

Michael Lyttle by email to  
[carbon.taxation@hmrc.gov.uk](mailto:carbon.taxation@hmrc.gov.uk)



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# Renewable Transport Fuel Association response to the

## Carbon Emissions Tax Consultation

The Renewable Transport Fuel Association was launched on 25th August 2020, as the voice of UK renewable fuel producers and suppliers. Its 12 founder member companies comprise all UK manufacturers of liquid biofuel,s along with the majority of green gas suppliers.

Renewable fuels such as biodiesel, bioethanol, biomethane and biopropane are available today and can make a material difference to reducing UK carbon emissions, and can do so in a relatively short timescale. Other renewable fuels are being brought to market and will have a major role in the future, especially in harder to decarbonise sectors such as aviation and maritime transport; these include drop in fuels, renewable fuels of non-biological origin, renewable aviation fuel and recycled carbon fuels.

The uptake of renewable fuels in land-based transport is driven by the Renewable Transport Fuels Obligation, but marine and aviation lack any specific policy mechanisms. Their international context makes these more challenging, and a sufficiently robust global carbon tax would be the ideal mechanism for decarbonising these sectors. Taxing carbon is the most logical policy mechanism for addressing climate change, as it has the potential to dis-incentivise the consumption of fossil fuels across the whole economy, whilst leaving industry latitude in how to respond. It needs to be robust enough to push industry to consume progressively less fossil fuel and ultimately to stop. It is in keeping with the principles of technology neutrality and enabling the market to play out, to which the RTFA members subscribe. Ultimately carbon taxation could replace the need for sector-specific policy mechanisms (such as the RTFO) and all the inherent complexities they require.

Although the UK was the first to legislate for achieving a net zero carbon economy, it is not alone in having high ambitions for reducing greenhouse gas emissions. Other countries' and regions' targets are summarised on <https://eciu.net/netzerotracker> and it is notable, and profoundly regrettable, that some of the world's major carbon emitters are not represented. This illustrates how far we are away from achieving a global carbon taxation mechanism and the potential for offshoring carbon emissions because of the lack of a level playing field. A carbon border adjustment mechanism would address this. Nevertheless the UK should seek to play a leadership role, encouraging international consensus whilst pushing forward with its own carbon tax, but without going so far as to encourage carbon leakage or to undermine UK industries' competitiveness relative to other countries at a similar level of development.

We welcome the opportunity to engage on the Carbon Emissions Tax (CET), should it come into force in January 2021, but the ongoing uncertainty and short-termism surrounding the policy concerns us, particularly the implications for business planning and investment. In order to

encourage innovation and investment, industry needs policy measures which are sufficiently long term. The proposals in the consultation only give 2 years' visibility, and this is a significant shortcoming. Plus, if the proposals result in UK business paying more for carbon than our EU and international counterparts, it could undermine the competitiveness of British industry. We note that this is already the case for electricity. Therefore we urge the Government to have linked emissions trading systems between the UK and the EU, and failing that to introduce its own CET.

Once in place, the UK should keep the tax at the leading edge of the most progressive regions and nations, and engage in international forums to push the carbon tax agenda forward. CoP 26 presents the ideal platform for the UK to set out its stall.

We are not sufficiently engaged with the detail to respond to most of the consultation questions but have some points to make in relation to questions on broadening the scope of the tax and incentivising negative emissions in the longer term.

**12. Do you have any views on how, in the years after 2021, a Carbon Emissions Tax could drive decarbonisation in sectors beyond those that would be subject to the tax at introduction?**

The CET should support making best use of carbon-containing wastes we have in the UK, including Municipal Solid Waste (MSW) and wastes from agriculture, forestry and other sectors. In many cases this involves converting them into transport fuels which can replace new fossil fuel in applications that are hard to decarbonise, such as aviation and heavy goods vehicles. As the carbon intensity of the electricity grid falls, producing transport fuels from MSW becomes more effective in reducing GHG emissions, than generating electricity from it. Currently there is no incentive to decarbonise the treatment of MSW through the EU-ETS (since Energy from Waste plants are exempt); this needs to change. The application of the CET to new Energy from Waste make it more attractive to convert waste into fuels and chemicals.

**13. Do you agree that the government should explore the case for tax incentives to support negative emissions technologies?**

Yes. The CCC and BEIS recognise that the negative carbon emissions generated through bioenergy with CCS and direct air capture are essential for the UK to meet its net zero target. These negative emissions are required to offset unavoidable emissions from sectors such as aviation or agriculture. The carbon tax scheme should recognise the value of negative emissions through carbon tax credits. For example, if a bioethanol plant captures the carbon dioxide produced as a by-product and then sequesters that carbon dioxide it should be allocated a credit that can be used to offset positive emissions elsewhere.

**14. In designing any tax incentive, what issues should the government consider regarding negative emissions technologies?**

One tonne of negative emissions has the same value as a reduction of one tonne in positive emissions. This parity should be recognised in any tax incentive so that its value is equal to the marginal benefit of reducing emissions by one tonne.

Yours sincerely,

Gaynor Hartnell, Chief Executive.