



Fuel duty: aqua methanol set aside for use, or used, as fuel in any engine, motor or machinery

Who is likely to be affected?

Businesses producing and importing, and consumers of, hydrocarbon oils and alternative fuel products.

General description of the measure

This measure provides a separate rate of excise duty for aqua methanol that is set aside for use, or used, as fuel in any engine motor or other machinery.

Policy objective

Certain alternative fuels such as compressed natural gas, liquid natural gas and biomethane currently benefit from a lower rate of fuel duty than that applied to petrol and diesel, in recognition of their environmental benefits. From 1 April 2015, aqua methanol will be added to the list of cleaner fuels that will benefit from a reduced rate of fuel duty.

Background to the measure

At Autumn Statement 2013, the Government announced that the duty differential between the lower rate for alternative road fuel gases and the main rate for petrol/diesel will be maintained until 2024, with a review of the impact of these incentives at Budget 2018.

The Government announced at Budget 2014, that it will apply a reduced rate of fuel duty to aqua methanol. The rate is set at 7.90 pence per litre.

The duty incentive for aqua methanol will be reviewed at Autumn Statement 2016.

Detailed proposal

Operative date

The change will have effect on 1 April 2015.

Current law

Excise duty rates are in section 6 of the Hydrocarbon Oil Duties Act (HODA) 1979, which contains the rates for hydrocarbon oils; sections 6AA, 6AB, 6AD and 6AE contains the rates for biofuels; section 8 contains the rates for road fuel gases; section 11 contains rebated rates for heavy oils; section 14 contains the rebated rate for light oil used as furnace fuel; and section 14A contains the rebated rate for certain biodiesel.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to introduce a new rate of fuel duty for aqua methanol composed of 95 per cent pure methanol and 5 per cent water. Two statutory instruments will also be laid before Parliament to come into force at the same time:

- The Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.)(Amendment) Regulations 2015, provide for the administration and collection of excise duty charged on aqua methanol.
- The Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2015 Order. This sets the rates for aqua methanol when used as an additive or extender in other fuels.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-5	-10	- 20	-40
	These figures were set out in Table 2.1 of Autumn Statement 2013 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costing document published alongside Autumn Statement 2013.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals, households and families	This measure is not expected to have an impact on family formation, stability or breakdown.				
Equalities impacts	This measure is not expected to have an impact on any equalities group.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. At present, few businesses are invested in producing aqua methanol for road fuel use. As a result, both the expected one off costs from familiarising with the new rate, and the ongoing costs from ensuring the correct, lower, duty rate is paid are expected to be negligible. This measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	The measure is expected to increase availability of aqua methanol, and so could have an impact on compliance risk.				
Other impacts	<p><u>Carbon assessment:</u> The overall support for cleaner fuels measure is expected to deliver carbon savings.</p> <p><u>Small and micro business assessment:</u> small businesses will benefit where aqua methanol fuel is part of their ongoing running costs.</p> <p>Other impacts have been considered and none have been identified.</p>				

Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Ademola Adetosoye on 03000 586040 (email: ademola.adetosoye@hmrc.gsi.gov.uk).