



Towngas Tariff Adjustment

(21 June 2019) The Hong Kong and China Gas Company Limited (Towngas) has informed Environment Bureau that it plans to raise its basic tariff from 1 August 2019. Legislative Council's Panel on Economic Development has submitted the related paper to its members for circulation today.

Towngas proposes to raise its basic tariff by 1.1 cents per MJ from 1 August 2019. The 4.4% increase is equivalent to 3.8% of the effective gas tariff (including basic tariff and fuel cost variation charge) in 2018. It is estimated that around 75% of Towngas' residential customers will pay no more than HK\$10 extra for their gas consumption each month, and about 50% of its commercial and industrial customers will pay less than HK\$275 extra for their gas consumption each month.

Beneficiaries of Towngas' various concession schemes will not be affected by this tariff adjustment. Around 90,000 beneficiaries, including the eligible elderly, people with disabilities, single-parent families and low income families, will continue to enjoy a 50% discount for the first 500MJ of town gas consumed each month, and the monthly maintenance charge and spare parts costs will continue to be waived.

"We are very prudent when it comes to tariff adjustment, taking into full consideration our customers' ability to absorb the additional expenses. The last adjustment took place two years ago on 1 August 2017. Since then, operating costs including materials, staff expenses and rentals have gone up substantially, and the cumulative inflation rate was as high as 4.4%. Towngas has made every effort to raise revenue and reduce costs, as well as improve our workflow to enhance efficiency and control expenses. However, the increase in costs still could not be offset by the increase in revenue. On the other hand, we have continued to invest over HK\$1 billion in our gas network and infrastructure annually to ensure safe and reliable gas supply to our customers. Thus, it



is necessary to adjust our tariff to cope with the rise in costs. The proposed adjustment of gas tariff is therefore modest,” said Towngas Managing Director Alfred Chan Wing-kin.

As an energy supplier, Towngas is committed to protecting the environment, carrying out effective cost control measures, and strengthening its competitiveness in the market. Natural gas from Australia was introduced as dual feedstock for its town gas production in October 2006, resulting in cumulative fuel savings of HK\$17 billion, which has since been passed on to its customers. For Towngas’ residential customers, for instance, that has translated into an average annual saving of HK\$400 per customer in the past 13 years. Benefiting from the recent crude oil price slump, Towngas has also passed cost savings on to customers through the fuel cost variation charge. The average effective town gas tariff in the first half of 2019 was 3% lower than that of last year, and was also 1% lower than that in September 2006, the period just before the introduction of natural gas.

Towngas undertakes the promise to keep its basic tariff frozen for the next two years, while it continues its investments in infrastructure, environmental protection, safety and services. Its efforts to care for the underprivileged, shoulder social responsibilities and provide quality services for customers will also continue.

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For media enquiries, please contact:
Miss Judy Chan
Corporate Affairs Department
The Hong Kong and China Gas Company Limited
Tel.: 2963 3486/9520 3139
Fax: 2516 7368
Email: cad@towngas.com