

For information
on 27 April 2009

**LEGISLATIVE COUNCIL
PANEL ON ENVIRONMENTAL AFFAIRS**

**Environment and Conservation Fund
Buildings Energy Efficiency Funding Schemes**

PURPOSE

This paper provides information on the setting up of two funding schemes under the Environment and Conservation Fund (ECF) to promote building energy efficiency.

BACKGROUND

Low Carbon Economy

2. Climate change is one of the most important challenges facing mankind. In the 2008-09 Policy Address, the Chief Executive highlighted the need to make early preparations to meet the challenge of climate change. In particular, we will enhance energy efficiency, use clean fuels, rely less on fossil fuel, and promote a low carbon economy – an economy based on low energy consumption and low pollution.

3. Energy consumption is closely related to greenhouse gas (GHG) emissions. In Hong Kong, buildings account for 89% of the total electricity consumption. Therefore, reducing electricity consumption of buildings, e.g. by improving their energy efficiency, is instrumental in bringing down our GHG emissions and improving our air quality.

4. The full support and participation of the community is crucial in enhancing the energy efficiency of the whole society. Therefore, to encourage the public to take concrete actions for this cause, the Government proposed in this year's Policy Address to reserve \$150 million under the ECF to subsidize building owners to carry out energy-cum-carbon audits, and to reserve \$300 million under the ECF to serve as an incentive for conducting energy efficiency projects by subsidizing part of the expenditure. The ECF Committee supported, at its meeting on 30 December 2008, the allocation of funding for setting up the two schemes. The schemes have been opened for application since 8 April 2009.

FRAMEWORK

5. The implementation arrangements of the two schemes are set out below -

(A) Energy-cum-carbon Audit Projects

Coverage and Eligibility of the Applicant

6. The objective of the scheme is to encourage building owners to carry out energy-cum-carbon audits, with a view to systematically reviewing the use of energy and quantifying the GHG emissions associated with their buildings, and to identify opportunities for enhancements of energy efficiency and conservation and reductions in the level of GHG emissions arising from building operations. The scheme will cover energy-cum-carbon audits to be carried out in communal areas of residential, commercial and industrial buildings.

7. Owners' corporations, owners' organizations or residents' organizations of residential, commercial and industrial buildings are eligible to apply. An application can also be submitted by a property management company or a qualified service provider in energy and carbon audit on behalf of an applicant under the latter's authorization.

8. The energy-cum-carbon audits should be carried out according to the latest edition of the "Guidelines to account for and report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential and Institutional purposes) in Hong Kong" and "Guidelines on Energy Audit" issued by the Government.

9. The project shall be certified by –

- (a) a Registered Professional Engineer in Building Services, Electrical, Mechanical or Environmental discipline registered under the Engineers Registration Ordinance (Cap 409); or
- (b) a corporate member of Hong Kong Institution of Engineers in Building Services, Electrical, Mechanical or Environmental discipline, who has no less than 1 year relevant post qualification working experience; and

who has attended seminar/training related to this scheme to be announced by the Government.

10. Successful applicants are required to submit energy-cum-carbon audit reports after the completion of the audits, which should include recommendations or programmes to improve GHG emission and energy efficiency and conservation of the buildings. They are also required to submit progress reports once every year for 3 immediate subsequent years after the first audit. Subsequent progress reports should include major follow-up actions taken and any improvements attained. The audit reports and subsequent progress reports have to be certified by qualified service providers in energy and carbon audit.

Amount of Grant

11. Funds will be granted on a matching basis. For application involving a single building, the amount of grant shall not exceed 50% of the payment made for the audit and subsequent reporting, subject to a cap of \$150,000. For application involving more than one building, the amount of grant shall not exceed 50% of the payment made for the first carbon audit and subsequent reporting without a maximum cap.

12. The funding support will only cover expenditures on procurement of service to be used in the project. The applicant should absorb or seek alternative funding for any capital or recurrent costs arising from the recommendations of the audit reports or the subsequent progress reports.

Vetting Mechanism and Criteria

13. The applications will be submitted to the Energy Conservation Projects Vetting Subcommittee set up under the ECF Committee for endorsement. For applications of more than \$2 million, the endorsement will have to be made by the ECF Committee based on the recommendation given by the Vetting Subcommittee. The applicants may be invited to attend relevant vetting meeting to answer queries raised by Members. Representatives from the Environment Bureau, Electrical and Mechanical Services Department (EMSD), Environmental Protection Department and the Electrical and Mechanical Services Trading Fund will be invited to attend the meeting to provide views from the policy and technical perspectives.

14. The following broad criteria will be used in assessing the merits of individual applications –

- (a) the projects must contribute to promoting a low carbon economy in Hong Kong by identifying enhancements of energy efficiency and conservation and reduction of GHG emissions in Hong Kong;

- (b) the projects must be non-profit making in nature;
- (c) the technical and project management capability of the applicant, as well as the past performance of the applicant, including the effectiveness of past projects, and the applicant's ability to comply with funding conditions;
- (d) whether the proposed project's schedule of implementation is well-planned and practicable, and the duration is reasonable;
- (e) whether the proposed budget is reasonable and realistic, and whether the project is cost-effective, with full justification for every expenditure item;
- (f) whether the proposed project has alternative sources of funding, and whether it would be more appropriate for the proposed project to be funded by other sources;
- (g) whether there is or likely to be a duplication of the work already or currently carried out by similar buildings (e.g. buildings of similar structure, similar purpose, in close proximity to each other and under the same management);
- (h) priority will be given to applications involving buildings with high potential of energy saving and reduction in carbon emission; and
- (i) priority will be given to applications that seek to complement with other initiatives that promote environmental protection.

(B) Energy Efficiency Projects

Coverage and Eligibility of the Applicant

15. The objective of the scheme is to encourage building owners to carry out alteration, addition or improvement works to upgrade the energy efficiency performance of building services installations for communal use in residential, commercial or industrial buildings. Building services installations cover under the scheme includes lighting, electrical, air-conditioning and lift and escalator installations.

16. Owners' corporations, owners' organizations or residents' organizations of residential, commercial and industrial buildings are eligible to apply. An application can also be submitted by a property management company or a

qualified service provider on behalf of an applicant under the latter's authorization.

17. Applicants should engage a qualified service provider, who is either:
 - (a) a Registered Professional Engineer in Building Services, Electrical, Mechanical or Environmental discipline registered under the Engineers Registration Ordinance (Cap 409); or
 - (b) a corporate member of Hong Kong Institution of Engineers in Building Services, Electrical, Mechanical or Environmental discipline, who has no less than 1 year relevant post qualification working experience;

in certifying the detailed scope of the project, including justifications on the cost effectiveness, as well as supervising the project and certifying the progress reports and completion reports of the projects. The building services installations covered under the project shall comply with or be more energy-efficient than the relevant energy efficiency standards stipulated in the respective Building Energy Codes (2007 edition) issued by the EMSD upon completion of the project.

Amount of Grant

18. Funds will be granted on a matching basis. For application involving a single building, the amount of grant shall not exceed 50% of the actual payment made for the works, subject to a cap of \$500,000. For applications involving more than one building, the amount of grant shall not exceed 50% of the payment made for the works without a maximum cap.

19. The funding support will only cover expenditures on procurement, delivery or installation of the building services installations under the project. The applicant should absorb the recurrent maintenance costs and running costs of the building services installations.

Vetting Mechanism and Criteria

20. The vetting mechanism and criteria would be similar to that for energy-cum-carbon audit projects as set out in paragraphs 13 and 14 above. In addition, priority will be given to buildings that have conducted energy or carbon audits or the energy-cum-carbon audits. Due considerations will also be given to repeated applications from individual building(s).

NUMBER OF PROJECTS TO FUND AND CREATION OF BUSINESS AND JOB OPPORTUNITIES

21. We expect that over 1, 600 projects will be subsidized under the two schemes. This will create business and job opportunities for various sectors such as electrical, mechanical, building services and environmental engineering sectors.

DURATION OF THE FUNDING SCHEMES

22. Application will be opened for applications for three years or until the allocated \$450 million is fully utilized, whichever is the earlier.

PROMOTIONAL EFFORTS

23. We have been publicizing the schemes through various channels to the general public, in particular to property owners. Apart from broadcasting announcement of public interests on television, radio and at public transport networks, promotional posters and leaflets have been issued to owners' corporations and owners' committees. We have briefed a number of District Councils on the schemes, and have been conducting promotion through District Offices and professional organisations.

24. To facilitate professional sectors to grasp the business opportunities arising from the schemes, and to better prepare them for rendering assistance to property owners for application to the schemes, we have conducted a number of briefings for related sectors including the engineering and property management sectors on the details of the schemes, including the scope of funding, applications procedures etc.

Environment Bureau
April 2009