

ITEM FOR FINANCE COMMITTEE

HEAD 137 – GOVERNMENT SECRETARIAT : ENVIRONMENT BUREAU

Subhead 700 General non-recurrent

New Item “Electricity Charges Subsidy Scheme for Non-residential Customers”

Members are invited to approve a new commitment of \$2,300 million for providing electricity charges subsidy to eligible non-residential electricity accounts over a four-month period.

PROBLEM

Hard-hit by the unforeseen economic downturn, small and medium enterprises (SMEs) need financial support for the payment of electricity charges.

PROPOSAL

2. We propose to provide electricity charges subsidy (the subsidy) to all non-residential electricity accounts^{Note} registered with the power companies as of 4 December 2019, to cover 75% of their billed electricity charges, subject to a cap of \$5,000 per month, in respect of their electricity consumption over a four-month period.

/JUSTIFICATION

^{Note} In this context, “non-residential electricity account” is as defined in the power companies’ tariff classification, meaning accounts to which “non-residential tariff” applies. It is to be distinguished from other non-household accounts with higher energy consumption, to which the “maximum demand tariff”, “bulk tariff” or “large power tariff” applies.

JUSTIFICATION

3. SMEs account for over 98% of the enterprises and around 45% of the total employment in Hong Kong, and are the cornerstone of our economy. They have been hit hard in the current economic downturn. Looking ahead, small businesses will still face immense financial pressure in the near term.

4. The proposed subsidy is one of Government's measures to ease SMEs' operating pressure and financial burden during this difficult time. Like other helping measures in the same package (such as the subsidies for water and sewage charges), the subsidy is pitched at 75% of the charges payable, and will last for four months.

5. The subsidy is capped at \$5,000 per month, i.e. \$20,000 in total over four months. With this cap, customers who pay electricity charges up to \$6,700 a month can get a full 75% subsidy. This already covers close to 90% of the two power companies' non-residential account holders, which are mostly SMEs. For the other beneficiaries with a higher electricity consumption, the subsidy capped at \$5,000 will be less than 75% of the charges they pay.

IMPLEMENTATION

6. Subject to funding approval by the Finance Committee (FC), our plan is to start crediting the electricity subsidy to the eligible accounts from the following month. The power companies should be able to make the necessary technical adjustments to their billing systems in time. In case there is unforeseen delay in system adjustment, the implementation date and the eligibility period will be postponed correspondingly.

7. Similar to the existing electricity subsidy schemes for residential customers, we will set out in formal documentation the operating parameters of the subsidy and the obligation of parties involved, for compliance by the power companies. As part of the financial control mechanism, the power companies will be required to provide the Government with reports on the number of accounts eligible for the subsidy and the amount of credits provided for the month. They will also be required to provide the Government with confirmation from external auditors that the Government has been charged according to the terms agreed.

/FINANCIAL

FINANCIAL IMPLICATIONS

8. Based on the average monthly consumption of some existing 430 000 non-residential electricity accounts, the total amount of subsidy involved will be around \$2,300 million. Assuming that FC approval will be obtained in January 2020, the estimated cash flow is as follows –

Financial Year	\$ million
2019-20	800
2020-21	1,500
Total	2,300

The actual cash flow and funding requirement will depend on factors including the implementation date, number of eligible accounts and their electricity consumption during the four-month period. The Environment Bureau will absorb the staffing and administration costs arising from the implementation of the subsidy scheme.

PUBLIC CONSULTATION

9. We consulted the Legislative Council Panel on Economic Development on 10 December 2019. The Panel supported the proposal.

BACKGROUND

10. Since August 2019, the Financial Secretary (FS) has announced four packages of helping measures benefiting members of the public and enterprises in Hong Kong. These include the provision of a one-off electricity charge subsidy of \$2,000 to each eligible residential electricity account, funding for which was approved by the FC on 6 December 2019. The current proposal, announced by the FS on 4 December 2019, targets non-residential account holders, in particular SMEs.
