

Organisation - **ATF Fuels**
Subject - **Submission to the Climate Assembly**

Reference - **Future Fuel Strategy – Road Transport & Oil-Fired Heating (Greenhouse Gas Emissions, CHG)**

Foreword

ATF Fuels are a leading fuel distribution company in the Channel Islands, supplying domestic, commercial and retail fuels.

We deliver bulk fuel requirements to domestic, agricultural and commercial customers. In addition, we operate in specialist sectors, providing aviation storage and refuelling at Jersey Airport.

We also have a network of fuel retail outlets in Jersey providing petrol and diesel to local motorists.

Government of Jersey (GOJ) – Climate Change Policies

To assist the GOJ target of achieving Carbon Net Zero, we believe that the liquid fuel industry will play a critical role in achieving this goal.

Jersey lags the UK, Europe and other developed economies in terms of legislation on the adoption of bio-fuels.

In 2008, the UK Government introduced the Renewable Transport Fuel Obligation (RTFO), as the main policy tool, with its aim reducing greenhouse gas emissions (CHG) from road transport fuels. More recently, this has also been extended to include non-road mobile machinery (NRMM).

From 2008, all fuels had an obligation to contain a 'bio element' in the UK. In the case of petrol, ethanol is blended with the fuel and in the case of Diesel, FAME.

Under current legislation UK fuel distributors are required to sell fuels that contain a bio element of 5% Ethanol in Petrol and 7% FAME in Diesel. The fuels are known as E5 (Petrol) and B7 (Diesel), relating to the % of biofuel contained within them.

During the Summer of 2021, the 'standard' petrol grade in the UK will become E10, containing up to 10% renewable ethanol.

E10 is already widely available fuel in Europe, North America & Australia. For further details on the move to E10, see the following link; <https://www.gov.uk/guidance/e10-petrol-explained>

Road Diesel (BS EN590)

ATFs current mode of importing fuels to Jersey mean that it meets the UKs guidance. Therefore, for emissions accounting purposes the volume of Diesel that ATF import, can be adjusted accordingly to take in to account the bio-element of fuel.

In addition to B7 diesel, there exists a solution to substitute EN590 in transport & NRMM with a 2nd generation bio-fuel, Hydrogenated Vegetable Oil (HVO).

This product has already been brought to market in Jersey however, there are several challenges that need to be addressed before significant adoption of this fuel is undertaken and will remain a niche product until that time:

1. Sustainability & Security of Supply (currently there are only 4 refineries in Europe)

Current global production of HVO is over 5 million tonnes which is forecast (according to International Energy Agency statistics) to increase to 13 million tonnes by 2024.

To put this into perspective the UK consumes over 36 million tonnes of road diesel.

Furthermore, HVO is one of the very few biofuels that is suitable for Aviation. The International Civil Aviation Organisation announced a plan of using a 50% blend of biofuel from 2050, this alone would require more than 3.5 times the amount of biofuels currently forecast for production in 2050.

2. Cost variance to EN590 (currently ~65ppl more than EN590)

In the UK suppliers can reclaim Renewable Transport Fuel certificates (RTFCs) for HVO which are approximately equivalent to the UK fuel duty cost of 57ppl. A scheme such as this does not exist in Jersey, it is therefore unlikely that the price gap to EN590 will be closed without GOJ intervention.

Also, it will take some time for refining capacities and efficiencies to meet that of diesel and for the unit cost of HVO to be reduced accordingly.

Options exist to blend HVO into EN590, which could help address the price differential to the consumer however, any blending of the product will proportionally contra the environmental benefits that HVO has.

ATF believe that wholesale adoption to HVO cannot currently be considered in policy due to the challenges however, it should be included on the list of future decarbonisation solutions and a transition made when both supply sustainability, security & cost prices allow.

Petrol (BS EN228)

ATF believe the use of ethanol in petrol should be an area of focus, to help attain the target of net zero and improve GHG emissions.

Taking into consideration the table below (using UK registrations as an example), petrol cars on average are responsible for higher CO2 emissions their diesel counterparts.

Vehicle Type	Engine size	Size label	NEDC gCO ₂ per km	Total no. of registrations	% Total
Petrol car	< 1.4 l	Small	125.5	13,122,822	57%
	1.4 - 2.0 l	Medium	163.8	8,529,052	37%
	> 2.0 l	Large	247.7	1,337,365	6%
Average petrol car		All	151.8	22,989,239	100%
Diesel car	<1.7 l	Small	110.6	5,544,235	34%
	1.7 - 2.0 l	Medium	138.3	7,357,193	45%
	> 2.0 l	Large	169.2	3,468,567	21%
Average diesel car		All	139.0	16,369,995	100%

The main benefit of these fuels (E5 & E10) is that they reduce overall levels of CO2 emissions. By blending the fuel, less fossil fuel is required, helping protect the environment and meeting climate change targets.

In the interests of being open & transparent, owing to a variation of supply chain, ATF are currently the only suppliers of E5 fuel in Jersey (despite the commercial disadvantage that a higher cost price of E5 represents).

Users of the La Collette Fuel Facility do not supply this product. With the appropriate level of investment both E5 or E10 fuels can be supplied by all fuel distributors/retailers on the Islands.

ATF suggest this change alone would reduce the amount of fossil fuel burnt in the tailpipe by petrol vehicles by up to 10% overnight. Prima facie, providing the GOJ with a significant steppingstone to achieving the Carbon Net Zero targets set.

ATF therefore believe that to bring Jersey up to date with UK & EU legislation and the environmental benefits that provides, the use of E5/10 should be considered and mandated by GOJ.

ATFs current mode of importing fuels to Jersey meets the UKs guidance for E5 petrol and therefore for emissions accounting purposes the bio-element should be considered in GOJ statistics.

Heating Oil, Kerosene (BS EN2869)

According to the Oxera commissioned GOJ report, one of the measures to reduce GHG emission is the retrofitting of electric heating to all commercial & domestic properties utilising oil (and liquified petroleum gas).

ATF believe GOJ should include liquid biofuels in the list of decarbonisation solutions for homes. Liquid biofuels should be included in policy as an alternative to Heating Oil as they can help meet GOJ decarbonisation targets and in a way that works for consumers too.

The heating oil industry across the UK is working to show government that biofuels can and should play a role in the future.

Recent studies undertaken by trade association OFTEC and their consultants In Perpetuum (2019) suggest that biofuels offer the most efficient and cost-effective way to reduce carbon emissions in off-gas grid homes due to the type and fabric of the houses.

These studies suggest that retrofitting homes so that they can efficiently operate on newer technologies such as heat pumps could cost up to £11,000 (dependant on type of house) if only reasonable improvements are required or over £11,000 (and up to circa £50,000 in larger homes) for deeper retrofits. The cost of a new condensing boiler (if required) and biofuel tank will range from £1,500 to £7,000 dependant on house size.

The focus on electrification of using heat pumps does not consider the high price consumers would have to pay to change existing systems nor the higher running costs.

Biofuels would allow off-grid households to switch to a more environmentally friendly fuel with lower carbon emissions. Importantly though, there will be minimum disruption to households as they can continue to use a liquid fuel form of heating without making large scale changes to the home. These drop in biofuels already exist and are currently being trialled in the UK & Ireland.

Therefore, including the use of biofuels in policy will in the future provide consumer choice for low carbon products that best suit their needs and budget.

Carbon-offset schemes

ATF provide consumer choice to offset carbon emission created by their own fuel usage at forecourts and for home heating.

ATF forecast that approximately 3 million litres of fuel will be offset, by choice, in 2021. Therefore, this volumes for accounting purposes could be excluded from the GOJ figures.

We believe it is reasonable to assume that the entire Jersey fuel requirement can be offset for ~£500k per annum. Which could be recovered in supplier margins passed onto the consumer on behalf of GOJ.