Department for Transport

E10 petrol, consumer protection and fuel pump labelling consultation

Annex D: Response form

1. Introduction and data protection

The consultation period begins on 20 July 2018 and will run until 23:45 on 16 September 2018. Please ensure that your response reaches us at the following email address **on or before** the closing date.

Please send consultation responses by email to:
LowCarbonFuel.Consultation@dft.gov.uk

Name: Tim Simon
Address: Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR.

If you would like further copies of this consultation document you can contact Tim Simon - details above - who can also help if you need alternative formats (Braille, audio, CD):

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. If you have any suggestions of others who may wish to be involved in this process please contact us or forward the document to them.

The responses to this consultation are likely to be discussed with representatives of the sector, as well as within the Department. Therefore the points you raise may be shared. If you are not content for this to happen please let us know. Subject to the outcome of the consultation the amendments to the legislation will be introduced as soon as practicable.

Confidentiality and data protection

The purpose of this form is to seek your views on the draft policy proposals for E10 petrol, consumer protection and fuel pump labelling. It is carried out in the public interest to inform public policy.

As part of this consultation we request the following information:

Your name and email address - in case we need to ask you follow-up questions regarding any of your responses and to keep you informed of the consultation outcome.

You don’t have to give us this information. If you do, we will not share this information with anyone.

If you do give us your contact information, you consent to DfT using it only for the purpose set out above.

All your personal data will be deleted within 3 years of collection. You can withdraw your consent for us to hold your personal data at any time by emailing LowCarbonFuel.Consultation@dft.gov.uk.

Find out more about the Department for Transport's data protection and privacy policy.

2. Responding

1. Your name and email address. We will only use this if we need to contact you to ask about any of your responses and to update you on the consultation outcome.

Name	Gaynor Hartnell
Email	ghartnell@r-e-a.net

2. Are you responding: *

y	On behalf of an organisation? **Go to question 3**
	As an individual? **Begin consultation response (section 3)**

3. Organisation details: *

Company/Organisation Name	Renewable Energy Association
Address	80, The Strand, London
Postcode	
Email	As above
Your Role / Position	Head of Renewable Transport Fuels
Please tick one box from the list below that best describes you / your company or organisation.	
	Micro business (0-9 employees)
	Small business (10-49 employees)
	Medium business (50-249 employees)
	Large Company (250+ employees)
	Representative Organisation
	Trade Union
	Interest Group
	Local Government
	Central Government
	Police
Tick	Other (please describe): Trade Association

If you are responding on behalf of an organisation or interest group how many members do you have and how did you obtain the views of your members:

The REA has a membership of over 600 companies. This response has been developed in collaboration with those companies that have a direct interest in this area, but has been made available for comment to all members interested in Renewable Transport Fuels.

Summary of the REA response

The REA, along with other stakeholders, favours a mandate for introducing E10. This has been the consistent and strongly-held view of the UK fuel industry, both fossil and renewable since the debate on the introduction of E10 started in 2012.

There are 20 million cars on our roads today capable and warrantied to run on E10 petrol. By mandating a transition to E10 the carbon emissions savings equivalent of taking 700,000 cars off the UK roads could be achieved swiftly, through one decisive action. The transition to E10 is surely inevitable and the implementation of the AFID Directive next Spring would be an ideal opportunity to make the change. In our view the consultation (and its Impact Assessment) in going about issue this in the wrong way. It sets out with a proposal for a protection grade, when there is currently no need for it, and in doing so makes the transition to E10 all the more unlikely. It then goes on to call for evidence on the impacts of a sub-optimal means of getting a limited volume of E10 onto the market.

With respect to the proposals on a protection grade, this would be necessary only if E10 is introduced. If there were a mandate for E10 we would support E5 as the protection grade, with the octane level left to the retailers' discretion. We favour neither of the protection grade proposals in the consultation document (which are proposed in the absence of a mandate). However, of the two, Option 2 is preferable to Option 1.

Our analysis of the number of main household vehicles that are not warrantied to run on E10 suggests it to be almost half that suggested by the DfT[1], representing less than 1% of the vehicle parc by 2020. There is a correlation between ownership of these cars and disposable income, with Local Authorities with higher average disposable incomes more likely to have higher percentages of unwarrantied vehicles. This is set out in a paper[2] which can be found on the REA website. This calls into question DfT's assertion that a move to E10 would disproportionately impact the poorest motorists (on the basis that they would have to pay more for 98 E5).

The extra costs involved depend on miles driven, and the miles per gallon of the vehicle, but on the basis of an annual average mileage of 6500 and a price premium of 9pence/litre this suggests around £60 extra per year. This would create an incentive for owners of these older, more polluting vehicles to replace them- although it would be possible for them to be compensated via a reduction on their Vehicle

[1] The consultation document states there are around one million petrol cars registered in the UK today for which the manufacturer has not approved the vehicle for use with E10, and that a significant proportion (around 450,000) are still used as a main household vehicle.

[2] New research from the REA suggests a much lower number of unwarrantied vehicles would be impacted by the introduction of E10. REA, 28th August. http://www.r-e-a.net/upload/e10_compatibility_rea_analysis.pdf

Excise Duty, if Government felt that to be appropriate. We encourage the DfT to do a robust statistical analysis of the demographic of the ownership of cars not warrantied to run on E10. We hope this would reassure Government that the benefits of a swift, mandate-driven transition outweigh the impact on the small and diminishing number of main household vehicles.

The consultation document sets out a number of positive reasons for a transition to E10, along with the risks of not doing so. The REA agrees with all these points, and would argue that there are also air quality benefits[3].

We cannot see how anything other than a mandate would be effective. The premise of paragraphs 44 -52 of the consultation document, is that retailers are expected to offer 3 grades of petrol, allowing consumers a choice between 95 E5 and 95 E10. The UK fuel supply infrastructure does not lend itself to this, and changing it in order that it can offer 3 grades of petrol would be expensive and unnecessary. There is no proxy in terms of tank numbers, or any other metric, that would serve to distinguish retailers that could/should supply 3 grades of petrol from those that could not.

Oil companies, which own 15% of the total number of forecourts, and account for 18% of volume sales, have a greater incentive to sell 95 E10 as it enables them to meet their RTFO obligation more cheaply. Whilst the suppliers of forecourts owned by dealerships or retailers may have an incentive to offer E10 the forecourts themselves do not have a RTFO obligation and may be less keen to supply it.

A full transition to E10 would allow a saving of up to £150m[4] to be shared along the supply chain. This approach was adopted in Belgium, where E10 quickly achieved 78% of the petrol market. We urge the UK government to mandate E10 swiftly in order that the benefits of this fuel can be realised.

REA comments on the Impact Assessment – Extension of petrol protection grade requirement

The Impact Assessment deals with the introduction of a protection grade as E5 95 in isolation and suggests there are no costs associated. This is highly misleading. It makes no attempt to assess the monetised benefits of having E10 available to meet the RTFO (or conversely the costs of not having it available), or the benefits of having an environmentally-superior fuel.

The central scenario (under which E10 does not come in) states there are no monetised benefits, and no costs. However, the higher cost of meeting the RTFO through additional UCO could cost between £76m and £150m. This is just one cost, others include, for example, the loss of CO_2 savings, reduced fuel security and resilience, and the cost to the UK economy of a further worsening of balance of

[3] See the paper presented to the Fuels Working Group of the LowCVP by Michael Goldsworthy. Environmental impacts of E10. http://www.r-e-a.net/upload/nnfcc_e10_slides_for_lowcvp.pdf

[4] At today's prices. At historical prices where ethanol traded at about 10ppl higher than petrol, the extra compliance costs of meeting the RTFO through a switch to E10 would be an additional £76 million, whereas achieving it instead via Used Cooking Oil methyl ester (about 40ppl more costly than diesel and which is currently the marginal renewable fuel in the UK market) would have entailed an additional £152 million.

Thus, the additional RTFO compliance cost of using UCO instead of ethanol is about £76 million across the UK market. At current prices, where petrol and ethanol are more or less equivalent, there could be a £152 million saving in RTFO compliance costs.

payments, as more renewable fuels and feedstocks will be imported and less produced domestically. These should be quantified and would undoubtedly exceed the suggested £146m savings. This should rule out the introduction of 95 E5 as a protection grade on cost benefit grounds.

Just because DfT cannot quantify the costs, they should not be assumed to be zero.

If the protection grade proposal is considered in combination with a requirement to offer E10 (as in the call for evidence suggestion) costs would still outweigh benefits. As indicated in answers to Q9, 10, and 11 below, the requirement to provide 3 grades of petrol with the associated forecourt and supply chain costs will be greatly in excess of the costs of replacing the premium grade with 95 E10 and the super grade with 98 E5.The Impact Assessment states “In practice, this could be problematic for retailers who do not have sufficient numbers of tanks and pumps on their premises to provide three grades of petrol.” There would be significant costs in addition to the fact that the scenario would not even result in much E10 being sold, meaning the costs of not having E10, referred to above, would still largely apply.

There is a great deal of uncertainty about the number of unwarrantied cars on the road today and the projected number in 2020. DfT has the data available to do a robust analysis of this which also takes into account the socio-economic status of the ownership of these vehicles, and we recommend this analysis be undertaken. The numbers cited in the impact assessment are not robust, and the evidence we have available to us does not support the assertion that those on lower incomes would be disproportionately affected if 95 E5 were unavailable.

The current situation is that 18.7 million petrol vehicle motorists are effectively denied the ability to purchase E10, in order that a tiny minority of motorists (with more polluting cars) are able to access the fuel they need without incurring any additional cost. These latter motorists can be helped in other ways.

Questions in the Impact Assessment

A. Are you aware of available data on the proportion of UK motorcycles on the road that are E10-suitable?
No.

B. Are you aware of any likely costs to business from this regulation, beyond the costs outlined above?
See above and answers to Q9, 10 and 11 below.

C. What benefits and/or costs do you believe allowing suppliers to provide either super unleaded or premium unleaded petrol as the protection grade will cause?
As suggested above, there would be considerable benefits to this proposal (assuming that E10 comes in in volume, i.e. through a mandate) and these should be quantified although the REA is not in a position to do this.

D. Can you share any evidence regarding the number of fuel tanks currently in use at larger petrol stations (as defined above)?
No, although we understand that some data is collected by The Department of Business, Energy and Industrial Strategy for the purpose of tracking the UK’s energy resilience.

3. Consultation questions

The questions below may not apply to all respondents. Please answer as many as are applicable to you or your business. In each case please set out the reasons for your answer and if applicable, alternative proposals.

Consultation chapter 1A: Ensuring the supply of E5 petrol: Motor Fuel Composition & Content Regulations

Q 1 - Do you favour option 1, option 2 or an alternative means of ensuring ongoing E5 availability? Please provide your reasoning.

Option 1	Option 2	Alternative means
		Yes

Reasoning/ supporting evidence:

At present, with E10 not being offered, a protection grade is unnecessary. If E10 were to be mandated, as we recommend, then we favour a requirement on retailers that supply two grades of petrol to supply E5 as the protection grade, with the choice of whether this be premium or super (i.e. 95 / 98 octane level) left to their discretion.

We don't favour option 1, as even if it were coupled with a requirement on larger retailers to offer 95 E10, it would not facilitate E10 sales. If 95 E5 were available, the take-up of 95 E10 would be minimal unless incentivised voluntarily by the market, by price. If that happened, it would undermine the Government's stated objective of protecting poorer consumers via a introducing a protection grade.

In the unlikely event that retailers chose to introduce 98 E10 as the second grade, this would be unlikely to exceed 5% of the market (i.e. the current take up of 98 E5).

From the options offered in the consultation Option 2 is preferable, although it will still need Government support (i.e. a requirement on larger retailers to offer E10) for there to be any likelihood of a significant uptake of E10. In this (deeply sub-optimal) scenario we expect would sell 98 RON E5 as their protection grade, offered alongside 95 E10.

Q 2 - Do you agree that a protection grade for Premium unleaded 95 octane should initially run until 31 December 2020? If not, what date would you recommend?

Yes	No

Alternative date/ reasoning:

As set out above, we don't think support either of the protection grade proposals. With respect to timing, by the date a protection grade would take effect, the number of unwarrantied vehicles will have already reduced to a number previously seen as acceptable. It would then only run for a short period until the end of 2020.

However, with a mandate for E10, with either 95 or 98 E5 being made the protection grade, the requirement to offer the protection grade could last longer, e.g. for 5 years.

Q 3 - Do you agree that the protection grade should apply to filling stations that supply two grades of petrol and more than 3 million litres of all fuel (petrol and diesel) in the previous calendar year? If not, please explain whether you disagree with the volume or if there are better ways of distinguishing which forecourts it should apply to.

~~Yes~~	No

Reasoning/ supporting evidence:

If there were a mandate for E10, then the requirement to supply a protection grade (98 E5) could apply to all filling stations that offer 2 grades of petrol, regardless of their size.

With no mandate and Option 2, the protection grade could still be applied to any station offering 2 grades of petrol. We do not support Option 1 under any scenario.

Consultation chapter 1B: Call for Evidence: Introduction of E10 fuel in the UK

Q 4 - What are the commercial barriers to introducing E10 in the UK?

Response/ supporting evidence:

The commercial barriers to a market introduction of E10 are:

- Customer confusion on the forecourt, with customers being put off by a label which says that the fuel is not suitable for all vehicles)

- Concern over customer acceptance. Lack of awareness among the owners of petrol cars that bioethanol produced from UK feedstock, following stringent sustainability criteria, is the most environmentally-friendly fuel currently available to them
- Upstream supply chain infrastructure changes, and therefore costs, in storage and distribution (should E10 only be offered at forecourts selling 3 grades)
- Lack of consumer demand
- The potential for an increase in cost to consumers due to the reduced mileage – if not compensated for via a reduction in fuel duty.

Q 5 - Do you agree in principle that supplying E10 could make delivery of the RTFO more cost effective?	
Yes	~~**No**~~

Reasoning/ supporting evidence:

If there were a switch to 95 E10 as the predominant fuel, i.e. 95 E10 replaces 95 E5, the savings would be considerable and would be expected to filter down through the entire supply chain. At current prices, where petrol and ethanol are more or less equivalent, there could be a £150 million saving. Taking historical prices, the savings would be around half this.

Ethanol has historically traded at about 10ppl higher than petrol, meaning it cost suppliers an additional £76 million to deliver E10 instead of E5 (The fuel volume involved is around 760 million litres). The second most cost-effective means of meeting the obligation is Used Cooking Oil. UCOME has historically traded at about 40ppl higher than diesel, i.e. an additional £152 million to deliver the equivalent through (double counted) UCO (i.e. 380 million litres). This gives a compliance cost of using UCO instead of ethanol at about £76 million across the UK market.

As well as being more cost effective, E10 would reduce the risks entailed in meeting the obligation via some of the more likely alternative options. These were summarised in the consultation document, namely; increased cost of waste-based biodiesel, the possible use of crop-based biodiesel (with lower GHG savings and concerns re. deforestation), the possibility of cold filter plugging and suppliers buying out.

Q 6 - Do you agree that requiring the introduction of E10 as an additional choice for consumers would be an effective way to introduce E10 in the UK?	
~~**Yes**~~	**No**

Reasoning/ supporting evidence:

It would be limited to those filling stations that could offer 3 grades of petrol, and simply requiring it to be offered does not guarantee a significant uptake. Indeed it will have the contrary effect. Requiring three grades of petrol to be offered suggests a lack of confidence on the part of Government in a mainstream roll-out of E10, despite the clearly stated benefits set out in the consultation document.

Q 7 - Could filling stations with more than four tanks supply E10 as well as 95 E5? If not, why, and what would the appropriate number of tanks be that would permit this?	
~~Yes~~	**No**
Reasoning/ supporting evidence: There is no straightforward assumption that can be made between the number of tanks and the number of grades of fuel that can be supplied. Individual tanks don't necessarily supply different fuels. Tanks may be compartmentalised, so that one tank could offer more than one fuel, alternatively two (or more) tanks could both supply the same fuel. With respect to petrol sales, where more than one grade is sold, the forecourts are configured to supply the proportionate volumes of fuels, with larger storage capacity for the main grade 95 E5 and a smaller volume (or less frequent deliveries) for 98 E5.	
Q 8 - Is the number of tanks the best way to define filling stations that could supply E10 alongside their current fuel range? If not, what would be a more appropriate metric?	
~~Yes~~	**No**
Reasoning/ supporting evidence: The number of tanks is not a useful way of defining those filling stations that could offer 3 grades of petrol, nor is there any other more appropriate metric.	
Q 9 - What would the challenges and costs be to fuel retailers to sell an additional grade of fuel at appropriate filling stations?	
Response/ supporting evidence: The REA is not best placed to answer this question.	
Q 10 - Would a requirement to sell E10 at appropriate filling stations affect fuel refiners/ blenders? What would the challenges and costs be?	
Yes	**~~No~~**

Reasoning/ supporting evidence:

There are various challenges to moving from 2 grades of petrol, to 3, including additional tankage, infrastructure, testing, transportation and storage. It would also have a detrimental effect on energy security and resilience. We do not have information on the costs.

Q 11 - Would a requirement to sell E10 at appropriate filling stations affect storage and distribution? What would the challenges and costs be?

Yes	

Reasoning/ supporting evidence:

The UKPIA, DFA and PRA would be best placed to answer this.

Q 12 - Would a requirement to sell E10 at filling stations with more than four tanks have significant geographical discrepancies and challenges, particularly in relation to Northern Ireland? If so, what would be the challenges and how could they be mitigated?

Yes	**No**

Reasoning/ supporting evidence:

We don't have the data that would enable us to answer this. We understand that some data is gathered by BEIS, and could be made available to the DfT. However, for the reasons given above, this information may not be particularly helpful.

Q 13 - Given the need to keep 95 E5 available, do you agree with the general approach of making E10 available at suitable filling stations? If not, what would be your preferred solution?

~~Yes~~	**No**

Reasoning/ supporting evidence:

Making it E10 available does not guarantee uptake. Given the barriers set out above and what's happened elsewhere in Europe, we don't think it would deliver a meaningful contribution to the RTFO targets in 2020.

As argued consistently throughout this response, we believe the most successful introduction of E10 would be achieved by a mandate for E10, with a requirement for forecourts that offer two grades of petrol to have E5 as a

protection grade (allowing retailers the choice of octane level). This could be introduced along with compensation for unwarrantied vehicles via their VED.

Failing that we favour a requirement to make E10 available from larger forecourts (defined by volume sales, irrespective of the number of tanks), along with flexibility on a protection grade, and coupled with a government-supported information campaign. Neither of these routes to E10 introduction requires differentiation of forecourts based on the number of tanks.

The second option could enable E10 to make a significant contribution, but there is a considerable risk that it will not be particularly effective. This risk will be borne mainly by the UK ethanol industry and may result in it contracting further still, with even greater loss of jobs in the North East production facilities and downstream consequences for UK agriculture (reduced market for feed wheat, reduced availability of domestically-produced high protein animal feed).

Consultation chapter 2A: Fuel pump and vehicle labelling: Alternative Fuel Infrastructure Regulations

The REA has no particular view on questions 14 – 22, and the Government's proposed approach seems reasonable.

Q 14 - Do you agree with our proposal to use the definition of Infrastructure Operator derived from the AFIR?	
Yes	**~~No~~**
Reasoning/ supporting evidence:	
Q 15 - Do you agree with our proposal to use the definition of Motor Vehicle from the Standard?	
Yes	**~~No~~**
Reasoning/ supporting evidence:	
Q 16 - Do you agree with the definitions of a Motor Vehicle Manufacturer and that this is where that obligation should fall?	

Yes	**~~No~~**
Reasoning/ supporting evidence:	
Q 17 - Do you agree with the definitions of Motor Vehicle Dealer and that this where that obligation should fall?	
Yes	**~~No~~**
Reasoning/ supporting evidence:	
Q 18 - Do you understand what the requirements are, for instance if you are an obligated party and what you need to do to comply?	
Yes	**No**
Reasoning/ supporting evidence:	
Q 19 - Do you anticipate any operational issues with complying provided you have not less than 3 months' notice upon the publication of government response?	
Yes	**No**
Reasoning/ supporting evidence:	
Q 20 - Are the enforcement proposals for fuel labelling clear and understandable? If not, which parts are not and why?	

Yes	**~~No~~**
Reasoning/ supporting evidence:	
Q 21 - In respect of vehicle labelling, do vehicle manufacturers agree that compliance should be assessed between the point of manufacture and point of sale? Do you have views on how and where best this assessment be carried out?	
Yes	**No**
Reasoning/ supporting evidence:	
Q 22 - Do you agree with the penalty amounts proposed? If not, why and what levels would you propose?	
Yes	**~~No~~**
Reasoning/ supporting evidence:	

Consultation chapter 2B: E10 information label: The Biofuel (Labelling) Regulations

Q 23 - Do you agree with the proposed change to the wording? If not, why, and can you suggest a suitable alternative?	
~~Yes~~	**No**
Reasoning/ supporting evidence: We would prefer the following wording "Suitable for most petrol vehicles registered since 2000, and all petrol vehicles registered since 2010". This will give a definitive answer to a larger number of motorists.	

There should be a reference on the forecourt regarding where to find the app or tool that enables car owners to type their number plate and get an instant answer regarding the suitability of E10 for their vehicle.