

Why Britain's fuel tax giveaway is costing the earth

Decline in fuel taxes driving higher emissions

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The UK's drivers will shortly celebrate a decade of frozen fuel taxes with consecutive budgets maintaining duty rates at 57.95p/l since 2010 rather than raising the tax in line with inflation. Had fuel duty been raised by inflation throughout the decade it would now be 69.41p/l with VAT levied on top of this. But whilst drivers have benefited through cheaper prices at the pump the generosity of successive Chancellors has made driving cheaper encouraging more car use and buyers to select much larger and less efficient models.

As part of an [analysis](#) of fuel taxes across Europe T&E has developed an [interactive tool](#) to show the relative levels of fuel tax throughout the EU. T&E has also examined the specific effect of the freeze in fuel duty in the UK since 2010. Since 2010 total vehicle mileage driven on the UK's roads has [risen](#) from 303 billion miles a year to 328 billion. 15 billion miles of this increase has been driven by cars. Cheaper fuel prices have also helped drive the [growth in SUVs](#) that have quadrupled to about 40% of new cars sold. With lower fuel prices drivers can be less concerned by running costs.

Government statistics show that CO2 emissions from cars have effectively flatlined since 2010 with improvements in efficiency through regulations being offset by the rise in the miles being driven. Whilst the UK has committed to achieve net zero emissions by 2050 and the Secretary of State for Transport recently [hinted](#) he's like to bring forward the end of sales of cars with engines to 2035 the climate emergency demands we tackle emissions today. But successive Governments have forgotten that CO2 emissions come from the exhaust pipe of the cars on the road today and that giving them cheap fuel just encourages their irresponsible and unnecessary use - around [20% of trips](#) under a mile use the car.

Back in 2010 the UK had some of the highest fuel taxes in Europe after a period of above inflation tax increases designed to discourage car use. In 2010 fuel taxes for petrol in the UK were the 2nd highest in but the fuel duty freeze has caused the UK to slip down the ranking of taxes levied on fuel and is now 6th for petrol. The UK is unusual in the EU that the same duty is levied on petrol and diesel - as a result it continues to have the highest diesel taxes in Europe - although the gap with other countries is much less than in 2010. Reimposing the tax lost through the inflationary freeze would raise fuel prices by about 14p/l (since VAT would also have been levied on the higher rate of tax) and in the long-term would reduce car use and therefore CO2 emissions by about 5.33 Million tonnes CO2 per year¹ - equivalent to taking 2.5 million cars off the UK's roads.

As a result of the freeze in tax rate the UK exchequer is also estimated to have lost [£9 billion](#) in revenues since 2010 which would have eased the squeeze on public spending. Revenue from fuel duties are now [£28 billion a year](#), 1.3% of national income but were as high as 2.2% in the past. It has been [rumoured](#) the next budget will include an absolute cut of 2p/l in fuel duty. This would lower revenues by a further

¹ considering long-run price elasticities of gasoline and diesel demand of respectively -0.466 and -0.465.
https://pub.epsilon.slu.se/13860/1/zeleke_a_161205.pdf

£1 billion but more importantly would actually raise CO2 emissions from road transport by 0.9 million tonnes CO2 from 115 million tonnes CO2eq presently.

With sales of more efficient and electric cars expected to rise rapidly in coming years revenues from fuel duty will naturally decline. Without taxes levied on car use it is likely that the total number of vehicle miles driven will increase sharply. Recent [T&E analysis](#) forecasts that electric and autonomous cars could lead to a 50% increase in vehicle miles if left unchecked. The [Transport Select Committee](#) has recently called for a national debate on road pricing a decade after the last plans were abandoned. The Committee highlight the loss of fuel duty revenues and Vehicle Excise Duty with the shift to EVs as a key reason for the need to adopt road pricing. Road pricing together with encouraging the use of more shared vehicles and public transport and more active travel will be essential to more effectively manage our road space and ensure transport continues to pay its way and does not cost the earth.

Further information

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