

HK enters green circle of life

The global trend to reduce, reuse and recycle is picking up in the city, with enterprises and educators joining forces in the drive toward a circular economy. **June Chen** reports.

With the circular economy forecast to bring the world economic benefits to the tune of US\$4.5 trillion (HK\$35.16 trillion) by 2030, Hong Kong's enterprises and educators are stepping up their efforts to make the city a more sustainable place to dwell in.

The way forward, they believe, lies in better environmental and business practice and green finance, among others.

The circular economy, in a nutshell, is based on the principles of reducing the use of materials and products and reusing and recycling them the fullest extent possible to cut down on waste.

Hong Kong's independent public-policy think-tank Civic Exchange believes the circular economy can create new jobs and drive local industry toward a higher value-added direction by giving products no longer in use a second life.

Several major manufacturers across the US and Europe have already embraced the three Rs – reduce, reuse and recycle – of sustainability.

Interface, world's biggest carpet maker, is a good example. It decreased waste by recycling old carpets from customers and producing new ones with upcycled materials, and achieved zero carbon emissions by focusing on three key areas of its business – its factories, products and supply chain.

It worked with suppliers to make changes to its raw materials and include recycled and bio-based materials, and instituted more sustainable manufacturing through the use of renewable energy and more efficient production processes.

Interface's next mission, Climate Take Back, is to become carbon negative by 2040.

CASH HURDLES

But achieving sustainability is easier said than done as it costs money to improve facilities, develop new green technologies and hire more workers.

It took Interface more than 10 years to overcome the challenges toward greener manufacturing, says William Yu Yuen-ping, the chief executive of The World Green Organization, a non-governmental organization based in Hong Kong.

While companies with deep pockets may not feel the pinch, smaller ones don't have enough funds to implement such changes and reach environmental targets, says Billy Mak Sui-choi, an associate professor in the Department of Accountancy, Economics and Finance at Hong Kong Baptist University.

GREEN AND SUSTAINABLE LOANS

As small and medium-sized enterprises might not be able to fully engage in the circular economy due to a lack of cash, green and sustainability linked loans can help them achieve green and sustainable development, says Yu.

Green loans are funds lent exclusively to finance or refinance, in whole or in part, new and existing green projects.

They must align with four core components of the Green Loan Principles – use of proceeds; process for project evaluation and selection; management of proceeds and reporting – and only be used for designated green categories such as renewable energy, energy efficiency, pollution prevention and control, and climate change adaptation.

Sustainability linked debt are loans which incentivize a corporate's achievement of sustainability objectives based on Sustainability Linked Loan Principles.

They are typically structured with interest rates that vary



SUSTAINABLE PUSH: The Hong Kong Science Park is now home to more than 100 green tech players.

based on whether the borrower successfully meets predefined sustainability key performance indicators such as improvements in energy efficiency, rating of buildings, increases in the amount of renewable energy generated or used, increases in recycling rates or use of recycled raw materials/supplies, and achievement of zero waste in production plants.

Companies must obtain third-party certification to ensure compliance in different categories.

Last year, US\$18.2 billion worth of green, social and sustainability-linked debt was issued from Hong Kong, representing a year-on-year increase of 236 percent.

The lion's share of this debt – US\$15.6 billion – was issued under the green theme, which led to the volume of green bonds in the city reaching the global top 10 for the first time, with a growth of 173 percent compared to 2022, according to the Climate Bonds Initiative.

Ninety-two percent of these green bonds were issued by the government, and Hong Kong was the fourth largest source of aligned government green bonds in 2023.

GARMENT WASTE

In manufacturing, the garment industry is one of the most polluting in the world, and Hong Kong is also stepping up efforts to make this industry cleaner and greener.

For the record, it takes 3,781 liters of water to make a pair of jeans, from the production of the cotton to the delivery of the final product to the store. That gives it a carbon footprint of 33.4 kilograms, according to United Nations Environment Programme.

In Hong Kong, 404 tonnes of textile waste went to landfills each day in 2021, accounting for 3.6 percent of all municipal waste but textiles accounted for less than one percent of the quantity of recyclables recovered from all the waste, according to the Environmental Protection Department.

To cut down wastage, the Hong Kong Research Institute of Textiles and Apparel has developed a recycling system that converts old clothes into fibers that can be used to make new clothes.

With the help of artificial intelligence that can identify fibers that are not entirely loosened in the production process, the institute can reduce labor costs by 40 percent.

Also, British luxury packaging company Delta Global has teamed up with local players to form a sustainable retail collective that helps fashion brands improve their sustainability practices.

The collective includes recycler Mil Mill, circular fashion pioneer OnThe List, Hong Kong Polytechnic University's School of Fashion and Textiles and circular fashion NGO Redress.

Delta Global founder Robert Lockyer says companies in the Asia-Pacific region need to pay more attention to the sustainability of their products in packaging design and logistics, so it will introduce more natural and durable packaging materials and improve shipment efficiencies to reduce emissions.

LEARNING SUSTAINABLE FASHION

PolyU, meanwhile, will open a new master's program in sustainable fashion and innovation next month.

The course aims to educate students to pursue sustainable concepts in fashion production, such as choosing environment-friendly raw materials and reducing waste in the design process.

It will also introduce the latest sustainable trends in the sector.

In the food sector, catering and restaurant giant Maxim's is turning its food waste into organic fertilizers for crops which are grown with no pesticides and then served at some of its 2,000 restaurants in the city.

And more than 100 green technology companies are now operating out of the Hong Kong Science Park in the New Territories.

Looking ahead, the Civic Exchange's executive director Lawrence Iu says he is optimistic about the development of the circular economy in the city.

And the WGO's Yu says that the circular economy in the mainland and Europe has become an "irreversible trend," and he hopes that more enterprises in the city will follow suit.

In terms of certification many commodities and raw materials are currently advertised as energy-saving and environmentally friendly but

most lack traceable information and are difficult to verify.

Third-party certification should be strengthened to enhance the credibility of green products, says Iu, adding that manufacturers should provide records of product recovery, upcycling and reuse.

With demand for certification experts expected to increase significantly worldwide, international certification bodies will need more talent in the city, says Iu, who hopes the government will enhance related training to meet this demand.

As small and medium-sized enterprises might not be able to fully engage in the circular economy due to a lack of cash, green and sustainability linked loans can help them achieve green and sustainable development



Third-party certification should be strengthened to enhance the credibility of green products
- LAWRENCE IU