For discussion on
22 October 2018

Legislative Council
Panel on Economic Development

2018 Policy Address
Policy Initiative of the Environment Bureau: Energy

Purpose

This paper briefs Members on the implementation of the post-2018 Scheme of Control Agreements (SCAs).

Background

2. The Government and the two power companies[1] entered into the post-2018 SCAs on 25 April 2017. The major terms of the SCAs were reported to this Panel and the Panel on Environmental Affairs (EA Panel) at a joint meeting held on 29 April 2017. We also briefed the EA Panel of the implementation details concerning renewable energy (RE), energy efficiency & conservation (EE&C) and Fuel Clause Charge Adjustment Mechanism under the SCAs at the meeting[2] held on 23 April 2018. In accordance with the SCAs, the Executive Council approved the 2018-2023 Development Plan (new DP)[3] of the two power companies on 3 July 2018. We have also reported the details to this Panel on 4 July 2018.

Implementation of the Programmes

3. The SCA signed with CLP took effect on 1 October 2018 while the one with HEC will take effect on 1 January 2019. The term of both SCAs will last until 31 December 2033.

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[1] The two power companies are CLP Power Hong Kong Limited and Castle Peak Power Company Limited (CLP) and The Hongkong Electric Company, Limited and HK Electric Investments Limited (HEC) respectively.

[2] Members of the Panel on Economic Development were also invited to join the discussion.

[3] CLP’s new DP covers the period from 1 October 2018 to 31 December 2023 while HEC’s new DP covers the period from 1 January 2019 to 31 December 2023.

4. The SCAs fully reflect the Government's commitments to reducing energy intensity and combating climate change, in addition to achieving our four energy policy objectives of safety, reliability, affordability and environmental protection. The SCAs also meet 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, we have included promotion of RE and EE&C as the key elements of the SCAs.

5. On promotion of RE, we have introduced Feed-in Tariff (FiT) under the SCAs to provide incentives for individuals and non-Government bodies to invest in RE. CLP and HEC have introduced / will introduce their FiT Schemes in October 2018 and January 2019 respectively and have been receiving applications for the schemes. The response from the community has been overwhelming with around 500 applications received by the power companies in total by end September. Applications involving installation of RE systems at residential and non-residential premises each accounts for about half of the applications. At the same time, the two power companies will introduce RE Certificates in January 2019. Individuals and organisations can show their support for RE through purchasing RE Certificates. The revenue from RE Certificates can also help alleviate the overall tariff impact on all consumers brought by the introduction of the FiT Scheme.

6. On promotion of EE&C, existing incentive schemes in relation to promotion of EE&C will be expanded while new elements will be introduced. CLP's new energy efficiency fund and Energy Saving Loan Fund, as well as its Community Energy Saving Fund have been launched / will be launched in October 2018 and January 2019 respectively. HEC's various new programmes in relation to promotion of EE&C will be launched in January 2019.

7. Under the approved new DPs, the power companies will significantly increase the use of natural gas for power generation to help achieve the carbon intensity reduction target for 2030 to combat climate change and improve the local air quality. The use of more expensive natural gas together with the necessary capital investment will lead to considerable rise in electricity tariff during the new DP period. To help alleviate the impact of tariff increase on residential households during this

transitional period, the Government proposes to grant each residential electricity account a relief of $3,000 over 60 months, commencing from 1 January 2019. The relief is expected to cover the projected cumulative tariff increase over the new DP period for about half of the residential households in Hong Kong. We have arranged to apply funding of about $8.7 billion from the Finance Committee of Legislative Council.

8. We will continue to monitor the implementation of the SCAs.

Environment Bureau
October 2018