



Meeting for Panel on Environmental Affairs on 29 September 2005

Environmental aspects of the financial plans of the two power companies

1. WWF contends that the power companies in Hong Kong should provide electricity in the cleanest possible way in order to reverse the trend of deteriorating air quality in Hong Kong and the whole Pearl River Delta region (the PRD region). Both the Hong Kong Government and the power companies must show leadership in air quality standards in order to have authority in any discussions with their mainland counterparts.
 2. We consider the improvement of the air quality of the PRD region is a matter of great urgency. Ambitious targets in reductions of smog-related air pollution by 2010, as agreed by the Hong Kong SAR Government and the Guangdong Provincial Government in 1999, should be fulfilled without further delay.
 3. The power companies are the biggest atmospheric polluters in Hong Kong. CLP and Hongkong Electric have the obligation to reduce their emissions of air pollutants such that Hong Kong can meet the agreed emission targets between the two governments. Their financial plans must reflect this determination through investment in cleaning up existing facilities to the maximum possible extent and the devotion of funds to alternate sources of energy generation.
 4. WWF is very disappointed that the 2005 financial plans submitted by the two power companies are inadequate to achieve the 2010 targets. We consider that in addition to accelerating the emission reduction projects, the use of higher quality fuels and investment on promoting energy conservation will also contribute to meeting the 2010 targets.
 5. We consider the power transmission grids of the two power companies must be opened for other power generation companies using renewable and environmentally friendly energy sources.
 6. We consider the Government should lower current permitted levels of guaranteed rate of return on fixed assets to more business-like levels of return. On the other hand, investments in renewable and environmentally friendly energy sources should receive a higher rate of return to provide an incentive for investment, and the research and development in renewable and/or alternate to fossil fuel energy generation.
 7. The financial plans should incorporate a serious commitment of investment in renewable energy sources as a percentage of either gross revenue or as a percentage of the capital expenditure budgets.
 8. The financial plans should include resources being made available for demand-side management to encourage energy conservation by the public, commercial enterprises, governments and other participants in Hong Kong society. The Hong Kong Government
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should also take the lead in building design and urban planning to reduce the consumption of electricity to further reduce pollutant levels.

9. A thorough analysis and review of the demographic assumptions for expansion of electricity to be generated should be undertaken to avoid population expansion assumptions being unrealistic.
10. WWF is looking forward to a more proactive and environmentally friendly approach from both the power companies and the Hong Kong Government to provide reliable, clean and sustainable power supply in Hong Kong.

Yours truly,

Eric Bohm
CEO
