

BMW GROUP RESPONSE TO THE UK GOVERNMENT TRANSPORT DECARBONISATION PLAN CONSULTATION

SEPTEMBER 2021

Introduction

- The BMW Group is the leading manufacturer of premium and luxury vehicles in the world, across three brands – BMW, Rolls-Royce and MINI - manufacturing and selling more than 2.5 million vehicles worldwide annually, built within one of 31 production sites across 15 countries. It employs more than 125,000 associates globally, and generates annual revenue in excess of €100bn.
- The UK is important for BMW Group as one of the few countries in which vehicles and components for all three car brands are produced, across four production sites. The home of MINI is at Plant Oxford, producing more than 200,000 vehicles annually for both the domestic market and for export across the world, including the MINI Electric. Plant Swindon manufactures vehicle pressings for UK plants and export, and Plant Hams Hall produces more than 400,000 engines for BMW Group products including the MINI. The UK is also the home of the Rolls-Royce brand, with the global HQ located at Plant Goodwood producing more than 4,000 highly bespoke motor cars annually. More than 8,000 associates are employed directly in manufacturing, with the total BMW Group headcount in the UK totalling more than 30,000 when the sales and dealership operations are included.

BMW Sustainability Strategy

- At the recent IAA Mobility show, the BMW Group demonstrated its commitment to sustainability by joining the “Race to Zero”, as decarbonisation and circularity were further embedded into business. This included a commitment to achieving the “Business Ambition for 1.5°C of the Science Based Targets Initiative”, becoming the first German manufacturer to do so.
- The BMW Group is accelerating the pace of its efforts to combat climate change. Looking ahead to the introduction of the “Neue Klasse” in 2025 - BMW Group’s new vehicle architecture which is electric, whether with battery power or hydrogen - further strengthening its objectives to reduce CO₂ emissions significantly.
- The “Neue Klasse” will see the BMW Group increase its use of secondary materials with a firm focus on the principles of the circular economy, whilst also promoting better framework conditions for establishing a market for secondary materials.
- To achieve a further reduction in CO₂ emissions, the focus is on the driving phase of vehicles, which accounts for 70% of the BMW Group’s CO₂ footprint. By 2030, the CO₂ emissions per vehicle and kilometre driven will be at least halved from 2019 levels. The commitment of all manufacturers when it comes to combatting climate change can best be compared when looking at the entire life cycle of a vehicle, including production and upstream supply chain. Here, the BMW Group is planning a reduction of CO₂ emission per vehicle of at least 40%.

- The most powerful driver on this path to net zero is electric mobility, with the BMW Group's Neue Klasse set to provide significant further momentum to the market. As early as 2030, at least half of global BMW Group sales will be all-electric vehicles, with the MINI brand offering exclusively all-electric vehicles from 2030.

UK Government Decarbonisation Strategy

- The UK market has seen previously with the launch of the Road to Zero document in 2018, followed by the consultation on the end of sale for ICE vehicles in 2020, that the UK Government is taking the issue of sustainability seriously. The BMW Group understands and supports the focus on "net zero" by 2050, and whilst we have previously expressed our concern that a date sooner than 2040, or even 2035 would be challenging for the market, we are also fully committed to working with the UK Government on delivery of the phase-out of ICE models from 2030.
- When tackling climate change BMW Group believes that action needs to be taken fast. This is why we have developed our product range that has for years been giving customers the choice of the best technologies available today to effectively reduce the CO₂ emissions per mile driven – subject to the individual use case of each individual customer. By 2023, 90% of all our market segments will include/offer at least one fully electric model.
- However, it is clear that whilst there is a sharp increase in BEVs is coming to market, this will need to be matched by ambition from the UK Government. The current charging infrastructure, whilst improving, needs to be both increased and made "fit for purpose" very quickly. This acceleration of Government ambitions must be complemented by similarly ambitious and clear targets for HMG incentives. This means that clear and equally ambitious targets for crucial market enablers, including infrastructure and fiscal as well as financial incentives, must be given by the government. The BMW Group looks forward to seeing evidence of these soon and working with Government on delivery of these objectives.

Consultation response

- This consultation asks for responses on three crucial areas of interest to the BMW Group. Our responses are below (Annex A), but the Group position is summarised here:

CO₂ regulatory framework

- BMW Group favours Option 1 – an enhanced CO₂ g/km threshold; and
- An xEV mandate should not be imposed.

Significant Zero Emission Capability

- There should be three defined powertrains: BEV, PHEV and FCEV; and
- Electric Range should be used for the hybrid capability threshold. A stringent but realistic value would be: > 80 Km WLTP PHEV.

End of sale for ICE motorcycles

- BMW Group does not favour an end of sale date for ICE powered motorcycles; and

- Ever-cleaner versions of these vehicles are coming to market, including EVs especially in urban areas. However, these are predominantly leisure vehicles covering relatively small annual mileage whilst often being used for long distances not currently conducive to EVs, and the diversity of the sector should be maintained.

Conclusion

- BMW Group is committed to current climate and environmental targets, as shown clearly by recent announcements, and backed up by our long-standing position as industry leaders and innovators in this sector. The messaging behind this consultation and previous announcements, as well as the commitment to “net-zero” by 2050 is fully understood and we support this and look forward to working with the UK Government on delivery. However, the key enablers that we believe need to be delivered to achieve these aspirations are:
 - **Infrastructure to cope with demand** – whilst the work already completed has been commendable, the planning needs to go further and faster. The charging network needs to be “fit for purpose” with solutions found for on-street charging, home and workplace charging, wider and deeper national coverage, standardisation of the payment network (e-roaming) and an enhancement of the user experience.
 - **Incentivisation to help increase demand** – we have seen first-hand the impacts of the Plug in Car Grant, both positively and – with the withdrawal of support for PHEVs – negatively. The Government needs to be looking at what package of financial and non-fiscal incentives can be offered to consumers in order to help them make the switch to ULEVs. Without this vital input, such a huge market shift to 100% EV in the next 8 years will be a very stretching, and potentially impossible target.

Annex: Consultation responses

Question Number	Question	Response
Significant Zero Emission Capability		
1	What metric, or combination of metrics should be used to set eligibility for cars and vans between 2030 and 2035?	Definition of Powertrains: BEV, FCEV, PHEV For PHEV possibly eRange.
2	For your chosen metric, what threshold should new cars and vans be required to meet from 2030?	Generally definition of Powertrains sufficient: BEV, FCEV, PHEV → homologation eRange for PHEV possible threshold. Stringent but realistic value would be: > 80 Km WLTP PHEV.
3	What other requirements could be introduced, if any, to maximise zero emission capability?	No position.
4	What would the impact be on different sectors of industry and society in setting an SZEC requirement, using evidence where possible?	<p>Many sectors of traditional industry, particularly iron, steel and construction, require huge amounts of energy. At the same time, the products of these industries are essential for further processing by other industries and society as a whole. An SZEC requirement could significantly increase the cost of production for iron, steel as well as other industrial intermediate products and therefore rise production costs for various industries.</p> <p>In addition, many sectors of industry require long-term planning to steer R&D and investments. This particularly applies to the mobility sector as the development of a new vehicle takes several years. Short-term changes could undermine planning processes. Due to path dependence, setting a SZEC requirement raises questions with regards to the usage of ICE vehicles, produced in the years up to 2030. This particularly applies to light and heavy-duty vehicles, which will not be emission free soon.</p> <p>Rising costs for construction materials like cement and stricter emission-standards could also affect investments in the building and construction sector. As housing shortage is increasingly becoming a problem in urban areas, the requirement could further heat up the situation by creating a vicious circle of underinvestment, shortage of supply and rising prices. Overall, a SZEC requirement, implemented on short notice restricts innovative power of a countries industry, therefore threatens international competitiveness and could lead to a flight of production and capital. Another open question remains also in terms of effectiveness of the requirement for highly globalized sectors such as aviation and shipping. The above-mentioned effects of setting a SZEC requirement, impact</p>

		society in that sense as they raise questions to social equity. Most prominently, increasing costs could affect the price for energy as a commodity, housing and fuel prices as well as tourism, and leisure.
Possible Future Frameworks		
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?	Advantage of being aligned with the EU Framework. xEV Mandate in addition to promote xEV Volumes not necessary if CO ₂ g/km threshold is stringent enough → the high BEV Share required to reach those g/km fleet targets will be a logical consequence.
6	Do you have any comments regarding Option 2, to introduce a ZEV Mandate or sales target alongside a CO ₂ regulation?	We do not favour this option. Option 1 also leads to reaching necessary / high zero emission volumes. Option 2 makes the whole regulatory framework redundant / complicated for not much extra regulatory steering added value. If ZEV Mandate, then either or: only CO ₂ fleet g/km targets vs. only 1 ZEV Mandate.
7	Do you have any views on the government's initial preference for the regulatory approach set out in Option 2?	See 6. No use seen.
8	Are there alternative approaches that could deliver on the government's carbon budget and 2030/2035 commitments?	No position.
9	Do you have any views on how either, or both, of the options could be implemented?	An indication for implementation could be based on experiences on EU (option 1) or CN (option 2). Important to be very clear (no room for interpretation) and with enough lead time.
10	Do you have any further comments or evidence which could inform the development of the new framework?	No further comments.
Additional Issues for Consideration:		
Stringency of CO₂ Target		
11	If deploying a combined ZEV Mandate and CO ₂ regulatory framework, how should the CO ₂ element be set?	Not favoured, but based on end target 2035 0 g/km set stepping-stone targets for chosen years 2030 / 2025 (see EU). Alternatively a yearly stringency increase (yearly g/km target) could be implemented, this however only including banking possibilities of at least Year + / - 1. For exact value a benchmark to EU 2030 could be analysed.
12	Should the focus be on delivering the largest possible CO ₂ savings, or the quickest possible switch to zero emission mobility?	Focus should be to fast switch to zero emission mobility, this being the primary target towards 2035. Rest will follow.
13	How do we ensure that the target allows for sufficient supply of low and zero	<ul style="list-style-type: none"> Widespread and sufficient Charging Infrastructure Purchase Incentive schemes

	emission vehicles; supports investment in the UK; and delivers our carbon reduction commitments?	<ul style="list-style-type: none"> • Tax Incentives • Further EV benefits (preferential parking, driving lanes, ezones)
Derogations and Exemptions		
14	Should the new regulatory framework include exemptions or modified targets for certain specialist vehicles and/or niche and small volume manufacturers?	No position.
Credit Levels		
15	Should credits be awarded to vehicles that meet the SZEC definition?	Yes
16	If so, should this be a fixed number of credits, or should there be a sliding scale that recognises the difference in CO ₂ efficiency of various SZEC-compliant vehicles?	Sliding scale.
Credit banking and trading		
17	Should this be considered within the new framework?	Trading should be considered. It offers one flexibility whilst still guaranteeing overall industry CO ₂ targets.
18	If so, over what timeframe should they remain usable and should credits and debits be treated the same or differently?	If banking: 1 year flexibility in terms of "carry-forward / carry-backward" if following / previous years positive should be allowed. Credits / debits in terms of trading treated the same.
19	Within the trading element of the new scheme, should there be limits on the number of certificates/grams of CO ₂ that can be bought or sold?	Yes. So as to secure all OEM reach min. thresholds and not all progress is done by BEV-Only companies.
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)?	There could such mechanisms overall all sectors however each separated from one another. i.e. if CO ₂ credit trading; allowed only: M1 to M1, N1 to N1
Levels of fines for non-compliance		
21	How, and at what level, should fines be set in the new UK regulatory framework and should this vary for different vehicle types?	No position.
Target setting process		
22	In the future UK regulatory regime, we have the opportunity to determine how far ahead we set the targets, the lead in time for any change in targets and whether the option to	Yes enough lead time is crucial. At least 6 years ahead to ensure reaction time on OEM side (development & planning life cycles)

	amend targets at shorter notice is required. We would welcome views on each of these.	
Real-World Emissions		
23	Would there be benefits in seeking to ensure any CO ₂ targets in the new UK regulatory framework take into account real-world emissions data alongside the lab-tested WLTP CO ₂ emissions figures? If so, how might the two be linked?	WLTP is already very customer centered and is sufficient.
Extending the Framework to All Road Vehicles:		
Heavy Duty Vehicles		
24	For vehicle sub-categories that are not yet covered by VECTO, could a ZEV Mandate/sales target be extended before VECTO is adapted?	N/A for BMW Group
25	Would there be any unintended consequences of establishing a ZEV Mandate for certain vehicle sub-categories before a CO ₂ -based regulation?	N/A for BMW Group
26	Do you have any views on imposing a CO ₂ regulation on vehicle types that are not yet covered by a CO ₂ test procedure, or existing regulation, particularly in light of the planned future phase out consultation for new non-zero emission buses?	N/A for BMW Group
L-Category vehicles (Motorbikes, Mopeds, Quad Bikes etc)		
27	Should the preferred regulatory approach be extended to all L-category vehicles or should the diversity of the sector (motorbikes, mopeds, motorised tricycles, quadbikes, motorised quadricycles etc) necessitate different approaches?	<p>Industry clearly understands that electromobility will play a key role in the future mobility of people and goods. Therefore, the industry is committed to delivering L category vehicles that contribute to the decarbonisation of transport in a sustainable timeframe which supports jobs, growth and environment. PTW (Powered Two Wheelers) are a smaller, lighter and more efficient mobility solution for personal transport and light goods delivery, which should be encouraged for the part they can play - today and in the future - in a multimodal transport system, especially within an urban environment and for short range mobility.</p> <p>However, PTWs are also leisure vehicles, providing recreational opportunities such as long-range touring and sports. While CO₂ emissions from traditional ICE propelled PTWs continue to be reduced with new technology and design, the Industry will continue to</p>

		place more and more electric vehicles on the market every year. Therefore, the diversity of the sector should not be ignored.
Additional issues for consideration		
28	As the regulations develop, all potential aspects listed in chapter 5 will need to be considered for each vehicle type. Therefore, we would welcome any additional views on the application of the variables mentioned from paragraph 5.50 onwards, in respect of new HDVs (including the adaptations that should be made for different HDV types) and L category vehicles.	No additional view at this time