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23 December 1983

Guangdong Nuclear Project

Thank you for your letter of 21 December reporting the current state of play on the Guangdong nuclear project.

The Prime Minister has noted this, and was grateful to be kept in touch.

David Barclay

Miss Ruth Thompson
Department of Trade and Industry.

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End



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PS Secretary of State for Trade and Industry

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21 December 1983

D Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister.

To be aware.

A.S.C. 27/12.

Dear David,

GUANGDONG NUCLEAR PROJECT

The Secretary of State thought the Prime Minister might be interested to know the current state of play on the Guangdong nuclear project

2 Officials from this Department held further discussions on the project in Hong Kong and Peking from 1-8 December. On equity, Lord Kadoorie was naturally disappointed that the British Government was not prepared to invest. Nevertheless, the China Light and Power Company (CLP) went forward on 5 December with the incorporation of the Hong Kong Nuclear Investment Company (HKNIC) with an initial nominal capital of £40m. It must now be for CLP and the Hong Kong Government to seek further equity investors in HKNIC, though officials will continue to investigate the possibility of commercial money from the City.

3 In discussions in Peking officials concluded an Agreement with the Ministry of Water Resources and Electric Power, building on the Memorandum signed in March. The Agreement sets a framework for negotiations to proceed now between HKNIC and the Guangdong Nuclear Investment Company on the setting up of the joint venture company and the arrangements for the purchase of electricity by Hong Kong; and further strengthens the position of GEC as potential supplier of the conventional island. No concessions were given on financing terms, despite pressure from the Chinese for capitalisation of pre-commissioning interest. Both the Chinese themselves and CLP indicated that the French are continuing to seek to secure the whole project, in spite of assurances to Mr Parkinson from M. Fabius on 26 September and to Mr Channon from M. Mexandeau on 20 October that they were committed to an Anglo-French venture. Officials will be taking this up with the French Ministry of Industry but, as Mr Peter Walker suggested, we will need to manoeuvre carefully to secure our share in this project. My Secretary of State expects to



consult colleagues in late February on the financing proposals
which will accompany GEC's bid, which is to be submitted on 15
March.

4 I am copying this letter to the private secretaries of the
Chancellor of the Exchequer, and the Secretaries of State for
Foreign and Commonwealth Affairs and for Energy.

Yours ever,

Ruth

RUTH THOMPSON
Private Secretary