

**Minutes of the 1st Meeting of the
Energy Conservation Projects Vetting Subcommittee
held on 19 January 2011 at 3:00 p.m.**

Present

Mr. Edward Leung	(Chairman)
Dr. Chan Fuk-cheung	
Mr. Cheung Yan-hong	
Mr. Alan Chow	
Mr. Bryan Pallop Gaw	
Dr. Cynthia Lam	
Mr. Alfred Lee	
Mr. Kendrew Leung	
Mr. Wong Kam-sing	
Mr. Wong Kin-wai	
Dr. Yau Wing-kwong	
Ms Betty Cheung	EPD
Miss Eunice Chan	EPD
Miss Katharine Choi	ENB
Mr. Kent Fung	ENB
Mr. WS Szeto	EMSTF
Mr. Michael Wong	EMSTF
Mr. Ming Chan	EMSTF
Ms Vivien Mok	(Secretary)

Absent with Apologies

Mr. Man Mo-leung
Ms Wong Wai-ching

Agenda Item 1: Welcoming Remarks

The Chairman welcomed all members to the first meeting of the Energy Conservation Fund (ECF) Energy Conservation Projects Vetting Subcommittee (ECPVSC). In order to maintain good order of the meeting, Members supported to invite Mr. Man Mo-leung, who was also the ex-Chairman of this Subcommittee, to be the Vice-Chairman so that he would chair the meeting during the Chairman's absence.

2. The finalized minutes of the last meeting held on 24 August 2010 was tabled at the meeting and was endorsed by Members.

Agenda Item 2: Standing Orders and Guidelines on Declaration of Interests

3. Ms Vivien Mok briefed Members on the standing orders and guidelines on declaration of interest of the ECF ECPVSC which was tabled at the meeting. Members noted that the quorum for ECPVSC meeting would be half of the total number of Members (i.e. 8) and all questions put to the Subcommittee should be decided by a majority of the votes of Members present and voting. Members' attention was also drawn to the need to declare any conflict of interest. The meeting discussed and Members agreed that when a member had any potential conflict of interest on an application, he/she should refrain from participating in the discussion of the application in question.

Agenda Item 3: Funding Cap of Buildings Energy Efficiency Funding Schemes (BEEFS) (ECPVSC Paper No. 18/2010-11)

4. Miss Katharine Choi briefed Members on Paper 18/2010-11 which aimed to seek their support to remove the funding caps for Energy-cum-carbon Audit (ECA) projects and Energy Efficiency Projects (EEP) currently set at \$150 million and \$300 million respectively so that resources could be deployed more flexibly to finance approved applications within the total allocation of \$450 million for the BEEFS. Promotional efforts for ECA particularly in respect of successful cases where ECA had helped identify scope of energy efficiency and carbon reduction would also be strengthened.

5. In response to the question raised by the Chairman, Miss Katharine Choi said that as the proposal would be discussed at the ECF Committee after obtaining this Subcommittee's support, removal of the existing funding caps would not contravene any previous decision made.

6. Mr. Bryan Pallop Gaw enquired why two separate funding caps had been initially set for ECA and EEP. Miss Katharine Choi said that to reinforce the message to the general public that both applications for ECA and EEP were recommended, two funding caps had been set since their launching in April 2009.

7. Mr. Kendrew Leung commented that as most of the building owners preferred spending their resources direct on energy improvement works so as to maximize the cost effectiveness, the demand for EEP should outweigh ECA which might be able to be carried by technical staff of property management companies. The removal of the funding cap could help meet the strong demand for EEP.

8. Mr. Alan Chow noted from the paper that out of the allocation of \$450 million, a total of 903 ECA and ECP applications amounting to \$449.1 million were approved or being processed. He questioned whether promotional efforts for ECA should be strengthened given the current spending position. Dr. Cynthia Lam also enquired whether there would be any backup plan when the total allocation for the BEEFS was used up. Miss Katharine Choi said that taking into account the anticipated withdrawal rate and rejection rate for applications being processed as well as the relatively low cost of ECA applications, even more applications for ECA were received after the promotion, the impact on the overall spending of the allocated fund would not be significant. In case that the demand for the funding schemes continued to be overwhelming, ENB would review the need for further injection.

9. Dr. Chan Fuk-cheung suggested requesting the applicants for EEP costing more than a certain amount to conduct ECA prior to their applications. Both Mr. Cheung Yan-hong and Mr. Kendrew Leung viewed that as the funding schemes were on a matching basis and the mandatory requirement for buildings to conduct ECA would come into effect in due course, building owners might lack incentive to apply for ECA funding at the moment and this requirement would be difficult to be implemented.

10. After discussion, Members supported to remove the funding caps as proposed in the paper and agreed to keep the application criteria for the BEEFS unchanged.

Agenda Item 4: Funding Proposal for Continuing to Engage Electrical and Mechanical Services Trading Fund (EMSTF) to Provide Support for the Operations

**of BEEFS
(ECPVSC Paper No. 19/2010-11)**

11. Miss Katharine Choi briefed Members on Paper 19/2010-11 which aimed to seek their support to enhance the strength of the dedicated project team of the EMSTF in the third service year (2011), by increasing the allocation from \$9,666,000 to \$11,811,000 and to allocate \$9,666,000 for continuing the engagement of the EMSTF in the fourth service year (2012) to support the operations of the BEEFS. The manpower for the dedicated team in 2011 would remain unchanged as in 2010 i.e. five engineers, six inspectorates, two technical officers and two management support officers to strengthen the post-approval monitoring as suggested by the ICAC and to cope with the increasing workload while the manpower in 2012 would comprise four engineers, four inspectorates, two technical officers and two management support officers.

12. Mr. Cheung Yan-hong supported the proposal to strengthen the manpower for monitoring the approved projects. He also suggested the EMSTF to invite Members to attend some post-approval visits e.g. 2 times per annum to let them have a better understanding on the progress.

13. In response to the questions from Mr. Kendrew Leung about the average processing time of an application and Mr. Wong Kin-wai about any performance pledge for handling applications, Mr. Michael Wong said that subject to the complexity of an application and the completeness of documentation, four-month time was generally required to process an application not exceeding \$2 million and submit it for approval. As for an application over \$2 million, more time would be required to submit it for the approval of the ECF Committee. The shortest processing time for a case which the EMSTF had encountered was one and a half month and the longest was six months. The processing time requirement had also been stipulated in the respective guides to applications.

14. Dr. Chan Fuk-cheung remarked that as there was still comment on slow vetting process, he suggested a target be set to improve work efficiency.

15. After deliberation, Members approved the proposal as set out in paper ECPVSC 19/2010-11. The EMSTF would arrange post-approval site visits for Members in due course and review the vetting process to enhance efficiency.

Agenda Item 3: New Applications

**I) Applications under BEEFS
(ECPVSC Paper 20/2010-11)**

16. Mr. WS Szeto briefed Members on Paper 20/2010-11 which aimed to seek their agreement to approve 74 funding applications under the BEEFS including two applications for ECA projects and 72 for EEP costing under \$2 million and to recommend seven applications for EEP exceeding \$2 million for the ECF Committee's approval. Since the circulation of ECPVSC Paper 15/2010-11 on 6 October 2010, 45 funding applications were recommended not to be accepted due to inadequate information for assessment; one applying for non-energy efficiency item was considered not eligible and had been rejected while 11 were withdrawn by the applicants of their own accord including three approved applications.

17. With reference to the rejected case due to application for non-energy efficiency item, Mr. Alfred Lee asked if maintenance works which could enhance energy efficiency would be accepted under the funding schemes. Mr. WS Szeto replied that as building owners had the responsibility to carry out proper day-to-day maintenance for their installations, funding applications for maintenance works would normally not be supported.

18. Dr. Chan Fuk-cheung said there were rumors that the EMSTF would reject applications stating upgrading works for energy saving installations. Mr. Kent Fung clarified that whether an application was successful or not should depend on the proposed scope of work. The EMSTF would look into project details and would not reject a case simply because it was stated as an upgrading work. Mr. Wong Kin-wai enquired if extra assistance had been given to building owners who did not have resources to engage property management companies or needed more help to apply for the schemes. Mr. Michael Wong said that in order to assist these building owners, apart from communicating in Chinese correspondence, the EMSTF would also discuss with the applicants direct to understand their needs and provide necessary advice and assistance.

19. After discussion, Members approved 72 EEP applications and two ECA applications costing under \$2 million and supported seven EEP applications exceeding \$2 million for the ECF Committee's approval.

II) Energy Conservation Projects for Non-government Organizations (NGOs) (ECPVSC Paper 21/2010-11)

20. The Chairman declared that he was the Executive Director of the Hong Kong Playground Association, the applicant organization of project ECP0050. Dr. Yau Wing-kwong, representing the Tai Po Environmental Association Ltd which was a co-organizer of project ECP0134 from the Sai Kung Tseung Kwan O Environmental Association, proposed withdrawal of this project from discussion at this meeting due to insufficient information.

21. Ms Vivien Mok briefed Members on Paper 21/2010-11 which aimed to seek their agreement to reject one funding application due to no reply received from the applicant organization on or before the deadline set; and to consider 22 applications (excluding ECP0134 which had been withdrawn from discussion at this meeting) for the energy conservation projects for NGOs including two for energy-cum-carbon audits, two for energy conservation education programmes and 18 for energy improvement works. She highlighted that a funding request from Yuen Yuen Home for the Aged (Tsuen Wan) amounting to \$276,500 for installing energy efficiency air-conditioning systems was the third application submitted from the applicant organization; four applications were submitted from the Project Care for its four centres with project costs ranging from \$13,970 to \$41,230; and two applicant organizations, i.e. the Zion Lutheran Church Ltd and Thrangu Vajrayana Buddhist Centre Ltd., applied for both ECA and energy improvement works at the same time. She also drew Members' attention to two education programmes to carry out light bulbs replacement campaign including (a) ECP0106 submitted from the Hong Kong Digital Dynamic Association Limited with a recommended project cost of \$740,400 for the under privileged groups in the North District; and (b) ECP0117 submitted from the Tsing Yi Residence Association with a recommended project cost of \$382,500 for the singleton elderly and elderly families in Tsing Yi.

22. In response to Members' questions on the recommended budgets of ECP0106 and ECP0117, Ms Vivien Mok explained that although the two environmental education

programmes were similar in nature, due to differences in implementation details e.g. the applicant organization of ECP0106 proposed including opening and closing ceremonies in the programme and to appoint a registered social worker in addition to a project officer to assist in the project, the funding required by ECP0106 was higher than ECP0117.

23. Mr. Wong Kin-wai enquired how these light bulb replacement projects, which had been categorized as educational programmes, could achieve in educating the public about environmental protection. Ms Betty Cheung said that apart from the direct benefit of energy saving obtained from replacing the traditional light bulbs for the under privileged groups, one of the main objectives of these environmental education programmes was to spread the message of environmental protection through “train the trainers”. In these programmes, the applicant organizations would recruit a number of volunteers within districts like secondary school students to carry out the replacement work. Training would be provided to the volunteers on energy efficiency, the replacement techniques and the related safety measures. They would then reach out to the target participants such as the elderly and convey the message of environmental protection to them.

24. After deliberation, Members approved 18 applications for energy improvement works, two for energy-cum-carbon audits and two for environmental education programmes with a total project cost of \$5,154,699.

Agenda Item 4 : Any Other Business

I) Variation to Approved Projects under BEEFS (ECPVSC Paper 22/2010-11)

25. Mr. WS Szeto briefed Members on Paper 22/2010-11 which aimed to seek Members’ support to –

- (i) approve the proposed changes to the budget of four approved EEP funding applications i.e. EEP0088, EEP0121, EEP0519 and EEP0637;
- (ii) approve the extension of the commencement date of three approved EEP funding applications i.e. EEP0039, EEP0046 and EEP0050; and
- (iii) reject the procurement of goods/services which was not the lowest bid in two approved EEP funding applications i.e. EEP0120 and EEP0810 .

In accordance with the existing guide to application, prior approval had to be obtained from the Subcommittee should there be any major changes in the approved budget, extension of project commencement date and non-compliance of the requirement to accept the lowest offer.

26. With reference to the two requests for not accepting the lowest bid, Mr. Alfred Lee asked whether applicants were allowed to top up the price difference if the lowest offer was not selected. Mr. Michael Wong said that to avoid unfairness to other potential tenderers, this top-up arrangement was not permitted.

27. Members approved the proposed variations to seven approved EEP applications and rejected two requests for procurement of goods/service which were not the lowest offer as set out in the Paper 22/2010-11.

II) Variation to Approved Projects under NGO Scheme

(ECPVSC Paper 23/2010-11)

28. Ms Vivien Mok briefed Members on Paper 23/2010-11 which aimed to seek Members' endorsement on the proposed changes to the budget of seven approved projects i.e. ECP0080-0085 and ECP0103 under the NGO scheme submitted from the Haven of Hope Christian Service. In accordance with the existing guide to application, prior approval had to be obtained from the Subcommittee should there be any major changes in the approved budget.

29. Members approved the proposed variations to seven approved applications as set out in the Paper 23/2010-11.

**III) BEEFS Progress Report
(ECPVSC Paper 24/2010-11)**

30. Miss Katharine Choi briefed Members on the progress report of the BEEFS as at 7 January 2011. In sum, 1292 applications had been received including 212 ECA projects and 1080 EEP. Total funding approved was \$203.2 million. The estimated savings in electricity per annum were 106.62GWh and the estimated reduction in carbon dioxide emissions per annum was 74,651 tonnes.

**IV) Completion Report of Project under NGO Scheme
(ECPVSC Paper 25/2010-11)**

31. Ms Vivien Mok briefed Members on Paper 25/2010-11 about a completion report received from Footprint, applicant organization of ECP0033, for its project-No Air Conditioning Day 2010. The project commenced in April 2010 and ended in June 2010. Given that the project had been completed satisfactorily, the Secretariat proposed releasing the actual project cost of \$172,760.5 to the applicant organization.

32. Members agreed to this proposal.

V) New Application under BEEF for Members' Advanced Information

33. Miss Katharine Choi briefed Members on a complicated EEP application received for their advance information. In gist, while vetting the application, the EMSTF noted from the submitted minutes of meetings that the applicant organization had already granted a contractor the non-energy saving part of a lift project. To comply with the requirement in the guide to application, a letter of intent had been signed on the understanding that the contract for the energy saving part would only be awarded upon obtaining the approval from the ECPVSC. The EMSTF worried that this arrangement would set a precedent for other similar cases and would encourage lift contractors to lower the fee for the non-energy saving part in order to get the overall lift contract. Also, as a part of the lift contract had been awarded, it would lessen the incentive for other potential lift contractors to submit tenders for the energy saving part and cause unfairness.

34. The Chairman concluded that the EMSTF could seek legal advice on this case and submit their recommendation for Members' consideration at the next meeting.

Agenda Item 5: Date of Next Meeting

35. Members noted that the next meeting would normally be held around three months from now. The Secretariat would inform Members of the date of the next meeting in due course.
36. The meeting was adjourned at 5:00 p.m.

**Secretariat, ECF Energy Conservation Projects Vetting Sub-committee
March 2011**