

NOTE FOR FINANCE COMMITTEE

Cleaner Production Partnership Programme

PURPOSE

This Note clarifies the scope of the funding support provided under the Cleaner Production Partnership Programme (the Programme), confirming that the Programme is applicable to both the eligible factories operating within Hong Kong, as well as the Hong Kong-owned factories located in the Mainland within the Pearl River Delta (PRD) region .

BACKGROUND

2. On 17 December 2007, the Administration consulted the Legislative Council Panel on Environmental Affairs on a proposal for rolling out a five-year Cleaner Production Partnership Programme to promote cleaner production technologies and practices¹ amongst Hong Kong-owned factories in the PRD region. On 11 January 2008, the Finance Committee approved a funding commitment of HK\$93.06 million for the Programme, which was subsequently launched in April 2008.

3. The Programme, which is implemented by the Hong Kong Productivity Council (HKPC), aims to encourage and facilitate Hong Kong-owned factories in the PRD region to adopt cleaner production technologies and practices through four key initiatives, namely, awareness promotion activities; on-site improvement assessment for participating factories; technology demonstration projects; and third party verification service on improvement projects implemented by participating factories. Details of the key initiatives are at Enclosure.

Encl.

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¹ Cleaner production approach is a preventive, integrated strategy that applies to the entire production cycle to increase productivity by promoting a more efficient use of raw materials, energy and water, and to enhance environmental performance through reduction of waste and emissions at source.

4. Extensive publicity and promotional activities have been initiated since April 2008 to promote the Programme, with the support of the industry associations and relevant authorities of the Guangdong provincial and municipal governments. As at 31 March 2009, 166 funding applications have been approved and another 88 funding applications are under processing.

APPLICATIONS BY FACTORIES LOCATED IN HONG KONG

5. The Programme has been designed to provide technical support to Hong Kong-owned factories operating in the PRD region to adopt cleaner production technologies and practices. Whilst the focus is to support Hong Kong-owned factories located in the Mainland, the Programme does not specify whether factories operating in Hong Kong are eligible to participate. Since the launching of the Programme in April 2008, we have received four applications for conducting on-site improvement assessment and demonstration projects from factories operating within Hong Kong. These factories have indicated a similar need for professional assistance and support to improve their environmental performance.

6. At the Project Management Committee (PMC)² meeting held on 22 October 2008, the PMC members representing the major industry and trade associations strongly supported that the scope of the Programme should allow flexibility for participation by factories operating within Hong Kong. It was considered that notwithstanding the relatively small number of factories remaining in Hong Kong, their emission reduction efforts would also contribute to improving the environment of the PRD region. Through the participation of these local factories, their knowledge and experiences on cleaner production technologies and practices would also be shared and promoted amongst the trades. We agree with the PMC's views and consider that the factories operating in Hong Kong (which also forms part of the PRD region geographically) fall within the ambit of the Programme and should be encouraged to make positive contribution to improving the air quality in the region.

7. Noting that the bulk of Hong Kong's manufacturing industries have moved their operations to the Mainland since the 1990s, the number of local factories participating in the Programme is expected to be limited. So far, there have been four applications (three for on-site assessments and one for

/demonstration

² The PMC has been formed to provide steer to the implementation of the programme. It comprises representatives from the four major trade and industry associations and relevant Government departments.

demonstration project) by factories located in Hong Kong, which is a very small number comparing to around 280 applications received. It is envisaged that these factories should not result in increase in the overall funding commitment for the Programme. In addition, all applications by factories, regardless of their locations in Hong Kong or in the Mainland within the PRD, will be subject to the same approving criteria and the same control and monitoring mechanism as set out in the FC Paper No. FCR(2007-08)47.

WAY FORWARD

8. Taking into account the above views and considerations, we will confirm with the stakeholders that the scope of the Programme covers both the factories operating within Hong Kong as well as the Hong Kong-owned factories located in the Mainland within the PRD region. We will inform factory operators of the above in the forthcoming publicity activities under the Programme.

9. Members are invited to note the clarification of the scope of the Programme set out in this paper.

Environmental Protection Department
April 2009

**Key Initiatives under the
Cleaner Production Partnership Programme**

The overall objective of the programme is to encourage and facilitate Hong Kong-owned factories in the Pearl River Delta (PRD) region to adopt cleaner production technologies and practices, thereby making a positive contribution to a cleaner environment by reducing emissions and energy consumption. The programme targets at eight industry sectors^{Note} of Hong Kong-owned factories which contribute to air pollutant emissions in the PRD region and are most likely to yield positive improvements.

2. The key initiatives of the programme include –
- (a) *awareness promotion* – this comprises structured briefings, study missions, training seminars and workshops, conferences and exhibitions, in Hong Kong and cities in PRD region. Participation in the awareness promotion activities is normally free of charge;
 - (b) *on-site improvement assessment* – the Hong Kong Productivity Council (HKPC), in conjunction with other environmental technology (ET) service providers, provide guidance and conduct on-site assessment for participating factories to identify and analyse the problems they face and propose practical improvement solutions. The Government will sponsor 50% of the assessment cost, subject to a ceiling of \$15,000. Any cost exceeding the ceiling has to be met by the participating factories;
 - (c) *demonstration projects* – HKPC will work closely with ET service providers to conduct demonstration projects through installation of equipment and/or modification of production processes. The cost is shared between participating factories and Government on a fifty-fifty basis. The average contribution of Government funding is estimated to be around \$160,000 per project; and
 - (d) *verification of the effectiveness of the improvement projects* – for those factories which have implemented improvement measures, HKPC will provide an independent third-party service to verify the effectiveness of the improvement projects. This service is provided free of charge to participants, capped to a ceiling of \$15,000 per project.

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^{Note} The eight industry sectors include textiles, non-metallic mineral products, metal and metal products, food and beverage, chemical products, printing and publishing, furniture and paper/paper product manufacturing.

3. A Project Management Committee (PMC) has been set up to oversee the implementation of the programme. The PMC, led by EPD, comprises representatives from the four major trade and industry associations, the Trade and Industry Department and HKPC.
