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Panel on Environmental Affairs

Meeting on 25 June 2018

Updated background brief on Cleaner Production Partnership Programme prepared by the Legislative Council Secretariat

Purpose

This paper provides updated background information on the Cleaner Production Partnership Programme ("CPPP"). It also gives a brief account of the views and concerns expressed by Members when related issues were discussed by the relevant committees of the Legislative Council ("LegCo").

Background

Launch and extensions of the Cleaner Production Partnership Programme

2. CPPP was launched in April 2008 as a five-year programme by the Environmental Protection Department ("EPD") in collaboration with the Economic and Information Commission of Guangdong Province,¹ with \$93 million approved by the Finance Committee ("FC") of LegCo. Through funding support and technology promotion activities, CPPP aims to encourage Hong Kong-owned factories in Guangdong and Hong Kong to adopt cleaner production ("CP") technologies and practices, thereby improving the regional environment.²

¹ The Economic and Information Commission of Guangdong Province is the lead department of the Guangdong Provincial Government for promoting voluntary cleaner production to enterprises in Guangdong.

² At the early stage of implementation, CPPP focused on reducing air pollutant emissions and energy consumption. Its coverage was subsequently widened to include the treatment and reduction of effluent discharges from factories with a view to facilitating reduction, reuse, recycling and treatment of wastewater.

3. In the light of the environmental benefits brought by CPPP and positive feedback from the industries, the Programme was extended in 2013 for two years with approved funding of \$50 million, and further extended in 2015 for five years up to 31 March 2020 with approved funding of \$150 million. The current phase of CPPP focuses on the promotion of new technologies for reducing emissions of volatile organic compounds and nitrogen oxides, which are the culprits of the smog problems of the Pearl River Delta ("PRD") region.

Targeted industry sectors

4. CPPP targets at industry sectors which (a) involve production processes resulting in substantial emission of air pollutants; (b) use large quantities of potentially environmentally damaging chemicals or materials; (c) consume large quantities of fuel and energy; and (d) have a good potential for achieving environmental improvement. Priority for funding support is given to companies with factories belonging to any of the eight targeted industries, namely, chemical products, food and beverage, furniture, metal and metal products, non-metallic mineral products, paper/paper product manufacturing, printing and publishing, and textiles.

Implementation and management of the Programme

5. The Hong Kong Productivity Council is the implementation agent of CPPP. A Project Management Committee, which comprises representatives from four chambers of commerce and industry associations,³ EPD, the Trade and Industry Department and the Innovation and Technology Commission as well as an academic, oversees the implementation of the Programme. The key initiatives of CPPP are as follows:

- (a) on-site improvement assessment for participating factories;
- (b) demonstration projects on CP technologies and practices;
- (c) trade-specific promotion and publicity activities by trade and industry organizations; and
- (d) cross-trade technology promotion activities.

More details on the key initiatives and eligibility criteria of the current phase of CPPP are provided in **Appendix I**.

³ The four organizations are the Chinese General Chamber of Commerce, the Chinese Manufacturers' Association of Hong Kong, the Federation of Hong Kong Industries and the Hong Kong General Chamber of Commerce.

6. CPPP is implemented in partnership with environmental technology ("ET") service providers, who play important roles as follows:

- (a) as consultants to conduct on-site improvement assessment projects for identifying improvement potentials on CP and recommending practical solutions on CP technologies and practices for the participating factories, or
- (b) as engineering firms to implement demonstration projects to demonstrate the effectiveness, actual cost involved and potential financial return of CP technologies through installation of equipment and/or modification of production processes in the participating factories.

To be eligible for funding support, on-site improvement assessment and demonstration projects must be carried out by ET service providers.

7. EPD submits a progress report on CPPP to the Panel on Environmental Affairs ("EA Panel") annually. The latest progress report, which was submitted in July 2017, is hyperlinked in **Appendix II**.

Major views and concerns expressed by Members

8. The Administration consulted EA Panel on the proposals to extend CPPP at the meetings on 26 November 2012 and 25 February 2015. The extension proposal in 2012 was considered by FC on 14 December 2012.⁴ The major views and concerns expressed by Members on issues related to CPPP at the above meetings are summarized in the ensuing paragraphs.

Effectiveness of the Cleaner Production Partnership Programme

9. Noting that only a small proportion of Hong Kong-owned factories in Guangdong had participated in CPPP, some Members queried the effectiveness of the Programme in encouraging factories to adopt CP technologies and practices and reducing pollution in the PRD region.

10. The Administration advised that the demonstration projects sponsored by CPPP as well as the follow-up investments made by participating factories had brought significant environmental and economic benefits to the PRD region. The demonstration of successful CP projects was an effective means to

⁴ The additional funding of \$150 million for the second extension of CPPP was included in the Estimates 2015-2016 for EPD and approved in the context of the Appropriation Bill 2015.

inspire other factories to follow suit. According to the reports of some demonstration projects, some participating factories had successfully recovered the investments in CP technologies and practices within a short period of time. This indicated that CP not only could improve environmental performance, but also could enhance productivity and/or reduce production costs. Compared to the potential environmental and economic gains, the investments in CP technologies and practices were generally modest. It was expected that more and more Hong Kong-owned factories would try out CP technologies.

Funding ceilings and eligibility criteria

11. Members were concerned whether the funding ceilings of \$28,000 and \$330,000 respectively for on-site assessment and demonstration projects were adequate to attract factories to try out CP technologies. The Administration responded that the above funding ceilings represented an increase of about 10% from the previous phase of CPPP, and were considered appropriate in promoting the adoption of CP technologies and practices. The Administration had already considered the increases in production costs, fluctuation in exchange rates and other relevant factors when adjusting the funding ceilings.

12. As regards some Members' suggestion that funding should only be provided to demonstration projects of a pilot and exemplary nature, the Administration advised that funding support would be provided to demonstration projects on emerging CP technologies and practices. CP measures that were widely in use would not be supported by CPPP.

Monitoring of performance of environmental technology service providers

13. Members sought details on how the Administration monitored the performance of ET services providers. The Administration advised that it maintained a registration list of ET services providers for public access. Factories participating in CPPP could engage their preferred service providers from the list for implementing the projects. If they were not satisfied with the performance of the service providers, they might lodge a complaint to the Administration for investigation. There had been cases where the registration of ET service providers were revoked due to unsatisfactory performance.

Geographical coverage

14. Members enquired whether the Administration would consider widening the geographical coverage of CPPP to other provinces/municipalities of the Mainland. The Administration responded that the geographical coverage of CPPP had been widened from nine PRD municipalities to the entire Guangdong Province in 2013. Since Hong Kong and the PRD region were next to each other and regional cooperation was conducive to continuous improvement of the

regional environment, CPPP targeted at Hong Kong-owned factories in Guangdong and Hong Kong. The suggestion of extending CPPP to other provinces/municipalities of the Mainland would involve a substantial policy change and need to be carefully considered.

Latest development

15. The Administration will report the latest progress of CPPP at the EA Panel meeting on 25 June 2018.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
15 June 2018

Key initiatives and eligibility criteria of the Cleaner Production Partnership Programme

Key initiatives and targets

The key initiatives and targets in the current phase (from 15 June 2015 to 31 March 2020) of the Cleaner Production Partnership Programme include:

- (a) *on-site improvement assessment*: to assist about 625 factories to identify and analyse the problems they face and propose practical improvement solutions. The Government sponsors 50% of the assessment cost, subject to a ceiling of \$28,000;
- (b) *demonstration project*: to support around 225 projects to demonstrate the effectiveness of cleaner production ("CP") technologies through installation of equipment and/or modification of production processes. The Government sponsors 50% of the project cost, subject to a ceiling of \$330,000;
- (c) *organization support initiative ("OSI")*: to support trade and industry associations to carry out around 100 – 130 trade-specific promotion and publicity activities. The Government sponsors up to 90% of the project cost and the applicant has to contribute at least 10% of the project cost; and
- (d) *cross-trade technology promotion*: to organize around 110 – 140 activities, mainly to facilitate sharing of knowledge and successful experience in adoption of CP technologies and practices. These activities comprise seminars, workshops, factory visits, conferences and exhibitions, in Hong Kong or key industrial cities of the Guangdong Province.

Eligibility

On-site Improvement Assessment Projects or Demonstration Projects

Any business registered in Hong Kong under the Business Registration Ordinance (Cap. 310) ("Hong Kong Business") and also meets any one of the following connection requirements below:

- (a) The Hong Kong Business has a connection in any of the following manner with a factory in the Guangdong Province which is owned and operated by any of the following:

- (i) a Sino-foreign equity joint venture or a cooperative joint venture established in the Mainland to which the Hong Kong Business is a party;
 - (ii) a wholly-owned foreign enterprise established in the Mainland with capital from the Hong Kong Business;
 - (iii) a Mainland enterprise which is a party to a subsisting agreement with the Hong Kong Business in relation to any of the three forms of processing and assembly operations or compensatory trade (三來一補); or
 - (iv) a Mainland enterprise to which a Hong Kong resident (natural person) is an owner with more than 50% shareholding or equity interest, who also possesses at least 30% shareholding or equity interest of the Hong Kong Business.
- (b) The Hong Kong Business owns and operates a factory in Hong Kong.
- (c) The Hong Kong Business which owns and operates a workshop in Hong Kong and which involves polluting processes such as paint-spraying and curing, solvent cleaning of metal parts and components, vehicle engine testing, etc. may apply for Demonstration Projects.

Organization Support Initiative

A non-profit-distributing organization operating as a trade and industrial organization which shall either be a statutory organization or an organization registered under the laws of the Hong Kong Special Administrative Region is eligible to apply for funding support under OSI.

[Source: Adapted from Annex A to the Cleaner Production Partnership Programme Progress Report for 2016/2017 provided by the Administration (LC Paper No. [CB\(1\)1304/16-17\(01\)](#)) and the Cleaner Production Partnership Programme Website (https://www.cleanerproduction.hk/en_project2b.asp).]

Cleaner Production Partnership Programme

List of relevant papers

Date	Event	Paper
17 December 2007	Meeting of Panel on Environmental Affairs ("EA Panel")	Administration's paper on "Promotion of cleaner production in the Pearl River Delta Region" (LC Paper No. CB(1)418/07-08(06)) Minutes of meeting (LC Paper No. CB(1)646/07-08)
21 January 2010	EA Panel meeting	Administration's paper on "Cleaner Production Partnership Programme – Support of effluent reduction and control" (LC Paper No. CB(1)896/09-10(03)) Minutes of meeting (LC Paper No. CB(1)1392/09-10)
26 November 2012	EA Panel meeting	Administration's paper on "Extension of the Cleaner Production Partnership Programme" (LC Paper No. CB(1)191/12-13(03)) Minutes of meeting (LC Paper No. CB(1)430/12-13)
14 December 2012	Meeting of Finance Committee	Administration's paper on "Extension of the Cleaner Production Partnership Programme" (FCR(2012-13)60) Minutes of meeting (LC Paper No. FC146/12-13)
25 February 2015	EA Panel meeting	Administration's paper on "Extension of the Cleaner Production Partnership Programme" (LC Paper No. CB(1)560/14-15(03)) Minutes of meeting (LC Paper No. CB(1)726/14-15)
17 July 2017	EA Panel meeting	Administration's paper on "Cleaner Production Partnership Programme Progress Report for 2016/2017" (LC Paper No. CB(1)1304/16-17(01))