

Shifting sands: changes to UK EV targets



On 7th April 2025 the UK government announced a package of changes to its Zero Emissions Vehicle (ZEV) mandate. This briefing provides an overview of those changes and the likely impact on the UK EV market.

Key points

- **We do not expect the announced changes to have a significant impact on UK EV sales in 2025.** We have revised down our estimated EV market share for the remaining months of 2025 from 23.3% to 22.7%. This is based on our assessment of the level of battery electric car sales necessary to meet ZEV mandate requirements.
- **There has been a significant increase in uncertainty about the period 2026–2029.** EV sales growth is now far less certain. With looser caps on CO₂ transfers, changes to utility factors postponed and hybrid cars sold up to 2034, manufacturers have powerful incentives to invest afresh in selling hybrid cars, despite compelling evidence that fuel consumption and emissions from plug-in hybrids are 3.5 times higher than regulations suppose. The resulting uncertainty for EV numbers reaching the road is bad news for charge point and infrastructure providers.
- **A very steep policy cliff edge looms in 2030.** Government is likely to come under significant pressure from manufacturers again to dilute the targets, in the run up to what may be a “net zero election”.
- **These changes will increase emissions** – with cars reaching the road from 2027 having at least 25% more emissions. They will damage investor confidence, and they will increase costs for motorists – by doing nothing to support drivers who cannot charge at home.

Outlook for 2025

New Estimated Real ZEV Sales Targets

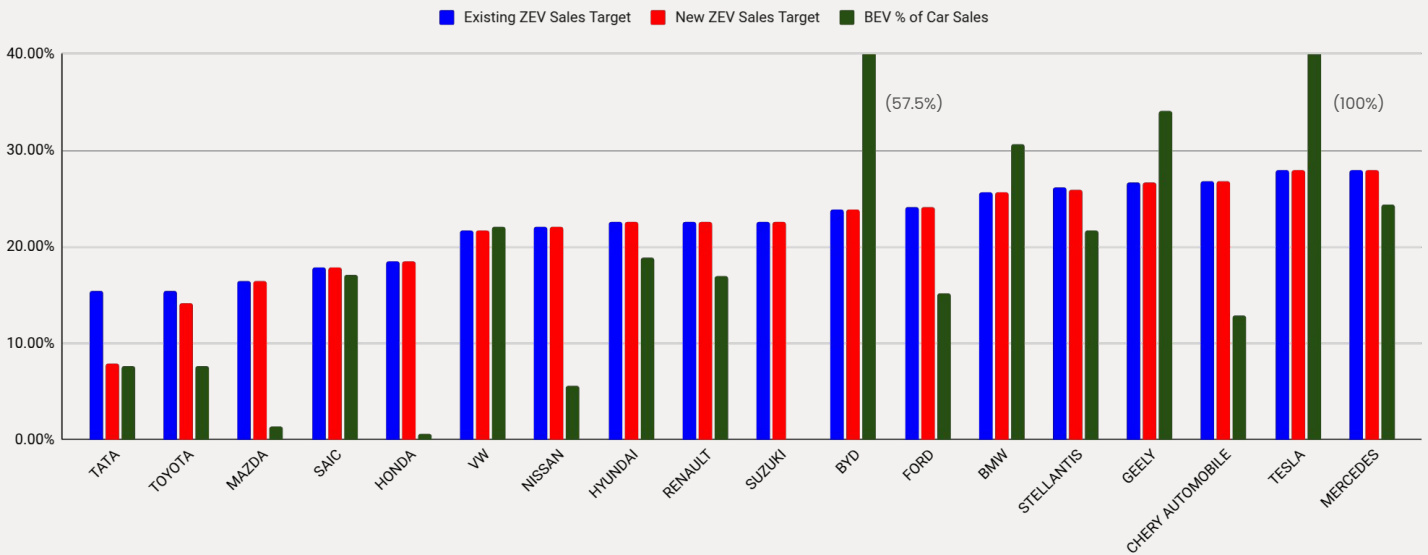


Figure 1: Real ZEV mandate targets before and after Government's 6 April announcement, alongside % battery electric to date

As well as reductions in buyout payments and an increase in the amount manufacturers can borrow from future years, the main immediate change for 2025 is an increase in the cap on the amount of credits firms can transfer from the CO2 scheme to the ZEV mandate - in other words, lowering their battery electric targets by selling more hybrid and plug-in hybrid cars relative to the baseline year, which is 2021. Previously firms could meet up to 45% of their ZEV mandate target through this measure. That amount will increase to 90%.

However, this only directly benefits Jaguar Land Rover and, to a lesser extent, Toyota. Whilst most other manufacturers have lowered the average emissions of their cars since the baseline year of 2021, the improvements have only been moderate. Even Toyota only gains limited benefit, because their shift towards hybrids pre-dates 2021.

Jaguar Land Rover and Toyota have certainly won big with the announcement, and are now much more likely to meet their 2025 target, without borrowing or trading. Other manufacturers will gain if they can steeply increase their sales of hybrids and plug-ins over the remainder of the year, but they will need a stunning performance to make a significant dent in their targets. Manufacturers can also buy some of Toyota and JLR's excess credits, but these look likely to be more of a trickle than a flood.

We expect Ford, Nissan, and the other lagging Japanese-owned firms Honda, Mazda and Suzuki to extend drinking time in the last-chance saloon and rely on borrowing. They still need a plan for the rest of the decade however. This will definitely require improving all 5 firms' limited EV offering. However hybrids now have the opportunity to do some of the heavy lifting, as the next section sets out.

Outlook for 2026-2029

Headline ZEV sales targets in 2024-2029

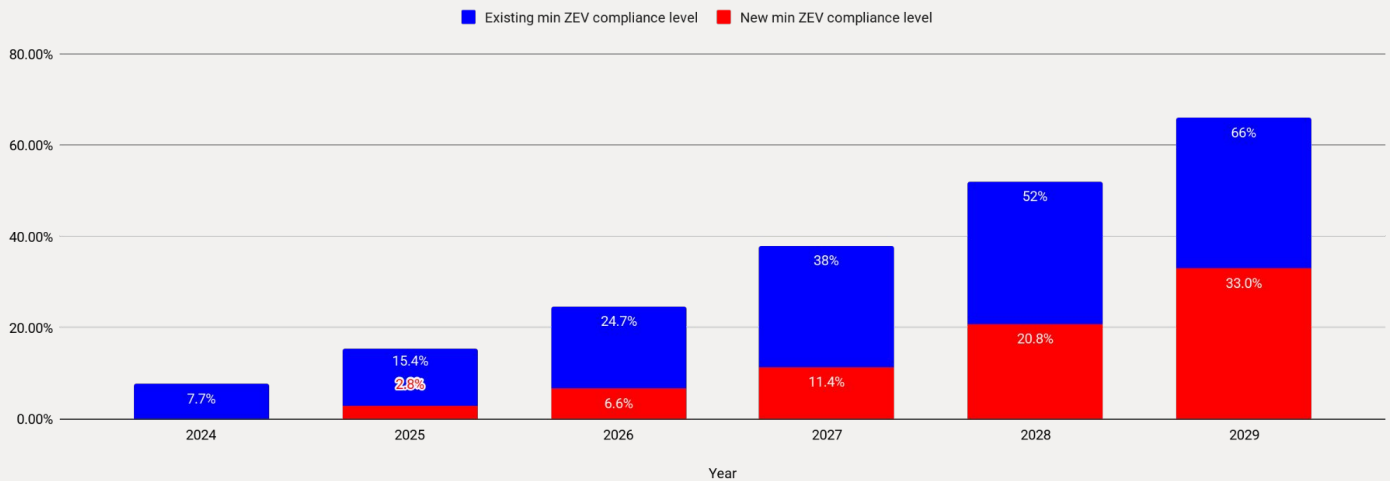


Figure 2: Headline ZEV mandate targets 2024-2029, and lowest possible real target, when hybrids are taken into account

What happens in subsequent years is less certain. Manufacturers' plans for the UK will have been predicated on previous regulations which assumed little regulatory benefit to increasing volumes of full hybrids and plug-ins beyond the end of 2025, and none at all after 2026, when transfers of CO2 credits were set to end. ZEV mandate headline targets could not be reduced below 15.4% in 2025, and 24.7% in 2026. From 2027, manufacturers would need to hit the headline targets (see figure 2).

Now minimum volumes of EVs, after transfer of CO2 credits, have been slashed to 2.8% in 2025, 6.6% in 2026 and 11.4% in 2027, there is much more benefit to bringing FHEVs and PHEVs to the UK, and even launching new ones.

This is exactly why the Government was keen to avoid setting a 2030 phase out date for pure petrol and diesel vans. There was a

risk of pumping up short term supply of full hybrid commercial vehicles (which currently make up a small part of the market), and plug-in hybrid vans (which barely exist at all) only to kill them off in 2035. It took the right decision to end the sale of petrol and diesel vans in 2035. Yet it is now falling into just this trap with hybrid cars.

Ministers might say this is an unfair comparison. Hybrids already exist in large numbers - but moving the goalposts will give investment incentives to bring forward cars which the Government intends to ban in 2035. (And as the next section shows, the effect of the new policy might still be to end them sooner).

This presents a near hopeless situation for any business that needs to plan around a particular level of electricity demand, such as the electricity industry including charge point operators. No one now has any idea

how many EVs will be on the road, and what their charging or electricity demand will be between 2026 and 2029. It will be at the mercy of the manufacturers' compliance strategies, which they are free to change at any time.

And this is hopeless for the UK's emissions targets too. If there is one thing we and the UK Government know with certainty, it is that plug-in hybrids do on average use significantly more petrol or diesel than initially forecast. It's for the simple human reason that we don't get around to charging them diligently when there's a nice full tank of fuel at the ready - and we may even be perversely discouraged from doing so by company expenses policies.

"To give greater flexibility to manufacturers", Government is going to continue to work on the basis that they're cleaner than they are. A ballpark estimate suggests that with PHEVs accounting for at least 10% of sales and [3.5 times the level of assumed emissions](#). This means that by extending CO2 transfers, there is the risk of an increase in annual emissions of cars reaching the road every year between 2027 and 2029 (and potentially beyond, as the next section shows) by at least 25%.

Outlook for 2030

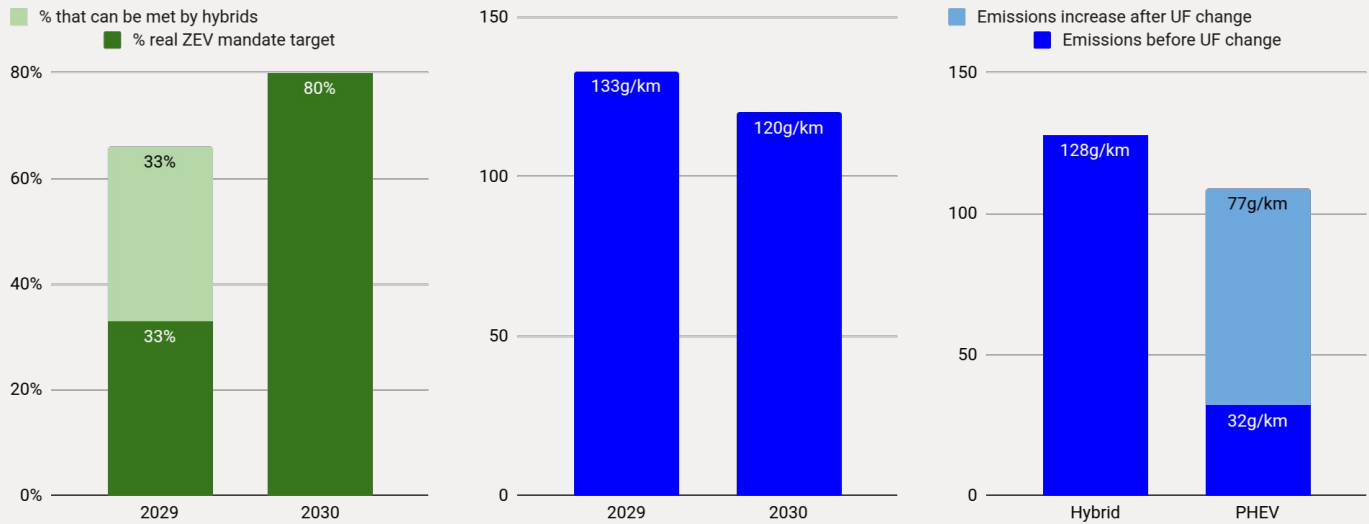


Figure 3: (a) ZEV target in 2029 and 2030 (b) CO2 target in 2029 and 2030 (c) av. emissions by fuel type

Looking further ahead, a policy cliff edge looms in 2030. Sometimes hard decisions involve balancing competing environmental and economic objectives. In other cases, the easy way out is to kick the can down the road rather than stick with a plan that's tough but working. These changes have eased the rules around EVs so significantly that there will be not one but three cliff edges in 2030. At this point -

- The use of transfers for outperformance against CO2 regulations to lower ZEV mandate targets comes to an end.
- The emissions target for non zero emission vehicles will be cut by 10%.
- The utility factors for PHEVs will be updated to reflect real world charging behaviours, giving a "real world" emissions level which more accurately reflects the fact that they are not consistently charged up.

Many firms will not have 2029 ZEV mandate targets as low as 33%, but those who have invested heavily in hybrids and plug-in hybrids can get to that point. Government proposes to extend the transfer mechanism to only 2029, which means increasing sales by two-and-a-half times in 1 year (figure 3(a)). This isn't plausible.

Simultaneously, the effect of tightening the average emissions for non-zero emission cars (figure 3(b)) and more truly reflecting the emissions of PHEVs (figure 3(c)) will mean manufacturers wanting to sell any non-ZEVs after 2029 will need to make sure around half of them or more are PHEVs, or risk breaching their CO2 targets.

[As we noted in our consultation response](#), this sort of policy is unlikely to survive contact with the motor industry. It will certainly look cheaper to lobby Government out of a policy than to comply with it. After all, it worked this time.

Conclusion

Those looking for the positives will note that Government held the line on the headline targets, and the UK can at least wave goodbye to sales of new pure petrol, diesel and mild hybrid cars (where the battery powers the electronics but not the wheels) in 2030.

It is also noteworthy that the government is promising to recycle any buyout revenues into support for the car industry. This should take the form of incentives for electric vehicles, rather than perversely supporting the manufacture of polluting vehicles. Thus the scheme would impose zero costs on the industry as a whole even if fines were paid.

If one of the main benefits of the UK's policy on electric vehicles was its clarity – from 2027 there were to be EV targets that did what they said on the tin – then that key benefit has been lost.

EV sales will continue to grow in 2025. But beyond this year we are less certain that we will see higher market shares for battery electric cars. That key metric is now left to the whim of the car manufacturers. Headline EV targets have not changed, but their meaning has faded behind an inky cloud of complexity that will baffle anyone thinking of investing in EV manufacturing, charge point infrastructure or electricity generation.

There will be costs beyond the additional emissions arising from these changes. The vast majority of motorists will save from the

switch to a battery electric car, a fact that the Transport Secretary acknowledged readily in Parliament, despite announcing changes that will make these savings available to fewer motorists.

One wonders whether the government's strategy is being informed by two contradictory strands of thought. In her statement to Parliament, the Transport Secretary suggested¹ that the car industry needed to be able to backload EV sales to the end of the decade “when demand is projected to be higher”. Yet she later said that the “public are leading the way” in switching to electric cars, and told a parliamentary colleague who suggested consumer demand was not sufficiently high that “he needs to do his homework”. Is this a technology that it is in the public's interest to promote, or is it something being foisted on an unwilling public with costs for a globalised manufacturing industry? Ministers will need to make up their minds sooner rather than later.

¹ [HC Deb 7 April 2025, vol. 765, col. 594 onwards](#)