

**Reforms to the tax treatment of red diesel  
and other rebated fuels:**  
**Consultation response submission form**

Publication date: 9 July 2020

Closing date for comments: 1 October 2020

## Consultation

The government is dedicated to meeting its climate change and wider environmental targets, including improving the UK's air quality. At Budget 2020, the government therefore announced that it will remove the entitlement to use red diesel from April 2022, except in agriculture (as well as forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating).

The government has launched a consultation to seek views on whether it has overlooked any exceptional reasons why other sectors should be allowed to continue to use red diesel beyond April 2022. The consultation asks for views on the government's proposals for implementing the changes announced at Budget, and is also seeking further information about the current end uses of other rebated fuels, such as non-aviation kerosene and fuel oil.

The consultation in full can be found on the following GOV.UK page:  
<https://www.gov.uk/government/consultations/consultation-on-reforms-to-the-tax-treatment-of-red-diesel-and-other-rebated-fuels>

## How to respond

The best way to respond to this consultation is to complete this submission form, and email it to: [ETTAnswers@hmtreasury.gov.uk](mailto:ETTAnswers@hmtreasury.gov.uk)

Alternatively, representations by mail can be sent to:

Red diesel consultation  
Energy and Transport Tax team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Any questions about the consultation can also be sent to:

[ETTanswers@hmtreasury.gov.uk](mailto:ETTanswers@hmtreasury.gov.uk)

Paper copies of this document or copies in Welsh and alternative formats may be obtained free of charge from the above address. This document can also be accessed from GOV.UK.

All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

Where possible, please also provide evidence to support your responses. This consultation will inform future policy development. The government will set out its intentions once it has considered the responses received.

## Processing of Personal Data

This notice sets out how HM Treasury will use your personal data for the purposes of this consultation and explains your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

### Your data (Data Subject Categories)

The personal information relates to either a member of the public, parliamentarians, and representatives of organisations or companies who respond to this consultation.

### The data we collect (Data Categories)

For the purposes of the GDPR, we will process the information that you include in your correspondence, which may include your name, address, email address, phone number, job title, and employer of the correspondent, in addition to your opinions on the consultation. It is possible that respondents may volunteer additional identifying information about themselves or third parties.

### Legal basis of processing

The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this consultation the task is consulting on departmental policies or proposals or obtaining opinion data in order to develop good effective government policies.

### Special categories data

Any of the categories of special category data may be processed if such data is volunteered by the respondent.

### Legal basis for processing special category data

Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.

This function is consulting on departmental policies or proposals, or obtaining opinion data, to develop good effective policies.

### Purpose

The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, proposals, or generally to obtain public opinion data on an issue of public interest.

### Who we share your responses with

Information provided in response to a consultation may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice

with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.

Where information about respondents is not published, it may be shared with officials within other public bodies involved in this consultation process to assist us in developing the policies to which it relates. Examples of these public bodies appear at: <https://www.gov.uk/government/organisations>.

As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

### How long we will hold your data (Retention)

Personal information in responses to consultations will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.

Personal information in responses that is not published will be retained for three calendar years after the consultation has concluded.

### Your rights

You have the right to request information about how your personal data are processed and to request a copy of that personal data.

You have the right to request that any inaccuracies in your personal data are rectified without delay.

You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.

You have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted.

You have the right to object to the processing of your personal data where it is processed for direct marketing purposes.

You have the right to data portability, which allows your data to be copied or transferred from one IT environment to another.

### How to submit a Data Subject Access Request (DSAR)

To request access to personal data that HM Treasury holds about you, contact:

HM Treasury Data Protection Unit  
G11 Orange  
1 Horse Guards Road  
London  
SW1A 2HQ  
dsar@hmtreasury.gov.uk

### Complaints

If you have any concerns about the use of your personal data, please contact us via this mailbox: [privacy@hmtreasury.gov.uk](mailto:privacy@hmtreasury.gov.uk).

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent

regulator for data protection. The Information Commissioner can be contacted at:

Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Cheshire

SK9 5AF

0303 123 1113

[casework@ico.org.uk](mailto:casework@ico.org.uk)

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

### Contact details

The data controller for any personal data collected as part of this consultation is HM Treasury, the contact details for which are:

HM Treasury

1 Horse Guards Road

London

SW1A 2HQ

London

020 7270 5000

[public.enquiries@hmtreasury.gov.uk](mailto:public.enquiries@hmtreasury.gov.uk)

The contact details for HM Treasury's Data Protection Officer (DPO) are:

The Data Protection Officer

Corporate Governance and Risk Assurance Team

Area 2/15

1 Horse Guards Road

London

SW1A 2HQ

London

[privacy@hmtreasury.gov.uk](mailto:privacy@hmtreasury.gov.uk)



## About you

1. What is your name?

Andy Leitch, Deputy CEO, Confederation of Forest Industries (UK)

2. What is your email address?

Andy.leitch@confor.org.uk

3. Which category in the following list best describes you or the business/representative organisation you represent?

- Academic or research
- Agriculture, forestry, horticulture or pisciculture
- Airport operations
- Charity or voluntary organisation
- Chemical production
- Construction, including plant and equipment hire
- Electricity generation and portable generators
- Fuel supplier (if you are a Registered Dealer in Controlled Oil, please note below)
- Groundworks contractor
- Haulage
- Individual (including users of fuel for domestic purposes)
- Logistics and freight
- Manufacturing
- Maritime or inland waterway vessel operator
- Mining and quarrying
- Non-governmental organisation
- Oil and gas
- Property manager or maintainer
- Public entertainment (e.g. funfairs and travelling circuses)
- Public sector
- Rail industry
- Waste oil processors

**If you are replying on behalf of a business or representative organisation, please provide the name of the organisation/sector you represent, where your business(es) is located, and an approximate size/number of staff (where applicable).**

Confederation of Forest Industries (UK), 59 George St, Edinburgh, EH2 2JG.

Confor is the representative organisation for the UK's sustainable forestry and wood-using businesses. It has more than 1,500 member companies representing the whole forestry and wood supply chain, including sawmills, panel board and packaging manufacturers and wood pellet manufacturers. We support and agree with the inclusion of forestry along with agriculture in the exemption to the changes in the tax treatment to red diesel. This submission is on behalf of downstream businesses within the UK wood supply chain including sawmills, papermaking mills, wood panel board and wood pellet manufacturers who make huge contributions to UK climate change mitigation and who were vital for supporting essential services during the Covid-19 lockdown period. In 2019 11.6 million tonnes of timber was delivered and processed from UK forests through approximately 204 active facilities. A large proportion of this material is converted into long life products or wood energy that contribute to the UK government's target of Net Zero by 2050. This includes over 7 million cubic metres of wood products available for the construction industry which will lock-up carbon in the long term, 2.5 million tonnes of paper and paperboard including packaging for medicine (an essential service during Covid-19) and approximately 2 million tonnes used for biomass energy to replace fossil fuel.

**4. Would you like your response to be confidential and, if so, why?**

No

## **Sectors retaining entitlement to use red diesel – chapter 4**

Chapter 4 sets out why the government is not proposing to change the entitlement to use red diesel and rebated biofuels for agriculture (including forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating). It seeks views on whether the continued entitlement to use red diesel and rebated biofuels is justified for any other users.

### **Questions**

- 5. Will removing the entitlement to use red diesel in your sector create perverse environmental outcomes? If so, please explain how, providing relevant evidence.**

Yes

No

Don't know

The consequences of the removal of the use of red diesel could result in perverse environmental outcomes such as:

a. The price of UK timber and wood products could increase making them less competitive with other higher embodied energy products, particularly in construction and woody biomass energy. This could impact on the UK achieving its Net Zero target by reducing the amount of carbon being stored in buildings in the form of timber and wood-based products, and potentially increasing the amount of fossil fuel being used for heat and power.

b. The additional cost of diesel for kiln drying timber (where diesel is the only viable option due to rural location and limited access to the grid) could lead to greater moisture content in some products, therefore less volume being moved in each lorry consignment and consequently transport being less fuel efficient.

c. At present, many of the wood processing plants intake roundwood timber from the forest and then use chippers to process the wood for the production process, this proposed policy could result in more chipping being done in the forest gate which would require more infrastructure in the forest, such as hard standing processing and transfer bays, which will require additional civil engineering works and soil disturbance resulting in a higher carbon footprint.

**6. Will removing the entitlement to use red diesel in your sector have an impact on the price of goods and services households and/or voluntary organisations use or pay for over the long-term? If so, please provide relevant evidence.**

Yes

No

Don't know

The increased costs associated with losing the entitlement to use red diesel can be expected to raise prices for, and potentially reduce availability of, household goods such as: paper packaging for medicine, toilet paper, wood panel board, sawn wood for pallets that move around food and medicines, and wood energy which were categorised as essential products during Covid-19 lockdown. Wood/biomass energy is used to heat community facilities, hospitals, care homes, etc. There could also be a downstream impact on the price of food and any other goods that are transported on wood pallets.

- 7. How will removing the entitlement to use red diesel in your sector impact your organisation? Please provide details on:**
- a. Your organisation/sector's current red diesel consumption and costs, including as a proportion of total costs, and broken down by different uses (i.e. what types of vehicles and machinery)**
  - b. The operational and financial capacity of your organisation/sector to shift to alternatives to red diesel (specifying what these alternatives are)**
  - c. The capacity of your organisation/sector to pass through costs down the supply chain**
  - d. The capacity of your organisation/sector to absorb extra costs**

a. Your organisation/sector's current red diesel consumption and costs, including as a proportion of total costs, and broken down by different uses (i.e. what types of vehicles and machinery)

The wood processing sector mainly uses red diesel for:

Mobile plant: to move materials, feedstock and finished products internally within the facilities.

Other: primary processing machinery such as wood-chippers/shredders/screening machines.

Kilns: As a back-up fuel for heating kilns for drying timber. Please note most kilning capacity has been converted to biomass power where practicable and financially feasible, however there are businesses in the sector that are off grid and red diesel power is the only viable option at this time.

The types of mobile machinery used includes Volvo Shovels, Liebherr front loaders, Forklifts, maintenance cranes, cherry pickers, mobile screening equipment and trucks.

It has not been possible to gather precise data from all the processing facilities in the UK, but the following figures are an interpolation based on returns from some of the largest red diesel using sawmill/processors in the sector.

The estimated figures for the sector in 2019 over 204 active sites:

Approximately 1400 pieces of plant/equipment using red diesel within the sector.

Total red diesel usage: Approximately 21 million litres

- Mobile plant: 65%

- Kilns: 15%

- Other: 20%

Cumulative Red diesel costs – approximately £10m

Proportion of total costs – This was a difficult figure to calculate accounting for the large variance in size and scale of the businesses that could be affected by the change in tax treatment. However, a number of our members have reported that the additional cost to their operations will be as much as £700,000 per annum and add between 15–20% to processing costs. Overall, the estimated (based on variable estimated white diesel price) total additional cost to our sector could be up to £10,000,000 per annum.

- 8. What impact do you expect the removal of red diesel entitlements from most sectors will have on the environment and on air quality? Please provide any evidence you deem relevant.**

There is an argument that by removing the red diesel entitlements it may have a negative impact on the environment and air quality. For industries that are already struggling to cope with the financial impact of Covid-19 on their business, the increased costs of fuel will reduce their financial capacity and postpone or at least delay investment in new cleaner fuels, such as more expensive (at present) electric powered machinery.

We would urge the government to consider deferring the implementation of this change to the tax treatment of red diesel by three years for our industry and/or introducing financial support for such sectors to accelerate the replacement of red diesel with cleaner fuels.

- 9. Do you have any comments on the government's intention to maintain the entitlement to use red diesel for agriculture (as well as forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating) from April 2022?**



We fully support the government's intention to maintain the entitlement to use red diesel for agriculture and forestry. The overall UK wood supply chain is already carbon negative and will play an even greater role in helping the UK government achieve Net Zero by 2050. This will be achieved by increased tree planting for carbon sequestration, increased wood fibre availability for conversion into low carbon long-life products, particularly construction products which will store significant amounts of carbon in buildings for the length of their life. The sector continues to explore opportunities to further re-use and recycle wood products further extending their life and it continues to explore opportunities to improve its environmental performance in transport and alternative fuels where cost and technology allows. The sawmilling and wood processing sector is an integral part of this wood supply chain.

**10. The government is interested in gathering further information about the use of red diesel for heating. Please provide relevant evidence of your use of red diesel for this purpose, including on: i) the quantity and cost of the fuel; ii) where in the country the fuel is used (including whether you are on or off the gas grid); and iii) whether you consider that there are any viable alternative energy sources available to you.**

This sector has the option to use red diesel for kilning, but in our efforts to reduce emissions have mainly converted to biomass as the main source of power for heating. However, red diesel (and gas where accessible) is used as a back-up.

**11. Do the announced changes to the tax treatment of red diesel raise any concerns about the application of existing fuel duty reliefs? If so, please provide details on the relief and the issue that you believe will arise.**

Yes

No

Don't know

## Implementation and ensuring compliance – chapter 5

Chapter 5 outlines the government’s proposals for implementing the changes announced at Budget. It seeks views on proposals to introduce the tax changes, and whether to mandate that fuel suppliers and end users of red diesel must flush out their tanks, pumps and fuel supplies. It also seeks views on whether the government’s suggested approach to ensuring compliance is proportionate and appropriate, as well as setting out the specific implications for private pleasure craft.

### Questions

#### Introduction of changes

12. Are there any circumstances where, despite nearly two years’ notice, users of red diesel that will be losing their entitlement will have already purchased fuel that they do not expect to have used up by April 2022? If so, please provide evidence to explain why you do not expect to be able to manage your supplies so that you have used up all your red diesel by April 2022.

- Yes
- No
- Don’t know

Most of our members manage their stocks by organising regular supplies and storing relatively low levels in bunded stocks.

#### Ensuring compliance: fuel suppliers

13. Do you agree with the government’s suggested approach of mandating RDCOs that switch a fuel tank from red to white diesel in anticipation of the introduction of the tax changes to flush the tank and pump until no trace of marked rebated fuel remains? If you do not, please explain why.

- Yes
- No
- Don't know

n/a

**14. If you are a fuel supplier, do you foresee any significant difficulties with the proposed arrangements for implementing the changes to the tax treatment of red diesel? If so, please explain why.**

- Yes
- No
- Don't know

n/a

### **Ensuring compliance: red diesel users**

**15. Do you agree with the government's suggested approach of not mandating users of red diesel that will lose their entitlement to flush out the fuel supplies of their vehicles and machinery? If you do not, please explain why.**

- Yes
- No
- Don't know

We agree with the reason behind this approach to avoid damage to the environment that could arise from the unsupervised and unsafe disposal of red diesel

**16. If you are in a sector that will lose entitlement to use red diesel from April 2022, do you foresee any difficulties with the proposed arrangements for implementing the changes to the tax treatment of red diesel? If so, please explain why.**

- Yes
- No
- Don't know

We refer to point 5.20 and 5.21 in the consultation document. We have concerns how 5.20 is written where it infers that machine that show markers for red diesel after April 22 will be seized with the onus on the owner to prove otherwise, this seems disproportionate and could be costly and stressful for the business affected. We recommend that this practice should only be implemented if it can clearly differentiate the volume of red diesel present as a result of residues from a tank that hasn't been flushed out against that of significant content of red diesel mixed with white.

### **Ensuring compliance: HMRC enforcement powers and penalties**

**17. Is the government's suggested approach to compliance proportionate and appropriate? If not, please explain why and outline any scenarios that you anticipate may require bespoke compliance powers or penalties.**

- Yes
- No
- Don't know

As above in question 16.

### Private pleasure craft

18. Do you agree with the government's suggested approach of introducing a new relief scheme where the fuel supplier would deduct from the sale price the duty difference on the proportion of white diesel purchased by private pleasure craft users for non-propulsion use? If you do not, please explain why and give details of an alternative that you believe would be better.

- Yes
- No
- Don't know
- n/a

19. Do you consider that 60% for propulsion and 40% for non-propulsion use still reflects most crafts' typical fuel use? If not, and you are a private pleasure craft user, please provide evidence on your own use. If you are a fuel supplier, please provide evidence on the number of craft users that claim they use more than 40% of their fuel for non-propulsion use.

- Yes
- No
- Don't know
- n/a

20. If the government decides to introduce a new relief scheme, do you consider that the relief should be set as a fixed percentage to reflect most crafts' use or capped at a maximum percentage, meaning that craft

users that use less than the maximum for non-propulsion would claim back less? Please explain the reasons for your view.

- Set as a fixed percentage
- Capped at a maximum percentage
- Don't know

n/a

21. If you are a fuel supplier selling fuel to private pleasure craft, do you foresee any difficulties with implementing the new relief scheme outlined above if the government decides to introduce it? If so, please explain why and whether the government could adapt the scheme to mitigate these difficulties.

- Yes
- No
- Don't know

n/a

22. Do you agree with the suggested approach for private pleasure craft with two fuel tanks (one for propulsion and a separate one for non-propulsion) to be allowed to continue to use red diesel in the non-propulsion tank where it can obtain it?

Yes

No

Don't know

n/a



## Assessment of other impacts – chapter 6

Chapter 6 sets out the government’s current assessment of what impacts the changes to the tax treatment of red diesel and rebated biofuels are expected to generate. It seeks views on whether these changes will generate any unintended impacts that have not been outlined in this consultation.

### Questions

**23. Is there anything you have not already included in your response that you would like us to note about the impact of the changes to the tax treatment of red diesel, especially any potentially adverse impacts on groups with protected characteristics?**

Summary of the sector, its connection to carbon targets, rural economy, protecting jobs. A sector that has a proven track record of moving from fossil fuel to renewables.

## **Tax treatment of other rebated fuels, call for evidence – chapter 7**

Chapter 7 sets out that the government is considering whether to revisit the tax treatment of other rebated fuels, such as non-aviation kerosene and fuel oil, to support its environment and air quality objectives. It seeks further information about the current end uses of these fuels.

### **Questions**

24. The government is interested in gathering further information about the end use of non-aviation kerosene, fuel oil, other heavy oils, LPG and natural gas. Please provide relevant evidence on usage of these fuels, particularly in relation to:
- a. the purpose and type of use, such as business, public sector or domestic. Where the fuel is used as motor fuel, it would be useful to know what types of machinery, including excepted vehicles, it is used to power and what they are used for
  - b. the quantity and cost of the fuel used
  - c. where in the country these fuels are used (including whether they are on or off the gas grid)
  - d. whether you consider that there are any viable alternative fuels available to you to power such machinery, including excepted vehicles, or equipment.

If you know your Standard Industrial Classification code, please also provide this.

You are invited to provide any evidence you deem relevant to this call for evidence, not limited to the information requested.

n/a

25. Is there any other information that you wish to highlight to help the government reach a decision on whether to reconsider the tax treatment of these other rebated fuels?

26. If you believe the tax treatment of these other rebated fuels should be reconsidered, do you have any suggestions for how it could be reformed and implemented? Please provide any evidence you deem relevant and consider how this would interact with the changes to the tax treatment to red diesel, both in terms of which sectors the changes would affect (Chapter 4) and how the changes would be implemented (Chapter 5).

## HM Treasury contacts

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 5000

Email: [public.enquiries@hmtreasury.gov.uk](mailto:public.enquiries@hmtreasury.gov.uk)