



**BY FAX AND BY EMAIL**

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**Public Consultation on the  
Future Development of the Electricity Market**

Dear Sir/Madam,

1. Green Power, as a local green group, regards that the future development of the electricity market in Hong Kong should incorporate the following issues:
  - (a) Increase the energy efficiency of electricity generation, transmission and consumption, promoting a wise use of energy.
  - (b) Curb on the pollutants and greenhouse gas emission, reducing the impacts of energy production and consumption on the air quality.
  - (c) Improving the environmental performance and risk of whole life cycle of electricity generation including fuel purchasing, power plant operation and associated infrastructure development.
  - (d) Exploration, development and integration of alternative clean energy and renewable energy to the existing energy market.
2. Regarding the above-captioned consultation paper, Green Power would like to draw the Administration's attention to the following points.
3. Green Power agrees to Government's policy objective "*to ensure that electricity demand of the community is met safely, reliably, efficiently and at reasonable prices*" and welcomes "*minimising the environmental impact of electricity generation.*" (para 1.1)
4. However, under existing regulatory framework for the electricity sector the externalities of electricity generation are not adequately addressed in local, regional and global context.
5. The implication and risk of use of non-sustainable nuclear energy have still not properly addressed in the consultation paper which even biases nuclear power as "*a more economical alternative to natural gas*". (Para 6.9)
6. Although the "*cost of generation of renewable energy (RE) is higher than that of conventional electricity generation*" in Hong Kong (Para. 6.23), more local effort should be paid on development of renewable because RE not only
  - (a) *helps protect the environment* and natural resources,
  - (b) *gives us more energy supply options*, but also

(c) relieves the crises of future fuel shortage and/or price fluctuation,  
(d) promotes the development of RE-related technology,  
(e) lowers the externalities such as medical expenditure related to air pollution, economic loss due to impaired visibility, damages to agriculture and ecosystem by acid rain, etc, which are not truly accounted for in the existing tariff.

7. Green Power expects that the future regulatory arrangement for Hong Kong's electricity sector can lead to improvement of their environmental performance in local, regional and global context. Also, the future regulator of the sector should be abided by not only local and regional environmental legislation and standards but also international environmental obligations.

8. Although rate of return(RoR) approach can help achieve the "*policy objective to reduce the environmental impact of electricity generation, as RoR can incentivise investment in energy efficiency and conservation*"(Para. 5.11), mechanism should be introduced to encourage the power companies to achieve high performance in energy efficiency and conservation in addition to capital investment.

9. Also in the existing fuel cost adjustment mechanism, there are no incentives for the power companies to purchase cleaner fuels.

10. *Import of electricity from the Mainland grid to meet part of the demand in Hong Kong* (Para. 6.41) is not a favourable approach to Hong Kong's future electricity market because

- (a) Hong Kong should reduce the domestic demand by energy conservation and eliminating wastage of energy.
- (b) If Hong Kong competes for electricity supply with the Mainland neighbouring areas, their electricity industry will impose heavier burden on their environment, ecology and natural resources.
- (c) Control of environmental performance of power plants outside Hong Kong's territory may not be feasible.

11. Regarding introducing competition to Hong Kong electricity markets, we opine that

- (a) the potential environmental impacts of relevant infrastructures construction must be fully assessed,
- (b) the environmental performance of electricity sector such as emission of greenhouse gases and air pollutants should not decline,
- (c) the development of renewable energy should be promoted to meet a larger share of domestic electricity demand.

Thank you very much for your kind attention.

Yours faithfully,



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Division Head, Scientific Research and Conservation