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Chancellor of the Exchequer.  
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17<sup>th</sup> March 2022

Dear Chancellor of the Exchequer,

**RE: Plea to postpone rebated fuel tax for 12 months**

As Derbyshire-based businesses operating nationally within the metal recycling, building, construction and demolition sectors, as well as many others, we are urging the Right Hon, Rishi Sunak MP, the Chancellor of the Exchequer to leverage support in managing spiralling energy costs in the next budget.

We propose that the changes UK Government is making changes to the taxation of red diesel, or rebated fuel, are postponed for at least 12 months, to offset the challenges faced by businesses as we emerge from a global pandemic, an ongoing Brexit situation and the worldwide economic impact of sanctions on the former Soviet Union.

Under the existing plans, from 1<sup>st</sup> April 2022, it will no longer be permitted to use rebated red diesel in most types of plant, machinery, and construction equipment. Instead, all equipment must use diesel or biofuels, on which the full rate of duty has been paid.

For ourselves, in December 2021 red diesel was priced 64.65 pence per litre (ppl). White diesel was priced 109.91 ppl. We expected this change to cost our businesses 70% more from 1st April.

At the time of writing, white diesel is now running at over 140 ppl and continuing to rise which means the cost to business would now be over double expected levels.

Red diesel is currently running at 94.85 ppl and is ever increasing, but for most of the metal recycling and construction sectors, we are completely reliant on diesel for our processing equipment, plant and machinery.

## **Lack of viable alternatives**

The government committed at Budget 2020 to at least doubling its investment in energy innovation, accelerating the design and production of innovative clean energy technologies.

As part of the Ten Point Plan for a Green Industrial Revolution, the government announced it will launch the new £1 billion Net Zero Innovation Portfolio. It had previously been informed by users of red diesel that the cost of alternative cleaner technologies is a barrier to switching to non-diesel- powered vehicles and machinery, so this investment should have helped bring cheaper alternatives to market but there are no new suitable alternatives to our diesel equipment viable for our sector.

This Green Industrial Revolution is still in its infancy within our sectors, and we have not been offered any new technology to help manage the changeover to greener energy. For many of our sites, we also do not have the availability in the power network to run the machinery we require to replace our diesel-powered kit.

Whilst we fully support a move to more sustainable and energy efficient electric alternatives in the long term, the timescales for implementing changes to electric equipment have not been long enough to find and install alternative equipment. In fact, in many cases, the technology required to achieve the required performance of a diesel equivalent is not yet viable.

The lack of viable alternatives will mean we will have to continue to use diesel but all the additional costs and these will end up being passed on to subsequent businesses and ultimately councils and householders.

## **Long term impact on sustainability**

The reality for the metal recycling sector is that if the cost of processing metals outstrips the value of the metals, then the UK could face a situation where businesses turn away items such as end-of-life vehicles and waste electrical and electronic devices because it is not worth taking them in. This would increase waste to landfill, increase uncontrolled disposal of hazardous waste and reduce supply to the manufacturing supply chain.

For waste recycling, the move to these new diesel prices without alternatives will end up being directly passed on to subsequent businesses and in the end householders.

## **Real risk of liquidation**

Businesses have already been operating under challenging conditions for the past two years with supply chain issues, material shortages, staff isolation and rising costs, the expectation that business can survive an additional 20% tax increase is short sighted. Those fulfilling fixed price contracts in the construction sector will be facing a constant struggle and a real chance of financial collapse.

## **Our plea**

We fully respect the long-term environmental objectives of the government and wholly support the end to its contribution to climate change by 2050. The target will require the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least an 80% reduction from 1990 levels which is completely in line with our own Pledge to Net Zero strategy by 2030.

Russia's invasion of Ukraine has sent a shock through the global oil market that means all energy costs are spiralling out of control. We ask in the short term and given the threat nationwide to all businesses and the impact on wider industries, we are writing to request you implement an extension to the entitlement to use red diesel for 12 months or a time the energy markets have settled.

If this implementation is not possible, could we suggest a phased approach as we are now in a completely different economic climate, and this could be disastrous for many waste and resource operators, construction and demolition businesses and result in unintended consequences impacting the environment, the wider economy and employment levels.

Your sincerely,

A handwritten signature in black ink, appearing to read 'Donald Ward', with a stylized flourish at the end.

Donald Ward  
Operations Director

Donald Ward Ltd t/a WARD