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for progress.

10 DOWNING STREET

From the Private Secretary

8 January 1981

The Prime Minister has seen the correspondence between Ministers about the Guangdong nuclear project, resting with your Secretary of State's letter of 5 January to the Secretary of State for Industry.

She is content to see exploratory discussions undertaken with the French, but she would wish Ministers to ensure that other options are kept open.

The Prime Minister has enquired about the extent to which Hong Kong will be committed to take a substantial proportion of its power needs from this station. If the UK finally gets little out of this contract, she hopes it will prove possible for us to concentrate on alternative opportunities to develop generating capacity in Hong Kong itself, and thus perhaps reduce the use made by Hong Kong of Guangdong. You are looking into this for us.

I am sending copies of this letter to Michael Arthur (Lord Privy Seal's Office), Peter Jenkins (HM Treasury), Stuart Hampson (Department of Trade), Catherine Bell (Department of Industry) and David Wright (Cabinet Office).

M. A. PATTISON

Geoffrey Dart, Esq.,
Department of Energy.

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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

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MAA 15/1
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Mike Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

15 January 1981

Dear Mike,

Thank you for your letter of 8 January conveying the Prime Minister's views on the Guangdong Nuclear Project.

Preparations are now being made for exploratory talks with French officials and for contact with the UK State Department once the Reagan Administration is installed.

U As you know the Department of Industry are leading consideration of the alternative opportunities for power generation in Hong Kong and they are already pursuing this point with our co-operation.

I am copying this letter to the recipients of yours.

Yours ever,

Geoff Dart

G S DART
Private Secretary



15 JAN 1957



COMPTON



10 DOWNING STREET

PRIME MINISTER

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This note from DOI explains the relationship between the Guangdong Nuclear Power Station project - which you considered earlier in the week - and the Castle Peak "B" coal-fired power station project in Hong Kong. The latter is likely to be discussed in EX quite soon.

MP

9 January 1981



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

8 January 1981

Mike Pattison Esq
Private Secretary to
the Prime Minister
10 Downing Street
London SW1

Dear Mike

GUANGDONG NUCLEAR POWER STATION PROJECT

- 1 I understand that the Prime Minister has asked about the relationship between the Guangdong nuclear and the Castle Peak "B" coal fired power station projects. China Light and Power (CLP) envisage that the 4 x 660 MW unit of the latter will be commissioned in each of the years, 1986, '87, '89 and '90. The attached table from the CLP 1980 Development Plan shows this. If, however, the nuclear project went ahead as a joint venture between CLP and the Guangdong Electricity Company (KEC) then CLP are projecting / the 2 x 900 MW PWRs could be supplying some 60% of their output to Hong Kong in each of the years 1987 and 1988. This would result in the commissioning of both Units 3 and 4 of the Castle Peak "B" station being deferred by 2 years till 1990 and 1992. Depending on the projections for power demand they could be deferred still longer.
- 2 However, officials consider that it is unrealistic to imagine that China could construct and commission its first nuclear power station by 1987. It currently has no relevant safety organisation or licencing body and the civil construction task itself will be daunting. The re-evaluation of investment priorities and experience gained on other recent major capital projects may lead the Chinese to look very cautiously at such an undertaking.
- 3 The likelihood therefore is that the Castle Peak "B" station project will proceed to full 4 unit commissioning by 1990. It is on that basis that officials within this Department as well as GEC and Babcock Power aim to submit a competitive UK package proposal to CLP by the required deadline of 31 January. The "B" Station will continue to receive the priority which such a tangible £500 million project deserves.
- 4 If the nuclear station did not proceed then CLP would no doubt have to order a "C" station at some stage to meet the possible continued growth of demand.

Yours ever
Catherine Bell
CATHERINE BELL
Private Secretary

- (v) Based on (i), (ii), (iii) and (iv) above, the following Base Generation Development Plan is proposed:-

Year	Maximum Demand (MW)	New Capacity (MW)	Capacity Retired (MW)	Total Capacity (MW)	Capacity Reserve %
1981	2180	GT 4x60	-	2656	21.8
1982	2440	A1 350	-	3006	23.2
1983	2695	A2 350	-	3356	24.5
1984	2960	A3 350	3 x 30	3616	22.2
1985	3210	A4 350	-	3966	23.6
1986	3480	B1 660	-	4626	32.9
1987	3770	B2 660	4 x 60	5046	33.8
1988	4085	PS 3x150	-	5496	34.5
1989	4415	B3 660	4 x 60	5916	34.0
1990	4760	B4 660	-	6576	38.2

Figure 10.1 shows this Base Development Plan in graphical form.

It should be noted that the timing of Units B1 and B2 is firm, but that for B3 and B4 is tentative and should be reviewed in the coming year.

- (vi) It is recommended that A3 and A4 of Castle Peak 'A' Station be advanced by three months and six months (i.e. to be commissioned in January 1984 and October 1984) respectively, subject to confirmation that the financial and tariff issues associated with the proposed advancement can be resolved.
- (vii) If the joint nuclear power Station suggested to be built in Guangdong is found to be feasible and if CLP is to be involved in the development, the generation development plan should be altered as follows:-

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