Summary of the OLEV & REA Joint Roundtable Webinar – Getting to 2035

*An REA member roundtable webinar to discuss policy requirements with the **Office for Low Emission Vehicles (OLEV)** needed to achieve the proposed phase-out of new petrol and diesel car and van sales by 2035.*

Held: 16 March 2019, 10.30 – 12.30pm.

Welcome and Introduction

The webinar was hosted at MHA MacIntyre Hudson's offices in Moorgate, on 16 March. Thanks to MHA who kindly provided the room and webinar platform for the meeting. MHA MacIntyre Hudson have developed specialist expertise in a dedicated Renewable and Sustainable Energy Sector team, and provide a wide range of advice including about tax and support with raising investment funds. They also have automated and electric vehicle experts who provide advice to companies working in that sector.

Tanya Sinclair, Director of Policy UK & Ireland at ChargePoint, chaired the meeting and opened it by explaining that the main objective was to provide feedback to OLEV about what opportunities and barriers there are likely to be for the sector to meeting the grid and production demand of the 2035 target.

OLEV outlined the reasoning behind the government's decision to push for the 2035 electrification of new cars. They noted that the government has recognised that the decarbonisation of transport will be crucial to achieve Net Zero by 2050. They argued that decarbonising transport in the 2030s rather than leaving it until the 2040s could have a big impact on emissions. For this reason, OLEV is consulting on key aspects and questions around the transition, e.g. should the government be phasing out hybrids? What is the most important and complex challenge? Is it, for instance, the rolling out of infrastructure, the supply of electric vehicles to the population, or consumer resistance? Equally, where are the opportunities? Are they in job creation and, if so, where? Could there be job creation in the auto industry? How can government help the industry to reach an earlier roll-out date? Is it reduction in air pollution?

OLEV indicated that the government is looking at the wider 'consumer offer,' which touches on maintenance, customer service, and payments for public charge points, as well as is reviewing the scope of the National Charge Point Registry.

OLEV highlighted that they are looking for written evidence on the 2035 question by the end of May and that it would be extremely helpful for industry to provide as much as possible. Data provided to OLEV by the industry can be kept confidential if requested.

Discussion – Part 1 – Barriers

Rural

It was noted that rural infrastructure is a significant concern. Investment so far has primarily been in urban areas, making it harder for farms and other contributors to the rural economy to consider electrifying their vehicles. OLEV concurred with this and said that part of the planning going forward was 'levelling up' between rural and urban areas. The government has given power to local authorities for relating to EV charging in the form of the On-street Residential Chargepoint Scheme.

Investment

It was raised that there is a lack of certainty for investors looking at EV infrastructure companies, particularly around whether there is data to support their business case. The point was made that open data would be encouraging for prospective investors. Queries about the challenges in the financial sector were also discussed - for instance, the revenue gained from chargepoints is currently highly subject to market volatility in the cost of electricity, as well as being dependent on increasing take-up of electric vehicles (rates for which are unclear). This is off-putting for investors, particularly those with debt-based products who want clarity on the performance and returns of assets.

It was agreed that investors are reluctant to invest without guaranteed revenue, however OLEV suggested that they were reluctant to interfere in the market with incentives when there is already high growth. It was suggested that information about the barriers to guaranteed revenues would be useful if made available as part of the consultation. Comparing the investment situation for the charging network to the push for investment in renewable energy around 2010, it was noted that at that time the government put in place support to help businesses with the shift. It was highlighted that sharing information about solutions to uncertainty around investment returns, and identifying solutions that can be replicated across the country, would be useful for those looking to facilitate investment. Although the pay-as-you go model creates uncertainty for lenders, it is not a total barrier to lending.

OLEV responded that they are conducting research into investment barriers and therefore feedback from industry representatives is very welcome.

Regulation & Investment

Another investment concern raised was the uncertainty for the industry about which regulatory approach the government will choose, particularly relating to standards and communications systems. More than one stakeholder said that the industry feels it is unclear whether the government will choose to drive the technical roadmap or whether the industry will be allowed to shape its own path. For instance, will the government mandate stations to join the smart meter network or will the market be allowed to define the technical roadmap? The REA noted that although it will not comment on which direction the UK should take in terms of a particular standard or communications protocol, future regulations should be in line with international standards.

Q & A

- *Payments and installation* – it was raised that the tendency for installers' payments to be made some time after installation, causes cash flow problems for installers and therefore limits the amount of installations they can perform. The REA concurred and also noted that there is some concern around the quality of applications and the length of time & multiple processes required for conducting DNO applications. REA also noted that work is going on to standardise DNO systems and that OLEV could help by putting some pressure on the ENA to ensure delivery of the workstream.

- *The new £500 million rapid charging fund* – This is welcomed by the industry. There was agreement that whilst there is good provision of public charging for the current population of electric vehicles, the scale and power output of the network would have to substantially increase as the sector scaled-up.

- *Regulation barriers* – an attendee said that the new Targeted Charging Review reforms by Ofgem will make installation even more difficult, and suggested that the discussion should cover how the market might respond.

- *Phasing out hybrids* – it was asked what OLEV's rationale is for including hybrids in the proposed 2035 phase-out. OLEV responded that in order to get to net zero we need to phase out combustion vehicle sales by 2035, according to the Committee on Climate Change. However, OLEV is interested in hearing comments on it. The REA's Renewable Transport Fuels representative noted that encouraging additional take-up of biofuels in hybrid vehicles could help reduce emissions. OLEV agreed and said there was some debate to be had around whether biofuels should be continued to be used past 2035 in ordinary vehicles, or whether they should be used in aviation, larger vehicles and shipping only? The government has not yet reached a decision on this and is something to explore in the consultation, with the ultimate goal of reaching net zero as soon as possible.

  A query was raised around how the government is measuring good performance from biofuels and hybrid vehicles, noting that there is a wide range of performance among hybrids. OLEV stated that there is good international evidence but not much UK-specific evidence, and this is something they are looking to explore in the consultation. The evidence tends to show that the greater the electric mileage capacity of hybrid vehicles, the more they will be used in electric mode. The government wants to identify how to encourage the use of hybrids in electric mode.

- *Rapid charging hubs* – Two issues were raised around these – 1) that investment needs to be efficient, and 2) that access and convenience to the power points is important for take-up. It was argued that where there are clusters of charge points, to be efficient investment, chargepoints need to be at scale. In addition, the location of strategic hubs will be crucial in facilitating rapid development and adoption. Particularly in the context of fleet managers and other commercial operations – chargepoints will need to be on route so that choosing electric vehicles does not complicate journeys.

  OLEV agreed that if we choose a strategic hubs model, there will need to be enough hubs at the start to make it viable. So as part of the consultation OLEV is looking at motorway service stations and what support these will need to get a significant number of chargepoints in place. This will be important to gain confidence from commercial operators and the public.

Some members are doing work on charging networks at the moment and may be able to feed this into the consultation.

Discussion – Part 2 - Opportunities

Skills and Training

Returning to a broader discussion, the Chair raised the topic of skills and training and where the opportunities are for scaling up the industry. It was noted that when the industry first appeared there was something of a 'wild west' in terms of skills and training, with many installers working in the charging sector receiving no or limited training, and that this is now starting to change. The REA pointed out that it and members are exploring how further work can be done to standardise skills and expand training programmes.

Long-term infrastructure development

It was pointed out that the electrification of vehicles could provide something of a blueprint for similar moves to decarbonise aviation, shipping and freight lorries. This is an area where perhaps investment could move ahead of need. The financing of large vehicles, planes and ships needs to be explored. However, if this scoping work does not begin now, it could be a hindrance to decarbonising the industry in the future.

It was also stated that at the moment, although the industry is very pleased that there will be rapid charging investment, there is a concern that many electric vehicles cannot currently cope with rapid charging and rapid chargers are expensive to install. This might be reflected in the price of charging for consumers – raising the question of whether there will be sufficient incentive for them to switch to electric vehicles. However, the opportunities could be in innovative approaches to on-street charging. For instance, companies could reserve on-street charging points in the day, and domestic users use them at night. The member highlighted the need for low cost and innovative solutions so that individuals use chargers rather than charging from their domestic plug sockets.

OLEV agreed that the cost of rapid chargers and on-street charging was an important issue that they are looking into. Discussion ensured on the advantages and disadvantages of on and off-street charging. It was noted that Oxford City Council are trialling new cable measures, to identify whether cables can run in gutters. It will be important to have a fair consumer offer for on-street charging.

Public Education

It was noted that there are needs and opportunities around public education. Many people do not understand the technology and there is a need for more accessible communication with members of the public, so that they are able to understand more about the technology available. This will enable them to make more informed choices and stop members of the public being discouraged from taking up electric vehicles because of educational barriers. The Chair agreed and the REA explained that it is doing work on this at the moment. It was said that there is an impression even among politicians that rapid chargers will enable electric vehicles to be charged in as little as 5 or 10 minutes, and not much understanding that most electric vehicles are currently not capable of taking this speed.

OLEV agreed that there is a need to disband myths and misconceptions.

£500m rapid charging fund

A question was asked when the specific policies around how the fund can be used will be made available. OLEV said that, as the fund was announced the previous week, this is still being finalised. It is not linked to the policy in Northern Ireland.

It was noted that there is already considerable start-up investment going into motorway chargepoints. Comments that rural energy providers will be keen to link up with these start-ups to help meet their energy requirements.

Conclusion

Concluding, the Chair remarked that it is clear a breadth of partners will be required to achieve the phase out of combustion vehicles. As there is scepticism from within the wider sector about the feasibility of this target, the industry will need to continue to push for investment. Although the task is complex, it is not insurmountable. The Chair encouraged participants to submit written evidence, particularly any case studies, to OLEV, as part of the consultation.

REA concluding note: *we would like to reiterate OLEV's call for evidence, in particular for existing case studies that have been performed by industry members. As mentioned above, this evidence can be submitted in understanding that it will be used confidentially if requested.*

For further information, please contact Daniel Brown at the REA – dbrown@r-e-a.net

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