



The Lion Rock Institute

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Legislative Council
Hong Kong Special Administrative Region
c/o Legislative Council Secretariat

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Much has been made of China Light and Power's plans to create an LNG terminal at the South South Soko Island location. On one side, there is concern for Hong Kong's environmental heritage, on the other, concern for Hong Kong's economic advancement.

In an ideal world, energy would be harnessed and expended efficiently and without externalities, such as pollution and animal displacement. The fact is that every exhaling person on the planet is contributing to the level of CO₂ in the atmosphere. Hence, we live in a world of better or worse, not yea or nay. There seems to be little disagreement with the statement that in our current situation, use of LNG is vastly superior to use of coal. Hence we consider the variety of means by which we can provide for our energy demands.

It should be clear in this debate that the security of Hong Kong's energy future is paramount to all other considerations to maintain a vibrant economy and create advancement opportunities for the people of Hong Kong.

Hong Kong is a vibrant modern city with unique energy needs. Our high rise culture means half of our city is reserved for country parks (or vice versa). However, it also means that energy reliability is crucial. It is hard to imagine the state of the city given a power black out like the one that had parts of Quebec, Canada out of power for up to 6 weeks during the massive ice storm of 1998.

The impact of today's decisions will ultimately be borne out by our future selves – economic and environmental.



Environmental Heritage? Economic Heritage.

While protestors have stressed the importance of co-habitation of various species of dolphin, our economic future must be weighed in the balance.

The Hong Kong government's primary role is to ensure an environment where living standards can be improved in an environment that allows the citizens of Hong Kong to choose what that living standard looks like – not one dictated by government responding to environmental pressure groups.

Energy is the fundamental driver of any economy, from fire based tribal societies to today's energy hungry modern economies. Hong Kong has a good track record of providing cheap energy to its people. Cheap? Measured by its prodigious use in our air conditioned and bright-light mad city, it can't be a scarce commodity. Our consumption patterns give lie to its relative cheapness in society. Hong Kong people like their energy, and they like it cheap.

Alternatives?

Given the over-bearing importance of our energy security, alternatives should be considered only if they will form a key part of a viable future strategy.

Energy from China

The Lion Rock Institute has previously stated it is “broadly in favour of a competitive market” [for energy in Hong Kong]¹. Hong Kong does currently source almost 30% of its energy from China's nuclear energy industry, albeit through one of the monopoly providers.

That being said, there seem to be no current plans in China to provide new capacity dedicated to Hong Kong, especially given our neighbours' massive – and growing – energy requirements and current infrastructure issues that still see massive use of dirty, private diesel generators to compensate for inadequacies in the Guangdong power grid.

That being said, firms have made statements about intent to sell to Hong Kong, including Sinopec and CNOOC. However, these offers cannot be considered reliable until they have been closed and the wide variety of technical details has been finalized. These options fit into the category of ‘some-day, maybe’ solutions that could be part of future energy needs.

It seems inevitable that power generated in China will, at some point, be a larger part of Hong Kong's power supply. However, that day is not today.

¹ Work, Andrew *A Submission on Concerns Raised by Proposals Contained in the Stage II Consultation on the Future Development of the Electricity Market in Hong Kong* The Lion Rock Institute. Friday, March 31, 2006



Black Point

The Advisory Council on the Environment decided that Black Point, the other short-listed potential site for the LNG terminal was less preferable to the South Soko Island, and, in their words, “the Black Point option should be ruled out due to risk concerns².” The scope of such assessments is outside of the expertise of The Lion Rock Institute and we must defer to the committee on this matter. The World Wildlife Fund has given their opinion that dredging by the Shenzhen government may change that level of risk in the future³. However, given the authority of the Advisory Council, it seems that today’s public resistance to environmental considerations at South Soko Islands today would be minute compared to a plan that contravened safety considerations raised by the Advisory Council.

Renewable Sources – Where’s the Market?

A wind farm needed to supply Hong Kong would require a land area much bigger than Hong Kong itself. NIMBY⁴ considerations would make finding a suitable location here almost impossible. Solar energy is so expensive that there seems to be no group, private or public, considering it as a viable alternative.

Interestingly, all current ventures investigating renewable energy sources are derived from the two monopoly power companies themselves. Opening the market to new players would allow environmental groups an option other than just saying no to development.

Allowing groups like WWF and Friends of the Earth to enter the market would increase contestability in the market. It would allow them to raise investment and then charge people the elevated rates for ‘green’ energy. Indeed, the French power company EDF allows patrons to choose to pay higher rates for energy from renewable sources.

Furthermore, Greenpeace and Friends of the Earth, both active and well-funded in Hong Kong, have launched Enercoop in France to allow people to choose energy from non-CO₂ emitting sources. Patrons will pay from 30-40% for the privilege, according to Patrick Behm, head of Enercoop⁵. Hopefully they will be able to investigate a market oriented solution like this in Hong Kong.

² Confirmed Minutes of the 139th Meeting of the Advisory Council on the Environment held on 12 February 2007 at 2:30 pm

³ World Wildlife Fund Press Release: Black Point is a viable option for CLP’s LNG terminal (9 Jan 2007)

⁴ Not In MY Backyard

⁵ Boselli, Muriel. *French Co-Op to Offer Homes Eco-Friendly Power*. Reuters. June 20, 2007.



That being said – the people of Hong Kong will not wait in the meantime. Our energy needs must be met in the real near term, as well as the potential long term.

In Summary:

- **The security of Hong Kong’s energy future is paramount to all other considerations to maintain a vibrant economy and create advancement opportunities for the people of Hong Kong.**
- **While various environmental groups in Hong Kong are admirable in their devotion to animals, there seems to be little consideration on their part for our near term economic heritage and people.**
- **Assuming all environmental impact mitigation measures are dutifully carried out by CLP, a strong case for an alternative to supplying Hong Kong’s future energy needs must exist to justify vetoing South Soko Island. There is no viable option in our near term future.**
- **Future deregulation of the market may allow green alternatives to flourish in the future. For now, however, this is a ‘some-day, maybe’ option – not one that will answer the needs of Hong Kong’s people in the near or medium term.**

Thank you for your consideration and continued work serving Hong Kong.

By and On Behalf of:

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