

Sent via email only to [environmental.strategy@dft.gov.uk](mailto:environmental.strategy@dft.gov.uk)

21 August 2020

Dear Environmental Strategy Team,

**Subject: Energy industry input on regulating CO<sub>2</sub> emission standards for new cars and vans after transition**

We welcome the opportunity to feed into the consultation on regulating CO<sub>2</sub> emission standards for new cars and vans after the EU transition period ends. Please see below an introduction to Energy UK followed by our key points and specific responses to your questions.

**An introduction to Energy UK**

Energy UK is the leading trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Energy UK members are very active across the transport decarbonisation agenda, in particular on electric vehicles (EVs), offering EV tariffs, smart charging and vehicle to grid, leasing EVs either directly or in partnership with other companies, and installing chargepoints in homes, businesses and in the public domain.

This response was drafted by Energy UK's EV Working Group where Energy UK members with an interest in the transport decarbonisation agenda are represented.

**Key points**

- The current trajectory for CO<sub>2</sub> emissions standards is not aligned with a 2035 (or earlier) phase out date for internal combustion engine vehicles. While this consultation does not relate to a policy decision on CO<sub>2</sub> emissions standards, we would like to emphasise the importance of an ambitious regime for new vehicles.
- While broadly supportive of the approach to translate the EU rules into UK law there are certain areas that we believe have the effect of watering down the requirements:
  - Using the EU average vehicle mass, rather than applying the UK's average vehicle mass results in the targets be reduced in ambition.
  - Maintaining the same 1,000 de minimis threshold for the UK could mean that some established manufacturers do not have to comply with emissions standards. If they have not already done so, we would urge Government to carefully examine this and ensure that vehicle manufacturers that currently have to comply do not become exempt as a result of the change.
  - The fine level is adjusted from a 95 EUR per gram of CO<sub>2</sub> value to an 86 GBP, in line with the current exchange rate. A mechanism to ensure that the GBP fine does not drop below the EUR amount should be considered. Failing to do so could lead to the marginal EV being supplied to the EU rather than the UK for any supply constrained manufacturer if it is cheaper to pay the UK fine than the EU fine.

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**1. Do you have any comments on the approaches proposed for UK targets and CO2 emission formulae? Are there unintended consequences of the proposed approach? If not, please explain your reasons in your response.**

Energy UK supports an ambitious uptake of electric vehicles to meet our 2050 net zero target, including through banning the sale of new internal combustion engine vehicles and plug-in hybrid vehicles by 2030. CO<sub>2</sub> emissions standards have been and will continue to be a vital part of driving the zero-emission vehicle (ZEV) market so it is crucial they are set at a robust level.

We were very pleased to see that the Road to Zero commitment that Government would pursue “*a future approach as we leave the European Union that is at least as ambitious as the current arrangements for vehicle emissions regulation*” is here reiterated. We are concerned however that as the EU average vehicle mass is being used to calculate the target this does not hold true.

As raised by Transport & Environment<sup>1</sup> it is of concern that using the EU fleet average vehicle mass results in the 2021 emissions standards increasing from 95g/CO<sub>2</sub>/km to 100g/CO<sub>2</sub>/km. Given the importance of cutting emissions from road transport, on which the UK has made very little progress since 1990, we need to maintain ambitious standards. This discrepancy should be rectified by ensuring that the UK average fleet mass is used from the outset.

**2. Do you have any comments on the approach proposed for sales volumes and derogation thresholds? Are there unintended consequences of the proposed approach? If not, please explain your reasons in your response.**

While we appreciate the rationale for maintaining the 1,000 vehicle de minimis threshold to minimize disruption, we are concerned that this may result in some established manufacturers becoming exempt. This is against the intention of the exemption.

Given the UK represents around 15% of the EU market that would set a de minimis level of around 150 vehicles. Setting this level may be disruptive if previously exempt manufacturers are suddenly required to comply with the emissions standards – which would not be a desirable outcome – however the opposite should be avoided, namely that manufacturers that are currently required to meet the standards become exempt. We would urge Government to carefully consider the de-minimis level to prevent this if it has not already done so.

**3. Do you have any comments on the approach proposed for eco-innovations? Are there unintended consequences of the proposed approach? If not, please explain your reasons in your response.**

Please see member responses.

**4. Do you have any comments on the approach proposed for super-credits? Are there unintended consequences of the proposed approach? If not, please explain your reasons in your response.**

We suggest that super-credits be applied to ZEVs only. While ultra-low emission vehicles have a role to play as a transitional technology only ZEVs can deliver the emissions reduction necessary to meet our net zero target. We need all Government policy levers to be pulling in the same direction and prioritizing the uptake of ZEVs.

We are concerned that at present the proposed approach to super-credits is another example of lowered ambition for the UK car CO<sub>2</sub> regime post-transition. As Transport & Environment have pointed out (ibid), many carmakers will have used up their full allocation of super-credits across the EU to

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<sup>1</sup> <https://www.transportenvironment.org/publications/uks-co2-standards-new-cars-and-vans>

comply with their 2020 obligations. By resetting super-credits for all manufacturers in the UK the compliance requirements are effectively made easier by the granting of additional super-credits that would otherwise have been used up. This is on top of a target already made more lenient due to the lack of immediate weight adjustment to the UK average.

**5. Do you have any comments on the minor and technical changes proposed? Are there unintended consequences of the proposed approach? If not, please explain your reasons in your response.**

Article 8 – excess emission premium: the suggested fine level is £86 to equate to €95, in line with the current exchange rate. We suggest including a stabilizer to ensure the GBP fine amount remains equivalent to €95. This would prevent the UK having a lower fine level than the EU level making it more attractive for manufacturers to pay the fine in the UK instead of supplying cleaner vehicles to the UK market.

I hope this input is useful, if you have any questions please do not hesitate to get in touch.

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