 <b>Regulatory Policy Committee</b>	<b>Opinion</b>	
<b>Impact Assessment (IA)</b>	Motor Fuel Composition and Content Regulations- Extension of Petrol protection grade requirement	
<b>Lead Department/Agency</b>	Department for Transport	
<b>Stage</b>	Consultation	
<b>IA Number</b>	DFT 00225	
<b>Origin</b>	European	
<b>Expected date of implementation (and SNR number)</b>	1 January 2014 (SNR No.7)	
<b>Date submitted to RPC</b>	27/06/2013	
<b>RPC Opinion date and reference</b>	30/07/2013	RPC13-DFT-1831
<b>Overall Assessment</b>	<b>AMBER</b>	
<p><b>RPC comments</b></p> <p>The IA is fit for purpose. The Department should, however, provide further information and clarification regarding the calculation of costs and benefits, assumptions and impacts on business. This would help make for a more effective consultation.</p>		
<p><b>Background (extracts from IA)</b></p> <p><b>What is the problem under consideration? Why is government intervention necessary?</b></p> <p>Increasing biofuel mandates are encouraging fuel retailers to supply higher concentration biofuel blends to motorists. Since March 2013 retailers are able to sell petrol containing up to 10% ethanol by volume (E10), if appropriately labelled. An estimated 2.5 million vehicles are not compatible with E10 (12% of petrol car fleet). Fuel suppliers have indicated they don't plan to introduce E10 on a large scale in the foreseeable future and E5 is expected to remain widely available. However, the roll out of E10 is a commercial decision and it may be possible that in certain areas E10 will replace the premium E5 grade. By extending the current legal requirement for a protection grade beyond 2013 the Government will limit risks and minimise consumer costs.</p> <p><b>What are the policy objectives and the intended effects?</b></p> <p>The policy objective is to mitigate risk of limited availability of an E5 petrol grade should higher blends of ethanol (i.e. E10) be introduced at a larger scale in the immediate future. This would minimise costs for older non-compatible vehicles by saving them conversion costs. An additional policy objective is to signal Government pro-active approach in ensuring consumer protection and favour consumer confidence avoiding that, following the introduction of E10, confusion and negative reaction by consumers replicate the German experience.</p> <p><b>Identification of costs and benefits, and the impacts on business, civil society organisations, the public sector and individuals, and reflection of these in the choice of options</b></p>		

There are a number of areas where further information and clarification should be provided to make for a more effective consultation:

*Costs and Benefits.* The IA's central scenario is for zero impact on the basis that fuel retailers are in any case likely to continue supplying super unleaded with ethanol content below 5%. The proposal, however, provides monetised costs and benefits for a 'High Scenario'. This covers the apparently unlikely event that fuel retailers wish to introduce E10 across both premium and super unleaded streams, which would make the regulation binding. The Department estimates the impact on fuel costs and the savings to owners of non-E10 compatible vehicles if they would otherwise have to convert their vehicles. However, there is insufficient explanation of how these figures have been calculated. In particular:

- i) why "*fuel volumes fall by 55m litres overall*" (top page 7);
- ii) how the DfT fuel price projections feed through into the central costs in Table 1 (page 7);
- iii) why the costs in this table for petrol and diesel move as they do under the low and high estimates within this scenario (Table 1);
- iv) why the estimates in this table using 'current prices' lie outside this range.

#### *Assumptions*

The IA makes a number of assumptions in the event that premium unleaded E5 were to be replaced with premium unleaded E10, e.g. as to market shares and fuel volumes (pages 6 and 7). The IA should explain clearly the rationale for using these assumptions

#### *Impact on business*

The IA discusses the costs and benefits of the proposals to vehicle owners in general. However, the Department should also seek to identify the impact on business. This should address whether, in the "High Scenario", there are costs to advertise and explain that non compatible cars must use the super unleaded pumps.

#### *EU Directives*

The IA refers to "Directive 2009/30/EC" on page 6. The IA should clarify what this Directive is, as the only other reference to a Directive in the IA is to Directive 2009/28/EC, the Renewable Energy Directive.

The IA should also clarify whether the proposal presents any risk to the achievement of the 2020 renewable sources target and the implications of a switch to biodiesel to meet the target, should that be necessary.

#### **Comments on the robustness of the Small & Micro Business Assessment (SMBA)**

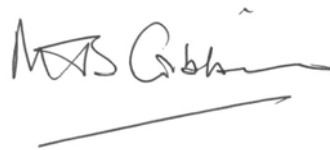
The proposal is intended to come into force before April 2014 and therefore the SMBA is not applicable. The IA states (page 8) that "*the regulations will apply to all filling stations having sales of petrol and diesel above 3 million litres annually. These tend to be larger filling stations*". The IA acknowledges (at pages 1 and 8), however, that some filling stations could fall within the definition of micro or small businesses.

**Comments on the robustness of the OITO assessment.**

The IA states (page 6): *“The existing requirement in the Motor Fuel Regulations implements the Directive 2009/30/EC. The Directive envisages that Member States can extend this requirement beyond 2013 if needed. Although the proposed amendment is within the discretion allowed by the EU Directive, as it goes beyond the minimum requirement, it falls within the One In Two Out scope.”*

Based on the evidence presented, the assessment is that this is a regulatory proposal which is in scope of OITO but with a Zero Net Cost. This is consistent with the current Better Regulation Framework Manual (paragraph 1.9.12) and provides a reasonable assessment at this stage of the likely direction of impacts. The evidence supporting the estimated Equivalent Annual Net Cost to Business, e.g. including any costs to business as above, will have to be strengthened so that it can be validated at final stage.

**Signed**

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line extending to the right below the signature.

**Michael Gibbons, Chairman**