

REVIEW OF 4TH CARBON BUDGET (2023-27) SMMT RESPONSE TO THE CALL FOR EVIDENCE FROM THE COMMITTEE ON CLIMATE CHANGE

1. The Society of Motor Manufacturers and Traders (SMMT) attended the CCC's stakeholder workshop on the review of the 4th Carbon Budget (4CB) on 1 August and considered it to be a productive meeting, with attendees setting out some key issues, such as:
 - At the time it was set, there was an understanding that the 4th Carbon Budget would be revised downwards in the absence of a post-Kyoto global agreement.
 - The economic crisis has been deeper and longer than anticipated when the 4CB was set. This illustrates the need for flexibility in 4CB to allow for uncertainties in the interim.
 - The importance of considering the implications of the economic crisis has for the international political appetite for ambitious policies on climate change and the importance of aligning industrial and carbon objectives.
2. The stakeholder workshop also considered the options in light of the significant headroom between the 4CB and the latest emissions projections:
 - Investment certainty is a valuable cornerstone of business planning and noting the headroom, but retaining the existing ambition level of the 4CB, could offer more flexibility for policymakers to refocus objectively on the most cost effective sectors in which to deliver CO₂ reductions (using the marginal abatement cost curves).
 - Equally important is the need for UK businesses to remain competitive compared to other EU Member States and the rest of the world, especially in a global sector like automotive. If UK policy were to go further, at an earlier date, than in other countries, then the UK traded sector would be net sellers of EUETS permits. Apart from the important fact that SMMT members' core business is vehicle manufacturing and not trading in carbon markets, the price at which UK industry can sell excess carbon permits (and price volatility) is critical to whether becoming a net seller is a viable investment or not.
 - Furthermore, if UK industry invests to make deeper CO₂ cuts than in other countries, then it is critical that their early action is **guaranteed** to be rewarded when the baseline is set for any further carbon reductions in the 2030s.
3. SMMT members and the UK government have collaboratively developed the [Automotive Sector Industrial Strategy](#) (July 2013), which sets out our shared ambitions for the UK to be a leading market, innovator and producer of ultra-low emission vehicles. SMMT is therefore keen that 4CB reflects the shared goal a strong, growing and globally competitive manufacturing sector in the UK.
4. Fleet renewal is critical to decarbonising road transport and, as recognised by the Chair of the 1 August meeting, CCC should review how fleet renewal has been impacted since the 4CB was adopted. Since the crisis, there has been plenty of positive news in UK vehicle production and investment, but:
 - [EU car registrations were down in each of the last 5 years](#) (UK exports >80% of vehicle production) and the [2012 UK new car market remained 15% below pre-recession levels](#).
 - Some vehicle facilities are struggling and [commercial vehicle registrations are badly depressed](#).
5. Regarding the feasibility of the CCC scenarios, SMMT emphasises the importance of a technology neutral approach and of reflecting on the need for supporting measures to be strong enough to deliver the market transformation required. SMMT is concerned that CCC's emphasis on some technologies is not aligned with experience to date and with industry expectations. For instance, trucks being powered by hydrogen fuel cells beyond 2030 (despite R&D focussing in other areas), low biofuel uptake (biofuels are an important tool in the automotive technology [roadmaps](#)) and ambitious electric vehicle uptake. For instance, regarding EV uptake:
 - CCC's own papers illustrate that there is a widening gap between its indicators and actual EV uptake year by year.

- [ACEA¹](#) expect that 3-10% of the new car market might be plug-in by 2020-25.
- The Carbon Plan anticipates transformation of the UK market to 60% plug-in-vehicles by 2030, which is extremely ambitious and would require extraordinary measures from all parties involved in an integrated approach (government actions, technological developments, costs, and more). The consumer's position and likelihood of significant behavioural change is yet to be fully understood.
- The CCC and government scenarios must be realistic, recognise these challenges and include putting in place policies to deliver the scale of market transformation required from the existing market position.
- The plug-in car and van grants play a critical role in developing the market for low carbon vehicles and supporting behavioural change. SMMT seeks long-term certainty on consumer incentives, supporting infrastructure development and decarbonisation of the grid to enable early market development.

SMMT trusts that this is helpful input and would be happy to discuss it further.

About SMMT

SMMT is the leading trade association for the UK motor industry, supporting the interests of the UK automotive industry at home and abroad, promoting a united position to government, stakeholders and the media.

The automotive industry is a vital part of the UK economy accounting for £59 billion turnover and £12 billion value added. With more than 700,000 jobs dependent on the industry, it accounts for 10% of total UK exports and invests £1.7 billion each year in automotive R&D.

Since 2000, huge strides have been made to reduce the environmental impact of its products throughout the life cycle. Improvements in manufacturing processes mean that in the last decade, energy used to produce each vehicle is down 43%, water use has been cut by 48% and 83% less waste enters landfill sites. Average new car tailpipe CO₂ emissions have also been slashed and are down 23% versus 10 years ago to 133g/km CO₂.

For more details, see SMMT's Sustainability Report 2013 and Motor Industry Facts 2013 at www.smmt.co.uk/publications.

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¹ The European Automobile Manufacturers Association (ACEA)