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Panel on Economic Development

Follow-up to the special meeting on 10 November 2020

At the Panel meeting on 10 November 2020, the Administration was requested to provide response to the following motion which was not dealt with at the meeting -

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.

The Administration's Response

Electricity tariff for 2021

To meet the Government's decarbonisation target for combating climate change, the two power companies will invest more in the use of natural gas for power generation, including replacing retiring coal-fired generating units and constructing an offshore liquefied natural gas terminal, which will involve substantial capital expenditures. At the same time, the coronavirus pandemic and the global economic development have brought uncertainties to Hong Kong's economic and commercial activities, which have posed challenges to the power companies' electricity sales. Against this backdrop, both companies are facing tremendous pressures to adjust their tariffs.

Both power companies have factored in hefty transfers from the Tariff Stabilisation Fund (TSF) and Fuel Clause Recovery Account (FCA) to help lower their tariff adjustment. For this purpose, CLP plans to draw down around $800 million and $200 million from its TSF and FCA respectively, while HKE plans to draw down around $200 billion and $400 billion respectively.

In accordance with the Scheme of Control Agreement, HKE will credit the Employment Support Scheme (ESS) subsidies received this year to Other Scheme of Control Revenue to offset expenditures, thereby increasing its TSF balance. As mentioned above, HKE plans to draw down around $200 billion from the TSF to lower its tariff adjustment, which is more than the subsidies it received from the ESS.

In fact, the Net Tariff Before Special Rebates for both companies in 2021 will be lower than that in 2020, i.e. -1.0% for CLP and -0.3% for HKE. The two power companies have undertaken to maintain their tariffs at a reasonable level through prudent cost management and financial control. At the same time, they will continue with their efforts in promoting and encouraging energy efficiency and conservation to help customers lower their electricity expenses.

The coronavirus pandemic has brought unprecedented challenges to Hong Kong. To help the public tide over this difficult time, in addition to a tariff freeze for 2021, the two power companies will continue using their Community Energy Saving Funds to assist the disadvantaged groups and small-to-medium enterprises (SMEs), as requested by the Government. In this connection, CLP and HKE will allocate more than $160 million and $23 million respectively to launch a series of community support and energy-saving programmes, including distributing retail and catering coupons, helping families living in subdivided units and providing subsidy for SMEs to replace or install electrical appliances in order to enhance energy efficiency.

Electricity charges subsidy provided by the Government

Having regard to the challenging external and local economic environment, the Government has been crediting electricity charges subsidies amounting to $2,000 in total to each eligible residential electricity account over a period of 12 consecutive months, starting from 1 January 2020. Any unused credits can be carried forward in the same account up to 31 December 2022, or the close of the account, whichever is earlier. The Electricity Charges Subsidy Scheme is a one-off relief measure, not a recurrent subsidy scheme. The Government has no plan to provide a new round of electricity charges subsidy for the time being.

Separately, noting that using more gas for power generation will add pressure to tariff increase, the Government will continue with the Electricity Charges Relief Scheme, to provide a monthly relief of $50 to each eligible residential electricity account until the end of 2023. Take a typical 3-member family household as example, this $50 relief could save about 15%-20% of its monthly electricity charges.

Environment Bureau
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