ZEV Mandate changes leave carmakers at risk of cliff edge by 2030

The Government's recently announced changes to the Zero Emission Vehicle (ZEV) mandate, risk setting the car industry up for failure and undermining the underlying purpose of the policy. This is the first of several briefings from Transport & Environment UK analysing the impact of this decision and the consequences this will have on industry, consumers and the economy.

While the headline targets of reaching 80% ZEV sales by 2030, and 100% by 2035, remain unchanged in the latest proposals, the government is now allowing several flexibilities which will significantly slow down the transition and set carmakers up for failure by 2030.

Mandate working as intended

The ZEV mandate, introduced by the previous Conservative government, has been the UK's biggest carbon saving policy to date. It provided investment certainty, attracting over £23bn in electric vehicles (EVs) and battery investments and £6bn in charging infrastructure. Crucially, it boosted EV supply and consumer uptake by reducing prices and increasing the number of cheaper, more affordable models.

Analysis of 2024 sales showed that the policy was working and that manufacturers met compliance[1].

Government backtrack

Despite this, the government has now introduced multiple flexibilities that loosen the rules for manufacturers going forward and allow for far greater sales of internal combustion engine (ICE) hybrid and plug-in hybrid (PHEV) vehicles over the coming years at the expense of zero emission cars. These changes include two significant amendments to the flexibilities which allow manufacturers to:

- **Rely on large amounts of credits from reductions of CO2 emissions from ICE vehicles -** carmakers are now able to use credits from reduced carbon emissions from their ICE vehicle sales up to 2029. The maximum for this flexibility for 2025 has been set at the very high level of 90%, trending to 50% in 2029. Previously the 2025 cap was set at 45% and 2026 cap at 26% and completely phased out from 2027.

  Possible outcome - *if manufacturers irresponsibly maximise this flexibility, they would need to increase ZEV sales from 33% in 2029 to 80% in 2030 - this is without the impact of borrowing which further increases the gap. This is not realistic. It also means that carmakers could drastically reduce the sale of ZEVs in 2025 and 2026, with BEV sales only rebounding close to 2024 sales (19.6%) in 2029.*

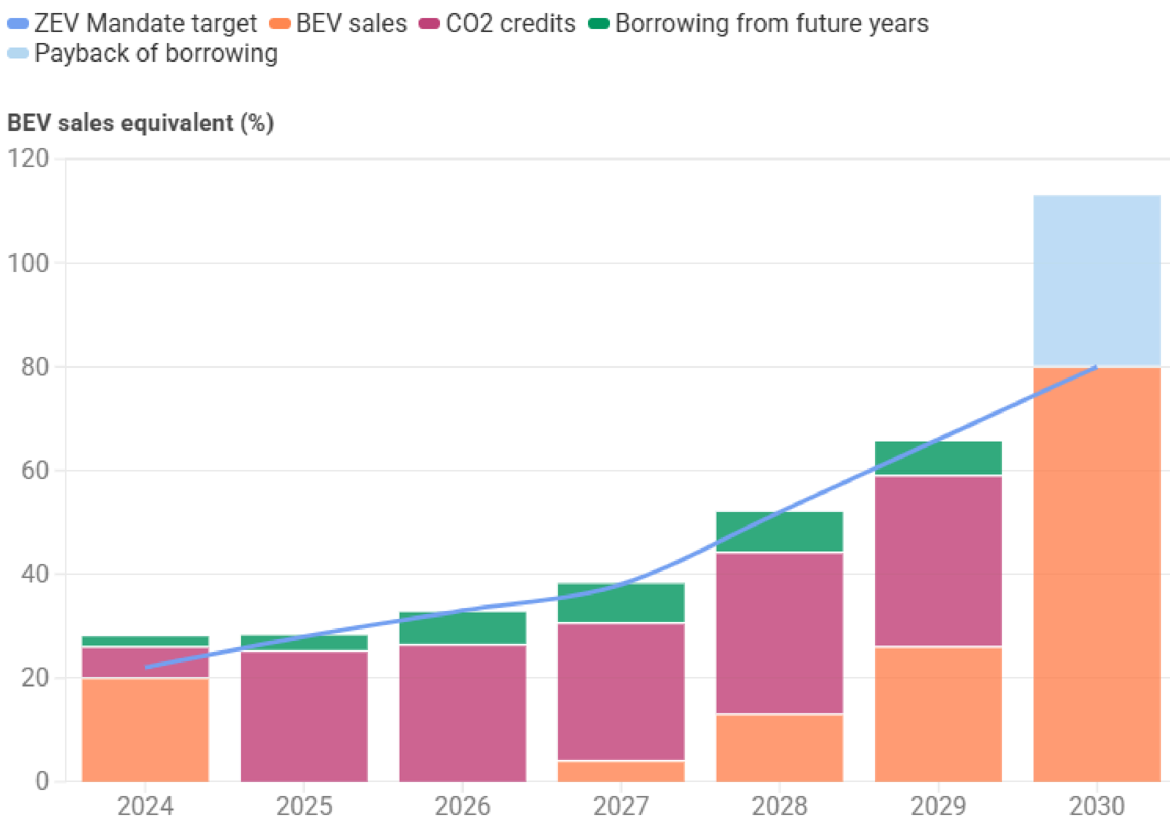
[1] Transport & Environment (2025) [Mission Accomplished: Carmakers fulfill the 2024 ZEV Mandate]()

- **Borrow an increased number of credits for more years -** carmakers can borrow credits from sales of EVs in future years up to 2029, with repayment required by 2030. This extends the borrowing window by three years and allows for a substantial increase in the total number of borrowed credits they can amass under this flexibility.

  Possible outcome - *If maximised, this could create an unrealistic 2030 target, requiring over 100% of sales to be battery electric vehicles (BEVs) - an impossible scenario. Car manufacturers would be unable to repay these credits and comply with the mandate.*

Changes to ZEV mandate risk a policy cliff edge in 2030

If carmakers irresponsibly maximise the use of proposed flexibilities they could be left in the impossible scenrio of having to sell more than 100% ZEV in 2030



Source: T&E analysis of proposed ZEV mandate flexibilities - scenario where carmakers maximise the use of borrowing and CO2 reduction credits

Putting carmakers on a cliff edge

Together these flexibilities risk a severe compliance cliff edge by the end of the decade - setting manufacturers up for failure by risking irresponsible use of flexibilities and disrupting what should be a stable transition. Compliance with standards in 2020/2021 and the ZEV mandate in 2024 have shown that carmakers tend to do the bare minimum of what is required to meet compliance requirements, which makes the threat to the UK EV industry very real.

These changes put the UK's place as a world leader of EV production at risk and jeopardises planned and future investments in the UK EV sector. Crucially, it risks the very real possibility that UK EV manufacturing falls too far behind in the global electric race to remain competitive especially as China continues to forge ahead with developing EV, battery technology and optimising manufacturing. This is not policy realism, but would seem to be a poor consideration of policy impact. Enabling a situation that allows manufacturers to borrow more credits than they hope to repay is not only unsound, but it threatens to derail the policy ambition on the whole.

How to safeguard the mandate

If the government insists on moving forward with increased flexibilities, there are two essential revisions that would limit the scope of these flexibilities and reduce the risk of a cliff edge scenario -

- **Limit borrowing to 2028,** requiring payback across 2029 and 2030 to prevent a cliff edge in 2030
- **Cap the ability to transfer credits from CO2 savings** to 45% in 2025, 25% in 2026, 15% in 2027, 10% in 2028 and 5% in 2029 continuing on the cap reduction trajectory currently set in regulation

About us

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

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