



MPANI submission to Consultation on Red Diesel Rebate

October 2020

This response is supported by Manufacturing NI



Introduction

Founded in Northern Ireland in 1998 the Association now represents 95% of aggregate production in the Province. Our membership includes major, medium and smaller sized companies. The Association represents companies engaged in the supply of primary aggregates; the processing of recycled and secondary materials; the production of down stream processed products such as asphalt, lime, mortar, ready-mixed concrete and precast and road surfacing contracting.

MPANI are Affiliate Members of the Mineral Products Association (UK). This response is aligned with the MPA response to this Consultation but we have highlighted the many specific impacts that removal of the red diesel rebate will have on our Northern Ireland Members and the wider economy in Northern Ireland.

Figures show that approximately 45% - 50% of aggregate and construction materials sold in Northern Ireland are purchased by the public sector.

The Minerals / Construction Materials sector is a key essential industry and one that impacts on the quality of life of every single citizen in Northern Ireland. The sector is characterised by low margins, high energy costs, and a commitment to manage their operations in a sustainable way. The Industry also faces a number of challenges currently including a high age profile of 55 years, a low representation of women and the need to decarbonise and become more energy efficient.

Manufacturing NI represent some 550 manufacturing businesses across every constituency represented in the NI Assembly. Manufacturing represents around 14% of local GDP and approximately 11% of total employment. With around 70% of manufacturing taking place outside of Belfast, it's impact on local economies is more pronounced with, for instance, more than 1 in 4 jobs in Mid Ulster and more than 1 in 5 jobs in the new M&EA and ABC Council areas being a direct manufacturing job with a further 1.2 jobs per job supported in indirect and induced markets meaning that half of jobs in Mid Ulster and 4 in 10 jobs in Mid and East Antrim and Armagh Banbridge and Craigavon Council areas depend on the sector.

The Department of the Economy NI recently published a report, conducted by the University of Ulster, that showed the full economic impact of the geoscience industry to the wider NI economy (click on https://www.ulster.ac.uk/__data/assets/pdf_file/0010/406936/Economic-Impact-of-Geosciences_final-report-12th-April-2019.pdf) is calculated to be 83,700 jobs, £3.7 billion in Gross Value Added (GVA) and £1.8 billion in wages. The respective Type II multipliers are 2.7 (jobs), 1.9 (GVA) and 2.5 (wages). These are all significant figures, equivalent to around 10% of the NI economy being directly or indirectly impacted by the geoscience sector. The key statistics for the geoscience industry include 34,000 jobs (4.6% share of NI's total employment in 2017), aGVA1 of £2.1 billion (5.8% share of total GVA in 2016) and 6,150 businesses (8.6% share of the total in 2016). In terms of NI equivalents, geoscience employment is similar to the agriculture sector and the knowledge economy and the GVA total is close to that produced by construction.

The local Minerals Sector, and the essential materials it provides, is a major industry in Northern Ireland. There are around 165 quarries and sand pits in NI supplying materials that create products worth some £700 million per year and helps to sustain some 5000 jobs. The jobs our Industry supports are in rural areas where other employment opportunities can be scarce. In fact, 75% of the total number of quarries and pits in Northern Ireland are situated in areas designated by Government as Targeting Social Need. The local construction industry is totally reliant on mineral products. Approximately half of Northern Ireland is within 25 miles of the border with the Irish Republic. Within this zone, locally produced construction products are facing unfair competition from competitors in the Irish Republic where energy costs are lower, the UK aggregates levy of £2.00 per tonne does not apply and if the red diesel rebate is removed from our Industry and Manufacturers will be at a further disadvantage to their competitors in the Republic of Ireland.

Key Points in our response to this consultation

- There are currently no alternatives to diesel powered equipment for MPANI members and we do not expect there to be for quite some time.
- There will be no environmental benefit as our industry has no choice but to continue to use diesel powered equipment.
- There will be a hit to confidence and potentially investment in difficult economic circumstances, with companies considering slowing their equipment renewal rate in response until alternative equipment becomes available.
- There will be no alternative but to pass costs on to customers and clients, including to public infrastructure projects, housing, education and health projects and of course to private sector construction. The removal of the

rebate will also make NI manufacturers and suppliers less competitive in international markets.

As already stated the Mineral Products industry uses a substantial amount of diesel powering high-power, heavyweight machinery. This is essential for us to provide essential materials for key sectors of the economy; most obviously construction but also sectors as diverse and essential water purification, energy, and agriculture.

In 2018 the Government held a similar consultation on the rebate, and part of its conclusion was that

“The responses from both industry and manufacturers of machinery make it clear that cost and a lack of alternatives to diesel are concerns. This is the case to a greater and lesser extent across sectors. However, the call for evidence has established that for some uses, practical alternatives to red diesel do exist.”¹

For our sector, which uses some of the heaviest and most powerful equipment anywhere in the economy (see pictures below), nothing has substantially changed in the availability of equipment fuelled by alternatives to diesel. Of sectors using such equipment, by nature of the size and power requirements for our industry we will likely be among the last to have access to alternatives.

Removing the rebate will have no environmental benefit but will cause damage to a foundational industry at a very difficult economic time. It will raise the cost of housing and infrastructure and make British companies less competitive in international markets.

Until alternatives are available for our sector, or even close to market, removing the rebate would be damaging. We call for our sector to retain its exemption until such a time as alternatives become available.

¹ HMT (2019) “Non-road mobile machinery and red diesel call for evidence: summary of responses” p7



Furthermore, as the Government has stated the rationale for removing the red diesel rebate is to protect the environment and help the UK meet its net zero carbon targets. The Mineral Products Industry across the UK are already subject to and pay over £1 billion per year through environmental and carbon taxes.

We have surveyed our members in NI and estimate that the additional cost due to removal of the red diesel rebate will be in the range of £0.45 to £0.60 per tonne of crushed rock and over £5.00/tonne of blacktop manufacture. In summary;

- No alternative fuels at present
- It will be the same fuel (only without the red dye) we will be using until lower/zero carbon fuels are available
- same level of emissions with same environmental impact
- Result - economic challenge and costs with no proven Environmental improvement!!!

Government have already conceded the argument in the consultation paper that where no alternatives are available for a particular sector of the economy then removal of the rebate will be delayed. Look at section 4.6 statement in Chapter 4!!

“Gov is planning to review the entitlement for red diesel to be used in rail vehicles “once alternatives become available”

The point the Minerals and Aggregates Sector is and will continue to make is that we are an essential industry, rurally based, with an excellent environmental record, already at the forefront of new technology and committed to zero carbon and energy transition.

Asks in order of priority

1. Minerals sector exempted in a similar way to Agriculture / Forestry / Rail.
2. Removal of Rebate delayed until 2030 to allow for fuel technology to develop that it can offer solutions to power the heavy plant we use.
3. A staged withdrawal of the rebate over the next 10 years.

Answers to consultation questions

Q1. What is your name?

A1. Gordon Best

Q2. What is your email address?

A2. gbest@mpani.org

Q3. Which category in the following list best describes you? If you are replying on behalf of a business or representative organisation, please provide the name of the organisation/sector you represent, where your business(es) is located, and an approximate size/number of staff (where applicable).

A3. Mining / Quarrying / Manufacture of Construction Materials

Q4. Would you like your response to be confidential and, if so, why?

A4. No

Q5. Will removing the entitlement to use red diesel in your sector create perverse environmental outcomes? If so, please explain how, providing relevant evidence.

A5. Two years' notice with considerable uncertainty is wholly insufficient lead in time for a meaningful response to a change in the tax framework. It will though have an impact on confidence and thus investment, which may have a resultant environmental detriment as companies react.

Removing the rebate will exacerbate economic headwinds we expect to still be facing in April 2022. MPAs most recent economic forecast for our sector is that 2020 will see a decline of 24.9% with 2021 recovering by 25.5%, leaving us around 5% behind where we were at the start of 2020. With a total shutdown in early 2020 and a possible round of job losses coming with the end of the Job Retention Scheme, our sector is currently in survival mode and will still be recovering by the time this tax increase is proposed to take effect.

Our members advise us that they are likely to react to this by reducing investment because of the scarcity of cash, and the impact on profitability and confidence. In a survey of MPA producer members, 96.4% told us it would affect their future investment and recruitment plans. Comments from small and medium companies pointed to concern around the impact on businesses' bottom lines and confidence, and a subsequent impact on ability to invest in new plant or in growing their businesses:

“This will be a very significant cost rise for us in a market that sees downward price pressure continually from subsidised imported materials and now the ravages of the ongoing Coronavirus situation. My feeling is that it will simply see us shrink down to a very small operation.”

“the increased and unprecedented fuel costs associated will heavily reduce to ability to renew plant, such restraints will [h]amper the ability to embrace new and more efficient technology on a regular basis due to having to increase the life span of plant to ensure working payback.”

“We are already fully committed to replacing the mobile plant in the mine with electrically powered plant, but it has not yet developed. The reduction of the rebate will increase cost so reduce internal finance.”

“Increased cost of operating plant via tax benefit removed off Red Diesel will mean we will need to make plant work over longer period to recover increased cost. We will extend our replacement programme and make existing plant last longer.”

“The annual amount that we invest in the future of the business is roughly equal to the additional cost incurred by the removal of the rebate.”

Another medium sized company stated;

“The proposed removal of the red diesel rebate would see our direct fuel costs increase by over £1 million per year. This proposal would also have an effect on our supply chain including material suppliers and sub-contractors, many of which consume significant volumes of gas oil, with these additional costs passed on to us, could potentially increase our costs by a further £500,000.

Given the competitive nature of the aggregates sector that we operate in within Northern Ireland, it would be difficult to pass these increased costs on to the customer. Furthermore, with no Aggregate Levy or Fuel Rebate Removal in the Republic of Ireland coupled with a perceived lack of compliance and regulation in border counties in NI, it makes an already competitive market more difficult to operate within.

This is exacerbated by what appears to be the HMRC’s perceived lack of appetite to address unregulated activities in Northern Ireland. As a result, additional burdens on responsible operators in an already competitive sector may potentially result in making some business activities unsustainable and consequently impacting employment levels.

The majority of our quarrying plant operates on genset fuelled by gas oil. With the use of gas oil potentially becoming financially unviable, connecting quarrying fixed plant to mains power may only come with substantial additional capital investment and in some cases may not be logistically possible due to remote site locations. .

There is a severe lack of new technology within the industry (Quarrying and Contracting) for both fixed and mobile plant and while the rebate removal aims to encourage the industry to switch to cleaner alternatives, this does not appear to be feasible now or within the timeframe outlined within the consultation document”.

Large UK and multinational businesses in the MPA membership had similar concern around the cost impact, but with more complex renewal strategies had more uncertainty to deal with.

“This would complicate our choices. We will be reluctant to buy new plant operating on obsolete technology; while we will continue to look for alternative solutions, in the short and medium term we will most likely replace less than planned.”

“We would seek to pass on additional costs to the customer. In reality this is unlikely to cover the full impact of the removal of the rebate. We would have to consider reducing other costs e.g. headcount to compensate.”

“We would usually renew equipment with the latest available technology at the time of renewal, however as the equipment manufacturers are still working on advanced technologies we may continue using existing assets past the point of when we would usually renew so that we can buy the very latest viable tech when it comes to market. However that could be some time as the global equipment manufacturers are not rushing their plans to provide replacement equipment just because the UK Quarrying sector requires it”

Another large NI based operator stated;

“The key uses for red diesel within our organisation relates to the operation of fixed and mobile plant, as well as being utilised to fuel a fleet of specialist off-road bulk aggregate haulage vehicles. These vehicles transport raw material from a number of quarrying operations to various secondary processing plants across our production location, in addition to delivering the limestone and shale feedstock to our cement plant. Our overall utilisation of red diesel for these operations located, or partly undertaken in Northern Ireland in the 12 month period from August 2019 to August 2020 was 2,116,670 Litres which is all used in the applications set out above.

The natural alternative, and most direct replacement, to red diesel is DERV as this would have the minimal impact on operations and would require minimal, if any, additional infrastructural investment. However, due to the pricing differential, there is an obvious additional and immediate cost to the business from proceeding down this route. For our operations we calculate this increase in costs, as a result of a direct replacement of red diesel with DERV, at over £1.1m per annum. This would add approximately £0.55 to the cost of each tonne of aggregate processed by the business.

We are in the process of examining alternative fuel options, particularly in relation to our off-road haulage vehicles. Initial costings are indicating a potential additional investment of c20% per vehicle with some savings compared to DERV on an on-going basis, but still significantly more costly than red diesel based on current prices. Alternative fuel options being examined include Compressed Natural Gas (CNG), Hydrogen and Hybrid. There are some mobile plant options available for Hybrid and Electric power. However, to date these have not proven to be a workable solution for the type of environment in which we operate. While it may be possible, in principle, to pass through the additional costs down the supply chain, a key consideration to be taken into account, particularly for Northern Ireland, is the impact that cross-border trading would have on the sector. If competitors located in ROI are not faced with the same level of operating costs then it will make them more competitive than NI based operators, particularly around the border region.

The operating margins for the sector are at a very low level already and as such give no/very limited ability to absorb additional costs. In addition, this would further dilute the ability of businesses to reinvest in new, more fuel efficient and environmentally friendly production equipment.”

A large materials handling manufacturer told us;

Given the fact that the switch provides no proven environmental impact, the simple & key aspect for ourselves is around the impact on competitiveness for international trade which is highlighted in the key points of response.

We use around 650k Ltrs/yr of fuel on product testing and increasing product price to compensate in an already very competitive market base is not really an option. We are simply just adding on cost to produce our products!

Our sector uses specialist, extremely heavy and powerful equipment which is likely to be among the last to be replaced by non-diesel options. If the companies do slow their renewal rate for equipment, there would be an impact on efficiency and thus emissions over time.

With alternatively fuelled equipment for our sector only expected on the market in the medium-to-long term, there is a risk of stranded assets at some point in the transition, and businesses are trying to optimise their equipment in a highly uncertain environment.

The best way to proceed would be a similar process to the engine standards adopted for road vehicles which allow orderly adaptation based on the technologies available. Road fleets have upgraded to Euro 6 in time to meet policies such as the ULEZ in London, and manufacturers have made these engines available in time for fixed, long-term deadlines. But the time scale for this was much longer, over a larger EU-wide market and with more certainty. Applying the same logic on a much shorter timescale in one country, excluding agriculture and forestry, two of the largest sectors that use similar equipment, is not going to have the same effect.

Q6. Will removing the entitlement to use red diesel in your sector have an impact on the price of goods and services households and/or voluntary organisations use or pay for over the long-term? If so, please provide relevant evidence.

A6. MPA members across the UK were unanimous that they will pass on the cost to consumers in whole or part in our survey. This will feed into the whole national economy and local economies as the costs of materials for infrastructure, housing and other construction rise. With the general increase in Government's and devolved administrations ambition and budget for infrastructure, this cost will be noticeable on public spending, with around 50% of our sector's production going into public sector or utility projects. Other sectors, such as water treatment which relies on industrial lime, will also face increased input costs as our members are forced to pass on the cost.

These costs will indirectly make their way to householders via their tax bills, their mortgages, and the prices they pay for goods and services.

For sectors that are internationally traded, such as cement, lime, concrete products and dimension stone, passing on the price will make them less competitive.

Q7. How will removing the entitlement to use red diesel in your sector impact your organisation? Please provide details on:

a) Your organisation/sector's current red diesel consumption and costs, including as a proportion of total costs, and broken down by different uses (i.e. what types of vehicles and machinery)

A7. Across all parts of our industry, MPA members across the UK use approximately 230 million litres of red diesel per year.² As a proportion of costs this varies widely across products. For example, an SME sand and gravel producer informed us that one of their cheaper products would increase in cost by 17 per cent. Another small family run quarrying business in Northern Ireland said;

“Within our Financial Year 2019/20, our red diesel fuel consumption was approx. 313,000 litres at a cost of £144,000 to our business, this was around 17.7% of our total cost of sales being £813,732. This cost along with Machinery Maintenance £188,000 and Aggregate Levy £176,543 are the 3 highest cost of sales to our business being Quarrying. All of our current work activities are mobile quarrying machinery which all run on red diesel, being Dump Trucks, Loaders, Diggers, Crushers, Screeners, Tractors and Handlers. Aggregate Levy, Machinery Maintenance and Fuel Costs account for over 56% costs of sales against our annual turnover”

A medium sized contractor told us:

“In order to facilitate our operations we own a large modern plant fleet comprising some 75 pieces of large earthmoving equipment ranging in size from 70 tonne tracked excavators, 40 tonne articulated dump truck, D8 tracked dozers, compactors, graders etc and in a typical year our Red Diesel expenditure is in the order of some £2,500,000 excluding vat.

“Therefore should the Red Diesel rebate be removed it is estimated our fuel bill will increase by some £2,500,000 i.e. doubling our annual expenditure on Red Diesel.”

The company also highlighted that they have long-term framework contracts beyond 2022 and would struggle to recover the added cost.

Some products, for example industrial lime, require a large volume of raw material to be extracted and processed to extract the high quality, high-value product. The cost per tonne of the final product would need to reflect all the additional red diesel costs that were incurred during the extraction and processing.

The types of vehicles and machinery vary, but include very large (e.g. 80 tonne) diggers, wheel loaders and dump trucks. These are heavier and more powerful than HGVs, which the Government does not expect to be zero-emission by 2050.³

b) The operational and financial capacity of your organisation/sector to shift to alternatives to red diesel (specifying what these alternatives are)

A7b. There are no viable alternatives currently in the market and we do not expect there to be for several years. As research commissioned by HM Treasury

² SD Report, check latest

³ DfT (2020) “Decarbonising Transport: setting the Challenge” p40

in 2019 found, mining and quarrying was the sector with the greatest reliance on red diesel, but also that it was keener than average to switch when the equipment was available.⁴

There is financial capacity to invest, as our members do every year when renewing equipment, and once alternative fuelled equipment is available and has met the performance needs of businesses, they will buy it.

The removal of the rebate will therefore have no impact on our sectors capacity to buy alternative-fuelled equipment, as there are none available on the market. When the equipment manufacturers are able to supply alternative fuelled equipment, the incentive would change decisions about what to buy but not in itself change the capital allocated to investment.

We are sceptical that there would be any impact on manufacturers' efforts to provide alternative fuelled equipment at the scale used in our sector.

A similar, regulatory approach by Government to that taken to road vehicle engines, would be much more practical and avoid a very short-term cliff-edge which our members will be unable to avoid. It would also recognise the realistic timescale technology takes to develop.

c)The capacity of your organisation/sector to pass through costs down the supply chain

A7c. 86% of respondents to our MPA survey indicated they would pass on the additional costs to customers in full and the remaining 14% in part. This includes public and private sector customers in infrastructure, agriculture, housing and other construction sectors, as well as products as diverse as food packaging, water purification and energy pollution control. There will therefore be an indirect impact spread across much of the economy in terms of cost, on major public sector projects across the UK, and also an impact on competitiveness for internationally traded products such as cement, lime, concrete products and dimension stone.

d)The capacity of your organisation/sector to absorb extra costs

A7d. MPAs latest economic forecast for the Mineral Products sector shows that by 2022 we will still be below where we were in 2019, and will not have fully recovered from the impact of the shutdown due to Coronavirus in 2020. Removing the rebate will add significantly to our sector's costs, dampening confidence further. This has an impact on investment and recruitment plans.

Q.8 What impact do you expect the removal of red diesel entitlements from most sectors will have on the environment and on air quality? Please provide any evidence you deem relevant.

A8. For our sector it will have no impact in the short to medium term because there is no alternative equipment in the market.

Regarding air quality, the heavy equipment used by our sector in quarries is in rural settings, in common with exempted sectors such as agriculture and forestry. The air quality impact that arises from this equipment is not in urban areas which should be a higher priority for public health.

⁴ IFF report for HMT

Similarly on climate change, there will be very limited change in the emissions per tonne associated with production in the UK in the next few years, because there is no alternative equipment available. Businesses already optimise their fuel costs, and thus their emissions. Removing the rebate will raise costs and make UK production less competitive, potentially encouraging production of some products to be offshored. This could move production to less efficient but lower-taxed locations and would increase emissions associated with transport of materials.

Q.9 Do you have any comments on the government's intention to maintain the entitlement to use red diesel for agriculture (as well as forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating) from April 2022?

A9. The consultation document gives no justification for the agriculture exemption other than it is important to that sector. It is also very important to ours.

The logic of excluding agriculture and forestry but not quarrying is not clear. All are rural industries with similar low impact on air quality. All use similar equipment for part of their operations including earthmoving, cutting, and transporting material around sites.

This exclusion blunts the incentive effect on manufacturers to develop alternative equipment considerably since the largest market for this sort of machinery is agriculture.

The exclusion for rail, especially rail freight, makes more sense. Every aggregate train takes 75 lorries off the road, so there is a clear environmental benefit. However, in Northern Ireland and in other rural regions of the UK rail is not available. Moreover, the average delivery distance in GB is approximately 25-30 miles while in NI it is approximately 12-15 miles. The quarry sector in GB, particularly in England where rail infrastructure is available, is growing its use of rail freight significantly to improve its environmental performance.⁵ Government have already conceded the argument in the consultation paper that where no alternatives are available for a particular sector of the economy then removal of the rebate will be delayed. Look at section 4.6 statement in Chapter 4!!

“Gov is planning to review the entitlement for red diesel to be used in rail vehicles “once alternatives become available”

Q.10 The government is interested in gathering further information about the use of red diesel for heating. Please provide relevant evidence of your use of red diesel for this purpose, including on: i) the quantity and cost of the fuel; ii) where in the country the fuel is used (including whether you are on or off the gas grid); and iii) whether you consider that there are any viable alternative energy sources available to you.

A10. No answer

⁵ MPA and Rail Freight group...

Q.11 Do the announced changes to the tax treatment of red diesel raise any concerns about the application of existing fuel duty reliefs? If so, please provide details on the relief and the issue that you believe will arise.

A11. No answer

Q. 12 Are there any circumstances where, despite nearly two years' notice, users of red diesel that will be losing their entitlement will have already purchased fuel that they do not expect to have used up by April 2022? If so, please provide evidence to explain why you do not expect to be able to manage your supplies so that you have used up all your red diesel by April 2022.

A12. There are thousands of fuel storage tanks across the sites operated by our industry across the UK, some of which may only be filled once per year. Depending on the timing of any announcements on additional sector exemptions, companies could face the risk of buying white diesel and paying duty they do not need to, or red diesel and risk being prosecuted.

It is not practical to refill every tank on the day the tax change comes into force. It is unreasonable and burdensome to require companies to estimate how full their supplies across many tanks will be and what proportion will be used by a fixed date, and attempt to run out their tanks and refill the as close as possible to that date.

Rather, the rebate removal should apply to fuel bought from the wholesaler after the implementation date. This would have no impact on the incentive to buy alternative equipment but would reduce the administrative burden for companies and HMRC.

Q. 13 Do you agree with the government's suggested approach of mandating RDCOs that switch a fuel tank from red to white diesel in anticipation of the introduction of the tax changes to flush the tank and pump until no trace of marked rebated fuel remains? If you do not, please explain why.

A13. For wholesalers this is burdensome but appropriate, but for customers it should be clarified that they are not expected to flush on-site storage tanks and that enforcement will be reasonable and proportionate. Without this, customers face significant risk and cost for no benefit to the environment.

Q. 14 If you are a fuel supplier, do you foresee any significant difficulties with the proposed arrangements for implementing the changes to the tax treatment of red diesel? If so, please explain why.

A14. No answer

Q.15 Do you agree with the government's suggested approach of not mandating users of red diesel that will lose their entitlement to flush out the fuel supplies of their vehicles and machinery? If you do not, please explain why.

A15. Yes, customers should not be mandated to flush out on-site storage tanks. But they should also be given reassurance that they do not have to perfectly predict the usage of fuel across all of their tanks. The rebate should be removed for purchase after the date of coming into force rather than use, and

enforcement should be proportionate, seeking only to prevent largescale stockpiling.

Q. 16 If you are in a sector that will lose entitlement to use red diesel from April 2022, do you foresee any difficulties with the proposed arrangements for implementing the changes to the tax treatment of red diesel? If so, please explain why.

A16. MPA has records of 3,160 sites in our industry across the UK, many of which will have fuel storage tanks for equipment used and the larger ones will have several. It is impossible for companies operating these sites to predict with certainty how much they will use to the point of precision that they could run down stocks for 1st April 2022 perfectly across all sites.

Members have expressed concern at the enforcement by HMRC effectively requiring them to flush out tanks, even if they are not mandated to do so, because of fears of over-precise enforcement.

This problem disappears if the tax is charged on the date of purchase rather than use. While this has some revenue impact for HMRC it would be a significant simplification which would benefit businesses by removing risk and additional costs at a time of economic difficulties. We believe this would be a proportionate response.

Q. 17 Is the government's suggested approach to compliance proportionate and appropriate? If not, please explain why and outline any scenarios that you anticipate may require bespoke compliance powers or penalties.

A17. As stated previously our Industry Members, particularly more rural regions of the UK, have bitter experience and frustration about the capacity of HMRC to effectively regulate our Industry in relation to Aggregates Levy and other taxes and **expectation for this particular taxation would be no different and would have serious financial and operational implications for responsible operators, particularly in the border areas of Northern Ireland.**

Q18 Do you agree with the government's suggested approach of introducing a new relief scheme where the fuel supplier would deduct from the sale price the duty difference on the proportion of white diesel purchased by private pleasure craft users for non-propulsion use? If you do not, please explain why and give details of an alternative that you believe would be better.

A18. No Answer

Q19. Do you consider that 60% for propulsion and 40% for non-propulsion use still reflects most crafts' typical fuel use? If not, and you are a private pleasure craft user, please provide evidence on your own use. If you are a fuel supplier, please provide evidence on the number of craft users that claim they use more than 40% of their fuel for non-propulsion use.

A19. No Answer

Q20. If the government decides to introduce a new relief scheme, do you consider that the relief should be set as a fixed percentage to reflect most crafts' use or capped at a maximum percentage, meaning that craft users that use less than the maximum for non-propulsion would claim back less? Please explain the reasons for your view.

A20. No Answer

Q21. If you are a fuel supplier selling fuel to private pleasure craft, do you foresee any difficulties with implementing the new relief scheme outlined above if the government decides to introduce it? If so, please explain why and whether the government could adapt the scheme to mitigate these difficulties.

A21. No Answer

Q22. Do you agree with the suggested approach for private pleasure craft with two fuel tanks (one for propulsion and a separate one for non-propulsion) to be allowed to continue to use red diesel in the non-propulsion tank where it can obtain it?

A22. No Answer

Q23. Is there anything you have not already included in your response that you would like us to note about the impact of the changes to the tax treatment of red diesel, especially any potentially adverse impacts on groups with protected characteristics?

A23. No Answer

Q24. The government is interested in gathering further information about the end use of non-aviation kerosene, fuel oil, other heavy oils, LPG and natural gas. Please provide relevant evidence on usage of these fuels, particularly in relation to:

- a) the purpose and type of use, such as business, public sector or domestic. Where the fuel is used as motor fuel, it would be useful to know what types of machinery, including excepted vehicles, it is used to power and what they are used for
- b) the quantity and cost of the fuel used
- c) where in the country these fuels are used (including whether they are on or off the gas grid)
- d) whether you consider that there are any viable alternative fuels available to you to power such machinery, including excepted vehicles, or equipment.

If you know your Standard Industrial Classification code, please also provide this. You are invited to provide any evidence you deem relevant to this call for evidence, not limited to the information requested.

A24. No Answer

Q25. Is there any other information that you wish to highlight to help the government reach a decision on whether to reconsider the tax treatment of these other rebated fuels?

A25. No Answer

Q26. If you believe the tax treatment of these other rebated fuels should be reconsidered, do you have any suggestions for how it could be reformed and implemented? Please provide any evidence you deem relevant and consider how this would interact with the changes to the tax treatment to red diesel, both in terms of which sectors the changes would affect (Chapter 4) and how the changes would be implemented (Chapter 5).

A26. No Answer

Gordon Best

Regional Director MPANI