

**Confirmed Minutes of the Fourth Meeting of the
Environment and Conservation Fund Committee
held on 4 September 2013 at 2:30 p.m.**

Present

Dr. Joseph LEE, G.B.S., J.P.	(Chairman)
Mr. CHAN Jor-kin, Kenneth	
Ms CHAN Sui-kuen, Agnes	
Ms FUNG Dun-mi, Amy	
Mr. LEUNG Wai-kuen, Edward, J.P.	
Prof. LO Man-chi, Irene	
Mr. TSE Chin-wan, J.P.	DDEP(1), EPD
Ms CHEUNG Miu-han, Betty	P(CR), EPD
Ms TAI Yuen-yuen	Senior Curriculum Development Officer, EDB
Dr. Jackie YIP	Senior Conservation Officer, AFCD

In Attendance

Ms Anita SW TSUI	CEO(CR)1, EPD (Secretary)
Mr. TSOI Kwan-sang, Steve	SEO(CR)1, EPD
Mr. KAM Ka-lung, Simon	EM(CR), EPD

Absent with Apologies

Mr. LAM Chiu-ying, S.B.S.
Ms WONG Wai-ching, Connie, S.B.S., J.P.
Mr. Douglas WOO

In Attendance for Item 3

Mr. Derek LEE	CEO(CR)2, EPD
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Opening Remarks

The Chairman welcomed all Members to the fourth meeting of the Environment and Conservation Fund (ECF) Committee.

Agenda Item 1: Confirmation of Minutes of the Meeting held on 25.2.2013

2. The draft minutes of the previous meeting held on 25 February 2013 were circulated to Members on 9 August 2013. The meeting confirmed the draft minutes without amendment.

Agenda Item 2: Matters Arising

Para. 3 Financial Position of the ECF

3. Ms Anita SW TSUI reported that the balance in bank as of end of June 2013 was \$966.42 million whereas the uncommitted balance (with amounts of approved projects deducted) was \$69.61 million. Taking into account the earmarked amounts under designated programmes, the balance would become \$9.94 million. Separately, approval of the Finance Committee (FC) of the Legislative Council (LegCo) had been obtained for a capital injection of \$5,000 million into the ECF. Further details of the budgetary management arrangements would be reported under Agenda Item 3.

Agenda Item 3: Capital Injection into the Environment and Conservation Fund – Investment and Budgetary Management Arrangements

(ECF Paper 8/2013-14)

4. Ms Anita SW TSUI reported to Members the latest development of the capital injection for the ECF and the related investment arrangements, and sought Members' views on the proposed budget allocations in 2013-14 as well as the revised framework for assessing funding applications to tie in with the new budgetary management approach. Ms TSUI said that the capital injection of \$5,000 million was approved by the FC of the LegCo on 14 June 2013. A meeting of the ECF Investment Committee (ECFIC) was subsequently convened on 24 July 2013 to consider the investment arrangements for the newly injected amount. ECFIC decided that \$4,700 million of the injection should be placed with the Hong Kong Monetary Authority for investment in the form of a six-year credit facility starting from

1 August 2013. To cater for the ECF's cash flow requirements, the ECFIC also endorsed setting aside an amount of \$300 million (being the balance of the capital injection of \$5,000 million) for use by the ECF's funding schemes.

5. Ms Anita SW TSUI said that as the funding schemes and activities of the ECF would henceforth mainly rely on the investment returns generated from the capital injection, the expenditure commitment would have to tie in with the returns. It was necessary to adopt budgetary control to sustain the long-term operations of the ECF. With an amount of \$300 million set aside for use by ECF's funding schemes in the initial period, the current uncommitted ECF balance of about \$7 million and the expected \$98 million interest return by end 2013, ECF would have about \$405 million for deployment up to the end of 2014.

6. Ms Anita SW TSUI further said after consulting the Environment Bureau (ENB) and the Environmental Protection Department (EPD), a budget of \$220 million was proposed for 2013-14, in which \$100 million would be reserved for waste related projects including \$30 million specifically earmarked for food waste projects. For projects received under the three-year Energy Conservation Projects for Non-government Organizations (ECPNGO) Scheme which was closed on 31 October 2012, about 300 applications received before the closing date were currently still under processing, with total funding sought amounting to \$73 million. In view of the need to meet the funding requirements of the various funding schemes at the same time, funding support for the outstanding energy applications was proposed to be spread over a period of three years (i.e. from 2013-14 to 2015-16) with a budget at \$30 million for 2013-14. Under the extended service level agreement (SLA) with the Electrical and Mechanical Services Trading Fund (EMSTF) as approved by the ECF Committee at its meeting on 30 January 2013, EMSTF was required to provide professional support for vetting 100 funding applications which involved an extent of technical complexities or where the amount of funding sought was substantial, and in monitoring those approved projects up to 22 February 2015. For due compliance with the terms and conditions of the SLA, EMSTF should make ready all outstanding applications for consideration of the Energy Conservation Projects Vetting Subcommittee by February 2014. For minor works applications, as at end August 2013, there were 208 applications with total funding sought of about \$63.2 million. To meet the demand within budgetary constraints, the funding allocation for eligible minor works applications was also proposed to be spread over a period of three years with

a budget at \$20 million for 2013-14. For the proposed budget allocations for 2014-15, the Secretariat would seek Members' views in due course.

7. Ms Anita SW TSUI further said that there was a need to revise the current mode of handling applications under the ECF in view of the reliance of the future operation of ECF on the investment returns. Given that a certain budget would be available for each funding scheme each year, in future, invitations for applications would be called at scheduled intervals, so that the received applications could be considered on a competition basis on account of the merits of individual applications. The frequency of invitations would be determined based on the nature of projects of each funding scheme. Based on these principles, the proposed changes to the assessment framework were set out in Annexes 2 to 5 of ECF Paper 8/2013-14. Subject to the agreement of members of ECF Committee, relevant vetting subcommittees would finalize the details of the new arrangements. For management purposes, 4 September 2013 was proposed as a cut-off date for applications received under the existing mechanism. Since the funding allocation was available now, respective vetting subcommittees should consider the applications which were received on and before 4 September 2013 as soon as possible in accordance with the existing arrangements. For budgetary control, each vetting subcommittee would also be tasked to manage the deployment of budget allocated for funding schemes within their purview.

8. Ms Anita SW TSUI also informed Members that a Member, who was unable to attend the meeting, had put up a suggestion for designating "biodiversity in Hong Kong" as one of the funding priority areas for research projects for the meeting's discussion. For Members' background information, Ms TSUI advised that the Research Projects Vetting Subcommittee (RPVSC) would identify priority research themes, in consultation with the ENB and EPD, on a bi-yearly basis so as to focus resources to build knowledge and talents on areas of priority and to provide the applicants, especially local tertiary institutions, a clearer direction in carrying out their research projects. The finalized priority themes were posted on the ECF website and included in the Guide to Application for research projects, whereas local universities were also notified. As the current priority areas of research projects would expire in March 2014, ENB and EPD recently kicked off the process of reviewing and updating the priority themes for the two-year period starting from 1 April 2014. After deliberation, Members were of the views that since there was an established

system for updating research priority themes, the Member's suggestion should be referred to RPSVSC for consideration according to the existing review mechanism.

9. Noting that the proposed budget allocated for general projects of Environmental Education and Community Action in 2013-14 was lower than the actual commitments in previous years, a Member enquired whether there were adverse effects on the impacts of the education projects. Ms Betty CHEUNG responded that the proposed budget allocated for general education projects was worked out based on the spending patterns of the past five years. The upsurge in commitment incurred in 2011-12 was mainly due to the approval of a few large-scale projects. Apart from general education projects, projects of other ECF funding schemes, such as minor works and waste related projects, also contained educational elements aiming at raising the public's awareness on environmental protection through installations of hardware facilities. The Chairman added that the green partnership formed between the ECF and seven reputable charity organizations through the Green NGO programmes also served as an effective channel for conveying green messages to members of the public at the district level.

10. Replying to a Member's enquiry on the way forward for the Green NGO programmes, Mr. CW TSE advised that the existing seven charity organizations would continue to implement their projects and programmes funded under the ECF. In view of the imminent challenges of waste problems facing Hong Kong, the focus now was placed on waste-related issues. NGOs were welcome to submit waste-related proposals under the existing funding schemes related to waste management.

11. On the proposed arrangements for budget variations as mentioned in Annexes 2 to 4 of ECF Paper 8/2013-14, a Member noted that requests for additional funding for approved projects would normally not be supported to ensure the overall cost effectiveness of the original proposal. Mr. LEUNG considered that the word 'normally' might give rise to different interpretations by the various vetting subcommittees. To maintain consistency for members of vetting subcommittees in considering such requests, clearer guidelines should be provided on whether requests for additional funding should be allowed. Another Member shared the Member's views. After deliberation, Members agreed that requests for additional funding for approved projects would not be supported and the word 'normally' should be removed from the proposed guidelines.

12. After deliberation, the Chairman concluded the meeting's agreement to the proposed arrangements and assessment framework for handling applications for community-initiated green projects and activities as set out in ECF Paper 8/2013-14.

Agenda Item 4: Project recommended by the Research Projects Vetting Subcommittee - Project 39/2011 – A Holistic Approach to a Sustainable Eco-flood Channel Design for Yuen Long Nullah

(ECF Paper 9/2013-14)

13. Ms Anita SW TSUI took Members through the paper which summarized the funding proposal submitted by the Hong Kong Polytechnic University (PolyU). This project aimed to use a holistic approach which included ecological assessment and physical and numerical modelling methods to develop a design to naturalize the flood control concrete channels in Yuen Long. The goal of naturalization of flood control channel was to create a near-natural and self-sustainable lotic system to restore the river corridors in Yuen Long with rich biodiversity and at the same time to meet the flood control requirement.

14. Note

15. Note

16. Note

17. After deliberation, the Chairman concluded the meeting's view to approve the application with a grant of \$2,071,880.

Agenda Item 5: Research Project 17/2008 on the Development of an Automatic Switching-off System for Idling Engine – Counter Proposals from Hong Kong Productivity Council

(ECF Paper 10/2013-14)

18. Ms Anita SW TSUI briefed Members about the counter-proposals from the Hong Kong Productivity Council (HKPC) on the details of the recoupment arrangements for the project as set out in ECP Paper 10/2013-14. At the meeting of the ECF Committee held on 25 February 2013, Members considered the suitable arrangements for handling the anticipated revenue to be generated through the commercialization of the technologies developed under two research-cum-technology demonstration projects undertaken by HKPC (viz., ECF 17/2008 (the 2008 Project) and ECF 26/2010 (the 2010 Project). It was decided that subject to the views of the Woo Wheelock Green Fund (WWGF), 5% of the revenue derived from the 2008 Project should be recouped to the ECF and WWGF, until the total grant to HKPC for the project was recovered. The ECF Committee also decided that similar recoupment arrangements should be applied to the 2010 Project when it was completed. To follow up with the ECF Committee's decision, the Secretariat of the RPSVSC approached WWGF and obtained its agreement for the proposed recoupment arrangements for the 2008 Project. Based on legal advice obtained and with WWGF's further consent, a draft recoupment deed to be entered into by HKPC, the ECF trustee, and the holding party of WWGF (i.e. Wheelock Corporate Services Limited) was prepared and passed to HKPC for advance information.

19. Note

20. Note

21. After deliberation, the Chairman concluded the meeting's views to accept HKPC's suggestion to combine the 2008 and 2010 Projects for the purpose of assessing the amount to be recouped to the ECF and WWGF, and to reject HKPC's suggestion to exclude from the recoupment arrangements the revenue which it might generate from serving as a provider of the technology and system developed under the 2008 Project.

Agenda Item 6: Tung Wah Group of Hospitals - Requested Project Variations for the Indoor Air Quality Improvement Project

(ECF Paper 11/2013-14)

22. Ms Anita SW TSUI briefed Members that the Tung Wah Group of Hospitals (TWGH) had previously obtained the ECF Committee's approval on 3 October 2012 for provision of additional amounts totalling \$85,000 for engaging a mechanical and electrical (M&E) consultant (at \$80,000) for the design of its Indoor Air Quality (IAQ) Improvement works and engaging the IAQ consultant to conduct an additional walkthrough inspection (at \$5,000), and an extension of the 11-month project by 21 months up to March 2014.

23. Note

24. Note

25. Note

26. Note

27. Note

28. After deliberation, the Chairman concluded the meeting's view that TWGH's requests for further provision of additional funding of \$100,000 for M&E consultancy services and additional funding of \$10,000 for preparing two statements of accounts necessitated by the extension of the project duration from 11 to 32 months should not be supported.

Agenda Item 7: Any Other Business

29. Members had no other business to raise.

Agenda Item 8: Date of Next Meeting

30. The next Meeting would be held in around three months from now. The Secretariat would confirm with Members the meeting date in due course.

31. The meeting ended at 3:45 p.m.

**Secretariat, Environment and Conservation Fund Committee
September 2013**

Note: The paragraph will not be included in the version of notes to be uploaded to the webpage of ECF according to the standing practice of not disclosing the detailed reasons for supporting or rejecting an application. The ECF webpage contains a general disclaimer that “Reasons for supporting/rejecting an application had been made known to the project proponents concerned, and the public could ask the project proponents direct for such information.”