



CAMBRIDGE  
ECONOMETRICS

---

# Access to lower cost electric cars and vans

---

Final Report

---

January 2026

---

Access to lower cost electric cars and vans

---

### Authors

Matilda Forbes, Cambridge Econometrics – [mkf@camecon.com](mailto:mkf@camecon.com)

Alexander Frost, Cambridge Econometrics – [af@camecon.com](mailto:af@camecon.com)

István Heilmann, Cambridge Econometrics – [ih@camecon.com](mailto:ih@camecon.com)

Jon Stenning, Cambridge Econometrics – [js@camecon.com](mailto:js@camecon.com)

### Project director

Jon Stenning, Cambridge Econometrics – [js@camecon.com](mailto:js@camecon.com)

### Contact person

Jon Stenning, Cambridge Econometrics – [js@camecon.com](mailto:js@camecon.com)

# Contents

<b>1</b>	<b>Introduction</b>	<b>7</b>
<b>2</b>	<b>Adapting current electric vehicle policies</b>	<b>9</b>
2.1.	Electric Car Grant	9
2.2.	Salary sacrifice schemes	10
2.3.	On-street charging infrastructure	11
<b>3</b>	<b>How could new schemes be funded?</b>	<b>13</b>
<b>4</b>	<b>Social leasing</b>	<b>14</b>
4.1.	Approach and implementation	14
4.2.	Impact	17
<b>5</b>	<b>Bundled services and subsidies</b>	<b>19</b>
5.1.	Approach and implementation	19
5.2.	Impact	23
<b>6</b>	<b>Scrappage-for-leasing scheme</b>	<b>25</b>
6.1.	Approach and implementation	25
6.2.	Impact	26
<b>7</b>	<b>Who are we targeting?</b>	<b>28</b>
7.1.	Household eligibility	28
	Universal credit	29
	Key workers	29
	Income threshold	30
	Combining eligibility criteria	30
7.2.	Vehicle eligibility	30
<b>8</b>	<b>How could these schemes work together?</b>	<b>32</b>
8.1.	The tiered approach	33
8.2.	The flat subsidy approach	34

<b>9</b>	<b>The impacts of improving access to EVs</b>	<b>37</b>
9.1.	Key assumptions	37
9.2.	Scenario design	37
9.3.	Impacts of improving access to electric vehicles	38
<b>10</b>	<b>References</b>	<b>39</b>

## Executive Summary

This report analyses options for improving the affordability of electric vehicles (cars and vans). That analysis starts from a review of existing measures and areas of policy focus, considering how they could be better tailored to expand the potential pool of electric vehicle (EV) users, and extends to considering new and underexplored policies, drawing inspiration from identifiable gaps in the markets and previous transitions. It concludes by setting out a small number of policies that we view as worthy of further consideration and evaluation.

There are three principal challenges which dissuade low- and middle- income households from taking up EVs instead of internal combustion engine (ICE) vehicles:

1. The higher upfront costs of EVs compared to their ICE equivalents
2. A lack of (low cost) charging infrastructure for those without access to off-street parking
3. Poor knowledge of, and a lack of certainty around the cost structure of EV ownership.

We see limited value in adjusting existing EV policies to improve the breadth of access for low- and middle-income households;

- Grants for electric cars and vans would have to increase substantially in order to become economically viable for low- and middle-income households, with expenditure data suggesting that outside of the top household income brackets households are more likely to purchase vehicles in the second-hand market than new vehicles outright.
- Salary sacrifice schemes benefit higher rate income taxpayers more than those on the basic rate of income tax, due to their design. While benefits could be evened out, such that all households benefit to the same extent, it's difficult to see a structure for this scheme which substantially improves access for low- and middle-income households.
- Charging infrastructure, and particularly on-street chargers designed to meet the needs of households without off-street parking, requires substantial additional investment. However, this is an area that the UK Government is already partly addressing with commitments such as the Local Electric Vehicle Infrastructure funding, mandating charge points in new covered car parks, and consulting on whether to remove planning permission requirements for cross pavement charging gullies. The question of high cost of public charging will also be tackled through the Public Charging Review in 2026.

Instead, we recommend three new policies that should be further explored by policymakers within Government;

- **Developing a long-term social leasing scheme**, taking inspiration from the French equivalent, could provide low-cost access to EVs for low- and middle-income households, as well as those in key occupations, while also extending available lease durations can substantially reduce the monthly cost of accessing an EV.
- Using regulation (including identifying a long-term regulator for the market) to **create a market for an 'all in one' bundled EV service provision**, which gives a single fixed monthly cost for all elements of EV ownership (including energy used) could overcome information deficiencies and encourage risk-averse households to adopt EVs. Adding subsidies to these bundled packages can further improve their affordability for low- and middle-income households.

- **Introducing a scrappage-for-leasing scheme**, where households can hand in their ICE vehicles and receive a scrappage bonus, which is then applied to an EV lease, bringing the monthly costs down and ensuring that households are switching between ICE vehicles and EVs.

Our analysis shows that offering a subsidy of between £75 and £150 per month, either to an extended-term social lease, or to a bundled 'all-in-one' package, can bring the cost of EV access down to a level that makes it significantly more attractive to low- and middle-income households, while the bundles can also help to overcome the challenge of poor information availability and risk-averse households. The scrappage bonus can also act as a subsidy on the monthly cost, and contributes to a complementary goal of ensuring that older ICE vehicles are permanently removed from the fleet and replaced with EVs.

Subsidies can be allocated in different ways, which at their centre reflect a trade-off between, on the one hand, targeting the lowest-income households (e.g. through Universal Credit or household-income capped eligibility criteria), and on the other the administrative burden in ensuring only eligible households receive the benefits and minimising fraud. For example, schemes for core workers such as those employed by the public sector would be most straightforward to administer, while asking households to prove income eligibility would likely discourage participation amongst many low- and middle-income households, despite being a more fraud-resilient scheme.

The funding required to deliver these measures varies depending upon the scale of ambition. The existing Electric Car Grant (ECG), recently topped up to £1.95bn, could be redeployed (either in part or wholly) to support these measures. Other revenue streams such as revenue from the incoming fuel duty uplift or alternative proposals like a Large Vehicle Levy (LVL), which could raise an estimated £1.7 billion, might also be used to support these initiatives. We assess how a maximum potential funding pot of £3.7 billion could be used. Funding of this scale would ensure that hundreds of thousands of households could receive Government support (including subsidies) to help them to adopt EVs over the coming years.

Improving the affordability of EVs can lead to substantive benefits that persist into the future, even assuming that they are not necessary to deliver the 2035 phase-out. If such measures managed to increase the share of EVs in car sales by 10 percentage points in 2026, reducing gradually over time until the phase-out is delivered in 2035, that would add 950,000 additional vehicles to the stock over that period, and reduce CO<sub>2</sub> emissions by some 10,000 kilotons just in the period to 2035, while those extra EVs would continue to operate in the vehicle fleet well into the 2040s, ensuring a long-lasting benefit of ongoing access to lower cost mobility for households across the country.

# 1 Introduction

The UK Government has set ambitious targets for the transition to zero emission vehicles: no new ICE cars will be sold after 2030, and all new cars and vans sold need to be zero-emission by 2035. Currently, EV adoption, which accounted for 23% of the new car market in 2025<sup>1</sup>, is concentrated in higher-income households, with EVA England's electric vehicle driver survey in 2025<sup>2</sup> finding just 28% of respondents earned less than £50,000. Despite analysis that EVs are cheaper than ICE vehicles in terms of the total cost of ownership (i.e. including purchase price, fuel/charging, maintenance, and insurance)<sup>3</sup>, high upfront purchase costs, as well as wider concerns about charging infrastructure and uncertainty around the cost structure of EV ownership, present barriers for low- and middle-income households, depressing widespread EV adoption.

Take-up focussed across wealthier households in the early stages of the transition is understandable, given their better access to finance. However, achieving the Government's EV sales targets will require a much broader cohort of users, and EVs must become accessible to households across the income distribution.

Current Government policies aiming to increase access to EVs include the Electric Car Grant, and equivalent Plug-in Van Grant; salary sacrifice schemes and related lower Benefit-in-Kind rates; and various investment packages in home, workplace and public charging infrastructure. While these schemes encourage EV take-up, they do not address, at least not in full, the barriers faced particularly by low- and middle-income households. Chapter 2 further outlines the shortfalls in current policy for low- and middle-income households, and the degree to which they could be adapted to benefit them. Chapter 3 explores how new policies could be funded (through either existing or new taxation schemes). Having concluded that current policies are not sufficient to improve access to low- and middle-income households, Chapters 4, 5 and 6 introduce three new policy options for the Government to consider: social leasing, bundling of services, and scrappage-for-leasing. Chapter 7 then sets out who the different target demographics are for the proposed policies. Chapter 8 explores how these policies might work together, and alternative strategies for allocating the available funds across them. Finally, Chapter 9 outlines the potential impacts of these improvements on the share of BEVs in the market, miles driven by BEVs, and CO<sub>2</sub> emissions.

We have focused our policy recommendations on the new car market only, given that this is where upcoming targets for 2030 and 2035 are aimed. As will be explored further, households in the lowest 20% of the income distribution generally do not buy new cars outright, so it is more challenging to design policies that can benefit them. However, social leasing schemes, subsidised bundled services and the provision of bonuses for scrappage can help low-income families to access new EVs while supporting industry to reach the 2030 and 2035 targets. We can also expect that these policies will also *indirectly* influence the second-hand EV market. The new vehicles sold today are the second-hand vehicles sold in subsequent years, and it will be important to ensure, going forward, that market dynamics can be balanced to ensure that EVs are priced in a way that makes them attractive to a range of participants in the second-hand vehicle market.

---

<sup>1</sup> (Society of Motor Manufacturers and Traders, 2026)

<sup>2</sup> (EVA England, 2025)

<sup>3</sup> (Octopus Electroverse, 2025)

This analysis estimates approximate costs of different options, both for consumers and Government. All figures within are estimated using published data and transparent methods, but are intended only as indicative estimates, given the large unknowns around vehicle pricing structures (both on the part of manufacturers and vehicle leasing companies), and how they'd specifically react to the measures proposed.

## 2 Adapting current electric vehicle policies

Three existing policy areas were evaluated, assessing the extent to which they could be repurposed to better improve access to EVs across the income distribution; grants for EVs, salary sacrifice schemes for EV leasing, and on-street charging infrastructure. These are discussed briefly in turn below.

### 2.1. Electric Car Grant

The Electric Car Grant (ECG) is funded as part of the Government’s wider £650 million scheme to encourage electric vehicle take-up. This scheme also received an extra £1.3 billion uplift as of the Autumn Budget 2025. The ECG currently provides discounts on specific electric car models of either £1,500 or £3,750, depending on car sustainability criteria. There are no eligibility criteria on who can get the grant, and it is automatically applied at the point of purchase. Most cars are only eligible for the lower £1,500 grant. Assuming all of the current £650 million budget is used for cars (rather than vans or trucks), around 433,000 individuals can receive this grant, equivalent to about as many EVs were sold in 2024.

Currently, this grant is extremely unlikely to be benefitting low- and middle-income households, based on what we know about their typical historical expenditure patterns;

- The lowest income households do not typically buy new cars. This is evidenced in Figure 1, which shows that the average monthly expenditure on new cars in the bottom two deciles is close to zero.
- Across income deciles 3-7, average expenditure on new vehicles is low<sup>4</sup>, suggesting that they are typically buying relatively low-cost vehicles. Given that new EVs currently command a price premium over their ICE equivalents, these low-cost vehicles are therefore likely to be primarily ICE vehicles rather than EVs.

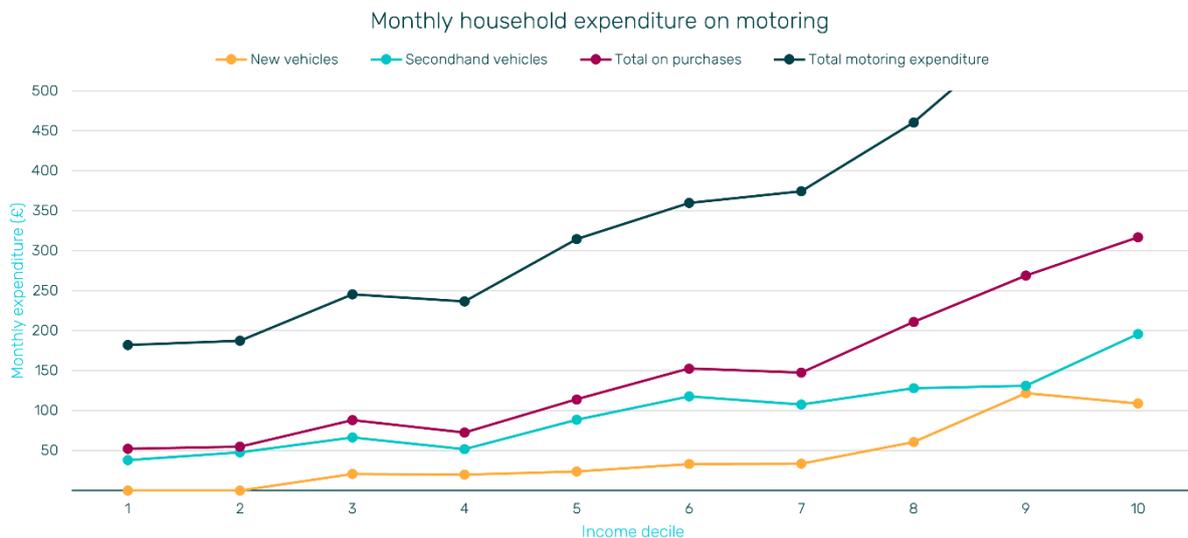


Figure 1: Monthly household expenditure on car purchases, split into new and second-hand vehicles.

Source: ONS Living Costs and Food Survey, Gov UK, 2022.

<sup>4</sup> The average expenditure data has to be interpreted with caution, as we know little about the distribution of expenditure within each decile; for example low average expenditure could imply low expenditure across all households within a decile, or relatively high expenditure but only in a select number of households within the decile, which when averaged across the decile becomes a smaller number.

For the grant to make the price of eligible EVs competitive with lower cost ICE vehicles, it would have to be much larger. For example, the difference between the cheapest new ICE car, and the cheapest ECG-eligible car is £5,230<sup>5</sup>. Bringing the grant up to this level (c3.5 times the current basic level) would severely curtail the number of households that can benefit from it – from 433,000 to 124,000 per year.

To make ECG-eligible vehicles competitive with second-hand ICE vehicles, it would have to be larger still (and therefore applied to even fewer transactions). Applying such limits to the ECG is unlikely to improve access, and instead would limit the role that the Grant plays in delivering the widespread adoption of EVs necessary to phase out ICE vehicles. Instead, in our policy recommendations we suggest augmentations to the ECG that would operate on top of the existing universal ECG grant.

## 2.2. Salary sacrifice schemes

Salary sacrifice schemes for EVs provide a tax-efficient way to access a car, albeit in the process reducing Government revenues by around £100 million in foregone income tax and National Insurance contributions<sup>6</sup>. Currently, the schemes are mostly geared towards higher earners, with the average salary of somebody using an EV salary sacrifice scheme estimated at £42,691<sup>7</sup>, putting them in the 74<sup>th</sup> percentile<sup>8</sup>. These schemes favour higher earners through a number of mechanisms:

- The tax saved is at the individual's marginal rate – so a higher rate taxpayer avoids income tax of 40% of the gross amount and National Insurance of 2%, while a basic rate taxpayer avoids 20% and 8% respectively of income tax and National Insurance<sup>9</sup>.
- The schemes are only open to salaried employees, rather than those paid hourly, on zero-hours, temporary contracts or those who are self-employed.
- Employees cannot reduce their salary below minimum wage. Minimum wage amounts to a pre-tax annual income of £23,810<sup>10</sup>, which corresponds to the 37<sup>th</sup> percentile. Therefore, salary sacrifice is essentially closed off to the majority of bottom four income deciles (there will be many cases where workers in these deciles are working on a part-time basis at a higher hourly rate, although it's doubtful that they'd want to avail themselves of the salary sacrifice scheme on affordability grounds even if their wage rate allowed it, given their overall income level).

This final limitation also affects people who earn slightly above minimum wage, as they are limited in the amount they can sacrifice. For example, to be eligible for a Ford Puma Gen-E priced at £352 monthly on the Octopus EV salary sacrifice scheme<sup>11</sup>, an individual would have to earn a pre-tax income of £28,034,

---

<sup>5</sup> Comparing the Citroën e-C3 at £19,995 before ECG, and the Dacia Sandero at £14,765, both of which are B-segment vehicles. Prices correct as of January 2026 [Dacia Sandero Citroën e-C3](#)

<sup>6</sup> (Business Matters Magazine, 2024)

<sup>7</sup> This figure is calculated by Octopus Energy, looking at salaries associated with job adverts that promoted 'EV salary sacrifice' as a work benefit for employees. (Octopus Electric Vehicles, 2024)

<sup>8</sup> Using pre-tax income 2022-2023 (Gov UK, 2023)

<sup>9</sup> Taxpayers pay income tax of 20% and National Insurance of 8% on earnings between £12,570 and £50,270, and income tax of 40% and National Insurance of 2% on earnings above £50,270 but below £100,000. For simplicity, we have excluded the effect of reductions in Personal Allowance (which begins when earnings exceed £100,000) and of additional rate income tax (on earnings over £125,140) from this example.

<sup>10</sup> This figure is calculated assuming a full-time employee earning £12.21 an hour (1 April 2025 national minimum wage for over 21s) working 37.5 hours a week 52 weeks a year. Income and percentile points are taken from (Gov UK, 2023).

<sup>11</sup> Figures based on a 4-year lease and 5000 miles per annum, prices correct as of 24<sup>th</sup> November 2025

putting them in the 49<sup>th</sup> percentile<sup>12</sup>. As a result, the effective lower barrier to participation in these schemes is in fact substantially higher than simply the level at which the minimum wage is earned.

To open up salary sacrifice schemes as an option for lower earners, the monthly cost would need to be lowered via subsidies, or the market would need to be more tightly regulated, in the hope of reducing costs to consumers and ensuring that all tax benefits are passed to participants. Regulation of pricing structures, such as those faced by energy companies and regulated by Ofgem, could help to ensure pass-through of benefits to consumers.

Subsidies on top of salary sacrifice schemes require Government intervention in two ways: first through the tax relief inherent in salary sacrifice, and then through the additional subsidy. For the consumer, affordability is the priority. Therefore, if the end cost to the consumer remains the same, it may be administratively simpler and more equitable to focus on alternative approaches, such as social leasing or bundled service models as presented below, which only require Government funding from one source.

Even if the salary sacrifice market were better regulated to ensure all tax benefits are passed on to consumers, this does not substantially change the barriers to salary sacrifice schemes that most low- and middle-income households face: insufficient earnings over the minimum wage or unstable salaries.

### 2.3. On-street charging infrastructure

Much of the UK's urban population of 57.5m (equivalent to around 24m households based on the UK's average household size of 2.4 people) do not have access to off-street parking. While the provision of pavement gullies and similar alternatives can help to facilitate domestic charging arrangements, sometimes these options are not suitable for the parking provision, and there's typically little guarantee that these vehicle owners can park outside their own home, and as such these households, as and when they adopt EVs, are going to rely heavily on public charging infrastructure.

Electricity demand for these users is likely to be best met by relatively low power (<50kWh) on street charging infrastructure which can deliver power to parked vehicles over a number of hours. As of October 2025, there were 32,981 such chargers across the UK<sup>13</sup>. It's clear that a major infrastructure drive is required to build out chargers; and to avoid the lack of infrastructure being a barrier to take-up amongst these households, that infrastructure will need to be developed *in anticipation* of need. Beyond just increasing the number of chargers available, it is important that there are sufficient low-cost public chargers, so that public charging is an affordable option too.

There are a number of ways that the Government could intervene to help to deliver the required charging infrastructure:

- Planning for future infrastructure needs and developing the right incentives, and moving away from straightforward "number of chargers" based infrastructure plans to plans which ensure that low-cost charging infrastructure is built in the right places - prioritising areas underserved by the market, rather than just where grid connections happen to be available.
  - There's a need to develop guidance and standards for local authorities, to help them to identify where the gaps in their infrastructure provision and plans are, and how they are best addressed,

---

<sup>12</sup> (Gov UK, 2023)

<sup>13</sup> See Annex B (Gov UK, 2025)

including how they can incentivise or create the right conditions to lower charging prices from such infrastructure.

- Work with existing relevant quasi-public bodies to develop funding models which prioritise lower prices for the consumer.
  - Great British Energy (GBE), which could work on building out infrastructure at relatively low cost and engage actively with Ofgem and Department for Energy Security and Net Zero (DESNZ) to navigate the challenges around grid connection and other costs associated with delivering public charging infrastructure, in a way that is consistent with GBE's Strategic Objectives as set by DESNZ.
  - The National Wealth Fund (NWF), leveraging their expertise to develop models which minimise financing costs and leverage in private sector funding, consistent with the NWF's Strategic Objectives.

There are lessons that could be taken from previous national infrastructure rollouts, such as the switch from town to natural gas, which involved local demonstrators, Government worker training schemes, and Government finance offers for households. However, the current Government has favoured the delivery of universal infrastructure (e.g. the Best Start Family Hubs), rather than focussing on gaps in provision, so a change of approach would be required.

On the basis that the UK Government has a number of policies that are being initiated in relation to on-street parking options, we have not further developed proposals for accelerating the rollout of relevant infrastructure, but consumers' needs and the recommendations to address them highlighted above should be considered in the 2026 Public Charging Review announced in the Autumn Budget.

### 3 How could new schemes be funded?

The main funding source identified is repurposing in part the Electric Car Grant (ECG) budget, which amounts to £1.95 billion following the uplift granted in the Autumn Budget 2025. Keeping the ECG budget at £650 million, as it was prior to the Budget, would free up £1.3 billion to allocate across new schemes. The Government have already announced that this is likely to be funded by the new Electric Vehicle Excise Duty (eVED) scheme from 2028/29<sup>14</sup>, which applies a 3 pence per mile tax for EV drivers.

Alternative revenue streams could also be considered. Typically, the Government does not hypothecate tax income, but options could include reducing spending in other areas or introducing changes to existing tax schemes or new ones. For example, revenue from the Government's recent commitment to reverse the fuel duty freeze from September 2026 could contribute additional funds. Adjustments to the tax system could also raise additional funds, such as increasing Vehicle Excise Duty (VED) on petrol and diesel cars, or on plug-in hybrids in line with real-world emissions<sup>15</sup>. These changes would both incentivise BEV adoption in their own right, as well as raising funds for the proposed measures.

Another potential source of revenue could be a Large Vehicle Levy, outlined by Transport & Environment in their September 2025 briefing<sup>16</sup>. This would apply a weight-based tax of £10 per kilogram above 1,600kg for ICE cars, or 2,000kg for BEVs, to account for battery weight. Assuming minimal impacts on consumer demand, the measure is estimated to raise £1.72 billion annually and could encourage a shift towards smaller, more affordable vehicles, with possible knock-on effects in the second-hand EV market. This would bring the average cost of second-hand EVs down too, as the market has been saturated with larger and more expensive models<sup>17</sup>. It may also incentivise consumers who prefer heavier vehicles to switch from ICE to electric to avoid the levy, supporting the transition.

For modelling purposes, three funding scenarios are considered:

- £1.95 billion – from the Electric Car Grant, assuming no further commitments are made.
- £3.0 billion – from the Electric Car Grant and modest additional commitments, such as some of the revenue raised by the uplift in fuel duty.
- £3.7 billion – from the Electric Car Grant and some more extensive changes, such as the Large Vehicle Levy.

---

<sup>14</sup> (HM Treasury, 2025)

<sup>15</sup> (Transport and Environment, 2025)

<sup>16</sup> (Transport and Environment, 2025)

<sup>17</sup> (This is Money, 2024)

## 4 Social leasing

In France, social leasing has been deployed in two separate tranches; in 2023-24, when 50,000 leases were granted and the scheme was extremely over-subscribed, and in 2025, with a similar number of leases expected to be granted by the end of the calendar year. The scheme successfully extended access to EVs across the population, by offering low-cost leases to eligible households. Below we explore how a similar scheme might operate in the UK, including building on and learning from the French experience.

### 4.1. Approach and implementation

Social leasing is a new approach for the UK which involves a Government-subsidised program to allow low- and middle-income households to lease EVs at lower cost, inspired by the success of the French social leasing programme. More generally, leasing is an attractive solution for low- and middle-income households purchasing a new vehicle because it spreads the high up-front cost across a longer time period. However, monthly leasing costs for EVs are currently too high for many households.

This is principally as a result of the rate of depreciation for EVs versus ICEs. Data from Carmoola's depreciation index (shown in Figure 2) suggests that after three years, EVs retain just 46% of their value, compared to 72% and 71% in petrol and diesel vehicles respectively<sup>18</sup>. The rate of depreciation slows for all vehicles after four years, and the rate of change year-on-year becomes comparable between electric and ICE vehicles. The monthly cost of a lease is tied to this expected depreciation - if over the same time period, an EV is expected to lose more value than an ICE vehicle, then the monthly lease costs of the EV will be higher (since the principal cost that leases cover is the depreciation of the vehicle).

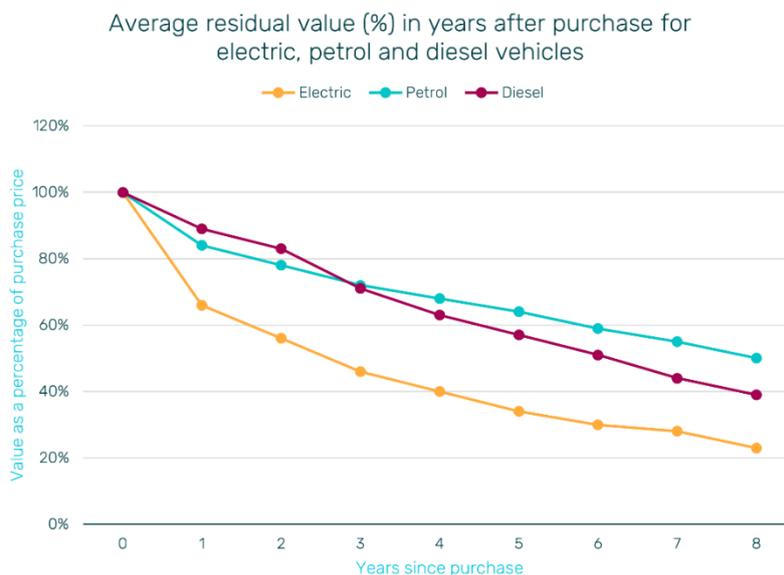


Figure 2: Average residual value as a percentage of purchase price in each year after purchase, for electric, petrol and diesel vehicles.

Source: Carmoola, 2025.

<sup>18</sup> Depreciation figures by fuel type (Carmoola, 2025)

At present, leasing of an EV is largely concentrated in the upper half of the income distribution – at the time of publication, the cheapest EV lease that we found available costs £141 per month<sup>19</sup>, which matches the average monthly spend on purchase of vehicles of households in the sixth income decile, as seen in Figure 1 and Table 5.

To tackle this issue, we propose two complementary options: extending lease lengths; and introducing leasing subsidies. Extending the length of a lease reduces monthly costs because depreciation slows as a vehicle ages. A longer lease spreads the total depreciation over more months, lowering the average monthly depreciation and, therefore, the monthly payment. Take an example of a car expected to lose £6,000 in value in the first year, and a further £3,000 in the second year. In a 12-month lease contract, the monthly depreciation is £500, but in a 24-month lease contract the monthly depreciation is reduced to £375.



Figure 3: Expected monthly depreciation cost by length of lease, for three different car models.

Source: Cambridge Econometrics. Note: these values are calculated using RRP of the vehicle listed and applying depreciation values as found in Figure 2.

Leases are typically offered for two, three or four years. But, if this could be extended up to eight years this would increase affordability, bringing them within the range of typical expenditure patterns of households in the 5<sup>th</sup> income decile. This would also improve the attractiveness of EV leases to households on middle incomes who may still struggle to pay high monthly costs due to other financial pressures. This is similar to the approach taken in the French social leasing scheme, where the minimum lease length is three years. Figure 3: Expected monthly depreciation cost by length of lease, for three different car models. Figure 3 estimates the monthly depreciation costs expected over different lease lengths for three example car models: the Dacia Spring, the cheapest available electric car as of November 2025; the Citroen e-C3, the cheapest available car eligible for the Electric Car Grant; and the

<sup>19</sup> Based on a 3-year lease, and a 12-month upfront payment, November 2025 prices. [Dacia Spring 27kWh Expression 45 33kW 5dr Auto Lease - Select Car Leasing](#)

Ford Puma Gen-E, a popular small SUV, also eligible for the ECG. Note that the Dacia Spring is significantly cheaper, but is not an ECG-eligible car (and see Chapter 7 for details regarding vehicle eligibility).

While average lease lengths are increasing<sup>20</sup>, the current market for leases longer than 4 years is extremely limited. We therefore expect that Government would need to act as a market creator, either through regulating to force market operators to offer leases of this extended length, or to offer incentives to encourage leasing companies to offer these products. Leasing companies generally lower monthly payments when residual-value risk is reduced, which Government can help achieve without subsidising the vehicle itself.

We propose that this scheme be delivered by an arms-length body similar to Motability. However, the extended lease lengths we propose introduce greater uncertainty around residual value than in the Motability scheme, and this risk needs to be accounted for. This could be achieved by building a larger return on assets (ROA) target (Motability aim for 1.5%) into the pricing structure to absorb residual value risk, or implementing a Government-backed underwriting guarantee. Potential approaches here could include underwriting a portion of the residual-value risk, which in turn allows companies to offer lower rates. In a competitive market for vehicle leasing, this would be expected to reduce prices of such leases to consumers, and any risk of systemic under-pricing of risk (because the Government pay the first portion of any loss on the residual value) could be eliminated through such a scheme requiring transparency with Government as to the residual values expected at the start of the contract. The strength of this approach is that the Government may not ultimately have to provide direct funding, if prices in the second-hand market hold up at least as well as expected at the start of the contract, while the policy would reduce risk for leasing firms and therefore allow consumers to enjoy lower leasing prices. However, it should be noted that if residual values end up being substantially lower than initially estimated, the cost to the Government could be substantial – so there is a large degree of uncertainty in the ultimate fiscal role that Government will have to play.

An alternative approach would be for the Government to underwrite (either directly or indirectly via reinsurance) 'gap' insurance for these leases, which covers the financial difference between payments to date and depreciation, specifically for leases that are ended early (e.g. where the vehicle is destroyed as a result of an accident). Under private sector leases, it is typically the lessee that is ultimately responsible for paying this fiscal gap, although that approach may discourage lower income households from taking up long-term leases where the gap is likely to persist for around half of the contract duration (i.e. up to four years). Socialising this loss through the Government ultimately covering the cost would remove such disincentives, and compared to an alternative lease design whereby the leasing company has to absorb such a loss, would result in lower leasing costs for consumers. While this scheme would definitely incur some costs to Government (since a proportion of vehicles will always be written off or handed back before the midpoint of a long-term vehicle lease), the scale of such costs will fall within a narrow range and can therefore be better planned for in policy terms.

Both of these mechanisms keep lease terms at manageable lengths while still delivering the monthly reductions needed for affordability. It also allows the state to lock in the benefits of the initial subsidy over eight years of clean-vehicle use, ensuring that the public investment has a long operational life and that the EV stock maintains a consistent turnover.

To improve access into the 3<sup>rd</sup> and 4<sup>th</sup> income deciles, monthly costs will need to be reduced beyond the reductions achieved with longer lease terms, which is where there is a role for subsidies. Currently, households in the 3<sup>rd</sup> and 4<sup>th</sup> income deciles spend on average £72 to £88 per month on the purchase of

---

<sup>20</sup> (Fleet News, 2025)

new vehicles (see Table 5). A subsidy of £100 per month would allow eligible households to lease a new EV for as low as £77 per month, with five eligible vehicles coming in at under £100 per month post-subsidy, based on current pricing (as of November 2025). This level of subsidy begins to bring leases in line with the monthly new vehicle expenditure of households in the 3<sup>rd</sup> and 4<sup>th</sup> income deciles. Larger subsidies, as explored in Table 1, would decrease monthly lease costs further and make more vehicles available at the level of expenditure seen in the 3<sup>rd</sup> and 4<sup>th</sup> income deciles.

It should be noted that the monthly depreciation figures used are likely overestimates, given that they are based on recommended retail prices for cars, and fleet operators will be able to procure vehicles at substantial discounts on these RRP. Also, these calculations are based purely on depreciation, not on the other costs that fleet operators are required to cover such as administration costs. Based on a spot-check of the difference between predicted monthly depreciation in Figure 2 and lease prices on offer from fleet operators<sup>21</sup>, the subsidy could bring the cheapest EV lease down to as low as £49 per month, with around nine eligible vehicles available for less than £100 per month after a £100 subsidy.

## 4.2. Impact

Table 1 shows three different monthly subsidy levels, and the associated lease costs, cost to Government (using four different budgets, depending on the revenue streams chosen from Chapter 3), and number of grants given out in the scheme. A subsidy of £100 per month over an 8-year period amounts to a cost of £9,600 per vehicle for the Government. A subsidy of £75 a month over the same lease period would cost £7,200 per vehicle, and a £125 a month subsidy would cost £12,000 per vehicle. The trade-off to be considered here is between a large enough subsidy that the lowest income households in the target population can benefit, and the number of households the scheme can affect. Chapter 8 weighs up this trade-off further, and presents different policy packages which seek to balance these conflicting priorities.

To give an idea of the potential scale of the total cost of this policy over an 8-year period:

- To give all social workers in England a social lease at £100 per month would cost just over £1 billion<sup>22</sup>.
- Giving every full-time nurse in Band 5, the lowest pay band for qualified nurses, in England a social lease at £100 per month would cost just over £1.5 billion<sup>23</sup>.
- To give all full-time teachers in state-funded schools a social lease at £100 per month would cost £3.72 billion – the same amount as the largest of the budgets outlined in Chapter 3<sup>24</sup>.

---

<sup>21</sup> As of November 2025.

<sup>22</sup> As of March 2025, there were 104,857 social workers registered with Social Work England (Social Work England, 2025).

<sup>23</sup> As of August 2025, there were 367,513 full-time nurses and health visitors employed by NHS England hospital and community health services (NHS UK, 2025). Based on March 2024 figures, 44% of nurses and health visitors are in Band 5 (NHS UK, 2024).

<sup>24</sup> As of the 2024/25 school year, there were 387,334 full-time teachers employed in England (Gov UK, 2024).

Monthly subsidy	Cheapest monthly lease	Average monthly lease	Cost to Government	Number of grants given out
£75	£102	£188	£650 million	90,000
			£1.95 billion	271,000
			£3 billion	417,000
			£3.7 billion	514,000
£100	£77	£163	£650 million	68,000
			£1.95 billion	203,000
			£3 billion	313,000
			£3.7 billion	385,000
£125	£52	£138	£650 million	54,000
			£1.95 billion	163,000
			£3 billion	250,000
			£3.7 billion	308,000

Table 1: Cost to Government, number of grants that can be given out in the scheme, and lease costs for three different subsidy levels for the social leasing scheme. Note that average monthly lease costs are calculated across ECG-eligible vehicles only.

Source: Cambridge Econometrics. Note: these leases also include the Electric Car Grant: part of the subsidy is the discount associated with the ECG, and the rest is a further Government top-up to meet £75/£100/£125 per month.

### Case study

One of the kind of households that social leasing should help is typified by the Department for Transport’s Older Less Affluent transport persona. They describe Gina, a 62-year-old full time adult social care worker, with lower-than-average household income. Assuming Gina earns the median full-time adult social care wage, her annual income is around £23,400, placing her in the 3<sup>rd</sup> income decile. She spends £245 each month on her car, of which £88 is on new purchases/leasing.

#### *Challenges to electric vehicle adoption:*

Gina is significantly less likely than average to adopt an electric vehicle, with costs playing a key role in her transport decision-making. She does have access to a driveway, so charging infrastructure is not her primary concern; instead, it is the high upfront cost. Her constrained finances make her unlikely to afford an electric vehicle outright even with the Electric Car Grant, as the cheapest car available on the scheme still costs over double what she currently spends on car purchases or leasing. Salary sacrifice is also not an option for Gina, as she does not earn enough over the minimum wage to be able to access an electric vehicle in this way.

#### *How she will benefit:*

As a key worker earning under the median income, Gina would be eligible for a social leasing subsidy. Under the £100 per month subsidy, she would be able to lease a Citroen e-C3 for £77 per month. Given that this is under her current available budget for purchases or leasing, Gina would be able to afford to lease an electric vehicle under this scheme. In fact, it would reduce her current spending, saving her £132 every year for eight years. Her savings could be even larger, extending beyond the cost of buying a vehicle, because she can charge at home, which will be cheaper than buying fuel.

## 5 Bundled services and subsidies

The strong growth in vehicle leasing in recent years (encouraged by Government policy) has provided a way of mitigating the increasingly high up-front cost of new vehicles (both EVs and ICEs). However, even where this places EVs within the financial reach of households, consumer knowledge of the cheaper cost structure of EV ownership (specifically, maintenance and energy costs) remains limited. This poses a particular challenge to low- and middle-income households, who are often time-poor, so lack the time to dedicate to researching these costs. The bundling of EV costs into a single monthly payment offers a way to clearly signal to households the overall monthly cost of ownership of an EV, overcoming the information challenge. When allied with subsidies on leases for target populations, there is the potential for even greater reach across the population, and making a substantial difference to the affordability and take-up of EVs.

### 5.1. Approach and implementation

The cost structure of EVs is fundamentally different to combustion engine vehicles – while purchase prices of new vehicles are higher (and, as shown earlier in this report, depreciation is more rapid, in both percentage and nominal terms) than ICE vehicles, running costs are lower (ECIU estimated that the cost differential was worth £700-£1,300 per year<sup>25</sup>). However, for many prospective new owners of EVs (i.e. those that are currently running ICE vehicles), the part of the cost structure that is directly visible to them is the higher up-front purchase cost, and the rest of the cost structure (i.e. the lower costs of running the vehicle) are either unknown to them or are uncertain. For example, while the car purchase decision-maker in a middle-income household may have read in a newspaper that the vehicles are cheaper to run, they may have never owned an EV so have no lived proof, and they don't know anyone that owns an EV to ask.

Leased vehicles can already cover some of the operating costs of vehicles, for example:

- securing an EV through the Motability scheme includes insurance, servicing/MOTs, breakdown cover and the installation of a home charge point.
- salary sacrifice schemes often include insurance, servings and breakdown cover.
- private leases typically offer as 'added extras' servicing/MOTs and breakdown cover.

Typically, these fixed-cost leases have not extended to covering energy costs. The one exception to this is the Octopus EV Power Pack Bundle, which is a leasing package offered by Octopus EV and based around the V2G (vehicle-to-grid) capabilities of the offered car and charger, and on that basis offers 'free' bundled home charging.

Instead, options around energy costs are separately offered by energy companies and the providers of rapid charging infrastructure across the UK. Given that electricity use for home-based charging is wrapped up in household utility bills, much of the competition in this space has focussed on products offering low-cost household electricity for EV charging, either based on time of use tariffs or measuring and separately pricing electricity used specifically for EV charging. There are a limited number of fixed-price options for EV charging:

---

<sup>25</sup> (Energy and Climate Intelligence Unit, 2023)

- Octopus Intelligent Drive Pack offers unlimited charging for a single vehicle via a household charger for a fixed fee of £30 per month
- Ovo Charge Anytime offers capped charging via a household charger, as well as a fixed amount of charging from BP Pulse rapid chargers, for a fixed fee of between £27.50 and £79.50 per month with different caps on home and rapid charging per month.

Unmetered access to either residential on-street chargers or rapid charging infrastructure is not currently available on any fixed price basis; while many infrastructure operators (and some aggregators) offer subscriptions, these reduce the unit cost of using rapid chargers, rather than replacing them altogether. These can therefore reduce the costs faced by heavy users of public chargers, but do not offer the same cost surety as fixed-price models.

We see a potential role for Government in creating the market for a single, bundled product, which combines all elements of EV costs (leasing, insurance, maintenance/MOT, and charging) into a single monthly cost. The charging element could be offered for any combination of home charging, rapid chargers, or residential on-street charging, whichever is appropriate for the consumer. For those without driveways and therefore without home charging, inclusion of residential on-street charging in the bundled product will be particularly valuable, as these could offer greater convenience (if available locally), and will likely help to preserve battery health over the long term.

This could potentially include the provision of V2G technologies (to provide the option for compensation for households for localised grid-balancing services to offset charging costs) and the installation of solar panels (which typically require a relatively high up-front installation cost with an ongoing return in the form of lower electricity bills and payment for exported electricity to the grid).

There is the potential for a light-touch role for Government – from creating the right regulatory environment to allow the private sector to create these products (done in consultation with industry), through to using a Motability-style partnership (e.g. with a charity or a social enterprise) to provide a direct path to market for such an offering. There are clearly regulatory challenges to the creation of such a product, which would currently cross over between the jurisdictions of the FCA (as well as the leading role in enforcement played by the BVRLA) in the vehicle leasing market, and that of Ofgem in regulating the energy market.

However, the signalling power of a single, fixed price EV offering would be hugely beneficial in attracting financially constrained households to consider EV take-up, and thus the regulatory issue is worth addressing, likely through extending the regulatory role of either the FCA or Ofgem to cover the combined market. It is likely that the role of regulator would have to be taken by the FCA, given that these bundles are fundamentally financial products (with the vehicles remaining the property of the leasing company). Engagement with the FCA (and BVRLA) to understand legislative, regulatory and business model-related barriers to the development of this market are a necessary first step to working out what effective regulation would look like in this space.

Figure 4 gives some estimates of the potential range of this single, fixed-price monthly fee, for two example eligible vehicles also costed in the social leasing policy. The monthly fee is presented for different lease lengths up to eight years, giving an indication of how this fixed price may change if our earlier suggestions around lease length extensions are adopted concurrently. It includes predicted lease costs (from Figure 3), insurance, maintenance, and charging costs (assuming home charging is available).

Assuming that earlier recommendations on extended lease lengths have been developed in parallel, the bundled fee containing lease, insurance, charging and maintenance costs for an 8-year lease is estimated to be around £322 per month for the cheapest ECG-eligible car. This is in line with the total

motoring expenditure of the 5<sup>th</sup> and 6<sup>th</sup> income deciles<sup>26</sup>, and thus demonstrates that while such a bundled product would help to overcome information deficits across the population and may increase take-up of those in the top half of the income distribution who face uncertainty around costs, it is not, by itself, going to substantially increase access across the bottom half of the income distribution.

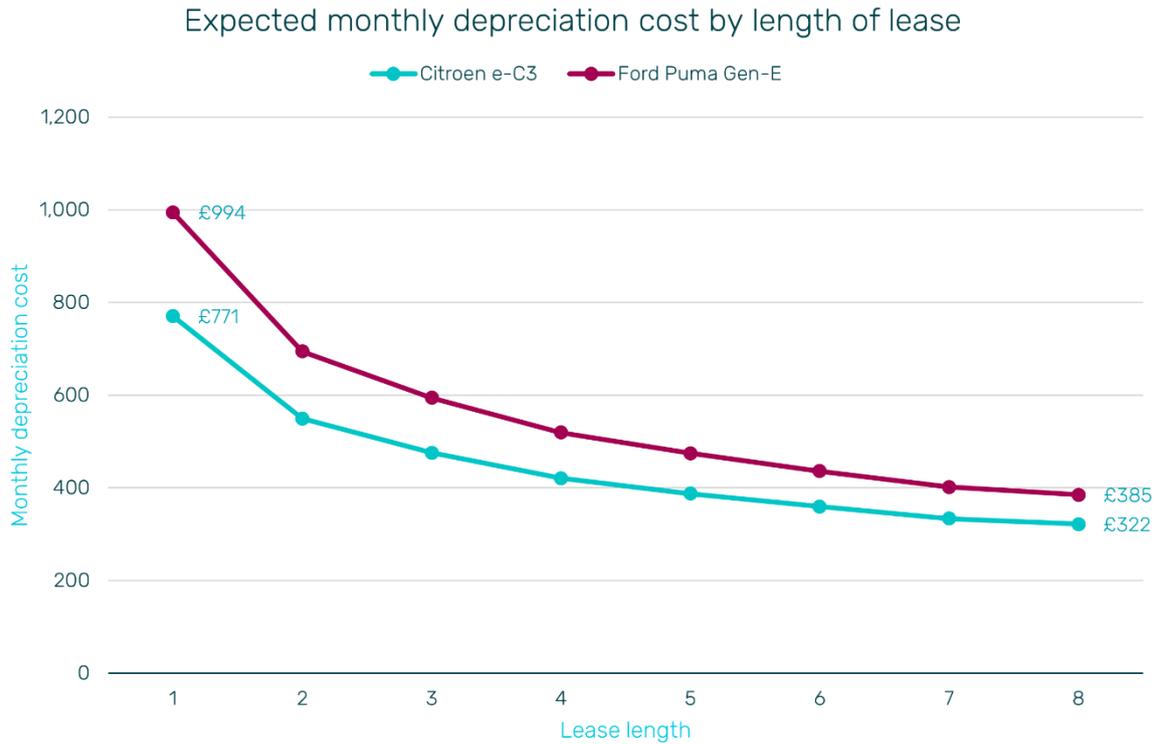


Figure 4: Predicted total monthly cost by length of lease for two example vehicles, both of which fit into the recommended vehicle eligibility criteria.

Source: Cambridge Econometrics. Note: these figures combine predicted monthly depreciation cost, as calculated earlier, with monthly estimates of charging, insurance and maintenance/repairs expenditure from (The Complete Design Lab, 2025), and these figures do not include eVED which comes into effect in 2028.

An extended version of this policy would involve greater Government intervention to offer subsidies to targeted households, either directly or indirectly. This could build on the way that the Energy Company Obligation (ECO) were added to household energy bills (albeit noting that the ECO scheme will end with the conclusion of ECO4 at the end of March 2026); essentially introducing a levy on standard bills, and using that pooled funding to offer benefits to low- and middle-income households. Such an approach would mean that subsidies for low- and middle-income households would essentially result from mandated cross-subsidisation by other billpayers. However, ECO is a universal scheme (meaning that it was levied across *all* household energy bills), while the proposed measure here would cover only bundled EV offerings. As such, there is a risk that such levies would make these bundles less competitive vis-à-vis separated alternatives, and insufficient take-up would a) make the central bundled offer less competitive, and b) mean that a very limited number of subsidised bundles could be offered. Furthermore, the Government has indicated a clear policy preference to avoid increasing household energy bills, as evidenced by the planned removal of ECO policy costs from bills. This suggests that introducing further levies on bills is highly unlikely to be considered at present.

<sup>26</sup> (Gov UK, 2022)

An alternative and more practical approach would therefore be for the Government to *directly* fund subsidies for target households, making it more likely that a competitive market proposition can be developed by the private sector, with public funding used to improve the affordability for lower income households. If the Government were to directly fund subsidies of £100 per month, much like the social leasing approach outlined earlier in this report, this would bring the monthly fee associated with the cheapest eligible vehicle down to £222 per month (assuming an 8-year lease). This is in line with the total motoring expenditure of households in the 3<sup>rd</sup> and 4<sup>th</sup> income deciles. A smaller subsidy of £75 a month would bring the monthly bundled fee down to £332, around the average expenditure of the median household. A larger subsidy of £150 per month would bring the monthly bundled fee for the average eligible vehicle down to £257, similar to the expenditure of the 3<sup>rd</sup> income decile (Table 5). This demonstrates that, through the strategic deployment of subsidies targeted at particular groups, access to EVs can be widened to accommodate households without good access to cost information on EVs, those that are risk-averse, and those that are fiscally constrained in their personal transport choices.

The costs set out above focus on an EV-only offer, without considering complementarity with V2G services and the installation of solar panels. Based on the November 2025 prices, where V2G payback allows Octopus Energy to offer to cover the higher cost of a V2G-compatible EV charger and then free home charging versus unlimited charging for a single EV for £30 per month, we assume the financial benefit from V2G integration could reduce the costs of all of the above bundles (subsidised or unsubsidised) by £30 per month. However, note that this would also require a V2G-enabled vehicle – and there are currently a very limited number of such vehicles available in the UK (and only the Nissan Leaf can do V2G and is currently eligible for the ECG). On this basis, the cost estimates presented in the main narrative of this report do not include this potential saving, although in the future as such technology becomes more widespread it may be feasible to include it more widely in these bundles.

While the installation of solar panels as part of a bundled product offers the potential for reducing household energy bills, they cannot fully offset the home charging costs for a single EV<sup>27</sup>, so should not be considered as part of a mobility-focussed bundle, but Government could consider broadening the scope of such bundles to encourage household electrification, for example by including them in a bundle alongside the EV packages outlined above as well as a household battery and a heat pump, which would remove all direct fossil fuel use from a household.

The Warm Homes Grant currently provides subsidies for household insulation, air source heat pumps, smart controls and solar panels for eligible households, which are those in privately owned accommodation with an Energy Performance Certificate (EPC) rating of D, E, F or G, with a household income typically of £36,000 or less, so extending this scheme to incorporate EV charging (and adjusting the eligibility criteria) could provide an administratively efficient way of delivering these outcomes. There are a number of benefits that could be realised through such a broader electrification bundle: for example, solar, batteries and V2G technologies can substantially cut electricity bills, through providing low-cost electricity for use within the household as well as for EV charging, the potential for payments for electricity exported to the grid, and access to lower cost off-peak electricity throughout the day (via storage in household or electric car batteries, discharged as needed). However, the scale of solar and battery installation feasible in each property varies substantially depending upon the nature of the dwelling (e.g. how much roof space is available) and the nature of energy demand throughout the day (including but not limited to whether space heating is provided by gas, resistive electric heating or a heat pump), and the precise savings on offer depend upon the level of complexity the household are willing to accept and manage, as well as how prices (including peak and off-peak electricity and exported

---

<sup>27</sup> Based on an estimated installation cost of £6,100 from the Energy Savings Trust, which would mean an average cost over 8 years (with no financing cost) of £64 per month, more than double the £30 per month cost of unlimited charging of an EV with Octopus Energy as of November 2025.

electricity) vary in the future. As such, any such scheme is likely to be complex to manage and deliver, although offering substantial benefits to recipient households.

## 5.2. Impact

Table 2 below shows the impact of £75, £100 and £150 monthly subsidies on the cheapest and average eligible vehicle monthly bundled fees, as well as the associated cost to Government and number of bundles that could be subsidised for this cost. Compared to unsubsidised bundles, where the cheapest eligible vehicle is estimated to cost £322 per month and the average eligible vehicle £408 per month, the subsidies bring eligibility down from the 6<sup>th</sup> income decile to the 3<sup>rd</sup>. Per vehicle, the cost to the Government is £7,200, £9,600 or £14,400 under the £75, £100 or £150 per month subsidy.

Note that, in all cases, the cost to Government is to be spread over the full eight-year lease period to reflect how subsidies are applied. For example, if the Government were to provide £100 monthly bundle subsidies to 68,000 households in total, this would cost the Government £81.25 million every year, and a total of £650 million over 8 years, by the end of the leases. Alternatively, to subsidise 68,000 households every year would cost the Government £650 million per year, costing £5.2 billion in total after eight years.

Monthly subsidy	Cheapest monthly bundle	Average monthly bundle	Cost to Government	Number of bundles subsidised
£75	£247	£332	£650 million	90,000
			£1.95 billion	271,000
			£3 billion	417,000
			£3.7 billion	514,000
£100	£222	£307	£650 million	68,000
			£1.95 billion	203,000
			£3 billion	313,000
			£3.7 billion	385,000
£150	£172	£257	£650 million	45,000
			£1.95 billion	135,000
			£3 billion	208,000
			£3.7 billion	257,000

Table 2: Cost to Government, number of bundles that can be subsidised in the scheme, and monthly bundle costs for three different subsidy levels for the subsidised bundled services.

Source: Cambridge Econometrics. Note that average monthly bundle costs are calculated across ECG-eligible vehicles only.

### **Case study**

The Department for Transport's Young Urban Families transport persona best aligns with groups who would benefit from the subsidised bundled services. They describe Farah, who works full-time in recruitment and is married with one child. Assuming she earns the median salary for a recruiter of £29,857, this places her in the 4<sup>th</sup> income decile. She spends £236 each month on her car, including fuel, insurance, and maintenance.

#### *Challenges to electric vehicle adoption:*

Farah is less likely than average to adopt an electric vehicle, with both costs and familiarity playing a key role in her transport decision-making. Buying an electric vehicle outright is too expensive, and although she earns enough to be able to take part in a salary sacrifice scheme, doing so would bring her remaining salary down to minimum wage, and overextend the proportion of her salary she would like to spend on her car. On top of her concerns about the cost, Farah values the familiarity of her ICE vehicle, and sees electric vehicles as risky and uncertain.

#### *How she will benefit:*

Farah would be eligible for the subsidised component of bundled services as she earns under the median income, and a £100 per month subsidy would give her access to a Citroen e-C3, charging, insurance and maintenance for £222 per month. This is less than she currently spends on her car, and would result in her saving £168 a year on car expenditure, or £1,344 over the total length of the eight-year lease.

## 6 Scrappage-for-leasing scheme

In recent years, there have been a number of scrappage schemes used to encourage the removal of older, polluting vehicles from the stock and their replacement with new vehicles, such as the London Ultra-Low Emission Zone scrappage scheme, which ended in 2024<sup>28</sup>, or the Birmingham Clean Air Zone scrappage scheme (currently ongoing)<sup>29</sup>. Building on the emerging policy direction and recent Budget announcements, there is the opportunity to review the level of scrappage support required (alongside the ECG) to make leases genuinely attainable for low- and middle-income households. Below we consider the implications of offering a flat scrappage bonus on equitable participation.

### 6.1. Approach and implementation

A practical implementation of a UK scrappage-for-leasing scheme would treat the scrappage payment as an upfront capital reduction on a standard EV lease, delivered through participating manufacturers and leasing companies, and triggered only once the old vehicle is certified for scrappage. In operational terms, the customer would apply online with evidence of ownership of an ICE vehicle (and where further eligibility requirements are set on who can benefit from the scrappage scheme, such as those under a certain income threshold, proof of income should also be supplied with the application). Once the application has been approved, they bring a qualifying ICE vehicle to a partner dealer, who would issue a scrappage certificate, and immediately apply the agreed discount to the EV lease. This approach is similar to that taken in the Birmingham Clean Air Zone scrappage scheme, where recipients had to apply online with proof that they owned the vehicle and of its emissions class.

The Government would reimburse the leasing company directly using a claims process similar to that already used for the ECG, ensuring that the bonus is reflected in the advertised lease price rather than paid retrospectively. This is the simplest way to guarantee that the value of the scrappage support is fully passed through to households and is not diluted by intermediaries. Depending upon the ultimate aim of the policy (for example, whether it's to reduce tailpipe emissions in built-up areas or more broadly to reduce the UK's CO2 emissions), such a scheme could be implemented at a local or national level, following the findings of evaluations of the national scrappage scheme of 2009/10 and more recent localised schemes such as the London ULEZ scheme<sup>30 31 32</sup>

Because the existing ECG already reduces the purchase price for eligible models at the point of sale, the scrappage element should have the capacity to stack with this in a way that meaningfully shifts monthly affordability (if both policy instruments were to coexist). A flat scrappage payment is important because lower-income households tend to own older, lower-value vehicles and a proportional payment linked to the scrappage value of the car would only provide a modest financial incentive to participate, even though they often stand to gain most from retiring an ICE vehicle and these cars are often the most polluting. Such a structure would entail households receiving a payment from the scrappage provider for the vehicle's remaining value, while the Government separately provides the flat-rate payment (applied to the lease) once the ICE vehicle is certified as dismantled.

Such a model ensures clarity for consumers, avoids distorting the commercial value recovered from the scrapped vehicle, and keeps the public contribution focused on reducing the upfront and monthly cost of

---

<sup>28</sup> (Gov UK, 2024)

<sup>29</sup> (Brum Breathes, 2025)

<sup>30</sup> (ResPublica, 2017)

<sup>31</sup> (Butcher, 2018)

<sup>32</sup> (Transport for London, 2025)

the EV lease. By combining a guaranteed baseline grant with a proportional valuation-based top up, the scheme remains both progressive and broadly appealing, while ensuring the support is closely aligned with the real economic value of retiring older ICE vehicles. It also mirrors the design and logic of Transport for London's ULEZ scrappage scheme, which offered a £2,000 baseline grant with scope for enhanced payments based on vehicle value and other eligibility factors. Additionally, such a scheme could also be structured to accommodate longer lease terms, as discussed in greater detail earlier in this report. These flat payments could also be capped at an upper limit based on vehicle value, to ensure that impacts are focussed on lower-value vehicles (that are more likely to be owned by low- and middle-income households); for example by the introduction of a sliding scale which caps the total value (scrappage value + flat payment) paid to £7,000, ensuring that there is no cliff-edge in the total value of a vehicle between a sales price of £5,000 and £5,100, by reducing (but not eliminating) the flat payment given to the more expensive vehicle to ensure that the total value of both vehicles (after the additional scrappage-for-leasing payment) is £7,000.

For example, a £2,000 payment, as in the London ULEZ scrappage scheme, would amount to a £21 monthly discount over an eight-year lease period. A larger bonus of £5,000 would amount to a £52 discount every month over an eight-year lease. For the scrappage-for-leasing scheme to bring lease costs down to a level observed in the social leasing scheme, the scrappage bonus would amount to £9,600, which seems politically infeasible for a single bonus. However, the scrappage bonus should be able to be used by those who are getting a social lease as well, to increase the benefit received if households are also handing in an ICE vehicle. This requires the application processes for the scrappage certificate and social leasing to be aligned, so that households only have to apply once. It would be best to include a question in the social leasing application process as to whether the household have an eligible vehicle to scrap.

To support take-up and avoid the risk that the scrappage bonus is absorbed into dealer margins, centralised monitoring and audit would be essential. A single application portal, automated links to DVLA records, and standardised reporting templates for participating dealers would allow Government to track the number and type of vehicles scrapped, the models leased, the geographical distribution of claims and the consumer savings achieved. Scrappage certificates should be digitally logged to prevent double claims, and a small percentage of applications should be subject to post-claim verification. Clear communication with dealers is important: the scheme must be simple enough that they can incorporate it into standard sales processes without creating bottlenecks or discouraging participation.

Overall, the core of a workable UK scrappage-for-leasing scheme lies in combining a flat, transparent scrappage payment with the established ECG mechanism, applying it through standard lease contracts, and ensuring that dealers and lessors can deliver the discount reliably at the point of transaction. The approach maintains simplicity for consumers, leverages existing administrative systems, supports EV market growth, and ensures that each scrapped high-polluting vehicle directly translates into a new zero-emission replacement on UK roads. Crucially, it allows consumers to experience the lower running costs associated with an EV immediately, easing their transition from ICE vehicles to EVs.

## 6.2. Impact

Table 3 demonstrates the impact of both a £2,000 and £5,000 scrappage bonus, including how many such bonuses could be given out for different budgets, as described in Chapter 3. A bonus of £2,000 would bring the predicted lease cost of the cheapest eligible vehicle down to £156 per month, in line with the spending of the 6<sup>th</sup> income decile. The larger £5,000 bonus brings the cheapest eligible vehicle down to £125 per month, similar to the spending of households in the 5<sup>th</sup> income decile. Given that the cost to Government per vehicle is smaller in this scheme than in social leasing or subsidised bundled services, it

can be offered to a far larger number of households. For example, all 1.59 million adult social care workers in England<sup>33</sup> could access a £2,000 bonus, at a cost to Government of £3.2 billion.

Bonus	Cheapest monthly lease	Average monthly lease	Cost to Government	Number of bonuses given
£2,000	£156	£242	£650 million	325,000
			£1.95 billion	975,000
			£3 billion	1,500,000
			£3.7 billion	1,850,000
£5,000	£125	£211	£650 million	130,000
			£1.95 billion	390,000
			£3 billion	600,000
			£3.7 billion	740,000

Table 3: Cost to Government, number of bonuses that could be given out, and monthly lease costs for two different bonus sizes.

Source: Cambridge Econometrics.

### Case study

One of the Department for Transport’s transport personas aligns well with groups who would benefit from the scrappage-for-leasing scheme: the Suburban Families persona. They describe Nigel, a full-time marketing consultant who is married with one child. Nigel earns the average marketing manager salary of £36,500, placing him firmly in the middle of the income distribution. He spends £360 a month on his car, of which £153 is on purchases or leasing.

#### *Current challenges to EV-take-up:*

Nigel would like to buy an electric vehicle and is concerned about the environmental impact of his current car. He thinks that running an electric vehicle would be cheaper than his current car too, but feels the upfront cost is still too high. He needs costs to be just a bit cheaper than they currently are to be able to buy or lease an electric vehicle.

#### *How he will benefit:*

Nigel would benefit from the scrappage-for-leasing scheme as it would tackle the main barrier he faces to switching to electric vehicles: the upfront cost. He already thinks that the operating costs of an electric vehicle will be cheaper than his current ICE vehicle, and the bonus will mean that the upfront cost is more manageable too. If he received a £5,000 bonus for scrapping his current car, this would translate to a £52 discount every month over an eight-year lease, meaning he could lease the cheapest eligible vehicle for £125 a month. This would result in Nigel saving nearly £336 every year, or £2,688 over the whole eight-year lease.

<sup>33</sup> (House of Commons, 2024)

## 7 Who are we targeting?

The target population for the proposed new schemes are low- and middle-income households who are not currently buying EVs because upfront costs are too high, or they are uncertain about the cost structures of owning an EV (or both). As previously discussed, we do not focus on those for whom infrastructure is the main barrier, as this is an area in which Government is already developing extensive policy. The policies also aim to encourage take-up of specific EVs. Outlined below are the intended target households and vehicles of the interventions, and where necessary the eligibility criteria we suggest.

### 7.1. Household eligibility

Some of the proposals in the following policies are meant to be market creating – longer leases and bundled services are missing markets, and the proposed role for Government is to encourage companies to offer these products, either through regulatory environment adjustments or a more hands-on underwriting guarantee. Therefore, these policies are open to all households across the income distribution, should they wish to access a longer lease or bundled services, in the same way that consumers currently have a choice over lease length to suit their personal circumstances.

Bundled services, both with and without subsidies, are targeted at those households for which the uncertainty around EV cost structures is a barrier to entry. This includes two sub-groups of households:

- Those that are financially constrained, and concerned about the potential total cost of ownership of an EV as compared to an ICE (where the cost structures are much more familiar to them)
- Consumers that are particularly risk-averse, and therefore less likely to switch from ICEs to EVs on the basis of uncertainty around future costs.

Note that while there is some overlap between these groups, they are not the same – for some financially constrained households, while a fixed-price EV package might help to address information asymmetry, those that are sufficiently price-sensitive might ultimately end up choosing differentiated products to minimise the total cost of ownership. This is because we assume that these more segregated products exist in more price-competitive markets than the more complex, combined product. By comparison, the second group will place additional value on the certainty that a single fixed offer represents and are more likely to directly take-up the bundled product.

In bundling up different aspects of the EV cost structure, we're increasing the level of uncertainty about future costs (i.e. uncertainty around the real world depreciation rate and the cost of insurance, maintenance and energy over the lease period); this is going to increase risks to providers, and likely lead to a price premium, compared to a situation where consumers are willing to accept more of this risk (e.g. by having an energy deal that is only fixed for 12 months). Some households might therefore benefit from the improved information encapsulated in the advertising of single bundled monthly costs, even though they ultimately decide to secure an EV via another method. The range of financially constrained households that are the target for bundled services would be expanded by the provision of subsidies. While bundled services in general are designed to be universal, the financially constrained households receiving the subsidised bundled services will be subject to eligibility criteria, as outlined below.

Social leasing and the scrappage-for-leasing schemes are aimed particularly at those for whom the upfront cost is the biggest barrier. They operate by reducing this upfront cost, although for different parts of the population. The scrappage-for-leasing scheme is intended to be universal, in that anyone can scrap an eligible ICE vehicle in exchange for the scrappage bonus applied to an EV lease. There is some

amount of targeting towards low- and middle-income households in the sense that there is a cap on the value of an eligible vehicle for scrap, so this will only be open to households who own a car under that value. While this is more likely to be low- and middle-income households than high-income, it is not explicitly exclusive. Social leasing is not universal and instead is targeted at low- and middle-income households, as discussed below.

We propose that both social leasing and subsidised bundled services have eligibility criteria on who can take part, to ensure the funding is targeted at those low- and middle-income households for whom we aim to improve affordability. Outlined below are three possible eligibility criteria that could be applied to these two policy recommendations.

### Universal credit

Universal Credit (UC) is a relatively straightforward eligibility criterion, as it is means-tested and subject to fraud checks already, so it reduces the administrative burden and possibility of fraud. UC is open to many individuals who are out of work, working but earning a low amount, have a disability that prevents them from working, or who have caring or childcare responsibilities. As of October 2025, 8.3 million individuals, or around 12% of the population, are receiving UC. This represents a broad range of the population, the vast majority of which are unlikely to be able to obtain an EV under current policies (unless related to disability and therefore eligible for a Motability vehicle).

However, around 40% of households in the bottom 20% of the income distribution do not receive any means-tested benefits<sup>34</sup>, as they earn slightly over thresholds, have too much in savings to be eligible, or do not claim the benefits to which they are entitled. This eligibility criterion may therefore exclude some low- and middle-income households who still cannot afford an EV. Relatedly, there are UC recipients in as high as the 8<sup>th</sup> income decile<sup>35</sup>, so this criterion may allow some high-income households to access the subsidies, limiting the effectiveness in targeting low- and middle-income households. Finally, using UC as an eligibility criterion does not explicitly target those who need a car for work.

### Key workers

Key workers are typically defined as those who work in education and childcare; food and necessary goods; health and social care; key public services; national and local Government; public safety and national security; transport; and utilities and communication. In 2019, they made up 33% of the total workforce, some 10.6 million individuals<sup>36</sup>. There are key workers in all income deciles, but they are slightly overrepresented in the bottom half of the income distribution, particularly those employed in education and childcare; food and necessary goods; and health and social care. Key workers, such as carers or nurses, are likely to need a car for work, i.e. to travel between homes to provide care, making them an important target population for these measures. Note that there is no formal definition of a key worker, and the precise coverage of this criterion could be adjusted for political or administrative reasons.

For example, it would reduce the administrative burden if the scheme were offered purely to those employed directly in the public sector, as eligibility could be verified through existing payroll records. Similarly, eligibility could be limited to Blue Light cardholders, which includes those employed in the emergency services, the NHS, social care, armed forces, and other public sector roles like prison officers and court staff. It is worth noting, however, that knowledge of Blue Light Card eligibility is imperfect, with

---

<sup>34</sup> (Joseph Rowntree Foundation, 2023)

<sup>35</sup> (Gov UK, 2024)

<sup>36</sup> Note that this key worker definition is specific to the Covid-19 pandemic (Gov UK, 2020)

many assuming it only applies to emergency workers and NHS staff<sup>37</sup>, and it may require a complementary awareness campaign.

This is a broader eligibility criterion than Universal Credit, including not just more people overall, but particularly more from higher in the income distribution. While this will capture some of those low- and middle-income households previously discussed who do not fall into UC eligibility criteria, it will also include many higher earners who can afford EVs, and exclude low- and middle-income earners not employed in these specific sectors, which make up around 70% of the bottom half of the income distribution.

### **Income threshold**

Setting an income threshold for eligibility would align the recommended policies more closely with examples like the French social leasing scheme, and best target low- to middle-income households by setting a maximum level of household income above which individuals would no longer be eligible for each policy. If this approach was adopted, we would propose setting a household income threshold of £36,700, the median household income. This explicitly includes all households in the bottom 5 income deciles, regardless of benefit eligibility or employment sector, and only excludes higher earners.

While this criterion best captures the target population, it is more administratively difficult to implement, as it would require proof of income. One option is for the Government to use the previous years' tax records as an indicator of earnings. However, this would be a year out of date and mean that households who have experienced a sudden drop in income compared to the previous year would be ineligible. Alternatively, households could self-report, which places the burden of proof onto households, and opens up potential for intentional underreporting of income (i.e. false positives), as well as likely discouraging some households from participating by creating higher barriers to entry to the scheme. However, a lesson to be taken from the French social leasing scheme (which placed the burden of proof of income onto households) is that this was not a sufficient deterrent to stop households from applying, given that they received 90,000 applications for 25,000 grants in the first round of funding in early 2024<sup>38</sup>. As such, placing the burden of proof on households may not lead to a shortage of applicants compared to the funding available, and would reduce the administrative burden for Government.

### **Combining eligibility criteria**

Another approach to eligibility could be to combine some of these criteria. For example, eligibility could be limited to only those on UC or key workers who also earn under the median household income, to eliminate any higher earners who either receive some benefits or work in the public sector. This approach is the most administratively time-consuming for Government, requiring cross-referencing UC receipt or key worker proof with income proof.

## **7.2. Vehicle eligibility**

For social leasing, subsidised bundled services, and scrappage-for-leasing, we suggest maintaining alignment with the existing vehicle eligibility for the Electric Car Grant: BEVs which the Government has pre-approved to meet efficiency and safety standards, and prioritise models made in the UK or assembled with significant UK content to support domestic industry. This ensures consistency with other areas of Government policy. Note that, as of November 2025, the vehicles available under the Motability scheme are also going to change over the coming decade to similarly prioritise British- and EU-made vehicles, reinforcing this approach.

---

<sup>37</sup> (British Association of Social Workers, 2025)

<sup>38</sup> (Zemo Partnership, 2024)

Eligibility should include both cars and vans outlined. Including vans is key to providing support for sole traders and small business owners, where the transition to electric mobility is at an earlier stage than for cars. It also improves the cost-effectiveness of these schemes: vans typically cover higher annual mileage, so electrification delivers greater emissions reductions per vehicle. Moreover, van purchases are primarily business decisions, making buyers highly sensitive to total cost of ownership. This means that financial support will more readily influence purchasing decisions than for private car buyers, for which drivers weigh several factors beyond cost, like brand and lifestyle suitability.

Vehicles eligible for the ECG are not the cheapest EVs available on the market. Figure 3 includes the Dacia Spring, a vehicle ineligible for the ECG, and demonstrates that it is currently cheaper than the Citroen e-C3 (which is the cheapest ECG-eligible car). There is therefore a trade-off in the vehicle eligibility too, between providing as many subsidies as possible, and prioritising British- and EU-made vehicles. Prioritising these vehicles means that subsidies must be larger than they would be on cheaper vehicles to make them affordable for the target population.

## 8 How could these schemes work together?

In this report, we have outlined three different policy options to improve access to electric vehicles for low- and middle-income households: social leasing, combined with longer lease terms; bundled services and subsidies; and scrappage-for-leasing. Each policy addresses a different target population. For social leasing and scrappage-for-leasing, the target population is households towards the bottom of the income distribution whose primary concern regarding buying an EV is the high upfront cost. For bundled services, the target population is households who face an information challenge regarding EV costs, and the subsidies on top aim to benefit those who face the twin challenge of lack of information and being in the lower end of the income distribution.

We have also identified potential eligibility criteria for each – limiting social leasing and subsidised bundles to those who are in receipt of mean-tested benefits, key workers, or earning under an income threshold, but keeping scrappage-for-leasing open to all. These measures can be seen as either complements for, or a replacement for, the ECG, depending upon the funding available to support EV take-up. Without funding constraints, the universal ECG benefit would continue, so as not to discourage higher-income households from buying EVs.

It is important to note then that customers often approach leasing, scrappage and grants as a single decision, so these additional schemes must be seamlessly integrated with the ECG if they are to functionally coexist. For example, both discounts should appear simultaneously in dealer values, making the offer transparent and avoiding confusion about eligibility. This requires aligning the claim processes and ensuring that the leasing companies apply both reductions before advertising the final monthly cost.

The schemes would also need to sit cleanly alongside Motability. For social leasing and bundled services, they will operate in parallel with Motability, but are intended mainly for non-Motability customers, as the benefits from Motability are usually larger than those offered here so we expect little substitution between schemes. As for scrappage-for-leasing, Motability vehicles already receive manufacturer-supported discounts and have their own lease structure, so the scheme should allow Motability to apply the scrappage bonus (where the user has an eligible vehicle to scrap) while preserving its existing rules on advance payments and adaptations. In most cases, Motability participants are unlikely to have a qualifying vehicle to trade in, but the scheme should not inadvertently exclude them when they do.

As they have been set out so far, all three of our proposed schemes are all pulling from the same funding sources, those outlined in Chapter 3. The different schemes can target different subsets of the population, and can affect varying numbers of households, depending on the size of the intervention. Therefore, there are a wide range of potential complementary configurations that could be adopted in terms of deciding how to allocate available funds across these schemes, and which target populations on which to focus. The following approaches to this question assume that the recommendations for the Government's role in creating a market for 8-year leases and bundled services more generally have been adopted, outlining two possible splits of the largest funding pot described in Chapter 3, £3.7 billion, across the various schemes.

### 8.1. The tiered approach

This approach prioritises giving the largest subsidies/bonuses to the lowest income households, over giving out as many subsidies/bonuses as possible. Figure 5 and Figure 6 outline the proposed funding allocated to each scheme and target population, and how many households from each target population will benefit, respectively.

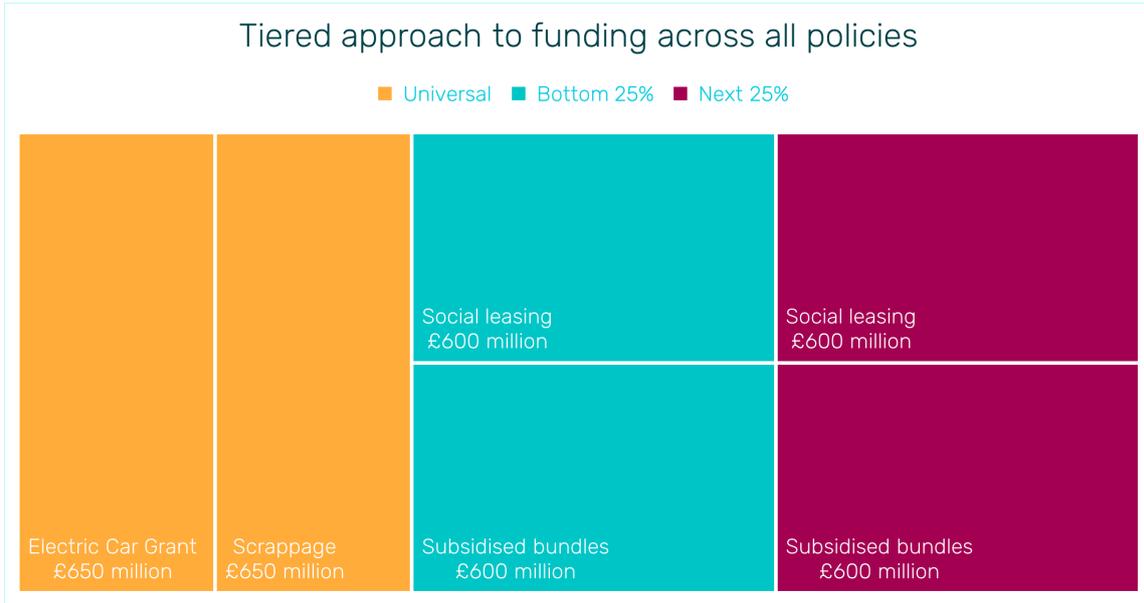


Figure 5: Tiered funding split across four policies and three target populations.

Source: Cambridge Econometrics.

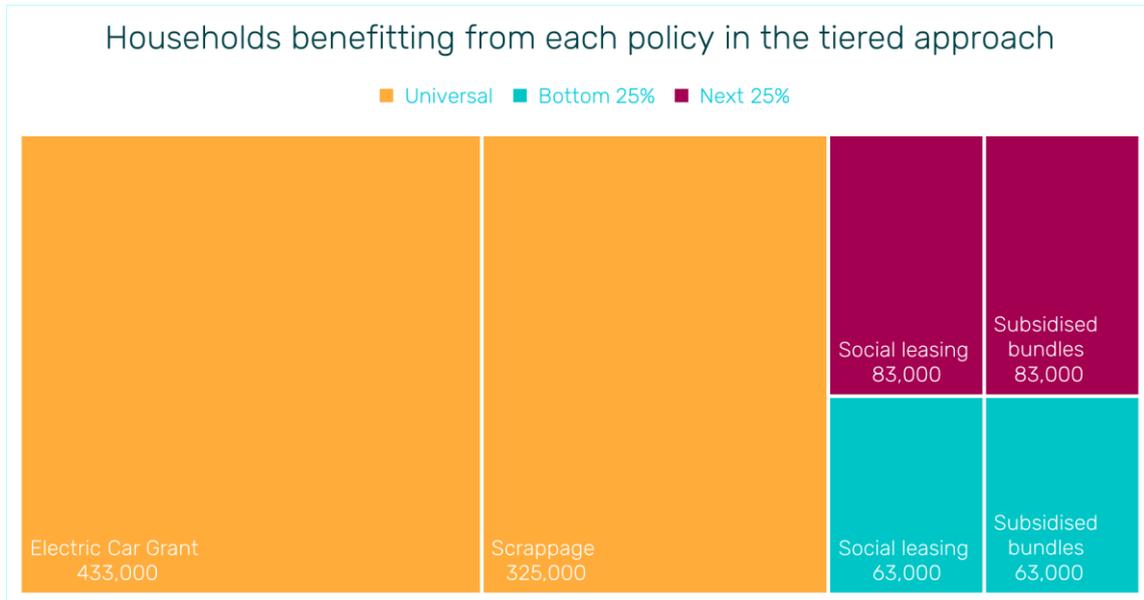


Figure 6: Number of households that benefit from each policy within each target population under the tiered funding approach.

Source: Cambridge Econometrics.

This approach keeps funding for the ECG at £650 million, as it was prior to the Autumn Budget 2025, which could be given to around 433,000 households<sup>39</sup>. It allocates another £650 million to scrappage-for-leasing, the other universal scheme, providing a £2,000 bonus per vehicle, which can be given to 325,000 households. Each recipient receives a flat bonus of £2,000, which provides a £21 a month discount over an 8-year lease. £1.2 billion is assigned to social leasing, and another £1.2 billion is assigned to subsidising bundled services. These two pots of funding are split between those in the bottom 25% of the income distribution, and those in the next 25% (i.e. 25-50% of the income distribution).

Those in the bottom 25% of the income distribution receive a monthly subsidy of £100 for either their social lease or bundled service package. Those in the next 25% receive a monthly subsidy of £75 to either package. If they have an eligible ICE vehicle to trade in, households can benefit from both the scrappage bonus and either the social leasing or subsidised bundled services scheme. Note therefore that of the 325,000 households that can benefit from the scrappage scheme, at least some of these will likely also be the beneficiaries of either the social leasing or bundled services schemes, so the total number of unique households who will benefit from this set of measures is unclear. Assuming that half of the beneficiaries of social leasing/subsidised bundles also benefit from the scrappage scheme, this set of policies can benefit 904,000 households.

Table 4 shows the cheapest and average cost of leases/bundles available to the bottom half of the income distribution. For households who benefit from the scrappage scheme but neither of the other policies, the cheapest car available to them would cost £156 a month, having saved £21 a month.

	Households in the first income quartile		Households in the second income quartile	
	Yes	No	Yes	No
Do they have an ICE car to scrap?	Yes	No	Yes	No
Cheapest social lease available	£56	£77	£81	£102
Average social lease available	£142	£163	£167	£188
Cheapest bundle available	£201	£220	£226	£247
Average bundle available	£287	£307	£312	£332

Table 4: Monthly lease and bundle costs available to households in the first and second quartiles under the tiered funding approach.

Source: Cambridge Econometrics.

## 8.2. The flat subsidy approach

This approach keeps the same funding split as the tiered approach between policies, but does not split each policy into different eligibility groups. Instead, here the eligibility criterion for social leasing and subsidised bundles is to be earning under the median income, and all who earn under this level are eligible for the same level of subsidy. This approach assigns £650 million each to the ECG and scrappage-for-leasing, and £1.2 billion each to social leasing and subsidised bundled services, which both offer a

<sup>39</sup> Assuming all recipients get the lower £1,500 grant.

monthly subsidy of £100 to all eligible households. Figure 7 and Figure 8 indicate the funding split and number of households in receipt of each policy respectively.

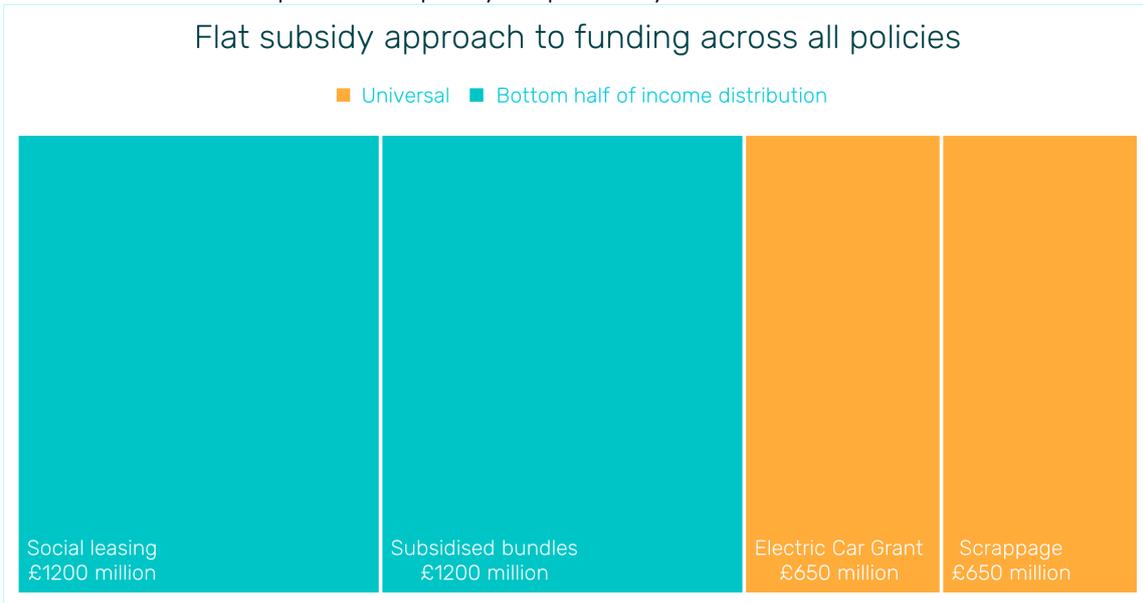


Figure 7: Flat subsidy funding split across four policies and two target populations.

Source: Cambridge Econometrics.

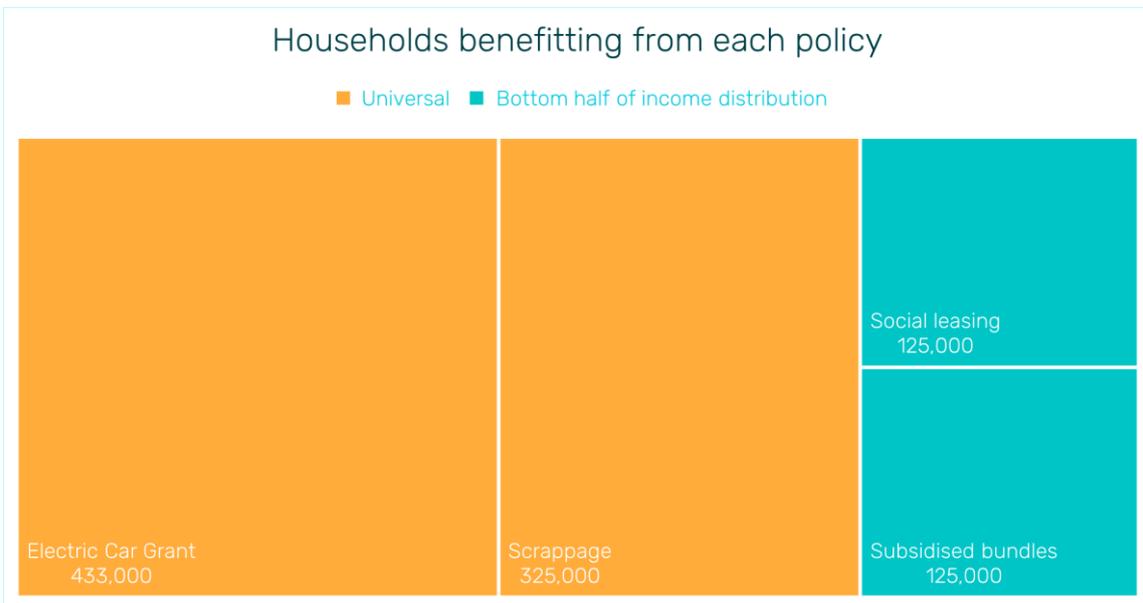


Figure 8: Number of households that benefit from each policy within each target population under the flat subsidy funding approach.

Source: Cambridge Econometrics.

The subsidies bring the monthly costs down in line with those of the households in the first quartile in the tiered approach: if they have an ICE vehicle to scrap, the cheapest car available for a social lease is in line with the spending of the 2<sup>nd</sup> income decile, and if they do not have an ICE vehicle to scrap, it is similar to the spending of the 4<sup>th</sup> income decile. Assuming that half of those eligible for a social lease or subsidised

bundle also scrap a car, this set of policies can impact 883,000 households – slightly lower than under the tiered approach as all beneficiaries of social leading or subsidised bundles receive the higher £100 subsidy.

## 9 The impacts of improving access to EVs

The policies explored in this report are designed to broaden participation in the EV market by addressing in particular the higher up-front costs of EVs. Doing this should lead to a greater proportion of vehicles sold in the future being EVs, and ultimately with more EVs in the UK's vehicle fleet, and lower GHG emissions from that fleet. In order to explore the potential impact of that, we've carried out some illustrative vehicle stock modelling for the UK's car fleet. The key assumptions, input and findings are summarised below.

### 9.1. Key assumptions

This modelling relies on up-to-date data and a wide range of assumptions. The key assumptions are set out briefly below:

- Vehicles sales in the UK will hold constant in future years at the same level as in 2024, i.e. there will be no return to the pre-COVID era higher sales levels.
- Miles driven by vehicles of different ages (and that newer vehicles drive further on average than older vehicles) will also remain the same in the future.
- Given the strong policy framework (and particular the fiscal penalties for OEMs) put in place to drive a 2035 phase-out of ICEs from new vehicles sales, the modelling assumes that, even without the policy recommendations set out in this report, that phase-out is achieved.
- The modelling therefore explores how more ambitious policy in the short-term can affect the share of BEVs in the new vehicle market in the period between now and 2035 (when our policy scenarios and baseline converge).

Rather than model the impact that a specific policy has on vehicle purchase decisions, we model 'what if' scenarios that explore stock dynamics if the role of EVs in vehicle sales over the period to 2035 is higher. While Government is committed to delivering the ZEV Mandate (and therefore the 2035 phase-out), it's not currently clear the extent to which that extends to creating a market for EVs across the whole of the UK population; the policies set out in this report are therefore likely to *contribute* to ensuring the ZEV Mandate is delivered, which would likely lead to larger impacts than modelled here (since the true baseline would be more conservative on BEV sales out to 2035), but to aid interpretation of the analysis we've taken a more conservative position.

### 9.2. Scenario design

The inspiration for our exploratory scenario is the social leasing policy. If a budget of £1.7bn per year is allocated to this policy alone, this would allow 180,000 additional households *per year* to benefit from the £100 monthly subsidy (at an annual cost of £1,200 per household, each cohort requires £216m of annual funding, and given up to 8 cohorts could simultaneously be benefitting from the subsidies, this would bring maximum total costs to £1.73bn). Given new car registrations in 2024 in the UK were 2.0m<sup>40</sup>, we have modelled a 10 percentage point (pp) increase in the take-up of EVs in 2026 compared to the baseline, with this difference decreasing in size over the period to 2035 (when it disappears completely, as all new sales are BEVs in line with the 2035 phase-out date). Essentially, this slowly decreasing impact assumes that the additional impact of the policy decreases over time (i.e. slowly the policy starts to be taken up by people who would have secured an EV anyway, whereas in 2026 we assume that all households that benefit from the scheme would otherwise have used an ICE). Essentially, over time we

---

<sup>40</sup> (Gov UK, 2025)

assume that the additionality of the policy measure decreases – it is likely over time the policy would be adjusted to become more targeted (and therefore offered to a narrower subset of the population for whom it might make the difference between driving an EV or not, likely at a lower total cost to Government). This is largely imposed because of the decision in the baseline to assume that the 2035 phase-out of ICEs from new sales is delivered; it is not possible for the policy to have any impact in 2035, because EVs are 100% of new sales from that year onwards in the baseline.

### **9.3. Impacts of improving access to electric vehicles**

Increasing the share of EVs in new sales through the second half of the 2020s and into the first half of the 2030s would deliver long-lasting change to the UK's car fleet;

- around 950,000 more EVs would be sold between 2026–35, and
- an additional 83.3bn miles would be driven by pure EVs cumulatively over 2026–35
- carbon dioxide emissions from the vehicle fleet would be reduced by a cumulative 10,000 kilotons of CO<sub>2</sub> over the same period.

The benefits of having these EVs in the fleet (such as the emissions reductions) would persist well beyond 2035. This analysis demonstrates that, even assuming that additional policies which improve the affordability of EVs are not required to deliver on the Government's aim to phase out sales of vehicles reliant on fossil fuels by 2035, such policies, if delivered impactfully, could make both a short- and a long-term difference to the UK vehicle fleet and the emissions that it produces.

Note also that the modelling here reflects a simplification of a single policy focussed on accelerating the change in new sales, and does not consider the impact of policies that could more rapidly change the nature of the existing fleet such as scrappage schemes, which would be expected to lead to the earlier removal of older polluting ICE vehicles from the fleet, and an increase in sales of new vehicles to replace them.

## 10 References

BBC News. (2025). *Electric vehicle owners to face pay-per-mile tax*. Retrieved from <https://www.bbc.co.uk/news/articles/c8jw9l7gx92o>

British Association of Social Workers. (2025). *Did you know social workers qualify for the Blue Light Card?* Retrieved from <https://basw.co.uk/about-social-work/psw-magazine/articles/did-you-know-social-workers-qualify-blue-light-card>

Brum Breathes. (2025). *Clean Air Zone Vehicle Scrappage Scheme*. Retrieved from <https://www.brumbreathes.co.uk/info/30/financial-incentives-1/54/clean-air-zone-vehicle-scrappage-scheme>

Business Matters Magazine. (2024). *Reeves considers ending salary sacrifice tax breaks for electric vehicles, sparking industry backlash*. Retrieved from <https://bmmagazine.co.uk/news/reeves-considers-ending-salary-sacrifice-tax-breaks-for-electric-vehicles-sparking-industry-backlash/>

Butcher, L. (2018). *Briefing Paper: Vehicle scrappage schemes*. Retrieved from <https://researchbriefings.files.parliament.uk/documents/CBP-8091/CBP-8091.pdf>

Carmoola. (2025). *Carmoola car depreciation index*. Retrieved from <https://www.carmoola.co.uk/depreciation-index>

Energy and Climate Intelligence Unit. (2023). *New analysis: petrol car drivers paid a £700 'petrol premium' in 2023*. Retrieved from <https://eciu.net/media/press-releases/2023/new-analysis-petrol-car-drivers-paid-a-700-petrol-premium-in-2023>

EVA England. (2025). *Our annual driver survey*. Retrieved from <https://www.evaengland.org.uk/our-work/our-annual-driver-survey/>

Fleet News. (2025). *Electrification drives trend towards longer leases for cars*. Retrieved from <https://www.fleetnews.co.uk/features/electrification-drives-trend-towards-longer-leases-for-cars>

Gov UK. (2020). *Coronavirus and key workers in the UK*. Retrieved from <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/coronavirusandkeyworkersintheuk/2020-05-15>

Gov UK. (2022). *Household expenditure on motoring for households owning a car, UK: financial year ending 2021*. Retrieved from <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/adhocs/15088householdexpenditureonmotoringforhouseholdsoowningacarukfinancialyearending2021>

Gov UK. (2023). *Percentile points from 1 to 99 for total income before and after tax*. Retrieved from <https://www.gov.uk/government/statistics/percentile-points-from-1-to-99-for-total-income-before-and-after-tax>

Gov UK. (2023). *Transport user personas: understanding different users and their needs*. Retrieved from <https://www.gov.uk/guidance/transport-user-personas-understanding-different-users-and-their-needs>

Gov UK. (2024). *Mayor hails success of London-wide ULEZ scrappage scheme, with over 53,000 older, more polluting vehicles removed from London's roads*. Retrieved from <https://www.london.gov.uk/mayor-hails-success-london-wide-ulez-scrappage-scheme-over-53000-older-more-polluting-vehicles>

Gov UK. (2024). *School Workforce in England*. Retrieved from <https://explore-education-statistics.service.gov.uk/find-statistics/school-workforce-in-england/2024>

Gov UK. (2024). *The effect of taxes and benefits on household income, disposable income estimate*. Retrieved from <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/householddisposableincomeandinequality>

Gov UK. (2025). *Electric vehicle public charging infrastructure statistics*. Retrieved from <https://www.gov.uk/government/statistics/electric-vehicle-public-charging-infrastructure-statistics-october-2025/electric-vehicle-public-charging-infrastructure-statistics-october-2025#annex-b>

Gov UK. (2025). *Vehicle licensing statistics, United Kingdom: 2024*. Retrieved from <https://www.gov.uk/government/statistics/vehicle-licensing-statistics-2024/vehicle-licensing-statistics-united-kingdom-2024#new-registrations-of-vehicles-overview>

HM Treasury. (2025). *Consultation of the Introduction of Electric Vehicle Excise Duty (eVED)*. Retrieved from [https://assets.publishing.service.gov.uk/media/692ef30b345e31ab14ecf8bc/eVED\\_Consultation.pdf](https://assets.publishing.service.gov.uk/media/692ef30b345e31ab14ecf8bc/eVED_Consultation.pdf)

House of Commons. (2024). *Adult social care workforce in England*. Retrieved from <https://commonslibrary.parliament.uk/research-briefings/cbp-9615/>

Joseph Rowntree Foundation. (2023). *On a low income, but not claiming means-tested benefits*. Retrieved from <https://www.jrf.org.uk/social-security/on-a-low-income-but-not-claiming-means-tested-benefits>

Motoring Research. (2025). *Nearly a quarter of new cars registered in 2025 were EVs*. Retrieved from <https://www.motoringresearch.com/car-news/2025-new-car-registration-data/>

NHS UK. (2024). *HCHS staff by age, gender, ethnicity and AfC band, March 2013 to 2024*. Retrieved from <https://digital.nhs.uk/supplementary-information/2024/hchs-staff-by-gender-ethnicity-age-afc-2013-to-2024>

NHS UK. (2025). *NHS Workforce Statistics, August 2025*. Retrieved from <https://digital.nhs.uk/data-and-information/publications/statistical/nhs-workforce-statistics>

Octopus Electric Vehicles. (2024). *How employers are using salary sacrifice in 2024*. Retrieved from <https://octopusev.com/ev-hub/how-employers-are-using-salary-sacrifice-in-2024>

Octopus Electroverse. (2025, November). *Total cost of ownership: EVs vs ICE cars in the UK*. Retrieved from [electroverse.com: https://electroverse.com/community/ev-blogs-and-guides/total-cost-of-ownership-evs-vs-ice-cars-in-the-uk](https://electroverse.com/community/ev-blogs-and-guides/total-cost-of-ownership-evs-vs-ice-cars-in-the-uk)

ResPublica. (2017). *Air Necessities: Place-based approaches to a pollution crisis*. Retrieved from <https://www.respublica.org.uk/wp-content/uploads/2017/02/Air-Pollution.pdf>

Social Work England. (2025). *Demographics and diversity of the social work register*. Retrieved from <https://www.socialworkengland.org.uk/about/data-and-research/data-and-insight/Demographics-diversity-of-register>

Society of Motor Manufacturers and Traders. (2025). *Record EV market share but weak private demand frustrates ambition*. Retrieved from <https://www.smmt.co.uk/record-ev-market-share-but-weak-private-demand-frustrates-ambition/>

Society of Motor Manufacturers and Traders. (2026). *UK new car market breaches two million as almost one in four buyers go electric*. Retrieved from <https://www.smmt.co.uk/uk-new-car-market-breaches-two-million-as-almost-one-in-four-buyers-go-electric/>

The Complete Design Lab. (2025). *EV vs Petrol: Cost of Running a Car in UK 2025 Compared – What Saves You More?* Retrieved from <https://thecompletedesignlab.co.uk/ev-vs-petrol-cost-comparison-uk-2025/>

This is Money. (2024). *Lack of cheap used EVs slowing down Britain's move to electric cars, Auto Trader warns*. Retrieved from <https://www.thisismoney.co.uk/money/electriccars/article-13492309/Lack-affordable-used-EVs-slowing-Britains-transition-electric-cars.html>

Transport and Environment. (2025). *Budget Briefing: A step in the right direction but a black hole for PHEV taxation*. Retrieved from <https://www.transportenvironment.org/te-united-kingdom/articles/budget-briefing-a-step-in-the-right-direction-but-a-black-hole-for-phev-taxation>

Transport and Environment. (2025). *The Large Vehicle Levy*. Retrieved from [https://www.transportenvironment.org/uploads/files/TE-UK\\_-Large-Vehicle-Levy\\_Briefing.pdf](https://www.transportenvironment.org/uploads/files/TE-UK_-Large-Vehicle-Levy_Briefing.pdf)

Transport for London. (2025). *London-wide Ultra Low Emission Zone scrappage scheme evaluation report*. Retrieved from <https://content.tfl.gov.uk/london-wide-ulez-scrappage-scheme-evaluation-report.pdf>

Zemo Partnership. (2024). *France suspends social leasing scheme for EVs as demand exhausts budget*. Retrieved from [https://www.zemo.org.uk/news-events/news/france-suspends-social-leasing-scheme-for-evs-as-demand-exhausts-budget\\_4621.htm](https://www.zemo.org.uk/news-events/news/france-suspends-social-leasing-scheme-for-evs-as-demand-exhausts-budget_4621.htm)

## Appendices

	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
Lower boundary of income (£)		1062	1499	1902	2349	2821	3328	3939	4758	6062
Total motoring expenditure (£)	182	187	245	237	315	360	374	461	581	676
Expenditure on car purchases (£)	52	55	88	72	114	153	147	211	269	317

Table 5: Income thresholds, total motoring expenditure, and expenditure on car purchases by income decile for households who own a car.

Source: ONS Living Costs and Food Survey. [Household expenditure on motoring for households owning a car, UK: financial year ending 2021 - Office for National Statistics](#)