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Panel on Environmental Affairs

Meeting on 22 October 2012

**Background brief on "Incentive scheme to encourage ocean going vessels to switch to cleaner fuels while at berth in Hong Kong waters"
prepared by the Legislative Council Secretariat**

Purpose

This paper sets out the background to the incentive scheme to encourage ocean going vessels ("OGVs") to switch to cleaner fuels while at berth in Hong Kong waters, and gives an account of the views expressed by Members on the subject.

Background

2. In January 2011, 17 major ship liners in Hong Kong signed up to the voluntary Fair Winds Charter. The operators committed to switching to low sulphur fuel as far as possible when at berth in Hong Kong waters for two years. In the 2011-2012 Policy Address, the Chief Executive announced an initiative to explore with the governments of Guangdong, Shenzhen and Macao the feasibility of requiring OGVs to switch to low-sulphur fuel while at berth in the Pearl River Delta ("PRD") waters. Regional cooperation on this front is essential to ensure level playing field and maximize the environmental benefits in the region.

The proposed incentive scheme

3. To encourage more OGV operators to switch to cleaner fuels, the Financial Secretary proposed in his 2012-2013 Budget Speech to reduce by half the port facilities and light dues charged on OGVs using low sulphur fuel when at berth in Hong Kong waters. The proposed scheme will span three years.

4. OGVs that are convention vessels not plying exclusively within the river-trade limits are eligible for the scheme. Participating vessels must use low sulphur diesel with sulphur content not more than 0.5% while at berth in Hong Kong waters for their auxiliary engines, generators and boilers.

5. All vessels must submit a one-time registration to the Environmental Protection Department ("EPD") before joining the scheme. This is a one-off exercise and EPD will maintain a Registered Vessels List in its database. If a registered vessel has switched fuel while at berth in Hong Kong waters, the shipmaster can apply for dues incentive under the scheme by submitting an application via the Marine Department's counter service or Electronic Business System before leaving Hong Kong waters. The declaration must be made for individual port calls. The use of self-declaration and application form is in line with international practices in administering similar incentive schemes. The Marine Department will waive half of the port facilities and light dues of the eligible OGVs concerned when they depart from Hong Kong for that port call.

Deliberations by the Panel on Environmental Affairs

6. The proposed incentive scheme was discussed at the Panel meeting on 28 May 2012. While expressing support for the proposed incentive scheme, members opined that the scheme should also apply to river-trade vessels plying between Hong Kong neighbouring cities within PRD waters as pollution had no boundaries. They considered that there should be more cooperation with the Mainland ports in reducing the emissions from vessels plying within PRD waters. Some members were concerned how the Administration could ensure compliance with the incentive scheme which would rely on self-discipline of shipmasters. Moreover, some members suggested that apart from incentives to encourage the fuel switch, disincentives should also be put in place to discourage the use of polluting fuels. Others enquired if the Administration would consider introducing legislation to mandate OGVs to switch to cleaner fuels while at berth in Hong Kong waters. To facilitate compliance with the fuel switch, they supported the provision of better berthing spaces for OGVs, particularly at the new Cruise Terminal.

7. The Administration undertook to assess the effectiveness of the incentive scheme upon its expiry in three years' time.

Relevant papers

8. A list of relevant papers is in the **Appendix**.

Appendix

Incentive scheme to encourage ocean going vessels to switch to cleaner fuels while at berth in Hong Kong waters

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Environmental Affairs	28 May 2012	<p>Information paper on "Incentive scheme for ocean going vessels to switch fuel at berth" provided by the Administration (LC Paper No. CB(1) 1949/11-12(05)) http://www.legco.gov.hk/yr11-12/english/panels/ea/papers/ea0528cb1-1949-5-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1) 2349/11-12 http://www.legco.gov.hk/yr11-12/english/panels/ea/minutes/ea20120528.pdf</p>