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By Email

11 April 2019

Ms Connie Szeto  
Clerk to the Establishment Subcommittee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Ms Szeto,

**Establishment Subcommittee  
Follow-up to Meeting on 22 March 2019**

At the Legislative Council (LegCo) Establishment Subcommittee meeting held on 22 March 2019, Members requested supplementary information in relation to LC Paper No. EC (2018-19)27. Our reply in response to your letter of 27 March 2019 is set out below.

***(a) and (e) Reducing Carbon Emissions and Combating Climate Change***

The Government's target is to reduce Hong Kong's carbon intensity by 50% by 2020, and by between 65% and 70% by 2030, using the 2005 level as the base. This is to align with the target of the Paris Agreement to hold the increase in the global average temperature to well below 2°C above preindustrial levels. The Hong Kong's Climate Action Plan 2030+ released in 2017 has already set out in detail the key measures to be taken in order to achieve the 2030 target.

We are on track to achieve the 2020 and 2030 targets. Hong Kong's carbon intensity in 2016 was 0.017 kg CO<sub>2</sub>-e per Hong Kong Dollar GDP, representing a reduction of about 29% from the 2005 level. We are compiling the Hong Kong greenhouse gas inventories for 2017 and 2018, which will be released later. Starting from 2020, we will also review Hong Kong's climate actions every five years pursuant to the Paris Agreement.

In addition, pursuant to the Paris Agreement, Hong Kong will strive to formulate and communicate, by 2020, our long-term decarbonisation strategy up to 2050. To this end, the Government has invited the Council for Sustainable Development to gauge public views through a public engagement exercise to be launched in the first half of 2019. We encourage all sectors of the community, in particular the younger generation, to actively participate in the exercise.

***(b) Financial Arrangements of the Power Companies under the Scheme of Control Agreements (SCAs)***

Under the current SCAs, the two power companies are required to submit Development Plans regularly for the Government's approval of their capital expenditures. With the support of an independent energy consultant, the Government will critically examine the need, timing and cost effectiveness of the capital investment proposals in order to ensure that there are genuine needs for these projects and to avoid excessive, premature, unnecessary or unreasonable investments. The Government will also review various matters related to the fixed assets of the two power companies through the annual auditing review and tariff review. For instance, we will compare the actual and estimated capital expenditures, monitor the progress and expenditures of approved projects, as well as ascertain the reasons for changes in the fixed assets, etc.. We will follow up on the matters as and when necessary to ensure that the projects are in compliance with the approved Development Plans.

In summary, the Government will act as a stringent gatekeeper under the framework of the SCAs to monitor the capital expenditures of the two power companies, and ensure that the electricity tariffs are maintained at a reasonable level so as to safeguard the interests of consumers.

***(c) Work in Relation to Promotion of Renewable Energy (RE)***

Promoting the development of RE is an integral part of mitigating climate change. The Government's policy is to take the lead in developing RE actively and create the conditions that are conducive to encouraging the private sector to participate.

For the public sector, we have set RE targets for different government buildings. We have also earmarked \$2 billion in total since the 2017-18

financial year for the installation of small-scale RE facilities at government buildings, venues and facilities. Besides, government departments are actively considering the development of large-scale RE projects. For instance, the Drainage Services Department installed the largest solar farm in Hong Kong at the Siu Ho Wan Sewage Treatment Works in 2016, and the Water Supplies Department is considering the installation of large-scale floating solar photovoltaic (PV) systems at suitable locations in reservoirs.

For the private sector, the two power companies have introduced the Feed-in Tariff (FiT) Schemes in accordance with the SCAs, providing financial incentives which can encourage the private sector to invest in distributed RE. The preliminary response from the community is positive, with around 2 000 applications received by the two power companies in total as at the end of February 2019. Besides, the Government also has a series of measures to facilitate and support members of the public in developing RE. Examples include relaxing the restrictions in relation to installation of PV systems at the rooftop of New Territories Exempted Houses; pursuing legislative amendments which would provide exemption from the requirements both to apply for business registration and to pay profits tax in respect of participation in, and the payments received, under the FiT Scheme; and introducing Solar Harvest to assist eligible schools and welfare non-Governmental organisations in installing small-scale RE systems, etc.

The supernumerary post of Administrative Officer Staff Grade C (AOSGC) proposed to be regularised was created on 10 February 2014 and was designated as Principal Assistant Secretary (Electricity Reviews) (PAS(ER)). This post headed a dedicated team in the Environment Bureau (ENB) to undertake a review of the electricity market. It also conducted a public consultation in 2015 on the future development of the electricity market. The Finance Committee of the LegCo approved the extension of this supernumerary post for a period of three years on 29 April 2016 to take forward the outcome of the public consultation, including conducting negotiation with the power companies in respect of the SCAs, preparing the new contractual agreements and implementing the relevant arrangements.

Work in relation to the promotion of RE was previously undertaken by the Energy Division (EGD) of the ENB. EGD was headed by one AOSGC (designated as Principal Assistant Secretary (Energy)(PAS(EG)) who oversaw all energy policy matters in Hong Kong. Since we had to enhance our efforts in promoting energy saving and RE, on the one hand, the workload of EGD would be excessively heavy, while on the other hand synergy would be required between the FiT Scheme implemented under the SCAs and the other facilitation measures to promote the development of RE in the private sector. In view of this, ENB has transferred the duties and responsibilities in relation to the formulation of the facilitation measures for the launch of the FiT Scheme and the promotion of RE to the post holder of PAS(ER) since mid-2018. PAS(EG)

will continue to take forward tasks in relation to energy saving and other energy policy matters. Since promoting RE and energy saving require long-term efforts, it is considered necessary to make permanent the supernumerary post of PAS(ER).

***(d) Promoting the Use of Electric Vehicles (EVs)***

The Government's key measures for promoting the use of EVs are set out below:

- (1) First registration tax (FRT) concession for EVs:
  - (I) For electric commercial vehicles (e-CVs) (including goods vehicles, buses, light buses, taxis and special purpose vehicles), electric motor cycles and electric motor tricycles, their FRT continues to be waived in full from 1 April 2018 to 31 March 2021;
  - (II) A tiered concession for electric private cars (e-PCs) –
    - (i) except for eligible PC owners (see (II)(ii) below), FRT for e-PCs continues to be waived up to \$97,500 from 1 April 2018 to 31 March 2021;
    - (ii) a “One-for-One Replacement” Scheme is implemented from 28 February 2018 to 31 March 2021. If PC owners arrange to scrap and de-register their own eligible old PC (PC with an internal combustion engine or e-PC) and then first register a new e-PC, they can enjoy a higher FRT concession up to \$250,000;
- (2) Enterprises which procure EVs are allowed full profit tax deduction for the capital expenditure on the vehicle in the first year of procurement;
- (3) A \$300 million Pilot Green Transport Fund (PGTF) has been put in place since March 2011 to subsidise the transport sectors to try out green innovative transport technologies, including e-CVs;
- (4) \$180 million was allocated to fully subsidise the franchised bus companies to acquire 28 single-deck battery-electric buses, 8 single-deck supercapacitor buses and related charging facilities for trials on a number of routes to assess their operational efficiency and performance in local conditions;



- (5) Since April 2011, the Government has tightened the arrangements for allowing car parks in new private buildings to be fully exempted from gross floor area (GFA) calculations. Under the new arrangements, only underground car parks provided with EV charging-enabling infrastructure (including the provision of switchboards, distribution boards, cabling, conduits and trunking) at each parking space can be fully exempted from GFA calculations. If owners of such parking spaces purchase EVs in future, they may install the required chargers and apply for electricity meter connection at their parking spaces for daily charging of their EVs, and they will not be hindered from installing the required EV chargers due to constraints in respect of power supply capacity, cabling and conduits, etc.;
- (6) In June 2011, the Hong Kong Planning Standards and Guidelines was amended to recommend 30% of the parking spaces for PCs to be installed with EV charging facilities;
- (7) The Environmental Protection Department established a dedicated team and a service hotline (3757 6222) to provide information and technical support to interested parties in setting up EV chargers. Moreover, the Government has also issued guidelines on the arrangements and technical requirements for installing charging facilities; and
- (8) If there are suitable EV models in the market which can meet the operational needs of government departments, the Government will continue to procure EVs to replace the vehicles due to retire.

The Government's key plans on promoting the use of EVs in the coming years include the following:

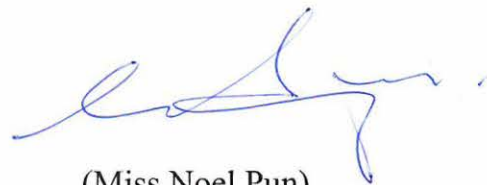
- (1) Conduct a timely review before the expiry of the current FRT concession arrangements for EVs on 31 March 2021;
- (2) For e-CVs,
  - (I) Review the subsidy scope of PGTF to further promote wider use of green innovative transport technologies by the transport sectors, including e-CVs. We aim to complete the review in 2019;
  - (II) For franchised buses, the trials of single-deck buses will continue. When the outcome of the trials is available, the Government will consider how to promote the wider

use of single-deck electric buses by the franchised bus companies, taking into account how much the franchised bus companies and passengers can afford. We will keep in view the development of double-deck electric buses in other places and explore with the franchised bus companies the feasibility of developing double-deck electric buses suitable for local use, so as to introduce experimental double-deck electric buses in due course.

(3) For e-PCs,

- (I) Allocate \$120 million to extend the public EV charging networks at government car parks in the coming 3 years, including installation of additional medium chargers at the car parks managed by the Transport Department, the Government Property Agency and the Leisure and Cultural Services Department which are fully or partly open to the public. Over 1 000 additional public chargers are expected to be in place by 2022, bringing the total number of chargers to about 1 700;
- (II) Identify suitable on-street parking spaces to install EV chargers on a trial basis and explore suitable locations to set up pilot quick charging stations for EVs; and
- (III) Continue to strengthen communication, publicity and education and provide technical assistance to building owners, property management companies and owners' corporations to facilitate them in installing EV charging facilities. The Government will also explore feasible measures to promote the provision of EV charging-enabling infrastructure or chargers in existing private buildings.

Yours sincerely,



(Miss Noel Pun)  
for Secretary for the Environment

c.c.: Secretary for Financial Services and the Treasury