

## [New agreement on Dongjiang water supply introduces water price deduction mechanism \(with photos\)](#)

The Secretary for Development, Mr Michael Wong, signed today (December 28) the new agreement on the supply of Dongjiang water to Hong Kong from 2021 to 2023 with the Director General of the Department of Water Resources of Guangdong Province, Mr Wang Lixin. The Director of Water Supplies, Mr Lo Kwok-wah, also attended the signing ceremony held online.

Under the new agreement, the previously adopted "package deal lump sum" approach is enhanced to a "package deal deductible sum" approach in which the water price will be deducted according to the actual amount of Dongjiang water supplied. In essence, the continual adoption of a package deal approach to stipulate an annual supply ceiling under the new agreement can guarantee Hong Kong a stable yet flexible supply of Dongjiang water to meet the city's actual needs. The approach enables reliable water supply to be maintained – even under extreme drought conditions with a return period of once in 100 years. In addition, the new agreement will introduce a water price deduction mechanism under which the annual ceiling water price will be subject to the deduction of a sum (by multiplying a unit rate to the difference between the annual supply ceiling and the actual amount of water supplied) to arrive at the annual actual water price.

Under the "package deal deductible sum" approach, the actual water price to be paid should be lower than that under the "package deal lump sum" approach currently in place. The "package deal deductible sum" approach also addresses the requests by the public for payment based on the quantity of Dongjiang water supplied. The "package deal deductible sum" approach should be maintained at least up to 2029. It is estimated that under the mechanism in the new agreement, based on the 2021 price level, the maximum saving within this nine-year period is \$324 million.

The water prices in the new agreement will be increased by 1.33 per cent annually, which generally reflects the changes of the relevant price indices of Guangdong and Hong Kong and the exchange rate between the Renminbi and the Hong Kong dollar. In view of the prevailing challenging economic environment arising from the COVID-19 epidemic, Guangdong further agreed that the actual water price for 2021 is to be frozen at the 2020 level to ease the financial burden of Hong Kong. Under the above-mentioned increase, the annual water prices from 2021 to 2023 should not be more than \$4,821.41 million, \$4,950.51 million and \$5,016.35 million respectively.

In addition, Mr Wong held a working meeting online with the Guangdong authorities to exchange views on the Dongjiang water supply and water quality monitoring work. He thanked the Guangdong authorities for taking various measures over the years in enhancing the water quality of Dongjiang

water. Under the new agreement, Guangdong will maintain the quality of the Dongjiang water supply to Hong Kong in compliance with Type II waters in the Environmental Quality Standards for Surface Water, which is the highest national standard for surface water applicable to human consumption.

