

LCQ1: Natural gas supply strategy

Following is a question by the Hon Patrick Lau and a reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, in the Legislative Council today (February 7):

Question:

Many people have related to me their concern about the proposal put forward by CLP Power Hong Kong Limited ("CLP") to construct a liquefied natural gas ("LNG") receiving terminal on Tai A Chau, which is part of Soko Islands, as this may cause grave damage to the ecological environment of the surrounding waters of Soko Islands. In this connection, will the Government inform this Council:

- (a) apart from the proposal put forward by CLP, which is a business undertaking, what views of other parties the authorities have also taken into consideration when formulating the natural gas supply strategy for Hong Kong;
- (b) given that two LNG receiving terminals will be constructed in Zhuhai in the near future, whether it will conduct an independent assessment of the feasibility of such LNG receiving terminals supplying LNG to CLP; and
- (c) when conducting the relevant negotiations with CLP, how the authorities will give effect to the environmental protection pledges made by the Chief Executive in last year's Policy Address, and whether priority consideration will be given to environmental protection, so as to ensure that the ecological environment of the surrounding waters of Soko Islands will not be damaged?

Reply:

Madam President,

(a) Since the commissioning of the Black Point Power Station (BPPS) of the CLP Power Company Limited (CLP) in 1996, BPPS has been using natural gas imported from the Yacheng gas field off Hainan Island via a submarine pipeline as its primary fuel for power generation. This power plant generates about 30% of electricity for CLP's system. CLP anticipates that the Yacheng gas field will be exhausted by early 2010s. To maintain a stable electricity supply, CLP proposes to construct a liquefied

natural gas (LNG) receiving terminal in Hong Kong to replace the supply from Yacheng.

In considering the proposal for the supply of natural gas, the Government will consider various aspects. First, at the request of the Government, CLP has conducted an analysis and evaluation on the availability of other gas supply alternatives other than its proposed LNG receiving facilities.

Besides, relevant government departments have been collecting data and information from international energy conferences, relevant authorities of other governments in the region and the energy market in order to assess the feasibility of different schemes of gas replacement sources. In addition, the Government has commissioned a professional energy consultant to assist in our studies. The consultant helps analyse the distribution of natural gas resources and developments in the region, the supply conditions of the Yacheng gas field, future electricity demand, environmental protection requirements, expenditure forecasts, etc. so that we can evaluate natural gas supply arrangements from different perspectives.

(b) The Government and our consultant are collecting information from various sources to assess the feasibility of obtaining supply of natural gas for Hong Kong from the two LNG receiving terminals mentioned in the question, as well as from other natural gas/LNG projects in the region. We will take into account factors like project development programme, gas supply reliability, environmental protection and gas price, etc.

(c) The Chief Executive stated clearly in his Policy Address last year that the need to protect the environment would be the focus of the Government's negotiations with the power companies over their new Schemes of Control. Their permitted rate of return will be linked to their achievement of the emission caps. These emission caps will be progressively tightened to meet the 2010 emission reduction targets. We shall not allow these firm targets to be compromised in any way. When examining the proposal of CLP Power Hong Kong Limited (CLP) to construct a liquefied natural gas receiving terminal on Soko Islands, the Government will carefully and comprehensively consider all relevant factors, including the environmental and ecological impacts of the proposal. CLP's construction project and the proposed mitigation measures are now going through the statutory procedures under the Environment Impact Assessment (EIA) Ordinance. The objective is to comprehensively assess, through a stringent and objective mechanism, whether the

project and the relevant proposal would cause unacceptable environmental impacts (including impacts on air, water quality, noise, ecology and hazard to life) during the design, construction and operation stages. The Government will process other necessary approval procedures relating to the proposal after we confirm that the proposal complies with all requirements of the EIA Ordinance.

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