

LCQ14: Safeguarding Hong Kong's fuel supply

Following is a question by the Hon Chan Han-pan and a written reply by the Secretary for the Environment, Mr Wong Kam-sing, in the Legislative Council today (May 11):

Question:

Some members of the fuel industry have pointed out that the outbreak of war between Russia and Ukraine and the imposition of sanctions on Russia by European countries and the United States, etc. have led to a severe shortage of international crude oil and refined oil products. In addition, as the rate of increase in the prices of refined oil products in Europe has far exceeded that of crude oil, more refined oil resources from the Asia-Pacific region are converging on Europe. Moreover, it has been reported that the relevant ministries of the Mainland plan to cease the export of refined oil products or substantially reduce the export quota, and such measures will make the shortage in the supply of refined oil products more acute, rendering it difficult for oil companies in Hong Kong to procure the required oil products from overseas markets in a timely manner. In this connection, will the Government inform this Council:

(1) whether it has studied the level of risk of fuel shortage in Hong Kong as a result of the aforesaid situations; if so, of the details; if not, the reasons for that;

(2) given that auto-fuel prices have continued to rise recently, and some oil companies have shortened the operating hours of individual petrol filling stations as their staff members have contracted the Coronavirus Disease 2019, whether the Government has received relevant complaints from members of the public; if so, of the details, and whether it has taken the initiative to gain an understanding from the oil companies about the relevant situations; if so, of the details; if not, whether it will take follow-up actions;

(3) as some members of the industry have suggested that a long-term mechanism be established for the quota of refined oil products exported from the Mainland to Hong Kong, so that oil companies can flexibly arrange the monthly import volume according to the actual demand, thereby stabilising and safeguarding the fuel supply for Hong Kong, whether the Government will examine such proposal and other measures to safeguard the fuel supply; if so, of the timetable; if not, the reasons for that; and

(4) whether it will study the following proposal put forward by members of the industry: to make marine fuel oil produced in the Mainland and exported to Hong Kong eligible for duty refunds, so that ships bunkering in Hong Kong can use duty-free marine fuel oil from the Mainland in the same way as those bunkering at Mainland ports (e.g. Yantian port in Shenzhen), thereby

manifesting the advantages of "one country", as well as safeguarding Hong Kong's supply of marine fuel oil and maintaining Hong Kong's status as an international maritime and trading centre; if so, of the timetable; if not, the reasons for that?

Reply:

President,

The objectives of the Government's energy policies are to ensure energy needs of the community are met safely, reliably and efficiently at reasonable prices, and to minimise the environmental impact of energy production and use. Amid the geopolitical crisis in Russia and Ukraine and hence fluctuations in oil prices in recent months, the Government has kept abreast of market developments and maintained close dialogues with relevant trades. So far, fuel supply in the global market has remained largely stable.

Regarding the question raised by Hon Chan Han-pan, our responses are as follows:

(1) & (3) In a free market economy, oil companies procure oil products from the global market having regard to commercial principles. The role of the Government is to make best effort to ensure a stable fuel supply, maintain an open market and remove barriers to market entry, and at the same time enhance the transparency of the prices of fuel products so that consumers can make informed choices, which will in turn promote competition.

Mechanism has been put in place to set out minimum reserve levels of essential fuels and address situations arising from disruption of fuel supply. The stock and supply situation of oil products in Hong Kong is monitored on a regular basis to ensure that sufficient reserves of essential fuels are available to tide Hong Kong over in case of a temporary disruption of fuel supply. In addition, under the Oil (Conservation and Control) Ordinance (Cap. 264), the Government could regulate the storage, supply, acquisition, disposal or consumption of oil under special circumstances. We have also drawn up contingency plan to co-ordinate the implementation of energy conservation measures by both the public and private sectors, as well as the allocation and consumption of oil in the event of a disruption in oil supply.

The Government liaises with relevant Mainland authorities and oil companies on the situation of local fuel supply. According to our observation, the trend movements of local retail prices of fuels and those of international oil prices were generally in line over the past year. Major oil companies have indicated that their current supply of related refined oil products are normal. It is understood that oil companies have put in place mechanisms to address market volatility. For instance, they have made agreements with various suppliers in the global market to control and diversify the risks of their fuel supply mix, thereby ensuring stable supply and hence smooth business operation as well as competitiveness. Nevertheless, oil companies consider information on their global sourcing strategies

commercially sensitive and thus not appropriate for disclosure. The mode and timing of procuring oil products are oil companies' commercial decisions and the Government should not intervene.

(2) The COVID-19 pandemic has caused severe disruption to economic activities at large and all walks of life have been seriously affected. Business of petrol filling stations (PFS) is no exception. It is understood that when Hong Kong was hard hit by COVID-19 earlier this year, oil companies had to aptly adjust the operating hours of their PFS due to circumstances that some frontline staff were tested positive for COVID-19 and thus absent from duty, and the PFS concerned had to undergo cleaning and disinfection. Relevant information was instantly disseminated via oil companies' online platforms and their customers were also notified at once by the corresponding sales teams to minimise the inconvenience caused. Moreover, oil companies deployed their manpower with flexibility in order to maintain the overall services of PFS as far as practicable. As the epidemic situation has stabilised in Hong Kong, the services of PFS have largely resumed normal.

(4) The international maritime industry is increasingly concerned about issues on environmental protection. As an international maritime centre, the Government has been promoting the development of green port through different measures and encouraging the industry to adopt more sustainable shipping initiatives. As set out in the Hong Kong's Climate Action Plan 2050, Hong Kong will strive to achieve carbon neutrality before 2050. To this end, the Government will examine various means to reduce carbon emissions, which include exploring different types of zero-carbon energy and decarbonisation technology, gradually reducing and ceasing the use of fossil fuels, promoting zero-carbon vehicles and other green transportation, etc. We must reduce transport-related carbon emissions. The general consensus of the international community is also the same, that is, to increase the use of clean energy and develop various kinds of green transportation, and to move towards carbon neutrality to combat climate change. Our country has even included carbon peaking and carbon neutrality in her overall plan for ecological conservation, and will gradually reduce fossil energy consumption and promote the development of green transport. To increase the costs of using non-clean energy for enterprises and consumers, many overseas places have imposed carbon taxes in recent years, and some places have also increased fuel taxes, thereby promoting the development of clean energy. On the other hand, the Government has been actively promoting the use of clean energy by ocean-going vessels (OGVs), such as examining measures to take forward the adoption of liquefied natural gas (LNG) in OGVs, with a view to attracting more LNG-using OGVs to call Hong Kong port for replenishment. Therefore, currently there is no reason to reduce or remove fuel duties from the environment angle. The Government will continue to listen to the views of the trades concerned.