



Tariff Review 2021

Presentation to LegCo Panel on Economic Development

2021 Net Tariff Unchanged

Component	2020 (¢/unit)	2021 (¢/unit)	Adjustment (¢/unit)
Basic Tariff	102.0	109.0	+ 7.0
Fuel Clause Charge	24.8	17.4	- 7.4
Net Tariff before Special Rebates	126.8	126.4	- 0.4
Special Rent & Rates Rebate	- 0.4	-	+ 0.4
Net Tariff after Special Rebates	126.4	126.4	<u>Unchanged</u>

2021 Tariff Adjustment Overview

- HK Electric will freeze the 2021 Net Tariff at this year's level of 126.4 cents per unit
- The Basic Tariff is adjusted due to the following reasons:
 - HK Electric needs to commit huge capital to push forward the coal-to-gas projects, strengthen the power grid and install smart meters in accordance with our 5-year Development Plan
 - Electricity sales dropped significantly in 2020 due to COVID-19 and weak economy, with unfavourable sales forecast for 2021
- The reduction of Fuel Clause Charge reflects movements in fuel market prices
- Rent and Rates overcharged by the Government have been fully rebated to customers, so such offer will not be available in 2021

Coal-to-gas Transition Projects

Ramping Up Gas-fired Generation

- Gas-fired generating unit L10 was successfully commissioned in February this year; proportion of gas-fired generation has increased to ~50% this year
- The construction of additional gas-fired generating units L11 and L12 is under way, the units are expected to be commissioned in the coming 2 to 3 years



L10 was commissioned in February 2020

Developing Offshore LNG Terminal (FSRU)

- The project provides an additional source of gas supply and strengthens our bargaining power in the procurement of liquefied natural gas (LNG)
- Construction contract was awarded in January 2020 but project progress has been affected by COVID-19



Offshore LNG Terminal in operation
(illustrative picture)

Environmental Benefits of the Coal-to-gas Transition

- Our new gas-fired generating unit L10 has been contributing meaningfully to environmental protection and climate change mitigation
- Once L11 and L12 have been commissioned in 2022 and 2023, our gas generation proportion will increase to around 70% to achieve further emission reduction

Emission	Comparison between 2020 and 2019
Carbon Dioxide (CO ₂)	↓~15%
Sulphur Dioxide (SO ₂)	↓~21%
Nitrogen Oxides (NO _x)	↓~28%
Respirable Suspended Particulates (RSP)	↓~28%

Continue Supporting Customers In Need

Relief Measures

- “Care & Share” SME Caterers Subsidy
- NGO Catering Subsidy

Other Subsidy Schemes

- Energy-efficient Community Subsidy
- Smart to Care Subsidy
- SDU Electricity Charges Relief
- Energy-efficient Appliances Subsidy
- Energy-efficiency Equipment Subsidy
- SDU Rewiring Subsidy

Conclusion

- HK Electric is committed to upholding excellent electricity supply reliability and pursuing greener operations amidst the unprecedented fight against COVID-19. At the same time, we will continue to provide relief measures to support customers in need in 2021.
- Though the Basic Tariff needs to be adjusted upward in 2021, the reduction in Fuel Clause Charge will help maintain the 2021 Net Tariff at this year's level of 126.4 cents per unit.



Thank You