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BY FAX : 2869 6794 (total 10 pages)

Ms Debbie Yau
Clerk to Panel (Economic Development)
Legislative Council Secretariat
3rd Floor, Citibank Tower
3 Garden Road
Hong Kong

Dear Ms Yau,

**Panel on Economic Development
Meeting on 15 October 2010**

At the Panel on Economic Development Meeting on 15 October 2010, Members asked for supplementary information on –

- (a) overseas experience in operating nuclear plant, in particular details on aspects such as safety requirement and handling of nuclear waster; and
- (b) how cross-boundary capital investment made by local power companies, if any, would be treated under with the Scheme of Control Agreements, such as whether the investment would be counted towards permitted return.

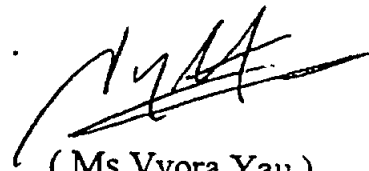
The Secretary for the Environment has authorized me to reply on his behalf.

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As regards item (a), we have issued earlier a paper to the Panel on Environmental Affairs on the development of nuclear power, covering issues including application of nuclear technology, safety, notification system and handling of nuclear waste. The paper, which had been copied to all Members of the Council, is reproduced at Annex A for information of the Panel of Economic Development. (not enclosed)

The supplementary information for item (b) is provided at Annex B.

Yours sincerely,



(Ms Vyora Yau)
for Secretary for the Environment

**Panel on Economic Development
Meeting on 15 October 2010**

Supplementary Information

Cross-boundary capital investment made by the power companies

Under the Scheme of Control Agreements (SCAs), “Fixed Assets”, in respect of provision of electricity to service area in Hong Kong, means the power companies’ Electricity-Related investments in land, buildings, plant, equipment, and capitalised refurbishment and improvement works; whereas “Electricity-Related” means directly or indirectly appertaining to the generation, transmission, distribution, sale of electricity, energy efficiency and conservation, or emissions reduction. There is no restriction under the SCAs that these Fixed Assets must be constructed in the territory of Hong Kong in order to earn permitted return.

In determining whether the investment of a power company (irrespective of place of investment) can be classified as Fixed Assets under the SCA, we need to take into consideration, apart from the definition of Fixed Assets under the SCA, a number of other factors, including the arrangement, structure and specific content of the investment. Taking the Daya Bay Nuclear Power Station (Daya Bay) as an example, as this Nuclear Power Station is built and operated jointly by an enterprise in Mainland and a wholly-owned subsidiary of CLP Holdings Limited, and the nuclear electricity is sold to CLP Power Hong Kong Limited on commercial principles, the investment in Daya Bay is not included in Fixed Assets under the SCA.

**Environment Bureau
March 2011**