



## RED DIESEL SUBSIDY REMOVAL – MOBILE REFRIGERATION ON VEHICLES

In the Chancellor's March 2020 budget, it was announced that the long-standing tax relief for 'red' diesel used in Non-Road Mobile Machinery (NRMM) would be revoked in April 2022, although it would remain for certain industries such as agriculture and fisheries.

There are currently no viable alternatives to eliminate the need for diesel NRMM in the nationally critical role of distributing chilled and frozen food and pharmaceuticals around the UK. As a result, businesses operating these vehicles risk being exposed to significant future cost rises in their operations – these financial impacts will be felt across supply chains, and ultimately could lead to higher prices for customers.

### Key Points

- Temperature Refrigeration Units (TRUs) are secondary diesel NRMM engines used to power mobile refrigeration equipment on HGV trailers and smaller trucks.
- The UK temperature-controlled supply chain is a critical service - ensuring the safe and efficient distribution of chilled and frozen food and pharmaceuticals throughout the UK.
- The vast majority of journeys undertaken by these units are on the UK's strategic road network (Motorways and major A-roads).
- Removal of the red diesel subsidy will cost the industry an estimated £100-150 million per year.
- Distribution businesses are committed to reducing emissions from TRUs by investing in and adopting newly developing technologies, such as 'hybrid' systems, however there are currently no widely available and viable emission free alternatives to eliminate the need for diesel TRUs entirely.
- As a result, removal of this subsidy will place additional financial demands on supply chains, these will ultimately need to be absorbed by businesses and consumers and could even have the effect of reducing haulier's financial capability to invest in new lower emission technology as it becomes more widely viable.
- Technological advances in battery and other technology such as cryogenics could eventually replace diesel TRUs, however estimates suggest these could be 5-10 years from market and significant national investment in supporting infrastructure and research will be required to make them viable.



## What we are calling for

- Recognition that food and pharmaceutical distribution is a critical UK service and should be granted an extended exemption until at least 2025 for the removal of the red diesel subsidy for NRMM.
- A commitment from DEFRA and BEIS to continue to work with the Cold Chain Federation and its members to produce an Industry Plan detailing the road map to a successful phase out of diesel TRUs from temperature-controlled distribution.
- Further direct advisory and financial support to businesses seeking to adopt new, lower emission, technology.