立法會
Legislative Council

LC Paper No. CB(4)398/20-21
(These minutes have been seen by the Administration)

Ref : CB4/PL/EDEV

Panel on Economic Development

Minutes of special meeting
held on Tuesday, 10 November 2020, at 4:30 pm
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Christopher CHEUNG Wah-fung, SBS, JP (Chairman)
Hon James TO Kun-sun
Hon Abraham SHEK Lai-him, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, GBS, JP
Hon Charles Peter MOK, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon Dennis KWOK Wing-hang
Dr Hon Helena WONG Pik-wan
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Hon POON Siu-ping, BBS, MH
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Andrew WAN Siu-kin
Hon Jimmy NG Wing-ka, BBS, JP
Hon Holden CHOW Ho-ding

Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon LUK Chung-hung, JP
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Vincent CHENG Wing-shun, MH, JP

Members attending: Dr Hon Fernando CHEUNG Chiu-hung
Hon SHIU Ka-chun
Dr Hon CHENG Chung-tai

Members absent : Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Claudia MO
Hon Alice MAK Mei-kuen, BBS, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon YUNG Hoi-yan, JP
Hon Tony TSE Wai-chuen, BBS, JP

[According to the announcement made by the Hong Kong Special Administrative Region Government on 11 November 2020 pursuant to the Decision of the Standing Committee of the National People's Congress on Issues Relating to the Qualification of the Members of the Legislative Council of the Hong Kong Special Administrative Region, Kenneth LEUNG, KWOK Ka-ki, Dennis KWOK Wing-hang and Alvin YEUNG were disqualified from being a member of Legislative Council on 30 July 2020.]

Public Officers attending : Agenda item I

Environment Bureau

Mr WONG Kam-sing, GBS, JP
Secretary for the Environment

Ms Irene YOUNG, JP
Deputy Secretary for the Environment

Ms Esther WANG, JP
Principal Assistant Secretary for the Environment (Financial Monitoring)

Related organizations : Agenda item I

The Hongkong Electric Company Limited

Mr C T WAN
Managing Director

Mr L S CHAN
Executive Director

Mr K M WONG
Chief Financial Officer

Mr Bill HO
General Manager (Corporate Development)

Ms Mimi YEUNG
General Manager (Public Affairs)

CLP Power Hong Kong Limited

Mr CHIANG Tung-keung
Managing Director

Ms Quince CHONG
Chief Corporate Development Officer

Mr Joseph LAW
Senior Director - Planning and Development

Mr Stephen CHAN
Director - Strategic Planning and Regulatory Affairs

Ms Karen CHOW
Strategic Planner

Clerk in attendance : Ms Shirley CHAN
Chief Council Secretary (4)5

Staff in attendance : Ms Shirley TAM
Senior Council Secretary (4)5

Ms Lauren LI
Council Secretary (4)5

Ms Zoe TONG
Legislative Assistant (4)5

Miss Mandy LUI
Clerical Assistant (4)5

Action

I. Annual tariff reviews with the two power companies

Meeting with the two power companies and the Administration

(LC Paper No. CB(4)84/20-21(01)	—	Powerpoint presentation materials provided by The Hongkong Electric Company Ltd.
LC Paper No. CB(4)84/20-21(02)	—	Powerpoint presentation materials provided by CLP Power Hong Kong Ltd.
LC Paper No. CB(4)84/20-21(03)	—	Supplementary information provided by The Hongkong Electric Company Ltd. on 2021 Tariff Review
LC Paper No. CB(4)84/20-21(04)	—	Supplementary information provided by CLP Power Hong Kong Ltd. on 2021 Tariff Review
LC Paper No. CB(4)84/20-21(05)	—	Paper on annual tariff reviews with the two power companies prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration and power companies

At the invitation of the Chairman, Secretary for the Environment ("SEN") briefed members the result of the 2021 tariff reviews. Members were told that while the two power companies faced significant tariff pressure resulting from the coal-to-gas transition in electricity generation, the electricity net tariffs for 2021 would be frozen at the 2020 level amid the challenges faced by the community due to the coronavirus disease-2019 ("COVID-19") pandemic.

2. Mr C T WAN, Managing Director of The Hongkong Electric Company, Ltd. ("HEC") added that the net tariff of HEC would be frozen at 126.4 cents/kWh in 2021, and Mr CHIANG Tung-keung, Managing Director of CLP Power Hong Kong Ltd. ("CLP") advised that CLP's net tariff would be maintained at 121.8 cents/kWh. With the aid of power-point presentation materials, Mr Bill HO, General Manager (Corporate Development) of HEC and Mr Joseph LAW, Senior Director - Planning and Development of CLP gave an account on their companies' respective tariffs for 2021. The details of their presentations were set out in the power-point presentation materials (LC Paper Nos. CB(4)84/20-21(01) and (02)).

(*Post-meeting note*: The supplementary information of the two power companies were issued to members vide LC Paper Nos. CB(4)84/20-21(03) and (04) respectively on 12 November 2020.)

Discussion

Electricity tariffs for 2021

3. Ms Elizabeth QUAT said that due to previous social events and the outbreak of the COVID-19 pandemic, the local economic situation had been worsening resulting in waves of business closure and staff layoffs. She was disappointed that the Administration was unable to persuade the power companies to reduce electricity tariffs in the midst of the stagnant economy. She called on the power companies to review whether there was room for a tariff cut having regard to their steady profit made during this period and the needs of the public.

4. Mr Holden CHOW said that in face of the pandemic and economic hardship, the public had high expectations for a tariff cut by the power companies so as to ride out the tough times together. He considered the tariff freeze insufficient to ease the burden of the public especially when the power companies still made a good profit during this difficult time of Hong Kong. He requested the power companies to provide direct help by relieving people's burden on electricity tariffs.

5. SEN said that Hong Kong was in the course of coal-to-gas transition, and the power companies were required to make more investments in new gas-fired generating units. This would place huge pressure on the companies to increase tariffs by using cleaner but more expensive natural gas to generate electricity. The Administration had persuaded the power companies for the net tariff freeze which had struck a balance to address the current economic situation and strive for environmental protection.

6. Mr LUK Chung-hung remarked that the worsening economy had affected various industries and trades, resulting in massive pay cuts or staff layoffs. He wondered if the power companies had striven to lower the electricity tariffs by reducing their profit from the 8% permitted rate of return ("RoR") based on the company's average net fixed assets under the Scheme of Control Agreement ("SCA").

7. Mr SHIU Ka-chun enquired whether the power companies had still made a maximum profit at 8% when the economic recession persisted in Hong Kong.

8. Mr C T WAN of HEC replied that HEC had operated the business according to the 8% RoR under the SCAs. HEC's operation was monitored by its shareholders, including those international investors with a large shareholding in the company.

9. Mr Joseph LAW of CLP said that CLP fully understood customers' concerns over the level of electricity tariffs and it had made its best efforts to keep tariff increase to a minimum level through prudent cost management and control. In fact, CLP's tariffs were highly competitive in comparison with that of many international cities. CLP followed the terms under its SCA.

10. Mr YIU Si-wing said that although the tariff review was undertaken by the Environment Bureau ("ENB") which was tasked to combat emissions, the Administration should address the public concerns on livelihood amid the critical economic situation of Hong Kong. Hence, ENB should drive the power companies to reduce tariffs for 2021 to ease the hardship of the public. He called on the power companies to cut the tariffs by exploring different means, such as reducing the reserve margins.

11. Mr LUK Chung-hung cast doubt if the Administration had played a good role in restricting the capital expenditure of the power companies in light of their high electricity reserve margins at some 25% to 35%, which were much higher than that of neighbouring cities.

12. SEN explained that the reserve margin in Hong Kong in general followed the global level at some 30% whereas Singapore's reserve margin was as high as some 80%. Certain cities which had the margin lower than 20% might experience power failure occasionally and that was considered unsatisfactory. He also said that the Administration adopted a set of comprehensive objectives on energy policy, i.e. safety and reliability of electricity supply, affordability and environmental performance, so as to sustain Hong Kong's long-term development.

13. Dr Fernando CHEUNG pointed out that although the net tariffs were frozen, the basic tariffs of HEC and CLP had respectively increased by 6.9% and 1.6%. Although the rises were offset by the fuel clause charge ("FCC") reduction, the tariffs might pick up again when the fuel prices rebounded. Criticizing the power companies for reaping the maximum profits during the tough times of Hong Kong people, he urged the two companies to fulfill their corporate social responsibility by reducing tariffs.

14. Mr CHIANG Tung-keung of CLP said that under SCAs, fuel costs were borne by consumers and payable to the power companies on a cost-pass-through basis. With a FCC adjustment mechanism in place, tariffs could be adjusted in a timely manner in response to the change in fuel cost. Since the beginning of 2020, a total of some $400 million had been returned to customers due to the fuel cost adjustments.

15. Mr CHAN Chun-ying welcomed the tariff freeze and relief measures rolled out by the power companies, especially the measures adopted by CLP on the underprivileged. Noting that the current SCAs of the power companies as well as their five-year development plans ("the DPs") had been approved by the Executive Council, he enquired whether ENB would use administrative measures to defer the capital investment plans of the power companies so as to slow down the tariff rise in line with the downward trend of electricity consumption.

16. Deputy Secretary for the Environment replied that the major capital projects under the DPs were for constructing new gas-fired generating units to replace coal-fired generating units scheduled for retirement. Since the related works had been scheduled and planned, the Administration considered it suitable to follow the schedule to achieve the carbon reduction targets. Among other capital projects, the construction of the Floating Storage Regasification Unit ("FSRU") would only give rise to less than 2% tariff impact in 2021 whereas it would provide a long-term alternative gas supply source to meet the fuel supply needs of the power companies. Other projects such as developing new or enhanced

transmission and distribution systems were driven by users' requirements or local development needs.

17. Dr Helena WONG referred to the tariff increase discussed by the Panel in 2019 which was due to the rise of fuel costs, and considered it reasonable for the public to expect a tariff cut following the global fuel cost reduction. She cast doubt if the power companies only sought to raise the tariffs by different means, such as increasing capital investments. Referring to HEC's plan to build additional L11 and L12 gas-fired generating units shortly after the commission of L10 unit, she considered it necessary to slow down the power companies' capital projects to allow a tariff reduction in 2021.

18. Mr C T WAN of HEC explained that HEC generally took about four years to build a new gas-fired generating unit and spread the investment cost over the construction period. Since it was a long-term investment and the L11 and L12 projects had been put in place for some time, it was difficult to alter their development schedule in the course of implementation. In any case, HEC had reflected the FCC reduction in the new tariffs which was offset by the increase of the basic tariff.

19. Ms Starry LEE pointed out that electricity business was so exceptional that it could still bring an 8% guaranteed profit to the power companies while a wide range of trade activities remained in the doldrums. Amidst the unprecedented threat of COVID-19, Ms LEE considered it necessary to reduce the RoR. She also urged ENB to review the room for adjusting downward the tariffs, such as providing rebates or reducing the capital expenditure, instead of solely concerning environmental protection.

20. SEN explained that the special rent and rates rebates offered in the past years was an ad hoc arrangement to return the related refunds to the customers and would be discontinued in 2021. Before those ad hoc rebates, the net tariffs for 2021 were lower than that of 2020. He stressed that the Administration had strived hard for the net tariff freeze in 2021 and struck a balance between the environmental policy and the economy.

21. In response to various members' concerns about HEC's application for wage subsidies under the Employment Support Scheme, Mr C T WAN of HEC explained that HEC's sale of electricity had dropped significantly during the first half of 2020. Particularly in April, sales dropped by almost 20% in April 2020 as compared to that in 2019 which was alarming. Certain employees were worried about downsizing of the company. To restore staff's confidence that no layoff would be taken forward, HEC had applied for wage subsidies. The subsidies received were used to subsidize staffing expenditure, which had reduced the company expenditure and in turn lowering the electricity tariffs.

Electricity subsidies and relief measures

22. Criticizing the power companies for not reducing the tariffs while they made good profits amid the weak economy, Mr KWONG Chun-yu said that electricity was a necessity for the public and commercial sector, constituting a heavy financial burden across the society. He pointed out that although the net tariffs were frozen, residential customers still needed to pay more for electricity bills in 2021 as the provision of electricity charges subsidy at a total of $2,000 would end in 2020. He called on the Administration to drive down the tariffs further and continue to pay out the subsidy in 2021.

23. Dr CHENG Chung-tai was disappointed that the Administration still put a strong focus on combatting emissions when the local business environment and employment market were deteriorating. He commented that the Administration had not considered the community's hardship when many people were already facing difficulties in meeting the expenses of basic livelihood. He urged the Administration to increase the electricity charges subsidy from $2,000 to $3,000 in 2021 and the power companies to cut the tariffs instead of giving retail and catering coupons.

24. Mr Holden CHOW and Ms Elizabeth QUAT requested the Administration to continue the provision of electricity charges subsidy at an amount not less than $2,000 in 2021 to help the public tide over the financial difficulties. They also sought more information about the relief measures provided by the power companies, especially the HEC's ones. Mr YIU Si-wing also considered that the provision of $2,000 tariff subsidies should be continued.

25. SEN said that to alleviate the impact of tariff increase on households due to the increase use of natural gas for power generation, the Administration had started to provide each residential customer with a monthly relief of $50 since 2019 under the Electricity Charges Relief Scheme, which would save as much as 20% of a typical household's average monthly electricity expenditure of some HK$200 to HK$300. The monthly relief would be continued until 2023.

26. Mr CHIANG Tung-keung of CLP advised that CLP was aware of the adverse economic situation in Hong Kong. To relieve the hardship suffered by many Hong Kong people, apart from freezing the net tariff for 2021, CLP would launch a series of community support programmes with more than $160 million, including a new CLP Retail and Catering Coupons programme with a budget of over $80 million. Under this programme, a total worth of $100 coupons would be given to each of the nearly 800 000

households including the tenants of subdivided units ("SDUs") to relieve their financial burden and boost the economy.

27. Mr C T WAN of HEC said that HEC noted the challenges faced by the community and different business sectors under the current economic downturn. Alongside the net tariff freeze, HEC would release subsidies worth up to $23 million for supporting the community. It would continue with the distribution of dining coupons to underprivileged households under the "Care and Share" SME Caterers Subsidy Scheme, as well as programmes like the NGO Catering Subsidy Programme and SDU Electricity Charges Relief.

28. Mr SHIU Ka-chun enquired about the assistance provided by the power companies to the disadvantaged groups to reflect the companies' fulfillment of corporate social responsibility, in particular, the number of new individual electricity meters installed for SDU tenants following the last tariff review conducted in 2019.

29. Mr C T WAN of HEC replied that HEC was concerned about the problem of SDU tenants being overcharged on the use of electricity. It had been providing assistance to the SDU households on the Hong Kong Island in collaboration with non-government organizations. Mr WAN undertook to follow up if there were cases referred by Mr SHIU Ka-chun after the meeting.

30. Mr CHIANG Tung-keung of CLP said that CLP had completed installation of individual meters for 21 SDU cases with 77 households since 2019. The company would continue its efforts in this regard to help the underprivileged.

31. Mr SHIU Ka-fai appreciated the efforts paid by the power companies on helping the underprivileged. However, he considered the net tariff freeze hardly accepted by the public and the business sector due to the adverse environment of the economy. Urging the power companies to reduce the tariffs, he also requested the Administration to pay out more subsidies to commercial customers following the electricity charges subsidy provided to non-residential accounts capped at $5,000 per month.

32. SEN said that the Government had rolled out four rounds of measures under the Anti-epidemic Fund to help the affected industries and the public. It would review this matter altogether when necessary.

33. Mr Jeremy TAM said that the entrepreneurs of small and medium enterprises ("SMEs") were hesitated to start business in the midst of the current sluggish economy. He sought more information if there was any

assistance provided to startups in paying electricity bills or deposit for opening account. He said that it was essential for the Government to boost economic activities, especially the new ones brought by startups operation, apart from providing electricity subsidies.

34. Mr CHIANG Tung-keung of CLP replied that under the Electrical Equipment Upgrade Scheme of the CLP Community Energy Saving Fund, subsidies were provided to commercial and industrial customers to replace or upgrade their electrical equipment to more energy efficient models so as to help reduce their operating cost. Ms Quince CHONG, Chief Corporate Development Officer of CLP added that several thousands of enterprises had applied for the fund under the Scheme.

35. Mr C T WAN of HEC advised that HEC had in place certain relief measures provided to existing customers. For business not yet registered as HEC's customers, it would be difficult to offer any support, but HEC would see if there was anything it could do to help.

36. Mr CHAN Chun-ying said that since 2018, the Government had provided several rounds of electricity subsidies to reduce the pressure on tariffs. However, he was concerned whether such measures had unavoidably encouraged electricity consumption, undermining the efforts on environmental protection. He suggested the Administration review whether electricity subsidy was a suitable approach to solve the problem.

37. SEN said that with the more rigorous energy conservation efforts in the community, despite the city development, energy consumption had been maintained steadily before the pandemic.

Other fuel sources and development of renewable energy

38. Ir Dr LO Wai-kwok said that it was understandable that the use of cleaner energy would create a higher cost impact on electricity tariffs. Given that the FCC reduction was offset by the rise of basic tariffs for 2021 tariffs, he considered it essential to address the tariff rise matter in the long one. In this connection, he enquired about the development progress of FSRU which could help diversify the gas supplies for the power companies and increase their bargaining powers. He also called on the power companies to identify gas suppliers as early as possible so as to secure the supplies at competitive cost.

39. Mr CHIANG Tung-keung of CLP advised that the construction works of FSRU had been delayed as a result of the outbreak of COVID-19 pandemic. The power companies had been paying efforts to catch up with the works schedule and the target completion timeframe was the first

quarter of 2022. During this period, CLP had negotiated with gas suppliers and signed new gas supply contract for the FSRU. The new gas price would be lower than that of the pipeline gas currently in use.

(At 5:27 pm, the Chairman directed that the meeting be extended for 15 minutes.)

40. Mr Frankie YICK noted that the Administration planned to maintain the payments for each unit of electricity generated by renewable energy ("RE") systems at $3 to $5 under the Feed-in Tariff ("FiT") Scheme. He pointed out that benefiting from the favourable FiT rates as well as the cost reduction of solar panels, more people were attracted to utilize their rooftops for solar panel installations in collaboration with relevant business operators. He requested the Administration to review this situation which seemed to deviate from the policy intention. On the other hand, Mr YICK also enquired if the Administration would encourage commercial car drivers to switch to liquefied natural gas ("LNG") automobiles upon the commission of FSRU so as to help diversify the business revenues of the power companies and drive environmental protection. He considered that this change would be welcomed by the transport sector in view of the low transition cost and the cost of LNG was lower than diesels.

41. SEN replied that the Administration would review the FiT rates with the power companies annually. It was foreseeable that there would be room for reducing the FiT rates after 2021 and SEN encouraged interested parties to join the FiT Scheme. On the proposal of pursuing LNG automobiles in Hong Kong as well as the promotion of low-emission transport, the Administration would gauge views of various sectors on the measures to tackle air pollution, including those related to road transport, and update the Hong Kong's Climate Action Plan when appropriate.

(At 5:43 pm, the Chairman directed that the meeting be extended further for 15 minutes.)

42. Mr Kenneth LEUNG considered that the power companies were highly responsible for combating climate change and curbing emissions. Apart from the existing measures, he suggested the power companies explore the feasibility of constructing offshore wind farm in Hong Kong given the geographical restriction of Hong Kong to produce solar energy. He also said that in Denmark, nearly 47% of electricity consumption was supplied by land and sea wind turbines and 19% was solely by sea wind turbines in 2019.

43. SEN said that on RE development, there were different opportunities for the application of solar energy, wind energy and

waste-to-energy in Hong Kong. Nevertheless, the local sea area suitable for offshore wind farm development in Hong Kong was limited. The Administration would keep exploring feasible options to develop RE and keep in view the developments of wind energy, including its cost and efficiency, technological advancements, collaboration opportunities and the public views.

44. Mr CHIANG Tung-keung of CLP said that in support of the Government's policy to promote the RE development and in response to the community's desire for RE, CLP had been exploring the feasibility of developing an offshore wind farm in the south-eastern waters of Hong Kong. With the technological advancements on wind turbines which could cater for lower wind speed, CLP would review the data previously collected, explore further the feasibility of the project, and discuss with the Administration the way forward.

45. Mr C T WAN of HEC said that HEC had been operating an onshore wind turbine on the Lamma Island. It also had a plan to build an offshore wind farm at a site located in southwest of the Lamma Island. A wind monitoring station had been set up in the proposed wind farm site to collect meteorological and oceanographic data. The site was considered suitable for the wind farm having regard to the data collected. HEC would consider the way forward subject to the views of the Administration.

Motion which was not dealt with at the meeting

46. Members noted the following motion which was moved by Mr Holden CHOW and seconded by Ms Elizabeth QUAT –

> "新冠肺炎疫情下，香港經濟下滑，大部份行業出現經營困難，失業率亦飈升，企業經營及市民生活負擔更見沉重，但兩電的電費收益並無大幅減少，仍然有理想的盈利增長，而港燈更申領"保就業"計劃資助，令社會對兩電加強肩負社會整體利益，與香港共渡時艱有更強烈訴求；為此，本委員會促請兩電必須以各種方式減收明年電費。同時，政府亦應繼續提供電費補貼，補助應不少於今年的2,000元。"

(Translation)

> "Amid the COVID-19 epidemic and the resultant economic downturn in Hong Kong, most trades are facing business difficulties while the unemployment rate is also on the rise, thus putting more burden on business operations and people's livelihoods. However,

the two power companies still enjoy good profit growth with no significant drop in their tariff revenues and The Hongkong Electric Company has even applied for subsidies under the Employment Support Scheme. There are strong calls in society that the two power companies should shoulder more responsibilities for the overall interest of the community and ride out the difficult times with Hong Kong. In this connection, this Panel urges that the two power companies must reduce their tariffs for the coming year through various means, and that the Government should continue to provide electricity charges subsidy at an amount not less than $2,000 of this year."

47. In view of the time constraint and the lack of a quorum at that point of time, the Chairman suggested and Mr Holden CHOW agreed that the motion would not be dealt with at the meeting. A written response to the motion would be sought from the Administration after the meeting.

(*Post-meeting note*: The Administration's response to the motion was issued to members vide LC Paper No. CB(4)272/20-21(01) on 8 December 2020.)

II. Any other business

48. There being no other business, the meeting ended at 5:57 pm.

Council Business Division 4
Legislative Council Secretariat
20 January 2021