



Towngas Tariff Adjustment 2010

Presentation to
Panel on Economic Development

29 March 2010



Introducing natural gas as feedstock for town gas production has saved customers' fuel cost by HK\$3.7B since Oct-06

	Sep 06 (Before NG)	2009 (After NG)	Change
Fuel Cost Variation Charge (HK cents/MJ)	7.0	2.0	 -72%
Effective tariff (HK cents/MJ)	27.4	22.6	 -18%

(Based on average gas sales and revenue)



Renewable Energy Sources

- Utilize of landfill gas for town gas production
- Reduce greenhouse gases emission
- Reduce the use of naphtha

Shuen Wan Landfill (1999)



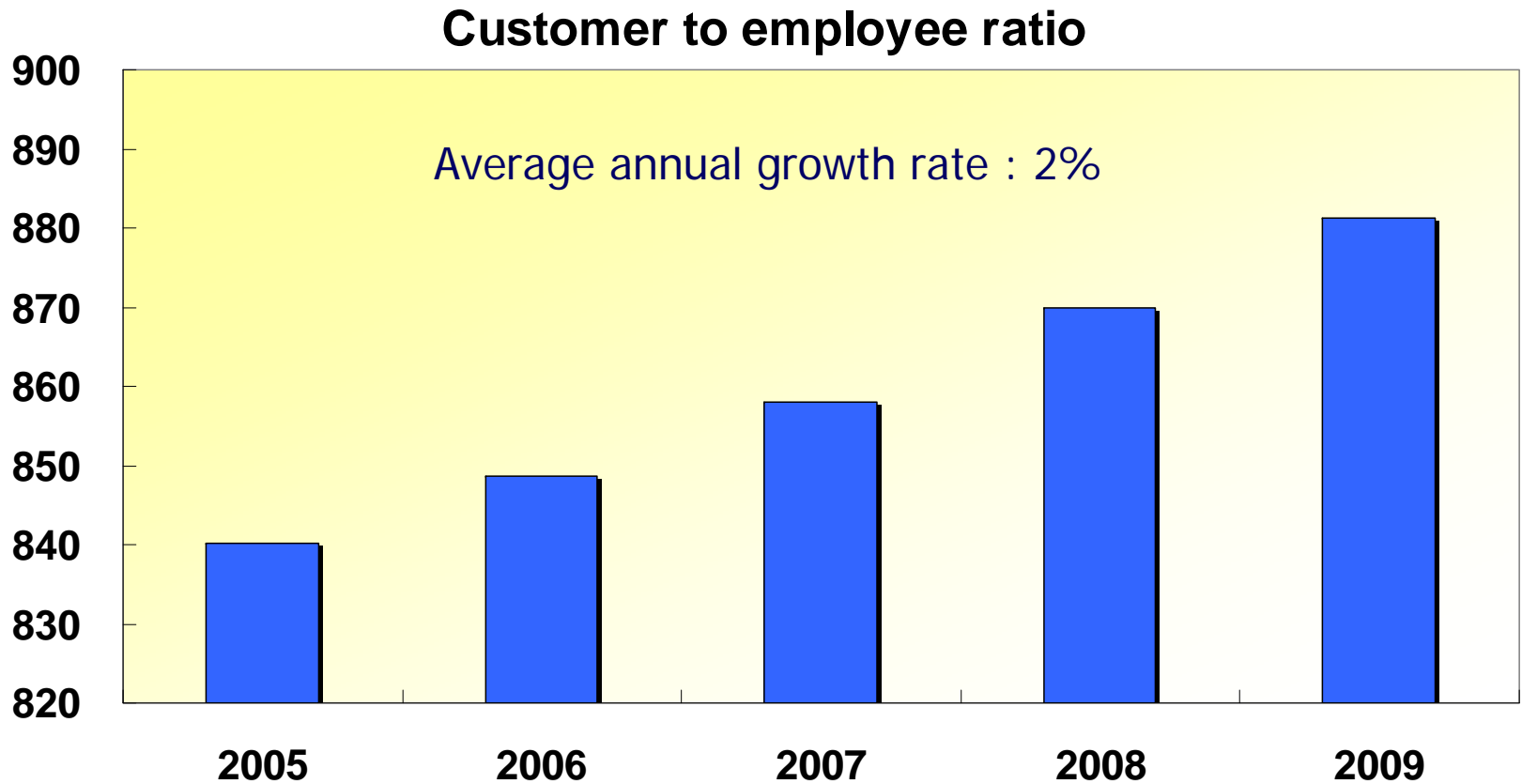
NENT (2007)



SENT (2012 est.)



Significant Productivity Gain



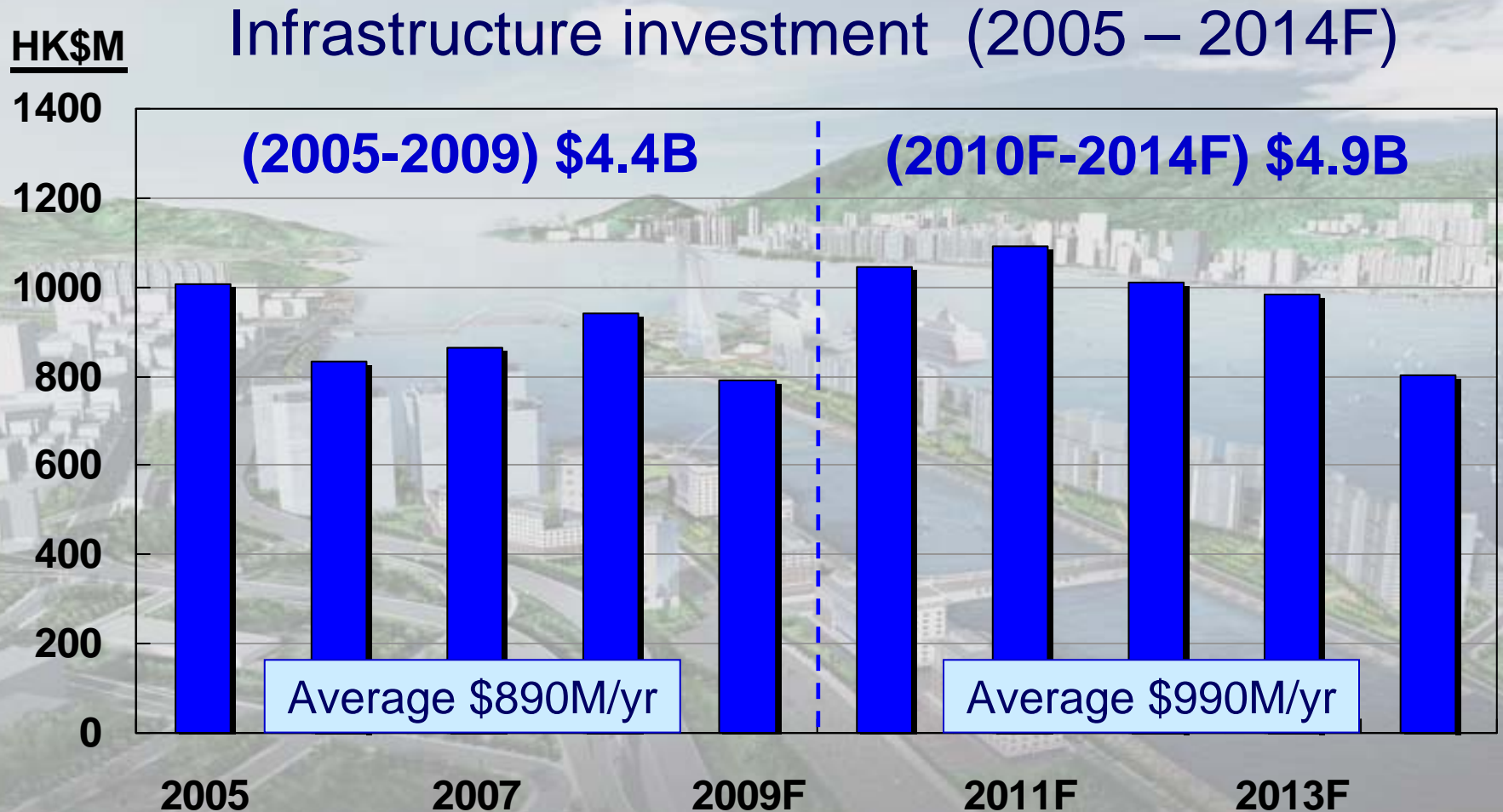
Rising Operating Costs

(2005 – 2009)

Polyethylene pipes	+56%
Rental expenses	+52%
Steel pipes	+41%
Salary increase	+11%



Continuing CAPEX investment to support the City's development



Basic Tariff Adjustment

- Basic tariff increase of 0.6 cent per MJ
- No change in residential monthly maintenance charge
- Effective from 1 April 2010

	2009	New	Change	%
Average Basic Tariff (cent/MJ)	¢ 21.25	¢ 21.85	+¢ 0.6	+ 2.8%



Over 90% of residential customers will pay less than \$8.5 per month extra

Monthly Consumption (MJ)	Cumulative Customers	Average Monthly Increase, HK\$
170	10%	\$1.0
425	30%	\$2.6
800	60%	\$4.8
1420	90%	\$8.5

(Average increase : \$4.6)

(Based on average consumption of residential customers in 2009)



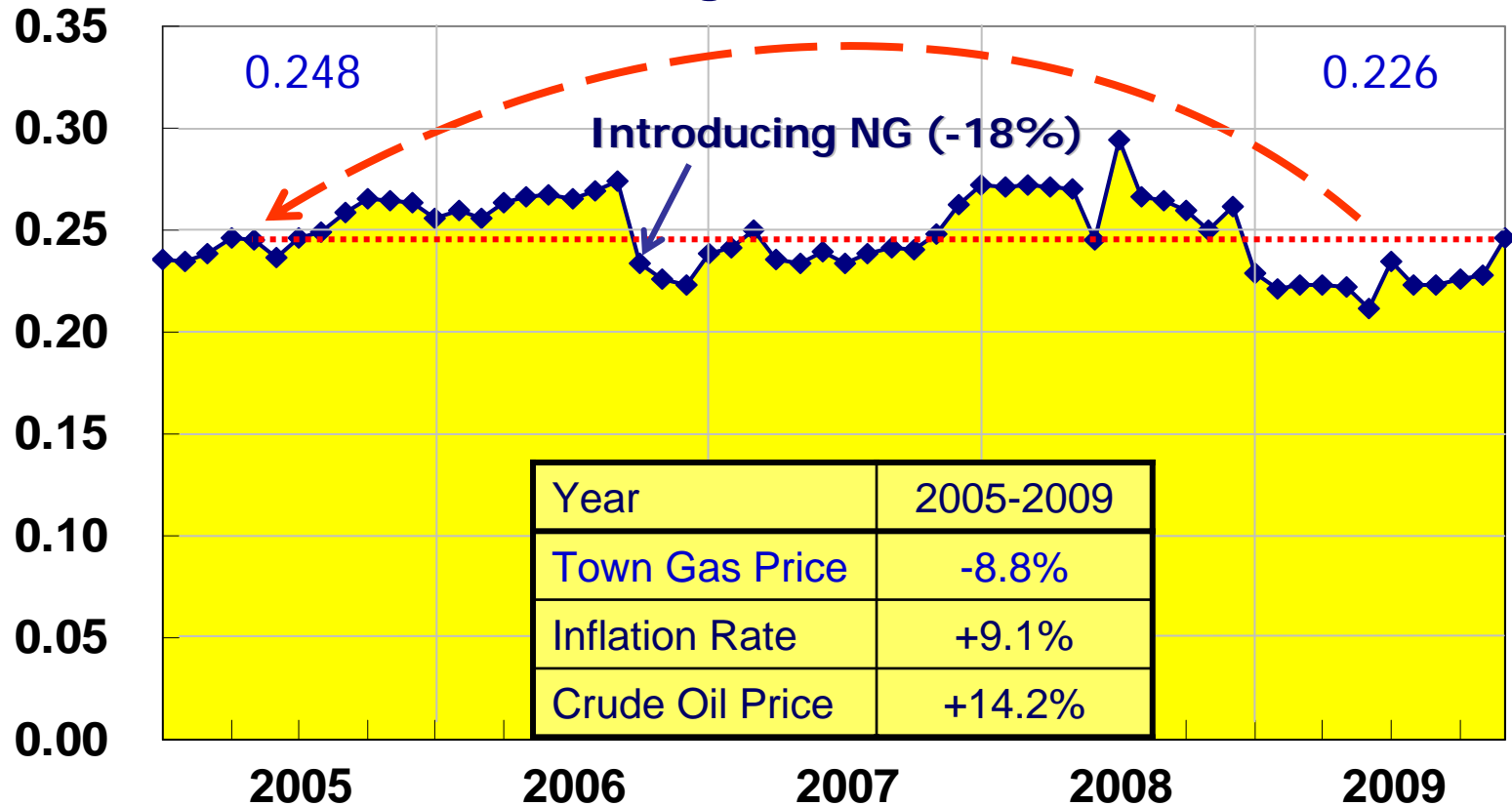
Towngas always faces keen competition from electricity, LPG and other fuels



Town gas price is lower than that of five years ago

HK\$/MJ

Average Town Gas Price



Source : Hong Kong Energy Statistics 2008 and Census and Statistics Dept., HK



Concession schemes benefit 80,000 customers Not affected by this tariff adjustment

- Elderly (1995)
- People with disability (2004)
- Single parent family (2008)



- 50% discount on the first 500MJ of gas consumed
- Waiver of monthly maintenance charge
- Waiver of security deposit and monthly initial charge
- Free appliances maintenance service



Conclusion

- Proposed increase is moderate
- Town gas price is similar to that of 5 years ago
- Competitive and environmentally friendly energy



A photograph of industrial gas infrastructure. In the foreground, a large yellow gas valve with a black handwheel is mounted on a blue metal frame. The valve has several bolts and a small green label. In the background, there are more complex piping systems, including a tall blue structure with multiple vertical pipes and other industrial equipment. The scene is set outdoors under a clear blue sky with some greenery visible in the distance.

Thank You



The Hong Kong and China Gas Co Ltd