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The Rt Hon Liam Byrne MP
Chair of the Business and Trade Committee
House of Commons
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By email: Commonsbtc@parliament.uk

24 December 2024

Dear Liam,

RE: The closure of Stellantis' factory in Luton and the Zero Emission Vehicle (ZEV) Mandate

Thank you for your letter of 27 November following the unfortunate news that Stellantis has begun consulting with workers on consolidating its two plants into one site at Ellesmere Port, which would see the Luton plant close. The announcements from Ford and Stellantis are difficult for the hard working and skilled staff working in their UK operations and our priority is to work across Government to ensure they have the support they need.

I agree with you on the importance of investments in the UK by global automotive brands and it is also important to note that many of the challenges faced by our car manufacturers are global in nature and cannot be resolved by UK Government intervention alone. Automotive is one of our great strengths and we continue to work closely with the sector to help manufacturers take full advantage of the move to zero emission vehicles (ZEVs), unlocking growth and investment. We are determined to support the sector as they revamp production lines, adjust business plans, and develop the technology needed for the next generation of ZEVs.

As I said in the House following the Stellantis announcement, I am clear that decarbonisation must not mean deindustrialisation. Winning the race to net zero and having a world-leading automotive sector must go hand in hand. The Secretary of State for Transport and I are listening closely to the concerns of the automotive industry and the wider sector about the transition and the ZEV Mandate. I am pleased to confirm that Government has today published a consultation on our manifesto commitment to end the sales of new purely petrol and diesel cars by 2030. We will use this consultation to engage with industry more broadly on the ZEV transition and will take on board their feedback as we move forwards toward all new cars and vans being zero emission from 2035.

I also want to add that I have written to Stellantis to say that as with all manufacturers we stand ready to discuss what support might be available to back the transition, alongside investment from Stellantis and how we can make sure UK based manufacturers are well placed to take advantage of changes within the industry.

Thank you for sharing your questions and I have attached responses to this letter. I appreciate your interest on this important topic and I look forward to continued engagement with the Committee.

Best wishes,

THE RT HON JONATHAN REYNOLDS MP
Secretary of State for Business & Trade and President of the Board of Trade

Annex: Response to questions from the Chair of the Business and Trade Committee

Closure of Stellantis's factory in Luton

1. When did you become aware of a) when Stellantis was considering closing its Luton factory and b) of its decision to proceed with these plans?

The former Transport Secretary and I found out about the challenges at the site just 10 days after the election, when the global Chief Executive Officer told us about the issues they were facing and that he was considering reviewing the UK manufacturing footprint, which could include closing the Luton plant. Since then, we have been involved in intense negotiations with the company to try to find a way to keep the site open. Following these initial meetings, in July of this year the company announced its intention to conduct a review of its operations in response to the significant pressures that it was facing in key markets.

Following the review, the company set out plans on Tuesday 26 November that will see manufacturing at the two current Stellantis plants consolidated into a single location. The former Transport Secretary and I were made aware of the decision in a meeting with the company on the morning of the announcement.

2. The closure of Stellantis' Luton site will require immediate government intervention to address rising unemployment and the shock to the local economy. How will government departments work with local authorities, businesses, and local public services to increase employment and stimulate new forms of economic activity in the town?

I am very keen to continue discussions with Stellantis to understand the full details of their plans and next steps in their proposals. My officials are also engaging with Luton Borough Council to understand their views on these announcements and potential impacts on the local area. Our proposed next steps will very much be guided by these conversations.

My team have been working closely with DWP, other Government Departments and local partners to put preparations in place in case the outcome of the review resulted in a proposal for Luton to close.

In addition, the Redundancy Payments Service, managed by the Insolvency Service, enables former employees to receive some of the payments they are entitled to more quickly than waiting for the employer's assets to be realised before any payments can be made. Other government support systems include Jobcentre Plus's Rapid Response Service and advice via the Money and Pensions Service.

3. What plans does the Government have to incentivise the use of the site for alternative forms of manufacturing?

We have asked Stellantis to provide us with an update on their plans for the land, should they decide to proceed with the closure of the Luton plant. Any decision to sell or reuse the site will be a commercial decision for the company, however we will be encouraging Stellantis to work closely with partners such as Luton Borough Council to identify potential uses for the land that can positively contribute to the economic development of Luton and the wider region, including options for continued manufacturing.

4. How does Stellantis' announcement fit within the Government's existing automotive commitments, including the funding announced in the Budget to drive the uptake of electric vehicles and support the zero-emission vehicle manufacturing sector and its supply chain?

While the decision to close the Luton plant (which produced diesel vans) is very disappointing, we do welcome the confirmation given by Stellantis around the future of the plant at Ellesmere Port. The £50m investment there which the company announced on 26 November will allow the plant to produce a second electric van and could see the addition of hundreds of jobs.

Ellesmere Port is the UK's first all battery electric plant following a £100m investment in 2021 that was secured with Government support and is a clear example that there are real opportunities for the UK to take advantage of in the transition to ZEVs.

We are engaged with Stellantis to identify the impact that the closure of Luton will have on the wider supply chain who supply the Luton plant and what opportunities exist for these companies to supply the consolidated plant at Ellesmere Port. This will however be a commercial decision for Stellantis.

Our offer to Stellantis and all auto manufacturers is that we stand ready to discuss what support might be available to support the transition to zero emission products. The Budget made a multi-year funding commitment to the automotive sector of over £2 billion of capital and R&D funding to 2030 for zero emission vehicle manufacturing and their supply chains. This funding will ensure continuity in government support, as we transition to an even stronger investment offer.

Alongside this funding for manufacturers, the Government has also provided £120m of funding for next year to support the uptake of zero emission vans. We have also maintained taxation incentives out to March 2030, including favourable rates of company car tax, to continue driving the sale of new zero emission vehicles.

The transition to zero emission vehicles will also rely on a robust and reliable network of public chargepoints. This Government has committed £200m to accelerate the rollout of public charging.

ZEV Mandate

5. What proposed amendments to the ZEV Mandate will be included in the Government's forthcoming consultation to help ensure a smoother transition for industry?

The Government has published a consultation on our manifesto commitment to end the sales of new purely petrol and diesel cars by 2030. The consultation will be led by my colleagues in the Department for Transport. Government will use this consultation to engage with industry more broadly on the ZEV transition and will take on board their feedback. We will continue to engage closely with the UK automotive industry to ensure this transition delivers for them.

6. Stellantis warned of the impact of the ZEV Mandate on its UK operations in June. In your view, would earlier reform of the 'ZEV' mandate regime, for instance over the summer, have helped avoid this plant closure?

The former Transport Secretary and I found out about the challenges of this site just 10 days after the election, when the global chief executive officer told us about the issues they were facing and that he was considering closing the Luton plant. Many of the challenges faced by our car manufacturers are not unique to the UK and Stellantis' decision was driven by a number of factors including the slowdown in global demand for their vehicles and excess capacity, as well as the global challenges of transitioning to ZEVs. The company have also referred to the challenges and costs of meeting the ZEV mandate targets themselves.

7. Due to the urgency of the situation, will the forthcoming consultation be completed in time to shape discussions with Stellantis that may lead to protecting the Luton site?

The company has commenced its consultation with employees at Luton. Any changes to the current regulations that are proposed will need to be put into legislation. I will continue to press the company to reverse its decision.

Throughout the review of the UK footprint, we have been working thoroughly with the company, leaving no stone unturned. Our door has always been open to Stellantis to discuss support for automotive manufacturing to transition to zero emission vehicles and how we can protect workers and secure the future of their plants here.

The UK has always worked closely with Stellantis and since 2012 we have committed grant funding to support jobs and investment at both plants, most recently including the transformation at Ellesmere Port.

Chinese electric vehicle imports

8. The Government is preparing a Whitehall-wide 'China audit'. Does the scope of the audit include the UK's automotive industry and the potential risks of rising Chinese exports of electric vehicles and its dominance of the electric vehicle supply chain?

This Government will take a consistent, long term and strategic approach to managing the UK's relations with China, rooted in UK and global interests. We will co-operate where we can, compete where we need to, and challenge where we must. We will not pre-empt the results of what will be a comprehensive audit process.

9. The EU Commission has introduced higher tariffs on the imports of electric vehicles from China, following an anti-subsidy investigation. What discussions have you had with the automotive industry about the advantages and disadvantages of requesting a similar investigation by the Trade Remedies Authority in the UK?

I have been discussing this topic as part of my regular conversations with the UK automotive sector. You will of course recognise the confidential nature of these individual conversations, but I can say that there is a range of views amongst UK industry on the issue of increased Chinese competition. My officials also continue to regularly engage with the UK automotive industry to understand how China's policies and practices affect their interests in this space.

The UK's economy and industry differs from other countries, both in terms of diversity of ownership and markets - we export 80% of what we make (N.B. compared to the US/EU where a greater proportion of their production is sold domestically). If we need to act we will do but any action we take has to be the right one for UK industry.

Consumer demand

10.The last Government, in June 2022, decided to close the plug-in car grant and shift its focus to charging infrastructure. What is your assessment of the suite of policies you inherited to support the uptake of zero emission vehicles? Will you re-introduce incentives to help consumers with the upfront costs of buying an electric vehicle?

We need to make sure we are adopting a pragmatic approach to incentivise take up of zero emission vehicles across areas such as tax and regulation, direct consumer incentives and also on the cost and availability of charging infrastructure.

My department and I will be working closely with the Department for Transport and others across Government to ensure we can drive growth in this sector. We are taking action now and at the recent Budget the Government committed to:

- investing over £200m in 25-26 to accelerate electric vehicle (EV) chargepoint rollouts across England. This will build on the UK's existing charging network, which continues to grow at pace with over 71,000 public chargepoints;
- providing £120m of funding in 25/26 to support the purchase of new electric vans via the plug-in vehicle grant;
- extending favourable taxation incentives for zero emission vehicles out to March 2030, to stimulate demand.

11.**The Clean Vehicle Tax Credits, introduced under the Inflation Reduction Act, have helped attract private investment into the America's electric vehicle supply chain. What is your assessment of whether consumer incentives, such as this, would help attract investment into the UK? What lessons, if any, could the UK learn from how these incentives were designed?**

I believe that there is a place for Government in making sure the conditions are right to encourage the uptake of zero emission vehicles. Clearly, demand is an issue presently so the Office for Zero Emission Vehicles is looking at what can be done to increase demand. Where we agree that interventions represent good value for money to achieve our twin objectives – that of decarbonisation and industrial growth we will work steadfastly to take them forward as Government.

12. In other countries there are targets for EV charging points. Is this something you will consider introducing?

As set out in our Automotive Strategy, we will consider the merits of introducing chargepoint targets, to support the chargepoint industry, give consumers confidence and get Government funding where it's most needed