

18 July 2012

To:

- 1) All current account holders under the RTFO
- 2) Suppliers of fuels for non-road purposes (fossil or bio) who are not current RTFO account holders

Changes to the obligation on fuel suppliers to supply biofuels – inclusion of fuels used for non-road mobile machinery into the Renewable Transport Fuel Obligation

Dear Sir or Madam,

This week the Government has announced its intent to place an obligation on suppliers of fuels for non-road mobile machine (NRMM¹) purposes to supply a certain portion of their fuel as biofuel. This will be done by amending the Renewable Transport Fuel Obligations (RTFO) Order.

The major changes to be implemented are to:

- obligate suppliers of NRMM fuel under the RTFO with effect from 15 April 2013,
- lower the overall RTFO obligation level from 15 April 2013 onwards for all obligated suppliers (that is, suppliers of fuel for use in road transport as well as NRMM) from 5.0% per annum to 4.7% per annum.

In practice this means that NRMM fuel suppliers must provide evidence that a specified proportion of renewable transport fuel (biofuel) has been supplied in the UK².

These changes are being made as a consequence of the 2009 Directive (Directive 2009/30/EC) amending the Fuel Quality Directive which requires suppliers of fuel for use in road transport and non-road mobile machinery (NRMM) to reduce the greenhouse gas intensity of those fuels by 6% by 2020 against a 2010 baseline. Between March and June 2011 the Department for Transport held public consultations on how best to implement this Directive and the closely associated Renewable Energy Directive into UK domestic law and has now published its response to the questions on NRMM that were raised through consultation.

As a result of these consultations the Government agreed to consider further the issue of obligating suppliers of fuel for use in NRMM. Full details of the consultation, the Government response and the Department's explanation of the measures to be

¹ See annex to this letter for full explanation of end uses covered

² See annex to this letter for a brief explanation of how to do this

introduced can be found at the following link: <http://www.dft.gov.uk/consultations/dft-2011-05/>.

A brief overview of what these changes mean in practice is given in the attached annex.

The Department will work with suppliers to develop further instructions and guidance on both how to meet the new requirements and any interactions with the fuels covered by the current RTFO. We will communicate directly with affected suppliers later in 2012 and will set up suppliers meetings as necessary.

Any questions you have should be directed to the RTFO Units Compliance Team via rtfo-compliance@dft.gsi.gov.uk

Yours faithfully,

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RTFO Unit

Annex A: Expanding the Renewable Transport Fuel Obligation (RTFO) to suppliers of any NRMM fuel (of fossil or biological origin)

1. Which end uses are obligated?

From 15 April 2013 the RTFO will continue to cover road use and will expand to cover:

- non-road mobile machinery (including inland waterway vessels when not at sea),
- agricultural and forestry tractors, and
- recreational craft when not at sea.

This list is collectively termed 'NRMM' for the purposes of this document.

2. Which fuels are obligated?

The expanded RTFO will obligate the use of petrol, diesel, low sulphur gas oil or any wholly or partially renewable fuel for these end uses.

Suppliers of fuel for use in sea-going marine applications, for use on tidal sections of rivers or for use in standby power generation will not be obligated under the RTFO. Thus the amended RTFO will not place an obligation on suppliers of 1000ppm sulphur gas oil.

3. Who is obligated?

The owner of the fuel at the UK duty point is obligated. No other party in the supply chain to the end customer has any responsibility's under the RTFO. The UK duty point is administered by HMRC.

The RTFO obligation is upon the owner of the fuel, not the entity that pays duty. For example if an agent is used to pay duty, it is the owner who is obligated, not the agent.

4. Exemptions

Any supplier who supplies less than 450,000 litres of fuel (per RTFO obligation period) is exempt from the RTFO. RTFO obligation periods run from 15 April one year to 14 April the next.

Any supplier who supplied less than 10,000,000 litres of fuel (per RTFO obligation period) is not obligated on their first 450,000 litres of supply.

5. What do obligated parties need to do?

Any obligated supplier will have to:

- open an RTFO account with the Department for Transport (unless they already have an account established);
- report on the amount of NRMM fuel they supply (periodicity to be confirmed, but likely to be in line with payment of duty to HMRC);
- meet their obligation to ensure that a specified amount of renewable transport fuel has been provided in the UK.

The obligation can be met by:

- a) Redeeming 'Renewable Transport Fuel Certificates' (RTFCs); or
- b) Paying a 'buy-out' price.

RTFCs can be obtained by either supplying sustainable renewable fuel or by purchasing them from other supplier to whom they have been awarded, and therefore there is no requirement that

every litre of fuel supplied must contain renewable fuel. For example, suppliers may choose to blend the required amount of biofuel in petrol and road diesel fuel streams and not blend any biofuel into NRMM fuel streams.

The buy-out price is 30p per litre of obligation not met with RTFCs.

RTFCs must be redeemed against the obligation by 29 November after the obligation period, and any buy-out paid by 10 January the year after the end of the obligation period. For the 2013/2014 obligation period, this is 29 November 2014 and 10 January 2015 respectively.

6. Changes to the obligation percentage

From April 2013 onwards the overall RTFO obligation level will be adjusted so that nationally the required volume of biofuel to be supplied under the expanded RTFO is the same as that which would have been supplied had the RTFO not been expanded. Thus the obligation level for 2013/14 will fall from 5.0% to 4.7%, and remain at that level thereafter.

7. Further information and next steps

Further guidance and information on fulfilling an obligation under the RTFO can be found here: <http://www.dft.gov.uk/topics/sustainable/biofuels/rtfo>.

The RTFO Unit will work with supplier during 2012 to develop guidance and will communicate further with suppliers concerning the expansion of the RTFO.