

**Letterhead of ECONOMIC SERVICES BUREAU GOVERNMENT SECRETARIAT**

**By Fax**

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**3 June 2000**

CB(1)1780/99-00(01)

Mr Andy Lau  
Clerk to LegCo Panel on Economic Services  
Legislative Council Building,  
8 Jackson Road,  
Central, Hong Kong

Dear Mr Lau

**Supplementary Information on Industrial Diesel  
for the LegCo Panel on Economic Services**

As requested by Members at the last meeting 22 May 2000, I provide the following additional information in respect of industrial diesel:

**(a) Import License Holders and Source of Supply**

- The six special import license holders in Hong Kong are Shell Hong Kong Limited, Caltex Oil Hong Kong Limited, Mobil Oil Hong Kong Limited, Esso Hong Kong Limited, China Resources Petroleum Co. Ltd. and AFSC Operation Ltd which only deals with aviation fuel.
- Light diesel oil is a common grade commodity that can easily be sourced from open market. All refineries in the Asia Pacific region can produce light diesel oil (0.5% sulphur content), including Singapore (the biggest supply and trading point of refined oil in the

region), Thailand, Japan, Taiwan, Korea and Russia. These refineries usually have ample capacity for export to countries in the vicinity. There are also occasions where light diesel oil is shipped from the Middle East to this region when it is economically viable.

- The major sources of supply to Hong Kong are from refineries in Singapore, Korea and Japan. Supply of oil is, however, not necessarily restricted to refineries. There are many oil traders and companies engaging in the oil trade. All companies, including individual investors, can buy or sell cargoes through oil traders. According to the oil companies, they purchase light diesel oil from various sources which include their own refineries as well as refineries of their competitors and shipments through oil traders. There is no barrier to any party interested in obtaining supply.

#### **(b) Government Contract Price**

The Government contract prices on industrial diesel (1.6.98 - 31.5.2000) range from \$0.804/litre (76.63% discount) to \$2.515/litre (26.22% discount), depending on the mode and location of delivery. For contracts offering high discounts, the Government will collect the diesel oil by vessels in bulk from the contractor. In cases where the contractor is required to deliver the diesel oil to remote places, the Government has to pay a premium on top of the list price (at a contract price of \$5.5/litre). It should be noted that the Government contract price is also subject to "dollar for dollar" adjustment upward or downward during the contract period, in line with movements in the list price. As at end May, the Government was paying about \$1.8 - \$3.9 per litre.

**(c) Local Consumption of Diesel Oil**

The local consumption of industrial diesel oil and motor diesel oil in 1999 was 6,498,379 kilolitre and 711, 845 kilolitre respectively.

**(d) Implementation Programme for Low Sulphur Content Industrial Oil.**

The Environment and Food Bureau is studying the feasibility of tightening the fuel standard of industrial diesel to the same level as that of motor diesel, with a view to introducing a proposal at the next legislative session after consulting relevant trades/users.

A paper on the cost and price analysis of major fuels will be issued to Members separately.

Yours sincerely,

(Miss Rachel Chan)  
for Secretary for Economic Services