



Office for  
Low Emission  
Vehicles

# £20m Ultra Low Emission Vehicle Tax Scheme

## Preliminary guidance for participants

December 2014

The Office for Low Emission Vehicles (OLEV) is a cross Government, industry-endorsed team combining policy and funding streams to simplify policy development and delivery for ultra low emission vehicles. OLEV currently comprises people and funding from the Departments for Transport (DfT), Business, Innovation and Skills (BIS), and Energy and Climate Change (DECC). Its core purpose is to support the early market for electric and other ultra low emission vehicles (ULEVs). OLEV is based in the Department for Transport and this document is published by The Department for Transport.

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# 1. Introduction

## Executive summary of the scheme

- 1.1 It was announced in April 2014 that the Office for Low Emission Vehicles (OLEV) would make at least £20m available for an ultra low emission Taxi Scheme.<sup>1</sup> This scheme forms part of the £500m package to grow the market for ultra low emission vehicles (ULEVs) from 2015-20.
- 1.2 This document is preliminary guidance. It outlines the principles, and current thinking around how the scheme will be designed but is not a reflection of the final design of the scheme. It marks the beginning of a consultative process with those who have an interest in the scheme.
- 1.3 The core principles are unlikely to change, but we want feedback from local authorities, taxi and private hire companies and drivers in particular on this preliminary guidance, to develop these principles so that the scheme can work in the best interests of all its potential participants.
- 1.4 To ensure this, we plan to run workshops in early 2015 so that we can take on board the thoughts of interested parties about this document, the measures we propose within it, and how these will be developed.
- 1.5 The scheme will be open to local authorities, and available UK-wide. We will provide funding for the infrastructure needed to support rollout of ultra low emission taxis in each region, which we anticipate could be used by both taxis and private hire vehicles, depending on local requirements. Local authorities are also invited to bid for funding to help offset the additional cost of purpose-built ULEV taxis. We propose to get state aid clearance for a maximum funding cap per taxi. ULEV taxis will qualify for the Plug-in Car Grant, so local authorities need only to “top up” the grant offered to each vehicle, up to a maximum cap.
- 1.6 This “top up” grant will only be available to purpose-built taxis which meet set disabled access criteria, and not regular cars used as private hire vehicles. This is because the additional costs of a purpose built taxi are higher, and we are prevented from a competition regulation perspective from offering more funding to the same car when it is used for a specific commercial purpose (e.g. private hire) as opposed to non-commercial use. Purpose-built ULEV taxis are not yet widely available in the UK but we expect a number of new models to enter the market between 2015-2017.
- 1.7 We would expect local authorities to combine Government funding support with other, local levers to encourage uptake of ULEV taxis.
- 1.8 Participation in this scheme does not affect eligibility for other OLEV schemes.

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<sup>1</sup> <https://www.gov.uk/government/publications/ultra-low-emission-vehicles-in-the-uk-measures-to-support-use-and-development-2015-to-2020>

## 2. What we want to achieve

### Impact

2.1 This scheme will aim to:

- **Increase the uptake of ultra low emission taxis**
- **Encourage the use of ULEVs as private hire vehicles**
- **Improve air quality in urban areas** - Taxis are a significant contributor to the UK's air quality problems due to the amount of time they spend driving with and without passengers. Their use is also often focused in urban areas that have poor air quality.
- **Encourage investment in the UK automotive industry** - Entrants to the ULEV taxi market have already committed to manufacturing vehicles in the UK and we want to continue this.
- **Influence the uptake of ultra low emission passenger cars** - through exposing more of the population to the benefits of ultra low emission vehicles.

### Indicative timings

2.2 The below timetable has been designed to give local authorities and other interested parties another opportunity to feed into the development of the scheme, and allow a long bidding process to allow any partnerships to be established,

- Workshops: January 2015
- Scheme launch: March 2015
- Closing date for initial bids: September 2015

### Process

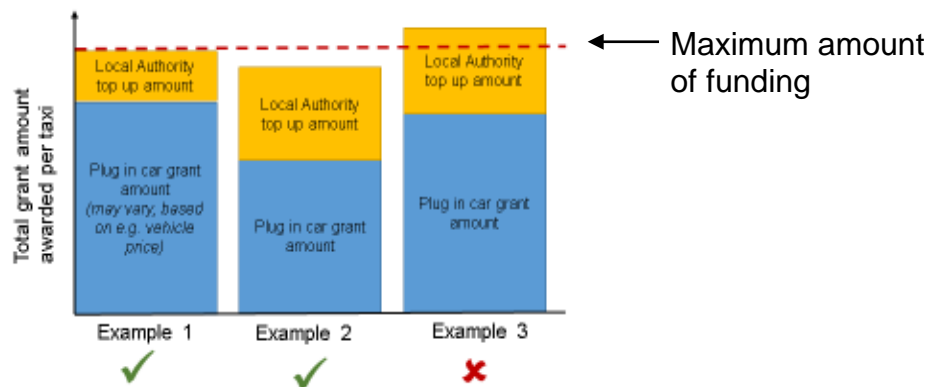
2.3 We have taken on feedback from local authorities that the process should be as simple as possible, both in terms of the questions being asked and the actual format of the bidding template.

2.4 Funding will be made available through a competitive process in which local authorities will submit bids, which will then be evaluated against a published set of defined criteria.

2.5 In the scheme, local authorities will bid for funds for two main purposes:

- **A taxi top-up grant:** Funds can be used to reduce the upfront cost of eligible taxis. To avoid imposing a state aid burden on local authorities we are proposing to pre-clear a **maximum amount** of funding that could be awarded to each taxi. The Government's

national Plug-in Car Grant will form an element of this amount, and local authorities are free to set up a local scheme to award **top-up** funding to each ULEV taxi. The Plug-in Car Grant is currently capped at £5,000. This cap will be reviewed when 50,000 grants have been paid out. If the Plug-in Car Grant element is reduced, the local authority element could increase, so we will ensure that local authorities are given the opportunity to revise their bids if changes are made to the Plug-in Car Grant scheme. We are currently unable to confirm the maximum amount as forthcoming ULEV taxi prices have not been confirmed. However, we are continuing to work with manufacturers and will test what the minimum level required would be in the workshops in January.



- **Infrastructure:** Funding can be used to support infrastructure installation for taxis and private hire vehicles, with a pre-defined, per chargepoint cap. We plan to outline a maximum infrastructure contribution for defined types of infrastructure. We will also expect local authorities to show a direct link between the installation of infrastructure and the number of ultra low emission taxis expected to be procured.
- We will also consider bids for other capital costs that might be incurred in setting up a taxi scheme on a case by case basis. For example feasibility studies to assess where infrastructure should be installed. We also expect local authorities to combine Government support with other local measures e.g. licensing to develop the ultra low emission taxi market in their areas.

## Bid criteria

2.6 We expect bids to be scored against the following criteria:

- **Ultra low emission taxi uptake<sup>2</sup>** – Local authorities which demonstrate how they will use the grant combined with other levers at their disposal to deliver a step-change in the uptake of ultra low emission taxis will be highly favoured.

<sup>2</sup> A ULEV is any car which qualifies for the Plug-in Car Grant: <https://www.gov.uk/government/publications/plug-in-car-grant>

- **Air quality** – Pollution from internal combustion engines presents a significant health risk, particularly in urban areas. We encourage proposals which address a significant air quality problem.
- **Value for money** – Those local areas which are able to demonstrate how they will do more with less will be credited. For example, authorities who are able to demonstrate a degree of match funding from partners.
- **Ambition** – We will be especially interested in bids which look to use funding to establish enduring, long-term, large-scale change – and not just temporary financial support.
- We also expect projections of uptake to be as evidence based as possible, and we will also take this into account in weighing up bids.

**2.7** In future documents, we will present weightings for each of these criteria according to their relative importance in the scheme – with more marks awarded for meeting the most significant scheme criteria. This will be discussed at the workshops in January.

**2.8** In the bid document, therefore, we expect local authorities to articulate:

- How many taxis are expected to be funded with the top-up grant.
- Any evidence to support how this number would be converted.
- What infrastructure will be built to support the uptake of ultra low emission taxis and private hire vehicles in the area – where it will be and why. If a feasibility study needs to be conducted first, indicative figures can be provided which can be updated at a review point to be defined in discussions in January.
- And how all of these measures meet the bid criteria detailed above.

**2.9** We will also value bids that think in a considered way about how their proposals for this scheme could link with other OLEV schemes, such as the £35m City Scheme, infrastructure schemes, and the £30m Bus Scheme. Bidders will not be penalised if they are not considering wider measures at this stage and do not bid into the above schemes.

## 3. Key Details

### Who can apply?

- 3.1** This scheme is UK-wide – and any local authority in England, Scotland, Northern Ireland or Wales is eligible to bid for funding.
- 3.2** We intend for the ultimate beneficiaries of the Taxi Scheme to be not just local areas, but taxi drivers themselves – who will directly benefit from reduced prices when buying an ultra low emission taxis, and from a dedicated infrastructure network.
- 3.3** However, only local authorities will be eligible to bid for funds in this scheme. It will subsequently be the responsibility of these local authorities to manage the distribution of funds to taxi drivers who wish to apply for a top-up grant.
- 3.4** Local authorities will also be best placed to make decisions about the infrastructure requirements of a local area and its taxi and private hire drivers – and this is something we expect bids to take into account. Effectively planned infrastructure is a vital enabling factor in supporting an emerging ultra low emission taxi market.

### Eligibility for the top-up grant

- 3.5** Only purpose built taxis will be eligible for a top up grant. The Plug-in Car Grant applies to all qualifying cars regardless of their use. So ULEV Cars used as taxis or private hire vehicles, with no adjustments, are not deemed to require additional funding.
- 3.6** However purpose built ULEV taxis will be relatively more expensive, and justify a higher grant to address the cost cap. For taxis to be eligible for top-up grant funds from their local authority, the vehicles must meet the following two criteria:
  - a. They qualify for the Plug-in Car Grant as an ultra low emission vehicle.
  - b. They meet a set of disabled access criteria.
- 3.7** There are a number of different disabled access criteria in use by local authorities across the UK, which are required for licence. We are keen to find the right balance between these in the criteria that we set.
- 3.8** We are working with DfT analysts to establish what these will be – and would like to discuss our initial thinking at our workshops in January.



## Workshops

- 3.9** This document contains preliminary guidance, and while it outlines the major policy objectives and eligibility criteria of the Taxi Scheme, we want to ensure that the measures suggested will work for stakeholders before it is finalised.
- 3.10** To do this, we are planning workshops at which we will be able to have a conversation about the measures in this document, and seek feedback on them. These will take place in January.
- 3.11** The details of the scheme we would particularly appreciate feedback on are:
- a. Dedicated infrastructure provision for taxis (i.e. – whether the fund should be made available for charging points only available to be used by purpose built or private hire taxis)
  - b. How disabled access criteria should be defined
  - c. How much grant would need to be provided to encourage purchase of ULEV taxis
  - d. How long participants would need to bid, and how often the opportunity to refresh bids should be presented.
- 3.12** Local authorities interested in taking part in a Taxi Scheme workshop, should express interest via [olev.enquiries@olev.gsi.gov.uk](mailto:olev.enquiries@olev.gsi.gov.uk), putting 'Taxi Workshop' in the title of the email. We will then send invitations giving details of the time and date.

## Funding

- 3.13** The scheme will make at least £20m available from 2015-20. The precise profile of the 5 year spend has not yet been defined.
- 3.14** Local authorities will be encouraged to put forward multi-year bids. There will be the opportunity to review these bids on a regular basis.
- 3.15** If the Plug-in Car Grant is reduced, local authorities will need to bid for higher amounts through the Taxi Scheme if they want to continue to provide the maximum amount to each taxi, so we will ensure that any changes are communicated as early as possible, and Taxi Scheme bidders are given the opportunity to revise their bids in light of any changes.
- 3.16** We will not impose limits on the amount that can be bid for by each authority, or on the number of authorities which could be successful. However, we will request authorities to indicate the degree to which their bids are scalable in the event that we receive high levels of interest. Bids will be assessed on the basis of a published set of criteria.

## State Aid

### Local authorities

**3.17** In providing funds to support successful bids we will not be engaged in an economic activity. As such, the funding of authorities itself won't engage State Aid and no approval for the provision of funds is required at that stage. However, the subsequent use of funds by local authorities in relation to the top-up grant and infrastructure grant may engage State Aid, dependent on where and what local authorities plan to install. Therefore, we expect to see consideration of the State Aid implications of the grants within bid documentation. We will take the thoroughness of such consideration into account when allocating funds.