

## An end to cheaper oil?

AS a city that lives by and on the free market, Hongkong will not be surprised to hear that oil prices are stabilising after their recent plunge. Monday's announcement that kerosene, diesel oil and other petroleum products, including liquefied petroleum gas, were to be lowered again was accompanied by a warning to motorists that petrol prices may, in fact, go up.

What is surprising, however, is that while it took some months for the price reductions to flow down the pipeline to Hongkong, oil companies seem to be wasting little time in preparing us for future increases following attempts by OPEC producers to talk prices up again.

We may be sure that the oil companies will argue that average prices fell far more slowly and less dramatically than international spot prices, and that the media invariably headlined the extreme falls.

However, it is a fact that other countries have enjoyed the benefits of lower prices for much longer. And while no date has yet been given for a price increase in oil products, Asia generally seems to be less cushioned than other parts of the world in terms of the duration of lower prices.

We may be a smaller market than Europe and it is true that oil, once shipped from point of origin to the refinery and then the pump, has longer to travel from the Gulf.

It is also true that oil suppliers are reducing the lead content and mixing more efficient additives and that we have a better product today than six months ago.

But it is still hard to understand why Asian users should not gain the same benefits as those in other parts of the world.

The trend in world oil prices is difficult to predict beyond anything but the immediate short-term. Demand in Europe and the United States should, like winter heating bills, fall during the summer months — unless OPEC producers succeed in agreeing to cut production and in making those cuts stick.

While some correction to the sharp falls in recent months is inevitable, it is hard to see OPEC producers holding down output indefinitely. Many of them cannot afford to, with the heavy debt burden they carry.

On the subject of fuel, it was revealed on Monday that the Hongkong and China Gas Company will start negotiations with China over the purchase of natural gas. The news may well cause some misgivings among users, though a Towngas spokesman has stated that consumers will not have to shoulder conversion costs.

However, others may wonder how it will be possible to work with both naphtha-based Towngas and natural gas, and whether it might prove costly in the long term to be tied to one form of supply, such as natural gas from China.

Ideally, large supplies of natural gas close to Hongkong from places such as Hainan Island should be a boon and a blessing. But the problems of supply and distribution and the effects on how it reaches the home need to be explained to the public — along with any schemes of control to monitor the profits of utilities in this expanding area.