

A Word from our CEO

“Contributing towards a low-carbon future for Hong Kong continued to be a high priority for HKEI in 2016.”



The year 2016 marked another significant step forward for HKEI in its low-carbon journey. In this report, I am delighted to share our achievements and efforts to drive sustainability across our operations, among our employees and in the community.

During the review period, we launched a number of significant projects to support the Government's target of reducing Hong Kong's carbon intensity by 50-60% by 2020 from the 2005 level. We also worked closely with the Government to devise a long-term energy policy and a post-2018 regulatory framework that will benefit the sustainable development of Hong Kong. HK Electric is confident that the final framework will enable us to maintain our track record of providing safe, reliable, clean and affordable electricity to our customers.

A Future Powered by Natural Gas

Natural gas, which currently contributes to over 33% of our electricity output, is a cleaner fuel with lower carbon and other emissions as compared to coal.

Since 2005, just before we introduced natural gas at Lamma Power Station, we have reduced our carbon emissions by 14%. Emissions of sulphur dioxide, nitrogen oxides and respirable suspended particulates have also been cut by 50-90% over the same period.

Further reductions will be achieved by increasing the proportion of natural gas used to generate electricity through projects such as the new L10 gas-fired combined-cycle unit at Lamma Power Station. In 2016, we made good progress in the construction of L10, keeping us on track for its commissioning in 2020. By then, our gas-fired generation will rise to about 50%. Following the Government's approval in September 2016, we have proceeded to build another new gas-fired unit, L11, that will enable us to further increase the gas proportion of our fuel mix to about 55% by 2022.

To support our long-term goal of increasing gas-fired generation, it will be critical for us to obtain a secure and competitive long-term gas supply. We therefore partnered with CLP Power Hong Kong Limited to conduct an Environmental Impact Assessment of an offshore terminal for receiving liquefied natural gas from overseas. If approved, the project will give us direct access to the international gas market and increase our bargaining power in securing gas supplies.

Towards a Greener Society Together

As well as reducing the carbon emissions on the generation side, we have been exploring ways to save energy with our stakeholders.

During the year, we continued to roll out various initiatives to encourage the smart use of energy in the community. For instance, we have approved eight projects across Hong Kong Island under our Smart Power Fund, bringing the total number of successful applications to 29, providing a total of more than \$4.6 million in funding for a variety of energy-efficiency enhancement projects since the Fund's inception in 2014.

In green education, we nurtured secondary school students to promote energy saving through the Happy Green Community Ambassadors programme under our Smart Power Campaign. We continued to run the Happy Green Schools label scheme, encouraging green educational activities for children in about 350 schools.

Our Green Hong Kong Green programme, promoting eco-tourism and conservation, was named an Outstanding Partnership Project by The Hong Kong Council of Social Service.

As a member of the Government's Steering Committee on the Promotion of Electric Vehicles (EVs), I am pleased to see the growing popularity of EVs in Hong Kong as they will help improve roadside air quality. We have played our part by strengthening the technical and advisory services to

building owners interested in installing EV charging facilities. We will also continue to provide free charging services at our charging stations until the end of 2017. In our own fleet, we have replaced most of the retired petrol cars with EVs, making our EV fleet one of the largest in Hong Kong.

Award-winning Customer Service

We take great pride in our ability to provide an excellent supply of electricity to customers. Since 1997, we have maintained power supply reliability at higher than 99.999% and, since 2009, have kept the average unplanned customer minutes lost to less than one minute per year. In 2016, we again met or surpassed all of the 18 pledged customer service standards.

This record of service has contributed to Hong Kong being ranked among the top three for the fifth consecutive year in the Global Competitiveness Index compiled by the World Economic Forum in terms of quality of electricity supply.

Our customer service was also well recognised during the year with creditable awards such as the coveted 2016 Excellence Award of the Mystery Shopper Programme, organised by the Hong Kong Retail Management Association.

What's more, we have maintained this high standard of service while keeping the tariff rates at a reasonable level. For 2017, we lowered our tariff for the second year through a 17.2% reduction in our net tariff with the offer of two special rebates.

Extending Care to the Community

Caring for the elderly remained a priority for us through initiatives such as the CAREnJOY programme. Partnering with all District Councils on Hong Kong Island, two Rural Committees on Lamma Island and eight elderly service agencies, we continued to provide care to seniors living alone through monthly home visits.

In 2016, we celebrated the 10th anniversary of the University of 3rd Age co-founded with The Hong Kong Council of Social Service, encouraging active ageing among local retirees.

Ensuring Employee Wellness

Health and safety in our daily operations continued to be at the top of our agenda. In 2016, the overall safety performance improved from the previous year.

To promote health among our employees, we encourage daily physical exercise in the workplaces and during the year launched a new campaign called StairWELL, which

incentivised colleagues to walk up the stairs of our buildings. I myself walk up the stairs of Hongkong Electric Centre almost every day and can personally attest to the health benefits of stair climbing. I encourage everyone, not just our colleagues, to "step up for fitness".

Another focus at HK Electric is providing professional development opportunities for our employees and equipping them with skills and knowledge. In 2016, we further promoted the use of online learning resources for continuous employee development.

Embracing Good Corporate Governance

Good corporate governance is the cornerstone of a successful organisation. In 2016, we continued to upgrade the Enterprise Risk Management and Internal Control Frameworks, and put in place measures such as a new Fraud Prevention and Awareness Policy to minimise our exposure to fraud.

In addition, we implemented the Compliance Framework and the Regulatory Compliance & Monitoring Programme. To manage our compliance obligations more effectively, we enhanced the Framework with support from subject matter experts in specific compliance areas.

2017 and Beyond

Entering into 2017, we will continue to work closely with the Government and other stakeholders to chart the best way forward for Hong Kong's electricity market, particularly with regard to the post-2018 regulatory framework. We will also be working diligently to ensure the timely delivery of the new gas-fired power plants and to secure a more stable supply of natural gas. We are also keen to support the Government's 2030 carbon reduction target of reducing the city's carbon intensity by 65-70% from the 2005 level in response to the Paris Agreement reached at the 2015 UN Climate Change Conference (COP21).

This is an exciting era for HKEI and, indeed, the energy sector as a whole. While there may be other challenges ahead, I am confident that we are on the right track in our sustainability journey, and am grateful to all our stakeholders for working with us to set the scene for a low-carbon and sustainable Hong Kong.

Wan Chi-tin
Chief Executive Officer
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