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中電控股有限公司
CLP Holdings Limited

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CLP Reports Resilient 2020 Business Performance amid COVID-19

Accelerating Energy Transition towards Decarbonisation Targets

CLP Holdings Limited (CLP) announced today the Group's operating earnings for 2020 increased 4.1% to HK$11,577 million compared with the same period a year ago. Total earnings rose significantly to HK$11,456 million from 2019 when an impairment of goodwill was booked in the Australian business.

The Board remains confident in the Group's prospects, yet in the short term it recognises the uncertainties created by the ongoing pandemic. As such, it approved a fourth interim dividend payment for 2020 of HK$1.21 per share, a 1.7% increase compared with the same period in 2019. Total dividends per share for 2020 are HK$3.10 per share, 0.6% higher than a year ago.

"When we look back on 2020, it was one of the most extraordinary years in living memory. With the COVID-19 pandemic affecting every society and individual, our priorities as an energy company have been keeping the lights on and supporting our colleagues, customers and the local communities. Facing this unprecedented crisis, we have demonstrated resilience, something we owe to the remarkable efforts of our people," said Richard Lancaster, Chief Executive Officer of CLP.

"During the year we also remained intently focused on decarbonisation as climate change is still the biggest challenge facing the energy sector. We have seen accelerating momentum towards energy transition worldwide. With our proud history and solid foundation of 120 years, we stand ready to pursue sustainable growth opportunities that come along."

Hong Kong

While demand for electricity was affected by the pandemic, the impact was mostly confined to non-residential sectors. Sales in the residential sector rose 9% as more people stayed and worked from home, and Hong Kong experienced a hot summer. Overall, sales of electricity in Hong Kong fell 0.9% compared with 2019. The fall in sales would have been larger if demand from data centres had not continued to rise, driven by the increased adoption of big data and cloud computing. Meanwhile the number of customer accounts rose to 2.67 million, compared with 2.64 million in 2019.

Operating earnings of Hong Kong electricity business rose 5.0% from 2019 to HK$7,818 million in 2020, in line with the increase in invested capital.

Although COVID-19 hampered economic activity in general, CLP was able to manage the challenges and move forward with a number of strategic projects aimed at increasing the use of natural gas in power generation and enhancing Hong Kong's energy security and the sustainability of gas supply.

A new Combined-Cycle Gas Turbine (CCGT) unit at Black Point Power Station was commissioned, marking the first new major generation unit deployed by CLP in Hong Kong since 2006. This substantially increased the proportion of gas-fired generation to around 50%, representing a reduction of around 20% in the carbon intensity of CLP's electricity supply. Statutory approvals were meanwhile obtained for a second CCGT unit at Black Point and early civil works got under way while engineering, procurement, and construction contracts were finalised. Development of the offshore LNG terminal also progressed well.

CLP welcomes the announcement that Hong Kong will strive to achieve carbon neutrality by 2050. CLP is already well into decarbonisation and will work closely with the Government and the community to support the formulation of a practical roadmap to reduce carbon emissions and contribute strongly towards that goal. CLP is considering the feasibility of constructing an offshore wind farm in the south-eastern waters of Hong Kong given recent advances in the technology of wind turbine generators make it appear more feasible.

By the end of 2020, over 840,000 smart meters were connected across CLP's supply area, giving customers rapid access to electricity usage data to allow them to better manage their consumption.

CLP has seen a significant increase in interest in the Feed-in Tariff (FiT) scheme thanks to Hong Kong people's commitment to a more sustainable future and the falling cost of renewable energy equipment. By the end of 2020, more than 13,000 applications had been received, nearly twice as many as the 6,900 received in 2019. Around 87% of the projects have already been approved or connected to our grid. Sales of Renewable Energy Certificates has also been encouraging with a growth of about 70% compared with 2019.

In the same way that CLP has supported the community through the pandemic in 2020, it will continue to support Hong Kong through the challenges that lie ahead; helping the city and its people go through the end of the pandemic and then recover from it, getting the economy back on track, and continuing the important transition to a lower-carbon future.

Mainland China

Electricity demand was affected by lower industrial activity as a result of COVID-19 in the earlier part of 2020 before rebounding strongly as the Chinese economy started picking up. In this environment, the performance of CLP's diversified portfolio held up well. Operating earnings for 2020 were HK$2,233 million, a decrease of only 1.9% when compared with 2019.

Nuclear energy projects continued to be the main contributor of CLP's operating earnings in Mainland China, accounting for about two-thirds of the total. While operation of Daya Bay Nuclear Power Station remained stable, earnings from the nuclear portfolio decreased 6% mainly because of lower contribution from Yangjiang Nuclear Power Station as a result of higher costs including taxes and despite increased generation.

CLP's portfolio of renewable energy projects performed steadily in 2020, helped by improvements in wind and solar resources. Most hydro projects also reported better performance.

CLP commissioned Laiwu III Wind Farm in Shandong province in September. With a total generation capacity of 149MW, this three-phase project is the largest operating wind farm across the CLP Group. CLP also committed to invest in the 100MW Qian'an III Wind Farm in Jilin province. Construction is expected to start in the first half of 2021, and the plant will be the company's first grid-parity project in Mainland China. Investing in grid-parity projects will allow CLP to reduce its dependence on national subsidy payments from the Chinese Government, delays in which continued to affect the cash flow of CLP's wind and solar projects. As of 31 December 2020, the total receivables relating to the unpaid national subsidies increased to HK$1.77 billion (2019: HK$1.27 billion).

The performance of CLP's only majority-owned coal-fired project in Mainland China, Fangchenggang Power Station in the Guangxi Zhuang Autonomous Region, remained good as the plant benefitted from lower coal costs in the first three quarters of the year combined with higher output and demand. However, these benefits were more than offset by lower average tariffs received.

The Chinese Government has a mission to transform the Guangdong-Hong Kong-Macao Greater Bay Area into an international business hub by 2035. CLP will pursue opportunities in this important emerging region, with new energy infrastructure and smart energy solutions as its priorities. CLP joined China Southern Power Grid Co., Ltd and other investors in November to establish the CSG Energy Innovation Equity Investment Fund with the aim of capturing investment opportunities in innovative energy developments, new energy infrastructure, and smart energy in the Greater Bay Area.

China aims to achieve carbon neutrality by 2060. In support of this policy and CLP's own decarbonisation strategy, CLP will continue to focus on developing low-carbon projects in the coming years.

India

India was one of the countries hardest hit by COVID-19 and it was not without impact on the operations of CLP India. During this difficult period, the Jhajjar coal-fired plant nonetheless performed steadily. While CLP India's wind portfolio experienced unfavourable weather conditions, its solar and transmission assets showed good performance. During the year, operating earnings attributable to CLP decreased 33.5% to HK$175 million.

The performance of CLP India's wind projects was affected by poor wind resources across all locations due to an erratic summer monsoon.

The solar portfolio of CLP India fared better as all operational activities were managed effectively during the pandemic. In February, CLP India agreed to acquire three solar projects in Telangana. Two of the projects, with capacities of 30MW and 50MW, were transferred to CLP India in early 2020. Both assets performed well despite repeated flooding in the monsoon season. The purchase of the third project was terminated by mutual agreement in September after the pandemic delayed the process.

Despite the COVID-19 situation, outstanding receivables from local distribution companies relating to the purchase of renewable energy reduced 4.2% to HK$771 million by the end of the year. CLP India also received HK$50 million of delayed payment charges and generation-based incentives.

The Jhajjar coal-fired power station in Haryana reported an exceptional operational performance due to a record commercial availability of 97.3%.

CLP India has broadened its low-carbon business by agreeing to acquire a portfolio of transmission projects. The first project – Satpura Transco Private Limited in Madhya Pradesh – maintained 100% availability and contributed positively to CLP India's 2020 earnings. Transaction of the second project with Alipurduar Transmission Limited was terminated after certain conditions precedent could not be fulfilled. The third project – Kohima Mariani Transmission Limited, spanning three north-eastern states – was commissioned in November 2020 and will be taken over by CLP India following the completion of conditions precedent, including obtaining approval from the Federal Government.

CLP India has been seeking clarification from the Government on new foreign direct investment rules announced in April and will continue to work with Indian ministry officials to allow for future investment and overcome uncertainties in approval timelines.

CLP India remains firmly committed to the market and its strategy of focusing on decarbonisation and renewable energy projects remains unchanged. It will continue to aspire to operational excellence and to explore new opportunities in India's dynamic power sector.

Southeast Asia and Taiwan

Thanks to its high availability and lower coal prices, Ho-Ping Power Station in Taiwan recorded strong financial results in 2020. Lopburi Solar Farm in Thailand also operated smoothly during the year. However, its financial performance was affected by the expiry of tax exemption. In 2020, operating earnings in Southeast Asia and Taiwan increased 15.2% to HK$386 million.

In line with the Group's undertakings under the updated Climate Vision 2050, CLP withdrew from the legacy Vung Ang II coal-fired development project in Vietnam in October 2020. Exit from the Vinh Tan III project is underway.

Australia

In 2020, the combined effects of COVID-19, retail price regulation introduced in July 2019, and ongoing competition from new and existing energy suppliers placed considerable pressure on retail margins in the Customer business. Falling wholesale prices, meanwhile, affected margins in the Energy business. Under these influences EnergyAustralia's underlying operating earnings were lower than in 2019. However, including the favourable impact of non-cash fair value changes in energy hedging contracts, operating earnings increased 7.9% year-on-year to HK$1,690 million.

In the retail market, market churn reduced across all states from the beginning of the COVID-19 pandemic and EnergyAustralia's churn reduced in line with market trends. Mass market customer accounts decreased by just over 1%, or around 28,000, over the course of the year with the bulk taking place in the first half. The company's focus on continuous improvement in customer service helped stabilise customer numbers in the second half.

The impact of the pandemic on customers' capacity to pay necessitated an increase in provision for bad and doubtful debts charged to the income statement to A$91 million (HK$491 million) for the year, up from A$65 million (HK$352 million) in 2019.

To help ensure the long-term reliability of supply to customers, EnergyAustralia's generation assets underwent major maintenance works in 2020 ahead of the summer peak demand period anticipated in early 2021.

EnergyAustralia's gas-fired power facilities in New South Wales (NSW), Victoria, and South Australia operated with a high degree of reliability throughout the year.

EnergyAustralia signed an energy storage services agreement with Genex Power Limited in March 2020 for full dispatch rights to the 250MW Kidston pumped storage hydro project in Queensland. The project is expected to reach financial close during 2021 and, subject to these final approvals, will begin operation in 2024. EnergyAustralia also received conditional planning approval in April from the NSW Government to expand its gas-fired Tallawarra Power Station. An economic assessment is being conducted before a decision is made on the investment in the first half of 2021.

In September, EnergyAustralia acquired the remaining 51% equity of solar and LED lighting company Echo Group, following an initial investment in 2019. This acquisition supports EnergyAustralia's commitment to offer customers clean, modern energy solutions.

EnergyAustralia will continue to face challenging market conditions as the economy emerges from COVID-19. EnergyAustralia's focus will remain the optimisation of a diversified generation portfolio, enhancing asset reliability.

The new initiatives introduced by the State and Federal Governments in 2020 show that Australia's energy transition is gaining momentum and the shifts will be potentially significant for the industry. EnergyAustralia is committed to playing a constructive role in the energy transition in close dialogues with Governments and the communities.

Conclusion

In 2020, as large parts of the world were grounded to a near standstill by the impact of COVID-19, CLP put in place special work arrangements to strengthen the protection of its employees. The conscious decision it made a few years ago to enhance information technology infrastructure now allowed colleagues to switch between remote working and mixed mode working. Its ongoing investments in digitalisation also supported efforts to deliver more user-centric and smart energy services to customers.

While the impacts of the pandemic are visible to all, CLP's vision for the future means it must also continue to work hard today to meet the challenge of climate change. CLP has achieved its 2020 carbon intensity targets laid out in Climate Vision 2050, and will be reviewing and strengthening its climate targets within this year as planned. CLP is ready to pursue new opportunities in this fast-changing world and continue to build a sustainable business apt for the future.

For more details, please refer to the following documents:

- *Announcement of Annual Results as from 1 January 2020 to 31 December 2020, Dividend Declaration and Closure of Books*
- *CLP Holdings 2020 Annual Results Highlights*

- Ends -

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