



Global Marketing



Chevron Hong Kong Limited
Submission to the Legislative Council on Environmental Affairs –
Promoting the Use of More Environmentally-Friendly Fuels

Chevron Hong Kong Limited ("Chevron") would like to thank the Panel on Environmental Affairs of the Legislative Council for its invitation to the Panel Meeting on November 9, 2007.

We value the opportunity the Panel offers to us to outline our approach for promoting the use of more environmentally-friendly fuels. Chevron shares the same sentiment and aspirations as the Panel members in enhancing environmental sustainability. We are pleased to provide a written response to the Panel about the HKSAR Government's plan to implement cleaner fuels.

Chevron supports the implementation of EURO V diesel

Chevron is committed to supporting the Government's efforts to enhance air quality in Hong Kong. We welcome the Government's initiative to introduce cleaner fuels for the Hong Kong market as announced in the recent Policy Address. As the Government plans to introduce EURO V standard and enhance market adoption in Hong Kong prior to the mandatory timeline in 2009 by announcing the 2-year period duty rate reduction on EURO V diesel, we will work very closely with the Government on the implementation of this measure.

Hong Kong will be one of the first cities in the world to implement EURO V standards - this early-mover status means the industry faces some challenges to ramp up manufacturing of EURO diesel earlier than the mandatory 2009 deadline. Nevertheless, Chevron is committed to offering a stable and reliable supply of EURO V diesel to Hong Kong motorists. We have entered into negotiations with our affiliated refineries in the Region to ensure a reliable supply of EURO V diesel.

Cost of EURO V fuel hinges on market factors

Chevron welcomes the Government's initiative to reduce the duty rate of EURO V diesel as an incentive to increase the use of the fuel. We will ensure the concession benefits drivers and the environment. While the reduced duty of HK\$0.56 we collect is on behalf of the government, the retail cost of EURO V diesel is determined by market dynamics and influenced by factors such as import costs, freight costs and operating costs as well as the demand and supply of EURO V diesel. As the EURO V fuels will not be widely available in Asia Pacific market over the next few months, the cost might fluctuate in accordance with the availability of the product.

Chevron strives to pass on saving from duty reduction to customers

Chevron strives to maintain a competitive and transparent approach in our pricing which is based on international product prices. We are committed to passing on the savings from duty rate reduction to our customers. We will duly reflect the cost and tax rebate on our pump prices after taking into account the various cost factors incurred in importing the fuel.

Chevron is committed to developing reliable and environmentally friendly fuels

Chevron Corporation continues to make steady progress in the alternative transport fuels and energy technology development, primarily biofuels and hydrogen technology. Currently, we are in partnership with Alameda-Contra Costa Transit District (AC Transit) and engine manufacturer, Cummins Inc., to launch the Cleaner Fuels Test Program in California to collectively learn more about the characteristics, efficiency and emissions of biodiesel and Gas-to-Liquid diesel. Such cleaner fuels test program demonstrates our commitment to meet this global challenge by bringing new and diverse energy supplies to market. We will be happy to work closely with our Government in introducing reliable and environmentally friendly fuels.

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