

CB(1)869/13-14(01)

Fuel Cost in CLP* 2014 Development Plan

Briefing to the Legislative Council Economic Development Panel

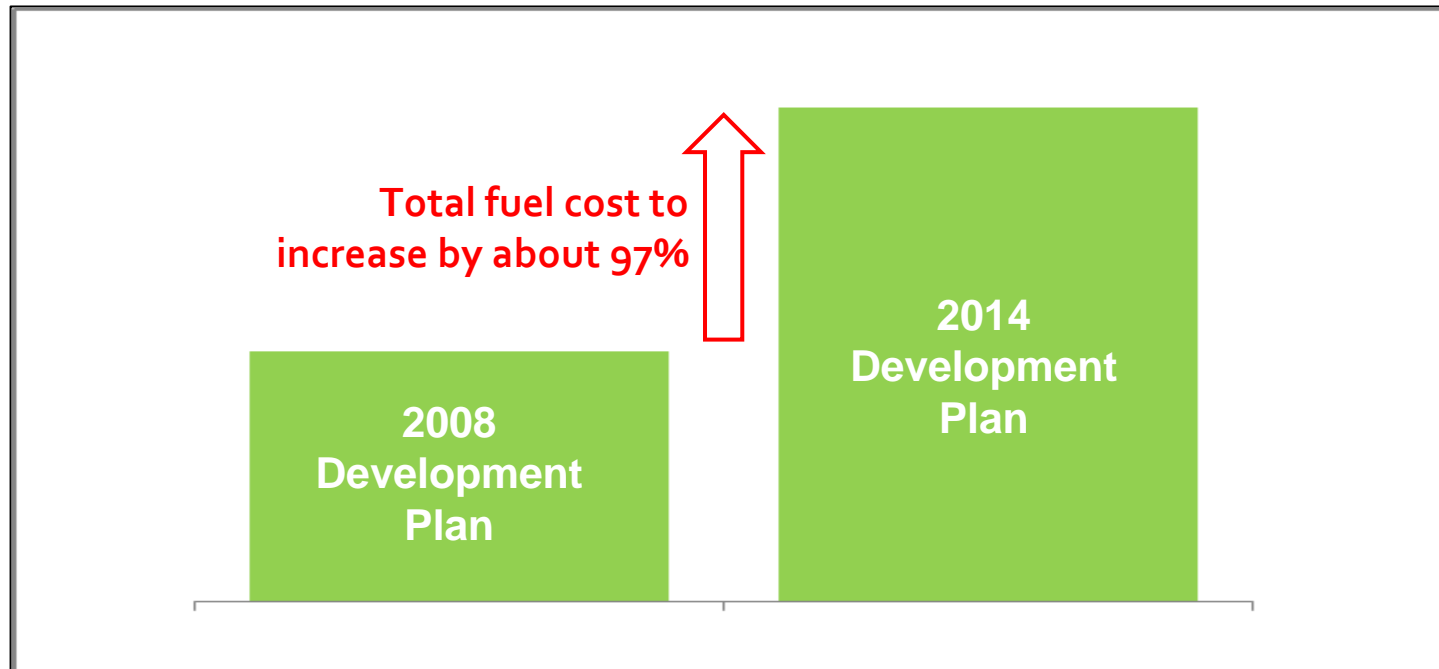
6 – 2 – 2014

Capco

CLP 中電

Remark*: "CLP/CAPCO" are collectively represented by "CLP"

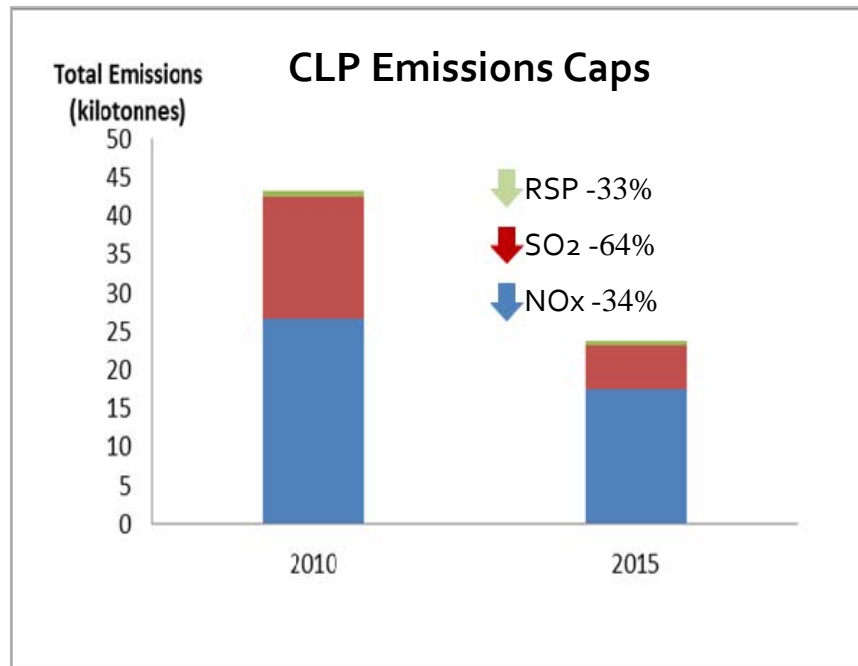
Higher Fuel Costs Expected over 2014-2018



CLP is facing tremendous pressure in fuel cost because of

- Higher price for the gas supplied via the Second West-East Pipeline relative to the Yacheng gas supply contract signed 20 years ago; and
- Higher gas consumption to meet tightened emissions caps in 2015 onwards

Much More Stringent Emissions Caps as from 2015

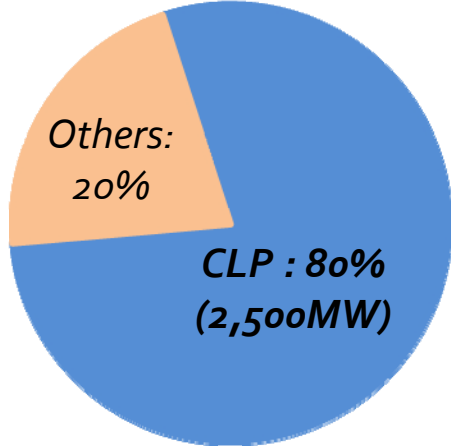


- Emissions caps for 2015-2016 (2015 Technical Memorandum*) were set based on **Best Practicable Means (BPM)**, taking account of
 - Maximization of the use of existing gas-fired generation units
 - Prioritization of the use of coal-fired generation units that have been retrofitted with emission abatement equipment

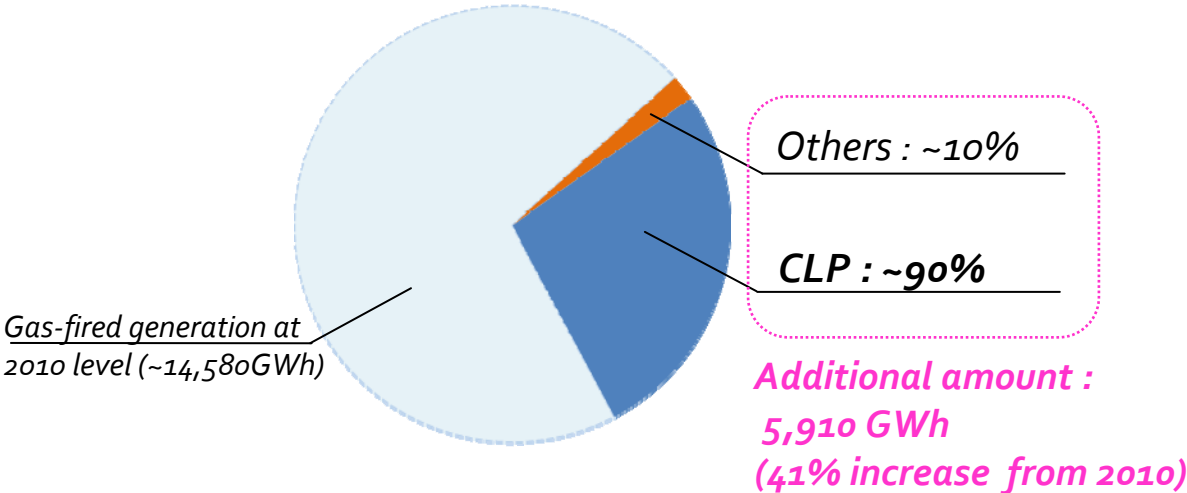
* *Legco – Panel of Environment Affairs: Review of Technical Memorandum – Tabled Sept 2010 [ref: CB(1) 2841/09-10(01)]*

CLP to Shoulder about 90% of the Additional Gas-Fired Generation

Installed Gas-fired Generation Capacity in 2010: 3,180MW



*Gas-fired Generation Expected to Meet 2015 Emissions Caps**



- CLP owns 80% of the local gas-fired generation capacity in Hong Kong
- CLP and its customers have to shoulder about 90% of the required increase in gas generation in 2015

* Legco – Panel of Environment Affairs: Review of Technical Memorandum – Tabled Sept 2010 [ref: CB(1) 2841/09-10(01)]



Memorandum of Understanding on Energy Cooperation signed by the Central and Hong Kong SAR Governments in 2008



CLP pursues the **three new gas supply sources** in the Mainland

- **Second West-East Pipeline**

- completed 2012 ; full operation in 2013

- **LNG Terminal in Shenzhen**

- under development

- **New fields in South China Sea**

- Alternatives being explored

Second West-East Pipeline (WEPII)

- Bringing gas from Central Asia to Shenzhen, then to Hong Kong
- The only new gas source that can supply gas to Hong Kong in 2015, enabling CLP to meet the requirements of emissions caps



- We shall also continue exploring other long term gas supplies

Measures taken to Alleviate Tariff Pressure

- CLP is facing challenges in tremendous fuel cost increase, and understand the impacts to net tariff and our customers
- We have taken all practicable measures to alleviate the pressure of future tariff adjustments and burden to our customers
 - Seek more supply from Yacheng so as to defer using the pricier gas supply
 - Increase the use of low emission coal
 - Enhance operational performance of our generation fleet

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The logo for Capco, featuring the word "Capco" in a blue serif font with a red underline.The logo for CLP, featuring the letters "CLP" in a white sans-serif font, followed by a white circle containing the Chinese character "中", and then the Chinese characters "中電" in a white sans-serif font.

Remark*: "CLP/CAPCO" are collectively represented by "CLP"