Written Evidence submitted by LV= General Insurance (EVP0144)

Executive Summary

LV= General Insurance (LV= GI) welcomes the opportunity to respond to the Transport Select Committee inquiry into zero emission vehicles and road pricing. In April 2019, LV= GI launched the UK's first insurance product designed exclusively for electric cars. Given the Government's ambition for all new cars and vans to be zero emission vehicles by 2030, we want to help people feel more comfortable with the shift to electric vehicles (EVs) over the next few years, and we therefore believe that insurance must keep pace with the advancements. This submission therefore sets out LV= GI's assessment of accelerating the shift to zero emission vehicles.

About LV= GI

LV= GI is the UK's third largest personal lines insurer with over seven million customers. We provide car, home, pet, travel, landlord, breakdown, and home emergency insurance, and offer our services directly to consumers as well as through intermediaries, such as brokers, affinity partners and IFAs.

1. The feasibility, opportunities, and challenges presented by the acceleration of the ban of the sale of new petrol and diesel vehicles to 2030

1.1 LV= GI has always strongly supported the Government's ambition around EVs and the UK's target to reach net zero greenhouse gas emissions by 2050. It is for this reason that we welcomed the recent announcement to end the sale of new petrol and diesel cars in 2030.

1.2 While it is encouraging that sales of EVs continue to grow and that more and more people are making the switch, it is worth bearing in mind that whilst the sale of 108,205 EVs in 2020[1] is significant, they represent only a small proportion compared to the 1,165,733 petrol and diesel cars which were bought during the same period. We therefore strongly believe that in order to further increase the uptake of electric cars it is essential that people are actively encouraged to make the switch to EVs through a combination of fiscal incentives and 'nudges'.

1.3 It is also essential that the UK develops a strong first-hand EV market now to ensure that there is a healthy second-hand market in the coming

years. Data suggests that in 2019, 7,935,105[2] used cars were bought, compared to 2,311,140 new cars[3]. The Society of Motor Manufacturers and Traders (SMMT) has previously estimated that the average number of years that people own a car is 7.8[4].

1.4 As the world moves towards EV adoption, the UK has the opportunity to encourage investment from leading motor manufacturers to build their new EVs. However, in order to improve the chances of manufacturers choosing to base their factories within the UK (in particular for right-hand drive models which could be exported to other right-hand driving countries), the UK must prove that it is an EV focused nation by increasing the uptake of EVs in its own market. The UK has a rich history of motor manufacturing, and it now has the opportunity to lead the way in EVs, not just in the actual production of a car, but throughout the production chain itself including battery technology and car parts. The more investment it can attract from manufacturers, the more green job opportunities are created.

1.5 As the UK increases the number of EVs on its roads, it is essential that the workforce is increased and equipped with the skills and experience required to match the growth in this new form of technology. EVs may look similar to petrol and diesel cars, but beyond their chassis they are made up of a number of high-voltage components, which include the battery itself, high-voltage cabling and drive units. This means that without proper training there is a risk to life for those mechanics working on EVs. The Institute of the Motor Industry (IMI) has a course for mechanics to learn how to safely work on hybrid and EVs. However, in 2020, the organisation claimed that only 5% of technicians working in garages and dealerships are appropriately qualified to work on EVs[5]. It is therefore essential that a greater proportion of mechanics have a minimum IMI level 3 qualification in EV/Hybrid System Repair and Replacement ahead of 2030.

1.6 The move towards EVs will also increase the demand for trained electricians, whether this is
for EV home chargepoints, installation of public chargepoint infrastructure, home energy storage or solar panels. We therefore believe that there should be greater focus on encouraging people to retrain as electricians. In addition, the development of the UK EV sector also presents an important opportunity to further strengthen its already

substantial R&D capability, encouraging a larger number of students into STEM courses and training, which will in turn increase the country's EV talent density.

1.7 Another societal benefit of greater EV adoption is the impact it could have on public health. As outlined in the 2018 Business, Energy and Industrial Strategy Select Committee report on electric vehicles, "poor air quality is the greatest environmental risk to public health in the UK, responsible for an estimated 40,000 early deaths each year, and the second largest cause of avoidable mortality after smoking. These health impacts are estimated to cost the UK economy over £20 billion per annum."[6] The move towards EV will be beneficial in reducing both the number of people affected, and the cost to the UK economy of surface transport emissions.

2. The actions required by Government and private operators to encourage greater uptake of electric vehicles and the infrastructure required to support them

2.1 We believe that in order to further increase the uptake of EVs it is essential that people are actively encouraged to make the switch to EVs through a combination of fiscal incentives and 'nudges'. Our own research suggests that a significant number of people (45%) are discouraged from buying an EV due to their high purchase costs compared to their ICE (Internal Combustion Engine) equivalents, which, if not addressed ahead of the introduction of the proposed ban of the sale of new petrol and diesel cars, could be discriminatory against those on low incomes. We would therefore urge the Government to introduce further fiscal incentives in order to help bring the price of EVs in line with ICE cars and help 'level-up' the opportunity for people to make the switch to electric.

2.2 Those countries that have seen the greatest adoption of electric cars have had strong Government policies to drive uptake. For example, in Norway the 25% sales tax was removed on EVs which has resulted in 54.3% of all new cars sold being fully electric.[7] There is also a risk that without further fiscal incentives to drive EV adoption, the UK could start to lag behind other European countries in the 'EV race', leading to manufactures sending their EV stock elsewhere to other more ambitious nations. In a 2020 Bloomberg article, it was reported that "shoppers

have swarmed to virtual showrooms in Germany and France" after their governments increased EV incentives in order to stimulate demand. In Germany, subsidies of as much as €9,000 (£8,109) per EV are available, whilst in France the subsidies have been raised to €7,000 (£6,307) per EV.[8] In a recent article, it was suggested by Mike Hawes, Chief Executive of the SMMT, that a lack of Government financial support and subsidy for EVs is already leading to manufacturers "sending product and volumes elsewhere", with the article highlighting that the UK's £3,000 grant is lower than in European markets[9].

2.3 Alongside the cost of EVs, we believe that more needs to be done to improve public confidence in the charging infrastructure. As part of this, in order to help more consumers make the switch from petrol and diesel cars, we believe that charging an EV should be a similar experience to filling up a car with fuel in order to make the process more familiar, and therefore ultimately all rapid chargepoints must be made as easy to use as paying for petrol is today. Whilst inevitably charging at a chargepoint will be a new and different experience, we believe that in order to help people feel comfortable with the switch to electric, the process of charging at a public chargepoint should incorporate processes that are already familiar to drivers, which could include elements of the payment process. We therefore believe that all rapid chargers should allow debit and credit card payments as a minimum, and where possible contact payment should be an option. In addition, pricing for charging should be based on the price per kWh (kilowatt hour) and not price per hour. Our reason for this is based on the fact that not all cars take the same amount of time to charge. For example, one model of EV could take 30 minutes to fully charge, whilst another model may only be half charged in the same time. We also believe that prices per kWh (kilowatt hour) should be advertised on chargepoints, similar to how the price is currently advertised on petrol pumps. As the UK moves towards its 2050 Net Zero deadline and more people become engaged in the environmental debate, it may also be beneficial for consumers to see the benefit of charging their EVs by presenting a carbon cost.

2.4 It is also essential that the reliability of chargepoints in the UK is addressed in order to improve confidence in EVs and help persuade people to make the switch from petrol and diesel. Drivers need to know that when they embark on a journey, the chargepoint that they stop at will be in working order and is safe to use.

2.5 There also needs to be an adequate number of chargepoints on major trunk roads of the UK in order to alleviate some of the range anxiety that can deter people from purchasing an EV. Research recently conducted for LV= GI found that two in five (40%) are deterred from purchasing an EV because they believe that they cannot be used for long distances, with a further 48% concerned by the battery running out. By ensuring that there is a good provision of EV chargepoints on major trunk roads as well as on the motorway network, some of these concerns can be alleviated.

2.6 Whilst there has been positive progress in terms of encouraging private investment in the EV charging infrastructure, we believe that further work is needed in order to accelerate the delivery of ultra-rapid chargepoints in the UK. However, we do not believe that the private sector can and will be able to deliver this alone, and therefore there needs to be more Government intervention in order to ensure that the EV charging infrastructure reaches all parts of the UK, rather than concentrated in a selected number of more favourable areas (e.g. cities at the expense of more rural areas).

March 2021

Endnotes

[1] https://www.autocar.co.uk/car-news/industry-news/analysis-2020-uk-car-sales-hit-28-year-low-ev-market-grows-rapidly
[2] https://www.smmt.co.uk/2020/02/151790/
[3] https://www.smmt.co.uk/2020/01/december-ev-registrations-3/
[4] https://www.smmt.co.uk/industry-topics/sustainability/average-vehicle-age/
[5] https://www.autocar.co.uk/car-news/industry-news/call-uk-address-ev-skills-shortage-2030
[6] https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/383/383.pdf
[7] https://www.autocar.co.uk/car-news/industry-news/norway-becomes-first-country-where-evs-outsell-combustion-cars
[8] https://www.bloomberg.com/news/articles/2020-07-15/electric-car-subsidies-have-rendered-renaults-free-in-germany
[9] https://www.thetimes.co.uk/article/new-car-sales-plunge-at-fastest-pace-since-second-world-war-l9tr309n7