

Zouk Capital: Response to CMA ITC in the EV Charging Market Study

Zouk Capital (<https://www.zouk.com/>) is a private equity and infrastructure fund manager investing in the sustainable economy opportunities created by the global shift to resource efficiency. Zouk is the fund manager for the UK Government's £400m Charging Infrastructure Investment Fund (CIIF)¹ and has, through the CIIF and other managed funds, made investments into a number of electric vehicle (EV) charging businesses in the UK and abroad.

Zouk's investments to date include:

- **Instavolt:** the owner-operator of a rapid EV charging network operating in the UK;
- **Liberty Charge:** a joint venture with Liberty Global to provide under-the-pavement infrastructure across the UK to enable on-street EV charging in residential areas;
- **EO Charging:** a UK manufacturer of EV chargers and related software; and
- **Be Power:** Italy's second largest EV charging network provider.

Zouk welcomes the opportunity to respond to the Invitation to Comment (ITC) as an active investor in the EV charging sector. As an enterprise with a strong belief in sustainable, fair and equitable business practices, we believe that the Competition and Markets Authority (CMA) taking a forward-looking approach with this Market Study is a positive signal for the future of the EV charging sector.

In broad terms, we agree with the general approach and the direction outlined by the CMA in the ITC, though we would like to raise specific additional areas which we feel are worthy of highlighting and suitable for inclusion in the next stages of the Market Study.

Theme one: developing competition while incentivising investment

1. Local authorities and other public bodies will play a key role, not only in procuring services (as described in paragraph 22 of the invitation to comment) but also in the provision of sites and access for the placement of public EV charging services. Ensuring that these organisations have the resources and latitude of policy to unlock land and dedicate parking bays in a timely, streamlined and cost-effective fashion will accelerate the build out of the market.
2. The deployment of EV charging infrastructure in public spaces is an investment with a long-term timeframe and so will require an understanding from landlords (including the aforementioned local authorities) that onerous conditions such as short concessions or high rents will hamper the industry and slow down private sector investment in the space.
3. There are 158 motorway service areas (MSA) in the UK², serving 70.5bn of the 356.5bn miles being driven annually on the UK's roads³ and strategically placed over many decades to ensure coverage for the refuelling of internal combustion engines (ICE). The comparatively shorter range of an EV versus an ICE vehicle will place a higher demand on these services and therefore, considering the practical difficulties of building new MSAs, it is of paramount importance that the charging infrastructure offered is sufficient in scale, well maintained and of the highest reliability. To ensure this high level of

¹ See <https://www.gov.uk/government/publications/charging-infrastructure-investment-fund>.

² See <https://www.ukpra.co.uk/en/about/motorway-services>

³ See <https://www.gov.uk/government/statistics/road-traffic-estimates-in-great-britain-2019>

customer experience, MSA operators must have the freedom to manage the delivery of EV services and select their charging partners from across the market.

4. There is a danger that grant funding could be detrimental to the effective development of the EV sector, particularly by crowding out private sector investment and being deployed on a large scale into commercially unviable propositions – resulting in under-maintained infrastructure and a negative quality of service. Where grant funding is made available, it should be for the purpose of bringing nascent areas of the market into play or directly supporting the uptake of EVs for the consumer, rather than offering a long-term lifeline to commercially uncompetitive market participants.
5. By way of an important current example, the £500m Project Rapid Fund⁴ announced by the government in the 2020 Budget, should be carefully managed to ensure allocation to the strongest commercial proposals in the market whilst providing equitable support to support access to all road networks, including rapid EV charging sites located away from MSAs. Funding would be best directed as a top-up in strategically important locations with otherwise prohibitively expensive grid connection costs.
6. Highly subsidised public tariffs, for example ChargePlace Scotland, while arguably a driver for early uptake of EVs are, in our opinion, neither sustainable nor conducive to effective market competition. We would hope that the CMA will look at how to ensure that these tariffs do not prevent access to and drive private sector investment out of the market.

Theme two: effective consumer interaction with the sector

1. Consumers will greatly benefit from access to public EV charge points through a variety of payment methods and being unrestricted by the need for membership of a network, for example the capability to pay with a credit/debit card without requiring a physical access token or an app-only activation. Where the provision of these choices are not economical, we would still expect an effort towards openness and an understanding of the consumer's experience.
2. The treatment of VAT should be harmonised across the electric vehicle charging sector. There is currently a disparity between those consumers that have access to and can charge at home and those that rely on public networks. The former will only pay +5% VAT on their electricity supply, whereas the latter are subject to +20% VAT. This differential is distortive and considering economic factors often associated with lack of off-street parking is not a progressive approach to taxation.

Zouk Capital looks forward to playing an active role in the Market Study and hearing about the next steps in the CMA's process.

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⁴ See <https://www.gov.uk/government/publications/government-vision-for-the-rapid-chargepoint-network-in-england/government-vision-for-the-rapid-chargepoint-network-in-england>.