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Mr. Wayne R. Robinson  
Deputy Director  
East Asia Trade Development Division  
Asia Pacific Branch  
Department of External Affairs  
125 Sussex Drive  
Ottawa, Ontario

Dear Mr. Robinson:

I am pleased to submit our final report on the Review of Investment Opportunities in Power Sector Development in the People's Republic of China.

The report presents a preliminary examination of conditions under which China might attract Canadian equity investment for selected power sector developments. Canadian equity participation would be as a partner in a joint venture enterprise established under the Ministry of Water Resources and Electric Power.

In the absence of a specific framework of policies and regulations providing for foreign participation in power sector development, Canadian organizations from the private sector, with whom the concept was discussed, were not able to be definite regarding their specific interest in considering equity investment in China's power sector, with the exception of Hydro Quebec. Nevertheless, there has been considerable interest in the concept and also significant interest in the potential for project financing in China by the Canadian banking community.

The report illustrates the impact of equity participation through modelling the financing of two major hydroelectric developments: the 13,000 MW Three Gorges and 1,200 MW Gehe Yan projects. Even though the analysis focus upon hydroelectric developments, it is noted that the conditions which would be necessary to attract equity investment would apply equally to the development of any major power facility - hydro, thermal or nuclear.