



HOUSE OF COMMONS

LONDON SW1A 0AA

2nd February 2024

Nigel Huddleston MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Dear Nigel

For Budget Consideration: Removal of Duties on Renewable Fuel Oil for Domestic Heating

Further to our discussion last week, I wanted to make a case for you to consider a review, or removal, of the duties charged on renewable fuel oil used for domestic heating.

The Hydrocarbon Oil Duties Act 1979 (HODA) governs the excise duty charged on liquids used in various applications (in the main: vehicles, non-road mobile machinery, aircraft, shipping and heating appliances).

The excise duty for petrol and diesel is 52.95 pence per litre. The “fossil free” equivalents (ethanol for petrol and biodiesel for diesel) are also charged the same duty; the argument being that there are other mechanisms that recognise the environmental benefits of such fuels such as the Renewable Transport Fuel Obligation (RTFO).

This also means the impact on Treasury is the same, as all fuels are charged the same duty. There are some minor exceptions to the ruling on diesel for applications in forestry and agriculture where there is a reduced rate of 10.18 pence per litre and the product is dyed red (red diesel). This is to reflect the special position of these industries.

Kerosene is mainly used in heating appliances (heating oil) and aviation (jet fuel). In both cases the duty rate is zero. Heating oil has historically received no duty due to social reasons but is subject to the same VAT rate as gas and electricity. Therefore, the Treasury receives no duty revenue from kerosene use or its applications.

However, if a renewable liquid fuel such as Hydrogenated Vegetable Oil, were to be used for home heating in replacement for kerosene it would be charged a duty of 10.18 pence per litre.

Therefore, the current duty system penalises those that wish to swap to a cleaner fuel.

There are an estimated 1.7m off grid households using kerosene in the United Kingdom. As our colleague, Rt Hon George Eustice MP said early last year “By reducing tax on HVO to make it the same price as kerosene will lead to a very rapid adoption of the biofuel and an 88% reduction in carbon emissions in the next four years”.

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I would be grateful if you and your Treasury team could investigate the benefits of making such a move in the forthcoming budget.

Sincerely

A handwritten signature in black ink, consisting of a series of connected loops and a long horizontal stroke.

Richard Fuller MP