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Incentive schemes for green building promotion - transaction costs consideration of Hong Kong case

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To realize the desirable transformation of building sector to build green, government incentives is necessary to motivate the market. From a transaction cost economics perspective, incentive instruments can be interpreted as a governance structure shaping transactions between the public authorities, the real estate developers (including their professional consultants) and the buyers or occupants. The TCs incurred will not only decrease the effectiveness of the incentive scheme itself, but also cause the stakeholder to lose faith in governance of GB promotion. The expense will eventually be borne by the government and citizens. The study will focus on regulatory-integrated incentive schemes to analyze the cost effective from the perspective of transaction costs (TCs) to society at large. To provide evidence based arguments for this paper, the incentive scheme of "granting gross floor area concessions" recently integrated in the regulatory system for green building in Hong Kong will be examined in detail with data support. It will identify the key stakeholders in GB development process to examine their concerns to the incentive schemes. A theoretical framework will be set up for all-embracing cost consideration of incentive schemes and their corresponding regulatory systems for green building promotion. The following questions relating to finance/costs for green building will be addressed:

§ What are the real cost of building regulations (i.e. transaction, friction, externalities and indirect costs)?

§ What are the long-term societal costs and benefits?

This study will not only provide better understanding of the theories of transaction costs involved but also identifies the significant criteria for assessing individual GB incentive schemes. The approach and findings in this study can be used for evaluating similar incentive schemes for promoting sustainable built environment.