

Funding Caps for Buildings Energy Efficiency Funding Schemes

Purpose

This paper seeks Members' support for recommending to the Environment and Conservation Fund (ECF) Committee the proposal to remove the respective funding caps for Energy-cum-carbon Audit Projects (ECA) and Energy Efficiency Projects (EEP), currently set at \$150 million and \$300 million respectively, so that resources could be more flexibly deployed to finance approved applications within the total allocation of \$450 million for the Buildings Energy Efficiency Funding Schemes (BEEFS).

Background

2. For promoting energy efficiency in particular in buildings, it was announced in the 2008-09 Policy Address that \$450 million was reserved under the ECF to subsidize building owners to conduct ECA and EEP. The Energy Conservation Projects Vetting Subcommittee and the ECF Committee endorsed and approved on 22 December 2008 and 30 December 2008 respectively, the allocation of \$450 million from the ECF for setting up the BEEFS, with \$150 million allocated for ECA, and \$300 million for EEP.

Energy-cum-carbon Audit Projects

3. The objective of ECA is to encourage building owners to carry out energy-cum-carbon audits, with a view to systematically reviewing the use of energy and quantifying the greenhouse gas (GHG) emissions associated with their buildings, and to identify opportunities for enhancements of energy efficiency and conservation and reductions in the level of GHG emissions arising from building operations. The scheme covers ECA to be carried out in communal areas of residential, commercial and industrial buildings.

4. Funds will be granted on a matching basis. A limit of 50% of the approved total actual expenditure spent on ECA will be reimbursed subject to a maximum of \$150,000 per building per application.

Energy Efficiency Projects

5. The objective of EEP is to encourage building owners to carry out alteration, addition or improvement works to upgrade the energy efficiency performance of building services installations for communal use in residential, commercial or industrial buildings. Funds will also be granted on a matching basis. A limit of 50% of the approved total actual expenditure spent on EEP will be reimbursed subject to a maximum of \$500,000 per building per application.

Duration

6. The BEEFS was opened for applications from 8 April 2009 for three years or until the allocated funds are exhausted, whichever is the earlier.

Funding Status of the Schemes

7. As at 9 December 2010, 1,277 applications have been received, including 212 for ECA and 1,065 for EEP. The processed applications are tabulated below.

	Approved		Rejected		Withdrawn		Being Processed	
	Number of Applications	Amount (\$M)						
ECA	120	6.5	55	3.7	30	2.2	7	1.4
EEP	485	196.7	218	98.7	71	37.5	291	244.5
Total	605	203.2	273	102.4	101	39.7	298	245.9

8. Taking into account the amount of funding sought by ECA and EEP applications which are being processed, and assuming that all such applications will be approved, there will be a surplus in ECA funding of \$142.1 million and a deficit in EEP funding of \$141.2 million.

Proposed Removal of Respective Caps for ECA and EEP

9. BEEFS is already half way through its three-year term. So far, funding for EEP has been granted at a much faster rate than that for ECA. A number of reasons may account for that –

- (a) more EEP applications were received, which is understandable as EEP could directly contribute to energy savings;

- (b) much higher amount of grant was provided for EEP per building as compared to that for ECA. The ECA grant per building has been under \$75,000, while that for EEP was up to \$500,000.

10. Now that over two-thirds of EEP funding has been committed for projects, we have reviewed the funding position of ECA and EEP to ensure that resources are suitably deployed to support approved applications. Categorically, we propose that the respective funding caps for ECA and EEP (at \$150 million and \$300 million respectively) be removed to maximize the impact of the \$450-million allocation for achieving the objectives of BEEFS.

11. Meanwhile, we will step up promotional efforts for ECA, particularly in respect of successful cases where ECA had helped identify scope of energy efficiency and carbon reduction, and provide essential information for planning energy efficiency improvement projects.

Advice Sought

12. Members are invited to consider recommending to the ECF Committee the removal of the respective funding caps for ECA and EEP.

**Environment Bureau
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