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Rt. Hon. Sajid Javid MP
HM Treasury
1 Horse Guards Road
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SW1A 2HQ

Friday 1st November 2019

Dear Sajid,

We write to make representations on behalf of the Gas Vehicle Network (GVN), an established trade body which represents a diverse range of businesses involved in the production of gas-derived fuels and gas-powered vehicles, particularly heavy goods vehicles. Despite the fact that the Autumn Budget is no longer taking place on the 6th November, we are keen nonetheless to update the Treasury on the progress made in our sector over the past 12 months and to set out the additional steps that we believe would help to further unlock the decarbonisation of heavy duty vehicles.

The decision made by HM Treasury last year to extend the differential in Fuel Duty between gas fuels and diesel until 2032, subject to a review in 2024, has been widely welcomed by the industry. This action has provided much-needed certainty to the gas vehicle industry, the freight and haulage sectors as well as network operators and private investors. This has stimulated growth and private investment in a variety of areas, particularly all-important refuelling infrastructure, which has in turn resulted in an increase in companies switching their fleets away from diesel to cleaner natural gas and renewable biomethane. Therefore this decision has already resulted in a reduction in carbon emissions from vehicle segments such as HGVs which have been stubbornly static for many years.

We are currently in the process of commencing a new statistics service which will gather data from our fuel dispensing members in order to quantify the growth in the usage of their facilities;

we are happy to share this data with the Treasury and the Department for Transport to show the positive effect that last year's decision is having on our industry.

This year we have also undertaken an organisational review and have, as a result, renamed our trade organisation the Gas Vehicle Network. This updated identity signals our intention to redouble our efforts to ensure that the gas vehicle industry makes a positive contribution to Britain's target of becoming a net zero country by 2050. We are proud to have a renewed focus on demonstrating that gas powered vehicles can play a part in our transition to carbon neutrality through renewably produced fuels such as bio-CNG, bio-LNG and low carbon hydrogen.

In order to further capitalise upon the growth enjoyed by the sector this year, we would like to take this opportunity to identify a number of areas where action can be taken to support the immediate delivery of additional GHG savings.

- Fuel Duty: The maintenance of the Fuel Duty differential for the long term will ensure that CNG and LNG solutions continue to provide operators with significant cost savings over diesel. With continued certainty to and beyond 2024, industry will be able to quantify and demonstrate growth and emissions reductions delivered.

- Vehicle incentives: Vehicle fleets in the freight and haulage sector are typically renewed every six to ten years. This means that businesses will need to be encouraged to switch to cleaner alternative to diesel long before the ban on new petrol and diesel sales comes into force in 2040 if we are to ensure transport emissions do not prevent us from meeting our 2050 net zero target. For this reason, we urge Treasury to impose clear cost signals via taxation which disincentivise companies from continuing to purchase new diesel vehicles. Combined with penalties for driving such polluting vehicles into urban areas, we believe that this would provide the industry with clear signals on what a net zero future looks like for HGVs.

  Infrastructure: A core network of refuelling station infrastructure is needed to support widespread adoption of gas powered vehicles; we believe that this should be acknowledged and supported by Government. Unlike other infrastructure for alternative vehicles, such as electric charging points, gas refuelling infrastructure has been expanded with little or no subsidy from the Government. Whilst the expansion of this infrastructure continues at pace, backed by private sector investment unlocked by the Fuel Duty differential, without further signals from Government this may not be sufficient to keep up with future demand. Given the amount of investment that has been directed into electric charging infrastructure, we feel that equal emphasis should be placed on the provision of gas refuelling infrastructure for two reasons: firstly, more effort needs to be made to address disproportionate and static emissions from HGVs and secondly, gas infrastructure put in place today can be repurposed for hydrogen in the future as we move to a zero carbon economy.

Government support would be a catalyst to provide training and employment in vital areas such as cryogenics, gas station and engine maintenance as well as a signal for truck manufacturers to enable their dealers to facilitate a national gas engine maintenance network. If fleet operators who commit to refuel at least 50 gas HGVs at a newly constructed station for five years were able to benefit from accelerated depreciation on those 50 trucks, this would act as a further financial incentive to underpin these 'centres of excellence'.

Such a core network would have potential to refuel 10,000 trucks and remove up to 1.8 billion tonnes of carbon per year. In the longer term, the market for gas HGVs could be 120,000 trucks a year. This network would also enable smaller fleet operators to refuel trucks bought on the second hand market. Gas refuelling station investment has previously been included in infrastructure funding, however, it took a form that made it unobtainable for small projects.

- Post-2021 green gas subsidy regime: The anticipated closure of the Renewable Heat Incentive (RHI) poses a considerable treat to the biomethane sector. Incentives for the generation of 'green gas' are extremely beneficial to the carbon reduction potential of the heat, power and transport sectors and uncertainty regarding the post-2021 regime is stifling business investment in potential clean sources of fuels. The Renewable Transport Fuel Obligation should remain an alternative subsidy regime for biomethane producers, however, we feel that a floor price is needed for Renewable Transport Fuel Certificates (RTFCs). The rates paid for biomethane used in transport are variable whereas those for heat under the RHI are at a fixed rate. If RTFCs are to substitute the RHI beyond 2021, then investors will require some level of certainty over the price they will be paid. Further examination of this issue in conjunction with the Departments for Transport and for Business, Energy and Industrial Strategy will be needed to ensure the continued health of the biomethane sector.

In 2020, the GVN's work programme will see us continue our efforts to raise awareness of the benefits, both environmental and commercial, of gas powered vehicles to businesses operating in the freight sector. Air quality and the availability of alternatives to diesel are two issues which have shot up the agenda for fleet managers thanks to increasing awareness around climate change and incoming Clean Air Zones in urban areas. We will look to build on this in order to provide them with a positive and cost beneficial alternative which can deliver CO_2 emissions reductions of 85% with renewably generated biomethane. We will also be working with stakeholders in the industry to make sure information on the availability of refuelling infrastructure is communicated as accurately as it can be to facilitate fleet transitions. We eagerly await the publication of the results of recent vehicle trails run on behalf of the Office for Low Emission Vehicles; we hope to build on the reports from these trials to demonstrate the efficacy of gas vehicles compared to even their newest diesel counterparts.

We welcome the opportunity to meet again with HM Treasury to update the department in more detail about the progress in the sector and will make further formal representations upon announcement of the next Budget.

Yours sincerely,

David Hurren
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Rob Wood
CEO of Gasrec

Co-Chairs of the Gas Vehicle Network