



Government support - duty incentive and RTFO scheme proposals

Fuel duty incentives

To date government support is almost entirely through fuel duty incentives. Biodiesel and bioethanol are taxed at 20p per litre less than fossil petrol and diesel.

This support is guaranteed until March 2010. The biodiesel incentive has been in place since July 2002. The bioethanol one has been in place since January 2005.

A five per cent blend of biodiesel is, therefore, taxed at 1 pence per litre less than straight fossil diesel, because it pays 47.1p per litre tax on the 95 per cent diesel bit (ie 44.75p) and 27.1p per litre on the biodiesel bit (ie 1.35p), giving a total tax of 46.1p per litre.

Renewable Transport Fuels Obligation (RTFO)

From April 2008, as announced by Alistair Darling on 10 November 2005, the Government's main support for biofuels will come in the form of a Renewable Transport Fuels Obligation (RTFO), which requires all transport fuel suppliers to ensure that, by 2010, five per cent of their total aggregate fuel sales is made up of biofuels.

The obligation comes into effect on 15 April 2008, and the Chancellor of the Exchequer announced some further details in Budget 2006, including the level of the obligation in the years leading up to 2010, and the level of the 'buy-out price' (ie the penalty for those who are unable to supply enough biofuel).

Car owners using straight biodiesel

People who use straight biodiesel in their own cars should check their duty liability with HMRC and their warranty position with their vehicle manufacturer. The Government does not endorse or advocate this approach.

Flex-fuel 'E85' vehicles

The Chancellor announced in Budget 2006 that flex-fuel 'E85' vehicles (ie those which can run on blends of up to 85 per cent ethanol) will pay slightly less annual vehicle excise duty than their equivalent petrol vehicles.