

**Speaking Note of
Secretary for the Environment
for the Special Meeting of the Finance Committee (Environment)
to be held on 5 March 2012 at 8:30 a.m.**

Chairman,

I am delighted to attend the Special Meeting of the Finance Committee today to brief Members on the part of next financial year's Estimates which relating to the Environment Bureau (ENB) as well as our future work in key policy areas.

Government Resource Commitment in Environment Protection

2. Government has attached a lot of importance to protecting the environment and devoted substantial resources and manpower in taking forward this area of work. The amount of funding allocated to ENB's policy portfolio totaled nearly \$60.3 billion under the current term of Government. The annual funding allocation has been on the rise. It has more than doubled from \$6.3 billion in 2007-08 to \$13.9 billion in the next financial year.

3. In addition to directly providing financial and manpower resources for the work in environmental protection, Government has also allocated a considerable amount of resources in support of different quarters in the community in furthering the environmental cause. They include non-governmental organisations, charitable bodies, schools and residents organizations etc. In the period of 2008 to end 2011, the Environment and Conservation Fund approved more than 2,000 projects which promote energy saving, waste reduction and recycling, greening, conservation and scientific research on environmental protection. They far exceed the total number of some 1,000 projects approved in the 14 years since the Fund was set up in 1994. The subsidies amount to over \$1 billion and have effectively facilitated different sectors of the community to actively undertake environmental projects.

4. During the past few years, we have carried out extensive work in different environment policy areas. In terms of legislation, we introduced

five new ordinances to establish new regulatory framework in the areas of energy efficiency, air quality, waste reduction and promote behavioural change in the community. At the same period, some 30 amendments to the principal ordinances or subsidiary regulations were also introduced. I will now give a brief account of what we have done and plan to do in several key areas of our work.

Improving Air Quality

5. In respect of improving air quality, in the past few years we made tremendous efforts to reduce emissions from power plants, which are a major source of local emissions. Starting from 2005, we have progressively tightened the emission caps of power plants through signing new Scheme of Control Agreements with the power companies and amending the Air Pollution Control Ordinance. In 2010, the cap on sulphur dioxide (SO₂) emissions from the power sector was tightened by 67%. We have kept up the effort to further tighten from 2015 onwards the emission caps by 34 to 50 percent from the 2010 levels with a view to minimising the pollution caused by power generation.

6. Air pollution at the roadside is also a major focus of our efforts. We have tightened the statutory specifications of vehicle and industrial fuels to those of the most advanced countries. To reduce roadside air pollution, we intend to raise the vehicle exhaust emission standards to Euro V level. Through subsidies and tax concessions, we encourage owners of diesel commercial vehicles to replace their old vehicles with new ones, and vehicle buyers to choose more environment-friendly cars. With regard to the transport trades, Government is conducting a trial of retrofitting selective catalytic reduction devices on Euro II and Euro III buses, as well as subsidising franchised bus companies to undertake trials of hybrid and electric buses. The ultimate policy objective is to adopt zero-emission buses across the territory. The \$300 million Pilot Green Transport Fund has been effective in encouraging the transport sector to try out green and innovative transport technologies. Within less than a year after its launch, the Fund has received very positive response with 24 applications approved and grants totaling over \$60 million.

7. The various measures have brought fruitful results. Monitoring

data showed that between 2006 and 2010, the ambient concentration of SO₂ and respirable suspended particulates (RSP) had dropped by 45% and 17% respectively. Through the joint efforts of the governments of Hong Kong and Guangdong, the air quality of the Pearl River Delta (PRD) region has improved following implementation of a range of regional emission reduction measures. From 2006 to 2010, the levels of SO₂, nitrogen dioxide (NO₂) and RSP in the region dropped by 47%, 7% and 14% respectively.

8. Looking ahead, the high concentration of NO₂ at the roadside is the most prominent air pollution problem facing us. Between 2006 and 2010, the roadside concentration of NO₂ had increased by 22%. Since emissions of NO₂ from poorly maintained petrol and LPG vehicles constitute a major source of roadside air pollution, Government has proposed to use roadside remote sensing equipment to screen out petrol and LPG vehicles with excessive emissions. The owners of such vehicles will be required to take corrective actions. To facilitate vehicle owners in adapting to the more stringent emissions control, Government will seek approval from the Finance Committee soon for an allocation of \$150 million to replace the catalytic converters and associated components of LPG taxis and light buses.

9. As a result of reduction in emissions from land-based sources and increase in movements of marine vessels, emissions from the latter account for an increasing proportion of Hong Kong's total emissions. Marine vessels have become the largest local source of RSP emissions, and the second largest emission source of SO₂ and nitrogen oxides after power plants. It is therefore necessary to introduce appropriate measures to control such emissions with a view to further improving regional air quality. In last year's Policy Address, we announced an initiative to explore with the governments of Guangdong, Shenzhen and Macao proposals for requiring ocean-going vessels to switch to low-sulphur diesel while berthing in PRD waters, and setting up an Emission Control Area in the region. We will also discuss with the trades to improve the quality of marine fuels sold locally so as to reduce vessel emissions.

10. To encourage ocean-going vessels to switch to cleaner fuels when berthing in Hong Kong waters, Government proposes to reduce by half the

port facilities and light dues charged on ocean-going vessels which switch to low-sulphur diesel at berth. The proposed waiver scheme will run for three years and is estimated to cost up to \$260 million in terms of public revenue forgone. The Environmental Protection Department and Marine Department are drawing up implementation arrangements for the proposal. At the same time, we will also start discussions with relevant authorities in the PRD region on regional control of marine emissions.

11. Another important task before us is to update the Air Quality Objectives (AQOs). The new AQOs are set in accordance with air quality targets of the World Health Organization (WHO). Four out of the seven major pollutants, namely NO₂, carbon monoxide, lead and SO₂, have fully or partly adopted WHO's ultimate air quality targets, and are broadly on par with the standards of other advanced regions such as the European Union and the United States. We shall embark upon the necessary legislative exercise to implement the new AQOs and the relevant transitional arrangements. Our intention is to introduce the Bill in the LegCo session of 2012-13 and to make the new AQOs statutory standards by 2014. We will also review every five years the feasibility of tightening the AQOs. In addition, to demonstrate Government's commitment and to take the lead in applying the new AQOs, Government has decided that for public works projects with environmental impact assessment (EIA) studies not yet commenced, they will endeavour to adopt the new AQOs as the yardstick for air quality assessments. This will allow newly planned public works projects to align with the more stringent requirements on air quality at the earliest opportunity.

Solid Waste Management

12. I now turn to waste management which is an imminent issue that we have to work on. The three strategic landfills are expected to approach full capacity one by one in 2014, 2016 and 2018. Our complete reliance on landfilling to handle nearly 10,000 tonnes of municipal solid waste (MSW) on a daily basis is certainly not sustainable.

13. Early last year, Government put forward a basket of specific measures under the management strategy, which included proposals on waste reduction and recycling as well as development of modern treatment

facilities. Our target is to raise the MSW recovery rate to 55% by 2015. Our policy initiatives on “Reduce and Recycle”, together with extension of landfills as well as introduction of modern treatment facilities, are essential elements in our holistic plan in ensuring proper MSW management. They are intertwined as indispensable components of our comprehensive strategy.

14. With the continuous expansion of the Source Separation of Waste Programmes, our MSW recovery rate had increased from 45% in 2006 to 52% in 2010, which overshoots the original target laid down in 2005. It is comparable to that of other cities at a similar level of development. This could not be achieved without the concerted efforts of the entire community. With the enactment of the Product Eco-responsibility Ordinance in 2008, we are progressively introducing mandatory producer responsibility schemes (PRSs) under this legal framework. In 2009, we implemented the Environmental Levy Scheme on Plastic Shopping Bags (PSBs). The PSB distribution from the 3,000 registered retail outlets covered by the Levy Scheme dropped by as much as 90%. As the next step, in a bid to promote waste reduction at source, we will expedite our work in making legislative proposals to extend the Levy Scheme to cover all local retailers, and to implement a PRS on waste electrical and electronic equipment.

15. As I just mentioned, introducing modern treatment facilities and timely expansion of the landfills are essential waste management measures. Experience in Europe and other developed cities shows that, even with the implementation of various measures on waste reduction at source, there is still a substantial amount of waste that cannot be recovered which requires treatment. In the context of Hong Kong, even if the target recovery rate of 55% is achieved, there will still be about 8,000 tonnes of MSW that cannot be recovered or recycled and requires treatment on a daily basis. We are developing a Sludge Treatment Facility which employs the state-of-the-art incineration technology. It is expected to be commissioned in 2013. By then, daily disposal of sludge at landfills will be reduced by nearly 1,000 tonnes. It will also demonstrate how modern technology can serve as an effective means in tackling the problem of MSW. Our next step is to discuss our plans on the development of the Integrated Waste Treatment Facilities, and the extension of the three existing landfills at the LegCo. I look forward to discussing the proposed projects with Members in details with a view to coming up with a practicable way forward.

Green Economy

16. Lastly, I would like to take the opportunity to share our thoughts on the development of environmental industries. I am delighted to find there has been a promising growth at this sector. The value added and employment of environmental industries in 2010 recorded a growth close to 20% and 11.3% from 2009 respectively. We will continue our heavy investment in environmental infrastructures, thereby creating jobs and generating business opportunities for the environmental protection and engineering sectors. Besides, Government has been providing impetus to the development of industries and profession related to environmental protection by setting up the EcoPark, promotion of electric vehicles, enacting legislation on buildings energy efficiency, and taking the lead in going green. We will also continue to support the industry's participation in such activities as environmental exhibitions and trade missions to help build collaboration platform with local and overseas enterprises. With more facilitating policies and measures rolled out, I am confident that the green industries in Hong Kong will continue to flourish.

Conclusion

17. Chairman, Government will continue to enhance our environmental strategies and take proactive actions to transform Hong Kong into a green city offering quality living. I look forward to receiving the LegCo's continued support in pursuit of our policies and measures in the coming financial year. Chairman, I welcome Members to put forward their questions on this part of the Estimates and, together with the Permanent Secretary and other colleagues, I would be pleased to answer Members' questions.

Environment Bureau

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