

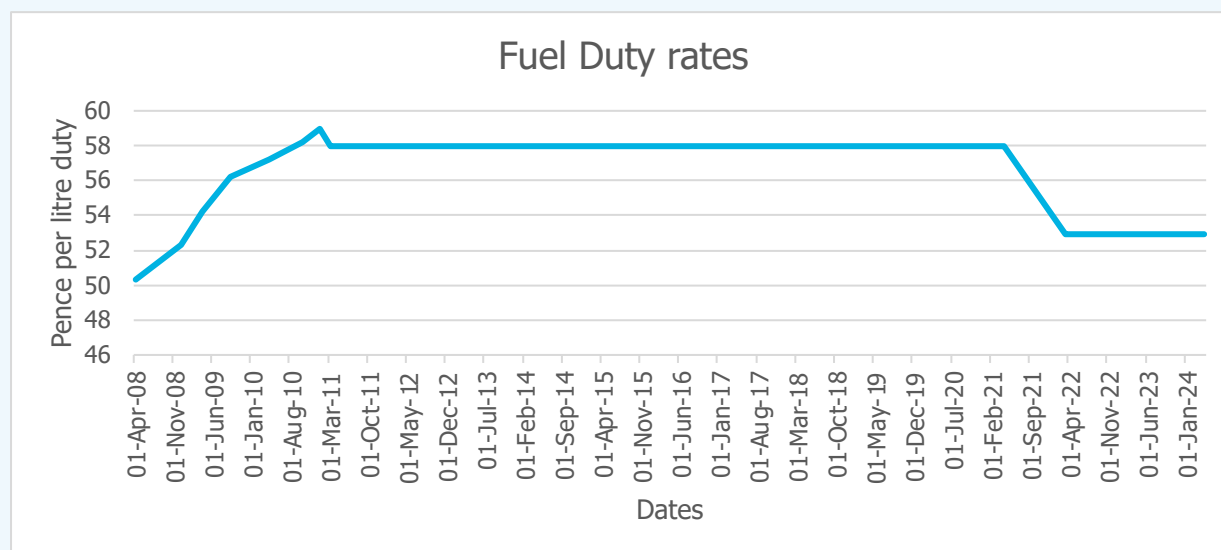


Fuel Duty

Current Government policy

Fuel duty is set by the UK Government. Duty on fuel is not devolved and is collected by HMRC, while price monitoring is the responsibility of the Competition and Markets Authority (CMA).

As of August 2024, fuel duty is **52.95 pence** and is applied to every litre of petrol and diesel sold at forecourts. Below is a historical graph of fuel duty rates:



In early 2024, the then-Conservative Government published a consultation on a new 'Pumpwatch' scheme to oversee real time price monitoring¹. The CMA monitors fuel pricing online².

¹ <https://www.gov.uk/government/news/real-time-pump-prices-to-drive-down-fuel-costs-for-motorists>
² <https://www.gov.uk/guidance/access-fuel-price-data>

IAM RoadSmart Research:

- In the 2023 IAM RoadSmart Road Safety Culture Report³, 79% of drivers stated the cost of motoring was worse than it was 3 years previously.
- Nearly three-quarters (70%) of drivers report driving their car more slowly to conserve fuel (eco-driving).
- Data from the IAM RoadSmart members' opinion panel survey from June 2024 showed:
 - In the last three years, a quarter of IAM RoadSmart members (27%) have made fewer journeys in response to high fuel prices, with 68% making slightly fewer journeys.
 - 63% regularly check fuel prices at different petrol stations before deciding where to fill up.
 - 71% of IAM RoadSmart members would travel up to three additional miles if there was a fuel station offering prices 6p a litre cheaper than the nearest forecourt.
 - More than half (58%) said price was their biggest determinant of forecourt choice compared to 35% who opted for convenience.
 - A majority (59%) of members would be likely or very likely to use a 'Pump watch' app giving live local fuel prices, against 17% who are unlikely or very unlikely to.

External Research

The RAC in its 'Fuel Watch' report⁴ notes:

- "There is a clear link between fuel prices and inflation (the Consumer Prices Index - CPI - as reported by the Office for National Statistics, or ONS). In its own bulletins, the ONS has also regularly called out falling fuel prices as the main reason for a reduction in the headline inflation rate."

The CEBR⁵, the economic thinktank, states:

- "Inevitably, higher fuel prices will also feed through into higher inflation readings. Bank of England Governor Andrew Bailey already admitted as much, stating that we will see an upside surprise to inflation in August compared to forecasts made before the increase in oil prices"

However, the Social Market Foundation⁶ notes that

- "Maintaining fuel duty in this way will wipe out 43% of the government's fiscal headroom by 2028-29, even further reducing the UK's room for manoeuvre."
- It also notes "SMF analysis last autumn found that for every 10% increase in public transport speeds relative to driving, the average household saves £435 per year. Other investments in electric vehicles could get Britain moving again while saving money and decarbonizing the sector."

³<https://media.iamroadsmart.com/documents/iam-roadsmart-road-safety-culture-report-2023-440339>

⁴<https://www.rac.co.uk/drive/advice/fuel-watch/>

⁵<https://cebr.com/reports/the-recent-rise-in-the-oil-price-shows-that-central-bankers-cannot-rely-on-endlessly-falling-energy-prices-to-bring-inflation-back-to-target/>

⁶https://www.smf.co.uk/commentary_podcasts/upcoming-fuel-duty-freeze-will-cost-government-over-20-billion-and-do-nothing-to-alleviate-poverty/

IAM RoadSmart calls to action:

- **Keep duty low but under review:** We support the previous Government reducing the fuel duty rate at a time when international pressures on the markets led to record prices at the pumps. The Government should aim to keep duty low – particularly given global oil markets volatility – but keep it under review subject to changes in congestion levels and road infrastructure need.
- **Link duty to road infrastructure spending:** Motorists sometimes claim that they receive a poor return for the motoring-related taxation they pay. IAM RoadSmart strongly supports a proportion of fuel duty revenues being set aside to help local authorities carry out urgent road surface repairs and to make local road infrastructure safer.

COMMENT

IAM RoadSmart Director of Policy and Standards, Nicholas Lyes, said:

“The cost of fuel remains a concern for price-sensitive motorists, and we urge the Government to keep duty low. Any temptation to increase fuel duty should be looked at within the wider context of the impact on businesses, inflation, and environmental concerns.

There is an additional argument that given fuel duty is such a lucrative source of revenue for the Treasury, there should be more transparency over how it is spent. There is widespread belief among motorists that the amount of motoring-related taxation they pay offers a poor return when looking at the state of road infrastructure.”