POSITION PAPER:
LOWER CARBON FUELS

Problem Statement

Lower carbon fuels (LCFs) could contribute far more to the UK's growth and emissions targets, particularly in the efficient and effective decarbonisation of transport by utilising existing infrastructure and not requiring consumers to buy new vehicles.

However, existing policies do not offer sufficient incentive for investment in domestic LCF production.

The previous government's ambition to have five UK SAF plants in operation by 2025 is unlikely to be met, just as we have not seen notable growth of other domestic LCFs production. Meanwhile production is developing in other jurisdictions, notably the US and EU, which have a clearer strategy and less burdensome regulations.

Asks

1. Deliver an effective LCFs strategy which signals to investors that LCFs have a long-term role in decarbonising the UK economy as part of a comprehensive GHG emissions focused decarbonisation policy
2. Encourage growth in consumer demand to secure large-scale UK adoption of LCFs and incentivise production in the UK
3. Simplify current regulation around LCFs which is unnecessarily burdensome
4. Remove barriers which prevent the UK development and manufacturing of new LCFs

Current Situation

Currently around 7.5% of ground transport fuels delivered are LCFs equivalent to removing over three million cars from the road in 2022. That is more than the total number of electric vehicles sold in 2022 and 2023 combined.

UK production of lower carbon fuels at scale is limited to a number of plants:

- P66 Immingham refinery (co-processing of renewable oils) 50 kilo-tonnes per annum (ktpa)
- Argent Energy, Stanlow (Fatty Acid Methyl Ester, FAME) 95 ktpa
- Greenergy, Immingham and Teesside (FAME) (no production data available)
- Ensus, Teesside (Bioethanol) 350 ktpa
- Vivergo, Hull (Bioethanol) 330ktpa

A second 45 ktpa Argent FAME plant in Motherwell closed in 2024 while other sites have seen temporary closures but have since come back online.

A revenue certainty mechanism (RCM) for SAF was announced in 2024 and was followed by a consultation. Further work is being progressed by the Department for Transport) DfT, and the RCM introduction requires further legislation to be passed by the UK parliament.

The UK SAF mandate legislation passed into law in November 2024, with the mandate itself starting in January 2025. The SAF mandate is expected to be mainly met with imported Hydroprocessed Esters and Fatty Acids (HEFA).

Deliver an effective LCFs strategy which signals to investors that LCFs have a long-term role in decarbonising the UK economy as part of a comprehensive GHG emissions focused decarbonisation policy

A government strategy is needed to signal the long term importance of LCFs and their potential to accelerate emissions reductions by delivering far higher proportions of the UK's liquid fuel demand than now, as part of a comprehensive approach to transport decarbonisation. The strategy must sit above the existing policies for both the RTFO and SAF mandate, simplifying and aligning them, as well as delivering consistency with the wider biomass strategy and net zero targets.

- Indicate that a larger proportion of LCFs (well beyond existing blend wall targets) could be part the transport energy mix beyond 2050.
- Making the RTFO more consistent with the SAF mandate by basing it on Greenhouse gas (GHG) reductions rather than volumes, focusing on fuel carbon intensity reduction as a key policy objective.

Encourage growth in consumer demand to incentivise large-scale UK adoption of LCFs and support production in the UK

Current government incentives through supplier mandates and R&D funds have had success, but current supply is less than 10% of all fuels. Current policies have not secured large-scale UK production nor have the potential to provide LCFs as a majority of the UK's liquid fuel demand. The UK imports the majority of its LCFs and consumer awareness is low, despite growing interest in low carbon technologies in transport. To maximise the decarbonisation potential of LCFs, the UK must:

- Introduce consumer incentives for LCFs use – for example an emissions-derived fuel duty that sees LCFs taxed at a lower rate than fossil based fuels - to rapidly grow demand by offering consumers a monetary reason to purchase higher blend LCFs.

Simplify current regulation around LCFs which is unnecessarily burdensome

The DfT requirements for LCFs are typically more onerous than those required by other jurisdictions (for example the HEFA cap on SAF supply which does not apply in the US or EU), increasing the costs of supply in the UK.

Remove barriers which prevent the UK development and manufacturing of new LCFs

There are feedstocks which offer potential as LCFs which are currently not permitted for use in the UK, reducing the options available to UK producers and suppliers. Removing the barriers to their use, as well as addressing wider barriers to UK manufacturing, could increase availability and reduce costs as well as making the UK a more attractive place to produce LCFs.

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