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CLP Proposes Phased and Flexible Approach to Realise Future Fuel Mix

CLP Power Hong Kong Limited (“CLP Power”) announced today (21 May) it had submitted its response to the Government’s public consultation on Future Fuel Mix for Electricity Generation.

Considering the two options¹ presented in the consultation, CLP is of the view that both options present opportunities and challenges. CLP believes that a “phased and flexible” approach, which combines both planning for initial gas units and intensive study for a new cross-border interconnector, would deliver the best long-term value for Hong Kong.

Specifically, under the phased and flexible approach, CLP considers that Hong Kong should:

- Start now on planning the initial phase of Option 2 to support the local air quality and carbon objectives set by the Government for 2020 by building a small number of new gas units in Hong Kong.
- In parallel, Hong Kong should start now on a detailed technical and commercial study for Option 1 to examine whether building the new cross-border interconnector can meet Hong Kong’s demand for highly reliable electricity supply, at what cost and how much low carbon energy Hong Kong could purchase, by when.
- When this work is completed and before deciding whether to build the new interconnector or further gas units in Hong Kong, or a selective combination of the two, Hong Kong should review the future demand for electricity and relative energy prices to avoid over-investment.

Mrs. Betty Yuen, Vice Chairman of CLP Power, said, “It is important that a future fuel mix decision does not compromise our extremely high supply reliability. CLP believes the approach will strike an appropriate balance between the main objectives of reliability, environmental performance and costs. That balance has also taken into account preserving flexibility and optionality in the long-term interests of Hong Kong.”

¹ Option 1 assumes that approximately 30% of future needs are met through imports of grid power from the Mainland. In Option 2, these needs are met by locally built gas fired units.

The phased and flexible approach in a long-term plan will seek to maximise the advantages of each option at the minimum cost to customers until more certainty on costs and benefits is available. By being flexible, Hong Kong can choose to use local gas generation when it is cheaper than imported low carbon energy, or vice versa.

CLP considers that there are benefits in elements of both options, which are not mutually exclusive and should not be ruled out. Option 1 has the potential to provide more opportunities in the longer term for importing lower carbon electricity. However, the lead-time for building the new cross-border interconnector is at least 10 years, and comprehensive studies are needed for this untested concept to understand its implications for Hong Kong. Option 2 provides a more certain result in terms of maintaining electricity supply reliability and real improvements in emissions performance.

“CLP has been serving Hong Kong for more than 100 years, not only in providing a highly reliable and cost-effective power supply but also by supporting many community initiatives,” added Mrs. Yuen. “As a member of the Hong Kong community, we always bear in mind the long-term interests of Hong Kong’s people and look to create long-term value for our city. CLP is ready to facilitate and deliver the fuel mix decision that is eventually made by the community in the usual professional, reliable and efficient manner.”

Full version of CLP’s Response Paper can be accessed through the following links:

English version:

https://www.clpgroup.com/CLP_Response_eng

Chinese version:

https://www.clpgroup.com/CLP_Response_chi

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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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