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Lilian Greenwood MP
Parliamentary Under-Secretary of State
Great Minster House
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28 May 2025

Dear Minister,

I am writing in response to your letter dated 22 May asking for the Committee's advice on the zero-emission vehicle (ZEV) mandate and carbon dioxide (CO_2) regulations for new cars and vans, pursuant to s48(1) and s48(2) of the Climate Change Act 2008, on behalf of Ministers of the UK Government, Scottish Government, Welsh Government, and Department for Infrastructure for Northern Ireland. The first part of this letter comments on the discrepancy in emissions reference targets in Regulation (EU) 2019/631, and the policy intention of the Vehicle Emissions Trading Scheme (VETS) Orders 2023 and 2024. We are also taking the opportunity to comment more broadly on the zero-emission vehicle policy changes announced by the Government in April 2025.

Addressing the discrepancy in emission reference targets

You have requested our advice on your proposal to allow the use of either UK-derived or EU-derived Worldwide Harmonised Light Vehicles Test Procedure (WLTP) specific emissions reference targets to calculate a 2021 non-ZEV emissions baseline. This baseline determines the CO_2 targets that manufacturers face under the non-ZEV CO_2 trading schemes. Under this proposal, manufacturers will now be able to use either UK or EU reference data in calculating the baseline for manufacturer-specific emissions targets; previous guidance recommended using the EU-derived values carried over from the assimilation of Regulation (EU) 2019/631.

This change impacts how manufacturers comply with ZEV mandate provisions relating to CO_2 improvements in their non-ZEV fleets. It allows them to use the UK-derived 2021 emissions baseline, which is a slightly higher starting point in terms of CO_2 than the EU-derived one. This means that manufacturers can choose a higher emissions starting point against which they must reduce their non-ZEV CO_2 emissions. This proposed amendment means that manufacturers are not obligated to reduce the CO_2 emissions of their non-ZEV fleets as much as their obligations would be without the amendment. If manufacturers choose to continue to reduce the emissions of their non-ZEV fleets against the lower EU-derived baseline, these marginal efficiency savings could be traded via the ZEV mandate flexibilities. In either case, this will lead to a small increase in emissions.

We understand this amendment represents a technical remedy to a previous discrepancy between assimilated EU law and regulation governing the ZEV mandate. We have reviewed your assessment that this change is expected to lead to a very small reduction in emissions savings over the Fifth Carbon Budget period (2028 to 2032). On balance, we agree that this change is necessary to provide clarity to manufacturers.

Reinstatement of a 2030 phase-out date for petrol and diesel cars

The Committee welcomes the decision to reinstate the 2030 phase-out date for new petrol and diesel cars. This restores an important signal to manufacturers and consumers about the transition to electric vehicles (EVs), which is an essential change on the UK's path to net zero emissions by 2050. We are disappointed that the phase-out date for vans has not also been restored to 2030 but acknowledge the need to build momentum in a less developed market.

As we set out in our recent advice to the UK Government, we expect the transition to EVs to be market-led. Consumers will respond to the technology reaching price parity with petrol and diesel equivalents before 2030. There are encouraging signs that we are approaching this key tipping point, with the price premium of EVs falling to 24% at the start of 2025.[*] This transition is expected to deliver much of the emissions reduction required to meet the UK's 2030 Nationally Determined Contribution, so clear signals and supportive regulation are essential.

Changes to ZEV mandate flexibilities and confirmation of post-2030 requirements for non-ZEVs

The ZEV mandate is working effectively, with manufacturers meeting their targets (with some use of flexibilities) in 2024. It is important that manufacturers can continue to meet the aims of the mandate rather than face fines, so the right balance of flexibilities and penalties is needed. We view the changes to the flexibilities as pragmatic, and we support the retention of the headline sales targets for EVs and tapering of the ability to carry-over EV sales from future years.

However, we are concerned about the use of plug-in hybrid vehicle (PHEV) utility factors, used to calculate the relative emissions savings conferred by PHEVs, that are not reflective of real-world values. These have been shown to underestimate real-world emissions by almost 250%.[†] This decision therefore overestimates PHEV CO_2 emissions savings and artificially inflates the CO_2 flexibility credits they confer. The difference between the PHEV utility factors and real-world values, when combined with the expanded and extended ability to convert non-ZEV emissions improvements into ZEV credits, could encourage a greater role for hybrid vehicles.

The impact assessment carried out by your department estimates that this coupling of factors will lead to fewer CO_2 emissions savings compared to the previous arrangements. It assumes that the use of the CO_2 transfer flexibility continues at the same levels as 2024 but acknowledges that there is significant uncertainty. By allowing for greater use of this flexibility, it is possible that manufacturers could increase their PHEV sales beyond 2024 levels, at the expense of some EV sales, which would see a further reduction in emissions savings.

[*] Autotrader (2025) *Road to 2030*. https://autotraderroadto2030.co.uk.

[†] Department for Transport (2024) *Phasing out the sale of new petrol and diesel cars from 2030 and Support for the Zero Emission Transition*. https://assets.publishing.service.gov.uk/media/679382182de28ea2d392f37f/phasing-out-the-sale-of-new-petrol-and-diesel-cars-from-2030-and-support-for-the-zero-emission-transition.pdf.

Surface transport is the UK's highest-emitting sector. Although the policy changes proposed are minor, their effect needs to be carefully monitored to ensure that sales of electric cars and vans increase rapidly. We recommend that you continue to monitor developments in the market closely, including the share of EV and hybrid sales, the price of EVs, and investment into charging infrastructure. If these policy changes appear to slow the emissions reductions from surface transport, we would advise you to urgently counter this effect.

Yours sincerely,

Professor Piers Forster
Interim Chair, Climate Change Committee