



THE END OF RED DIESEL USE IN THE COLD CHAIN

In the Budget of February 2020, the Government announced its intentions to remove the entitlement to use red diesel for most sectors, including for powering Transport Refrigeration Units (TRUs) on vehicles and generators in (sometimes used as backup power sources in cold stores). The new rules come into effect on the **1st of April 2022**.

Cold chain businesses should have already begun preparing for the changes and must now ensure they are fully compliant with the new requirements by the end of March. This note details the key changes and how businesses can check they are ready.

The Cold Chain Federation is on hand to support members through this transition. For any enquiries, please contact Policy Director [Tom Southall](#).

WHAT'S CHANGING AND WHEN?

From 1st of April 2022, the entitlement to use rebated 'red' diesel is being removed from a range of applications. For cold chain operators this mostly affects Transport Refrigeration Units (TRUs) on vehicles, some back-up generators in cold stores and food processing machinery. The government's guidance for preparing for the changes is available here: <https://www.gov.uk/government/publications/changes-to-rebated-fuels-entitlement-from-1-april-2022/how-to-prepare-for-the-changes-to-rebated-fuel-if-youre-a-fuel-user>

WHY IS THIS HAPPENING?

It is the Government's view that rebated diesel is slowing the take up of more sustainable technology in certain sectors. The change is part of their wider policies of making businesses pay for emissions they produce and to incentivise the development and adoption of greener alternatives. The change will also generate approximately £1.5bn in revenue for the Treasury.

HOW MUCH WILL THE CHANGE COST MY BUSINESS?

From April 2021, the tax on diesel used for Transport Refrigeration Units and other applications will increase from 11.14p/L to 57.95p/L, so an increase of 46.81p per litre. CCF data suggests on average this will mean a **£6.53 increase in fuel costs per TRU per day** (or £2,383 per year) based on average TRU usage and therefore a total impact of approximately £100m to the industry's estimated 40,000 TRUs.

CAN I CONTINUE TO USE RED DIESEL RIGHT UP TO THE 31ST OF MARCH 2022?

Technically yes, although the Government has made it clear that they expect users to have exhausted all stocks of red diesel by this date and switch to white diesel by the 1st of April. This means businesses will need to run down stocks of red diesel so that all bunkered red diesel is used up by 1st April. Any surplus will need to be disposed of or sold and cannot legally be used unless by machinery in sectors still qualifying for red diesel entitlement.

WILL I NEED TO FLUSH OUT THE TANKS ON ALL MY UNITS?

No. The Government have confirmed that this won't be required for operators, although registered dealers in controlled oil (RDCOs) are expected to do this.

WHAT ABOUT BACK-UP GENERATORS FOR MY COLD STORES, DO I NEED TO EMPTY THEM BY APRIL 2022?

Whilst red diesel can no longer be used in commercial back-up generators beyond April, you may not need to use up stocks prior to this date although the rules are slightly complicated.

You can use up your stock of rebated fuel after the rules change if you obtained and stored the fuel on or before 10 June 2021 (and have the paperwork to prove it). The fuel can be used for any of the following uses:

- contingency back-up electricity generation in premises used for commercial purposes
- critical safety and environmental protection appliances in premises used for commercial purposes

If you have stocks of red diesel held to be used as contingency back-up which were obtained after 10 June 2021, or you cannot change from using it for technical or safety reasons, you may be granted a licence by HMRC to continue using it.

If you think this applies to your operation, you need to apply to HMRC. However, even your licence is approved, you will need to pay the difference in duty between the rebated and non-rebated fuels on the fuel. If you are concerned that you will not be able to use or dispose of fuel you purchased after 10 June 2021 by 1 April 2022, you should contact: oils.policymail@hmrc.gov.uk immediately.

HOW CAN I CHECK IF MY MACHINERY IS STILL ALLOWED TO USE RED DIESEL BEYOND APRIL 2022?

Some sectors will continue to be able to use red diesel beyond 1st April, including agriculture, horticulture, fish farming and forestry sectors. The guidance for what is still eligible can be found here: <https://www.gov.uk/government/publications/changes-to-rebated-fuels-entitlement-from-1-april-2022/check-when-rebated-fuel-can-be-used>.

If you are unsure, you can check by emailing oils.policymail@hmrc.gov.uk, although you need to do this ASAP.

WHAT HAPPENS IF RESIDUE IS DETECTED IN MY TRUS OR FUEL STORES AFTER 1ST APRIL AND HOW WILL THIS BE ENFORCED?

As the rules don't require flushing of tanks, HMRC accept that some 'residue' may still be present in your equipment beyond the 1st April.

HMRC have said their officers will take a 'pragmatic' approach to enforcement. If, after 1 April 2022, they find traces of red diesel in the fuel supply of a vehicle or machine which is not allowed to use it, they will likely ask you to provide evidence to show that any rebated fuel was put in before the rules changed and is still being used up.

Therefore, it is imperative that you ensure drivers and depots keep records of refilling by keeping invoices or receipts showing that you've purchased diesel or biofuels (eg. HVO) which have had full duty paid, or any red diesel was purchased before 1st of April 2022.

As you are expected to have used up all stores of red diesel by April, proving that TRUs have been filled by bunkered fuel which was purchased before 1st April will not be acceptable.

If machinery is found running on rebated fuel unlawfully beyond April 1st, they could be seized or you may be subject to [civil or criminal sanctions](#).

CAN I USE RED DIESEL PURCHASED IN EU COUNTRIES IN MY TRUS WHEN THEY RETURN TO THE UK?

Yes, but you must keep records (receipts). Fuel in a vehicle tank is not subject to checks at the border and fuel carried across a border already in a vehicle's standard tanks is not liable for duty in the country it enters, only in the country where the fuel was bought. Therefore, a TRU can fill up with red diesel in countries where that is legal. If TRUs checked by HMRC officers are found to contain red diesel, they would need to be able to prove that the diesel in their tanks was legally purchased abroad rather than illegally purchased in the UK.

From 1st April, red diesel can still be legally purchased for transport refrigeration units from many European countries including Ireland, France, Belgium and Spain.

WHAT ELSE DO I NEED TO CONSIDER BY APRIL 2022?

It will be down to an individual business how you mitigate for the increase in fuel cost to your operations.

You should consider your commercial arrangements with customers and how the rise in operating costs will be accounted for. Some contracts may allow service costs to rise in line with fuel duties, other may need renegotiating.

It has been suggested by some users that switching to white diesel may make fuel stored at depots more susceptible to theft, as white diesel is more valuable and saleable than red. You should review your security arrangements to ensure this risk is minimised as much as possible.

IS THERE ANY SUPPORT AVAILABLE TO HELP ME WITH THIS EXTRA COST AND TO APPRAISE ALTERNATIVES TO DIESEL?

As part of the consultation process, HMRC repeatedly promised that businesses affected by this change will be able to access a fund to support them to adopt alternatives to diesel.

We were extremely disappointed when the transport refrigeration sector was overlooked for funding as part of the [red diesel replacement competition](#) announced last year. Conflicting reasons for this were given including that our sector was ‘too small’ and that alternatives were already available. We continue to voice our anger at this decision, see [here](#), [here](#) and [here](#).

In reality, the red diesel competition is research funding which would not have supported businesses directly. What we have been calling for is direct support to bridge the financial gap of adopting and deploying developing technologies for TRUs. This was the basis of our report last year which looked at how businesses can transition away from diesel as a power source for transport refrigeration. *The Journey to Emission Free Refrigeration on Road Vehicles* can be downloaded [here](#).

We will continue to pressure government for help to support this transition.

HOW CAN I RAISE CONCERNS OR QUERIES?

If you have any queries about continued eligibility, or using up stocks of red diesel, you should contact HMRC immediately as a first step (oils.policymail@hmrc.gov.uk). For any general queries or support from the Federation, please get in touch with Tom Southall, Policy Director: tom@coldchainfed.org.uk.