

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Ninth Delegated Legislation Committee

DRAFT VEHICLE EMISSIONS TRADING SCHEMES  
ORDER 2023

*Wednesday 29 November 2023*

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**The Committee consisted of the following Members:**

*Chair:* MRS SHERYLL MURRAY

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|---|--|
| † Bell, Aaron ( <i>Newcastle-under-Lyme</i> ) (Con)                               | † Hughes, Eddie ( <i>Walsall North</i> ) (Con)                         |
| † Browne, Anthony ( <i>Parliamentary Under-Secretary of State for Transport</i> ) | † Jenkinson, Mark ( <i>Workington</i> ) (Con)                          |
| † Carter, Andy ( <i>Warrington South</i> ) (Con)                                  | Johnson, Kim ( <i>Liverpool, Riverside</i> ) (Lab)                     |
| † Colburn, Elliot ( <i>Carshalton and Wallington</i> ) (Con)                      | Liddell-Grainger, Mr Ian ( <i>Bridgwater and West Somerset</i> ) (Con) |
| † Cruddas, Jon ( <i>Dagenham and Rainham</i> ) (Lab)                              | † Mohindra, Mr Gagan ( <i>South West Hertfordshire</i> ) (Con)         |
| † Ellis, Sir Michael ( <i>Northampton North</i> ) (Con)                           | Shah, Naz ( <i>Bradford West</i> ) (Lab)                               |
| † Elmore, Chris ( <i>Ogmore</i> ) (Lab)   | Nicholas Taylor, <i>Committee Clerk</i>                                |
| † Esterson, Bill ( <i>Sefton Central</i> ) (Lab)                                  |  |
| † Gibson, Peter ( <i>Darlington</i> ) (Con)                                       |  |
| Greenwood, Margaret ( <i>Wirral West</i> ) (Lab)                                  |  |
| Hamilton, Fabian ( <i>Leeds North East</i> ) (Lab)                                | † <b>attended the Committee</b>  |

# Ninth Delegated Legislation Committee

Wednesday 29 November 2023

[MRS SHERYLL MURRAY *in the Chair*]

## Draft Vehicle Emissions Trading Schemes Order 2023

9.25 am

**The Parliamentary Under-Secretary of State for Transport (Anthony Browne):** I beg to move,

That the Committee has considered the draft Vehicle Emissions Trading Schemes Order 2023.

It is a pleasure to serve under your chairmanship, Mrs Murray. The purpose of the statutory instrument is to provide industry with certainty as it invests in the transition to zero-emission vehicles ahead of the Government's commitment to end the sale of new non-zero-emission vehicles, cars and vans in 2035. The draft order will be made using powers under the Climate Change Act 2008 to create trading schemes that apply to Great Britain, and to preserve an appropriately scaled version of the current regulations for Northern Ireland. That is because the powers to create trading schemes require the devolved legislatures to each approve the order by affirmative resolution. I am pleased to tell the Committee that this has already happened in Senedd Cymru in Wales, and that approval is expected shortly in the Scottish Parliament.

As the Northern Ireland Assembly is not currently sitting, it is not possible for Northern Ireland to join the trading schemes. It is, however, the firm intent of the UK Government that upon the return of the Northern Ireland Assembly, and should the Assembly choose to pass the required legislation, Northern Ireland will join the trading schemes with the rest of the UK. The Department for Transport will continue to work closely with the Department for Infrastructure in Northern Ireland to support this process.

Decarbonisation of cars and vans is a priority for achieving net zero, since these vehicles alone accounted for 18% of the UK's total emissions in 2021, and it is a once-in-a-generation opportunity for the UK economy. As my right hon. Friend the Chancellor of the Exchequer said last week, the UK has one of the most innovative economies anywhere in the world, putting us in prime position to leverage our world-leading advanced manufacturing and research and development in the global shift to zero-emission vehicles. To unlock that dynamism, we must approach the transition in a way that allows manufacturers to pursue their strategies but still provides certainty for investors, businesses and families.

That is exactly what a zero-emission vehicle mandate does. It sets ambitious but achievable targets for the percentage of a manufacturer's cars or vans that should be zero emission each year. Those start at 22% for cars and 10% for vans in 2024 and rise each year to reach 80% for cars and 70% for vans in 2030. Alongside a ZEV mandate, the legislation sets out targets for new

non-zero-emission vehicle average carbon dioxide emissions, which will ensure that average emissions do not worsen during the transition, when manufacturers are focusing on zero-emission technology.

Industry overwhelmingly supports this approach. For charge point providers, which have already committed £6 billion to developing UK charging infrastructure, the trajectories give certainty on future demand that gives investors the confidence to think big. Indeed, I met many of them yesterday, and they echoed that. For automotive manufacturers, too, certainty is vital. Product plans can be decided up to a decade in advance. Going zero emission requires the overhaul of factories, and new technologies are pushing the bounds of possibility with every breakthrough.

In this seismic shift and technology transition, clearly setting out how the UK market will develop enables manufacturers to plan for the future and deliver zero-emission vehicles to the UK faster than competitor markets in the EU or North America. Where there is demand, there will also be production. Last week, the Chancellor announced £2 billion of new Government funding to support zero-emission manufacturing in the UK, in addition to the major investments already being secured by the likes of Jaguar Land Rover owner Tata Motors, BMW, Stellantis and Nissan. I am delighted that Nissan announced last week the production in Sunderland of the new electric Juke and Qashqai cars.

This is all part of the Government's plan to grow the economy and supercharge productivity, with the biggest permanent tax cut in modern British history for businesses, which will now be able to invest for less, boosting investment by £20 billion a year over the next decade. Taken together, these measures will mean thousands of well-paid jobs in communities across the country.

While all manufacturers need to be in the same place by 2035, they are all starting from slightly different positions today. In recognition of that, the flexibilities of banking, borrowing and conversions are included in the draft order. Manufacturers may also trade, allowing over-compliant manufacturers to sell to under-compliant manufacturers at a market-determined price.

The Government recognise that the challenges of decarbonisation are different for the lowest-volume manufacturers, which have an outsized contribution in cutting-edge research and development. A manufacturer that registers fewer than 2,500 cars or vans will not be subject to the zero-emission vehicle targets, but rewarded for any zero-emission vehicles they sell. Manufacturers that register fewer than 1,000 non zero-emission cars or vans will be exempt from the CO<sub>2</sub> targets for non-zero-emission vehicles.

Exemptions are also available for registering vehicle types known as special purpose vehicles, which include ambulances, armoured vehicles and wheelchair-accessible vehicles. That means that manufacturers face no barrier to producing non-zero-emission versions of those vehicles while they are still required. To encourage zero-emission models, bonus credits will be awarded for any SPVs registered. The UK is a world leader in the ingenuity it takes to make those specialist vehicle types, particularly wheelchair-accessible vehicles, and the Government are committed to ensuring that that continues. Further investment is expected. As the Society of Motor Manufacturers and Traders pointed out:

“The automotive industry is investing billions in decarbonisation and recognises the importance of the zero emission vehicle mandate as the single most important measure to deliver net zero.”

This legislation is pragmatic, necessary and vital for the UK to meet its world-leading climate commitments. It is supported by the vast majority of vehicle manufacturers operating in the UK, which have worked alongside the Government to ensure that the legislation can deliver the vehicles needed to decarbonise our national vehicle fleet. It demonstrates the UK’s global leadership in the fight against climate change; the order is the most ambitious legal framework of its kind in any country.

I commend the statutory instrument to the Committee.

**The Chair:** I call the shadow Minister.

9.31 am

**Bill Esterson** (Sefton Central) (Lab): Good morning, and thank you very much, Mrs Murray.

Labour supports the introduction of the ZEV mandate. The Minister said much that I can completely agree with. Decarbonising cars and vans is an absolute priority in delivering net zero, as he reiterated throughout his remarks. He set out extremely well the opportunities for the industry in this country. However, there are significant challenges, sadly, of the Government’s own making. I understand that there are problems in the Conservative party with this subject.

I will look at how the ZEV mandate, which we support, can be best rolled out and how the incentives can be used to deliver the agenda that the Minister set out. The confirmation that 80% of new cars and 70% of new vans will be zero emission by 2030 moves the UK towards net zero in cars and vans—that is true. However, the question we should address is how to balance the supply of vehicles, which the mandate sets to manufacturers, with demand from consumers. That is why what the Prime Minister said in September, and the way his party conference speech was trailed in advance again and again, caused so many problems. The change in date from 2030 to 2035 has created a problem for consumer confidence. We therefore support the end of new sales of petrol and diesel cars in 2030, not 2035. In Government, if we are given the responsibility in the coming year, we will revert to 2030 to emphasise the importance of taking the earliest possible steps to decarbonise.

The Prime Minister announced the change in date. After 2030, the remaining 20% in the mandate includes petrol, diesel and hybrids whereas it previously covered only hybrids. However, the problem is that consumers heard, “Don’t worry; you don’t have to switch”. That leaves manufacturers that have already made sizeable investments—the Minister set out the commitment of the industry very well—in zero-emission vehicles with the serious concern that drivers will not buy their electric vehicles because the Prime Minister told them not to worry.

On Monday, Baroness Young spoke to the Lords about the greater environmental awareness of young people and their pester power with parents. In the environment Select Committee, she said that she had asked some whether they were using that pester power to persuade their parents to adopt electric vehicles. What she heard back she described as a bit “shattering”. They had replied:

“There is no point in us trying to influence our parents on this because the Government have just said to them, by slipping the date, ‘Don’t worry, there is no rush. You don’t need to do it now—you can take all the time you like’”.—[*Official Report, House of Lords, 27 November 2023, Vol. 834, c. 994.*]

In a nutshell, that is our problem: we have this gap between supply and demand.

It took the Government some time to come up with an excuse for why the Prime Minister had delayed the date. That was made by the Transport Secretary, and I do not disagree with the analysis that hybrids are higher-emitting vehicles than had previously been publicly announced—although that had been obvious for some years before that, because of the way people tend to drive them—but it was after the fact. It took the Government some time to consider that the Prime Minister’s announcement had had a chilling effect on consumer and industry confidence.

Let us look at some of what industry said. Emma Pinchbeck, the chief executive officer of Energy UK, said of the net zero roll-backs:

“I just came out of a meeting where a chunk of the British economy was assured by ministers that net zero was a top priority and that policy stability was crucial for investors. Now this.”

The Climate Change Committee stated:

“The cancellation of some Net Zero measures is likely to increase both energy bills and motoring costs for households...any undermining of their roll-out will ultimately increase costs”—

that is electric vehicle roll-out. Meanwhile, the Energy and Climate Intelligence Unit has estimated that drivers could face £6 billion in extra costs up to 2035.

The lifetime costs of EVs are already cheaper than those of petrol and diesel cars. By 2030, the up-front costs of EVs were forecast to be at parity with petrol or diesel cars. By delaying, the concern is that the Government are not lowering but raising costs for families.

**Peter Gibson** (Darlington) (Con): Will the hon. Gentleman confirm what I think I heard him say, which was that if Labour secured a victory at the next general election, it would revert to 2030? Is that correct?

**Bill Esterson:** That is exactly what we will do. We have been saying it since the Prime Minister announced the delay, so it should come as no surprise to the hon. Gentleman—

**Chris Elmore** (Ogmore) (Lab): It is about consistency.

**Bill Esterson:** The Opposition believe in consistency and certainty; sadly, that has not been the case with the Government on this issue. We recognise the importance of certainty to manufacturers and consumers. That is why we will stick to the 2030 end-point for new sales of petrol and diesel.

Used-car sales account for more than 80% of sales, so petrol and diesel will be around for many years to come, but if we are to support our automotive industry—which has made those sizeable investments that the Minister rightly recognised—and to reduce emissions as fast as possible, as the climate science says we must, we have to encourage consumers to make the switch and we must make it attractive for them to do so.

In 2020, the then Transport Secretary, the right hon. Member for Welwyn Hatfield (Grant Shapps), announced the ban on the sale of new petrol and diesel cars after 2030. He said that it would put the UK at the forefront

[Bill Esterson]

of the zero-emission vehicle revolution with vehicles built right here in the UK. I agreed with him then, and I still agree with him now. I am concerned that there are Members on the Conservative Benches who do not agree with him.

The current Transport Secretary suggested that there was little environmental impact difference between the 2030 announcement then and the 2035 announcement now. The trouble is that consumers have been put off, as the Office for Budget Responsibility analysis suggested. The OBR said that just 38% of new vehicles sold in the UK in 2027 would be electric, down from the 67% it predicted as recently as March. That is the chilling effect of the Prime Minister's announcement. The OBR said that the Government deferral of the ZEV mandate to 2035—it is a deferral not of the mandate, but of the sale of new petrol and diesel—is the reason that car buyers are dissuaded from going electric. Whether the detail of the OBR figures is exactly right or not, its point is well made: there has been a decline in consumer demand.

There is no need to take the word of the OBR—that independent body set up by Government—for it, but we can take industry's word for it. Mike Hawes of the SMMT said that consumers require from Government

“a clear, consistent message, attractive incentives and charging infrastructure that gives confidence rather than anxiety. Confusion and uncertainty will only hold them back.”

I was with him last night at the SMMT annual dinner and he said that consumers need incentives now, not in 11 years' time. He said that consumers have been told not to rush. The SMMT president—again, last night—described the chaos of moving goalposts in legislation.

Lisa Brankin, the Ford UK chair at the time of the Prime Minister's announcement, said:

“Three years ago the government announced the UK's transition to electric new car and van sales from 2030. The auto industry is investing to meet that challenge... Our business needs three things from the UK government: ambition, commitment and consistency. A relaxation of 2030 would undermine all three. We need the policy focus trained on bolstering the EV market in the short term and supporting consumers while headwinds are strong: infrastructure remains immature, tariffs loom and cost-of-living is high.”

Stellantis's press release at the time stated:

“Stellantis is committed to achieve 100% zero-emission new car and van sales in the UK and Europe by 2030. Our range will progressively move towards 100% electric, ahead of”

current “legislation.” It went on:

“Clarity is required from governments on important legislation, especially environmental issues that impact society as a whole.”

ChargeUK stated:

“For many years the UK has been a leader in the transition to the green economy of the future. Government policies have attracted investment to the UK and created well paid, high quality jobs. Members of ChargeUK have committed over £6 billion to roll out EV infrastructure in all parts of the UK at an unprecedented rate, turning on a new public charging point every 20 minutes, creating good, sustainable jobs, supporting the switch to EVs and thereby reducing emissions and improving air quality for all. This has been made possible by a clear commitment from the UK government to decarbonise our economy, with the 2030 phase out date for new petrol and diesel vehicles, 2030 acting as an essential catalyst. In his first speech as Prime Minister, Rishi Sunak said ‘I will place economic stability and confidence at the heart of this government's agenda.’”

We will not cheer yet. ChargeUK went on:

“Today's extremely worrying news is not consistent with economic stability or confidence. It will compromise the entire industry, and place jobs and consumer and investor confidence at risk. More importantly, government will penalise individual drivers who are doing the right thing. More and more people are making the transition to electric vehicles, as they have been encouraged to do. They are entitled to expect government to keep its promises and continue to support the roll out of charging infrastructure across the UK. ChargeUK calls on the Prime Minister to confirm that the UK government remains committed to the 2030 phase out date for new petrol and diesel vehicles and to a strong ZEV mandate.”

A Labour Government will make that commitment if the Conservative Government will not.

The Climate Change Committee Chair said at the time:

“The Government not only has a legal obligation to meet its Net Zero 2050 target. It also has a commitment to hit the interim emission reduction targets it has put into law. The Climate Change Committee has an obligation to assess progress towards those targets. In June, we said in our Progress Report that we were less confident in the Government's ability to deliver its 2030 and 2050 commitments than we were a year previously. We need to go away and do the calculations, but today's announcement is likely to take the UK further away from being able to meet its legal commitments. This, coupled with the recent unsuccessful offshore wind auction, gives us concern. More action is needed, and we await the Government's new plan for meeting their targets and look forward to receiving their response to our Progress Report, expected at the end of October.”

There we have it from industry and the scientists.

Will the Minister address the concerns raised about what ChargeUK called the potential compromising of the entire industry and the placing of jobs and consumer and investor confidence at risk? How will Ministers ensure that consumers do not delay buying battery electric vehicles as a result of the change in date from 2030 to 2035? Furthermore, when will they publish the regulations for what happens between 2030 and 2035?

The regulations refer to charge point infrastructure. The Government are 10 years behind their stated 2030 date for the roll-out of 30,000 charge points—that is from the latest figures that the Government published. What changes will the Government make to increase the rate of roll-out? That is a key element of securing consumer confidence to buy the electric vehicles being produced as a result of the zero-emission vehicle mandate.

The news from Nissan and Jaguar Land Rover about the investments in gigafactories is very welcome. However, we are still well short of the Faraday Institution calculation of 200 GWh battery capacity required. Again, having this capacity is part of building consumer and manufacturer confidence, which is related to the ZEV mandate. Labour is committed to part-funding the additional capacity. Will the Government match our commitment? The rapid charging fund was announced in March 2020. Will the Government match our commitment to release the fund to secure charging coverage across the country, to deliver consumer confidence?

My questions are all designed to probe how to address the gap between consumer demand and ZEV-mandated manufacturer supply. Drivers need to know that electricity prices will fall. Labour will cut energy bills by making the UK self-sufficient in renewable electricity generation. Will this Government match our ambition? Will they make the case wholeheartedly in public—not just on Government websites hidden away that nobody ever

sees—that electric vehicles are an attractive option now, by emphasising that an electric vehicle is much cheaper over its whole life than petrol or diesel?

The Government have announced a change of date, which affects the ability of industry to deliver the mandate we are debating today. Today's decision does not address the delay to 2035. My final question is this. Labour support today's statutory instrument, but we will revert to the 2030 target in Government, because we want to give the strongest encouragement to consumers and the strongest support to industry. Will the Government allow a vote in this Session of Parliament on the delay to 2035, so that the mandate we agree this morning has the best chance of being implemented effectively?

9.47 am

**Anthony Browne:** I thank the shadow Minister for his contribution. I will address all his points, but most were about the change in date from 2030 to 2035 for banning the sale of pure petrol and diesel internal combustion engine cars. I noticed that almost everything the hon. Gentleman quoted from industry was said on the day of the announcement or the day after, before they realised that actually the Government were not changing the zero-emission—

**Bill Esterson:** I think it is important to correct that point. I quoted what the chief executive and president of the SMMT said last night, which is entirely consistent with what they said at the time. I do not think anything has changed since.

**Anthony Browne:** I said “almost” everything the hon. Gentleman quoted. The quotes he cited from ChargeUK, for example, and much else, were about this announcement today. There was concern before the industry realised that actually the Government were not changing the zero-emission vehicle mandate, which we are implementing today. This is what gives certainty to industry. Indeed, I was with the chair of ChargeUK yesterday, and lots of charge point operators, who welcomed this legislation. They have £6 billion of investment that they are rolling out for charge points, precisely because of this.

If the hon. Gentleman fully welcomes the order, and wants to know the reason for delaying from 2030 to 2035 the ban on the sale of pure diesel and petrol vehicles, it is because at the time that the 2030 announcement was made, the evidence suggested that hybrid cars performed far more efficiently than pure internal combustion engine cars, whereas the more recent data shows that there is relatively little difference in performance. It cannot, therefore, be justified to ban the sale of one type of car while allowing the hybrid cars. From a consumer point of view, we should let them choose which type of car until 2035.

On a broader point, the hon. Gentleman touched on the carbon budgets. We have had three carbon budgets so far, and we have exceeded every single one of them by about 14%. We are way ahead of schedule and where we said we would be at this point in time. As the hon. Gentleman knows, if we look at our carbon dioxide reductions historically since the benchmark year of 1990, not only are we the leader of all the major European countries, we are the leader of the G7. Our greenhouse gas emission reductions are the greatest of any country in the G20. We are genuinely world leading

on this. Looking at our future targets, the UK's nationally determined contribution is 68%, and the EU's is 55%. We are going to cut far faster than other countries. That is what gives us the leeway to be flexible on things in quite a minor way to give consumers more choice as we get to net zero. The impact of the announcement in terms of carbon dioxide emissions is about 1% of the total impact of these regulations.

The hon. Gentleman asked about the OBR report and questioned whether it thought we were going to meet the mandate. We are not allowed to show things, but I have the OBR graph here. It has underestimated our electric vehicle roll-out at every single stage. We have surpassed all its forecasts. Its latest forecast shows that it thinks we will meet the mandate and meet 100% zero-emission vehicles by 2035 and 80% by 2030. That is not surprising, because, as the hon. Gentleman mentioned, that is what the industry itself is planning anyway. Sixty-seven per cent. of our car market is already committed to being 100% zero emissions by 2030—I think I am right in saying that that includes Ford, Stellantis and Nissan. All major car manufacturers are committed to 100% zero-emission vehicles by 2035. That is the trajectory the industry is on. This instrument gives them the certainty for it, but that is what is happening.

The hon. Gentleman asked when we will publish the details of the amounts on the targets for 2030 to 2035. The Government have mentioned indicative amounts, but we have not legislated for that yet. We will review all this in 2027 and there will be a second review in 2029. The hon. Gentleman also asked about the charge point roll-out. We have now surpassed 50,000 public charge points in the UK, of which one fifth—about 10,000—are rapid charging units. I want to see that go faster, but as I said, when I met the charge point operators yesterday, they were incredibly excited about rolling out incredibly fast. There is a wall of private sector capital—£6 billion. The number of charge points has increased by 45% over the last year compared with the previous year, which is an incredibly rapid roll-out.

Last night, instead of going to the all-party parliamentary beer group, I looked at electric vehicle statistics across Europe, because we are sometimes criticised for how the market has developed in the UK. If we look at the six major countries in Europe, Poland and Italy are at about 4%—we would not expect them to do that much. Spain is a bit higher at 4.7%. France, which we always look at as a great country for doing this sort of thing, is at 15.5%. Germany, the great automotive superpower of Europe, which has great engineers and everything else, have 15.8% electric vehicles. In the UK, 16.1% of our market is electric vehicles. Our electric vehicle market share is the greatest of any major country in Europe. That is a record to be absolutely proud of. This instrument will accelerate that far further.

The hon. Gentleman asked for a vote on the delay to 2035—he will not get that. I cannot commit to that, and we will not do it. I set out the reasons for that. I think I have answered all the points, so I will make my closing remarks.

The order is the most ambitious piece of legislation of its kind in any country anywhere in the world. Indeed, it is the biggest single act this Government are making to reach net zero. It is overwhelmingly supported by industry, which has helped to develop it. It establishes

*[Anthony Browne]*

a clear pathway for the decarbonisation of our new car and van fleet. It will encourage vehicle manufacturers to invest in zero-emission vehicle manufacturing in the UK, encourage charge point operators to invest in our infrastructure network, and support jobs and working people as we move to a cleaner economy. I hope the Committee has found the debate informative and short,

and that Members will join me, alongside colleagues in Senedd Cymru and in the Scottish Parliament, which have already approved this legislation, in supporting this instrument.

*Question put and agreed to.*

9.54 am

*Committee rose.*