



40/F, Revenue Tower, 5 Gloucester Road, Wan Chai, Hong Kong
香港灣仔告士打道5號稅務大樓40樓

ACE Paper 17/2009

For advice by circulation

Introduction of Euro V Standard for Motor Vehicle Fuel

PURPOSE

This paper seeks Members' views on our proposal to tighten the specifications of motor vehicle diesel and unleaded petrol to Euro V standards with effect from 1 July 2010.

BACKGROUND

2. To reduce the emissions from motor vehicles, it is the Government's established policy to adopt the most stringent vehicle emission and fuel standards when they become practicable for Hong Kong. We have thus been monitoring relevant international developments with a view to tightening our vehicle emission and fuel standards progressively.

3. With the approval of the Legislative Council, we tightened the motor vehicle diesel and unleaded petrol to Euro IV standards in 2002 and 2005 respectively. We also implemented Euro IV vehicle emission standards in phases from January 2006, in tandem with the European Union (EU). To further reduce vehicle emissions, the EU has implemented Euro V standard for motor vehicle fuel (both diesel and petrol) since January 2009 to pave the way for the phased introduction of Euro V vehicle emission standard, starting from October 2009 firstly with heavy duty commercial vehicles. The major difference between Euro IV and Euro V motor vehicle fuels (i.e. for both diesel and petrol) is the tightening of the cap on sulphur content from 0.005% to 0.001%.

4. To encourage the early import of Euro V diesel and promote its use locally for better roadside air quality, we introduced a concessionary fuel duty for it in December 2007 and have reduced its fuel duty to zero since July 2008. Euro V diesel is now being offered exclusively for diesel vehicles at all local petrol filling stations. As for petrol, according to our record, the import volume of petrol meeting the tightened sulphur requirement of Euro V standard has increased from 10% in 2008 to about 50% in the first eight months of this year, indicating that Euro V petrol has gradually become more widely available.

5. We have also reviewed if Euro V vehicle emission standards should be adopted in Hong Kong. Heavy duty commercial vehicles in Hong Kong are imported mainly from Japan. As the Japanese vehicle manufacturers require more time to produce Euro V compliant vehicles for the Hong Kong market, we are not yet ready to implement Euro V vehicle emission standard. We will keep the situation under review and revisit the matter when the supply of such vehicles to Hong Kong is reasonably secured.

ENVIRONMENTAL BENEFITS

6. Euro V motor vehicle fuel helps reduce about 80% sulphur dioxide from motor vehicles. It also helps improve the removal efficiency of the emission control system installed in the motor vehicles and facilitates the introduction of more advanced emission control systems to reduce motor vehicle emissions. If the existing petrol vehicles use Euro V petrol, their emissions of carbon monoxide, nitrogen oxides and hydrocarbons will be reduced by about 10 %. As compared with Euro IV diesel, Euro V diesel will also help reduce the respirable suspended particulates of the existing diesel vehicles by 5%.

PROPOSAL

7. We propose to tighten the motor vehicle fuel specifications to Euro V level by amending the specifications of motor vehicle diesel and unleaded petrol in Schedule 1 and 2 of the Air Pollution Control (Motor Vehicle Fuel) Regulation (Cap. 311 sub. Leg. L) respectively.

CONSULTATION

8. We have consulted the oil companies. They have no objection to our proposal to make Euro V diesel mandatory for motor vehicle diesel. Moreover as Euro V diesel is now exclusively in Hong Kong market, the proposal will not have any retail price implications. As for making Euro V petrol mandatory, they need an advance notice of six months for preparation. Regarding the price of Euro V petrol, the oil companies have explained that it is difficult to predict the price of Euro V petrol at the time of its introduction, adding that its price will eventually be determined by market situations, in particular the supply and demand of the fuel. As the situation stands, some have estimated that the price premium of Euro V petrol relative to Euro IV petrol could be less than \$0.2/litre.

PUBLIC REACTION

9. We expect that the general public will support the proposal as this will help reduce motor vehicle emissions.

LEGISLATIVE TIMETABLE

10. Subject to the support of the Panel on Environmental Affairs of the Legislative Council, we shall inform the oil companies of our plan to table the amendment regulation for approval of the Legislative Council in early 2010 for implementation on 1 July 2010. This will provide them with sufficient lead time to make the necessary arrangement for introducing Euro V petrol to the market.

ADVICE SOUGHT

11. Members' views are sought on the proposal elaborated in paragraph 7.

Environment Protection Department
October 2009