



Department
for Transport

Cost Benefit Analysis

Amendments to the Motor Fuel Greenhouse Gas Emissions Reporting Regulations

Moving Britain Ahead

September 17

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1. Executive summary

- 1.1 Article 7a of the Fuel Quality Directive (FQD) requires transport¹ sector fuel suppliers in EU member states to reduce the average lifecycle GHG intensity of transport fuels by 6% in 2020 (which equates to a GHG reduction of 9.9 MtCO_{2e} per year in 2020). Fuel suppliers have a number of options for meeting this target including biofuels, low carbon fossil fuels and emissions reduction in 'upstream' oil production (e.g. reduced flaring and venting of methane which is often released as a co-product alongside oil).
- 1.2 In order to comply with the requirements of the Fuel Quality Directive, the Government consulted on options for the introduction of a GHG reduction obligation on transport fuel suppliers, with a certificate trading mechanism.
- 1.3 The public consultation, which ran from 29 November 2016 to 22 January 2017, considered a range of potential policy options of which the key considerations for the cost-benefit analysis were the buy-out price level and GHG target implementation period. Following consideration of stakeholder responses the Government has opted to implement a GHG target over two years (2019 and 2020) with a buy-out price of £74/tCO_{2e}.
- 1.4 The buy-out is a charge fuel suppliers can opt to pay as an alternative means of compliance. This has been set at £74/tCO_{2e} and is intended to cap-fuel prices and protect consumers should the cost of delivering the GHG reductions become unsustainable. This level is considered sufficient to support a wide range of compliance measures including GHG credits from existing upstream emissions reduction (UER) projects and improved biofuel GHG savings. £74/tCO_{2e} is the central 2020 'non-traded' carbon value (in 2020 prices) which should also ensure consistency with wider Government climate policy.
- 1.5 A two year implementation period for the GHG target, with an interim target in 2019, would allow industry to prepare, encourage investments in producing and/or sourcing low carbon fuels, and provide sufficient time to resolve any issues with the scheme, ahead of the binding 2020 target. It would also provide evidence for officials to assess whether it would be beneficial to extend targets beyond 2020.

Table 1: cost-benefit analysis summary (central RTFO scenario, 2015 prices)

Net present cost (£m)	Maximum 2019 pump price impact (ppl)	Maximum 2020 pump price impact (ppl)	GHG savings (MtCO _{2e})	Net present benefits (£m)	NPV (£m)
0.3 to 177	0.05 (0.04 excluding VAT)	0.44 (0.37 excluding VAT)	0 to 3.0	0 to 176	-177 to 162

** for a more detailed breakdown of these figures please refer to table 3*

¹ Fuels used to propel road vehicles, non-road mobile machinery (including inland waterway vessels when not at sea), agricultural and forestry tractors, recreational craft when not at sea and electricity for use in road vehicles are included in the scope of the FQD.

- 1.6 The costs and benefits associated with this policy are highly uncertain due to uncertainty around what measures suppliers will use to meet their obligations and the cost of these measures. Therefore, wide ranges of costs and benefits have been presented in this analysis.
- 1.7 The maximum potential cost of the policy is determined by the buy-out price. Under our central scenario, a £74/tCO_{2e} buy-out price implies a maximum policy cost of £177m (spread over 2019 and 2020). Any cost is expected to be passed through to fuel consumers with a maximum potential pump price impact of 0.44 pence per litre (0.37ppl excluding VAT) in 2020. However, compliance costs could be significantly lower if there is high availability of GHG reduction credits. The lower cost boundary, therefore, reflects a scenario where there is a certificate oversupply and only administrative costs are incurred.
- 1.8 Similarly, a wide range of potential GHG outcomes have been assessed. The 'low additionality' scenarios assume zero GHG savings result from the policy (i.e. the GHG savings attributed to the policy would occur in any case) and the 'high additionality' scenario assumes that the policy is 100% effective in delivering GHG savings.

2. Introduction

Problem under consideration

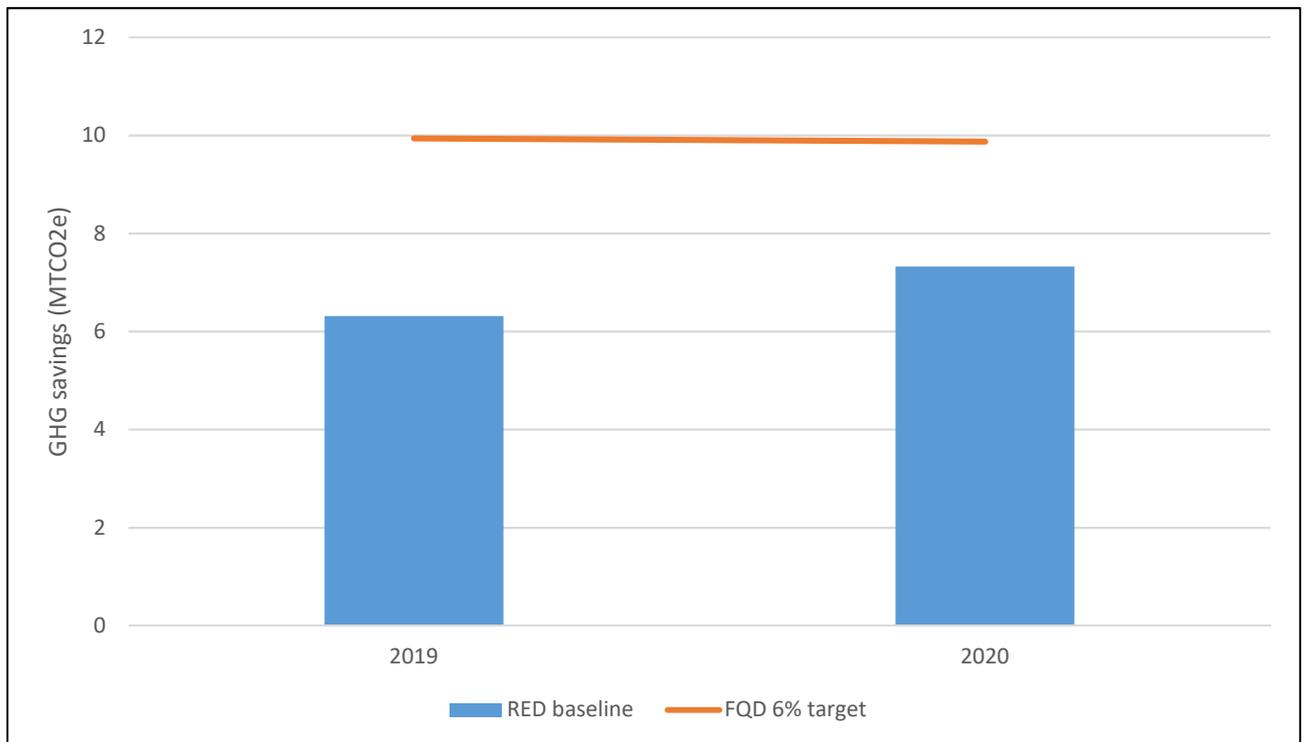
- 2.1 Article 7a of the Fuel Quality Directive requires transport² sector fuel suppliers in EU member states to reduce the average GHG intensity of transport fuels by 6% in 2020 (relative to a 2010 baseline average transport fuel GHG intensity of 94.1 gCO₂e/MJ). This equates to a transport sector GHG reduction of 9.9 MtCO₂e in 2020 (or a reduction in average transport fuel GHG intensity of 5.6 gCO₂e/MJ).
- 2.2 Fuel suppliers have a number of options for meeting the GHG reduction target. In general, these options can be split into the following categories:
- **Switching to lower GHG energy sources** – alternative transport energy fuels such as biofuels, electricity, natural gas, and LPG have lower GHG emissions per unit of energy relative to fossil fuels.
 - **Improving biofuel GHG savings** – significant volumes of biofuels are already supplied due to blending targets set under the Renewable Transport Fuel Obligation. These biofuels deliver GHG savings which can be counted towards the FQD target. Improving the GHG saving characteristics of these biofuels (e.g. using less fertiliser on crops, improving efficiency of refining processes, capturing refinery CO₂ emissions, switching feedstocks) can increase the contribution made by biofuels towards meeting the FQD target.
 - **Upstream emission reductions (UERs)** – GHG emissions from upstream production of fossil fuels such as flaring and venting of methane are a significant component of the emissions associated with transport fossil fuel use. If suppliers are able to demonstrate that they have been responsible for reducing these emissions (e.g. through investments in gas grid infrastructure or liquefaction facilities) they can use this to demonstrate compliance with their FQD GHG reduction targets.
- 2.3 Article 7a of the Fuel Quality Directive also requires transport sector fuel suppliers in EU member states to report information on the characteristics of the fossil fuel which they supply into the UK transport fuel market, and requires member states to lay down the rules on penalties applicable to infringements of national provisions adopted to transpose the Directive. These measures and associated impact on fuel suppliers are considered in chapter 6.

² Fuels used to propel road vehicles, non-road mobile machinery (including inland waterway vessels when not at sea), agricultural and forestry tractors, recreational craft when not at sea and electricity for use in road vehicles are included in the scope of the FQD.

Renewable Transport Fuel Obligation (baseline)

- 2.4 The Renewable Transport Fuel Obligation (RTFO) requires transport fossil fuel suppliers to supply a given proportion (specified by the RTFO target) of transport energy from renewable sources. Under the preferred option for amending the RTFO (a separate cost benefit analysis on the RTFO is also included as part of this Government response), the RTFO is estimated to deliver 7.2 MtCO_{2e} of GHG savings towards the FQD target leaving a remainder of 2.7 MtCO_{2e} which will need to be delivered through additional measures.

Chart 1: projected FQD GHG target contribution from biofuels supplied under the Renewable Transport Fuel Obligation (RTFO) baseline



GHG obligation design

- 2.5 In order to comply with the requirements of the Fuel Quality Directive, a **GHG obligation** with a **buy-out price** and **certificate trading mechanism** for transport fuel suppliers will be put in place.
- **GHG obligation** – under the GHG obligation each fuel supplier will be required to demonstrate that they had delivered a given volume of GHG savings proportional to the quantity of fuel which they supply. Suppliers will receive a certificate for each unit (in kilograms) of carbon saved, which they can use to demonstrate compliance with the obligation.
 - **Buy-out price** – the buy-out price is a charge which suppliers can opt to pay as an alternative means of compliance. This has been set at £74/tCO_{2e} and is intended to cap-fuel prices and protect consumers should the cost of delivering the GHG reductions become unsustainable. If the cost of delivering the GHG reduction target exceeds the buy-out price, suppliers would be expected to buy-

out of their obligation. The buy-out price performs two functions: (1) it serves as a compliance enforcement mechanism by effectively acting as a financial penalty for failing to comply with the GHG obligation; and (2) it limits the overall cost of the obligation as suppliers will opt to pay the buy-out price if the cost of compliance rises above that level.

- **Certificate trading scheme** – a certificate trading scheme will give suppliers flexibility to meet their obligation (i.e. they can buy certificates from other suppliers if cost effective). Increasing supplier flexibility in this way should minimise the overall costs of the scheme as individual suppliers facing relatively high compliance costs will be able to reduce costs by buying certificates from those able to reduce emissions at relatively low costs.

3. Policy options

- 3.1 The consultation published on 29 November 2016 looked at a range of FQD compliance options which varied by buy-out price and implementation period. The 'preferred option' put forward in the consultation was for a three year obligation (with targets running from 2018 to 2020) and a £74/tCO_{2e} buy-out price.

Table 2: consultation options

Option	1a	1b	2a	2b	3a	3b
Buy-out price	£7/tCO _{2e}	£7/tCO _{2e}	£74/tCO _{2e}	£74/tCO _{2e}	£146/tCO _{2e}	£146/tCO _{2e}
Duration	1 year	3 years	1 year	3 years	1 year	3 years

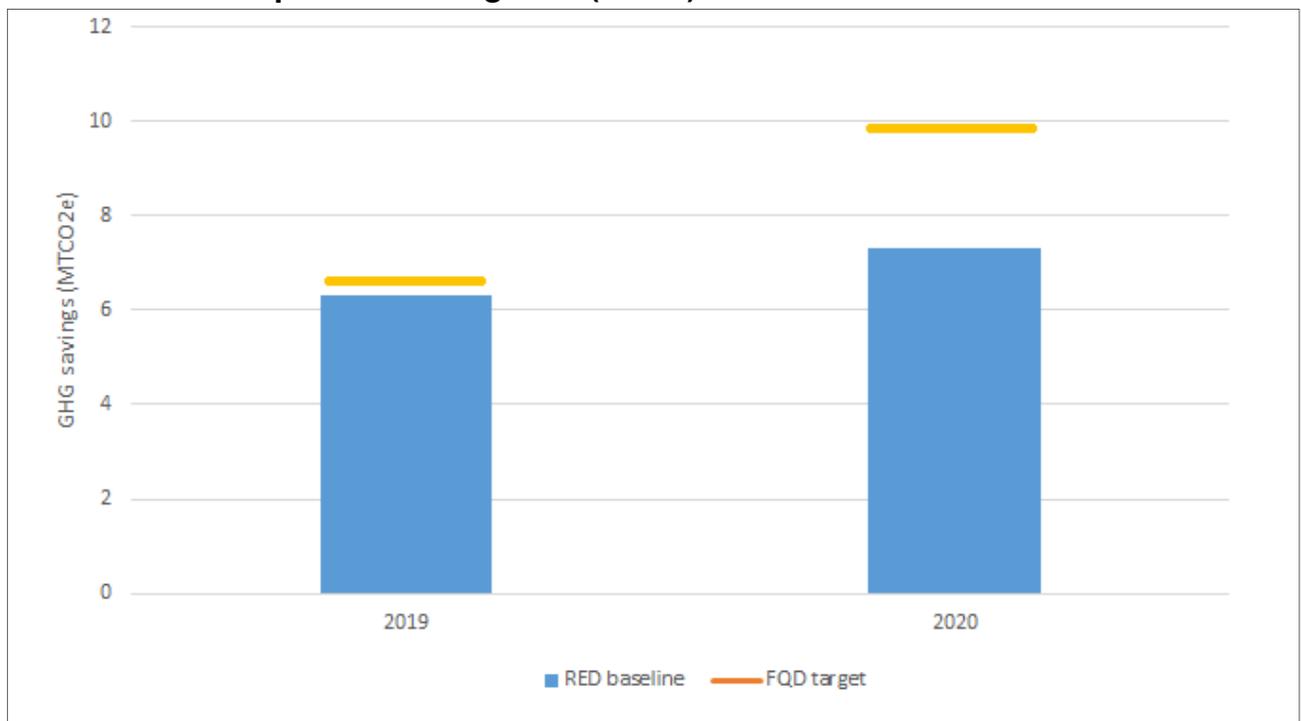
- 3.2 Following assessment of stakeholder consultation responses a two-year obligation with a £74/tCO_{2e} buy-out price has been chosen as the final option for implementation.
- 3.3 A £74/tCO_{2e} buy-out price has been chosen because this level is considered sufficient to support a wide range of compliance measures including GHG credits from existing upstream emissions reduction (UER) projects and improved biofuel GHG savings. £74/tCO_{2e} is the central 2020 'non-traded' carbon value (in 2020 prices) which should also ensure consistency with wider Government climate policy.
- 3.4 A two-year implementation period has been chosen as it was felt that an interim target in 2019 would allow industry to prepare, encourage investments made to produce and/or source lower carbon fuels, and provide sufficient time to resolve any issues with the scheme, ahead of the binding 2020 target. It would also provide evidence for officials to assess whether it would be beneficial to extend targets beyond 2020.

4. Analytical approach and evidence

RTFO-FQD target 'gap'

- 4.1 The key input in determining the potential costs and benefits of implementing a GHG obligation for transport fuels is the gap between the GHG savings required by the FQD target (9.9 MtCO_{2e} in 2020) and baseline GHG savings which are expected to be delivered by the underlying Renewable Transport Fuels Obligation (RTFO) biofuels target.
- 4.2 In 2019, our best estimate of RTFO GHG savings is 6.3 MtCO_{2e}. There is a 4% GHG target in 2019 which equates to 6.6 MtCO_{2e} of GHG savings, so it is estimated that an additional 0.3 MtCO_{2e} would be required to meet the GHG target for these options.
- 4.3 In 2020, our best estimate of RTFO GHG savings is 7.2 MtCO_{2e}. There is a 6% GHG target in 2020 which equates to 9.9 MtCO_{2e} of GHG savings, so an additional 2.7 MtCO_{2e} is required to meet the GHG target for these options.

Chart 2: projected FQD target contribution from biofuels supplied under the Renewable Transport Fuel Obligation (RTFO) baseline



- 4.4 Fuel suppliers have a number of options for complying with a transport fuel GHG obligation under the FQD. Options covered in the cost benefit analysis are:
- **existing UERs** - these are upstream emissions reduction measures which are already in place prior to the implementation of this policy;
 - **new UERs** - new upstream emission reduction measures (e.g. investments in new methane capture technology in oilfields);
 - **improved biofuel GHG savings** - increasing the GHG savings reported for biofuels which are supplied under the RTFO baseline. For example, biofuel GHG savings can be improved by switching feedstocks, using less fertiliser and using cleaner energy in the refining process;
 - **alternative fossil fuels** - displacing petrol and diesel with less carbon-intensive fossil fuels (e.g. methane); and
 - **additional biofuels** - supplying biofuels over and above the biofuels which are supplied in the RTFO baseline.

Upstream emission reductions and 'additionality' scenarios

- 4.5 GHG savings from upstream emissions reduction (UER) projects (i.e. GHG savings from avoided flaring and venting of methane which is a co-product of oil extraction processes) are a major potential source of GHG savings for suppliers looking to comply with FQD targets. However, proving that a UER project is additional and has led to genuine GHG savings (i.e. the investment in GHG saving process occurred as a direct result of the financial incentive made available through the policy and would not have occurred otherwise) typically relies on economic/financial assumptions which may be open to debate.
- 4.6 To take account of the inherent uncertainty around additionality we have carried out a 'high additionality' scenario and a 'low additionality' scenario when evaluating carbon benefits in this cost-benefit analysis. The 'low additionality' scenario looks at a case where the policy leads to no additional GHG savings (i.e. all the savings would have occurred in absence of the policy) and the 'high additionality' scenario looks at a case where the policy leads to 100% additional GHG savings.

Costs methodology

- 4.7 As there is significant uncertainty around the options available to suppliers to reduce emissions and the associated costs, a wide range of potential costs have been modelled.
- 4.8 For each option the maximum potential cost has been calculated using the buy-out price. For example, a 6% target in 2020 implies that suppliers will have to deliver 2.7 MtCO₂e savings. If the buy-out price is £10/tCO₂e, then the maximum potential cost would be £27 million (i.e. £10 * 2,700,000).
- 4.9 Minimum policy costs vary with assumptions on additionality. Under the 'low additionality' scenario (where we assume the policy does not generate any additional GHG savings), we assume that the minimum potential compliance cost is determined

by the administrative cost of generating a certificate. Under the 'high additionality' scenario (where we assume the policy generates a high level of additional GHG savings), we assume that the minimum potential compliance cost is determined by the cost of purchasing an EU ETS certificate (which we use to proxy the minimum cost of purchasing savings from an additional GHG credit).

- 4.10 There may also be some familiarisation and compliance costs associated with the implementation of new regulation. Evidence received from stakeholders during the consultation indicate that administrative costs for suppliers are likely to be relatively small - perhaps in the range of £50,000 per year for a large fuel supplier.

Benefits methodology

- 4.11 The only benefits that we have sought to quantify are the reduced greenhouse gas emissions associated with the option relative to the baseline. The change in greenhouse gas emissions in each year has been valued using the non-traded sector carbon values published in the Green Book supplementary guidance on valuing energy use and greenhouse gas emissions for appraisal.³
- 4.12 As noted in the section above on upstream emission reductions and 'additionality' scenarios, we have looked at two different 'additionality' scenarios, to reflect the significant uncertainty around the additionality of GHG savings associated with upstream emissions reduction projects.
- 4.13 Potential benefits have only been assessed for the period 2018 to 2020. It is possible (in the case of capital investment in new upstream emission reduction projects) that GHG saving benefits could run further into the future. However, given the significant uncertainty in how suppliers will choose to comply with a GHG obligation we have not been able to quantify these potential benefits.

Key economic variables

- 4.14 All costs, prices and benefits are given in a 2015 price base, excepting buy-out prices, which are given as the nominal values which form the basis of revisions to UK legislation. Present value calculations have been discounted to 2016 using the standard 3.5% discount factor given in HM Treasury's Green Book appraisal guidance.⁴

³ <https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

5. Policy impacts

Final option

Put in place a two year GHG target trajectory (4% in 2019 and 6% in 2020) with a £74/tCO_{2e} (nominal prices) buy-out price

Table 3: CBA summary (central RTFO scenario)

	Net present cost (£m)	Maximum 2019 pump price impact (ppl)	Maximum 2020 pump price impact (ppl)	Total GHG savings 2018-20 (MtCO _{2e})	Net present benefits (£m)	NPV (£m)
High additionality	14 to 177	0.05 (0.04 exc VAT)	0.44 (0.37 exc VAT)	3.0	176	-1 to 162
Low additionality	0.3 to 177	0.05 (0.04 exc VAT)	0.44 (0.37 exc VAT)	0.0	0	-177 to -0.3

Table 4: expected market impact

	Existing UERs	New UERs	Biofuel GHG savings	Alt fossil fuels	More biofuels
Impact	+++	0	++	0	0

- 5.1 It is likely that significant volumes of credits for existing UER projects could be available at a £74/tCO_{2e} buy-out price level as there is essentially no cost in generating these credits as the investment has already taken place. It is thought possible that suppliers would be able to deliver increased GHG savings from biofuels supplied at this buy-out price level. Anecdotal evidence from the GHG obligation in Germany indicates that the additional cost of purchasing biofuels with higher GHG savings falls below £74/tCO_{2e}.
- 5.2 It is thought unlikely that a two-year GHG obligation with a £74/tCO_{2e} buy-out price would be sufficient to incentivise investment in new UER projects, incentivise the supply of additional biofuels (over and above those supplied in the RTFO baseline) or incentivise a significant increase in the volume of alternative fossil fuels (e.g. LPG, CNG, LNG) supplied.

Estimated cost

- 5.3 Our central estimate of the additional GHG saving requirement needed to meet the FQD target (over and above the GHG savings which are delivered in the baseline by the RTFO) is 2.7 MtCO_{2e} in 2020.

- 5.4 At a £74/tCO_{2e} buy-out price, this implies a maximum annual cost of £181m (undiscounted) in 2020, which equates to an additional 0.44 ppl (0.37 excluding VAT) on the pump price. The (discounted) net present cost estimated for this option is £177m over 2019 and 2020. It is important to note that these cost estimates represent a maximum potential cost for a £74/tCO_{2e} buy-out price and that actual costs could come at a lower level if suppliers are able to acquire GHG credits which cost less than £74/tCO_{2e}.
- 5.5 For the 'low additionality' scenario, we assume that the minimum potential compliance cost is determined by the administrative cost of generating a certificate. We estimate this to be £0.12/tCO_{2e}. This implies a minimum (undiscounted) cost of £0.3m in 2020, which has a negligible impact on pump prices. The minimum present value (i.e. discounted) cost under the 'low additionality' scenario estimated for this option is £0.3m.
- 5.6 For the 'high additionality' scenario, we assume that the minimum potential compliance cost is determined by the cost of purchasing an EU ETS certificate (which we use to proxy the minimum cost of purchasing GHG credits savings from CDM-accredited UER projects). This implies a minimum (undiscounted) cost of £14m in 2020, which equates to an additional 0.04 ppl (including VAT) on the pump price. The minimum present value (i.e. discounted) cost under the 'high additionality' scenario estimated for this option is £14m.

Estimated benefits

- 5.7 As there is significant uncertainty over how suppliers will choose to meet the obligation and to what extent GHG savings will be additional we have modelled a wide range of potential benefits. For the 'high additionality' scenario we assume that 100% of the savings are additional and for the 'low additionality' scenario we assume that 0% of the emissions reductions are additional (i.e. all credits come from existing UER projects which are not accredited under the CDM). This gives a GHG saving range of 0-3.0 MtCO_{2e} over 2019 and 2020.

RTFO buy-out (maximum cost) sensitivity

- 5.8 The analysis in the central scenario assumes that the majority of GHG savings required by the GHG obligation are provided by biofuels supplied under the RTFO. It is possible (although unlikely) that fuel suppliers may choose to 'buy-out' of their obligation under the RTFO. If this were to happen then the cost of meeting the GHG obligation would rise as more GHG savings would be required to meet the target. At a £74/tCO_{2e} buy-out price the maximum possible cost (assuming 100% RTFO buy-out) of meeting the GHG obligation would be £991m over 2019 and 2020 (nominal prices), with a maximum potential pump price impact of 1.6 ppl (including vat). It should be noted that to date there has been virtually no buy-out under the RTFO (apart from some small instances necessitated by fuel supplier administrative error).

6. Fuel Quality Directive, GHG Reporting Regulations and non-compliance

New supplier reporting requirements

6.1 Article 7a of the FQD requires fuel suppliers to report information on the characteristics of the fossil fuel which they supply into the UK transport fuel⁵ market. The information requested consists of:

- Origin (feedstock trade name) - The feedstock trade name tells us what type of crude oil has been used to produce the petrol/diesel supplied (e.g. whether the fuel is from conventional or more polluting non-conventional crudes); and/or
- Place of purchase - the country and name of the processing facility where the fuel or energy underwent the last substantial transformation.

(Source: Directive 2015/652: Annex I, Part 2)

6.2 See chapter 7 of the main Government response to the consultation for further information on the requirements and on exceptions to what needs to be reported in certain circumstances e.g. for SMEs.

Cost impact on UK fuel suppliers

6.3 Discussion with industry stakeholders indicates that many UK fossil fuel suppliers envisage situations where data on origin and place of purchase may not be available and cannot be reported. Whilst the Directive provides an exception for suppliers to report simply 'EU / non-EU' where they are not in possession of the detailed origin data, the Government recognises that information on both EU / non-EU origin of the crude as well as the place of purchase of refined fuel may not be passed along the supply chain. This is why the Government will exempt those suppliers that cannot reasonably obtain such information. Hence, we do not expect these requirements to place any significant additional burden on fuel suppliers.

6.4 Some responses received during the consultation expressed concern that if the origin and/or place of purchase reporting becomes too constrained, there is a possible unintended consequence in that imports to the UK may be restricted and this may add cost to the consumer. However, as suppliers designated to report under the GHG obligation should be able to access the data required – or can report 'unknown' where they cannot reasonably access it – there is assumed to be no additional cost beyond the administrative cost of reporting this data to the regulator. One major fuel supplier estimated the total administrative cost of complying with GHG obligation and reporting requirements at around £50,000 per year.

⁵ Fuels used to propel road vehicles, non-road mobile machinery (including inland waterway vessels when not at sea), agricultural and forestry tractors, recreational craft when not at sea and electricity for use in road vehicles are included in the scope of the FQD.

Non-compliance and civil penalties

- 6.5 Member states must, under article 7a of the FQD, lay down the rules on penalties applicable to infringements of national provisions adopted to transpose the Directive. These penalties must be effective, proportionate and dissuasive.
- 6.6 We intend to introduce a GHG credit trading scheme, and in support of effective enforcement of that scheme, widen the circumstances in which the Administrator may issue a civil penalty. Specifically this would be where:
- A supplier fails to provide accurate information in applying for GHG credits;
 - A supplier fails to provide, as required by the Administrator, data and verification, of the origin and place of purchase of fossil fuel; and/or
 - A supplier fails to discharge their obligation.

Cost impact on suppliers

- 6.7 We have considered the proportionality of the level of civil penalties, including at a stakeholder workshop in August 2015, and consider that penalties for similar types of breach under the RTFO would be appropriate and proportionate.
- 6.8 Assuming that there is 100% compliance with the GHG Reporting Regulations, no civil penalties are issued and there are no impacts arising from the enforcement of civil penalties as civil debts. Therefore there would be no costs associated with the intended changes.
- 6.9 We have also considered non-compliance against the available evidence. As set out in table below to date there have been a very small number of civil penalties issued by the Administrator over the last nine years.

Table 5: civil penalties issued to date under the RTFO and GHG Reporting Regulations

Amount	Date imposed	Discharged
£5,000	17/12/2010	Yes
£5,000	17/12/2010	Yes
£50,000	17/12/2010	Yes
£50,000	01/02/2012	No
£50,000	06/03/2013	No
£5,000	30/07/2013	Yes

Source: DfT Biofuels Statistics Report 6 for Year 8

- 6.10 This is not expected to increase the volume of civil penalties issued and therefore is unlikely to increase costs or burdens associated with compliance with the GHG Regulations as amended. It is not anticipated that the changes will lead to an increase in the likelihood of civil penalties being issued, for two main reasons:
- The Administrator of the GHG Reporting Regulations proactively identifies suppliers that may be obligated under the scheme and provides advice and guidance to those suppliers to ensure they meet the requirements of the scheme; and

- The GHG obligation buy-out price will be set at a moderate level, but one which will act as a consumer protection mechanism should the cost of acquiring GHG credits be unsustainable.

7. Consultation questions and responses

- 7.1 In the consultation stage cost-benefit analysis we asked a number of questions to assist with our analysis of this policy. The questions and a summary of responses are set out in this chapter.

Question 41: Do you agree with our assessment of 'additionality' of GHG savings from upstream emission reduction projects?

Summary of responses

Total	Yes	No
10	2	8

- 7.2 A number of fuel suppliers and upstream oil producers disagreed with the assessment of additionality used in the cost benefit analysis. An argument was put forward that the concept of additionality is not solely based on economic or financial arguments and can rely on a range of other obstacles, including technological or social barriers.
- 7.3 The wide range of parameters that can affect the outputs ensures that reaching definitive answers is unlikely to be reflective of reality.

Government response

- 7.4 Given the uncertainty around additionality we have retained the 'high additionality' and 'low additionality' scenarios (for assessing GHG impacts of the GHG obligation) in the cost-benefit analysis. However, we have been less prescriptive in our assessment of what sources of upstream emissions reduction should be considered additional and which sources should not.

Question 42: Are you able to provide any evidence relevant to the assessment of costs, including any evidence on the administrative costs for fuel supplier familiarisation with the requirements of meeting the 6% GHG target required under FQD?

Summary of responses

Total
8

- 7.5 A number of fuel suppliers suggested that without knowing the detail of the mechanism to claim credits from the UER projects and also without full details of the UK GHG credit trading scheme, it is difficult to answer this question at this time.
- 7.6 It was also suggested that additional reporting requirements will potentially create resourcing costs of £50,000 per annum.

Government response

- 7.7 Supplier estimates of compliance costs have been reflected in this version of the CBA.

Question 43: Can you provide evidence on the cost of reporting fossil fuel ‘origin’ and ‘place of purchase’ data to the regulator?

Summary of responses

Total
9

- 7.8 A major fuel supplier suggested that additional reporting requirements will potentially create resourcing costs of £50,000 per annum.
- 7.9 It was noted that fuel suppliers already make returns to the Government on the origin of its crude oils. However given the complexity of the supply chains it will be very difficult to supply information on the origin of feedstocks or components, other than to say where they were purchased from.
- 7.10 Fuel suppliers also expressed concern that if the ‘origin’ and /or ‘place of purchase’ reporting becomes too constrained, there is a possible unintended consequence in that imports to the UK may be restricted and this may add cost to the consumer.
- 7.11 A consultancy research study - <https://www.transportenvironment.org/publications/lower-carbon-fossil-fuels-big-benefits-low-administrative-costs> - and EU impact assessment - https://ec.europa.eu/clima/sites/clima/files/transport/fuel/docs/swd_2014_296_en.pdf - were suggested as sources of evidence.

Government response

- 7.12 Supplier estimates of compliance costs have been reflected in this version of the CBA.

Question 44: Do you have any evidence you would like to provide on the costs and benefits associated with the proposed changes to civil penalties?

Summary of responses

Total
8

7.13 Fuel suppliers requested that penalties for failure to comply the GHG obligation should not be additional to penalties for failure to comply with the RTFO. Concerns were also expressed that restrictive 'additionality' requirements could create a shortage of GHG credits which would increase the likelihood of non-compliance.

Government response

7.14 Fuel suppliers concerns around penalties for failure to comply with the obligation and restrictive 'additionality' requirements have been taken into consideration in developing the final policy position.