**Looming cost hike warning for companies running red diesel trucks in warehouse operations**

Businesses using red diesel-powered forklift trucks in their warehouse facilities need to be prepared for a hit to their operating costs when the Government’s red diesel subsidy ends in just a few weeks’ time, warns a leading energy expert at materials handling specialists Linde UK.

Red diesel, which is primarily used for off road purposes such as warehousing vehicles and construction machinery, currently attracts significantly less fuel duty – 46.81 pence per litre – than white diesel as well as being subject to a reduced 5% rate of VAT for supplies up to 2,300 litres.

Red diesel contains dye and other chemical markers to indicate it is subject to less fuel duty than normal (white) road fuel diesel. The red marker is so that HM Revenue and Customs officers can check whether red diesel is being used illegally.

However, from April 1 2022, businesses will no longer be able to use this fuel to power trucks used in warehousing and intralogistics operations.

“The change is being made to help meet the Government’s climate change and air quality targets,” explained Tracy Clarke, UK Energy Sales Manager for leading intralogistics manufacturer Linde Materials Handling.

“While some industries, such as agriculture, forestry and horticulture, will be permitted to continue using red diesel, all others face paying close to 50p per litre extra, which is sure to create a huge additional financial burden impacting on profit margins of UK plc.”

According to Tracy, despite the changes being publicised by HMRC for some time now, many businesses are still unaware of what is going to happen in a matter of weeks.

She said: “This is one of the biggest changes to happen to warehouse operations for many years, yet there is a huge variance between companies that are aware of this and believe they have it in hand to the ones that are aware but don’t know what to do, through to those that have not the first notion that this is even happening and are in for a big shock.”

The choice of energy system has become an increasingly important factor in intralogistics, with particular attention being paid to Total Cost of Ownership (TCO). With this in mind, it is not just the purchase price that plays an important role when buying a forklift truck but also the operating costs and therefore the energy price. Each customer will have their own requirements, including space for refuelling or charging, energy costs, and environmental sustainability.

Linde Material Handling offers four main energy solutions: combustion engine (diesel, LP Gas and Compressed Natural Gas), lead-acid batteries, lithium-ion batteries and hydrogen

“We are advising customers to not panic and instead look at all available options – from switching to an all-electric fleet to maintaining their existing combustion engine trucks - depending on what their individual requirements are,” continued Tracy.

“We provide our customers with detailed calculations to compare the different energies to help them make the right decision.

“At this stage there is no ‘magic bullet’ for dealing with the end of the red diesel subsidy, which is why our consultancy team is assessing our clients’ individual operations before making recommendations based on their specific requirements – there is no ‘one size fits all’ solution,” she added.

After the April 1 any fuel already in a truck can continue to be used up if it was legally put into the vehicle before the deadline. However, red diesel which remains in storage tanks after 1 April must be disposed of or transferred to someone who is still allowed to use it. Tanks do not need to be flushed out.

HMRC has said it can and will seize vehicles and machines found to be running unlawfully on red diesel, with fines and criminal sanctions applied to those found to intentionally or recklessly breaching the rules.

“Even if companies have left it very late to address this, I would urge them to take action and seek advice immediately to have the best possible opportunity to lessen the financial impacts,” said Tracy, adding: “The worst thing companies can do is ignore what is happening.”