House of Commons

Transport Committee

Plug–in vehicles, plugged in policy?: Government Response to the Committee's Fourth Report of Session 2012–13

Eighth Special Report of Session 2012–13

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Mark Egan (Clerk), Farrah Bhatti (Second Clerk), Tony Catinella (Senior Committee Assistant), Adrian Hitchins (Committee Assistant), Nyree Barrett-Hendricks (Committee Support Assistant) and Hannah Pearce (Media Officer).

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Eighth Special Report

On 7 January 2013 we received a response from the Government to the Transport Committee's Fourth Report of 2012-13, *Plug-in Vehicles, plugged in policy?*[1]

Government Response

Introduction

The Government welcomes the Committee's interest in this subject.

This response incorporates contributions provided by the Departments for Transport, Business Innovation and Skills (BIS) and Energy and Climate Change (DECC)). In each case the Committee's recommendation is reproduced followed by the Government's response.

General

It is eight months since the Committee announced its inquiry so we would first like to take the opportunity to update the headline figures we initially supplied with regard to numbers of vehicles, charge points and research and development spend.

As of 31 October 2012 2660 cars and 195 vans had applied for grants under the Plug-In Car and Plug-in Van grants. As of the 31 September the eight Plugged-In Places (PIPs) had installed over 2500 recharging points of which some 1,853 are publicly accessible. The details of around 75% of these publicly accessible points have been shared on the National Chargepoint Registry (NCR), with PIPs uploading data on a rolling basis. Of the £82m Office for Low Emission Vehicles (OLEV) funding allocated to the Technology Strategy Board (TSB) for research and development, £63m has been committed to 75 projects through the Low Carbon Vehicle Integrated Delivery Programme (LCVIDP). The LCVIDP has received further public sector investment of over £50m and leveraged an equivalent sum from the private sector, taking the total investment to almost £250m.

Demand

1. We recommend that the Government promotes public understanding of the availability of infrastructure and the support available for plug-in vehicle purchases. There should be provision in Plugged-In Places funding to undertake such initiatives. (Paragraph 13)

The Office for Low Emission Vehicle's response: The Government recognises that one of the key barriers to the wider uptake of the ultra low emission vehicles (ULEVs) is the lack of understanding of the benefits, capabilities and running costs of these vehicles by potential business and private purchasers. We are working with the manufacturers of plug-in vehicles to consider how best to jointly address this issue. In addition, the need for

1 HC 239, published on 20 September 2012

real world data and qualitative feedback from motorists and organisations who have experience of driving and operating these vehicles will be useful in ensuring that any marketing activity is targeted at the right people and includes messages focussed on the actual concerns of potential ULEV buyers.

We have to understand the market for these vehicles: who buys them and why? OLEV is working with the Department for Transport's (DfT) Social Research and Evaluation Division to review existing evidence and address key evidence gaps regarding car purchasing behaviour, including the motivators and barriers to households and organisations buying the new range of plug-in cars.

Existing evidence on car purchasing suggests it is a highly complex behaviour influenced by many different factors. This complexity results in large differences across the population. For example, buying a new car is a minority activity among private households, with only 29% of adults in England saying their main household car was bought brand new. Such new car buyers tend to come from older, higher income groups. Initial survey evidence has suggested that among all adults, the high purchasing cost of electric cars, concerns about range/charging and a lack of understanding are key barriers to buying an electric car. However, wider evidence suggests that other factors such as habit and social norms are also likely to be important, and qualitative research has been commissioned to explore these issues in more depth with existing and potential electric car owners.

This work should help inform any campaign to persuade both businesses and private motorists to look at the case for buying and using ULEVs. We would draw the attention of the Committee to some of the activity already being supported by Government in this area. For example the fleet consultancy service offered through the Energy Savings Trust (EST)'s Plugged-In Fleets Initiative, which Government part funds, and the Society of Motor Manufacturers and Traders (SMMT) Electric Vehicle guide which we helped to draft. This is supported by significant public awareness raising already being undertaken by ULEV manufacturers.

The Government's view is that potential buyers require a steady flow of information on the benefits and characteristics of ULEVs. The Plugged-In Places scheme is not UK-wide and is therefore not the medium through which we should make the case nationally for benefits of buying and using ULEVs. Instead, the activity of the PIPs should be part of a co-ordinated drive to convince vehicle purchasers of the cost and environmental benefits of the vehicles. There is a wide range of real world data on driving and charging patterns held by the PIPs which is available to OLEV and is being analysed to inform future policy development. This will be invaluable in understanding how these vehicles are used and in helping to make the case for ULEVs even more compelling.

2. We regret the Treasury's decision to change the financial incentives framework for low carbon vehicles without prior consultation. Such unexpected changes to these incentives risk creating instability in the market for plug-in vehicles. (Paragraph 15).

The Office for Low Emission Vehicle's response: Tax issues are a matter for the Treasury. Of course, there are continuing discussions within Government at both Ministerial and

official level to ensure that the fiscal regime supports the Government's growth and environmental aspirations, within the wider spending framework.

We recognise that the automotive industry would like a stable and long term regulatory framework in which to make product, manufacturing and investment decisions and also that the automotive industry is currently one of the drivers of economic growth within the manufacturing sector. This is why we have a continuing dialogue with manufacturers to ensure that the UK remains highly attractive to the industry. This is not just in terms of tax incentives, but by providing an environment that is favourable for R&D, provides the necessary infrastructure and offers generous fiscal and non-fiscal benefits.

Departmental underspend

3. The DfT should clarify the reasons for the underspend in its low carbon programme. (Paragraph 18)

The Office for Low Emission Vehicle's response: The Government is happy to clarify the situation with regard to funding, both in terms of what we have spent and what we expect to spend on the main elements of the programme. In addition, we have a Programme Board who meet regularly to ensure that the financial reporting of the OLEV programmes is fit for purpose and to offer solutions when financial issues arise. The Board consists of officials from DfT, BIS, DECC and HMT.

The Plugged-In Places programme has spent £6.2m (to end of September 2012). This amount is match funded by PIP consortia, illustrating that the wider market is showing confidence in the market for plug-in vehicles. This means that the PIPs have been successful in delivering chargepoints where required, in what is a new and developing market. OLEV has a dedicated PIP Assurance team, who are in daily contact with all the PIPs. PIPs are also required, under the terms of their grant, to report financial, risk, chargepoint installation and other data on a quarterly basis to OLEV. When making grant claims, they are also required to submit evidence of installation and spend. OLEV also convenes a Quarterly Working Group with the PIPs, and runs several working groups covering a range of PIP issues such as information technology, technical issues and the sharing of best practice and lessons learned.

We are very encouraged by the emergence of private sector provision of infrastructure, perhaps earlier than might have been expected. There are several organisations rolling out infrastructure on a national basis, and in some cases they have partnered with organisations that would have otherwise partnered with the PIPs. This is the objective of Government intervention: to stimulate the private sector to invest and build a sustainable market.

From 1 January 2011 to 31 October 2012 there have been £11.4m in validated payment claims for the Plug-in Car and Van Grants. It might also be helpful to clarify that the £300m confirmed as available to support consumer incentives was a provision. Although we undertook analysis of what the market might look like out to 2015, there was, and indeed remains a considerable amount of uncertainty about how the market might develop. For example, manufacturers often adjust their new vehicle launch and marketing plans, which can affect our financial planning, pushing spending from one quarter to

another or even into the next financial year. The overall trend on the plug-in grants remains positive: there were over 400 grants payments in October 2012 - equivalent in a single month to 45% of all the grants paid out in 2011. The profile of uptake remains consistent with the roll-out of new technology in the automotive sector.

We are pleased with the success of the £82m R&D programme to date. We have committed £63m of this in supporting 75 projects which have received further public sector investment of over £50m and leveraged an equivalent sum from the private sector, taking the total investment to almost £250m.

The programme is delivered by the Technology Strategy Board and focuses on three of the specific priority technologies identified by the Automotive Council including:

energy storage and energy management;

lightweight vehicles and power train structures and ;

development of power electronics and electric machines.

We are confident that we will direct the remaining funding towards even more innovative, collaborative, industry-led research projects in key research areas at the cutting edge of low carbon vehicle technology. We will continue to support projects with the potential to deliver significant cuts in CO2 emissions from road vehicles as well as helping to create jobs and increase global opportunities for UK businesses.

Standardisation

4. Making sure that vehicle owners can access chargepoints across the UK should be a priority in the DfT's plug-in vehicle strategy. The DfT should set out how it will work to remove barriers to chargepoint access across the country. (Paragraph 24)

The Office for Low Emission Vehicle's response: As set out in Making the Connection the infrastructure strategy published in June 2011, the Government expects that the majority of recharging to take place at home or the workplace and at night. We are now looking to validate this with data gathered from the PIPs and other reliable sources. We are also looking to understand the patterns of use of these vehicles and to understand how much charging occurs on an ad hoc or opportunistic basis. This will be crucial in understanding what the ULEV driver will need in terms of interoperability.

Understanding how vehicle owners wish to access publicly accessible recharging infrastructure is crucial in developing the right future infrastructure to meet their needs. What we are beginning to understand is that there is no one solution which fits all requirements. With most owners charging their vehicles at home and overnight, and making journeys far below the range of their vehicle capability between charges, few private vehicle owners are making long distance journeys which require complete interoperability between infrastructure membership schemes. However, we recognise that some drivers do require this capability, and that having the ability to do this can be critical in the decision-making process for potential purchasers. There are several ways to do this, which is why the PIPs and the private sector are using a number of business models to roll

out charging infrastructure, including subscriptions and membership schemes, pay as you go (PAYG) models, and in some cases free chargepoints.

Pay as you go facilities allow for those drivers who make ad hoc or infrequent visits to regions to travel secure in the knowledge that they can charge their vehicle and make their desired journey. For those who regularly travel between schemes, scheme operators (both PIPs and non-PIPs) are working together in agreeing interoperability terms and conditions, allowing drivers to be members of one scheme but use chargepoints in partner schemes. An excellent example of this is the facility Source London and Source East, two of the PIP regions, have developed, where members of either scheme can use the other scheme's chargepoints free of charge. This amounts to around 980 charge points throughout the East of England and London. And we are aware of other such agreements across the country, including between public authorities and private sector organisations.

The Government is committed to reviewing Making the Connection by May 2013. This will need to consider how the market should develop to minimise the risk of fragmentation whilst still allowing a market which is open to new innovative business models. Part of this review will include an analysis of the data gleaned from the PIP scheme and consideration of how best to move from the PIP pilot areas to a compelling national offer on charging infrastructure that provides reassurance to prospective ULEV owners. Government cannot control how private sector providers manage access to their infrastructure, but ultimately it is in the interest of all providers to develop as a large a pool of ULEVs as possible.

We are also aware of activity at a European level where there are a number of trials and demonstrations, such as the Mobi-europe project and the 'Treaty of Vaals' and we will be monitoring them to see what issues these may highlight. The Mobi-europe project is of particular interest to the UK as one of the elements is looking at cross-border compatibility between Northern Ireland and Ireland recharging infrastructure.

5. The DfT should set out how it intends to reach agreement in the EU on the type of infrastructure to be used as standard for plug-in vehicles. (Paragraph 25)

The Office for Low Emission Vehicle's response: In an increasingly global marketplace the Government's view is that markets, rather than national governments, will drive the adoption standards. There is clearly a role for the EU in helping to ensure that anyone who drives an ULEV is able to do so in a simple and consistent way and certainly no more transactionally complex than is experienced when fuelling a conventional vehicle.

And whilst we see there are advantages of a single recharging plug solution, we also recognise that there are a number of charging and connector protocols, each with benefits to the consumer and industry and our stance is that it is for the market and industry to decide what charging hardware and infrastructure will be.

Of course it is absolutely vital that we engage with the decision makers and opinion formers to ensure that we understand both technological and policy developments – and so we maintain an ongoing dialogue with industry to do this. We were active in the CARS 21 process and are similarly in close touch with the Commission and the organisation they have appointed to conduct a stakeholder consultation on interoperability and standards issues.

We expect a more consensual view on protocols and connectors to emerge from the automotive and chargepoint industries over the coming years and there are already signs of rationalisation in this area.

Chargepoints and registrations

6. The DfT should evaluate the effectiveness of the provision of public infrastructure in encouraging consumer demand for plug-in vehicles. (Paragraph 31)

The Office for Low Emission Vehicle's response: The Office for Low Emission Vehicles has started the review of Making the Connection. Part of this process is to look at the effectiveness of both PIP and the Plug-in Car and Van Grants and whether there are firm conclusions to be drawn on the role of infrastructure provision in influencing the uptake of plug-in vehicles. It would be wrong to pre-empt this work but the Committee's point is well made and one that we considered when deciding on the scope of the work.

There are a number of issues that will have to be considered carefully however. For instance, cars are registered to an address in the UK but this may not necessarily mean that these vehicles are driven in the area where they are registered. This is particularly relevant to the business sector of the market which will often register its nationwide fleet to a single address. Currently business purchasers make up around 75% of those who have claimed the plug-in car grant and over 95% of those who have claimed the plug-in van grant.

It is also the case that the provision of publicly accessible infrastructure is only part of the equation. The private sector provision of infrastructure and the options for home and workplace charging all have a part to play in providing the confidence that plug-in vehicle buyers need when making purchasing decisions. It will not be possible to completely attribute the influence of publicly accessible chargepoints in a particular area to the uptake of plug-in vehicles. But we will be looking at the available evidence to ensure that our package of measures for supporting the early market for ULEVs remain effective in delivering the desired outcomes cost effectively.

7. An accurate and comprehensive registry of chargepoints installed by the Plugged-In Places scheme should be made available within the next six months. Publication of a full registry should encourage private chargepoint providers to upload their data for public use. We recommend that it be made a requirement of Plugged-In Places funding that details of the location of chargepoints installed using this funding are uploaded to the National Chargepoint Registry. (Paragraph 32)

The Office for Low Emission Vehicle's response: The National Chargepoint Registry (NCR) went live in April 2012. At the time of drafting this response, there are the details of around 1,350 of publicly accessible chargepoints listed on it, which represents about 75% of the total number of publicly accessible PIP funded posts. There is a rolling programme by PIPs of data upload as new chargepoints are installed, encouraged by OLEV to fulfil their contractual obligations and where necessary we are providing technical assistance.

We are also talking to private infrastructure providers to ask them to consider the advantages of uploading the locations of the publicly accessible sections of their networks on to the NCR. We will continue to explore all the options open to Government to encourage them to populate the NCR ultimately this will be a commercial decision for

them. The other important sector providing infrastructure is non-PIP local authorities and we have undertaken to inform them of the NCR and the considerable benefits of uploading their data.

We continue to monitor and consider how the NCR has been working and whether refinements could be made to the way it operates. We are also considering if there is a further role for Government to encourage the sharing of recharging point data or whether is something that would be best left either to the market or an independent third party organisation. The Government remains committed to the idea of a single repository of comprehensive national chargepoint data that is available for all. Car manufacturers also recognise the benefits of this and are keen to utilise such a data source. We are hopeful that this will ultimately drive private sector chargepoint providers to share their data as a matter of course.

Conclusion

8. The Government must avoid creating instability in the plug-in vehicle market through a lack of consistency between departments in their approaches to financial incentives for plug-in vehicles and adopt a more coordinated approach to these incentives across Whitehall. (Paragraph 34)

9. We recommend that as part of the next spending review, the Government set milestones for the numbers of plug-in cars it expects to see on the roads so that the success of its low carbon vehicles strategy can be assessed within that spending review period. (Paragraph 35)

The Office for Low Emission Vehicle's response: The Government remains wholly committed to the policy of encouraging the early market for plug-in vehicles. This is not a policy for the short term but one that can deliver long term strategic benefits for the UK's automotive and wider industrial sectors. In due course it will also help to deliver the Government's long term carbon commitments and to significantly improve air quality in our towns and cities.

The Government does not agree that rigid targets for the uptake of ULEVs would be helpful. The rate of uptake will depend critically on the speed at which manufacturers develop and bring vehicles to market, and the speed at which consumers begin to accept what remains a novel technology in the marketplace. All the evidence (including the experience of manufacturers bringing original hybrid technology to market) suggests that this will be an incremental and steady process. There is no consensus yet, amongst either analysts or manufacturers, about the likely rate of market penetration.

There is however consensus that ever tougher global emissions regulations, combined with the startling efficiency benefits that electric motors can deliver, will mean that increasing electrification of road vehicles is inevitable.

The Coalition Government remains committed to making most of this opportunity through: making the UK one of the premier markets for ULEVs, supporting the early market through the plug-in grants until at least 2015, and to continuing to work with partners in the automotive industry to remove barriers to adoption.