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Clerk to Subcommittee on Issues Relating to Air, Noise
and Light Pollution of Panel on Environmental Affairs
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attention: Ms Miranda HON)

8 May 2013

Dear Ms HON,

**Panel on Environmental Affairs
Subcommittee on Issues Relating to
Air, Noise and Light Pollution**

Follow-up to meeting on 16 April 2013

I refer to your letter of 22 April 2013 on the captioned subject. Please find attached a paper on the Pilot Green Transport Fund for Members' information.

Yours sincerely,

(Edmond K.M. HO)
for Director of Environmental Protection

For information
May 2013

LEGISLATIVE COUNCIL
PANEL ON ENVIRONMENTAL AFFAIRS
SUBCOMMITTEE ON ISSUES RELATING TO
AIR, NOISE AND LIGHT POLLUTION

Pilot Green Transport Fund

Purpose

This paper gives Members a brief account of the operation of the Pilot Green Transport Fund (the Fund) and its latest progress as requested at the Subcommittee meeting held on 16 April 2013.

The Fund

2. The Fund was set up on 30 March 2011 with \$300 million to support the testing of green and innovative technologies applicable to the public transport sector including ferries, taxis, public light buses, vehicles of charitable/non-profit making organisations providing services to their clients, franchised buses and non-franchised public buses, as well as goods vehicles (including special purpose vehicles). Since its set up, we have been actively encouraging the transport trades and potential technology suppliers to use the Fund to test out green and innovative transport technologies.

The Applicant

3. The applicant should be an existing operator in the transport sector with operation based in Hong Kong (including cross-boundary transport) who –

- (a) has been in the relevant transport service for more than one year;
- (b) will likely remain in the service for a reasonable length of time for the trial to bear fruit;
- (c) has the potential to put the new technology under test into wider use in his/her own operation upon successful trial;

- (d) is willing to share the findings of the test with other operators; and
- (e) is not receiving or has not received funding from other Government sources, public bodies or charitable organisations for the same purpose of the application, except the incentive scheme to encourage the early replacement of Euro II diesel commercial vehicles and the tax incentive scheme to encourage the use of environment-friendly commercial vehicles.

4. In general, the green and innovative technology to be supported under the Fund should outperform its conventional counterpart in respect of air pollutant or greenhouse gas emissions or fuel economy. Given the diversity and continuous development of technologies, it is impracticable to draw up across-the-board specific emission reduction or fuel saving targets for determining whether a technology is sufficiently environment-friendly and innovative for receiving grant under the Fund. We have set up a Steering Committee to assess and advise on applications received under the Fund.

5. The Steering Committee is chaired by Professor Timothy Tong, President of The Hong Kong Polytechnic University, and comprised of members from academic institutions, transport trades, as well as the relevant government representatives. It generally meets quarterly, depending on the status and number of applications received.

6. We have engaged an independent assessor to monitor and evaluate the operational performance of the trial products.

Assessment Criteria of Technologies

7. The green and innovative technologies qualified for the support of the Fund will have to –

- (a) work on sound scientific principles;
- (b) outperform its conventional counterpart by emitting significantly less air pollutant or greenhouse gas, or demonstrating much better fuel economy. However, regular upgrading of emission performance of conventional fossil fuel vehicles in accordance with the prevailing international standards (e.g. European standards) should not generally be qualified for application;
- (c) be not commonly or widely used for day-to-day operation in the relevant transport trade locally;

- (d) be affordable to the transport trades in respect of capital and operation costs;
- (e) be likely able to cope with the local operating conditions such as hilly terrain, hot and humid climate, intensity of operation, etc.;
- (f) be not violating any statutory requirements such as roadworthiness, fire safety, etc. and can satisfy the approval requirements of the relevant regulatory authorities; and
- (g) be not for research purpose.

8. Broadly speaking, the green and innovative technologies to be supported under the Fund may involve one or more of the following products –

- (a) alternative-fueled vehicles such as electric vehicles, hybrid vehicles, plug-in hybrid vehicles, etc.;
- (b) after-treatment emission reduction devices such as diesel particulate filters, selective catalytic reduction devices, exhaust gas recirculation systems, wet scrubbers, etc.;
- (c) fuel saving devices; or
- (d) conversion of in-use conventional vehicles to alternative-fueled vehicles.

Subsidy Level

9. The Fund only subsidizes the capital cost of the green and innovative technology product proposed for trial but not the associated recurrent expenditure. A transport operator may apply to the Fund to try out different green and innovative products subject to a maximum subsidy of \$9 million for each application and \$12 million in total. The subsidy levels and caps for various technologies are set out in Annex.

Latest Progress

10. As of end April 2013, 44 approved applicants have commenced or are preparing the trials of a total of 79 vehicles (including 14 electric taxis, 11 electric coaches, 18 electric goods vehicles, 24 hybrid goods vehicles and 12 hybrid light buses). About \$76 million or 25% of the Fund have been committed for these trials.

11. At present, nine electric goods vehicles and 18 hybrid goods vehicles

approved by the Fund are on trial by various transport operators. Reports on the trial of the vehicles concerned will be made available on Environmental Protection Department's website for reference by the transport trades and the public.

Environment Protection Department
May 2013

Subsidy levels and caps for Pilot Green Transport Fund

Green and innovative technology product	Subsidy level	Subsidy cap
<p>(a) <u>Alternative-fueled vehicles</u></p> <p>(i) Subsidy per vehicle</p> <p>(ii) Related support systems</p>	<p>(i) Price premium between the alternative-fueled vehicle and the conventional vehicle or 50% of the cost of the alternative-fueled vehicle, whichever is higher</p> <p>(ii) 50% of setting up cost</p>	<p>\$3 million per vehicle, and</p> <p>\$9 million per application</p>
<p>(b) <u>Conventional vehicles</u></p> <p>(i) After-treatment emission reduction devices;</p> <p>(ii) Fuel saving devices; or</p> <p>(iii) Conversion of in-use conventional vehicles to alternative-fueled vehicles</p>	<p>75% of the cost of the device including installation or the vehicle conversion cost</p>	<p>\$1.5 million per device or vehicle conversion, and</p> <p>\$9 million per application</p>
<p>(c) <u>Ferries</u></p> <p>Engine retrofit or testing of alternative-fueled engine</p>	<p>75% of the device or engine including installation</p>	<p>\$3 million per engine or device, and</p> <p>\$9 million per application</p>