

LCQ21: Retail prices of auto-fuels

Following is a question by the Hon Adrian Ho and a written reply by the Secretary for Environment and Ecology, Mr Tse Chin-wan, in the Legislative Council today (January 15):

Question:

It has been reported that as at the end of December last year, the price of ICE London Brent Crude Futures stood at US\$74.17 per barrel, down by about 20.35 per cent from its highest at US\$93.12 per barrel last year. However, there are views pointing out that the unleaded petrol retail prices of various oil companies in Hong Kong rose instead during the same period, causing users and members of the transport industry to think that the retail prices of auto-fuels (oil prices) in Hong Kong are "quick to rise and slow to drop". In this connection, will the Government inform this Council:

(1) as there are views that the lack of transparency about the data on various costs and sales of oil companies in Hong Kong has made it difficult for the community to monitor the market effectively, of the authorities' policies and measures in place to require the oil companies to disclose more data, including those on costs, fuel duties and sales, thereby enhancing market transparency and safeguarding consumers' right to know;

(2) given that the Competition Commission (the Commission) put forward six recommendations on improving market competition in its Report on Study into Hong Kong's Auto-fuel Market released in 2017, of the authorities' monitoring and improvement work in respect of the development and structure of the local auto-fuel market since the release of the Report; whether the Government has maintained communication with the Commission to investigate if various anti-competitive conducts are involved in the auto-fuel retail market; if it has, of the details; if it has not, the reasons for that;

(3) as there are views pointing out that the global tensions in recent years have led to volatility of international oil prices, whether the authorities have studied what measures are in place to help motorists and the transport industry cope with the possible fluctuations in oil prices, thereby sparing them from the heavy burden of oil prices; if so, of the details; if not, the reasons for that; and

(4) as the Government indicated in its reply to a question raised by a Member of this Council on May 4, 2022, that it would not introduce a requirement for the supply of 95 RON petrol at petrol filling stations because this would make it necessary for oil companies to construct and modify facilities at their oil terminals and petrol filling stations, which would incur additional operating and capital costs and thus lead to higher oil prices instead, but there are views that the price of 95 RON petrol is about 20 per cent lower than that of 98 RON petrol in Guangdong Province and Singapore, and the oil prices in Hong Kong are still on the rise at present, whether the authorities

will, having regard to the latest market situation, study afresh the feasibility of introducing 95 RON petrol in a bid to increase the choices of less expensive fuel products on the market and obviate the need for users to pay for expensive fuels?

Reply:

President,

Although retail prices of auto-fuels in Hong Kong are determined by the market, the Government has been endeavouring to ensure a stable fuel supply, maintain an open market and encourage competition, and at the same time enhancing the transparency of the prices of auto-fuel products so that consumers can make suitable choices.

Under the National 14th Five-Year Plan, our country will accelerate the green and low-carbon transformation of the energy structure, increase the proportion of new energy vehicles, and promote electric vehicles (EVs) and other means of green transport. The Hong Kong Roadmap on Popularisation of Electric Vehicles published by the Government has set the goals of ceasing the new registration of fuel-propelled private cars in 2035 or earlier and attaining zero vehicular emissions before 2050. With the popularisation of EVs, we expect that the demand for auto-fuels will continue to decrease.

In consultation with the Commerce and Economic Development Bureau and the Transport and Logistics Bureau, the reply to the question raised by the Hon Adrian Ho is as follows:

(1) The retail prices of auto-fuels depend on a host of factors, including the costs of purchasing imported refined oil products and operating petrol filling stations (PFSs), such as the discounts offered, government rent, tax, staff costs, transportation, maintenance of oil terminals and PFSs. When oil companies adjust their retail prices of petrol, they would also take into account changes in these operating costs. Hence their adjustments cannot be deduced solely based on international crude oil prices. With the increasing popularity of EVs, the sales volume of auto-fuels is expected to decline, which would put pressure on the unit operating costs in the long term. If oil companies can provide more costs and sales data to improve the transparency of market information, it would help clear the doubts of consumers.

As Hong Kong has no oil refinery, all auto-fuels sold locally are imported refined oil products instead of crude oil. Crude oil and refined oil (such as unleaded petrol and motor vehicle diesel) are different products. Therefore, changes in international crude oil price are not necessarily the same as changes in the prices of unleaded petrol and motor vehicle diesel. The Government has been monitoring the changes in local retail prices of auto-fuels and comparing them with the trend movements of international oil prices (i.e. Singapore free-on-board prices or Means of Platts Singapore), and publishes these data online on a weekly basis to increase price transparency. In addition, oil companies generally provide various kinds of discounts and concessions to customers. We note that the walk-in discount and

the membership card discount offered by certain oil companies have increased from \$0.9 per litre in 2019 to a maximum of \$7.5 per litre recently; the number of days on which the special discount is offered has also increased from one day a week to two to five days a week. Therefore, the pump prices listed at PFSs may not necessarily be the actual price paid by customers. After analysing the market data and deducting walk-in discount, the local retail prices of unleaded petrol decreased from the highest of about \$24 per litre at the beginning of last year to about \$18 per litre at the end of last year, representing a decrease of about 20 per cent.

In order to enhance the transparency of prices of auto-fuel products, the then Environment Bureau commissioned the Consumer Council (CC) to launch the new Oil Price Watch website and mobile application in 2020 for the convenience of customers to obtain comprehensive discount information and compare prices for making choices that suit their needs, thereby enhancing price competition. As at December 2024, the Oil Price Watch mobile application recorded 104 000 downloads in total and 131 000 monthly visits on average respectively and the Oil Price Watch website recorded an average of over 200 000 monthly visits. According to our rough estimate, by leveraging the information available on the Oil Price Watch, drivers using unleaded petrol and diesel could enjoy extra fuel discounts of about \$5.6 per litre and \$2.8 per litre on average respectively upon each refuelling in last year, which are equivalent to savings of about 20 per cent and 10 per cent of their fuel costs. Such discounts have yet to include the designated membership discounts, credit card discounts and membership card discounts offered by each oil company.

(2) Regarding the study report on Hong Kong's auto-fuel market published by the Competition Commission (the Commission) in 2017, we have followed up on the relevant recommendations as appropriate, such as the issuance of the guidelines on setting up a price information board within PFS sites in 2019, and the commissioning of the CC to launch the new Oil Price Watch in 2020 to push updates to users about each oil company's changes in auto-fuel prices and the latest discounts information. We will maintain communication with the Commission on the ways to further enhance competition.

According to the Competition Ordinance (Cap. 619) (the Ordinance), the Commission may exercise the investigative powers granted by the Ordinance to conduct an investigation if it has reasonable cause to suspect that a contravention of a competition rule has taken place. These include requiring any person to provide information or documents and attending before the Commission. The Government will continue to liaise closely with the Commission on the implementation of the Ordinance.

(3) In view of the impact of the COVID-19 pandemic on the transport sector, the Government previously introduced a series of relief measures, including fuel subsidies and one-off subsidies, for the transport sector. At present, the Government has no plan to provide fuel subsidies again, but will maintain communication with the trade and explore measures to help improve the operating environment.

(4) Assuming that an oil company supplies 95 RON petrol in addition to the existing two 98 RON petrol products at its PFSs, it would need to install additional underground storage tank(s) and to modify the ancillary facilities (e.g. dispensers, pipelines and nozzles), given that different types of petrol products are required to be stored at separate underground storage tanks. For some PFSs, owing to site constraints (e.g. limited underground space), it may not be technically feasible to install additional storage tank(s) and ancillary facilities. Even if it is feasible, such installations might lead to additional costs and take a longer time to carry out the modification works. It is understood that given the small difference in the estimated wholesale price between 95 RON petrol and 98 RON petrol (about 10 cents per litre), which accounts for less than one per cent of the retail price, the abovementioned cost of the additional installation and modification facilities might possibly offset or even outweigh the minor difference in wholesale price between the two types of petrol. The Government's policy is to encourage drivers switching to EVs. As mentioned in the Chief Executive's 2024 Policy Address, the Government would earmark \$300 million for a new scheme, encouraging the private sector to install quick-charging facilities. The target was to have a total of 3 000 quick chargers installed by 2030 to step up efforts to promote green transport. In view of the above considerations and the anticipated future development of EVs and alternative fuel vehicles, the Government has no plan to require the supply of 95 RON petrol at PFSs.