

**EXPLANATORY MEMORANDUM TO
THE MOTOR FUEL (COMPOSITION AND CONTENT) (AMENDMENT)
REGULATIONS 2013**

2013 No. 2897

1. This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 Currently the ethanol and oxygen content of super unleaded petrol sold at larger filling stations must be no more than 5% and 2.7% by volume respectively. This instrument extends the period of application of those limits to 31st December 2016.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None
4. **Legislative Context**
 - 4.1 Directive 98/70/EC (“The Fuel Quality Directive”), as amended by Directive 2009/30/EC, is transposed into United Kingdom law in part by the Motor Fuel (Composition and Content) Regulations 1999 (“the 1999 Regulations”).
 - 4.2 The 1999 Regulations, as amended prior to this amending instrument, make provision that the ethanol and oxygen content of super unleaded petrol sold at filling stations before 1st January 2014 must be no more than 5% and 2.7% by volume respectively and so implement Article 3(3) of the Fuel Quality Directive.
 - 4.3 This requirement applies to petrol sold at larger filling stations where the total amount of petrol and diesel fuel sold was not less than three million litres in the calendar year prior to sale.
 - 4.4 The Fuel Quality Directive permits Member States to extend this requirement for a longer period of time, if it is considered necessary.
5. **Territorial Extent and Application**
 - 5.1 This instrument applies to the United Kingdom.
6. **European Convention on Human Rights**
 - 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

- 7.1 The majority of petrol stations in the UK offer two petrol grades; standard unleaded, (which represents 95% of sales) and a super unleaded product. The 1999 Regulations require that super unleaded petrol must contain no more than 5% ethanol and 2.7% oxygen by volume. Both standard and super unleaded petrol grades currently marketed in the UK contain no more than 5% ethanol.
- 7.2 Recent estimates by the Society of Motor Manufacturers and Traders based on 2012 data show that 12% of the petrol fleet in the UK (2.5 million cars) are classified as non-compatible with petrol containing more than 5% ethanol (of which 1.6 million are known to be non-compatible and 900,000 are of unknown compatibility).
- 7.3 Recital (30) of Directive 2009/30/EC acknowledges that some older vehicles are not warranted to use petrol with a high ethanol content and it is therefore appropriate to ensure, for a transitional period, the continued supply of petrol suitable for these older vehicles.
- 7.4 The Fuel Quality Directive requires Member States to ensure that petrol containing no more than 5% ethanol and 2.7 % oxygen by volume (E5 petrol) is available on the market until the end of 2013. The Directive also provides that member states may require the placing on the market of E5 petrol beyond 2013 if they consider it is necessary to do so.
- 7.5 In March 2013 a revised standard for petrol was approved by the British Standards Institution, increasing the permitted ethanol blend limit of petrol from 5% to 10%. This means that UK fuel suppliers can now start to supply petrol blends with up to 10% ethanol (E10 petrol) should they choose to do so.
- 7.6 Fuel suppliers in the UK have indicated that they have no immediate plans to introduce E10 petrol to the market on a large scale. Therefore we expect unleaded E5 petrol to remain widely available for the time being. However, the introduction of E10 petrol is a commercial decision and it may be possible that in some areas of the UK E10 petrol will replace E5 petrol.
- 7.7 Department for Transport estimates show that by 2016 the number of non-compatible vehicles used as main means of transport will decline to 780,000.
- 7.8 Extending the current legal requirement for super unleaded E5 petrol to remain on the market for a further three years until 31st December 2016 will mitigate the risk of limited availability of a suitable grade of petrol for non-compatible vehicles, in the event that E10 petrol is introduced while a significant number of these vehicles remain in circulation.
- 7.9 Limiting the extension to three years minimises the burden on industry. The requirement continues to be limited to super unleaded petrol sold at larger

filling stations (those that have supplied not less than 3 million litres of petrol and diesel fuel in the calendar year prior to sale).

- 7.10 Although it is possible that E5 petrol could remain widely available without the legal requirement, extending it will mitigate the risk of an unexpected large scale introduction of E10 petrol which could otherwise result in conversion costs for owners of non-compatible vehicles. The extension is also expected to give certainty to consumers and reduce the risk of negative reaction at the introduction of E10 petrol due to concerns over the potential adverse effects of ethanol on older engines.

- ***Consolidation***

- 7.11 We anticipate further amendments being necessary to the 1999 Regulations in the second half of 2014. We will be in a position to consider consolidation at that stage.

8. Consultation outcome

- 8.1 A public consultation on the draft regulations ran from 28th August 2013 for four weeks.
- 8.2 The majority of respondents (18 out of 31), including motor industry and fuel retailer representative groups, a biofuel producer and a fuel supplier, historic vehicle owners associations, a non-governmental organisation, a research institute and several members of the public, agreed with the proposed amendment. The main message from this group of respondents was that E5 petrol should be made available for a longer period of time. A number of respondents with an interest in historic vehicles emphasised that this category of vehicles will still be in circulation beyond 2016.
- 8.3 Those who did not agree with the proposal (6 out of 31) were mostly fuel suppliers and a fuel supplier representative association. They believed the continued supply of E5 petrol should be a commercial decision and suppliers should have flexibility in deciding the range of blends to market. They also suggested that fuel suppliers would continue to supply E5 petrol in response to a significant market demand regardless of legislation.
- 8.4 Several consultees commented on the cost-benefit analysis in the Impact Assessment. An association representing the views of historic vehicle owners remarked that the Impact Assessment underestimated the number of historic vehicles in circulation. A fuel supplier suggested that the Impact Assessment did not take into account the potential increased supply of crop-based biodiesel, with higher costs and lower greenhouse gas savings. The Impact Assessment has been revised to take account of the comments received and includes whenever possible a sensitivity analysis showing that the results of the analysis are substantially unchanged.
- 8.5 A full summary of all comments received and the Department's response to the consultation is published on the government consultation website at

<https://www.gov.uk/government/consultations/proposed-amendment-to-the-motor-fuel-composition-and-content-regulations-1999>.

9. Guidance

- 9.1 The instrument makes a minor amendment to the 1999 Regulations and reflects a continuation of existing policy, therefore additional guidance is not necessary.

10. Impact

- 10.1 The proposed measure is an extension of the existing requirement and there is no expected cost impact on business, charities or voluntary bodies.
- 10.2 If E10 petrol is not introduced at a large scale fuel suppliers would be likely to continue to supply E5 petrol in response to market demand even in the absence of a legal requirement.
- 10.3 The scenario where E10 petrol is introduced in both petrol grades is examined in the Impact Assessment. This is expected to be unlikely, especially across the whole of the UK. If E10 petrol is introduced widely, the regulation would result in minor changes in the cost of supplying renewable transport fuel. These are likely to be passed through to motorists and could amount to £3.1m over a three year period. However, the benefits would outweigh the costs as there would be a large cost saving of £365m in 2014 for owners of non-compatible petrol vehicles.
- 10.4 There is no estimated cost impact on the public sector.
- 10.5 The final Impact Assessment is published alongside this memorandum on the legislation.gov.uk website.

11. Regulating small business

- 11.1 It is anticipated there will be no impact on small businesses. The requirement applies to super unleaded petrol sold at larger filling stations where total sales of petrol and diesel are no less than three million litres in the calendar year prior to sale. Minimal super unleaded petrol is supplied by smaller retailers and in each case their total sales of petrol and diesel tend not to exceed three million litres. The consultation on this proposal did not prompt any concerns about the impact on small businesses.

12. Monitoring & review

- 12.1 The requirement imposed by these regulations is applicable until the 31st December 2016. This policy will be monitored and assessed prior to this date and consideration given to a further extension of the legal requirement if necessary.

13. Contact

Mariagrazia Luciano at the Department for Transport Tel: 020 7944 5930 or email: mariagrazia.luciano@dft.gsi.gov.uk can answer any queries regarding the instrument.