

30 April, 2013

Chairman's Opening Remarks at AGM Media Briefing

Good afternoon everyone. Let me start by welcoming you all to this press conference.

As you know from our annual report, it has been a mixed year for our business. The Group's operating earnings were HK\$9,406 million, a decline of 8.8% compared to that in 2011. Group total earnings, which include non-recurring items, were HK\$8,312 million, 10.5% lower than that in previous year.

I am however fully confident that with a strong management team at CLP and our long history of excellence in delivering reliable energy supplies to our customers and good dividends to our shareholders that we will continue to emulate those achievements in future.

You may recall that when I spoke to you last year, we were awaiting the arrival of a new Government under a new Chief Executive. I expressed the hope of most citizens of this remarkable place that the new Administration would overcome difficult challenges and lead our society to new heights in the years to come.

The Chief Executive has delivered his first Policy Address. He pledged to tackle a range of key issues such as air quality and waste management, as well as a promise to engage the public in a discussion on how to achieve environmental protection measures.

We will be active participants in those discussions, particularly as they embrace issues close to our heart like cleaner air, energy conservation, better fuel mix and emission reduction. As Hong Kong's largest energy supplier, we have played our part in tackling environmental issues and we shall continue to do so with firm commitment and robust action.

We believe it is our responsibility to be upfront with our customers the price we have to pay for a cleaner environment. There is no point in glossing over the facts, as unpalatable as they may be to some.

There is no secret of the fact tariff increases over the next few years are inevitable. There are many numbers of reasons for this, which we have explained on many occasions before. Not least among them is the change in the fuel mix and the quest for cleaner generation required by the Government in 2015 and beyond.

After 15 years of use, our gas field at Yacheng is nearing depletion. In line with the agreement reached between the Beijing and Hong Kong Governments in 2008, we shall be using a new supply of gas from China's Second West-East Gas Pipeline from this year onwards. This new supply not only connects Hong Kong closer to China, but guarantees a stable and sustainable supply of energy to Hong Kong for 20 years.

However, we have to accept the fact that the gas price will also be much higher – three times the price we paid for our supply from Yacheng in a deal that we secured 20 years ago. The new gas price is competitive by international standards and simply reflects the way the price of fuel has moved over the last two decades. While this involves greater cost, we will be taking a range of measures to reduce those increased charges to a minimum. CLP is committed to tighten cost control and our longstanding record in holding down tariffs speaks clearly to this commitment and we are determined to continue to do so. We are also exploring other gas supplies by building an LNG terminal in Shenzhen and tapping into other gas fields in the South China Sea to ensure adequate supplies to meet future needs.

Let me go back to the Chief Executive's Policy Address when he said that for the well-being of future generations, the Government and the community must work together to improve the environment.

He emphasized that both sides – Government and community – must take responsibility for making the decisions if we are to turn Hong Kong into what he described as “a healthy, low-carbon and resource-saving metropolis that is in harmony with nature.”

For the energy sector, this means striking a balance among safety, reliability, environmental performance and cost. The electricity industry is capital intensive, involving advanced technologies and very long lead times. It is crucial that a clear, fair and stable regulatory environment is provided to ensure that the significant capital requirement will become available.

This brings me to another important point – the future of our regulatory arrangement when the current Scheme of Control expires in 2018. Let's be clear: we are talking about the long term safe, reliable, environmentally sustainable and cost effective supply of electricity that forms the bedrock of our dynamic economy.

We are open-minded about the future regulatory arrangement, as long as the quality of service to our society can be sustained in the long run. We welcome any opportunity to contribute to informed discussion with Government and stakeholders – and that includes not just our customers, the community at large but also our shareholders – in shaping Hong Kong’s future energy policy.

There needs to be a consensus forged on the way forward, and we are confident that if we all keep the sustainability of Hong Kong’s long term economic prosperity at the forefront of our minds, we can achieve that.

I would like to close by reaffirming our commitment to Hong Kong. Notwithstanding our investments abroad – made in the interests of underpinning the profitability of our Group – Hong Kong remains at the core of our business.

Hong Kong is our home. We have been in business here for 111 years. Our actions over that time speak far louder than any words I can utter.

Hong Kong has been good to us. And if I can say with all modesty, CLP has been good to and for Hong Kong. It is our firm intention to continue that proud tradition long into the future. Thank you.