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ACE Paper 8/2010

For discussion on 17 May 2010

Pilot Green Transport Fund

PURPOSE

This paper seeks Members' views on the operation of the proposed Pilot Green Transport Fund before the Administration draws up its implementation details.

BACKGROUND

2. The transport sector (including road and marine transport) is the second largest air pollution source in Hong Kong, accounting for about 6% of the local emissions of sulphur dioxide and 37% of the local emissions of respirable suspended particulates (RSP) and nitrogen oxides (NO_x) each. The exhaust emissions of motor vehicles are also the main cause of roadside air pollution. In respect of greenhouse gases, the share of the transport sector is about 16% of local emissions. Promoting green transport will therefore not only improve air quality, but also reduce carbon emissions, thereby helping to avert global climate changes.

3. To encourage the transport sector to test out green and low-carbon transport technologies, the Financial Secretary has proposed in his Budget Speech this year to set up a \$300 million Pilot Green Transport Fund (the Fund) for application by the transport industry, initially by public transport operators. The Fund will encourage the transport industry to introduce more innovative green technologies, contributing to better air quality and health of people living in Hong Kong. It will also help nurture the budding of green technologies in Hong Kong for the promotion of a low-carbon economy.

KEY ISSUES FOR CONSIDERATION

Target Transport Sector

4. In Hong Kong, taxis, public light buses, franchised buses, non-franchised buses (such as tourist coaches, estate coaches, school buses, etc.) and ferries are the major modes of public road and marine transportation. The wider use of innovative green transport technologies by these public transport operators will thus benefit a large section of the community, since the vehicles of such operators run on busy corridors and impact on a large number of population. We therefore propose to start the Fund with the operators of the public transport services. While emission from these public transport operators account for about 21% and 20% of RSP and NO_x (which are the key pollutants of roadside pollution) from the transport sector, goods vehicles (including special purpose vehicles) are the single most important emission source and they account for about 61% and 41% of RSP and NO_x emitted from the sector. We also see merits in including their operators as eligible applicants under the proposed Fund.

Types of Green and Innovative Technologies

5. The objective of the proposed Fund is to encourage the transport sector to test out green and low-carbon transport technology, and to introduce more innovative green technologies. Internationally innovative technologies being developed or pursued in the transport sector are mainly those on new vehicle types using alternative fuel such as hybrid and electric vehicles and their related operating systems, equipment or machinery related to support the adoption of new vehicles including charging systems, and retrofit systems to enhance the emission performance of in-use vehicles or ferries. New fossil fuel engine technology that involves a substantial degree of innovativeness in engine design or construction should be eligible for application to the proposed Fund. However, the regular upgrading of emission performance of conventional fossil fuel vehicles in accordance to the European standards should not generally be regarded as innovative technologies. We will consult the relevant stakeholders, including potential suppliers of green transport technologies and the transport trades in finalizing specific qualifying criteria on the green technologies and products.

Eligible Applicants

6. The primary objective of the Fund is to encourage the transport trades to adopt green technologies and test out the suitability of these technologies in their day-to-day operation in Hong Kong. We expect that applications should initially come from the local transport operators (including cross-boundary transport). In order to achieve the objective of the scheme to promote green technologies, we suggest that eligible applicants be encouraged to pair up with potential suppliers of green transport technologies, research institutes or other relevant stakeholders in their applications.

Participation of the Transport Sector

7. We would welcome Members' views on the level of funding support to be provided to successful applicants under the Fund. We consider it desirable for successful applicants to contribute towards part of the cost of the trial so that Government support will be matched by participating operators' commitment. This will also enable the Fund to benefit more potential applicants and guard against frivolous applications.

Evaluation of Trial Performance

8. We will consider commissioning a third-party to evaluate the environmental performance of the new technology under trial, as well as collating data and reporting to the Environmental Protection Department. As regards the administration of the Fund, we may require a few additional time-limited staff or if appropriate, we may consider retaining a suitable agent to help administer the Fund.

Other Incentive Schemes to Encourage the Use of Cleaner Vehicles

9. There are a number of incentive schemes to encourage the use of cleaner vehicles, namely the proposed subsidy scheme to encourage the replacement of Euro II commercial vehicles by Euro IV and above commercial vehicles, the concession in First Registration Taxes for environment-friendly commercial vehicles and environment-friendly petrol private cars. Our initial views are that eligible applicants under the Fund may continue to be eligible to these incentive schemes so long as they fulfil the relevant conditions under the schemes concerned.

CONSULTATION WITH STAKEHOLDERS

10. We held a briefing session with public transport operators, potential suppliers of innovative green transport technologies and academics on 19 March 2010 to gather their initial views on the Fund. We also consulted the Panel on Environmental Affairs of the Legislative Council on 26 April 2010. We will map out an implementation framework for the Fund in the light of further consultation with the stakeholders in the coming few months. Our objective is to set up the Fund within this financial year.

ADVICE SOUGHT

11. Members are invited to provide comments on how best the Fund is to be set up and operated having regard to the key issues identified in paragraphs 4 to 9.

Environmental Protection Department
May 2010