

香港電燈有限公司  
The Hongkong Electric Co., Ltd.

香港堅尼地道四十四號港燈中心  
Hongkong Electric Centre, 44 Kennedy Road, Hong Kong  
電話 / Tel 2843 3111 傳真 / Fax 2810 0506  
電郵 / Email mail@hec.com.hk  
www.heh.com



## Legislative Council Environmental Affairs Panel

### Special Meeting on the Administrations' proposal to implement The Emission Trading Pilot Scheme for Thermal Power Plants in the PRD Region on 28 March 2007

#### Hongkong Electric's views

1. The Hongkong Electric Co., Ltd. (HEC) shares the community's aspiration for cleaner air in Hong Kong and is fully supportive of the emission reduction targets set by the HKSAR Government for year 2010. The various environmental improvement efforts and initiatives launched by the HKSAR Government, such as the "Action Blue Sky" campaign, are fully supported.
2. As a responsible corporate citizen, HEC is fully aware of the need to reduce emissions from its business operations. Given that the most effective means to improve air quality is to cut emissions at source, HEC has already fitted three 350MW coal-fired units at Lamma Power Station with Low NOx Burner (LNB) Systems and Flue Gas Desulphurization (FGD) plants. The first FGD commissioned 14 years ago in 1993 was in fact the first one in Southeast Asia. Since October 2006, HEC has also put into service a 335MW gas-fired generating unit using liquefied natural gas as fuel. It is currently the most efficient and environmentally friendly generating unit in Hong Kong.
3. As a further move to reduce emissions at Lamma Power Station, HEC is currently retrofitting FGD and LNB plants for two existing 350MW coal-fired units. Work is progressing on schedule and when completed Lamma Power Station will have five 350MW coal-fired units equipped with FGD and LNB. HEC is confident that these emission reduction projects will be completed by 2010 to meet Government's emission targets.
4. HEC however recognizes that improving air quality is a regional issue requiring concerted efforts as Hong Kong shares the same air-shed as the Pearl River Delta Region. With this in mind, HEC participated actively in the Joint Task Force meetings chaired by EPD at the drafting stage of the "*Implementation Framework of the Emission Trading Pilot Scheme for Thermal Power Plants in the Pearl River Delta Region*" (the Pilot Scheme), communicating its views and concerns.
5. HEC is pleased to see the recent introduction of the Scheme and believe that it will contribute to the efforts by the two governments in improving air quality. For power companies in the region, it provides an alternative platform to meet the increasingly tightened emission caps, particularly under unforeseen circumstances, such as equipment failure and project delay. HEC is prepared to explore all possibilities and opportunities offered by the introduction of the Scheme while at the same time, making every practical endeavour to control and reduce emissions at source.

6. At the same time, HEC is encouraged to learn that emission credits available for trading will be subject to close government scrutiny. Under the Scheme, proposed emission reduction plans have to be prepared by professional consultants (serving as an Independent Third Party), examined and affirmed by both authorities on the amount of emission credits and their validity period.
7. Despite this, HEC has expressed concern on the liability of the Buyer should the Seller fail to deliver the contracted emission credits. Given the severity of the consequences for not meeting the emission caps as stipulated in the Specified Process Licence under the Air Pollution Control Ordinance, HEC believes measures must be taken to minimise the risks of the Buyer. We trust the Government will address this important issue pragmatically.
8. The Pilot Emission Trading Scheme covers the trading of SO<sub>2</sub>, NO<sub>x</sub> and RSP emission credits among eligible power plants in HKSAR and PRD Region. It is offered as an option for the power companies in the PRD area to meet their emission caps. HEC is of the view that for the Pilot Scheme to be successful in improving air quality, it is necessary to extend its coverage to include emissions from other industries.

19 March 2007