



Office for Low Emission Vehicles

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Dear Colleague,

Yesterday the government announced changes to the grant rates available under the Plug-in Car Grant. This letter sets out the rationale for these changes, and provides more information for dealers, manufacturers and others on how we will transition to the new grant rates.

Changes to the plug-in car grant

The Plug-in Car Grant was established in 2011 to support the early market for ultra low emission vehicles, offsetting the higher upfront purchase costs of these vehicles. Over the last seven years, the grant has disbursed over £0.5 billion, supporting the purchase of over 160,000 ultra low emission cars. The market share of these vehicles is now 2-2.5% of new car sales and growing.

The changes announced yesterday will now focus our support on zero emission models like pure electric and hydrogen fuel cell cars. Consequently, we are retaining a substantial level of grant for the cleanest vehicles: up to £3,500 – reduced from £4,500. This reflects recent and anticipated future reductions in the price of these vehicles. We are re-confirming today our previous commitment that the plug-in car grant will extend until at least 2020, encouraging the next 35,000 ultra low emission vehicles onto UK roads.

Two out of three new cars bought using the grant are plug-in hybrids. With this segment becoming more established, the grant will no longer support the purchase of these vehicles. Plug-in hybrids are some of the cleanest cars on the road – they can deliver significant air quality and CO₂ savings compared with petrol and diesel cars. They will therefore continue to attract favourable treatment in the taxation regime, grants for charging infrastructure, and local incentives (such as free parking in certain areas).

These moves reflect the on-going success of the grant in driving behaviour and helping zero emission vehicle technologies to achieve economies of scale that drive down the prices for motorists. As set out in our Road to Zero strategy in July, increased uptake of the grant brings higher costs to the taxpayer. Yesterday's announcement underlines the commitment made in the strategy to deliver a

managed exit from grant funding over time. The changes will be implemented in a month's time, subject to uptake levels. The Road to Zero strategy makes clear that beyond 2020, incentives for consumers to purchase these clean vehicles will continue to be important.

The plug in car grant is one of a wide range of measures to drive the transition to a zero emission transport future. We are taking forward other demand incentives, supply-side measures such as research and development funding and support for infrastructure. Government remains strongly committed to leading the world in the design and manufacture of zero emission vehicles, delivering the ambitions set out in our Road to Zero Strategy in July – that between 50-70% of cars sold in 2030 will be ultra low emission vehicles and that by 2040 all new cars and vans will be effectively zero emissions – and we will continue to drive towards these goals.

Transition to new grant rates

The precise date that rates will change will depend on how many new vehicles are sold during the transition period (11 October to 9 November). However, they will come into effect by 23:59 on 9 November at the latest.

Alongside this letter we have published guidance on how we intend to manage this transition period. Please feel free to contact Oliver Chadwick, Head of Vehicle Incentives at OLEV, for further detail (oliver.chadwick@olev.gsi.gov.uk).

Regards,

A handwritten signature in black ink that reads "Vicky Edmonds". The signature is written in a cursive style and is positioned above the printed name.

Vicky Edmonds

Joint-Head of Office for Low Emission Vehicles