

立法會
Legislative Council

LC Paper No. CB(1)412/10-11
(These minutes have been seen by
the Administration)

Ref : CB1/SS/5/10

**Subcommittee on Second Technical Memorandum
for Allocation of Emission Allowances in Respect of Specified Licences**

**Minutes of first meeting on
Tuesday, 2 November 2010, at 4:30 pm
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Audrey EU Yuet-mee, SC, JP (Chairman)
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon CHAN Hak-kan
Hon CHAN Kin-por, JP
Hon Tanya CHAN
- Member absent** : Hon Fred LI Wah-ming, SBS, JP
- Public officers attending** : Agenda Item II
Mr Carlson CHAN Ka-shun
Deputy Director of Environmental Protection (3)

Mr MOK Wai-chuen
Assistant Director of Environmental Protection (Air Policy)

Mr PANG Sik-wing
Principal Environmental Protection Officer (Air Policy)
Environmental Protection Department
- Clerk in attendance** : Ms Debbie YAU
Chief Council Secretary (1)6

Staff in attendance : Ms Clara TAM
Assistant Legal Adviser 9

Ms Diana WONG
Senior Council Secretary (1)8

Ms Michelle NIEN
Legislative Assistant (1)9

Action

I Election of Chairman

Ms Audrey EU was elected Chairman of the Subcommittee.

II Meeting with the Administration

Background information on the Second Technical Memorandum

(Second Technical Memorandum for Allocation of Emission Allowances in Respect of Specified Licences (SS No. 5 to Gazette No. 41/2010)

The Legislative Council Brief

LC Paper No. LS2/10-11 -- Legal Service Division Report

LC Paper No. CB(1)249/10-11(01) -- Background brief prepared by the Legislative Council Secretariat)

2. The Subcommittee deliberated (Index of proceedings attached at **Appendix**).

Follow-up actions required to be taken by the Administration

3. The Subcommittee requested the Administration to provide written responses to the following views/concerns expressed at the meeting:

- (a) in respect of the Black Point Power Station, Castle Peak Power Station, Lamma Power Station and Lamma Power Station Extension, and Penny's Bay Gas Turbine Power Station,
 - (i) the allocation of emission allowances for each of the power stations in 2010;
 - (ii) the actual emission levels of each of the power stations from

January to September 2010; and

- (iii) the method for ascertaining the quantity of emission allowance as set out in the Second Technical Memorandum (TM) for each of the power stations.
- (b) the estimated percentage of contribution in achieving the emission reduction targets under the Second TM by
 - (i) energy conservation having regard to the forecast Gross Domestic Product from 2011 to 2015;
 - (ii) maximizing the use of existing gas-fired generation units; and
 - (iii) prioritizing the use of coal-fired generation units that have been retrofitted with emission abatement equipment.
- (c) consider amending section 2.1 of the Chinese text of the Second TM from "每種指明污染物獲配" to "每種指明污染物獲分配的排放限額"; and
- (d) consider conducting a review of the Second TM within two years after its coming into operation and reporting the review outcome to the Panel on Environmental Affairs accordingly.

Date of next meeting and extension of scrutiny period

4. The Subcommittee agreed to hold the next meeting on Monday, 15 November 2010 at 5:30 pm. The Subcommittee noted that the Chairman would move a resolution at the Council meeting on 10 November 2010 to extend the scrutiny period of the Second TM to 8 December 2010.

III Any other business

5. There being no other business, the meeting ended at 6:28 pm.

Council Business Division 1
Legislative Council Secretariat
12 November 2010

**Proceedings of the first meeting of
Subcommittee on Second Technical Memorandum
for Allocation of Emission Allowances in Respect of Specified Licences
on Tuesday, 2 November 2010, at 4:30 pm
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 – 000346	Ms Audrey EU Miss Tanya CHAN Mr CHAN Kin-por	Election of Chairman	
000347 – 001108	Chairman Administration	The Administration briefed members on the Second Technical Memorandum (TM) for Allocation of Emission Allowances in Respect of Specified Licences (LegCo Brief issued by the Environmental Protection Department in October 2010).	
001109 – 001634	Chairman Mr CHAN Kin-por Administration	<p>In reply to the enquiries of Mr CHAN Kin-por and the Chairman, the Administration advised that –</p> <p>(a) the Second TM would be reviewed not less than once every three years after its commencement. In theory, the Administration could conduct a review of the Second TM in 2011, and made the Third TM for it to commence on 1 January 2012 such that the emission allowances stipulated for each specified pollutant should take effect for each and every emission year from 1 January 2016. However, in view of the extensive retrofit that had been undertaken by both power companies for meeting the 2010 emission caps, the only way to further tighten meaningfully their emission allowances was to change substantially their fuel mix as envisaged in the proposed strategy for tackling climate change. The Administration was conducting a public consultation on the proposed climate change strategy. A decision on whether and, if so, how the proposed fuel mix was to be pursued would be made in the light of the outcome of the public consultation;</p> <p>(b) emissions reduction requirement was previously stated as one of the conditions in the specified process licences for the power companies to follow. In February 2008, a Bill was introduced to amend the Air Pollution Control Ordinance (Cap. 311) (APCO) to, inter alia, cap the emission of the specified pollutants, and violation of which would lead to fine and imprisonment; and</p> <p>(c) under the Scheme of Control Agreements (SCAs) signed between the Government and each of the two power companies in January 2008, there was an emission performance linkage mechanism whereby financial incentive or penalty would be provided to or imposed on the power companies for over- or</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>under-achievement of the agreed emission caps.</p> <p>Mr CHAN considered that if capacity allowed, more stringent emission caps should be imposed.</p>	
001635 – 001920	Chairman Administration	<p><u>Section-by-section examination of the Second TM</u></p> <p><u>Section 1 - Preliminary</u></p> <p><u>Section 1.1 - Citation and Commencement</u></p> <p>Members did not raise any query.</p>	
001921 – 002107	Chairman Administration Assistant Legal Adviser (ALA)	<p><u>Section 1.2 - Application and Scope</u></p> <p>In reply to ALA's enquiry, the Administration responded that the First TM would remain effective until 1 January 2015 when it would be superseded by the Second TM.</p>	
002107 – 002440	Chairman Administration ALA	<p><u>Section 1.3 – Interpretation</u></p> <p>Members did not raise any query.</p>	
002441 – 010040	Chairman Administration Mr KAM Nai-wai	<p><u>Section 2 - Allocation of Emission Allowances</u></p> <p><u>Section 2.1</u></p> <p>In response to the concern of Mr KAM Nai-wai, the Administration advised that –</p> <p>(a) under the First TM, emission allowances to individual power plants was allocated on a pro-rata basis in accordance with their respective share of the total amount of electricity generated for local consumption. Pursuant to section 26(L) of APCO, individual specified process licence holders could arrange emissions trading among themselves to meet the emission caps; and</p> <p>(b) as the Second TM allocated emission allowances directly for each power station having regard to the types of fuel used by their generation units and the availability of emission abatement equipment therein, the extent of changes in emission allowances for each power plant between the First and Second TM varied. This method would ensure the power plants to adopt the best practicable means for preventing emission of each type of pollutant.</p> <p>Addressing Mr KAM's concern that local residents in the vicinity of the Castle Peak Power Station to which additional quantity of emission allowance was transferred might have to endure more severe air pollution, the</p>	The Administration to provide information as requested in paragraph 3(a) of the minutes.

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		<p>Administration remarked that the impact of emissions on air quality was a regional problem and air quality was broadly similar at district level.</p> <p>Mr KAM requested the Administration to provide written information on the method for ascertaining the quantity of emission allowance as set out in the Second TM with a view to assessing whether they could be further tightened.</p>	
010041 – 011255	Chairman Ms Cyd HO Administration ALA	<p>While welcoming the Administration's proposal to set out the actual figures for the emission caps, Ms Cyd HO expressed concern whether the emission reduction targets in the Second TM had taken into account the use of nuclear energy as advocated in the Chief Executive's 2010-2011 Policy Address and increase in energy conservation to be achieved for the years running up to 2015.</p> <p>The Administration stressed that the Second TM had not considered the new fuel mix which was proposed for 2020 in the consultation document entitled "Hong Kong's Climate Change Strategy and Action Agenda" issued in September 2010. The proportion of nuclear energy in the fuel mix for the emission years starting from 2015 should remain to be 20% to 23%. According to the electricity demand forecast provided by the two power companies, the annual rate of increase in electricity generation from 2010 to 2015 was about 1% to 2% which was less than the Gross Domestic Product growth rate of about 4% per year as estimated by the Government Economist for the same period.</p> <p>Ms HO requested the Administration to provide information on the estimated percentage of contribution in achieving the emission reduction targets under the Second TM by energy conversation, the use of existing gas-fired generation units and coal-fired generation units.</p> <p>ALA suggested the Administration consider amending section 2.1 of the Chinese text of the Second TM from "每種指明污染物獲配的排放限額" to "每種指明污染物獲分配的排放限額".</p>	The Administration to provide information as requested in paragraph 3(b) and 3(c) of the minutes.
011256 – 013344	Chairman Administration Ms Cyd HO Miss Tanya CHAN ALA	<p><u>Section 2.2</u></p> <p>Members did not raise any query.</p> <p><u>Section 2.3</u></p> <p>In reply to the Chairman, the Administration advised that no emission allowance was allocated to the power stations for electricity generated for non-local consumption. At present, about 8% of electricity</p>	

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		<p>generated in Hong Kong was exported to the Mainland. The power company concerned had to meet the emission caps by additional emission reduction efforts, e.g., emissions trading or procuring higher quality fuel such as ultra-low sulphur coal. The Administration also acknowledged the Chairman's understanding that the section aimed at limiting the power of the Authority who should make the allocation of emission allowance in respect of electricity generation for local consumption.</p>	
013136 – 014827	<p>Chairman Administration Mr KAM Nai-wai ALA Miss Tanya CHAN</p>	<p><u>Section 2.4</u></p> <p>Members did not raise any query.</p> <p><u>Section 2.5</u></p> <p>Discussion on the timing of the review of the Second TM. The Administration explained that although it was a standing practice to review the TM not less than once every three years, the Secretary for the Environment had acceded to the request of the Subcommittee formed to study the First TM to conduct a review within two years after its coming into operation. However, as there was not much could be done to retrofit existing coal-fired generation units further and a long lead time would be required to revamp the fuel mix of the power sector, it was deemed appropriate to review the Second TM once every three years. In other words, should the review of the Second TM be conducted in 2013 the latest, the Third TM, if any, could commence operation on 1 January 2014 such that the emission allowances stipulated therein should take effect for each and every emission year from 1 January 2018.</p> <p>In response to Mr KAM Nai-wai's concern about consultation with Members of the Legislative Council on the review outcome, the Administration undertook to consider including such requirement in section 2.5.</p>	<p>The Administration to provide information as requested in paragraph 3(d) of the minutes.</p>
014828 – 015218	<p>Chairman Mr KAM Nai-wai Ms Cyd HO</p>	<p>Discussion on meeting arrangements, extension of scrutiny period and legislative timetable.</p>	
015219 – 015437	<p>Chairman Administration Mr KAM Nai-wai</p>	<p><u>Continuation of section-by-section examination of the Second TM</u></p> <p><u>Annex</u></p> <p>In reply to Mr KAM Nai-wai's enquiry, the Administration advised that new electricity works could also take part in emissions trading.</p>	