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**Submission for the Panel on Environmental Affairs call for
public views on the proposal to tighten emission standards of
newly registered vehicles**

**Submission by the European Automotive Council (EAC) of the European
Chamber of Commerce in Hong Kong**

The EAC understands and fully supports the Government's objective of reducing roadside air pollution. The EAC appreciates the ambitious stance taken by the Government on this issue, and wish to continue to support and advise these deliberations. Below, we wish to present our view and advice for the proposal to tightening emission standards of newly registered vehicles (EPD, Dec 2016).

1. Tax concession for environment-friendly commercial vehicles - Euro 6/VI

The EAC fully supports the proposal to extend the tax concession for commercial vehicles complying with Euro 6/VI emission standards from 1st April 2017 onwards, in order to promote and encourage operators to use more environment-friendly commercial vehicles (including light bus category > 3.5t) which are deemed to be the main sources of roadside air pollution from automotive. In view of our support, the EAC has offered to make available its support to the government in order to make sure that relevant service and maintenance information and skills are available in the market.

2. Proposal to tighten emission standards for newly registered diesel private cars (PC) to California LEV III from 1 July 2017

The EAC does not welcome the proposed introduction of California LEV III emission standards for Diesel passenger cars (PC) in Hong Kong from 1 July 2017 onwards. This measure would have a drastic impact on the entire car industry with disadvantages which have not been accounted for at the same time as it will not bring the impact hoped for.

Firstly, the EAC does not believe that the objectives of the Government would be appropriately pursued by implementing the suggested California Lev III standard. Since 2009 the European emission standards for diesel PC has been accepted in Hong Kong given that they prove comparable emission performance with approved petrol passenger cars. Under the current stringent EU standards Diesel PCs are emitting less greenhouse gas (GHG) emissions CO₂, Carbon Monoxide, CO, Total Hydrocarbon "THC" and particles (PN) than petrol PCs with direct injection. Furthermore, NO_x emissions of diesel PCs has proven well within the limit of statutory emission levels for petrol passenger cars. Focusing on the relatively higher NO_x emissions from diesel PC alone does in that sense not allow for a holistic approach on the emission evaluation of the

vehicles. A more goal oriented approach would take all emissions into consideration, as well as the improved fuel economy of diesel cars as compared to petrol cars.

Secondly, we would like to emphasize that diesel passenger cars account for only 1% of the total passenger car population in Hong Kong. In our view, implementing the proposed regulatory changes that would by effect create a statutory ban against diesel vehicles, cannot be argued to provide an efficient measure of enhancing roadside pollution. Instead, the EAC strongly recommends that the current regulations for diesel PC are kept in place, and to look for other more effective measures, such as focusing more resources to regulating old commercial vehicles which are the main source of air pollutants, including NOx emissions, in Hong Kong.

Thirdly, we would also wish to highlight the enormous stress and disruption caused by such a short notice period between policy confirmation and implementation. In our opinion there has not been an appropriate timeline providing sufficient time for the manufacturers to react on the proposed legislation changes. To fully implement California LEV III Standard for diesel PC by 1 July 2017 creates great challenges for the manufacturers to process and adjust their product strategies accordingly and also creates anxiety at a consumer and importer level.

3. Request for amendment of transitional arrangements

If however the Government chooses to proceed with the proposed implementation of California LEV III for Diesel PC, the EAC would like to request a postponement of the planned implementation date so as to allow for a longer lead time for the manufacturers to plan and change their product portfolios, due to below concerns:

3.1 Planning requirements

Vehicle planning requirements require a longer lead time and the current target date set to June 2017 is not sufficient to allow for a smooth and cost effective transition to non-diesel models.

3.2 Training requirements

Customer demand for efficient diesel technology cannot be replaced on short notice and has a strong impact on importer partner costs for training and as such needs to be absorbed over a longer period of time. An extension would give more time to allow for alternative product offers, product training and consumer communication and reduce the economic impact on the manufacturers' investor partners.

3.3 Product Development Requirements

Product Development spans over a 5-7 years cycle and requires a viable return on investment (ROI) to maintain economic sustainability. The short-term change in emission requirements does not align with our planning programs sufficiently.

Conclusion

Due to the above reasons, the EAC primarily wishes that the proposed California LEV III regulation for diesel PC is not adopted. Secondly, we wish to see a postponement of the proposed regulation in line with the commercial vehicle proposal to January 2018 or later. In this way the negative economic impact on our local importer partners can be somewhat alleviated over a longer period of time and we will have more time to adjust our product portfolio planning appropriately.