

立法會
Legislative Council

LC Paper No. CB(1) 424/11-12(06)

Ref. : CB1/PL/EA

Panel on Environmental Affairs

Meeting on 28 November 2011

**Updated background brief on the
Environmental Levy Scheme on Plastic Shopping Bags
prepared by the Legislative Council Secretariat
(Position as at 22 November 2011)**

Purpose

This paper sets out the background to the Environmental Levy Scheme on Plastic Shopping Bags, and gives a brief account of the views expressed by Members.

Producer Responsibility Schemes

2. As highlighted in the Policy Framework for the Management of Municipal Solid Waste (2005-2014) (the Policy Framework), the "polluter-pays" principle should be adopted to provide economic incentives for the public to reduce and recycle waste. In line with this principle, producer responsibility schemes (PRS) will enable manufacturers, importers, retailers and consumers to share the eco-responsibility of reducing, recovering and recycling certain products so as to minimize the environmental impact. Voluntary PRS programmes have been rolled out progressively to recover rechargeable batteries, computer equipment, glass containers and fluorescent lamps. Regulatory Impact Assessment studies on PRS for electrical and electronic equipment, beverage containers and plastic bags have also been conducted.

3. In July 2008, the Product Eco-responsibility Ordinance (Cap. 603) (the Ordinance) was enacted to provide a legal framework for implementing PRS in Hong Kong. It also provides for enforcement powers and an appeal mechanism, which can be applied (with or without modification as appropriate) to other PRS when introduced under the primary legislation in future. Each and every new PRS must be implemented through amendments to the principal Ordinance. The report of the relevant Bills Committee is hyperlinked below.

Environmental Levy Scheme on Plastic Shopping Bags

4. The environmental levy on plastic shopping bags (PSBs) is the first PRS under the Ordinance. The implementation details of the Environmental Levy Scheme on PSBs (the Levy Scheme) are set out in the Product Eco-responsibility (Plastic Shopping Bags) Regulation which has come into operation on 7 July 2009. In gist, an environmental levy of 50 cents on each PSB distributed by retailers will be implemented by phases. Chain or large supermarkets, convenience stores as well as personal health and beauty stores are covered in the first phase. Registered retailers are required to submit to the Administration quarterly returns reporting the number of PSBs distributed and the levy collected.

5. The quarterly returns in the first full year showed that registered retailers on average distributed about 140 000 PSBs per day (or 51 million PSBs per year), representing an annual levy income of about \$25.5 million, which was much less than the estimated levy revenue of \$200 million made in 2008. The two landfill surveys conducted in mid-2009 and mid-2010 to collect statistics on the disposal of PSBs in landfills before and after the launch of the Levy Scheme revealed that landfill disposal of PSBs distributed by retail categories of supermarkets, convenience stores as well as medicare and cosmetics registered over 75% decrease in mid-2010 when compared with the same period in mid-2009. Taking into account the estimation that about 65% of the pre-levy PSB distribution under these retail categories could be attributable to registered retail outlets under the Levy Scheme, the reduction in PSBs distributed by registered retailers since the launch of the Levy Scheme in July 2009 could be as high as 90%.

Extension of the Levy Scheme

6. While the first phase of the Levy Scheme is a success, the number of retailers covered only amounts to a small portion of all retailers in Hong Kong. In fact, the registered retailers only contribute to 14% of the total PSB disposal. With the proven results in using economic disincentive to address the indiscriminate use of PSBs, the Administration considers it opportune to expand the coverage of the Levy Scheme to induce further behavioural change in the public, further reduce the indiscriminate use of PSBs, and at the same time preserve the precious landfill resources.

7. In May 2011, the Administration released a consultation document to gauge public views on the proposed extension of the mandatory PRS on PSBs to include all retailers regardless of their business scale. Upon implementation, a charge of 50 cents will be required for each PSB distributed at any retail outlets in Hong Kong, except for PSBs that are used directly and solely to carry

food for hygiene reasons. The Administration also proposes that charge could be retained by retailers without the need to remit to the Administration to obviate the associated registration and reporting requirements.

Deliberations by the Panel on Environmental Affairs

8. The Consultation Document was discussed by the Panel on 23 May and 20 July 2011.

9. While acknowledging that there was a substantial decrease in landfill disposal of PSBs distributed by registered retail outlets under the Levy Scheme, members noted that the disposal of other types of bags at landfills (including reusable bags, paper shopping bags and plastic garbage bags) was on the rise. Some members expressed concern that if retailers were not required to remit the charge to the Administration, some retailers might distribute PSBs free of charge to attract customers, thereby defeating the purpose of the Levy Scheme. Instead of a full extension, consideration could be given to adopting an incremental approach to include retailers operating above a certain scale in the second phase of the Levy Scheme. Subject to the success of the second phase, further extension could then be considered. To ease the burden of small and medium enterprises (SMEs) in complying with the administrative requirements under the "remittance" approach of the existing legislation on a quarterly basis, some members suggested allowing SMEs to submit their returns on a half-yearly basis. Some other members supported the dual system under which the "remittance" approach should remain status quo for existing registered retailers which were mostly chain operators, while the "retention" approach should apply to the newly covered retailers which were mostly SMEs. To reduce PSBs at source, some members suggested restricting the import of PSBs, or apply the levy to manufacturers and importers of PSBs direct. Consideration should also be given to mandating source separation of waste by legislation, and providing assistance to PSB manufacturers to facilitate their switch from manufacturing to recycling of PSBs.

10. To gauge public views on the proposed extension of the mandatory PRS on PSBs to include all retailers, deputations (including the trades, green groups and professional bodies) were invited to attend the Panel meeting on 20 July 2011. The Panel noted that there were dissenting views on the proposed extension or even the need for the Levy Scheme. Of those who supported the proposed extension, the majority considered the "retention" approach more acceptable.

Council questions

11. Hon Jeffrey LAM and Dr Hon Joseph LEE raised questions on the implementation of the Environmental Levy Scheme on Plastic Shopping Bags at the Council meetings on 28 October 2009 and 9 March 2011 respectively. The questions and the Administration's responses are hyperlinked below for ease of reference.

Latest development

12. The Panel will discuss the way forward on the proposed extension at the Panel meeting on 28 November 2011.

Relevant papers

Information paper provided by the Administration for the EA Panel meeting on 26 March 2007

<http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0326cb1-1182-6-e.pdf>

Supplementary information paper provided by the Administration for the EA Panel meeting on 26 March 2007

<http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0326cb1-2210-1-e.pdf>

Minutes of the EA Panel meeting on 26 March 2007

<http://www.legco.gov.hk/yr06-07/english/panels/ea/minutes/ea070326.pdf>

Information paper provided by the Administration for the EA Panel meeting on 25 February 2008

<http://www.legco.gov.hk/yr07-08/english/panels/ea/papers/ea0225cb1-844-3-e.pdf>

Minutes of the EA Panel meeting on 25 February 2008

<http://www.legco.gov.hk/yr07-08/english/panels/ea/minutes/ea080225.pdf>

Report of the Bills Committee on Product Eco-responsibility Bill to the Council meeting on 9 July 2008

<http://www.legco.gov.hk/yr07-08/english/bc/bc04/reports/bc040709cb1-2075-e.pdf>

Report of the Subcommittee on Product Eco-responsibility (Plastic Shopping Bags) Regulation to the House Committee issued on 2 April 2009

<http://www.legco.gov.hk/yr08-09/english/hc/papers/hccb1-1218-e.pdf>

Information paper provided by the Administration for the EA Panel meeting on 27 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/ea/papers/ea0427cb1-1357-3-e.pdf>

Minutes of the EA Panel meeting on 27 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/ea/minutes/ea20090427.pdf>

Question raised by Hon Jeffrey LAM at the Council meeting on 28 October 2009

http://www.legco.gov.hk/yr09-10/english/counmtg/agenda/cm20091028.htm#q_2

Administration reply to question raised by Hon Jeffrey LAM at the Council meeting on 28 October 2009

<http://www.info.gov.hk/gia/general/200910/28/P200910270235.htm>

Information paper provided by the Administration for the EA Panel meeting on 29 March 2010

<http://www.legco.gov.hk/yr09-10/english/panels/ea/papers/ea0329cb1-1443-4-e.pdf>

Minutes of the EA Panel meeting on 29 March 2010

<http://www.legco.gov.hk/yr09-10/english/panels/ea/minutes/ea20100329.pdf>

Legislative Council Brief issued by the Environment Bureau/Environmental Protection Department on 4 January 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ea/papers/ea-ep8603175a-e.pdf>

Question raised by Dr Hon Joseph LEE at the Council meeting on 9 March 2011

http://www.legco.gov.hk/yr10-11/english/counmtg/agenda/cm20110309.htm#q_9

Administration reply to question raised by Dr Hon Joseph LEE at the Council meeting on 9 March 2011

<http://www.info.gov.hk/gia/general/201103/09/P201103090129.htm>

Information paper provided by the Administration for the EA Panel meeting on 23 May 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ea/papers/ea0523cb1-2193-4-e.pdf>

Minutes of the EA Panel meeting on 23 May 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ea/minutes/ea20110523.pdf>

Minutes of the EA Panel meeting on 20 July 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ea/minutes/ea20110720.pdf>

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22 November 2011