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New electric vehicle (EV) financing and charging infrastructure funding models required to accelerate the adoption of EVs in the UK, to meet 2030 ICE phase-out

The Coalition for the Decarbonisation of Road Transport identifies key barriers to widespread EV adoption.

Financial solutions aim to unlock the £150 billion funding opportunity for private investment into EV market.

Launching today, following the publication of the Government's Net Zero Strategy and summer's Transport Decarbonisation Plan, a cross-sectoral report from the **Green Finance Institute** puts forward 18 solutions to overcome the financial barriers to decarbonising road transport in the UK. The report covers two areas: consumer uptake of EVs, and EV charging infrastructure. ***Road to Zero: unlocking public and private capital to decarbonise road transport in the UK*** sets out the urgent need for private finance to flow into the sector, the barriers to this, and solutions needed to overcome them.

Transport is the largest contributor to UK greenhouse gas emissions and the UK has committed to phase out the sale of petrol and diesel cars and vans by 2030. Without financial solutions that can facilitate an inclusive transition to EVs, reduce the perceived risks faced by financial providers offering consumer finance to switch, and facilitate the roll out of charging infrastructure needed for EVs, the market may fail to complete an orderly transition to all-new EV sales by 2030. The 18 solutions proposed by the report have been developed by the Green Finance Institute's **Coalition for the Decarbonisation of Road Transport (CDRT)**, contributed to by more than 200 experts from across the sector. The solutions are designed to encourage public and private partnerships across transport finance, industry, and local and central government. The first of these is already in development and will be launched in 2022.

The report follows the recent publication of the Government's Net Zero Strategy, which outlines a number of new policies to decarbonise the transport sector. These include a zero emission vehicle mandate, setting targets that require a certain percentage of manufacturers' new car and van sales to be zero emission each year from 2024. Furthermore, the Transport Decarbonisation Plan launched in July laid out a range of measures to ensure the vehicle charging network is able to keep up with demand during the transition to EVs; by 2035, the government expects there will be around 6,000 high powered charge points across England's strategic road network.

Achieving this vision requires finance from the private as well as public sector, and the CDRT brings together global experts and leading figures from the finance, transport, energy and infrastructure sectors to develop solutions to crowd in this necessary finance. Coalition members include Lloyds Banking Group, Octopus Electric Vehicles, Arval, NatWest Group, Gridserve, and the Global Infrastructure Investor Alliance. CDRT focuses its work on financial solutions to support critical areas in the journey to a fossil-fuel-free vehicle network: starting by focusing on increasing inclusive take-up of EVs by consumers from all economic backgrounds and scaling access to nationwide EV charging network.

The scaling of the EV market, and the creation of a national marketplace for used EVs, is one of the UK Government's priority areas as part of the Government's Ten Point Plan for a Green Industrial Revolution. The availability of consumer finance products will help overcome a significant barrier to the mass adoption of EVs, as we approach the phase out of internal combustion engines.

Solutions put forward in the CDRT's report to support consumer purchase and leasing of EVs include:

- Increasing loan capacity in the market through securitisation of used EV loans to allow aggregation and sale on secondary markets;
- standardised battery health certification to give confidence to buyers in the used car market;
- bundled vehicle and infrastructure financing products enabling consumers through simplifying purchasing by making one monthly payment for EV costs, including the EV itself, chargepoints, and energy.

Delivering a UK-wide charging infrastructure is also of critical importance, and requires co-ordination and collaboration between local authorities, data providers, chargepoint operators and energy companies. Financial products are needed to de-risk investment in areas where the business case for installation is currently commercially unconvincing in the short-term, resulting in an inequitable and uneven roll-out.

Solutions put forward in the report to boost a UK-wide EV charging infrastructure include:

- provision of utilisation-linked loans for installing more widely distributed chargepoints;
- a transport infrastructure facility that uses public and private finance to de-risk investments where there are market failures in the short term;
- creation of local authority toolkits to speed up and simplify the process of creating an extensive and reliable charging infrastructure.

Lauren Pamma, Programme Director for the Coalition for the Decarbonisation of Road Transport (CDRT), said:

"Our inaugural report has identified a number of barriers to EV adoption by consumers, and the roll out of public charging infrastructure which, if not overcome, risk disrupting the orderly transition needed to move the UK towards zero emission motoring. Our solutions have been co-designed with members to unlock those barriers and accelerate the pace of change."

Dr Rhian-Mari Thomas OBE, Chief Executive of the Green Finance Institute, said:

"Decarbonising road transport, key to meeting our national emissions targets, is a challenge that's too large and interconnected for any one part of the market to solve alone. We need radical collaboration through public and private partnerships across finance and industry focused on tackling the barriers and unlocking the estimated £150bn of investment that's required to accelerate the pace of change."

Transport Minister, Trudy Harrison, said:

"This Government has set ambitious plans to decarbonise transport and has committed £2.5bn towards the roll out of electric vehicles and infrastructure across the UK.

"That's why on Transport Day at COP26, it's great to see this report set out exactly how private and public sector can work together to keep our 1.5c pledge alive as we accelerate towards a greener future for all."

Ian Plummer, Commercial Director at Auto Trader, the UK's largest automotive marketplace, said:

"Upfront costs and the lack of meaningful charging infrastructure remain the key barriers to widespread consumer adoption of electric vehicles. There aren't quick or easy solutions to overcome these barriers, so we absolutely support and welcome the call for better, more integrated planning as well as a consumer-led approach.

“If there’s broader industry and government collaboration to offer more innovative solutions, both financial and non to these barriers, coupled with the use of real time data, then together we stand a better chance of hitting the 2030 target.”

BVRLA Chief Executive, Gerry Keaney, said:

“We are at a pivotal moment in the climate emergency and have a collective responsibility to defeat the challenges we’re facing. The Government has outlined its decarbonisation plans and the private sector must match those ambitions.

“Most early EV adoption is coming from the fleet sector, where tax incentives are driving huge demand for company and salary sacrifice cars. Elsewhere, patchy infrastructure and a less convincing consumer offering are holding EV uptake back.

“We support the work of the CDRT, and the innovative solutions put forward could help to accelerate consumer adoption of electric vehicles and the rollout of essential infrastructure. These solutions help to reduce the risk to the private sector, which will encourage more action. The BVRLA is looking forward to further collaboration with public and private partners to make the exciting solutions presented in this report a success.”

Chris Pateman-Jones, CEO of Connected Kerb, said:

“The funding challenge of EV infrastructure includes the chicken and egg scenario of revenue clawback being hampered by low initial adoption creating uncertainty about large scale deployment. Collaboration between the private and public sector is critical to overcoming these concerns. Connected Kerb applauds this report from the Green Finance Institute which provides practical solutions on how to unlock the huge investment required to make the contribution of EV to net zero a significant one.”

Graeme Cooper, Head of Future Markets at National Grid, said:

“National Grid’s role at the heart of the energy system means it’s uniquely positioned to help drive the transition to cleaner transport in the UK. We welcome this report and focus on unlocking investment, a crucial part of delivering the transition to electric vehicles. Ensuring there is the right financing to deliver the energy infrastructure needed, ahead of EV uptake, will mean a fair transition for all and no region is left behind.”

Richard Hill, Head of Automotive and Manufacturing, NatWest, commented:

“At NatWest Group, we recognise financing clean transport as a key opportunity in the transition to net zero, We are delighted to be working with the Green Finance Institute and welcome the focus the Coalition for the Decarbonisation of Road Transport (CDRT) brings.”