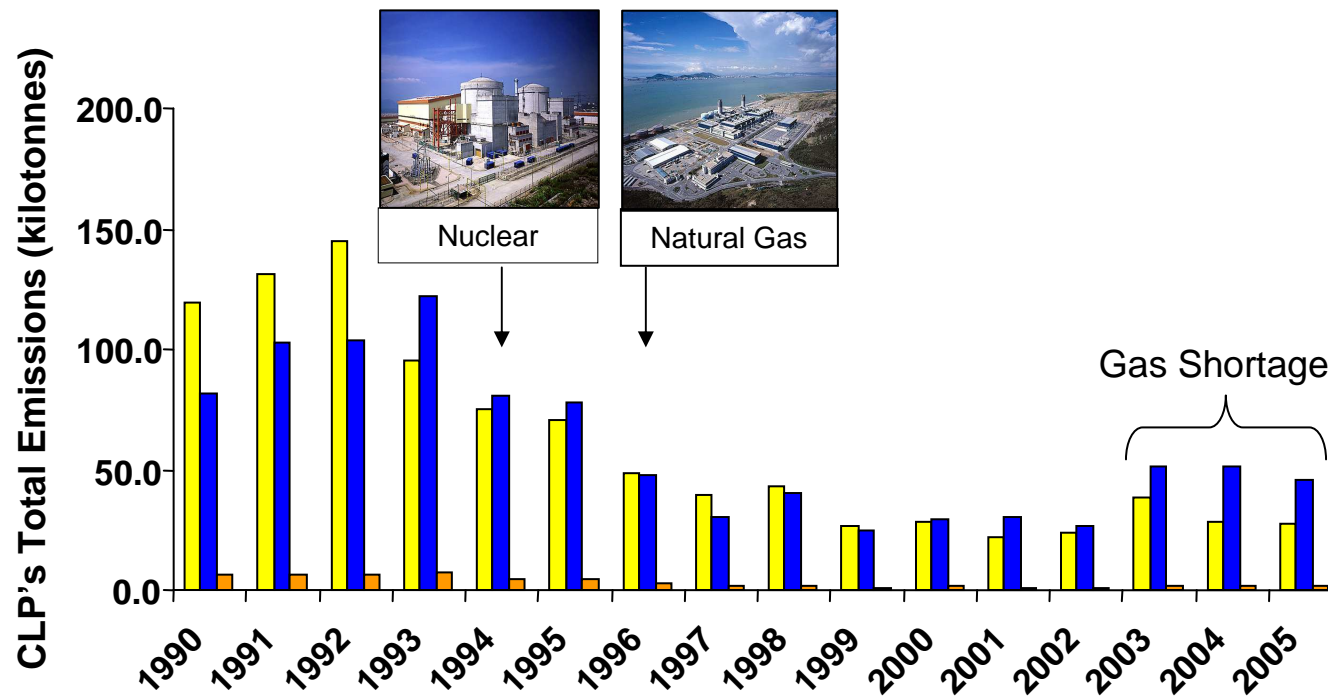


Hong Kong



- “The Pearl of the East”
- High GDP/ capita – US\$22,380 (HK) vs. US\$4,805 (Guangdong) vs. US\$1,090 (China)
- Power supplied by 2 private companies (CLP Power supplies 75% of HK’s electricity)
- Mix of fuels – coal, nuclear and natural gas
- Since 1996, natural gas has provided ~25% of HK’s total power generation
- Supply reliability is essential – 50% of population lives above 15th floor

Environment is driving need for greater use of gas



- Existing pipeline gas supply from Yacheng field is depleting
- Only LNG can provide the required long term supply security
- No other alternatives as China is a large gas user and needs more gas resources than it possesses
- Hong Kong must look after its own energy needs

How is Hong Kong tackling these issues?

- Government announced policy for maximum use of gas for power generation → broad acceptance of need
- Deteriorating air quality, much of which due to rapid economic growth of Guangdong, has become a key concern in community → Project gained public support
- Debate is on balancing energy policy and environmental regulations to ensure benefits of gas-fired generation can be fully realized without compromising reliability and keeping electricity affordable
- Gas forms 1/3 of our fuel mix. Directionally this share is expected to increase to ~50% with nuclear, “clean” coal and small amount of renewables forming the balance
- Gas competes with coal and nuclear so linkage of gas price to oil in Asia poses a challenge

