

立法會
Legislative Council

LC Paper No. CB(3) 74/07-08

Ref : CB(3)/M/OR

Tel : 2869 9205

Date : 25 October 2007

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 14 November 2007

**Proposed resolution under
the Dutiable Commodities Ordinance**

I forward for Members' consideration a proposed resolution which the Secretary for the Environment will move at the Council meeting of 14 November 2007 under the Dutiable Commodities Ordinance. The President has directed that "it be printed in the terms in which it was handed in" on the Agenda of the Council.

2. The draft speech, in both English and Chinese versions, which the Secretary for the Environment will deliver when moving the proposed resolution, is also attached.

(Mrs Justina LAM)
for Clerk to the Legislative Council

Encl.

DUTIABLE COMMODITIES ORDINANCE

RESOLUTION

(Under section 4(2) of the Dutiable Commodities Ordinance (Cap. 109))

RESOLVED that the Dutiable Commodities Ordinance (Cap. 109) be amended, in Part III of Schedule 1–

- (a) in paragraph 1 –
 - (i) by repealing “Subject to paragraph 1A, duty” and substituting “Duty”;
 - (ii) by adding “(other than ultra low sulphur diesel and Euro V diesel)” after “hydrocarbon oil”;
- (b) by adding –

“1B. Duty shall be payable on Euro V diesel at the following rates –

 - (a) from 1 December 2007 to 30 November 2009 (both dates inclusive), at \$0.56 per litre; and
 - (b) from 1 December 2009, at \$2.89 per litre.”;
- (c) by repealing –

“**Note:** In this Part, “ISO” followed by a numerical symbol (“ISO number”) means the test procedures of the International Organization for Standardization commonly known by that ISO number.”;

(d) by adding –

“6. For the purposes of paragraph 1B, “Euro V diesel” (歐盟 V 期柴油) means a light diesel oil which –

- (a) contains not more than 10.0 mg/kg of sulphur as determined by ISO 20884;
- (b) has a cetane number of not less than 51.0 as determined by ISO 5165;
- (c) has a cetane index of not lower than 46.0 as determined by ISO 4264;
- (d) has a viscosity at 40°C of not lower than 2.00 mm²/s and not higher than 4.50 mm²/s as determined by ISO 3104;
- (e) contains not more than 11% by mass of polycyclic aromatic hydrocarbons as determined by IP 391;
- (f) has a 95% distillation temperature of not higher than 360°C as determined by ISO 3405;
- (g) has a distillation percentage recovered at 250°C of lower than 65% by volume as determined by ISO 3405;
- (h) has a distillation percentage recovered at 350°C of not lower

- than 85% by volume as determined by ISO 3405;
- (i) has a density at 15°C of not lower than 0.820 kg/L and not higher than 0.845 kg/L as determined by ISO 3675;
 - (j) has a flash point of above 55°C as determined by ISO 2719;
 - (k) contains not more than 0.30% by mass of carbon residue (on 10% distillation residue) as determined by ISO 10370;
 - (l) contains not more than 0.01% by mass of ash as determined by ISO 6245;
 - (m) contains not more than 200 mg/kg of water as determined by ISO 12937;
 - (n) contains total contamination of not more than 24 mg/kg as determined by ISO 12662;
 - (o) has a copper strip corrosion (3h at 50°C) rating of Class 1 as determined by ISO 2160;
 - (p) has an oxidation stability of not higher than 25 g/m³ as determined by ISO 12205; and
 - (q) has a lubricity, corrected wear scar diameter (wsd 1.4) at 60°C,

of not higher than 460 μm as determined by ISO 12156-1.

Note: In this Part –

“IP” followed by a numerical symbol (“IP number”) means the test procedures of the Institute of Petroleum commonly known by that IP number;

“ISO” followed by a numerical symbol (“ISO number”) means the test procedures of the International Organization for Standardization commonly known by that ISO number;

“viscosity” (黏度) means the viscosity of diesel as determined by ISO 3104.”.

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**Speech by the Secretary for the Environment
on 14 November 2007**

**To Move a Resolution
To Impose a Concessionary Duty Rate on Euro V Diesel
Under the Dutiable Commodities Ordinance**

Madam President,

I move that the resolution as set out in the agenda be passed. The resolution aims to introduce a concessionary duty rate on diesel complying with the Euro V standard (Euro V diesel), which provides a fiscal incentive to encourage early supply of this more environment-friendly fuel on the local market.

2. The SAR Government is committed to improving the air quality of Hong Kong. Diesel vehicles are the major cause of roadside air pollution, accounting for 96% of respirable suspended particulates, 88% of nitrogen oxides and 66% of sulphur dioxide emitted by all types of vehicles.

3. To further reduce vehicle emissions, it has been our established policy to introduce and promote the use of cleaner fuel as far as practicable. Compared with ultra-low sulphur diesel (ULSD), which is the current statutory standard for motor vehicle diesel, Euro V diesel has 80% less sulphur content. Using Euro V diesel could reduce 80% of sulphur dioxide and 0.5% of

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particulates emitted by existing diesel vehicles. Should Euro V diesel vehicles be fueled with Euro V diesel in future, they will emit 30% to 40% less nitrogen oxides than Euro IV diesel vehicles fueled with ULSD. As for diesel vehicles up to 3.5 tonnes, their particulate emissions will also reduce by 80%.

4. In view of the environmental benefits of using Euro V diesel, among the Asian countries, Japan has made it the statutory standard for motor vehicle diesel since January this year. The European Union (EU) has also decided to make it the statutory standard for motor vehicle diesel from January 2009, and to implement the Euro V emission standards for newly registered vehicles in phases from September of the same year. We also plan to implement the same standards in tandem with EU.

5. Euro V diesel provided by the local fuel suppliers is presently subject to the same concessionary duty rate as ULSD, which is set at \$1.11 per litre. To further improve roadside air quality, we propose to reduce the duty rate for Euro V diesel to \$0.56 per litre from 1 December this year, so as to encourage fuel suppliers to provide Euro V diesel and diesel vehicle owners to switch to this more environment-friendly fuel as soon as possible. The concession period will last for two years. The Environmental Protection Department has already followed up with the oil companies to encourage them to reflect the tax concession when pricing Euro V diesel, so as to benefit the general public as well as the relevant industries. We will review this tax concession arrangement before making Euro V diesel the statutory standard for motor vehicle diesel in 2009.

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6. I hope all Members will support this resolution to further improve the air quality of Hong Kong. Thank you, Madam President.

Environmental Protection Department

October 2007