Towngas uses natural gas as feedstock beginning October 2006
Introducing savings to customers

(Hong Kong, 18 September 2006) The Hong Kong and China Gas Company Limited (Towngas) will start using natural gas and naphtha as dual feedstock for producing town gas beginning October this year. Under the existing fuel cost adjustment mechanism, it is expected that the introduction of natural gas will bring about 10% savings on gas bills to customers according to the current oil prices during the early stage of implementation.

Beginning October, customers' gas charges will be calculated under a fuel cost adjustment mechanism on the basis of dual feedstock mix (natural gas and naphtha). Towngas will introduce a newly designed gas bill in order to display clearly updated gas charges information and savings to customers upon introduction of natural gas.

Over the years, Towngas has strived to identify more economical energy source and to ensure a reliable supply of town gas for the benefits of customers. "Towngas signed a 25-year agreement with the natural gas supplier and we are producing town gas with dual feedstock so as to ensure a reliable supply," said Alfred Chan Wing-kin, Managing Director of Towngas. "The price of natural gas in the signed contract with our supplier was lower than that of current naphtha price. Through the existing fuel cost adjustment mechanism, we will pass savings on gas bills to our customers, expected to be around 10%."

"As a Hong Kong-based company, our business has grown over time together with Hong Kong. We are pleased to benefit our customers directly, as in the case of using natural gas and naphtha to produce town gas, with customers enjoying reduced costs in production."

Based on current oil prices, a customer will save about HK$20 every month if monthly average gas bill is about HK$200. Mr Chan remarked, “The savings in gas bills will benefit not only residential customers but also the commercial and industrial sectors, particularly the restaurant and hotel businesses: lowered operation costs means enhanced competitiveness.

The natural gas utilised by Towngas comes from Northwestern Australia. Upon extraction from gas fields, natural gas is liquefied at a temperature of -162°C before being transported by special dedicated tankers to the liquefied natural gas (LNG) receiving terminal in Shenzhen, China. The liquefied gas is then stored at the receiving terminal and then goes through a gasification process before being transported to the gas production plant at Tai Po via a pair of 34 km, 450 mm diameter high-pressure submarine pipelines for the production of town gas.

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