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CLP Provides Supplementary Information on the Future Development of the Electricity Market in Hong Kong and Tariff Level for 2016

At the press conference of CLP Holdings Limited's 2015 interim results announcement today, CLP Power Hong Kong Limited Vice Chairman Mrs Betty Yuen made the following comments regarding the future development of the electricity market in Hong Kong and tariff level for 2016.

On the Future Development of the Electricity Market in Hong Kong

Mrs Yuen stressed that the existing regulatory arrangement has served Hong Kong extremely well. Our supply reliability, safety level and environmental performance are equal to or better than major world cities whilst our tariffs are amongst the lowest in the developed world. The Government recognised that the electricity supply in Hong Kong, under its current Scheme of Control regulatory framework, has achieved the four energy policy objectives of safety, reliability, reasonable tariffs and environmental protection and recommended to continue the current contractual arrangement with potential improvements to enhance effectiveness.

CLP believes that any new regulatory arrangements should build on the existing framework and evolve along our three proposed guiding principles, namely Greener and Smarter Electricity, Enhanced Customer Experience and Effective Regulation, as laid out in our submission to the Government on the public consultation on the Future Development of the Electricity Market in June.

Electricity industry is hugely capital intensive and requires long-term investment. The life span of electricity infrastructure can be as long as 60 years. Reasonable return and certainty in the regulatory regime are important factors in attracting sufficient investment to meet the needs of the economy. We look forward to beginning our discussion with the Government at an appropriate time. We will continue to engage with our stakeholders in order to attain the most optimal arrangement that can balance the need of the society, especially our growing environmental concerns, and the healthy development of the electricity industry, delivering the best long-term value for Hong Kong.

On 2016 tariff level

CLP is aware of the public concern over tariff adjustment. Our tariff level is affected by a host of factors, including electricity sales, capital and operating costs, as well as fuel costs. It is too early to forecast 2016 tariff level.

In 2015, our power stations have to abide by much stringent emission requirements, and we are achieving this by using much more natural gas which is 4 to 5 times more expensive than coal.

Fuel prices can be very volatile and their movements are hard to predict. They are beyond the control of CLP. In the first half of 2015, we saw some sharp reductions in oil prices. Together with our fuel cost control efforts, our fuel expenses in the first six months of this year had gone down, which allows the special fuel rebate to be credited to customers' accounts starting from mid-August. If low oil prices are sustained, it will be of assistance to CLP in our efforts to control fuel costs and alleviate tariff pressure. We will continue to monitor the movement of fuel prices and undertake cost control measures. As in the past, we will submit our tariff proposal in the fourth quarter and discuss with the Government.

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About CLP Group

CLP Holdings Limited, a company listed on the Hong Kong Stock Exchange, is the holding company for the CLP Group, one of the largest investor-owned power businesses in Asia Pacific. Through CLP Power Hong Kong Limited, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity to 80% of Hong Kong's population.

Outside Hong Kong, CLP holds investment in the energy sector in Mainland China, India, Southeast Asia, Taiwan and Australia. Its diversified portfolio of generating assets uses a wide range of fuels including coal, gas, nuclear and renewable sources. CLP is one of the largest external investors in the Mainland's renewable energy sector. In India, it is the largest foreign investor in the power sector and the biggest independent power producer in wind energy, foreign or domestic. In Australia, its wholly-owned subsidiary EnergyAustralia is one of the largest integrated energy companies, providing gas and electricity to 2.6 million customers.

CLP is listed in the Global Dow – a 150-stock index of the world's leading blue-chips, the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), the Dow Jones Sustainability Asia Pacific 40 Index (DJSI Asia Pacific 40), Hang Seng Corporate Sustainability Index Series and MSCI Global Sustainability Index Series

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