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**By Fax : 2810 1691**

31 October 2007

Miss Becky Yu  
Clerk to Panel on Environmental Affairs  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Miss Yu,

**Panel on Environmental Affairs  
Follow-up to meeting on 22 October 2007**

Thank you for your letter of 23 October 2007.

The supplementary information requested by Members of the Panel on Environmental Affairs in connection with the proposed reduction of the duty rate for Euro V diesel to \$0.56 per litre for a period of two years is set out below-

**(a) Price difference between ultra-low sulphur diesel (ULSD) and Euro V diesel**

In the first eight months of this year, about 40% of the motor vehicle diesel imported to Hong Kong met the specifications of Euro V diesel. Based on the import prices provided by the Census and Statistics Department during the period, Euro V diesel was more costly than ULSD by up to about \$0.1/litre. However, it should be stressed that the future price differential between the two types of fuel will still be subject to market factors such as supply and demand situations.

**(b) Cost to be borne by drivers as a result of the switch from ULSD to Euro V diesel**

According to information available to the Government, the import price differential between the two types of fuel was up to \$0.1/litre in the first eight months of this year. Subject to price fluctuation due to supply and demand situations, the proposed concessionary duty rate of \$0.56/litre for Euro V diesel should render Euro V diesel more price-competitive than ULSD.

**(c) Measures which the Administration will take to ensure the concession will benefit the drivers instead of being profited by the oil companies**

The Secretary for the Environment has personally met with all the major oil companies to encourage them to pass on the benefits from the proposed tax concession to their customers. The oil companies have responded positively and pledged to duly reflect the duty concession on the retail price of Euro V diesel after deducting the cost increase.

I should be grateful if you would relay the above information to Members of the Panel on Environmental Affairs.

Yours sincerely,



(Carlson KS Chan )  
for Director of Environmental Protection