

**Speaking Note of
Secretary for the Environment
for the Special Meeting of the Finance Committee (Environment)
to be held on 22 March 2010 at 4:55 p.m.**

Chairman,

I am delighted to attend the Special Meeting of the Finance Committee today to brief Members on the part of the 2010-11 Estimates which relates to the expenditure on environmental protection, conservation, energy and sustainable development.

2. In the 2010-11 financial year, the Environment Bureau (ENB) and departments under our portfolio are allocated about \$11.7 billion, representing a net increase of about \$3.4 billion or 40.1% over the revised estimate for 2009-10.

3. Of the total allocation of \$11.7 billion, the operating expenditure accounts for about \$6.1 billion, up \$0.8 billion net or 15.9% as compared with the revised estimate for 2009-10. The additional allocation is mainly for setting up a Pilot Green Transport Fund and handling the additional quantity of public fill arising from major infrastructure projects. Besides, additional provision is provided for the operation, promotion and management of the Hong Kong Geopark and the proposed grant scheme to replace Euro II diesel commercial vehicles, etc. As regards the number of posts, there will be a net increase of 10 posts in the ENB and the Environmental Protection Department (EPD) in 2010-11.

4. The provision for capital expenditure in 2010-11 is about \$5.6 billion,

representing a net increase of \$2.5 billion or 81.1% as compared with the revised estimate for 2009-10. This is mainly due to the increased cash flow requirements and commencement of some capital works projects, in particular the projects under the Harbour Area Treatment Scheme (HATS) Stage 2A and the sludge treatment facilities.

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

Improving Air Quality

6. Improving air quality has always been at the top of the SAR Government's policy agenda. This year, we will introduce a number of new initiatives to further reduce emissions from the major sources.

7. On controlling vehicular emissions, in addition to the continuous implementation of various emission control measures, we also propose three new initiatives to improve road side air quality-

- (i) We propose to provide a one-off grant to encourage owners to replace their Euro II diesel commercial vehicles with new ones complying with Euro IV standards. The scheme will involve a total expenditure of about \$540 million. On the current grant scheme for owners to replace their pre-Euro and Euro I diesel commercial vehicles with new ones complying with Euro IV standards, it will expire on 31 March this year. To encourage owners to make use of the grant to replace such vehicles, we have made a special arrangement to allow owners who have already placed orders for new replacement vehicles during

the application period to retain their eligibility for the grant until 31 March next year. As we explained at the meeting of the Subcommittee on Improving Air Quality on 10 March, it is not effective enough to rely solely on incentives schemes to accelerate the phasing out of aged commercial vehicles. I hope that the Legislative Council (LegCo) would consider whether we should introduce suitable disincentive measures, such as increasing the vehicle licence fees, to speed up replacement of aged commercial vehicles and how this should be done.

- (ii) To further promote the use of environment-friendly vehicles in the commercial sector, we propose that enterprises could enjoy a 100% profits tax deduction in the first year for their capital expenditure on such vehicles.

- (iii) To encourage the public transport operators, particularly buses, public light buses, taxis and ferries, to introduce innovative green transport technologies, the Government proposes to set up a \$300 million Pilot Green Transport Fund. We trust that this Fund could assist the industry to promote the use of low-carbon transport technologies.

8. In addition, we will introduce to LegCo in the current legislative year the Motor Vehicle Idling (Fixed Penalty) Bill, which aims to impose a legal requirement on drivers to switch off the engines of their vehicles when they are stationary. We hope that LegCo could pass this Bill as soon as possible in order to reduce environmental nuisances caused by idling vehicles with running engines.

9. On reviewing Hong Kong's Air Quality Objectives (AQOs) and formulating a long term air quality management strategy, we had consulted the public on the proposed new AQOs and the package of proposed air quality improvement measures to help achieve such AQOs. The public consultation exercise was completed in November last year. We are carefully collating and considering the views received.

Strengthen Cross-boundary Cooperation

10. To effectively tackle the environment pollution problems that we face, Hong Kong needs to join hands with Guangdong. The two governments will continue to press ahead with the emission reduction measures contained in the Regional Air Quality Management Plan to achieve the jointly agreed emission reduction targets in this year. Both sides will continue to take forward the Cleaner Production Partnership Programme which supports Hong Kong-owned factories in the Pearl River Delta region in reducing emissions and enhancing energy efficiency, thereby improving the regional air quality.

11. To deepen co-operation with Guangdong, the two governments signed an Environmental Co-operation Agreement at the 12th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference held in August 2009, which includes a joint study on the post-2010 air emission reduction arrangements for the Pearl River Delta region. We aim to complete the study in 2010. Both sides will take into account environmental requirements in the national 12th Five-year Plan as well as the practical situation in the region when drawing up the post-2010 reduction agreements.

Solid Waste Management

12. In the area of waste recycling, we are seeing promising outcome from the Source Separation of Domestic Waste programme which was launched in 2005. As at end 2009, the programme has covered some 1.57 million households or 67% of the population. The recovery rate of domestic waste has increased significantly from 14% in 2004 to 35% in 2009. The cumulative decrease in landfill disposal of domestic waste, from 2005 to 2009, has been more than 10%. For source separation at commercial and industrial buildings, more than 500 buildings have signed up to the programme. Overall, we have achieved a recovery rate of 49% for Municipal Solid Waste in 2009. This compares favourably with other advanced countries, e.g. 33% in U.S.A., 45% in Singapore, or 48% in Sweden. EPD will continue to work closely with different sectors of the community to promote and enhance waste separation at source, recycling and reuse of materials.

13. Looking back our efforts in waste management last year, we implemented the Environmental Levy Scheme on Plastic Shopping Bags. So far, feedback from the community has been positive. It is encouraging to see that the Levy Scheme, being the first mandatory producer responsibility scheme (PRS) in Hong Kong, has gained support from different sectors of the community. We will continue to engage the trades to ensure smooth operation of the Levy Scheme. We are also collecting data and information for the purpose of carrying out a review. Further to the Environmental Levy Scheme on Plastic Shopping Bags, we are preparing for the next mandatory PRS. A consultation document has been published for the purpose of soliciting the public's views on possible options for introducing PRS for proper management of waste electrical

and electronic equipment.

14. For certain recyclables with relatively limited market demand, including waste electrical and electronic equipment (WEEE) and waste plastics which were quite hard hit by the financial tsunami earlier on, the Government is setting up two waste recycling centres in Phase 2 of the EcoPark. With subsidy from the Environment and Conservation Fund, the centres will be run by two non-profit making organisations selected through an open process. The plastic recycling centre has started its operation in March 2010 while the WEEE recycling centre will start its operation in mid 2010. By then there will be one more secured outlet for waste plastics and WEEE in the territory to help sustain the public's zeal in waste recycling.

15. In implementing various waste reduction initiatives, there will inevitably be large quantity of non-recyclable waste that will require proper treatment. Therefore, we plan to develop Integrated Waste Management Facilities which will adopt advanced incineration technology to substantially reduce the volume of the municipal solid waste. The first phase of the facility will treat about 3,000 tonnes of waste per day. Currently we are carrying out detailed engineering and environmental impact assessment studies for the two potential sites (Tsang Tsui in Tuen Mun and Shek Kwu Chau). We expect to complete the studies and decide on the choice of site within this year.

Harbour Area Treatment Scheme

16. The sewage conveyance system and advance works of the HATS Stage 2A commenced last year as scheduled. In April, we will seek the approval of the Finance Committee for \$7.9 billion to implement the remaining works of

Stage 2A. The above works will create a total of about 3,500 jobs. Also, the Legislative Council provided funding support in June 2009 for the construction of the Sludge Treatment Facilities in Tuen Mun to handle the increased amount of sludge generated under the Scheme. The Facilities are now at the tendering stage and would start to operate in 2013. We will commence a review to determine the timing for building the biological treatment plant under HATS Stage 2B. We have also identified a site for development of the biological treatment plant, and commenced in the 4th quarter of 2009 the procedures to amend the Stonecutters Island Outline Zoning Plan.

Combating Climate Change and Enhancing Energy Efficiency

17. Climate change is an important environmental issue, and the Government has been very concerned about its impact. Through switching to cleaner fuels (e.g. natural gas) for power generation, enhancing Hong Kong's overall energy efficiency (in particular at buildings), and reducing electricity consumption, the Administration has been taking forward a series of measures to reduce local greenhouse gas (GHG) emissions. We launched an 18-month consultancy study on climate change in 2008, which will provide an objective and scientific basis for developing new strategies and initiatives to cope with climate change.

18. Electricity generation is the largest GHG emissions source in Hong Kong, accounting for around 62% of the total local GHG emissions. It is followed by the transport sector (16%) and other sources including waste, industrial processes and agriculture, etc. 89% of electricity generated in Hong Kong is consumed by operations of buildings. 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. The Administration launched in 2008 a set of carbon audit guidelines for buildings in Hong Kong, and embarked upon a “Green Hong Kong • Carbon Audit” campaign at the same time, with a view to encouraging different sectors of the community to conduct carbon audit and reduce their carbon emission level. So far, more than 150 organizations from different sectors have taken the lead to become “Carbon Audit • Green Partners”. In the meanwhile, the Government submitted to the Legislative Council on 9 December 2010 the Building Energy Efficiency Bill, with a view to setting minimum energy efficiency standards for local buildings through mandatory implementation of Building Energy Codes. I appeal to Members for your support on this front.

Promoting the Use of Electric Vehicles

19. In this year’s Budget, promotion of use of electric vehicles (EVs) as one of the key measures. The use of EVs will not only improve our environment but also create business opportunities in EV-related industries. In addition to the aforementioned new initiatives on setting up a \$300 million “Pilot Green Transport Fund”, and the acceleration of tax deduction for capital expenditure on environment-friendly vehicles; the Government will continue to enhance cooperation with EV manufacturers by conducting trials on EVs and inviting different EV manufacturers to supply their EVs to Hong Kong. We expect a supply of around 200 EVs for the local market in the 2010-11 financial year. We will also introduce more EVs into the Government fleet.

20. As regards the development of EV charging infrastructure, we expect that the Government and the two power companies will have set up EV charging

points in more than 60 locations by mid 2010. We will also work closely with our partners in the community on the extension of EV charging network. ENB has recently issued to property management companies and car park operators a pamphlet on the setting up of EV charging facilities at car parks. The Electrical and Mechanical Services Department has also issued technical guidelines on the installation of charging facilities. We will continue to encourage property management sector and car park operators to set up EV charging facilities at their car parks so as to meet the increasing demand for EV charging service.

Promotion Green Procurement

21. In his Policy Address, the Chief Executive further announced the development of environmental industries as one of the six industries, and will put forth the initiative in respect of promoting government green procurement. To this end, the Government will take the lead in promoting green procurement, which could on one hand promote environmental protection, and on the other hand, set a role model for the business sector, lending momentum to the development of environmental industries in Hong Kong. We are continuing to devise green specifications for the products and services commonly used by the Government, and the products with green specifications will be increased from 60 to over 100. Apart from this, we would explore the wider use of green materials in public works contracts whenever the performances of these products are satisfactory and the prices of which are economically rational.

Nature Conservation

22. With regard to nature conservation, the Hong Kong National Geopark was opened in November last year. Apart from promoting geo-education and

geo- tourism, we are actively considering to apply for the global geopark status for the Hong Kong National Geopark, with a view to further enhancing our geoconservation efforts. Furthermore, upon the commencement of the Genetically Modified Organisms (Control of Release) Ordinance, we could better protect the local biodiversity by preventing the adverse biodiversity effects that might be brought about by the release of genetically modified organisms into the environment.

Conclusion

23. Chairman, the Government has been committing firmly to promoting environmental protection. The focus of our policies has also attached a great deal of importance on building a city of low pollution, low carbon and sustainable development in recent years. To further improve our environment, it does not only require the Government setting the necessary policy direction, but also calls for support from this Council in implementing the requisite measures. For this, 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.