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Panel on Environmental Affairs

Meeting on 22 July 2013

**Background brief on "Mandatory fuel switch at berth for
ocean going vessels in Hong Kong waters"
prepared by the Legislative Council Secretariat**

Purpose

This paper provides background information on the mandatory fuel switch at berth for ocean going vessels ("OGVs") in Hong Kong waters, and gives a brief account of the views and concerns expressed by Members on the subject.

Background

2. Air pollution is one of the major problems in Hong Kong. According to the International Maritime Organisation, air pollution from marine vessels is substantial and growing, causing serious and increasing public health and environmental impacts. In 2011, emissions from marine vessels accounted for 54% of sulphur dioxide ("SO₂"), 33% of nitrogen oxides ("NO_x") and 37% of respirable suspended particulates of the total emissions in Hong Kong. Marine emissions have become the largest air pollution sources in the territory. OGVs, because of their size, contribute the bulk of the shipping emissions.

Fair Winds Charter and regional cooperation in controlling marine emissions

3. In January 2011, 17 major ship liners in Hong Kong signed the two-year voluntary Fair Winds Charter to switch to a much cleaner 0.5% sulphur fuel while at berth in Hong Kong waters. To demonstrate their commitment to the environment, these shipping companies have extended the Fair Winds Charter for a further year till the end of 2013. The Government is also exploring with

the Guangdong, Shenzhen and Macao authorities on the feasibility of requiring OGVs to switch to low-sulphur fuel while at berth in the Pearl River Delta ("PRD") waters and, in the longer term, setting up an Emission Control Area in PRD waters. Regional cooperation on this front is essential to ensure level playing field and maximize the environmental benefits in the region.

Incentive scheme on the use of cleaner fuels by OGVs at berth in Hong Kong waters

4. OGVs are powered by heavy fuel oil with an average sulphur content of 2.8%¹, i.e. 2 800 times of that of motor diesel. The emissions of OGVs while at berth account for about 40% of their total emissions within Hong Kong waters. Requiring OGVs to switch to cleaner fuel while at berth can improve the air quality around the port area. The Government therefore launched a three-year incentive scheme in September 2012 to reduce by half the port facilities and light dues charged on OGVs using low sulphur fuel (with sulphur content not more than 0.5%) when at berth in Hong Kong waters ("the incentive scheme") to encourage more OGV operators to switch to cleaner fuels. Starting from 26 September 2012, registered OGVs can apply for reduction in port facilities and light dues for port calls under the incentive scheme. Up to 31 December 2012, 839 applications for the incentives were received, with a participation rate of about 12%.

Legislative proposal to mandate fuel switch at berth for OGVs in Hong Kong waters

5. In his 2013 Policy Address, the Chief Executive announced the proposal to mandate the use of cleaner fuel by OGVs while at berth in Hong Kong waters with an aim to further reducing emissions from cruise vessels. To take forward the proposal, the Government consulted the shipping trade, including the cruise industry, from February to June 2013. The Hong Kong Shipowners Association and Hong Kong Liner Shipping Association are supportive of the proposal. A new regulation under the Air Pollution Control Ordinance (Cap. 311) is to be made to enforce the mandatory requirement.

Deliberations by Members

6. The Panel on Environmental Affairs ("the Panel") discussed the incentive scheme at its meeting on 28 May 2012, and received an update on the implementation of the scheme on 22 October 2012. The Subcommittee on

¹ Already lower than the International Maritime Organisation standard of 3.5% sulphur content.

Issues Relating to Air, Noise and Light Pollution, which was formed under the Panel in the current term, also discussed the mandatory fuel switch at berth for OGVs in Hong Kong waters at its meeting on 29 January 2013. The major views and concerns expressed by members at these meetings are summarized in the ensuing paragraphs.

7. While expressing support for the incentive scheme, members opined that the incentive scheme should also apply to river-trade vessels plying between Hong Kong's neighbouring cities within PRD waters as pollution had no boundaries. They considered that there should be more cooperation with the Mainland ports in reducing the emissions from vessels plying within PRD waters. Members were also concerned that OGVs were not keen to participate in the incentive scheme as only a few hundred OGVs had been registered. The Administration acknowledged that the number of applications received and the number of OGVs registered under the incentive scheme were relatively low as compared to the number of OGV trips to Hong Kong. Nevertheless, the Administration would step up the publicity efforts to encourage more OGVs to apply for the incentives to switch to cleaner fuels when at berth in Hong Kong waters. It also undertook to assess the effectiveness of the incentive scheme upon its expiry in three years' time.

8. Members further expressed concern about the effectiveness of the incentive scheme to encourage OGVs to switch to cleaner fuel while at berth in Hong Kong waters. They opined that legislation should be introduced to mandate the fuel switch if the incentive scheme turned out to be ineffective. Some other members stressed that mandatory fuel switch at berth, if implemented, should be on a regional basis and be applicable to all other ports within PRD as otherwise the competitiveness of the local logistics industry would be undermined. There was also a suggestion that a speed limit should be imposed on OGVs entering Hong Kong waters. Members were of the view that the Administration should take into account the social and health costs when investing in measures to improve air quality.

9. In response, the Administration had advised that discussions were being held with the Guangdong Provincial Government to explore the feasibility of mandating fuel switch at berth in PRD ports and establishing an Emission Control Area within PRD waters to ensure a level playing field amongst the ports in the region. On speed limit, the Environmental Protection Department had been discussing with the Marine Department the impact of vessel speed on emissions.

Council questions

10. Hon James TO and Hon Paul TSE raised questions relating to fuel switch at berth by OGVs in Hong Kong waters at the Council meetings on 3 November 2010, 14 December 2011 and 26 June 2013. Details of the Council questions are hyperlinked in the **Appendix** for ease of reference.

Latest development

11. The Administration will consult the Panel at its meeting scheduled for 22 July 2013 on the proposal to mandate the use of cleaner fuel by OGVs that berth in Hong Kong waters, as proposed in the 2013 Policy Address.

Relevant papers

12. A list of relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
16 July 2013

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Environmental Affairs	28 May 2012	<p>Administration's paper on "Incentive scheme for ocean going vessels to switch fuel at berth" (LC Paper No. CB(1)1949/11-12(05)) http://www.legco.gov.hk/yr11-12/english/panels/ea/papers/ea0528cb1-1949-5-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2349/11-12) http://www.legco.gov.hk/yr11-12/english/panels/ea/minutes/ea20120528.pdf</p>
Panel on Environmental Affairs	22 October 2012	<p>Administration's paper on "Update on Incentive Scheme on the Use of Cleaner Fuel by Ocean Going Vessels at Berth" (LC Paper No. CB(1)50/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea1022cb1-50-1-e.pdf</p> <p>Background brief on "Incentive scheme to encourage ocean going vessels to switch to cleaner fuels while at berth in Hong Kong waters" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)58/12-13(03)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea1022cb1-58-3-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)300/12-13) http://www.legco.gov.hk/yr12-13/english/panels/ea/minutes/ea20121022.pdf</p>
Subcommittee on Issues Relating to Air, Noise and Light Pollution	29 January 2013	<p>Administration's paper on "Current legislation and administrative measures on the control of air pollution and the associated public expenditure" (LC Paper No. CB(1)474/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/ea/ea_anlp/papers/ea_anlp0129cb1-474-1-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)743/12-13) http://www.legco.gov.hk/yr12-13/english/panels/ea/ea_anlp/minutes/anlp20130129.pdf</p>

Hyperlink to relevant Council Questions:

Date	Council Question
3 November 2010	Council question raised by Hon Paul TSE http://www.info.gov.hk/gia/general/201011/03/P201011030150.htm
14 December 2011	Council question raised by Hon James TO http://www.info.gov.hk/gia/general/201112/14/P201112140161.htm
26 June 2013	Council question raised by Hon Paul TSE http://www.info.gov.hk/gia/general/201306/26/P201306260537.htm