



Department
for Transport

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My Lords,

Thank you for participating in the debate on the Renewable Transport Fuel Obligations (Amendment) Order 2024 on 26 March. I promised that I would look at the record to confirm I had addressed all of the points raised during the debate. I am therefore writing to address wider questions on the inclusion of recycled carbon fuels (RCFs) under the Renewable Transport Fuel Obligation (RTFO) in further detail.

First, in answer to Baroness Randerson who raised why an impact assessment had not been completed for this instrument, I can confirm that since the RTFO scheme launched in 2008, amendments to its operation have always been accompanied by a cost benefit analysis rather than impact assessments. This is because the RTFO is considered an imputed tax and spend measure as it represents a Government-mandated transfer of value between individuals or entities. These types of schemes are not covered by the Better Regulation Framework and therefore are not subject to formal impact assessments in the same way.

In response to Baroness Randerson's question on the support being provided to RCF Sustainable Aviation Fuel (SAF) plants, and if there are any currently in operation, I can confirm the Government has provided grant funding to prospective RCF plants through the Advanced Fuels Fund, with four RCF plants receiving funding in the first round of the fund. There are no RCF SAF plants currently up and running in the UK, however this is an emerging industry, and this legislation will give investors confidence that the Government is serious about supporting it.

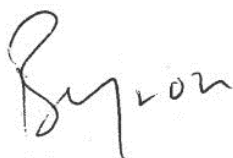
Lord Tunncliffe raised a question on whether RCFs will be significant in any non-aviation applications. We cannot predict what fraction of the supplied fuel will be attributable to aviation in any given year at this point. Aviation fuel production normally involves a fraction of road fuel being produced as an unavoidable co-product. We expect that this will be delivered through the RTFO, whilst aviation fuel will be delivered through the SAF Mandate.

Modelling in the forthcoming Low Carbon Fuel Strategy, as well as the Biomass Strategy provides estimates of the amount of RCF that we would expect to be utilised in each sector with regards to future carbon budgets.

Lord Tunnicliffe enquired as to whether there is an international element to this instrument, specifically with regards to waste handling. RCFs are included in the EU Renewable Energy Directive (RED), meaning that there is an existing international awareness of this production method and an appetite for developing the necessary regulation. As no EU country has yet implemented their own support mechanism, this legislation offers the UK a 'first mover' advantage, with the ability to shape a responsible approach to this developing fuel production pathway.

Finally, I will address the points raised by Lord Tunnicliffe relating to control of eligible feedstocks and whether the financial incentives in the legislation will work. The RTFO Unit implements the delivery of the scheme and exists to ensure that fuels delivered meet the stringent sustainability requirements in the Order. This includes ensuring that the feedstocks and fuel pathways provide genuine carbon savings and no adverse alternative outcomes. The RTFO encourages the supply of renewable fuels into transport but does not offer direct financial incentives leaving the choice of fuel pathways to the market. The RTFO remains under continual review and will be adapted to circumstances as becomes necessary. The RTFO has worked for many years in incentivising the supply of these fuels and we have no reason at present to believe that this won't continue to be the case with the introduction of this legislation.

A copy of this letter will be deposited in the libraries of the House of Lords and House of Commons.

A handwritten signature in black ink, appearing to read 'Davies', is centered on the page.

LORD DAVIES OF GOWER

To:

**Lord Ravensdale
Baroness Randerson
Lord Tunncliffe**