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The Conservancy Association

會址：香港九龍吳松街 191-197 號突破中心 9 樓

Add.: 9/F., Breakthrough Centre, Woosung Street, Kowloon, Hong Kong

電話 Tel.: (852)2728 6781 傳真 Fax.: (852) 2728 5538

CA's Comment on Emission Trading Pilot Scheme for Thermal Power Plants in the Pearl River Delta Region

The Conservancy Association supports the principle of using market mechanism to reach specified emissions target at lower costs. However, the Pilot Scheme as presented in the Administration's paper CB(1)972/06-07(05) is far from satisfactory and it is doubtful whether it could achieve its objectives.

Limited Scope

The Pilot Scheme aims to "provide greater flexibility" for the emission sources to meet emission requirement. Emission trading scheme works best in a competitive market, and as such, the Pilot Scheme should not exclude major polluters and major sources of pollution in the region, i.e., the industrial sector, and thus limits the number of participants.

Another omission in the scheme is carbon dioxide emission. While it is important to cut down SO₂ emission in the region, if there is no provision to cap CO₂ emission at the same time, the problem of global warming will only exacerbate, as SO₂ promote cloud formation which reflects heat. Even if CO₂ emission trading is not included in the present scheme, there should be a separate scheme to cover that.

It is not clear from what has been disclosed that will motivate the power companies to join the voluntary scheme. If there is a time frame for mandatory implementation, the power companies may opt for joining so they can have more time to get used to the scheme. But if that is not the case the Administration must be able to show how to ensure the effectiveness of the scheme.

Lack of Transparency

It is not clear from the Administration's document that how much emission reduction through out the Pearl River Delta could be achieved through the emission trading scheme. There is no estimation whatsoever on which side is buying the emission allowance and which side is selling and the amount of money involved. This lack of information is simply not acceptable.

The future Emission Trading Monitoring Panel comprises only officials from both governments. We are of the opinion that as the public are major stakeholders, they should have a role.

Besides the requirement to install accurate monitoring system such as Continuous Emission Monitors (CEMs), there should be provision for independent spot checks.

Need for clarification on regulatory regime

As there is no legislative framework for the Pilot Scheme, lots of things still remain unclear. It seems that the role of the Administration is merely that of a “confirmation agent,” thus the actual working of the scheme remains unregulated as there is no “authority” to regulate it.

It is also not clear about the penalty of non-compliance, whether the scheme allows “banking” and “borrowing” or not. Another issue is that whether the cost incurred from buying emission allowance will count as asset.