

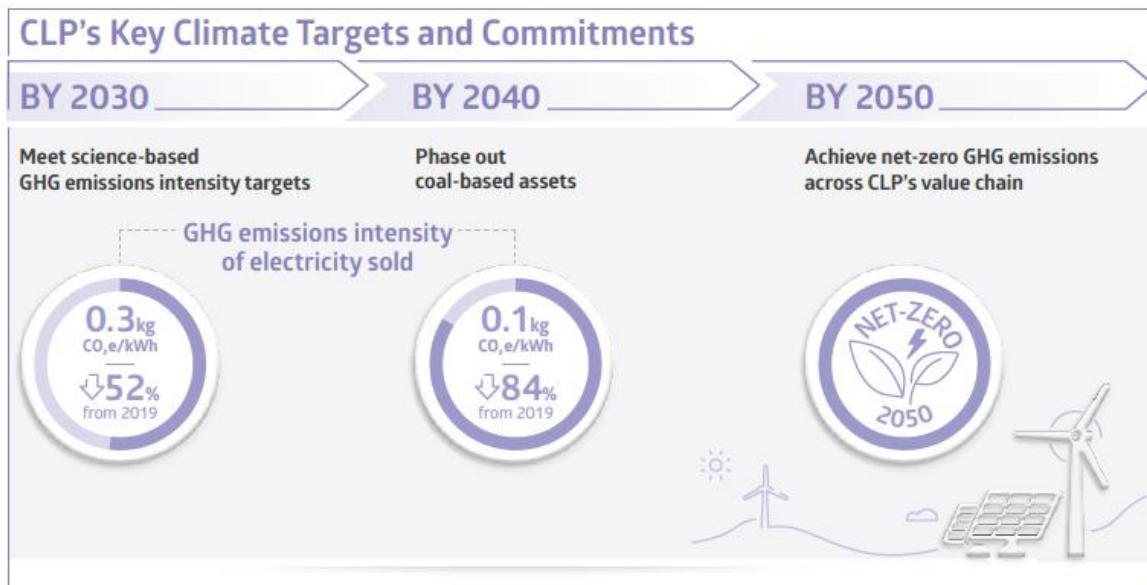
Case Study – CLP’s Story of Action

Recognising the urgency for decarbonisation and the transition to net zero, CLP Holdings Limited (CLP) acknowledges the role it should take in accelerating the energy transition as a power business and has taken an early lead to set carbon intensity reduction targets with its Climate Vision 2050.

Launched in 2007 with a focus on the ambition to mitigate CLP’s climate impact, CLP’s Climate Vision 2050 has been instrumental in informing the company’s business strategy and guiding its investment decision-making. It is also an integral part of CLP’s broader climate strategy, which covers key considerations around climate adaptation and scenario analysis, among others.



As part of its roadmap to becoming a Utility of the Future, CLP in 2021 published the latest version of its Climate Vision 2050, in which the company is committed to achieving net-zero greenhouse gas emissions across its value chain by 2050.



This followed a strategic review in which CLP evaluated a comprehensive range of factors, including the latest climate science, technology trends, industry best practices and government policies, together with the evolving expectations of investors, customers, regulators, and other stakeholders.

In its move towards net-zero emissions, CLP has set science-based targets for 2030 to align with the Paris Agreement goal of limiting global warming to well-below 2°C above pre-industrial levels, and further strengthened its 2040 targets for the same ambition.

To support its efforts in meeting these targets, CLP brought forward by a decade to 2040 its commitment to phase out all existing coal-fired power generation while reaffirming it will not add any new coal-fired generation assets going forward.

In recognising the need to continue strengthening its targets and pursuing efforts to limit global warming to 1.5°C, CLP is exploring the use of new energy technologies such as green hydrogen, energy storage solutions and wider deployment of renewable energy as an alternative to natural gas in the long term. CLP is also committed to further reviewing its targets at least every five years.

Financing the energy transition

To support CLP's energy transition and to respond to the increasing investor awareness of the climate change imperative, CLP also established the Climate Action Finance Framework (CAFF) in 2017 to lay out CLP's methodology in raising Climate Action finance, including bonds, loans and other forms of finance, and detailed proceeds usage of those finance transactions to invest in projects that are consistent with its strategy to respond to climate change challenges.

In 2021, a US\$300 million 10-year Energy Transition Bond, HK\$3.7 billion medium-term Energy Transition Loan facilities and a HK\$1.6 billion 15-year Euler Hermes-covered Energy Transition loan was arranged to finance the construction of CLP's second new combined-cycle gas turbine generation unit at Black Point Power Station in Hong Kong. Together with another new unit commissioned in 2020, it will further support CLP's decarbonisation plan, which includes retiring coal-fired generating units at Castle Peak Power Station. In addition, CLP issued a US\$100 million 10-year New Energy Bond to finance the rollout of smart meters for customers in support of Hong Kong's transformation into a smart city.

Supporting customers to decarbonise

CLP also supports customers in embarking on their own decarbonisation journeys, through its Energy-as-a-Service business model. By leveraging on its core competence in the energy sector, CLP provides a range of energy management solutions to help customers improve energy efficiency as they take advantage of increased electrification to decarbonise and participate in the transition to a net-zero economy. This includes supporting the uptake of electric vehicles in Hong Kong by providing free charging facilities and offering support to private residential buildings interested in applying for government funding to install charging infrastructure.

In view of potential growing demand for sustainable energy solutions in the Greater Bay Area, CLP also set out a strategy to pursue opportunities to invest in the region's energy infrastructure projects for industrial parks and commercial sites, including district and multi-building cooling systems as well as data centres. This will be supported by CLP's investment in the CSG Energy Innovation Equity Investment Fund set up by China Southern Power Grid in 2020, which is expected to bring new smart energy and innovation-related opportunities.

Meanwhile, CLP also continues to partner with innovators to ensure it can access and deploy the latest and best-in-energy technology. This includes a portfolio of strategic investments in leading global innovation hubs within China, the United States and Israel, covering technologies such as demand response management, smart buildings, cybersecurity, and hydrogen storage.