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March 20, 2006

Legislative Council Secretariat
3rd Floor, Citibank Tower
3 Garden Road, Central
Hong Kong

Attn: Miss. Mandy Poon
Clerk to Panel

Dear Miss Poon,

Panel on Environmental Affairs – Meeting on 27 March 2006
Comment on the Consultation Paper on Future Development of
the Electricity Market in Hong Kong
Stage II Consultation

Thank you so much for inviting Green Council to participate in the Panel on Environmental Affairs Meeting scheduled on 27 March 2006 regarding the captioned consultation.

We are pleased to see that some of our suggestions made during the Stage I Consultation are taken on board in drafting the Stage II Consultation document. We are glad to see that measures are proposed to reduce environmental impacts associated with power generation, encourage the use of renewable energy and promote public environmental education.

Green Council is very pleased to submit further views on the Stage II Consultation Paper as follows:

General Comments

- (a) We support the Government's policy objective for the future development of the electricity market. Given Hong Kong's continuously degrading air quality, Green Council fully agrees that the Government should aim to minimize the environmental impacts caused by power generation and move towards sustainable energy generation.

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- (b) Recognizing that a stable electricity market is critical to the development of Hong Kong, we consider that demand-side management plays a pivotal role. More effort should be devoted to public education on energy conservation and the use of energy conserving materials. Green building design should be advocated and adopted in both public and private sectors.
- (c) The development and more use of renewable energy in Hong Kong are supported. Clear incentives should be given for existing and potential renewable energy suppliers. However, due to local geographical constraints, import of renewable energy from Mainland may need to be considered. Nevertheless, appropriate arrangement to access the power grid should be sought and environmental impacts caused by the infrastructure concerned should be addressed.
- (d) We strongly support the proposed linkage of the permitted rate of return of the power companies to their ability in achieving the emission caps. Nevertheless, other environmental performance such putting in place suitable environmental management systems; adding life-cycle considerations in essential working processes; and practicing green procurement should be looked into and included in future bilateral agreements.

Specific Comments

- (e) Paragraphs 2.11 and 2.12 – We are glad to see that a target of 1-2% of local power needs is to be met by renewable energy by 2012. However, we consider that a timeline for increasing the share of renewable electricity generation would further simulate the sustainable development of renewable energy and provide prospect to interested parties. Reference could be made to China which aims to have a share of renewable energy generation of 10% by 2010. UK adopts the same target, but at the same time, it sets out a plan to further increase the share of renewable energy generation to 20% by 2020.
- (f) Paragraphs 2.13 and 2.14 – To enable the public to gain “a first-hand understanding of the benefits and limitations of wind power generation in Hong Kong”, the pilot public education and demonstration projects carried out by the two power companies would be useful. Nevertheless, the public acceptance of wind-derived energy lies on the scale and success of public education. Green Council is proud to be the first organization which successfully installed and operated a wind turbine at a local school for demonstration and education purpose. Similar education programmes should be carried out in larger scale so as to reach out more sectors of the community for the concept of sustainable energy supply. For example, the

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National Wind Power in UK provided information technology and other equipment worth up to £60,000 to support 19 schools near the Bears Down Wind Farm in Cornwall. Local schools also received two days energy efficiency training as part of the £30,000 energy efficiency scheme funded by the wind farm and carried out by the Cornwall Energy Advice Centre.

- (g) Paragraphs 2.16 and 2.17 – We supports the exploration of energy-from-waste using thermal processes. This can be a steady source of energy to achieve the 1-2% renewable energy target while providing a reliable outlet for treating the ever growing amount of municipal solid waste. However, the general public may have some misconception of thermal waste treatment technologies. Thus, mass public relation and education exercise should be launched to clarify their doubt on these well-proven technologies. Successful cases from other countries like Japan (Asahi Clean Centre at Kawaguchi City, Tokyo) serve as good reference.
- (h) Paragraphs 2.19 to 2.22 – We concur with the proposal of making available connection/access to power grids to third party, in particular, for renewable energy suppliers. In this regard, apart from providing incentives to renewable energy suppliers, the Government should play a more active role to facilitate the relevant parties in reaching their agreement.
- (i) Paragraph 2.32 – We agree that mandatory licensing arrangements are effective in ensuring the environmental compliance of the power companies. In this regards, we opined that future bilateral agreements should include provisions for financial, technical as well as environmental performance of the power companies on an annual basis.
- (j) Paragraph 2.41 to 2.45 – The proposed two-pronged approach of using both fixed assets and performance as the base for determining return is supported. This would cater for the need of making significant investment on building infrastructure for the electricity production while putting in place a mechanism to gauge the performance of the power companies.
- (k) Paragraph 2.46 – we fully support that financial incentive should be given to enhance the performance of the power companies on energy conservation, demand-side management and the use of renewable energy. In addition, free advisory service should be provided to households, businesses and public sector on energy saving and conservation. In addition, the government should take a more active role in practicing energy conservation. In Mainland, the purchase of certified energy efficient electrical appliances is compulsory for government institutions.

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- (l) Paragraph 2.49 – The proposed linkage of the permitted rate of return on all fixed assets of the power companies to their achievement of the emission caps stipulated in the Specified Processes licenses is strongly supported. The penalty of reducing the permitted rate of return and giving ‘bonus’ return will definitely improve the performance of the power companies in controlling their emissions.

- (m) Paragraph 2.58 – we support that higher rate of return for renewable energy infrastructure should be given to the power company as an encouragement for the development and application of renewable energy in Hong Kong.

The above summarizes the position of Green Council on the future development of the Hong Kong’s electricity market. We are more than happy to further discuss relevant issues on 27 March at the Panel on Environmental Affairs meeting.

Yours truly,

Linda W.P. Ho
Chief Executive Officer

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