

Submission from the Construction Industry Council CB(1)357/14-15(01)

Dear Chairman, Legislators and all the Government Representatives,

Our Government's 2008-09 Policy Address pledged to implement a District Cooling Services or DCS at Kai Tai Development to further promote energy efficiency and conservation and to reduce carbon dioxide emission substantially.

CIC comes here today to support the Bill of imposition of charges for the use of DCS in the Hong Kong Kai Tak Development area.

Among most available energy efficient air-conditioning systems, DCS is seen as one of the most sustainable solutions in the town planning of a new district, in which chilled water can be distributed through a network of underground pipes from a large scale centralized chiller plant to multiple buildings. It is particularly suitable for developments with high-density or clusters of buildings, which minimizes the requirements of individual chiller plants of different uses. We agree Kai Tak Development area is one of the appropriate locations for application of DCS, also the first of its kind in Hong Kong.

The proposed tariff rate is primarily set at HK\$2 per square foot. We understand that this level seeks to achieve full cost recovery of the DCS over its project life in 30 years, in other words, it's not based on commercial calculation nor in any rate, matching with the prevailing air-conditioning tariff rate in the market which is mostly over HK\$3 per square foot in Kowloon area. In brief, we have no objection on the proposed tariff rate but we would further endorse it if it's under a simple and stable tariff structure.

Apart from others, there're two major success factors of DCS and they are economics and enhanced system performance. I think we shouldn't just come here to talk about the economics today but in fact we see the latter, i.e. enhanced system performance even more important if we want to make this premier DCS implementation sustainable and successful in Hong Kong eventually.

A more than competitive air-conditioning tariff rate is no doubt attractive to the prospective tenants but there are certainly a lot more concerns in their minds when it comes to trying out a so-called premier green and innovative air conditioning system in practice, as the last thing they want to see is to spend

extra sum of money to build their own back-up a/c system on their roofs. So, besides dealing with the challenges of the whole construction carefully one by one, EMSD has to put up a lot of effort to address each concern about DCS down to the earth in order to finally get each of the prospective tenant's vote of confidence which is re-locating their workplace to Kai Tak Development. Luckily there're many DCS pioneering cities such as New York, Japan and Singapore and there're surely a lot of experiences and cases that we may elaborate to them to the ease of their mind. Afterall, we need to have a good occupancy rate in Kai Tak Development before we can see a proven DCS performance over time. Only if we can do that, we'll be able to tell people that "Model of Green Excellence in Hong Kong" is in Kai Tak. We would therefore urge EMSD to apply a more client-oriented approach when it comes to the stage of inviting tenancy to Kai Tak Development.

As far as our construction industry is concerned, DCS Bill is undoubtedly regarded as a welcoming Bill as it would provide more job opportunities in particular to the refurbishment sector over a long period of time.

Thank You!