

For discussion on
30 October 2017

Legislative Council Panel on Economic Development

2017 Policy Address

Policy Initiative of the Environment Bureau: Energy

Introduction

This paper informs Members of the major initiatives to be undertaken by the Environment Bureau in 2017 relating to the electricity market.

Promotion of Energy Efficiency and Conservation (EE&C) and Renewable Energy (RE) by the Power Companies

2. The current Scheme of Control Agreements (SCAs) signed between the Government and the two power companies¹ will expire in 2018. The Government entered into the post-2018 SCAs with the two power companies on 25 April 2017. The major terms of the post-2018 SCAs were reported to this Panel and the Panel on Environmental Affairs at a joint meeting held on 29 April 2017.

3. In addition to achieving the four energy policy objectives of safety, reliability, affordability and environmental protection, the post-2018 SCAs fully reflect the Government's commitments to reducing energy intensity, combating climate change and meeting the public aspirations expressed during the Public Consultation on the Future Development of the Electricity Market (the Public Consultation) conducted in 2015. During the Public Consultation, many respondents emphasised the importance of further promoting RE and encouraging EE&C. Taking on board such comments, promotion of RE and EE&C will remain the key focuses of the detailed implementation plans in respect of the post-2018 SCAs, which are being mapped out between the Government and the two power companies.

¹ The SCA signed with CLP Power Hong Kong Limited and Castle Peak Power Company Limited will expire on 30 September 2018 while the one with The Hongkong Electric Company, Limited and HK Electric Investments Limited will expire on 31 December 2018.

4. Among other measures, Feed-in Tariff (FiT) will be introduced in the next regulatory period to encourage the private sector and the community to consider investing in distributed RE as the power generated could be sold at a rate higher than the normal electricity tariff rate to cover the cost of their investments in the RE systems and their power generation. At the same time, RE Certificates will be sold by the power companies. Through these RE Certificates, the community can show its support for RE. The revenue from such sale will also help alleviate the overall tariff impact on all consumers brought about by the introduction of the FiT scheme. The power companies will also facilitate and improve the distributed RE connection arrangements. In addition, incentive schemes will be put in place to encourage the power companies to develop RE and facilitate the development of distributed RE. We are now discussing with the power companies details of the FiT and RE Certificates Schemes, with a view to launching them as soon as practicable when the next SCA periods commence.

5. The Government is also discussing with the power companies on ways to further promote EE&C in the context of the post-2018 SCAs. Under the post-2018 SCAs, existing incentive schemes in relation to promotion of EE&C will be expanded while new elements will be introduced. More funds will be available under the existing energy efficiency funds of the power companies to support the carrying out of retrofitting and retro-commissioning, including the implementation of building-based smart/IT technologies to enhance the energy efficiency of a wider coverage of buildings. In addition, we will work with the power companies to introduce new energy saving funds to further support other EE&C programmes and to expand the scope of the energy saving loan funds. The power companies will also introduce demand response programmes to help reduce maximum demand. The incentive arrangements in relation to the power companies' performance in promoting EE&C under the post-2018 SCAs will be improved to encourage them to further promote EE&C.

6. We plan to brief the Energy Advisory Committee and Legislative Council on the details of the Schemes relating to RE and EE&C and under the post-2018 SCAs in the first half of 2018.

Environment Bureau
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