

## Energy UK response to Renewable Transport Fuel Obligation Statutory Review

27<sup>th</sup> January 2025

[RTFO statutory review and future of the scheme - GOV.UK](#)

### Executive Summary

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology.

Energy UK's members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28 million UK homes and businesses. The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources.

The energy sector supports 700,000 jobs in every corner of the country. Energy UK plays a key role in ensuring we attract and retain a diverse workforce. In addition to the Young Energy Professionals Forum, which has over 2,000 members representing over 350 organisations, Energy UK is a founding member of TIDE, an industry-wide taskforce to tackle Inclusion and Diversity across energy.

**Energy UK strongly advocates for the inclusion of low carbon electricity as a recognised fuel source in the RTFO.** In the long term, electricity will be the primary energy source for the majority of road transport, from private cars to buses and HGVs. Excluding electricity from the near-term fuel strategy risks undermining efforts to develop the critical infrastructure necessary to support the widespread adoption of electric vehicles (EVs). There is therefore ease and necessary value, for both the EV market and broader national decarbonisation, in including electricity in the UK's fuel blending mechanism.

If you have any questions about this response or wish to discuss with Energy UK and its members, we would welcome further engagement.

Kind regards,  
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## Consultation Questions

### RTFO main obligation targets

**Q1. Are the current RTFO main obligation targets set at the right level? Consider both the current trajectory between now and 2032 and how they could be adjusted after 2032.**

N/A.

**Q2. Do you have any evidence on the anticipated availability and cost of eligible fuels and feedstocks given likely increases in competition across modes and internationally?**

N/A.

**Q3. Does the main RTFO obligation cover all the transport modes, fuel types and feedstocks that it needs to? If not, how should it be amended?**

No.

The scheme should be expanded to comprehensively incorporate all low carbon electricity sources, such as wind, solar, hydro, and nuclear.

Energy UK recognises the benefit of including low carbon and renewable fuels, like bioethanol, biodiesel and biomethane, to support hard-to-decarbonise areas such as non-road mobile machinery. However, it's important to note that when RTFO was initially introduced in 2008, road transport decarbonisation was overwhelmingly focused on liquid biofuels. Since then, the sector has changed fundamentally, with electricity and hydrogen as the leading sources of energy for decarbonised transport. While low carbon and renewable fuels play a significant role in the transition to net zero transport, the priority should always be zero emissions for all transport. The focus should therefore be on futureproofing the development and adoption of zero emission technologies, many of which are reliant on electricity as a primary fuel source.

Mass uptake of EVs and their associated charging infrastructure is vital to reach Government's Clean Power 2030 goals, as well as our entire Net Zero transition. Smart charging and vehicle-to-grid technology are key components of demand-side flexibility; ensuring that the UK can reach Clean Power by 2030 at the lowest cost, including lower costs for those without EVs. It is predicted that 10-12 GW of consumer-led flexibility capacity is possible by 2030 to support clean power, with smart charging a key driver<sup>1</sup>. Allowing low carbon electricity into the scheme would be a critical policy tool to help the UK reach these targets through the roll out of charging infrastructure.

Additionally, the RTFO adaptation should be considered a market-based mechanism to support the expansion of charging infrastructure, enhancing the investment viability of charging sites. It is a policy lever which could alleviate some of the high start-up costs chargepoint operators (CPOs) face, allowing them to reinvest into the charging network. Given the challenges facing regional charging deployment, this approach would be a tool to help ensure chargepoints are located where they are needed, helping to lower costs for those reliant on public charging networks for their EVs. These issues will also equally support the deployment of e-HGVs and their associated charging infrastructure.

Moreover, in setting up the development fuel obligation, Government recognised the need to reduce reliance on 'traditional' biofuels, where feedstocks are limited and are in increasing demand. With the introduction of the Sustainable Aviation Fuel (SAF) Mandate, expanding

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<sup>1</sup> [Clean Power 2030 Action Plan: A new era of clean electricity \(2024\) UK Government](#)

the variety of fuels included (e.g. by adding low carbon electricity and fuels of non-biological origin) would lessen the pressure on supply chains for those fuel types, encouraging the uptake of electric vehicles without placing additional reliance on alternative fuel sources and exacerbating land use pressures.

Finally, Energy UK supports the Government's changes to the scheme to include nuclear-derived fuels in the RTFO. Energy UK would also urge the Department for Transport to swiftly implement the scheme change, as they have with the SAF mandate.

#### **Q4. Should the RTFO be adapted to support wider transport decarbonisation objectives such as support for renewable electricity used by road vehicles?**

Yes.

As above, and as Energy UK has previously stated in the response to the [Low Carbon Fuel Strategy](#), the RTFO should be adapted to include all forms of low carbon electricity sources, such as wind, solar, hydro, and nuclear, in transport use, alongside biofuels and hydrogen. In the long term, electricity will be a major source of low carbon energy for the majority of road transport and therefore impeding its involvement in any fuel strategy in the near term may counteract efforts to roll out the necessary supporting infrastructure.

There is considerable value, for both the EV market and broader climate targets, in including electricity in the UK's fuel blending mechanism.

#### **Alignment with EU**

UK Government should note that under the European Union's Renewable Energy Directive III, member states are mandated to introduce a credit mechanism to allow operators of public recharging points to sell credits for renewable electricity for EVs to fuel suppliers. This effectively integrates electricity into the EU's Renewable Energy Directive framework, which is equivalent to the UK's RTFO. This mechanism is likely to accelerate charging infrastructure development across the EU, making it a more attractive market for investors and manufacturers alike.

By contrast, the absence of a comparable mechanism in the UK risks leaving it as the sole European market without an operable e-credit scheme. Such a disparity could deter investment in the UK's EV infrastructure as investors and manufacturers prioritise the EU's more supportive framework. It would undermine the UK's competitiveness in the fast-growing EV sector, and slow the progress towards Net Zero targets.

#### **Scheme distortion**

A specific distortion arises in the current RTFO scheme due to the inclusion of hydrogen produced from renewable electricity. While this allows renewable electricity to indirectly participate in the scheme through hydrogen-powered vehicles, EVs powered through renewable electricity (from sources which aren't hydrogen) are excluded from equivalent scheme benefits. This inconsistency undermines equitable support for zero-emission transport technologies, bringing into question the Government's technology neutral approach.

To address this distortion, the direct inclusion of low carbon electricity sources within the RTFO is needed, alongside hydrogen. These adjustments would ensure that EVs, which are critical to achieving the 2030 Internal Combustion Engine (ICE) car phase out target, receive the necessary support to accelerate their adoption.

#### **Renewable Fuels of Non-Biological Origin (RFNBOs)**

Eligibility rules for electricity used in road vehicles should be as straightforward as possible. Complex rules would add to compliance costs and restrict any cost savings associated with the certificate value. Current arrangements applying to electricity in Renewable Fuels of Non-Biological Origin (RFNBO) production are particularly complex and should not be used as a template if it is decided that electricity is included in the scheme.

### **Adjusted targets**

If it is decided that electricity can be included in the scheme, Energy UK would urge the targets to increase to ensure no reduction in renewable fuel blending. This ensures that the total amount of low carbon energy contributing to decarbonised transport increases rather than staying the same or decreasing. By adjusting the targets upwards, the inclusion of electricity supports a net gain in low carbon energy use without reducing the important role of liquid biofuels in the mix, which are critical for sectors that cannot easily transition to electrification, such as heavy-duty transport.

### **How low carbon fuels are rewarded under RTFO**

**Q5. Should the RTFO continue to reward fuels on the volume supplied or on a different basis, such as the GHG savings delivered by a fuel, in line with the SAF mandate?**

N/A.

**Q6. Do you think increasing the RTFO GHG emissions savings thresholds would be appropriate and why. Would you have any concerns?**

N/A.

**Q7. Did the GHG Reporting scheme that ran alongside the RTFO encourage a greater supply of low carbon fuels in the UK with higher GHG savings? If so, which fuels?**

N/A.

### **Treatment of fuels derived from crops**

**Q8. Is the RTFO crop cap trajectory set at the right level?**

N/A.

**Q9. Has the RTFO crop cap impacted UK biofuel producers, suppliers, or other operators and if so, how?**

N/A.

**Q10. Are the definitions of 'relevant crops' and 'dedicated energy crops' still appropriate?**

N/A.

### **Treatment of fuels derived from wastes**

**Q11. Has the double rewarding of waste-based fuels relative to single rewarding for crop-based fuels been effective in achieving maximum carbon savings?**

N/A.

**Q12. Should double reward continue going forwards or is there an alternative way within the RTFO to incentivise the supply of waste-based fuels?**

N/A.

### **RTFO development fuel obligation**

#### **Q13. Do you have any evidence on why there has been a lack of supply of development fuels or how the obligation has stimulated the production of development fuels?**

The use of hydrogen in transport will provide support for hard to decarbonise forms of transport, such as non-road mobile machinery (NRMM). The limited supply of development fuels can be attributed in part to a low supply of RFNBO hydrogen.

There are several key challenges specific to the RTFO that are limiting RFNBO hydrogen supply:

1. Whilst hydrogen is allowed in the scheme if produced from biomass or renewable energy sources, both the RTFO and SAF Mandate do not align to the Low Carbon Hydrogen Standard (LCHS). This inconsistency hinders the effective implementation and scaling of hydrogen as a low carbon energy source within these schemes.
2. The definition of NRMM in RTFO legislation is overly complex, meaning it does not explicitly include hydrogen fuel-cell technology. Given the importance of fuel cells for NRMM, the definition of NRMM should be updated to allow the use of this technology.
3. Half-hourly time matching requirements between the generation of electricity and its consumption by an electrolyser (or other RFNBO production facility) significantly add to electricity costs. Transitioning to annual volume matching, consistent with industry practice, would alleviate these cost pressures.
4. Not all RFNBOs are classified as development fuels under the current scheme, excluding important fuel options like maritime e-methanol and e-ammonia. Expanding the classification of development fuels to include these technologies would accelerate their development and adoption.
5. Hydrogen used as a precursor to another fuel supplied under the RTFO or SAF Mandate cannot be supported by the Hydrogen Production Business Model (HPBM). This ban on combined use of subsidy should be amended, instead adjusting support levels in either of the schemes to give enough subsidy, without over-subsidising.

#### **Q14. Do you expect development fuel supply to increase relative to the obligation in the short and medium term such that levels of buy-out are minimised?**

N/A.

#### **Q15. How important will SAF plants currently in development be in supporting deployment of drop-in low carbon road fuels under the RTFO?**

N/A.

#### **Q16. Are eligible fuels defined appropriately to meet the development fuel obligation goals? Should a broader or narrower range of fuels, feedstocks and production processes be considered?**

N/A.

#### **Q17. If the development fuel obligation was to switch to a GHG-based reward mechanism, how could this impact supply of development fuels, including investment in production?**

N/A.

### **Questions for stakeholders**

**Q18. Do you have any feedback on the effectiveness of the day to day running of the scheme and the provision of scheme guidance and statistics? Please provide suggestions for any improvements.**

N/A.

**Q19. Do you have any further comments on the operation of the scheme to date?**

N/A.