

**LEGISLATIVE COUNCIL  
PANEL ON ECONOMIC DEVELOPMENT**

**Information and Consultation Agreement  
with The Hong Kong and China Gas Company Limited**

**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 2021. This paper informs Members of the extension of the ICA for a period of three years with effect from 3 April 2021.

**BACKGROUND**

2. As a private enterprise, Towngas is not subject to price or profit regulation by the Government. In April 1997, the Government and Towngas entered into an ICA relating to Towngas' core gas business and gas-related activities in Hong Kong. The ICA is a voluntary agreement with terms and conditions mutually agreed between both parties. Since then, the ICA has been extended seven times, each for a term of three years. The current ICA will expire on 2 April 2021.

**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 its justifications in the event of tariff adjustments. To this end, the ICA 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 23 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 the past 23 years, seven tariff adjustments have been made, and the basic gas tariff has remained stable. The latest basic gas tariff adjustment was made in August 2019, when Towngas also pledged to freeze the tariff in the following two years.

5. Since October 2006, Towngas has introduced natural gas as alternative fuel to naphtha for town gas production, bringing about substantial fuel cost savings in the region of \$17.8 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 February 2018, Towngas 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 2020, the use of landfill gas had reduced carbon emission by about 16 000 tonnes, equivalent to planting about 700 000 trees. The carbon emission for town gas production currently constitutes around 1% of the total greenhouse gas emissions in Hong Kong.

7. 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.

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

## **EXTENSION**

9. The current ICA will expire on 2 April 2021. 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 2021 to meet its objective as set out in paragraph 3 above. The opportunity has been taken to refine the

ICA, such that Towngas will disclose additional information on tariff and fuel cost adjustment to the public, in order to further enhance transparency.

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

Environment Bureau  
February 2021

## Summary of Major Initiatives and Performance of Towngas in 2018-2020

### Environmental Initiatives

- Towngas commits to operating in an environmentally responsible way for the benefit of the community and its staff. In 2020, Towngas started the process to obtain ISO50001 Energy Management System certification and renew the Building Environmental Assessment Method (BEAM Plus) Existing Buildings accreditation for its headquarters, which were awarded in 2016 the first non-residential building in the city to achieve Platinum rating, the highest rating under the BEAM Plus Existing Buildings for green office upgrading.
- In 2019, Towngas signed the Energy Saving Charter and 4Ts Charter<sup>1</sup> schemes with the Environment Bureau. The annual energy consumption of its headquarters building was reduced by around 2%.
- Towngas has been utilising the treated landfill gas from the North East New Territories (NENT) Landfill for town gas production in the last 13 years. In 2018, super typhoon Mangkhut severely damaged the landfill gas collection facilities which significantly decreased its landfill gas supply during 2018 to 2020. The landfill gas supply was also affected by divergence of food waste disposal to O.PARK. Compared to using naphtha as fuel, the use of landfill gas from NENT in 2020 has reduced carbon emission by 4,100 tonnes, equivalent to planting 180,000 trees.
- In 2018, Towngas commissioned its 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. The landfill gas supply at SENT was less than expected in 2020 due to a decrease in construction waste amidst the economic downturn. Compared to using naphtha as fuel, carbon emission in 2020 was reduced by 12,000 tonnes, equivalent to planting 520,000 trees. Air quality in the vicinity has been greatly improved by turning landfill gas into usable energy. Together with NENT and Shuen Wan Landfill, landfill gas took up 1% of the fuel mix for town gas production. The carbon emission for town gas production

---

<sup>1</sup> “4Ts” stands for 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.

currently constitutes around 1% of the total greenhouse gas emissions in Hong Kong.

- Towngas has been utilising the landfill gas from NENT as the energy for the Combined Heat and Power System of the Alice Ho Miu Ling Nethersole Hospital since 2017. The system is the first of its kind in Hong Kong, with overall efficiency exceeding 85%. Compared to using naphtha, carbon emission in 2020 was reduced by 2,500 tonnes, equivalent to planting 110,000 trees. Towngas is now planning to extend this system to the North District Hospital to enhance energy efficiency and reduce emissions.
- The utilisation of natural gas as part of the fuel for the production of town gas brought green and economical energy source for Hong Kong. Compared to using naphtha, carbon emission was reduced by 92,200 tonnes in 2020, equivalent to planting 4 million trees. From 2018 to 2020, fuel cost savings of \$2.5 billion have been passed onto town gas consumers via the Fuel Cost Adjustment mechanism.
- More than 5,000 tonnes of discarded gas appliances were recycled during the period from 2018 to 2020.

### **Safety Initiatives**

- In 2020, Towngas transformed the Regular Safety Inspection (RSI) with the new Gas Riser Artificial Intelligence System. This is a pioneering project in the Hong Kong gas industry. It adopts artificial intelligence to analyse the video taken by specialised image capturing and gas leakage detecting devices such as Drone Riser Inspector or Long-Range Camera with Laser Methane Gun. The corrosion detection and classification processes can be fully automated. The project successfully improves operational efficiency and eliminates human errors.
- Towngas developed cooking appliances with safety features such as anti-scorch functions as well as remote monitoring and shut off systems as part of the Smart Kitchen project. These systems allow users to remotely monitor their appliances and shut them off, if needed, via their mobile devices, or alert themselves to turn off the appliances before leaving home.
- Since 2019, Towngas adopted Virtual Reality (VR) technology in

technical training which allows participants to become proficient in the electrofusion welding process in a tailor-made virtual environment. The VR training improves the craftsmanship of electrofusion welding to prevent gas leakage and ensure the durability of gas pipes.

- Over 8,600 site inspections were conducted each year from 2018 to 2020, and the number of third party damage to the gas network has been maintained at 10 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 2018 to 2020.

### **Productivity and Customer Service**

- Towngas launched a virtual assistant named “Tinny” to handle online enquiries in 2018. It was further enhanced with live chat and meter reading reporting functions in 2020. With upgrading to the new user interface, the virtual assistant offers comprehensive and efficient assistance to our residential customers at all time.
- Towngas applied big data analytics to its maintenance services for customers. The model provides a more accurate prediction of spare part requirements and makes suggestion to reduce baggage weight of service technicians and enhance the first time completion rate of maintenance services.
- In 2018, Towngas enhanced the self-service functions of eService (eservice.towngas.com) for customers to enjoy more online conveniences. The online booking percentage of maintenance service increased from 8% in 2018 to 12% in 2020.
- Towngas developed the Regenerative Electric Energy Module (REEM) hotplate and Water Heater Hydropower Generator Module, which help recycle residual cooking heat and conserve the energy generated by water current respectively for appliance ignition, thereby eliminating the need for battery replacement in the hotplate and water heaters. Both designs enhanced customer experience and reduced potential environmental pollution caused by discarded batteries.
- Towngas developed Automatic Meter Reading (AMR) system using Bluetooth technology which enables customers to report their gas meter reading every month via the Towngas Smart Metering Apps for billing

purpose. In 2020, Towngas launched a new generation AMR system which allows customers to report their meter reading using WiFi connection. This enhancement can streamline the meter reading process and further eliminate the nuisance to customers due to the visits of meter readers.

- In 2019, Towngas introduced photogrammetry to replace manual surveying in pipelaying. In addition to providing more accurate records, it produces a 3D, rather than 2D, image record of the as-built network. Combining this with new developments such as trenchless pipe construction, Mini Tunneling Machine and Syphon Coring Machine, Towngas has reduced the nuisance caused by pipe construction work to the public and road traffic.
- Towngas has introduced different electronic payment options, such as Faster Payment System (FPS) and AlipayHK, for customers to settle gas bills in a more convenient way.
- There were over 5,800 written compliments on Towngas' service each year from 2018 to 2020, while the number of written complaints remained at 13 or below each year in the same period.

### **Community Service**

- Towngas has all along attached importance to corporate social responsibility. It has been making contributions to society, and endeavoured to organise a number of long-standing charitable programmes. Its Volunteer Team, comprising employees, customers and their families, took part in a wide range of meaningful and worthwhile services and programmes for the needy and the elderly. The activities included distribution of hot soup, rice dumplings and mooncakes, gas safety talks and festive variety shows. The total volunteer hours exceeded 195,000 hours in 2018-2020.
- Towngas' "Gas Appliances for the Community Programme" continues. Since its launch in 2015, about 10,000 gas cookers have been donated to the elderly and needy families receiving CSSA to further improve their quality of life.
- Towngas has introduced concession schemes in relation to tariff and other fees for people in need, including the elderly, people with disabilities, single-parent families and low income families. As at end

of 2020, over 43,000 households benefited from these schemes.

- Towngas and Christian Family Service Centre (CFSC) joined hands in 2020 to launch the “Love on Delivery” programme to address the needs of underprivileged families faced with decreased income as a result of job loss or underemployment due to COVID-19 pandemic. About 30,000 fresh food packs have been distributed to 1,000 families to address their daily needs and offer immediate food expense relief. The programme also provides a channel for social workers to connect with these families through a dedicated social media platform and food pack pick-up points in order to better understand their impending needs and provide timely assistance.
- In October 2019, Towngas launched the three-month-long Credit Period Extension Scheme offering a two-month deferral of gas bill payment due dates for merchants to support the catering industry during economic slowdown. From March 2020, Towngas also helped apply and distribute nano photocatalytic disinfectant spray to Hong Kong eateries in order to boost the public’s confidence in their hygiene and reduce the impact of coronavirus. To date, a total of about 8,000 eateries have benefited.



## External Recognitions

### 2018

- Global 2000 by Forbes
- Hong Kong Awards for Industries: Innovation & Creativity Award
- Industry Cares CSR Recognition Scheme - The Grand Caring Award & The Most Innovative Award
- IFAPC Outstanding Listed Company Award
- Constituent Companies of the Hang Seng Corporate Sustainability Index Series
- Hong Kong Outstanding Corporate Citizenship Gold Awards
- Energy Project of the Year (Asia Pacific Rim Region)
- Family-Friendly Employers - Grand Award
- Customer Service Excellence Award

### 2019

- Global 2000 – World’s Best Employers 2019 by Forbes
- Hong Kong Business Sustainability Index – Exemplar Rating
- BOCHK Corporate Environmental Leadership Awards-Gold Award
- Hong Kong Awards for Environmental Excellence Gold Award
- Hong Kong Awards for Industries: Innovation & Creativity Grand Award
- Best Corporate Governance Awards
- Employer of Choice Award
- After Sales Services Award

### 2020

- Greater Bay Area Business Sustainability Index & Hong Kong Business Sustainability Index - Exemplar tier
- Manpower Developer Grand Prize Award
- Corporate Social Responsibility Awards 2020
- Hong Kong Outstanding OSH Employee Gold Award
- HSBC Living Business Supply Chain Leaders
- Hong Kong Service Award 2020 - Public Utilities
- Hong Kong Awards for Environmental Excellence Gold Award
- Hong Kong Volunteer Award - Corporate Award