世界自然基金會
香港分會

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Vincent Liu
Deputy Secretary for the Environment
Hong Kong Special Administrative Region
Tamar, Hong Kong

1st February 2018

Dear Vincent,

<u>WWF Views on the Scheme of Control: Feed-in tariff and Energy Efficiency</u>

We have undertaken a number of studies over the past twelve months and we thought it might be helpful if we consolidated the findings from the different pieces of work.

<u>Feed-in tariff for solar PV – sectoral coverage</u>
We understand that discussion between the power companies and Government have centred around introducing a feed-in tariff for solar PV installed by households and business. This is of course welcome and something we strongly support. We understand that there has been a reluctance to fund RE on Government buildings because of the argument, made by some, that the Government is capital rich and should use its own resources rather than rely on 'electricity customer' funded FiT programmes.

While it is true, that till now, the public sector has tended to pioneer the piloting of renewable electricity (RE) installation through capital grants we do not think this situation to be healthy for the successful development of RE in the City. We would advocate the extension the feed-in tariff to public sector type buildings (schools, hospitals, public housing) and also Government departments for two main reasons. Firstly, it is often difficult for individual public agencies to access capital from bureaux because of the timelines and complex processes governing capital allocation. Experience in other countries suggests delays in capital allocation can lead to long and expensive delays in installing PV panels in public schools and hospitals, and sometimes lock the public body into purchase RE systems at uncompetitively price contracts that were negotiated many months earlier before the project went online. Secondly, payment of a feed-in tariff *based on power generated* forces the public sector operator to properly site, install and maintain its PV panels, rather than rely on capital handouts. We think this is a useful discipline and are aware of many poorly located and maintained PV panels in Hong Kong public spaces and buildings which have ceased to be effective as their was no incentive or reward for maintaining them in operation.

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systemically, far from increasing prices investment in renewables today will, we believe, result in lower overall costs for Hong Kong people, by hedging against future rises in gas prices and stranding of gas assets.

There are several design features to the FiT we would like to recommend.

Firstly, we believe the level of FiT offered to new installations should be reviewed on a regular basis (say every year) and be based on the (hopefully declining annual) cost of installation and the rate of return of 8-10 years for a small installation (say less than 10kW) and a fixed term of payment of at least 20 years, and with longer duration payback periods for larger projects which attract commercial investments.

Secondly, we note in other countries the FiT price for an existing installation, as opposed to a new installation is typically indexed to inflation to ensure that as long term energy prices rise over the twenty year contract period the FiT keeps up.

Thirdly, we believe that any investments in solar PV undertaken already should be allowed to receive the FiT from the date the scheme comes into force as long as the system complies with relevant regulations. It is particularly important to announce this now to avoid the current 'blight' deterring people from investing in RE, since they worry they may be disqualified from receiving a FiT when the scheme is launched.

Fourthly, to ensure the programme's take off is successful , Government set up a short duration incentive for early movers e.g. set seed funding on community solar to finance low-interest loan or community fund, as has been trialed in Seoul and Taiwan.

Support for non-solar PV RE technologies

Outside Hong Kong, several different incentive mechanisms have been used to reward investment in other RE. These technologies are typically deployed by sophisticated specialist companies that are used to many different policy instruments. There has been a recent trend to using feed-in tariffs with prices determined through auction and we would commend this as a reasonable means of going forward. However, more important than the precise instrument is the principal that projects are paid for RE exported for 20-25 year lifetime of the investment (i.e. decoupled from the arbitrary 2033 end of the SCA contract). Without this assurance no investor will be interested. We think it desirable that the wholesale market is opened up to allow new entrants to cost-effectively generate and export power to the two power companies power grids. There is no reason why the power companies should not be allowed to set up stand-alone entities to develop off-shore wind or utility scale solar too.

Both the power companies compete on this sort of basis in markets outside of Hong Kong. CLP has interests in wind and utility-scale solar in India and China. Power Assets has extensive thermal and renewable assets in Asia and Europe.

Renewable Energy Certificates

We very much support the design of the Renewable Energy Certificates as it is presently being envisaged, as it will help buffer the conventional tariff increment from the modest price rise arising from FiT. We will certainly advocate businesses to utilise RECs if they wish to green their electricity usage.

We would be happy to comment more on the energy efficiency provisions if these are now being actively discussed.

If you would like to discuss any of this further please contact Prashant Vaze, Head of Climate and Energy email: pvaze@wwf.org.hk; tel.: 2526 1011.

Yours sincerely,

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