

**Speaking Note of
the Secretary for the Environment
for the Special Meeting of the Finance Committee
at 5:50 p.m. on 1 April 2014**

Chairman,

I would like to brief Members on the part of the Estimates relating to the Environment Bureau (ENB) and the key foci of our work in the new financial year.

Allocation of More Resources

2. The Government has been allocating more resources to environmental protection, and puts emphasis on better air quality, cleaner sea water and better management of solid waste, to enhance the quality of living of our community. In this financial year, the total allocation to ENB and departments in my portfolio is about \$16.1 billion, which is 21% or about \$2.8 billion more than the revised estimate for 2013-14.

3. Of the total allocation of \$16.1 billion, about \$6.8 billion is recurrent expenditure, up \$900 million from the revised estimate for 2013-14. The additional provision is mainly for meeting the operational costs of the newly completed sewage treatment facilities and District Cooling System; taking forward waste reduction and recycling initiatives such as operating Community Green Stations; managing surplus public fill for re-use and reviewing the regulatory framework for the electricity market. As regards the number of posts in ENB and the Environmental Protection Department (EPD), there will be an increase of 94 posts in 2014-15.

4. The provision in 2014-15 for non-recurrent expenditure, capital

account and cash flow for projects under Capital Works Reserve Fund is about \$9.3 billion, representing an increase of about \$1.9 billion over the revised estimate for 2013-14. The increase is mainly for implementing the ex-gratia payment scheme to phase out pre-Euro IV diesel commercial vehicles and subsidising the trial of electric buses by franchised bus companies.

5. I will now give a brief outline of the work priorities of ENB in the coming year.

Waste Management

6. Our waste problem is imminent. In the “Blueprint for Sustainable Use of Resources” released by ENB in 2013, we have set an aggressive target to reduce the per capita disposal rate of municipal solid waste (MSW) by 40% by 2022. We are taking forward the following measures in parallel:

- (a) Waste reduction at source, including quantity-based MSW charging and producer responsibility schemes;
- (b) Food Wise Hong Kong Campaign;
- (c) Clean recycling;
- (d) Turning waste to energy; and
- (e) Improvements for more hygienic transportation and treatment of waste.

7. To strengthen efforts in reducing waste at source and promoting the development of the recycling industry, the Steering Committee to Promote the Sustainable Development of the Recycling Industry led by the Chief Secretary for Administration is studying various measures such as stepping up training of the recycling workforce, developing a certification

scheme for recyclers, improving the collection network in the community, promoting green procurement etc. to support the sustainable development of the recycling industry. The Government has earmarked \$1 billion for setting up a Recycling Fund. A proposal on the specific uses of the fund will be formulated this year for consultation with the Panel on Environmental Affairs of the Legislative Council (LegCo).

8. I trust Members are aware of our progress in implementing the various waste reduction measures. Yet even with all the measures implemented and waste reduction targets achieved as planned, in 2017 there will still be about 10 000 tonnes of waste per day. We shall invest about \$30 billion in infrastructures for waste recycling and treatment. We plan to develop the Phase 1 Integrated Waste Management Facilities (IWMF) for handling 3 000 tonnes of MSW per day and turn waste to energy by advanced incineration technologies meeting the European Union's standards. Nonetheless, landfills are still an essential and ultimate part of the waste management chain for the disposal of non-recyclables, non-combustible waste, construction waste and post-treatment residues. We are also pressing ahead with the provision of organic waste treatment facilities, Community Green Stations, and treatment and recycling facilities for waste electrical and electronic equipment.

Energy

9. On energy, we launched in March 2014 a three-month public consultation on the future fuel mix for electricity generation. Two fuel mix options were put forward for public consultation, including (a) "grid purchase", under which we proposed importing electricity through purchase from the Mainland power grid; and (b) "local generation", under which we proposed using more natural gas for local generation. The Government

adopts an open position on the two fuel mix options and we will map out the way forward having regard to the outcome of the public consultation. The future fuel mix for electricity generation will have an impact on the mode of electricity supply in Hong Kong and set the scene for the review of the post-2018 regulatory framework for the electricity market. In this regard, we have set aside resources for reviewing the regulatory framework for the electricity market.

Improving Air Quality

10. On improving air quality, our priority is to reduce roadside air pollution. I am most thankful for the support of LegCo earlier on for phasing out some 82,000 pre-Euro IV diesel commercial vehicles by 2020. We have launched on 1 March the ex-gratia payment scheme to assist the affected vehicle owners. The financial involvement of the scheme is about \$11.4 billion. It is estimated that after we have phased out these highly polluting vehicles, the emissions of respirable suspended particulates and nitrogen oxides from local vehicles will be reduced by 80% and 30% respectively. Together with the implementation of other air quality improvement measures in Hong Kong and the Pearl River Delta Region, Hong Kong's air quality will improve significantly, and the new Air Quality Objectives will be broadly achieved by 2020.

11. Electric vehicles (EVs) have no tailpipe emissions. Replacement of conventional vehicles with EVs can help improve roadside air quality and reduce greenhouse gas emissions. At present, as the technology of EVs is still under development, extension of the waiver of first registration tax for EVs is particularly important for promoting the use of EVs. I thank LegCo for passing the resolution to extend the first registration tax waiver for EVs by three years to March 2017. To strengthen the supporting infrastructure

for EVs, we will launch a pilot scheme enabling suppliers of electric taxis to install quick chargers at car parks managed by the Transport Department. This year will also see the addition of 100 medium chargers in different districts.

Improving Harbour Water Quality

12. The major works of Stage 2A of the Harbour Area Treatment Scheme (HATS) at an estimated cost of \$17.5 billion are expected to be completed the end of this year. All sewage from both sides of Victoria Harbour will be collected for treatment at the Stonecutters Island Sewage Treatment Works. The overall water quality of Victoria Harbour will improve further.

13. For the quality of the harbour's coastal waters to be further enhanced, we plan to carry out a consultancy study to work out practical options and a programme, to improve the environment of waterfront areas by tackling near shore pollution, with the long-term objective of enhancing the leisure and amenity value of the coastal areas of Victoria Harbour. We will consult stakeholders in the next few months on the consultancy study and seek funding approval from LegCo next year.

Conclusion

14. Chairman, the Government has spared no efforts in protecting the environment and building a green community to achieve a better quality of living for all. We look forward to joining hands with different sectors of the community and LegCo to meet the environmental challenges of Hong Kong together.

15. Chairman, together with my colleagues, I would be pleased to answer Members' questions.

Environment Bureau

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