

# POSITION PAPER

## THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

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### Electricity Generation and Air Quality in Hong Kong

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#### *The Issue*

Government studies show that, despite introducing measures aimed at reducing air pollution, air quality in Hong Kong continues to deteriorate. At the same time, Hong Kong's continued success as a world-class city is based partly on the availability of reliable, plentiful, and reasonably priced electricity. Generation of electricity also contributes to air pollution in Hong Kong, in combination with emissions from the surrounding Pearl River Delta region. Presently, the successor to the Scheme of Control regulation of the electricity market in the HKSAR after 2008 is being developed.

#### *Position*

**HONG KONG'S FUTURE ELECTRICITY FRAMEWORK MUST BE RELIABLE, AFFORDABLE AND ENVIRONMENTALLY SOUND, FACILITATING GENUINE REDUCTIONS IN AIR EMISSIONS ACROSS THE PEARL RIVER DELTA**

#### *Recommendations*

In this spirit, AmCham believes that the broad principles that should underlie the development of the future electricity regulatory framework should include the following:

- Hong Kong's electricity framework must fit the unique circumstances of the HKSAR to provide consumers with highly reliable power services.
- The regulatory framework must enable future environmental improvement. Environmental improvement will require investment in emissions control at existing facilities and the increased use of lower emission generation sources, such as natural gas, renewable energy, and newly emerging technologies. The regulatory regime should provide sufficient incentives for investment in environmental improvement.
- The framework should facilitate the development of renewable energy and low-emission waste-to-energy systems and the use of clean fuels. It should place renewed emphasis on energy conservation.
- One of the factors driving Hong Kong's success has been a free, open and competitive marketplace. The introduction of competitive principles to the electricity framework should be considered as regional institutions and market conditions allow.
- As appropriate to the overall direction of the regulatory framework, Government should consider establishing an independent, expert regulatory body in order to safeguard the interests of all stakeholders.
- The policy process and the regulatory framework itself should be founded on principles of transparency, consistency, reasonable risk adjusted investment return to ensure long term reliability, sustainable development, and the rule of law.