

Panel on Environmental Affairs

**Environmental impacts arising from the proposed construction
of a Liquefied Natural Gas Receiving Terminal at South Soko Island**

**Summary of views
(as at 20 September 2007)**

Organization	Concern/View	Administration's comments	CLP Power HK Ltd's comments
<p>Living Islands Movement (LC Paper No. CB(1)2134/06-07(04))</p>	<p>The proposed Liquefied Natural Gas (LNG) Receiving Terminal to be built by the Castle Peak Company (CAPCO) is designed to increase the asset base of CLP Power Limited (CLP) so as to increase their financial return under the Scheme of Control (SoC)</p>	<p>1A: The Government has not taken any decision on the Financial Plan and its proposed LNG terminal. We understand the public's concerns expressed on the project and would take into account all relevant factors in the deliberation.</p> <p>The Government is reviewing, with assistance from a professional energy consultant, the new Financial Plan submitted by CLP, which covers a proposal to build an LNG terminal in Hong Kong.</p> <p>To ensure that the public can continue to enjoy reliable and safe electricity supply at reasonable prices, the Government will consider all relevant factors in examining the Financial Plan, including the distribution and development of natural gas in the region, the feasibility of supplying gas to Hong Kong from other natural gas/LNG projects in the region, the supply situation of the Yacheng gas field, the forecast of future electricity demand, environmental requirements, estimated expenditure and tariff impacts.</p>	<p>We disagree. We face a critical issue of replacing our existing gas supply. CAPCO's existing gas supply comes from the Yacheng gas field off Hainan Island which is expected to deplete early next decade based on current reserves estimate. Information from extensive studies conducted by the operator of the field as well as from independent contractors has been furnished to Government and its consultants for independent analysis. A timely replacement is required to assure a long term supply of natural gas to Black Point Power Station. The benefits to Hong Kong of securing long-term natural gas supplies are clear and overwhelming, in that it will allow further improvement to CAPCO's emissions performance. In addition, by enabling CAPCO to own and manage fuels facilities, it will enhance reliability and security of supply to our customers.</p>

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	<p>CLP has misled the general public that the LNG Receiving Terminal is the only means through which they can achieve the 2010 emission reduction targets</p>	<p><u>1B:</u> There is a need for CLP to increase the use of natural gas for electricity generation, in addition to their proposed emission reduction retrofit, to ensure the full compliance with the emission caps. The proposed LNG Receiving Terminal is one of the options for securing long-term gas supply. The Government will fully examine their proposal to ensure it is the best and most appropriate option.</p>	<p>This statement is not true. Parallel and coordinated actions on several fronts are required to achieve the 2010 emissions targets including the installation of Emissions Control equipment and introduction of LNG to replace depleting Yacheng gas. One critical element among these is the swiftest possible confirmation and commissioning of the LNG storage facility to enable CAPCO to optimize the utilization of the remaining Yacheng gas supply and the transition to LNG for continuing low emissions gas-fired power generation.</p> <p>Without timely availability and certainty of replacement gas supply, higher emissions coal-fired generation will have to be heavily relied on for meeting electricity demand.</p>
	<p>There are many alternative sources of both gas and electricity, particularly in the Mainland. For example, the Hong Kong Electric has just linked up with the Guangdong-Dapeng LNG Terminal.</p>	<p><u>1C:</u> The Government has not eliminated the possibility of CLP's purchasing of natural gas outside Hong Kong. The Government is now, with assistance from a professional energy consultant, reviewing CLP's submission in respect of the supply situation of the Yacheng gas field and exploring all other feasible proposals before depletion of the Yacheng gas field with a view to selecting a proposal which is most beneficial to Hong Kong, reliable and able to satisfy the energy demand of Hong Kong.</p>	<p>After four years of examining several alternatives including pipeline gas and supply from LNG terminals in the South China region, sharing its findings fully with the Hong Kong Government and other Stakeholders, CAPCO concludes that there are no other solutions more reliable to meet CAPCO's large gas volume requirement before the Yacheng gas depletion expected early next decade. This is further demonstrated by the need to achieve the 2010 emissions reduction targets.</p> <p>CAPCO has reviewed other options and concluded :</p>

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			<ul style="list-style-type: none">• Use of natural gas and LNG in the Mainland are in early planning stages. Any development outside Hong Kong will involve different jurisdictions and cross-border arrangements in the permitting process, making it an extremely complex exercise, and adding cost and uncertainty to meet the urgent timeframe CAPCO is facing.• Other than general press reports, there has been no evidence of substantive progress in the approval and implementation of the proposed terminal which CAPCO can rely on for this critical need. Accordingly, CAPCO has concluded that pursuing the Soko Terminal is best option.• Sinopec Macau terminal has been considered as a potential source of supply. CAPCO has concluded that pursuing the Soko terminal is the best option.• Coastal Provinces in China are seeking permission to build LNG receiving facilities to meet the needs of power generators and other industrial users across China. Dapeng in Shenzhen is the first example of such facilities. Most of the other facilities have been postponed because of difficulties to secure supplies of LNG in the global market.• Black Point's gas requirement is large. Dapeng, the only operating facility in the Pearl River Delta is sharing its supply with at least 10 different users, including Towngas and Hongkong Electric. CAPCO's requirement is about 8 times the size of either Towngas or Hongkong Electric. Given the large gas volume

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			<p>CAPCO requires for our gas-fired power plant and its importance to Hong Kong's electricity supply reliability, we need dedicated facilities to ensure fuel security.</p>
	<p>The construction of the proposed LNG Receiving Terminal in South Soko Island will destroy part of Hong Kong's natural heritage</p>	<p>1D: The LNG Terminal and the associated facilities would be located mainly in disturbed areas such as the ex-detention Centre. The areas of natural habitats to be affected are limited.</p> <p>The EIA Report recognised ecological importance of the waters near Soko Islands and had addressed the potential impacts of the Project on these waters in accordance with the EIA Study Brief and Technical Memorandum with a view to reducing these impacts to a practicable minimum.</p>	<p>South Soko was for several years the site of a Vietnamese refugee camp which included a large man-made reservoir and a 5ha concrete platform, a concrete access pier, a helicopter landing pad and paved access roads to facilitate camp operations. While the Vietnamese refugees lived there, they had full access to the island.</p> <p>The adjacent North Soko Island is the location for a radioactive materials waste storage site, which has been co-existing with South Soko Island and the surrounding environment for some time. Claims that these islands are virtually untouched are misleading.</p> <p>In April 2007, CAPCO received an Environmental Permit from EPD (which has had regard to the attainment and maintenance of an acceptable environmental quality) for constructing and operating a LNG terminal on South Soko Island which recognised that with mitigation measures in place, the authorities were satisfied that the residual environmental impacts of the project are acceptable and the relevant environmental requirements and standards can be met.</p> <p>CAPCO has committed to implement a stringent monitoring programme and a range of measures contained in a proposed Environmental Enhancement Plan. When the</p>

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			receiving terminal construction is completed this Enhancement Plan will compliment the establishment of two government-planned marine parks around Soko Island and Southwest Lantau, and demonstrate CAPCO's commitment to responsible environmental stewardship during the operation of the LNG terminal and ensure the environment is well maintained and protected.
British Chamber of Commerce (LC Paper No. CB(1)2173/06-07(01))	The proposed LNG Receiving Terminal will help to reduce local emissions as LNG is the cleanest form of fossil fuel available today	2A: Noted.	We agree
	The related Environmental Impact Assessment (EIA) has considered not one but two sites for environmental and risk assessment which was unprecedented Should give the project an immediate go-ahead	2B: Noted. 2C: Please refer to our responses to comments item 1A. Furthermore, we will examine CLP's Financial Plan and its proposed LNG terminal closely and will complete the relevant review as soon as possible.	We agree
	Should expedite discussions on SoC without further delay to allow future operational clarity for both power companies and to facilitate environmental improvements, such as flue gas desulphurization (FGD) and removal of nitrogen from residual coal emissions, for the benefits of Hong Kong	2D: The Government is discussing with the two power companies terms of the next Scheme of Control Agreements and we aim to conclude the negotiation by end 2007. Under the 《Air Pollution Control Ordinance》 (Cap. 311), the two power companies have a statutory obligation to meet with the emission caps	We agree with the following clarification: CAPCO's Emissions Control Project is designed to reduce sulphur dioxide emissions through Flue Gas Desulphurisation (FGD) facilities; and reduce NO _x through Selective Catalytic Reduction (SCR) and other means. The FGD facilities also enable reduction in particulates emissions.

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		<p>imposed by EPD. In this connection, the power companies have already proposed to put in place emission reduction facilities for some coal-fired generation plants so as to comply with the emission caps. Their works are at various stages of implementation.</p>	
<p>Green Lantau Association (LC Paper No. CB(1)2134/06-07(05))</p>	<p>The Sokos have marine, ecological, heritage and visual conservation value. The provision of a LNG Receiving Terminal there is completely inappropriate</p>	<p>3A:</p> <p>To ensure that all mitigation measures recommended in the EIA report will be properly and fully implemented, the Director of Environmental Protection has imposed the following conditions in the issuance of environmental permit, under which CAPCO is requested to –</p> <ol style="list-style-type: none"> a. Reduce the size of reclamation to 0.6ha and remove the breakwater at Tung Wan of South Soko Island to minimize direct habitat loss for dolphins and other marine life; b. Use dredging instead of jetting during pipe-laying works and use silt curtain to minimize impacts on water quality; c. Implement a marine mammal exclusion zone within a radius of 250m from dredgers during the dredging works; d. Avoid any dredging works during the calving season of dolphins and porpoises; e. Use bubble curtain in piling works to reduce underwater noise; and f. Implement environmental enhancement measures for marine conservation and to set up an Environmental Monitoring Committee. 	<p>South Soko was for several years the site of a Vietnamese refugee camp which included a large man-made reservoir and a 5ha concrete platform, a concrete access pier, a helicopter landing pad and paved access roads to facilitate camp operations. While the Vietnamese refugees lived there, they had full access to the island.</p> <p>The adjacent North Soko Island is the location for a radioactive materials waste storage site, which has been co-existing with South Soko Island and the surrounding environment for some time. Claims that these islands are virtually untouched are misleading.</p> <p>In April 2007, CAPCO received an Environmental Permit from EPD (which has had regard to the attainment and maintenance of an acceptable environmental quality) for constructing and operating a LNG terminal on South Soko Island which recognised that with mitigation measures in place, the authorities were satisfied that the residual environmental impacts of the project are acceptable and the relevant environmental requirements and standards can be met.</p>

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			<p>CAPCO has committed to implement a stringent monitoring programme and a range of measures contained in a proposed Environmental Enhancement Plan. When the receiving terminal construction is completed this Enhancement Plan will compliment the establishment of two government-planned marine parks around Soko Island and Southwest Lantau, and demonstrate CAPCO's commitment to responsible environmental stewardship during the operation of the LNG terminal and ensure the environment is well maintained and protected.</p>
	<p>CLP should continue to source LNG through Chinese terminals or option for the Black Point option</p>	<p>3B: The Government has not eliminated the possibility of CLP's purchasing of natural gas outside Hong Kong. The Government is now, with assistance from a professional energy consultant, reviewing CLP's submission in respect of the supply situation of the Yacheng gas field and exploring g all other feasible proposals before depletion of the Yacheng gas field with a view to selecting a proposal which is most beneficial to Hong Kong, reliable and able to satisfy the energy demand of Hong Kong.</p> <p>CAPCO submitted on 19 October 2006 an EIA Report for a LNG Terminal in Hong Kong including South Soko and Blackpoint options for approval under Section 6(2) of the EIA Ordinance (EIAO) and also an application for Environmental Permit under Section 10(1) of the EIAO for the construction and operation of the LNG Terminal and its Associated Facilities at South Soko Island.</p> <p>The Environmental Protection Department (EPD) and the relevant authorities under the EIAO have carefully considered the comments from the</p>	<p>Coastal Provinces in China are seeking permission to build LNG receiving facilities to meet the needs of power generators and other industrial users across China. Dapeng in Shenzhen is the first example of such facilities, but most of the other facilities have been postponed because of difficulties to secure supplies of LNG in the global market.</p> <p>The gas requirements at Black Point are large. Dapeng, the only operating facility in the South China region is sharing its supply with at least 10 different users, including Town Gas and Hongkong Electric. CAPCO's natural gas requirement is about 8 times the size of either Towngas or Hongkong Electric. Given the large gas volume CAPCO requires for our gas-fired power plant and its importance to Hong Kong's electricity supply reliability, we need dedicated facilities to ensure fuel security.</p> <p>If a LNG terminal is built in Hong Kong, CAPCO could directly deal with LNG suppliers in the highly competitive</p>

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		<p>Advisory Council on the Environment and all the comments from the public submitted under the EIA Ordinance. The EPD, in conjunction with other relevant authorities, approved on 3 April 2007 the EIA Report for the Liquefied Natural Gas Terminal with conditions and an Environmental Permit was granted to CAPCO for the construction and operation of the LNG Terminal and its associated facilities at South Soko Island.</p>	<p>international gas market. This secures sufficient LNG to ensure reliable operation of its gas-fired power generation.</p> <p>A Black Point location for the receiving terminal has been reviewed closely in CAPCO's Environmental Impact Assessment. The Black Point site would require marine access through Hong Kong's busy harbour traffic in close proximity to densely populated areas. South Soko - a barren site vacated by the Vietnamese refugee camp requires less reclamation and less hill cutting with minimal maintenance dredging. The conclusion was the risk of LNG vessels through the Ma Wan Channel exceeded Hong Kong's criteria. The schedule to build at Black Point was also in excess of South Soko by 12 months.</p>
	<p>Consideration should be given to awarding the construction of LNG Receiving Terminal through open tender if it is deemed necessary</p>	<p>3C: Noted.</p>	<p>It is inappropriate to have the terminal development process determined via an open tender. Firstly, LNG terminal facilities are part of the supply chain in gas-fired power generation. The terminal is analogous to CAPCO's other fuel receiving/storage facilities such as coal and oil, all owned by CAPCO as part of the fuel supply chain. Secondly, given the large gas volume CAPCO requires for the Black Point Power Station, dedicated LNG facilities are necessary to serve its primary use. CAPCO is the buyer of natural gas for Black Point, so only CAPCO can make the necessary commercial arrangements. Thirdly, any open tender would require long lead time to achieve alignment of interests among different stakeholders, which is not favorable in view of the depleting Yacheng gas supply situation.</p>

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			Notwithstanding the above, if in due course third parties express a particular need to access LNG from the facility, we would work with the government to carefully consider the possibility and to ensure that the overall construction and operation of the terminal will result in lowest reasonable costs to the consumers.
	Explain the rationale for shelving the proposal of demarcating the Sokos as marine park	3D: The plan to designate the waters around the Soko Islands as a marine park will not be shelved as a result of the proposal to construct a liquefied natural gas receiving terminal. The Government is considering the relevant resource allocation issues for the designation proposal.	
	Release the study conducted in 1998 which identified the Sokos as the best option	3E: Based on the given information, we cannot ascertain which study Green Lantau Association is referring to.	The study was completed in 1992. A copy of this report was provided to members of the Advisory Council for the Environment during their review of EIA report in January 2007.
Civic Exchange (LC Paper No. CB(1)2134/06-07(06))	Supply of LNG in Guangdong is very tight The provision of a LNG receiving terminal is the only economical means to reduce emissions from burning coal for power generation within a reasonable short time frame	4A: Noted. 4B: The proposed LNG Receiving Terminal is one of the feasible options for securing long-term gas supply to achieve the emission caps imposed on CLP. The Government will ensure the best practicable option will be adopted.	We agree
	Need for a compromise between emission reduction and impacts on the marine environment at the South Soko Island. The Black Point option would require much larger scale of reclamation	4C: Noted.	We agree

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	<p>To compensate for any impacts from the LNG Receiving Terminal in the South Soko Island, the Administration should enhance protection of marine waters elsewhere, in particular around and near Lantau Island</p>	<p>4D: Please refer to our responses to comments item 3A.</p>	<p>CAPCO has put forward an Enhancement Plan as an integral part of the project. As part of the Plan CAPCO will provide seed funding to support establishment of two government-planned marine parks around Soko Island and Southwest Lantau. CAPCO will also set up a Scientific and Education Advisory Committee to advise on the implementation of a range of comprehensive environmental and conservation measures. CAPCO will also continue to engage our stakeholders for feedback and suggestions as we refine this plan.</p>
<p>Association of Engineering Professionals in Society Ltd (LC Paper No. CB(1)2134/06-07(07))</p>	<p>The issue of environmental permit for the proposed provision of LNG Receiving Terminal at the South Soko Island means that the proposal has met all the statutory requirements as well as has public support</p>	<p>5A: Noted.</p>	
	<p>CAPCo should proceed with the project as soon as possible since Hong Kong needs a stable supply of LNG for power generation which will help reduce emissions, thereby improving air quality and global warming</p>	<p>5B: Please refer to our responses to comments item 2C.</p>	<p>We agree with the comment and reiterate that timely availability of LNG is important for replacing the Yacheng gas supply to ensure continued reliable electricity supply to Hong Kong consumers.</p>

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<p>Greenpeace China LC Paper No. CB(1)2134/06-07(08))</p>	<p>Before approving the proposed provision of LNG Receiving Terminal at the South Soko Island, the Administration should release the consultancy report on the gas reserve at Yacheng. Consideration should also be given to use LNG from other sources within the region</p>	<p>6A: We will make reference to the recommendations of the Energy Consultant, complete the relevant review as soon as possible, and report to the LegCo of the result of the review.</p> <p>The Government has not eliminated the possibility of CLP's purchasing of natural gas outside Hong Kong. The Government is now, with assistance from a professional energy consultant, reviewing CLP's submission in respect of the supply situation of the Yacheng gas field and exploring all other feasible proposals before depletion of the Yacheng gas field with a view to selecting a proposal which is most beneficial to Hong Kong, reliable and able to satisfy the energy demand of Hong Kong.</p>	<p>CAPCO has looked extensively at Greenpeace's suggestion for alternative sourcing of LNG for Black Point Power Plant. Findings have been shared fully with the Hong Kong Government and other stakeholders. CAPCO concludes that there are no other alternative sources that can reliably meet CAPCO's large gas volume requirement for reliable energy supply before the Yacheng gas resource depletes early next decade.</p> <p>With regard to using LNG from other sources within the region, CAPCO has reviewed other options and find:</p> <ul style="list-style-type: none"> • Use of natural gas and LNG in the Mainland are in early planning stages. Any development outside Hong Kong will involve different jurisdictions and cross-border arrangements in the permitting process, making it an extremely complex exercise, and adding cost and uncertainty to meet the urgent timeframe CAPCO is facing. • Other than general press reports, there has been no evidence of substantive progress in the approval and implementation of the proposed terminal which CAPCO can rely on for this critical need. Accordingly, CAPCO has concluded that pursuing the Soko Terminal is best option. • Coastal Provinces in China are seeking permission to build LNG receiving facilities to meet the needs of power generators and other industrial users across

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			<p>China. Dapeng in Shenzhen is the first example of such facilities. Most of the other facilities have been postponed because of difficulties to secure supplies of LNG in the global market.</p> <ul style="list-style-type: none"> • Black Point's gas requirements are large. Dapeng, the only operating facility in the Pearl River Delta is sharing its supply with at least 10 different users, including Towngas and Hongkong Electric. CAPCO's requirement is about 8 times the size of either Towngas or Hongkong Electric. Given the large gas volume CAPCO requires for our gas-fired power plant and its importance to Hong Kong's electricity supply reliability, we need dedicated facilities to ensure fuel security.
	<p>CLP should consider investing in the development of renewable energy as the long-term strategy to tackle air pollution and climatic changes</p>	<p>6B: The Government have been actively encouraging the use of renewable energy and have established a target of having 1-2% of Hong Kong's total electricity supply met by renewable energy by 2012. To further promote the use of renewable energy, the Government has proposed to provide additional incentives to the power companies to develop renewable energy, including a higher rate of return for renewable energy infrastructure in the future Scheme of Control Agreement.</p>	<p>CLP Group (CLP) is committed to have at least 5% of its total energy generated through renewable means by 2010 across its operations throughout Asia. CLP is currently operating wind farms in India, Australia and on the Mainland of China, and is planning for and studying potential sites for wind farms within Hong Kong. It operates hydropower plants, and is even developing biomass power generation based on Soya in north eastern China.</p> <p>It is worth noting that introducing LNG to Hong Kong is most importantly to replace the current gas supply enabling continued gas-generation and reliable supply to Hong Kong consumers. Developing renewables and adopting LNG are not mutually exclusive.</p>

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<p>Clear The Air (LC Paper No. CB(1)2134/06-07(09))</p>	<p>LNG Receiving Terminal is not necessary. The mandated installation of FGD equipment and electrostatic precipitators will greatly reduce emission of key pollutants</p>	<p>7A: The use of emission control technologies, including FGD and electrostatic precipitators is not sufficient for CLP to achieve the 2010 emission caps. There is a need for CLP to increase the use of natural gas for electricity generation, in addition to their proposed emission reduction retrofit, to ensure the full compliance with the emission caps.</p>	<p>While FGD and electrostatic precipitators will reduce emissions, the LNG receiving facility is essential to provide a reliable long term supply of natural gas before depletion of Yacheng gas supply early next decade.</p> <p>CAPCO is retrofitting emissions control technologies (NOx reduction facilities and FGD) at the coal-fired Castle Peak Power Station. These systems will provide large emissions reductions, but these alone will not be sufficient to meet the 2010 emissions reduction targets. Furthermore, timely replacement of current gas supply will ensure that we have sufficient capability to meet Hong Kong's needs.</p>
	<p>Other measures, such as promoting energy efficiency and conservation, reducing power supply to the Mainland and replacing coal-fired units with gas-fired turbines, should be implemented</p>	<p>7B: The Government has been actively asking the CLP to consider reducing power supply to the Mainland and increasing the use of natural gas in achieving emission reduction. To help promote energy efficiency and conservation, the Government has proposed to include financial incentives to the power companies for improving their performance in energy efficiency, energy conservation and implement demand side management in the future Scheme of Control Agreement.</p>	<p>CLP has been actively promoting increased energy efficiency.</p> <p>Guangdong Province continues to face acute power shortages. While much of Guangdong's peaking power comes from fossil fuel-fired facilities with higher emissions, it is the environmental benefit of the Pearl River Delta region for CAPCO/CLP to continue to supply power to the Guangdong to alleviate its power supply shortage, using the more efficient and cleaner generating plants which have to comply with Hong Kong's emissions regulations.</p> <p>Gas-fired turbines are already in use at Black Point Power Station. A replacement gas supply is needed in order to use these to gain further emissions reductions.</p>

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	<p>The profit to be derived under SoC is the main drive behind the proposed provision of LNG Receiving Terminal rather than improving the air quality of Hong Kong</p>	<p>7C: Please refer to our responses to comments item 1A.</p>	<p>This is not true, CAPCO's existing gas supply comes from the Yacheng gas field off Hainan Island. Extensive studies substantiate that this gas supply will be depleted early next decade. A timely replacement is required to assure a long term supply of natural gas to Black Point Power Station. The need for LNG is further reinforced by the need to achieve the 2010 emissions reduction targets. The benefits to Hong Kong of securing long-term natural gas supplies are clear and overwhelming; to further improve CAPCO's emissions performance. In addition, by enabling CAPCO to control and diversify fuel sources, it will enhance reliability and security of electricity supply to our customers.</p>
<p>Hong Kong Environmental Protection Association (LC Paper No. CB(1)2134/06-07(10))</p>	<p>There is a need to increase the share of LNG in the fuel mix for power generation in order to tackle the problem of air pollution</p>	<p>8A: Agreed. It is Government's policy to encourage the wider use of natural gas for electricity generation. From 1997, all new generation units are required to be gas-fired</p>	<p>We agree</p>

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	<p>CAPCo should proactively provide simple and clear responses to public concerns raised during the consultation process regarding the environmental impacts arising from the proposed LNG Receiving Terminal</p>	<p>8B: Noted.</p>	<p>CAPCO took many steps to facilitate the public understanding of our project and the results of the EIA study during the public consultation period. These included:</p> <ul style="list-style-type: none"> • an electronic 3-dimensional simulation of the EIA study results produced to help visualize the study findings. This is a world-first for a major EIA study. • five workshops held to help environmental NGOs prepare for their review of the EIA report • information booths with display panels were placed at large shopping malls to provide public with project update and later extend the display to CLP's customer service centres to facilitate enquires and feedback of the EIA study • a project website is set up to provide updated project progress. Dedicated hotline and mailbox are readily available for ongoing feedback collection. • Project information was publicized via in-bus TV promotions and public transport commuters.
	<p>If the proposal were approved, CAPCo should maintain close liaison with all the green groups to implement the conservation programmes, including regular education activities for students to enhance their knowledge on the environment</p>	<p>8C: To address the environmental concerns raised by the public and the ACE, EPD, in consultation with the relevant authorities under the EIAO, has imposed a full package of stringent environmental requirements and mitigation measures as conditions under the Environmental Permit, under which CAPCO is requested to implement, among others, environmental enhancement measures for marine conservation and to set up an Environmental Monitoring Committee.</p>	<p>CAPCO agrees, and is committed to do so.</p>

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	<p>Will accept the proposal if there is no better alternative site and CAPCo can prove that impacts on the environment arising from the provision of LNG Receiving Terminal are minimal and can be compensated later</p>	<p>8D: Please refer to our responses to comments item 3B.</p>	
<p>Civic Party (LC Paper No. CB(1)2134/06-07(11))</p>	<p>The Administration should engage an independent professional to look into the LNG supply of CLP to ascertain the need for the proposed LNG Receiving Terminal. The study report should be released for public reference</p>	<p>9A: The Government has commissioned a professional energy consultant to assist in our studies. The consultant helps analyse the distribution and development of natural gas in the region, the feasibility of supplying gas to Hong Kong from other natural gas/LNG projects in the region, the supply situation of the Yacheng gas field, the forecast of future electricity demand, environmental requirements, estimated expenditure and tariff impacts. The Government will approve the proposal only when we are satisfied that it is reasonable and acceptable.</p> <p>We will make reference to the recommendations of the energy consultant and will complete the relevant review as early as possible, and report to the LegCo of the result of the review.</p>	
	<p>The Administration should actively liaise with the Mainland authorities to explore the need and the manner in which the LNG Receiving Terminal should be built to ensure fair competition on the one hand and protect the interest of Hong Kong as well as the region on the other</p>	<p>9B: The Government is reviewing the distribution and development of natural gas in the region and the feasibility of supplying gas to Hong Kong from other natural gas/LNG projects in the region. It has not yet been decided whether an LNG terminal should be built in Hong Kong.</p>	

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	<p>There is a need for the Administration to map out a long-term energy strategy to encourage new comers which in turn will open up the market for fair competition. This will also help power companies to formulate their own long-term plan to create a win-win situation.</p>	<p>9C: The objectives of the Government's energy policy are to ensure that the public can enjoy reliable, safe and efficient energy supplies at reasonable prices, and to minimise the environmental impact caused by the production and use of energy. To achieve these objectives, we have pursued a host of policy measures having regard to the needs and actual circumstances such as the available technologies. On the issue of competition, the Government has already announced the plan to further open up our electricity market in as early as 2018 if the requisite market conditions are present then, and will carry out all the necessary preparations during the next regulatory period.</p>	
	<p>The Administration should grasp the opportunity provided by the impending renewal of SoCs for the two companies in 2008 to negotiate better terms for the general public, facilitate fair competition and reduce emissions to improve air quality</p>	<p>9D: The Government is committed to ensure that the new regulatory package will be in the overall interests of Hong Kong, including a reduced permitted rate of return for the power companies to lower the tariffs, and linking the permitted rate of return to their emission performance to improve our environment. Moreover, as mentioned above, we shall prepare for further opening up our electricity market.</p>	
	<p>CAPCO should install FGD equipment now regardless whether the LNG Receiving Terminal will be constructed or not. Consideration should also be given to ceasing supply of electricity to the Mainland which would help to achieve the dual purposes of meeting the emission reduction targets and extending the LNG supply</p>	<p>9E: Agreed. The Environmental Permit for the project has been issued to CAPCO in November 2006. They have been requested to accelerate the installation schedule for achieving emission reduction as early as possible. The Government has also been actively asking the CAPCO to consider reducing power supply to the Mainland.</p>	<p>Retrofitting FGD and emissions control equipment at Castle Peak Power Station is in progress, and independent of the LNG Terminal Project.</p> <p>Guangdong Province continues to face acute power shortages. While much of Guangdong's peaking power comes from fossil fuel-fired facilities with higher emissions, it is the environmental benefit of the Pearl River Delta region for CAPCO/CLP</p>

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			to continue to supply power to Guangdong to alleviate its power supply shortage, using the more efficient and cleaner generating plants which have to comply with Hong Kong's emissions regulations.
Green Sense LC Paper No. CB(1)2134/06-07(12))	Against the proposed construction of LNG Receiving Terminal at the South Soko Island given its adverse impacts on the marine ecology and on the survival of the precious Chinese White Dolphins and Finless Porpoise	10A: Please refer to our responses to comments item 3A.	<p>The comprehensive environmental impact assessment (EIA) study indicated that the residual environmental impacts on the terrestrial and marine environment are acceptable with mitigation measures in place. The report was unanimously endorsed by Advisory Committee for the Environment, and was granted an Environmental Permit by Environmental Protection Department in April 2007, stating that "<i>with the mitigation measures in place, EPD and the relevant authorities are satisfied that the residual environmental impacts are acceptable and the relevant environmental requirements and standards can be met</i>".</p> <p>The EIA concluded clearly that there is no significant adverse impact to the white dolphin and finless porpoise from the development. CAPCO will also implement a comprehensive package of additional construction measures and a stringent monitoring program during the construction and operational phases of the terminal to ensure the impacts on environment are kept to minimal.</p> <p>The EIA also concluded that fish spawn and young fish would not be materially affected by the highly localized operation of the open loop warming system for LNG. A recent publication in the prestigious Transactions</p>

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			<p>of the American Fisheries Society concluded that "... the seven proposed offshore LNG facilities, all of which would use open loop vaporizing technology, would have a minor and insignificant adverse cumulative impact on Gulf of Mexico Red Drum and Red Snapper stocks".</p> <p>Putting a marine reserve side by side with a LNG terminal has been a proven idea. Out of the 72 LNG terminals in use or under construction in the world, 7 LNG import terminals co-exist with national parks, marine parks or coastal conservative areas. Some examples are Dominion Cove Point LNG Terminal in Maryland, USA, and four LNG Terminals in Japan within Seto Naikai National Park in the Inland Sea.</p> <p>CAPCO is also putting forward an Enhancement Plan as an integral part of the project. The Plan will help to realize an earlier government marine reserve plan for the area as CAPCO will provide seed funding to support the establishment of two government-planned marine parks around Soko Island and Southwest Lantau. CAPCO will set up a Scientific and Education Advisory Committee to advise on a range of comprehensive environmental and conservation measures. CAPCO will also continue to engage our stakeholders for feedback and suggestions as we refine this plan.</p>

Organization	Concern/View	<u>Administration's comments</u>	CLP Power HK Ltd's comments
	<p>The investment of \$8 billion on the terminal runs contrary to the serious situation of global warming</p>	<p><u>10B:</u> Natural gas does not only have notable environmental benefits, but it also diversifies the fuel used for electricity generation and hence enhances the reliability of electricity generation. The Government supports use of natural gas for electricity generation so as to reduce air pollution and emission of carbon dioxide. At the same time, it also has to ensure the public can continue to enjoy reliable and safe electricity supply at reasonable prices. We are mindful of public concern about the expenditure on the proposed LNG terminal. We will examine CLP's proposal closely and will agree to it only when we are satisfied that it is reasonable and acceptable.</p>	<p>LNG is the least CO₂ - producing fossil fuel, so CAPCO's proposal of introducing LNG to Hong Kong is an effective initiative in addressing the global warming concern while ensuring continued reliable electricity supply.</p>
	<p>Consideration should be given to using a small part of the investment to launch a territory-wide competition to promote energy saving. The rest should be used to develop renewable energy, particularly wind energy</p>	<p><u>10C:</u> The LNG terminal is a business project proposed and funded (if approved) by CLP to meet the longer term energy and environmental needs of Hong Kong. While the Government is in the process of considering whether to support the proposed LNG terminal, the suggestion to spend the proposed investment of the company on other purposes is not a viable alternative.</p>	<p>Joint efforts with Government are ongoing in promoting energy conservation and efficiency. Energy saving competition has been and will continue to be one of these initiatives. CLP's feasibility studies of wind energy applications in Hong Kong are also ongoing feasibility studies of wind energy applications in Hong Kong are also ongoing. These efforts are not mutually exclusive.</p>
<p>Save Our Shorelines (LC Paper No. CB(1)2134/06-07(13))</p>	<p>There are certain positive attributes to the proposed provision of LNG Receiving Terminal in the South Soko Island, particularly given the heavy marine traffic and the number of human inhabitants involved in the Black Point option</p>	<p><u>11A:</u> Noted.</p>	

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<p>WWF Hong Kong (LC Paper No. CB(1)2134/06-07(14))</p>	<p>Strongly against the proposed LNG Receiving Terminal at the South Soko Island which is of high conservation importance and should have been designated as a marine park. The proposal is incompatible with a sensitive marine area inhabited by the precious Chinese White Dolphins and other fishes. The United States has recently rejected LNG Terminals because of impacts on marine resources</p>	<p><u>12A:</u> The plan to designate the waters around the Soko Islands as a marine park will not be shelved as a result of the proposal to construct a liquefied natural gas receiving terminal. The Government is considering the relevant resource allocation issues for the designation proposal.</p> <p>The EIA Report recognised ecological importance of the waters near Soko Islands and had addressed the potential impacts of the Project on these waters in accordance with the EIA Study Brief and Technical Memorandum with a view to reducing these impacts to a practicable minimum.</p> <p>According to the approved EIA report, the proposed seawater intake/discharge points are located in an area where no significantly different abundance or diversity of fish eggs or juvenile fish were recorded when compared to other areas inside and outside the southern spawning and nursery ground over a nine month survey period, covering wet, dry and transition seasons.</p>	<p>There are several examples of LNG terminals co-existing with marine conservation areas around the world, and after extensive research and studies, we also concluded that a LNG terminal can co-exist with a marine conservation area in Hong Kong.</p> <p>South Soko was for several years the site of a Vietnamese refugee camp which included a large reservoir and a massive concrete platform, a concrete access pier, a helicopter landing pad and paved access roads to facilitate camp operations. While the Vietnamese refugees lived there, they had full access to the island.</p> <p>The adjacent North Soko Island is the location for a radioactive materials waste disposal site, which has been co-existing with South Soko Island and the surrounding environment for some time. Claims that these islands are virtually clean are misleading.</p>
	<p>While supporting the use of cleaner fuels, CAPCo's need for a new LNG Receiving Terminal is not proven when there are other viable options</p>	<p><u>12B:</u> Please refer to our responses to comments item 1A.</p>	<p>In April 2007, CAPCO received an Environmental Permit from EPD (which has had regard to the attainment and maintenance of an acceptable environmental quality) for constructing and operating a LNG terminal on South Soko Island which recognised that with mitigation measures in place, the authorities were satisfied that the residual environmental impacts of the project are acceptable and the relevant environmental requirements and standards can be met.</p> <p>The EIA concluded clearly that there is no significant adverse impact to the white</p>

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			<p>dolphin and finless porpoise from the development. CAPCO will also implement a comprehensive package of mitigation measures and a stringent monitoring program during the construction and operational phases of the terminal to ensure the impacts on environment are kept to minimal.</p> <p>The EIA also concluded that fish spawn and young fish would not be materially affected by the highly localized operation of the open loop warming system for LNG. A recent publication in the prestigious Transactions of the American Fisheries Society concluded that "... the seven proposed offshore LNG facilities, all of which would use open loop vaporizing technology, would have a minor and insignificant adverse cumulative impact on Gulf of Mexico Red Drum and Red Snapper stocks".</p> <p>Putting a marine reserve side by side with a LNG terminal is a proven concept. Out of the 72 LNG terminals in use or under construction in the world, 7 LNG import terminals co-exist with national parks, marine parks or coastal conservative areas. Some examples are Dominion Cove Point LNG Terminal in Maryland, USA, and four LNG Terminals in Japan within Seto Naikai National Park in the Inland Sea.</p> <p>CAPCO is also putting forward an Enhancement Plan as an integral part of the project. The Plan will help to realize an earlier government marine reserve plan for the area as CAPCO will provide seed funding to support the establishment of two</p>

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			<p>government-planned marine parks around Soko Island and Southwest Lantau. CAPCO will set up a Scientific and Education Advisory Committee to advise on comprehensive environmental and conservation measures. CAPCO will also continue to engage our stakeholders for feedback and suggestions as we refine this plan. When the receiving terminal has been completed, including the enhancement plan, the island's flora and fauna will be maintained and protected. The Enhancement Plan also includes the rehabilitation of waters to the northwest of South Soko Island, the support work to preserve the cultural heritage on the island, the enhancement of educational and recreational facilities, and the improvement of public access on the island.</p> <p>The LNG receiving facility is essential if we are to provide a reliable long term supply of natural gas to one of Asia's largest gas-fired generation facilities due to the depleting Yacheng gas supply by early next decade. After thorough examination of all options within and outside Hong Kong, no alternatives are able to meet CAPCO's large gas volume requirement in time. Building a LNG terminal in Hong Kong is the best viable option for the best interest of Hong Kong people.</p>

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<p>Designing Hong Kong Harbour District (LC Paper No. CB(1)2134/06-07(15))</p>	<p>The proposed provision of LNG Receiving Terminal should be awarded through open tender</p> <p>There is a need to rationalize the number of LNG terminals to be provided along China's coast</p>	<p><u>13A:</u> Please refer to our responses to comments item 9B.</p>	<p>LNG terminal facilities are part of the supply chain in gas-fired power generation. Given the large gas volume CAPCO requires for the Black Point Power Station, dedicated LNG facilities are necessary to serve the its primary use. CAPCO is the buyer of natural gas for Black Point, so it should make its own commercial arrangements.</p>
	<p>Whether it is justifiable to destroy the untouched Soko Islands when a number of nearby islands with some forms of development are already available</p>	<p><u>13B:</u> Please refer to our responses to comments item 1D.</p>	<p>South Soko was for several years the site of a Vietnamese refugee camp which included a large man-made reservoir and a 5ha concrete platform, a concrete access pier, a helicopter landing pad and paved access roads to facilitate camp operations. While the Vietnamese refuges lived there, they had full access to the island.</p> <p>The adjacent North Soko Island is the location for a radioactive materials waste storage site, which has been co-existing with South Soko Island and the surrounding environment for some time. Claims that these islands are virtually untouched are misleading.</p> <p>In April 2007, CAPCO received an Environmental Permit from EPD (which has had regard to the attainment and maintenance of an acceptable environmental quality) for constructing and operating a LNG terminal on South Soko Island which recognised that with mitigation measures in place, the authorities were satisfied that the residual environmental impacts of the project are acceptable and the relevant environmental requirements and standards can be met.</p>

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			<p>The suggestion to construct an LNG receiving facility on the nearby islands would not significantly affect local communities living on these islands, and have an impact to their tourism activity. Given the importance of assuring secure energy supplies for Hong Kong and to replace Hong Kong's depleting gas supply early next decade, a LNG terminal located within Hong Kong enables smoother, faster and more secure project development under one single jurisdiction with clear policy and regulations. Time pressure exists, not just to build the storage facility, but even more challengingly to agree LNG gas supply contracts in a very competitive global market for LNG. When the receiving terminal construction is completed, including the proposed establishment of two marine parks around Soko Island and Southwest Lantau, and the other parts of the Enhancement plan the Island's flora and fauna will be well maintained and protected.</p>
	<p>There is an urgent need for local power companies to install FGD facilities to reduce emissions</p>	<p>13C: Agreed. CLP have been requested to accelerate the installation schedule for achieving emission reduction as early as possible.</p>	<p>Retrofitting of FGD and other emissions control facilities at Castle Peak Power Station is in progress.</p>
<p>The Conservancy Association (LC Paper No. CB(1)2134/06-07(16))</p>	<p>The installation of FGD to reduce emissions should be accorded with priority by CLP. This would meet the 2010 emission reduction targets</p>	<p>14A: Please refer to our responses to comments item 13C.</p>	<p>Retrofitting of FGD and other emissions control facilities at Castle Peak Power Station is in progress. However, replacement gas supplies are also required to meet 2010 emissions reduction targets and ensure that we have sufficient electricity generation capacity to meet Hong Kong needs.</p>

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	<p>The Administration is responsible for mapping out a long-term sustainable energy policy taking into account the need for development of power infrastructure in the Pearl River Delta Region</p>	<p><u>14B:</u> The objectives of the Government's energy policy are to ensure that the public can enjoy reliable, safe and efficient energy supplies at reasonable prices, and to minimise the environmental impact caused by the production and use of energy. To this end, we have pursued a host of policy measures. We shall continue to keep in view the need to update our policy measures having regard to the needs and actual circumstances such as the available technologies and development in the Pearl River Delta Region.</p>	
	<p>The waters near the Soko Islands are of high ecological value and the habitat of the Chinese White Dolphins and Finless Porpoise. The Association is dissatisfied with the delay in demarcating the Soko Islands as marine park which has been agreed by the Chief Executive in Council as early as 2002</p>	<p><u>14C:</u> Please refer to our responses to comments item 3D.</p>	<p>The comprehensive environmental impact assessment (EIA) study indicated that the residual environmental impacts on the terrestrial and marine environment are acceptable with mitigation measures in place. The report was unanimously endorsed by Advisory Committee for the Environment, and was granted an Environmental Permit by Environmental Protection Department in April 2007, stating that "<i>with the mitigation measures in place, EPD and the relevant authorities are satisfied that the residual environmental impacts are acceptable and the relevant environmental requirements and standards can be met</i>".</p> <p>The EIA concluded clearly that there is no significant adverse impact to the white dolphin and finless porpoise from the development. CAPCO will also implement a comprehensive package of mitigation measures and a stringent monitoring program during the construction and operational phases of the terminal to ensure the impacts</p>

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			<p>on environment are kept to minimal.</p> <p>The EIA also concluded that fish spawn and young fish would not be materially affected by the highly localized operation of the open loop warming system for LNG. A recent publication in the prestigious Transactions of the American Fisheries Society concluded that "<i>... the seven proposed offshore LNG facilities, all of which would use open loop vaporizing technology, would have a minor and insignificant adverse cumulative impact on Gulf of Mexico Red Drum and Red Snapper stocks</i>".</p> <p>Putting a marine reserve side by side with a LNG terminal is a proven concept. Out of the 72 LNG terminals in the world, 7 LNG import terminals co-exist with national parks, marine parks or coastal conservative areas. Some examples are Dominion Cove Point LNG Terminal in Maryland, USA, and four LNG Terminals in Japan within Seto Naikai National Park in the Inland Sea.</p> <p>CAPCO is also putting forward an Enhancement Plan as an integral part of the project. The Plan will help to realize an earlier government marine reserve plan for the area as CAPCO will provide seed funding to support the establishment of two marine parks around Soko Island and Southwest Lantau. CAPCO will set up a Scientific and Education Advisory Committee to advise on comprehensive environmental and conservation measures. CAPCO will also continue to engage our stakeholders for feedback and suggestions as we refine this plan.</p>

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	Both the Administration and CAPCO have the responsibilities to identify other sites or options to avoid affecting the Soko Islands	<u>14D:</u> Please refer to our responses to comments item 3B .	After four years of examining gas supply options in the South China region, sharing its findings fully with the Hong Kong Government and other Stakeholders, CAPCO concludes that there are no other alternative solutions that can meet CAPCO's large gas volume requirement to supply reliable energy to Hong Kong before the Yacheng gas resource depletion early next decade. On site selection for a local terminal, a total of 29 possible sites within Hong Kong waters have been scrutinized. The Environmental Impact Assessment report completed in autumn last year explains at great length why the South Sokos Islands were the community's best choice.
The Hong Kong Institution of Engineers (LC Paper No. CB(1)2134/06-07(17))	All mitigation measures recommended by the Advisory Council on the Environment and the relevant authorities in the EIA report must be carefully examined, observed and discharged	<u>15A:</u> The Environmental Protection Department (EPD) and the relevant authorities under the EIAO have carefully considered the comments from the Advisory Council on the Environment and all the comments from the public submitted under the EIA Ordinance. In accordance with the provisions of the EIA Ordinance and its Technical Memorandum, the EPD, in conjunction with other relevant authorities, approved on 3 April 2007 the EIA Report for the Liquefied Natural Gas Terminal with conditions and an Environmental Permit was granted to the CAPCO on the same date under the EIAO for the construction and operation of the LNG Terminal and its associated facilities at South Soko Island.	We agree
	Controlling measures must be implemented during the pre-construction, construction and operation phases to ensure any resulting impacts are not irreversible	<u>15B:</u> Please refer to our responses to comments item 3A .	We agree

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<p>Friends of the Earth (LC Paper No. CB(1)2134/06-07(18))</p>	<p>Given that the South Soko Island is part of the habitats of the Chinese White Dolphins, it is not a suitable site for the proposed LNG Receiving Terminal. Besides, the Country and Marine Parks Board has decided that the Soko Islands would be one of the marine parks in 2002</p>	<p>16A: Please refer to our responses to comments item 12A.</p>	<p>The comprehensive environmental impact assessment (EIA) study indicated that the residual environmental impacts on the terrestrial and marine environment are acceptable with mitigation measures in place. The report was unanimously endorsed by Advisory Committee for the Environment, and was granted an Environmental Permit by Environmental Protection Department in April 2007, stating that <i>"with the mitigation measures in place, EPD and the relevant authorities are satisfied that the residual environmental impacts are acceptable and the relevant environmental requirements and standards can be met"</i>.</p> <p>The EIA concluded clearly that there is no significant adverse impact to the white dolphin and finless porpoise from the development. CAPCO will also implement a comprehensive package of mitigation measures and a stringent monitoring program during the construction and operational phases of the terminal to ensure the impacts on environment are kept to minimal.</p> <p>The EIA also concluded that fish spawn and young fish would not be materially affected by the highly localized operation of the open loop warming system for LNG. A recent publication in the prestigious Transactions of the American Fisheries Society concluded that <i>"... the seven proposed offshore LNG facilities, all of which would use open loop vaporizing technology, would have a minor and insignificant adverse cumulative impact on Gulf of Mexico Red Drum and Red Snapper stocks"</i>.</p>

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			<p>Putting a marine reserve side by side with a LNG terminal is a proven concept. Out of the 72 LNG terminals in use or under construction in the world, 7 LNG import terminals co-exist with national parks, marine parks or coastal conservative areas. Some examples are Dominion Cove Point LNG Terminal in Maryland, USA, and four LNG Terminals in Japan within Seto Naikai National Park in the Inland Sea.</p> <p>CAPCO is also putting forward an Enhancement Plan as an integral part of the project. The Plan will help to realize an earlier government marine reserve plan for the area as CAPCO will provide seed funding to support the establishment of two government-planned marine parks around Soko Island and Southwest Lantau. CAPCO will set up a Scientific and Education Advisory Committee to advise on comprehensive environmental and conservation measures. CAPCO will also continue to engage our stakeholders for feedback and suggestions as we refine this plan.</p>
	<p>The public has not ideas on the exact capacity of the gas field in Hainan Island. No independent surveys have been conducted to ascertain whether locations outside Hong Kong are potentially viable for supply of natural gas to Hong Kong</p>	<p>16B: Please refer to our responses to comments item 1A.</p>	<p>Information from extensive studies conducted by the operators of the field and independent consultants has been furnished to Government and their consultants. Such information is commercially sensitive and confidential under the gas supply agreement and cannot be released to the general public without the permission of the field operator.</p> <p>As to the viability of gas sources outside Hong Kong, the South China Sea contains</p>

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			<p>only limited discovered reserves of natural gas, with the majority of them already being exploited or committed to identified customers. There were reports in 2006 of what could be a significant deep water gas discovery in the South China Sea. However, information is very preliminary and insufficient to assess whether this field is commercially viable and can play a role in CAPCO's gas supply. Considerable work is required by the resources stakeholders to appraise the reserves and obtain better definition of the field.</p>
<p>Hong Kong Outdoors (LC Paper No. CB(1)2134/06-07(19))</p>	<p>There are other alternatives, such as piping the gas from nearby China or by transforming LNG to gas on board specially designed vessels, to the provision of a LNG Receiving Terminal at the South Soko Island</p>	<p><u>17A:</u> Please refer to our responses to comments item 9B.</p>	<p>After four years of examining several alternatives, sharing its findings fully with the Hong Kong Government and other Stakeholders, CAPCO concludes that there are no other alternative solutions that can reliably meet CAPCO's large gas volume requirement to supply reliable energy to Hong Kong before the Yacheng gas resource depletion early next decade. This is further demonstrated by the need to achieve the 2010 emissions reduction targets.</p> <p>Existing and proposed floating and other offshore receiving terminal technologies were examined in the EIA site selection process. These were all rejected primarily due to the lack of a suitable offshore location (water depth and space) and the high supply reliability requirements for a LNG terminal direct coupled to Black Point, a gas fired power plant providing 25% of Hong Kong SAR's electric power supply.</p> <p>CAPCO has reviewed other options and concluded :</p>

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			<ul style="list-style-type: none">• Use of natural gas and LNG in the Mainland of China are in early planning stages. Any development outside Hong Kong will involve different jurisdictions and cross-border arrangements in the permitting process, making it an extremely complex exercise, and adding cost and uncertainty to meet the urgent timeframe CAPCO is facing.• Other than general press reports, there has been no evidence of substantive progress in the approval and implementation of the proposed terminal which CAPCO can rely on for this critical need. Accordingly, CAPCO has concluded that pursuing the Soko Terminal is best option.• Coastal Provinces in China are seeking permission to build LNG receiving facilities to meet the needs of power generators and other industrial users across China. Dapeng in Shenzhen is the first example of such facilities. Most of the other facilities have been postponed because of difficulties to secure supplies of LNG in the global market.• Black Point's gas requirements are large. Dapeng, the only operating facility in the Pearl River Delta is sharing its supply with at least 10 different users, including Towngas and Hongkong Electric. CAPCO's requirement is about 8 times the size of either Towngas or Hongkong Electric. Given the large gas volume CAPCO requires for our gas-fired power plant and its importance to Hong Kong's electricity supply reliability, we need dedicated facilities to ensure fuel security.

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	<p>The Soko Islands are precious, attractive and unspoiled islands. The proposed terminal will be an eyesore and its effluent will have adverse impacts on the marine lives, biodiversity as well as local fisheries</p>	<p><u>17B:</u> Please refer to our responses to comments item 3A.</p>	<p>South Soko was for several years the site of a Vietnamese refugee camp which included a large man-made reservoir and a 5ha concrete platform, a concrete access pier, a helicopter landing pad and paved access roads to facilitate camp operations. While the Vietnamese refugees lived there, they had full access to the island.</p> <p>The adjacent North Soko Island is the location for a radioactive materials waste storage site, which has been co-existing with South Soko Island and the surrounding environment for some time. Claims that these islands are virtually untouched misleading.</p> <p>The comprehensive environmental impact assessment (EIA) study indicated that the residual environmental impacts on the terrestrial and marine environment are acceptable with mitigation measures in place. The report was unanimously endorsed by Advisory Committee for the Environment, and was granted an Environmental Permit by Environmental Protection Department in April 2007, stating that "<i>with the mitigation measures in place, EPD and the relevant authorities are satisfied that the residual environmental impacts are acceptable and the relevant environmental requirements and standards can be met</i>".</p> <p>The EIA concluded clearly that there is no significant adverse impact to the white dolphin and finless porpoise from the development. CAPCO will also implement a comprehensive package of mitigation measures and a stringent monitoring program</p>

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			<p>during the construction and operational phases of the terminal to ensure the impacts on environment are kept to minimal.</p> <p>The EIA also concluded that fish spawn and young fish would not be materially affected by the highly localized operation of the open loop warming system for LNG. A recent publication in the prestigious Transactions of the American Fisheries Society concluded that "... the seven proposed offshore LNG facilities, all of which would use open loop vaporizing technology, would have a minor and insignificant adverse cumulative impact on Gulf of Mexico Red Drum and Red Snapper stocks".</p> <p>When the receiving terminal has been completed, including the enhancement plan, the island's flora and fauna will be maintained and protected. Besides the proposed establishment of two government-planned marine parks around Soko Island and Southwest Lantau, the Enhancement Plan also includes the rehabilitation of waters to the northwest of South Soko Island, the support work to preserve the cultural heritage on the island, the enhancement of educational and recreational facilities, and the improvement of public access on the island.</p>
<p>Mr SO Sik-kin, Wong Tai Sin District Councillor (LC Paper No. CB(1)2134/06-07(20))</p>	<p>The proposal has gone through the statutory process, including public consultation</p> <p>To reinforce Hong Kong's economic development and improve its environment, there should be rational</p>	<p><u>18A:</u> Please refer to our responses to comments item 1A.</p>	<p>We agree. Through the EIA process, a balanced decision has been reached.</p>

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	discussion on how to strike a balance between the provision of LNG Receiving Terminal and environmental conservation. This will help attract foreign investment to boost Hong Kong's economy and provide a better living environment for Hong Kong people		
Mr CHOW Chun-fai, Yau Tsim Mong District Councillor (LC Paper No. CB(1)2134/06-07(21))	The Administration should encourage and assist local power companies to use LNG instead of coal for power generation. It should also map out a long-term, fair and effective policy to boost the confidence of investors and consumers	<p><u>19A:</u> Natural gas does not only have notable environmental benefits, but it also diversifies the fuel used for electricity generation and hence enhances the reliability of electricity generation. The Government supports use of natural gas for electricity generation so as to reduce air pollution and emission of carbon dioxide. At the same time, it also has to ensure the public can continue to enjoy reliable and safe electricity supply at reasonable prices.</p> <p>The objectives of the Government's energy policy are to ensure that the public can enjoy reliable, safe and efficient energy supplies at reasonable prices, and to minimise the environmental impact caused by the production and use of energy. To this end, we have pursued a host of policy measures. We shall continue to keep in view the need to update our policy measures having regard to the needs and actual circumstances such as the available technologies and development in the Pearl River Delta Region.</p>	
	There is a need for stable supply of electricity to ensure continuous development. The provision of LNG Receiving Terminal is necessary and should not be delayed	<p><u>19B:</u> Please refer to our responses to comments item 2C.</p>	We agree

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	CAPCo should implement mitigation measures as recommended in the EIA report and make efforts to conserve the ecology	<u>19C:</u> Please refer to our responses to comments item 3A .	We agree
Mr LAM Kit-sing, Islands District Councillor (LC Paper No. CB(1)2134/06-07(22))	The provision of LNG Receiving Terminal is the only reasonable and feasible option to improve the air quality of Hong Kong and ensure stable supply of electricity	<u>20A:</u> Please refer to our responses to comments item 4B .	We agree
	The terminal will inevitably have certain impacts on the surrounding environment regardless of its location, including the South Soko Island. The important point is to minimize the environmental impacts	<u>20B:</u> Please refer to our responses to comments item 3A .	CAPCO is conscious of the concern and has taken steps to reduce potential environmental impact. CAPCO will also implement a comprehensive package of mitigation measures and a stringent monitoring program during the construction and operational phases of the terminal to ensure the impacts on environment are kept to minimum. When the receiving terminal has been completed, including the enhancement plan, the island's flora and fauna will be maintained and protected. Besides the proposed establishment of two marine parks around Soko Island and Southwest Lantau, the Enhancement Plan also includes the rehabilitation of waters to the northwest of South Soko Island, the support work to preserve the cultural heritage on the island, the enhancement of educational and recreational facilities, and the improvement of public access on the island.
	From the sake of long-term benefit, development and future of Hong Kong, the Administration should implement the feasible option as soon	<u>20C:</u> Please refer to our responses to comments item 3A . Furthermore, during the implementation stage of	We agree

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	as possible. It should closely monitor the construction works and enhance public education on protection of the environment	the LNG project, the relevant government departments will maintain regular monitoring of the works through site inspections.	
Mr CHAN Wing-lim, Kowloon City District Councillor (LC Paper No. CB(1)2134/06-07(23))	Support in principle of the proposed provision of LNG Receiving Terminal in the South Soko Island The use of LNG for power generation is one of the feasible options to improve air quality. LNG is a safe source of fuel. The use of LNG can help ensure the stability of electricity supply	<u>21A:</u> Natural gas does not only have notable environmental benefits, but it also diversifies the fuel used for electricity generation and hence enhances the reliability of electricity generation. The Government supports use of natural gas for electricity generation so as to reduce air pollution and emission of carbon dioxide. At the same time, it also has to ensure the public can continue to enjoy reliable and safe electricity supply at reasonable prices. We are mindful of public concern about the expenditure on the proposed LNG terminal. We will examine CLP's proposal closely and will complete the relevant review as soon as possible.	We agree
	Any works projects will inevitably have short-term impacts on the environment. CAPCO should be held responsible for marine conservation and protection of the environment during construction. The Administration should closely monitor the environmental performance of CAPCO to ensure compliance with the conditions set out in the EIA report	<u>21B:</u> Please refer to our responses to comments item 20C.	CAPCO is committed to its conservation plan, and agrees that the Administration should carefully monitor the project.

Organization	Concern/View	<u>Administration's comments</u>	CLP Power HK Ltd's comments
Mr FUNG Kam-chi, Kwun Tong District Councillor (LC Paper No. CB(1)2134/06-07(24))	Support the proposed provision of LNG Receiving Terminal in the South Soko Island to ensure stable supply of clean fuel to meet the increasing demand in Hong Kong. The use of LNG can help to improve air quality as well	<u>22A:</u> Please refer to our responses to comments item 4B .	We agree
	The proposal has gone through all the statutory process. To protect the environment, the Administration should closely monitor the construction of the terminal to ensure compliance with the conditions set out in the EIA report	<u>22B:</u> Please refer to our responses to comments item 20C .	CAPCO is committed to its conservation plan, and agrees that the Administration should carefully monitor the project.
The Lion Rock Institute (LC Paper No. CB(1)2163/06-07(01))	The security of energy supply is paramount to other considerations to maintain a vibrant economy and create advancement opportunities for Hong Kong people	<u>23A:</u> Please refer to our responses to comments item 21A .	We agree
	A strong case for an alternative supply to satisfy the future demand for energy must exist in order to justify vetoing the proposed provision of LNG Receiving Terminal in the South Soko Island	<u>23B:</u> Please refer to our responses to comments item 1A .	CAPCO agrees with this view. After four years examining a wide range of alternatives both inside and outside Hong Kong has concluded that locating the LNG receiving facility on South Soko is the best choice.
	Future de-regulation of the energy market may allow green energy to flourish. However, there is no viable option in the short or medium term	<u>23C:</u> The Government will carry out all the necessary preparations during the next regulatory period so as to facilitate new energy sources, including green energy, into our market longer term. As for the next regulatory period, as stated in our Stage II Consultation Paper on Future Development of the Electricity Market in Hong Kong, it is Government's plan to offer the incumbent	

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		companies a higher rate of permitted return for their renewable energy (RE) facilities. Measures will also be taken to facilitate access of third party RE users to the power grids of the incumbents for backup electricity.	
Democratic Party (LC Paper No. CB(1)2163/06-07(02))	CAPCo has failed to provide sufficient justifications, particularly on the supply of LNG, for the provision of LNG Receiving Terminal	24A: Please refer to our responses to comments item 1A.	The LNG supply is needed to replace the existing Yacheng gas supply which will deplete early next decade. Yacheng gas currently provided around 25% of Hong Kong's electricity needs. The LNG terminal is needed to unload and store supplies of LNG. Independent technical review concluded the gas will run out early in the coming decade at present off-take rates. All available technical information concerning the Yacheng situation has been passed to the Government's independent consultants over the past year for an independent analysis by Government.
	The capital investment of \$8 billion for the terminal may give rise to increase in electricity tariff	24B: Please refer to our responses to comments item 1A.	The terminal and LNG supply serve as a replacement for current gas supplies, and should not be thought of as purely incremental cost.
	LNG is still a form of fossil fuel and burning of it will release green house gases affecting the environment. CLP should focus on the development of renewable energy to tackle the problem at source	24C: The Government have been actively encouraging the use of renewable energy and have established a target of having 1-2% of Hong Kong's total electricity supply met by renewable energy by 2012. However, due to the limited space for development of renewal energy, it is expected that the reliance of clean fossil fuel, in particular, natural gas, will still be necessary.	CLP Group (CLP) is committed to having at least 5% of its total energy generated through renewable means by 2010 across its operations throughout Asia. CLP is currently operating wind farms in India, Australia and on the Mainland of China, and is planning for and studying potential sites for wind farms within Hong Kong. It operates hydropower plants, and is even developing biomass power generation based on Soya in north eastern China.

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	The terminal will seriously affect the marine ecology of nearby waters	<p>24D: Please refer to our responses to comments item 3A.</p>	<p>It is worth noting that introducing LNG to Hong Kong is most importantly to replace the current gas supply enabling continued gas-generation and reliable supply to Hong Kong consumers. Developing renewables and adopting LNG are not mutually exclusive.</p> <p>The EIA concluded clearly that there is no significant adverse impact to the white dolphin and finless porpoise from the development. CAPCO will also implement a comprehensive package of mitigation measures and a stringent monitoring program during the construction and operational phases of the terminal to ensure the impacts on environment are kept to minimal.</p> <p>The EIA also concluded that fish spawn and young fish would not be materially affected by the highly localized operation of the open loop warming system for LNG. A recent publication in the prestigious Transactions of the American Fisheries Society concluded that "... the seven proposed offshore LNG facilities, all of which would use open loop vaporizing technology, would have a minor and insignificant adverse cumulative impact on Gulf of Mexico Red Drum and Red Snapper stocks".</p>

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			<p>When the receiving terminal has been completed, including the enhancement plan, the island's flora and fauna will be maintained and protected. Besides the proposed establishment of two government-planned marine parks around Soko Island and Southwest Lantau, the Enhancement Plan also includes the rehabilitation of waters to the northwest of South Soko Island, the support work to preserve the cultural heritage on the island, the enhancement of educational and recreational facilities, and the improvement of public access on the island.</p>
	<p>The Administration should make it clear that CLP has to achieve the emissions reduction targets even if the LNG Receiving Terminal is not allowed to proceed. Non-compliance will be subject to deduction in permitted return</p>	<p>24E: The Government is fully committed to achieving the emission reduction targets. In his Policy Address, the CE had stressed that we should not allow these firm emission reduction targets to be compromised in any way. To ensure full compliance, the Government has also proposed to link the permitted rate of return with their achievement of the emission caps in the future Scheme of Control Agreement.</p>	<p>CAPCO has been and will be in compliance with environmental license requirements. CAPCO is making endeavour to meet the 2010 emissions reduction targets and the LNG project is an essential part of the plan. The project is critical not only for meeting the targets but also for maintaining reliable electricity supply to Hong Kong consumers because the current gas supply to CAPCO is expected to deplete early next decade.</p>
<p>Hon LAM Wai-keung (LC Paper No. CB(1)2180/06-07(01))</p>	<p>The Administration should closely monitor the construction of the project to ensure compliance with the conditions set out in the EIA report</p>	<p>25A: Please refer to our responses to comments item 20C.</p>	<p>CAPCO is committed to its conservation plan and agrees that the Administration should carefully monitor the project.</p>
	<p>CAPCo should compensate affected indigenous villagers and fishermen according to law</p>	<p>25B: The claims of ex-gratia allowance and compensation from the affected fishermen and the descendents of the indigenous villagers respectively will be dealt with in according to the current Government policies. As this is a private project, all expenditure, cost, compensation and ex-gratia allowance arising from the project will be</p>	<p>CAPCO acknowledges this obligation.</p>

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		fully reimbursed from the project proponent, i.e. CAPCO.	
Ms SIU Yuen-sheung, Kowloon City District Councillor (LC Paper No. CB(1)2200/06-07(01))	There is a need to use clean fuel to improve air quality while ensuring stable supply of electricity and reducing the reliance on coal	<u>26A:</u> Agreed. The Government will continue requiring the power companies to maximize the use of clean fuel while ensuring stable electricity supply.	
	The use of LNG is a better option despite the construction of the terminal may give rise to environmental impacts	<u>26B:</u> Natural gas is the cleanest fossil fuel. The Government has been encouraging wider use of natural gas for power generation and will ensure the best option will be adopted by CLP for securing long term supply of natural gas.	
	The proposal should be subject to the monitoring of the Environmental Protection Department. CAPCO should also improve the environment in the proximity of the terminal as part of its corporate responsibility	<u>26C:</u> Please refer to our responses to comments item 20C.	CAPCO agrees that this project should be closely monitored by the Administration. CAPCO is also proposing an enhancement plan along with the project to improve the environment in the proximity of the terminal.