Department for Transport

Department for Business, Energy & Industrial Strategy

Meg Hillier MP
Chair
Public Accounts Committee

30 March 2021

[Sent via email]

Dear Chair,

Public Accounts Committee hearing on reducing carbon emissions from cars, 11 March 2021.

We are writing with responses to the outstanding questions and requests for information following the Public Accounts Committee's hearing on 11 March on reducing carbon emissions from cars.

Information on the taxation of motorhomes.

Mr Richard Holden MP highlighted the importance of motorhome manufacturing in his constituency, North West Durham, and the impact of environmental taxes on new motorhomes on the industry. The Chair asked that Bernadette Kelly write to the Committee with further detail on the taxation of motorhomes.

Budget 2020 reduced Vehicle Excise Duty (VED) liabilities for new motorhomes first registered from 12 March 2020. New motorhomes are now included either in the Private/Light Goods or Private/HGV VED classes, depending on vehicle weight, and most of these new motorhomes pay a flat annual VED rate of £270 this year.

The government has not changed the tax treatment of motorhomes first registered and purchased between 1 September 2019 and 11 March 2020 as those vehicles have already paid their first year VED and will move to a lower standard rate in subsequent years. This standard rate of VED, payable from the second year onwards, is £150 (increasing to £155 from 1 April 2021) for motorhomes registered during this period, although those with a list price exceeding £40,000 also pay a supplement of £325 (increasing to £335 from 1 April 2021) from years two to six.

The Norwegian vehicle market: the percentage of new car sales that are plug in vehicles; and the price of second hand ICE vehicles.

The Chair highlighted Appendix 3 of the National Audit Office report, published in February 2021, on reducing emissions from cars which included the statistic that 49.1% of new cars registered in Norway were plug in vehicles. In his evidence, Richard Bruce said that 74% of new car sales in Norway were plug in vehicles. The Chair asked Richard Bruce to write to the Committee to confirm the correct figure.

Plug in vehicles (battery electric and plug in hybrid electric) in Norway were 49.1%[1] of new car sales in 2018, 55.9%[2] in 2019 and 74.7%[3] in 2020. These figures have been verified by the Norwegian Public Roads Administration.

Mr Craig Mackinlay MP asked whether the prices of second hand internal combustion engine vehicles in Norway were increasing as the market share of plug in vehicles went up. Richard Bruce agreed to write to the Committee with information on the second hand market for internal combustion engine vehicles in Norway.

The Norwegian Public Roads Administration, who have policy responsibility for road users and vehicles in the Norwegian government, have confirmed that they do not track prices of second hand ICE vehicles across the Norwegian vehicle fleet. However, data from their Departmental fleet of 1,000 vehicles shows that the second-hand value (as a % of new car price) of electric cars has increased over the last three years and now exceeds that of second hand ICE cars.

The take up of new funding for chargepoints and local infrastructure.

Mr James Wild MP asked how confident DfT were that local authorities would be able to take up funding available through the On-street Residential Chargepoint Scheme following underspends on the Scheme in previous years. Bernadette Kelly proposed writing to the Committee with the latest figures on take up this financial year.

The number of chargepoints funded to date by the On-Street Residential Chargepoint Scheme (ORCS) almost doubled in the current financial year (2020/21). Since 2017, ORCS has funded nearly 4,000 chargepoints (3,982 as at March 2021) through over 140 local authority projects. OZEV estimate that the £20 million announced in February this year to extend ORCS in financial year 2021/22 could deliver a further 4,000 chargepoints. This is an estimate based on the average costs of applications so far.

In 2021 OZEV will continue to work with colleagues across central and local government, and devolved administrations, to help mainstream capability and leadership on EV charging, leading to local action to support zero emission vehicle uptake across every part of the UK. OZEV are taking several steps to help local authorities utilise the funding available and deliver EV infrastructure. This includes:

- Ministers writing to all local authority CEOs and all MPs, to encourage uptake of the ORCS scheme;
- Providing guidance for local authorities on implementing EV infrastructure (due to be published Autumn 2021);
- Producing a decarbonisation toolkit with further guidance to local authorities on how to facilitate the transition to EVs (due to be published November 2021); and
- Continuing to fund Energy Saving Trust to run the Local Government Support Programme to support English local authorities in developing EV strategies and specific ORCS workshops. This service is free for Local Authorities to use.

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1 Norwegian Road Federation (OFV) (2019-01-02). "Bilsalget i 2018" [Car sales in 2018] (in Norwegian)

2 Norwegian Road Federation (OFV) (2020-01-03). "Bilsalget i 2019" [Car sales in 2019] (in Norwegian)

3 Norwegian Road Federation (OFV) (2021-01-05). "Bilsalget i desember og hele 2020" [Car sales in December and throughout 2020] (in Norwegian)

Lifecycle analysis on the environmental impact of electric cars.

In response to a question from Mr Craig Mackinlay MP, Richard Bruce agreed to check if recent studies on the environmental impact of electric car manufacturing included carbon dioxide emissions from mining, transportation of parts and charging infrastructure.

Life cycle analysis is a rapidly evolving field. To date the leading lifecycle analysis studies have typically included emissions associated with vehicle production (e.g. extraction and processing of raw materials such as steel or lithium), and fuel and electricity production. To date, due to the availability of data, leading lifecycle analysis studies have not included emissions associated with the production of charging (chargepoints) or refuelling infrastructure (petrol stations) for battery electric or ICE vehicles.

OZEV continues to engage with experts to ensure we remain up to date with developments in vehicle lifecycle analysis. All the latest evidence OZEV are currently aware of shows that the lifetime carbon footprint of a battery electric car or van is significantly less than that of an equivalent ICE car or van today. A September 2020 study by Ricardo for the European Commission found a typical new battery electric vehicle, operated in the UK, is considered to have about 35% of the lifetime GHG emissions of an equivalent petrol vehicle and around 41% of an equivalent diesel vehicle. Between now and 2050, emissions from battery electric vehicles manufactured and driven in the UK will drop in line with our economy-wide net zero ambition.

Insurance and electric vehicle charging.

In response to a question from Mr Craig Mackinlay MP, Richard Bruce agreed to investigate whether businesses were allowed by their insurance policies to rapid charge vehicles indoors overnight.

Government is not aware of issues with businesses being prohibited by their insurance policies from rapid charging indoors overnight.

Insurers make decisions about the terms on which they will offer cover following an assessment of the relevant risks. This is usually informed by the insurer’s claims experience and other industry-wide analysis. The government does not intend to intervene in these commercial decisions by insurers as this could damage competition in the market. The respective capabilities of insurers to assess risk is a key element on which they compete. This competition is important and leads to better products and lower prices for consumers.

It is worth noting that different insurers may take a different view of the relevant factors in determining the terms of insurance based on their differing claims experience. Since some specialist insurers may be more equipped to provide cover, government would encourage consumers to shop around for the most suitable cover at the best price. Consumers may wish to contact the British Insurance Brokers’ Association (BIBA). BIBA can offer guidance on how to look across the insurance market for the best deals and may be able to provide names of specialist brokers.

Continued emissions improvements from internal combustion engine cars

Mr Craig Mackinlay MP asked a question about whether the phase out date for traditional diesel and petrol vehicles in 2030 would mean that there would be no further improvements in the emissions performance of these vehicles in the intervening period. On this point it might be helpful to clarify that new petrol and diesel cars will still have to comply with Type Approval requirements in the intervening period and that this will include compliance with the latest 'Euro' standards for petrol and diesel vehicles. The UK will be considering what new standards are required to ensure continued high levels of environmental protection. This means that even as we see the proportion of electric vehicles increase in the UK fleet, we can still expect ever improving emissions performance from those internal combustion engine vehicles that continue to be sold.

The Department for Transport will publish a Green Paper in the coming months on the post-EU regulatory regime for CO2 emissions from new road vehicles to ensure the phase out dates are met and to support interim carbon budgets. This will consider both overall fleet efficiency and delivering the move to 100% zero emission vehicle sales for cars and vans.

Yours sincerely,

Richard Bruce,
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Bernadette Kelly

Bernadette Kelly CB
Permanent Secretary, DfT

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