

立法會
Legislative Council

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Panel on Financial Affairs

Meeting on 4 November 2019

Background brief on electricity charges subsidy

Purpose

This paper provides background information on the electricity charges subsidy announced by the Financial Secretary ("FS") on 15 August 2019, and summarizes the major concerns and views expressed by Members when the Administration introduced similar measures since 2008.

Background

2. In the face of an increasingly austere economic situation in the second quarter of 2019, FS announced on 15 August 2019 a package of measures to support enterprises, to safeguard jobs and relieve people's financial burden. One of these measures is to grant each residential electricity account a one-off electricity charges subsidy of \$2,000, which will cost the Administration about \$5.6 billion and benefit over 2.7 million eligible households.

3. The Administration has introduced four rounds of electricity charges subsidy schemes since 1 September 2008 and the details are summarized in **Appendix I**.

Major views and concerns expressed by Members

4. The Administration briefed the Panel on Financial Affairs ("FA Panel") on the 2008, 2011, 2012 and 2013 rounds of electricity charges subsidy schemes at the Panel meetings on 5 May 2008, 9 May 2011, 21 May 2012 and 3 May 2013

respectively. The major concerns and views expressed by Members at meetings of FA Panel and the Finance Committee when relevant funding proposals were considered are summarized in the ensuing paragraphs.

Households not eligible for the electricity charges subsidy

5. Some Members expressed concern that since only the registered users/holders of residential electricity accounts would be eligible for the electricity charges subsidy, some households, in particular needy families living in bedspace apartments, cubicles and subdivided flats, might not be able to benefit from the proposed subsidy because they did not have individual electricity accounts. They urged the Administration to address this problem by exploring how the measure could reach out to these households in need. The Administration should also appeal to landlords to pass on the electricity charges subsidy to their tenants where the rents payable were inclusive of electricity charges.

6. The Administration advised that it had decided to continue implementing the residential electricity charges subsidy since 2008 as this relief measure could operate on a simple, non-means tested mechanism and could benefit a large number of households in the community. Besides, unused credit in a month under the subsidy scheme was allowed to be carried forward to cover billed electricity charges under the same account. As the subsidy was granted on the basis of each residential electricity account and not individuals, there would be practical difficulty in assessing the eligibility of and providing electricity charges subsidies for households without individual electricity accounts. As to whether the landlord should pass on any amount of the subsidy to the tenant, this would depend on the terms of the tenancy agreement. It would be inappropriate for the Administration to intervene in contractual matters between landlords and tenants.¹

Environmental concerns

7. Some Members were concerned that the electricity charges subsidy might encourage households to consume more electricity. There were suggestions that the subsidy should be restricted to households with low electricity consumption,

¹ When the Finance Committee discussed the funding proposal "Electricity Charges Relief Scheme" at the meeting on 16 November 2018, some Members raised enquiries about the installation of individual electricity meters for sub-divided unit ("SDU") households. The Administration advised that the two power companies would contact SDU households interested in installing individual electricity meters through non-governmental organizations. Whether the electricity meters could eventually be installed or not would depend on whether the electrical installation of the premises could meet the relevant safety standards and whether consent was given by the landlord of the premises, as well as the owners' corporations and/or property management companies of the relevant buildings.

for example, those households which had consumed less electricity compared to a previous billing period, or those households whose electricity consumption was below a certain threshold. On the other hand, some Members opined that the increase in overall electricity consumption was attributable to a number of factors, and it would not be feasible to draw conclusions as to whether the higher electricity consumption was a result of the provision of the electricity charges subsidy and/or other factors. Therefore, it would be inappropriate to link the electricity charges subsidy to electricity consumption as such an arrangement would complicate the subsidy scheme and add to its administrative costs.

8. The Administration explained that since the subsidy would be available for use over a period of time and any unused subsidy in a month could be carried forward to cover billed electricity charges under the same account, users would have sufficient time to fully utilize the subsidy and did not need to increase normal electricity consumption to exhaust the subsidy. While the Administration had explored the proposal of linking electricity charges subsidy to electricity consumption, it considered the suggestion infeasible because electricity consumption varied with multiple factors such as household size and weather, many of which were unrelated to the environmental awareness of households. Statistics had also shown that provision of electricity charges subsidy did not necessarily increase electricity consumption. For instance, in both July 2011 and July 2012 when electricity charges subsidy was in place, the average electricity consumption per residential account was some 23% lower than that in July 2007 when no subsidy was given. Moreover, providing electricity charges subsidies by making reference to the level of electricity consumption of individual households might not be fair. The mechanism was complicated in operation and might cause disputes.

Disbursement of the electricity charges subsidy

9. There was concern from Members that the disbursement of subsidy to the two electricity companies might generate considerable income in the form of interest for them. The Administration explained that the subsidy would be disbursed to the two electricity companies having regard to the due dates of the electricity charges. For control purpose, the two electricity companies were required to provide relevant monthly reports to the Administration.

10. Regarding the arrangements for households that had changed their residence, the Administration advised that the subsidy was account-based and a household moving to another residential address would take up the account of the new residential address and be entitled to the credit for that account. The Administration also advised that as long as an eligible account existed on a credit

date, regardless of whether it was currently an existing electricity account or a new account, it would be entitled to the subsidy at that credit date.

Discussions at Council meetings

Council questions

11. Members raised two oral questions regarding the electricity charges subsidy scheme at the Council meetings on 12 November 2008 and 25 November 2015. The two questions cover issues including the electricity charges subsidy for residents in public housing estates who had to move homes due to the redevelopment of the estates, implementation of the subsidy scheme, and whether the Administration would consider extending the validity period and expanding the ambit of the subsidy scheme. Details of the questions and the Administration's responses are provided in the hyperlinks in **Appendix II**.

Motions

12. At the Council meeting on 5 January 2011, Members passed a motion moved by Hon WONG Sing-chi urging the Administration to take measures for ameliorating inflation and alleviating people's livelihood pressure. One of the proposed measures in the motion was "to provide a subsidy of \$3,600 to each of the 2.5 million or so residential electricity accounts in Hong Kong; and in order to encourage the public to reduce electricity consumption, to provide a subsidy of \$1,200 to members of the public whose electricity consumption in any half-year period is 5% or more less than that for the same period of the preceding year".

13. At the Council meeting on 2 November 2011, Members passed a motion moved by Hon LAU Kong-wah urging the Administration to put forward effective measures in the 2012-2013 Budget to alleviate the financial burden of middle-class people. One of the proposed measures in the motion was "providing each residential electricity account with an electricity charges subsidy of \$3,600".

14. Details of the two motions are provided in the hyperlinks in **Appendix II**.

Latest development

15. The Administration will brief FA Panel on its plan to provide electricity charges subsidy of \$2,000 to each residential electricity account at the meeting on 4 November 2019.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
30 October 2019

Details of four rounds of electricity charges subsidy schemes implemented since 2008

| Year of introducing the subsidy scheme | Amount of subsidy for each eligible residential electricity account | Approval by the Finance Committee on the subsidy scheme | Time limit for exhausting the subsidy |
|---|--|--|--|
| 2008 – 2009 Budget and July 2008 | \$3,600 (a subsidy of \$300 in each month for 12 consecutive months) | 23 May and 18 July 2008 | 31 August 2014 ¹ |
| 2011 – 2012 Budget | \$1,800 (a subsidy of \$150 in each month for 12 consecutive months) | 10 June 2011 | 31 August 2014 ¹ |
| 2012 – 2013 Budget | \$1,800 (a subsidy of \$150 in each month for 12 consecutive months) | 1 June 2012 | 30 June 2015 ² |
| 2013 – 2014 Budget | \$1,800 (a subsidy of \$150 in each month for 12 consecutive months) | 7 June 2013 | 30 June 2016 ³ |

¹ The expiry date of the subsidy schemes introduced in the 2008-2009 and 2011-2012 Budgets was set at 31 August 2014.

² When proposing the subsidy schemes in the 2012-2013 and 2013-2014 Budgets, the Administration proposed to extend the expiry dates of the subsidy schemes to 30 June 2015 and 30 June 2016 respectively.

³ The Financial Secretary announced in the 2016-2017 Budget the extension of the validity period of the subsidy schemes to 30 June 2018, which has been further extended to 30 June 2020.

Appendix II

List of relevant papers

| Date | Event | Papers/Minutes of meeting |
|------------------|--|---|
| 5 May 2008 | Meeting of the Panel on Financial Affairs ("FA Panel") | Administration's paper (LC Paper No. CB(1)1379/07-08(07)) Minutes (LC Paper No. CB(1)1774/07-08) |
| 23 May 2008 | The Finance Committee ("FC") approved the funding proposal on the electricity charges subsidy proposed in the 2008-2009 Budget | Administration's paper (LC Paper No. FCR(2008-09)18) Minutes (LC Paper No. FC136/07-08) |
| 16 July 2008 | The Chief Executive ("CE") announced a further package of relief measures | Hansard |
| 18 July 2008 | FC approved the funding proposal on the electricity charges subsidy set out in CE's further package of relief measures | Administration's paper (LC Paper No. FCR(2008-09)41) Minutes (LC Paper No. FC18/08-09) |
| 12 November 2008 | Hon WONG Kwok-kin raised an oral question on "Electricity charges subsidy" | Hansard |

| Date | Event | Papers/Minutes of meeting |
|-----------------|---|--|
| 5 January 2011 | The Legislative Council passed the motion on "Urging the Government to take measures for ameliorating inflation and alleviating people's livelihood pressure" | Hansard Wording of the motion passed Progress Report |
| 9 May 2011 | Meeting of the FA Panel | Administration's paper (LC Paper No. CB(1)2040/10-11(04)) Background brief (LC Paper No. CB(1)2050/10-11) Minutes (LC Paper No. CB(1)2556/10-11) Administration's follow-up letter (LC Paper No. CB(1)2373/10-11(01)) |
| 10 June 2011 | FC approved the funding proposal on the electricity charges subsidy proposed in the 2011-2012 Budget | Administration's paper (LC Paper No. FCR(2011-12)21) Minutes (LC Paper No. FC103/11-12) |
| 2 November 2011 | The Legislative Council passed the motion on "Alleviating the financial burden of middle-class people" | Hansard Wording of the motion passed Progress Report |
| 21 May 2012 | Meeting of the FA Panel | Administration's paper (LC Paper No. CB(1)1881/11-12(04)) Background brief (LC Paper No. CB(1)1880/11-12) Minutes (LC Paper No. CB(1)2267/11-12) |

| Date | Event | Papers/Minutes of meeting |
|------------------|--|---|
| 1 June 2012 | FC approved the funding proposal on the electricity charges subsidy proposed in the 2012-2013 Budget | Administration's paper (LC Paper No. FCR(2012-13)30) Minutes (LC Paper No. FC189/11-12) |
| 3 May 2013 | Meeting of the FA Panel | Administration's paper (LC Paper No. CB(1)929/12-13(04)) Background brief (LC Paper No. CB(1)929/12-13(05)) Minutes (LC Paper No. CB(1)1789/12-13) |
| 7 June 2013 | FC approved the funding proposal on the electricity charges subsidy proposed in the 2013-2014 Budget | Administration's paper (LC Paper No. FCR(2013-14)14) Minutes (LC Paper No. FC12/13-14) |
| 25 November 2015 | Hon WONG Kwok-hing raised an oral question on "Electricity charges subsidy" | Hansard |
| 16 November 2018 | FC discussed the funding proposal "Electricity Charges Relief Scheme" for providing relief for eligible households | Administration's paper (LC Paper No. FCR(2018-19)52A) Minutes (LC Paper No. FC5/19-20) |
| 15 August 2019 | The Financial Secretary announced measures to support enterprises and residents | Press release |