T&E UNITED KINGDOM

BRIEFING - January 2026

From Target to Transition: The ZEV Mandate's Second Year of Success

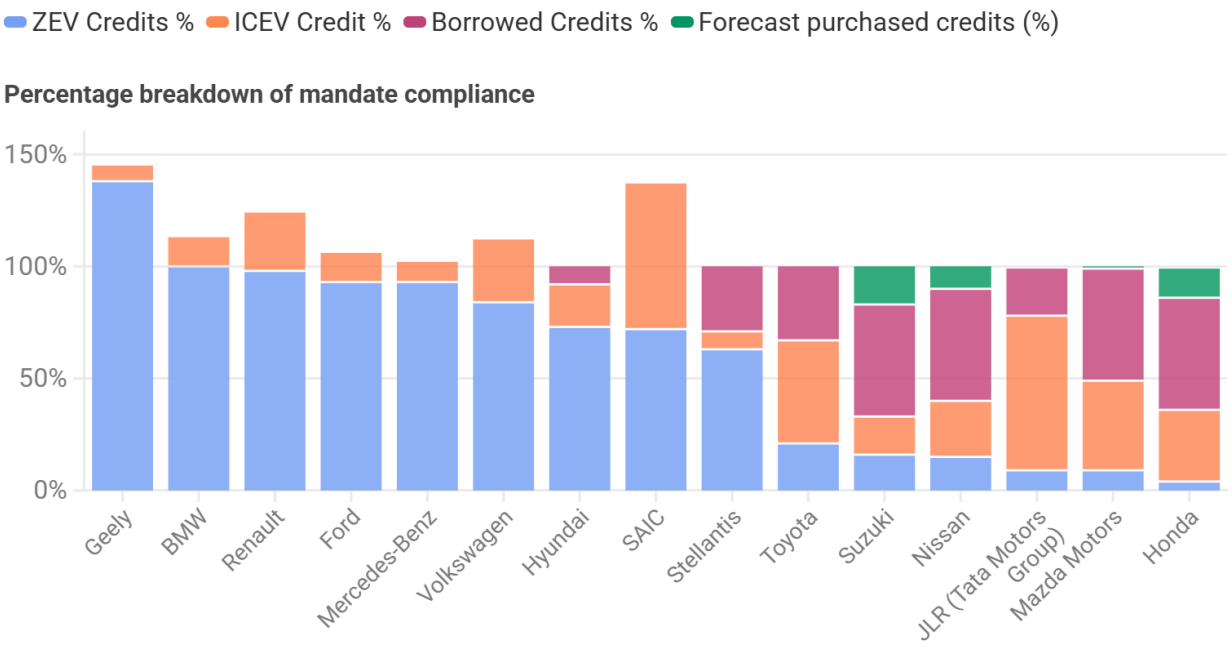
Summary

T&E analysis shows that 2025 was a record year for EVs in the UK with manufacturers successfully meeting the requirements of the ZEV mandate for a second year running.

2025 confirms that the UK's Zero Emission Vehicle (ZEV) mandate is working as intended in its second year. The automotive industry as a whole complied with the ZEV mandate in 2025, with manufacturers collectively exceeding the compliance threshold through a use of Battery electric vehicles (BEV) sales, ICE carbon reduction credits, borrowing and purchasing. Battery electric vehicles BEV accounted for 23.4% of new registrations, up from 19.6% in 2024, and total registrations reached 470,000 vehicles, nearly double pre-mandate levels. This demonstrates that the mandate is now embedding electric vehicles firmly into the mainstream UK car market.

Automotive industry as a whole complies with the UK ZEV mandate in 2025

2025 ZEV mandate compliance by major car manufacturing groups



Source: T&E analysis of DataForce sales data. Geely includes Volvo and Polestar

Crucially, compliance has been achieved across the sector, not by a small group of frontrunners. All major OEMs are on track to meet their ZEV obligations, and a growing

number of established, legacy carmakers, such as Audi, BMW, Mini, Renault, Mercedes and Ford, have met or exceeded the headline target with little or no reliance on flexibilities. These manufacturers are being rewarded for early investment, competitive pricing and broad BEV model coverage. Where some manufacturers have relied more heavily on flexibilities, this reflects strategic delay rather than weak consumer demand, with recent recoveries for example from showing that underperformance can be rapidly reversed.

The evidence from 2025 also shows an important and welcome growth in smaller and more affordable vehicle segments, which have seen BEV sales growth of over 50% per year in 2025, essential to ensure a mass market offering of BEVs to consumers. This will only develop further with a strong pipeline of new affordable BEVs expected over the next two years.

To ensure that the UK continues to capture the full economic, industrial, consumer and climate benefits of the BEV transition, the Government must:

- **Maintain the ambition of the ZEV mandate without further changes.** Regulatory certainty must mean certainty in practice.
- **Ensure close oversight of manufacturer compliance pathways.** The Department for Transport and the Secretary of State should maintain a vigilant watch on how flexibilities are being used at an individual manufacturer level and intervene early where excessive borrowing risks creating a compliance cliff edge later in the decade.
- **Better target support schemes to accelerate mass-market uptake.** Increased funding for the Electric Car Grant should be better targeted to ensure EVs are accessible to a wider range of drivers as they make decisions about their next car and reinforcing the shift toward genuinely zero emission vehicles.
- **Update the type approval of PHEVs.** Ensuring that official emission standards reflect real-world CO_2 figures, for stronger regulation, appropriate taxation and consumer awareness.

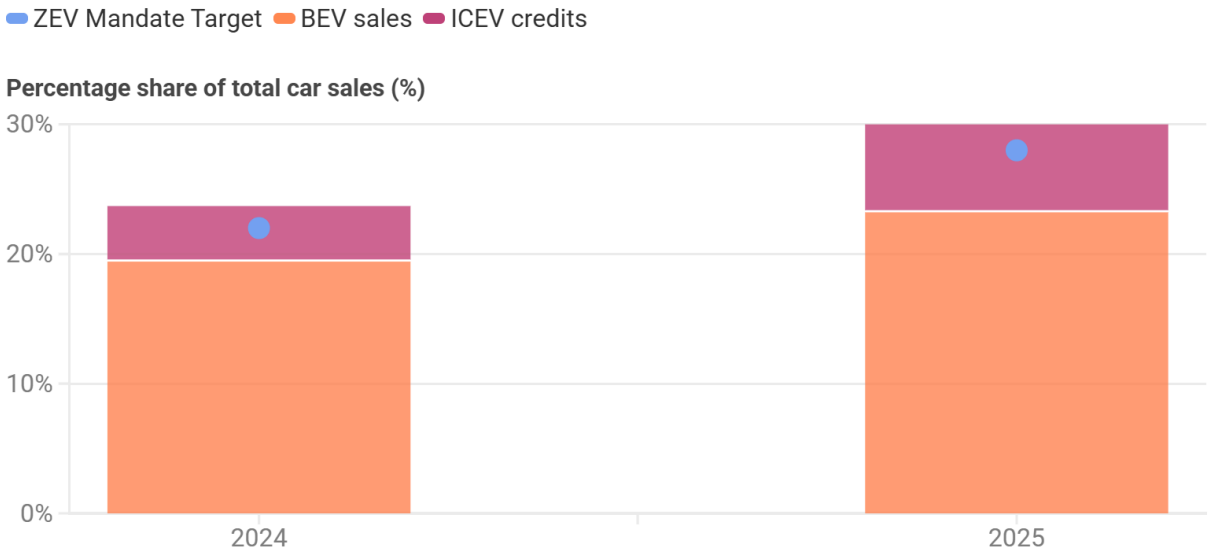
1. Market performance and compliance in 2025 - another record breaking year

Analysis of 2025 UK car registrations data from Dataforce shows that carmakers as a whole have exceeded the requirements of the ZEV mandate. Electric vehicle uptake continued to accelerate throughout the year, with BEVs accounting for 23.4% of new registrations in 2025. This compares with 19.6% in 2024, the first year of the ZEV mandate[1] and exceeds the 22% needed with flexibilities to comply. These figures confirm that the mandate is not only breaking the stagnation seen prior to 2024, but is now embedding EVs into the mainstream car market.

[1] T&E (2025) Mission accomplished: Carmakers fulfill the 2024 ZEV mandate

The market has responded positively to the mandate with car makers growing BEV share through an ever-improving product line-up

Overall, BEV sales grew over 20% between 2024 and 2025 but this hides even higher growth for some OEMs



Source: T&E analysis of DataForce sales data

Total BEV registrations in the UK reached 470,000, just under half a million and nearly double the volumes recorded before the ZEV mandate came into force. Two years into the policy, it is undeniable that regulatory certainty is translating directly into real world growth.

The UK's performance again outpaced other European countries. Comparatively, EVs made up 17.3% of new car sales across the EU, achieving 20% in France and 19.1% in Germany.[2] The ambition and certainty provided by the ZEV mandate has secured the UK's place as a leader in the ZEV transition. However, the UK still lags behind other countries who are rapidly transitioning to BEVs. In the first half of 2025, Vietnam recorded BEV sales of over 40% and others such as China and Thailand outpaced the UK.

1.1 Manufacturers utilised the increased flexibilities

In 2025, the Government significantly expanded the flexibilities available to OEMs to reach compliance. This enabled manufacturers to transfer up to 90% of credits from reductions in CO_2 from ICE in 2025, increasing from the original 45%, and borrow against future production for an

[2] Source: ACAP, ANFAC, BOVAG, CCFA, DIV, KBA, UNRAE. EU results based on sales in Germany, France, Spain, Italy, Belgium, Netherlands and Portugal

additional three years, until 2029, with repayment in 2030[3]. Across the sector, in 2025 OEMs met compliance utilising various pathways allowed by the flexibilities.

Automotive industry as a whole complies with the UK ZEV mandate in 2025

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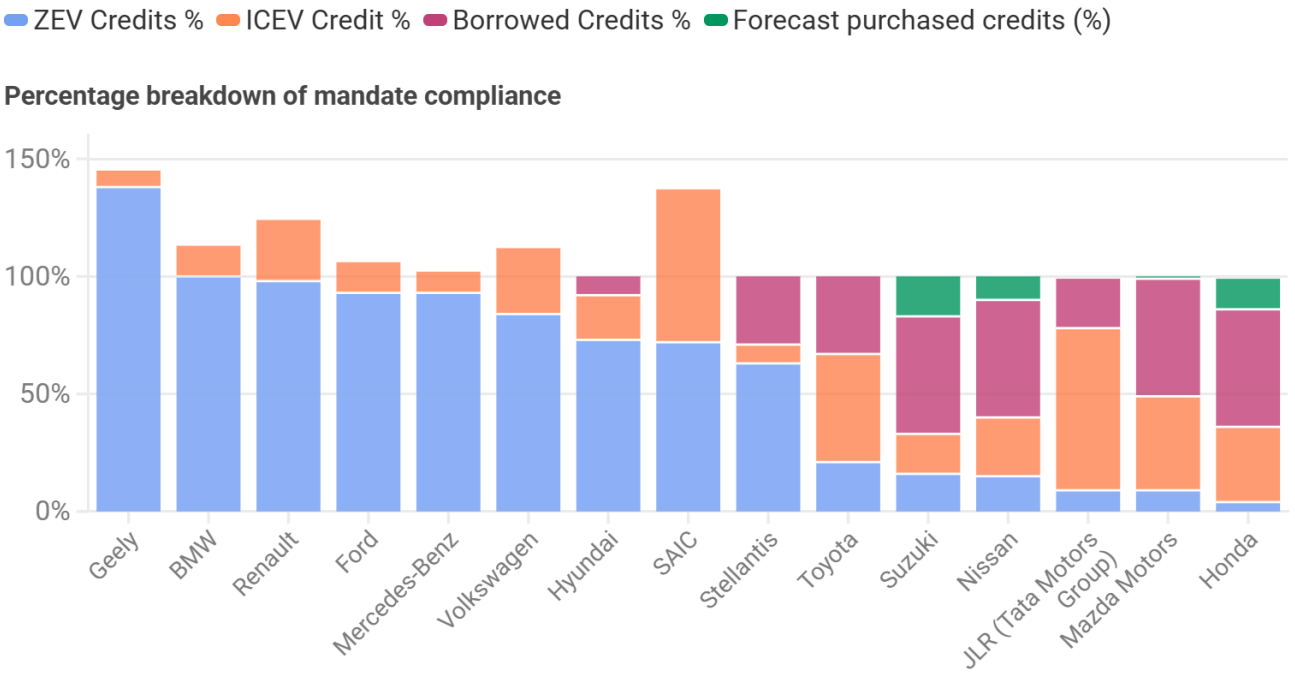
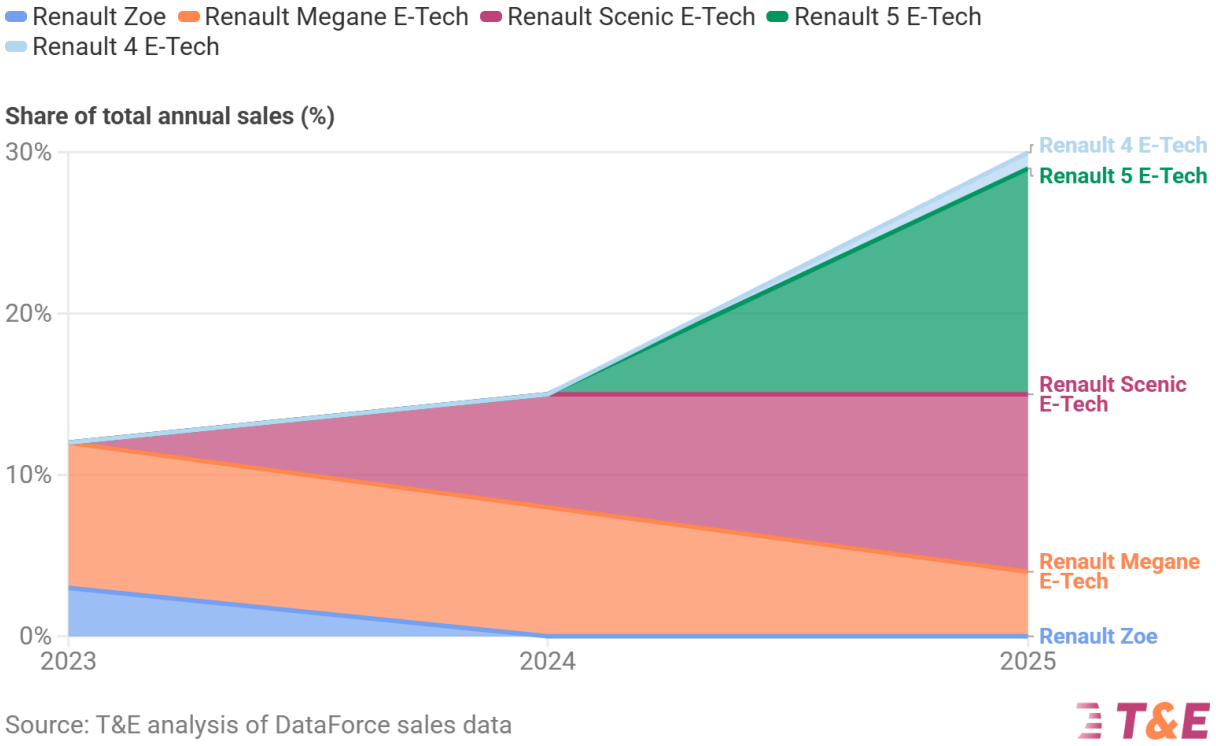


Source: T&E analysis of DataForce sales data. Geely includes Volvo and Polestar

At the individual manufacturer level, the picture is mixed. A number of OEMs with well developed and executed BEV strategies, including Audi, Cupra, Renault, BMW, Mini, Skoda, Mercedes, and Ford exceeded, or were very close to, the 28% headline target without the use of flexibilities. These manufacturers are succeeding due to early investment, competitive pricing, BEV offerings across all major segments and timely model refresh cycles, reducing their reliance on flexibilities.[4]

[3] DfT (2025) Updates to the Vehicle Emissions Trading Schemes
[4] T&E (2025) BEVs are the greatest growth opportunity for carmakers today

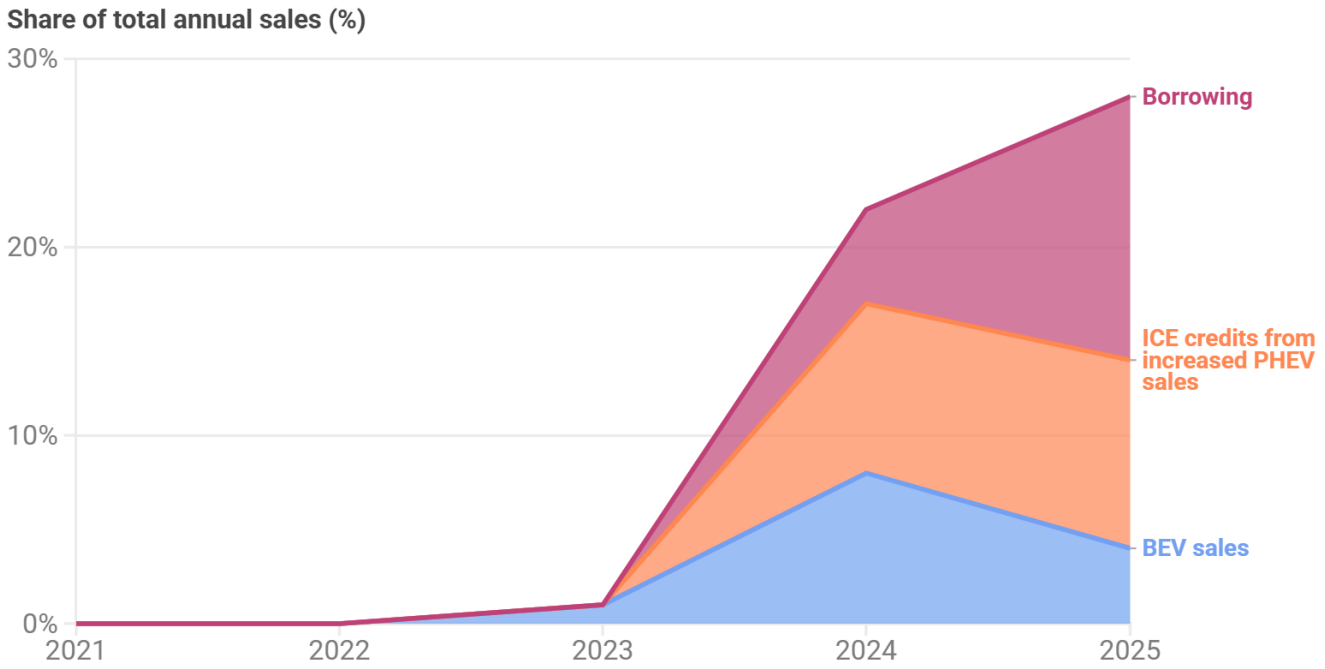
The small, affordable R5 is the key to Renault's success. Taking them to nearly 50% BEV sales by Oct 2025



Source: T&E analysis of DataForce sales data

By contrast, manufacturers that have delayed BEV investment or allowed gaps to emerge in their product line-ups have leaned much more heavily on the expanded flexibilities. Toyota is a clear example of this, with just one BEV model currently at the market, competing in the overcrowded mid-SUV segment. In 2024, they borrowed credits equivalent to 4,900 BEV sales, rising sharply to 12,500 credits in 2025. Taken together, borrowing over the two years equates to around 19% of Toyota's total UK car sales.

Toyota sales of PHEV jumped from 2% in 2023 to 11% in 2024 to make use of ZEV mandate flexibilities, while BEV sales languish under severe underinvestment



Source: T&E analysis of DataForce sales data

A possible 'cliff-edge' for compliance

The excessive use of flexibilities heightens the risk of a 'cliff-edge' later in the decade. The current rules allow manufacturers to defer large volumes of BEV deployment until the late 2020s, potentially leaving them needing to jump from under 30% BEV registrations in 2029 to 80% in 2030 to repay borrowed credits[5]. Such an increase would be unrealistic in practice. The expanded borrowing provisions also create an incentive for some carmakers to accumulate more credits than they can be repaid in reality.

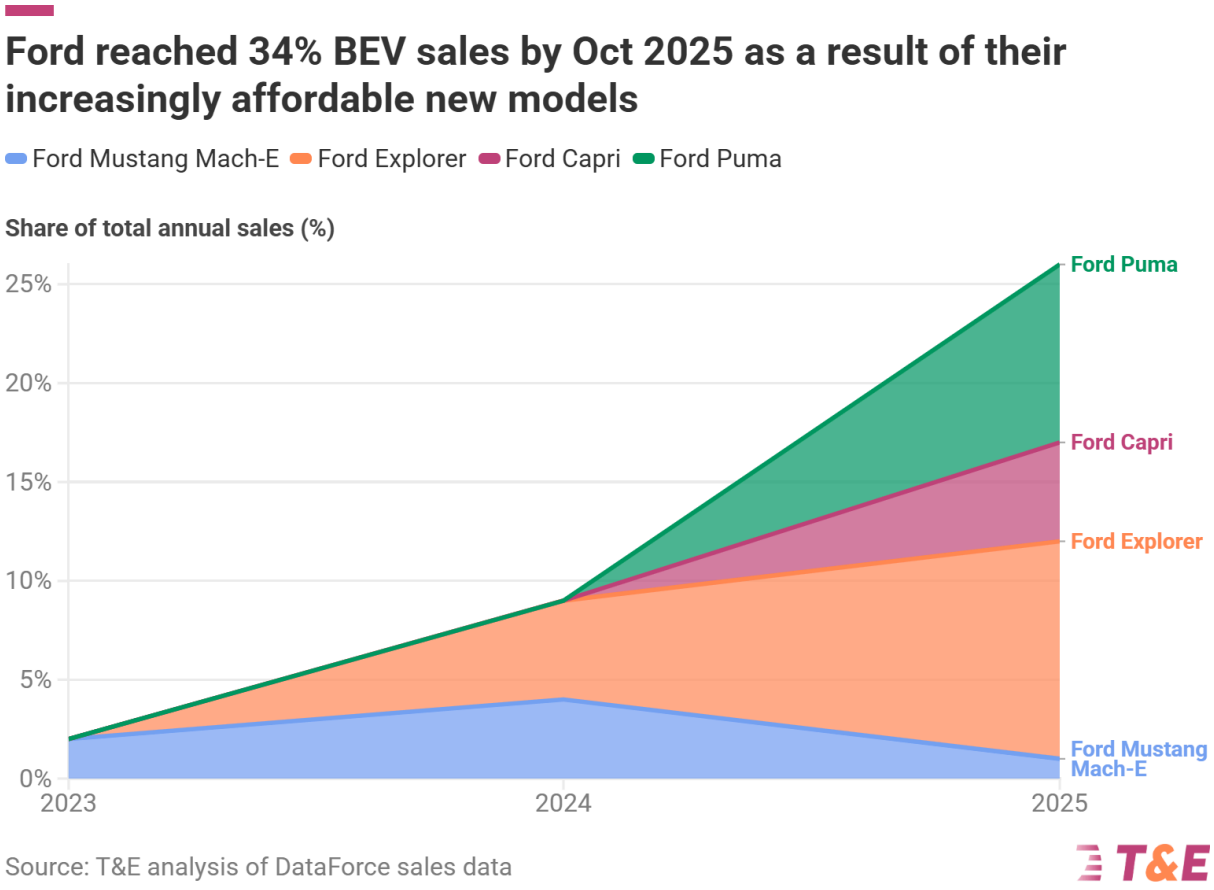
In order to prevent this, the government must maintain a vigilant watch on how flexibilities are being used at an individual manufacturer level and intervene early where excessive borrowing risks creating a compliance cliff edge later in the decade.

Manufacturers have been aware of the ZEV mandate trajectory for years, and failure to prepare adequately cannot be attributed to market conditions. Consumer demand for electric vehicles is already strong with 70% of respondents to PwC's 2025 e-Readiness survey planning to buy an

[5] T&E (2025) ZEV Mandate changes leave carmakers at risk of cliff edge by 2030

EV in the next five years[6]. The emerging divergence between leaders and laggards therefore reflects differences in strategic planning across the industry.

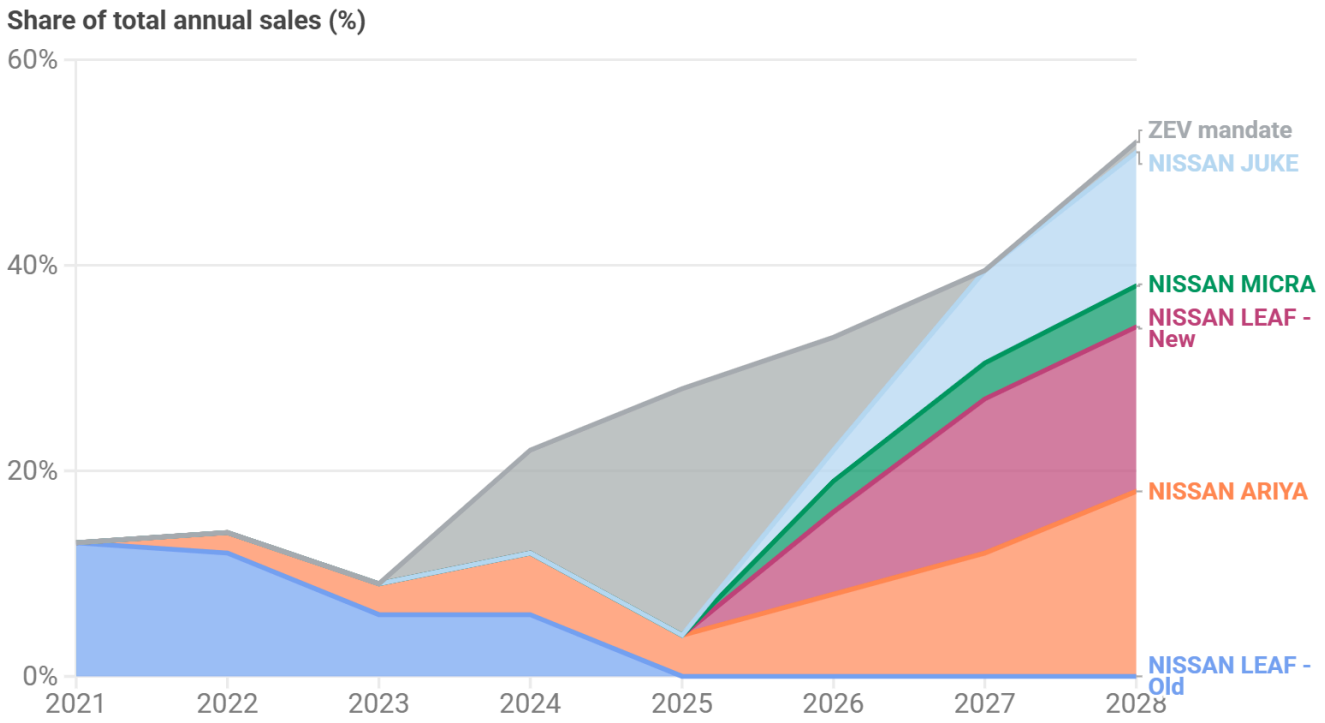
Crucially, it is not too late to avoid this outcome. Recent recoveries by manufacturers that have rapidly expanded their BEV offerings demonstrate that with timely investment, coherent product strategies and a shift away from short-term compliance tactics, OEMs can return to a sustainable pathway that delivers both mandate compliance and long-term competitiveness. By bringing a broader range of models to market in 2025, Ford has rapidly become one of the strongest performers in the UK BEV market. The electric Ford Puma, now eligible for the full £3,750 Electric Car Grant, recorded close to 10,000 registrations in 2025, making it one of the best-selling affordable BEVs of the year.



A similar turnaround is expected from Nissan. In 2024, Nissan borrowed credits equivalent to 4,000 BEV sales, rising to 12,600 credits in 2025, averaging around 15% of its total UK car sales across the two years, similar to that of Toyota. However, with a new wave of models arriving from 2026, including the electric Micra and the Sunderland-built LEAF and Juke, Nissan has a clear opportunity to rebuild BEV sales at scale and move back onto a sustainable compliance pathway.

[6] PwC (2025) eReadiness Survey

Nissan can comply with the ZEV mandate by rolling out the new models already planned



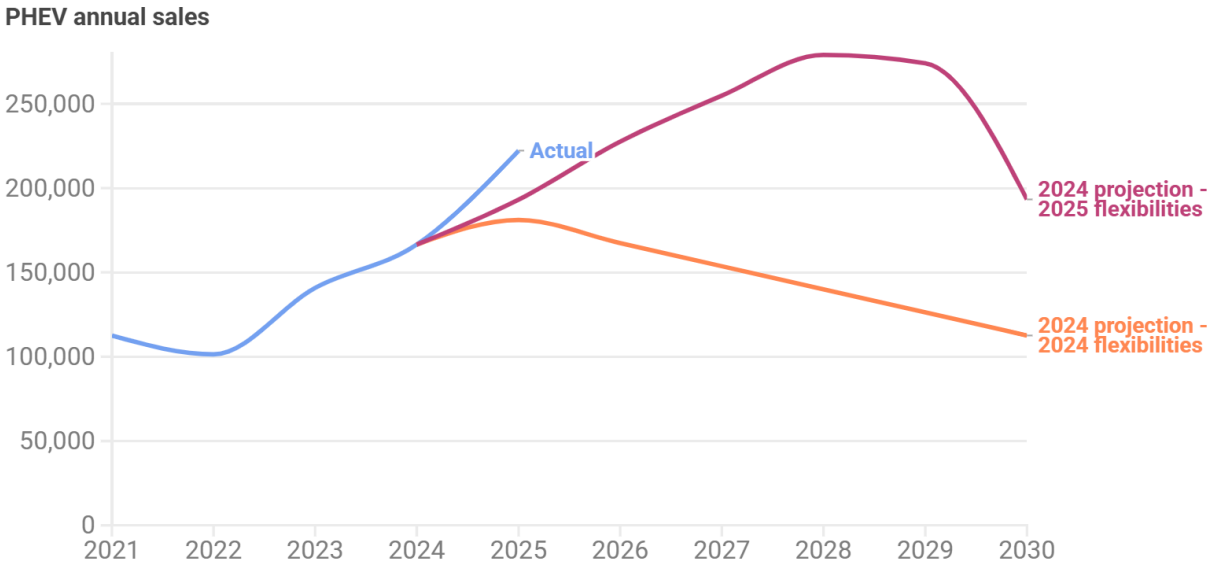
Source: T&E analysis of DataForce sales data and GlobalData production forcasts

1.2 Plug-in hybrids are being heavily relied on by some carmakers – but do not offer a climate or consumer solution

Despite strong growth in BEV registrations, a growing share of compliance in 2025 is being delivered through PHEVs and reductions in CO_2 from ICE vehicles. Data indicates that PHEV registrations reached over 220,000 units in 2025, accounting for 11% of new car registrations and a 34% growth year on year, with several manufacturers using PHEVs to meet a significant share of their ZEV mandate obligations through ICE CO_2 credit flexibilities.

OEMs have jumped on new flexibilities to sell significantly more PHEVs than previous worst-case scenarios

By considering which OEMs offer PHEVs and their likely ramp up rates the analysis shows that several OEM are well placed to exploit this flexibility and sell significantly more PHEVs



Source: T&E analysis of future sales mix per OEM under different ZEV mandate flexibility scenarios

PHEVs - a growing emissions scandal

Recent analysis demonstrates that real world PHEV emissions are nearly five times higher than their official laboratory values. On average, PHEVs emit around 135 gCO_2/km in everyday driving, compared with official figures of around 33 gCO_2/km. Even when driven in so-called "electric mode", PHEVs emit approximately 68 gCO_2/km.[7] This leaves consumers out of pocket, paying for vehicles that can be more expensive to buy and are up to £900 more to run every year.

This growing reliance by carmakers on PHEVs to comply with the ZEV mandate, based on knowingly flawed data, is a scandal which should be addressed by the Government without delay, as has already been the case in the European Union.

Under the revised ZEV mandate flexibilities, PHEV registrations are now expected to continue rising over the remainder of the decade. In 2025, PHEV registrations far exceeded what T&E projected under the original ZEV mandate flexibilities and is still significantly greater than T&E

[7] T&E (2025) Smoke Screen

forecast when additional flexibilities were introduced in 2025[8]. This indicates that some OEMs, JLR and Lexus in particular, are already maximising the use of PHEVs as a compliance pathway at the expense of BEVs.

On current trajectories, annual PHEV registrations could increase to around 280,000 per year by 2027/2028, compared with a peak of around 180,000 under the original policy design. This would add up to around 600,000 additional PHEVs on UK roads by 2030, without ICEV credits this would have equated to an additional 370,000 EVs sold by the end of the decade, locking in higher emissions and higher running costs for consumers while slowing the shift to truly zero-emission vehicles[9].

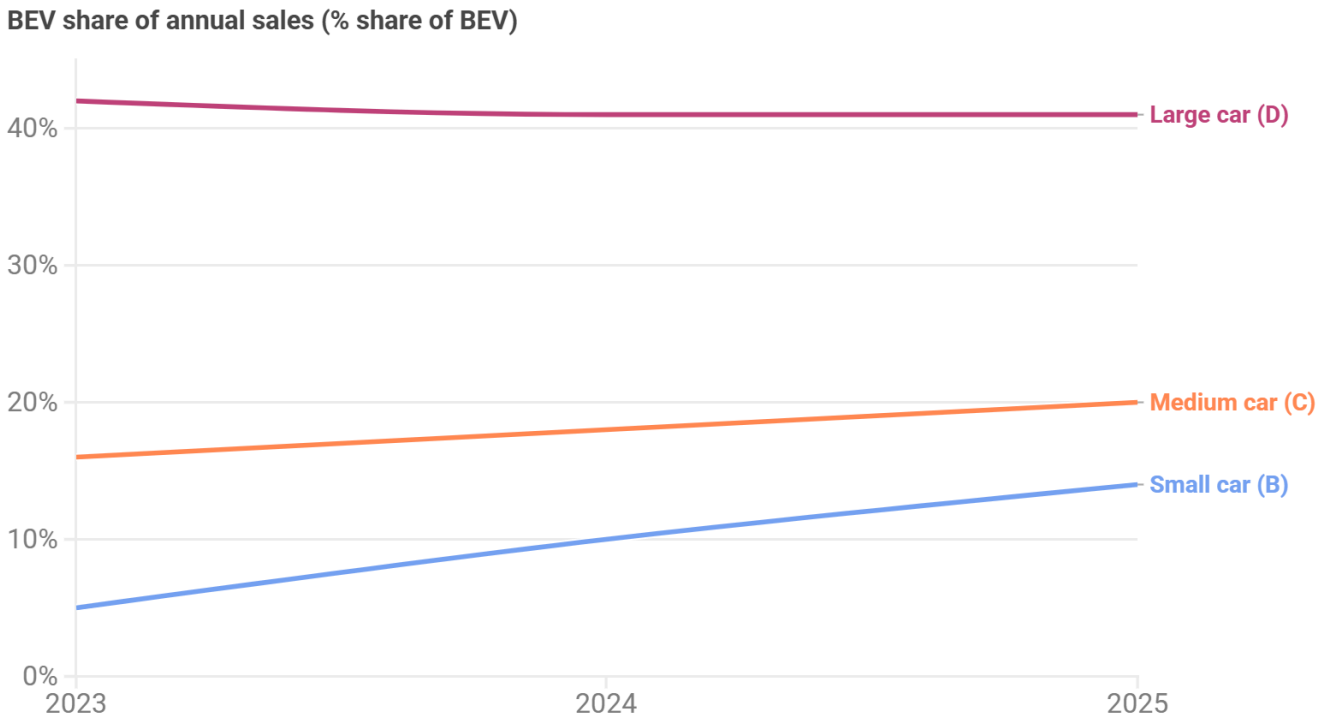
PHEVs are not a credible solution for either the climate or for drivers. It is therefore essential that the government urgently updates the type approval for PHEVs to reflect their real-world performance for use across regulation, such as the ZEV mandate, and for vehicle taxation. Failure to act risks creating the next Dieselgate-style scandal, in which drivers are misled about the true environmental and financial costs of their vehicles, while communities bear the burden of higher pollution and the climate price is paid through years of avoidable emissions.

1.3 Affordable EVs hitting the market

As a result of the ZEV mandate, manufacturers are rapidly broadening the range of electric vehicles on offer, with the strongest growth now occurring in smaller, more affordable segments. This marks a decisive shift away from the early phase of the EV market, which was dominated by larger and more premium models, and signals that electric cars are becoming a realistic option for the mass market.

[8] T&E (2025) PHEV Mandate Briefing
[9] T&E (2025) PHEV Mandate Briefing

BEV sales are growing much faster in the smaller vehicle segments as the product offering grows to match demand

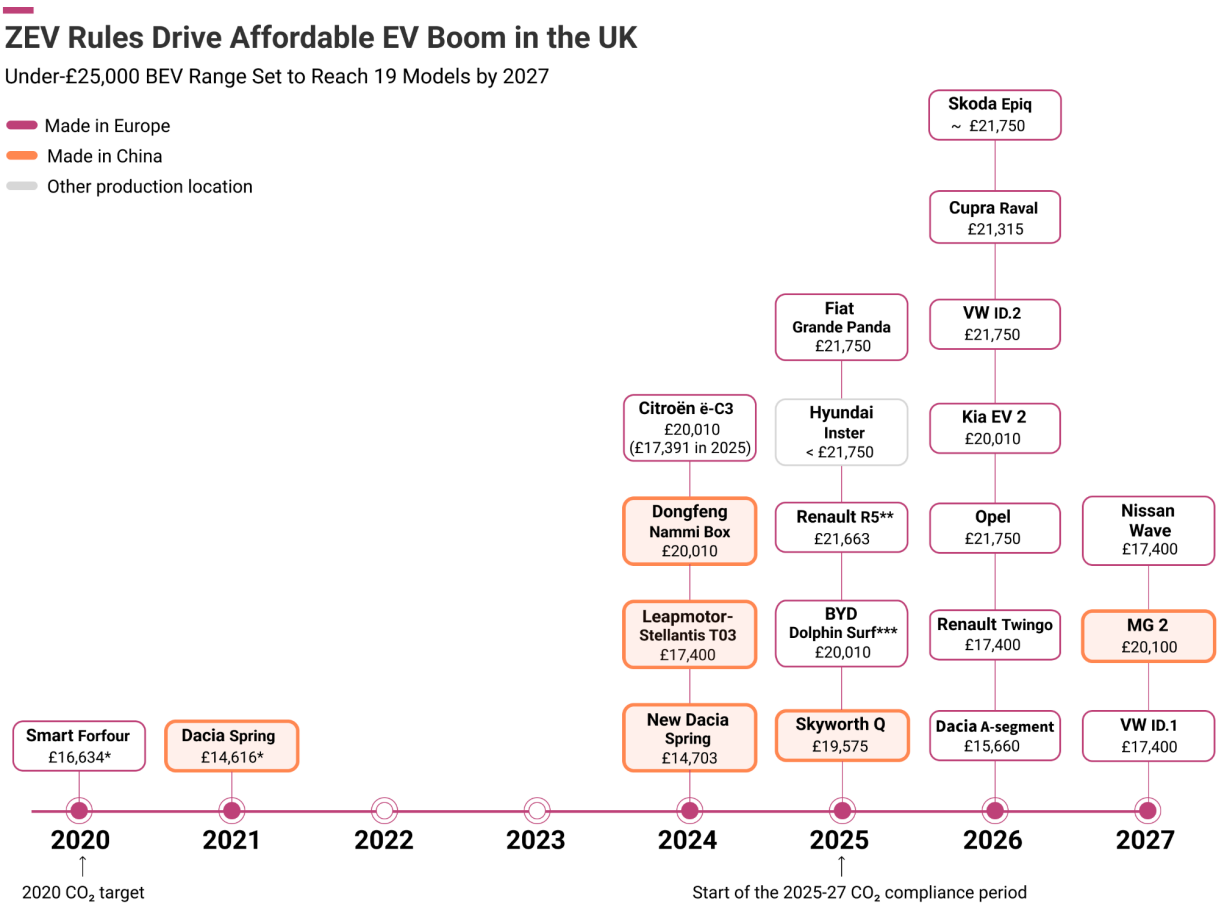


Source: T&E analysis of DataForce sales data

BEV sales in the small car segment[10] have grown particularly quickly, with the BEV share of small car sales almost doubling over the past two years, rising from around 5% in 2023 to approximately 14% in 2025. This acceleration has been driven by the arrival of competitive, well-priced models in the small and compact segments, such as the Renault R5 and the electric Ford Puma. The trend clearly demonstrates that when suitable products are made available at accessible price points, consumer demand responds rapidly.

Analysis from T&E has shown that at least 19 models are currently expected to be available in the UK by 2027 priced at £25,000 or less. This expanding pipeline of affordable models represents a step-change in the accessibility of electric vehicles and underlines the role of the ZEV mandate in shaping manufacturer product strategies. Rather than being restricted to higher-margin luxury segments, EVs are increasingly being designed and priced for everyday drivers, opening up the transition to a far wider share of the market.

[10] Segment B as defined by ACEA



Updated in May 2025 based on the latest announcements for models produced in Europe. The dates refer to official launch dates, while production generally ramps up to mass volume the following year. *Launch price in 2020 and 2021 Euros. **The R5 base model was launched in 2025 while more expensive variants were available from 2024. Source: press articles. *** Some volumes are expected to come from China in 2025. UK prices of 2024–2025 entry-level launches sourced from manufacturers' UK websites (as of 02/09/2025). Future model prices converted from EU announcements using the 02/09/2025 exchange rate of 0.87

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2. The ZEV mandate must remain central to UK industrial strategy

The ZEV mandate is a cornerstone of the UK's clean industrial strategy. It has already anchored more than £23 billion in announced investment in EV and battery manufacturing[11] and secured a further £6 billion in commitments from the charging industry[12], providing the long-term certainty that companies need to invest in domestic production capacity, supply chains and workforce skills.

At the same time, it is a policy that is central to the UK's delivery of climate targets. As the single largest decarbonisation policy currently in place, it is not only cutting emissions but fundamentally reshaping the automotive market. After two years of stagnation in electric vehicle uptake at around 16.5%, the introduction of the mandate reignited growth, lifting EV registrations to 19.6% of the market in 2024 and to 23.4% in 2025. This turnaround underlines the importance of clear, binding regulation in unlocking both supply and consumer demand.

[11] T&E (2024) Carmakers' EV investments: Is Europe falling behind?
[12] Charge UK (2025)

T&E

2.1 Ensuring UK manufacturing remains competitive on the global stage

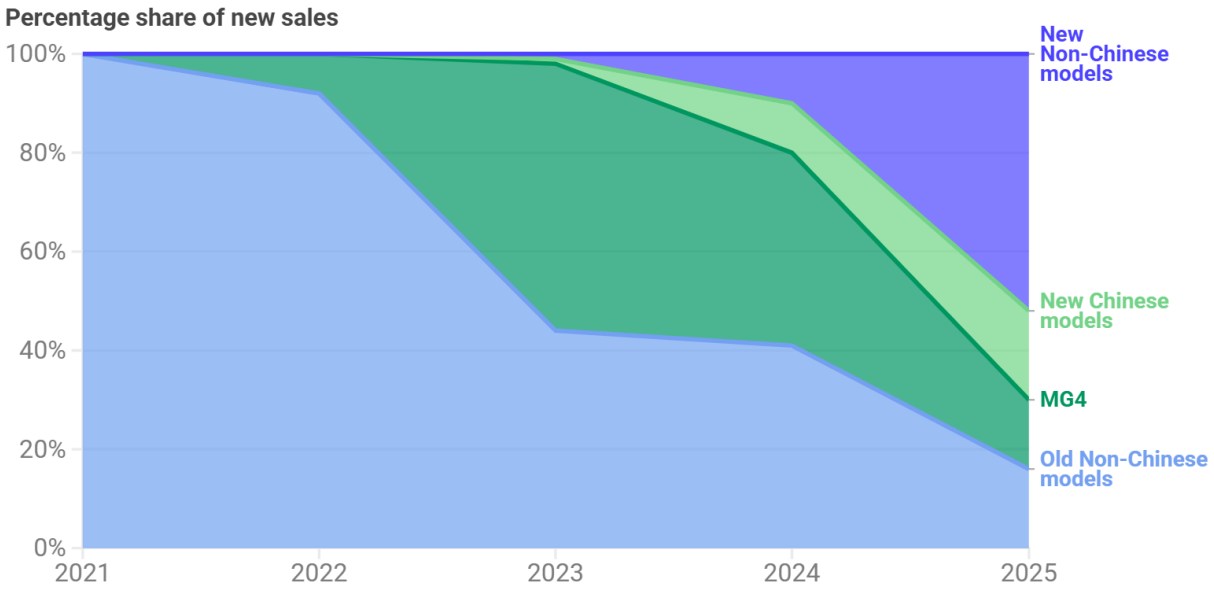
The mandate is also playing a critical role in shaping how the UK automotive sector responds to intensifying global competition, particularly from Chinese manufacturers. As the graph below shows, Chinese-made BEVs have rapidly increased their share of the UK market in recent years, benefiting from early investment and competitive pricing.

By providing certainty on the pace and direction of the transition, the ZEV mandate ensures that UK and European based manufacturers are incentivised to bring competitive BEV models to market, invest in local production and retain market share in the face of growing imports. In doing so, it helps ensure that rising demand for electric vehicles translates into domestic economic value, rather than increased reliance on imports. One such example of this is the previous dominance of the Chinese made MG4, which in the UK rose quickly to represent 54% of small/medium, affordable BEV sales in 2023, having been 0% of sales two years earlier in 2021. This prompted concern that Chinese-made BEVs would displace UK and EU made models.

However, the lack of affordable European models was not due to UK and EU carmakers not being able to produce smaller, cheaper BEVs, but rather that until the MG 4 came along, they had little competitive drive to do so. Since the MG 4's success and the growth in small and medium sized Chinese EVs being exported to Europe, European carmakers have responded with new, smaller, competitively priced models, which have eaten into Chinese carmakers' market share in the mass market A to C segment. This has resulted in Chinese carmakers' market share dropping back down to 33% in the first half of 2025, see the green segments in the chart below.

European carmakers can win back market share from Chinese competitors

Trends in the sub- £30k small and medium vehicle market show how the MG4 sparked price competition in a wave of new models



Source: T&E analysis of DataForce sales data

2.2 Key to maximising economic opportunity

The experience of 2025 shows that carmakers that planned early and invested consistently in electric models are being rewarded with rising market share, stronger sales performance and a clearer route to long term competitiveness.

Mini is a clear example of how early commitment to the transition is paying off. In 2025, one in four Minis sold in the UK was electric, reflecting a strategy that prioritised competitive pricing, timely model refreshes and a broad BEV offering across its core segments. Renault has followed a similar path where the launch of the affordable Renault 5 has transformed its UK performance, with over a quarter of all Renault sales now electric, demonstrating how well timed entry into the mass market BEV segment can capitalise on market demand.

The contrast with manufacturers that delayed investment is stark. Nissan's BEV share fell to just 4% in the first half of 2025 after a prolonged gap between models. This fall was not driven by weak consumer appetite for electric cars, but by a failure to sequence products effectively and maintain continuity in their electric line up. However, with a new diverse range of models arriving this year, it is fully anticipated that Nissan will quickly rebuild BEV market share..

Manufacturers that struggled in the first year of the mandate are already demonstrating how quickly performance can be transformed when product strategies are aligned with the transition. Ford and Nissan both underperformed in 2024 after restricting their electric offerings to narrow or predominantly premium segments. However, the rollout of new BEV models in compact and affordable categories is expected, as detailed above, to drive a sharp recovery in sales for both manufacturers, particularly given their substantial manufacturing footprint and supply chain presence in the UK.[13]

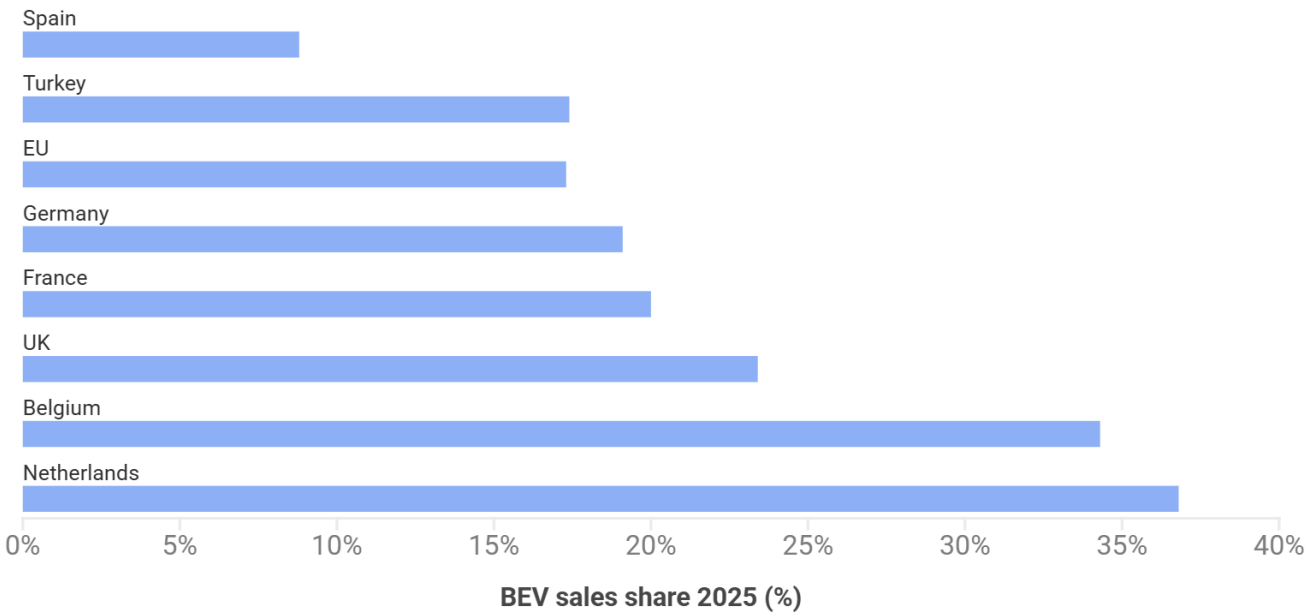
Carmakers that have aligned their product strategies with the mandate's trajectory are not only meeting their compliance obligations more easily, but are positioning themselves to capture growth, attract investment and strengthen their role in the UK's future electric vehicle economy.

2.3 The EU review of CO_2 standard – a moment of risk and opportunity for the UK

It was recently announced that in 2026 the European Union will review its car CO_2 standards, the equivalent policy to the UK's ZEV mandate. This review comes at a time when in the UK, and across Europe there have been accelerating BEV sales, falling prices and a growing pipeline of affordable electric models. Against this backdrop, moves by the EU to dilute its regulatory framework, represent a major strategic misstep, one which risks the future of the EU automotive industry as major carmakers go electric and one that would significantly slow the transition to genuinely zero-emission vehicles and prolong Europe's dependence on combustion technology and imported fossil fuels.

[13] T&E (2025) BEVs are the greatest growth opportunity for carmakers today

UK BEV uptake in line with neighbors, ensuring UK ZEV Mandate policy is supporting carmakers meet the needs of our export markets



Source: T&E analysis of DataForce sales data

By holding firm on the ZEV mandate and maintaining a clear, ambitious regulatory trajectory, the UK has a unique opportunity to become the undisputed European leader in EV production. Regulatory certainty is already anchoring investment in UK gigafactories, vehicle assembly plants and charging infrastructure. Maintaining this course will unlock further waves of private capital and support the creation of high quality green manufacturing jobs across the country.

By doubling down on the ZEV mandate, the Government can ensure that the UK is not merely keeping pace with the electric transition, but setting the standard for the rest of Europe, positioning Britain as a global leader for the future of the automotive industry.

3. Conclusion

The second year of the ZEV mandate confirms that the policy is working as intended. In 2025, the UK saw another record year for EV sales, with manufacturers collectively meeting their obligations and BEVs becoming firmly embedded in the mainstream car market. The mandate has broken years of stagnation, driven investment, expanded consumer choice, improved affordability and positioned the UK ahead of other major European markets. Where

manufacturers have planned effectively, invested early and brought competitive electric models to market, compliance has been straightforward.

At the same time, the growing use of flexibilities highlights the risks of weakening the mandate further. Excessive reliance on borrowing threatens to store up a compliance cliff edge later in the decade and risks locking in higher emissions, higher costs for drivers and missed industrial opportunities. With global competition intensifying, regulatory certainty is essential. The ZEV mandate must continue to provide a clear, ambitious and stable framework that rewards forward-looking manufacturers, and ensures the UK captures the full economic benefits of the transition to zero emission vehicles.

To secure these outcomes, the Government must:

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- **Ensure close oversight of manufacturer compliance pathways.** The Department for Transport and the Secretary of State should maintain a vigilant watch on how flexibilities are being used at an individual manufacturer level and intervene early where excessive borrowing risks creating a compliance cliff edge later in the decade.
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About us

We are the national office of the European clean transport NGO T&E whose aim is to achieve a zero-emission mobility system that is affordable and has minimal impacts on our health, climate and environment and is accessible to all while locking in growth and jobs for the UK.

https://www.transportenvironment.org/te-united-kingdom

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