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Experts want HK\$3b gas stabilisation fund to keep lid on power costs (<http://www.scmp.com/news/hong-kong/article/1026504/experts-want-hk3b-gas-stabilisation-fund-keep-lid-power-costs>) [1]

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News › **Hong Kong ENERGY**

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Two City University energy experts want the government to set up a natural gas stabilisation fund to offset a likely big increase in electricity prices.

William Chung Siu-wai, director of the Energy and Environmental Policy Research Unit at City University, forecasts that CLP Power could raise its tariff by up to 13 per cent next year, while Hongkong Electric could lift its tariff by up to 5 per cent.

The forecast was made in light of the price of fuel, especially natural gas, increasing dramatically since last year.

Chung said CLP Power had paid HK\$48.60 for a unit of natural gas last year, while Hongkong Electric paid HK\$87.

The big difference was because CLP Power's natural gas comes from Hainan Island, while Hongkong Electric sources its supply from Australia.

Chung said the market price for a unit of natural gas had soared to HK\$113.10 this year and he expected China to cash in on the increase.

Assuming that both companies had to pay this much next year, they would have to increase tariffs by up to 13 per cent and 5 per cent next year.

The firms have not made public how much they paid this year.

Chung urged the government to inject HK\$3 billion into a natural gas stabilisation fund to offset the higher prices Hongkongers would have to pay for electricity.

"The government can set up a seed fund first and then reinvest the money in, for example, the energy market," he said. If it did, Hongkongers would have to pay only 4 per cent more next year.

An Environmental Bureau spokesman said it would consider the proposal.

Chung brushed off criticism that setting up the fund would be like giving away taxpayers' money to the power companies.

This was because the two companies did not make any money from the actual cost of the fuel but, for

example, from operational charges.

The research unit's associate research director, William Yu Yuen-ping, said the fund only required HK\$3 billion, which was much lower than the HK\$4 billion in tariff subsidies the government had granted in the past.

"Natural gas is also a much cleaner energy as it emits half the pollutants burning coal produces," Yu said.

About 24 per cent of the total energy CLP Power produces is generated from natural gas, while the figure is 27.9 per cent for Hongkong Electric.

Topics: Environment Business

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