BRIEFING - March 2026

No one left behind: Unlocking affordable clean mobility

Executive Summary

This briefing is based on research conducted by Cambridge Econometrics, commissioned by T&E UK and EVA England. You can read the full report here. All data that is not cited is from Cambridge Econometrics' analysis.

Summary

Lower-income households are often less able to access new battery electric vehicles (BEVs) due to higher upfront costs and lease prices. This entrenches social inequalities, as higher-income households can benefit from the lower running costs of a BEV, while lower-income households end up driving older internal combustion engine vehicles (ICE), which cost more to run. Current government policy to incentivise the transition to BEVs doesn't effectively target lower-income households, limiting new sales and keeping ICE vehicles on the road for longer.

The government must effectively target incentives for lower-income households to take up BEVs for three key reasons: to cut bills and tackle inequality; to anchor UK automotive manufacturing, and to reduce emissions of CO2 and other harmful pollutants. France has shown that such measures can successfully increase BEV uptake. Their social leasing scheme, which provides subsidies for lower-income and car-dependent households to get BEV leases, had unexpectedly high demand. While funding was initially only planned for 25,000 vehicles, 90,000 households applied to the scheme in the first month and a half.

There are several options the government could take to implement social leasing in the UK. They could introduce:

- **A pure social leasing scheme,** to bring battery electric lease costs down to as low as £77 a month for households below the median income.
- **A bundled social leasing scheme** which includes the costs of lease, insurance, maintenance and charging - available from as low as £222 a month to reduce barriers beyond the upfront purchase cost.
- **A scrappage-for-leasing** discount scheme, to incentivise households to scrap their old ICE cars and bring lease costs down to as low as £156 a month, or £56 if households were also eligible for social leasing on top.

We recommend the following income sources to fund these policies:

- **The Electric Car Grant Budget**, which is now worth a total of £1.95bn. The original £650 million of this could be retained for the Electric Car Grant, and the rest could be distributed for more targeted social leasing policies.
- **A Large Vehicle Levy**, which could generate £1.72 billion annually by taxing purchases of new vehicles which weigh over 1600kg. Annually, for example, this could fund 179,000 households to take part in the pure social leasing scheme.

A budget of £1.7 billion towards pure social leasing could lead to a major uplift in BEV sales, with 950,000 more BEVs sold between 2026-2035. This is equivalent to 54% of BEVs currently on the road. This would lead to a 10,000 kiloton reduction in CO2 emitted from the vehicle fleet, 9% of current domestic transport emissions.

Driving Fairer EV Access: UK Social Leasing Options

£77

Pure Social Leasing

A monthly subsidy on the price of a BEV lease

- **Purpose**: Removes cost barriers
- **Monthly Subsidy:** £100
- **Eligibility**: Bottom 50% of households by income
- **Cheapest lease cost**: £77
- **Cost**: £1.2 billion for 125,000 households

£222 *(bundled lease)*

Bundled Social Leasing

A monthly subsidy package including: lease, insurance, maintenance & charging costs

- **Purpose:** Predictable monthly payments
- **Monthly Subsidy:** £100
- **Eligibility:** Bottom 50% of households by income
- **Cheapest lease cost:** £222 (bundled lease)
- **Cost:** £1.2 billion for 125,000 households

£156

Scrappage-For-Leasing

A bonus for scrapping an old ICE car, applied to discount a BEV lease

- **Purpose:** Remove polluting old ICE cars
- **Monthly Subsidy:** £21
- **Eligibility:** Universal
- **Cheapest lease cost:** £156
- **Cost:** £650 million for 325,000 households

Source: T&E

T&E

1. Who can access electric vehicles today?

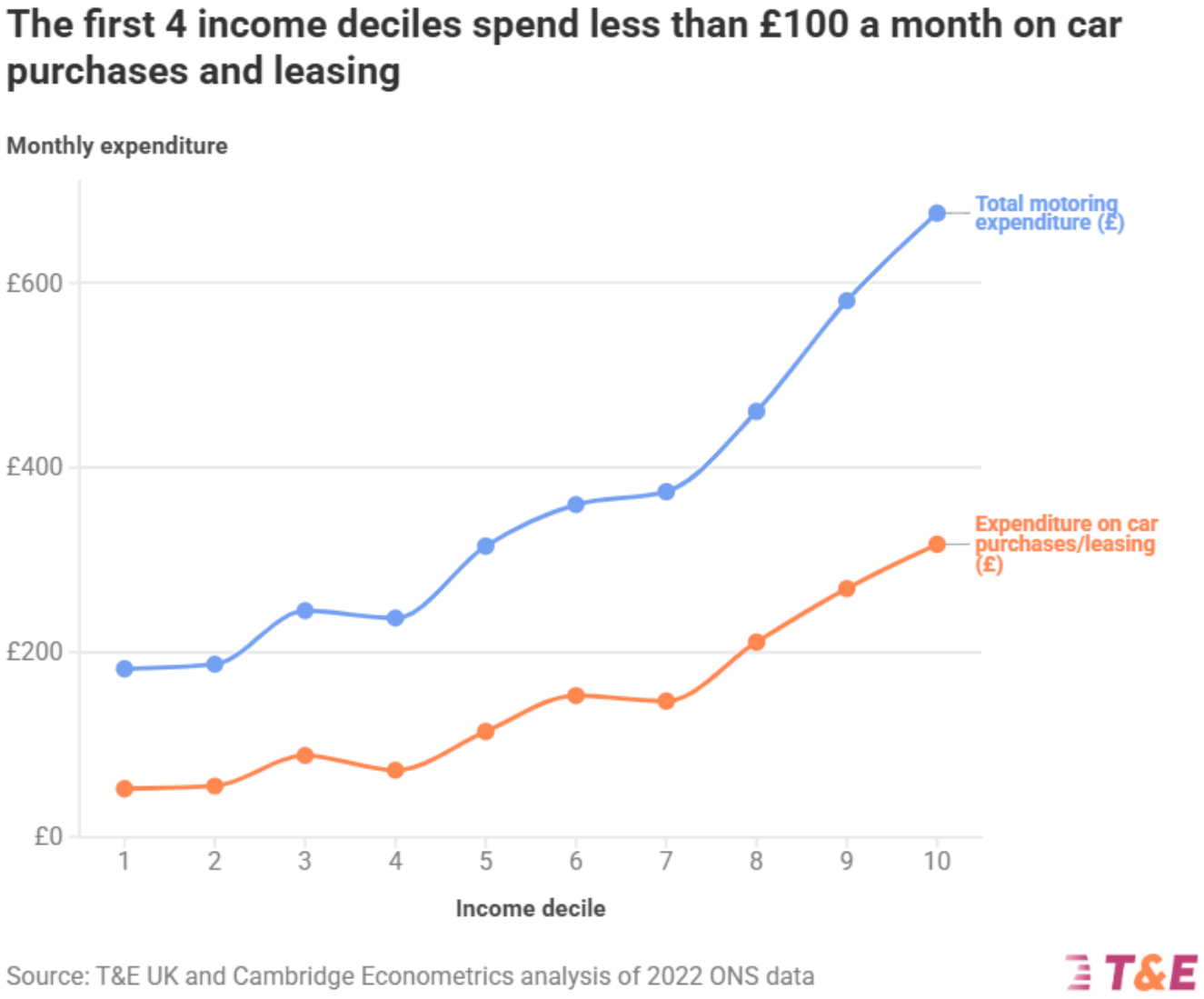
The electric vehicle transition is well underway in the UK and across Europe - with 23.4% of new UK registrations in 2025 being BEVs. So far, BEVs have typically remained a purchase of those with higher incomes, and until 2025, manufacturers have prioritised BEV models in the large and 'luxury' segments, keeping vehicle costs high and purchases confined generally to those on higher incomes.

This results in a situation where those in the top 20% of earners in the UK own over half of the BEVs sold, while the bottom 20% own only 4%, according to 2019 Frontier Economics research. More recently, a poll by Autotrader found that less than half of households earning under £40,000 would consider an EV for their next car, compared with 73% of households earning above £40,000.

ONS data shows that all of the bottom 4 deciles spend under £100 per month on motoring purchases/leasing, and under £250 in total motoring expenditure (see Figure 1). However, the

costs of new EVs remain far above this, making access to BEVs difficult for those in lower-income deciles. The cheapest BEV lease as of November 2025 was priced at £141 per month, below only the average expenditure of the 6th income decile. The cheapest BEV lease for a vehicle eligible for the government's Electric Car Grant (typically made in UK or EU vehicles) is even higher, at £177 a month. While research finds that BEVs in all segments are expected to reach price parity before 2030, policy should bridge the gap to support those on low incomes to make the switch now, providing equitable access to the benefits of EV ownership.

Figure 1: Monthly household expenditure on motoring



Source: T&E UK and Cambridge Econometrics analysis of 2022 ONS data

There are several barriers to lower-income households transitioning to BEVs:

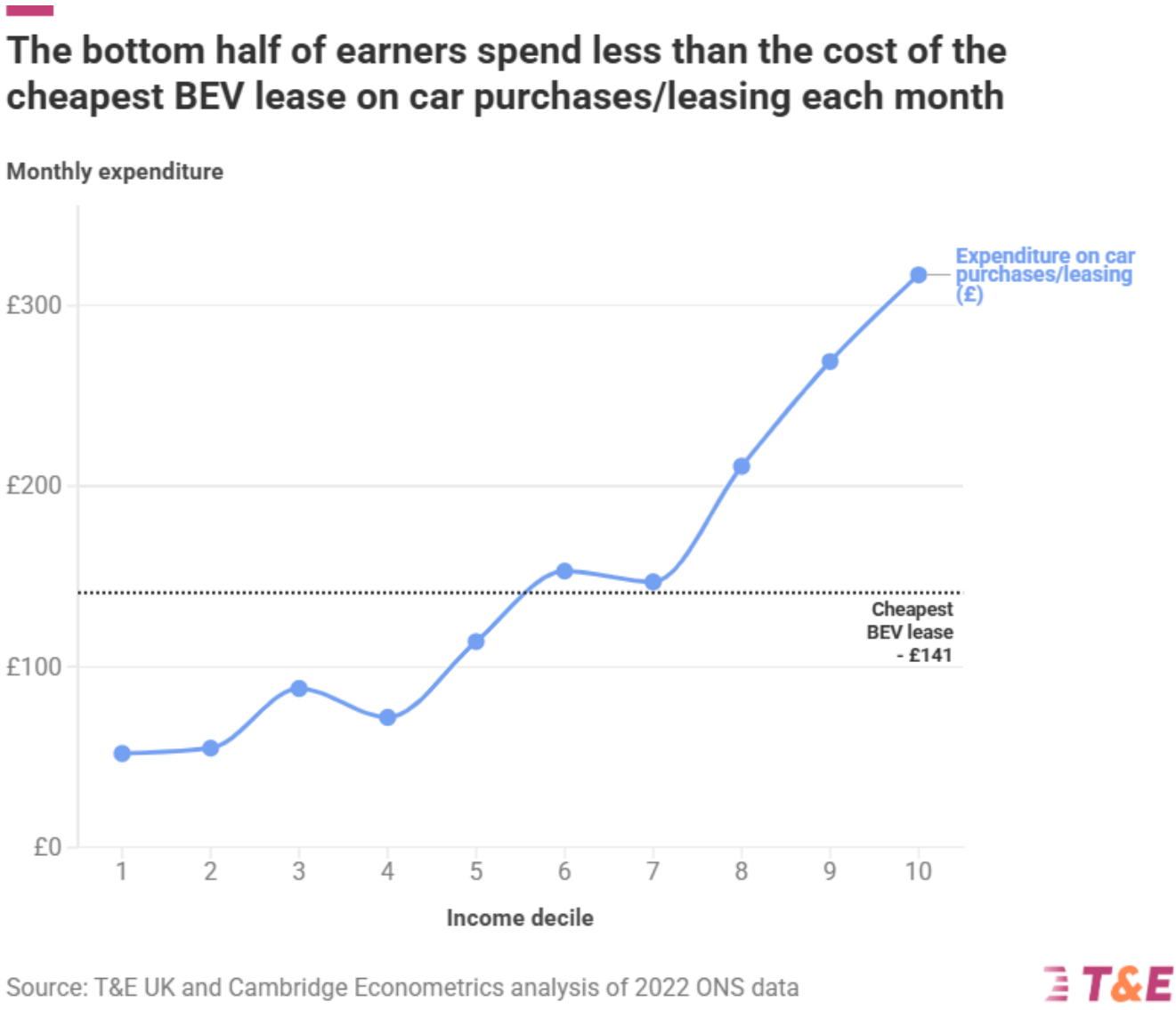
Upfront cost is high. Several surveys find that the higher upfront cost is one of, if not the top concern, for drivers when thinking about buying a BEV. A Lloyds Bank survey in December 2025

found that 35% of people found the upfront cost to be one of the top 3 most important barriers to buying a BEV, more than any other of the options. Even the cheapest BEV, the Dacia Spring, costs £14,995. Households on lower or even middle incomes tend to have limited savings, meaning buying a BEV upfront is often not an option.

Second-hand options are limited and may not work for all households. Secondhand electric vehicles can be an attractive option for some because of their lower upfront cost, but they are not a one-size-fits-all solution for all lower-income households. Older batteries may need more frequent charging, which can be difficult for lower-income households who may not have off-street parking. Insurance costs can be higher, and some of the earlier BEVs use charging ports that are becoming less common on the public charging network, potentially causing difficulties in the future. Consumers may also be often daunted by misinformation in the media about battery life and reliability, despite batteries only degrading by 1-2% annually on average. While buying second-hand might be a suitable option for some households, it is vital that those on lower-incomes have choices that suit their specific needs, including access to new EVs as well as second-hand EVs.

Leases are more attractive, but remain more expensive than ICE. A BEV lease could be a more viable alternative for those on lower incomes as it doesn't require as much upfront capital expenditure: helpful for those with limited savings. In 2021, ACL Automotive estimated that 1.6 million people in the UK now lease their car, meaning between 20% and 30% of new cars are now leased rather than purchased. But BEV leases still cost more on average compared to ICE leases. This is because, while BEVs have lower running costs over their lifetime, at present they have higher depreciation rates and lease lengths tend to be short, meaning that the vehicle's depreciation is typically spread over a short period of 2-4 years. Even the cheapest BEV lease (available in November 2025) costs £141 - more than the average expenditure on motoring purchases/leasing of the 5th income decile. Therefore, any policy that aims to target these groups to switch to BEVs would need to ensure costs are in line with or below this.

Figure 2: The bottom half of earners spend less than the cost of the cheapest BEV lease on car purchases/leasing each month



1.1 Current policy to increase BEV sales is insufficient to help those on low incomes go electric

Currently, the government has several demand-side policies to increase BEV uptake, such as salary sacrifice schemes (though these are currently paused within the public sector, pending a government review) and the Electric Car Grant (ECG). These policies are essential for supporting the automotive sector to meet the ZEV mandate. However, such policies are unlikely to expand access to BEVs for lower-income households.

The ECG was launched in July 2025 to replace the Plug-In Car Grant, which ended in 2022. It offers a discount on eligible new electric cars priced under £37,000: up to £3,750 for several 'Band 1' models and up to £1,500 for a more extensive list of 'Band 2' models. The eligible

models are generally made in the UK or Europe, as eligibility is determined by the sustainability of the manufacturing process.

However, even with the subsidy, many people on low or middle incomes will be unable to afford the upfront cost of a new BEV. The cheapest new ICE car, the £14,765 Dacia Sandero, still costs £3,730 less than the cheapest ECG-eligible BEV, even with the grant - though it should be noted there are a few cheaper BEV models that are not eligible for the grant. Therefore, consumers who want to buy a new car but have limited disposable income are likely to opt for a more polluting ICE car over a BEV. To achieve price parity between these two vehicles, the ECG subsidy would have to be almost 3.5 times higher than the current Band 2 discount, and even larger if the government wanted to achieve price parity with secondhand ICE vehicles.

This would cost the government significantly, while still limiting access to only those who had more than £14,000 in savings. To achieve greater value for money and ensure all demographics can benefit from government investment in the transition, the majority of ECG funding should be spent on more targeted schemes to increase EV access for lower-income households. An example of this is France's social leasing scheme.

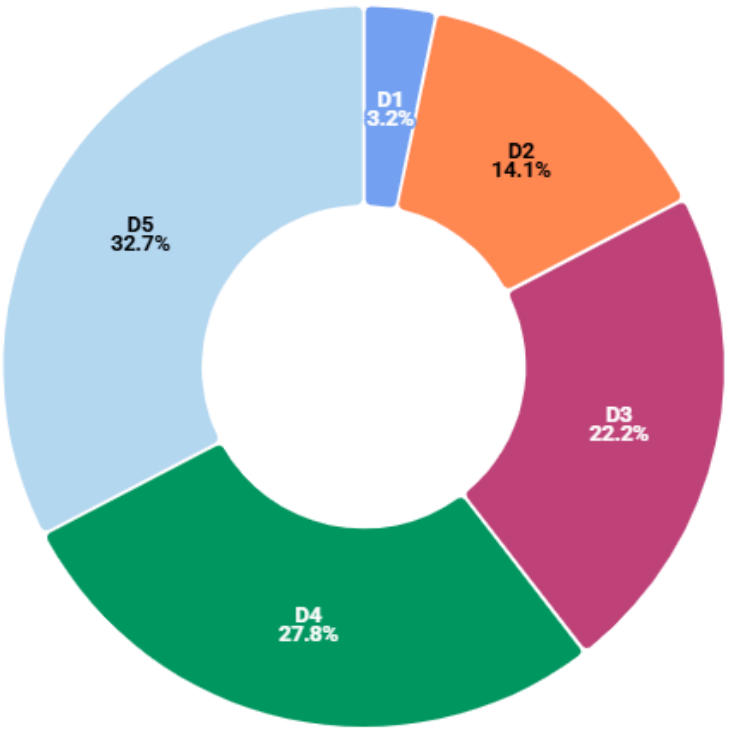
1.2 Social leasing in France

Social leasing was launched in France in December 2023. The scheme granted leases from 49 euros to 150 euros per month, through a bonus and social leasing subsidy of up to 13,000 euros per vehicle. To be eligible, individuals had to meet both an income criterion (earning under 15,400 euros) and a car dependency criterion (living more than 15 km from their place of work or driving more than 8,000 km/year). A wide variety of vehicles were eligible for subsidised leases, from A-segment cars to small vans.

The policy proved to be incredibly popular: while funding was planned for 25,000 vehicles, 50,000 were granted in just a month and a half, with 90,000 requests. The first wave of the scheme cost €650 million euros of a total budget of €1.5 billion. T&E analysis of French ministry data shows that two-thirds of those who benefited were in the bottom 4 income deciles, and 40% had an annual reference tax income per unit below €10,200 (deciles 1-3). The second wave of the programme, open for applications from September 2025, reached its 50,000 household target in January 2026.

Figure 3: Two-thirds of those who benefited from social leasing in France were in deciles 1-4

Two-thirds of those who benefitted from the French social leasing scheme were in deciles 1-4



Source: French Ministry of the Ecological Transition 2024. Deciles correspond to tax reference unit incomes. D1<=€2000, D2<=€7100, D3<=€10200, D4<=€12800, D5<=€15400.

The UK should take inspiration from the success of the scheme; however, there are also a few areas where the policy design could be improved. The overwhelming demand for the programme suggested that the subsidy level was set too high, resulting in a windfall effect and potentially limiting the value gained from the €650 million initial budget, compared to what might have been achieved with a slightly lower subsidy that still created sufficient demand. The short lease length also meant that the subsidy per vehicle had to be high to cover the depreciation, as vehicles lose more value in earlier years. A longer lease length could lower prices, reducing the per-vehicle subsidy needed to create sufficient incentives for drivers to take up the scheme.

1.3 How should the UK introduce targeted social leasing policies?

The UK should introduce policies which are more effectively targeted to lower income households. These policies should be subject to the following criteria, outlined below.

Eligibility:

We suggest that eligibility should be set at the median household income, ensuring that all those in the bottom half of the income distribution can benefit. This is currently £36,700 but should rise each year as the median household income rises. To further target the scheme at

those who are car-dependent, there could be a portion of funds set aside for people who meet both the income threshold and a separate car dependency criterion. This could include, for example: key workers who need to make frequent car journeys for work, such as carers, nurses or social workers; people living in rural areas; people who live far from their workplace and do not have access to public transport; or families with young children.

Lease length:

Lease lengths should be set at 8 years, to reduce the monthly costs for consumers and enable more low-income households to access BEVs. While average lease lengths are increasing, the current market in the UK for leases longer than 4 years is very limited. The government should assist with the creation of a market for longer lease lengths by underwriting a proportion of residual value risk or underwriting 'gap' insurance for these leases. This would bring costs down for everyone who leases a car, not just those eligible for social leasing. 8-year leases are used in all the policy scenarios in section 3.

Vehicle eligibility:

Vehicle eligibility should be the same as is currently in place for the Electric Car Grant, to ensure consistency across government policy and support domestic manufacturing. The models currently eligible for the ECG have been pre-approved to meet efficiency and safety standards, and are made in the UK or Europe or assembled with significant UK content. Both cars and vans should be included to support sole traders and small business owners who need a van for work.

We suggest three different ways the government could introduce targeted social leasing policies, using these eligibility criteria and 8-year lease lengths. These policy options are detailed in section 3.

2. Why the UK needs lower-income households to transition to BEVs

There are three key reasons the UK needs lower-income households to transition to BEVs: to cut bills and tackle inequality; to anchor the automotive sector in the UK as global markets go electric; and to reduce emissions of CO2 and toxic air pollutants, including NOx and particles, which continue to choke UK cities.

2.1 Cutting bills and tackling inequality

There are clear benefits to those on lower incomes of going electric. The lower running costs of a BEV can range up to £1,300, according to ECIU analysis, and BEV drivers typically spend 40% less on fuel and 43% less on servicing than ICE drivers, according to the SMF. However, as

lower-income people are not able to afford or finance the higher purchase costs of a new BEV (see section 1), they often miss out on these benefits.

This is a clear example of a 'poverty premium', where lower-income people pay extra costs for a good or service because they can't afford the higher upfront cost of a purchase that will be cheaper in the long run, such as a yearly energy payment, or in this case, an electric vehicle. Households in poverty pay £444 on average annually as a result of 'poverty premiums', according to Fabian Society analysis.

When it comes to running costs, lower-income people are further disadvantaged - as they are more likely to end up driving older, secondhand ICE cars, which tend to have worse fuel consumption and need more frequent maintenance and repairs compared to newer ICE cars, and even more so compared to BEVs. This combination of factors results in a scenario where those on the lowest incomes who drive a car spend one-quarter of their income on it on average, according to IPPR analysis.

Targeted policies to expand access to lower-cost BEVs for those who are on lower incomes could cut these costs and increase disposable income for lower-income households. Modelling by the SMF found that an effectively targeted social leasing scheme could bring 500,000 households out of transport poverty.

The ability to cut bills for these households could create an easy political win for the government. YouGov polling in January 2026 shows cost of living remains the top-most important national issue to Britons, ahead of both immigration and the NHS. The government has committed to tackling the "affordability crisis that scars Britain" through measures such as the Warm Homes Plan, which aims to cut energy bills, and a freeze on rail fares. In the Warm Homes Plan, they also vow to decarbonise the economy and reduce our dependence on volatile international fossil fuel markets. Additionally, with the January 2026 announcement of the Local Power Plan, communities in the future could own the energy that powers their EVs.

Therefore, a social leasing scheme that expands access to BEVs, cuts fuel costs for lower-income households, and relies on homegrown power instead of international markets, fits neatly into the Government's priorities.

2.2 Anchoring the UK automotive sector

The ZEV mandate is the UK's flagship EV policy, crucial for the transition of the UK automotive sector as global markets go electric. It requires carmakers to meet increasing percentages of zero-emissions vehicles annually, before a full phase-out of the sale of all hybrid and ICE vehicles in 2035. This provides investment certainty, so manufacturers and public charging operators can be confident that it makes economic sense to invest in BEVs and the corresponding infrastructure now. Manufacturers have achieved compliance so far, but there is still a significant way to go to reach the 2030 targets.

The UK's automotive industry is well-placed to lead the BEV transition, creating new jobs, attracting investment, and placing British-built vehicles as a market leader. Companies that have doubled down on BEV production, such as Mini, Ford and Renault, have seen rewards in increased sales. Overall consumer demand for BEVs is strong, with 23.4% of all vehicles sold in 2025 being BEVs. Manufacturers are finally expanding BEV production into smaller and more affordable vehicle segments, with over 50% growth in these segments in 2025. Demand is expected to grow even further in the coming years, with a strong pipeline of more affordable BEVs expected over the next two years.

But there is still a way to go to accelerate to full BEV production ahead of 2035. Securing consumer demand is essential to demonstrating to manufacturers that there is sufficient demand to scale up BEV production now. To ensure the long-term future of BEV manufacturing in the UK, the government must both maintain current ambition on the ZEV mandate and ensure there are sufficient demand-side incentives for consumers from all demographics, including lower-income households, to switch to BEVs. As demonstrated in Section 1, a social leasing scheme is the most effective way of doing this.

2.3 Reducing emissions

The UK must accelerate the transition from ICE cars to BEVs. Green Alliance analysis finds that the shift to electric vehicles under the ZEV mandate accounts for around 80% (113 MtCO2e) of the emissions reduction in the domestic transport sector's confirmed decarbonisation policy by 2032. While public and active transport are also essential for transport decarbonisation, some people have no other option but to rely on a private car. This is particularly true for those who live in rural areas, have mobility difficulties, or need a car or van for work (e.g. carers or social workers). To achieve net zero emissions, it is vital that those who are currently driving ICE vehicles transition to BEVs as quickly as possible.

Incentives for those on lower incomes to switch to BEVs are crucial for making this change happen. Global Justice Now analysis finds that the UK still spends £17.5 billion per year in fossil fuel subsidies, partly by subsidising consumer energy for households through VAT reductions and levy exemptions. The government should redirect expenditure away from subsidising pollution and towards measures that both lower bills for households and reduce emissions. Successive governments have begun to do this in home energy, through the Great British Insulation scheme, which provided free or cheaper insulation for people on a range of benefits from Universal Credit to Child Benefit, and the aforementioned Warm Homes Grant which provides grants for home energy upgrades for households who earn under £36k, are on benefits, or live in a certain postcode. The government should now take the same approach for transport costs.

3. Policy options

The government should implement a social leasing scheme which provides subsidies for lower-income households to lease BEVs at a lower cost. There are three ways they could do this. First, a pure social leasing scheme where the government subsidises a BEV lease, such as is currently in place in France. Second, a bundled social leasing scheme, where the government subsidises lease packages which include charging, maintenance, and insurance costs. Finally, a scrappage-for-leasing scheme, where the government provides a scrappage bonus which is applied as a discount on an EV lease.

The pure social or bundling schemes could also be implemented together with the scrappage scheme, leading to significantly lower leasing costs for those who are both on a lower income and have an older ICE car to scrap (see section 3.3.1 for more detail).

3.1 Policy option: Social leasing

Social leasing

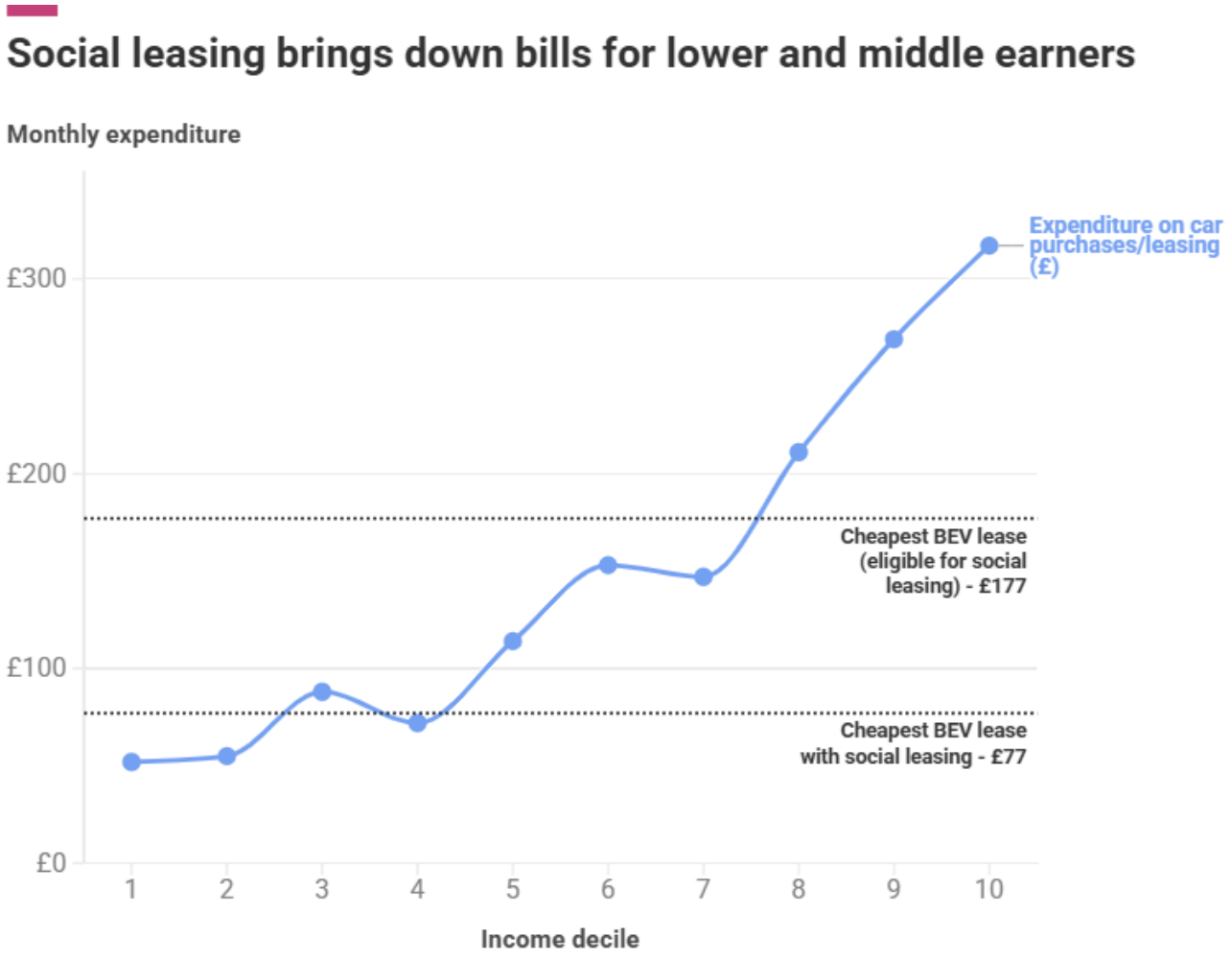
What: A subsidised leasing scheme, which brings down lease costs for lower-income households to as low as £77 a month.
How: A monthly subsidy of £100 is applied to an 8-year BEV lease for households earning under the median income.
Impact: New BEVs for 125,000 extra households
Cost: £1.2 billion for 125,000 households (£1 billion would cover the scheme for all social workers in England)

A social leasing scheme that provides a subsidy of £100 per month for an 8-year lease would allow eligible households to lease a new BEV for as low as £77 per month, with five eligible vehicles coming in at under £100 per month post-subsidy (based on November 2025 prices).

This level of subsidy would bring lease costs below the monthly expenditure on motoring purchases / leasing of households in the 3rd and 5th income deciles, which are on average £88 and £114 respectively (see Figure 4). While Figure 4 shows this policy could also bring down costs for those in the 6th and 7th income deciles, these households would not be eligible, as they earn above the median income.

The policy would cost £1.2 billion for 125,000 households. To provide a subsidised lease to all social workers in England (approximately 105,000 people), it would cost the government £1 billion, while to do so for all social care workers who are currently on a zero-hours contract (approximately 330,000 people) would cost £3.2 billion (T&E UK analysis of Skillsforcare data).

Figure 4: Social leasing brings down bills for lower and middle earners



Source: T&E UK and Cambridge Econometrics analysis of 2022 ONS data

Case study:

Who: Gina is a 62-year-old full-time adult social care worker. She earns £23,400, which places her under the median income (3rd income decile).
Current expenditure on motoring: £245 per month, of which £88 is on new purchases/leasing.
Current challenges to BEV-take-up: The cost of an upfront BEV purchase (even with the ECG) or lease is too high. The cheapest available BEV lease is £141 per month, which is £53 more than she currently spends on purchases/leasing.
How she will benefit from the policy: Her income would make her eligible for a pure social leasing package, where she could lease a Citroen e-C3 for £77 per month.
Savings from the policy: £132 a year, or £1,056 over the course of an eight-year lease. Her savings could be even higher if she could charge at home, as this is cheaper than buying fuel.

3.2 Policy option: Social-leasing+ (Subsidised bundled leasing)

Subsidised bundled leasing

What: A bundled leasing scheme, which brings down costs for BEV leases, including insurance, maintenance and charging costs, down to as low as £222 a month for low and middle-income households.
How: The government should assist in setting up a market for bundled leases. Then a monthly subsidy of £100 is applied to an 8-year bundled BEV lease for households earning under the median income.
Impact: New BEVs for 125,000 extra households, and increased consumer confidence that BEVs are cheaper to run.
Cost: £1.2 billion for 125,000 households.

BEVs have a cheaper total cost of ownership than ICE vehicles on average, mostly as a result of cheaper fuel and maintenance costs. SMF research finds that BEV drivers also spend 40% less on fuel and 43% less on servicing than ICE drivers. However, consumer knowledge of this fact remains limited. A recent Motability Operations poll found that 1 in 3 (30%) believed BEVs to have higher overall running costs than petrol or diesel vehicles. This lack of knowledge stretches across all households, but may pose a particular challenge to low- and middle-income households, who are often time-poor, so lack the time to dedicate to researching these costs, and may be less likely to have friends or family with a BEV to ask.

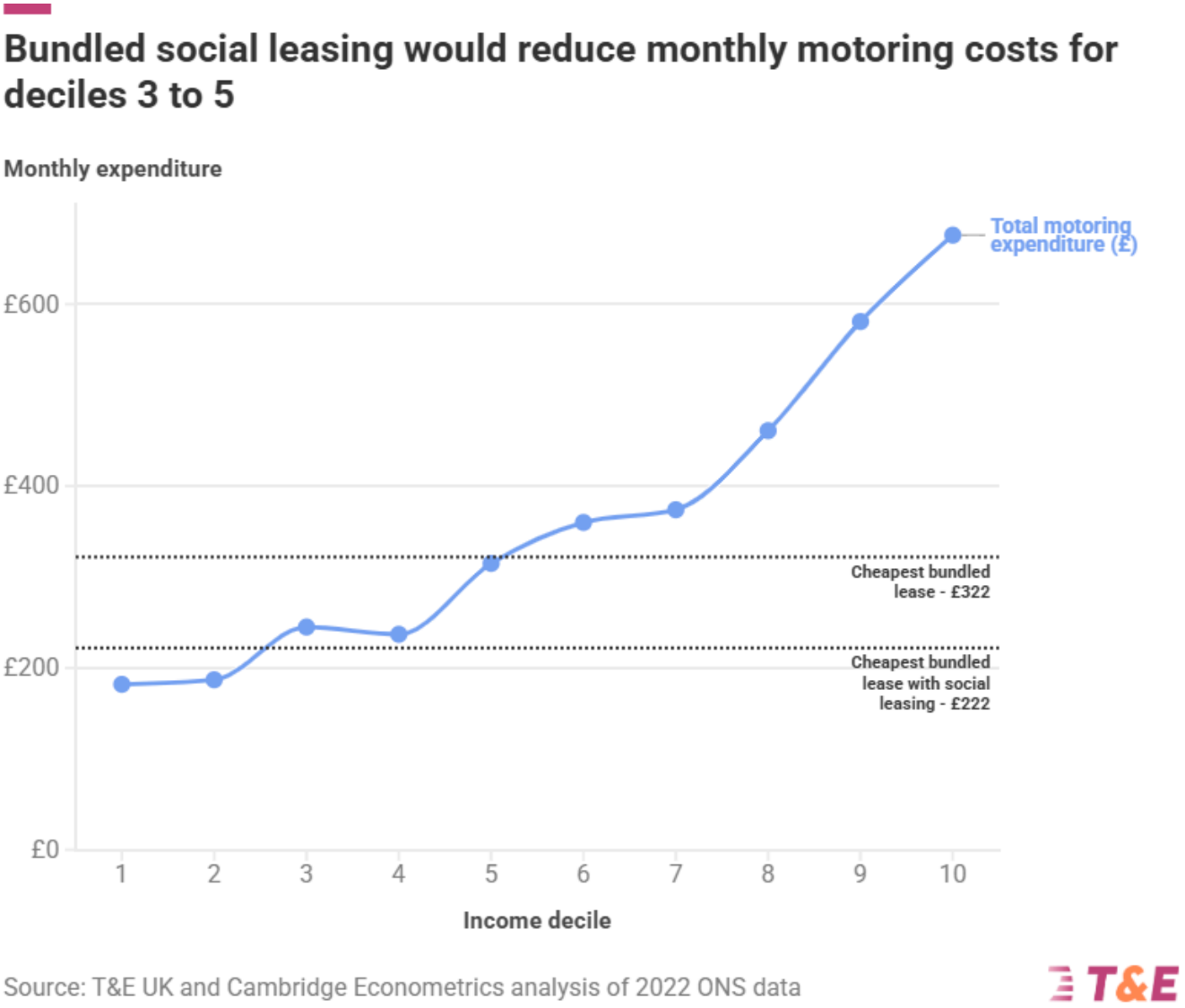
The bundling of all BEV costs - including lease, insurance, maintenance and charging costs - into a single monthly payment offers a way to clearly signal to households the lower monthly cost of ownership of a BEV, overcoming the information challenge as well as simplifying the ownership of these cars. With the addition of subsidies similar to those used in social leasing schemes, there is the potential for lower-income households to both financially be able to access BEVs and feel more confident that this choice will financially benefit them.

The government could create the market for a single, bundled product, which combines all costs (leasing, insurance, maintenance/MOT, and home and rapid charging) into a single monthly cost. This could be done by creating the right regulatory environment to allow the private sector to create these products, or by using a Motability-style partnership (e.g. with a charity or a social enterprise).

A bundled social leasing scheme that provides a subsidy of £100 per month for an 8-year lease would allow eligible households to get a leasing bundle for as low as £222 per month. This would bring costs in line with the average total motoring expenditure of the 3rd and 4th income deciles.

Eligibility for bundled leasing should be the same as for the standard social leasing scheme, with households needing to earn under the median income. As the monthly subsidy is the same as in the social leasing policy, the costs are identical: it would cost £1.2 billion to provide a subsidised bundled lease for 125,000 households.

Figure 5: Bundled social leasing would reduce monthly motoring costs for deciles 3 to 5



Source: T&E UK and Cambridge Econometrics analysis of 2022 ONS data

3.2.1 Giving households choices over their transport costs

To maximise consumer choice, households under the median income should be able to choose between a pure social lease (as above) or a subsidised bundled lease - so they can decide which best suits their preferences and circumstances.

Similarly, the charging element of a bundle lease could be offered for any combination of home charging, rapid chargers, or residential on-street charging, whichever is appropriate for the consumer. The government should also explore including bundles with additional add-ons that lower bills and cut emissions, e.g. Vehicle-to-Grid (V2G) technology and solar panels, particularly if these can be administered in conjunction with the Local Power Plan and Warm Homes Plan funding. This would allow the policy to have the dual benefit of simultaneously cutting energy bills and transport costs for lower-income households.

Case study:

Who: Farah, who works full-time in recruitment and is married with one child. She earns £29,857 (4th income decile) and her household earns under the median income.
Current expenditure on motoring: £236 per month (including fuel, insurance, and maintenance).
Current challenges to BEV-take-up: First, the cost of a BEV purchase or lease is too high. Second, she values the familiarity of her ICE vehicle, sees BEVs as risky and uncertain, and isn't confident of their cost benefits.
How she will benefit from the policy: Her household income would make her eligible for a bundled leasing package, where she could drive a Citroen e-C3, with charging, insurance and maintenance included, for £222 per month.
Savings from the policy: £168 a year, or £1,344 over the total length of the eight-year lease.

3.3 Policy option: Scrappage-for-leasing discount

Scrappage-for-leasing discount
What: Households are provided with a discount on a new BEV lease for scrapping their old ICE cars, bringing costs down to as low as £156 per month for all households, or as low as £56 if the household also qualifies for social leasing.
How: A scrappage bonus of £2000 is converted into a £21 per month subsidy for an 8-year BEV lease.
Impact: New BEVs for 325,000 extra households, and less polluting cars on the road.
Cost: £650 million for 325,000 households.

There have been several scrappage schemes in the UK used to encourage the removal of older, more polluting vehicles, including a UK-wide scheme in 2009 and more recent locally targeted schemes, including the London Ultra-Low Emission Zone scrappage scheme and the Birmingham Clean Air Zone scrappage scheme. These schemes have typically provided a flat

bonus of several thousand pounds to eligible drivers in exchange for scrapping the most polluting vehicles.

However, as lower-income households are still unlikely to be able to afford the upfront cost of even a discounted BEV, a more effective way to encourage this demographic to exchange their old ICE car for a BEV would be to offer an option to apply the bonus as a discount to a BEV purchase or lease. A £2000 scrappage payment would amount to a £21 monthly discount over an eight-year lease period. This would bring the cost of the cheapest eligible vehicle down to £156 per month, in line with the spending of the 6th income decile (see Figure 1). The discount should be available universally, to ensure everyone with an old ICE car is incentivised to scrap it and switch to a BEV.

The government could fund the scheme for 325,000 households, equivalent to the number of BEVs sold in 2023, for only £650 million. It would also cost £3.2 billion for all 1.59 million adult social care workers in England. These numbers are larger than in the social and bundled leasing schemes, because the cost to the Government per vehicle is smaller, so the discount can be offered to a far larger number of households at the same cost.

This scheme would be particularly effective in reducing emissions, as it ensures that the most polluting ICE cars are taken off the road completely - instead of being sold on in the secondhand market. It would also help the government progress towards its goals set out in the Environmental Improvement Act, which includes reducing emissions of a number of harmful pollutants to levels lower than those recorded in 2005. In particular, encouraging the scrapping of old diesel cars, which release the highest NO2 emissions, could reap several benefits for public health.

This is particularly true for those on lower incomes and ethnic minority communities who are disproportionately exposed to air pollution, exacerbating existing health and social inequalities. Health Foundation research finds that 36% of black, black British, Caribbean or African people, 33% of people of 'other' ethnic groups, and 28% of Asian or Asian British people live in the 10% most polluted neighbourhoods. This compares with just 7% of white people living in the most polluted neighbourhoods. A similar pattern is found with deprivation: 13% of people living in the most deprived neighbourhoods live in the 10% of neighbourhoods with the highest air pollution, compared to just only 7% of people in the least deprived neighbourhoods. A scrappage scheme would help to reduce the pollution that entrenches these inequalities.

3.3.1 Combining scrappage discounts and subsidised leasing schemes

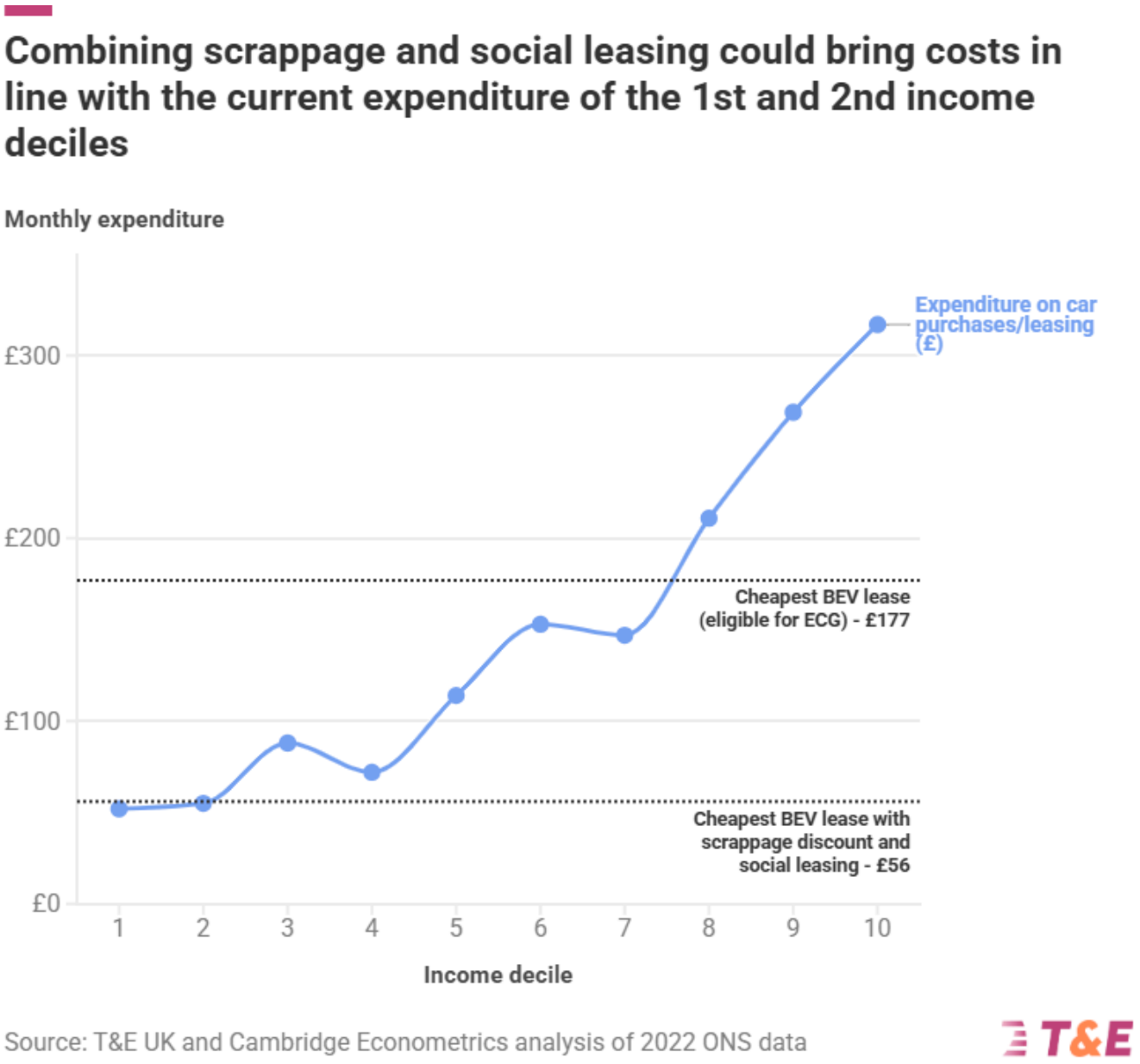
Scrappage on its own will only take lease costs down to the average expenditure of income decile 6, so while it is important for getting the most polluting vehicles off the road, it is unlikely to incentivise most households in the bottom half of the income distribution to switch to a BEV. The government has two options to take costs down further and incentivise those in lower income deciles to switch.

1. **Apply a larger scrappage bonus**. A bonus of £5000 would take monthly lease costs down to as low as £125, just above the average expenditure on car purchases/leasing of the 5th decile. This would cost £650 million for 130,000 households.
2. **Allow households below the median income to apply for both** scrappage-for-leasing and either pure social leasing or bundled leasing. This would take the cost of the cheapest pure social lease down to just £56 a month, and the cheapest bundled lease down to £201 for such households (see Figure 6). This would create a clear incentive for households to scrap their old ICE cars and switch to a BEV - getting the most polluting cars off the road and ensuring they are replaced with zero-emission vehicles. However, this would increase the government expenditure per household, as the same household would benefit from two policies simultaneously.

Figure 6: Impact of lease costs of proposed policy options for eligible vehicles

	Impact on lease costs (£)			
	Are they eligible for social or bundled leasing?			
	Yes		**No**	
Do they have an ICE car to scrap?	**Yes**	**No**	**Yes**	**No**
Cheapest lease available	56	77	156	177
Average lease available	142	163	242	263
Cheapest bundle available	201	222	301	322
Average bundle available	287	308	387	408

Figure 7: Combining scrappage and social leasing could bring costs in line with the current expenditure of the 1st and 2nd income deciles



Case study: Scrappage-for-leasing (£5000 bonus)
Who: Nigel, a fulltime marketing consultant who is married with one child. He earns £36,500 annually, but his household income with his partner is above the median, so he wouldn't be eligible for social or bundled leasing. He has an older ICE car and is concerned about its environmental impact.
Current expenditure on motoring: £360 a month, of which £153 is on purchases or leasing.
Current challenges to BEV take-up: The cost of a BEV purchase or lease is still slightly too high to justify, even with the knowledge that a BEV will have cheaper running costs.

How he will benefit from the policy: If he received a £5,000 bonus for scrapping his current car, Nigel would get a £52 discount every month over an eight-year lease.
Savings from the policy: Nigel would save nearly £336 every year, or £2,688 over the whole eight-year lease.

4. Funding and impacts

4.1. Funding

Two key measures could be implemented to fund these policies:

- **The Electric Car Grant Budget,** which is worth £1.95bn. We recommend that the first £650 million of this should be retained for the Electric Car Grant, while the remaining £1.3 billion would be distributed for more targeted policies (pure social leasing, bundled leasing, and scrappage-for leasing). This could fund 135,000 households for social or bundled leasing, or 650,000 for scrappage-for-leasing.
- **A Large Vehicle Levy (LVL),** which would generate £1.72 billion annually by placing a £10 flat tax per kilogram on purchases of new vehicles over 1600kg (2000kg for BEVs). This would ensure bigger cars pay their fair share, while small and mid-sized family cars are protected. This could fund 179,000 households for pure social or bundled leasing, or 860,000 for scrappage-for-leasing.

4.2. Impacts

We have modelled a scenario where up to £1.7 billion annually generated from the LVL is put towards social leasing until 2034.

Assuming this would lead to a 10 percentage point increase in BEV sales in 2026, and smaller increases in subsequent years to 2035 (the last year of the ZEV mandate), this would lead to the following impacts:

- 950,000 extra BEV sales from 2026 to 2035. This is equivalent to 2.2% of all vehicles currently licensed in 2025, and 54% of licensed BEVs (T&E UK analysis of DfT data).
- 83.3bn extra miles would be driven by BEVs between 2026 and 2035. This is equivalent to 25% of miles driven by all vehicles in the UK in 2024 (T&E UK analysis of DfT data). This would take the UK fleet closer to the zero emission mileage required to meet 2030 carbon reduction targets - estimated by the RAC Foundation to be 37% of all mileage.

- 10,0000 kilotons fewer CO2 emissions from the vehicle fleet between 2026 and 2035. This is equivalent to 9% of domestic transport emissions in 2023 (T&E UK analysis of DfT data).

5. Conclusion

This research shows that it is practical, feasible, and socially necessary to implement social leasing in the UK. While current government grants help to support the automotive sector to reach the ZEV mandate, more targeted policies are urgently needed to accelerate the transition among all demographics, taking BEVs from an early adopters market to one accessible to the masses. The social leasing policies presented in this briefing provide solutions for the current barriers that lower-income households face in transitioning to EVs - from high upfront costs, to information barriers, and the lack of sufficient incentives to transition from old ICE vehicles.

The experience of France demonstrates that social leasing is both practical to implement and can be popular among lower-income households. The French scheme's unexpectedly high demand shows that people are eager to transition to zero-emission mobility, provided the right incentives are in place. Implementing social leasing in the UK could significantly cut bills for lower-income households, reduce inequalities around transport and fight the affordability crisis. This clearly aligns with the government priorities on cutting bills for lower-income households, securing energy independence, and powering our country on homegrown energy.

Further information

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Acknowledgements

T&E UK particularly wants to thank Vicky Edmonds from EVA England for her time and contributions to this project. We would also like to thank Jon Stenning and Matilda Forbes from Cambridge Econometrics for conducting the research.