

**Speaking Note of
Secretary for the Environment
for the Special Meeting of the Finance Committee (Environment)
to be held on 25 March 2009 at 11:55 am**

Chairman:

I am delighted to attend the Special Meeting of the Finance Committee today to brief Members on the part of the 2009-10 Estimates which relates to the expenditure on environmental protection, conservation, energy and sustainable development.

2. In the 2009-10 financial year, the Environment Bureau (ENB) and departments under our portfolio are allocated about \$8.6 billion, representing a net increase of about \$2.0 billion or 30.3% over the revised estimate for last year.

3. Of the total allocation of \$8.6 billion, the operating expenditure accounts for about \$6.4 billion, up \$1.4 billion net or 28.7% as compared with the revised estimate for last year. The additional allocation is mainly to meet the increase in cash flow requirement of the Environmental Protection Department (EPD) to promote early replacement of pre-Euro and Euro I diesel commercial vehicles with new ones that comply with the latest statutory emission standard. As the quantity of public fill arising from major infrastructure projects are expected to increase, additional allocation will also be provided for the Civil Engineering and Development Department to handle additional quantity of public fill. As regards the number of posts, there will be a net increase of 22 posts in the ENB and EPD in 2009-10.

4. The provision for capital expenditure in 2009-10 is about \$2.2 billion, representing an increase of \$0.6 billion or 35.1% as compared with the revised estimate for last year. This is mainly due to the increased cash flow requirements and commencement of some capital works projects. Additional allocation will also be provided for the Electrical and Mechanical Services Department to implement energy efficiency and saving projects.

5. I will now give a brief outline the work priorities of ENB and EPD in the coming year.

Improving Air Quality

6. Improving air quality, which is an area of public concern, sits at the heart of the Government's governing agenda. We will continue to implement measures to control major sources of pollutant emissions.

7. Power plants have been a major source of pollution in Hong Kong. On controlling emissions from power plants, apart from progressively tightening their emission caps through the "specified process licence" for electricity generation, I must also express my appreciation to the Legislative Council for the smooth passage of the Air Pollution Control (Amendment) Bill last year. The "Technical Memorandum for Allocation of Emission Allowances in respect of Specified Licences" has already come into operation in December 2008. By stipulating the emission caps for the power generation sector and the arrangements for allocating emission quota for individual power plants in 2010 and beyond, the Technical Memorandum helps ensure a timely and transparent implementation of the emission reduction targets.

8. To further reduce vehicular emissions, we will continue to exempt the duty on Euro V diesel, provide a one-off grant to encourage owners to replace their pre-Euro and Euro I diesel commercial vehicles, and reduce the first registration tax on environment friendly private cars and commercial vehicles. In addition, we are drafting a bill to mandate drivers to stop the engines of idling vehicles. We aim to submit the bill to this Council in the current legislative year with a view to implementing the proposed ban as soon as possible.

9. We are also actively exploring the feasibility of ferries using ultra low sulphur diesel, as well as introducing measures to control emissions of mobile sources operating within the container terminals and the airport. On reviewing Hong Kong's Air Quality Objectives and developing a long-term air quality management strategy, the consultant has consulted the Legislative Council on its preliminary findings and held a public engagement forum so as to finalize its recommendations. Upon receipt of the consultant report, we will conduct a full scale consultation to seek the public's views on the proposed new AQOs and various emission reduction measures before taking a view on the way forward.

Strengthen Cross-boundary Cooperation

10. Since pollution respects no boundary, the Guangdong and Hong Kong governments have been working closely in environmental protection. Both sides will continue to implement the Pearl River Delta (PRD) Regional Air Quality Management Plan with a view to achieving the jointly agreed emissions reduction targets by 2010. The two governments are also making joint efforts in taking forward the five-year

Cleaner Production Partnership Programme. The Programme will facilitate energy efficiency and emission reduction among Hong Kong-owned factories in the PRD Region, which shall in turn help improve regional air quality.

11. On the basis of our existing cooperation, Guangdong and Hong Kong will further deepen collaboration on the environmental front, and will join hands with Macau to jointly draw up strategies to transform the PRD Region into a green and quality living area. The focus is to develop the Region into a low-carbon, high-technology and low-pollution cluster of cities with quality living. We will seek to extend our cooperation into new areas, including encouraging wider use of and research in cleaner and renewable energy; promoting the development of circular economy; enhancing cleaner production and environment performance in the region, which will in turn promote upgrading of Hong Kong-owned factories in the PRD Region; and mapping out an air emission reduction arrangement to continually improve the regional air quality, and setting up joint mechanisms in pollution control and reduction. This initiative will help enhance the overall competitiveness and quality of life of the whole region.

Solid Waste Management

12. As for waste recovery, the effectiveness of the Programme on Source Separation of Waste is being felt. So far 1.23 million households are participating in the Programme, covering some 53% of the population. The domestic waste recovery rate has increased significantly from 14% in 2004 to 23% in 2007. Domestic waste disposal registered a cumulative reduction of 10% in 2008 as compared

to 2005 when the Policy Framework was launched. For commercial and industrial buildings, as at end December 2008, 442 buildings have signed up the Programme, of which 389 have passed our assessment and were granted certificates of appreciation. I must also take this opportunity to thank the Legislative Council for passing the amendments to the Building (Refuse Storage and Material Recovery Chambers and Refuse Chutes) Regulations last year which further facilitate source separation of waste.

13. We are thankful to the Legislative Council for supporting the passage of the Product Eco-responsibility Ordinance last year, which provides the legal basis for introducing producer responsibility schemes (PRS's). This Council is now considering the Product Eco-responsibility (Plastic Shopping Bags) Regulation. Subject to this Council's approval, we aim to implement the environmental levy scheme on plastic shopping bags in the middle of this year. We are also examining the feasibility to introduce PRS for used electrical and electronic products, and aim to consult the public and the trades in the third quarter of this year. Meanwhile, my department will continue to promote and support trade-funded voluntary PRS's and will work in close partnership with various sectors of the community to promote and reinforce waste separation, recovery and recycling.

14. Notwithstanding the various waste reduction measures, inevitably there still remains a large amount of waste that requires proper treatment. Therefore we plan to develop an Integrated Waste Management Facilities (IWMF) with advanced incineration as the core technology to substantially reduce the volume of the municipal solid waste. The first phase of the IWMF has a planned treatment capacity

of around 3,000 tonnes each day. We are now conducting detailed engineering and environmental impact studies for the two potential sites identified for developing this facility (i.e. Tsang Tsui in Tuen Mun and Shek Kwu Chau). We will complete these studies and make a decision on the location of the facility in 2010.

15. In addition, we will develop the first phase of the Organic Waste Treatment Facilities (OWTF) at Siu Ho Wan, Lantau Island. This facility would treat 200 tonnes of source separated organic waste from the commercial and industrial sectors each day. We plan to build a Sludge Treatment Facility (STF) with a design capacity of 2,000 tonnes per day in Tuen Mun to treat the ever-increasing sewage sludge by means of advanced high temperature incineration. We plan to seek the Legislative Council's funding approval soon. Subject to satisfactory progress, we aim at commissioning the STF by end 2012.

16. Our three existing landfills would, one by one, hit their full capacity by early to mid 2010s. There is thus an urgent need to develop extensions to these landfills. I want to reiterate that the operation of these landfills meets very stringent international standards, and that they will not cause any adverse impact on the environment and public health. It is however understandable that some members of the local communities are still concerned about the projects. During the process of the environmental impact assessment (EIA), we will maintain close liaison with members of the relevant District Councils and Rural Committees as well as representatives of the local community. We stand by to implement our "Continuous Public Involvement" process, and will take into account the views and concerns of the public for inclusion in the scope of EIA. We are open to suggestions and views

from the local community, and I hope by means of proactive communication, a mutually acceptable solution for these projects could be developed.

Harbour Area Treatment Scheme

17. In order to further improve the water quality of the Victoria Harbour, we are actively implementing Stage 2 of the Harbour Area Treatment Scheme (HATS) under two phases, with a view to completing the works of the Stage 2A in 2014. For the sake of reopening the bathing beaches in Tsuen Wan District as early as possible, we are building the Advance Disinfection Facility under Stage 2A of the Scheme. We expect that the works will complete in October 2009 as planned. Nonetheless, the operation of Stage 2A facilities might have to be deferred if the abovementioned Sludge Treatment Facility could not be completed in time before the commissioning of Stage 2A. In addition, it is expected that we would be seeking funding approval from the Finance Committee later this year for the construction of the Stage 2A sewage conveyance system with a view to commencing the works within this year. The project will create about 2,000 jobs and would help improve the employment situation of the construction industry.

Combating Climate Change, Enhancing Energy Efficiency and Encouraging Environment-friendly Buildings

18. Climate change is an important environmental issue. The Government is very concerned about the impact of climate change and has undertaken a series of measures to reduce greenhouse gas emission.

We launched an 18-month consultancy study on climate change in last year, which will provide an objective and scientific basis for developing new strategies and initiatives to cope with climate change. The study is expected to complete at the end of this year.

19. Though limiting in space, Hong Kong has more than 40,000 high-rise buildings, which account for 89% of total power consumption of the territory. Enhancing the energy efficiency of buildings can effectively reduce power consumption, thereby bringing forth improvement in air quality and alleviating the adverse effects of global warming. Last year, we launched a set of carbon audit guidelines for buildings in Hong Kong. By embarking upon a “Green Hong Kong • Carbon Audit” campaign at the same time, we are encouraging different sectors of the community to conduct carbon audit and reduce their carbon emission level. So far, close to 50 organizations from different sectors have taken the lead to become “Carbon Audit • Green Partners”.

20. In this year’s Budget, we propose to allocate a substantial amount of resources to promote energy efficiency in both government and private buildings. The Government has reserved \$150 million and \$300 million under the Environment and Conservation Fund to subsidise building owners to conduct energy-cum-carbon audits and energy efficiency projects respectively. The Government will also lead by example in promoting environmental protection and energy conservation in government buildings. Apart from proposing an additional allocation of \$130 million in this year’s Budget to enhance energy efficiency of government buildings and public facilities, we will also allocate \$450 million to carry out minor works for enhancing a green

and sustainable environment.

21. Furthermore, the Government will promulgate an internal circular to set targets in various environmental aspects for new and existing government buildings, which include –

- new major government buildings should aim to obtain the highest or second highest grade under an internationally or locally recognised building environmental assessment system;
- new major government buildings should aim to outperform the energy efficiency performance of the Building Energy Codes (BEC). The energy efficiency performance of certain types of buildings should outperform the BEC by 5% to 10%; and
- new government buildings should aim to achieve “Excellent Class” of the Indoor Air Quality Objectives.

I hope that Government’s efforts could set an example in encouraging private organisations to enhance the environmental performance of their buildings. With the joint efforts of the Government and the community, we could build a green society and promote the development of a green economy.

Clean Energy

22. After the conclusion of the Memorandum of Understanding (MOU) on energy co-operation by the HKSAR Government and the National Energy Administration last year, energy enterprises on both sides have swiftly followed up the implementation and made substantial progress. The construction of the Second West-East Natural Gas Pipeline, including the Shenzhen-Hong Kong spur line through which

natural gas is provided to Hong Kong, commenced in February 2009. Energy enterprises of both sides also planned to jointly construct an LNG terminal in Shenzhen. Both projects are anticipated to be completed in 2013. New sources of natural gas will be available to Hong Kong by then, which will contribute significantly to reduction in coal-fired electricity generation and improvement in air quality.

Promoting the Use of Electric Vehicles

23. In this year's Budget, promoting the use of electric vehicles is one of the important measures in the promotion of green economy. Electric vehicles will not only help improve the environment, they also create additional business opportunities for an array of automobile related sectors. The Financial Secretary announced in this year's Budget the extension of the waiver of First Registration Tax on electric vehicles for five years till the end of March 2014. As a head start, on the next day following the delivery of the Budget Speech (i.e. 26 February), the Environment Bureau entered into an MOU to test a new type of electric vehicles that makes Hong Kong the first place in Asia, after Japan, to give this latest model of electric vehicle a trial. The Government will also actively promote the setting up of vehicle battery charging facilities in Hong Kong, including studying the feasibility of setting up charging facilities in government multi-storey car parks. A steering committee to be chaired by the Financial Secretary will be set up to make recommendations on strategy and specific measures to promote the use of electric vehicles in Hong Kong, with a view to introducing new types of electric vehicles to Hong Kong as soon as possible.

Nature Conservation

24. For nature conservation, we are actively taking forward the proposal for setting up a geopark in Hong Kong, and target at applying to become a national geopark by the end of this year. We have launched the Pilot Scheme for Management Agreements in ecologically important sites, namely Fung Yuen and Long Valley. The Pilot Scheme has produced encouraging results in terms of conservation and improvement to the biodiversity of the concerned area. We will continue to pursue the projects under the Scheme. As for the Public-private Partnership Pilot Scheme, we will continue to liaise with relevant project proponents with a view to implementing the proposals as soon as practicable. Separately, we plan to introduce legislative amendments this year to implement the proposal for banning of commercial fishing in marine parks. Further, we will introduce a Bill to Legislative Council this year to extend the Cartagena Protocol on Biosafety under the Convention on Biological Diversity to Hong Kong, so as to control the trans-boundary movement of living modified organisms.

Sustainable Development

25. The Environment Bureau will continue to render support to the Council for Sustainable Development in the implementation of its work and activities. This will facilitate the Council to give advice on the formulation of a sustainable development strategy for Hong Kong. It will also assist the Council in launching education and publicity programmes, including school and community outreach programmes, for promoting the concept and principles of sustainable development.

26. In light of rising public concern on the quality and sustainability of the built environment in recent years, the Council in collaboration with my Bureau and the Development Bureau will launch a new round of engagement process on measures to foster a quality and sustainable built environment. The community will be consulted on their views in respect of enhancement of sustainable building design (including building separation, building set back and greening ratio); provision of essential, green and amenity features in buildings and gross floor area concessions; and energy efficiency in building design. The Council plans to launch the engagement process in mid 2009. We look forward to the active participation of various sectors of the community and their valuable views when the engagement process is launched.

Conclusion

27. Chairman, the future work on environmental protection and conservation of ecological resources is full of challenges. We not only have to implement our policy to further improve our environment, but also introduce new legislations and organize programmes to strengthen public education and encourage community participation. I look forward to the LegCo's continued support for our policies and measures in the coming financial year. Chairman, I welcome Members to put forward their questions on this part of the Estimates and, together with the Permanent Secretary and other colleagues, I would be pleased to answer Members' questions.

Environmental Protection Department
March 2009