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Annual 1pc reduction target would generate fund to promote greater efficiency, Greenpeace says
Greenpeace has proposed the two power companies set big customers annual energy reduction targets of 1 per cent a year, enforced by a "reward-penalty" mechanism that would generate a fund all electricity users could draw on to improve efficiency.

The environmental group said the scheme would enhance the government agreements which set the terms for CLP Power and HK Electric to operate.

Half of the fund would be financed by large commercial and industrial users - businesses such as factories or utilities - who will pay a bit more for each extra unit they use. The government will then match this figure.

From this fund, electricity users large and small can apply to finance half of any service from an energy efficiency consultant. This will also help to lower their power bills.

Using CLP data, the group projected that if its large users paid HK\$0.024 more per kilowatt hour for the 20 billion kW they are estimated to use per year, a 1 per cent energy saving target would cost each party HK\$478 million creating a pool as large as HK\$1 billion.

Greenpeace campaigner Frances Yeung Hoi-shan said by being a stakeholder in such a fund, large electricity users would have an incentive to get the most out of the fund. "It's important to get the big players to move first. This will also drive momentum in the market for energy saving," she said.

Dr William Chung Siu-wai of City University's environmental policy research unit said it would also create competition among big users to apply for funds and force them to think of more creative ways to slash energy use.

Under the current tariff structure, large commercial users are charged regressive rates. This means that the more they use, the cheaper it is, and there is little incentive for large-scale energy savings.

But with the reward-penalty mechanism, if the supplier fails to meet the target, they will have to pay a fine equivalent to 1 per cent of their total fuel costs - the biggest component of a customer's power bill - to

the fund.

If the target is achieved, the power companies will get an additional 0.01 percentage points on their permitted returns - the amount of money they can make.

Scheme of control agreements cap the annual returns of the two suppliers at 9.99 per cent of their net fixed assets. The government wants to lower this to 6 or 8 per cent after the current schemes expire in 2018.

Responding to a question in the Legislative Council, environment chief Wong Kam-sing said the two suppliers already charged large users extra based on maximum power demand.

"Hence, there is no incentive for these customers to consume huge amounts of electricity."

He said large users obtained electricity directly from high-voltage power systems, which reduced the extra cost of transforming high-voltage power to low-voltage power. They also drew high-volume power from "centralised locations", which require less network facilities.

"It is more economically effective and will lower the cost of electricity supply to these customers," he said.

CLP said it would study the feasibility of all energy saving proposals from the public. "We will continue to work closely with the government to develop appropriate arrangements relating to energy saving initiatives," a spokesman said.

A public consultation on the future of the electricity market ends on June 30.

A spokeswoman for the Environment Bureau said all proposals to improve the scheme of control agreements were welcome. "We will consolidate the views received during the public consultation and consider the way forward upon completion of the exercise," she said.

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