

8 October 2013

CLP's Response to a Media Report Regarding Fuel Clause Account Balance

In response to a media article today drawing an incomprehensive report on CLP's estimation on Fuel Clause Account (FCA) balance, CLP would like to provide the following information:

1. The FCA balance at the end of June 2013 of HK\$711 million was reflective of a few factors:
 - Firstly, local electricity sales in the first half of 2013 recorded a decrease of 1.5% over the same period in 2012 due to cooler weather, resulting in a drop in fuel consumption;
 - Secondly, CLP has been taking steps to defer the use of the three-times more costly replacement natural gas within our emissions limit. This has resulted in a lower-than-forecasted consumption of new natural gas supplied from the second West-East Gas Pipeline in the first half of 2013;
 - Thirdly, international coal prices have dropped since early 2013, leading to lower-than-anticipated fuel costs.
2. It should be noted that the FCA balance at the end of June 2013 only reflected the status of the first half of 2013. The balance for the whole year of 2013 is not certain yet since international fuel prices remain volatile.
3. The FCA balance captures the difference between the standard cost of fuel and the actual cost of fuel. Customers are charged with the actual cost of fuel consumed and CLP makes no profit from it.
4. In support of greater fuel cost transparency, CLP is actively studying the possibility to provide data and information related to fuel costs on a monthly basis in the near future. With increased fuel cost transparency, we hope to help customers better understand the fuel cost account adjustment mechanism as well as the volatility of international fuel prices. Details of the release will be announced in due course.

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About CLP Power Hong Kong Limited

CLP Power Hong Kong Limited (“CLP Power”) 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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