Standard Chartered Bank (Hong Kong), explored the provision of especially-tailored loans for companies (in particular SMEs) in the Pearl River Delta to encourage emissions-reducing investment.
- Alex Fong, CEO of Hong Kong General Chamber of Commerce drew attention to the 7-7-7 action plan listed in the Guidebook.

- From the floor, Alex Tancock, General Manager of the wind power consultancy Wind Prospect, tabled perhaps the most ambitious business-driven proposal. This involved the creation of incentives for companies through the Pearl River Delta to install single factory-level wind turbines, each of 2MW. He said that such turbines, which have only recently become technologically viable, had been introduced successfully in the UK, and were contributing significantly to cuts in factory-level emissions, as well as taking peak-load pressure off the UK electricity grid. Also from the floor, Johnny Lee from the company P2E2 called for easier access to project financing for small and medium-sized companies operating in the PRD, while Annalise O'Connell from Clean the Air queried why uptake of demand-side management initiatives had been so poor. The question clearly raised was how such investments could be incentivised if from a purely financial or economic point of view companies operating in the ferociously competitive environment of the PRD could not afford environmentally-focused investment. The question of subsidies and incentives was not answered, but clearly requires further attention.
- Summing up the panel discussion, James Graham, Chairman of the Coalition of Environment made a single clear point: "Clean air is vital for Hong Kong, and we have to take steps to move towards cleaning up our act, not just here but also across the boundary in the PRD."

Conclusion

The conference provided clear evidence that the Hong Kong businesses community is poised and ready to move from talk to action over cleaning the air in the Pearl River Delta.

With its Clean Air Charter as a first step, and the Business Guidebook as a practical primer on how to move to action, the General Chamber and the partners for the clean air project have started to delineate the action plans for the next phase of the campaign, which is essentially to provide guidance and assistance to those who had signed to walk the talk, develop a certification scheme to give recognition to the charter compliance performers, to develop and promote technological and financial solutions and best practices. But these remain early steps, insights and suggestions made during the conference will be used as reference to further develop practical initiatives. The hope is that as we move into the next phase of the campaign, those who signed up and take action to become charter compliance partners will act as advocates for the campaign, thereby encouraging more companies to follow their footsteps in signing up to the Clean Air Charter both in Hong Kong and in the Pearl River Delta.

