

31 March 2025

Energy Efficiency Office
Electrical and Mechanical Services Department
3 Kai Shing Street
Kowloon
Hong Kong

Email: dcso-consultation@emsd.gov.hk

**Response to proposed amendments to District Cooling Services Ordinance
from Business Environment Council Limited
商界環保協會有限公司**

Over the last 33 years, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engaging with the HKSAR Government (“the Government”) to help develop a supporting policy framework as well as impactful implementation in respect of environmental protection and sustainability.

Views expressed in this submission are those of BEC, in line with BEC’s Mission and Vision as well as policy position on relevant issues, but may not necessarily be the same as the views of each individual member. BEC is an independent charitable membership organisation comprising over 300 member companies from Hong Kong’s major holding companies to small and medium-sized enterprises, startups and NGOs.

Background

There are substantial benefits to adopting District Cooling Services (“DCS”) compared to other local air-conditioning systems. DCSs are more energy-efficient and cost-effective, consuming approximately 20% less electricity than individual water-cooled air-conditioning systems using cooling towers and 35% less electricity than traditional air-cooled air-conditioning systems. Therefore, the development of DCSs can play a pivotal role in achieving carbon neutrality.

The Government has proposed amendments to the District Cooling Services Ordinance (Cap. 624) (“DCSO”), to include the incorporation of new DCS for the Kwu Tung North New Development Area (“KTN NDA”) and the Tung Chung New Town Extension (East) (“TCNTE(E”). These will be identified as the Kwu Tung North District Cooling System (“KTN DCS”) and the Tung Chung East District Cooling System (“TCE DCS”). Additionally, to align with the latest developments in Kai Tak Development (“KTD”), adjustments will be made to the service area of the Kai Tak District Cooling Services (“KTDCS”).

Specified in DCSO, the DCS charging mechanism consists of two key tariff components: capacity charge and consumption charge. The charges payable are determined based on the applicable capacity charge rate and consumption charge rate for each building receiving district cooling services.

Response to proposed amendments

Regarding the proposed inclusion of the KTN DCS and TCE DCS in the DCSO (Questions 1 & 3 of the consultation paper), BEC supports the inclusion of the KTN DCS and TCE DCS in

the ordinance. This amendment will enable these areas to benefit from a more energy-efficient air-conditioning system. Additionally, regarding the service areas of the newly added areas and the updated service area for KTDCS (Questions 2, 4 & 5 of the consultation paper), BEC agrees the proposed service area coverage for the new DCS and the adjustments to KTDCS, provided that the services maximise benefits for the most residents.

Regarding the adoption of different charging levels (Question 6 of the consultation paper), BEC considers the implementation of different charging levels based on user-pay principle a pragmatic approach. BEC agrees that it is suitable to adopt varied charging levels for these service areas, recognising the differences in system scale, capital investment, and operating costs. BEC supports the implementation of a fair and transparent pricing structure, which will enable the Government to promote equitable access to these services. This model also supports the financial sustainability of district cooling services.

Additional recommendations

BEC suggests that energy saving factor should be considered when implementing the DCSO. Currently, both capacity and consumption charges are set at building levels with a fixed rate being adopted. It is likely that tenants within the building share the same rate of capacity charge and consumption charge, even though their air-conditioning usage patterns may differ. In the future, the Government should explore initiatives and/or pricing tiers aimed at driving building owners (and thus individual tenants) to reduce excessive air-conditioning usage, which is crucial for achieving overall energy savings.

The Government is recommended to consider a competitive pricing structure for district cooling services to promote wider adoption among the users in the service area. As DCS systems are designed to be more efficient than traditional cooling systems, in the longer run, the pricing should be set in a way more competitive than conventional cooling systems. To fully maximise participation in the DCS scheme, it is suggested that consumption charges be adjusted to reflect the benefits from better energy efficiencies, which we believe would encourage more tenants to sign up so to promote wider adoption of the system.

In addition, the Government is suggested to enhance transparency on system efficiency for performance monitoring and ESG reporting. Operators should enhance transparency by disclosing annual operational and energy efficiency, and carbon performance metrics of the plant, as well as the improvement plan on system efficiency to the building owners connecting to DCS. This transparency would support individual building owner in their regular ESG (Environmental, Social, and Governance) reporting and performance monitoring, helping them meet their sustainability goals more effectively.

It is suggested to incorporate performance-based incentives in the contract that encourage appointed DCS operators to achieve specific energy efficiency targets or implement innovative energy-saving technologies. This approach would align the interests of both EMSD, operators and building owners and tenants, promoting continuous improvement in service quality and efficiency while fostering a more collaborative relationship throughout the contract to support Hong Kong's Climate Action Plan 2050.

Furthermore, BEC recognises the significant potential for DCS to further improve their overall energy efficiency. By incorporating advanced technologies such as waste heat recovery, DCS can achieve enhanced sustainability and cost efficiency. These innovations can make DCS even more attractive to building owners and tenants.

Conclusion

In conclusion, the proposed amendments to the District Cooling Services Ordinance are a forward-thinking initiative that reflects the Government's commitment to decarbonising urban development. By optimising service delivery and ensuring fair pricing structures, these amendments will undoubtedly foster a more energy-efficient cooling infrastructure, and a step towards carbon neutrality. As stakeholders in this process, BEC fully support the proposed amendments and look forward to the positive impact they will have on our communities.

BEC will continue to facilitate the business sector and other stakeholders in supporting sustainable living environment initiatives from the Government.

For queries related to this support statement, please contact our Chief Executive Officer, Mr Simon Ng at simonng@bec.org.hk

Yours sincerely,



Kevin O'Brien
Chairman
Business Environment Council Limited