



Towngas Tariff Adjustment

(16 June 2017) The Hong Kong and China Gas Company Limited (Towngas) has informed Environment Bureau that it plans to raise its basic tariff from 1 August 2017. Legislative Council's Panel on Economic Development has submitted related Paper to its Members for circulation today.

Towngas proposes to raise its basic tariff by 1.1 cent per MJ from 1 August 2017. The actual increase of gas tariff (including basic tariff and fuel cost adjustment) is equivalent to 4.3%. It is estimated that around 80% of its residential customers will pay no more than \$10 extra for their gas consumption each month, and about 50% of its commercial and industrial customers will pay less than \$276 extra for their gas consumption each month.

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

“We are very prudent in terms of tariff adjustment, taking into full consideration of our customers' ability to absorb the additional expenses. We only adjusted our tariff five times over the past 20 years, and the last adjustment took place two years ago on 1 August 2015. During the period, operating costs including materials, staff expenses and rentals have gone up substantially, and the inflation rate was as high as 5.5%. Towngas has made every effort to raise revenue and reduce costs, along with improvement in our work flow to enhance efficiency and control expenses. However, the increase in costs



still cannot be offset by increase in revenue. On the other hand, we continue to invest over \$1 billion in our gas network and infrastructure annually to ensure a safe and reliable gas supply to our customers. It is therefore necessary to adjust our tariff to cope with the rise in costs. The proposed adjustment of gas tariff at 4.3 % is therefore modest,” said Towngas Managing Director Alfred Chan Wing-kin.

As an energy supplier, Towngas has been conscious of its efforts in 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 town gas production since October 2006, passing on cumulative fuel savings amounting to \$15 billion to its customers since then. For Towngas’ residential customers, as an example, that translates into an annual average saving of \$450 per customer in the past 10 years. Benefited from recent crude oil price slump, Towngas has passed the cost savings through fuel cost variation charge to customers. The average effective town gas tariff in the past 12 months was 7% lower than the same period two years ago, and was also 8% lower than that in September 2006, just before the introduction of natural gas.

Towngas undertakes the promise to keep its basic tariff frozen for the next two years, at the same time keep on investing in infrastructure, environmental protection, safety and services. Its efforts to care for the underprivileged, carry out social responsibilities and provide quality services for customers will continue.

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