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(ACE Paper 9/96)
for advice

**Review of Charges for the Disposal of Chemical Waste
at the Chemical Waste Treatment Centre**

I. Introduction

This paper seeks members' advice on the increase in charges for the disposal of chemical waste at the Chemical Waste Treatment Centre (CWTC).

II. Background

2. The CWTC commenced operation in April 1993 to provide an integrated chemical waste treatment facility to assist waste producers to comply with legislative "cradle-to-grave" control over chemical waste. Initially its service was provided free of charge in order to encourage waste producers to change their environmentally unsatisfactory method of disposal and comply with legislative control.

3. In line with the polluter pays principle and in order to create an economic incentive for waste producers to practise waste minimisation, reuse and recycling, on 16 July 1993 members of the former Environmental Pollution Advisory Committee endorsed Government's proposal to introduce a phased direct charging scheme to recover the costs of the CWTC (EPCOM Paper 30/93-94). Under this scheme,

- (a) users are charged directly according to the quantity and type of waste treated at the CWTC;
- (b) the initial charges are set at levels recovering approximately 20% of the variable operating cost (VOC) for each waste stream; and
- (c) the charging levels will be increased gradually with a view to achieving full VOC recovery by the end of the eighth year following the implementation of charging.

4. On 16 January 1995, members endorsed Government's proposal to enact the Waste Disposal (Charges for Disposal of Chemical Waste) Regulation to provide for the charges payable to the Director of Environmental Protection (DEP) for the disposal of chemical waste at the CWTC (ACE Paper 1/95). The charges are set out in two Schedules which came into force on 16 March 1995-

(a) Schedule 1

The charge levels in Schedule 1 are based on approximately 20% VOC recovery and apply to all chemical waste other than "special chemical waste" which is covered under Schedule 2. Over 99% of the chemical waste treated at the CWTC fall under this Schedule. We intend to increase the levels of charge in this Schedule to achieve full VOC recovery by 2003/04 the latest.

(b) Schedule 2

Full cost recovery is applied to certain types of chemical waste which are of a special nature or generated under special circumstances. These include wastes containing Polychlorinated Biphenyl, expired or off-specification chemical substances and damaged chemicals.

5. At the January 1995 meeting, members also suggested that a review should be undertaken in a year's time to refine the charging structure to ensure that waste producers would not dilute their waste to attract lower charges and that waste producers should be given an indication of the charging level for subsequent years.

III. ReviewCharging Structure

6. Chemical waste containing halogen, sulphur, chromium or ammonia are subject to additional charges depending on the degree of concentration. For ease of calculation of charges, the charging structure is based on three bands of concentration, i.e. high, medium and low. The charging level of each band was worked out on the basis of actual waste intake at the CWTC during 1993 and 1994. Since the additional charges for chemical waste in the high band are much higher than in the low band, members were concerned that waste producers would be prompted to dilute their waste in order to lower the treatment charges. It was agreed that this aspect should be reviewed when the charges are revised.

7. EPD has monitored the pattern of waste intake and found that the amount of waste falling under the three bands remained very stable in the past year, showing no trend of migration towards the lower bands. This is probably because:

- (a) dilution of waste containing halogen or sulphur is extremely difficult; and
- (b) no waste falls under the medium and high chromium and ammonia bands. The chromium waste treated at the CWTC usually comes from electroplaters, with concentration at the low end of the low band.

In view of the above reasons, we believe that the existing banding arrangement works well and do not propose any amendment.

Indication of future charging level

8. We accept that waste producers should be given an indication of the charging level for subsequent years and have already done so in our consultation paper to waste producers.

IV. Proposed charges for 1996/97

9. We propose to increase the charges for the disposal of chemical waste at the CWTC as indicated in the attached Schedule 1 and Schedule 2 (at Annex) to take into account the following -

- (a) increase in VOC recovery rate (for Schedule 1 only) -

In accordance with the objective in paragraph 3(c) above, we propose to increase the VOC recovery rate from 20% to 25% in 1996/97. Government will continue to bear 75% of the VOC, as well as the full fixed operating cost (which accounts for one-third of the total operating cost) and capital cost.

- (b) increase in plant operational costs during the year-

The operating charges paid to the operator of the CWTC are adjusted according to the movement of the Consumer Price Index (B).

10. The proposed fee levels shown in the Annex represent an increase of 35% and 8% respectively over the existing Schedules. The proposed increase is smaller than that set out in the consultation paper referred to in paragraph 8 by one percentage point because we have adjusted the increase in plant operational costs in the light of up-to-date data. We believe that the proposed increase strike a reasonable balance between the impact on waste producers, the disincentive to use the CWTC and the requirements of the polluter pays principle.

V. VOC recovery rate for 1997/98 and beyond

11. In accordance with our intention to achieve 100% VOC recovery by 2003/04 at the latest, we intend to achieve the following VOC recovery rates for the years starting 1997/98 -

Year	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04 and after
VOC recovery %	31	38	46	55	68	82	100

Under this proposed cost recovery plan, the year-on-year increase in charges paid by CWTC users during the years 1997/98 to 2003/04 would be in the region of 20% to 24%, excluding adjustments due to increases in plant operational costs as a result of inflation. There would be no sharp increase in any particular year and waste producers would have adequate time to factor the disposal charges into their production cost.

VI. Implementation

12. We intend to seek the Executive Council's approval of the revised charges in April 1996 and implement them in May 1996.

VII. Public consultation

13. In mid-February 1996, we issued a consultation paper to all CWTC users, relevant trade and industrial organisations and other interested parties to seek their views on Government's proposal to increase the charges for the disposal of chemical waste at the CWTC to achieve 100% VOC recovery. Reactions are mixed. Some waste producers and industrial organisations requested a longer ramp up period for achieving full VOC recovery, whereas others, predominantly environmental groups, demanded a shorter ramp up period. Some waste producers and industrial organisations objected to the proposed charges for 1996/97 on the grounds that increased waste disposal charges would increase their operating costs and may affect adversely the competitiveness of the industrial sectors concerned. They are also concerned about the inflation adjustment and the operating efficiency of the CWTC.

14. We believe that the steady increases proposed in paragraphs 9-11 strike a reasonable balance between the conflicting views expressed and would be affordable to waste producers. We are also mindful of the need to ensure that the CWTC operates efficiently and meets the changing needs of Hong Kong's industry and commerce. For this purpose, EPD has an established monitoring mechanism overseeing the daily operation of the CWTC. The Department also regularly updates its waste arising statistics (a survey is now ongoing) and looks into the possibility of adjusting the operation, including the payment structure, of the CWTC.

VIII. Advice sought

15. Members are requested to advise if the proposed revised charges set out at Annex and the proposed VOC recovery rates for the years starting 1997/98 should be adopted.

Planning, Environment and Lands Branch
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