The voice of the energy industry

Energy UK response to the HM Treasury's Introduction of Electric Vehicle Excise Duty (eVED)

18th March 2026

https://www.gov.uk/government/consultations/consultation-on-the-introduction-of-electric-vehicle-excise-duty-eved

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity.

Through our Young Energy Professionals Forum, we support the development of future leaders. We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

eVED offers a long-term solution to how our transport system is paid for as the UK transitions to zero-emission transport. Energy UK therefore supports the introduction of eVED as a forward-looking component of the transition to electric cars. **However, Energy UK would urge against implementing eVED before the 2030 ZEV mandate date has been achieved.**

Swift mass uptake of Electric Vehicles (EVs) is paramount in delivering our future energy system at lowest cost by enabling the sharing of non-commodity costs across a wider base of end users and providing vital system flexibility. The ZEV mandate is key policy lever in driving the level of EV adoption needed to realise these benefits.

In the near term, particularly over the next four years, when ZEV mandate targets increase most steeply, government policy should prioritise strong price incentives to support the switch to electric. This is especially important for more price-sensitive and risk-averse households. Introducing eVED prematurely would weaken one of the central economic arguments for choosing an EV and risks slowing uptake at a critical point in the transition.

A carefully designed and customer-focused eVED model, which reflects the reality of driving patterns across the UK, will provide the funding needed to strengthen the transport system**. However, the Government should not rush its implementation before detailed engagement with industry and drivers has taken place to ensure the proposal doesn't undermine trust in the transition to electric vehicles**. It should be designed in a way to allow both industry and drivers time to adapt, while ensuring nothing detracts from the strength or integrity of the ZEV Mandate. Any introduction of eVED should be ringfenced and reinvested to support the UK's clean transport system.

If you have any questions about this response or wish to engage with Energy UK and its members, we would welcome further engagement.

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Consultation Questions

1. **Do you have any views on the government's proposal for the design and scope of eVED?**

eVED offers a long-term solution to financing the transport system as the UK transitions to zero-emissions transport.

The UK EV market is one of the strongest globally, with EVs representing nearly 1 in 4 new car sales in 2025.[1] Maintaining this strong momentum will be critical in delivering our future energy system at lowest overall cost by enabling the sharing of non-commodity costs across a wider base of end users and providing vital system flexibility. The Clean Flex Roadmap expects significant further growth in consumer-led flex after 2030, with the largest proportions driven by EV uptake and bidirectional charging. [2]

The energy industry is playing a key role in enabling this transition, by developing innovative tariffs to maximise EV smart charging to minimise consumer costs and reduce the size of the electricity system required to meet new EV demand. The sector is investing heavily in the charge point and network infrastructure required, but these commercial investments rely, in part, on widespread EV adoption.

Whilst this promising growth in the EV market represents significant progress in the UK's transport decarbonisation journey, it also highlights the need for new fiscal mechanisms as petrol and diesel vehicles are phased out. Alternative approaches will be required to sustainably fund and maintain the UK's transport network – with eVED offering a potential solution to address this emerging funding gap.

[1] SMMT (2026), UK car market breaches two million as almost one in four buyers go electric
[2] DESNZ (2025) Clean Flexibility Roadmap

Energy UK therefore recognise the importance of implementing a taxation method to support the transition to zero emission vehicles. However, given the importance of growing the EV market in line with the ZEV mandate trajectory, **Energy UK would urge caution around implementing eVED before the 2030 ZEV mandate date has been achieved.**

Introducing additional costs too early risks undermining the economic incentives that are currently supporting EV uptake – delaying the system-wide benefits that the widespread electrification of transport can deliver.

The importance of maintaining EV incentives for mass adoption – international example

When exploring how the UK should develop its policies for the EV transition, Norway provides a useful comparative case study. By 2025, 98% of new car sales in Norway were EVs.[3] This success has been driven by a comprehensive package of fiscal and financial incentives, particularly those aimed at reducing both upfront and running costs to have a greater impact on the overall total cost of ownership (TCO).

In contrast, UK policy has focused more heavily on reducing the upfront purchase price of EVs, primarily through grant schemes, which helps to influence customer purchasing decisions. While this contributes to lowering overall TCO, the UK provides relatively fewer incentives targeting ongoing running costs – leaving those reliant on public charging which is significantly more expensive per kWh at a disadvantage. Average prices for public charging rose 38% between 2021/22 and 2024/25.[4] As a result, the financial advantages of EV ownership are less pronounced over time compared to Norway.

In 2025, EV sales in the UK were roughly where Norway was in 2017, when EVs accounted for around 20% of total new car sales.

Norway did not begin reviewing its incentives until 2023, when EV penetration had reached approximately 80% of new car sales. Even then, the policy adjustment was limited, with 25% VAT introduced only on the portion of EVs priced above £40,000, affecting mainly higher-end models, illustrating the importance of adapting a policy framework based on adoption rates.[5]

Norway only began considering a broader reduction of EV tax exemptions in 2026 and plans to remove the VAT exemption in 2027. At the same time, the government intends to increase the one-time registration levy on internal combustion engine (ICE) vehicles, thereby preserving the overall cost advantage of EVs.

This suggests that price incentives remain critical not only for early adopters but also for encouraging the mass market to transition to EVs. As adoption increases, the most effective approach is not to remove incentives prematurely but rather to refine them - targeting consumers who are less likely to switch without additional support.

Norway did not withdraw the financial benefits to create market pressure - it withdrew support once the transition was effectively secured. Early adopters would likely have switched to electric anyway, so the real test becomes persuading households who are more price sensitive and risk-averse to switch.

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[3] European Alternative Fuels Observatory (2026), Norway Hits 98% EV Share as Europe Enters 2026 Policy Era
[4] ChargeUK (2025) Action on high energy costs needed to keep EV transition on track
[5] Electrive (2022), Norway to remove VAT exemption for pricey electric cars

Pay per mile disrupts the main incentive mechanism

In the UK, for the everyday driver, the main financial incentive for EV adoption is the purchase grant, which provides a one-off discount of £3,750 or £1,500, depending on the model. Even with a pay-per-mile system in place, EVs would still maintain a running-cost advantage compared with ICE vehicles, with estimated savings ranging from 16% to 31%.[6]

However, when considering the total cost of ownership, the picture changes. Over a vehicle's lifetime, the estimated cost of eVED (around £3,400) is broadly comparable to the higher EV grant (£3,750). While an upfront incentive typically has a stronger behavioural impact than ongoing cost savings, the introduction of eVED would effectively offset much of the grant's financial benefit. As a result, the total cost of ownership for EVs could increase by up to 10% in some cases, weakening one of the key economic arguments for switching to electric vehicles.

In the UK context, Energy UK would urge against reducing the price differential until at least 80% of the ZEV mandate target is achieved, which is expected around 2030.

The UK should avoid prematurely weakening EV incentives until EV adoption reaches mass-market levels.

Waiting until this point would also prevent conflicts with the ZEV mandate and avoid negative impacts on manufacturers. The Office for Budget Responsibility (OBR) has estimated that changes to EV incentives could lead to a net reduction of approximately 120,000 EV sales,[7] potentially exposing manufacturers to up to £1.4bn in fines under the current ZEV mandate trajectory.[8]

Whilst the comparison is caveated, noting that Norway and the UK differ on population size, GDP per capita, and urbanisation levels, maintaining fiscal incentives is key to ensuring that EVs maintain a lower running cost and total cost of ownership than ICE vehicles to ensure customers continue to choose to switch.

This analysis references the current EV grant structure, and does not take into account Benefit in Kind, as not all drivers can access this and not all EV models are eligible for the grant. Energy UK believes that the Electric Car Grant should be extended to second-hand EVs, which would expand access to low-carbon transport by ensuring that strong demand exists across both new and used vehicles, supporting a more accessible market overall.

Hybrid vehicles

It is also important to consider the structure of the UK vehicle market. Hybrid vehicles accounted for around 40% of new car sales in the UK in 2025, whereas hybrid market share in Norway has never exceeded 30%. [9] Reducing EV incentives in the UK could therefore encourage consumers to shift toward hybrids rather than fully electric vehicles, slowing progress toward transport decarbonisation and a low-cost, low-carbon electricity system.

2. **What should the government consider when developing guidance that supports motorists to estimate their mileage?**

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[6] Energy UK analysis
[7] OBR (2025), Economic and fiscal outlook – November 2025
[8] Energy UK analysis
[9] Energy UK analysis based on new car sales data

Government should not underestimate the significant national behavioural change the proposed change in motoring taxation represents.

Clear and consistent messaging

Key taxation changes need to be supported with ongoing, clear messaging, that not only outlines the changes to eVED, but also explains the broader benefits of EV adoption, such as improved air quality and the benefits of lower running costs particularly if using smart charging.

For many households, switching to an electric vehicle is a long-term decision that often involves financial planning – it is not a one-off decision on a single day. Together with industry, Government should also continue improving general awareness of EVs and how they operate, not only helping drivers understand how any new taxation will affect them and their new vehicle, but also how they can minimise running costs through selecting the right tariff. This will be essential to enable informed decision-making for households in the UK.

Including transparent financial information, including tangible benefits

EV drivers will face both eVED and VED which could create confusion. The terms should be clarified, and information provided on how taxation may interact with total EV ownership costs, such as:

- Upfront vehicle costs
- Potential savings from switching from an ICE vehicle to an EV
- How drivers can benefit from different grant types (including for vehicles and charging infrastructure)
- Charging costs, including acknowledging the price differential between public and home charging and different types of charging available at both.

Government should link broader cost-saving tools to EV drivers. Smart meters can be a useful tool to help drivers with a driveway to take advantage of time-of-use tariffs and variable electricity pricing, helping drivers charge more cheaply and allowing the grid to manage demand more efficiently – which in turn brings down costs for all consumers.

Whilst some chargepoints offer time of use savings such as plunge pricing[10], households reliant on public charging will still face a higher tax of 20%, compared with those who can charge at home – an additional tax on housing type rather than driving method. Further information on this disparity can be found in Q11. Providing simple tools or examples that demonstrate how mileage affects overall costs can help motorists make more informed decisions.

User testing with a broad range of motorists

Testing with end users can help identify areas where information is unclear for different types of motorists with different levels of familiarity with vehicle technologies or digital tools. Further detail is provided in Q5.

Debt protection measures

The government should ensure that any mileage-based charging approach does not unintentionally create financial hardship for motorists who may find it difficult to accurately predict or manage their mileage. Guidance should therefore include clear explanations, safeguards, and support mechanisms where appropriate. Further detail is provided in Q5.

[10] Centre for Net Zero (2026) More than a numbers game: under the hood of the UK's public EV charging network

Any introduction of eVED should be ringfenced and reinvested in a clean transport system.

3. **How could technology make eVED easier and simpler for businesses and motorists to comply with?**

There are concerns that there will be limited capacity to certify all of the existing EVs on UK roads. Government should ensure the DVLA is given sufficient warning to enable it to scale up resources ahead of implementation. This should be accompanied by comprehensive staff training to ensure employees have a strong understanding of both eVED processes and EV technologies more broadly, enabling them to provide accurate guidance to motorists and businesses.

Bundled vehicle applications using aggregated mileage for business fleets should be considered to reduce the burden on businesses. Similarly, clarity is needed on the treatment of salary sacrifice, as it is currently not clear how the payment will be managed under the scheme, and who is responsible for covering the costs.

For both businesses and households, efforts to implement eVED should also be accompanied by initiatives to increase general understanding of the opportunities to lower their costs using EVs (through access to Benefit in Kind, chargepoint grants, and smart charging opportunities) rather than focusing solely on the taxation system itself.

4. **Would you support the consideration of technological solutions on an opt-in basis, in future?**

Yes – although in order to retain driver trust in the transition, the customer should always retain the option to opt-out of technology usage.

5. **What should the government consider when designing the system for managing under and over payments of eVED?**

Energy UK would urge Government to use learnings from the energy sector around how bills are communicated in the energy retail sector as it introduces eVED. Energy UK would point Government to organisations like Plain Numbers. They have created specific campaigns around designing bills to focus on consumer outcomes, removing jargon and ensuring bills are easy to understand for the customer. [11]

Government should specifically consider:

- How can you reduce the amount of numbers on a page?
- Can you remove fractions and percentages, and put it into actual costs?
- Are the numbers comparable?
- Can the webpage complete the maths for the driver, so the customer doesn't have to?

Government should also be aware that almost half of adults have the numeracy skills expected of a primary school child, and at least 1 in 5 adults experience maths anxiety.[12]

Documents should not outline anything complex, and stick to messaging that is clear, fair, and easy to understand – to prevent a disconnect between perceived and actual understanding.

[11] Plain Numbers (2025), How Plain Numbers nearly tripled customer understanding for Cadent
[12] Plain Numbers (2026), Maths Anxiety. What is it and how does it impact consumers?

Debt protection will be key to ensure trust in the system, and prevent customer harms.

The system should minimise the risk of unexpected liabilities for consumers. Timely communication of charges, along with accessible tools to track usage and projected payments, would help drivers understand their likely obligations and avoid unintentional under-payments.

6. **The government intends to engage with garages on MOT fees and the costs of mileage checks. Are there other steps the government should take to support MOT garages to prepare for eVED?**

N/A.

7. **Do you agree that MOT garages are well placed to be accredited providers of mileage checks?**

N/A.

8. **Are there alternative approaches for checking mileage in the first three years after a car is registered (pre-MOT age)?**

N/A.

9. **What impact will the proposed approach for eVED collection have on fleets and leasing businesses?**

As outlined in Q3.

10. **What should the government consider to minimise administrative burdens and complexity for these businesses?**

As outlined in Q3.

11. What should the government consider to ensure the overall approach to tax reporting and collection is fair?

Energy UK is concerned that the eVED consultation is focused purely on tax recouperation, but misses the significant amount of wider support needed to protect EV uptake more broadly.

Taxation inequities

As this will be an additional tax on drivers, Government should look to ensure there is fairness across taxation more broadly. Government should remove the current 20% 'no-driveway' VAT premium on public chargepoints, which unfairly penalises drivers without access to home charging – something which taxes housing type rather than driving behaviour.

Similarly, public transport costs should also be reviewed as part of the initiative, ensuring that the benefits of low-carbon transport are felt by all. Government should recognise that placing what appears to be an additional tax burden, without providing alternative solutions to those who do not want to pay, will create further mistrust amongst the public in the clean transition. To ensure public acceptance of the policy proposal – and fairness in access to clean transport - any such policy must be accompanied by investment in reliable and affordable public transport options. Without credible alternatives, individuals, particularly in underserved areas, may feel disproportionately impacted by the policy, undermining both the effectiveness and legitimacy of the policy.

Electricity costs

In the Autumn Budget, Government committed to taking some policy costs off bills. This is promising and should be implemented swiftly. Government should look to reduce electricity costs for chargepoint operators by taking some electricity policy costs off non-domestic electricity bills – ensuring that the full range of businesses and households get access to competitive electric transport offerings.

Government should also look to include electricity within the Renewable Transport Fuel Obligation (RTFO) to provide a market-based mechanism that supports investment in charging infrastructure.

Policy certainty

The Government should avoid any further weakening of the Zero Emission Vehicle (ZEV) Mandate, which is critical to maintaining investor confidence in clean energy infrastructure and the UK's competitive market position in the transition to low-carbon transport.

Public funding

To ensure the UK has an effective, widespread charging network, they should swiftly allocate and strategically deliver the £600 million announced in the Autumn Budget for public charging, ensuring funding reaches priority locations and addresses regional disparities in chargepoint locations.

Network charges

Many rapid hubs are installed well before there's heavy usage, and "future-proofed" to handle expected future EV demand. Because these sites have high capacity but low consumption, their standing charges as a proportion of total costs have increased dramatically.

Government should take immediate action to address the significant increase in network charges for EV rapid charging hubs, while progressing the longer-term network charges reforms under Ofgem's ongoing Cost Allocation and Recovery Review and the anticipated DESNZ Reformed National Pricing Delivery Plan to lower bills in the long term.

Grid connections

EV charging infrastructure must be integrated into wider energy system planning. As such, it is essential to future-proof grid connections for rapid charging along the strategic road network, accounting for anticipated EV growth. Targeted funding is still needed where it is not commercially viable for the private sector to invest alone, and there needs to be detailed modelling of future electricity network requirements to anticipate and plan for the network upgrades needed as fleet electrification accelerates.

No further responses to consultation questions.