

立法會
Legislative Council

LC Paper No. CB(1) 2560/11-12
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by the Administration)

Ref : CB1/PL/EA/1

Panel on Environmental Affairs

Minutes of meeting
held on Wednesday, 4 July 2012, at 8:30 am
in Conference Room 2 of the Legislative Council Complex

Members present : Hon CHAN Hak-kan, JP (Chairman)
Hon Audrey EU Yuet-mee, SC, JP (Deputy Chairman)
Hon WONG Yung-kan, SBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon LEE Wing-tat
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Hon CHAN Kin-por, BBS, JP
Hon IP Wai-ming, MH
Hon Tanya CHAN

Members absent : Hon James TO Kun-sun
Hon Andrew CHENG Kar-foo

Public officers attending : **For item III**

Mr WONG Kam-sing
Secretary for the Environment

Ms Anissa WONG
Permanent Secretary for the Environment / Director
of Environmental Protection

Miss Vivian LAU
Deputy Secretary for the Environment

Mr Albert LAM
Deputy Director of Environmental Protection (2)

Mr Andrew LAI
Deputy Director of Environmental Protection (3)

For item IV

Miss Vivian LAU
Deputy Secretary for the Environment

Mr Donald NG
Principal Assistant Secretary for the Environment
(Energy)
Environment Bureau

Mr Michael LI
Assistant Secretary for the Environment (Energy)²
Environment Bureau

Mr Alfred SIT
Deputy Director (Regulatory Services)
Electrical and Mechanical Services Department

Mr MAK Ka-chun
Chief Engineer / Energy Efficiency B
Electrical and Mechanical Services Department

Mr YIP Man-kit
Senior Engineer / Energy Efficiency B8
Electrical and Mechanical Services Department

For item V

Mr Andrew LAI
Deputy Director of Environmental Protection (3)

Mr MOK Wai-chuen
Assistant Director (Air Policy)
Environmental Protection Department

Mr PANG Sik-wing
Principal Environmental Protection Officer (Air
Policy)
Environmental Protection Department

Clerk in attendance : Miss Becky YU
Chief Council Secretary (1)1

Staff in attendance : Miss Jacqueline CHUNG
Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

Action

I. Confirmation of minutes and matters arising

- LC Paper No. CB(1) 2140/11-12 — Minutes of the special meeting held on 20 April 2012
- LC Paper No. CB(1) 2256/11-12(01) — List of follow-up actions
- LC Paper No. CB(1) 2256/11-12(02) — List of outstanding items for discussion)

The minutes of the special meeting held on 20 April 2012 were confirmed.

2. Referring to the list of outstanding items for discussion, Ms Audrey EU suggested including in the item on "Review of exemption of genetically modified papaya from the application of sections 5 and 7 of the Genetically Modified Organism (Control of Release) Ordinance (Cap. 607)" the need for financial assistance to encourage participation in the voluntary one-to-one papaya exchange programme.

II. Information paper issued since last meeting

3. Members noted that the following information paper had been issued since last meeting -

- LC Paper No. CB(1) 2235/11-12(01) — Administration's paper on Regional Cooperation Plan on Building a Quality Living Area

III. Briefing by the new Secretary for the Environment

4. The Secretary for the Environment (SEN) briefed members on the initiatives under the eight major environmental policy areas of waste management, air quality, nature conservation, cross-border environmental cooperation, Environment and Conservation Fund, water quality, climate change, as well as energy efficiency and conservation.

(Post-meeting note: A copy of SEN's speaking note was circulated under LC Paper No. CB(1) 2329/11-12(01) on 9 July 2012.)

Waste management

5. Ms Tanya CHAN said that she had high hopes for measures to be implemented by the new term of Government to improve the environment. She enquired about the measures which were most needed, the timeframe for implementation of these measures, and the results to be achieved. Mr KAM Nai-wai expressed disappointment at the lack of new initiatives in SEN's opening remarks, which in his view were merely repeating those of his predecessor and not able to meet the aspirations of the community. He enquired about the blueprint of the new term of Government in respect of waste reduction at source and development of modern treatment facilities, particularly in the light of the strong objections from Tseung Kwan O residents against the proposed extension of the Southeast New Territories Landfill (SENT Landfill). Mr LEE Wing-tat added that Members belonging to the Democratic Party were concerned about the slow progress in implementing environmental initiatives, in particular the Producer Responsibility Schemes. Mr Jeffrey LAM also sought the Administration's views on the polluter-pays principle.

6. In response, SEN said that the new term of Government would strive to enhance the strength and efficiency in implementing environmental initiatives, the basis and direction of which had been set forth by the former term of Government. As regards waste reduction at source, he said that the Administration was collating statistics on management of municipal solid waste (MSW) in Hong Kong, including the rationale behind the higher waste generation rate per person in Hong Kong than other major overseas cities and the effectiveness of existing measures to reduce MSW, particularly food waste which comprised about one-third of MSW disposed of at landfills. He hoped that members would allow some time for the Administration to work out a practical and workable plan before the policy address. Meanwhile, he would visit Tseung Kwan O residents and listen to their views within the next two weeks.

7. While supporting for the early implementation of waste reduction measures (including the incineration option so long as it was implemented in an environment-friendly manner), Mr Jeffrey LAM stressed the need to step up education and publicity efforts. As regards recycling of food waste, he said that Members belonging to the Economic Synergy had all along been cooperating with non-profit making organizations in promoting the management and recycling of food waste. Given that the new Chief Executive (CE) had committed to reducing food waste which accounted for about one-third of the MSW disposed of at landfills, Mr LEE Wing-tat enquired about the measures taken or to be taken to reduce food waste. SEN agreed that apart from supporting facilities, education and publicity efforts were essential in enhancing community efforts on the environmental front. All the details and the roadmap for the green city blueprint, including reduction and recycling of food waste, would be worked out in the next few months. Consideration would be given to providing economic incentives as appropriate to encourage environmental practices, given that there was a price to be paid for environmental protection. Mr CHAN Kin-por supported that a package of waste management measures which included waste reduction at source and incineration should be introduced.

8. Mr IP Wai-ming hoped that there would be close rapport between the Legislature and the Administration in taking forward environmental initiatives. Given that the strong opposition against the proposed extension of SENT Landfill from Tseung Kwan O residents was a result of poor land use planning to put residential developments in the vicinity of landfills, he emphasized the need for better coordination between the Environment Bureau (ENB) and other bureaux/departments in selecting sites for waste facilities in the land planning process, particularly for the new town development at Northeast New Territories. Professor Patrick LAU said that he also had high hopes for the new term of Government. He further enquired if additional measures would be put in place to reduce waste at source if the incineration option did not proceed as planned. SEN said that waste reduction at source topped the CE's election manifesto in respect of environmental protection to reduce the pressure on landfills. Waste incineration using the latest technology would only be adopted if necessary. A scientific and objective roadmap on waste management would be worked out, taking into account the progress in waste reduction.

9. Noting that the amount of domestic waste was decreasing while that of commercial and industrial (C&I) waste was increasing over the years, the Chairman questioned why the proposed MSW charging was targeted at domestic waste but not C&I waste. Mr IP Wai-ming added that MSW charging should be implemented in parallel with other measures to reduce waste at source. There was also a need to mitigate the financial impact of MSW charging on low-income families. Meanwhile, efforts should be made to promote the recycling sector with a view to creating more job opportunities for low-skilled workers. SEN said that the rising trend of C&I waste would be taken into account in working out the implementation details of the MSW charging scheme.

He also agreed to the need to promote the recycling industry to foster a green economy.

Air quality

10. While supporting the need for changes by the new term of Government, Mr CHAN Kin-por pointed out that apart from meeting members of the community, the Administration should also solicit Members' views on ways to improve the environment. He reiterated that efforts should be made to replace the more polluting vehicles and franchised buses with environment-friendly models to improve roadside air quality. There was also a need to expedite the updating process of the Air Quality Objectives. Professor Patrick LAU agreed that the Administration should encourage the use of environment-friendly vehicles, such as electric vehicles and buses. SEN said that he would be pleased to exchange views with Members on environmental issues. He added that improving air quality was one of the major areas of concern under the environmental portfolio. To improve roadside air quality, the Administration had proposed to fund the five franchised bus companies to purchase 36 electric buses for trial in Hong Kong. In addition to the plan to retrofit some 3 000 franchised buses with selective catalytic reduction devices over the next three years, further measures would be introduced to improve air quality, the details of which would be worked out in the context of the roadmap for the green city blueprint.

11. Mr Jeffrey LAM enquired about the Administration's stance on the use of cleaner fuels for power generation. Ms Cyd HO recalled that at one of the election forums, the new CE (who was then one of the CE candidates) had proposed to reduce the reliance on nuclear energy. While the proposal was welcomed by environmental groups, it was at variance with the national energy policy and expected to face objection by major enterprises. She enquired if SEN would still proceed with the proposal and if so, the anticipated reduction in the share of nuclear power in the local fuel mix. Miss Tanya CHAN also enquired about the Administration's view on Greenpeace's request to regulate the emission performance of two local power companies for the benefit of public health. SEN noted that the community was concerned about the use of nuclear energy, particularly after the Fukushima incident. As the Mainland was conducting a review of the nuclear policy, the Administration would maintain close liaison with the relevant authorities and keep in view the future development of nuclear energy. The views of the local community would be taken into account in formulating the future fuel mix policy. It was also worth noting that improving buildings energy efficiency would be an important aspect of energy conservation.

12. Ms Audrey EU said that being a professional in the construction field and an environmentalist, SEN should have his own aspirations and hopes to improve the environment. She agreed to the need to improve buildings energy efficiency as she found the electricity consumption of both the new Legislative Council Complex and the Government Complex was several times higher than that of the old buildings. SEN thanked members for their concern about the environment as well as their encouragement. He said that he would endeavour to put into practice his aspirations and ideals on improving the environment with the concerted efforts from the Administration and the community. He would be pleased to exchange ideas with Members in this regard.

13. Mr LEE Wing-tat noted that there were many challenges ahead to be faced by SEN, notably the possible increase in electricity tariff under the Scheme of Control Agreement (SCA) with the power companies. He enquired if consideration could be given to providing the public with subsidies for electricity/fuel charges. SEN said that the Administration would take into account the financial impacts on small and medium enterprises and low-income families when contemplating the ways forward. It would not rule out any possibilities including the provision of subsidies for electricity charges.

Conservation policy

14. Referring to CE's election platform, Ms Audrey EU said that she expected the new term of Government would introduce changes to the existing environmental policy, such as the establishment of a nature conservation fund to protect land with high ecological value. To her disappointment, there appeared to be nothing new in SEN's remarks. Professor Patrick LAU stressed the need for close rapport between ENB and the Development Bureau (DEVB) to strike a balance between development needs and nature conservation. The Chairman also enquired about the Administration's plans to resolve the conflict between nature conservation and development needs, as well as the objections from District Councils against the location of obnoxious facilities within their districts. SEN acknowledged the difficulties in resolving the conflicts among different parties in implementing environmental policy. Nevertheless, ENB had been working closely with other bureaux and department, including DEVB, in taking forward infrastructural projects to ensure that these were implemented in an environment-friendly manner without compromising the development needs.

15. Given that the ban on trawling activities would take effect in late 2012, Mr WONG Yung-kan enquired about SEN's plans to protect and conserve the marine ecology and resources. SEN said that educational and publicity efforts would be stepped up to enhance public awareness of the need to conserve marine ecology and marine resources.

Structure of ENB

16. Noting that the post of the Under Secretary for the Environment (USEN) was vacant for the time being, Ms Cyd HO enquired about the selection criteria and the timeframe for appointment of the post. She also enquired if SEN was given the opportunity to shortlist the potential candidates. SEN said that the selection committee set up for the recruitment of USEN had shortlisted two candidates for the post. Based on their qualifications and suitability, the selection committee had already made the decision and the appointment would be announced soon. Ms HO remained of the view that SEN should have been allowed to shortlist the potential candidates.

IV. Legislative framework of the proposed charging arrangements for the District Cooling System at the Kai Tak Development

(LC Paper No. CB(1) 2256/11-12(03) — Administration's paper on legislative framework of the proposed charging arrangements for the District Cooling System at the Kai Tak Development

LC Paper No. CB(1) 2256/11-12(04) — Paper on District Cooling System at the Kai Tak Development prepared by the Legislative Council Secretariat (updated background brief))

17. The Deputy Secretary for the Environment (DSE) briefed members on the legislative framework of the proposed charging arrangements for the district cooling services provided by District Cooling System (DCS) at the Kai Tak Development (KTD) area by highlighting the salient points in the information paper.

Payment of tariff

18. Noting that all public and private non-domestic developments that used district cooling services would be required to pay the DCS charges to the Administration, Professor Patrick LAU enquired about the manner in which DCS tariff would be collected. He opined that a standard arrangement should be worked out to avoid possible disputes. The Deputy Director of Electrical and Mechanical Services (Regulatory Services) (DDEMS(RS)) said that as DCS was to provide chilled water for central air-conditioning system on a building basis, the DCS tariff would be collected from the building owners of the central air-conditioning system or their authorized agents (such as the building management offices). To provide the necessary legal backing for the charging

arrangements and other related matters, DSE said that a new Bill was being prepared. As regards the charging arrangements for the central air-conditioning services within the user buildings, DDEMS(RS) said that these would have to be worked out between building owners/authorized agents and their tenants. As with the current practices being adopted by some commercial buildings, the charge could form part of the rent or management fee, or separately charged on a metered basis.

19. Mr KAM Nai-wai enquired about the Administration's responsibility and penalty in the event that DCS failed to deliver the district cooling services. DSE said that DCS was designed to ensure a high degree of service reliability, and a dual-feed power supply arrangement would be adopted to guarantee continued supply of electricity to DCS in the event of outage of one of the electrical supply cables. Sufficient back-up facilities would also be made available for the water-cooling systems.

Charging principles

20. Ms Audrey EU noted that based on the proposed charging principles, the DCS tariff would be set at a competitive level comparable to the cost of individual water-cooled air conditioning systems. It was also the policy intention to recover both the capital and operating costs from users over the project life of around 30 years as taxpayers should not subsidize the air-conditioning charges. Given the high estimated project cost of about \$3,650 million of DCS, she was not convinced that the level of tariff could be set at a competitive level if the Administration intended to break even within 30 years. DSE explained that cost recovery was an important charging principle. While the initial charges were yet to be finalized, the latest calculations showed that the level of DCS tariff could be set at a level comparable to that of individual water-cooled air conditioning system, which was one of the most cost effective air-conditioning systems available in the market. To facilitate reference by both members and prospective consumers, Ms EU opined that the Administration should have worked out the expected level of tariff on the basis that KTD would have around 1.73 million square metres of non-domestic air-conditioned floor areas requiring about 284 MW cooling capacity.

Key tariff components

21. Ms Miriam LAU noted that apart from the two major components (viz. capacity charge and consumption charge) of the proposed DCS tariff, two other charges (viz. capacity overrun charge and financial penalties for unpaid charge) would be imposed as necessary. The capacity overrun charge was meant to discourage consumers from deliberately underestimating their contracted cooling capacity as this might affect the reliability of the total estimated cooling capacity of DCS. Given that no other utility companies had

required consumers to estimate their demand, it would be difficult for consumers to do so. Besides, it would not be easy to establish whether consumers had deliberately underestimated their contracted cooling capacity. Given that economic activities would hinge on the overall business environment, Mr LEE Wing-tat concurred that it would not be easy for building owners to project the cooling capacity of their developments.

22. DSE explained that as DCS would provide cooling services on a district basis for all public and private non-domestic developments at KTD, it was essential to plan for the total cooling capacity that might be required in order to ensure reliability and adequacy of DCS. Outside KTD where DCS was not offered, the normal practice was for developers to install their own air-conditioning systems and estimate the cooling demand requirement based on the planned floor area and usage. For DCS consumers, some degrees of flexibility would be allowed for them to adjust their contracted cooling capacity. DDEMS(RS) supplemented that at the design and construction stage, developers would need to engage engineering professionals to estimate the cooling capacity of the developments under the current building construction practices. If consumers had deliberately underestimated their contracted cooling capacity in an attempt to reduce their capacity charge, this would have a negative impact on the service reliability of DCS. To discourage consumers from doing so, an extra 10% tariff would be imposed on the overrun part of their consumption.

23. Instead of imposing a capacity overrun charge, Ms Miriam LAU suggested that financial incentives should be provided to those consumers whose cooling capacity demand was lower than the contracted cooling capacity to encourage conservation of energy. She also asked if the Administration would refund those building owners who had over-estimated their contracted cooling capacity. Her views were shared by Ms Audrey EU. DDEMS(RS) said that building owners who had over-estimated their contracted cooling demand would not be subject to penalties.

Tariff adjustment mechanism

24. Mr WONG Yung-kan said that members generally supported DCS given its environmental benefits and high energy efficiency. However, the implementation of DCS had turned out to be far more complicated than expected. He shared other members' concerns on the reliability of DCS and the setting of DCS tariff, adding that the DCS rate adjustment formula was very difficult to comprehend. Expressing similar views, Mr KAM Nai-wai sought elaboration on the rate adjustment formula, in particular the capacity charge rate adjustment formula. Noting that the consultation exercise on the tariff charging mechanism and relevant arrangements conducted in April to June 2012 only involved professional bodies, developer association, business chambers and advisory committee, Mr KAM was concerned that the proposed charging mechanism failed to take into account the affordability of consumers who were

the actual users of DCS. He enquired if the Legislative Council (LegCo) had a role to play in formulating the charging arrangements and other related matters. Their views were shared by Mr LEE Wing-tat.

25. In response, DSE reiterated that details of the charging arrangements and other related matters would be set out in a Bill, which would be subject to scrutiny by LegCo. The Administration's plan was to introduce the relevant Bill in the 2012-2013 legislative session. As regards the DCS rate adjustment formula set out in the Annex to the Administration's paper, the Principal Assistant Secretary for the Environment (Energy) explained that the capacity charge served to cover the capital cost of the DCS plant as well as its operation and maintenance cost. The capacity charge would be levied according to the contracted cooling capacity demand and the capacity charge rate, which would be adjusted annually based on the changes in the Composite Consumer Price Index. Meanwhile, the consumption charge would be levied to cover costs that would vary according to the energy consumption of the consumer and the consumption charge rate, which would be adjusted annually to take account of the changes in electricity tariff rate. To facilitate better understanding, Ms Miriam LAU requested the Administration to provide an illustration with some real figures. DSE said that the Administration would consider how the charging formula could be better presented in the legislation. Mr KAM Nai-wai said that he found it difficult to support the proposed charging arrangements for DCS as it failed to take into account the affordability of users or set out the expected level of tariff.

Admin

26. In concluding, the Chairman said that the Administration should take into account members' views in formulating the legislative framework for the charging arrangements for DCS at KTD.

V. Review of the Second Technical Memorandum for Allocation of Emission Allowances for Power Plants

(LC Paper No. CB(1) 2256/11-12(05) — Administration's paper on review of the Second Technical Memorandum for Allocation of Emission Allowances for Power Plants

LC Paper No. CB(1) 2256/11-12(06) — Paper on Technical Memorandum for Allocation of Emission Allowances in respect of Specified Licence prepared by the Legislative Council Secretariat (updated background brief))

27. The Deputy Director of Environmental Protection (3) (DDEP(3)) briefed members on the proposal to reduce emission allowances for power plants for the emission years starting from 1 January 2017 by way of issuing a new Technical Memorandum (TM) under section 26G of the Air Pollution Control Ordinance (Cap. 311) (the Third TM).

28. Mr KAM Nai-wai was concerned about the cost implications of the Third TM on electricity tariff. In order to meet the requirements under the Third TM, the two local power companies might need to increase the use of cleaner fuels (such as natural gas and low-emission coal) and renewable energy which would come with a cost. He therefore held the view that the Third TM should be considered together with the proposed increase in electricity tariff by the power companies. Expressing similar views, Professor Patrick LAU said that the increase in the share of natural gas in the fuel mix for power generation would have impact on electricity tariff given the high price of imported natural gas.

29. In response, DDEP(3) said that the proposed reduction in emission allowances under the Third TM was based on the review of the Second TM which tightened the emission allowances starting from 1 January 2015 and the emission levels of power companies in 2010 and 2011. Under the Second TM, the power companies would be expected to increase the share of natural gas in the fuel mix from the existing some 30% to around 50% by 2015. With the full commissioning of emission control equipment in 2010-2011 and the commitment of power companies to uphold the performance of equipment and the quality of fuel, the power companies should be able to meet the emission allowances under the Third TM. Hence, achieving the proposed 2017 emission caps would not involve new major capital investment by power companies. While the Third TM would not have any major impact on the fuel mix of power companies, actual fuel cost would be subject to international market price. The power companies would present their tariff assessment to the Administration in accordance with the prevailing regulatory mechanism under SCA.

30. Mr KAM Nai-wai said that Members belonging to the Democratic Party had reservations over the Third TM given its implications on electricity tariff. As the Third TM would affect the energy policy, SEN or USEN should attend in person when the subject was discussed by the relevant Panels in the next legislative session. To further improve the air quality, he stressed the need for the power companies to strive to enhance their emission performance through acquisition of more emission reduction facilities. DDEP(3) said that as compared with the current emission allowances for 2015 under the Second TM, the proposed Third TM would further tighten the emission of the three specified pollutants, thereby improving the local air quality. It was expected that further improvements could be made under the Fourth TM starting from 1 January 2019 after new SCA was drawn up.

VI. Any other business

31. As this was the last meeting in the current legislative term, the Chairman thanked members, the Administration and the Secretariat for their support and assistance over the past years.

32. There being no other business, the meeting ended at 10:45 am.

Council Business Division 1
Legislative Council Secretariat
10 September 2012