Fuel Oil News

NOVEMBER 2021

DOWNSTREAM – A LOOK INTO THE FUTURE

THE RED DIESEL REBATE DEBATE

BIOFUEL IN HEAT AND BUILDINGS STRATEGY

Downstream – making the difference

At time of writing, and after much delay and rumours of internal strategy and funding disagreements, we, at last, have the launch of major UK energy policies.

The much-overdue Heat and Buildings Strategy, with plans for the decarbonisation of this sector through a combination of investment and legislation, is finally published. It is part of the Government's 368-page Net Zero Strategy which offers a comprehensive run-through of how the nation will decarbonise in a way that "transforms every sector of the global economy".

With an initial review on page 10 of this magazine, we will report further on implications in our December issue.

Other announcements covered carbon capture and storage cluster projects, with confirmation that the Hynet cluster and the East Coast cluster (made up of Zerocarbon Humber and Net Zero Teesside) have both been selected as the cluster projects to be taken forward for Track 1 negotiations with deployment expected in the mid-2020s. The Scottish 'Acorn' cluster was announced as a reserve for Track 1.

Progress in CCUS and hydrogen production is considered critical in the journey to net zero and these clusters, along with several others currently in development, could help to decarbonise heavy freight and industrial sectors.

Notably, every single one of the clusters involves an oil and gas company.

As covered in 'Industry Analysis' in our October issue, the industry is securing jobs, and its future, as it evolves from the top down. With 50 years' expertise in energy production, the UK's changing oil and gas industry is using its skills to help achieve net zero.

There are also many examples in this, and every, issue of Fuel Oil News of those in our community of distributors who are making their own significant contributions to achieve a clean future for the fuel distribution industry.

It is, as always, exciting to be part of this industry and a pleasure to cover the contributions to the energy transition throughout the downstream sector.

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On the cover

The bright, and instantly recognisable, colours of a Kinch Fuels truck making a wintry delivery in the picturesque village of Castle Combe. The Wiltshire-based distributor featured in 'In Conversation' in our October issue.

In this issue

In Industry Voice, pages 16 & 17, we talk 'downstream future' with UKPIA's director general, Stephen Marcos Jones, and consider fuels, challenges and opportunities, and what the transition means for the industry's workforce.

Volume 44 No 11
ISSN 1757-1057

Heat and buildings strategy finally published

After almost a year of delays, the UK Government has published the long-awaited Heat and Buildings Strategy outlining plans to decarbonise heat and buildings. With the sector contributing 21% of UK emissions, this landmark document and associated consultations will shape the future of the heating industry.

An initial summary document detailing some of the more 'headline grabbing' initiatives and with a strong focus on investment in electrification of domestic heating as expected, was followed by the full document confirming the headline commitments to decarbonise the home heating sector with a commitment to ensure that, from 2035, all new heating appliances in homes are low carbon.

The main points of the strategy are highlighted on page 10 along with the response from UKIFDA and OFTEC.

Key industry event selling out fast

With the return to a physical event for the first time since 2019 due to the Covid pandemic, UKIFDA is expecting the 2022 industry EXPO to be the best one to-date. Taking place at the Exhibition Centre Liverpool in April next year and already selling out fast, companies are urged to book their space before it's too late.

"Exhibition space is selling out so fast and already more than half the space is taken – this is incredible as we only launched a few weeks ago!" says Ken Cronin, UKIFDA chief executive.

"We're absolutely thrilled by how many companies have booked for UKIFDA EXPO 2022 so far and feel incredibly excited about being back and hosting a physical event in Liverpool once again, with all the benefits and opportunities this provides – but would encourage companies to book their stand space sooner rather than later to avoid missing out.

"We know that everyone involved in the industry wants to be back at the physical exhibition – as do we – and the event is set to be bigger and better than ever before."

"Phillips 66 Limited is the headline sponsor which is fantastic as the company has been a big part of our history and we've worked closely with them for years. Many tanker manufacturers are exhibiting at the show once more and we love to see firms like Magyar, RTN, Cobo, Nursan and Williams joining us in 2022.

Dawn Shakespeare, UKIFDA membership and events manager, comments: "Next year's event will be our 42nd EXPO and it's lovely to see industry enthusiasm for the exhibition growing every year. We cannot wait to be back in Liverpool for the event which will also feature the future fuels conference, reunion dinner and awards ceremony too.

"Any company thinking about booking a stand at EXPO 2022 should do so quickly to avoid missing out on what promises to be the most spectacular and rewarding industry event ever."

For more information on UKIFDA EXPO 2022, visit www.ukifda.org/ukifda-expo

Crucial future role emphasised at storage conference

The UK's leading event for the bulk storage and energy infrastructure sector, the Tank Storage Conference and Exhibition, returned for its twentieth edition at the Coventry Building Society Arena in September.

The event, which has grown considerably over the years, continues to provide one of the best opportunities for anyone interested in effective and safe bulk storage operations to come together to share knowledge and network. And this year's attendance stood as a testament to its continued success.

Delivering success in the face of unique challenges

TSA's President, Adrian Jackson, in his introductory remarks, noted that the past year had been uniquely challenging. As with other segments of the economy, bulk storage also felt the impact of the coronavirus (COVID-19), compelling it to marshal its strength and resilience to keep liquid supplies flowing, and managing inventories to provide safe storage while demand was reduced. During what has been an extraordinary period, he noted that the TSA's purpose as an Association had never felt more relevant, whether it was in the way the Association supported its membership through the delivery of core services and novel initiatives or the wider tank storage community with up-to-date information, data and intelligence.

The 2021 conference programme was carefully developed to reflect both the key issues facing the sector today and the challenges as the sector looks to tomorrow. A panel of six high-calibre speakers presented on topics ranging from process safety, hazards management and the future of REACH to the future of sustainable energy and what this will look like for the bulk storage and energy infrastructure sector.

Huge future opportunity for this vital sector

The event also featured a special award ceremony celebrating the first cohort of Bulk Liquid Terminal Technician Apprentices on their completion of the Level 3 Diploma for Bulk Storage Operator. With unprecedented opportunities ahead for the sector and the next generation of talent, the message was clear: now is the time to join a growing and exciting industry and play a part in shaping the future.

As the UK transitions to a decarbonised economy, the bulk liquid and energy infrastructure sector is uniquely positioned to lead on the innovations necessary to succeed and has a crucial role in developing the necessary flexibility to manage change. And this year's Tank Storage Conference and Exhibition certainly emphasised that. As it prepares for the opportunities ahead, the sector is ready to ensure that it continues to go from strength to strength.

The next edition of the Tank Storage Conference and Exhibition will be held at the Coventry Building Society Arena on Thursday 22nd September 2022.

A grin from ear to ear – Clinton with his pass certificate

Celebrating HGV success at Moorland Fuels

Okehampton-based distributor Moorland Fuels is incredibly proud of transport manager, Clinton Mill, who has recently achieved his HGV Licence. Moorland is always keen to see members of the team progress and is delighted with Clinton's achievement.

Abby Turner, Moorland Fuels sales manager, said: "Clinton passing his HGV test has given us additional delivery options. While his role as transport manager means he will predominantly be here at our depot, having his HGV means we have additional flexibility to cover driver illness or help customers who have run out of fuel as well as take vehicles for services or repairs without having to take one of our regular drivers away from delivering to our customers.

"All of these things enable us, as a business, to be responsive and exceed our customer expectations."

Clinton himself commented: "As a transport manager, it was important for me to get my HGV qualification as it enables me to be an extra resource for Moorland Fuels. It allows me further insight into the challenges our drivers face out on the roads, and I can support them in delivering the high standard of service that Moorland Fuels provides."

Congratulations to Clinton!

Recognition for distributor leading the way on decarbonisation

Crown Oil is celebrating after its commitment to reducing greenhouse gas emissions secured a top industry award. The Bury-based fuel supplier was crowned the winner of the UKIFDA Green Award for 2021 – an award that recognises and rewards those in the industry that are leading the way in sustainability and environmental performance.

As reported in Fuel Oil News, in June this year Crown Oil became the first and only UK fuel supplier to run its entire fleet of tankers and delivery vehicles on vegetable oil. The family business predicts a saving of around 3,080 tonnes of CO2 in 12 months from running its entire delivery fleet on HVO compared to standard diesel – equivalent to more than 3,000 return flights between Paris and New York.

The business has championed the use of cleaner fuels to customers across sectors including construction, on-road transport, rail, inland waterways and stand-by power, going the extra mile by hosting virtual webinars, offering one-to-one support and creating educational resources to help organisations understand the benefits.

Other measures taken by Crown Oil include voluntarily offsetting delivery mileage, with more than 35,700 tonnes of carbon offset since December 2007, and supporting OFTEC and UKIFDA in ground-breaking work in the home heating market – exploring the use of HVO as a viable clean-burning alternative.

A whole business approach

The business also uses energy-efficient equipment and energy-saving lightbulbs, recycles all waste, and uses light sensors and LED bulbs throughout its sites. There are staff tree planting days and plans underway to install solar panels on all buildings.

Managing director Matthew Greensmith was delighted to receive the prestigious award following heavy investment in HVO and other environmental measures and commented: "It is fantastic to be recognised by such a prestigious organisation for our green efforts as we continue our journey to become the UK's most sustainable fuel supplier. Crown Oil aims to lead by example – we can't expect others to make changes without doing so ourselves – and this award is recognition of that.

"This Green Award will continue to inspire our environmental efforts and we hope to inspire others to take steps to make their businesses more sustainable. Our work doesn't stop here, however, and our next step is our pledge to run all our buildings on renewable energy by 2023."

Ken Cronin, UKIFDA chief executive, said: "Huge congratulations go to Crown Oil for winning our Green Award 2021. We felt they are a worthy winner because of their sheer range and extent of green initiatives in place.

"As a company, they are leading by example and are a leading UK HVO supplier that can boast an impressive 18,945 tonnes of GHG CO2 saved to-date from their customers switching to HVO.

"They are also the first and only UK fuel distributor to run their entire fleet on HVO."

What actions are you taking to decarbonise the industry? Contact claudia@fueloilnews.co.uk

An unusual new tanker for Highland Fuels

Members of our community in Scotland may have noticed an interesting addition to Highland Fuels' fleet. The Inverness-based distributor has a brand-new vehicle in Orkney, but all is not quite as it may seem.

When the National Bale Art competition didn't go ahead this year, the Sandwick Young Farmers Club decided to continue with the event anyway to raise money for the Orkney MS Society. Inspired by recent headlines and the importance of fuel to rural communities the YFC decided to go with the topical theme of a fuel lorry in the brilliant creation pictured to the right.

It is situated just outside Stenness Village and is proving quite an attraction. The team at Highland Fuels think it looks great and so does Fuel Oil News!

If you would like to show your support for their efforts, you can donate at:

https://www.justgiving.com/fundraising/sandwickyfc

10th anniversary sees Craggs look to 'greener' future

With October being the 10-year anniversary of Craggs Energy, the forward-looking distributor looked back over the previous decade and shared its thoughts on what may lie ahead.

Originally launched in Calderdale, West Yorkshire, with just one fuel tanker, a land rover and only three members of staff, the ever-growing and innovative company has seen a great deal of change over the past decade. The Craggs Energy Group now serves thousands of customers, operates a fleet of over forty vehicles, employs over a hundred members of staff, runs numerous companies from multiple locations and supplies its services across the whole of the UK.

From left to right: Chris Bingham and Jeremy Cosway celebrate the purchase of the Craggs Energy depot in Padiham, Burnley August 2012

Looking back over a decade of strong growth

Chris Bingham, chairman at the Craggs Energy Group said: "It's remarkable we are celebrating ten years of Craggs Energy and the wider group. Looking back, I have to tell you it's been quite a roller coaster at times. Starting a new business is hard and keeping it alive long enough to become sustainable – well that's even harder.

"And yet together as a wider group we've built and acquired various companies since 2011. All of them are stable and will continue to grow strongly in the coming years. I am immensely proud of what we have achieved but I'm also very grateful for the years of effort that everyone in the business has contributed.

"I'd like to express my thanks to all staff, customers and partners who have chosen to be part of our journey. It has been quite a ride so far and I see no reason to expect anything different moving forward."

Future focus offers support for net zero

Richard Wallace, managing director at the Craggs Energy Group comments on the future: "As we look towards the next decade for our group of businesses, we will continue to provide a first-class service, with a strong, customer-focussed team and our collaborative approach will allow us to offer new initiatives to our commercial and residential oil customers.

"As the energy landscape is continuously changing, a large focus moving forward will be to support our customers on their journey to net zero. This will feature as an important part of our future vision, and we are proud to be able to support homes and businesses with a range of carbon reduction strategies.

"We have worked hard over the last twelve months to ensure we have the operational capacity, infrastructure and distributor rights to supply GreenD+ HVO across the north-west of England, and beyond. We also introduced a carbon offsetting option for all fuel purchases which has been well received.

A Craggs customer, Dave Weston, estate and project manager at Queen Ethelburga's Collegiate, confirms: "We've been working with Craggs for a couple of years and have recently made the switch to GreenD+ HVO. This alternative diesel fuel reduces our carbon output by nearly 3,000 metric tonnes per year. Danny Almond, our account manager has been extremely helpful and informative when discussing our options for 'greener' ways to heat our buildings and maintain our landscapes.

"We are delighted to be one of the first to sign up to Craggs Energy's HVO fuel and we are always looking for ways to meet the Government's target of reaching Net Zero carbon emissions."

Richard comments: "Most recently, we have facilitated the first in-land HVO Hub in the UK, and I'm pleased to see that so many of our customers have embraced this alternative fuel which reduces carbon emissions by up to 90%.

"I've been with Craggs since 2017 and it has been a pleasure to see how the group has adapted and grown since and I'm looking forward to the exciting times ahead."

You can follow the Craggs journey on social media @craggsenergy #craggs10years and read more about both the history and future in a special feature which will be published in the December issue of Fuel Oil News.

Scottish refinery expands footprint

Petroineos has announced a multi-year agreement for sole access to the ASCO UK Aberdeen Inland Terminal expanding the supply footprint of Scotland's only refinery.

The supply of diesel, gas oil and kerosene commenced October with products sourced directly from the Grangemouth refinery. The company views it as a 'demonstration of our commitment to supplying high quality products across Scotland.'

The agreement marks the return of Grangemouth Refinery product supply in the North East of Scotland for the first time in over a decade. Both parties have welcomed the opportunity to partner together and stated their ambition to work diligently to ensure they meet customer needs now and into the future.

Peter Hollister, head of Fuels & Lubricants at ASCO Group, said: "I'm delighted to commence this mutually beneficial services relationship and look forward to working with Petroineos, and the local distributors, in delivering a safe, reliable and welcoming experience at the ASCO Aberdeen Terminal."

Petroineos' marketing manager, David Hayes, commented: "We are all very pleased to have secured this deal with Peter and his team. This partnership is built on mutual respect with long term vision and commitment, one that we value greatly."

Customer management will be under the remit of the Wholesale Team based in Grangemouth which enables them to work closely with operations and shipping colleagues to address any issues promptly, ensuring continuity of supply throughout the year.

Many of the local distributors are already customers of Petroineos and they look forward to extending supply relationships to the ASCO Aberdeen Terminal. David Hayes added: "For those that are not existing customers, we welcome your enquiry and look forward to working hard to become your supplier of choice."

IN CONVERSATION

Exswift Fuels – diversifying into the sector

AT A TIME WHEN A LOT OF THE CONVERSATION IN THE FUEL DISTRIBUTION SECTOR IS AROUND ACQUISITION, MERGER AND CONSOLIDATION THERE IS ALWAYS AN ELEMENT OF SURPRISE WHEN NEW, INDEPENDENT BUSINESSES LAUNCH. ESSEX-BASED DISTRIBUTOR EXSWIFT FUELS IS IN ONLY ITS THIRD YEAR IN FUEL DISTRIBUTION AND FUEL OIL NEWS MANAGING EDITOR, MARGARET MAJOR, SPENT TIME IN CONVERSATION WITH **CHLOE CROFTS**, CEO OF THE BUSINESS, TO FIND OUT MORE ABOUT THIS RECENT ENTRANT TO THE SECTOR.

It is an interesting time to have launched a fuel distribution business – who are the people involved in Exswift Fuels and what is their history in the industry?
We have a management team of four, each of us from different backgrounds, and we are all heavily involved in the day-to-day running of the business. Scott and Jason have extensive knowledge of logistics and running teams of drivers, Barry is our accounts whiz, and I am originally from the hospitality industry.

My biggest passion is customer service and marketing, so that is at the core of our brand. With none of us having a 'big' background in fuels we have really learnt on the job! It has been an interesting journey so far but all four of us are very passionate about what we are bringing to the fuel industry and are learning and adapting everyday to ensure we are bringing the best out of Team Exswift.

What led to the decision to launch this exciting new business?
With half of the team coming from the transport industry, venturing into fuel distribution seemed like the most fitting progression.

Which customers and areas do you cover?
We made the decision early on to focus on our kerosene offering and, currently, 95% of our business is domestic. Despite being small in size we have always been big on customer service, and this has really helped us grow our business and have a stronger presence in Essex, Suffolk, Hertfordshire and East Anglia.

We are now ready to launch the commercial arm of our business in early 2022 – which we are all very excited about.

How is the business growing so far?
As a company we have seen considerable growth in the last 2 years. We have gone from delivering 3.5 million litres of heating oil in 2019 to being on track to deliver 15 million this year.

Our fleet has grown from 2 rigid to tankers to five and I am very proud to announce we are about to receive delivery of two shiny new tankers, taking our total up to seven. We are very excited to see these two new vehicles on the road in November 2021!

Why are customers choosing Exswift?
We believe customers are choosing us due to our competitive pricing and strong customer service. We made it our mission to build a very strong team – all handpicked for their expertise then trained to our strong Exswift standards

Our driving staff are second to none, in our opinion. We receive lots of compliments from our customers, new and old, and our drivers are a credit to us. They are our 'face' when out delivering and really should be praised for the service they offer – all completing tank inspections as standard and generally going the extra mile for our customers.

The same can be said for our office staff, led by our senior administrator, Sam. They ensure that all customer enquiries are dealt with promptly and politely, whilst manning the phones and handling all customers quotes making sure all of our customers receive the best possible price.

What is the best bit of advice you have been given so far in this industry?
You do not need to reinvent the wheel!

Although we are constantly looking for new ways to service our customers, like the launch of 'Exswift VIP' which is our very own members club with exclusive pricing, we keep the focus simple – great pricing with even better service.

Launching a distribution business when fuel transition is constantly in the headlines shows a lot of faith in the sector. What do you think the future will look like for liquid fuel as demand for fossil fuels reduces?
As I said, we are very passionate about what we do. We will continue to service our customers whilst also keeping up to date with all new initiatives. It is impossible for us to predict what the future holds but we intend on being right beside our customers on the journey and adapting our offering as we go.

Are you optimistic about the industry efforts to persuade the Government that a liquid biofuel should be part of the future for home heating?
Yes, we are very excited about this and are very optimistic that a liquid biofuel will be in the future of home heating.

What fuels do you currently offer?
Currently we offer kerosene, gas oil and diesel, but we are in the process of making some additions to our product lines in the coming months. We are in the final stages of adding some of these new products to our offering, one of which is an alternative fuel, so watch our website for the imminent announcement!

Will the changes to red diesel entitlement next April have much impact on you or your customers?
Presently, our customer base is largely kerosene customers and, with our commercial department set to launch in early 2022, we are fortunate that we can implement the changes with minimal effect on our customers.

Over the next few years, what do you see as major challenges to the industry and what are the positives?
Currently the distribution sector as a whole is experiencing a shortage of drivers. This is, fortunately, not the case for us, as we pride ourselves on training up our drivers from other industries to our own high standards. Aside from that, the challenge will be keeping up to date with all new initiatives to ensure we are being progressive and constantly offering our customers choices and quality products and services.

I notice you offer additives and other tank care – is this an important part of the Exswift offering?
Yes, it is. We are about to launch our very own online shop on our website, and we feel this will be a great one-stop-shop for our customers for all their heating needs.

What things currently keep you awake at night?
It's kero season so we are fully prepared to not have a full night's sleep until April! (Chloe laughs).

On a more serious note, when you are working hard to grow a business you are constantly analysing your performance and looking at what works and what doesn't. We want to be continuously considered to be the best-priced fuel supplier in the South East so we are always working hard to ensure that we are offering a great service but also being competitive and fair to our customers.

What do you enjoy most about operating in fuel distribution?
For us it has been the people we have met along the way. We are lucky to work with some of the industry's best suppliers such as Fuelsoft and Econoprint and we are surrounded with like-minded individuals who are all just as passionate about this industry as we are and have supplied us with products that have undoubtedly aided in the success of our business.

What are the values that you would like Exswift do be associated with?
Honest pricing and great customer service! It really is as uncomplicated as that for us.

Looking to the future what is the vision for the company?
Our aim is to continue to strengthen our presence in the South East – we are looking to double our fleet and open a new depot so that we can service a larger area.

The plan is to keep doing all the things we do well whilst adapting to any changes the industry may throw our way.

While Exswift may be one of the younger businesses in our community of fuel distributors, hard work and a 'can do' attitude has already seen it come a long way in a short period of time. With the obvious enthusiasm that Chloe and the team have for making the most of any opportunity we look forward to covering their future developments.

Heat and Buildings Strategy – the phasing out of fossil-fuel boilers

Heat pumps first

The strategy, as anticipated, is very much 'heat pumps first' – achieved through both regulation from 2026 and through financial incentive. A £450m Boiler Upgrade Scheme that replaces the RHI will provide £6k grants for GSHP and £5k for ASHP which, along with an equalising of energy levies, will look to bring the cost of heat pumps for homes in line with that of gas boilers by 2030.

One notable absence in the strategy document is the lack of commitment to the use of hydrogen for decarbonising heat in homes. A decision on its potential role is deferred until 2026 so that the hydrogen village trials will be completed with BEIS stating: "We must take no-regrets action now whilst supporting ongoing trials and other research and innovation on our future heating systems, including hydrogen".

What role for low carbon liquid fuels?

After intense lobbying from those involved in heating the off-grid sector, biofuel remains a potential solution for homes "where low temperature heat pumps cannot be reasonably practicably accommodated subject to minor energy efficiency measures".

BEIS accepts that other low carbon heating options (such as solid biomass boilers, high temperature heat pumps, and, potentially, liquid biofuels) may offer an alternative in these cases but also indicates that aviation remains its preferred use of biofuels stating: "The deployment of liquid biofuels for off-gas grid heating, like solid biomass, will be limited by constraints on the global availability of sustainable feedstocks. For this reason, government will seek to give priority to sectors which have fewer alternatives to decarbonisation, for example the aviation industry."

Given that BEIS anticipates that 81% of off-gas grid homes in England that are heated by high carbon fossil fuels will be able to transition to low temperature heat pumps without the need for any energy efficiency improvements and a further 4% will be able to do so with 'minor energy efficiency measures' there will be around 15% that will need other approved low-carbon options. This is where there may be a role for biofuels.

There are several consultations launched in parallel with the strategy that run until January 12th, 2022, seeking views on phasing out the installation of fossil fuel heating in homes, businesses and public buildings off the gas grid as well as future support and mechanisms for low carbon heat.

UKIFDA and OFTEC have issued a joint response to the release of the strategy which is in full below.

Heat and Buildings Strategy reactive statement from UKIFDA and OFTEC

UKIFDA and OFTEC welcome the publication of the Heat and Buildings Strategy and associated off-grid consultation which recognises the role of renewable liquid fuels in supporting the decarbonisation of off-grid households in the UK.

The Government has accepted that a significant proportion of off-gas grid properties will not be suitable for heat pumps and will require an alternative. Following successful trials of Hydrotreated Vegetable Oil (HVO) in oil heated homes over the last 12 months, it is clear renewable liquid fuels have a central role to play.

However, we are concerned rural households will be used by the government as guineapigs to test the roll out of heat pumps under the plans announced. In particular, the assumptions made within the report regarding the cost of change and suitability for a heat pump off-grid appear wildly optimistic. Low energy efficiency and poor insulation makes heat pumps costly and impractical to install and we believe there would be significant consumer resistance.

BEIS has cited modelling which suggests that it would be 'feasible to install a heat pump in around 80% of off gas grid homes' but there has been no real-world demonstration of this and there is a danger that households will be exposed to very high costs. We urgently request the full publication of this analysis.

Our sustainably sourced, renewable liquid fuel alternative to heating oil offers a solution at a fraction of the cost of other options with significantly less disruption to consumers. This near drop-in replacement would immediately reduce carbon emissions by 88% and has been welcomed by an overwhelming 98% of oil heated households. For many homes, the conversion cost would be no more than £500.

UKIFDA and OFTEC are therefore urging the government to extend, at pace, the incentives for renewable liquid fuels, beyond aviation and road transport, to include off-grid home heating and removing all existing European created import tariffs to allow more of the fuel to come into the UK to ensure rural homes are not left behind on the road to decarbonisation.

Ken Cronin

Paul Rose

Ken Cronin, chief executive of UKIFDA, commented: "The government has to recognise the physical reasons why our customers use oil in their central heating. A typical oil heated home is detached, built pre-1919 with solid walls, is rural and quite often remote, far from the gas grid and with less resilient connections to the electricity grid meaning that the cost to convert to heat pumps will be on average £20,000 per home."

Paul Rose, CEO of OFTEC, said: "A renewable liquid heating fuel is the ideal solution. It can be achieved in one visit and use the existing infrastructure both in the home and in industry. The Heating and Buildings Strategy acknowledges that there could be a role to play for these types of fuel. What is needed is the same incentives currently provided for the use of the renewable liquid fuel in cars and planes extended to home heating. It makes no sense to incentivise these fuels for travel but not for keeping people warm in winter."

The red diesel rebate debate

FOLLOWING OUR OCTOBER ISSUE 'INDUSTRY KNOWLEDGE' IN WHICH DAVID BRYCE, IPU GROUP, HIGHLIGHTED THE CONCERNS AND POTENTIAL ISSUES WITH THE UPCOMING CHANGES TO RED DIESEL ENTITLEMENT, CLAUDIA WEEKS SPOKE WITH THOSE INVOLVED, ACROSS THE SECTOR, AND CONSIDERS, IN-DEPTH, THE IMPACTS ON YOU, THE INDUSTRY, AND YOUR CUSTOMERS.

"The government is making changes to red diesel entitlement effective from 1st April 2022. It will become illegal to put red diesel, as well as rebated biofuels, into the tank of a vehicle, machine, vessel, or appliance that is not legally able to use it. Those that are no longer able to use rebated fuels will be required to use diesel or biofuel on which the full duty has been paid."
David Bryce, IPU Group.

This change has considerable implications for diesel customers in terms of both increased costs and greater inconvenience. UKIFDA believes that the changes to the red diesel legislation could impact not only consumers and fuel distributors but also primary users, with those impacted including the construction industry, pleasure craft industry, refrigeration transport and users of back-up generators such as hospitals, data centres and schools.

The challenges of the transition

Ken Cronin, CEO of UKIFDA, highlighted the main challenges of transitioning from red to white diesel.

"There are probably two main challenges. Firstly, I don't think that many of our customers are really aware of the changes and how it affects them. This is despite many distributors making information available. The second is that the change increases tax revenues by £1.5bn a year. This extra revenue flows through the distributors to the Treasury but, as excise duty cannot be reclaimed under a bad debt scenario, these extra amounts will need to be covered typically by credit insurance as most distributors will not be in a position to take the risk. It is unclear yet how big an impact this will have but I can see some customers being refused the extra credit. We have asked the Treasury to look at this as a matter of urgency."

Is the change well understood?

There is concern that this legislative change to red diesel entitlement is not being clearly communicated to the industry and that businesses will not be ready for the change by April next year.

As Ken comments: "Distributors have been answering questions from their customers and many have put out notes. However, the legislation in this area is extremely complicated and the Government needs to produce guidance. We have been in discussion around the guidance, and we hope it will be out soon. The main issue at present seems to be getting the basic level of understanding up to a workable level – clearly customers are concerned about the cost to them and what the alternatives are for them."

Jim Williams, commercial director at World Fuel Services, agrees that there is uncertainty around the upcoming changes to red diesel entitlement: "It's been a real challenge. However, being on the working group led by Ken Cronin at UKIFDA has been a real positive step. There is still uncertainty in the market both from a RDCO and End User stance. I expect this to continue until the full and complete guidance is published by HMRC."

There is a clear need for the guidance to be finalised and published urgently so businesses can plan and prepare for the changes. This concern is echoed by Robin Futcher, managing director at Commercial Fuel Solutions Limited: "With regards to the red diesel and rebated fuels reform, I do consider there to be a lot of misinformation out there. I am of the opinion that the originally issued government guidance was ambiguous and led to confusion which, in turn, was propelled by certain service providers in order to stimulate demand for their services.

"As I am sure many of your readers are aware this guidance is now under review and, having personally seen the latest draft, I am confident that the Government has now clarified responsibilities throughout the entire supply chain, downstream all the way to the end user."

Financial implications a significant concern

All those we spoke with regarding the changes to red diesel entitlement were concerned over the financial implications.

Jim raised the issue of extended credit: "Customers' credit lines will effectively need to double if they are subject to the duty changes. A 46.81ppl increase will provide real challenges to their cash flow and budgeting. Of course, this also affects distributors, and we'll all need to work with our upstream suppliers to navigate the change."

David additionally highlighted the scale of the financial impact: "There is absolutely no doubt that those forced to stop using red diesel will feel the financial strain. Jumping from 11.14 pence per litre for red diesel to 57.95 pence for white diesel is a hefty and noticeable jump. For a business using 150,000 litres of diesel per year, that's a staggering annual increase of £70,215."

Robin concurred: "I believe that the biggest challenge for fuel users will obviously be the impact of cost. Whereas the biggest challenge for fuel distributors will most likely be when transitioning their infrastructure to ensure compliance. They will of course still be able to provide rebated fuels in some limited instances, but I suspect that many midstream operators are unlikely to accurately assess the imminent shift in demand and may over or underestimate market requirements."

Robin also expressed concern over a lack of clarity on who has the responsibility to flush out red diesel storage tanks – an issue he has sought clarity on from Priti Khatri, a senior policy advisor at HM Revenue and Customs. From this interaction Robin shared his understanding that: "It is only the fuel suppliers and distributor network that need to remove traces of red diesel from their storage tanks. There is no need for the end (fuel) user to flush out or clean either their vehicle, machinery or storage tanks."

Do any alternative fuels avoid the increased cost?

There has been discussion about fuel alternatives that might help to avoid this huge cost implication but there is no clear option, which is somewhat confusing given the environmental rational for the changes.

Ken comments: "From an environmental view point the most obvious solutions would be to move customers from a fossil fuel to a lower carbon or lower impact fuel such as HVO or GTL. But the Treasury, for now, has made clear that all fuels that are used as an alternative will incur duty at the same level as the fuel they are replacing. In other words, there is no economic incentive to switch to a lower carbon fuel and we have asked the Treasury to justify what appears to be an illogical position from an environmental standpoint. The alternatives to liquid fuels such as battery technologies for many of our customers are either out of reach financially or technically."

Jim agreed: "There are, of course, a number of alternative and renewable liquid fuels on the market – which typically offer cleaner air or lower carbon benefits for users – but (to our knowledge) none that are exempt from these duty increases. That in itself has been a source of confusion and frustration, particularly as these duty changes are coming as part of the government's decarbonisation plans."

Considering the desire to avoid the cost implications, David raised another valid concern: "It might be tempting for current users of red diesel to stock up and future proof themselves for the next few years. However, fuel suppliers cannot:

- Agree to customers stockpiling fuel
- Agree to customers increasing usual order quantities
- Sell large volumes of red diesel just before the cut-off date."

What happens to unused red diesel after the cut-off date?

There has been discussion about setting up schemes to buy back or uplift unwanted red diesel and replace with compliant fuel, but this is proving problematic as Ken explains: "Distributors and Government are encouraging our customers to plan ahead in order to reduce their red diesel stocks to as low as possible prior to April 2022. I think, at this stage, from a logistical point of view, a buy back or uplift scheme is very challenging. In addition, given the potential for contamination the fuel is unlikely to be resold."

Increased risk of theft

Another area of future concern is the potential increased risk of theft from depots and other users who store fuel in quantity. Robin acknowledges this risk: "I agree with the possibility that fuel thefts will increase as a result of this change. I welcome an open discussion on this topic as it is relevant to many businesses who could overlook necessary changes to their insurance, but also, more importantly, the associated risks to the environment."

Ken also agrees that "theft at depots is an ongoing risk – it is obvious if you increase the value of product at depots or customer sites it will increase that risk. We are working with the authorities and our members on these issues."

More is needed from the Government

Everyone we spoke with agreed that further information and detail is needed from the Government, so that businesses have all the guidance needed to manage this switchover process and ensure a smooth transition for those who are obliged to switch from red to white.

"While the Government has provided a significant amount of clarity in recent weeks to the industry there is an overarching need to get the promised guidance out as quickly as possible," Ken emphasised.

"For the industry I am sure we will iron out the remaining issues and we expect there will be a significant number of transitional issues as we get closer to April 2022. The Government has promised a pragmatic approach to compliance issues and we agree this is the right approach.

"For UKIFDA our main issue is the credit issue – customers will already have significant cashflow issues as a result of this change including an increase in VAT rates. Red diesel up to a limit of 2300 litres attracts a rate of 5% which would increase automatically to 20% upon this change.

"The need to resolve potential credit issues remains in our opinion a key enabling action to ensure the move from red diesel is achieved as smoothly as possible and we urge all parties to come together to find a solution."

Robin added: "Education and reduction of the knowledge gap is essential at this stage so as to minimise disruption."

Hopefully the ongoing pressure from UKIFDA and those within the industry calling for the answers to these questions will ensure that the clarity and structure necessary for the sector to be fully prepared for the changes in April 2022 will soon be forthcoming.

We look forward to communicating updates on this important issue.

Fuel theft prevention is better than the cure

You don't have to look too hard on the internet to find numerous articles on the steady increase of fuel theft within the UK.

According to a survey carried out by Certas Energy and data obtained via a freedom of information act, in excess of £2m worth of fuel was stolen across the UK in 2015 and it remains an ongoing problem in 2021.

On pages 11 and 12 of this issue, our discussion on the impacts of the upcoming changes to the red diesel rebate highlighted the increased risk of theft that will arise as the value of stored diesel increases dramatically. With the majority of fuel theft coming from commercial entities, fleet operators across the UK are under pressure to find solutions to prevent this happening to them.

Real-time monitoring of fuel consumption

We spoke with Flowquip, a leading provider of flow meters, flow metering systems and process control solutions who believes that the DFM fuel flow meter they supply offers just such a solution.

Developed by Technoton, the Minsk-based instrumentation company, the DFM is a differential flow meter designed for direct measurement and monitoring of fuel consumption. In trucks, machinery and tractors it can be used as a part of GPS tracking system, vehicle telematics system or as a standalone (autonomous) solution for fuel consumption monitoring.

When installed directly into an engine, real-time fuel information provides constant visibility and control of fuel usage. Historical data can be used to locate fleet anomalies, count engine working time and highlight signs of repair or maintenance issues.

The DFM is designed for diesel fuel consumption in trucks, tractors, bulldozers, boilers, vessels, diesel generators, stationary objects with diesel engines and other heavy machinery. The potential advantages of using a fuel flow meter include:

- Fuel consumption monitoring
- Engine performance monitoring and pro-actively signal maintenance
- Smart fuel management to optimise cost and lower emissions
- Precise measurement of engine working hours and fuel consumption in idle or overload modes.

Given the concerns over fuel theft and the growing risk as stored fuel increases in value, fitting a fleet with a fuel monitoring measurement system like the DFM may help to prevent fuel theft both internally, where operators inflate the amount of fuel used and siphon fuel off for their own benefit, and externally, by identifying any disparity quickly.

More information can be found at www.flowquip.co.uk

PEOPLE MOVES sponsored by eleven recruitment

The Prax Group has appointed **Mark Amor** as managing director, UK Downstream.

With over 30 years' extensive commercial and operational experience in the industry, Mark will be responsible for overseeing the Group's UK downstream activities, with the exception of Prax Lindsey Oil Refinery.

Don Camillo, managing director, Europe & Africa: "We are delighted to welcome Mark to the Prax Group. His broad experience and comprehensive knowledge of our business make him a strong appointment. As a strategic thinker, he is an experienced leader with a proven track record of delivering growth, championing change and building teams. He will be a valuable asset to the Group, as we continue towards our vision of becoming an integrated global oil conglomerate."

Essar Oil UK is pleased to announce the appointment of **Carlos Rojas** as head of marketing and logistics.

Carlos brings with him over 24 years' experience, the last 19 of which have been within the downstream oil industry in a variety of commercial, supply, retail and strategy roles both in the UK and Latin America.

Chief executive Deepak Maheshwari commented: "This is an important appointment, and I am delighted that Carlos has returned to the Essar fold to further strengthen the integrated solutions we are providing for our customers."

Logistics UK has announced the appointment of **Alexandra Herdman** as a public policy manager within its highly experienced policy team.

Having spent the previous five years working in Scottish Parliament, Mrs Herdman brings with her a wealth of knowledge and expertise, further cementing Logistics UK's unique position as the only business group representing the entire industry.

Elizabeth de Jong, director of policy at Logistics UK, comments: "We are thrilled to have Alexandra join our team. Logistics UK is always looking to deliver more for its members and Alexandra's appointment allows us to do just that."

At **Phillips 66 Ltd, Geoff Henderson** has been promoted to wholesale business manager.

Previously commercial sales manager, Geoff has been a valued member of the Phillips 66 team for 20 years.

Renee Semiz, managing director, UK Marketing: "Geoff's understanding of the fuel market is second to none and he truly embodies the customer-centric ethos and values of Phillips 66. His considerable experience will help us to further grow the business and transition to a lower carbon future."

"I'm excited to have been given this opportunity and to work alongside an exceptional, world-class team," says Geoff Henderson. "At Phillips 66 we pride ourselves on offering the very best service to our customers and I look forward to building on the success of the business and driving for continued growth."

In recent weeks, **Attis Credit Solutions** has announced a series of additions to the Attis family.

Lisa Semple has joined as a director and member of the board. Lisa has over 20 years' experience in the credit insurance market having worked in both underwriting and broking, latterly leading the energy team within Aon. An Attis spokesperson said: "Her skills in compliance, operations, and not least unparalleled customer service and client relationships will prove vital to our incredibly fast-growing business."

In other moves at Attis, **Catherine Sweeten** has joined as development director, responsible for implementing the growth and development strategy, **Jane Murray** has joined the Manchester office as an account handler, providing essential day to day support for valued clients, and brings a wealth of experience in the field of credit management and **Nathan Brown** has joined the Leeds office as client manager, responsible for supporting clients with their credit insurance programmes.

Flying the flag for the downstream sector

WITH BIG CHANGES ON THE HORIZON FOR THE DOWNSTREAM SECTOR AS THE UK COUNTS DOWN TO NET ZERO, LIZ BOARDMAN TALKS TO UKPIA'S DIRECTOR-GENERAL, **STEPHEN MARCOS JONES**, ABOUT COP26, THE FUELS OF THE FUTURE, THE CHALLENGES AND OPPORTUNITIES THAT LIE AHEAD, AND WHAT THE ENERGY TRANSITION MEANS FOR THE INDUSTRY'S WORKFORCE.

Talk us through your thoughts on the future of kerosene – how do you think the demand and usage will change and what do you think the mix of future fuels will look like?
This is something that we considered in great detail in our 2019 Future Vision report and there are a number of scenarios that we are looking at.

We expect the current demand for all oil products to drop from 60 million tonnes to 16 million tonnes and for its usage to be a lot lower in the future, which will definitely affect production.

Certainly, the mix of future fuels will continue to change and evolve going forward and low-carbon fuels, such as biofuels, will have a much larger role to play, alongside the EV sector.

Aviation, in particular, is going to be a significant area of change and will be a big part of the mix. A number of our members are already producing sustainable aviation fuels and are going to be using them to power domestic flights up to Glasgow and Edinburgh for COP26. This is going to mean that there is a place for other, similar, kerosene-type fuels in the market, and I think we will see many more low carbon alternatives and liquid biofuels being produced in the sector, such as low carbon domestic kerosene, sustainable marine gas oils and diesels.

With the Government seemingly backing heat pumps, or other new tech solutions, over biofuel, are you optimistic about the industry's desire to persuade the Government that liquid biofuel should be part of the solution for low-carbon home heating?
There are huge challenges with net zero and we believe that the Government needs to be technologically agnostic and focus on outcomes rather than prescriptive pathways, as this stifles production.

Do you think that is likely to be HVO or do you think there are further developments to come in zero carbon liquid fuels?
HVO has some great benefits; it's truly a drop-in fuel, it's clean and its carbon intensity is low, but there are lots of other fuels that can deliver similar benefits.

Fuels produced from synthetic crudes, such as waste crisp packets and plastic products, have the added potential to deal with society's other challenges, such as the need to reduce waste. Refining can be an ally.

There are lots of good examples happening around the globe where captured CO2, hydrogen and woody biomass are being put to great use.

It's not that the technologies don't exist, it's about finding ways to make them more attractive to the mass market. Government is talking about using biomass more, but there's only a finite amount of it in the world and we need to prioritise its usage. There's not going to be enough of it and it's becoming a big problem. What we need is a systems-based approach.

Considering the changes to red diesel entitlement, coming next April, what do you consider the main impacts of this change to be and what involvement do your members have?
Our members have an important role to play in the supply of red diesel. The Treasury has estimated that demand could fall by 75% when the changes come in next April but there simply aren't many alternatives. At the moment, it's very much a case of having to buy white diesel and paying the tax on it. However, we are working with HMRC to see who can legitimately buy it.

Another problem is that the old marker dye is hard to eliminate and what we don't want is users getting penalised if residue from the dye is still present in their tanks. It's a big concern and we are hoping for Treasury guidance on this soon.

We need to drive demand for lower cost alternatives and the tax system must change. Low-carbon fuels must be incentivised for former red diesel users to effectively decarbonise.

I am sure you'll be watching events unfold at COP26 very closely – what are you hoping for or expecting from it?
I'm going in person for the first week of COP26 and am really looking forward to it. All eyes are going to be on the UK, and it's a great opportunity – on a global stage – for us to demonstrate what the sector and the UK, as a whole, can deliver.

The downstream sector has some great examples to share, particularly the development of industrial clusters around the country, such as HyNet North-West, Gigastack and Humber Zero. We are seeing significant member involvement in these projects, for example, BP at Net-Zero Teesside and Petroineos in Scotland's ACORN project. There's a lot to share and talk about, including carbon capture and hydrogen production, and it's going to be interesting to see what happens next.

BP will also be powering British Airways flights from London with sustainable aviation fuels, providing a very tangible and timely example of how liquid fuels can contribute towards net zero. We're certainly going to be flying the downstream flag!

Over the next few years, what do you see as the major industry challenges and positives?
Covid recovery is a massive challenge for the industry. We have seen panic buying (again recently with the shortages at petrol stations) and depressed demand for aviation fuel, although hopefully, as more people start to travel abroad again, this should start to improve. But there has been extra uncertainty that the sector has had to deal with.

The climbing cost of doing business in the UK is a major concern. Since our EU exit, the price of carbon is very high, but we are continuing to work with the Government to make sure that the UK is a place where companies can operate competitively. We are working towards being the best and fastest to decarbonise, but we need to make sure that the wheels don't come off at the same time. The Government needs a buffer, and the downstream and other energy sectors need space and the opportunity to transform and deliver at scale. By only buying cheaper energy products from abroad, we risk killing off our domestic industry.

Investment is a difficult hurdle to overcome. At present the carbon capture market is not very well defined. We have the infrastructure and the people, but we need to distinguish who the end user is. I think it's important to clarify how it's going and actively encourage investment.

Carbon leakage is also an issue, and a careful tightrope needs to be trodden over the next few years.

On the positive side, UKPIA has been collaborating with DfT on a transport decarbonisation plan, where it was great to see them commit to the low carbon fuels strategy. It's an amazing opportunity for us – we are the authors of our own destiny with the Government. I hope that by working with government to input to its strategy that it will come to the same conclusion as we have, that there are huge benefits that will come with making low carbon fuels a central part of the UK's transition to net zero: whether that be decarbonising plastics, and all the other products the refineries make that are also needed, or making sure that we retain a strong manufacturing sector here in the UK.

Another big positive is our workforce. Within the downstream sector we have a highly skilled, dedicated workforce of over 300,000 people and a big opportunity to use them to solve some of the net zero conundrums; we just need to capitalise on this. The job opportunities are there, and the industry offers great career prospects. The skills used today in the production of crude oil are exactly the skills we need for the refineries of the future.

Talk us through the key areas of focus for UKPIA at present.
The DfT's low carbon fuels strategy is a major focus for us at the moment. We are thrilled to have been given the chance to engage with DfT and help shape strategy

As well as the focus on the future of low carbon fuels, BEIS has acknowledged the sector as leaders in the hydrogen space in the Hydrogen Strategy, so it does feel like we are being heard by government and that, increasingly, it realises the significant role that the sector can play in the UK's decarbonisation journey.

Managing our industry's workforce is a key area for UKPIA as we head towards net zero. The net zero concept, which I touched on above, has been taken on at board level but we want to help spread this message through to the broader workforce. Net zero does not mean an end to their careers but, instead, is a wonderful opportunity to open up new avenues. We are in the process of producing materials to help us filter that message through to those on the front line.

Brexit has been a big issue, but I hope we're over the worst of it and there won't be any surprises for us as we enter 2022. Separately, the recent spike in demand has been a challenge to the supply chain, but it looks as though we've put that behind us now.

What was the best bit of advice you were ever given in this industry?
Necessity is the mother of invention. The pace of change in our sector may appear slow sometimes, which can be frustrating, but we know that the sector absolutely has the capability to change when it needs to, take unleaded petrol as an example, or the recent change to E10. Decarbonisation is the next big challenge, but I'm confident that we are heading in the right direction and the members are delivering projects that can really make a difference at scale.

Any considerations of a name change for UKPIA to reflect this current phase of the ongoing energy transition?
Yes, we have considered it, but I'm not sure that now is the right time. We have certainly broadened our membership and do have some novel fuel producers on board, but I see it more as an evolutionary process rather than just sticking a label on the tin and hoping for the best. When our membership has altered and moved away to such a degree that a name change feels right, then we'll look at it.

STEPHEN MARCOS JONES, director-general of UKPIA, responsible for the overall management and effectiveness of UKPIA as the UK's principal advocate for the downstream oil sector.

PORTLAND MARKET REPORT

OCTOBER IN VIEW

THE GAS CRISIS – A PROBLEM FAR FROM OVER AND WITH POTENTIALLY PROFOUND GLOBAL IMPACTS

When we wrote last month's report on oil prices and Hurricane Ida, we casually wondered whether the concurrent gas crisis would still be raging when we came to write this month's report. The answer to that question was an emphatic yes, with gas prices already at record levels by the beginning of October and now so high that they have the potential to derail the global economy – just as it pokes its head out of its covid-induced hibernation.

The causes of these incredible rises have largely been sequential although, in Britain's case, supply problems have been compounded by very specific, localised issues. Globally speaking, the first signs of potential problems came in Q2 2021, when an unseasonably cold spring in the Northern Hemisphere marked the start of the "run on gas". By May, gas storage levels in Europe and America were perilously low and in need of replenishment, but this didn't happen because long-delayed maintenance of gas production facilities was now in full swing (after months of lockdown enforced inactivity). Furthermore, any spare gas capacity was being diverted to Asian markets in response to rapidly improving post-Covid economic circumstances. And, to cap it all, the summer then experienced record-breaking heatwaves in North America that sent energy intensive air-conditioning units into overdrive.

"A LONG TRAIN OF ENERGY POLICY FAILURES"

In the UK, gas supply problems were exacerbated by a fire in September on the UK side of the cross-channel French interconnector. At the same time, prolonged periods of high-pressure weather meant that wind generation was virtually down to zero (from an average of 30% of UK power needs in Q1 2021). This resulted in even greater demands on (non-existent) gas and even resulted in the firing up of a dormant coal-fired power station in Nottinghamshire. Underlying these local issues remained the fundamental problem of "floating" gas supply (ie, Liquified Natural Gas transported by ship) being diverted to Asian markets because – to put it bluntly – they were willing to pay much more for their gas than UK buyers.

It was only when smaller UK energy companies started going to the wall that consumers, politicians and the media began to take note of the serious state of affairs. Seasoned market observers were less surprised by the "sudden" turn of events, pointing out that the current crisis had its roots in historical decisions and a long train of energy policy failures. This included the consumer price cap imposed on UK gas suppliers, which was rooted in 6th-form ideological decision making, rather than how commodity markets actually function. More serious still is the fact that policy makers and Big Energy plc have presided over a sustained period of UK gas infrastructure neglect.

In 2017, it was announced that the Rough Gas Storage Facility in the North Sea would no longer be maintained, taking away, in one fell swoop, 50% (3.3bn cubic metres) of the UK's total emergency gas storage capacity. There were several reasons given at the time for this decision, but most stemmed from the kind of short-term thinking that arises when prices are super-low, and thoughts of supply resilience are far from people's minds. Without Rough, the UK became reliant on 1.5bn m3 of storage in ancient salt caverns on the Humber Estuary and 3 Liquified Natural Gas Terminals (Isle of Grain and two in Milford Haven) with a combined capacity of 2bn m3. Of course, it shouldn't be overlooked that 50% of UK gas supplies still come from indigenous North Sea production and, to a certain extent, this insulates much of our market from supply shocks. That still leaves a great deal of "overseas" gas to source though and because our resilience planning has been poor, the UK is pretty much in the same boat as those countries who do not have the luxury of North Sea gas (but have a great deal more reserves at their disposal).

The knock-on effects of all this are everywhere, and we have already seen gas dependent industries, such as fertiliser and steel, reduce their production rates sharply. Electricity prices have shot up and with gas now approximately 3 times the price equivalence of crude oil, so have prices of oil and even coal, as major users switch to cheaper (and dirtier) fossil fuels. This particular environmental own goal is one of the more difficult "circles to square" in this current crisis. The bottom line is that without sufficient gas, the world actually goes backwards on its CO2 emissions because of the alternatives (oil and coal) that users turn to in times of shortage. Which means that, until renewables are fully ready to fill the gap left by diminishing gas supply, new gas exploration is required – however out of kilter that may be with our green energy plans.

"AN ENVIRONMENTAL OWN GOAL"

One beneficiary of the whole crisis will almost certainly be Russia, whose Nord Stream 2 pipeline is ready to supply gas to Europe but is held up by geo-political arguments regarding the Ukraine and a desire to minimise European reliance on Russian gas. Expect those arguments to end shortly, as no European politician is going to stand in the way of free-flowing gas from a brand-new Russian pipeline, if it is effectively the only show in town. However, even if Nord Stream 2 is speedily approved, this still may not be enough to avert a crisis. How big the crisis will be, entirely depends on how cold the forthcoming winter is and how windy it is. A warm, breezy winter will allow the market to re-balance, but a prolonged cold period with minimal wind, could send prices even further upwards and result in some profound changes to energy policy, the global economy and even political administrations.

For more pricing information, see page 22

Portland
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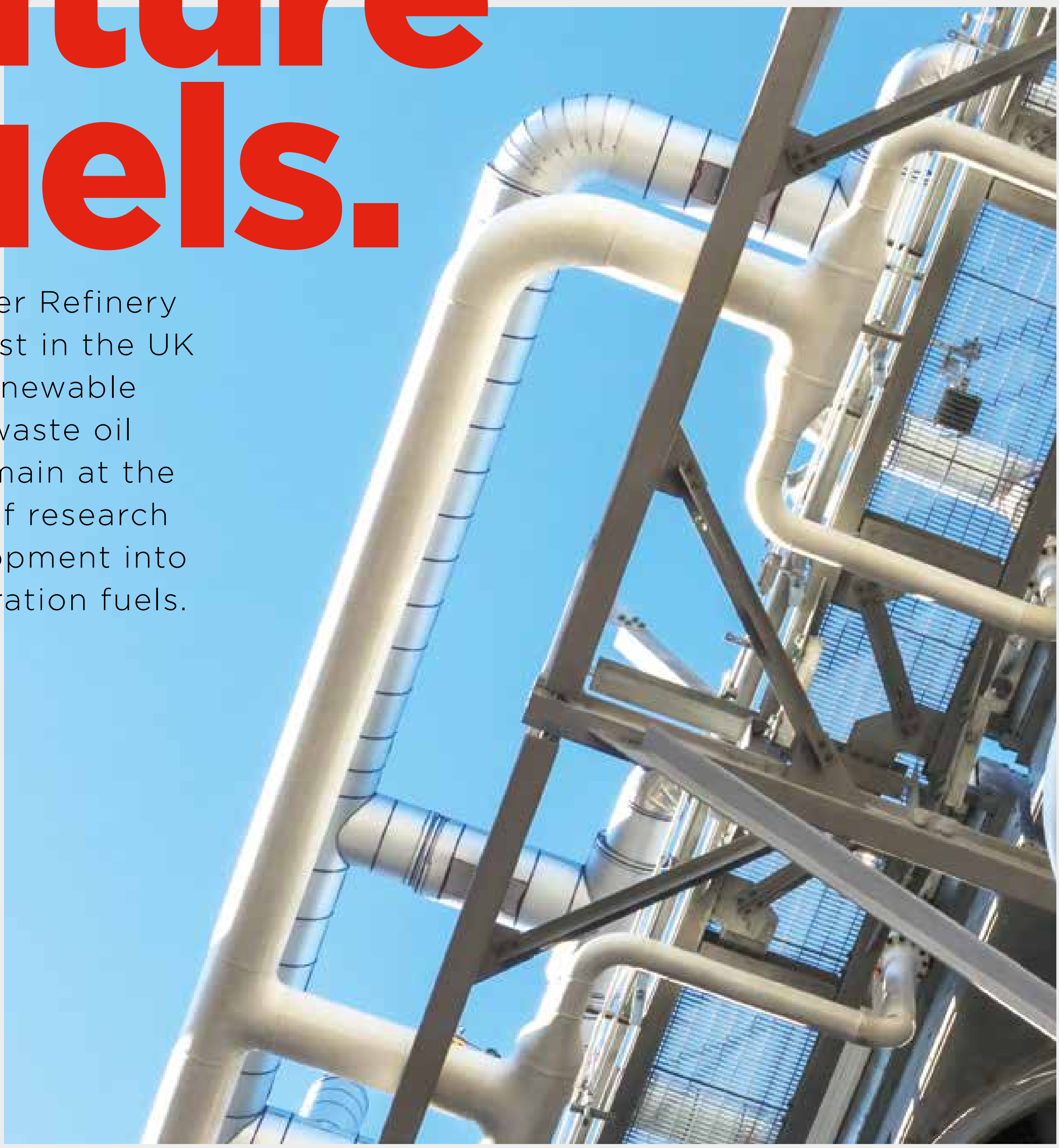


PHILLIPS 66

PROVIDING ENERGY. IMPROVING LIVES.

A trip down memory lane – the downstream brands and refineries of the past

IN AN ISSUE WHERE WE CONSIDER THE LATEST LEGISLATION AFFECTING THE INDUSTRY AND HEAR VIEWS ON WHAT THAT MAY MEAN FOR THE FUTURE OF THE SECTOR WE ALSO TAKE AN INTERESTING LOOK AT THE BRANDS OF THE INDUSTRY PAST.

A sector emerges:

The aftermath of WW2, and the reconstruction needs of the UK economy, saw the emergence of a whole new area of commercial and industrial activity. The downstream oil sector was to play a vital, and growing, role in supplying the fuel needs of the economy and facilitating its expansion. In turn, opportunities were created for existing fuel suppliers and attractions provided for new entrants.

This was the backdrop for an expansion that spanned the period from the mid-1950s until the Yom Kippur war of October 1973, with the resultant quadrupling of oil prices bringing the growth to a juddering halt. There followed a period of much lower and, often, zero growth and, consequently, over the ensuing years up to the early part of the 21st century, a process of consolidation, with a number of mergers or take-overs, the disappearance of a number of brands and closure of refineries.

With these having had an important part to play in the fuelling of the economic expansion over the period from the mid-1950s to the early 1970s we thought it worth reminiscing and taking a trip down memory lane to see who they were.

Gone but not forgotten:

Brands

It sometimes comes as a surprise to learn that there are not far short of twenty brands, a number of which were household names, that are no longer represented in the downstream sector and of which we will remind ourselves now.

Regent was jointly owned by Texaco and Caltex (itself a joint Chevron / Texaco venture operating in Africa, Asia, Middle East and Australasia) and had a substantial distribution network (no. 3 in the UK), building a refinery at Pembroke in 1962. With the split of Caltex European assets in 1967 the lion's share was taken over by Texaco, with a small share going to Chevron.

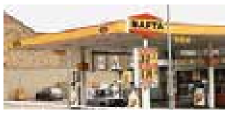
Originally a British company, **Cleveland** claimed that its petrol, 'uniquely', delivered superior performance owing to its alcohol (ethanol) content. Acquired by Esso in the 1950s, it continued to trade under its own brand name until the early 1970s, when the name was discontinued and the sites re-branded to Esso.

Based in the north-west and dating back to the 1930s **Isherwoods Petrol Co.** had, by the 1960s, expanded to almost 400 sites, trading under the **VIP brand**, along with a commercial fuels operation. The filling station network was the closest rival to Jet as a price discounter. Occidental Petroleum acquired the business in 1968 and, in 1974, sold it to Elf enabling the latter to enter the UK market.

Arco was the UK subsidiary of US oil company Atlantic Richfield and entered the UK market in the 1960s, selling out to Total in 1975. The parent company was acquired by BP in 1999.

Globe Petroleum's operations spanned much of England, especially down the eastern side, as well as Scotland, sourcing much of its product requirement from the two Humberside refineries. It was acquired, in 1982, by Conoco.

Chevron 'inherited' a fairly small part of the former Regent operation, in 1967, and did not achieve sufficient critical mass to be sustainable, divesting to Texaco in 1983. The company re-entered the UK market in 2000 through its global acquisition of Texaco Inc., then divested of the UK downstream interest in 2011 to Valero.



Owned by the Soviet Govt., through Russian Oil Products Ltd., **Nafta** established a relatively small presence in the 1960s, exiting in 1986 through a sale to Q8.

Ultramar's history can be traced back to 1935 Initially a pure-play upstream business, it established a downstream presence in the 1960s and expanded over the ensuing 20 or so years before exiting in 1986, divesting to Q8.

Amoco originally entered the UK market in the 1960s, commissioning a refinery at Milford Haven in 1972. Through the late 1970s to the mid 1980s the company pursued an aggressive expansion programme, with supporting TV campaign featuring the strapline 'getting bigger by being better'. It came as something of a surprise when the company exited in 1990, selling its downstream interests to Elf.

Mobil entered the UK market after WW2 and commissioned a refinery at Coryton (on the Thames) in 1954. The company was a leading market player for the ensuing 40-plus years and also a major force in the lubricants sector. It entered in to an agreement with BP, in 1996, for the latter to take over its European downstream interests and, in 1999, the parent company was purchased by Exxon to form ExxonMobil.

Burmah Oil can trace its beginnings back to the end of the 19th century, as an exploration company operating in the country that gave it its name. In the UK it opened a refinery in Ellesmere Port in 1934 and in the post WW2 era was a significant player, undertaking an ambitious acquisition programme through the 1960s and '70s, including that of premium lubricants manufacturer / marketer, Castrol Ltd., in 1966. The purchase of a fleet of LNG carriers in the mid 1970s seriously undermined the company's financial position. The refinery closed in 1981. In 1995 the UK retail network was acquired by Save Group and its commercial / wholesale fuels business by Bayford & Co. Save Group itself went in to liquidation in 2001, the administrators divesting of the sites. The Castrol lubricants business was acquired by BP in 2000.

Petrofina originally entered the UK market in the late 1920s, acquiring a local independent, the Cities Service Oil company, and, in the early 1950s, launched a petrol brand, Citex, replaced later in the decade by Fina. A joint venture with Total saw a refinery commissioned, in 1968, at North Killingholme (Humberside), called Lindsey. One of its most ambitious capex projects was undertaken in the 1980s, which was the building of a pipeline to deliver refined products to its Buncefield terminal and, in the case of Jet A-1, onwards to Heathrow. The company was acquired in 1999 by Total in a global takeover.

Elf entered the UK market in 1974, acquiring the Isherwood business, and significantly expanded its presence in 1990 when buying Amoco's UK refining & marketing interests. In the mid 1990s it was involved in a failed attempt to effect a three-way merger with Gulf and Murco. The company was merged with TotalFina in a global transaction in 2000.

Spanish company, **Repsol**, entered the UK market in 1989 through the acquisition of the Carless Refining & Marketing business, comprising a solvents manufacturing facility at Harwich and a network of circa 500 filling stations. It exited in 2000, selling the refinery and distribution activity to Petrochem.

Q8 entered the UK market in the mid 1980s through acquisition of Ultramar and independents such as Sadlers and Pace. The company never gained the level of presence achieved in other European markets, such as Benelux and Italy, and sold its business in 2004 to Malthurst Retail Holdings (now MFG). It has retained a presence in the aviation fuels sector at the three London airports, along with an expanded position at regional airports.

Dutch company, **Petroplus**, entered the UK market in the late 1990s, acquiring independent distributor British Benzole. At the end of 2000, the Phillips Petroleum / ICI Teesside refinery and accompanying Phillips wholesale fuels & distribution interests were added to the portfolio. In 2007 the BP Coryton refinery was acquired. Teesside refinery ceased crude oil processing in 2009 and, in 2012, the company entered administration and ceased trading.

Total originally established a UK distribution subsidiary in 1955, and opened its first filling station in 1960. The Lindsey refinery was commissioned in 1968 as a joint venture with Fina. Market position was materially expanded at the start of the millennium with the absorption of the Fina and Elf businesses. To some surprise, it decided to divest of its UK retail filling stations and equity distributor, TotalButler, which was acquired by Gerald Ronson's special purpose company, Rontec, in 2011. In 2020, Total sold Lindsey refinery and inland logistics network / infrastructure to Prax Group, whose retail channel, Harvest Energy, has a licence to use the Total brand for its dealers.

Refineries

Since the last of the current six operating refineries – the Phillips 66 facility on Humberside – was commissioned in 1969, no less than 12 plants have closed, including three each by BP and Shell and one by Esso. It will be interesting to see what the refining landscape looks like ten years hence in the face of an energy transition that, of necessity, is likely to accelerate.

Against a backdrop of enormous changes in both the market itself and the competitive landscape five brands have been constant features of this landscape over the past 50-plus years:

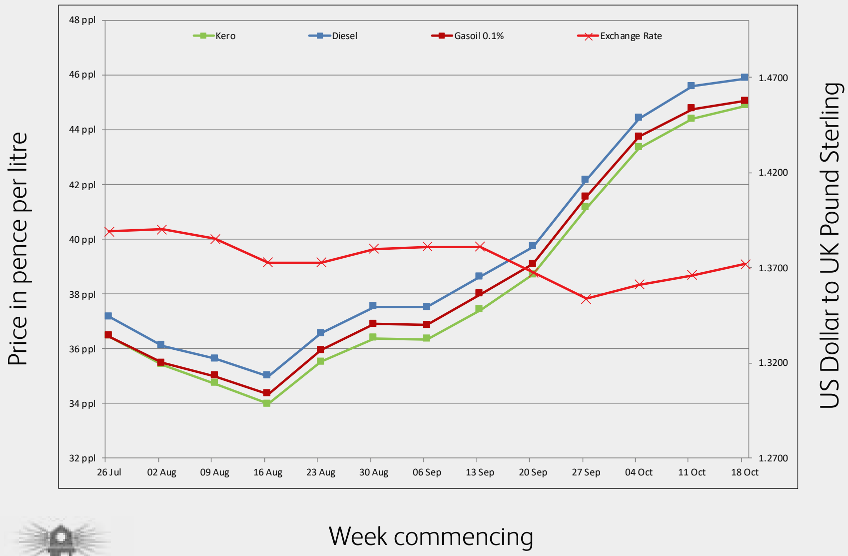
Their contribution to keeping the wheels of the economy turning has been, and continues to be, incalculable.

ROD PROWSE, worked for 30 years across the full spectrum of the downstream oil sector, in both the UK and USA, which has included leadership positions in both retail and wholesale fuels businesses. Rod draws on his extensive knowledge of this global industry to bring us 'Industry Insights'.

Wholesale Price Movements: 19th September 2021 – 18th October 2021

	Kerosene	Diesel	Gasoil 0.1%
Average price	41.84	42.93	42.24
Average daily change	0.55	0.56	0.55
Current duty	0.00	57.95	11.14
Total	41.84	100.88	53.38

All prices in pence per litre



Kerosene

Highest price	Biggest up day
45.15 ppl	+1.38 ppl
Fri 15 Oct 21	Mon 04 Oct 21

Lowest price	Biggest down day
37.70 ppl	-0.79 ppl
Tue 21 Sep 21	Wed 06 Oct 211

Diesel

Highest price	Biggest up day
46.31 ppl	+1.38 ppl
Fri 15 Oct 21	Mon 04 Oct 21

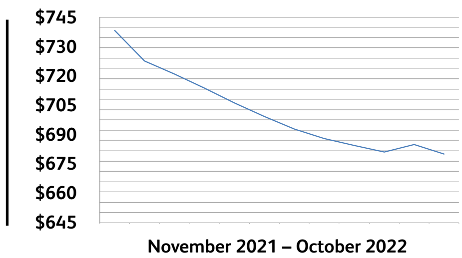
Lowest price	Biggest down day
38.76 ppl	-0.83 ppl
Tue 21 Sep 21	Wed 06 Oct 21

Gasoil 0.1%

Highest price	Biggest up day
45.43 ppl	+1.35 ppl ppl
Fri 15 Oct 21	Mon 04 Oct 21

Lowest price	Biggest down day
38.10 ppl	-0.83 ppl
Tue 21 Sep 21	Wed 06 Oct 21

Gasoil forward price in US$ per tonne



The Fuel Oil News Price Totem

	Trade average buying prices			Average selling prices		
	Kerosene	Gasoil	ULSD	Kerosene	Gasoil	ULSD
Scotland	46.63	58.84	106.81	53.16	62.87	110.99
North East	45.58	57.47	105.89	54.64	61.22	108.96
North West	47.15	60.07	108.28	53.43	63.58	111.03
Midlands	45.65	58.00	106.35	51.77	61.69	109.69
South East	45.75	57.96	106.33	58.39	64.40	109.22
South West	46.10	57.80	106.17	54.26	61.48	108.82
Northern Ireland	46.21	59.17	n/a	52.24	63.70	n/a
Republic of Ireland	59.97	64.60	107.75	65.55	68.42	111.16
Portland	43.96	55.52	103.04			

The price totem figures are indicative figures compiled from the Portland base rate using calculated regional variances.
Buying prices are ex-rack. Selling prices are for 1000 litres of kero, 2500 litres of gas oil and 5000 litres of ULSD (Derv in ROI). Prices in ROI are in €.

Wholesale prices are supplied by Portland Analytics Ltd, dedicated providers of fuel price information from refinery to pump.
For more information and access to prices, visit www.portlandpricing.co.uk

WELCOME TO NOVEMBER'S EDITION OF OUR SPECIAL MONTHLY FEATURE WHICH GIVES YOU THE OPPORTUNITY TO 'MEET' AN INDUSTRY FIGURE AND, HOPEFULLY, TO DISCOVER ANOTHER SIDE TO THEM BEYOND THE WELL-KNOWN FACTS.

WE CHAT WITH **JODIE ALLAN**, MANAGER AT SCOTTISH DISTRIBUTOR JAMES D BILSLAND AND FORMER PRESIDENT OF UKIFDA AND DISCOVER THAT THE HIGH STANDARDS SHE SETS HERSELF EXTEND TO EVERYTHING SHE DOES.

Jodie with her family – husband David and children Maddison & Joe.

"TREAT EVERYONE THE WAY YOU WOULD WISH TO BE TREATED."

JODIE ALLAN

Give your career history in 25 words or fewer.
Waitressing, receptionist, bartender during university. Then De Vere Cameron House as events co-ordinator before joining the family business.

Describe yourself in 3 words.
Motivated. Impulsive. Reliable.

What were your childhood / early ambitions?
To be a detective like Nancy Drew.

Describe your dream job (if you weren't doing this?)
Events co-ordinator – I love planning and seeing couples on their special day.

What's the best business advice you've ever received?
Be curious and ask questions – there is no such thing as a stupid question.

Share your top tips for business success.
Don't burn yourself out, take time to recharge and self-care. Treat everyone the way you would wish to be treated, with respect, integrity and kindness.

What's your most recent business achievement of note?
Our recent press release on HVO.

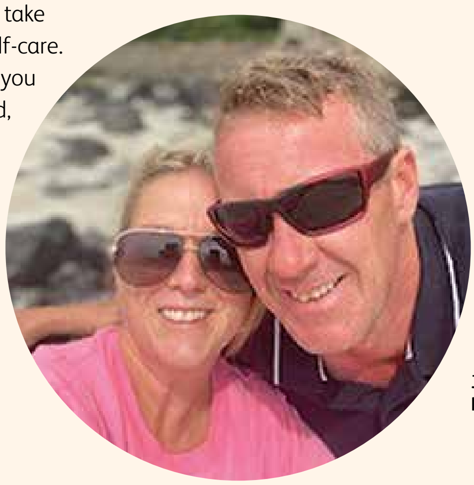
Tell us your greatest fear.
Not living up to my own expectations.

Which is most important – ambition or talent?
Ambition – you can have all the talent in the world, with no ambition to do anything with it.

What's the best thing about your job?
That every day is different. We are based on a working farm, stone & wood yard as well as the fuel distribution, so it has been known to get a shout to round up the cows or sheep.

Which is the quality that you most admire?
Responsibility – taking responsibility for your actions and seeing something through to the end.

What are you most likely to say?
Yes, no problem.



Jodie and husband David on holiday this year in Mull

What are you least likely to say?
I'll have the mushrooms with that.

Describe your perfect day.
Wake up to a nice breakfast with the family before going for a long walk with the dog followed by an afternoon activity and swim in the sea, finished with an evening of dining and drinking with friends.

Do you have a favourite sports team?
No, I enjoy watching most sports but have no favourite team.

What's the biggest challenge of our time?
Achieving net zero.

Cheese or chocolate?
Cheese.

Share your greatest personal achievement.
Obviously my 2 children but also speaking to a roomful of people at the UKIFDA Expo.

What's your pet hate or biggest irritant?
People chewing with their mouth open.

If you were elected to government what would be the first law you'd press for?
Make HVO a rebated fuel and allow it to be used for heating oil as an alternative to achieve net zero.

If your 20-year-old self-saw you now what would they think?
You have done not too bad for yourself.

What is number 1 on your bucket list?
Go scuba diving.

What 3 things would you take to a desert island?
A good book, gin and toilet roll (ha ha).

Tell us something about you that people would be very surprised by.
I can lamb a sheep and calve a cow.

Who would you most like to ask these questions of?
Jacinda Ardern.

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Founded in 1977 by James Smith
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Nick Smith

Subscriptions
Annual subscription for the UK & Republic of Ireland is priced at £98 or €113 inc. p&p. Overseas: £115 or €134.
Back issues: £8 per copy.

Published by
A&D Publishing,
Caledonian House, Tatton Street,
Knutsford, Cheshire
WA16 6AG
www.ashleyanddumville.co.uk