

Written evidence submitted by SMMT (CGE0030)

Introduction

1. The Society of Motor Manufacturers and Traders (SMMT) is one of the largest and most influential trade associations in the UK. It supports the interests of the UK automotive industry at home and abroad, promoting a united position to government, stakeholders and the media. The automotive industry is a vital part of the UK economy accounting for some £82 billion turnover and £20.2 billion value added. With some 186,000 people employed directly in manufacturing and 856,000 across the wider automotive industry, it accounts for 13% of total UK exports with over 160 countries importing UK produced vehicles. 30 manufacturers build in excess of 70 models of vehicle in the UK supported by more than 2,500 component providers and some of the world's most skilled engineers.
2. SMMT welcomes the opportunity to respond to the Science and Technology Select Committee inquiry into Meeting Clean Growth Emissions Reduction Targets.

Overview

3. The automotive industry is firmly committed to a zero emission future and is investing significantly into future technologies that will deliver smart and sustainable mobility on the pathway to 2040. SMMT welcomes government setting out its vision to increase the uptake of ultra-low and zero emission vehicles in the Road to Zero strategy in July 2018, following the publication of the Clean Growth Strategy in October 2017, with the aim of moving to cleaner road transport and reducing emissions.
4. Both strategies recognise the significant progress that has been made by the automotive industry, with the Clean Growth Strategy noting new cars in the UK are up to 16% more efficient than they were in 2000¹. We welcome government's acknowledgement of the need for a technology neutral approach and the news that there will be no ban of any particular technology during the transition to cleaner road transport. However, these strategies should have included impact assessments to best understand the implications they will have on jobs and economic contributions the automotive sector delivers for the UK. For the strategy to work there needs to be a commensurate and comprehensive approach to long term policies which support the transition – including necessary infrastructure provision and fiscal support for both consumers and industry to invest in the new technologies.
5. SMMT is concerned about the significantly high ambition levels that have been set for the uptake of ultra-low and zero emission cars and vans (50-70% and 40%, respectively) by 2030. Achieving 50% market share for cars would require a nearly 23-fold increase in uptake from the current position of just 2.2%. The strategy does not appear to align well with the technology roadmaps produced by the Automotive Council. These new technologies, and the lengthy investment required to deliver them, cannot be fast-tracked. We need realistic ambition levels and measures that support industry's efforts, allow manufacturers time to invest, innovate and sell competitively, and provide the right incentives and infrastructure to take the consumer with us.
6. The EU New Car and Van CO₂ Regulation has been a key driver in reducing emissions. SMMT is concerned that Brexit could see regulatory divergence between the UK and the EU, adding to costs and potentially restricting supply for UK consumers. It would also reduce manufacturers' flexibility in meeting CO₂ targets – and leave them much more exposed to specific market distortions, as we have seen recently around diesel policy in the UK and more recently changes to the Plug-in Car Grant.
7. Commercial vehicles, and in particular the use of HGVs for freight distribution, will remain an essential part of ensuring the UK continues to thrive and people continue to receive the goods they

¹ Page 83, Clean Growth Strategy

demand. Despite advancements in introducing low emission vehicles suitable for deliveries, this technology remains in its infancy and the business case for using them remains challenging for most fleet operators. Given the low-cost margins and competitive nature of the freight sector, there is however already a strong economic incentive to produce and purchase the most fuel-efficient vehicles. The EU is currently developing CO₂ Regulations for new HGVs, as with cars and vans industry is concerned that UK may adopt a different approach following Brexit and not being part of the wider EU regime reduces flexibilities and gives manufacturers a much smaller marketplace in which to achieve emissions reductions.

8. The challenge of the transition to zero-emission vehicles cannot be underestimated and industry, government and other stakeholders need to work in partnership to deliver this change. A holistic, collaborative approach will remain key to progress and to ensuring the entire vehicle fleet consists of the cleanest, safest and most efficient vehicles, and the UK remains a highly competitive place in which to build them.

Delivering emissions reductions in automotive

9. The UK has some of the most challenging economy-wide CO₂ reduction targets in the world, including plans to decarbonise the vehicle fleet by 2050. Whilst vehicles using internal combustion engines will still have a strong role to play during this transition, the sector is delivering an array of new technologies, moving towards zero emission capable vehicles – this includes both electrified and hydrogen fuelled vehicles. Mass transition will require collective action by a number of stakeholders to ensure these vehicles are affordable, convenient to use and desirable to the consumer.
10. SMMT's New Car CO₂ Report 2018² showed average new car CO₂ emissions in the UK rose by 0.8% from 120.1g/km in 2016 to 121.0g/km in 2017. This is still 33.1% below the 2000 level, but an unwelcome development in respect to impact on the environment and makes the challenge of delivering on CO₂ targets more acute. It was the first rise in emissions on record and reflected the sharp decline in diesel sales and market share following government measures to increase taxes on diesel vehicles. Diesels are on average 15%-20% lower CO₂ emitting than a like-for-like petrol car. Market shift to higher emitting segments also had an impact on CO₂ emissions (SMMT estimate that 55% of the rise is market shift and 45% due to diesel decline).
11. Manufacturers are delivering lower CO₂ emitting models – and data shows that new models introduced in 2017 were on average 12.6% lower CO₂ emitting than the model they replaced. The industry is also investing billions to bring new technologies to the market, some 75 alternatively fuelled vehicles (AFVs) were already available to consumers in 2017, and most manufacturers have announced plans to bring significant numbers of new electrified products to market over the next few years. These AFVs have CO₂ emissions well below the market average and so the 34.8% growth in registrations in 2017 benefitted the overall performance. AFVs include battery electric vehicles (BEVs), fuel cell electric vehicles (FCEVs), plug-in electric hybrids (PHEVs) and hybrid electric vehicles (HEVs). Growth in 2017 was focused in the PHEV and HEV market, with BEV share unchanged at 0.6%.
12. Total CO₂ emissions from all cars in use fell by 7.4% between 2000 and 2016, as new vehicle efficiencies offset a 8.1% increase in vehicle use (for all road transport the figures were -1.3% and 11.7% respectively). However, emissions have risen in each of the past three years, reflective of the uplift in vehicle use (distance travelled). Industry estimates that some 80% of a vehicles lifetime emissions are associated with the use phase. The shift to electrified vehicles will see this change over time, with larger proportion of emissions focused in the production phase.

² <https://www.smmt.co.uk/wp-content/uploads/sites/2/SMMT-New-Car-Co2-Report-2018-artwork.pdf>

13. Fleet renewal remains key to the environmental performance of the overall vehicle fleet. A new car is some 20% lower CO₂ emitting than the average car in use. Further increasing the rate of fleet renewal would also give benefits to other emissions, as well as introducing the latest safety technology. Any hold-off in fleet renewal – as appears evident with confusion over diesel and uncertainty about Brexit – is detriment to the environment and reduces industry's ability to fund investment in new technologies.
14. The average new light commercial vehicle (LCV, or van) emitted 165.4g/km in 2017, 4.8% below the 2016 level – in a significant pick up in the rate of improvement – and 16.6% down on 2011.

Accelerating the shift to low carbon transport

15. SMMT strongly believes government should always maintain a technology neutral approach that acknowledges the vital role that all technologies can play in reducing emissions and facilitating consumer moves from conventionally fuelled vehicles to zero and ultra-low emission vehicles. Different technologies will be able to deliver solutions for different users and vehicle types and consumers have a right to choose the right type of vehicle and technology for their journey needs.
16. As recognised by government, conventionally fuelled vehicles have a role to play in reducing emissions on the pathway to 2040 and beyond, and this should be recognised in government policy. The latest advanced diesels meet the world's toughest emissions standards, helping to reduce climate change and improve air quality – while also providing affordable mobility to millions of motorists, particularly those that travel longer distances and deliver our essential goods and services (again as noted in the Road to Zero Strategy).
17. In March 2017, government announced a review of taxes on new diesel cars, which it then detailed in the November Budget 2017, to pay for mitigation measures under the National Air Quality Plan. While not due to take effect until April 2018, the announcement did have an immediate impact on diesel registrations. Diesel's market share fell to 42.0% from 47.7% in 2016 and from more than 50% in 2014. Consumers may have deferred their new car purchase altogether, or switched to a petrol model, both scenarios likely to be to the detriment of CO₂ emissions. Diesel volumes have fallen further in 2018, down over 30% in the year-to-date and contribution significantly to the overall decline in new car registrations.
18. Fleet renewal is the quickest way to improve our environment, so consumers should now have the confidence to purchase the new vehicle that best meets their driving needs, whatever the technology, and should not be penalised through the tax system.
19. SMMT is pleased to see the current growth in the zero and ultra-low emission vehicle market continuing, supported by new products entering the market. September 2018 year-to-date registrations for new cars shows a 21.7% growth for AFVs, representing 6.0% of the new car market (and having reaching a new record of 8% in the month of August). Plug-in electric vehicles have seen volumes rise 21.8% over the first nine months of 2018, increasing their share to 2.3%, from 1.8% a year ago. PHEVs outsold BEVs by 3:1 and BEV volumes have only risen 1.3% to date.
20. The Plug-In Car Grant (PiCG) has also been an essential lever in encouraging this uptake and overcoming the barrier of such vehicles typically having a higher initial purchase price. Government's recent announcement that the PiCG will be removed for category 2 and 3 vehicles and cut by £1,000 the grant for category 1 vehicles from 9 November was, therefore, a shock to the industry and risks damaging the market and further confusing consumers as to which technology to buy. Moreover, it runs contrary to government's stated ambitions for a technology neutral transition and will undermine the ability of both government and industry to meet their respective – and legally binding – climate change targets.

21. We believe that any change to the Plug-In Car Grant should be tapered and only take place once the market has matured. We are not yet at that point. However, recognising the pressures on the public purse, an alternative to cutting the grant would be to use any unexpected Vehicle Excise Duty and Company Car Tax revenue that has resulted from the application of NEDC equivalent values (originating from the shift to the new WLTP emissions test) to support the continuation of the grant.
22. To help support the shift to ultra-low emission and zero emission commercial vehicles, the Plug-In Van Grant should also be maintained. This provides a clear financial incentive to consumers who are considering changing their vehicle, in a market where the cost and commercial use are key considerations. While the way in which the Plug-in Van Grant works needs to be reviewed, particularly in relation to the criteria for N2 and N3 vehicles, so as to ensure that it is utilised to its full potential, it is too soon to remove the grant. Long-term certainty over the Plug-in Van Grant is needed and the level of resource should be commensurate with the level of ambition set by government.
23. The development and provision of infrastructure is also vital to the uptake of battery electric vehicles and hydrogen fuel cell electric vehicles. The automotive sector welcomes government's commitment to develop one of the best electric vehicle infrastructure networks in the world and recognises the funding government has made available to support this ambition. It is clear consumer confidence in alternatively fuelled vehicles is strongly linked to infrastructure provision (an AA Populous survey shows it to be the most important factor) and this must be a clear, long-term, priority if such ambitious government targets are to be met.
24. Infrastructure must also be future-proofed by enabling an interoperable and easily accessible network of the right type of chargers in the right places, including home charging, on-street residential and a network of high power chargers up to 350kW, to support the next generation of vehicles already under development. Infrastructure investment should also be technologically neutral with provision made for a full range of technologies, including hydrogen, so as to ensure that consumers are free to choose the technology that best suits their needs. Government should also support collaboration between local and national government, energy providers, DNOs, charge point providers and the automotive industry. The EV Energy Taskforce and London EV Infrastructure Task Force are welcome steps in this direction.

Current and future technologies

25. The automotive industry believes the future of mobility is likely to be Autonomous, Connected, Electrified and, in the urban context, Shared (ACES). Future transport technologies will change the consumer journey experience and mobility options. SMMT believes that future urban mobility must build on existing public transport networks to manage rising congestion.
26. In recent years, a clear shift from traditional vehicle ownership to usership has emerged. Individual access to vehicles is still generally the preferred option (even if the financing models are changing to hire type agreements, eg PCP deals). However, new technologies, linked to smart phones, etc. have led to a proliferation of pay-as-you-go schemes, such as car clubs or on-demand mobility services. Many automotive companies are recognising this shift and embracing the new opportunities offering their own services or partnering with other service providers.
27. These shifts have the potential to generate environmental benefits and reduce congestion. According to the International Transport Forum³, replacing half of all private car trips with rides in shared vehicles (buses & ride sharing) would deliver a 20% reduction in CO₂ emissions and reduce congestion by 17%. If one in five private car trips was taken over by shared mobility services, CO₂ emissions would still be reduced by 15% and congestion reduced by 8%. However, as with all new technologies and business models it will be important to ensure they see a net rise in vehicle

³ <https://www.itf-oecd.org/sites/default/files/docs/shared-mobility-simulations-auckland.pdf>

utilisation and do not detract from other lower emitting forms of transport (eg walking, cycling or public transport).

Industrial strategy

28. The automotive industry remains committed to working in partnership with government, through the industrial strategy, to ensure the ongoing competitiveness of the UK automotive sector. We share the same objective; maintaining the competitiveness of the sector, ensuring that the benefits of new technologies are unlocked and guaranteeing that the UK remains one of the best places in the world to design, develop and manufacture vehicles. If we are to achieve this, all departments must take a consistent approach across all policy areas.
29. Collaborative partnership between the automotive industry and government has been an exemplar to many other sectors as a positive way to work effectively to deliver mutually beneficial aims. The Automotive Council has helped improve the competitiveness of the sector and ensure both parties better understand the issues each other faces. Similarly, the Advanced Propulsion Centre, Meridian and the Faraday Challenge are good examples the measures to support the transition of the sector towards connected, autonomous and electric vehicles. Given the size of the task and opportunities for the UK, such collaborative approaches must be maintained and strengthened.

Conclusion

30. The UK is well placed to build on its position as leading place to design, manufacturer and sell automotive products and transition to the new technologies necessary to further remove the environmental impact of vehicles. Targets for zero and ultra-low emission vehicles need to be challenging but realistic and the UK's position within the global and in particular European market place need to be properly considered. Regulatory divergence from EU CO₂ regulations could prove costly to both consumers and industry alike, as well as the livelihood of the thousands of workers in the UK reliant upon the sector. The also needs to long-term support for the necessary infrastructure and fiscal measures – including incentives – to support consumer demand and encourage UK production.

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