



Public consultation on the future fuel mix for electricity generation

Special meeting of the Panel on Economic Development dated 12 May 2014

The Association of Hong Kong Professionals is a non-profit making organization with around 400 members from different professional disciplines including healthcare, accounting, architecture, engineering, survey, etc. One of our objectives is to contribute our professional views and constructive recommendations on public policies to the Government for the continuous prosperity of Hong Kong.

We agree with the consultation document that safe and reliable electricity at an affordable price is crucial for Hong Kong's continuous developments. At the same time, we must also not forget to protect and improve our environment for the well-being of our future generation in Hong Kong. These are the key elements of a sound policy framework in relation to energy and electricity supply.

Before moving on to provide our views on the two proposed options as stipulated in the consultation document, we would like to acknowledge that the current electricity supply and services provided by the two power companies are among the best in world-wide standards. Any major revamp or change to the current arrangements and frameworks should be carefully studied before implementation such that our current excellent service level enjoyed by the public would not be jeopardized.

SAFETY & RELIABILITY

In terms of safety and reliability of supply, we are confident that option 2 (using more natural gas for local generation) will deliver good results based on the excellent track records of both power companies. On the other hand, although greatly improved over the past few years, the reliability of electricity in Mainland needs to be further improved to catch up to Hong Kong's current standards. In the longer term, we believe option 1 (importing more electricity through purchase from the Mainland power grid) is technically feasible and its safety and reliability outcome can be as good as that of option 2 if proper planning and sufficient local back-up generation is retained. If option 1 is to be pursued, careful studies and planning as well as close coordination with the Chinese counterparts and authorities are needed and crucial.

COSTS INVOLVED

In terms of costs, it was suggested in the consultation document that the average unit cost of electricity of both options would be doubled as compared to the unit generation cost over the period from 2008 to 2012 based on known information and projections. We fully understand and appreciated that costs and environmental performance could be competing with each other down the road. More often than not, there is a price to pay for a better



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environment. While the absolute level of electricity costs is important to the livelihood of residents and the competitiveness of business in Hong Kong, the foreseeability of future electricity cost movements may be equally as important. If electricity costs can be projected more accurately, Hong Kong's community can get better prepared for mitigating the cost changes ahead, e.g. investing in energy efficiency and conservation measures. As observed from the international fuel markets, energy prices could be very volatile. In addition, there are still uncertainties about the commercial arrangements involved with further power imports if option 1 is to be pursued. For example, if the additional power purchase from the Mainland is to be settled in RMB, the long term trend of appreciation (or depreciation) of the RMB needs to be taken into account as well. Furthermore, it is anticipated by many that the fuel mix in Mainland will become cleaner over the longer term. This is encouraging but will also change the cost of power purchase from Mainland as well.

ENVIRONMENTAL PERFORMANCE

In terms of environmental performance, it is noted that option 1 would lower local emissions further when the cross-boundary infrastructure is fully completed in or around 2023, while the longer term prospect of emissions reduction under 2 would be limited. We agree that through stronger integration with Mainland, it would open up more opportunities for improving our local environment in the longer term. However, at the same time, if there are other practicable solutions available for improving our environment in a more certain and straight-forward manner, then we should also seriously consider implementing those short lead-time measures as well, with an aim to improve the living in Hong Kong as soon as possible. In our view, we don't see there is any substantial conflict between having more local gas-fired generation and planning to enhance the electricity interconnection with Mainland. Both can complement each other as long as the costs involved, benefits generated and potential risks are made known to the community.

SUMMARY

Hong Kong is enjoying a high quality supply of electricity and this should not be taken for granted. We welcome the Government's approach in proactively planning for the future. Any major revamp or change to the existing framework should be carefully studied, so as not to jeopardize the current situation. In terms of safety, reliability, costs and environmental performances, both options have its own strengths and challenges. In fact, they can be complementary to each other for improving Hong Kong's environment in both medium to long term as long as the costs involved, benefits generated and potential risks are made known for the community to decide upon. More information and study would be beneficial.