

**For information**

**LEGISLATIVE COUNCIL  
PANEL ON ECONOMIC DEVELOPMENT**

**Information and Consultation Agreement  
With The Hong Kong and China Gas Company Ltd**

**PURPOSE**

The current Information and Consultation Agreement (ICA) between the Government and The Hong Kong and China Gas Company Limited (Towngas) will expire on 2 April 2018. This paper informs Members of the extension of the current ICA for a period of three years with effect from 3 April 2018.

**BACKGROUND**

2. Towngas is currently not subject to any price or profit regulation by the Government. The Government and Towngas first entered into an ICA relating to Towngas' core gas business and gas-related activities in Hong Kong in April 1997. The ICA is a voluntary agreement with terms and conditions mutually agreed between both parties. Since then, the ICA has been extended six times, each for a term of three years. The current ICA will expire on 2 April 2018.

**The Objective of the ICA**

3. The objective of the ICA is to increase transparency in the Towngas' tariff setting mechanism, and provide an opportunity for the Government to discuss with Towngas on its justifications in the event of tariff adjustments. The ICA also stipulates certain procedures for Towngas to -

- (i) consult the Government in the event of tariff adjustments and major system additions (e.g. addition to infrastructure); and
- (ii) disclose certain corporate information to the public on an annual basis.

## **Experience to Date**

4. The ICA has been in operation for 20 years and has served its objective of enhancing transparency. Pursuant to the ICA, Towngas has consulted the Government on tariff adjustments and major system additions and disclosed the required corporate information to the public. During these 20 years, there have been six basic gas tariff adjustments. Basic gas tariff has remained stable.

5. Since October 2006, Towngas has introduced natural gas as alternative feedstock to naphtha for town gas production, bringing about substantial fuel cost savings in the region of \$15.4 billion for the customers.

6. In May 2007, Towngas started to use treated landfill gas from the North East New Territories Landfill for town gas production. In 2017, this has reduced carbon emission by 35,300 tonnes, equivalent to planting 1.5 million trees a year.

7. Towngas also constructed and commissioned another treatment plant to convert the raw landfill gas generated from South East New Territories Landfill to synthetic natural gas for injection into town gas supply network by dedicated pipeline in November 2017. By turning landfill gas into usable energy, this is expected to reduce carbon emission by 56,000 tonnes per year, equivalent to planting 2.4 million trees a year.

8. Towngas has launched four concession schemes for the needy elderlies, people with disabilities, single parent families and low income families. Under the concession schemes, beneficiaries may enjoy a 50% discount off basic gas tariff on the first 500 megajoule of town gas, waiver of monthly maintenance charge, initial charge and security deposit, as well as free appliance maintenance and spare parts.

9. A summary of major initiatives and performance in the past three years in respect of the environment, safety, customer service and corporate social responsibility from Towngas is at the Annex.

## **EXTENSION**

10. The current ICA will expire on 2 April 2018. Following discussion with Towngas, we have agreed with it that the ICA should be extended for a further period of three years with effect from 3 April 2018 to meet its objective as set out in paragraph 3 above. To further enhance

transparency, Towngas will disclose additional information on energy savings, measures for mitigation of climate change as well as details of production plants including installed capacity and thermal efficiency.

11. The new ICA has been uploaded to the Environment Bureau's website at <http://www.enb.gov.hk> for public information.

Environment Bureau  
February 2018

## Summary of Major Initiatives and Performance from Towngas in 2015-2017

### Environmental Initiatives

- Towngas commits to operating in an environmentally responsible way for the benefit of its staff and the community. In 2016, its headquarters were awarded the first non-residential building in the city to achieve Platinum rating, the highest rating under the Building Environmental Assessment Method (BEAM Plus) Existing Buildings for green office upgrading.
- Towngas has been utilizing the treated landfill gas from the North East New Territories (NENT) Landfill for town gas production in the last 10 years. In 2017, carbon dioxide (CO<sub>2</sub>) emission was reduced by 35,300 tonnes, equivalent to planting 1.5 million trees a year.
- In 2017, Towngas constructed and commissioned a landfill gas treatment plant at the South East New Territories (SENT) Landfill to convert the raw landfill gas into synthetic natural gas for injection into town gas supply network by dedicated pipeline. This is expected to reduce carbon emission by 56,000 tonnes per year, equivalent to planting 2.4 million trees a year. Air quality in the vicinity will be greatly improved by turning landfill gas into usable energy. Together with NENT and Shuen Wan Landfill, landfill gas is expected to take up 5% of the fuel mix for town gas production. The CO<sub>2</sub> emission for town gas production is only 0.8% of the total in Hong Kong.
- In 2017, Towngas commissioned to utilize the landfill gas from NENT as the energy for the Combined Heat and Power System of the Alice Ho Miu Ling Nethersole Hospital. The system is the first of its kind in Hong Kong. It is expected to reduce CO<sub>2</sub> emission by 2,000 tonnes, equivalent to planting 86,600 trees every year, which accounts for 12% of the Hospital's total emissions. The overall efficiency of the system is over 80%.
- In 2017, Towngas signed the Energy Saving Charter and 4Ts Charter<sup>1</sup> schemes with the Environment Bureau. The target is to reduce energy consumption of its headquarter building by 2% from 2015 to

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<sup>1</sup> The 4Ts includes target, timeline, transparency and together. Under the 4Ts Charter, participating organisations pledge to set an energy saving target with a timeline, ensure transparency to track energy saving result, and encourage people to work together on the energy saving target.

2018.

- The utilization of natural gas as part of the feedstock for the production of town gas brought green and economical energy source for Hong Kong. CO<sub>2</sub> emission was reduced by 97,000 tonnes per year, or 23%, equivalent to planting 4.2 million trees a year. From 2015 to 2017, fuel cost savings of HK\$1.9 billion have been passed onto town gas consumers via the Fuel Cost Variation mechanism.
- More than 4,000 tonnes (240,000 units) of discarded gas appliances were recycled during the period from 2015 to 2017.

### **Safety Initiatives**

- In 2015, a ‘Service Riser Inspection Quadcopter’ with digital camera and gas detecting device was developed and put into operation. So far, it carried out 33,000 gas riser inspections outside the building wall, which were previously performed by technicians at the window of customer’s premises. This innovation enhanced the efficiency and quality of the inspection work.
- In 2017, Towngas developed a new gas riser repair technology called the ‘Smart Riser Jacket’, which was a PVC sleeve to enclose the corroded section of the riser and stop gas leaks instantly, without interrupting customer’s gas supply and significantly reducing the repairing time and costs required as compared to the traditional pipe replacement method. This has enhanced the efficiency of the gas supply system maintenance works.
- Over 10,500 site inspections were conducted each year from 2015 to 2017, and the number of third party damage to the gas network has been maintained at 13 cases or below each year in the last 3 years.
- The number of major gas emergencies has been maintained at 6 cases or below each year from 2015 to 2017.

## **Productivity and Customer Service**

- Towngas launched its mobile Apps for providing customer with E-service for making maintenance or installation appointments, account enquiries as well as information acquisition in a more flexible, convenient and efficient way.
- An automatic meter reading system using the bluetooth technology was developed to transmit meter reading to the company for billing purpose through an Apps in the customer's mobile device. This innovative tool can eliminate the nuisance to customers due to the visits of meter readers.
- Towngas introduced 'Little Swan', which is a multi-purpose mini-excavator that can be controlled remotely and manoeuvred easily even in tight space, reducing the reliance on cumbersome equipment. The rapid hard rock drilling and splitting machine is capable of performing the tasks 20 times more quickly than the traditional manual work. It enhances operation efficiency and reduces disturbances to road traffic.
- Towngas' productivity (in terms of customer to employee ratio) increased by 1.3% from 920 in 2015 to 932 in 2017.
- There were over 5,600 written compliments on Towngas' service each year from 2015 to 2017 while the number of written complaints maintained at 12 or below each year in the same period.

## **Community Service**

- Towngas took part in a number of long-standing charitable programmes. Its Volunteer Team, consisting of employees, customers and their families, has provided a wide range of meaningful and worthwhile services and programmes for the needy and the elderly, including household gas safety talks, seasonal variety shows and distribution of hot soup, rice dumplings and mooncakes and umbrella sticks.
- In 2015 and 2016, Towngas launched "Gas Appliances for the Community Programme" and donated 7,000 gas cookers to the elderly and needy families receiving CSSA to further help improve their quality of life.

## **External Recognitions**

### **2015**

- Global Chinese Business 1000 – Hong Kong: Ranked ninth
- Outstanding Listed Company Award
- The Employer of Choice Award – Corporate Social Responsibility Award
- Safety Management System Award Gold Award
- Caring Company – Outstanding Partnership Project Award
- Service & Courtesy Award
- Award of 10,000 Hours for Volunteer Service

### **2016**

- Forbes Global Leading Companies – Hong Kong Top Thirty
- Hong Kong Management Association Quality Award – Grand Award
- Bank of China (Hong Kong) Limited (BOCHK) Corporate Environmental Leadership Awards – Gold Award in Manufacturing Sector
- Listed Enterprises of the Year Award
- HK Outstanding Corporate Citizenship Gold Award
- Distinguished Family-Friendly Employer Award
- Sustainable Business Award
- Best Kitchen Design and Kitchen Appliance Award

### **2017**

- Listed Company Award of Excellence
- Belt and Road Environmental Leadership Recognition Award
- BOCHK Corporate Environmental Leadership Awards – Gold Award in Manufacturing Sector
- Business for Social Good Award – Our Hong Kong Foundation
- Award of the Best Companies to Work for in Asia
- Safety Management System Award Gold Award
- Excellent After-sales Services Award
- Most Favourite “Kitchen Appliance” Brand Award