

21st December 2012

CLP and CAPCO Welcome Second West-East Gas Pipeline Gas Supply Approval

CLP Power Hong Kong Limited (CLP) and Castle Peak Power Company Limited (CAPCO) welcome the approval by the Executive Council (ExCo) of the Hong Kong SAR Government for the landmark agreement to supply natural gas to Hong Kong from the Second West-East Gas Pipeline (WEPII) over the next 20 years. The gas will begin arriving in early 2013, opening a new chapter in clean power generation and playing a significant role in helping to raise Hong Kong's air quality.

The approval by ExCo is a milestone in the implementation of the Memorandum of Understanding (MOU) on energy cooperation signed between the Hong Kong SAR Government and the National Energy Administration in 2008. The Gas Supply Agreement (GSA) represents the collaborative efforts of CLP/CAPCO, our business partner PetroChina Company Limited, the Central Government and the Hong Kong SAR Government and is critical for ensuring a long-term and stable supply of natural gas to Hong Kong. It timely provides CLP/CAPCO with a new gas source to replace the depleting Yacheng 13-1 gas reserves, sustaining gas power generation and meeting the increasingly stringent emissions requirements set by the Hong Kong SAR Government, where natural gas usage may need to be almost doubled by 2015.

The GSA stipulates the key terms of the WEPII gas supply arrangement to Hong Kong, including gas volume and pricing mechanism. Under the GSA, the gas price will be set using a clear and transparent mechanism, based on a formula reflecting the cost of the commodity and the transportation elements, as well as following the regulatory guidelines set by the Central Government. The Hong Kong SAR Government has exercised its due diligence in scrutinizing the terms of the GSA.

The price of WEPII gas for Hong Kong will be determined by the following factors:

- 1) A commodity element, reflecting the cost of the gas imported from Central Asia to China, in which typically moves in line with the prices of oil.
- 2) A transportation element, reflecting the cost of pipeline transportation charged by the pipeline owners for taking the gas from the Central Asia border in Xinjiang to Hong Kong.
- 3) Taxes and duties charged by the Central Government according to applicable laws, and other administration costs charged by the gas supplier.

New facilities are being built to receive the WEPII gas supply, including a gas launching station in Dachan Island in Shenzhen, a new gas receiving station at the Black Point Power Station in Hong Kong, and a 20 km undersea pipeline connecting the two locations. Extensive power plant modification and engineering upgrades are also being carried out at the Black Point Power Station to deal with the differences in gas properties.

CLP/CAPCO believes that the arrival of the WEPII gas assures Hong Kong of an uninterrupted, continuous and reliable electricity supply for clean power generation that will help raise the city's air quality. CLP/CAPCO will continue to play its part in implementing the MOU to secure more gas sources to fuel Hong Kong's future development.

(Please refer to the enclosed [Second West-East Gas Pipeline Project factsheet](#) for more details.)

Photo Caption

Photo 1:



The Second West-East Gas Pipeline is the longest gas pipeline in the world and the largest single energy investment project in the history of modern China. When it is fully completed, the pipeline will serve 500 million people across China.

Photo 2:



A 20km undersea gas pipeline has been newly built to connect the new gas launching station in DaChan Island in Shenzhen and the Black Point Power Station in Hong Kong to bring in natural gas from the Second West-East Gas Pipeline network.

Photo 3:



Construction of a new gas receiving station and extensive power plant modification and engineering upgrades are being carried out at Black Point Power Station to facilitate the arrival of WEPII gas.

About CAPCO

CAPCO is a joint venture between CLP Power Hong Kong Limited (40%) and ExxonMobil Energy Limited (60%) with three power stations in Hong Kong namely Black Point Power Station, Castle Peak Power Station and Penny's Bay Power Station and a total power generation capacity of 6908 megawatts.

About CLP Power Hong Kong Limited

CLP Power Hong Kong Limited is the Hong Kong utility subsidiary wholly owned by CLP Holdings Limited, a company listed on the Hong Kong Stock Exchange and one of the largest investor-owned power businesses in Asia. CLP Power operates a vertically integrated electricity supply business in Hong Kong, and provides a highly reliable supply of electricity and excellent customer services to 5.8 million people in its supply area.

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