

# RED DIESEL TAX REBATE CHANGES.

**YOUR GUIDE TO GETTING  
READY FOR 2022.**





# CONTENTS

## ARE YOU READY FOR THE RED DIESEL CHANGES?

1. THE IMPACT
2. THE ACTION PLAN
3. THE OPPORTUNITY
4. FUELLING FUTURES, TOGETHER

# ARE YOU READY FOR THE RED DIESEL CHANGES?

At Budget 2020, the UK government announced that it would remove the entitlement to use red diesel (gas oil) and rebated biodiesel for many sectors and applications, as of 1 April 2022. The move is intended to reduce the commercial use of red diesel, compelling a range of industries – including construction and leisure – to turn to other options such as unrebated white diesel or switch to cleaner alternatives.

Changes to the rules around red diesel are part of the government's efforts to achieve the target of net zero carbon emissions by 2050. The UK is the first country to sign this ambition into law, and further regulatory changes can be expected in the months and years to come. Taxing most users at the standard rate for red diesel is intended to reflect the impact of the emissions they produce, while incentivising energy efficiency and the use of cleaner fuel alternatives. Indeed, red diesel accounts for around 15% of all diesel oil used in the UK, and produces almost 14 million tonnes of CO<sub>2</sub> per year.<sup>1</sup>

But with government guidance around the red diesel tax changes continuing to evolve and some uncertainty still remaining on exactly which applications will be exempt, it can be challenging for businesses to know what their next steps should be and how to ensure they remain compliant.

This guide provides an in-depth overview of the red diesel changes to help companies navigate the evolving landscape and understand whether or not the rule changes apply to them. For non-exempt businesses, the time is now to plan and adapt your fuel mix to ensure not only compliance, but also that your business can continue to run smoothly – read on for everything you need to know.

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**RED DIESEL ACCOUNTS FOR AROUND 15% OF ALL DIESEL OIL USED IN THE UK, AND PRODUCES ALMOST 14 MILLION TONNES OF CO<sub>2</sub> PER YEAR**

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In order to achieve the target of net zero carbon emissions by 2050, the UK government announced that it would remove the entitlement to use red diesel (gas oil) and rebated biodiesel for many sectors and applications.



<sup>1</sup> HM Treasury, Reforms to the tax treatment of red diesel and other rebated fuels: consultation, July 2020. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/899174/Consultation\\_on\\_reforms\\_to\\_the\\_tax\\_treatment\\_of\\_red\\_diesel\\_and\\_other\\_rebated\\_fuels.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/899174/Consultation_on_reforms_to_the_tax_treatment_of_red_diesel_and_other_rebated_fuels.pdf)



# 1: THE IMPACT

## INDUSTRIES FEELING THE IMPACT

Industries such as the construction sector will likely feel the impact of the red diesel rule changes more than most. One of the most significant changes is that heavy plant and equipment of all kinds, including NRMM (non-road mobile machinery, e.g. bulldozers and cranes), will no longer be permitted to run on red diesel when used for construction purposes. The construction industry will also be affected by the loss of eligibility to use red diesel for heating and power generation on-site.

**THE CONSTRUCTION SECTOR WILL LIKELY FEEL THE IMPACT OF THE RED DIESEL RULE CHANGES MORE THAN MOST.**

Other industries and applications that will no longer be able to rely on red diesel as a rebated fuel include the following:

- Leisure
- Mining and quarrying
- At ports
- For manufacturing (e.g. ceramics, steel, timber)
- Road maintenance
- Airport operations
- Oil and gas extraction
- Haulage (including refrigeration units)
- Logistics
- Waste management
- Any commercial heating

Certain industries that also use gas oil heavily, such as rail, agriculture, commercial fishing fleets and non-commercial heating or power generation uses, are exempt.



### MYTHBUSTER:

**“IF I’M A CONTRACTOR USING RED DIESEL IN AGRICULTURE EQUIPMENT, I CAN USE THE SAME EQUIPMENT ON A CONSTRUCTION SITE”**

The red diesel rule changes do not apply to the types of equipment, but to its specific use. Equipment that can be used in both an agricultural and construction setting will still be able to use red diesel, but only in the agricultural setting – with no traces being present in the tank when the equipment is fuelled for use on a construction site. Contractors will therefore not only need supplies of both red and white diesel, but may also need two sets of plant and/or equipment unless flushing tanks and supply lines in between uses.

For a full list of industries and applications that are still permitted to use red diesel, [see the latest government notification](#).

If your application is not on the list of permissions or exemptions, or if it is not clear whether your business is exempt, then it is recommended that you check with your local HMRC office to verify your eligibility or otherwise for continued purchase and use of rebated fuel.

### CHANGE BY THE NUMBERS

Unsurprisingly, the impact of rising fuel costs on their bottom line is the primary question for many businesses. Red diesel is currently entitled to a rebate of 46.81 pence per litre (ppl), giving it an effective duty rate of 11.14ppl. White diesel, however, is not subject to a rebate, which means a duty rate of 57.95 ppl. As a result, making a straight switch from red diesel to its closest alternative will incur an additional cost of 46.81 pence per litre used – more than five times as much duty as was previously paid. The long-term financial

impact of this change has not yet been fully understood or quantified. What is already clear, however, is that companies thinking about how to adapt now will have a much better chance of reducing the impact of the changes come 1 April 2022.

In addition to the longer-term implications, many companies will also contend with a number of challenges, including one-off costs, to stay compliant – for instance, removing or running down red diesel, purchasing additional tanks.

#### Red diesel – currently

Effective duty rate

**11.14** ppl

currently has a  
rebate of 46.81ppl

#### Red diesel – from 1st April 2022

Duty rate

**57.95** ppl

More than **5 times** the current duty rate



## TALKING THEFT PREVENTION

Changes to the rules around red diesel are likely to also turn stored fuel into an increased target for theft. With higher volumes of undyed diesel being stored on sites, fuel theft is expected to become a challenge, with reports of fuel theft already becoming more widespread. To address this and improve site security, businesses can invest in secure fuel storage systems such as smart tanks and locks. Tank telemetry systems can also alert users if any unusual fuel usage pattern is detected, which may for example indicate theft.



## 2: THE ACTION PLAN

To avoid heavy fines and remain compliant with government regulations, it is recommended that non-exempt businesses start considering their options now. Here are three simple steps for ensuring compliance:

### 1. CHECK THE GOVERNMENT GUIDELINES

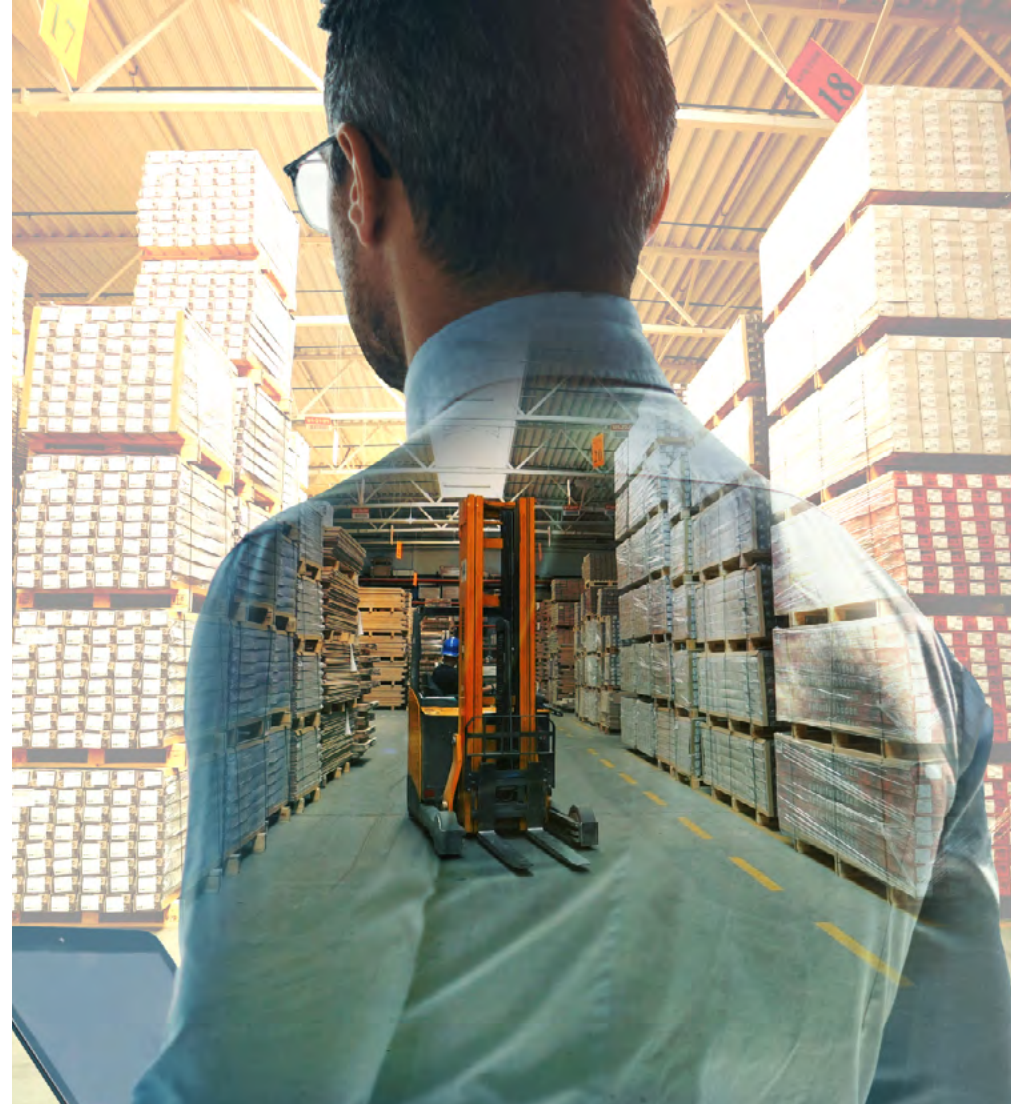
It is important to carefully read through and understand the government guidelines on red diesel tax rebate changes and regularly check for further updates, paying particular attention to the list of red diesel applications that are still permitted. The government has indicated which applications will no longer be exempt and will be providing further details of applications that are still permitted. Users who do not see their red diesel uses on the list of approved applications should take mitigating steps to address red diesel use and explore alternative fuel choices.

### 2. RUN DOWN YOUR RED DIESEL STOCKS

If your application of red diesel is no longer permitted, it is important to run down your existing stocks in advance of the 1 April 2022 deadline. It is not necessary to flush tanks to remove every trace, but you must be able to prove that red diesel has not been purchased after the April 2022 deadline, or stockpiled close to this date. To do this most efficiently, ensure you have a precise measurement of how much red diesel you have left in storage so you can draft up a timeline of usage that predicts when you will run out, and ensures you can stock up on an alternative fuel at the right time to ensure continued operations.

### 3. SAVE YOUR INVOICES

You must be able to prove that you have not purchased red diesel after the deadline, or soon before in order to stock up. It is essential to retain all purchasing and delivery documentation, as an audit train to provide evidence to HMRC inspectors.



#### MYTHBUSTER:

**“THE GOVERNMENT  
WON'T CHECK MY  
RED DIESEL STOCKS  
AFTER APRIL 2022”**

The UK government has already made it clear that non-compliance with red diesel rule changes carries the risk of significant fines. Spot checks are likely, so make sure you are prepared. The good news is that the government recently relaxed the initial rules around tank flushing, meaning that users of red diesel will not have to flush out red diesel from their tanks and lines once their supply has been used up.



# 3: THE OPPORTUNITY

## FINDING THE RIGHT RED DIESEL ALTERNATIVE

Whether you will no longer be eligible to use rebated fuel or are simply looking to transition your energy mix, alongside standard white diesel, the range of options available continues to expand. Many of the alternatives are drop-in solutions, enabling you to simply swap to a different liquid fuel without any engine modifications or the need to replace your vehicle, machinery or equipment.



### SHELL GTL (GAS-TO-LIQUID)

The Shell Gas-to-Liquid technology converts natural gas into a paraffinic fuel, creating an OEM approved cleaner-burning alternative liquid fuel for both on- and off-road applications. This helps to reduce local emissions of pollutants, including nitrogen oxide and particulate matter, to improve air quality while also decreasing noise and odour pollution. What's more, this drop-in solution helps to improve 'cold starts', reduce clogged filters and offers a long shelf life – ideal for back-up power generators and final fill pre-winter – without any modifications to vehicles or engines or investment in additional infrastructure.



### HYDROTREATED VEGETABLE OIL (HVO)

Another member of the paraffinic fuel family, HVO is a drop-in liquid fuel alternative produced from vegetable fats and oils, such as cooking oil. HVO has an improved burn efficiency and reduced carbon emissions count, resulting in a significant decrease in harmful emissions, including greenhouse gases. Here, hydrogen – rather than methanol – is used as a catalyst, making HVO more clean-burning and ensuring a longer shelf life than regular biodiesel. The HVO supply chain is currently being developed to ensure consistent high-quality and ethical supply, and expanded to support anticipated growth in demand – increasing its potential for global adoption as part of the future fuel pathway.



### INDUSTRIAL HEATING OIL – THERMA35

Therma35 is a drop-in alternative to gas oil and does not require any equipment modifications. It is ideal for use in commercial boilers, heaters, driers and furnaces and offers significant savings across a range of heating applications. In addition to burning more slowly than red diesel or kerosene, Therma35 also offers long-term storage stability benefits reducing the risk of spoilage, interruption or waxing.



### KEROSENE

For commercial heating applications, kerosene is another drop-in alternative to gas oil that is readily available across the UK. As an established fuel, kerosene – also known as paraffin, kero or 28-second oil – is a low viscosity oil that has a lower freezing point and higher flash point than red diesel.

# 4: FUELLING FUTURES, TOGETHER

It is clear that the red diesel tax rebate changes bring a range of challenges for companies that will no longer be permitted to use gas oil. But this also creates an opportunity for you to take important steps forward in future-proofing your energy mix and play your part in the journey to cleaner operations for local and global cleaner air.

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**CERTAS ENERGY IS FUELLING FUTURES, FROM RED DIESEL AND BEYOND. WE ARE HERE TO HELP YOU TO BE READY TO FACE ANY CHALLENGES THAT COME YOUR WAY DURING YOUR TRANSITION TO A NEW ENERGY MIX, AND READY FOR A CLEANER FUTURE.**

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# WE'RE READY – ARE YOU?

Want to know more about the red diesel rebate changes and your options? Get in touch with one of your local fuel experts for free, personalised guidance:

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**[getintouch@certasenergy.co.uk](mailto:getintouch@certasenergy.co.uk)**  
**0345 600 4040**

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