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Panel on Environmental Affairs

Special meeting on 15 May 2013

Background brief on "Retirement of pre-Euro IV diesel commercial vehicles" prepared by the Legislative Council Secretariat

Purpose

This paper provides background information on the Government's proposal to phase out pre-Euro IV (i.e. pre-Euro, Euro I to III) diesel commercial vehicles, and gives a brief account of the views and concerns expressed by Members on the subject.

Background

2. Diesel commercial vehicles are one of the major sources of roadside air pollution in Hong Kong. At present, there are some 128 000 diesel commercial vehicles in Hong Kong (excluding franchised buses). About 88 000 of them are pre-Euro IV diesel commercial vehicles which emit about 88% of respirable suspended particulates ("RSP") and 46% of nitrogen oxides ("NOx") from all vehicles in 2010. If all these pre-Euro IV diesel commercial vehicles are replaced by Euro V models, the vehicular emissions of RSP and NOx will be reduced by 80% and 30% respectively.

Voluntary incentive schemes introduced in 2007 and 2010

3. The Government launched two incentive schemes in 2007 and 2010 to encourage vehicle owners to replace their pre-Euro and Euro I, as well as Euro II diesel commercial vehicles respectively with new commercial vehicles. The incentive scheme for pre-Euro and Euro I vehicles was a one-off grant scheme and concluded in end March 2010. A total of 17 103 applications were approved, involving a grant of about \$770 million. About 29% of the eligible

vehicles participated in the scheme. The participation rates of light goods vehicles and heavy goods vehicles, at 25% and 24% respectively which were about a quarter, were below the overall rate.

4. The incentive scheme for Euro II diesel commercial vehicles was launched in July 2010 and will conclude in end June 2013. As at October 2012, a total of 3 956 applications were approved, involving a grant of about \$340 million. Among the vehicles eligible for the incentive scheme, the participation rates of diesel light buses, light goods vehicles and heavy goods vehicles were 5%, 11% and 12% respectively which are comparatively low. Participation in the vehicle replacement incentive scheme is voluntary, and whether vehicle owners replace their vehicles or not is purely their commercial and personal decision.

Proposal to phase out pre-Euro IV diesel commercial vehicles

5. In view of the lukewarm response to the above voluntary incentive schemes, the Chief Executive announced in the 2013 Policy Address that the Government would adopt both incentives and regulatory measures to phase out heavily polluting diesel commercial vehicles. Specifically, the Government proposes to –

- (a) offer an ex-gratia payment up to 30% of the taxable values of new vehicles to vehicle owners for phasing out their pre-Euro IV diesel commercial vehicles. Details of the proposed payment level are in **Appendix I**. Unlike previous incentive schemes, ex-gratia payment will also be provided to vehicle owners who scrap their pre-Euro IV diesel commercial vehicles without replacement by new vehicles. The payment level will be correlated inversely with the age of the vehicle to be scrapped;
- (b) stop the renewal of licences for pre-Euro IV diesel commercial vehicles with effect from specified dates. The proposed ban will be implemented in phases, with the banning of the most polluting pre-Euro and Euro I vehicles on 1 January 2016, and Euro II on 1 January 2017 and Euro III on 1 January 2019 respectively; and
- (c) set a statutory retirement age of 15 years for newly registered diesel commercial vehicles. This will provide a long term solution to the pollution problem caused by aged diesel commercial vehicles through a continued upgrading in the emission standard of the commercial vehicle fleet.

6. The Government has earmarked \$10 billion for the proposed ex-gratia payment to facilitate the implementation of the proposal to ban licence renewal of heavily polluting diesel commercial vehicles with effect from specified dates, details of which are summarized in **Appendix I**.

Deliberations by Members

Panel on Environmental Affairs ("the Panel")

7. The Panel, at its meeting on 28 January 2013, noted the proposal to phase out pre-Euro IV diesel commercial vehicles when it was briefed on the environmental initiatives as set out in the 2013 Policy Address. Some members were concerned about the difficulties faced by the transport trades in complying with the phasing-out programme and the impact of the programme on the livelihood of transport operators. They were of the view that a fixed date should not be set for the phasing-out of these vehicles lest it would exert undue pressure on vehicle owners who might have difficulties in saving up for the replacement of their vehicles. Some other members pointed out that legislation would have to be introduced to implement the proposal given the waiting time of a few years before phasing out the polluting vehicles. To achieve quicker improvement to air quality, the Administration should also consider setting up low emission zones in busy districts to restrict polluting vehicles with high exhaust emissions from entering such zones.

8. On the setting of a statutory retirement age of 15 years for newly registered diesel commercial vehicles, some members were of the view that more flexibility should be allowed in the phasing-out of Euro V and VI vehicles if the Administration did not foresee that more environment friendly vehicles would be emerging in the near future. More efforts should also be made to promote the wider use of electric vehicles.

Subcommittee on Issues Relating to Air, Noise and Light Pollution

9. The Subcommittee on Issues Relating to Air, Noise and Light Pollution, which was formed under the Panel in the current term, discussed the proposal to phase out pre-Euro IV diesel commercial vehicles at its meeting on 29 January 2013. In anticipation that the phasing-out of old polluting commercial vehicles would raise the selling prices of environment-friendly commercial vehicles at Euro V level, a member expressed concern that local transport operators would face much hardship in carrying on with their business as most of them would not be able to make such substantive investment to replace their vehicles. There were also views that vehicle age might not adequately reflect the condition of the vehicle and its emission performance. Given that the early replacement of

diesel commercial vehicles would incur substantial costs for vehicle owners, there should be continuity in the policy of setting a service life limit for newly registered diesel commercial vehicles at 15 years.

Council question

10. Hon CHAN Hak-kan raised a question relating to the control of emission of diesel commercial vehicles at the Council meeting on 21 November 2012. Details of the Council question are hyperlinked in **Appendix II** for ease of reference.

Latest development

11. The Administration will consult the Panel at the special meeting scheduled for 15 May 2013 on its proposal to phase out pre-Euro IV diesel commercial vehicles through an incentive-cum-regulatory approach and to limit the service life of newly registered diesel commercial vehicles at 15 years as proposed in the 2013 Policy Address.

Relevant papers

12. A list of relevant papers is set out in **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
9 May 2013

**“Carrot and Stick” Approach to Phase Out
Pre-Euro IV Diesel Commercial Vehicles**

Proposed Ex-gratia Payment for Owners

	Age of Scrapped vehicles and Ex-gratia Payment Level				
	18 years or above	16 years - below 18 years	13 years - below 16 years	10 years - below 13 years	Below 10 years
Those who do not seek replacement by newly registered vehicles	10%	12%	14%	16%	18%
Those who replace them with newly registered vehicles of the same class	18%	21%	24%	27%	30%

**Proposed Timetable for Non-renewal of Licences for
Pre-Euro IV Diesel Commercial Vehicles**

	Pre-Euro II	Euro II	Euro III
Date after which the vehicle licence will not be renewed	1 Jan 2016	1 Jan 2017	1 Jan 2019
Range of age of the vehicles by the proposed date of non- renewal of vehicle licence	Over 18 years	16 to 19 years	13 to 18 years

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Environmental Affairs	20 December 2006	<p>Administration's paper on "Encouraging owners of Pre-Euro and Euro I diesel commercial vehicles to replace their vehicles by offering one-off grant" (LC Paper No. CB(1)513/06-07(03)) http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea1220cb1-513-3-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)734/06-07) http://www.legco.gov.hk/yr06-07/english/panels/ea/minutes/ea061220.pdf</p>
Panel on Environmental Affairs	5 January 2007	<p>Administration's paper on "Encouraging owners of Pre-Euro and Euro I diesel commercial vehicles to replace their vehicles by offering one-off grant" (LC Paper No. CB(1)513/06-07(03)) http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea1220cb1-513-3-e.pdf</p> <p>Updated background brief on "Air pollution control" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)617/06-07(14)) http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0105cb1-617-14-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)930/06-07) http://www.legco.gov.hk/yr06-07/english/panels/ea/minutes/ea070105.pdf</p>

Council/ Committee	Date of meeting	Paper
Panel on Environmental Affairs	24 November 2008	<p>Administration's paper on "Early Replacement of Old Commercial Vehicles" (LC Paper No. CB(1)223/08-09(08)) http://www.legco.gov.hk/yr08-09/english/panels/ea/papers/ea1124cb1-223-8-e.pdf</p> <p>Updated background brief on "Early replacement of pre-Euro and Euro I diesel commercial vehicles" prepared by the Legislative Council Secretariat (LC Paper No. CB(1) 223/08-09(09)) http://www.legco.gov.hk/yr08-09/english/panels/ea/papers/ea1124cb1-223-9-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)595/08-09) http://www.legco.gov.hk/yr08-09/english/panels/ea/minutes/ea20081124.pdf</p>
Panel on Environmental Affairs	Tabled in the Legislative Council on 8 July 2009	<p>Report of the Panel on Environmental Affairs for submission to the Legislative Council (LC Paper No. CB(1)1944/08-09) http://www.legco.gov.hk/yr08-09/english/panels/ea/reports/ea0708cb1-1944-e.pdf</p>
Subcommittee on Improving Air Quality	10 March 2010	<p>Administration's paper on "Early Replacement of Old Diesel Commercial Vehicles" (LC Paper No. CB(1)1250/09-10(01)) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/papers/ea_iaq0310cb1-1250-1-e.pdf</p> <p>List of follow-up actions arising from the discussion at the meeting on 4 January 2010 (LC Paper No. CB(1)1250/09-10(02)) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/papers/ea_iaq0310cb1-1250-2-e.pdf</p> <p>Administration's response to CB(1)1250/09-10(02) (LC Paper No. CB(1)1339/09-10(07)) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/papers/ea_iaq0310cb1-1339-7-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1767/09-10) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/minutes/iaq20100310.pdf</p>

Council/ Committee	Date of meeting	Paper
Subcommittee on Improving Air Quality	11 May 2010	<p>Administration's paper on "Early Replacement of Old Diesel Commercial Vehicles" (LC Paper No. CB(1)1250/09-10(01)) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/papers/ea_iaq0310cb1-1250-1-e.pdf</p> <p>List of follow-up actions arising from the discussion at the meeting on 10 March 2010 (LC Paper No. CB(1)1405/09-10(01)) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/papers/ea_iaq0511cb1-1405-1-e.pdf</p> <p>Administration's response to items 1 and 2 of CB(1)1405/09-10(01) (LC Paper No. CB(1) 1405/09-10(02)) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/papers/ea_iaq0511cb1-1405-2-e.pdf</p> <p>Administration's response (Annex I to deputations' written submissions and CB(1)1824/09-10(02) while Annex II to item 3 of CB(1) 1405/09-10(01)) (LC Paper No. CB(1) 1838/09-10(02)) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/papers/ea_iaq0511cb1-1838-2-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2619/09-10) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/minutes/iaq20100511.pdf</p>
Subcommittee on Improving Air Quality	17 September 2010*	<p>Report of the Subcommittee on Improving Air Quality for submission to the Panel on Environmental Affairs (LC Paper No. CB(1)2869/09-10) http://www.legco.gov.hk/yr09-10/english/panels/ea/ea_iaq/reports/ea_iaqcb1-2869-e.pdf</p>

Council/ Committee	Date of meeting	Paper
Panel on Environmental Affairs	28 January 2013	Administration's paper on "2013 Policy Address – Policy Initiatives of Environment Bureau: Environmental protection" (LC Paper No. CB(1)431/12-13(02)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea0128cb1-431-2-e.pdf Minutes of meeting (LC Paper No. CB(1)732/12-13) http://www.legco.gov.hk/yr12-13/english/panels/ea/minutes/ea20130128.pdf
Subcommittee on Issues Relating to Air, Noise and Light Pollution	29 January 2013	Administration's paper on "Current legislation and administrative measures on the control of air pollution and the associated public expenditure" (LC Paper No. CB(1)474/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/ea/ea_anlp/papers/ea_anlp0129cb1-474-1-e.pdf Minutes of meeting (LC Paper No. CB(1)743/12-13) http://www.legco.gov.hk/yr12-13/english/panels/ea/ea_anlp/minutes/anlp20130129.pdf

* Date of issuance of papers

Hyperlink to relevant Council Question:

Date	Council Question
21 November 2012	Council question raised by Hon CHAN Hak-kan http://www.info.gov.hk/gia/general/201211/21/P201211210463.htm