

Rt Hon Rishi Sunak
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Date: 14th March 2022

Dear Chancellor,

Adopt a phased approach for the removal of entitlement to use rebated (red) diesel

At the outset of the pandemic the waste and haulage sectors were categorised as providing essential services and allocated critical worker status. This acknowledgement confirmed the significant role the sectors play in contributing to; society, the economy, and the environment.

The landscape is incredibly different now to when the policy change to remove entitlement to use rebated fuel was announced. In the unprecedented circumstances over the last two years, the economy has been subject to very large and repeated shocks, against a backdrop of volatile price pressures, a consumer energy and cost of living crisis, disruption to supply chains and shortages resulting in bottlenecks, all exerting an upward pressure on inflation with very uncertain times ahead as the invasion of Ukraine continues.

Respectfully, the impact assessment is misplaced, suggesting that there will not be any macroeconomic impacts does not reflect the true picture on the ground. Based on the average price at the pump this time last year, paying the cost differential between red and white diesel represents in the region of a staggering 55% increase, which is simply not financially sustainable and may be the last nail in the coffin for many operators.

The use of red diesel is imperative for recycling with the majority of plant and machinery running off diesel powered engines. There is not yet any market ready kit using alternative fuels to replace that in existence. Further, there is still very limited capacity on the grid to convert sites to run on electric and insufficient infrastructure to power remote sites in rural locations. Where there is scope to tap into supply the cost of conversion is not viable. Thus, the idea that users of rebated fuel will be incentivised to seek alternatives is woefully misconceived and premature.

Operators will inevitably have to try and pass the enormous cost on to customers. Local authorities will bear the brunt of this at a time when they are still adjusting to increased prices due to the pandemic response, and when government is looking for local authorities to invest in new services to support the consistent collections agenda.

Passing costs onto consumers will have an adverse effect with a high likelihood of rising environmental crime. Adding more burden to the legitimate waste industry will open the door for unscrupulous operators and result in increased flytipping and serious organised crime. Further, it is feared that HMRC does not currently have sufficient resources to ensure robust enforcement which will lead to multiple abuses of the new regime.

In order to support the Government's economic policy objective of achieving strong growth and employment, whilst securing the environmental outcomes motivating the removal of the entitlement, it is proposed that a phased approach would strike the right balance. As a comparable, the Landfill Tax Escalator introduced a year-on-year increase to stimulate development of recycling technology and drive waste away from landfill up the waste hierarchy. This resulted in significant investment and a step change in practices to meet recycling targets.

The government's transition to a circular economy, as embraced by the ambitious Resources and Waste Strategy, is an acknowledgement of the net environmental benefits the waste sector delivers. The Government's introduction of a ban on using red diesel on environmental grounds is therefore counter intuitive and presents a tangible threat to the delivery of the Strategy. All the positives achieved from past fiscal instruments will be undone and aspirations set out in the 25 Year Environment Plan for moving towards a circular economy, better air quality and decarbonisation will not be achieved.

The impacts are not restricted to the waste sector and serious concerns have also been raised by; refrigerated food distribution, road maintenance, construction, mineral products, events and hospitality sectors, amongst others.

We cannot argue with the Government's intentions for the removal of entitlement, but the brutal reality is that in the absence of viable alternatives and in the current climate the reform amounts to a tax hike and will not achieve the desired environmental outcomes. In this short window of opportunity, time really is of the essence, and we request a review of tax treatment for red diesel at your earliest.

Yours sincerely,

United Resource Operators Consortium

Jennifer Watts: Chief Executive Officer

Co-signatories

Approved Authorised Treatment Facilities

Phil Conran OBE: Chair

British Frozen Food Federation

Richard Harrow: Chief Executive Officer

British Metals Recycling Association

James Kelly: Chief Executive Officer

Cast Metals Federation

Dr Pam Murrell: Chief Executive Officer

Chartered Institution of Wastes Management

Sarah Poulter: Chief Executive Officer

Federation of Small Businesses

Craig Beaumont: Chief of External Affairs



Recycling Association

Dr Simon Ellin: Chief Executive Officer

Renewable Energy and Clean Technology Association

Dr Nina Skorupska CBE: Chief Executive Officer

Resource Management Association Scotland

Brian Ritchie: Chair

Road Haulage Association

Rod McKenzie: Executive Director - Policy & Public Affairs

Vehicle Recyclers Association

Charles Ambrose: Chief Executive Officer

Wood Recyclers Association

Julia Turner: Executive Director

Cc:

Secretary of State for Business, Energy and industrial Strategy: Rt Hon Kwasi Kwarteng MP

Secretary of State for the Environment, Food and Rural Affairs: Rt Hon George Eustice MP

Secretary of State for Work and Pensions: Rt Hon Thérèse Coffey MP

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HM Treasury

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Department for the Environment Food and Rural Affairs

Department for Business, Energy & Industrial Strategy

