

LCQ15: Review Scheme of Control Agreements

Following is the question by the Hon Audrey Eu and a written reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, at the Legislative Council today (November 3):

Question:

It has been reported that the Scheme of Control Agreements ("SCAs") between the Government and the CLP Power Hong Kong Limited ("CLP") and the Hong Kong Electric Company Limited ("HEC") will expire in 2008. The Economic Development and Labour Bureau originally planned to release a consultation document on the post-2008 electricity market restructuring of Hong Kong in 2002, but the consultation document has not yet been released so far. In this connection, will the Government inform this Council:

(a) of the progress of the review on the post-2008 regulatory framework for the electricity market in Hong Kong following the 2003 Interim Review of SCAs; and the report on the recommendations of the Government energy advisors on the review of the framework or relevant details;

(b) of the progress of its discussions with CLP and HEC on the review (including the number of meetings held, scope of areas discussed and specific timetable for discussions);

(c) of the procedure, content and timetable of the public consultation on the review;

(d) whether it will consult the Legislative Council ("LegCo") and its Panels on Economic Services and Environmental Affairs on the review; if it will, of the specific timetable and whether it will submit progress reports on the review to the LegCo;

(e) whether it will consider adding new clauses to SCAs when reviewing the existing agreement to encourage the power companies to take into account, apart from economic considerations, environmental considerations in their decisions on production, such as requiring the power companies to supply a certain percentage of electricity by renewable energy sources;

(f) as currently the Environmental Protection Department only publicises the annual total amount of exhaust emissions by CLP and HEC, whether the authorities will, in conducting the review, require the two power companies to publicise in future their amounts of

exhaust emissions separately and list out in detail the amount of emissions and sources of various pollutants (such as suspended particulates and sulphur dioxide etc); and

(g) as the current control of air pollutant emissions is measured in terms of the concentration of pollutants per cubic metre of air instead of the total amount of pollutants emitted, whether the authorities will consider setting a limit on the annual total amount of pollutant emissions by CLP and HEC so as to improve the air quality more effectively?

Reply:

Madam President,

(a)&(b) The Scheme of Control Agreements (SCAs) between the Government and the two power companies will expire in 2008. The Government has commenced a review on the future development of the electricity market, the scope of which encompasses a wide range of complex subjects including technical, legal, business, environmental and regulatory issues. We have consulted the Energy Advisory Committee on the studies in the past year. We are now preparing a public consultation document to seek the views of the public and the stakeholders, including the two power companies, on the development of the post-2008 electricity market.

(c)&(d) It is our plan to seek the views of the public in two stages. In stage one, which will start in the next few months, we will solicit views on possible options for the development of the future electricity market. Based on views obtained in stage one, we will map out a broad framework for the development of the future electricity market and put out for consultation in the second stage. Our present plan is to start the stage two consultation within next year.

We will consult the Panels on Economic Services and Environmental Affairs of the Legislative Council on the options for the post-2008 electricity market before public consultation. We will keep the Panels informed of progress, including the outcome of the public consultation exercise.

(e) During the interim review of the current SCAs conducted last year, we have engaged the power companies to consider environmental measures and obtained their agreement to constructing a commercial scale wind turbine. Any further amendment to the SCAs before their expiry in 2008 could only be undertaken with the agreement of the two power companies.

Separately, in considering options for the electricity market after 2008, the Government will consider the environmental protection requirements and how renewable energy may feature in the future market. The Government will also take into account the feedback received by the Council for Sustainable Development in its current public consultation exercise on renewable energy.

(f)&(g) In formulating proposals for environmental regulation, the Environment, Transport and Works Bureau will consider the suggestions raised in these two parts of the question and study the technical feasibility, consumers' affordability and other pros and cons of the suggestions.

Ends/Wednesday, November 3, 2004