



12 July 2007

Members of the Panel on Environmental Affairs
Hong Kong Legislative Council
Jackson Road
Hong Kong

Dear Members,

**Re: Submission on proposal to construct LNG terminal at Soko Islands - Meeting
20 July at 3:30 pm**

Thank you for the invitation to present views on the proposal to construct an LNG terminal at the Soko Islands, we would like to submit the following views.

I. Why should the LNG terminal be in Hong Kong?

1. Supply of natural gas in Guangdong is very tight

- Already 44% (1.5 gigawatts) of installed gas generating capacity has been shut down, due to fuel shortages.
2. If CLP were to take its gas for a proposed (but not yet approved) new LNG terminal in Zuhai that would mean:
- Much less natural gas for Guangdong and more coal will be used there, making Hong Kong's air dirtier especially each winter.
3. If Hong Kong were to obtain permission to build a LNG terminal in Guangdong, that would represent the worst of NIMBY because:
- Hong Kong wants the gas, but Guangdong has to bear any environmental costs.
 - Moreover, environmental impacts would likely be higher in Guangdong.
4. Having the natural gas supply within Hong Kong and owned by Hong Kong interests enhances security of supply for Hong Kong.
- It may also strengthen negotiating position in securing supplies at favourable [low risk] prices.

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- Long term security of gas supply could be crucial in a world competing for low carbon fuels.

II. Why at Soko Islands?

5. There will some level of impact on marine life. But, Hong Kong has to compare such impacts with the risk of putting the terminal elsewhere in Hong Kong waters.
 - The HKSAR Government seems to have ruled-out Black Point because LNG ships (about 1 per week) would pass through densely populated areas along the Ma Wan Channel.
 - LNG shipping has an excellent safety record, but such concerns are understandable. Legislators may wish to get a better understanding of the issue from the Marine Department.
 - The Black Point site would require much larger reclamation.
6. Even if a third site could be found, doing the preparatory work for approval would delay the project by years.
 - Further delay means more coal will be burnt in Hong Kong.
7. To reduce polluting emissions, Hong Kong must burn much less coal, and the only way to do that economically in a reasonably short time frame is by approving the LNG terminal in Hong Kong.
8. The issue is what compromise Hong Kong needs to make for reduced polluting emissions in the short term vs. negative impacts on the marine environment at the Soko Islands.
 - If Hong Kong supports the terminal itself (Hong Kong needs a reliable supply of clean fuel) and that it be located in Hong Kong, then the community should live with its own impacts and ensure that they are as low as possible.
 - At this point it appears that either the terminal at Soko Islands is approved, or Hong Kong faces a long delay in getting dependable supplies of clean fuel for Hong Kong's largest power provider. At worst, the delay is substantial that securing long-term natural gas supplies becomes much more difficult and expensive.
9. No one likes 'trading off' one aspect of environmental protection for another, but sometimes the community must accept what may be a smaller cost (some marine damage) in order to acquire a more substantial benefit (cleaner air).
10. In compensation for any impacts of the LNG terminal at the Soko Islands, the HKSAR Government could look to enhance protection of marine waters elsewhere within our territory, in particular around and near Lantau Island.

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