

The use of red diesel and other rebated fuels is changing

Fuel Duty Policy Team



HM Revenue
& Customs



REBATED FUEL USED FOR CONTINGENCY ELECTRICITY GENERATION

You can use rebated fuel until the rules change on 1 April 2022.

Any fuel already in a generator when the rules change is considered to have been used and may be used up.

There is no need to flush out a machine before you switch to using 'white diesel'.

When is fuel used / taken into a machine?

Hydrocarbon Oil Duties Act 1979, section 27:

(1ZA) For the purposes of this Act, a substance is used as fuel for a vehicle, vessel, machine or appliance if (and only if) it is used as fuel for—

(a) the engine provided for propelling the vehicle or vessel, or, as the case may be, for powering the machine or appliance.

(1ZB) For those purposes, a substance is taken into a vehicle, vessel, machine or appliance as fuel, or as an additive or extender in any fuel, if (and only if) it is taken into the vehicle, vessel, machine or appliance as part of the supply—

(a) from which the engine provided for propelling the vehicle or vessel or, as the case may be, for powering the machine or appliance, draws fuel.

From 1 April 2022:

Rebated fuel you **obtained before 11 June 2021 to be used for stand-by (contingency) power generation** can be used up for that purpose.

You will not need a licence or have to pay the difference between rebated fuel and fully duty paid fuel to use this fuel.

What is “stand by” power generation:

(5) For the purposes of [the legislation section TBC]—

(a) stand-by power generation is any method of powering critical equipment in the event that the main power supply for that equipment ceases to be available;

(b) equipment is critical if it is needed to ensure continuous use or availability of an essential or critical service including (amongst other things*)—

- (i) protecting national security;
- (ii) emergency services and law enforcement;
- (iii) public health;
- (iv) the supply of water, fuel and power;
- (v) the welfare of livestock and other animals.

* we consider ensuring the continuity of power for IT infrastructure, such as in a data centre or financial services provider meets this criteria.

On 1 April 2022:

If you still have any rebated fuel that was obtained on or after 11 June 2021, you may be granted a licence by HMRC to use up that fuel.

You will need to pay the difference between rebated fuel and fully duty paid fuel (46.81 pence per litre) on any of this rebated fuel you use.

We appreciate the requirement to maintain minimum fuel stock levels for safety reasons and operational requirements.

Fully duty-paid fuel may be put into and mixed with existing stocks of rebated diesel in your tank.

If you do not expect to use up your supply of rebated fuel by 1 April, it may make sense to top up your supply with 'white diesel'.

This would cost about the same as buying red diesel and having to pay the duty difference to us to use it.

It would avoid admin and compliance processes for yourselves and for HMRC.

As there may be a red indicator in the tank / generator for some time beyond 1 April 2022, you should keep full records of your stock levels and purchases.

For the purposes of your records, any fuel you use up before April should be treated as using your rebated stock first.

If you are concerned that when the rules change you will still have **a large volume of red diesel left that you got after 10 June 2021**, you should let us know as soon as possible at:

oils.policymail@hmrc.gov.uk.