Call for evidence: RTFO statutory review and future of the scheme

27 January 2025

Summary

- Logistics UK welcomes the government consulting on the next steps for the Renewable Transport Obligation (RTFO) and supports its critical role in the uptake of low carbon fuels (LCFs) across the logistics sector.
- More government clarity and support is needed to set out the role and future pathway of LCFs, to give industry confidence to invest. Beyond aviation, the logistics sector has no certainty as to whether the government will back LCF production and use, which is hampering their uptake and therefore limiting emissions savings.
- It is essential that the government sets long term targets on fuel types and feedstocks to provide clarity on the long-term trajectory of these fuels.
- Logistics UK welcomes the RTFO being adapted to support wider transport decarbonisation objectives, including renewable electricity. Moving forwards, this would support the growth of charging across the UK, leading to potentially more affordable charging options.
- The RTFO should reward fuels on GHG savings delivered by fuel, rather than volume supplied. By rewarding fuels on GHG savings, it will help support the route that yields the highest emissions savings.

About Logistics UK

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for safe and efficient logistics. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the customers of freight services, such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole, right across the country.

The logistics sector

Logistics underpins our economy and is fundamental to our way of life. It supplies our hospitals, schools, factories and shops with everything they need, everywhere, every day – nothing moves without it.

The efficiency of logistics and the productivity of the economy are completely intertwined. Due to this relationship, Oxford Economics found in 2023 that getting the policy and infrastructure environment right for logistics would unlock up to £8 billion a year in productivity-led growth by 2030.

However, we are not currently going in the right direction. The UK fell from 4th to 19th place in the World Bank Logistics Performance index over the past decade, largely as a result of border friction and underinvestment in transport corridors.

Logistics is a major sector in its own right. It contributes £185 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – 2.7 million people (8% of the UK workforce) are employed in logistics roles, and its key hubs provide a catalyst for further growth and investment, helping places to thrive.

Logistics has transformed the UK and is now delivering for the future. It helped deliver the country's canals, roads, railways, airports and ports, has driven revolutions in global trade and e-commerce and is now innovating to deliver decarbonisation and even greater efficiency.

Consultation response

Logistics UK welcomes the opportunity to feed into the review of the RTFO and future of the scheme. The logistics sector is committed to decarbonising, however, businesses need support now with the higher costs associated with operating zero emission vehicles and using low carbon fuels (LCFs). In the absence of wider suitable zero tailpipe emission technologies for all vehicles, LCFs are playing a critical role in the reduction of transport emissions. Logistics UK welcomes any mechanism that further supports their take up and adoption, whilst keeping costs on operators to a minimum. Whilst many vehicles are still reliant on fossil fuels, more needs to be done to set out the role and future pathway of LCFs, to give industry confidence to invest. Beyond aviation, the logistics sector has no certainty as to whether the government will back their production and use, which is hampering their uptake and therefore limiting emissions savings.

Logistics businesses have long called on the government to publish a LCF strategy. The previous government had committed to such a strategy, but we understand this has now been dropped. The absence of a LCF strategy makes the development of a government-industry logistics roadmap to net zero even more urgent. This roadmap must be based on a full assessment of the future energy and fuel needs of road, rail, air and maritime logistics; be technology neutral, considering the place electric technologies, hydrogen and LCFs can play in accelerating the transition; and be aligned to vehicle phase out dates and other government targets.

Q1. Are the current RTFO main obligation targets set at the right level? Consider both the current trajectory between now and 2032 and how they could be adjusted after 2032.

Logistics UK believes the current RTFO main obligation targets are set at the right level and supports its vital and central role in making LCFs available to industry at more cost effective prices. Logistics UK therefore supports the obligation to extend beyond 2032 and would like to see long term support for LCFs.

As stated in the call for evidence, the targets were set in 2021 to give industry a decade of certainty for investment. There is a need for this certainty for investment to extend beyond 2031.

If there is scope to increase the basic target level and therefore help to realise further GHG emission savings then this would be welcomed.

The roll out of electric vehicles will ultimately result in a lower demand for liquid fuels in road transport. However, in the meantime, alternative technologies are still a very long way from being deployable at scale, especially at the heavier end of the vehicle spectrum. Therefore, LCFs will continue to play an important role for the foreseeable future and will be critical in the mix of carbon reducing options. Until zero emission tailpipe technologies are developed, become fully suitable and therefore more widely deployable for all vehicle sizes, especially heavier vehicles and hard to decarbonise sectors such as maritime and inland waterways, there will continue to be a strong demand for LCFs. They will continue to play a critical role in allowing operators to reduce carbon emissions from fleets and water craft for some time to come and must therefore be considered as part of the overall carbon reduction plan for logistics.

It is essential that the government sets long term targets on fuel types and feedstocks to provide clarity on the long-term trajectory of these fuels to ensure there is sufficient supply to meet increased demand. This will be increasingly important as demand increases across the aviation and maritime sector especially.

Q3, Does the main RTFO obligation cover all the transport modes, fuel types and feedstocks that it needs to. If not, how should it be amended.

No. The RTFO precludes the use of biofuels in commercial craft used on tidal and coastal waters, although it does permit biofuel use on inland waterways under “Non-Road Transports”. The use of alternative propulsion systems, other than very limited use of electric power, is not feasible on commercial inland waterways craft due to limited space for batteries and similar.

The use of LCFs, such as HVO will provide immediate GHG emission reductions for existing inland waterways craft and so their use must be incentivised.

Q4. Should the RTFO be adapted to support wider transport decarbonisation objectives such as support for renewable electricity used by road vehicles?

Yes. Logistics UK welcomes the RTFO being adapted to support wider transport decarbonisation objectives, including renewable electricity.

As already stated, the logistics sector is committed to decarbonising and investing in ways to reduce emissions, including transitioning to electric vehicles where possible, as well as using LCFs. However, the availability, accessibility and affordability of charging infrastructure is a critical challenge to overcome. Confidence in the charging network is essential and there is a need for comprehensive, reliable and equitable coverage across the UK to support fleet operations effectively.

Expanding the RTFO to include renewable electricity could be transformative. Such a move would accelerate the deployment of charging infrastructure by improving its commercial viability, fostering competition, and driving down costs through greater market participation. This would directly address gaps in network coverage and build the necessary confidence for widespread fleet adoption of electric vehicles.

For fleets installing charging infrastructure at depots, high upfront costs remain a major barrier. Opening the RTFO to private users would provide much-needed financial support by offsetting these costs through bio-credit generation. Subsidies for installation or electricity expenses would further strengthen the business case for fleet electrification, helping to close the total cost of ownership gap between internal combustion engine vehicles and electric vehicles. These measures are essential to ensure fleets can continue to lead the way in the transition to a cleaner, more sustainable transport system.

More clarity is needed on exactly how this would work alongside other policy mechanisms and what this would look like in practice.

Q5. Should the RTFO continue to reward fuels on the volume supplied or on a different basis, such as the GHG savings delivered by a fuel, in line with the SAF mandate?

Logistics UK believes the RTFO should reward fuels on GHG savings delivered by fuel, rather than volume supplied. By rewarding fuels on GHG savings, it will help support the route that yields the highest emissions savings. Specifically, rewards on GHG savings should be based on whole lifecycle bases (well to wheel) rather than at the tailpipe of vehicles.

Mechanisms must be put in place when bringing the RTFO reward in line with the SAF mandate, to ensure certainty in supply and that there are no unintended negative consequences.

Q9. Has the RTFO crop cap impacted UK biofuel producers, suppliers, or other operators and if so, how?

The sustainable sourcing of feedstocks is critical to the environmental benefits of LCFs. It is important to recognise that there can be some good energy crops and hybrid food/energy crops. The concept that growing traditional crops is ‘worse’ and using waste to produce biofuels ‘is best’ needs to be challenged.

One solution to help with competing land use needs, is to grow energy crops, which have the benefit to be stored, with the option to switch land back to food production swiftly if needed.

Q13. Do you have any evidence on why there has been a lack of supply of development fuels or how the obligation has stimulated the production of development fuels?

Logistics UK is concerned about the potential incentivisation of blue hydrogen, when this is not linked to the same carbon emission savings as other fuels. In order for fuels to be incentivised, they must link to carbon savings and also be cost effective.

However, the logistics industry is interested in green hydrogen as a future fuel and welcomes the engagement on its development. To help give businesses confidence to invest Logistics UK is calling for an agreed and co-created logistics roadmap to net zero and the phase-out of fossil fuels, based on the availability of technology, infrastructure

investment, regulatory reform and tax incentives. This emission reduction plan should include the role of zero tailpipe emission technology for road vehicles and charging, rail electrification and shore power at ports, as well as the role of low carbon and sustainable fuels across all transport modes.

18. Do you have any feedback on the effectiveness of the day to day running of the scheme and the provision of scheme guidance and statistics? Please provide suggestions for any improvements.

Price volatility is a major factor is discouraging the uptake of some LCFs, such as HVO, and so more long-term signalling from government and price stability would help users transition immediately, therefore helping to deliver GHG emission savings.

Q19. Do you have any further comments on the operation of the scheme to date?

In addition, Logistics UK would like to raise the importance of amending the scheme to include in RTFCs all commercial craft operating in Category A – Category D waters, with no distinction being made between tidal and non-tidal. It would enable this sub-sector of maritime to achieve the maximum GHG savings in the shortest possible time. Due to the longevity of these vessels, enabling the switch to HVO fuel would deliver the most significant reduction in GHG emissions from the commercial inland waterways fleet in the short- to medium-term.

It is important for the decarbonisation of the UK's maritime sector that the RTFO Order is adjusted, so that all inland waterways commercial craft are considered 'non-road transports', whether operating on tidal or non-tidal water. The DfT must provide a level playing field for all inland waterways commercial craft, whether operating on tidal or non-tidal waterways, by adjusting the RTFO scheme so that it no longer acts as a block to a significant volume of inland waterways freight vessels wanting to switch to using HVO fuel.

Finally, Logistics UK would like to see greater ambition for the RTFO to further support reductions in GHG emissions from transport fuel. Whilst past amendments have aided greater supply, more should be done to realise a sustainable, reliable and affordable supply chain to UK operators. With market price fluctuations, uncertainty around feedstocks and a lack of long-term planning for their use, more should be done to set out and provide certainty on the role of LCFs in future, to allow for further GHG emission savings across the logistics sector.

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