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**Bills Committee on
Energy Efficiency (Labelling of Products) Bill**

**Background brief prepared for the
meeting on 15 May 2007**

Purpose

This paper gives a summary of discussion by the Panel on Environmental Affairs (the Panel) on the proposal to implement a mandatory Energy Efficiency Labelling Scheme (EELS) for specified electrical appliances in Hong Kong.

Introduction

2. Since 1995, the Electrical and Mechanical Services Department (EMSD) has been operating a voluntary EELS for household and office appliances as well as vehicles. The voluntary scheme aims to promote energy saving by informing potential customers of the energy performance level of the products. It also intends to encourage product suppliers to make available more energy-efficient products to meet customers' demand. The market penetration rates of the voluntary EELS vary from around 10% to 75% among different products. Since significant improvement in market penetration rates cannot be achieved under the voluntary scheme, it is considered necessary that a mandatory EELS should be introduced.

Mandatory EELS

3. Under the proposed mandatory EELS scheme, energy labels in prescribed formats are required to be shown on specified products for supply in Hong Kong to inform consumers of their energy efficiency performance. Three products, namely, refrigerator, room air condition and compact fluorescent lamp, have been included in the initial phase of the mandatory scheme because of their high market penetration rates. In line with the voluntary EELS, suppliers of specified products are required to register the products with EMSD prior to supplying them to the local market. They are required to submit relevant energy performance information of the products for registration. Details of information to be submitted will be set out in codes of practices issued by EMSD, which will cover procedures on application for registration,

acceptance criteria for testing laboratories and certification bodies, appliance classification, test standards, methodology for calculating energy efficiency grading, format of energy label and manner of labelling. A registration fee to recover the administration cost will be levied.

4. A grace period will be allowed after the introduction of the mandatory scheme. During the grace period, products currently registered under the voluntary EELS can be transferred to the mandatory scheme free of charge. The trades will also be allowed to apply for registration for the three prescribed products or sell their existing stock without energy labels. After the grace period, all products covered by the mandatory EELS should contain an energy label before they are supplied to the local market. It is expected that with the implementation of the mandatory scheme, an additional electricity saving of 150 Gigawatt hours (GWh) per year. This amount is equivalent to the annual electricity consumption of 105 000 units of room air conditioners^{Note}, or a monetary saving of \$135 million in electricity bill per year. An annual reduction of carbon dioxide emission of 105 000 tonnes will be achieved.

5. Taking into account the results of the initial phase of the mandatory EELS, the Administration will consider expanding the scope of the scheme to cover other electrical appliances.

The Bill

6. The Bill sets out the mandatory EELS for the provision by suppliers of specified information in respect of and the display of energy labels on specified energy-using products, including household and office appliances.

Major issues raised by the Panel

7. On 13 June 2006, the Panel received a briefing on proposed mandatory EELS. Members generally had no objection to the proposed scheme which would result in additional saving of 150 GWh of electricity or \$135 million of electricity bill per year. They however noted that suppliers of compact fluorescent lamps had raised concern on the difficulty in affixing energy labels on the lamps having regard to their compact size. Given the great price difference between an ordinary lamp and a compact fluorescent lamp, consumers could tell by the price that the latter was more energy efficient. As such, there might not be the need for energy labels for compact fluorescent lamps. Members also noted that some consumers were not keen to purchase energy-efficient products, partly because the designs of these products were not appealing. To this end, manufacturers should be encouraged to produce energy-efficient products with better design to attract consumers. Publicity efforts should also be stepped up to promote energy efficiency with emphasis on the savings resulting from the use of more energy-efficient products.

^{Note} Assuming each of these room air conditioners has a cooling capacity of 9 000 Btu/hr with an average energy efficiency performance, and runs 1,200 hours per year.

8. On the registration mechanism, members stressed the need for the Administration to cross check the energy efficiency performance of specified products to ensure the accuracy of information provided by the suppliers. They also pointed out that while the lead time for registration might not have impact on the sales of more durable appliances, such as refrigerators and air conditioners, this would indeed affect the timely launching of new and trendy electronic product, such as mobile phones and audio-visual products. Consideration should be given to simplifying the mandatory EELS by dispensing with the need for registration.

9. The relevant extracts from the minutes of the Panel special meeting on 13 June 2006 are given in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
14 May 2007

**Extracts from the minutes of the
Environmental Affairs Panel special meeting on 13 June 2006**

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II. Proposed Mandatory Energy Efficiency Labelling Scheme

(LC Paper No. CB(1) 1869/04-05(01) — Paper provided by the Administration

LC Paper No. CB(1) 1703/05-06(03) — Paper provided by the Administration)

17. The Assistant Director of Environmental Protection (Conservation) (ADEP(C)) briefed members on the results of the consultation exercise on the proposed mandatory Energy Efficiency Labelling Scheme (EELS) for specified electrical appliances in Hong Kong. He said that the Administration planned to introduce the legislation into LegCo by the end of 2006.

Labelling requirement

18. While supporting EELS which would result in savings of 150 GWH of electricity per year or monetary savings of \$135 million in electricity bill per year, Ms Emily LAU noted that the Scheme would cover three specified products, namely, room air conditioner, refrigerator and compact fluorescent lamp. She recalled that at a meeting of the Business Facilitation Advisory Committee last year, suppliers of compact fluorescent lamps had pointed out the difficulty in affixing energy labels on the lamps given their compact size. She enquired if measures had been taken to address the trades' concerns, which in her view should be done before the relevant legislation was introduced into LegCo. ADEP(C) said that the Administration was aware of the concern of suppliers of compact fluorescent lamps and had designed different formats of energy labels to suit different specified products. The proposed formats were shown in Annex C to the information paper.

19. Ms Miriam LAU agreed to the benefits brought about by EELS which was first introduced as a voluntary scheme. She however pointed out that unlike refrigerators and air-conditioners where there was not much price difference between an ordinary and a more energy-efficient model, there was a great price difference between an ordinary lamp and a compact fluorescent lamp. As consumers could tell by the price that a compact fluorescent lamp was more energy-efficient, there might not be a need for energy labels for compact fluorescent lamps. She opined that the Administration should review the requirement for affixing labels on these lamps in consultation with the affected trades.

20. ADEP(C) said that the Administration had set up two task forces with the trades to discuss the implementation details of the mandatory EELS, one of which was with the suppliers of compact fluorescent lamps. Suppliers of compact fluorescent lamps were informed of the implementation details of the Scheme and

they had not objected to affixing energy labels onto the packages of the lamps which would come in different sizes. Their greatest concern was the levy of registration fees. The Administration would endeavour to minimize the regulatory impact on the trades as far as possible.

21. Ms Miriam LAU noted that some consumers were not keen on purchasing energy-efficient products. This might be due to various reasons, such as the lack of promotional efforts or the fact that the more energy-efficient models were not appealing to customers. To this end, publicity effort should be stepped up to promote energy efficiency with emphasis on the savings resulting from the use of more energy-efficient products. Manufacturers should also be encouraged to produce more appealing energy-efficient products to attract consumers.

22. ADEP(C) advised that under the voluntary EELS, suppliers could choose not to affix energy labels for less energy-efficient products. As a result, consumers had to make their choice in the absence of energy efficiency information of some models of products. With the implementation of the mandatory EELS, suppliers were required to affix energy labels on the three specified products so that consumers could make an informed decision of the choice of products. As regards efforts to promote EELS, ADEP(C) said that a publicity programme to enhance public awareness on energy efficiency would be launched upon the introduction of the mandatory EELS. Meanwhile, an Announcement of Public Interest on the use of energy labels had been released. He also agreed to reflect members' view to the suppliers on improving the energy performance of their more popular models.

Registration

23. ADEP(C) said that the greatest concern of the affected trades was the levy of registration fees. In fact, they had requested for exemption from registration fees. As it was a common practice to recover the administrative cost of vetting and approval of applications for registration, the Administration was discussing with the relevant trades on the fee level. To reduce the cost impact on the affected trades, consideration was being given to allowing a grace period after enactment of the relevant legislation, during which products currently registered under the voluntary EELS could be transferred to the mandatory scheme free of charge. The registration fee was meant to be a one-off payment payable when a product was first registered with the Electrical and Mechanical Services Department (EMSD) prior to going to the market. The registered fee was expected to be around \$2,000 per product. Suppliers would be required to submit relevant energy performance information on the products upon registration and an energy efficiency grading on the products would be provided based on its energy performance level. Registration holders would be required to update their product information with EMSD at least once every five years but no further fees would be charged.

24. While supporting the concept of EELS, Mr SIN Chung-kai enquired about the registration mechanism and the penalties for giving incorrect energy performance information of the products. ADEP(C) said that the purpose of registration was to

ensure that the energy performance of the product would meet the acceptable standards. With the implementation of the mandatory EELS, a list of registered products with energy efficiency information would be made available to the public. EMSD would be empowered to take enforcement against non-compliance with registration requirements and provision of incorrect energy performance information on the registered products.

25. Mr SIN Chung-kai was concerned about the lead time for registration, which might not have impact on the sales of more durable appliances, such as refrigerators and air conditioners, but would indeed affect the timely launching of new and trendy electronic products, such as mobile phones and audio-visual products. He held the view that the Scheme could be simplified by dispensing with the need for registration. The Deputy Director of Environmental Protection (3) (DDEP(3)) explained that EELS aimed to promote energy saving by informing consumers of the energy performance of the products. It also intended to encourage suppliers to make available more energy-efficient products to meet demand and to phase out less energy-efficient products in the long run. While 17 products were included in the voluntary EELS, only refrigerator, room air-conditioner and compact fluorescent lamp were chosen to be included under the mandatory EELS because these three products together accounted for 74% of residential energy consumption and had the highest market penetration rates under the existing voluntary EELS. In considering whether the mandatory EELS should be extended to cover other products, assessment would be made on the energy consumption reduction achievement and the acceptance of the community and the trades after the implementation of the initial phase of the mandatory scheme. ADEP(C) added that in order to provide consumers with the needed confidence about the energy performance of the products as set out in the energy labels, there was a need for prior registration to ensure that the performance of the product would meet the acceptable standards. The same registration system had been in operation under the existing voluntary EELS.

Code of practice

26. While welcoming the proposed mandatory EELS, the Chairman considered it necessary for EMSD to cross-check the energy performance of the specified products. ADEP(C) explained that suppliers would be required to engage an accredited laboratory to ascertain energy performance of their products. They would then be required to submit relevant energy performance information of the products for registration with EMSD. Upon registration, energy labels in line with their energy performance would be provided for the products. EMSD would conduct random checks on their energy performance as appropriate.

27. The Chairman enquired about the standards used in determining the energy-efficiency grading and whether energy-efficient products registered in overseas countries could be exempted from the registration requirement when imported into Hong Kong. ADEP(C) said that while mandatory EELS was adopted in over 40 overseas countries, their grading standards differed. Similar to European Union (EU) countries, Hong Kong was applying ISO standards in assessing energy

performance of electrical appliances. However, instead of seven grades used by EU countries, Hong Kong set its own standard using five grades. Under the Hong Kong standard, a product with an average energy performance would be classified as “grade 3”. Generally speaking, for room air conditioners, those with better performance than average by 10% and 15% would be classified as “grade 2” and “grade 1” respectively, while those fell below average by 10% and 20% would be classified as “grade 4” and “grade 5” respectively. To facilitate transitional arrangements, the grading standards adopted under the voluntary EELS would apply to the mandatory EELS. These standards would be updated from time to time to take account of the advancement in technological developments, and bring these in line with international practice.

28. The Chairman further enquired if energy efficiency standards were set for products on standby mode. The Acting Assistant Director/Energy Efficiency advised that under the voluntary EELS, a “recognition type” of energy labels would be prescribed for products, such as television sets and computers, which could be put on standby mode. However, for the three specified products under the mandatory EELS, since there was basically no standby mode as such, energy consumed under the standby mode would not be taken into account in assessing their energy performance nor the energy-efficiency grading. The Chairman considered that information on the energy consumed during standby mode should be included in the energy label as far as practicable so that consumers were fully aware of the energy consumption the product concerned.

29. Concluding the discussion, the Chairman said that members did not raise objection to the proposed mandatory EELS.

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