

**Business Facilitation Advisory Committee
Retail Task Force**

***Proposed Mandatory Energy Efficiency Labelling Scheme
- February 2007 Update***

Purpose

This note aims to update Members of the Retail Task Force (RTF) of the Business Facilitation Advisory Committee on the progress of the proposed mandatory Energy Efficiency Labelling Scheme (EELS) for specified electrical appliances in Hong Kong.

Survey

2. The Electrical and Mechanical Services Department conducted a market survey in December 2006 on business establishments involved in the manufacturing or importing of the three specified products in the mandatory scheme. The main objectives of the survey are to update the latest penetration rate of the voluntary EELS of the three specified products and the cost implication on the trade regarding the proposed mandatory EELS. Around 12 000 questionnaires were sent to members of the relevant trade associations and possible related establishments listed in Register of the Census and Statistics Department. 6 775 telephone follow-up and screening calls were also made to ascertain if the concerned establishments are relevant to this exercise and to encourage the relevant establishments to participate in the survey. The responses received are summarized as follows –

Product	Number of responding companies	Total sales volume of respondents as a percentage of the total market
Room air conditioners	21	About 62%
Refrigerators	21	About 64%
Compact fluorescent lamps	27	About 97%

3. According to the market survey, the market penetration rates of the voluntary EELS are as follows -

Product	Market penetration of the voluntary EELS (by sales turnover)
Room air conditioners	75%
Refrigerators	68%
Compact fluorescent lamps	20%

4. About 90% of the survey respondents from the trade of room air conditioners and refrigerators and all the respondents from the trade of compact fluorescent lamps indicated that the test reports were provided by the manufacturers. Cost impacts of the mandatory EELS suggested by the respondents include administration cost for arranging for the registration of the products, and cost for printing the mandatory labels and labelling their products.

5. The Electrical and Mechanical Services Department also conducted a consumer and retailer attitude survey to collect public views on the mandatory EELS. More than 80% of the responding retailers and 70% of the responding consumers agreed that the mandatory scheme would help reduce energy consumption and protect the environment.

Legislative Proposal

Self-testing System

6. The survey results indicate that most of the importers could get the test reports from the product manufacturers. In addition, our discussion with the trade representatives indicated that their main concern on the implementation of the mandatory EELS is the proposed registration system, which requires the charging of registration fees on the prescribed products. After considering the trade's concern and the models adopted by most of the mandatory EELS implemented in overseas countries, we now propose to implement a self-testing system under which manufacturers or importers of the three specified products are required to conduct tests to measure the energy performance of their

products and attach energy labels in prescribed formats before supplying their products in Hong Kong. Under the self-testing arrangement, no registration of products is required and thus, no registration fee will be charged. Manufacturers or importers are only required to submit their product information, including the energy efficiency test reports, to the Director of Electrical and Mechanical Services prior to the supply of the products to Hong Kong to facilitate enforcement of the mandatory scheme.

Transitional Arrangement

7. To allow a smooth transition to the mandatory scheme, we now propose to allow a grace period of 18 months after enactment of the new Ordinance. During the grace period, products currently registered under the voluntary Energy Efficiency Labeling Scheme will migrate to the mandatory scheme. The trade will also be allowed to submit the required information for the three specified products or sell their existing stock without energy labels. After the grace period, all products covered by the mandatory scheme should bear an energy label before they are supplied to the local market.

Task forces with the trade

8. We have consulted EMSD's two task forces with relevant trade associations and suppliers¹ in January 2007 on the preliminary survey results and our latest legislative proposal. Members of the two task forces have indicated their in-principle support for the implementation of the proposed mandatory EELS.

Impact on the trade

9. Since most of the test reports are expected to be provided by the overseas manufacturers and no registration fee will be charged under the mandatory scheme, we are of the view that the overall cost impact of the mandatory EELS to the trade would be insignificant.

¹ Members of the task forces consists representatives from the Hong Kong and Kowloon Electrical Appliances Merchants Association, Hong Kong Electrical Appliances Manufacturers Association, Hong Kong Retail Management Association, Hong Kong Suppliers Association, Radio Association of Hong Kong and Hong Kong and Kowloon Electric Trade Association

Legislative Timetable

10. Given that the trade has indicated their in-principle support to the implementation of the mandatory EELS, we aim to introduce the corresponding legislation into the Legislative Council in the second quarter of 2007.

Environmental Protection Department
Electrical and Mechanical Services Department
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