

Speaking Note for
Secretary for the Environment, Transport and Works
Special Meeting of the Finance Committee (Environment)
16 March 2006 at 4:10 pm

Chairman,

I am delighted to attend the special meeting of the Finance Committee today to brief Members on the part of the 2006-07 Estimates which relates to the environmental protection and conservation portfolio.

2. The allocation for the policy area of environmental protection and conservation in the 2006-07 financial year is about \$5.7 billion, representing an increase of about \$416 million or 7.5% in real terms over the revised estimate for last year.

3. Of the total allocation of \$5.7 billion, the operating expenditure is about \$4.2 billion, which is \$284 million or 6.9% in real terms more than the revised estimate for last year. The additional allocation will mainly be for the Civil Engineering and Development Department to implement the scheme on cross-boundary delivery of public fill. As regards the number of posts, there will be a net reduction of 4 posts in the Environmental Protection Department in 2006-07.

4. The provision for capital expenditure in 2006-07 is about \$1.5 billion, which is \$131 million more than the revised estimate for last year, representing an increase of 9.4% in real terms.

5. I will now outline the priority areas under the environmental protection and conservation portfolio in the coming year.

Improving Air Quality

6. The Government is very concerned about the air quality of Hong Kong. To improve air quality, we will continue to take vigorous measures on three fronts to make sustained improvement in air quality.

7. As power plants remain the largest source of air pollution in Hong Kong, our priority task is to reduce emissions from power plants. To fully achieve the emissions reduction targets by 2010, we have asked the power companies to accelerate the timing of emissions reduction projects, increase the use of ultra-low sulphur coal and use natural gas for power generation as much as possible. We will progressively tighten the emissions caps during the renewal of the power companies' Specified Process Licences. In the "Future Development of the Electricity Market in Hong Kong Stage II Consultation", the Government has made a number of proposals, such as to link the permitted rate of return on all fixed assets of the power companies to their achievement of the emissions caps stipulated in the licences issued under the Air Pollution Control Ordinance; to provide

financial incentives to encourage the power companies to reduce their emissions to levels below those required in the licences; to subject emissions reduction facilities to the lowest rate of return (i.e. lower than all other assets); to give a higher rate of return for renewable energy infrastructure; to institute a standard arrangement for renewable energy users to connect to the grid for backup supply and to extend the arrangement to cover renewable energy systems with capacities above 200kW.

8. Secondly, we are making efforts to further reduce the emission of air pollutants in Hong Kong. To reduce vehicle emissions, the Government has adopted Euro IV emission standards for all newly registered vehicles since 1 January 2006 in tandem with the European Union.

9. Thirdly, we will continue to tackle the regional air pollution problem. Both the governments of Hong Kong and Guangdong would like to see early improvement in regional air quality. Both sides are committed to achieving the emissions reduction targets by 2010 (as announced in April 2002) as scheduled through the continued implementation of the Pearl River Delta (PRD) Regional Air Quality Management Plan. Moreover, we will continue to work on the Emissions Trading Pilot Scheme for Thermal Power Plants in the PRD region with the Guangdong Environmental Protection Bureau. Details of the scheme are expected to be finalised in 2006, so that prospective power plants can identify their trading partners and draw up emissions trading contracts. The two governments will

continue to work closely with a view to achieving the emissions reduction targets by 2010.

Treatment of Solid Waste

10. Treatment of solid waste is an environmental issue that we must face and deal with quickly. One of the key elements in this regard is how we manage municipal solid waste. In December 2005, we published “A Policy Framework for the Management of Municipal Solid Waste (2005-2014)”. The policy framework sets out the strategy and measures to address the municipal solid waste in Hong Kong over the next decade. The thrust of the strategy is to use simple, yet effective, economic tools that will create incentives for the community to recycle more and discard less, in line with the “polluter pays” principle. The community has generally reacted positively and various green groups welcome and support the direction for managing municipal solid waste as proposed in the policy framework. They consider that it can help to address our pressing waste problem.

11. We aim to introduce umbrella legislation in 2006 for implementing the Producer Responsibility Schemes for products such as electrical and electronic equipment, vehicle tyres and plastic shopping bags. On the EcoPark, Phase I will be ready for lease to tenants by the end of 2006 for construction works. The operation of the EcoPark will be in line with the Government’s waste management approach, such as giving priority

to businesses related to the targets of the Producer Responsibility Schemes.

Harbour Area Treatment Scheme

12. To improve the water quality in Victoria Harbour, we are taking forward the second stage of the Harbour Area Treatment Scheme, which, coupled with the improvement to all sewer facilities in Hong Kong, will tackle pollution at source. While the Government will bear the construction cost, the public has to pay for the operating costs of sewage treatment in line the "polluter pays" principle. This will reduce taxpayers' long-term subsidy on the operation of sewage treatment facilities, and encourage households and businesses to reduce pollution. In December 2005, the Finance Committee of the Legislative Council approved the funding of \$166.5 million for the preliminary planning and design of the tunnel conveyance system, the environmental impact assessment and site investigations of the Harbour Area Treatment Scheme Stage 2A. We are now reviewing the existing sewage charging scheme in accordance with the "polluter pays" principle, so that the costs will be fairly shared among the public and the relevant sectors. We expect the proposal to be finalized shortly, and we will submit the proposal on revised charges to the Council in the first half of this year.

Conclusion

13. I hope Members will continue to support our policies and measures to protect the environment and conserve our ecological resources, which will further improve our living environment and competitiveness as a world city.

14. Chairman, I, together with the Permanent Secretary and colleagues, would be pleased to answer Members' questions on this part of the Estimates.

Environmental Protection Department

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