

LEADERSHIP, INNOVATION, COMPETITIVENESS

HONG KONG CLIMATE CHANGE E-BULLETIN



ISSUE FOUR

FOREWORD

The next few issues of our *Hong Kong Climate Change e-Bulletin* will focus on the lead up to the UNFCCC Negotiations in Copenhagen at the end of this year (COP15). Our aim is to give you the information to understand the background, the challenges, and the opportunities facing the world's climate negotiators at this critical juncture. We start off, in this issue, with some reflections on last year's COP14 in Poznan, Poland, and our perspective on why agreeing a global deal at Copenhagen is so important (p1). Locally we explore the green opportunities that the current financial crisis may bring forth to business (p2). We go on to introduce the Hong Kong Carbon Reduction Campaign (p3) – a cross-industry collaboration which aims to get individuals acting to reduce their CO₂ emissions. Finally, we look at the green technology driven underway in China's Cities (p4), as reported in The °Climate Group's latest publication.

SPECIAL FEATURE SERIES: UNITED NATIONS CLIMATE CONVENTION (COP15)

Poznan COP14: Faltering progress but still on track for a deal in Copenhagen

Poznan marked the halfway point on the road from 2007's Bali conference to what many hope will be agreed on a comprehensive new international treaty to cut global emissions in Copenhagen in 2009. Like many "in-between" climate summits, it was characterised by low expectations and few concrete outcomes.

Against this backdrop, the primary objective in Poznan was to maintain momentum, whilst and to move forward from the discussions of ideas to focus on concrete negotiations in 2009.

In this context, Poznan can be declared a moderate success.

Ministers agreed to have in place a single negotiating text by June, while Mexico, Brazil, South Africa and China, amongst others, tabled concrete proposals on how to move forward. There seems to be increasing acceptance that industrialised countries will have to take on much deeper absolute emission reductions and that the more advanced developing countries will need to take action to shift their emissions well below their business-as-usual trajectories.

A few important decisions should also help progress. Countries agreed to make the **Adaptation Fund** – financed through a levy on CDM projects – fully operational in 2009. They also adopted the **Poznan Strategic Programme on Technology Transfer** which should scale up technology investments (though the thorny issue of intellectual property rights remains unresolved). Although they are small steps, these decisions are important parts of the deal to be put together in Copenhagen.

News of the EU Council's agreement on the Climate and Energy Package, as well as reaffirmations from new US President Obama and his close advisers of their intent to re-engage fully in the international process, add to the momentum heading into 2009.

Why global deal in 2009 is so important?

The Kyoto Protocol is generally seen as an important first step towards a truly global emissions reduction regime that will stabilise greenhouse gas (GHG) emissions. Setting an overall target for the 2008-2012 timeframe, and establishing an effective, efficient and equitable framework for its implementation, the Protocol provides the essential architecture for any future international agreement on climate change.

Yet, despite many success stories and consistent effort by of a wide range of organisations across the private and public sectors, actions taken under the Protocol have not been commensurate with the scale of the problem. The reality is that emissions are actually growing faster now than at any time before, approximately 3% each year. If the world continues on its current energy path,

energy-related CO₂ emissions in 2050, according to the International Energy Agency, will be two and half times their current levels. With the first commitment period of the Kyoto Protocol due to end in 2012, the need to reach a new international framework that can deliver the stringent GHG emissions reductions needed is imminent. This new deal must do three things:

- It must incentivise not just governments but also business and industry to develop the science and technology of the future.
- It must define what we mean when we talk about “common but differentiated responsibilities” between the developed and developing world. We know there needs to be an international agreement that brings everyone on board, including the US and China, but we cannot expect the obligations to be the same because the stages of development are different. We need to try to define what those obligations should be.
- This agreement has got to allow the global transfer of technology and unlock the appropriate financial support to enable the developing world to easily access and implement new technologies at a cost that does not impede growth.

This year will see a wealth of meetings, which will include at least four UN negotiating sessions, the G8 in July, a group of heads of government convened by the UN Secretary-General and possibly a new Major Economies process. What is most needed, however, is a shift in thinking. The focus must not be about what is politically possible for individual countries. It must be about where the science tells us we need to be and how this – a prosperous low carbon development path - can get us there based on collaboration, trust and shared ambition.

Next issue, we would continue the discussion by looking at the possible business implications from the final recommendations to be delivered by international business leaders at the “World Business Summit on Climate Change” held in Copenhagen in May 2009.

ECONOMIC CRISIS CATALYSES GREEN OPPORTUNITIES

Everyone is on guard for the potential damage of the financial tsunami, what hasn't changed is that we are still releasing about a billion tonnes of CO₂ emissions every week. But, issues relating to the economic crisis and climate change are linked. Global leaders met at COP14 in Poznan last December and recognised that climate change cannot wait the global economic crisis has been resolved. We have only 12 short months to reach a global climate change deal, founded on the objective of cutting worldwide emissions by at least 50% before 2050.

Development of a low carbon economy

The 2008 Policy Address highlighted the HKSAR Government's intention to meet the climate change challenge by promoting a low carbon economy. But what does de-carbonising mean for business? In October 2008, The °Climate Group organised a regional climate conference in Hong Kong featuring the world-renowned economist Professor Lord Nicholas Stern, author of *The Stern Review*. Lord Stern said that recessions in the rich world over the next year or two would likely lead to a physical response, namely an ordinary demand stimulus. This demand stimulus is going to be led by private business investment and private consumption decisions.

Where there are opportunities, business will find its way

Investment in renewable energy in China reached US\$12 billion in 2007 - almost level with world leader Germany as a percentage of GDP. The Chinese National Development and Reform Commission estimated that US\$251 billion of investment is needed to reach the government's target to produce 15% of primary energy from renewable sources by 2020. As of March 2008, China's top six publicly-listed solar manufacturing companies had a market value of over US\$15 billion.

Minister of Industry and Information Technology Li Yizhong outlined the need to take steps to help counter the serious drop-off in car sales as a result of the global economic slowdown. The Central Government will soon announce a rate cut of consumption tax for the vehicle industry, a move believed to boost car sales. The Government has also incorporated an increase of the country's fuel consumption tax (a 400% increase for petrol and 700% increase for diesel). The result is to entice consumers to buy greener cars that use fuels more efficiently – a win-win for the industry and the environment. Meanwhile, the Shenzhen-based BYD Company recently put to market its plug-in electric hybrid vehicles that will prove to be roadworthy and will evolutionarily change the vehicle and pollution situation in China.

Businesses can no longer escape the pressure from their customers to know where products are sourced, the environmental performance of their manufacturing bases and how products impact the environment after use. Last October Wal-mart convened over 1,000 of its Mainland Chinese suppliers to discuss a low-carbon, zero-waste supply chain. Carbon labelling product

is becoming increasingly popular for forward-thinking and responsible businesses. Consumers will pick a low carbon choice when they make their next purchase. Businesses need to react to this higher quest for corporate responsibility. Managing carbon in the supply chain has proven to bring in extra cost-saving by improving energy efficiency, promoting cleaner production, minimising packaging and optimising logistics network.

In his latest Policy Address, Hong Kong's Chief Executive Donald Tsang committed a total of HK\$450 million to subsidising energy-and-carbon audits and energy efficiency projects for buildings. Energy efficiency is an effective way of cutting carbon emissions and presents an opportunity to promote energy-efficient designs and technologies in Hong Kong. On promotion of the use of electric vehicles, it was also clearly stated in the 2009/10 Budget that the move will create additional business opportunities. By providing university research via its Hong Kong Automotive Parts and Accessory Systems R&D Centre and facilities supports, HKSAR government actively encourage the industrial sector towards development and commercialised production of parts and accessory systems for both local and overseas electric vehicle markets.

The stories go on and on, and they will bring in competition. Businesses will compete and evolve over the kinds of technologies through which they can offer to bring down the carbon content of products and services in the most efficient and cost effective way. Hong Kong's position as a centre of finance in Asia presents tremendous opportunities for the financial community to provide the financing needed to fund these initiatives. Low carbon technology financing and carbon market development will continue to be big issues in the region. It is going to be a period of enormous innovation.

Looking Ahead

The challenges lying ahead in 2009 will test our commitments and good intentions like never before. In terms of climate change, we have short-term problems to face and long-term challenges to overcome, but the opportunities are immense. The people who innovate first will get the biggest returns.

Editor's note: Part of this article is previously contributed to and published in Britain in Hong Kong, February 2009.



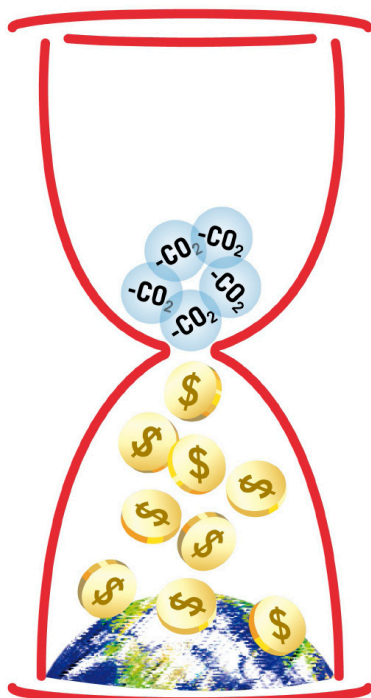
GREEN MINDS THINK ALIKE - HONG KONG CARBON REDUCTION CAMPAIGN

The °Climate Group's *Carbon Down, Profits Up* research has shown how the benefits of early action to reduce GHG emissions can result in significant cost savings for business. Many sectors in Hong Kong are also gearing up their efforts to explore new low carbon business opportunities, engaging a range of external stakeholders in the process.

Getting employees on board to reduce emission is also moving up the corporate agenda. In Hong Kong, the Hong Kong Carbon Reduction Campaign (HKCRC) will be launched in April this year; HKCRC aims to help companies' employees move towards a low carbon personal lifestyle. This is a pioneering cross-industry collaboration. It will recruit 5,000 participants from various corporations in Hong Kong, helping them become more climate-friendly through collective actions starting from home. Apart from training workshops on global warming and climate change mitigation, each participant will receive a "toolkit" with a low-carbon guidebook containing numerous easy-to-follow ideas, plus low-carbon gadgets to help kick-start a low carbon life. A website will be made available for checking out new tips on leading a low-carbon lifestyle and an update on the campaign's achievement during the action period.

A practical work manual will be given to each participating company, helping them to sustain and develop their own initiatives after the campaign in 2010.

Companies with their employees are encouraged to join the HKCRC free of charge but on a first-come-first-serve basis. Interested parties can visit the recruitment site www.hkcarbon-reduction.org for more details and download the company registration form. For further information, please contact Miranda Cheung (Campaign Manager) at 2836-5718 or Rosario Ng (Programme Officer) at 2836-5703.





CHINA PURSUES GREEN GROWTH

Despite the global economic downturn, China's early progress towards becoming a global hub for low carbon investment, technology and growth looks set to continue. The °Climate Group's ***China's Clean Revolution*** report, shows that China's combination of cost advantages, a clear policy framework, a dynamic and entrepreneurial business environment and abundant abatement opportunities is sparking green growth across the country. This clearly demonstrates how developing nations have as much, if not more, to gain from investment in low carbon solutions as developed countries, with profits, jobs and social benefits being generated in the process.

Delving deeper into China's growing efforts to curb urban carbon emissions, The °Climate Group recently published a new report - ***China's Low Carbon Leadership in Cities*** (中國低碳領導力: 城市) to support the launch of a new low carbon development initiative with 20 key cities in the region.

The report identifies leadership tools for any urban low carbon development strategy covering policy incentives, technology innovation, financing mechanisms and international co-operation.

It also highlights eight case studies of Chinese cities, including Guiyang and Dezhou, which are pioneering low carbon technologies such as LED lighting, solar power and electric vehicles to reduce green house gas emissions.

The 20-page report (in Chinese only) is available for download at http://www.theclimategroup.org/assets/resources/Chinas_Low_Carbon_Leadership_in_Cities.pdf



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ABOUT THE °CLIMATE GROUP

The °Climate Group (www.theclimategroup.org) is an independent, not-for-profit organisation that works globally with government and business leaders to advance climate change solutions and accelerate the transition to a low carbon economy. Founded in 2004 by a diverse group of companies, governments and supporters who saw the opportunity to create new momentum in the international effort, its coalition of proactive leaders – from government, business and civil society – has demonstrated that emissions reductions, essential to slow climate change, can be achieved while boosting profitability and competitiveness. The °Climate Group has offices in the UK, US, mainland China, Hong Kong, India and Australia. The Hong Kong operation has been registered as a statutory charitable organisation since January 2008.

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