

**Way Forward for Handling the Outstanding Applications under  
the Buildings Energy Efficiency Funding Schemes**

**PURPOSE**

This paper sets out the latest position of the Buildings Energy Efficiency Funding Schemes (BEEFS) and seeks Members' views on the proposed way forward for handling the outstanding applications submitted before the application deadline of 7 April 2012.

**RECOMMENDATION**

2. It is recommended that applications will not be further processed once the funding of \$450 million allocated to the BEEFS has been fully committed. The outstanding applications will be rejected accordingly.

**BACKGROUND**

3. With the support of the Energy Conservation Projects Vetting Subcommittee (ECPVSC), the Environment and Conservation Fund (ECF) Committee approved on 30 December 2008 an allocation of \$450 million from the ECF to implement the BEEFS to promote building energy efficiency. BEEFS subsidise building owners on a matching basis to carry out energy-cum-carbon audits (ECA) and projects to upgrade the energy efficiency performance of building services installations (EEP) for communal use of the buildings.

4. When the Schemes were launched on 8 April 2009, the Government announced that the Schemes will be opened for applications for three years (i.e. till 7 April 2012) or until the allocation of \$450 million is fully utilized, whichever is the earlier. With the support of this ECPVSC, the ECF Committee endorsed at its meeting on 19 January 2012 the recommendation to bring the BEEFS to a close on 7 April 2012 as scheduled.

5. A press release was later issued on 20 February 2012 to announce the closure of the Schemes. While it was then estimated that the original allocation of \$450 million would be adequate to process the applications that would be received before the application deadline, there was a huge influx of last-minute applications. Over 410 applications were received from 21 February to 7 April 2012. The number of applications received in the month of March 2012 (117) was more than 5 times the monthly average of 2011. Upon the closure of BEEFS, the total number of applications received was 2,004, including 233

ECA and 1,771 EEP applications.

## **LATEST POSITION**

6. Following the approval of the last batch of applications on 17 September 2012, 1,094 applications have been approved altogether since the launch of the schemes, with committed project sum amounting to \$437.51 million. The total number of outstanding applications that remain to be considered is **364** (356 EEP and 8 ECA cases), involving total of **\$244.89** million.<sup>1</sup>

7. On the funding side, of the approved projects, 200 projects have been completed and the total amount of reimbursement sought by the applicants was \$6.9 million less than the committed sum. Together with the remaining uncommitted balance of \$12.49 million, a total of **\$19.39** million can be used for approving the outstanding applications.

## **JUSTIFICATION**

8. BEEFS were launched as incentive schemes to promote building owners' awareness of the benefits and importance of buildings energy efficiency. When the schemes were launched, it was announced that the schemes would be opened for applications for three years or until the allocation of \$450 is fully utilised, whichever is the earlier. In other words, the schemes should be closed once the available allocation is exhausted. There is no commitment on the part of the ECF or the Government to process and approve all the applications received before the expiry of the 3-year period after the launch of the schemes. Had the allocation been exhausted earlier, the applications would have been closed earlier than 7 April 2012.

9. The decision to close the schemes was made on the primary consideration that BEEFS had already achieved their intended purposes. As at mid September, more than 6,300 buildings, or more than one in seven buildings in Hong Kong have benefited from the schemes. It is expected that the energy efficiency projects can achieve a electricity saving of more than 173 million units, equivalent to a reduction of carbon dioxide emissions by 121,000 tonnes. As far as promoting buildings energy is concerned, the Government will be moving on to other policy initiatives, e.g. bringing the Buildings Energy Efficiency Ordinance into full operation, tightening of the Buildings Energy Codes, conducting energy cum carbon audits in Government buildings and

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<sup>1</sup> The numbers of approved applications and outstanding applications do not add up to the total number of applications as some applications have been withdrawn or rejected.

public facilities in the next three years, as well as implementing relevant recommendations from the Council for Sustainable Development. Providing yet another sum of additional funding at this juncture may send an unintended message that the Government would like to continue or revive the funding schemes.

10. When the ECF Committee was consulted on the way forward for the BEEFS at its meeting in January 2012, it was discussed that additional funding could be sought to process the applications received before the application deadline in order to maintain the integrity of the schemes. However, as mentioned above, due to the upsurge in the number of last-minute applications, it is estimated that some \$220 million would be needed to process all the outstanding applications, which is equivalent to almost half of the original allocation. As of end August 2012, the uncommitted balance of ECF is \$125 million, which is expected to be just enough to cover the estimated commitment of the various funding schemes up to the end of the 2012-13 financial year.

## **POSSIBLE IMPLICATIONS**

### *Applicants' reactions*

11. The remaining sum of \$19.39 million will allow the approval of around 30 more applications on a first-come-first-served basis<sup>2</sup>. This means that around 330 of the 364 outstanding applications will be rejected. It is expected that some applicants may react strongly and argue that their applications, which have been submitted before the application deadline, should continue to be processed and additional funding be sought for this purpose. Their dissatisfaction may be aggravated by the fact that the Electrical and Mechanical Services Trading Fund (EMSTF) has been processing their applications and asking for information and clarification pertaining to their applications. The decision will also entail some negative PR and political repercussions, and there may be doubts on the commitment of the Government to promote buildings energy efficiency.

### *Unspent commitments*

12. For the 200 completed EEP projects, the total amount of reimbursement is around 80% of the approved project sum. In other words, the spending rate for these 200 projects (with total approved sum of \$35 million) is

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<sup>2</sup> Processing and recommendation for approval of the applications has all along been processed on a first-come-first-served basis by the EMSTF. Applications will be processed according to the order of the receipt of the applications, and recommendation for approval will be made based on the order in which the processing has been completed.

around 80%. In theory, by assuming that the actual expenditure for other approved projects will be below the approved sum, 20% of the approved sum of these projects can be committed for processing the outstanding applications. However, this is not recommended given the recent escalation of costs and tender prices for capital works, which may significantly increase the spending rate of the approved projects. Any remaining funding after processing all applications will be returned to the ECF.

13. We have considered the alternative of maintaining a “waiting list projects”, which can be considered for approval as and when there is any withdrawal and unspent funding from the approved projects. However, this is not recommended given the uncertainty over the spending rate of the approved projects and the long lead time involved before the availability of such funding can be confirmed.<sup>3</sup>

#### Manpower requirement

14. ECF has previously approved the manpower requirements for EMSTF until end 2012. With the completion of the outstanding applications in hand, a gradually reducing level of manpower will be required, mainly to monitor the progress of the approved applications, including the annual progress reports submitted in respect of ECA projects, as well as for handling claims for reimbursement. Based on the projected workload and manpower requirement, it is estimated that the service charge could be reduced from \$9.7 million in 2012 to \$5.0 million in 2013, \$2.7 million in 2014 and \$2.9 million<sup>4</sup> in 2015 and \$1.4 million in 2016. Subject to ECF Committee's agreement to the proposed way forward for the BEEFS, we would separately seek Members' approval of the funding requirement for the continued engagement of EMSTF from 2013-2016.

#### **NEXT STEPS**

15. Subject to the endorsement by the ECF Committee, EMSTF will write to inform the applicants of outstanding applications that their applications would not be processed further as funds allocated to BEEFS have been used up.

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<sup>3</sup> An approved EEP is required to be completed within 2 years from the date of approval. Reimbursement can be sought within half year from the date of completion of the project. It may take some 2.5 years from the date of approval before the project proponent applies for reimbursement of the project cost.

<sup>4</sup> While the projected manpower requirement for 2014 and 2015 will be the same, a higher funding provision is estimated for 2015 to cater for salary adjustment.

**ADVICE SOUGHT**

16. Members are invited to consider the recommendation in paragraph 2 above.

**Environment Bureau  
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