

# **A zero emission vehicle (ZEV) mandate and CO2 emissions regulation for new cars and vans in the UK**

Consultation response

24 May 2023

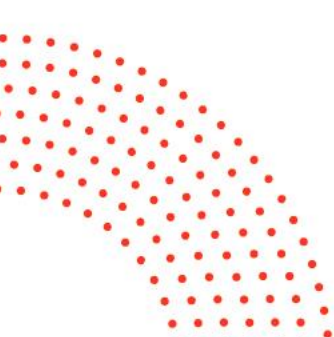
## **Introduction**

This paper has been prepared and submitted by Climate Group on behalf of the [UK Electric Fleets Coalition \(UKEFC\)](#), a group of 28 leading businesses committed to decarbonizing their fleets, in partnership with Steering Group members BT Group, LeasePlan, Openreach and Royal Mail. These companies have come together to demonstrate how UK businesses are leading the world in commitments to zero emission vehicles and to advocate for ambition from government in achieving a net zero economy. UKEFC signatories have repeatedly called for a ZEV mandate as a mechanism to help to accelerate the transition to ZEVs. The introduction of a ZEV mandate would also deliver a number of associated benefits by guaranteeing supply meets demonstrated demand and providing a clear pathway to 2035 for businesses, OEMs, and the general public.

## **The importance of a ZEV Mandate to UK Fleets**

The transition from petrol and diesel vehicles to electric vehicles (EVs) is clearly underway across the UK, and is being led by companies represented through the UKEFC. Despite this, a lack of supply of zero emission vehicles, in particular commercial vehicles remain one of the leading barriers to further uptake of EVs. In 2022, a survey of Climate Group's EV100 members cited commercial vehicles as the most challenging vehicle segment when it comes to sourcing zero emission alternatives.

A strong mandate with ambitious targets and a linear projection will ensure that supply of EVs in the UK will be able to meet demonstrated demand. In the context of global competition and with limited stocks of ZEVs, OEMs are increasingly prioritising markets with policies in place that incentivize them to do so. Crucially for businesses with fleets it provides auto manufacturers with clear instruction to increase supply to the UK market.



It will also act as a practical and achievable road map to the confirmed end date of sales of new petrol and diesel vehicles, formally enshrining 2030 and 2035 phase-out targets into law. Through this, it will act as a key policy lever in enabling the government to achieve its net zero commitments.

In addition to securing supply, a mandate can also provide certainty to help manufacturers plan vehicle development and manufacture, presenting an opportunity for the UK to attract additional BEV manufacturing, particularly for vans. In this context, we encourage the government in finding an effective agreement on the “rules of origin” requirements under the U.K.-EU Trade and Cooperation Agreement (TCA) in a way for both parties to boost their electric vehicle industries and reduce reliance on other countries imports. While we support many of the proposals in the open consultation, targets must drive the take-up of EVs forward, rather than simply acting as a backstop. The Mandate must be implemented in a timely manner, coming into effect no later than the beginning of 2024. The final version of the Mandate must be ambitious and simple.

## Consultation

*Question 1:*

*(a) Do you agree or disagree with the UK Government’s preference to introduce a UK-wide regulatory framework?*

*(b) Or, do you agree or disagree with the introduction of different trading schemes with separate requirements in one or more of the nations, different from the rest of the UK?*

We strongly support a UK regulatory framework with the same targets, trading schemes, allowances and credits in the whole country to avoid confusion and administrative burden.

We would also urge the government to timely implement the ZEV mandate as of 2024 without delay.

*Question 2:*

*(a) Do you agree or disagree with the UK Government’s preference to introduce UK-wide annual targets?*

*(b) Or, do you agree or disagree with year-on-year targets having to be met within each nation of the UK annually?*

The proposed targets for cars outlined in the consultation are generally good but could be higher. They are meant to lead the market and should be more ambitious than what the market will deliver without intervention. We agree with the government proposal to set yearly targets. However, we believe that the annual zero emission sales targets need to be more ambitious for both new cars and vans to create the right leverage to boost ZEV production. In particular, companies experience lack of availability and long lead times for vans, so more ambitious annual targets are necessary to speed up the production of zero emission vans and for companies to meet their fleet decarbonisation plans.

While we're pleased that the van targets have gone up since the previous consultation, far more ambitious targets are needed in order to meet the strong, demonstrated demand for zero emission vans.

It is also necessary to speed up the deployment of charging points across the whole country. We strongly call on the government to invest in a consistent and broad charging infrastructure as seamless driving is particularly relevant for the uptake of electric light commercial vehicles.

The target of 70% in 2030 leaves a potential market of 30% for PHEV vans, as new diesel vans will no longer be sold. It is important to not create a market for hybrid vans where there is not one currently. When available, UKEFC signatories are switching straight to zero emission vans now, instead of using PHEVs as a bridge technology as previously expected. PHEV vans are not competitive on CO2 savings in comparison with BEVs and don't support corporate net zero targets. Companies also report service, maintenance and repair (SMR) costs for PHEV vans are higher than for both ICEVs and ZEVs. With two components there is more that can go wrong. In addition, in hybrid vans, fuel efficiency and battery range are both negatively affected through running a vehicle with both an ICE and a battery/electric motor.

The lack of variety of van models currently available and in the pipeline remains an issue. EV100 members report not sufficient choice to meet all use cases. Ambitious targets, as part of the ZEV mandate, will stimulate innovation helping ensure that manufacturers start supplying the UK with the zero emission vans and in the quantities that will meet demand from UK businesses.

We propose to increase the trajectories for cars as follows:

- 2024 - 34%
- 2027 - 60%
- 2030 - 80

And increase the trajectories for vans as follows:

- 2024 – 17%
- 2027 – 48%
- 2030 – 80%

We are worried that the lack of binding targets in the period 2031-2035 might create a loophole in the trajectory towards the phase out of ICEVs by 2035.

Any underperformance in the market should be dealt with through higher penalties rather than lowering the compliance pathway.

*Question 5: Do you agree or disagree that the proposed derogations (thresholds and adapted trajectories) strike an appropriate balance between supporting small volume manufacturers while also ensuring that all manufacturers play a part in the transition to ZEVs?*

Exemptions allocated to small volume manufacturers shouldn't increase the risk of loopholes and delays. However, Government should encourage small volume manufacturers to increase competition in the marketplace as well as bring innovation forwards.

*Question 7: Do you agree or disagree with the proposals for banking during the 2024-2030 period?*

We are skeptical of the flexibility provided to manufacturers via the banking and borrowing system as it might delay the production of ZEVs.

We believe that non-compliance fees should be used to support the transition to the decarbonization of road transport, including through providing support to enable transition towards zero emission vehicle technologies within the UK automotive sector and through providing funding for devolved administrations to deliver the Mandate.

*Question 8: Do you agree with the proposed provisions for borrowing in the 2024–2026 period? If you disagree with the proposal, please provide alternative options and your rationale.*

As stated above, we do not favor the borrowing system as it could incentivize manufacturers in delaying the production of ZEVs.

In addition, the interest rate is too low to deter manufacturers from delaying the production of zero emission vehicles. The interest rate should be increased at least in line with the national UK interest rate.

*Question 9: What are your views on the proposed minimum requirements for ZEVs (emissions, minimum range and warranty)?*

We support the definition of zero emission vehicle as a vehicle which emits no greenhouse gases from the exhaust. We support the government's commitment to refrain from including e-fuels or biofuels in the zero emission vehicles category. These can be costly technologies, more expensive and much less efficient than battery electric vehicles.

We also support the government plan to review the real driving emissions of hybrid vehicles, ensuring that emissions are actual and not inflated. However, we are concerned that the government's delay in the definition of "significant zero emission capability", which will define which non-ZEVs can be sold between 2030 and 2035, might create loopholes.

The Government should set out its definition of "significant zero emission capability" by no later than the end of the summer and set strict criteria on the eligibility of PHEVs (i.e. high min. electric range, ability to smart charge).

We also support the requirement proposed by the government for manufacturers to provide 8 years/100.000 miles warranty per vehicle.

We would also be supportive of any UK Government plans to encourage bidirectional charging for future vehicles recognizing the environmental, energy transition and cost benefits through this capability.

Furthermore, it is crucial that charging infrastructure meets the needs of van drivers. Government support and committed funding should go towards delivering the right mix of depot and home charging, public charging, which includes options near homes for those drivers that don't have off street parking and destination charging. We would also stress the importance of deploying the rapid charge fund to ensure that there is adequate high-speed charging on the motorway network. Without intervention, there is risk that the charging network will be a blocker not an enabler to the EV transition.

Communication of the equality of access to public charge points will help to avoid perceptions that charge points are only for general public use and not for commercial vehicles.

While the relative low range of vans translates into a ubiquitous challenge, it is important that commercial vehicle alternatives with adequate range are available for all commercial vehicle uses not just final mile.

*Question 10: Are there additional minimum requirements that should be added to the regulation (in the first year or at a later point)? Please provide your rationale.*

We believe that the government should support weight reduction of BEVs as well as set requirements on battery manufacturing, labelling, repurposing and recycling should be clearly set within the ZEV mandate. We also need more clarity on battery technology in relation to repairs in the event of collisions.

As the government acknowledges, "the sustainability and recyclability of ZEV batteries is critical not only to maximise climate benefits but also to prevent critical mineral shortages", It is of utmost importance to make sure that critical materials are not lost but collected and recycled. We advise setting minimum battery recycling criteria as well as collection and recycling targets in line with the EU Batteries and Waste Batteries Regulation.

*Question 13: What are your views on the proposed payment levels in the ZEV mandate?*

The non-compliance fees should increase in line with the national interest rate in the year in which the manufacturer has not been compliant.

*Question 15: Do you support the flat scenario, the tightening scenario, the lightweighting scenario or a different trajectory for the CO2 standard? Please explain your reasoning.*

The CO2 standards is a crucial tool to both reduce emissions from the road transport sector and, at the same time, accelerate the transition to zero emission vehicles. We

believe that the “flat” and “tightening” scenarios do not provide the necessary incentives for manufacturers to reduce take up of excessively large SUVs in tandem with increasing take up of ZEVs.

We advise the government to opt for a lightweighting scenario to maximise the environmental benefits and incentivise manufacturers.

*Question 21: What are your views on this proposed mechanism to enable overcompliance with the non-ZEV CO2 standard to help toward compliance with the ZEV mandate targets?*

We advise to delete such mechanism as it would have the effect of encouraging the continued development of hybrid vehicles without increasing the production of zero emission vehicles in the period 2024-2026.