



Department
for Transport

Technical consultation on zero emission vehicle mandate policy design

April 2022

Department for Transport
Great Minster House
33 Horseferry Road
London
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How to respond

The consultation period began on 7 April and will run until 10 June 2022. Please ensure that your response reaches us before the closing date. If you would like further copies of this consultation document, it can be found at <https://www.gov.uk/dft#consultations> or you can contact ZEVmandate@dft.gov.uk if you need alternative formats (Braille, audio CD, etc.).

A response pro-forma is provided on the website. Emails should be sent to: ZEVmandate@dft.gov.uk

If you are responding in writing, please make it clear which question or questions you are responding to. Written responses should be sent to:

Technical consultation on ZEV mandate
Department for Transport,
Transport Decarbonisation Strategy,
Great Minster House
33 Horseferry Road,
London,
SW1P 4DR

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Confidentiality and data protection

The Department for Transport (DfT) is carrying out this technical consultation to continue to engage and gather views and evidence on a New Road Vehicle CO₂ Emissions Regulatory Framework for the United Kingdom. This consultation and the processing of personal data that it entails is necessary for the exercise of our functions as a government department. If your answers contain any information that allows you to be identified, DfT will, under data protection law, be the Controller for this information.

As part of this consultation we're asking for your name, email address and organisation. This is in case we need to ask you follow-up questions about any of your responses. You do not have to give us this personal information. If you do provide it, we will use it only for the purpose of asking follow-up questions. We will not use your name or other personal details that could identify you when we report the results of the consultation.

DfT's privacy policy has more information about your rights in relation to your personal data, how to complain and how to contact the Data Protection Officer.

Your information will be kept securely on a secure IT system within DfT and destroyed within 12 months after the consultation has been completed.

1. Design parameters of the UK's prospective ZEV mandate regulation

Background

- 1.1 In July 2021, alongside the [Transport Decarbonisation Plan](#), we published a Green Paper on a [New Road Vehicle CO₂ Emissions Regulatory Framework for the United Kingdom](#). Following consultation, Government announced in its [Net Zero Strategy](#) that the UK would introduce a zero emission vehicle (ZEV) mandate setting targets requiring a percentage of manufacturers' new car and van sales to be zero emission each year from 2024. It also confirmed that we would publish a further consultation in early 2022 on the design of the ZEV mandate (including uptake trajectories for both new cars and light vans), CO₂ emissions regulation and how and when targets will be set and enforced.
- 1.2 This technical consultation sets out potential design features of the proposed zero emission vehicle (ZEV) mandate for cars and vans. We are seeking stakeholder views on some of the potential design features of that regulation (including uptake trajectories, how a certificate trading scheme might function) as well as how regulation of the CO₂ emissions from new, non-zero emission vehicles might function. It sets out how and when targets might be set, monitored and enforced.

Timeline

- 1.3 Following the conclusion of this technical consultation, we will publish the details of the full regulatory proposal for public consultation later in the year, alongside a full impact assessment. Secondary legislation will be laid in 2023, allowing time for Parliamentary debates and the making of the legislation prior to 01 January 2024.
- 1.4 The first year when regulatory targets requiring manufacturers' UK sales to meet a certain percentage of zero emission vehicles will apply continues to be 2024.

2. Part A: ZEV uptake trajectories

- 2.1 Our aim in setting ZEV uptake trajectories to 2035 is to provide market certainty. Demand is increasing rapidly. The mandate will give certainty about the minimum proportion of zero emission cars we expect to be supplied although consumer demand may naturally exceed this level. The mandate will provide assurance that we will meet our phase out deadlines and carbon commitments.
- 2.2 If not fully zero emission, all new cars and vans sold between 2030 and 2035 must have significant zero emission capability (SZEC). The ZEV mandate uptake trajectory is intrinsically linked to transport's CO₂ emissions, meaning until that is set, we cannot precisely set out that definition. The views we receive on the trajectory through our technical document will inform a detailed definition of SZEC in due course to ensure that all aspects of the framework deliver our required CO₂ savings.
- 2.3 The requirement to sell an ever-increasing number of ZEVs that, crucially, can be powered by increasingly renewable energy sources, is vital for the UK's energy security. Recent global events have demonstrated that continued reliance on fossil fuels makes the UK susceptible to geopolitical issues when those issues impact on global fuel production. As an island nation, the UK has the best wind, wave and tidal resources in the whole of Europe. The new regulatory framework will promote the use of this domestic energy production, reducing our reliance on imports.

Cars

- 2.4 For this regulation, we are defining a 'car' as any vehicle of M1 Type Approval categorisation.
- 2.5 In 2021 the percentage of all new cars sales in the UK that were fully zero emission reached a new record of 12% as shown Figure 1. This follows a trend of increasing sales of battery electric vehicles (BEVs): growing by 122% between 2019 and 2020 and 97% between 2020 and 2021. The early signs are that demand will continue to

grow. On this basis we estimate that the range for the first year (2024) of the ZEV mandate will be between 20 and 30%.

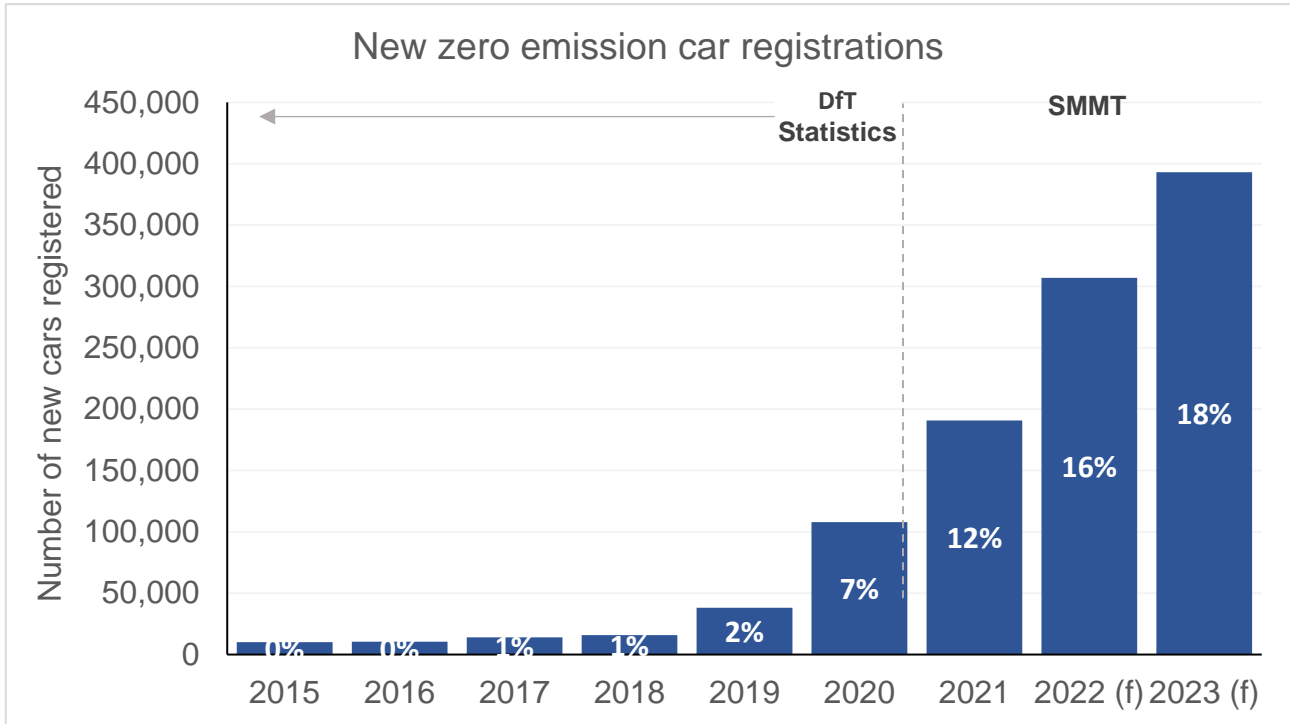


Figure 1. New zero emission car registrations and forecast registrations 2015 - 2023¹

¹ Note: DfT Source: DVLA licence statistics VEH0253
 SMMT Source: <https://www.smmt.co.uk/vehicle-data/car-registrations/> & <https://www.smmt.co.uk/wp-content/uploads/sites/2/WEBSUM-SMMT-CARLCV-MARKET-OUTLOOK-Q1-04022022-FINAL-.pdf>

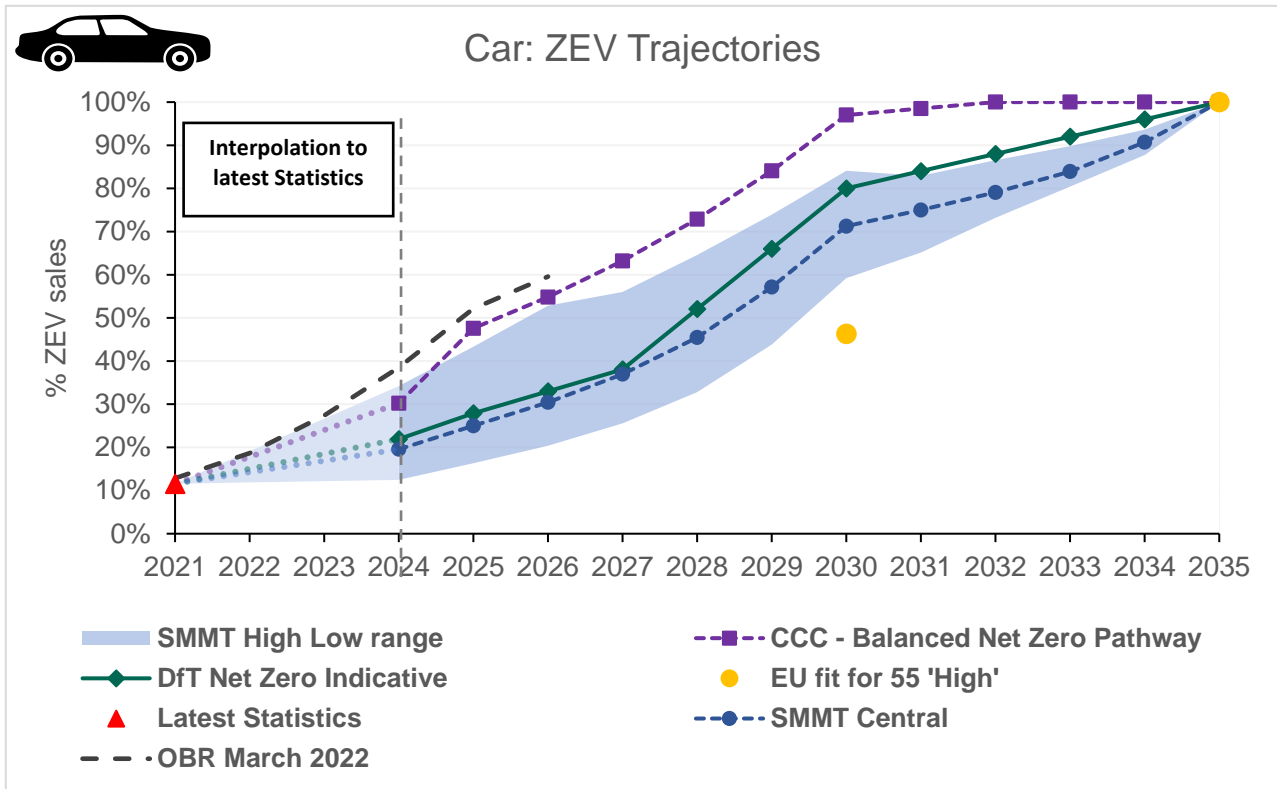


Figure 3. Car ZEV uptake trajectories³

- 2.7 Figure 3 shows a number of different trajectories from stakeholders that all reach 100% in 2035. They all follow an S shaped growth curve, typical of new technology which we think is the right ‘shape’ of uptake for any trajectory.
- 2.8 Climate Change Committee (CCC) Balanced Net Zero Pathway - CCC’s analysis supporting its recommendation for the sixth carbon budget assumed the number of zero emission car sales would be 30% in 2024, scale up rapidly in the 2020s reaching, 73% in 2028, 97% in 2030 and 100% by 2032 (and at the latest by 2035).
- 2.9 Transport Decarbonisation Plan (TDP) and Net Zero Strategy (NZS) Indicative – the TDP assumed a level of ZEV uptake that could achieve the emissions reductions needed to support transport’s contributions to achieving the fifth and sixth carbon budgets, as well as our UNFCCC National Determined Contribution in 2030. There is a level of uncertainty based on the form of wider policy measures and future demand, but this modelling assumes that by 2030 a minimum of 80% of all new UK car sales

³ Note these stakeholder projections are highly uncertain given that the sector was much smaller and emerging when modelling was conducted in (2020 for the CCC analysis, 2020 / early 2021 for the DfT analysis, and mid 2021 for SMMT projections). The market has moved quickly since then. Therefore the 2021/22 projection years underestimate the % ZEV sales compared to the latest SMMT statistics. 2021-2023 projections are likely always going to differ to actual statistics. 2021-2023 is out of scope of the ZEV mandate policy so these early years will be updated with the latest available DfT statistics as they are published. The DfT Net Zero Indicative trajectory is just one of many paths to net zero by 2050 depending on other policy decisions.

are zero emission. It assumes a 22% mandate in 2024 and 52% in 2028. Alongside ZEV uptake, it also assumes further efficiency improvements to non ZEVs.

- 2.10 SMMT Central – the SMMT has published a central assumption about zero emission vehicle sales up to 2035. This trajectory is not too dissimilar from the TDP and NZS scenario between 2024 and 2027, however, the trajectory from 37% in 2027 to 100% in 2035 is much slower. In 2030 the assumption is 71%. The trajectories assume infrastructure is not a barrier to electric vehicle uptake.
- 2.11 EU – Fit for 55 –the EU published their implied trajectory for ZEV uptake, based on the CO₂ reductions needed from the new car fleet in 2030 and 2035. In 2030 they expect approximately 46% of all new car sales to be ZEV across the EU. The UK is a leading ZEV market in Europe, so would expect to be above this average value.
- 2.12 OBR March 2022 – the Office of Budget Responsibility (OBR) revised their trajectory out to 2026 upwards based on the rapid rise in market share of electric vehicles over the last two years so it is now at a mid-point of the SMMT High and CCC’s ‘tailwinds’ scenarios (two of the highest trajectories from these respective stakeholders).
- 2.13 **Our initial preference is for the uptake trajectory to be at least as ambitious as that modelled in the TDP/NZS:**

2024: 22%	2025: 28%	2026: 33%	2027: 38%	2028: 52%	2029: 66%
2030: 80%	2031: 84%	2032: 88%	2033: 92%	2034: 96%	2035: 100%

- 2.14 Our current proposition is to set out legally binding annual targets that manufacturers must meet out to 2035. This will provide certainty to the sector (including vehicle manufacturers, energy providers and chargepoint operators). However, as with any legislation we will keep under review and reserve the right to amend it to respond to any significant changes in market conditions. This would not be done without reasonable notice and engagement with industry.

Q1a. What is your view on the potential trajectories the ZEV mandate for cars should follow and why?

Q1b. What is your view on annual targets for cars?

Vans

- 2.15 For this regulation, we are defining a ‘van’ as any vehicle of N1 Type Approval categorisation weighing up to 3.5 tons. N1 vehicles weighing between 3.5t-4.25t, that are zero emission and weigh >3.5t as a result of a zero emission drive train (e.g. batteries, hydrogen fuel cells etc) will be part of the mandate and eligible for ZEV certificates.
- 2.16 While the zero emission van mandate will operate entirely separately from that of cars, the principles discussed above will apply.
- 2.17 The vans market is at a different stage in its transition to zero emissions and there is a much lower proportion of plug-in hybrid electric (PHEV) vans relative to the car market. A different trajectory for vans is being considered, with a lower requirement in the earlier years. The current market share of zero emission (ZE) light vans is uncertain with the latest statistics from 2020 showing around 2% of the new van fleet as ZE, approx. 5,700 vehicles, but we expect supply to rapidly increase through 2022.

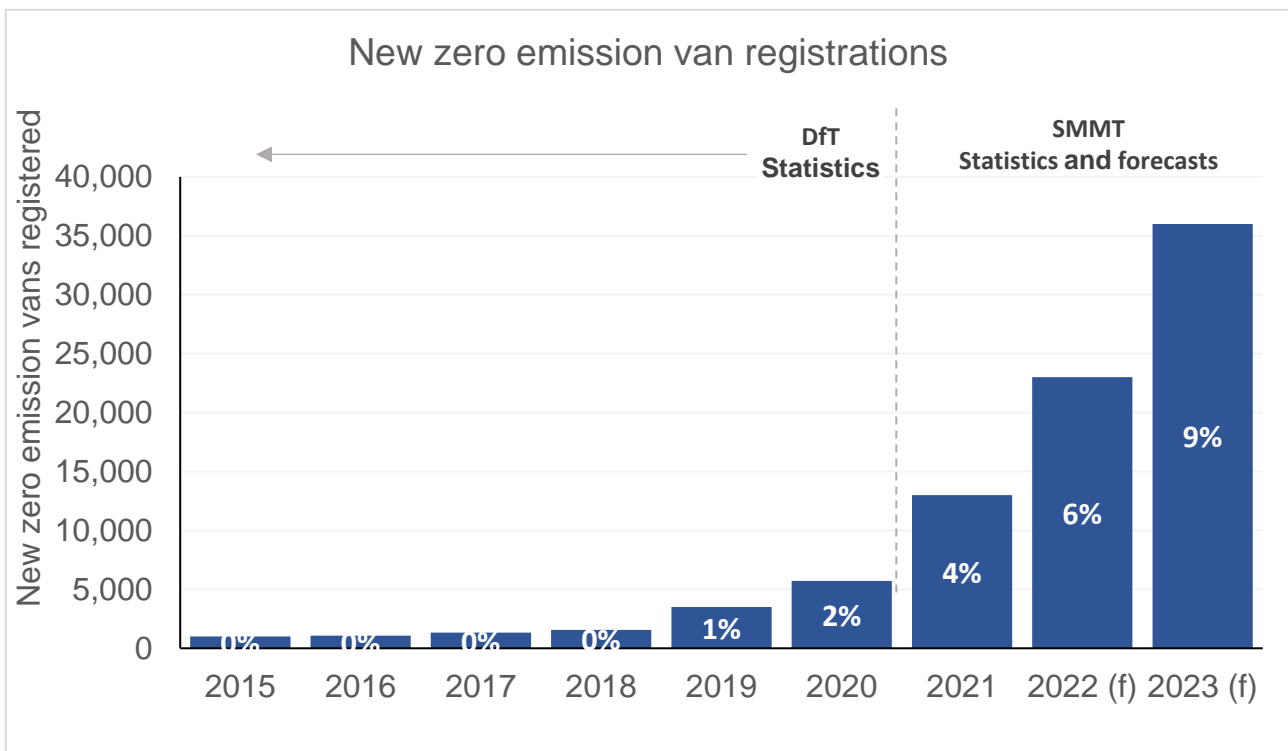


Figure 4. New zero emission van registrations and forecast registrations 2015 - 2023⁴

⁴ DfT Source: DVLA statistics VEH0453

SMMT Source: <https://www.smmmt.co.uk/vehicle-data/lcv-registrations/> & <https://www.smmmt.co.uk/wp-content/uploads/sites/2/WEBSUM-SMMT-CARLCV-MARKET-OUTLOOK-Q1-04022022-FINAL-.pdf>

2.18 A reasonable range for the first year (2024) of the ZEV mandate for vans could be between 8 and 15%. As with cars we have plotted out some potential trajectories.

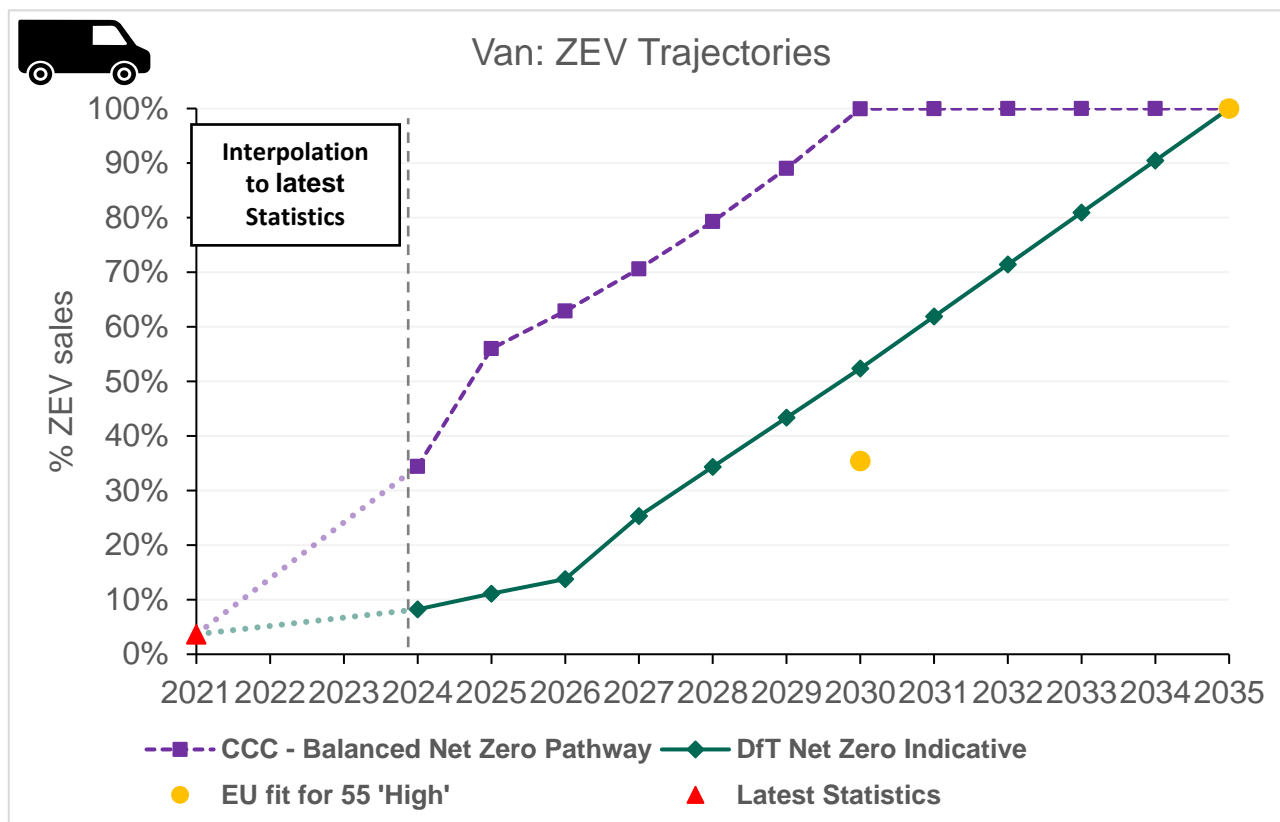


Figure 5. Van uptake trajectories⁵

2.19 Climate Change Committee (CCC) Balanced Net Zero Pathway – CCC’s analysis supporting its recommendation for the sixth carbon budget is highly uncertain given that the sector was very small and emerging when modelling was conducted in 2020; ZE light vans made up only 1.8% of new sales that year. The market is now scaling up and doubled to 3.6% in 2021. We have plotted to show that in the CCC’s view the number of zero emission van sales will need to be 34% in 2024 and scale up rapidly in the 2020s reaching 79% in 2028, and 100% in 2030.

2.20 Transport Decarbonisation Plan (TDP) and Net Zero Strategy (NZS) Indicative – the TDP assumes that by 2030 a minimum of 52% of all new van sales are zero

⁵ Note these stakeholder projections are highly uncertain given that the sector was much smaller and emerging when modelling was conducted in (2020 for the CCC analysis, 2020 / early 2021 for the DfT analysis, and mid 2021 for SMMT projections). The market has moved quickly since then. Therefore the % ZEV sales in the 2021/22 projection years differ to the latest statistics. 2021-2023 projections are likely always going to differ to actual statistics. 2021-2023 is out of scope of the ZEV mandate policy so these early years will be updated with the latest available DfT statistics as they are published but currently don’t influence 2024-2035 significantly. The DfT Net Zero Indicative trajectory is just one of many paths to net zero by 2050.

emission by 2030, 8% in 2024, 34% in 2028. Alongside, ZEV uptake, it also assumes further efficiency improvements to non ZEVs.

2.21 SMMT Central – the SMMT do not publish a light commercial vehicle (van) forecast out to 2035 but do look ahead to the next 1-2 years. They currently forecast new sales share for ZE vans in 2023 to be 9.3%.

2.22 EU – Fit for 55 –the EU published their implied trajectory for ZEV uptake, based upon the CO₂ reductions needed from the new van fleet in 2030 and 2035. In 2030 they expect approximately 35% of all new van sales to be zero emission in the EU.

2.23 Our initial preference is for the uptake trajectory to be at least that as modelled in the TDP/NZS:

2024: 8%	2025: 11%	2026: 14%	2027: 25%	2028: 34%	2029: 43%
2030: 52%	2031: 62%	2032: 71%	2033: 81%	2034: 90%	2035: 100%


Q2a. What is your view on the potential trajectories the ZEV mandate for vans should follow and why?


Q2b. What is your view on annual targets for vans?

3. Part B: ZEV certificate allocation

- 3.1 Any regulation created using powers under the Climate Change Act 2008 (CCA), must have a tradable element that allows the regulated entity to meet their obligations either directly through their actions; through the purchase of a 'good' from another entity that has overperformed against their requirements, or to buy their way out of compliance directly with government.
- 3.2 CCA 2008 refers to two types of trading scheme – those which discourage a particular activity that lead directly or indirectly to GHG emissions, and those which encourage activities which lead directly or indirectly to a reduction in emissions. The ZEV mandate falls under the second type of scheme, and the Act provides that regulations must provide for the issue of “certificates” which evidence the carrying on of the activities.
- 3.3 Through the ZEV mandate, manufacturers will have ZEV sales converted into 'certificates' and be required to hold a certain number of certificates at the end of each year in relation to the total number of vehicles they've sold.
- 3.4 As it is the overall number of certificates held that will be monitored, different number of certificates could be awarded to incentivise or disincentivise vehicles with certain characteristics. The number of certificates awarded to each ZEV will therefore shape the types of vehicles that will exist on UK roads over the coming decades and is a key element of the new framework.
- 3.5 In its most simple form, 1 certificate could be awarded for 1 ZEV, with no partial certificates available. Alternatively, different vehicle attributes could receive additional certificates, or a certificate might only be awarded to a vehicle if it meets a minimum standard. An example of this might be awarding a factor of more than 1 ZEV certificate for a vehicle with better than average energy efficiency (miles travelled per kWh) or alternatively requiring a minimum miles travelled per kWh for a certificate.
- 3.6 Our intention is that only zero emission vehicles will qualify for certificates – specifically defined as vehicles that emit zero harmful emissions from their exhaust, including CO₂, NO_x, and particulates (whilst acknowledging that other pollutant emissions such as road, brake and tyre wear are associated with vehicle use).

- 3.7 While other vehicle technologies have a role to play in the transition to zero emission mobility, such as plug-in hybrids and other types of hybrid vehicles (and those that will be defined as offering significant zero emission capability), their overall environmental benefit is related to the usage of the vehicle. This will vary from vehicle to vehicle, being reliant on variables such as driver behaviour, weather conditions, or whether the vehicle is operating in fossil-fuel or zero emission mode, and crucially is beyond the control of the vehicle manufacturers that we are regulating.
- 3.8 For a zero emission vehicle, while the range of the vehicle would be impacted by these variables, the vehicle itself would remain zero emission at the exhaust irrespective of the conditions/driver behaviour etc.
- 3.9 We have also chosen to focus on exhaust emissions rather than other metrics as an internationally agreed standard/test procedure already exists. Every vehicle is required to undergo an exhaust CO₂ test procedure before being sold in the UK, and this requirement allows for like-for-like comparisons to be made between all vehicle types and models. No agreed procedure for lifecycle emissions currently exists, meaning it would not be possible to legislate/award certificates on the basis of lifecycle emissions, as different vehicles would have undertaken test procedures (leading to varying results), or may not have been tested at all.
- 3.10 We are aware that different zero emission vehicles may have different lifecycle emission impacts. The lists below are an initial mix of vehicle attributes and other environmental factors that could be considered as part of the certificate system, some of which could take into account factors beyond exhaust emissions of the vehicle. It is neither exhaustive nor indicative at this stage but reflects suggestions made during our recent consultation. This is why some of the suggested measures are clearly contradictory. We would welcome any other suggestions as per the questions below.

	ZEV certificate eligibility criteria longlist
	<ul style="list-style-type: none"> • Minimum range (e.g. not eligible for certificates unless vehicle has a certain range)
	<ul style="list-style-type: none"> • 0g CO₂/ km as measured by WLTP
	<ul style="list-style-type: none"> • Battery efficiency (or drive train efficiency for hydrogen fuel cell vehicles) (e.g. must have a minimum miles per kWh to be eligible for certificates)
	<ul style="list-style-type: none"> • Requirement for vehicles to provide certain charging cables as standard
	<ul style="list-style-type: none"> • Minimum requirements around vehicle or battery/drivetrain warranty
	<ul style="list-style-type: none"> • Requirement to establish battery pack/vehicle recycling at end of life

	ZEV certificate incentivisation longlist
	<ul style="list-style-type: none"> • Range (e.g. more certificates linked to larger ranges)
	<ul style="list-style-type: none"> • Battery efficiency (or drive train efficiency for hydrogen fuel cell vehicles) (e.g. more certificates awarded linked to more miles travelled per kWh)

• Vehicle weight (with lighter vehicles eligible for higher/more certificates)
• Battery/drive train warranty packages - more certificates for better consumer offer
• Vehicle footprint (with smaller vehicles eligible for higher/more certificates)
• Range as a function of weight (incentivising smaller vehicles with longer ranges)
• Range as a function of battery weight or drive train weight for hydrogen fuel cell vehicles (to incentivising more efficient power drive trains)
• Vehicle price point (incentivising lower priced vehicles to the market)
• Use of the vehicle, for example higher certificates for Mobility as a Service / car club vehicles or higher mileage vehicles
• Differing certificates for using lower pollutant emitting tyres / brakes
• Support specialist vehicles with more certificates (e.g. wheelchair accessible)
• Bidirectional charging ability
• Sustainability of the supply chain

Q3a: What is your view on how the certificate system should operate and on our initial long list of potential vehicle attributes that could be rewarded / incentivised?

Q3b. Please provide detail on options you specifically support or oppose.

Q3c. Are there additional options not listed we should consider?

3.11 The ZEV certificate system will need to strike a balance between providing certainty to the sector but also be responsive and flexible to change. For example, the mandate could start with a relatively simple certificate system in years 1 to 3, but then change over time as the market becomes even more established.

Q3d. What are your views on how flexible the ZEV certificate system should be over time?

4. Part C: Banking, borrowing and transfer of ZEV certificates

- 4.1 Any scheme created must include provisions for the trading of certificates - in line with this requirement we will create a mechanism that will allow manufacturers to buy and sell ZEV certificates between them. For connected entities (different manufacturing brands falling under the same overall business), we would consider allowing them to trade certificates with each other with minimal restriction, subject to competition law. Given these considerations, we do not believe that 'pooling' (where manufacturers combine for the purposes of the regulation) will be required, as manufacturers will be free to trade certificates at any price point.
- 4.2 Banking of ZEV certificates would allow a manufacturer who holds more certificates at the end of a year than they require for compliance to 'bank' the excess and use them against a future year's requirement. Theoretically, underperformance against targets could also be 'borrowed' and paid off by overperformance in future years. Excess certificates could also be traded, so a manufacturer who has not obtained enough certificates in a year could buy certificates off another manufacturer who has.
- 4.3 Consultation responses were mixed on whether manufacturers should be able to build up certificates (and debits) to offset performance in future years. Allowing banking could result in a slower transition or deployment of ZEVs, particularly if it allows too much flexibility. However, some degree of flexibility could incentivise early adopters and guarantee collective environmental performance of the new vehicle fleet. There was a clear consensus that any certificates earned should be time limited.
- 4.4 We are not considering implementing 'banking' or 'borrowing' of ZEV certificates within the regulation so that the annual targets are required to be met within the year in which they apply and cannot be met by sales achieved in either prior or future years. We want to avoid a mechanism that encourages an oversupply in the first few years followed by a constrained supply at a later date.
- 4.5 There will be two separate certificate systems – one for cars and one for vans – with no cross trading due to the differing stages and availability of zero emission technology for each vehicle type.

Q4a. What are your views on our initial preferences for the certificate scheme to not allow any form of banking, borrowing, or pooling? Please explain your reasoning.

Q4b. Should trading only take place in the same period in which the certificate is earned or should it be more flexible than this?

Q4c. Should or shouldn't there be a minimum price set for selling certificates and/or a cap on the number of certificates that can be earned in a year by a vehicle manufacturer?

5. Part D: Operation of the ZEV mandate

Applicability

- 5.1 The intention is that the ZEV mandate and accompanying CO₂ emissions regulation for non-ZEV vehicles will apply to the ‘manufacturer’ of new cars and vans – in this case, the legal entity responsible for all aspects of the type approval procedure.
- 5.2 Different rules apply for type approval in Great Britain to those in Northern Ireland.
- 5.3 Once the ‘full’ Great Britain scheme is operational, manufacturers will be required to establish a legal entity in Great Britain to liaise with the Vehicle Certification Agency to obtain domestic type approval, allowing vehicles to be sold in Great Britain.
- 5.4 Through the Northern Ireland Protocol, new vehicles in Northern Ireland can continue to be sold under EU type approval rules, and thus the legal entity may be different to the GB entity and may be based in the EU or in Northern Ireland. This is also the case for vehicles that continue to be sold using either provisional GB Type Approval or EC Type Approval issued before the end of the transition period, the legal entity responsible for the Type Approval procedure must be based in the EU.
- 5.5 This topic was raised during a CO₂ Technical Working Group in December 2021, as it is also an issue under the existing CO₂ emissions regulations. As we will issue one target for each manufacturer in the UK, rather than 2 separate targets for the GB-based and EU/NI-based entities of the same manufacturer, we plan to bring forward legislation to ‘link’ the 2 legal entities purely for the purpose of the CO₂ regulations.
- 5.6 This ‘linking’ provision would then also apply for both the ZEV mandate and CO₂ emissions regulation from 1 January 2024. This will ensure that one ZEV mandate, and one CO₂ emissions target, will apply per manufacturer across the whole of the UK, irrespective of the type approval route or the location of the vehicle, and thus irrespective of the legal entity that is formally the ‘manufacturer’ of the vehicle.

Q5a: Do you have any concerns with the proposal to ‘link’ the two legal entities of one manufacturer responsible for new car and van registrations in the UK, purely for the purposes of the ZEV Mandate and accompanying CO₂ regulation?

Exemptions

- 5.7 Derogations refer to the adapted targets that some vehicle manufacturers could receive if they meet pre-determined criteria. This could mean reduced obligations for smaller volume or SME vehicle manufacturers, on the basis that they have a reduced ability to decarbonise compared to major manufacturers, and in some cases potentially receiving no target for the smallest manufacturers. Over half of respondents to the Green Paper agreed in principle to exemptions and derogations being available in specific use cases. For the purposes of the regulation, exemptions would be defined on a vehicle-level basis, as under the current retained framework.
- 5.8 As under the current regulations, exemptions could apply to special purpose vehicles (vehicles with specialist use cases that are already defined in legislation) or to non-mass produced vehicles which do not go through the main vehicle approval. Most respondents said specialist vehicles such as emergency response and military vehicles should qualify for an exemption, even if just for a limited time period. Few comments were received in respect of different type approval routes, although all vehicles being sold under 'unlimited' type approval routes would be included at a minimum – this would include full GB Type Approval when operational; provisional GB Type Approval; EC Whole Vehicle Type Approval; and UKNI Type Approval.
- 5.9 We are keen to minimise the number of exemptions needed, as we must reach net zero across the entire vehicle fleet to meet our CO₂ reduction commitments.

Q5b. Please provide specific detail on the specific vehicle types you believe should be exempt from ZEV mandate requirements, for both cars and vans, with clear reasoning?

Derogations

- 5.10 Derogations refer to the adapted targets that some vehicle manufacturers could receive if they meet pre-determined criteria. This could mean reduced obligations for smaller volume or SME vehicle manufacturers, on the basis that they have a reduced ability to decarbonise compared to major manufacturers, and in some cases potentially receiving no target for the smallest manufacturers.
- 5.11 A derogation can take multiple forms. If meeting pre-determined criteria, manufacturers could receive:
- A reduced target compared to major manufacturers

- A bespoke target, set on the basis of their personal circumstances
- A bespoke target, set on the basis of an improvement from their own historical performance
- No target whatsoever
- No target, but the ability to 'earn' certificates and to be able to sell any certificates they have earned

5.12 However any derogations will need to be compliant with the CCA 2008 trading scheme.

5.13 Some respondents to the Green Paper consultation suggested that derogations should be extended to small or niche volume manufacturers, however little detail was provided on what they should be. Given the regulation will allow certificate trading between manufacturers we anticipate the number of derogations and exemptions to be very limited.

Q5c. Please provide specific detail on what derogations you think should apply to the ZEV mandate for cars and vans with clear reasoning? Please include detail on what that derogation would entail – both the pre-determined criteria that would trigger eligibility, and what the derogated target should look like.

Enforcement and penalties

5.14 Given the ZEV mandate and CO₂ emissions regulation will set two targets, there will need to be two enforcement mechanisms. For the ZEV mandate, fines could most easily apply on a 'per certificate' basis, i.e. a certain £ fine per certificate. For the CO₂ emissions element, there would need to be scaled fines based on the number of vehicles sold and how much the target has been missed by. Our consultation asked how and at what level fines should be set and whether this should vary for different vehicle types. These responses will be used to help inform our regulation design.

We are not yet in a position to set out the details of the enforcement and penalty system. The full details of the enforcement and penalty system for noncompliance will follow when we consult on the details draft Statutory Instrument.

6. Part E: Regulating CO₂ emissions in the new non-ZEV fleet

- 6.1 The CO₂ emissions part of the regulation will be in place primarily to prevent any part of the fleet being left 'unregulated'. In principle, it is not intended to drive significant reductions to the CO₂ emissions of new conventional vehicles, but to avoid increases. Manufacturers should then be able to focus their new investments, research, and development in technology to accelerate the shift to fully zero emission vehicles. The CO₂ emissions regulation would be a fixed target with no tradeable elements.
- 6.2 There are still a number of key design questions around how the CO₂ emissions regulation operates and how it is linked (or not) to the ZEV mandate. For example, if the two systems are linked, part linked or linked for a time limited period, with a CO₂ emissions target applying across the whole of a manufacturers fleet (both zero and non-zero), over achievements could be used to offset targets not met elsewhere. This may offer manufacturers greater regulatory flexibility. The regulation could also reward manufacturers who do continue to reduce the CO₂ emissions from their new non-ZEV fleet, by award of some form of certificate. Alternatively, the ZEV mandate could be wholly separate to fleet average CO₂ emissions targets for manufacturers.
- 6.3 We also understand there are links to the SZEC definition. It should be assumed that any vehicle that meets the SZEC definition when it is confirmed would be part of the CO₂ regulatory framework and not the ZEV mandate.

Q6a: What are your views on how the CO₂ emissions regulation is linked, not linked or part linked to the ZEV mandate certificate system?

- 6.4 The level of the CO₂ emissions regulation and whether it remains static for the period up until 2035, or whether it tightens or responds to certain market conditions is a key consideration. Our initial intention is to establish a baseline of the average CO₂ emissions from new ICE and hybrid cars sold over a set period (excluding BEV sales), with a requirement on vehicle manufacturers to not get worse or reduce by a nominal or small amount. This is to reflect concerns expressed during the Green Paper consultation that manufacturers will be required to meet two separate targets

and the additional burden and cost of compliance, while also preventing any worsening in CO₂ emissions from the non-ZEV fleet. Clearly, there are trade-offs here as a less strict CO₂ target on the non-ZEV fleet would require greater uptake of ZEVs to deliver the same level of decarbonisation.

Q6b: Do you agree or disagree with our initial intention for how the CO₂ regulation will operate?

7. What will happen next

- 7.1 We will undertake extensive engagement with stakeholders to discuss these design parameters and proposals, including hosting a series of workshops / roundtables and engaging in bilateral discussions. Formal invitations will follow to those who responded to the previous consultation, or you can email ZEVmandate@dft.gov.uk.
- 7.2 Responses will complement evidence already gathered from the Green Paper on a New Road Vehicle CO₂ Emissions Regulatory Framework for the United Kingdom, as well as from our ongoing engagement with stakeholders and reviews of International best practice to inform our work, as we draft the Statutory Instrument and prepare an impact assessment on our proposals for publication later in the year.

Annex A: Full list of consultation questions

Q1a. What is your view on the potential trajectories the ZEV mandate for cars should follow and why?

Q1b. What is your view on annual targets for cars?

Q2a. What is your view on the potential trajectories the ZEV mandate for vans should follow and why?

Q2b. What is your view on annual targets for vans?

Q3a: What is your view on how the certificate system should operate and on our initial long list of potential vehicle attributes that could be rewarded / incentivised?

Q3b. Please provide detail on options you specifically support or oppose.

Q3c. Are there additional options not listed we should consider?

Q3d. What are your views on how flexible the ZEV certificate system should be over time?

Q4a. What are your views on our initial preferences for the certificate scheme to not allow any form of banking, borrowing, or pooling? Please explain your reasoning.

Q4b. Should trading only take place in the same period in which the certificate is earned or should it be more flexible than this?

Q4c. Should or shouldn't there be a minimum price set for selling certificates and/or a cap on the number of certificates that can be earned in a year by a vehicle manufacturer?

Q5a: Do you have any concerns with the proposal to 'link' the two legal entities of one manufacturer responsible for new car and van registrations in the UK, purely for the purposes of the ZEV Mandate and accompanying CO₂ regulation?

Q5b. Please provide specific detail on the specific vehicle types you believe should be exempt from ZEV mandate requirements, for both cars and vans, with clear reasoning?

Q5c. Please provide specific detail on what derogations you think should apply to the ZEV mandate for cars and vans with clear reasoning? Please include detail on what that derogation would entail – both the pre-determined criteria that would trigger eligibility, and what the derogated target should look like.

Q6a: What are your views on how the CO₂ emissions regulation is linked, not linked or part linked to the ZEV mandate certificate system?

Q6b: Do you agree or disagree with our initial intention for how the CO₂ regulation will operate?

Annex B: Consultation principles

The consultation is being conducted in line with the Government's key consultation principles which are listed below. Further information is available at <https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any comments about the consultation process please contact:

Consultation Co-ordinator
Department for Transport
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London SW1P 4DR
Email consultation@dft.gsi.gov.uk