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Driving Change: Transport Policies for growth and climate

Top policies to stimulate UK green investment and cut transport emissions

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Transport and Environment is the UK's leading advocate for clean transport and energy. For over 30 years we have worked in the UK and across Europe to deliver a zero-emission transport and energy system that is affordable, circular, and has minimal impacts on our health and the environment.

This is the decisive decade for climate action, decarbonising transport and the energy systems that power it presents a major challenge and opportunity.

Our approach has always been to research and analyse problems, using our expertise to present clear arguments based on science, technology, data and sound economics to find real world solutions.

Summary

Labour's mission led government has the historic opportunity to stimulate green growth. It shouldn't squander it.

The UK's transport sector is at a critical juncture. Transport is the nation's largest source of greenhouse gas emissions but also presents a significant opportunity for green industrial growth and the creation of high-quality jobs. The Zero Emission Vehicle (ZEV) mandate for cars and vans has already demonstrated the potential, driving £22 billion in investment over the last three years and boosting electric vehicle (EV) sales to nearly a quarter of the market in August. However, other key sectors—such as heavy-duty vehicles (HDVs), shipping, and aviation—are lagging behind. Without urgent action, the Labour government risks missing out on economic opportunities and the chance to secure the UK's leadership in new green industries.

Implementing strong regulatory frameworks to decarbonize key transport sectors is crucial for attracting green investments. Clear regulations provide the certainty needed to de-risk investments, unlocking capital for green innovation by offering a clear regulatory pathway to meeting the UK's climate goals. In contrast, the lack of regulation, especially when regions like the EU and California are already setting ambitious targets for reducing emissions for trucks and shipping, or providing large direct subsidies like the U.S. diminishes the UK's competitiveness as an investment destination.

The new mission driven Labour government must act now to seize green growth opportunities or risk falling behind global competitors. Most importantly the Government needs to:

Set an ambitious ZEV mandate for trucks and buses to replicate the success of the car and van ZEV mandate in attracting green investment into the UK and getting EVs on UK roads.

Expand the UK Emission Trading Scheme (ETS) to cover all of the UK's share of shipping emissions. This could generate £1 billion in tax revenue annually, money which could be invested into UK production of green maritime e-fuels crucial for reducing emissions from the shipping sector.

Apply fuel duty to aviation fuel, last year the Treasury missed out on up to £6 billion of tax revenue by failing to tax aviation fuel properly, some of which could have been invested in production of green aviation e-fuels needed to reduce emissions from aviation.

Maintain the car ZEV targets up to 2030, regulatory certainty is key for ensuring that UK investments in EV and battery manufacturing go ahead as planned. To ensure this, the ZEV targets up to 2030 should not be included within the upcoming car ZEV mandate consultation.

As well as the key policies above the government should also:

1. **Implement ZEV targets for fleets of 20 or more trucks to speed up the transition to zero-emission HDVs.** This policy accelerates emissions reductions while giving smaller operators more time to adapt, also reducing their electrification costs.

2. **Introduce a legally-binding mandate for zero-emission, hydrogen-based marine fuels** to set clear targets and provide investment certainty for sustainable marine fuel production in the UK.

3. **Initiate the Revenue Certainty Mechanism for sustainable aviation fuel (SAF) production by the end of 2025** to attract investment and stimulate UK production. Support should focus solely on 100% renewable hydrogen-based e-fuels to maximize environmental and climate benefits, with funding sourced from a kerosene tax.

4. **Tackle non-CO2 emission from aviation by trialing smart flight planning on transatlantic routes and mandating jet fuel quality standards**. These can deliver a large climate impact with minimal cost to airlines and consumers.

5. **Develop a comprehensive industrial strategy for battery manufacturing and its supply chain**, focusing on targeted industrial support—such as investment, trade policy, and sustainability rules—to prioritize local manufacturing, including of cathodes and recycling. This will maximize the UK's economic opportunities from the battery value chain.

6. **Establish a UK-EU joint battery supply chain alliance** to enable the seamless tariff-free export of refined lithium, cathodes, batteries and EVs to the EU without trade barriers.

7. **Increase road fuel duty by 5p in the autumn budget and a further 5-10p next year** to close the £22 billion budget shortfall. The historically high levels of retailer's fuel margins suggest that they could absorb at least some of the fuel duty rise.

8. **Allow charge point operators to generate and sell credits to fossil fuel suppliers** by amending the Renewable Transport Fuel Obligation (RTFO). This will support investment in UK public charging infrastructure for cars and trucks, especially in currently underserved areas.

1. Introduction

The UK ZEV mandate (which sets out annual targets for carmakers to sell battery electric cars and vans) has been instrumental in delivering *£ 23 billion in investment into the UK over the last three years*[1]. This includes investments in EV production, battery production and within the wider supply chain. *BEV sales are now at over 17% and in August almost a quarter of sales (23%) were fully electric*[2]. It is widely expected that carmakers will reach their car and van targets this year when the flexibilities provided by the regulation are taken into account.

However, while the ZEV mandate has provided new green growth opportunities and jobs for the UK economy, other transport sectors namely trucks, shipping and aviation have fallen behind. *Transport remains the UK's highest emitting sector*[3]. There is no regulatory trajectory for decarbonising trucks and shipping and the sustainable fuel mandate for aviation is insufficient to decarbonise the sector. Lack of strong regulations to cut emissions is hampering both climate action and green investment flows into the UK. Banks and investors are unwilling to unlock funding for the scale up of the green transport technologies without regulation that requires their use, primarily due to the high investment risk.

Yet the UK needs early investment in clean transport technologies such as sustainable hydrogen based e-fuels for ships and planes and the batteries needed to build electric cars and trucks. Only early investment can ensure the UK becomes a global economic powerhouse for new cleantech industries and attracts sustainable, green jobs. Without action the UK won't meet its climate targets either.

The new Labour government is committed to both economic growth and climate action. Tackling transport emissions delivers on both. **This paper outlines the key transport policies that the new Labour government needs to take forward to accelerate green investments, deliver jobs and meet its climate obligations.**

1. T&E (2024) Carmakers' *EV investments: Is Europe falling behind?*
2. SMMT. (2024, 09, 05) *August new car market holds steady ahead of critical plate change month*.
3. Department of Transport (2023, 10, 19) *Transport and environmental statistics: 2023*.

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2. Setting a clear pathway to zero emission trucks and buses

While the ZEV mandate provides legally binding targets to transition to zero emission cars and vans there is no legally binding regulatory framework to decarbonise the heavy-duty sector in the UK. Yet, trucks and buses account for *almost a fifth of the UK's transport emissions*[4] and without regulation to decarbonise the sector, the UK will be unable to meet its climate obligations or secure and maintain industrial growth or expertise in electric buses, the heavy-duty charging sector or the associated supply chains. The UK has been successful in *securing investments for battery production for cars* due in large part to the cars ZEV mandate, it should aim to do the same for trucks, especially given the UK is one of the most promising European sources of lithium, a metal critical for EV battery production[5].

At the beginning of this year *the EU* set out binding targets for the reduction of CO2 emissions from new heavy-duty vehicle (HDV) sales requiring a 45% reduction in 2030, 65% in 2035 and 90% by 2040[6]. All new urban bus sales also have to be zero emission by 2035. Together with standards set in California this represents the most ambitious regulation globally to decarbonise the sector, sounding the starting pistol for the global leadership race on HGV zero emission technology. For the UK to be an industrial leader in this sector, it needs to be able to attract zero emission HDV investment into the UK. Without a clear regulatory pathway it will not be able to compete with the EU due to the lower risk and investment certainty provided by the EU HDV CO2 standards .

2.1 Set a ZEV mandate for HDVs

The UK has already led the way in setting a world leading ZEV mandate for cars and vans and has seen the economic benefits that this can deliver. Carrying this expertise over and setting a ZEV mandate for buses and trucks is the next step in the transition for the road sector.

The consultation on HGV decarbonisation needs to be launched without delay, no later than the end of October 2024 to ensure that ZEV targets can begin in 2026. The earlier the implementation the greater the economic benefits and the lower the risk that the UK will fall behind the EU. A successful HDV ZEV mandate needs to deliver truck

4. Department of Transport (2023, 10, 19) *Transport and environmental statistics: 2023*.
5. T&E. (2024) *An industrial blueprint for batteries in Europe*.
6. European Commission. (2024) *Reducing CO2 emissions from heavy-duty vehicles*.

and bus makers voluntary electrification announcements, **in terms of annual ZEV targets that begin in 2026 this means:**

- **A 2026 ZEV target of 15% for trucks and coaches increasing annually to reach 50% in 2030**
- **100% ZEV target in 2035 for small, and 100% in 2040 for large trucks and coaches aligning with the current non-binding government commitments**
- **100 % ZEV urban bus sales in 2030**
- **ZEVs must be defined as a vehicle that has zero CO_2 emissions at the tailpipe**

This pathway aligns with the non-binding 100% emission targets outlined by the previous government and provides legal certainty on the targets. For urban buses the zero emission goal is faster than for trucks as the *UK urban bus sales already reached 61%* ZEVs in 2023 driven by local action to reduce pollution and greenhouse gas emissions. The planned trajectory will reduce annual HDV emissions by over 90% by 2050[7].

As well as reducing emissions, the regulation will reduce operating costs for hauliers further boosting the economy. *Analysis by Element Energy for T&E* shows that battery electric trucks are due to be cheaper to own and run across the board by the early 2030s, with total cost of ownership parity expected by the mid-2020s for HGVs[8] performing city, urban and regional deliveries. The modeling further indicates that up to three-quarters of long-distance use cases are likely to be cost competitive by 2030[9].

2.2 A fleet zero emission target for HDVs

Fleets of twenty or more trucks make up just 4% of UK truck fleets but buy 52% of new trucks[10]. They have both the purchasing power as well as the staff and resources to lead on the transition to heavy-duty ZEVs. Six global companies - including IKEA, Geopost (DPD), Unilever and Maersk - are committed to the *EV100+* initiative pledging to only procure zero emission medium HGVs by 2030[11]. To help companies achieve this stock target, faster fleet electrification targets should be set for large fleet operators of more than twenty trucks. Aside from supporting truckmakers in meeting the proposed HDV ZEV targets, requiring larger companies to transition faster takes the pressure off smaller businesses and allows them more time to adapt and optimize their operations as well as allowing them to benefit from reduced transition costs as HDV ZEVs and infrastructure scale up.

7. T&E modeling of the impact of a potential HDV ZEV mandate for trucks on emissions of new trucks.
8. For rigid trucks
9. T&E. (2023) *E-trucks: It's time for the UK to make the switch*
10. T&E (2024) Analysis of European HDV fleets (unpublished). T&E (2024) *Greening corporate fleets: an industrial and social policy for Europe*.
11. Climate Group EV100+. www.theclimategroup.org/creating-market-medium-and-heavy-duty-zero-emission-vehicles

T&E recommends for fleets of 20 trucks or more:

- **100% ZEV purchase target should be set for 2035**, requiring that all truck purchases are zero emissions from 2035
- **100% ZEV fleet target should be set for 2040**, requiring that the entire fleet transitions to zero emissions by 2040

2.3 A clear pathway for HDV charging roll out

For the successful transition to HDV ZEVs, the UK's roll out of HDV charging infrastructure has to accelerate rapidly. This requires a clear pathway and targets for roll out to ensure that the UK has sufficient HDV charging coverage to allow zero emission operation across the UK. Last year the EU implemented the Alternative Fuels Infrastructure Regulation (AFIR) which set out legally mandating targets for the roll out of public charging infrastructure across the EU[12]. The UK should implement similar legislation to provide investment certainty for the UK's charge point operators to begin rolling out HDV charging infrastructure across the UK. Targets will also help to inform grid reinforcement plans. Priority should be given to main arterial roads where the business case for electric trucks is strongest and freight traffic is greatest. A e-crediting mechanism for charge point operators as detailed in section 5.3 would also improve the business case for CPO's.

12. *Regulation (EU) 2023/1804*

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3. Cutting shipping emissions and generating investment

Similar to heavy-duty vehicles, UK shipping contributes *one-fifth of the country's transport emissions*[13]. However, as the *Climate Change Committee* has pointed out, there are currently no credible policies in place to reduce these emissions[14]. This lack of action is a missed opportunity, as decarbonizing the maritime sector presents significant potential benefits for the UK, including boosting the economy, enhancing climate action, and strengthening energy security.

The technology to sustainably reduce shipping emissions is already available, particularly in the form of 100% renewable hydrogen-based e-fuels. These fuels can play a key role in transforming the sector, but regulation is essential to drive both the production of and demand for them. Without proper policies and incentives, investment in these cleaner technologies will be limited, and the UK will fall behind in its efforts to decarbonize the shipping industry.

13. Transport&Environment (2023). Implications of an e-fuel mandate for UK shipping. Retrieved from *https://www.transportenvironment.org/te-united-kingdom/articles/implications-of-an-e-fuel-mandate-for-uk-shipping*
14. *Climate Change Committee (2023) 2023 Progress Report to Parliament*.

3.1 Include all of the UK's share of shipping emissions within the UK ETS

To boost demand for clean shipping technologies, such as renewable, hydrogen-based e-fuels, it is essential to impose proper taxation on the greenhouse gas emissions caused by burning fossil fuels. Otherwise clean technologies struggle to compete due to the artificially low price of fossil fuels. Currently in the UK, greenhouse gas emissions from shipping are completely exempt from taxation. Even with changes scheduled for 2026 (to include some shipping emissions within the UK Emission trading scheme) *only 10% of UK shipping emissions will be taxed*. This means exempting 90% of emissions, and the UK missing out on a significant opportunity for both environmental protection and revenue generation.

T&E's analysis, set to be fully published in October, reveals that the UK's failure to tax the full scope of shipping emissions costs taxpayers more than £1 billion annually. In contrast, the EU is already taxing a much larger proportion of its shipping emissions through the EU ETS, and based on 2023 emissions shipping is projected to generate around £6bn/year when fully phased in[15]. The EU is using some

15. T&E analysis of the EU ETS.

of this income to fund maritime decarbonisation efforts including hydrogen-based, renewable marine e-fuels, helping to jumpstart a new green economy in the shipping sector.

T&E calculates that 3 million tonnes of renewable, hydrogen-based e-fuel will be needed by UK shipping in 2030 to meet climate targets. Investing the £ 1 billion/year UK ETS revenues that could be collected from shipping could result in UK-based capacity to produce most of this fuel in the 2030s.

For the UK to build its own green marine e-fuel economy, it needs to take decisive action. This includes:

- **Expanding the UK Emission Trading Scheme (ETS) to cover all domestic shipping emissions and 50% of international shipping emissions (the UK's share).**
- **Investing the revenues generated, directly or indirectly, into the domestic production of green e-fuels for shipping.**

Without these steps, there is a high risk that the UK will forego the significant climate and economic opportunities available from decarbonising shipping. A much-needed domestic green fuels industry could be located overseas, continuing the UK's reliance on marine fuel imports and exposure to international energy market volatility.

3.2 Set an e-fuel mandate for shipping

However, taxation alone cannot provide the necessary regulatory framework to effectively drive the large-scale adoption of green e-fuels in the UK. An e-fuel mandate is crucial to establish clear targets and timelines for the use of renewable fuels like e-hydrogen, e-ammonia, and e-methanol, which are essential for decarbonizing the shipping sector. UK shipping emissions must fall by 36% on their 2020 levels by 2030, which will require almost *3 million tonnes of zero-emission*, hydrogen-based marine fuels[16]. Yet at present, there is no regulatory pathway to deliver the fuel quantities needed.

To give industry the regulatory certainty it needs to invest, the government needs to:

- **Introduce a legally-binding mandate for the use of zero-emission, hydrogen-based marine fuels** as part of a *package of policy measures* to ensure that emissions targets are met.

The EU already has a fuel mandate for hydrogen based marine fuels. Without one the UK risks lagging behind in the race to develop and scale clean renewable fuel production for shipping, missing out on economic, job growth and climate benefits.

16. T&E (January 2024). *Long, Loud and Legal: maritime energy policy recommendations for the UK*.

T&E calculates that 3 million tonnes of renewable, hydrogen-based e-fuel will be needed by UK shipping in 2030 to meet climate targets

4. Generating revenue and supporting production of sustainable aviation fuels

The aviation sector is a significant contributor to climate change, accounting for *23%of the UK's transport emissions in 2019*[17]. While the previous government introduced a mandate for the use of Sustainable Aviation Fuels (SAF), this alone is insufficient to drive the production of the large volumes of hydrogen-based e-fuels needed to decarbonize the UK's aviation sector.

4.1 Introduce fuel duty on aviation fuel

Aviation remains one of the most under-taxed transport sectors, with airlines currently paying no tax on the fuel they consume. This creates a stark imbalance where airlines enjoy tax exemptions while families filling up their cars, hauliers, rail operators, and farmers are subject to fuel taxes. Despite the aviation industry burning 11.1 million tonnes of jet fuel in 2023—almost equal to the amount of petrol consumed in the same year[18]—the sector escapes the tax burden that others bear. This under-taxation hampers efforts to decarbonize aviation and prevents low-emission technologies like SAF from gaining a competitive foothold.

A *recent study by T&E* revealed that the UK government lost out on up to £6 billion in 2023 by failing to tax jet fuel. This substantial revenue could be directly invested in the production of renewable e-fuels, essential for reducing the sector's carbon footprint, while also stimulating job creation and green growth in the UK. Moreover, the introduction of a fuel tax would help curb emissions, potentially reducing CO2 by up to 3.7 MtCO2—just over 1% of the UK's total domestic CO2 emissions in 2023—a significant contribution toward the country's climate goals[19].

As a priority, in the upcoming budget the government should:

- **Apply a 9p fuel duty rate to kerosene starting in 2025. Thereafter the rate should be raised annually until it matches road fuel duty in 2030.**
- **Require airlines to purchase 90% of the fuel for all departing flights at UK airports to prevent airlines from purchasing untaxed kerosene from outside the UK**.

17. The most recent year for which data is available and which was not distorted due to the Covid pandemic. Department of Transport (2023, 10, 19) *Transport and environmental statistics: 2023*.
18. T&E analysis of *https://www.gov.uk/government/statistics/petroleum-chapter-3-digest-of-united-kingdom-energy-statistics-dukes*
19. T&E (2024) *Jet Fuel Duty: How much revenue could have been raised for the UK Government if fuel duty was applied to jet fuel in 2023.*

4.2 Initiate the revenue certainty mechanism for aviation e-fuel production

A significant obstacle to advancing the production of SAF, as required by the UK's SAF mandate ,- 10% of aviation fuel in 2030[20] - is the lack of clarity surrounding the Revenue Certainty Mechanism (RCM) for SAF. The RCM is intended to provide investment certainty and de-risk SAF investments by guaranteeing a consistent revenue stream for SAF producers. Thereby encouraging private investment and scaling up production to support the aviation sector's decarbonization. However, the current lack of clarity around the scheme is impeding investment in renewable aviation fuels within the UK.

To overcome this barrier and kickstart UK SAF production, the government should:

- **Initiate the RCM by the end of 2025**, promptly implementing the mechanism will attract investment and stimulate production in the UK as soon as possible.
- **Focus support on 100% renewable hydrogen-based e-fuels:** Ensure that financial support is exclusively directed towards fully renewable hydrogen e-fuels to maximize environmental and climate benefits. The cost of support for SAF production should not fall onto taxpayers but should be funded via a tax on kerosene as discussed in section 4.1.

4.3 Tackle non-CO2 emissions

The climate impact of non-CO2 emissions from aviation (including from nitrogen oxide pollution and contrails) *is at least as bad, and up to three times times worse than that of CO2*[21]. The Department for Transport (DfT), along with research bodies, launched a multi-million-pound research program in October 2023 to study these impacts and explore mitigations and a *Non-CO2 Task and Finish Group* has been established under the Jet Zero Council bringing together industry and academic experts to identify mitigation measures[22].

To address the issue of non-CO2 emissions, as a priority the government should:

- **Trial smart flight planning on transatlantic routes** to avoid contrail formation by adjusting the altitude where persistent contrail formation is likely. Studies have shown that implementing smart flight planning has a negligible impact on cost and as such has significant potential to reduce non-CO2 emissions with minimal cost[23] impact to airlines and consumers.
- **Mandate jet fuel quality standards** to not only reduce contrail warming *by at least 20%*[24] but also to improve air quality around airports. The use of a 100% hydrotreated jet fuel with very low sulphur and aromatics, *can reduce up to 70% of the number of ultrafine particle emissions*[25] at a cost of *less than €0.05/liter of fuel* for fuel providers[26].

23. +0.08% additional cost. Frias.M et al. (2024) *Feasibility of contrail avoidance in a commercial flight planning system: an operational analysis.*
24. Burkhardt. U., et al. (2018) Mitigating the contrail cirrus climate impact by reducing aircraft soot number emissions.
25. T&E (2024) Can living near an airport make you ill?
26. ICCT (2023) Techno-economic assessment of process routes for naphthalenes control in petroleum jet fuel.

A recent study by T&E revealed that the UK government lost out on up to £6 billion in 2023 by failing to tax jet fuel

20. Department of Transport (2024, 07, 22) Written statement to Parliament: Sustainable aviation fuel initiatives.
21. EASA (2020) *Updates analysis of the non-CO2 climate impacts of aviation and potential policy measures pursuant to the EU emissions trading scheme*.
22. House of Commons Environmental Audit Committee (2024) *Net Zero and the UK aviation sector: Government Response to the Committee's Thirds report*.

5. Maximizing industrial opportunities form the transition to zero emission vehicles

To capitalize on recent EV and battery investments in the UK and to continue attracting future investments in these sectors, the successful implementation of the Zero Emission Vehicle (ZEV) mandate for cars and vans must be a top priority. Efforts should focus on policies that promote domestic EV production, fostering economic growth and job creation. Simultaneously, it is essential to boost consumer confidence in EV technology, ensuring that demand grows alongside increasing supply.

5.1 Maintain regulatory certainty on ZEV targets

The new Labour government's manifesto includes a pledge to reinstate the 2030 phase-out target for new internal combustion engine (ICE) car sales, a commitment supported by T&E. However, there is a risk that the legislative process for implementing this policy could introduce unnecessary uncertainty regarding the trajectory of Zero Emission Vehicle (ZEV) adoption in the UK, particularly for targets up to 2030. This uncertainty might delay or disrupt both current and future EV and battery investments, as companies and investors typically seek regulatory certainty before making commitments.

To mitigate this risk, the government must ensure that:

- **The ZEV targets up to 2030 are maintained and not included within the upcoming consultation.**
- **After 2030, only plug-in hybrid vehicles with a minimum electric range of 100 miles should be permitted,** clearly signaling to the market that only vehicles with substantial zero-emissions capability can be sold post-2030. Additional quality conditions to make sure these are used as range extenders mostly should be developed.

5.2 An Industrial strategy to secure battery supply chain investments

The UK has been successful in attracting investment for battery manufacturing, recycling and, in particular, lithium extraction. Projects like Tees Valley Lithium and Green Lithium are advancing the country's lithium refining capabilities, with the UK projected to supply up to a third of all processed lithium in Europe by 2030[27]. But building out this potential on time and effectively, especially given the global dynamics, will be difficult and will require focus and a targeted industrial strategy.

27. T&E. (2024) *An industrial blueprint for batteries in Europe.*

To ensure these factories succeed, the UK should adopt a full value chain approach, ensuring some expertise exist across the entire battery value chain. E.g. without any mid-stream capability - notably producing cathodes - it will be hard for UK recycling or Li processing facilities to be viable.

Alongside cell making and mineral processing, cathode manufacturing is essential for securing the UK's place in the global battery market and driving economic growth. As the most valuable component of lithium-ion batteries, cathodes are key for building an integrated battery ecosystem, making the UK an attractive location for global investment and a leader in the transition to EVs and renewable energy.

For success, close cooperation with neighboring countries via a tariff free alliance on lithium, cathodes and batteries is crucial. There are a lot of synergies and benefits to be achieved for the UK by looking at Europe (the UK + EU + Norway etc.) as one single battery supply chain block. Batteries and Lithium processed and manufactured in the UK can be used not just for UK production but sent across the Channel. The UK is also estimated to account for up to 30% of the capacity to recycle lithium-ion battery scrap and end-of-life batteries by 2030. It's in the UK's interest to ensure that trade is tariff free. Yet unless an alliance is formed a 10% tariff will apply starting in 2027.

To achieve this, the Labour government must prioritize:

- **Developing a comprehensive industrial strategy for battery manufacturing and its supply chain**, with clear focus and industrial support (investment, trade policy and sustainability rules) to favour local manufacturing, including cathodes and recycling.
- **Establishing a UK-EU joint battery supply chain alliance to enable the seamless tariff-free export of refined lithium**, cathodes, batteries and EVs to the EU without trade barriers.

5.3 Increase road fuel duty

Fuel duty on petrol and diesel is now around 40% lower in real terms than in 2010[28], as with shipping and aviation, under taxation of road fuel reduces the incentive to switch and invest in electric vehicles, This is especially the case for heavy-duty vehicles where purchase decisions are guided by the total cost of ownership of which fuel costs are a major component. The 5p fuel duty cut enacted during the energy crisis was ineffective at passing savings onto consumers with the £2 billion per year cost to the taxpayers pocketed by fuel retailers whose profit margins have increased to record highs[29]. Oil prices are now at multi-year lows[30] and with the Treasury needing to fill a £22 billion budget shortfall[31], now is the right time to reverse the fuel duty cut and begin increasing fuel duty to support the UK's finances. Reversing the fuel duty cut will reduce the shortfall by £2 billion and the historically high levels of retailer's fuel margins suggest that they could absorb at least some of the fuel duty rise.

T&E recommends:

- **The 5p fuel duty cut should be reversed in the upcoming Autumn budget.**
- **A further increase of 5p to 10p should be introduced next year to begin bringing road fuel duty back to the taxation levels of 2010.**

28. Financial Times. (2024, 09, 15) Higher fuel duty is toxic but necessary.
29. The Times. (2024, 08, 28) Scrap 5p cut in fuel duty, says RAC — drivers aren't benefiting.
30. Reuters. (2024, 09, 16) Investors turned more bearish on oil last week than ever.
31. Reuters. (2024, 07, 09) UK public finances show 22 billion pound spending hole, new finance minister Reeves says.

Projects like Tees Valley Lithium and Green Lithium are advancing the country's lithium refining capabilities, with the UK projected to supply up to a third of all processed lithium in Europe by 2030

5.4 Introduce an e-credit mechanism to accelerate public charger roll out

A widespread, reliable public EV charging network is critical for boosting consumer confidence in electric vehicles (EVs). As of August 2024, *the UK had 68,273 charge points across 35,230 locations*[32], yet many regions remain underserved. Ensuring comprehensive and consistent public charging infrastructure across the country is key to encouraging further EV adoption. From an economic perspective, expanding the charging network will stimulate job creation across multiple sectors—from infrastructure development to renewable energy generation.

With over *1.2 million fully electric EVs on UK roads*[33], representing around 3.5% of the total car fleet, electricity is increasingly becoming a vital part of the energy mix for road transport. Yet the UK Renewable Transport Fuel Obligation (RTFO), which aims to reduce emissions via the use of renewable fuels in transport, does not include the energy used to charge EVs. Instead promoting the use of unsustainable biofuels.

This is a missed opportunity for the UK's public charging network. Inclusion of renewable electricity used for EV charging within the RTFO via e-credits would enable charge point operators to sell renewable energy credits to fuel suppliers leveling the playing field. This could significantly improve the business case for public charging stations, by increasing revenue from charging provision. Particularly benefiting less profitable and rural areas. Such as scheme has been highly successful in the Netherlands since 2015, California and 5 other EU Member States[34]. By implementing such a system, the UK can encourage private investment in EV charging networks in underserved areas without relying on direct government subsidies, helping to reduce costs to the exchequer.

In its upcoming Low Carbon Fuels Strategy the government should include:

- **Allow charge point operators to generate and sell credits to fossil fuel suppliers by amending the Renewable Transport Fuel Obligation (RTFO).**

32. Zapmap. (2024, 09, 03) EV charging statistics 2024.
33. Zapmap. (2024, 09, 12) EV market stats 2024.
34. Austria, Belgium, Denmark, France and Germany

6. Conclusion

The Labour government now has the opportunity to unlock significant industrial growth and job creation through green transport policies. Expanding the ZEV mandate to include trucks and buses, will stimulate investment in battery production and charging as well as the related supply chains, driving new economic opportunities across the UK. Decarbonizing shipping through expanding the UK Emissions Trading Scheme and introducing an e-fuel mandate will boost industries that produce hydrogen based e-fuels. Prioritizing domestic cathode manufacturing and forging a UK-EU alliance will further strengthen our industrial base, ensuring that the UK becomes a leader in the global battery market and supply chain.These measures will not only cut emissions but create high-quality green jobs, securing the UK's long-term economic future while meeting climate goals.

Now it's time for the new Labour government to take action and secure green growth and jobs for the UK.

Please get in touch!

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