

**Speaking Note of
Secretary for the Environment
for the Special Meeting of the Finance Committee (Environment)
to be held on 21 March 2011 at 8:30 a.m.**

Chairman,

I am delighted to attend the Special Meeting of the Finance Committee today to brief Members on the part of the 2011-12 Estimates which relates to the expenditure on environmental protection, conservation, power and sustainable development.

2. In the 2011-12 financial year, the Environment Bureau (ENB) and departments under my portfolio are allocated with about \$12.8 billion, representing a net increase of about \$2.9 billion or 29.8% over the revised estimate for 2010-11.

3. Of the total allocation of \$12.8 billion, the operating expenditure accounts for about \$6.3 billion, up \$1.2 billion net or 23.1% as compared with the revised estimate for 2010-11. The additional allocation is mainly for injection into the Environment and Conservation Fund, handling the additional public fill arising from major infrastructure projects, continuing with the scheme on cross-boundary delivery of surplus public fill, implementing the Pilot Green Transport Fund, as well as paying for the increasing operation fees of waste facilities. As regards the number of posts, there will be a net increase of 26 posts in the Environmental Protection Department (EPD) in 2011-12, but no change for ENB.

4. The provision for capital expenditure in 2011-12 is about \$6.5 billion, representing a net increase of \$1.8 billion or 36.9% as compared with the revised estimate for 2010-11. This is mainly due to the increased cash flow requirements and commencement of some capital works projects, in particular the sludge treatment facilities and the Harbour Area Treatment Scheme (HATS) – stage 2A.

5. I will now give a brief outline of the work priorities under ENB's portfolio in the coming year.

Improving Air Quality

6. Improving air quality will continue to be EPD's work priority. We are making progress in controlling emissions from the power sector, which is the largest emission source in Hong Kong. To further reduce emissions, we promulgated a new Technical Memorandum of the Air Pollution Control Ordinance in December 2010 to further tighten current emission caps for three types of pollutants of the power sector by 34% to 50% from 2015 onwards. Our collaboration with Guangdong (GD) in pursuing control and reduction measures has produced positive results. The average annual concentration of sulphur dioxide, nitrogen dioxide and respirable suspended particulates in the PRD region decreased by 38%, 9% and 7% respectively in 2009 as compared to the 2006 levels.

7. I would like to thank Members again for supporting the Motor Vehicle Idling (Fixed Penalty) Bill. Together with public education efforts, the Bill will help change driving habits, thereby reducing environmental nuisance caused by idling motor vehicles.

8. For this year, we will carry out a number of new initiatives to further reduce emissions from major pollutant sources.

Reducing Vehicular Emissions

9. Franchised buses are a major cause of roadside air pollution on busy corridors. Reducing emissions from franchised buses has been a priority of the Government in improving roadside air quality. This year we propose the following new initiatives to further reduce emissions from the franchised buses –

- (i) to conduct a trial with the franchised bus companies to retrofit Euro II and Euro III buses with “selective catalytic reduction devices” to reduce nitrogen oxides emission, thereby meeting the Euro IV standard. Subject to satisfactory trial results, the Government proposes to fully fund the retrofit of the devices on all Euro II and Euro III buses. The bus companies would bear the subsequent operational and maintenance costs. We anticipate that emissions of the existing franchised bus fleet would then be further reduced.

- (ii) in order to achieve the Government's ultimate policy objective of having zero emission buses running across the territory, we propose to fund the full cost of procuring six hybrid buses for trial by the franchised bus companies along busy corridors at Causeway Bay, Central and Mongkok to test the operational efficiency and performance of these buses under local conditions as well as to collect operational data. If the bus companies wish to test other more environment-friendly buses such as electric buses, the Government would provide them with the same financial support.
- (iii) to designate pilot low emission zones at busy corridors in Causeway Bay, Central and Mong Kok. Our target is to increase as far as possible the ratio of low emission franchised buses (i.e. Euro IV or above buses) running in these zones from 2011-12, and to have only low-emission buses in these zones by 2015.

10. Moreover, to encourage the transport sector to test out green and low-carbon transport and relevant technology, approval has been given by the Finance Committee of the Legislative Council to set up a \$300 million Pilot Green Transport Fund. The Fund will be deployed to support the testing of green and innovative technologies applicable to the public transport sector and goods vehicles. This will help to improve roadside air quality, promote a low-carbon economy and nurture the development of green technologies in Hong Kong. The Fund will start accepting applications before the end of this month (i.e. March).

AQO Review

11. On reviewing Hong Kong's Air Quality Objectives (AQOs) and formulating a long term air quality management strategy, we reported in June 2010 the findings of the public consultation exercise to Legislative Council's Panel on Environmental Affairs. We also reported in July 2010 to the Panel's Subcommittee on Improving Air Quality about the key considerations in taking forward the recommended measures and the progress made on those measures for which concrete implementation programmes have been drawn up. We are now carefully considering the relevant policy aspects and implementation details, with an aim to work out

the best way forward that is acceptable to the community for updating AQOs and implementing the recommended measures. In parallel, we are also introducing measures that have the support of the community for early improvement of air quality.

Strengthen Cross-boundary Cooperation

12. In addition to taking forward local legislation and other measures, Hong Kong will continue to join hands with Guangdong with a view to effectively tackling the environment pollution problems that we face. Hong Kong and Guangdong Province signed the Framework Agreement on Hong Kong / Guangdong co-operation in April last year, which provides for concrete co-operation on environmental protection and ecology conservation. The Framework Agreement and the National 12th Five Year Plan also support us to work with Guangdong and Macao to jointly formulate a Regional Cooperation Plan on Quality Living Area (the Regional Cooperation Plan). Amongst others, enhanced co-operation will be pursued in the areas of environmental protection, ecological conservation as well as low-carbon development so as to raise the quality of the living environment in the region.

13. In the meantime, the two governments will continue to press ahead with the emission reduction measures contained in the Regional Air Quality Management Plan. Both governments will embark upon a final assessment of the achievement of the 2010 emission reduction targets in this year. We are also striving to complete the study on the post-2010 arrangements for emission reduction in the PRD region as soon as possible.

14. In addition, we will continue to take forward the Cleaner Production Partnership Programme, and support Hong Kong-owned factories in the Pearl River Delta region in reducing emissions and enhancing energy efficiency, thereby improving our regional environment.

Solid Waste Management

15. We announced early this year our latest action plan for the management of Municipal Solid Waste (MSW). We adopt a three-pronged strategy of waste avoidance and minimization; reuse, recovery and recycling;

and bulk waste treatment and disposal to tackle the waste problem.

16. In the area of waste recycling, through the Source Separation of Domestic Waste programme, some 80% of the population can participate in separation of waste at source. The recovery rate of domestic waste has increased significantly from 14% in 2004 to 35% in 2009, with the amount of domestic waste disposed of at landfills dropped by around 14% in the same period. For source separation at commercial and industrial buildings, more than 600 buildings have signed up to the programme. Overall, we achieved a recovery rate of 49% for MSW in 2009, which overshoot the intermediate target as laid down in the 2005 Policy Framework (i.e. 45% recovery by 2009). The Government will enhance its efforts on waste recycling, and we are committed to raise our MSW recovery target, i.e. to reach a recovery rate of 55% by 2015. This target is above the current recovery rate of other developed cities like Tokyo, London and Sydney. We will introduce a series of complementary measures involving government departments and different sectors of the community in order to broaden the participation in waste reduction and recycling.

17. Our study of overseas experiences shows that any further attempts to significantly raise the MSW recovery level would not be possible in the absence of economic means. MSW charging is an effective and direct economic means to reduce waste. As charging will have wide implications for all sectors of the community, and to put it into practice would hinge on the implementation of various associated measures in monitoring the effectiveness of waste charging, we therefore need to study the subject carefully. A framework on the principles, pros and cons of MSW charging options will be presented for public engagement later this year.

18. In parallel, in line with the “Polluter Pays Principle”, we need to expedite legislative proposals to introduce new Producer Responsibility Scheme (PRS) and extend current PRS to encourage recycling and waste reduction. We will roll out a consultation exercise in this year on extension of the PRS on Plastic Shopping Bags. Furthermore, following the public consultation on a new PRS on Waste Electrical and Electronic Equipment in 2010, there will be engagement with the relevant trades to discuss the implementation plan.

19. In implementing various waste reduction initiatives, there will inevitably be large quantity of non-recyclable waste that will require proper treatment. Therefore, we prefer to develop the first modern Integrated Waste Management Facilities (IWMF) on an artificial island off Shek Kwu Chau which will adopt modern incineration technology to substantially reduce the volume of the municipal solid waste and to recover energy from the waste to generate electricity. The facility can treat about 3,000 tonnes of waste every day. The related Environmental Impact Assessment (EIA) study has been completed and was released for public inspection. Subject to the approval of the EIA report, the Government plans to seek funding from the Finance Committee of the Legislative Council in the first half of 2012 with a view to building the IWMF for commissioning by 2018.

Harbour Area Treatment Scheme

20. The total sum of contracts that have been awarded so far under the HATS Stage 2A amounts to \$11.8 billion. The remaining major works will commence around mid-2011. The HATS Stage 2A will be completed in 2014 as scheduled. The above works will create a total of some 3,500 jobs. Last year, we completed the tendering work of the Sludge Treatment Facilities and awarded a design and construction contract with a total capital value of \$4.96 billion. The Facilities are now at the detailed design and construction stage. We expect that the Facilities will commence operation by end of 2013. We commenced in June 2010 a review of the HATS Stage 2B. Based on the review findings, we will determine the timing of the HATS Stage 2B implementation. Also, we will complete within 2011 the rezoning procedures to amend the Stonecutters Island Outline Zoning Plan to secure a site for development of the biological treatment plant under Stage 2B.

Combating Climate Change and Enhancing Energy Efficiency

21. Climate change is an important environmental issue, and we carried out a public consultation on Hong Kong's Climate Change Strategy and Action Agenda last year. We are now analysing responses received during the consultation period. In the meantime, we are continuing with our efforts in enhancing Hong Kong's overall energy efficiency (in particular at buildings), reducing electricity consumption, as well as greening our road

transport system to reduce local greenhouse gas (GHG) emissions.

Fuel Mix Revamp

22. We completed the public consultation on “Hong Kong’s Climate Change Strategy and Action Agenda” last year. Power generation is the largest source of greenhouse gas (GHG) emissions in Hong Kong, and accounts for 67% of our total GHG emissions. Coal is also one of the primary sources of air pollution and assumes the highest carbon emission factor. Our direction of revamping fuel mix for power generation is to reduce the use of coal and increase the share of non-fossil, low carbon fuel. We are now consolidating views obtained in the public consultation, with a view to planning the way forward to revamp our fuel mix for power generation. We acknowledge concerns on the safety of nuclear power arising from the Fukushima incident. We will take account of the impact of the incident, in particular on the future development of nuclear industry, in considering our way forward.

Promoting wider use of Electric Vehicles

23. In this year’s Budget, we will continue to promote the wider adoption of electric vehicles (EVs) in Hong Kong. In the past two years, we have already rolled out a series of measures, including tax incentives for car users to buy EVs, encouraging EV manufacturers around the world to supply their EVs to Hong Kong, and expanding the EV charging infrastructure. We propose in this year’s Budget that we will give priority to EVs when replacing cars for the Government fleet, subject to the availability of suitable models in the market and the operational needs of bureaux and departments. We expect to have an initial intake of about 200 EVs of various types in the two financial years of 2011-12 and 2012-13.

24. As regards the development of EV charging infrastructure, we are glad to have the support from both the public and private sectors. So far, the two power companies and property development and management sectors have already installed more than 300 charging points, and even more will gradually be put into service. We will continue to work closely with our partners in the community, including the property development sector and non-government organisations in expanding the charging network. In

order to meet the increasing demand for EV charging service, we also plan to install more charging facilities in government car parks for public use.

Green Economy

25. As regards the promotion of local environmental industry, I am delighted to find there has been considerable growth. The value added and employment of environmental industries recorded growth of 12.4% and 3.6% respectively in 2009. With more facilitating policies and measures rolled out, I am confident that there will continue to be robust development in local environment industry.

26. We will continue our heavy investment in environmental infrastructures, thereby creating jobs and generating business opportunities for the green sector as well as the engineering industries. Besides, various policies and legislation will also bring about new opportunities for the sector. Apart from introducing measures and legislation to enhance energy efficiency, as pointed out earlier, we have also secured funding support from the Legislative Council to set up a \$300 million Pilot Green Transport Fund, which will encourage the transport sector to test out green and low-carbon transport technology. Besides stepping up our efforts on the promotion of green procurement, we have been actively piloting the use of new green materials in public works. With these measures in place, the Government will continue to set a role model in promoting environmental protection.

Environment and Conservation Fund and Council for Sustainable Development

27. Since the injection of \$1 billion in 2008, the Environment and Conservation Fund (ECF) has expanded its funding scope to encourage more organizations of diverse background (including non-government organizations, district bodies, green groups, schools, universities, residents' organizations etc.) to draw on the Fund to support local, regional and international activities on environmental issues, to further engage the community in carbon reduction and raise Hong Kong's leading position as a green city.

28. Since the expansion in funding scope in 2008, the ECF has received

many applications from different types of organizations. With the ECF's committed efforts in pursuing its various programme areas, the number of projects supported by the ECF has risen substantially to over 1,600 projects since funding injection in 2008. This surpasses the total number of some 1,000 projects approved in the 14 years from 1994, when the ECF was set up, to 2008. Since the 2008 injection till end February 2011, the total amount of approved funding is over \$880 million.

29. For 2011-12, the Government proposes to further inject \$500 million to ECF to continue providing funding support to educational, research and technology demonstration projects on environmental protection and nature conservation, and to sustain the momentum of ECF programmes. The Government will, in consultation with the ECF Committee, constantly review the ECF programmes with a view to rolling out new programmes that can meet policy priorities and public expectations.

30. ENB will continue to provide support to the Council for Sustainable Development in implementing its work and activities. Noting climate change is a current global sustainable development issue, the Council has decided to focus on climate change-related issues in its next round of public engagement process, to be rolled out in mid-2011. The Council will also promote a better understanding in the community of climate change and sustainable development through its education and publicity programmes.

Conclusion

31. Chairman, the Government's policies have been gearing towards building a city of low pollution, low carbon and sustainable development. There will be plenty of challenges ahead as we continue to strive for a better environment. I look forward to receiving the LegCo's continued support in pursuit of 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.

Environment Bureau
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