

**立法會**  
*Legislative Council*

LC Paper No. CB(1)25/13-14  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/EA/1

**Panel on Environmental Affairs**

**Minutes of meeting**  
**held on Monday, 22 July 2013, at 2:30 pm**  
**in Conference Room 1 of the Legislative Council Complex**

**Members present** : Hon Cyd HO Sau-lan (Chairman)  
Hon CHAN Hak-kan, JP  
Hon CHAN Kin-por, BBS, JP  
Hon Albert CHAN Wai-yip  
Hon Claudia MO  
Hon Steven HO Chun-yin  
Hon WU Chi-wai, MH  
Hon Gary FAN Kwok-wai  
Hon Charles Peter MOK  
Dr Hon Kenneth CHAN Ka-lok  
Hon KWOK Wai-keung  
Hon Dennis KWOK  
Hon SIN Chung-kai, SBS, JP  
Dr Hon Helena WONG Pik-wan  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP  
Hon Tony TSE Wai-chuen

**Members attending** : Hon WONG Kwok-kin, BBS  
Hon Frankie YICK Chi-ming

**Members absent** : Hon Christopher CHUNG Shu-kun,  
BBS, MH, JP (Deputy Chairman)  
Hon Vincent FANG Kang, SBS, JP  
Hon CHAN Han-pan  
Dr Hon Elizabeth QUAT, JP  
Hon CHUNG Kwok-pan

**Public Officers attending** : **For item III**

Ms Christine LOH, JP  
Under Secretary for the Environment

Mr Andrew LAI, JP  
Deputy Director of Environmental Protection (3)  
Environmental Protection Department

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

Mr LEE Yu-tao  
Senior Environmental Protection Officer (Air Policy)5  
Environmental Protection Department

**For item IV**

Mr Andrew LAI, JP  
Deputy Director of Environmental Protection (3)  
Environmental Protection Department

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

Mr LEE Yu-tao  
Senior Environmental Protection Officer (Air Policy)5  
Environmental Protection Department

**Attendance by  
invitation** :

**For item IV**

Designing Hong Kong

Mr Adrian LAU  
Project Assistant

Feoso Oil Ltd

Mr SZETO Hin  
Maintenance & Safety Senior Supervisor

Sinopec (Hong Kong) Petroleum Co Ltd

Mr FUNG Pak-sing  
Assistant General Manager

Far East Hydrofoil Company Ltd

Mr CHIANG Sui-ki  
Division Director - Engineering

Turbojet Ferry Services (Guangzhou) Ltd

Mr YIP Kwok-lee  
Marine Superintendent

Shun Tak-China Travel Ship Management Ltd

Mr NG Kin-man  
Division Director - Operations

HK & KLN Motor Boats & Tug Boats Association Ltd

Mr Bondy WEN  
Chairman

Marine Joint Conference and  
Hong Kong Cargo-Vessel Traders' Association Ltd

Mr WONG Yiu-kan  
Convener, Chairman

CO2 Feeds The World

Dr Robert HANSON  
Consultant

Individual

Professor Dennis LEUNG  
Professor  
The University of Hong Kong

Hong Kong Ap Lei Chau Machinery Traders Association Ltd

Mr CHAN Shu-wah  
Vice-chairman

Individual

Mr CHENG Wing-kuen  
Senior Research Associate  
The University of Hong Kong

New World First Ferry Services Ltd

Mr David WONG  
Assistant General Manager (Engineering)

Chu Kong Shipping Enterprises (Holdings) Co Ltd

Mr ZHU Tong  
Director & General Manager

Sai Kung Ferry Traders Association

Mr LEE Shing-hing  
Chairman

The Hong Kong and Yaumati Ferry Company Ltd

Mr CHOR Yee-on  
Deputy General Manager

**Clerk in attendance** : Ms Miranda HON  
Chief Council Secretary (1)1

**Staff in attendance** : Mrs Mary TANG  
Senior Council Secretary (1)1

Miss Mandy POON  
Legislative Assistant (1)1

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**I. Confirmation of minutes**

(LC Paper No. CB(1)1569/12-13 — Minutes of the special meeting held on 15 May 2013

LC Paper No. CB(1)1536/12-13 — Minutes of the meeting held on 27 May 2013)

The minutes of the special meeting and the regular meeting held on 15 and 27 May 2013 respectively were confirmed.

**II. Information paper issued since last meeting**

2. Members noted that the following papers had been issued since the last meeting –

(LC Paper No. CB(1)1379/12-13(01) — Referral arising from the meeting between Legislative Council Members and Islands District Council members on 30 May 2013 regarding the protection of interests of private land owners (Chinese version only) (Restricted to Members)

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LC Paper No. CB(1)1548/12-13(01) — Administration's paper on "Sewage Services Operating Accounts Actual Outturn in 2011-12 and Projected Outturn in 2012-13"

LC Paper Nos. CB(1)1571/12-13(01) and CB(1)1571/12-13(02) — Referral memorandum from the Public Complaints Office of the Legislative Council Secretariat regarding a submission made by a member of the public on the impact of low chimneys of food premises on the environment and public health as well as the Administration's response (Restricted to Members))

3. The Chairman suggested holding a special meeting before the end of July 2013 to discuss "Issues relating to Hong Kong's municipal solid waste recycling rate and handling of imported waste" given the recent controversy over the issues. She said that invitations would be extended to green groups and relevant trades involved in the import/export of recyclable and reusable materials to give views at the meeting to enable members to have a better understanding on the subject. Members were welcomed to inform the Secretariat of the relevant organizations to be invited. After discussion, members agreed that the special meeting should be held on Friday, 26 July 2013, at 10:00 am. Ir Dr LO Wai-kiwok requested the Administration to provide a breakdown on the amount of recyclables which were generated, recycled, exported and landfilled to facilitate discussion at the special meeting.

4. The Chairman further informed members that the Administration had requested that a special meeting be held to brief the Panel on the outcome of consultation on the retirement of pre-Euro IV diesel commercial vehicles. The possible time slots for the special meeting would be Wednesday, 18 September 2013, at 2:30 pm or Wednesday, 2 October 2013, at 2:30 pm. A circular would be issued by the Secretariat inviting members to indicate their choice of time slots for the special meeting.

*(Post meeting note: Based on the feedback from members and with the concurrence of the Chairman, the special meeting would be held on Wednesday, 2 October 2013, at 2:30 pm.)*

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(*Post meeting note:* As advised by the Chairman after the meeting, the subject of the impact of low chimneys of food premises on the environment and public health would be included in the Panel's list of outstanding items for discussion.)

**III. Mandatory fuel switch at berth for ocean going vessels in Hong Kong waters**

(LC Paper No. CB(1)1537/12-13(01) — Administration's paper on "Mandatory fuel switch at berth for ocean going vessels in Hong Kong waters"

LC Paper No. CB(1)1537/12-13(02) — Background brief on "Mandatory fuel switch at berth for ocean going vessels in Hong Kong waters" prepared by the Legislative Council Secretariat

LC Paper No. CB(1)1537/12-13(03) — Submission from Mr TANG Wing-chun, Kwun Tong (Laguna City) District Council member (Chinese version only)

LC Paper No. CB(1)1537/12-13(04) — Submission from Friends of the Earth (HK) and Clean Air Network (Chinese version only))

5. The Under Secretary for the Environment ("USEN") briefed members on the proposal to mandate all ocean-going vessels ("OGVs") to use cleaner fuel while at berth in Hong Kong waters with effect from 1 January 2015, so as to improve air quality.

Fuel supply

6. Dr Helena WONG noted from the Administration's paper that Annex VI to the International Convention for the Prevention of Pollution from Ships of the International Maritime Organization ("IMO") provided for a mechanism for IMO Members to designate their waters as an Emission Control Area ("ECA"),

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within which all vessels must use fuel containing not more than 1% sulphur by now and 0.1% sulphur from January 2015 onwards. She questioned why the present proposal would only require OGVs to use low sulphur fuel ("LSF") with sulphur content of not more than 0.5% when at berth in Hong Kong waters. She enquired about the difficulties in complying with international standards and the timetable for achieving such standards.

7. USEN said that the reason for setting the fuel standard at sulphur content of not more than 0.5% instead of 0.1% was that the latter was not readily available in Hong Kong. Consideration could be given to tightening the fuel standard at a later stage when fuels with lower sulphur content was available. The setting of fuel standard with sulphur content at 0.1% was applicable only in ECAs established in the Baltic Sea, the North Sea, North America, and the Caribbean Sea, where a tighter fuel standard applied. The Assistant Director of Environmental Protection (Air Policy) ("ADEP(AP)") added that Hong Kong was the first city in Asia to mandate the fuel switch at berth. At present, as the sulphur content of fuels available in Hong Kong and other ports of Asia was 0.5% in general, it would not be practical to tighten the sulphur content to 0.1%. As agreed with the shipping trade, all OGVs would be required to use LSF with sulphur content not exceeding 0.5% when at berth in Hong Kong waters starting from 1 January 2015.

8. Dr Kenneth CHAN enquired whether the sulphur content of the fuel for use by OGVs at berth would be specified in the legislation. He also enquired about the timetable for tightening the fuel standard. USEN responded that ECAs would tighten their standard for OGVs in January 2015. By then, the demand for vessel fuel with sulphur content of 0.1% would significantly increase and there could be more supply of fuel with sulphur content of 0.1% for the shipping industries worldwide. The Administration would review the fuel standard to be adopted in Hong Kong taking into account the latest development in the fuel market. The drafting of legislation would be worked out in consultation with the Department of Justice. The Deputy Director of Environmental Protection (3) ("DDEP(3)") added that the proposed legislation would require all OGVs to use LSF, which would be defined in the new legislation as fuel with sulphur content not exceeding 0.5% by weight, when at berth in Hong Kong waters starting from 1 January 2015. Where there was a need to tighten the fuel standard in the future, approval would have to be sought from the Legislative Council. He stressed that the tightening of fuel standard would be subject to the availability of fuel and the adaptability of the shipping trade.

9. Mr WU Chi-wai asked if the Administration would aim at using vessel fuel with sulphur content of 0.1% as its supply would likely be widely available upon implementation of ECAs in January 2015. In the meantime, incentives



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should continue to be given to OGVs to encourage them to switch fuel while at berth in Hong Kong waters. He also enquired if the engines of OGVs were compatible with the use of vessel fuel with sulphur content of 0.1%. USEN explained that while the supply of vessel fuel with sulphur content of 0.1% should be available in North America and Europe following its adoption by ECAs in January 2015, it was not certain as to whether there would be adequate supply of such fuel in Asia by that time.

10. The Chairman stated that the Administration should consider including in the proposed legislation provisions requiring regular reviews of the fuel standard to be adopted for use by OGVs while at berth in Hong Kong waters.

Emission Control Area

11. In response to the enquiry about the establishment of an ECA in the Pearl River Delta ("PRD") Region, ADEP(AP) explained that the requirements for OGVs to comply with a mandatory fuel switch at berth were quite different from those of ECAs, where cleaner fuel would have to be used once an OGV entered an ECA. As a lot of time and efforts were required for designating an area as an ECA, the Administration would proceed firstly with mandating fuel switch at berth and consider the establishment of an ECA at a later stage. Mr KWOK Wai-keung said that since the development of an ECA would take time, he would support that preparatory arrangements be made ahead of time. USEN responded that the application for establishing an ECA had to be made by the Central People's Government ("CPG") to IMO. Hong Kong alone could not initiate the request to CPG as the ECA had to be made jointly with other ports within the PRD Region.

Process of fuel changeover

12. Mr SIN Chung-kai sought elaboration on the process of fuel changeover upon arrival at berth. Mr Frankie YICK was concerned about the difficulties in complying with the fuel switch at berth as this would involve a cumbersome procedure. ADEP(AP) explained that OGVs were equipped with several fuel tanks for storing different types of fuels to meet different fuel requirements. All OGVs must initiate fuel switch upon arrival at berth, complete the switch to LSF within one hour, and then use LSF throughout the berthing period until one hour before departure.

13. Mr WONG Kwok-kin pointed out that the fuel-changeover process was cumbersome, requiring at least two hours. Before the fuel switch at berth, the principal engine would need to use up the residual oil in its tank as the viscosity of residual oil was much higher than LSF. Besides, the engines of boilers and electricity generators, which had to be turned on constantly for heating purposes,

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would also need to change to LSF upon berthing.

14. Noting that the fuel-changeover process would take two hours to complete, Mr KWOK Wai-keung was concerned about the feasibility of completing the process within one hour. Given the high penalties for non-compliance, he enquired if any feasibility study had been conducted on the fuel switch process. ADEP(AP) explained that heavy fuel oil required trace heating to keep its viscosity at an appropriate level. It was thus necessary to ensure that the switch to low sulphur fuel, which could vapourise by a trace-heated pipe, would be done at a suitable pace to avoid vapour blocking. Prior consultation had been held with the shipping operators and they had confirmed the feasibility of completing the fuel switch within one hour.

Incentives to encourage fuel switch

15. Dr Kenneth CHAN enquired about the administrative arrangements to be made by the Administration in the transition from voluntary to mandatory fuel switch, as it was currently providing reduced port facilities and light dues as incentives to encourage the switch. DDEP(3) replied that a three-year incentive scheme was launched in September 2012 to reduce by half the port facilities and light dues charged on OGVs using fuel with sulphur content not more than 0.5% when at berth in Hong Kong. The shipping trade was well aware that the incentive scheme would expire by September 2015, and that the mandatory scheme would come into operation on 1 January 2015.

16. Mr CHAN Kin-por noted that LSF was about 40% more costly than residual oil and the cost differential was about US\$300/tonne. A 20 000-tonne OGV switching to LSF would, on average, incur an additional fuel cost of about HK\$14,000 when berthing in Hong Kong for 14 hours. According to the advice from shipowners and ship operators, the port facilities and light dues incentive could offset about 35% to 50% of the additional fuel cost of an OGV. As the incentive scheme would expire in September 2015, he enquired if further incentives would be provided to offset the increased operating cost. USEN said that it was the Administration's intention to start mandating the fuel switch at berth from 1 January 2015 and not to extend the incentives under the voluntary scheme afterwards.

Impact on the shipping industry

17. Mr Frankie YICK said that shipping companies were facing much financial hardship in their operation as the shipping business had been on the decline in recent years. As the mandatory fuel switch would only be implemented in Hong Kong and not other parts of Asia, there were concerns that Hong Kong might lose out its competitiveness to neighbouring ports and

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this would add a further blow to the local shipping business. Shipping companies had requested that the incentives provided under the voluntary scheme be extended beyond September 2015. He further pointed out that the smaller scale shipping companies operating river-trade vessels might have much difficulty in complying with the mandatory fuel switch on account of the need to retrofit vessels with separate fuel tanks for storage of LSF. As a result, these companies would probably re-direct the routing of their vessels to other ports in the PRD Region. There was a need to assess the percentage of vessels running intra-Pacific routes which might no longer berth in Hong Kong upon the implementation of the mandatory fuel switch at berth in January 2015.

Coordination within the PRD Region

18. Dr Helena WONG enquired whether there was any coordination with other Mainland ports in the PRD Region on the fuel switch at berth. Mr CHAN Kin-por was concerned that the additional cost implications arising from the mandatory fuel switch might affect the competitiveness of Hong Kong port vis-à-vis neighbouring ports in PRD. He enquired about the corresponding measures adopted in the PRD region in implementing the fuel switch at berth. USEN responded that although fuel switch at berth was not a part of national policy, close liaison had been maintained with the Shenzhen and Guangdong authorities on the issue. An emission inventory on vessel emissions had been compiled to facilitate the monitoring of progress on emission reduction and such information had been shared with the Mainland.

19. Ir Dr LO Wai-kwok said that while he would support the principles of mandatory fuel switch at berth which would improve the air quality in Hong Kong, he shared the concern about the additional cost implications arising from the mandatory fuel switch which might affect the competitiveness of Hong Kong. He enquired whether the neighbouring ports in PRD had any plans to introduce schemes to require fuel switch at berth, given that the governments of Hong Kong, Guangdong and Macau had jointly agreed to develop the PRD Region into a Green and Quality Living Area. USEN responded that cooperation had been sought from the Shenzhen, Macau, and Guangdong authorities in developing the PRD Region into a Green and Quality Living Area and fuel switch at berth would be one of the initiatives in this direction.

On-shore power supply

20. Mr KWOK Wai-keung enquired about the progress on the provision of on-shore power supply ("OPS"). USEN replied that the Government planned to provide OPS at the Kai Tak Cruise Terminal. There was a need for coordination with shipping companies on the provision of OPS to ensure that OGVs at berth would be able to connect to the electricity supplied.

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21. The Chairman referred members to a joint submission from Friends of the Earth (HK) and Clean Air Network requesting the attendance of the Secretary for Commerce and Economic Development ("SCED") at the present meeting to explain his role on the mandatory fuel switch at berth and the provision of OPS at the Cruise Terminal. It was her understanding that, while the Commerce and Economic Development Bureau was responsible for the development of the Kai Tak Cruise Terminal, the Environment Bureau would be responsible for the development of OPS as the technicality of which had yet to be resolved. As such, she considered it not necessary to invite SCED to the present meeting. She had referred the submission to the Chairman of the Panel on Economic Development for information and follow-up.

22. The Chairman concluded that members did not object to the proposed legislation to mandate fuel switch at berth. She opined that there should be more communication between the Administration and members with a view to incorporating the latter's views in the legislation to be drafted.

**IV. Receiving public views on "Upgrading the diesel standard for local vessels"**

(LC Paper No. CB(1)736/12-13(05) — Administration's paper on "Upgrading the diesel standard for local vessels"

LC Paper No. CB(1)736/12-13(06) — Background brief on "Upgrading the quality of local marine light diesel" prepared by the Legislative Council Secretariat)

23. At the Chairman's invitation, 16 deputations/individuals presented their views on the subject of "Upgrading the diesel standard for local vessels". A summary of the views of the deputations/individuals is in the **Appendix**.

24. Members also noted the following submissions from deputations/individuals not attending the meeting –

(LC Paper No. CB(1)1537/12-13(08) — Submission from The "Star" Ferry Company Ltd (Chinese version only)

LC Paper No. CB(1)1537/12-13(09) — Submission from Clean Air Network (Chinese version only)

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- LC Paper No. CB(1)1537/12-13(10) — Submission from Discovery Bay Transportation Services Ltd (English version only)
- LC Paper No. CB(1)1537/12-13(11) — Submission from Hong Kong & Kowloon Ferry Holding Ltd (Chinese version only) (Restricted to Members)
- LC Paper No. CB(1)1537/12-13(12) — Submission from Hong Kong Fishermen Consortium (Chinese version only)
- LC Paper No. CB(1)1579/12-13(01) — Submission from Friends of the Earth (HK) (Chinese version only)
- LC Paper No. CB(1)1579/12-13(02) — Submission from The Hong Kong Institution of Engineers (English version only)
- LC Paper No. CB(1)1579/12-13(03) — Submission from ExxonMobil Hong Kong Ltd (English version only)
- LC Paper No. CB(1)1591/12-13(01) — Submission from New Territories Cargo Transport Association Ltd (Chinese version only)

Discussion

25. DDEP(3) and ADEP(AP) provided a consolidated response to the views and concerns raised by the deputations/individuals as follows –

- (a) the Administration was well aware of the trades' concerns on upgrading marine light diesel standard from high sulphur diesel with a sulphur limit of 0.5% ("HSD") to low sulphur diesel with a sulphur limit of 0.05% ("LSD") and oil companies would have no problem supplying LSD to the local market;
- (b) with the across-the-board application of 0.05% sulphur limit to marine light diesel, oil companies would only have to supply one kind of marine diesel and would not incur extra operating costs

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arising from providing different grades of marine diesel for different sectors in the local marine trade ;

- (c) the upgrading of diesel standard from HSD to LSD would be cost effective as it would result in a 90% reduction in the emission of sulphur dioxide from local vessels ;
- (d) the upgrading of marine diesel standard would proceed ahead of the mandatory fuel switch for OGVs at berth because the former had been discussed with the trades for several years. Only LSD would be supplied locally to vessels upon the commencement of the proposed regulation in 2014. This would be followed by mandatory fuel switch for OGVs at berth when the new regulation commenced in January 2015;
- (e) a Working Group on Upgrading the Quality of Marine Light Diesel had been set up to examine the technical feasibility of upgrading the quality of marine light diesel, and the outcome of the study had confirmed the technical feasibility of powering local vessels with LSD;
- (f) the two engine models used in the technical feasibility study were representative of the engines used by the local marine trades; and
- (g) while there would be a small increase in fuel consumption arising from the use of LSD on account of its lower calorific value, this would have minimal impact on the operating costs of vessels.

26. Mr SIN Chung-kai said that the upgrading of diesel standard for local vessels was long overdue. The Government should not be subsidizing ferry companies in their use of cleaner fuels. The resultant increase in operating cost should be borne by ferry operators who could pass on the cost to passengers through increase in fares. Ferry operators should apprise the public of the increase in operating cost due to the use of LSD so that they would be made aware of the cost implications of having cleaner fuel and better air quality. He sought the trades' explanation on the impact of the upgrading of diesel standard on ferry fares.

27. Mr NG Kin-man/Shun Tak-China Travel Ship Management Ltd said that the annual fuel consumption of his company was 150,000,000 litres. While the Administration had estimated that the fuel cost differential between HSD and LSD would be HK\$0.07/litre, the trades had queried the accuracy of the estimate. Furthermore, the two engine models used in the technical feasibility study were not those used by Shun Tak-China Travel Ship Management Ltd,

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which had a major share of business in the ferry market. In the absence of reliable information on the fuel cost differential and the increase in specific fuel consumption, he was unable to assess the impact of the proposal on ferry fares. Mr David WONG/New World First Ferry Services Ltd said that he would not be able to assess the effect of the upgrading of diesel standard on ferry fares at the present stage due to the lack of data. Mr ZHU Tong/Chu Kong Shipping Enterprises (Holdings) Co Ltd said that it was estimated that the fuel cost differential between HSD and LSD, coupled with the increase in specific fuel consumption, would amount to an additional cost of HK\$0.18/litre. This would be a significant increase in fuel cost.

28. Mr Steven HO said that the Government had recently been implementing a series of measures which affected the shipping and fishing trades. These included the present proposal on the upgrading of diesel standard for local vessels, mandatory fuel switch at berth for OGVs, ban on trawling, and harbour reclamation. He enquired if the Administration had assessed the cumulative impact of these measures on the trades and whether there was any urgency in their implementation. He also enquired about the percentage contribution of emissions from local vessels and the emission reduction arising from the mandatory fuel switch at berth for OGVs. He further enquired if there was any mechanism for regulating the fuel cost differential between HSD and LSD which was presently estimated at HK\$0.07/litre. DDEP(3) responded that marine vessels were the largest local air emission source. In 2011, local crafts and river vessels plying between Hong Kong and PRD ports contributed about 21%, 32% and 57% of the total emissions of sulphur dioxide, respirable suspended particulates and nitrogen oxides from the marine sector respectively. There were comparable emissions from OGVs. There was a need to reduce the emissions from local vessels as well as OGVs for better protection of public health.

29. Mr Frankie YICK declared interest as a Director of the Star Ferry Company Limited. He did not agree that marine vessels were the largest local air emission source. He pointed out that the fuel cost differential of HK\$0.07/litre as estimated by the Administration had only taken into the account the selling price of LSD as set by Singapore manufacturers and had not included the necessary transportation and storage cost. Referring to the submission from the Hong Kong Institution of Engineers ("HKIE"), he noted that the studies conducted by American shipping companies had revealed that the lower lubricating properties and change of viscosity of LSD would lead to excessive wear within the fuel pump. HKIE suggested that the Government should closely monitor the situation such as the effect on fuel prices, and consider providing compensation or assistance to ensure that all stakeholders' concerns were well addressed. In this connection, he supported that an undertaking be made by the Government that the fuel cost differential between

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HSD and LSD be maintained at HK\$0.07/litre, beyond which subsidies would be provided to offset the increased fuel cost. He added that as ferries were facing immense financial difficulties in their operation, there was a need for subsidies to be provided in the switch to cleaner fuel. DDEP(3) explained that according to the information provided by fuel companies, the fuel cost differential between HSD and LSD was estimated at HK\$0.07/litre, or less than 1% increase in fuel cost. However, there might be deviations from the estimate as fuel prices were subject to fluctuations.

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30. Mr Tony TSE requested the Administration to provide the respective emissions from local vessels, river-trade vessels and OGVs and the timetable for achieving the emission reduction targets upon the upgrading of diesel standard. He shared the concern about the impact of the upgrading of diesel standard on the operating cost of local vessels as this might lead to rising ferry fares. He also pointed out the need to avoid the monopoly of fuel supply by engaging more fuel suppliers. DDEP(3) agreed to provide a breakdown on the emissions from local vessels, river-trade vessels and OGVs. A rough estimate could be made on the increase in fuel cost arising from the upgrading of diesel standard by taking into account the fuel consumption and the additional cost of using LSD. ADEP(AP) said that the LSD had become a standard grade of diesel at refineries that were supplying diesel to Hong Kong because of the international trend of tightening the standard on diesel. There would thus be a high degree of transparency on its price. Being a standard grade of diesel, the LSD should also not have the problem of monopolized supply .

*(Post-meeting note: The Administration's response was circulated to members on 14 August 2013 vide LC Paper No. CB(1)1695/12-13(01).)*

31. The Chairman thanked the deputations and individuals for attending the meeting to share their views. She would welcome further views from members and the public.

**V. Any other business**

32. There being no other business, the meeting ended at 4:38 pm.



**Panel on Environmental Affairs**

Meeting on Monday, 22 July 2013, at 2:30 pm

Receiving public views on "Upgrading the diesel standard for local vessels"

Summary of views and concerns expressed by deputations/individuals

No.	Name of deputation /individual	Major views and concerns
1.	Designing Hong Kong [LC Paper No. CB(1)1720/12-13(01)]	<ul style="list-style-type: none"> <li>• supported the implementation of the mandatory fuel switch to low sulphur fuel with sulphur content not exceeding 0.1% by weight for ocean going vessels (OGVs") not only at berth, but when entering Hong Kong waters;</li> <li>• an Emission Control Area ("ECA") should be established in Hong Kong waters;</li> <li>• there should unlikely be any problem of fuel supply as manufacturers would be keen to supply LSF upon implementation of the mandatory fuel switch at berth; and</li> <li>• there should be no further delay in tightening the diesel standard for local vessels from high sulphur diesel with sulphur limit of 0.5% ("HSD") to low sulphur diesel with sulphur limit of 0.05% ("LSD")</li> </ul>
2.	Feoso Oil Ltd	<ul style="list-style-type: none"> <li>• supported the upgrading of diesel standard for local vessels; and</li> <li>• need for corresponding upgrading of diesel standard for vessels plying within PRD Region as otherwise Hong Kong would lose out on its competitiveness</li> </ul>
3.	Sinopec (Hong Kong) Petroleum Co Ltd	<ul style="list-style-type: none"> <li>• supported the upgrading of diesel standard for local vessels; and</li> <li>• support early introduction of the relevant legislation so that the company could prepare for the supply of LSD</li> </ul>
4.	Far East Hydrofoil Company Ltd	<ul style="list-style-type: none"> <li>• supported the upgrading of diesel standard for local vessels in principle but was concerned about the associated cost implications;</li> <li>• the two engine models used in the technical feasibility study were not those used by Far East Hydrofoil Company Ltd; and</li> <li>• the need for additives to LSD to improve its lubricity might lead to increased maintenance costs</li> </ul>
5.	Turbojet Ferry Services (Guangzhou) Ltd	<ul style="list-style-type: none"> <li>• supported the upgrading of diesel standard for local vessels in principle; and</li> </ul>

No.	Name of deputation /individual	Major views and concerns
		<ul style="list-style-type: none"> <li>questioned the need to implement the proposed upgrading in 2014 when the mandatory fuel switch for OGVs which were the major polluters would only be implemented in 2015</li> </ul>
6.	Shun Tak-China Travel Ship Management Ltd	<ul style="list-style-type: none"> <li>supported in principle the upgrading of diesel standard for local vessels but was concerned about the associated cost implications which might have a serious impact on operating costs and ferry services;</li> <li>supported that assistance be given to ferry operators should the fuel cost differential between HSD and LSD turned out to be more than HK\$0.07/litre as estimated by the Administration;</li> <li>the two engine models used in the technical feasibility study were not those used by Shun Tak-China Travel Ship Management Ltd which had a major share of business in the market; and</li> <li>need to regulate the price of LSD and the quality of diesel used by non-local vessels plying in Hong Kong waters</li> </ul>
7.	HK & KLN Motor Boats & Tug Boats Association Ltd [LC Paper No. CB(1)1591/12-13(02)]	<ul style="list-style-type: none"> <li>supported in principle the upgrading of diesel standard for local vessels but was concerned about the negative impact on ferry operators who were already facing much financial hardship in their operation;</li> <li>concerned that the fuel cost differential between HSD and LSD could be as much as HK\$2.33/litre and not HK\$0.07/litre as estimated by the Administration;</li> <li>the increased operating cost arising from the upgrading of diesel standard would likely be reflected in ferry fares; and</li> <li>requested for the provision of fuel subsidies for ferry operators, similar to that provided under the Liquefied Petroleum Gas Taxi Scheme</li> </ul>
8.	Marine Joint Conference and Hong Kong Cargo-Vessel Traders' Association Ltd [LC Paper No. CB(1)1537/12-13(05) & LC Paper No. CB(1)1537/12-13(06)]	<ul style="list-style-type: none"> <li>supported measures to improve air quality but was concerned about the cost implications associated with the upgrading of diesel standard given that fuel cost constituted about 40% of the operating cost for ferry operations;</li> <li>while incentives such as reduced port facilities and light dues were provided to OGVs in their fuel switch at berth, no such incentives were offered to local vessels in the upgrading of diesel standard; and</li> <li>a phased approach should be adopted for upgrading the diesel standard for local vessels such that ferry operators would have more time to adjust to the changes</li> </ul>

No.	Name of deputation /individual	Major views and concerns
9.	CO2 Feeds The World [LC Paper No. CB(1)1537/12-13(07)]	<ul style="list-style-type: none"> <li>• did not support the mandatory fuel switch to diesel with sulphur dioxide ("SO<sub>2</sub>") content of 0.05% as all diesel engines on land and at sea should be mandated to use diesel with 0.001% of SO<sub>2</sub> by weight;</li> <li>• the Government should not offer any subsidies to any company for making the change;</li> <li>• with its density of development, Hong Kong would need stricter standards on air quality; and</li> <li>• as nitrogen oxides and the respirable suspended particulates were major pollutants affecting Hong Kong's air quality and these could be removed through upgrading of engines, there was a need to upgrade all engines from Euro I to Euro VI</li> </ul>
10.	Professor Dennis LEUNG Yiu-cheong, The University of Hong Kong	<ul style="list-style-type: none"> <li>• supported the upgrading of diesel standard for local vessels which would help improve the air quality in Hong Kong;</li> <li>• the technical feasibility study on the upgrading of diesel standard for local vessels in which he had taken part had confirmed the technical feasibility of powering local vessels with LSD; and</li> <li>• the findings of the technical feasibility study indicated a small increase in specific fuel consumption by the tested engines when running on LSD</li> </ul>
11.	Hong Kong Ap Lei Chau Machinery Traders Association Ltd	<ul style="list-style-type: none"> <li>• supported emission reduction measures which would help improve the air quality in Hong Kong; and</li> <li>• as revealed by the technical feasibility study, the use of LSD would not affect the performance of vessels</li> </ul>
12.	Mr CHENG Wing-kuen, Senior Research Associate, The University of Hong Kong	<ul style="list-style-type: none"> <li>• supported the upgrading of diesel standard from HSD to LSD for local vessels</li> </ul>
13.	New World First Ferry Services Ltd	<ul style="list-style-type: none"> <li>• supported the need to improve air quality but was concerned about the cost implications of upgrading the diesel standard for local vessels since fuel cost constituted 40% to 50% of the company's operating costs; and</li> <li>• as ferry operators were facing financial difficulties in their operation, there was a need for subsidies to be provided by the Government to offset the increased operating cost arising from the upgrading of diesel standard</li> </ul>

<b>No.</b>	<b>Name of deputation /individual</b>	<b>Major views and concerns</b>
14.	Chu Kong Shipping Enterprises (Holdings) Co Ltd	<ul style="list-style-type: none"><li>• need for assistance from the Government to relieve the additional financial burden arising from the upgrading of diesel standard for local vessels</li></ul>
15.	Sai Kung Ferry Traders Association	<ul style="list-style-type: none"><li>• concerned about the cost implication of the upgrading of diesel standard for local vessels and its impact on the operation of ferry services</li></ul>
16.	The Hong Kong and Yaumati Ferry Company Ltd	<ul style="list-style-type: none"><li>• supported measures to improve air quality but was concerned that fluctuations in fuel prices would have a serious impact on the company's operation; and</li><li>• need to ensure a stable supply of LSD and to regulate its price</li></ul>