

**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

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

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.

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

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:

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020 7270 5000

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

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privacy@hmtreasury.gov.uk

About you

1. What is your name?

Dr Michael Rodd

2. What is your email address?

nabochair@nabo.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).

National Association of Boat Owners which represents approx. 4000 private boat owners

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

We ask again for use for propulsion on inland waterways to be included in the list of entitlement. Changing to white diesel will contribute nothing to desired environmental improvements, because there is no safe alternative available in the short or medium term. The energy used in propulsion is very small, with engines rated primarily for short term emergency use. Efficiency improvements are meaningless in this scenario. It is clear that use of white diesel will result in significant casual transfer and decanting of small quantities of fuel to boats, and the inevitable increase in spillage and fire risk. These points have been made repeatedly to various Government consultations over 15 years. They remain true. Government have never responded to these points.

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

Firstly, we understand that there will be a commitment that white diesel used for heating and power generation will be rebated. So, we assume that the first cost of fuel will be the same and there is no change.

A significant number of inland waterways boats (in total over 451,000) use red diesel for power generation and domestic heating as well as for propulsion of the boat. This is essential for day-to-day living. Many use their boats as their only place of residence. Not all have what we know as a home mooring and move around the system. It is not clear to us what your intentions are in this respect. Boaters with this lifestyle should not be disadvantaged.

Many of these boats (~15%) are the user's prime home. We are unable to make a judgment on the supply chain and whether costs will increase. But it is clear that there are supply costs, from such things as cleaning tanks, additional tanks for second product, smaller delivery volumes, storage issues with bio fuel, cash flow from delay in tax rebate, additional security, additional paper work for rebate declarations, liability of abuse of white diesel. It follows that some cost increase is inevitable. We object to any increase in cost based on this red tape, this without any environmental benefit whatever.

We reject in principle the request to provide evidence for anything in this consultation. We have been writing to the Government for 15 years on this subject, and there has never been a request before that we accumulate typical data. It is unreasonable that you now ask for data at short notice. If you want this then planning is required and we would be delighted to co-operate.

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

As mentioned above, over 451,000 inland waterways boats are involved of which a high proportion use red diesel for heating as well as for propulsion. In practice most users will vary from 60/40 to 10/90 depending on boat use and time of use. There must be flexibility. Assuming 60 / 40 for everyone does not work. There are a growing number of liveaboard boaters estimated at 30% of the total who move a short distance every 2 weeks as required by the Canal and River Trust. Their diesel use is predominately for power generation and the provision of hot water. There are many craft in marinas who never leave the mooring and 100% of fuel is used for domestic services.

Not permitting or increasing the cost of red diesel will have an immediate effect on these users.

The change from red to white diesel is feared amongst boaters because of the known problems with the bio content and diesel bug. Many engines are of an age and nature that they are not suitable by design. The proximity of low usage and tank turnover, water and condensation on boats cause problems continuously. Boat yards have equipment to service boats when they get into trouble, but there are costs circa £200, and the contaminated fuel often of about 100lts is dumped to oil waste. This is happening all the time. We have repeatedly raised the issues with the Department of Transport, but they ignore everything raised on the subject. In recent years, the supply system has been able to provide bio free red fuel to most of the inland market, and this is very welcome particularly for users who may only use one tank full every year. This supply of fuel will disappear with any change to white diesel. There will be a very significant increase in fuel storage issues in both suppliers and users' tank. If you chose to go ahead with white diesel, please do us the courtesy of providing an explanation of how you see these issues being resolved.

We represent the users, the ultimate payers. We have nowhere to pass on costs to others. We find the question deeply offensive. Why should it be in order for costs to be passed onto anyone. We understand increased costs and tax increases, when there is a real cost increase, or there is a tax change to drive a behaviour. But in this case, there is no short-term behaviour identified for the sector. The boating sector is already one of the lowest carbon footprint leisure and living lifestyle. You have not explained what do you want us to do.

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 will be no direct efficiency savings from the change and so there will be no emissions improvement to air quality.

Boaters have to continue to use diesel engines for safety reasons and the fuel change makes no difference. We cannot reduce speed; we generally move at 2 – 3 mph. Engines are generally marinised commercial vehicle engine of early vintage. They cannot use advanced technology like turbochargers and intercooling because the power required is so low. The number of engines on the waterway does not generate a revenue stream to pay for engine development. The change to white diesel for inland propulsion will not contribute anything to the desired environmental outcome.

Fuel cells are not sufficiently developed to provide a practical alternative. Hydrogen is not suitable for boats, methanol units have insufficient power, and there is no commercially available propane power unit of a suitable rating. Gasoline engines are a very big fire and explosion risk and only old boats exist on the waterways. It would be a backward step to start using them. Solar energy is widely used for domestic power particularly on live aboard boats and this saves diesel usage and this is the one technical solution that works, is cost effective and is available. What do you suggest? We note that you are silent on this in your papers.

Boats use about 0.05% of total fuel consumption against 2,732 million litres for road fuel and 7,492 million litres for other usage.

We reject in principle the request to provide evidence for anything in this consultation. We have been writing to the Government for 15 years on this subject, and there has never been a request before that we accumulate typical data. It is unreasonable that you now ask for data at short notice. If you want this then planning is required and we would be delighted to co-operate.

- 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?**

As long as this use is continued, we cannot see any reason why the minimal use in boats should not also be permitted.

- 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.**

As previously mentioned, in the over 451,000 inland waterways most use red diesel for domestic heating. Fuel is obtained from marinas throughout the country.

HMRC has a very great amount of data on the declarations of propulsion proportion from boaters over the last 15 years. This is much more meaningful than anything we can tell you. The 60/40 split is widely used, but as we have said before, this is not applicable to everybody and there need to be flexibility. There is a good case for Most boaters are off grid, but there are a very few who have access to electricity in a marina type mooring.

We reject in principle the request to provide evidence for anything in this consultation. We have been writing to the Government for 15 years on this subject, and there has never a request before that we accumulate typical data. It is unreasonable that you now ask for data at short notice. If you want this then planning is required and we would be delighted to co-operate.

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

We don't understand what is proposed. There is insufficient detail, in the proposal to comment. We want to see no change in duty and vat, and we want to be assured that all boaters can take advantage of rebates and use of red diesel for heating.

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

It is common practice for boaters to fill tanks before the winter to avoid the risk of condensation. It follows that using this up will depend on usage in the early part of the year. It is certain that many boats will have red diesel in the tank all through 2020, and that dilution will only commence later in 2022. It follows that traces of dye will continue for many years.

It is clear that the supply chain will incur significant costs to completely flush the diesel tanks on the jetty. There will also be an interruption of supply, and something of a crisis in services to carry out the clean-up. Please understand that boaters will get diesel somehow, but the most likely result is many going to the supermarket road outlet with small cans, and decanting the fuel on the canal side. This is a nightmare scenario with inevitable spillages into the waterways. And all in the name of the environment?

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

We can only see disruption to the market place. Most suppliers have only one small tank, and so will have to cease trading for a period. It is also impossible to flush traces of red diesel from existing tanks except over a long period of use. Flushing tanks is extremely costly. This cost has to be covered. Will the Treasury pay for this? If you expect the boaters to pay through pricing, please do us the courtesy of explaining how this improves the environment.

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

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 that it is impractical to flush our user's tanks.

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 are to understand that users of white diesel are entitled to a rebate on the amount of fuel used for domestic purposes. It follows that there is white diesel at a reduced rate available in boat tanks. It would be a very simple thing for this to be syphoned out into a road vehicle (or diverted to propulsion) and who would know? The whole point of having marked diesel is to that it could be traced in road vehicles. Yet here you propose to break this long establish principle. Have you asked HMRC about this? And it is no use blaming the fuel provider. They cannot be the enforcement.

Boaters and suppliers constantly have trouble with fuel theft. It will only get worse now that white diesel is proposed. Please don't do it.

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

We see no point whatsoever in enforcing a totally unnecessary change.

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

Besides being pointless, estimates of the ratio of diesel used for propulsion and heating is difficult to estimate and is weather dependent! The average boat uses little diesel overall that a change in weather can cause significant changes in this ratio. The red tape around this must not disadvantage any group of boaters. There are some very vulnerable boaters, and making all sorts of well-intentioned rules to avoid tax fraud, end up disadvantaging those who can least afford to bear the cost.

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

In practice most users will vary from 60/40 to 10/90 depending on boat use and time of use. There must be flexibility. Assuming 60 / 40 for everyone does not work.

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

We cannot see how either is possible and fair to the wide cross-section of users, from weekend boaters to permanent live aboards. There must be flexibility. Assuming 60 / 40 for everyone does not work.

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

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

In almost all cases 2 tanks is impossible to implement except on large widebeam boats, or newly commissioned craft.

For boaters it is not clear anyway why you would go for the two tank options. It is pure cost with added complication. The fuel cost is the same, red vs rebated white. And it is not clear how the supply chain will provide red diesel in the event of the change. The volume will be much reduced on the inland waterways, there being so few commercial craft. So where will they get red diesel? Mostly likely is cans from a non-waterway supplier. More spillage this time in a marina. We suspect that most private boaters will, not do this.

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?

We have covered this elsewhere |

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.

Bottled propane and to a lesser extent butane are used for domestic purposes on inland waterway craft. Is not usually used for propulsion. Usage varies but a common consumption might be one 13kg propane tank monthly for a liveaboard, and two per year for a leisure boater.

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

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

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