

Capital Gains

London's policies are improving the UK's energy security situation far faster than other regions

April 2024

Summary

The sale and use of diesel in London is plunging. The Department for Energy Security and Net Zero has published statistics on average road fuel sales per filling station since the beginning of 2020. Analysis of this shows that diesel sales in London have fallen nearly 40% in the intervening four years. This compares to a fall of around 20% in all other regions.

Should current trends continue, diesel will stop being sold at public filling stations in the capital sometime in the mid-2030s. London is moving much faster than the rest of the country because of policies implemented to reduce air pollution - which the Government has called "[the largest environmental risk to public health](#)" - but burning less diesel has other desirable and usually unconsidered consequences. Increased energy security ([defined by the International Energy Agency](#) as the uninterrupted availability of energy resources at an affordable price) is one of those often unconsidered consequences.

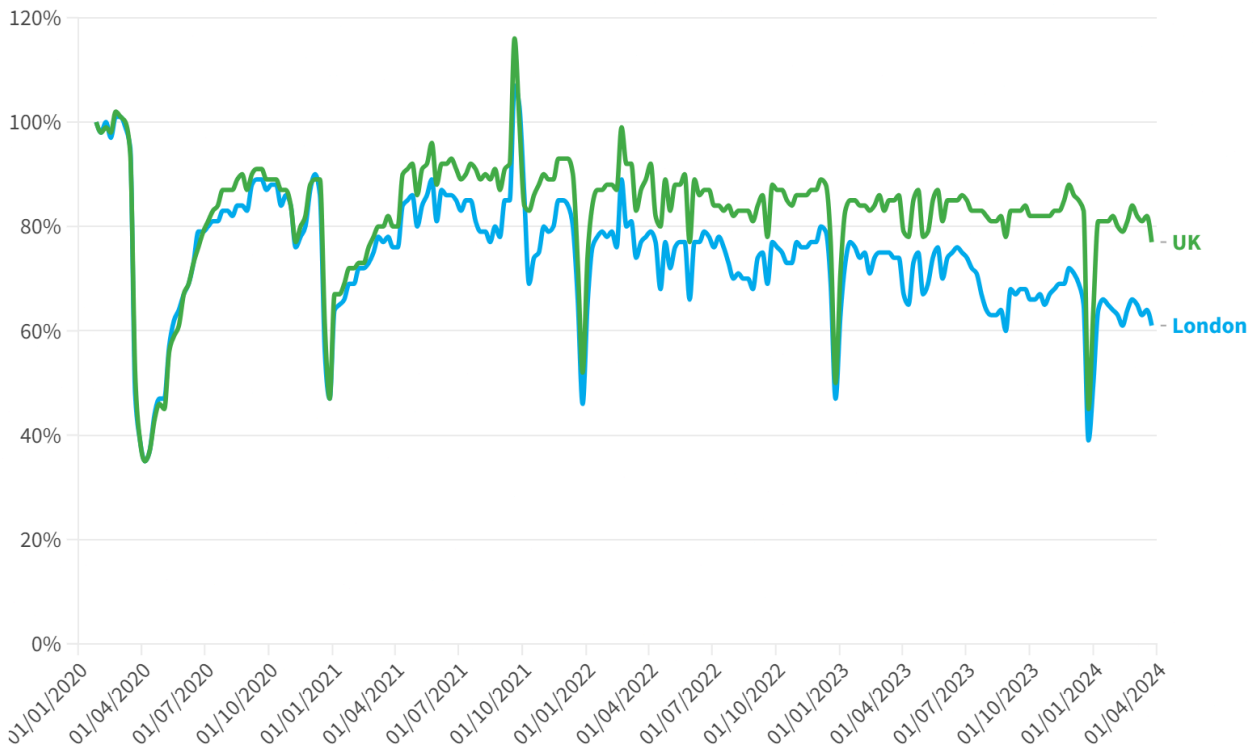
The UK is a net importer of diesel. This means that money flows out of the country to pay for the fuel we import, and contributes to the UK's trade deficit. Not only does this money sometimes go to questionable regimes, but the UK has no control over the global wholesale price of the fuel. Due to the lack of control of supply of diesel, there is nothing to stop potential future supply interruptions and price spikes. However, evidence shows that policies such as those introduced in London can increase the country's energy security, whilst helping reduce the trade deficit. Incredibly, in 2024 Londoners are on course to pay over a quarter of a billion pounds less in diesel costs than they paid in 2022.

Clearly, London's policies could be replicated elsewhere. Several city regions including Liverpool, Sheffield and Greater Manchester still record harmful levels of nitrogen dioxide (NO₂) [that exceed legal limits](#). Simply implementing better air pollution policies in these cities will have the same positive energy security effects that London is achieving, and should be considered by those city authorities. The next central Government should also recognise that cleaning up the nation's air brings major benefits to the economy.

1. Introduction

Whilst all UK regions have seen declines in the volumes of diesel fuel sold, the decline in London is far more pronounced than in the rest of the country. Analysis of [official Government statistics](#) shows that the average amount of diesel sold per filling station is falling in all regions compared to pre-pandemic,¹ but the fall is far more pronounced in London than elsewhere.

Chart 1: Diesel sales relative to week commencing 27/1/2020



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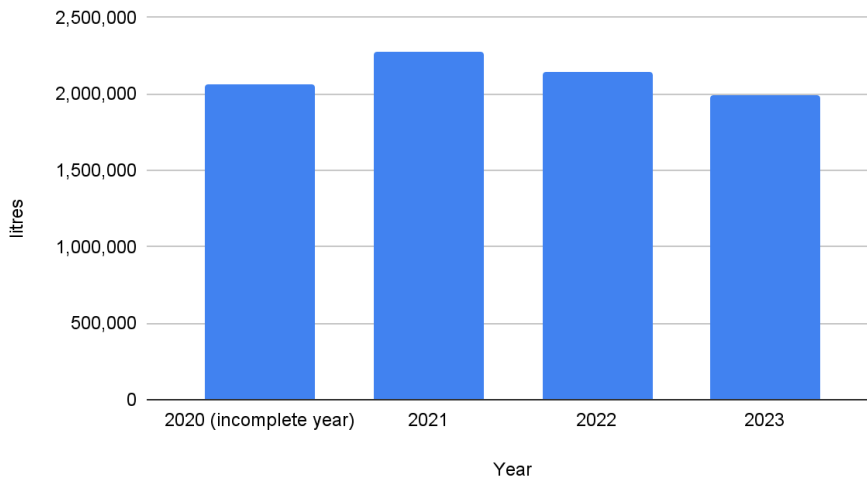
Weekly sales in the first two months of 2024 average 62% of the equivalent 2020 weeks, which compares to over 80% for all other regions. The average annual amount of diesel sold per filling station is shown in chart 1. As can be seen, average sales in London in 2023 were lower than in 2020 - and 2020 included two national coronavirus lockdowns, restrictions on movement at Christmas time for those in the South East, and numerous other local measures effectively restricting travel.²

¹ These statistics were introduced in January 2020, so pre-pandemic here means the 8 weeks of January and February 2020.

² Full details of restrictions can be found here:

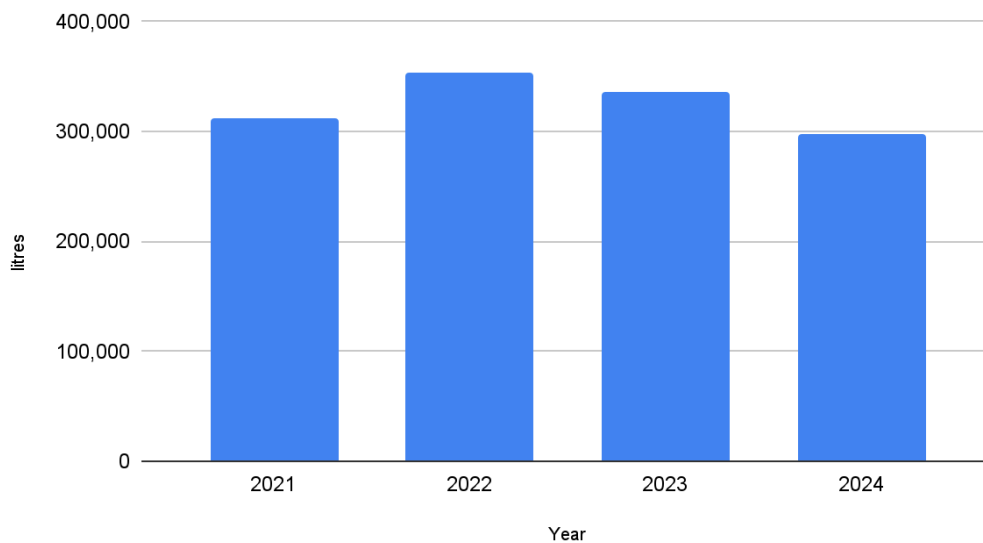
<https://www.instituteforgovernment.org.uk/sites/default/files/2022-12/timeline-coronavirus-lockdown-december-2021.pdf>

Chart 2: Average Annual Amount of Diesel sold per sampled London filling station



If anything, this downward trend is speeding up. Comparing total average combined January and February sales per London filling station shows that 2024 is down 12% when compared to the same period in 2023. Incredibly, 2024 figures are lower than the same period in 2021, when again the nation locked down from the 6th January until March that year.

Chart 3: Average total Jan/Feb sales per London filling station



National Level Causes

There are some country-wide reasons as to why the sale of diesel is falling. The national car and van parc is becoming more efficient as older cars are scrapped, meaning that less fuel is needed to go the

same distance as previously. Additionally, sales of new diesel cars have plummeted.³ However, nationally this trend away from diesel in cars is being partly offset by increasingly higher sales of new diesel vans.

London Specific Measures

However, clearly the above cannot explain why London is moving so much faster than the rest of the country. For that, we need to look at the specific policies implemented in the capital.

London has implemented a suite of policies specifically aimed at reducing air pollution, which nationally is estimated to [cost the NHS and social care system billions of pounds](#). Transport for London licensing requirements⁴ means that all new taxi and private hire vehicles have to be “zero emission capable” and that diesel engines are not allowed. At the time of writing, [8,359 out of 14,781 \(56%\) taxis were](#) range-extended electric vehicles, although it should be stressed that there are far more private hire vehicles. Of these, [14% were electric, another 14% were plug-in hybrids, and 31% were diesel-powered](#).⁵

Some London borough councils also have policies that have reduced diesel car use, including [Haringey](#), [Westminster](#) and [Islington](#), again all for air quality reasons. The policies are all variants of a surcharge specifically applied to diesel vehicles parking in on-street bays.

Finally, the ultra-low emission zone was confirmed in 2015 by then-Mayor Boris Johnson, and was introduced, and then extended under Mayor Sadiq Khan. It is now the world’s largest clean air zone and charges all older small vehicles (including petrol and diesel cars and motorbikes) a daily charge to drive in London. Older buses, coaches and heavy goods vehicles are charged to drive in the capital under a similar ULEZ-type scheme. As part of that scheme, [business owners of vans and minibuses can receive up to £9,500 or £11,500 respectively in grants](#) if replaced with an electric version.

Local Solutions, National Effects

Burning diesel causes one major localised problem - air pollution - and all the London-specific measures introduced have been to specifically target that. They are working too - a recent report from the Greater London Authority shows that reductions in NO2 concentrations in London have been far

³ The reduction in sales has almost certainly come about for two main reasons: Dieselgate and air pollution concerns. There are [estimated to be 2.4 million vehicles on UK roads that still have devices that can dial down or deactivate emissions control systems](#).

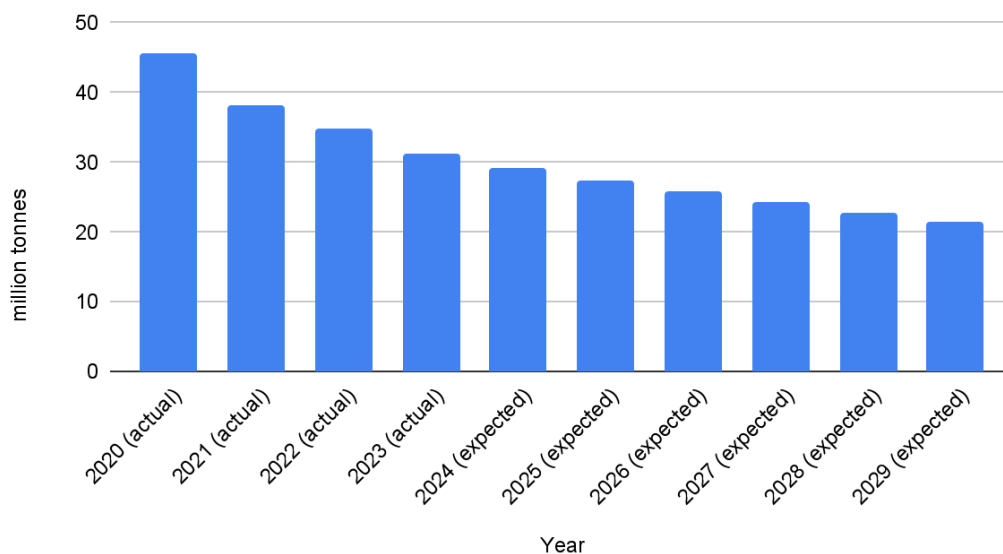
⁴ One quirk of the system is that outside London it is possible to license a taxi in one town and work in another. This means that other city regions would have to work with neighbouring areas to achieve the same effects, or that central Government would need to update legislation. This has [recently been debated in Parliament](#).

⁵ TfL is also working towards having a fully zero-emission fleet of buses by 2034, and [already has over 1000 electric buses on the streets](#). Since buses fuel up at their home depots that diesel use is outside the scope of this analysis.

greater than in the rest of England.⁶ However, burning diesel also causes national problems. The UK has been a net importer of crude oil and oil products since 2005 and 2013 respectively. [Imports from Russia made up a third of diesel imports in 2019](#), but the war in Ukraine and subsequent ban on Russian diesel has meant that direct imports should now be zero.⁷ However, simply sourcing diesel from different countries has no effect on world markets: swapping Russian imports for imports from a third country means that another country would buy the Russian oil originally destined for us. If the UK really wants to cause President Putin problems, it should reduce the amount of oil products it imports dramatically.

This is not just a Russian diesel problem though. North Sea oil output has been declining for years and will continue to decline. As can be seen from the chart below, the North Sea Transition Authority projects that [crude oil production will decline from 46 million tonnes in 2020, to 21.3 million tonnes in 2029](#): a 53% decrease. This means that the UK will become more reliant on foreign oil and oil products - including petrol and diesel for cars - over this decade, and is an acute and increasing energy security problem.

Chart 4: NSTA Projections for UK Crude Oil Extraction



All things being equal, less crude oil and oil products produced domestically means more has to be imported, and reliance on foreign sources also means paying other countries for that energy. If one compares 2024 sales figures for January and February with 2022, and presumes an average price of £1.50 per litre, then incredibly Londoners are on course to pay £273 million less in diesel costs this year than just two years previously: money that will stay in London’s economy.

⁶ NO2 roadside concentrations reduced at the roadside by 49% between 2016 and 2023, compared to just 35% in England. <https://www.london.gov.uk/new-report-reveals-dramatic-improvements-londons-air-quality-2016>

⁷ 2022 imports from Russia were still the fourth highest from all nations. Details here: https://assets.publishing.service.gov.uk/media/64c11ae11e10bf000e17cf43/DUKES_2023_Chapter_3.pdf

Around a third of the cost of diesel is the wholesale cost. In 2024, Londoners have paid just over £14,000 less to oil majors per filling station per month than just two years previously. Should this trend continue throughout 2024 - and there is no reason why it should not - Londoners will not pay just over £91 million to oil majors this year.

Conclusions

London is leading the way in reducing the sale and use of diesel. Whilst the policies it has implemented have all been for air pollution reasons, this also has a further positive effect on the nation's energy security and trade deficit. Londoners are leading the charge, both literally and figuratively, by moving their vehicle fleet towards more fuel-efficient and electric versions. This reduces Londoners' reliance on foreign oil and saves them money in the process.

At a local level, there is no reason why other city regions cannot do the same and implement similar policies (and indeed, there is no reason why they could not go further than London⁸). At a national level, consideration should be given to putting in rules specifically targeted at reducing diesel use. This includes banning the sale of new diesel cars before the current 2035 date, implementing an “HGV ZEV mandate” that charts a pathway to only allowing the sale of zero-emission trucks, and changing the tax system so consumers are more likely to choose other types of vehicles over diesel vehicles in the near future.

Regardless of whether policies are implemented at a local or national level, it should be recognised that any measure that reduces the sale and burning of diesel is not just an environmental measure, but is also an energy security measure that will also aid the nation's prosperity through a better balance of trade.

Further information

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⁸ As an example, the German cities of Berlin, Hamburg, Stuttgart and Munich have all implemented outright bans on older diesel vehicles entering the centre of the cities.