Renewable transport fuel obligation: addressing multiple incentives

Summary

- **Logistics UK strongly supports option three**, to align EEA treatment with current treatment for the rest of the world, permitting the claim of multiple incentives. The TRA would continue to investigate international unfair trading practices and provide objective, unbiased, WTO-compliant advice to ministers to implement trade remedies where necessary.

- The forthcoming SAF mandate will obligate fuel suppliers to produce a growing volume of SAF in the years to come. This will help stimulate UK production and is welcomed. However, to decarbonise aviation by 2050 the volume of SAF needs to go above and beyond mandated amounts.

- Logistics UK is calling for aviation fuels to remain eligible under the RTFO for volumes above the SAF mandate from 2025 to create an incentive for airlines to purchase SAF in the UK.

About Logistics UK

Logistics UK is one of the country's largest business groups, representing the entire logistics industry and supporting, shaping and standing 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 buyers of freight services, such as retailers and manufacturers. As an organisation, 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.

What we represent

Logistics is a sector delivering an increasingly safe, sustainable and efficient system of national infrastructure – creating opportunities across the UK and linking the UK to the global trade network. Spanning land, water and air, it delivers for everyone, everywhere, every day.

- Logistics delivers big public value on small margins, ensuring the availability of the products households, businesses and public services rely on. It moves goods more than 200 billion tonne-km within the UK per year and enables the trade of more than £1 trillion of goods, while working hard to avoid adding pressure to the cost of living. This is a challenge with fuel and energy costs at a historic high and restrictions on logistics growing.

- The sector delivers smart, green, resilient growth and jobs. It contributes £163 billion to the economy each year (12% of UK non-financial GVA), employs 2.7 million people (8.2% of the UK workforce), pays £5 billion in revenue to Treasury through Vehicle Excise Duty (VED) and Fuel Duty, in addition to other taxes. It is becoming ever more innovative and integrated – within businesses and between logistics sites and transport modes. Its key hubs provide a catalyst for further growth and investment, helping places to thrive.

- Logistics delivers for the future, as an essential system for growth. It underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution, with the public sector and other private sector businesses spending 15% of their total input-related spending on logistics services per year.

Consultation response

Logistics UK has consulted with its members to inform this response on the Renewable Transport Fuel Obligation (RTFO) and addressing multiple incentives.

Logistics UK's position on the RTFO

Logistics UK's clear preference is for option three, to align EEA treatment with current treatment for the rest of the world, permitting the claim of multiple incentives. The TRA would continue to investigate international unfair trading practices and provide objective, unbiased, WTO-compliant advice to ministers to implement trade remedies where necessary. If option three is not selected, Logistics UK is firmly against the implementation of option two. Extending the current UK/EEA provisions to fuel which is supplied from the rest of the world, to prevent the claim of all forms of multiple incentives, would have serious increased cost implementation for our members and would reverse the desired outcome of increasing the use of SAF and low carbon fuels in general.

Whilst Logistics UK acknowledges the concern around multiple incentives and market distortion, and therefore the potential to negatively impact domestic suppliers, members believe the priority is to increase production of low carbon fuels and to reduce costs.

Currently the UK is an attractive place for airlines to purchase SAF through the combination of the RTFO, UK ETS and airport driven incentives. To decarbonise aviation, SAF production needs to be increased globally. Allowing multiple incentives while the UK SAF production industry ramps up will support lowering the cost of production as well as cost differential for airlines, driving demand.

However, there is not enough domestic production of SAF to meet anticipated demand, especially once the SAF mandate is introduced in 2025. With the introduction of the SAF mandate also aligning with the removal of SAF from being recognised in the RTFO, members are deeply concerned about the gap between 2025 and 2030, where there is little incentive for production.

This is likely to have serious consequences on SAF availability for buyers, and therefore impact the sector's ability to decarbonise. Members currently believe the SAF mandate is likely to only be met through the importation of SAF, rather than being produced domestically. It is therefore important to support multiple incentives to allow for maximum levels of production.

Logistics UK is of the opinion it is imperative regulations must also ensure strict sustainability standards for low carbon fuels across supply chains are maintained. If there is a weakening of regulations, it will likely degrade the industry's ability to decarbonise.

Alternative approaches to consider

Our response to this consultation is not about multiple claims of emissions reduction through SAF, but instead about helping to bring the cost differential down. The saving from RTFO is made by reduced costs for fuel suppliers. This cost saving is then passed onto the airline and reduces an airline's operating costs. Logistics UK believes, if the desired outcome is for SAF production to increase globally, in the short term the UK should allow the use of multiple incentives. The forthcoming SAF mandate will obligate fuel suppliers to produce a growing volume of SAF in the years to come. This will help stimulate UK production and is welcomed. However, to decarbonise aviation by 2050 the volume of SAF needs to go above and beyond mandated amounts. Logistics UK is calling for aviation fuels to remain eligible under the RTFO for volumes above the SAF mandate from 2025 to create an incentive for airlines to purchase SAF in the UK.

Edward Jones
Head of Environment Policy
Logistics UK

Email: ejones@logistics.org.uk
Mobile: 07818 450441