

September 5, 2017

The Honorable Mrs. Carrie Lam, GBM, GBS
The Chief Executive
HKSAR Government
Tamar, Hong Kong



The American Chamber
of Commerce in Hong Kong
1904 Bank of America Tower
12 Harcourt Road, Hong Kong

Re: The HKSAR's Policies on Electric Vehicles as Means to Achieve Emission-Free Transportation

For over two decades the HKSAR Government has supported the adoption of Electric Vehicles (EVs) in an effort to reduce carbon emissions, improve roadside air quality and bring in technologies that help achieve the city's sustainability and innovation goals. However, the abrupt reduction in the First Registration Tax (FRT) waiver for EVs by the last Administration as of April 1, 2017 sent a very confusing signal to the entire EV ecosystem about the HKSAR's commitment to sustainable development. EV-related investment plans and technological transfer projects have subsequently been halted, threatening Hong Kong's leading position in green transportation in Asia. Furthermore, the policy change has not reduced congestion as the number of new, polluting fossil fuel vehicles on the road have increased.

The EV industry is a capital-intensive industry that requires long-term financial commitment and planning to support the development and deployment of vehicle, battery, service and charging technologies. Policy clarity and long-term government commitment is therefore critical for firms choosing Hong Kong as a base for investment. Hong Kong has the potential to attract R&D investments from leading companies, but the abrupt policy change has stalled these future investments and diminished the incentive for EV ecosystem manufacturers to bring their products and services to the Hong Kong market. This direction is in stark contrast to the favorable environments created by many other governments to achieve their green transportation goals.

The FRT waiver decision affected the entire EV ecosystem including manufacturers, charging solution providers, EV service providers, property developers and innovative financial providers. Below are several examples of the impact of this change:

- New EV registrations plummeted after April 1 with only 23 registrations from April through July compared to 735 during the same period in 2016. Meanwhile, new ICE registrations have grown 9%;
- With the new FRT concession capped at HK\$97,500, previously popular EVs are now between 50% to 70% more expensive than their comparable ICE vehicles and putting EV technology out of reach for middle-class buyers;
- Many automakers are less incentivized to bring and promote their EV offerings to Hong Kong consumers and some have instead began promoting diesel offerings. New diesel private car registrations are up 416% from April through June 2017 compared to the same period in 2016;
- Charging infrastructure investments have been delayed or cancelled and Building Management Offices have denied EV owners' requests to install residential charging due to uncertainty;
- Because the FRT policy is decided annually as a part of the budget process, many prospective customers may be delaying their purchases until there is more clarity. However, business planning cycles, especially for capital-intensive industries, are made on a multi-year timeline and projects and investments cannot be restarted quickly or easily changed on an annual basis.

As a small, wealthy and highly-developed city, Hong Kong has the potential to be the leader in zero-emission transportation and related technologies across Asia and the world. New technology naturally goes through various phases of development as consumer behavior and business activities take time to adjust. However, changes in policy should never actively discourage investment, which can accelerate this change because as the EV industry matures, more offerings will become available at lower prices and for different applications that will bring significant benefits to Hong Kong (i.e. commercial trucks and taxis).

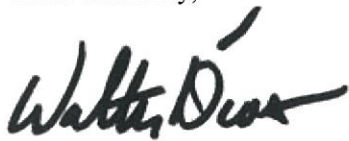
One of the primary reasons provided for the policy change is to reduce on-road congestion; however, EVs in Hong Kong only represent 1.8% of all private cars. As noted previously, after the policy change on April 1, registrations of private vehicles have continued to increase (up 2% compared to the same period in 2016), except the growth is driven entirely by registrations of new internal combustion engine vehicles (up 8% compared to the same period 2016). Notwithstanding the fact that the policy change has not reduced overall congestion, the new policy seems to have resulted in more carbon emissions, which is both short-sighted and environmentally irresponsible. We believe that the new Administration can find balanced solutions that reduce congestion without sacrificing Hong Kong's adoption of green technology and promotion of sustainable living.

As China is a signatory to the Paris Agreement on Climate Change, Hong Kong should set its own target to reduce carbon emissions and replace high polluting fossil fuel vehicles with zero-emission vehicles. Setting a timeframe for banning the sale of fossil fuel vehicles, as six other countries have done, would demonstrate Hong Kong's commitment and long-term policy thinking.


As the new leader of Hong Kong who will drive the city's smart city and sustainable development, we hope that you will provide assurance to the EV ecosystem, including businesses and consumers, that Hong Kong is still committed to fostering the use of green transportation with supportive actions in the upcoming Policy Address. We strongly encourage Hong Kong to follow other leading cities in formulating a zero-emission transportation roadmap with related performance indicators and timelines to project a clear policy direction, so foreign investors in EVs can be certain about Hong Kong in their long-term investment decisions. We also appreciate stronger coordination among related Bureaus, including Transportation and Housing, Environment and Commerce and Economic Development, in devising and executing policies that would not adversely impact investor and consumer confidence.

Representing American firms and related stakeholders in the EV industry, AmCham asks the Government to revisit the current EV policies, beginning with the FRT tax policy change, and come up with decisions that are fair to investors and beneficial to Hong Kong's economy and environment. Dialog between your relevant Bureaus and the stakeholders in the EV ecosystem is highly appreciated as a next step to discuss the possible implementation solutions that will encourage EV adoption in Hong Kong.

Yours Sincerely,



Walter Dias
2017 Chairman



Tara Joseph
President

CC The Chief Secretary for Administration
 Secretary for the Environment
 Secretary for Transportation & Housing
 Secretary for Commerce & Economic Development