

Finance Committee Speech by SEN at the FC Special Meeting
(2018-19)

Chairman,

1. 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.

2. In the 2018-19 financial year, ENB and departments under my portfolio are allocated with about \$17 billion, which is about 26.0% or \$3.5 billion more than the revised estimate for 2017-18. Of the total allocation, recurrent expenditure accounts for about \$9.4 billion, up \$1.5 billion or 18.4% from the revised estimate for 2017-18. The additional allocation is mainly for taking forward various initiatives including meeting the operation fees of various additional waste facilities such as WEEE-PARK and Phase 1 of Organic Resources Recovery Centres (ORRCs), taking forward the Producer Responsibility Schemes, preparation for the Municipal Solid Waste (MSW) Charging scheme, setting up outreach teams, management of food waste, operation of Community Green Stations, handling public fill, implementation of initiatives of strategic landfill extensions, implementing various nature conservation and biodiversity initiatives, setting up a Countryside Conservation Office (CCO) to co-ordinate conservation projects, implementing various air pollution control programmes, implementing the initiatives in relation to combating climate change, promoting renewable energy (RE) and energy

efficiency, taking forward measures to enhance the quality of coastal waters of Victoria Harbour and step up marine refuse cleansing services for tackling marine refuse problem and improving sewage treatment facilities. As regards the number of posts, there will be a net increase of 211 posts in the ENB and the Environmental Protection Department (EPD) in 2018-19, representing an increase of 11%.

3. In addition, provision for projects under Capital Works Reserve Fund, non-recurrent expenditure and capital account in 2018-19 is about \$7.6 billion, representing a net increase of \$2.1 billion or 36.9% over the revised estimate for 2017-18. The increase is mainly for meeting the expenses of various capital works projects under the Environment portfolio, including the integrated waste management facilities phase 1, ORRC phase 2 (Cat B), facilitating the sustainable development of the recycling industry, Southeast New Territories Landfill extension, enhancement works for Kwun Tong sewage pumping station and expansion of Sha Tau Kok Sewage Treatment Works - phase 1 (Cat B), implementing energy saving projects in government buildings, etc..
4. I will now give a brief outline of the work priorities of ENB in the coming year.
5. On combating climate change, ENB shall continue to coordinate the efforts of various bureaux and departments in implementing the enhanced climate change work plan under the Steering Committee on

Climate Change chaired by the Chief Secretary for Administration. The Government has set a target to reduce our carbon intensity by 65-70% by 2030 compared with the 2005 level, which is equivalent to an absolute reduction of 26-36% and resulting in reduction in per capita emissions from 5.7 tonnes in 2015 to 3.3 to 3.8 tonnes in 2030. Pursuant to the Paris Agreement, Parties should strive to formulate and communicate by 2020 their long-term low greenhouse gas emission development strategies. To this end, the Government has invited the Council for Sustainable Development to conduct a Public Engagement exercise in 2018-19 financial year, so as to tap and gauge the views of the community for developing Hong Kong's long-term decarbonisation strategies up to 2050.

6. ENB shall continue its publicity efforts to raise public awareness of the importance of combating climate change, and highlight the key measures that the Government will undertake itself and in conjunction with various stakeholders. To enhance publicity, a total of \$15 million has also been earmarked under the Environment and Conservation Fund (ECF) in 2017-18 financial year and 2018-19 financial year to subsidise non-profit-making organisations to carry out public education activities and demonstration projects on climate change. ENB will also launch a low carbon living calculator in the second quarter this year. The calculator helps the public assess and learn how to reduce their carbon emissions in respect of clothing, food, living and travel, thereby promoting behavioural change towards low-carbon living.

7. The Government continues taking the lead to apply RE on a wider and larger scale, and creating the conditions to enable the private sector and the community to consider adopting RE. In the 2017-18 financial year, we earmarked \$200 million for bureaux and departments to implement RE projects. About \$100 million have been approved for relevant departments to conduct these projects. In order to install RE facilities at more government premises, we will increase the funding by \$800 million from \$200 million to \$1 billion. We are also implementing various large scale RE projects, including the successful pilot schemes of floating photovoltaic systems at the Shek Pik Reservoir and the Plover Cove Reservoir. Apart from government projects, we will also introduce new measures under the post-2018 Scheme of Control Agreements (SCAs) signed with the power companies to further promote the development of distributed RE in a broader horizon, including the introduction of the Feed-in Tariff Scheme (FiT) and RE Certificate Schemes. Our main objective of introducing FiT is to provide incentives to develop distributed RE. After careful consideration of the outcome of an independent consultancy study, we have decided to set the FiT rates at \$3, \$4 and \$5 per unit of electricity having regard to the generation capacity of the RE system concerned. We believe that the level of FiT rates would help drastically reduce the payback period of most RE systems to about 10 years and in turn facilitate more proactive consideration by individuals or organisations of the installation of RE systems at their places. In addition, power companies will also sell

RE Certificates, through the purchase of which the organisations and the public can support the development of RE in Hong Kong. At the same time, the revenue from such sale will be used to alleviate the tariff impact of the introduction of FiT. We have already submitted the relevant paper to the Legislative Council (LegCo) Panel on Environmental Affairs, and will provide more details of the aforementioned schemes next week.

8. The Energy Saving Plan for Hong Kong's Built Environment 2015~2025+ has a target to reduce energy intensity by 40% by 2025 using 2005 as the base. The Government will continue to lead by example and promote energy efficiency and conservation (EE&C) as well as green building. To achieve the 5% electricity saving target for government buildings from 2015-16 to 2019-20, at least \$600 million has been earmarked so far to help bureaux and departments implement energy saving projects. To further encourage EE&C in private buildings, we propose that the tax deduction period be shortened from the current five years to one year for capital expenses on RE and building energy efficiency installations. To encourage the public to use energy-efficient electrical appliances, we aim to complete the legislative amendment process of Phase III of the Mandatory Energy Efficiency Labelling Scheme in mid-2018.
9. The power companies also play an important role in the promotion of energy saving. Under the post-2018 SCAs, power companies will introduce a series of measures to promote EE&C and we will brief the

LegCo Panel on Environmental Affairs on the details of these programmes next week. In gist, under the aforementioned SCAs, the existing energy efficiency funds and incentive schemes in relation to energy saving will be considerably expanded. The power companies will also establish Community Energy Saving Funds with funding from ploughing back over half of the incentives earned as a result of promoting energy saving to assist disadvantaged groups and for the community to further promote energy saving.

10. Improving air quality has all along been one of our key priorities. Apart from ongoing initiatives such as phasing out progressively pre-Euro IV diesel commercial vehicles by the end of 2019 and strengthening the control of emissions from petrol and liquefied petroleum gas (LPG) vehicles, we continue to waive in full the first registration tax (FRT) for electric commercial vehicles, electric motor cycles and electric motor tricycles until 31 March 2021 to promote the use of electric vehicles (EVs) as replacements of their conventional counterparts. As for electric private cars, on the one hand, the Government has to control the growth of private cars to avoid causing traffic congestion and aggravating roadside air pollution; on the other hand, we hope to encourage car owners to go for EVs as far as possible when purchasing private cars. Hence, apart from continuing with the current FRT concession of up to \$97,500 till 31 March 2021, we will also launch a new “One-for-One Replacement” Scheme to allow eligible private car owners who buy a new electric private car and scrap

an eligible old private car to enjoy a higher FRT concession of up to \$250,000.

11. On pollution from vessels, we are drafting a new regulation to mandate vessels within the waters of Hong Kong to use compliant fuel (including low sulphur fuel with sulphur content not exceeding 0.5%) starting from 1 January 2019 to tie in with the control at the domestic marine emission control area of the Pearl River Delta region. Besides, we are preparing the drafting of an amendment regulation to tighten the emission standards of non-road vehicles operating at specified locations such as the airport, container terminals, etc. to bring them in line with the latest statutory emission standards for newly registered vehicles. Over the years, we have been collaborating with the Guangdong government and set reduction targets for emissions of four major air pollutants to improve regional air quality. The joint Mid-term Review study with the Guangdong Government announced in end of last year confirmed that both sides had respectively attained the 2015 emission reduction targets and finalized the emission reduction targets of both sides for 2020 to further improve our regional air quality.

12. Regarding the review of the air quality objectives (AQOs), we reported the review progress to the Panel on Environmental Affairs last June and conducted two public engagement forums in September to collect public views on possible air quality improvement measures. We are reviewing the resultant scope for tightening the AQOs due to

the implementation of new measures and expect to complete the review within 2018.

13. In respect of nature conservation, we will set up a CCO under EPD to facilitate the sustainable development of remote countryside, and has earmarked \$1 billion for the CCO and non-governmental organisations to conduct relevant conservation and revitalization work, as well as to carry out minor improvement works. As a priority, the CCO will enhance countryside revitalisation in Lai Chi Wo and ecological conservation in Sha Lo Tung. The ECF has also approved funding to implement two nature conservation management agreement projects in Lai Chi Wo and Sha Lo Tung respectively. In addition, the Government will continue the discussion with Sha Lo Tung Development Company Limited on the detailed conditions and arrangements regarding the non-in-situ land exchange proposal involving the Shuen Wan Restored Landfill in Tai Po and the private land with high ecological importance in Sha Lo Tung.

14. Separately, the Agriculture, Fisheries and Conservation Department appointed a consultancy firm in June last year to conduct a planning and design study, which will last for around one and a half year, for the proposed Robin's Nest Country Park, with a view to designating the Government land of about 500 hectares around Robin's Nest in Sha Tau Kok as a country park for conservation and recreation purposes.

15. We completed the legislative work for conservation of elephants in February this year. The Protection of Endangered Species of Animals and Plants (Amendment) Ordinance will be effective on 1 May 2018, which will tighten the regulation of import and export of ivory and elephant hunting trophies and impose heavier penalties on all endangered species, and to phase out the local trade in ivory from 31 December 2021. Since the launch of the first Hong Kong Biodiversity Strategy and Action Plan (BSAP) in end-2016, relevant bureaux and departments have set clear and possible targets for the 67 specific actions under the four major areas of the BSAP, and are implementing the actions gradually according to the timeframe set out in the BSAP.
16. Following the commissioning of Stage 2A of the Harbour Area Treatment Scheme, we are now strengthening our sewerage infrastructure in the territory and continuing effort to alleviate near shore pollution problem, with a view to further enhancing the water quality in Hong Kong waters. This year, we plan to seek funding approval from LegCo Finance Committee for eight sewerage infrastructure projects of some \$5.2 billion in total for upgrading a sewage treatment works, constructing village sewerage systems, installing dry weather flow interceptors and rehabilitating ageing sewers.
17. As to the environmental conditions of shorelines, we will continue to coordinate and enhance collaboration between relevant departments to

deal with marine refuse and environmental incidents through the inter-departmental working group. The relevant departments will continue to enhance cleaning work, step up patrols and provide necessary facilities with additional resources allocated. We will also continue to strengthen collaboration with our Guangdong counterparts through the Hong Kong-Guangdong Marine Environmental Management Special Panel to explore measures to prevent and handle marine environmental incidents, as well as to further enhance the relevant notification mechanism on marine environmental incidents, with a view to continuously protecting and improving the regional marine environment.

18. On waste management, the ENB is taking forward the Hong Kong: Blueprint for Sustainable Use of Resources to raise public awareness and strengthen community participation to reduce waste at source and promote waste reuse and recovery. We already expanded the scope of service of the Community Recycling Network in early 2018 to receive also waste plastic bottles delivered from private housing estates participating in the Source Separation of Waste Programme on a need basis and to transport the waste plastic bottles collected to suitable recycling outlets for recycling and recovery. We are also preparing to introduce a pilot scheme to centrally collect the waste plastic bottles received by the Community Recycling Centres all over Hong Kong, and, as necessary, from the sources direct (including individual residential estates) across the territory for delivery to competent recyclers for onward processing. To render assistance

and support to property management companies and residents, we are engaging additional manpower to set up outreaching teams. Besides, we have been actively undertaking the preparatory work for implementing MSW charging, and will introduce into LegCo the necessary legislation. Meanwhile, more than 50 community involvement projects funded by the ECF have commenced in succession to enable the public and stakeholders to try out MSW charging first hand.

19. On the implementation of Producer Responsibility Schemes (PRS), the PRS on waste electrical and electronic equipment (WEEE) will be fully implemented in 2018. From 1 August 2018, sellers of regulated electrical equipment are required to arrange free statutory removal service for consumers to dispose of an equipment of the same class that they intend to abandon. To prepare for the smooth implementation of statutory removal service, a trial scheme was launched in November 2017 to allow participating sellers to better understand their legal requirements and familiarise themselves with the relevant operation. The disposal licensing control, import and export permit control and landfill disposal ban in respect of e-waste will also come into effect from 31 December 2018 onwards. To underpin the operation of the scheme, the Waste Electrical and Electronic Equipment Treatment and Recycling Facility (WEEE·PARK) was fully commissioned in early March 2018. Besides, we are actively undertaking the preparatory work for the PRS on glass beverage containers for its full implementation scheduled for 2018-19, with a view to introducing a

levy. We are also conducting in parallel a feasibility study on how to implement a PRS for suitable plastic product containers to better promote their recycling.

20. Furthermore, we are continuing to take forward the Community Green Stations (CGSs) projects to strengthen the support for waste reduction and recycling as well as environmental education at the district level. As at the end of 2017, five CGSs have been in operation and the CGSs in Tuen Mun and Kwai Tsing are expected to commence operation later this year. Besides, we will also continue to monitor and enhance the operation of the Recycling Fund to facilitate the recycling industry to upgrade its operational capabilities and efficiencies.

21. On developing environmental infrastructure, the first phase of ORRC is commissioning this year to aim at processing food waste generated from the commercial and industrial sector and turn it into energy. To tie in with this milestone, the Government will implement a pilot project to source separate food waste from 40 wet markets and cooked food centres managed by the Food and Environmental Hygiene Department, as well as nine shopping malls managed by the Hong Kong Housing Authority, for delivery to the first phase of ORRC for recycling and recovery. In addition, the contract of the Integrated Waste Management Facilities (IWMF) Phase 1 was awarded in November 2017 and we expect that the facility will commence operation in 2024. The tendering of the second phase of ORRC has been completed and we plan to seek funding approval from LegCo

Finance Committee in 2018 for commencement of the project. In addition, we would commission the “Food Waste/Sewage Sludge Anaerobic Co-digestion” Trial Scheme at the Tai Po Sewage Treatment Works in 2019 to establish the feasibility in using existing sewage treatment facilities to help raise Hong Kong’s overall food waste treatment capability. Following the gradual establishment of a network of ORRC, we will set up a dedicated Food Waste Recycling Group to implement source separation and collection of food waste, study and formulate new regulatory measures on food waste disposal, administer the Food Wise Hong Kong Campaign, and facilitate food waste reduction and recycling. Furthermore, the Food Wise Hong Kong Campaign will enter a new stage, during which we will foster the “Food Wise” culture among the public and promote centralized food waste recycling in the commercial and industrial sectors.

22. As for revitalizing restored landfills, a total of 27 applications for the Batch 1 of the Restored Landfill Revitalisation Funding Scheme were received. The relevant Steering Committee has selected two suitable applications in accordance with the established procedures and assessment criteria to develop detailed proposals. The organisations will carry out detailed design, planning and estimating the project cost. We will follow the established government procedures to seek the necessary funding approval with a view to taking forward the soonest possible development of the facilities at the restored landfills.
23. Chairman, we will step up our work in environmental protection in different aspects and engage various stakeholders to combat climate

change and build a low-carbon and liveable Hong Kong. Thank you,
Chairman.