

立法會
Legislative Council

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Establishment Subcommittee of the Finance Committee

**Minutes of the 6th meeting
held in Conference Room 1 of Legislative Council Complex
on Wednesday, 6 January 2016, at 8:30 am**

Members present:

Hon Mrs Regina IP LAU Suk-yee, GBS, JP (Chairman)

Hon WONG Kwok-kin, SBS (Deputy Chairman)

Hon Albert HO Chun-yan

Hon James TO Kun-sun

Hon CHAN Kam-lam, SBS, JP

Hon LEUNG Yiu-chung

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon WONG Kwok-hing, BBS, MH

Hon WONG Ting-kwong, SBS, JP

Hon Cyd HO Sau-lan, JP

Hon Starry LEE Wai-king, JP

Hon CHAN Hak-kan, JP

Hon IP Kwok-him, GBS, JP

Hon Alan LEONG Kah-kit, SC

Hon LEUNG Kwok-hung

Hon Albert CHAN Wai-yip

Hon NG Leung-sing, SBS, JP

Hon Steven HO Chun-yin, BBS

Hon WU Chi-wai, MH

Hon YIU Si-wing, BBS

Hon MA Fung-kwok, SBS, JP

Hon Charles Peter MOK, JP

Hon CHAN Chi-chuen

Hon CHAN Han-pan, JP

Dr Hon Kenneth CHAN Ka-lok
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kwong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Members absent:

Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Dr Hon Fernando CHEUNG Chiu-hung

Public Officers attending:

Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Eddie MAK Tak-wai, JP	Deputy Secretary for the Civil Service (1)
Mr YAU Shing-mu, JP	Under Secretary for Transport and Housing
Mr Chris NG	Acting Principal Assistant Secretary for Transport and Housing (Transport)3
Mr Peter LAU, JP	Director of Highways
Mr TAM Hon-choi	Government Engineer (Railway Development 2), Highways Department
Ms Anissa WONG, JP	Permanent Secretary for the Environment
Mr Vincent LIU, JP	Deputy Secretary for the Environment
Mr Donald NG	Principal Assistant Secretary for the Environment (Electricity Reviews)
Mr YUNG Lap-yan	Deputy Law Officer (Civil Law), Department of Justice

Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

Miss Sharon LO

Senior Council Secretary (1)9

Mr Jason KONG

Council Secretary (1)4

Ms Alice CHEUNG

Senior Legislative Assistant (1)1

Ms Haley CHEUNG

Legislative Assistant (1)9

Miss Yannes HO

Legislative Assistant (1)6

Action

The Chairman drew members' attention to the information paper ECI(2015-16)15 which set out the latest changes in the directorate establishment approved since 2002. She then reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP"), they should disclose the nature of any direct or indirect pecuniary interest relating to the funding proposals under discussion at the meeting before they spoke on the items. She also drew members' attention to RoP 84 on voting in case of direct pecuniary interest.

EC(2015-16)9

Proposed creation of a supernumerary post of Chief Engineer (D1) for around four years with immediate effect upon approval of the Finance Committee to 31 December 2019 in the Railway Development Office of Highways Department to continue providing dedicated support to and monitoring the completion of the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link project by the MTR Corporation Limited

2. The Chairman remarked that the staffing proposal was to create a supernumerary post of Chief Engineer (to be designated as Chief Engineer/Railway Development 2-3 ("CE/RD2-3")) for around four years in the Railway Development Office ("RDO") of the Highways Department ("HyD") to provide dedicated support to and monitor the completion of the Hong Kong section ("HKS") of Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project by the MTR Corporation Limited ("MTRCL"). She pointed out that discussion on the item was carried over from the meetings on 2 and 16 December 2015, and 18 members had spoken for 50 times so far.

Duties and performance of the proposed post and the Highways Department

3. Mr SIN Chung-kai asked (a) how the monitoring mechanism for the HKS of XRL project, in particular the "check the checker" role performed by the Government, was developed; and (b) whether the Government had conducted a comprehensive review of the monitoring system to prevent recurrence of the problems of delay and cost overrun in other infrastructure projects.

4. Mr WU Chi-wai pointed out that HyD had failed to alert the Government about the problems encountered by the HKS of XRL project before announcement by MTRCL in April 2014 on the delay of the project completion. He queried if there was dereliction of duty on the part of Railway Development Division 2-3 ("RDD2-3") or the Director of Highways ("DHy") in monitoring the work of MTRCL.

5. DHy explained that the monitoring mechanism for the HKS of XRL project was developed with reference to the report of a consultant, Lloyd's Register Rail (Asia) Limited, commissioned by HyD in 2008. According to the mechanism, MTRCL, as the project manager, was required to provide regular reports to the Government, and the Government would perform the role of "check the checker" to monitor and verify the work of MTRCL. In view of the delay of the HKS of XRL project, the Independent Expert Panel ("IEP") appointed by the Chief Executive had reviewed the implementation of the project. The recommendations of IEP included improving the institutional arrangements for taking forward infrastructure projects under the concession approach.

6. DHy said that staff of RDD2-3 had fulfilled their responsibilities in monitoring MTRCL in implementing the HKS of XRL project. When HyD was aware of the possible delay on the delivery of the project in 2013, it had requested MTRCL to review the situation and implement delay recovery measures to expedite the relevant works. By the end of 2013, MTRCL still maintained its view that the project could be completed and commissioned on time. DHy added that it had been pointed out in the First Report of the Independent Board Committee on the Express Rail Link Project that the project team of MTRCL had not provided some key information of the project to the Government in a timely manner.

7. Mr CHAN Chi-chuen sought explanation on the differences between the job description for the CE/RD2-3 post in the current paper (Enclosure 2 to EC(2015-16)9) and that when the post was created in 2008 (paragraph 11 of and Enclosure 3 to EC(2008-09)8). In particular, he was concerned whether the duties of CE/RD2-3 would still cover ensuring the delivery of the HKS of XRL project would be within budget and on time as

mentioned in paragraph 11 of EC(2008-09)8.

8. DHy explained that there were adjustments in the duties of CE/RD2-3 to meet the different needs of the HKS of XRL project at various stages. Some of the original duties of the post were no longer applicable, and new developments in the project implementation had given rise to new duties. New duties of CE/RD2-3 included monitoring and reviewing the claims assessment by MTRCL for the XRL construction contracts, and assisting the Government in pursuing the liability of MTRCL under the Entrustment Agreements. DHy assured members that CE/RD2-3 would continue to monitor the implementation of the project by MTRCL to ensure the delivery of the project in accordance with the Entrustment Agreements.

Staffing arrangements and staff costs of Railway Development Division 2-3

9. Mr SIN Chung-kai noted from item (b) in Enclosure 5 to EC(2015-16)9 that the estimated total expenditure on the salary and office expenses for RDD2-3 in the coming four years was around \$112.7 million. He enquired about (a) whether the sum had included all staff costs to be incurred by the Government for monitoring the HKS of XRL project; (b) the salary and office expenses for RDD2-3 in the past years; and (c) the benchmark ratio of staff costs to the total project expenditure for public works programmes.

10. Mr WU Chi-wai said that the Administration should provide breakdowns of the estimated total expenditure on salary by year and by staff members in the coming four years, and provide information on the major duties of the staff members at different stages. He also sought details on the staffing arrangements for RDD2-3 in the extended period. He stressed the importance to retain experienced staff members in RDD2-3 to ensure effective monitoring of the completion of the HKS of XRL project.

11. DHy responded that the major duties of the staff members in RDD2-3 had changed in tandem with the needs of different implementation stages of the HKS of XRL project, and the non-directorate establishment of the division had also been expanded over the past years. The annual expenditure on office expenses for the division had remained similar over the years. Given that the project was 75% complete and all major risks associated with project had become clear, HyD considered that, after the re-creation of the CE/RD2-3 post, the manpower resources in RDD2-3 should be sufficient for discharging the various duties. On the expertise of staff members in RDD2-3, DHy said that the staff members at different ranks had the relevant experience in implementing large-scale infrastructure projects and railway development projects. HyD would endeavour to retain existing staff members in the division as their experience in the HKS of XRL project would

be beneficial to the work of the division. HyD could provide further information on the deployment of staff members in RDD2-3 when the establishment proposal was submitted to the Finance Committee ("FC").

12. As regards the ratio of staff costs to the total project expenditure, DHy said that the cost of resident site staff for site supervision generally accounted for about 6% of the total expenditure of typical infrastructure projects, and the actual ratios would vary with the needs and nature of individual projects. The expenditure of RDD2-3 only accounted for an insignificant portion of the total cost of the HKS of XRL project because according to the Entrustment Agreements, the site supervision was carried out by MTRCL and hence the project management cost concerned was covered in the Entrustment Cost to MTRCL.

Cost effectiveness of and financial arrangements for the HKS of XRL project

13. Referring to the recent remarks made by the incumbent Chairman of MTRCL, Mr LEUNG Kwok-hung sought clarification on the journey time from Hong Kong to Guangzhou using XRL and questioned the cost effectiveness of the HKS of XRL project. Under Secretary for Transport and Housing ("USTH") clarified that the expected journey time of non-stop service between the West Kowloon Terminus and the Guangzhou South Station would be 48 minutes. Apart from non-stop service, there would be services with stops en route and hence there would be variations in the journey times. He pointed out that the Government had indicated the intention to appoint MTRCL as the XRL operator but the formal appointment had yet to be made.

14. Mr CHAN Chi-chuen and Mr LEUNG Kwok-hung considered that the Government should not pursue the establishment proposal until the way forward of the HKS of XRL project was made clear upon the approval of the additional funding by FC. They enquired about the arrangements for the proposed CE/RD2-3 post if the HKS of XRL project was not taken forward.

15. USTH and DHy responded that in the supplementary information provided to the Subcommittee (LC Paper No. ESC30/15-16(01)), the Government had explained that it would need to take follow-up actions if the XRL construction works were to be suspended or terminated, and such work would still require the dedicated support of the proposed CE/RD2-3 post. Under such circumstances, the major duties of CE/RD2-3, which might be more substantial than the existing duties, would include, among others, handling the direct claims from contractors, planning and implementing measures to upkeep the unfinished works and facilities, handling the liability issues under the Entrustment Agreements with MTRCL, and inviting new tenders for the construction works upon resumption of the project.

Voting on the item

16. At 8:59 am, the Chairman said that members, including Mr LEUNG Kwok-hung, Mr Albert CHAN, Mr CHAN Chi-chuen and Mr WU Chi-wai had raised many rounds of questions on the item. She asked if other members had further questions on the item. Having regard that the Subcommittee had spent considerable time on deliberating the item, and no other members raised further questions, she decided to put the item to vote. She said that members could raise questions on the item at the meeting(s) of FC when the proposal was submitted for the approval of FC. Mr CHAN Kam-lam expressed support for putting the item to vote. Mr Albert CHAN requested putting on record his protest against closing discussion of the Subcommittee on the item.

17. At the request of Mr CHAN Kam-lam, the Chairman ordered a division and the division bell rang for five minutes. Twenty members voted for and eight voted against the item. The Chairman declared that the Subcommittee agreed to recommend the item to FC for approval. The votes of individual members were as follows –

For

Mr CHAN Kam-lam
Mr WONG Kwok-hing
Ms Starry LEE
Mr WONG Kwok-kin
Mr Steven HO
Mr CHAN Han-pan
Ms Alice MAK
Dr Elizabeth QUAT
Mr POON Siu-ping
Ir Dr LO Wai-kwok

Mr TAM Yiu-chung
Mr WONG Ting-kwong
Mr CHAN Hak-kan
Mr IP Kwok-him
Mr YIU Si-wing
Mr LEUNG Che-cheung
Mr Christopher CHEUNG
Mr Martin LIAO
Mr TANG Ka-piu
Mr Christopher CHUNG

(20 members)

Against

Mr Alan LEONG
Mr Albert CHAN
Mr Charles MOK
Dr Kenneth CHAN

Mr LEUNG Kwok-hung
Mr WU Chi-wai
Mr CHAN Chi-chuen
Mr SIN Chung-kai

(8 members)

18. Mr Albert CHAN and Mr CHAN Chi-chuen requested separate voting for the item at the relevant FC meeting.

EC(2015-16)11 Proposed retention of two supernumerary posts of one Administrative Officer Staff Grade C (D2) in the Environment Bureau and one Assistant Principal Government Counsel (DL1) in the Department of Justice for three years with effect from 10 February 2016 or with immediate effect upon approval of the Finance Committee, whichever the later to undertake negotiation with the power companies on a new set of Scheme of Control Agreements

19. The Chairman said that the Administration's proposal was to retain two supernumerary posts, including one Administrative Officer Staff Grade C ("AOSGC") in the Environment Bureau ("ENB") and one Assistant Principal Government Counsel in the Department of Justice ("DoJ") for a period of three years. She invited the Administration to brief members on the proposal.

20. Permanent Secretary for the Environment ("PSE") said that the two supernumerary posts were created in 2014 to head a dedicated team each in ENB and DoJ to undertake a review of the electricity market. Following the review, a three-month public consultation was conducted in 2015 and about 16 000 submissions were received. A vast majority of the respondents considered that the regulatory arrangement by way of contractual agreements with the power companies (i.e. the Scheme of Control Agreements ("SCAs")) had generally worked well in achieving the energy policy objectives. Respondents also suggested improvements to some areas of the current SCAs. It was envisaged that the improvements to be pursued would have significant financial and operational implications for the power companies, and hence the negotiation with the power companies was expected to be complicated. The Government proposed retaining the two supernumerary posts and the dedicated teams to take forward the relevant work, with a view to finalizing the new regulatory arrangements before the expiry of the current SCAs in 2018. The Government had briefed the Panel on Economic Development on the public consultation outcome and consulted the Panel on the establishment proposal. Panel members supported the proposal in general.

Justifications for retaining the two supernumerary posts for a period of three years

21. Mr CHAN Chi-chuen asked why the Administration had proposed to retain the posts for three years and whether the duration would be further extended beyond 2018.

22. Deputy Secretary for the Environment ("DSE") explained that the two posts were created in 2014 for two years to conduct a review of the future

development of the Hong Kong electricity market and the relevant public consultation. While the work had been completed, in view of the expiry of the current SCAs in 2018 and in order to take forward the outcome of the public consultation, the Government planned to negotiate with the two power companies a new set of SCAs with improved terms and therefore proposed to retain the two posts for undertaking the relevant work. The Government expected to complete the negotiation with the power companies and finalize the new SCAs within three years. There was no plan to extend the posts further at this stage.

23. Mr Albert CHAN remarked that negotiations with the power companies on past SCAs had been undertaken without creating supernumerary posts for the tasks. He was not convinced of the need to retain the two posts for undertaking the negotiation on the new SCAs.

24. DSE pointed out that the preparatory work for the existing SCAs entered into with the power companies in 2008 was undertaken by the then Economic Development and Labour Bureau. At that time, there were two officers at D2 level overseeing the policy portfolio of energy with one officer dedicated to undertaking negotiation with the power companies. At present, there was only one permanent AOSGC officer in ENB overseeing the policy portfolio of energy. In view of the complexity of the tasks relating to the negotiation and formulation of the new set of SCAs and the expected heavy workload, it was necessary to retain the two supernumerary posts to head the two dedicated teams.

25. Mr Albert CHAN requested the Administration to provide supplementary information on (a) the manpower deployed for undertaking the negotiations with the power companies on the current and preceding SCAs since the 1990s; (b) the number of supernumerary directorate posts created for the tasks, if any; and (c) the major policy objectives of the negotiations.

[Post-meeting note: The supplementary information submitted by the Administration was circulated to members on 18 January 2016, vide LC Paper No. ESC44/15-16(01).]

Duties, manpower and staffing arrangement of the dedicated teams

26. Dr Kenneth CHAN was concerned whether the two dedicated teams were adequately staffed to handle the negotiation with the power companies and help achieve the four energy policy objectives of the Government. He urged that the Administration must maintain transparency and continue to engage the public during the negotiation process with the power companies, and report to the Legislative Council ("LegCo") on the progress in a timely manner.

Action

27. PSE responded that the SCAs played an important role in the regulatory regime of the electricity market. Taking into account the comments and suggestions received during the public consultation, the dedicated teams would pursue improvements to the SCAs in areas including the permitted rate of return ("RoR"), energy efficiency and conservation ("EE&C"), renewable energy ("RE"), preparation to facilitate market opening in future, incentive and penalty scheme, and information transparency. It was envisaged that the proposed changes in these areas would help better achieve the four energy policy objectives of safety, reliability, affordability and environmental protection. The Government would continue to engage the stakeholders and report to the relevant committees of LegCo on the related work as and when appropriate. PSE added that the two posts would provide steer at the directorate level on the work of the dedicated teams. Other professional staff in ENB and DoJ as well as other relevant Government bureaux/departments, who were experienced and knowledgeable in related areas, including the financial, technical and environmental aspects of electricity supply, would continue to provide inputs to the work of the dedicated teams.

28. The Chairman, Mr CHAN Chi-chuen and Mr Albert HO enquired whether the two posts would continue to be filled by the incumbents, and the arrangements for the incumbents and the dedicated teams if FC's approval of the proposal was not obtained before the lapse of the posts on 9 February 2016.

29. Mr WU Chi-wai and Ms Cyd HO urged that the Administration should retain experienced staff, including the incumbents of the two supernumerary posts, to ensure continuity in the work of the dedicated teams, facilitate coordination with the Energy Division of ENB in enhancing emission performance of the power companies, and safeguard the interests of the Government and the public in the negotiation process.

30. Mr Kenneth LEUNG commented that it might be advantageous for the Government to replace representatives in the negotiation team every few years. Having regard to the ongoing nature of the initiatives on energy matters, he opined that the Administration should consider making the two posts permanent. Mr LEUNG and Mr TANG Ka-piu asked whether the responsibilities of the posts would be extended to cover monitoring fuel prices and other energy-related matters.

31. Mr LEUNG Yiu-chung opined that the Administration should set a clear direction for its energy policy (e.g. pursuing full opening in the electricity market) and formulate concrete targets to be achieved, so that the negotiation with the power companies would be focused and the work of the

two posts would be more effective.

32. PSE and DSE responded that the filling of the two posts would be in line with the established civil service management under which turnover of staff was regular. The negotiation exercise would be conducted with collective inputs from relevant teams which would ensure work continuity even if there were changes in individual officers. The relevant divisions in ENB, the Environmental Protection Department ("EPD") and DoJ would continue to provide professional inputs and support to the negotiation work. In the event that FC's approval of the establishment proposal was not obtained by 9 February 2016, pending re-creation of the two directorate posts, relevant work would be temporarily handled by other officers in ENB and DoJ.

33. On the negotiation work, PSE and DSE said that as the tenure of the new SCAs was proposed to be 10 years, it would not be practical to incorporate all future energy policy initiatives in the agreements. At present, the Energy Division of ENB was responsible for the formulation and implementation of a number of energy policy initiatives, including the Energy Saving Plan for Hong Kong's Built Environment 2015~2025+. The Energy Division would also seek to introduce new initiatives in the light of new developments, including measures to help combat climate change. If there were new energy policy initiatives which the power companies were required to comply with, the Government might pursue them through appropriate means, including legislative measures. Meanwhile, the policy matters relating to the monitoring of fuel prices were already under the purview of another directorate officer.

34. Regarding the suggestion of making the two posts permanent, PSE and DSE said that the posts were proposed to be created on a supernumerary basis because the tasks involved were time-limited in nature. The Government had considered alternatives in taking forward the tasks. However, other directorate officers in ENB and DoJ were stretched to their limits and could not absorb the additional workload. The Government adopted a prudent approach in creating new posts. ENB and DoJ would review their manpower requirements from time to time, including the need to create new permanent directorate posts, taking into account their workload and future developments in environmental and energy policies.

Permitted rate of return

35. Mr TANG Ka-piu pointed out that there was public aspiration for reducing the permitted RoR in the new SCAs. Mr WONG Kwok-hing remarked that the Administration had mentioned that the permitted RoR might be lowered to about 6% to 8% taking into account the prevailing market conditions and global economic situations. He asked about the role of the

two proposed posts in this regard and the major challenges ahead.

36. The Chairman sought details on the RoRs of power companies and the profit control mechanisms in overseas electricity markets including Singapore. She also asked if the Administration had conducted a sensitivity analysis on the impact of changes in the permitted RoR on electricity tariffs.

37. DSE responded that it was the view of the consultancy commissioned by the Government for the mid-term review of the SCAs in 2013 that the permitted RoR could be lowered to about 6% to 8%. For the purpose of negotiation with the power companies on the post-2018 SCAs, the Government would engage a consultant to update the appropriate permitted RoR. He emphasized that, in addition to the permitted RoR, the two proposed posts and their teams would pursue other changes to the SCAs in the areas of EE&C, RE, incentive and penalty scheme, accounting practices and arrangements, etc. He said that the Government would strive to improve the SCAs to enhance the interest of consumers. He also hoped that the power companies would pay heed to public views for the benefit of their long-term development.

38. As regards the comparison with overseas electricity markets, DSE and Principal Assistant Secretary for the Environment (Electricity Reviews) ("PAS(ER)") said that the regulated RoRs of comparable electricity markets, including Macau, some states of Australia and some states of the United States, were within the range of 6% to 10%. As far as the electricity market in Singapore was concerned, the market had been partially opened with competition introduced in the power generation level, whereas the power distribution aspect remained as a monopoly and was subject to price regulation. In other words, the electricity market regime in Singapore was not directly comparable to that in Hong Kong. Based on current circumstances, a 1% decrease in the permitted RoR could result in a reduction in the electricity tariffs of about 3% to 4%.

Opening of the local electricity market

39. Mr Albert HO remarked that there was public aspiration for increasing the competition in the local electricity market through introduction of new suppliers and enhanced interconnection of the local power grids. Given that the two power companies were enjoying monopolies in power supply, Mr HO questioned the bargaining power of the Government.

40. PSE responded that introducing more competition to the local electricity market was among the issues covered in the public consultation on the future development of the electricity market. Respondents generally agreed that the current regulatory arrangement was an effective tool in

achieving the four energy policy objectives of safety, reliability, affordability and environmental protection. It was the goal of the Government to introduce competition to the electricity market when the requisite market conditions were present. To this end, the Government would undertake preparatory work in the next regulatory period to pave the way for introducing potential new suppliers in future. PSE did not agree that the Government lacked bargaining power in the negotiation process as there was strong public interest in the service and performance of electricity supply, to which the power companies as responsible corporates should also attend to.

41. The Chairman asked whether the Government had studied the electricity market reform and liberalization of power generation in Singapore. PAS(ER) responded that reference had been made to the experience in Singapore in liberalizing its electricity market. It should be noted that a major difference between Hong Kong and Singapore was that all power systems in Singapore were government-owned before market liberalization.

42. Mr WU Chi-wai queried why the Administration would continue to explore increasing interconnection of the power grids in Hong Kong with those in the Mainland despite strong public opposition to purchasing electricity from the Mainland power grids.

43. DSE said that while most respondents had expressed reservation during the previous public consultation on the future fuel mix for electricity generation over importing electricity through purchase from the Mainland power grids, there were views that preparation should be made for introducing competition to the electricity market when the necessary conditions were mature in future. As such, the Government intended to conduct a joint study with the power companies to explore enhancing interconnection between the power grids of Hong Kong and the Mainland as well as interconnection between the existing grids in Hong Kong. DSE emphasized that the new SCAs would only require the power companies to participate in the joint study, and would not require them to import electricity from the Mainland power grids.

Fuel mix for electricity generation and emission reduction policy

44. Ir Dr LO Wai-kwok supported the establishment proposal. Noting that one of the major duties of the proposed post in ENB was to oversee the implementation of the fuel mix for future electricity generation in Hong Kong, he enquired about details on the fuel mix and the implementation plan concerned.

45. DSE responded that the Government had conducted a public consultation on the fuel mix for electricity generation, and the outcome was

announced in the public consultation on the future development of the electricity market in 2015. Having regard to the outcome of the former consultation, the Government planned to increase in 2020 the percentage of natural gas generation to around 50%, maintain the current interim measure to import 80% of nuclear output from the Daya Bay Nuclear Power Station such that nuclear import would account for around 25% of the total fuel mix, and meet the remaining 25% demand by RE and coal-fired generation. The proposed post and the dedicated team in ENB would follow up and coordinate with relevant teams in ENB/EPD and the power companies to ensure implementation of the fuel mix.

46. Ir Dr LO Wai-kwok, Dr Elizabeth QUAT and Mr Kenneth LEUNG urged that the Administration should step up its efforts in promoting the use of RE. They sought details on the work of the two posts in this regard. DSE responded that the Government aimed to incorporate a mechanism in the new SCAs to promote the development of distributed RE. Possible measures included improving the grid access arrangements for distributed RE generators, providing incentives to encourage connection of RE generators to the power grids, and providing a feed-in tariff.

47. Mr LEUNG Kwok-hung said that the Fukushima Daiichi nuclear power plant disaster had aroused global concerns about the safety of nuclear power. He queried the Administration's policy on the use of nuclear power, and questioned the decision to maintain the interim measure of importing 80% of nuclear output from the Daya Bay Nuclear Power Station.

48. DSE remarked that according to the contract with the Daya Bay Nuclear Power Station, Hong Kong had to take up 70% of the power generated by the plant. An interim arrangement had been made for supplying an additional 10% of the generated power to Hong Kong. He pointed out that there were divergent views from respondents to the public consultations on the use of nuclear power. While some respondents preferred using more nuclear power to mitigate future tariff increases, some other respondents considered that the use of nuclear power should be phased out. To strike a balance between different interests, the Government considered it appropriate to maintain the said interim arrangement. The use of nuclear power could also help maintain a diversified fuel mix to reduce the risk arising from over-reliance on a particular fuel type. DSE supplemented that currently the Government did not have plans to import nuclear power from other nuclear plants in the Mainland.

49. Dr Kenneth CHAN and Dr Elizabeth QUAT asked whether the Administration would adjust the fuel mix and introduce changes to the policies on EE&C and emission reduction in the wake of the 2015 United Nations Climate Change Conference held in Paris. Dr QUAT considered that the

Administration should incorporate more ambitious targets for EE&C in the new SCAs.

50. PSE and DSE responded that the current target of the fuel mix in electricity generation was related to 2020. The Government would study the post-2020 fuel mix for electricity generation and long-term emission reduction targets. Recommendations on the post-2020 fuel mix would be presented to LegCo in due course. The new SCAs would incorporate a mechanism to increase the contribution from power companies in promoting EE&C. ENB would also continue to promote EE&C through other measures.

51. There being no other business, the meeting ended at 10:28 am.