

# 立法會

## *Legislative Council*

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### **Panel on Environmental Affairs**

**Meeting on 23 November 2009**

### **Background brief on introduction of Euro V standard for motor vehicle fuel**

#### **Purpose**

This paper sets out the progress of tightening of vehicle fuel standards, and gives a brief account of previous discussions on the subject by the Panel on Environmental Affairs (the Panel).

#### **Background**

2. Motor vehicles are the major source of roadside pollution in Hong Kong. To improve roadside air quality, it is a standing policy to adopt the most stringent requirements for the quality of motor vehicle fuels and the emissions of newly registered motor vehicles where practicable.
3. The Administration has made the Euro III unleaded petrol specifications the statutory standard and the Euro III motor vehicle emission standards the statutory minimum for newly registered motor vehicles since 2001 in step with the European Union (EU). The unleaded petrol specifications were further upgraded to Euro IV standard since January 2005 in tandem with EU, while the emission requirements for newly registered vehicles were tightened to Euro IV standard since 2006 in step with EU. A Euro IV petrol vehicle using Euro IV unleaded petrol would emit 46% less nitrogen oxides (NO<sub>x</sub>), 50% less hydrogen carbons and 56% less carbon monoxide than a Euro III petrol vehicle using Euro III unleaded petrol.
4. The Administration has also made the Euro IV motor diesel specifications, i.e. the ultra low sulphur diesel (ULSD) specifications, the statutory standard since April 2002, three years ahead of EU. Compared with Euro III diesel, a Euro III diesel vehicle would emit 5% less nitrogen oxides and 15% less particulates when using Euro IV diesel.

## **Measures to promote the use of environment-friendly fuels**

5. To promote the use of more environment-friendly fuels, the Administration proposed in the Policy Address 2007-2008 to, among others, reduce the duty rate for Euro V diesel to \$0.56 per litre for a period of two years, starting 1 December 2007.

6. Euro V diesel has 80% less sulphur content than ULSD on the local market. There is no technical barrier for existing diesel vehicles to migrate to this more environment-friendly fuel. Using Euro V diesel could reduce vehicular emissions of sulphur dioxide and particulates by 80% and 5% respectively. Should Euro V diesel vehicles be fuelled with Euro V diesel in future, they will emit 30% to 40% less NO<sub>x</sub> than Euro IV diesel vehicles fuelled with ULSD. As for diesel vehicles up to 3.5 tonnes, their particulate emissions will also be reduced by 80%.

7. In view of the environmental benefits of using Euro V diesel, Japan has made it the statutory standard for motor vehicle diesel since January 2007. 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 phase from October of the same year. The Administration plans to implement the same standards in tandem with EU.

8. In the first eight months of 2007, 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 per litre. While the future price differential between the two types of fuel will be subject to market forces, such as supply and demand situations, the proposed concessionary duty rate of \$0.56 per litre for Euro V diesel should render it more price competitive than ULSD. The Administration will review the measure before making the fuel standard mandatory in 2009, in tandem with EU.

## **Major concerns raised by the Panel**

9. The measures to promote the use of more environment-friendly fuels were discussed at the Panel meeting on 9 November 2007. Deputations were also invited to express their views.

10. The Panel noted that the transport trades had great reservation on the proposed switch to Euro V diesel across the board in the absence of a trial to ensure compatibility of existing diesel vehicles with the use of Euro V diesel. It was pointed out that the existing Euro IV diesel vehicles were experiencing problems, such as engine breakdown, with the use of ULSD. The trades further pointed out that they were not able to benefit from previous financial incentives for the use of environment-friendly because the oil companies had somehow able to use various excuses (such as high transport and cleaning costs, increased land costs etc) to increase rather than lower the fuel prices, thereby

encroaching the incentives provided by the Government. To this end, measures should be introduced to regulate the retail prices of fuels, and bring in more oil companies to enhance fair competition. The ultimate solution was to waive the fuel duty.

11. While supporting the use of more environment-friendly fuels, members considered it necessary for the Administration to take measures to ensure that the duty concessions would benefit the transport trades and encourage them to switch to the use of more environment-friendly fuels. The Administration should also ensure the adequate supply of Euro V diesel and its compatibility with existing diesel vehicles.

### **Subsequent development**

12. The resolution moved under section 4(2) of the Dutiable Commodities Ordinance (Cap. 109) to reduce the duty of Euro V diesel to a concessionary duty rate of \$0.56 per litre from 1 December 2007 to 30 November 2009 was passed at the Council meeting on 14 November 2007. The duty was further reduced to zero in July 2008. Euro V diesel is now being offered exclusively at petrol filling stations.

### **Latest situation**

13. The Administration intends to brief members on the introduction of Euro V standard for motor vehicle fuel at the Panel meeting on 23 November 2009.

### **Relevant papers**

Legislative Council Brief on the Air Pollution Control (Motor Vehicle Fuel) (Amendment) Regulation 2004

[http://www.legco.gov.hk/yr04-05/english/subleg/brief/160\\_brf.pdf](http://www.legco.gov.hk/yr04-05/english/subleg/brief/160_brf.pdf)

Information paper provided by the Administration for the special meeting of the Panel on Environmental Affairs on 9 November 2007

<http://www.legco.gov.hk/yr07-08/english/panels/ea/papers/ea1109cb1-221-19-e.pdf>

Minutes of the Panel on Environmental Affairs special meeting on 9 November 2007

<http://www.legco.gov.hk/yr07-08/english/panels/ea/minutes/ea071109.pdf>

Administration's follow-up paper for the Panel special meeting on 9 November 2007

<http://www.legco.gov.hk/yr07-08/english/panels/ea/papers/ea1109cb1-258-1-e.pdf>