22nd June 2017

Dear Members of Panel on Environmental Affairs and Economic Development,

Joint Statement from Green Groups:
Static Renewable Energy Market Demands a
Favorable Feed-in tariff Policy with Implementation Details

Electricity generation contributes to nearly 70% of greenhouse gas emissions in Hong Kong, developing local renewable energy can transform the city with a low-carbon and clean energy future. The Government's Climate Action Plan 2030+ says Hong Kong could potentially generate 3-4% of electricity from renewable energy by 2030, yet it has not provided a clear renewable energy target. As a result, the share of local renewable energy is only at around 0.1% of electricity generation in 2016, lagging far behind other jurisdictions. We urge the Government to set a concrete and ambitious renewable energy target by having 10% of electricity generated from local renewable energy sources by 2030, aligning with international strategies.

Hong Kong electricity market is regulated under the Scheme of Control Agreements (SCAs). The new 15-year SCAs were signed by two power companies and the Government on 25th April 2017, effective from 2018 to 2033. We welcome the announcement of two new initiatives: Feed-in Tariff (FiT) and Renewable Energy Certificates (RECs), which provide incentives for a thriving local renewable energy market. However, the information so far describes only a vague implementation framework with unclear terms and conditions. To ensure the effective implementation of both initiatives, it is critical for the Government and the two power companies to consider and adopt the following suggestions:

1. The initial value of FiT rebate will decide the overall success of the policy. With reference to Taiwan, Macau, Germany and UK which have implemented FiT, there are two key criteria:

    i) The initial rate must be set higher than residential tariff price to shorten the payback period for small scale household investors. Payback for a rooftop solar system, for instance, should be kept within 8 to 10 years. Meanwhile, for larger scale renewable energy projects, solar farms for instance, a lower level of subsidy and a longer payback period is expected.

ii) The Government and the two power companies should review and adjust the rate annually. Power companies must guarantee payments for all electricity generated from renewable energy sources for a fixed term of 20 to 25 years. This is particularly important since the local renewable energy market is immature and the installation costs are high, investors must ensure a long-term and stable financial incentive.

2. Feed-in tariff must be offered to all renewable energy systems connected to the electricity grid, including individuals, private business, schools and public bodies.

3. The current proposal lacks detailed information. The Government and two power companies must provide all details prior to implementation, including the review schedule, responsible parties, installation cost for different type of renewable energy systems, expected system payback period as well as the total installed renewable energy capacity in Hong Kong.

4. Before the actual implementation of FiT, the Government must openly release all of the details for public review, including the methodology behind setting the FiT rate. Government should ensure the general public understands the objectives, direction and impact of FiT.

Co-sign Environmental Groups (Alphabetical Order):

Clean Air Network
Friends of the Earth (HK)
Greenpeace East Asia
The Green Earth
WWF-Hong Kong
350 HK