

Fuel tax 'to be levied soon as timing is right'

The government is likely to levy fuel tax soon while rolling back road tolls and maintenance taxes, a senior researcher close to energy policy makers said yesterday

"The government has repeatedly said that it is looking for an appropriate time to start levying fuel tax, and now, with the global oil prices going down so much over the past few months, I think this is a great time to impose the tax," Han Wenke, director-general of the Energy Research Institute of the National Development and Reform Commission, told China Daily.

The timing of the introduction of such a tax has long been a hot topic. Many believe the present low crude oil prices present a perfect opportunity for the government to levy the tax as a key step toward letting the market eventually set prices, as consumers will be more amenable when oil prices are low.

Crude oil dropped below \$55 a barrel on Monday, down nearly 63 percent from a record high of \$147.27 on July 11.

China, the world's No 2 energy consumer, first proposed a tax on retail fuel sales more than 10 years ago as part of an effort to reform the system of road tolls and maintenance charges.

Han said he believes the fuel tax will contribute to a reasonable pricing mechanism. "It's fair that the more you use a car, the more you have to pay for fuel."

The current pricing system does not fully reflect price fluctuations on the world market. When global oil prices were at their peak, the government had to dole out huge subsidies to oil refiners to keep prices at a fixed level.

Jiang Kejun, a researcher at the Energy Research Institute who is a member of the team formulating the fuel tax scheme, told China Daily that January, or even earlier, would be a good time to start the tax.

"I think the tax will be a little more than 1 yuan per liter, and the government might cut the retail price to allow the domestic fuel price to move closer to the market level," Jiang said.

Beijing motorists pay about 30 percent more at the pump for gasoline than their US counterparts.

Some experts are concerned that the auto industry will suffer if the fuel tax is imposed, but Jiang said he believes it will send a strong message encouraging manufacturers to produce fuel-efficient cars.

"The tax will encourage people to buy energy-efficient cars, and manufacturers will not suffer losses if they respond to that trend," Jiang said.

Zheng Jun, a Beijing-based auto industry analyst with China Securities Co Ltd, also believes the fuel tax will not have a big negative impact either on the industry or the national economy.

Zheng said the government, while likely charging 30 percent as fuel tax, will lower retail gasoline prices by 20 percent and abolish road tolls.

"I firmly believe the government will lower the retail oil price before charging the tax."

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