

25th August 2021

Secretary of State
Department for Business, Energy and Industrial Strategt
1 Victoria Street
LONDON
SW1H 0ET



Dear Secretary of State,

SUPPORT FOR TRANSPORT BUSINESSES LOSING THE ENTITLEMENT TO RED DIESEL

Businesses in the cold chain have coped with a lot in the last 18 months. From the impacts of the Covid-19 pandemic to post-Brexit trade changes and the current recruitment crisis, our food logistics professionals have worked tirelessly and against the odds to keep the nation fed and supermarket shelves full.

From April 2022, businesses operating Transport Refrigeration Units (TRUs) to keep food and pharmaceuticals at a safe chilled or frozen temperature whilst they are being transported face an extra challenge - no longer being entitled to fuel them using red diesel. This will come at a cost to operators who are still reeling from the impacts of the last 18 months of approximately £100m.

Throughout the consultation process on the removal of this entitlement, we have not objected against its fundamental purpose, despite its haphazard implementation which will see many sectors still allowed to continue utilising it, the industry understands the need for transitioning to low, or no, emission fuels. However, we have repeatedly stressed the need for financial support for businesses looking to trial and adopt emerging technologies as currently where these exist, they are prohibitively expensive, even when the business case for investment includes the extra fuel duty from April 2022. Without support, businesses will simply move to using white diesel to red and the fundamental purpose for removing it, to promote the move to diesel free alternatives, will fail.

Throughout our conversations with officials at BEIS over the last 18 months, we have been assured that direct support for businesses will be made available through the Net Zero Innovation Portfolio and this has provided reassurance to the industry during a time of crisis.

On the 17th of August, details were released on a '[red diesel competition](#)' which is only being made available to mining, quarrying and construction – completely overlooking transport refrigeration. On consultation with officials, the decision to omit transport refrigeration was based on the existence of two projects seeking to research diesel-free transport refrigeration – one of these companies are now in administration and the other has yet to actually build a working prototype.

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The omission of transport refrigeration from the competition has been recognised by businesses in the cold chain as a broken government commitment to an industry who has stepped up over the last 18 months to ensure the nation has remained fed.

We urge the Department to reconsider the decision to leave logistics companies out in the cold and provide support directly to those seeking to do the right thing and look at ways to green their fleets. Financial support should be made available immediately through the NZIP and tax incentives should also be considered. Specifically, we urge:

- **Buying incentives** – one off grants on specific zero emission technology trials or purchases (eg. as was done when electric cars were in their infancy and costs were high)
- **Scrappage grants for replacing older equipment**, which must be carefully designed with the industry to maximise their effectiveness and avoid the issue of ‘stranded assets’.
- **Tax incentives** to ensure uptake of emission free technology. eg. VAT breaks or extension of ‘super capital allowance’ for qualifying lower emission technology beyond March 2023.

With the right support we can speed up the transition and help the Government meet its challenging decarbonisation targets.

We seek urgent discussions and an opportunity to talk to you further about this important issue.

Yours sincerely



Shane Brennan
Chief Executive
Cold Chain Federation