

Comparison of Case A with all other cases also demonstrates the very significant contribution to development which can be provided from the ongoing revenues from an existing project (in principle comparable to conventional utility financing) and the dramatic reduction in cost which would be achieved by a policy allowing for convertability of power revenues. Such a policy would in effect recognize that the foreign exchange earnings from China's exports are dependant upon electric power consumption as an intermediate input - either directly in manufactured products or through the output of basic chemical, metallurgical and construction material industries, as well as through the transport and service sectors which provide the materials and services employed in production of nearly all of China's industrial and agricultural output.

Comparison between cases demonstrates the impact of the specific variation assumed. Detailed statements identifying the source and application of funds for each case covering the implementation period for Three Gorges are presented in Annex A.

A comparison of Case A with Case B1.02 essentially demonstrates the significant impact introducing an equity base and of applying the revenues from Gezhouba to the development of Three Gorges even under the assumption that none of the revenues are convertible to foreign exchange.

Case B1.01 as compared with Case A illustrates the significant impact of foreign equity participation in reducing overall costs and the dramatic impact of the assumption that power revenues would be convertible to foreign exchange as required to meet investment requirements and debt/equity retirement.

Case B1.03 as compared with B1.01 illustrates the cost impact of a devaluation of the RMB from Y 2.8 equals to US\$ 1 to Y 4.0 equals to US\$ 1.

Case B1.04 and B1.05 as compared with B1.01 illustrate the cost impact of changing the foreign exchange component of base cost by - 10% and + 10% respectively.