

**Press Release**

**LCQ6: Electricity charges subsidy**

Wednesday, November 25, 2015

Following is a question by the Hon Wong Kwok-hing and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (November 25):

Question:

The Government introduced a total of four rounds of time-limited electricity charges subsidy scheme (the scheme) in 2008, 2011, 2012 and 2013 respectively to provide electricity charges subsidy to each residential electricity account. The first three rounds of the scheme ended on June 30 this year, and the last round will end on June 30 next year. In this connection, will the Government inform this Council:

(1) of the balance of approved commitment, the number of the households which did not use up the electricity charges subsidy and the average amount of unused subsidy of such households, in each of the first three rounds of the scheme; whether it has projected if there will be any remaining approved commitment when the fourth round of the scheme ends; if it has projected, of the details; whether it will consider distributing the balance of the approved commitment of the various rounds of the scheme to the households concerned in the form of cash; if it will consider, of the details; if not, the reasons for that;

(2) as some low-income families have relayed to me that the scheme helps reduce their financial burden, whether the authorities will consider extending the implementation period of the various rounds of the scheme to 10 years or until the approved commitment is used up (whichever is earlier); if they will consider, of the details; if not, the reasons for that; and

(3) as there are views that some members of the public may not pay heed to reducing electricity consumption as there is still unused subsidy remaining in their electricity accounts, whether the authorities will consider expanding the coverage of the scheme by, for example, allowing members of the public to use the subsidy to purchase energy-efficient electrical appliances so as to encourage them to save energy; if they will consider, of the details; if not, the

reasons for that?

Reply:

President,

The Electricity Charges Subsidy Scheme (the Scheme) is one of the one-off relief measures announced in the Budget of 2008-09, 2011-12, 2012-13 and 2013-14. The Scheme provides a subsidy to over 2.5 million residential electricity account holders in Hong Kong for payment of billed electricity charges. With the approval of the Finance Committee (FC) of the Legislative Council, the Government has so far provided four rounds of electricity charges subsidy with a maximum total subsidy of \$9,000 per residential electricity account. The validity period of the Scheme has been extended to June 30, 2016 or until the close of the relevant electricity accounts, whichever is earlier, lasting up to 94 months or about eight years.

My consolidated reply to the various parts of Hon Wong Kwok-hing's question is as follows:

In 2008, a commitment of \$8.8 billion was approved by FC for the Government to implement the first round of the Scheme. Subsequently, the Government sought the approval of FC for increasing the commitment for three times in 2011, 2012 and 2013 respectively for implementing the second to fourth rounds of the Scheme. The total approved commitment for four rounds of the Scheme amounted to \$22.3 billion and the outstanding commitment balance as at end October 2015 was about \$0.84 billion.

The Scheme has benefitted more than 2.5 million residential electricity account holders in Hong Kong. According to the two electricity companies, over 90% of the accounts had used up their subsidy under the Scheme as at end October 2015. About 190,000 eligible active accounts still have unused subsidy of about \$3,000 per account on average. Given the changing amount of unused subsidy of individual accounts and their unpredictable electricity consumption in future, we are unable to estimate the amount of outstanding approved commitment when the Scheme expires on June 30, 2016. Even though a small number of accounts may not fully utilise the subsidy, the electricity account holders should have already enjoyed nearly eight years of free electricity

supply by then.

We do not see any evident grounds to substantiate the claim that households may tend to consume more electricity in order to use up the remaining balance of subsidy before the Scheme expires, thus causing energy wastage. The Government has always attached great importance to environmental protection. We hope that households will, under all circumstances, be aware of the need to protect the environment and continue to save energy.

According to the ambit approved by the FC and the scheme intent, the subsidy is meant to be used to cover billed electricity charges under the same residential electricity account. Suggestions such as paying out cash subsidy or expanding the ambit of the Scheme to subsidise the public for purchasing higher energy efficiency electrical appliances will deviate from the approved ambit of the Scheme and the intent. There are also practical difficulties to implement.

As the Scheme is a one-off relief measure instead of a recurrent subsidy scheme, it should have a time limit. Since the first round of the Scheme in 2008, the Government has repeatedly extended the validity period of the Scheme to as long as 94 months or about eight years. The subsidy was not meant to be a lump sum cash grant but rather a subsidy for actual billed electricity charges within the validity period. As such, we do not consider it appropriate to extend the Scheme indefinitely or for an unreasonably long period.

We appreciate Members' concern about the arrangement of unused electricity charges subsidy. There is still some time before the Scheme expires. Meanwhile, residential electricity account holders may continue to use their unused subsidy, if any, until June 30, 2016. We will keep in view the unused subsidy and decide on the arrangements in the light of the overall economic situation and the Government's fiscal position at a timely manner.

We will nevertheless continue to take into account the views of Members and various sectors of the community on the arrangement of unused electricity charges subsidy.

Ends