SMMT
DRIVING THE
MOTOR INDUSTRY

IN IT TOGETHER: WHY EVERY SECTOR WINS WITH EV VOLUME

To deliver change, every sector should recognise that what matters is new vehicle market growth

Britain's zero emission transition continues to accelerate, thanks to the automotive industry's cast-iron commitment to help deliver the nation's net zero ambitions. Billions have been invested to bring a massive 130-plus ZEV model choices in every shape and size and, on average, capable of driving almost 300 miles on a single charge – helping make zero emission mobility realistic and achievable for all.

Demand for EVs is growing. However, a tenfold increase in five years – from 37,850 buyers in 2020, to 381,970 in 2024 – has only been possible because vehicle manufacturers have shouldered colossal costs in designing, developing, producing and subsidising their sale. That sale is now governed by the Zero Emission Vehicle Mandate, which compels each manufacturer to ensure a minimum proportion of their new vehicle sales are zero emission.

However, market share can only be delivered if demand is there – and new research suggests that just 23.1% of new car buyers will go electric in the next three years, whereas the target for this year alone is 28%. The automotive sector cannot afford to deliver the world's most ambitious transition single-handedly. The industry wants to meet the ZEV market share targets mandated by government – but if the numbers aren't there, meeting that target would mean a smaller overall market with commensurately smaller volumes of ZEVs. That is in no-one's interest. Success depends on increasing demand – increasing volume.

The UK's EV market does not operate in a vacuum. It sustains many other industries that are essential to EV uptake, supporting the UK economy and keeping Britain on the move while cutting carbon. A robust new vehicle market drives growth for multiple stakeholders whose success depends on volume not percentages. We're in this together: supply chains, the used vehicle market, chargepoint manufacturers and network operators, electricity suppliers and distributors, vehicle maintenance providers, the insurance sector – all depend on vehicle volumes for success. Strong markets also promote strong manufacturing. So we need measures that increase demand from every user segment, which will, in turn, deliver larger overall volumes. With the right support from government, there would be a 15% increase in zero emission car uptake above what's currently expected – and surely, that's better for everyone?

Prioritising volume will deliver economic growth for all stakeholders. It also means greater and faster decarbonisation – the entire point of this transition. Three years of EV incentives, putting more than two million new EVs on the road, would cut CO_2 emissions by more than six megatonnes a year - equivalent to one sixth of annual UK aviation emissions. Real decarbonisation, and real growth. Plus, the greater investment this would lead to in infrastructure, depot chargers and grid connections would ultimately also help accelerate the transition in other sectors – such as the LCV market, where decarbonisation is set for 2035, and the HGB, bus and coach industries.

To deliver change, every sector should recognise that what matters is new vehicle market growth, not notional target achievement. And that cannot be delivered by mandating manufacturers to supply, without action from all sectors to address the lack of demand.

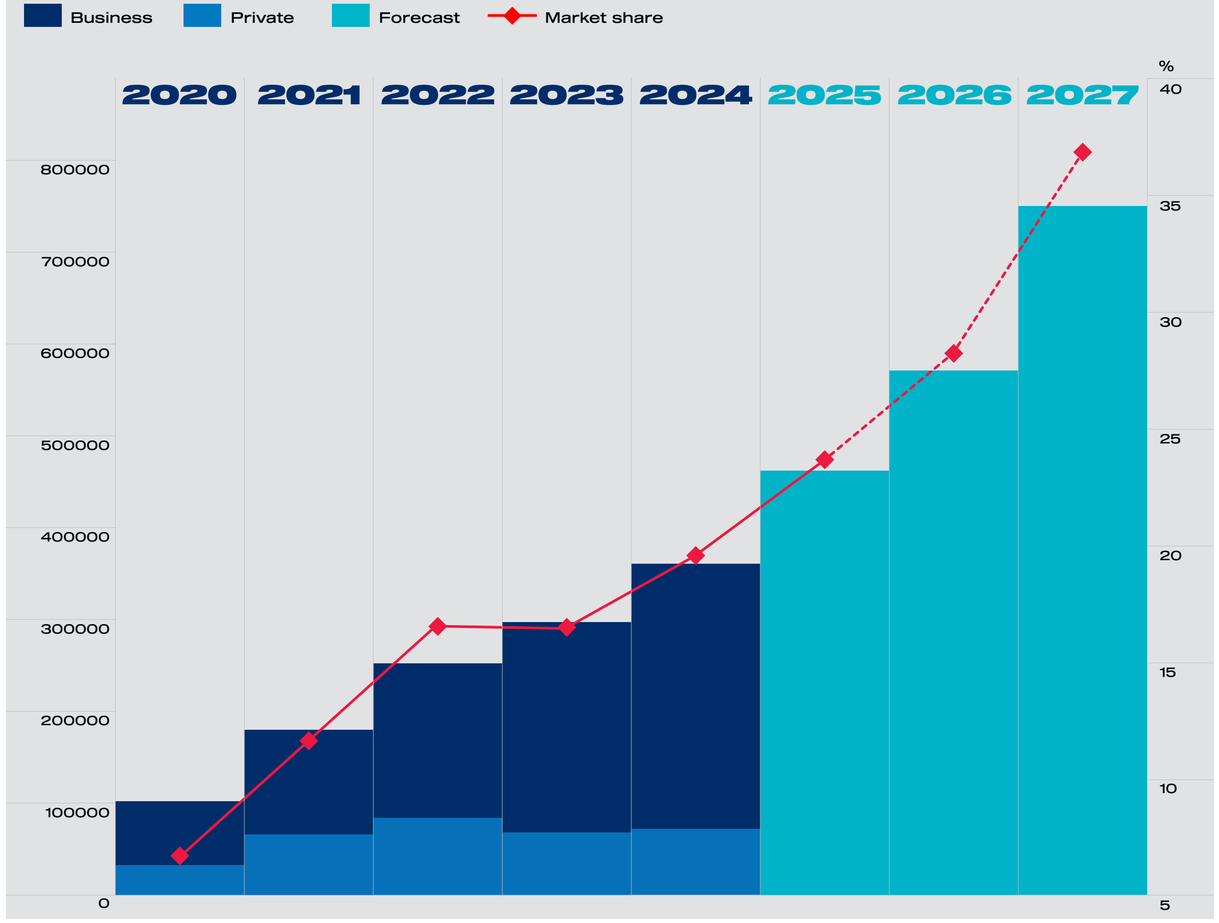
With every sector playing its part in supporting volume, rather than merely chasing market share, every sector stands to benefit. We're in this together – and none of us can afford to fail.

Mike Hawes

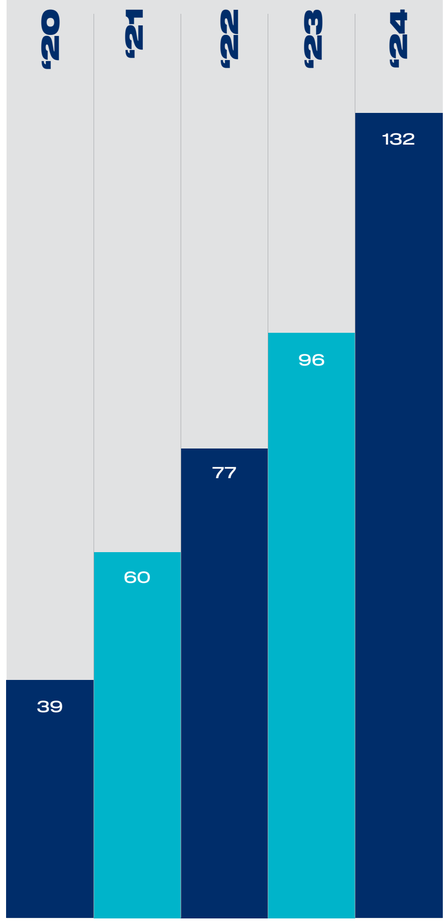
Chief Executive
The Society of Motor Manufacturers and Traders (SMMT)

STATE OF THE NATION

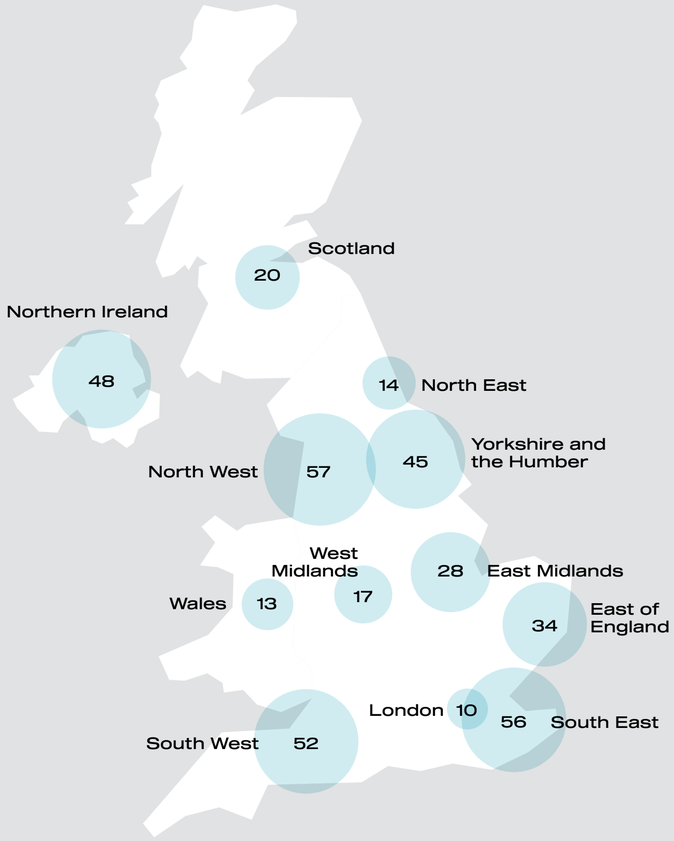
BEV VOLUMES AND CURRENT OUTLOOK



BEV MODELS

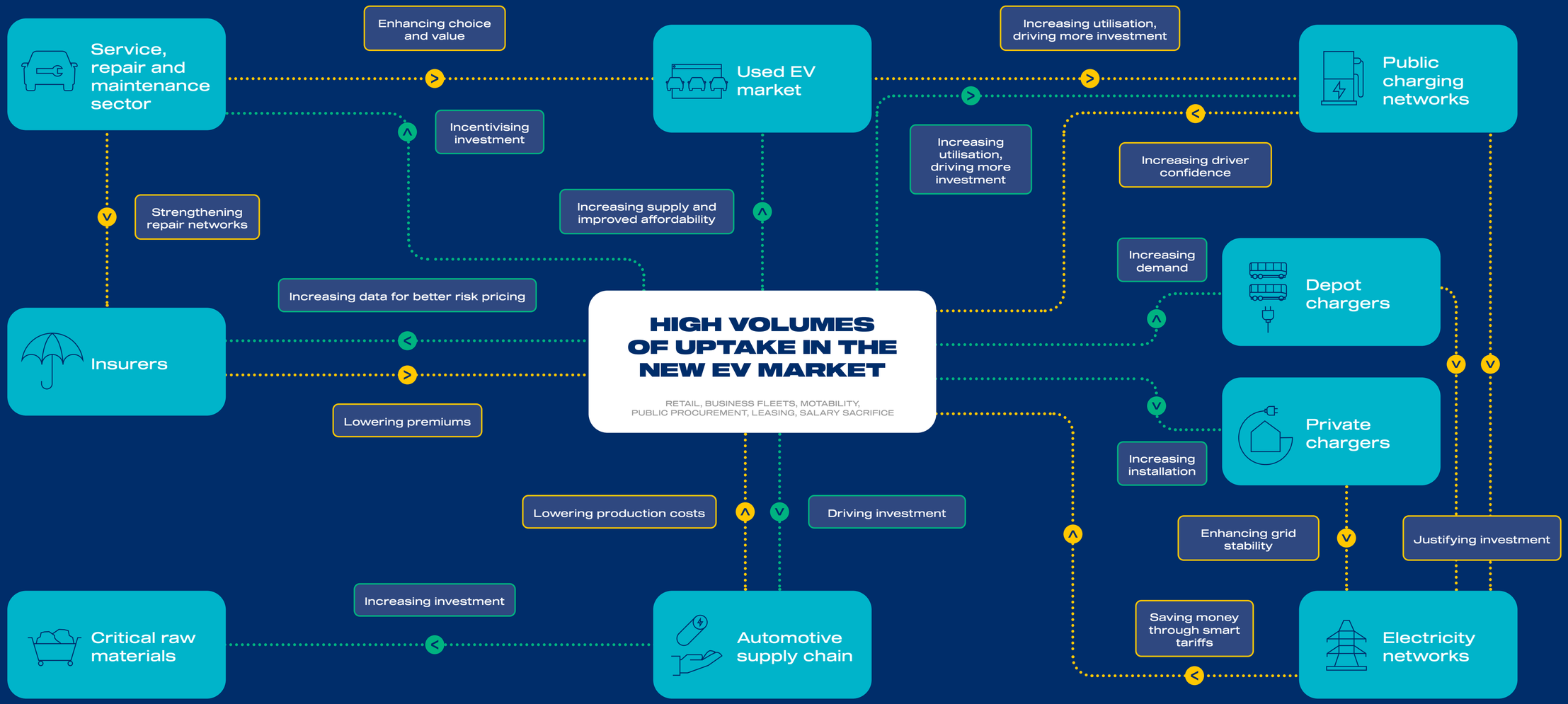


PLUG-IN CARS TO CHARGERS



Based on preliminary 2024 parc data

EV MARKET DEPENDANTS AND DRIVERS



VOLUME MATTERS: **THE NEW EV MARKET'S DEPENDANTS**

At a time when lacklustre growth in demand for EVs threatens to upend the significant industry investments into new model development and manufacturing, supply chain transition and battery production, a focus on EV volume has never been more important. Some of these investments may never be recouped if market demand does not improve in the near-to-medium term. And our chances of attracting new investment will be diminished. Stronger market demand needs to come from every user segment – from fleets, businesses, leasing and salary sacrifice to retail consumers, Motability and public procurement.

A larger, more vibrant EV market driven by high-volume demand benefits every part of the mobility ecosystem, from chargepoint operators and electricity suppliers to the insurance and service, repair and maintenance sectors. It may not be immediately obvious, but the health of many sectors within the wider ecosystem is dependent on EV market volumes – which depend on a strong overall market. This creates a virtuous circle that continues to drive up EV volumes and accelerates the transition.

However, the opposite is equally true, delivering a vicious circle of decline and slower decarbonisation. A smaller new car market will curtail public chargepoint investment, reduce depot charging demand and make it harder for electricity networks to make the case for anticipatory investment. Fewer installations of private chargers mean reduced opportunity to balance the grid. Lower demand for batteries delays investment in gigafactories and refining facilities. Less data is available to inform risk pricing, affecting premiums. There is less motivation to invest at scale in skills to service, repair and maintain EVs. Far fewer vehicles filter through to the used market. In short, in a constrained new market, everyone loses.

PUBLIC CHARGING NETWORK

Sustained high volumes of EV demand in the new car and van market lead to an increase in the utilisation of the public charging network, which in turn provides the much-needed motivation for accelerated investment in public charging. A ubiquitous, accessible and affordable public charging network built ahead of need will fix misconceptions and give even reluctant buyers confidence to go electric, thus creating a virtuous circle.

CHARGING EQUIPMENT MANUFACTURERS AND ELECTRICITY NETWORK OPERATORS

Charging equipment manufacturers, too, will naturally see an increase in the demand for chargers at homes, workplaces and depots, serving both private vehicles and commercial fleets. This also will benefit uptake of zero emission HGVs, where end of sale also starts from 2035, and the bus and coach sector. The aggregate demand for power as a result of the expansion of the public charging network and rapid proliferation of depot charging provides the clearest signals and strongest evidence for electricity network operators to make well-justified anticipatory investments, reinforcing or upgrading the local network.

ELECTRICITY SUPPLIERS

A massive increase in the installation of private chargers at homes and workplaces also enlarges the addressable market for smart charging and vehicle-to-grid, which motivates electricity suppliers, aggregators and demand-side response service providers to offer a plethora of flexibility services. A buoyant 'flexibility market' with competitive smart tariffs not only boosts the participation of EV owners in balancing the grid but also provides a more compelling economic incentive for consumers to switch to EVs.

AUTOMOTIVE SUPPLY CHAIN

Robust market demand for EVs naturally translates into increased vehicle manufacturer contracting for batteries, power electronics, electric motors and drivetrains and other EV-specific components. This precipitates investment in the automotive supply chain, including in both upstream critical raw materials extraction and processing, and downstream remanufacturing and recycling. Ultimately, economies of scale within the battery and wider EV supply chain help drive down overall production cost, making EVs even more affordable in the longer term.

INSURERS AND SERVICE, REPAIR AND MAINTENANCE SECTOR

High volumes of EVs on the road are needed to generate the amount of statistically significant data to more accurately inform insurers' risk pricing. This is necessary to drive down the currently higher cost of insuring EVs relative to their petrol or diesel equivalents. Lower insurance premiums extend the running cost advantage of EVs, making them even more attractive. A strong and well-equipped insurers' repair network also contributes ultimately to lower premiums, but greater investment in the skills and capabilities to handle EVs within the service, repair and maintenance sector will only be made in response to high volumes of EVs on the road.

USED VEHICLE MARKET

Continuously high demand in the new EV market ultimately leads to a strong used vehicle market. As more EVs eventually filter through and the market normalises, and with all the other conditions above met, a healthy market for used EVs ensures stronger residual values. The more people who go electric in the new and used markets combined, the higher the utilisation of the public charging network will be, thus further reinforcing the virtuous circle.

SHARED SUCCESS FROM LARGER VOLUME

While EV uptake is growing, multiple factors restrict demand. Some buyers are anxious about moving to new technology. Some don't see moving to zero emission as pressing or urgent. Those who do look to shift then often wrestle with multiple barriers: upfront costs, convenience and cost to charge, and other disincentives such as the Expensive Car Supplement tax being levied on many EVs from April 2025. Against such a backdrop, current market conditions mean that 1.78 million new electric cars are expected to reach the road by the end of 2027.

But Britain can do better – delivering a larger market, faster decarbonisation and directly boosting business for thousands of companies across the nation working in EV stakeholder sectors.

With more supportive and flexible market regulation – backed by strong consumer incentives such as a 50% reduction in VAT for private EV buyers – 2.05 million EVs could be registered. That's 267,000 additional EVs replacing existing fossil fuel cars, and all requiring charging infrastructure, electricity, insurance, service plans, and more – a 15% increase benefitting every stakeholder.

It also leads to a 6.3% uplift in overall new car registrations – cleaner technology of all kinds replacing older higher emission vehicles, and creating a larger market for all UK businesses that benefit from new car sales. Theoretically, this could be delivered at a cost of just £1,000 per car to the Treasury from 2025-2027, while giving consumers an additional £4,000 in buying power.[1] With the first phase of Britain's EV transition delivering a £2.5bn windfall in VAT receipts, the time is right to back the second phase to move to mass market adoption - while supporting the hundreds of businesses directly involved in EV production and more than 800,000 jobs directly in the automotive sector.

NEW CAR MARKET VOLUMES

Current outlook 2025-2027

1.782m (29.7%)
BEVs

4.210m (70.3%)
Other

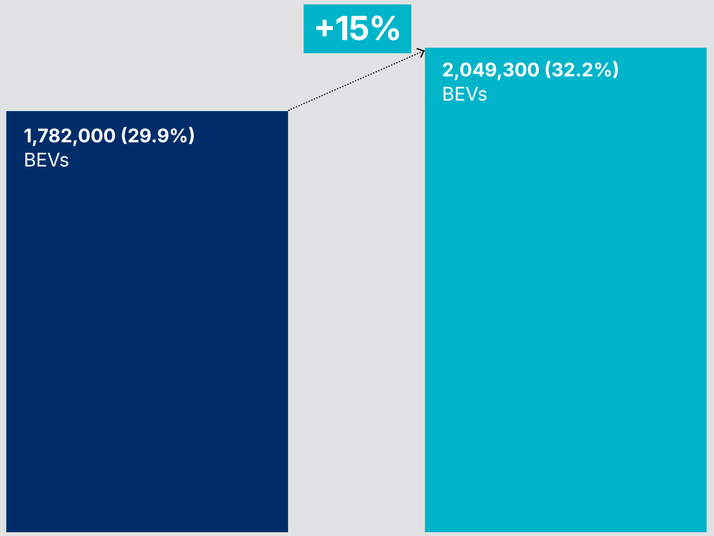
5.992m
Total new car registration volumes

Incentivised outlook 2025-2027

2.049m (32.2%)
BEVs

4.318m (67.8%)
Other

6.397m
Total new car registration volumes



ESTIMATED NEW CAR MARKET TURNOVER 2025-2027

No support for consumers:
£238.2bn

With support for consumers:
£255.0bn*

*based on JATO price data and SMMT analysis

GAINS

267,300
extra BEVs - all requiring raw materials, supplies, chargers, maintenance and insurance – and ultimately, entering the used car market

107,700
additional lower emission vehicles replacing older higher emission ones

6,000,000
tonnes of CO_2 removed from annual road transport emissions

1 Based on differential VAT revenues of an ICE and BEV car x throughput, less additional revenue from increased sales. Average BEV approx. £8,000 VAT, halving that takes it to £4,000. This is a £1,000 less than average ICE (based on JATO sales weighted RRP). £1,000 × 2.05mnn throughput = £2.1bn. Less £0.5bn from additional VAT from overall firmer market = £1.6bn.

DELIVERING VOLUME **THE ACTION PLAN**

While the number and range of EV models available has increased significantly in recent years, the market has failed to match expectations against a backdrop of stubbornly high cost of living, high interest rates and energy prices. Without urgent action, EV volumes are at risk of remaining below expectations even if the mandate targets are met. Urgent regulatory intervention can support the successful delivery of the ZEV mandate, but reform alone is not enough. Mandates do not make markets, and government must do more to stimulate private demand and accelerate chargepoint rollout so more drivers will make the switch.

Reforming regulation to enable delivery of the mandate's targets, backed by compelling incentives and investment in infrastructure, will be critical to driving consumer and business demand in the new car and van market, accelerating the adoption of EVs at scale.

WORKABLE REGULATION TO DRIVE DECARBONISATION AND GROWTH

The industry is fully invested in the zero emission vehicle transition and it is imperative that the ZEV mandate is a success. However, the mandate currently creates significant challenges as manufacturers aim to meet targets set well above natural consumer and business demand. A multitude of factors beyond their control mean that the ZEV market is 20% smaller than anticipated when the ZEV mandate was first proposed, despite ever-greater EV availability and choice. Revised regulation that recognises current market challenges, while retaining the same ambition will be essential to driving growth – on which all stakeholders depend.

On top of this, UK Automotive needs a regulatory framework that delivers a balanced transition to economic growth and decarbonisation, allied to clear, unambiguous Industrial and Trade Strategies. Government must provide urgent clarity on how it intends to grow a strong new car market that is 80% ZEV by 2030 and 100% ZEV by 2035.

EFFECTIVE REVISIONS TO THE REGULATION INCLUDE:

- Extension and expansion of regulatory flexibilities that support continued investment in the ZEV rollout and compliance with rising mandate targets.
- Recognition of the role that all technologies – including hybrids, plug-in hybrids and hydrogen – have to play in decarbonising road transport, as either stepping stones towards, or full delivery of, a zero tailpipe emission market by 2035.
- Acceleration of government department ZEV procurement in support of the regulation and to demonstrate government's commitment to the market.
- Revise and simplify vehicle taxation for the net-zero era.

MAKE EVS MORE COMPELLING THROUGH CONSUMER INCENTIVES

While manufacturers are bringing down the cost of producing EVs through greater efficiencies, the lack of cost parity remains a key barrier to uptake. With more than £4.5 billion in discounting last year alone, manufacturers' ability to underwrite the transition is close to exhaustion. If government provides compelling purchase incentives combined with clear, positive messaging and information for prospective buyers, consumers would have the clarity of market direction and hence greater confidence to switch.

THE SUREST WAY TO DRIVE DEMAND AND BOOST EV UPTAKE VOLUMES IS TO INTRODUCE A PACKAGE OF SUPPORT FOR CONSUMERS, SPECIFICALLY:

- Halve VAT on new ZEV purchases for three years to put more than 2 million new ZEVs on the road and create the capacity that will eventually filter down to used car buyers.
- Reverse the punitive VED Expensive Car Supplement, which from April 2025 penalises more than half of ZEV buyers by £2,125 per vehicle over six years.
- Equalise VAT on public charging to match the 5% on electricity used for home charging to save consumers at least £85 million in 2025 alone.
- Extend the existing Company Car Tax, Benefit-in-Kind rates and Salary Sacrifice scheme that have driven fleet uptake to as much as 77% of the new ZEV market.
- Extend the Plug-in Van Grant beyond March 2026 and reintroduce discounted VED on zero emission vans.

SUPPORT THE PUBLIC CHARGING NETWORK THROUGH REGULATION AND REFORMS

Consumers need confidence in the chargepoint network to help them to switch. Chargepoint operators (CPOs) have made – and continue to make – significant investments in infrastructure rollout and the network has grown. Despite this, last year the ratio of chargers to plug-in vehicles only marginally improved – from one charger for every 29 plug-ins on the road in 2023, to 28 in 2024. Moreover, regional disparities remain, with two in five chargepoints located in London and the South East. Delivering a faster, fairer transition depends on ensuring everyone has the 'right to charge' in every part of the country. Guaranteeing a bigger chargepoint user base – a higher volume of EVs – relies on installing chargers ahead of need, benefitting every related industry and sending the right message to sceptical drivers.

SUPPORTING THE PUBLIC CHARGING NETWORK REQUIRES THE FOLLOWING MEASURES:

- Introduce a Charging Infrastructure Mandate with binding targets, including for van-accessible chargers, commensurate with the ambition set out in the ZEV Mandate.
- Enforce the Public Charge Point Regulations to make the charging experience as easy as refuelling.
- Create investable propositions for CPOs through a combination of innovative contracting mechanisms and speedier disbursement of LEVI and Rapid Charging Funds to de-risk private investment.
- Expedite planning and permitting reforms to speed up installation and grid connections.
- Review and reform standing charges to bring down the cost of rapid and ultra-rapid public charging.

CONCLUSION

Successful decarbonisation of road transport benefits all sectors, and so all sectors must work together to deliver a fast, fair transition.

No-one wins if the new car market is constrained by inflexible regulation. ZEV demand cannot be created simply by compelling manufacturers to sell, and decarbonisation cannot be delivered without mass fleet renewal. Every effort must be made to increase ZEV volumes ready for a full zero emission market accessible and affordable for all – and for those not yet ready to switch, fleet renewal with the latest hybrid technology is a better choice for decarbonisation and economic growth than drivers simply holding onto their existing vehicles for longer, with the average car already more than nine years old. But ultimately, delivering decarbonisation at scale requires larger volumes of ZEVs – which can be encouraged with the right regulation.

It is in every industry's interest to support growth in demand, creating a virtuous circle where EV volumes rise, fuelling investment and growth for all stakeholders, which then directly feeds back into growing EV volumes further – essentially, regenerative charging of the new car market, powering forward Britain's zero emission transition.

Workable, flexible regulation, backed by consumer incentives to raise demand, measures to expand chargepoint provision, and action on charging costs, will drastically accelerate EV uptake, driving economic growth, sustaining jobs and delivering decarbonisation at pace.

No stakeholder can succeed without recognising that new car market volume is the foundation for growth or acknowledging the crucial role they must play in driving demand.

With the right regulation that encourages volume growth, Britain can and will deliver a world-class exemplar zero emission transition that fuels real economic growth. We're in this together.

STAKEHOLDER VOICES

Energy Networks Association (ENA)

"Some of the biggest challenges we have are the need to continue to drive up investment and for the regulatory framework to allow infrastructure to be delivered in the timescales needed."

GRIDSERVE

"The growth of EV adoption is critical to the infrastructure business. We rely on vehicles to drive utilisation of our chargers, and we need the utilisation rate to justify the investment."

BVRLA

"Electric vehicle registrations have never been higher, but the fleet and mobility services sector's confidence in a fast, fair and affordable net zero transition is wobbling. The ZEV Mandate targets are at major risk unless policymakers deliver a comprehensive set of measures to drive long-term demand."

RAC

"With well over a million EVs on the road, we've already developed solutions to make sure we can rescue members who break down. We've got `flatbed-type' towing capability in almost all our vans via our industry-first all-wheels-up rapid recovery system, while a fifth are also equipped with unique RAC EV Boost technology which can easily get a flat or severely depleted EV going again."

SMMT
DRIVING THE
MOTOR INDUSTRY

THE SOCIETY OF MOTOR MANUFACTURERS AND TRADERS LIMITED
71 Great Peter Street, London, SW1P 2BN
Tel: +44 (0)20 7235 7000
E-mail: communications@smmt.co.uk

@SMMT SMMT

www.smmt.co.uk