

## **Towngas Introduces Natural Gas Benefiting Our Environment and Customers**

(27 March 2006) The Hong Kong and China Gas Company Limited (Towngas) plans to introduce natural gas before the end of this year to replace portions of naphtha as feedstock to generate town gas. The latest initiative would help establish a reliable long-term supply of energy for Hong Kong as well to reduce gas production cost so as to bring fuel savings to customers.

Since the composition of town gas generated with mixed feedstock will remain the same, customers do not need to make any changes to their gas appliances. Mr Alfred Chan Wing-kin, Managing Director said, "In light of global soaring oil prices, Towngas endeavours to identify supplies of more economical energy. Apart from providing safe and reliable gas supply and bringing economic benefits to customers, we are committed to environmental protection. Therefore, we will consider clean fuels as our priority when we introduce new feedstock."

Mr Chan continued, "There are triple benefits for using natural gas as feedstock. Firstly, the contract that we signed with our supplier offers us natural gas at a price lower than that of naphtha, and through the existing fuel cost adjustment mechanism, we would pass fuel savings to our customers. Secondly, this 25-year natural gas supply contract, together with a dual naphtha and natural feedstock mix, ensures reliable supply of town gas to customers. Thirdly, using natural gas to replace portions of naphtha as feedstock further reduces emissions of carbon dioxide, nitrogen oxides and sulphur dioxide, a step forward in Towngas' corporate vision of protecting the environment."

Mr Chan added, "Since the quantity of natural gas scheduled for delivery by the end of this year will gradually rise to the level specified in the supply contract, we expect that after supply levels stabilize in 2007, we can generate about 10% in savings for customers if oil prices stay at US\$ 50 per barrel." For example, average household Towngas bill is around HK\$ 200 every month. If Towngas uses natural gas as feedstock, based on current Towngas tariff and oil prices, this would work out to a saving of about HK\$ 20 every month. Apart

from revitalising Hong Kong's economic activities, savings in gas bills will also enhance the competitiveness of Hong Kong's commercial and industrial sectors, particularly the restaurant and hotel businesses.

The natural gas to be used by Towngas is sourced from Northwestern Australia. The contracted natural gas is first cooled to liquid form before shipping by special fleets to a liquefied natural gas (LNG) receiving terminal in Shenzhen, China, where it goes through a gasification process before direct delivery to the company's gas production plant in Tai Po, Hong Kong via a pair of high-pressure submarine pipes of 34 km long and 450 mm in diameter. According to the supply contract, Towngas will import 330,000 tonnes of natural gas annually, or 60% of the total quantity of naphtha currently used to produce town gas.

### **The Hong Kong and China Gas Company Limited**

Founded in 1862, The Hong Kong and China Gas Company Limited (Towngas) was the first public utility company in Hong Kong. With a pipeline network of over 3,000 kilometres and an 85% economic reach, the Company supplies town gas to over 1.5 million customers in the territory. Its core business comprises production and distribution of gas, marketing of gas and appliances and comprehensive after-sales services. In recent years, Towngas has diversified into various green businesses including LPG filling stations and the utilisation of landfill gas. Towngas has actively developed city piped gas businesses across the mainland since 1994, and it is also involved in an LNG receiving terminal and a number of midstream projects. In 2005, Towngas began its investment in mainland's water business.

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