Response of the RHA
to the Department for Transport

Consultation - Green Paper on a New Road Vehicle CO2 Emissions Regulatory Framework for the United Kingdom

22 September 2021

Summary of the consultation

1. The Governments consultation on a new UK road vehicle CO2 Emissions Regulatory Framework has defined its key "objectives".

   [it] "must be aligned with the UK's world-leading ambition, allowing the 2030 and 2035 phase out dates [for cars and vans] to be enshrined in UK law whilst helping our automotive sector transition at pace, and allowing for phase out of other vehicle types to also be implemented, eventually allowing for decarbonisation of the entire road vehicle fleet."

   [and it] "also needs to support carbon savings in the run up to 2030/35. The UK is required to meet legally binding carbon budgets, which place a cap on the total amount of greenhouse gases (GHGs) that the UK can emit over a five-year period."

   "The new regulatory framework must be able to deliver carbon savings from transport that provide significant contributions to meeting carbon budgets 4 (2023-2028), 5 (2028-2032) and 6 (2033-2037).[1]"

2. The Government has put forward two options "to create a single system that can apply to all road vehicles from motorcycles to the heaviest trucks, enshrining the phase out dates for the multiple vehicle types in UK law":

   - Option 1 – 'tightening' the existing efficiency-based regulations, requiring the new vehicle fleet to become more efficient;
   - Option 2 – deploying a Zero Emissions Vehicle Mandate (ZEV Mandate) as recommended by the Climate Change Committee, alongside a CO2 regulation.

General comments

3. The tailpipe decarbonisation of UK goods vehicles and coaches is now inevitability. Given this, the question the RHA has put at the centre of our thinking is not "what" nor "why", but "when" and "how".[2] The ramifications for the environment, the economy and

[1] See: Department for Transport, *Green Paper on a New Road Vehicle CO_2 Emissions Regulatory Framework for the United Kingdom*, July 2021, p8

[2] See: https://www.rha.uk.net/news/policy-campaigning/policy-campaigning-documents/detail/rha-vision-for-decarbonising-road-freight

society arising from the questions of "when" and "how" are complex given the varied tasks these vehicles are used for.

4. Road haulage is not an end in itself, it exists to serve the needs of customers no matter where they are located or what they are seeking to have moved. Goods vehicle operators have much more limited discretion when compared to car users, they do not define what moves or where it moves to or from, or when it moves, that is decided by the client.

5. To that end, the UK economy depends on goods vehicles existing in all areas to meet all market needs cost-effectively, efficiently, and sustainably. The governance structure that sits around this must be flexible and dynamic to allow the best possible service for customers and the entirety of society.

6. Lorry use accounts for 4.3% of overall UK greenhouse gas emissions[3]. It is not possible to determine exactly what the greenhouse gas emission are for the freight activity of vans or passenger carrying by coaches because statistics mix in other types of uses for these vehicles. What all these sectors need is proportionate, coherent, and credible policy responses that recognise the role these vehicles play in facilitating a productive and sustainable economy and society.

7. We are very concerned by the current almost exclusive focus on "tailpipe" emissions. It is vital that life cycle emissions are central in decision making around the transition to net zero. Large, costly and counter-productive mistakes in our transition to net zero will be made if full life cycle emissions are not embedded into our transition programme.

8. We are also very concerned that the Government seems to be tackling the same issue in multiple ways. We have the fossil fuel vehicle bans now outlined (some vehicles are still subject to consultation) that will lead to all new vehicles becoming net zero at the tailpipe. That policy is sound, our belief is that all policies nationally and locally should act in support that transition. Multiple initiatives at national or local level that create a patchwork of regulation destroy clear pathways for business & are making the transition to net zero more difficult.

9. Another problem that is endemic is the "mission creep" that is evident in Government policy in the decarbonisation area. Too often we see other policy objectives being weaved into this policy area. Sometimes it is a desire to restrict or limit mobility on our roads, sometimes other objectives are simply rebranded as "climate change" when they are not. It is vital that the road to net zero is tightly focussed on this objective and is not diverted onto other policy areas or used as excuses to supress mobility for people or goods.

10. Our observations about this consultation are
    - It looks out of date, focusing on interim target dates for CO2 reduction to net zero that were set before the fossil fuelled vehicle bans were introduced,

[3] This is based on figures contained in Department for Transport, *Consultation on when to phase out the sale of new, non-zero emission heavy goods vehicles,* July 2021, p5 which states that transport accounts for 27% of UK GHG emissions and HGVs for 16% of transport emissions, which equates to HGVs accounting for 4.3% of UK GHG emissions.

- It focuses decisions based on cars, which are far easier to change to BEV than commercial vehicles,
- Cars (M1) and vans (N1) must be treated separately, throughout this consultation that is not the case. Applying a car mindset to vans or other vehicle will lead to rules not fit for the commercial sectors,
- It fails to recognised or even consider that the size, type and operation of commercial working vehicles is determined by the task being undertake. Cars, vans, buses, coaches, lorries are all used very differently. It's not a simple consumer choice issue,
- It overlooks whole life cycle carbon emissions,
- It ignores the carbon cost of premature vehicle replacement,
- It ignores how long non-zero tailpipe vehicles will be allowed to operate after 2030,
- It ignores penalties and fines that may be imposed on users who continue to use ICE vehicles after 2030,
- **It is being conducted without an impact assessment**, without any attempt prior to this consultation to understand what practical impacts will be in any sectors. That omission, given the massive impact this will have across society is unacceptable.

Consultation questions

Question 1: What metric, or combination of metrics, should be used to set eligibility for cars and vans between 2030 and 2035?

11. It is important to keep the measure relating to hybridisation simple and clear for commercial vehicles. In essence we believe the premise of a "zero emission" capability is the wrong one in respect of vans because of the high duty cycles of many vans.
12. For the hybrid period we see gCO2/km is the right measure to set eligibility for sale, this measure should be the only one used for vans – policy should be technologically neutral.
13. The lumping together of "cars and vans" is a serious mistake. The two vehicle types must be clearly and decisively separated when considering the transition to net zero.
14. Vans used commercially come in many configurations and are generally used intensively for commercial purposes. In addition to setting different levels for cars and vans, different levels will need to be set for different vans given the high intensity use of vans and the different payloads for different van capacities. A van with a cargo capacity of 1,200kgs will need a higher maximum level than a van with a cargo capacity of 500kgs.
15. It is worth bearing in mind that a van that has a capacity of 1,200kgs will be more efficient CO2 wise per unit of cargo moved than a van with a capacity of 500kgs even if the larger van has a maximum gCO2/km far higher than the smaller vehicle.

Question 2: For your chosen metric, what threshold should new cars and vans be required to meet from 2030?

16. This will need to be assessed, we have no suggestions at this time. What is critical is that vans need separate thresholds from cars and different sizes of vans will need different thresholds applied.

Question 3: What other requirements could be introduced, if any, top maximise zero emission capability?

17. None.

Question 4: What would the impact be on different sectors of industry and society in setting SZEC requirement, using evidence where possible?

18. Asking this question in a consultation in this way is unrealistic. It is astounding that this work has not already been done given the seriousness of the impacts on millions of people and businesses.
19. This question needs to be central to a detailed impact assessment that investigates these issues in detail. It is unacceptable that this work has not been done, shared with stakeholders and been open to challenge.

Question 5: Do you have any comments regarding Option 1, to replicate the current regulatory framework, albeit with strengthened targets, to meet our wider carbon reduction targets and phase out dates?

20. For vans (N1 vehicles) the simplistic CO2 target per manufacturer makes no sense. Van sizes and payloads vary considerably, further, size is a poor reflector of the CO2 emissions per unit of cargo moved.
21. A manufacturer who specializes in large vans will be at a massive disadvantage compared to a maker of small vans if one size is used to fit all.
22. The measure is overly complex for something that will be short term, our suggestion is to rely on the hybrid measure above and the ban from 2035, not the changes proposed under option 1 which appears to be unnecessary low value tinkering.

Question 6: Do you have any comments regarding Option 2, to introduce a ZEV Mandate or sales target alongside a CO2 regulation?

23. This is an example of an overly complicated way of undertaking a temporary transitional process that is dealing with a sector that is incredibly diverse and complex. This will create a lot of additional bureaucracy and administration, a further unnecessary burden for those who need to be focusing on implementing the main outcome.
24. Again, vans (N1) must be considered separately from cars for the reasons above.
25. Having targets for a minimum proportion of van that need to be zero emission in any given year in the run up to the bans applying is superficially rational. But it is not straightforward and the ZEV Mandate is more complex than needed for a short term measure.
26. A simple quota would probably work better in the run up to the bans. For example a quota could be that no more than 50% vans (N1) sold by a maker could be fossil fueled

in the year before the ban is introduced. The market will then determine the most efficient way of pricing all the vehicles concerned.

27. Room should be maintained for special exemptions (probably by some form of permit) to allow some ICE vehicles to continue to be produced to address difficult to serve commercial markets or for emergency services use (e.g. Ambulances).

Question 7: Do you have any views on the government's initial preference for the regulatory approach set out in Option 2?

28. Please see answer to question 6.

Question 8: Are there alternative approaches that could deliver on the government's carbon budget and 2030/2035 commitments?

29. Yes, please see answer to question 6.

Question 9: - Do you have any views on how either, or both, of the options could be implemented?

30. Don't implement either option for vans, we need something simpler and fit for the sector.
31. Please see our answer to question 6.

Question 10: Do you have any further comments or evidence which could inform the development of the new framework?

32. No.

Question 11: If deploying a combined ZEV Mandate and CO2 regulatory framework, how should the CO2 element be set?

33. Don't do both, adapt the ZEV Mandate as outlined in our response to question 6. There is no need to set new CO2 elements in this context (CO2 being used for hybrids only between 2020-2035).

Question 12: Should the focus be on delivering the largest possible CO2 savings, or the quickest possible switch to zero emission mobility?

34. No. The focus needs to be on the ICE ban and making that work in a way that works for users.
35. The transition to net zero must be done in a sustainable way. We cannot focus just on CO2 reduction without regard to the consequences of the measures being taken. Without an Impact Assessment we cannot know the probable real cost will pan out. It

should be noted that the cost will be borne by consumers, and at the moment there is no assessment of how much that will be under any proposals made in this consultation.

36. This question itself is a worry because it seems to be promoting the idea that CO2 savings, regardless of cost or consequence or who these consequences fall on, is the approach required. This is a massive mistake. We need to focus our resources towards the best outcome for CO2 reduction taking account of whole life cycles and the lowest overall societal cost.
37. It is clear to us that transition to net zero for commercial road operators will be far more challenging that the transition for private cars. We do not feel that is recognised at all in this consultation (again highlighting the absence of any impact assessment).

Question 13: How do we ensure that the target allows for sufficient supply of low and zero emission vehicles; supports investment in the UK; and delivers our carbon reduction commitments?

38. We will ensure sufficient supply with clear simple rules on phase out that will drive the market and investment. This has to be done by vehicle type (car, van, lorry, PSV), respecting the need to accommodate some markets that will be difficult to serve with BEV or H2 technology.

Question 14: Should the new regulatory framework include exemptions or modified targets for certain specialist vehicles and/or niche and small volume manufacturers?

39. Yes.
40. Some specialist applications will be very difficult to accommodate with the limits of current technology. This may change over time but is uncertain. Scope should be left to allow new ICE/hybrid vehicles (vans, lorries, engineering plant, and PSV) to meet the needs of some markets and uses.
41. Any exemption will require the use of net zero liquid fuels, something that needs to be catered for.

Question 15: Should credits be awarded to vehicles that meet the SZEC definition?

42. No comment (please see answer to question 6).

Question 16: If so, should this be a fixed number of credits, or should there be a sliding scale that recognises the difference in CO2 efficiency of various SZEC compliant vehicles?

43. Again, this shows how car centric the thinking is. Vans come in multiple configurations so require distinct standards for measurement of CO2 efficiency.

Question 17: Should this be considered within the new framework?

44. See above, this if far too complex for a temporary scheme. Too administratively burdensome and will be gamed.

Question 18: - If so, over what timeframe should they remain usable and should credits and debits be treated the same or differently?

45. No comment.

Question 19: - Within the trading element of the new scheme, should there be limits on the number of certificates/grams of CO2 that can be bought or sold?

No comment.

Question 20: Should such a market cover the whole of road transport or should there be some constraints imposed on trading across manufacturing sectors (e.g. cars and Heavy Duty Vehicles)?

46. Market sectors (motorbikes, cars, vans, PSV, Lorries) need to be treated individually. Performance on cars should not read across to vans or lorries. To do so will distort the market in each sector as some makers will be able to use performance in one area to gain advantage in another.

Question 21: How, and at what level, should fines be set in the new UK regulatory framework and should this vary for different vehicle types?

47. No comment.

Question 22: Would there be benefits in seeking to ensure any CO2 targets in the new UK regulatory framework take into account real-world emissions data alongside the lab-tested WLTP CO2 emissions figures? If so, how might the two be linked?

48. No comment.

Question 23: For vehicle sub-categories that are not yet covered by VECTO, could a ZEV Mandate/sales target be extended before VECTO is adapted?

49. It is premature to answer this question until the Department for Transport (DfT) fully scopes the complexity of lorry use-case needs.

50. We understand the need for an appropriate regulatory framework that manages the transition away from diesel to net zero emission lorries. We approach this issue from three starting points:

    - first, we support the sending of appropriate signals to the market that incentivises it to innovate and develop the new technology needed to achieve decarbonisation aims. This begins the process of providing the certainty industry requires to plan and implement vehicle buying strategies to sustain the UK economy during and beyond the transition.

    - secondly, the underlying regulatory framework that supports the market signals sent by Government should be simple to understand by all players in the vehicle market, including the secondhand market;

    - thirdly, the regulatory framework should be flexible so that all technology options that allow Net Zero targets to be achieved are kept open.

51. At this point in the journey to net zero, we believe that there are too many unknowns arising from the barriers-to-entry that currently exist which impede the adoption of zero emission tailpipe solutions. These barriers-to-entry are based on cost, real-world operational issues, supply, infrastructure and structural grounds. In the absence of an Impact Assessment to accompany either the Government's *Transport Decarbonisation Plan* or this consultation, we strongly recommend that DfT fully scopes the complexity of van, coach and lorry use-case needs to inform the development of the regulatory framework.

52. We comment that CO_2 emissions performance from lorries differs substantially depending on the vehicle type and use case. In simple terms, the CO2 emissions performance of a lorry is dependent on weight, length, load, working conditions, duty cycle and ambient temperature.

53. Policymakers should also be aware that, whilst chassis types that come off the manufacturer's production line may be standard, operational use-case deployed in real-world circumstances are not standard. This is because chassis types will then be adapted by the manufacturer or body builder according to an operator's use-case needs. For example, a three-axle rigid lorry at 26 tonnes could be adapted for use as a cement mixer or refuse vehicle, or regional refrigerated distribution as a mobile crane - all with a different CO_2 emissions performance ultimately.

54. Once the scoping exercise has been completed by DfT, we then believe that a vehicle standards approach, supported by real-world trials, is the right way to incentivise further the development of net zero technologies to meet the different use-cases.

Question 24: Would there be any unintended consequences of establishing a ZEV Mandate for certain vehicle sub-categories before a CO_2-based regulation?

55. In the absence of an exercise to scope the complexity of lorry use-case needs, we are not at this stage persuaded that a ZEV Mandate is an appropriate policy response for two reasons. First, we believe that the act of specifying banning dates for the sale of new diesel lorries by weight category (as proposed by the Government's separate consultation on when to stop the sale of new non-zero emission lorries) is in itself a powerful signal that will incentivise the market to innovate and develop suitable technologies for all in-scope use-cases.

56. Secondly, adding a complex ZEV Mandate into the regulatory framework without a clear understanding of use case needs adds confusion and unnecessary complexity. At this stage in the transition to Net Zero, we strongly believe that all technology options that allow net zero targets to be achieved should be within scope and that the market, rather than government-mandated regulation, is the best mechanism to determine this.

57. Once a clear picture of use-case complexity is obtained, we consider that an alternative regulatory option could be that diesel sales quotas could be progressively implemented in the immediate period (say, five years) before a specified banning date on the sale of non-zero tailpipe emission vehicles is implemented. (In line with our comments in paragraph 6).

Question 25: Do you have any views on imposing a CO_2 regulation on vehicle types that are not yet covered by a CO2 test procedure, or existing regulation, particularly in light of the planned future phase out consultation for new non-zero emission buses?

58. Given the timing of the bans coming in and the unknown proposals for PSVs, we do not believe extending CO2 regulations to new vehicle types will be useful or make a material positive difference. (It may be counter-productive as it may create barriers to using cross-over technology from other HDVs).

59. However, we reiterate that DfT must fully scope the full complexity of lorry use-case needs to inform the development of that regulatory regime.

Final comments

60. In our response to the Government's separate consultation on when to stop the sale of new non-zero emission vehicles, we put on record our judgement that the timetable should be determined by the following weight categories and dates:

    - from 2035, 18 tonnes and below
    - from 2040, 32 tonnes and below
    - from 2045, over 32 tonnes

61. That assessment however comes with a significant "health warning" as it assumes the satisfactory resolution of future cost, operational and supply barriers, both known and unknown, to meet all use-cases. These dates could be brought forward if appropriate solutions to meet all types of service are provided. However, some specialist or remote area operations may need to be exempted from scope of the planned ban.

62. As we collectively seek to define the pathway forwards, we have three concluding core messages for ministers which must be central to the development of the future regulatory framework:

    - for net zero to succeed, **all types of van, coach or lorry operation and use must be accommodated** so that all parts of the economy and all types of supply chain are catered for;

- **considerable market uncertainty exists** with operators currently having insufficient information available to make informed choices. This must be managed in an agile way with the regulatory framework suitably flexible to accommodate the uncertainties;

- **the whole vehicle lifecycle must be central to decision making** so that all owners of any vehicle bought before the new vehicle bans are introduced are able to benefit from its utility and a full known economic lifespan. Central to this is sustaining asset values so that all businesses, including our vital SME sector, have the standard financial tools intrinsic to any business available to manage natural vehicle replacement cycles.

Background about the RHA

63. The RHA is the leading trade association representing over 8,000 road haulage and distribution companies across the UK, 85% of whom are small and medium-sized enterprises (SMEs). Our members operate vans and around 250,000 lorries (half of the UK fleet) out of 10,000 operating centres, and range from a single-truck company to those with thousands of vehicles.

64. These road transport companies provide the people and businesses of the UK with the goods upon which we all depend - from food and clothing through to medicines, car parts and construction material. Without lorries and vans delivering good to businesses and consumers, the economic and social wellbeing of the UK would be seriously impacted.

65. Recently, the RHA has initiated a coach operator membership for those operating non-scheduled passenger services using vehicles with a capacity of more than 16 seats.

66. We proactively encourage a spirit of entrepreneurialism, compliance, profitability, safety and social responsibility. We do so through a range of services, such as advice, representation, and training. We also work alongside policymakers and haulage companies to identify ways to move freight more efficiently at a lower cost based on our widespread knowledge and expertise in the area.

67. Our response is set within an overall context where 54,800 SMEs are involved in haulage and 52% of lorries operate in fleets of less than 20 (source: Traffic Commissioners - 2016/17). The purchase cost of a large lorry starts from £100,000 and its life span is typically 12 years. However, depending on the application (e.g. mobile cranes), this can be for much longer (30+ years) and cost considerably more (£200k+). Due to the high efficiency of logistics, operators typically work on a 2% profit margin (source: Statistica 2020), meaning any additional costs incurred cannot be absorbed and will be passed on to consumers through increased prices..

22 September 2021

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