HONG KONG
CHAMBER OF SHIPPING
香港航商總會

Policy Paper

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I: Introduction

The Hong Kong Chamber of Shipping (HKCoS), founded in October 2024, aims to reinforce Hong Kong's role as a global shipping hub by uniting stakeholders and promoting sustainable shipping. It engages in key policy discussions, including the Chief Executive's Policy Addresses and the Transport and Logistics Bureau's (TLB) Action Plan on Green Maritime Fuel Bunkering (Action Plan). HKCoS also organizes conferences to foster cross-border and international dialogue, channelling industry insights to the HKSAR Government.

This paper summarizes HKCoS's recommendations for near-term policies to enhance sustainability, innovation, and competitiveness. HKCoS seeks ongoing collaboration with the government to strengthen Hong Kong's maritime sector in the transition to a Net-Zero future.

II: Background

Hong Kong has committed to leading in sustainable shipping through key policies:

- Chief Executive Policy Addresses (2023, 2024): Focused on enhancing maritime services, sustainable port operations, and high-value logistics, reinforcing Hong Kong as a global trade hub.
- TLB's Action Plan (Nov 2024): Outlines Hong Kong's strategy for green maritime fuels to align with global environmental standards.

These initiatives highlight Hong Kong's dual focus on economic growth and environmental sustainability. Advancing green maritime technologies strengthens Hong Kong's position as a resilient, forward-thinking shipping hub while supporting global decarbonization goals.

III: Importance of a Strategic Vision for Hong Kong's Maritime Industry

A clear maritime vision is vital for Hong Kong to navigate global challenges, align stakeholders, and drive industry growth. It reinforces Hong Kong's strengths in shipping,

logistics, and trade while fostering collaboration within the Greater Bay Area (GBA) to spur innovation and sustainability.

The Case for a Maritime Vision

A well-defined vision enhances Hong Kong's global standing, motivating industry players and policymakers to collaborate. It strengthens the city's narrative of resilience, adaptability, and excellence, positioning it as a model for maritime innovation.

Sample Vision Statement

> *"Hong Kong aspires to be a global leader in maritime affairs, leveraging its unique strengths to attract international enterprises, drive value-added services, and promote green initiatives for a sustainable future."*

With decarbonization, digitalization, and sustainability reshaping the industry, Hong Kong must act decisively to maintain its leadership. HKCoS urges the HKSAR Government to adopt a strategic maritime vision as a cornerstone of its policy framework. This vision will not only set the tone for long-term planning but also serve as a rallying point for stakeholders across the public and private sectors.

IV: Importance of Supporting First Movers

At an HKCoS-led cross-border workshop in Shenzhen on 15 November 2024, international stakeholders highlighted the challenges "first movers" face in adopting green marine fuels. Despite these obstacles, participants saw a key opportunity for Hong Kong to lead in supporting early adopters and unlocking Mainland China's potential in green maritime fuels, technologies, and ports.

By fostering a supportive environment, Hong Kong can become a hub for aggregating supply and demand in green marine fuels. This would facilitate the export of competitively priced green fuels from Mainland China while addressing operational challenges for first movers. These efforts align with the HKSAR Government's Policy Addresses and the TLB's Action Plan, reinforcing Hong Kong's role as a leader in sustainable shipping.

- **Why Supporting First Movers is Critical**

Supporting first movers in the shipping industry is pivotal for accelerating the transition toward sustainable practices and achieving global decarbonization targets. First movers (i.e. companies that adopt green maritime fuels and innovative green technologies early) serve as catalysts for industry-wide transformation. However, they often face significant financial, operational, and technical challenges, including higher costs, uncertain

returns on investment, and the need for untested infrastructure and supply chains. Addressing these challenges is essential for several reasons:

a. **Driving Innovation and Reducing Barriers**
By supporting first movers, Hong Kong can facilitate the adoption of green maritime fuels and cutting-edge green technologies, which are often expensive and carry initial implementation risks. Early adoption creates a foundation for scaling these solutions, reducing costs, and making them accessible to the broader industry. This accelerates the development of new technologies, infrastructure, and practices critical to meeting the IMO near-term 2030 target and the ultimate 2050 decarbonization target.

b. **Creating a Competitive Advantage for Hong Kong**
First movers can help establish Hong Kong as a leader in sustainable maritime practices. By providing a supportive environment through regulatory frameworks, incentives, and infrastructure, Hong Kong can attract investment and position itself as the go-to hub for green innovation in shipping. This reputation would not only enhance Hong Kong's maritime status but also strengthen its economic competitiveness globally.

c. **Building Supply Chain and Market Momentum**
Supporting first movers can aggregate demand for green maritime fuels and green technologies, creating economies of scale that make these innovations more viable for the broader industry. For example, Hong Kong can act as a key location for consolidating supply and demand in green marine fuels thereby reducing costs for subsequent adopters.

d. **Addressing the Chicken-and-Egg Problem in Green Infrastructure**
The adoption of green technologies often faces a chicken-and-egg problem: companies are hesitant to invest in new technologies without supporting infrastructure, while infrastructure providers are reluctant to build without guaranteed demand. Supporting first movers resolves this impasse by demonstrating the viability of green solutions and encouraging investments in related infrastructure, such as bunkering facilities for alternative fuels.

e. **Aligning with Global Trends and Regulatory Compliance**
Supporting first movers will help Hong Kong to stay ahead of global regulatory trends, including IMO emissions targets, and aligns the city with the broader national and international agenda for sustainability. This proactive stance

ensures that Hong Kong remains competitive as the global maritime industry transitions to greener practices.

f. **Fostering Collaboration and Knowledge Sharing**
First movers can act as pioneers, generating valuable insights into the operational, technical, and economic aspects of implementing green technologies. Supporting these early adopters allows Hong Kong to facilitate knowledge sharing across the industry, helping others overcome challenges and adopt best practices more effectively.

Hong Kong's strategic location in the GBA and its role as an international maritime hub position it to support first movers in green shipping. By offering targeted incentives, launching demonstration projects, and fostering partnerships with Mainland China and global stakeholders, Hong Kong can cultivate an ecosystem that accelerates early adoption. These efforts will not only solidify Hong Kong as a centre for green shipping innovation but also establish it as a key driver of the industry's transition to sustainability. Supporting first movers is more than an investment in innovation - it is essential for shaping the future of shipping and securing Hong Kong's leadership in this transformation.

V: Becoming a Green Maritime Centre

HKCoS applauds the HKSAR Government's ambitious commitment to positioning Hong Kong as a "Green Maritime Centre," anchored in FIVE strategic directions and TEN actionable steps, as per TLB's Action Plan. These efforts reflect a commendable dedication to sustainability, innovation, and maintaining Hong Kong's competitive edge in the global maritime industry. However, to fully realize this vision, it is crucial to treat these initiatives as part of an integrated strategy, leveraging synergies across sectors and stakeholders. By aligning these steps into a cohesive framework, the HKSAR Government can unlock transformative potential and drive meaningful progress toward decarbonization and sustainability.

- **Proposed Complementary Initiatives**

HKCoS proposed SIX further complementary initiatives for the HKSAR Government to consider. These initiatives are designed to accelerate progress, deepen collaboration, and establish Hong Kong as a global leader in green shipping practices:

a. **Demonstrate Methanol Bunkering**
In addition to existing LNG bunkering initiatives, Hong Kong should pilot methanol bunkering demonstrations within 2025. Methanol, recognized as a

promising green maritime fuel, can significantly reduce greenhouse gas (GHG) emissions. By streamlining and simplifying approval processes for bunkering, the government can encourage early adoption, positioning Hong Kong as a pioneer in alternative fuel technologies. HKCoS has been in touch with all value chain stakeholders including potential suppliers and bunker ship operators from Mainland China, who are keen to collaborate with Hong Kong in 2025. Demonstrating methanol bunkering would also help the HKSAR Government draft relevant bunkering regulations. HKCoS see organising such a demonstration to be an excellent multistakeholder cooperation and propose to set up a working group to expedite the operation. After methanol, Hong Kong could consider ammonia.

b. **Establish a Certification and Trading Hub for Green Fuels**
We suggest collaborating with key industry stakeholders to transform Hong Kong into a global hub for certifying, verifying, and trading green fuels. Introducing innovative compliance models, such as a "book-and-claim" system, would allow companies to participate in the green maritime fuels market even without direct physical access. Such a system would be particularly impactful in fostering the uptake of green Maritime fuels within Hong Kong and the GBA. In our view, the Hong Kong Quality Assurance Agency (HKQAA) could assist with this process.

c. **Showcase Maritime Capabilities**
We suggest partnering with relevant Mainland suppliers and others to highlight and promote the nation's advancements in alternative fuels and green maritime technologies will help to showcase these innovations on the global stage, at the same time as Hong Kong strengthens its role as a bridge between Mainland China and the international shipping community, reinforcing its position as a thought leader in sustainable maritime practices. The HKSAR Government could support dialogue platforms for such discussions, which HKCoS and shipping stakeholders in Hong Kong would be pleased to cooperate and coordinate.

d. **Create Green Corridors**
It is already stated in the Chief Executive's Policy Address 2024 that Hong Kong would construct "a green shipping corridor with major trading partners". HKCoS supports such an initiative and would like to see significant progress in 2025. HKCoS is already collaborating with the Hong Kong University of Science and Technology (HKUST) to articulate a methodology based on energy usage and emissions to identify potential shipping corridors so that policymakers and the shipping industry could focus on evidence-based solutions to reduce shipping emissions and incorporate innovative commercial mechanisms such as cost-

sharing and cargo pooling. Establishing these corridors would not only reduce environmental impact but also enhance the economic efficiency of shipping operations.

e. **Implement On-Shore Power**

In 2013, the HKSAR Government conducted a feasibility study on installing an on-shore power supply (OPS) system at the Kai Tak Cruise Terminal (KTCT). Completed in June 2015, the study confirmed the project's technical viability, estimating a capital cost of approximately HK$315 million and an annual operational cost of around HK$14 million. However, implementation was postponed due to the limited number of OPS-equipped cruise ships operating in Asia at the time.

With the global shift toward sustainable maritime practices and a significant drop in OPS installation costs, revisiting the project at KTCT is timely. The number of OPS-equipped cruise ships has grown considerably, making the investment viable. HKCoS welcomes the *Development Blueprint for Hong Kong's Tourism Industry* (30 December 2024) that the HKSAR Government will "actively promote the support for the use of on-shore power" at KTCT as part of broader green tourism initiatives.[1] Equipping KTCT with OPS by 2026 would enable docked cruise ships to connect to the city's electricity grid, significantly reducing emissions from idling engines, improving local air quality, and lowering GHG emissions. Furthermore, the HKSAR Government now has the opportunity to set a regulatory standard by mandating OPS compliance for cruise ships docking at KTCT, reinforcing Hong Kong's leadership in sustainable port operations.

Additionally, we urge the HKSAR Government to assess the feasibility of implementing OPS at Kwai Chung Container Terminal (KCCT) to align with Mainland ports practices. Expanding OPS infrastructure at both KTCT and KCCT would not only demonstrate Hong Kong's commitment to environmental stewardship but also position the city as a leader in green port technologies. HKCoS further suggests that the government explore conditions under which private capital could be attracted to invest in OPS power infrastructure.[2]

f. **Facilitate International Dialogue**

Hong Kong already aspires to elevate its role as a global hub for hosting

[1] Culture, Sports and Tourism Bureau, *Development Blueprint for Hong Kong's Tourism Industry*, https://www.cstb.gov.hk/en/consultation-and-publications/blueprint_2.0.html.

[2] For example: Emission reductions through electrification is a potential carbon emission reduction project for the international carbon market, using carbon offset to help fund the OPS. OPS could also be added to the Hong Kong Government's Green Bond Scheme.

maritime-related forums. In our view, it is not about the 'bigger the better' as many types of deliberations are needed over the years. Moreover, Hong Kong should go beyond promotional events to provide meaningful platforms for knowledge exchange, collaboration, and problem-solving at a regional and international level. Over the past year, various stakeholders have already begun to organize issue-specific workshops and events that involves the many groups of stakeholders on the many topics needing deliberation, some of which government officials had attended. We believe the maritime industry based in Hong Kong can cooperate with relevant government Bureaux and Departments to organize solutions-oriented events in 2025-26 to get Hong Kong on the way to be a significant global player in maritime affairs. We also suggest that senior HKSAR Government officials to participate in targeted events on the Mainland and internationally to signal Hong Kong's commitment to achieve play an active part in assisting the maritime sector to achieve carbon neutrality and long-term sustainability.

By implementing these complementary initiatives, Hong Kong can further align its policies with global sustainability objectives, deepen collaboration within the GBA, and position itself as a global leader in green shipping, which would naturally include green tourism that relates not only to cruising but also activities that relates to our coastal waters. This comprehensive approach would not only benefit Hong Kong's maritime industry but also set a benchmark for other cities striving to meet the challenges of a rapidly evolving shipping landscape.

VI: Additional Comments

To provide a more comprehensive approach to advancing Hong Kong's maritime sustainability and strengthening its leadership position, HKCoS further recommends exploring the following related policies, as they are connected to the wider universe of sustainable maritime endeavours. These initiatives are designed to complement ongoing efforts and address emerging challenges, ensuring a holistic transition toward a greener maritime sector.

1. **Engage Actively with the IMO:**
   Hong Kong's observer status at the IMO provides a valuable opportunity to influence global maritime policies and align local efforts with international standards. Observers can participate directly in IMO discussions even if they cannot vote. In our view, it is critical for Hong Kong to use its status at the IMO, to leverage its unique position to contribute insights, share best practices, and advocate for policies that support the maritime sector's transition toward carbon

neutrality – which is one of the IMO's stated goals. Enhanced engagement with the IMO would also bolster Hong Kong's reputation as a thought leader and reliable partner in global maritime governance.

2. **Articulate an Electrification Policy for Local Vessels**
   TLB's Action Plan envisions that 55% of the government's fleet will transition to green maritime fuels by 2026 – we urge the HKSAR Government to take even bolder action. Implementing an electrification policy for local vessels would be a crucial step toward decarbonizing Hong Kong's domestic maritime sector and greening coastal tourism.

   This policy should prioritize government-operated vessels, setting a clear example for the industry and demonstrating the government's leadership in sustainable maritime practices. By investing in electrification infrastructure and providing incentives for vessel owners to adopt electric or hybrid technologies, Hong Kong could significantly cut emissions from its local fleet, improving air quality and creating a cleaner, more sustainable harbour.

   HKCoS views electrification as the preferable long-term strategy, as it prevents local vessels from competing with deep-sea shipping for green maritime fuels. While transitioning the government's fleet to green maritime fuels by 2026 is a positive step, electrification offers a more sustainable solution for the future.

3. **Collaborate with Shenzhen/Guangzhou on Electrification in GBA Waters**
   Regional collaboration is essential for tackling cross-boundary environmental challenges. Partnering with Shenzhen/Guangzhou to develop an electrification policy for non-ocean-going vessels operating within the waters of the GBA would create a unified framework for emissions reduction. Such a policy could include shared infrastructure projects, [3] joint research initiatives, and coordinated regulatory measures, enhancing the GBA's overall environmental performance and reinforcing Hong Kong's role as a regional leader in maritime sustainability.

A Holistic Path Forward

Exploring these additional policy considerations would not only enhance Hong Kong's sustainability roadmap but also reinforce its role as a proactive and forward-thinking maritime hub. As electrification is a major policy area (1+2 above), HKCoS will consult stakeholders further before providing detailed views.

[3] Our understanding is that there are interested river trade vessel operators keen to procure electric fleets, subject to availability of charging infrastructure.

VI: Commitment to Ongoing Collaboration

HKCoS reaffirms its commitment to fostering collaboration and engaging with key stakeholders based in Hong Kong to advance the decarbonization and sustainable development of Hong Kong's maritime sector. Moving forward, HKCoS intends to:

- **Dialogue and Cooperation**
  Organize regular discussion forums locally to bring together industry players, policymakers, and experts to exchange ideas and align efforts. Additionally, HKCoS will actively participate in dialogues on the Mainland and in international maritime forums to ensure that Hong Kong remains at the forefront of global shipping discussions.

- **Evidence-Based Research**
  Advocate for and support rigorous research on maritime decarbonization, focusing on both technological advancements and practical implementation strategies. HKCoS aims to collaborate with academic institutions, industry leaders, and international organizations to develop actionable insights that can guide policy and industry practices.

- **Commercial Viability**
  Recognize that the commercial aspects of the maritime sector require the right policies and incentives to encourage first movers. HKCoS will work closely with stakeholders to identify and advocate for measures that create a supportive environment for early adopters, ensuring a smooth transition to sustainable practices.

- **Engagement with the HKSAR Government**
  HKCoS undertakes to share its findings and involve the HKSAR Government in its work, fostering transparency and collaboration. HKCoS intends to present policy-relevant papers on critical issues, including green corridors, green cruising, electrification of coastal vessels, and green maritime fuels demonstration and adoption, to support the government in formulating effective and forward-looking strategies.

Building a Strong Partnership

HKCoS looks forward to developing a strong and enduring relationship with relevant Bureaux and Departments of the HKSAR Government. By working together, HKCoS believes it can contribute meaningfully to shaping policies that drive innovation, sustainability, and competitiveness in Hong Kong's maritime sector. This partnership

will be pivotal in realizing Hong Kong's vision of becoming a premier international maritime hub that leads the way in decarbonization and green shipping practices.

Through continued cooperation, advocacy, and research, HKCoS is committed to supporting the HKSAR Government and industry in achieving shared goals, ensuring that Hong Kong remains a global leader in the maritime sector in the years to come.

(3080 words)