# Automotive 2025 and Beyond

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- Outlook for Auto
- Mandate
- Electrification
- Trade
- Some Policy thoughts

# UK *new* car market growing again

- 2024: up **3.3%** so far this year but diesel down 13%, petrol down 2%, BEVs up 14%, PHEVs up 23% and HEVs up 11%.
- Previously stalled supply due to chip shortages- improved in late 2023.
- **Big** shift away from diesels ongoing - many firms now phasing out completely
- Economy slowed: UK is *3-5% smaller* than would have been otherwise, post Brexit.
- EV sales growth driven by business sector. Private sales growth has largely stalled. Why?

# Used car market

**UK USED CAR TRANSACTIONS:**
**Q3 2024 AND % CHANGE ON 2023**

| | Q3 2024 | Q3 2023 | % change | Year-to-date 2024 | Year-to-date 2023 | % change |
|---|---|---|---|---|---|---|
| Used cars | 1,965,811 | 1,884,160 | 4.3% | 5,897,129 | 5,563,576 | 6.0% |

- Used car market up by 4.3% July-Sept
- 7th successive quarter of year on year growth
- Over 53K used BEVs sold, up 57%, with 2.7% market share (up from 1.8%).
- Sales of plug-in hybrids and hybrids up 29.0% and 35.8% respectively.
- 1.1m petrol (up 5.7%) and 0.679,797 diesel vehicles (down -3.9%) sold, together accounting for 91.7% of the market.

# UK car production

- 2024 Year to date: -10.%
- +17% (2023); -9.8% (2022); -6.7% (2021); -29% (2020); -14.5% (2019); -9% (2018).
- Car exports down 14% so far this year.
- State of China and EU markets.
- Stalling private sector demand for EVs.
- Longer term, UK could get back to around 1.5m by 2030 and 1.7m by 2035, BUT needs support in terms of electrification.


**Photo:**
**Matthias Schmidt**

# Diesels on the way out…

- Major market pull outs: JLR, Nissan, Toyota, Suzuki, Mitsubishi, Fiat Chrysler, Porsche, Volvo, Honda and Renault are all phasing out passenger vehicle diesel production and sales.
- Peugeot: “made a mistake with pushing diesels”
- Others to follow?
- Only BMW has committed to diesel thus far
- Some segments still diesel dominated e.g. large SUVs - challenge for EVs

# Year to date new car sales

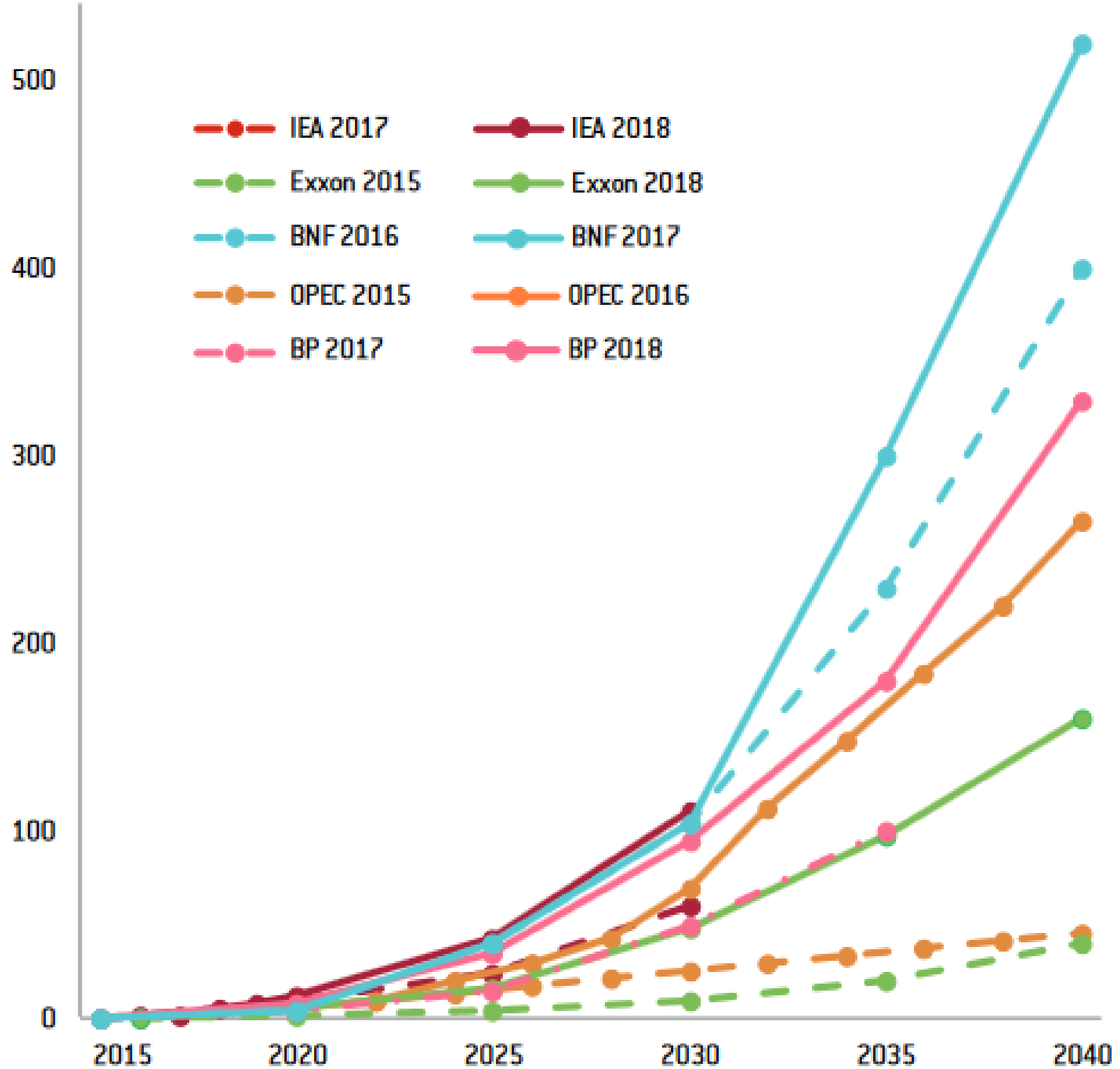
## YEAR TO DATE

| | YTD 2024 | YTD 2023 | % change | Mkt share -24 | Mkt share -23 |
|---|---|---|---|---|---|
| Diesel | 106,610 | 122,211 | -12.8% | 6.4% | 7.6% |
| Petrol | 888,925 | 905,582 | -1.8% | 53.6% | 56.4% |
| BEV | 299,733 | 262,487 | 14.2% | 18.1% | 16.3% |
| PHEV | 138,775 | 113,278 | 22.5% | 8.4% | 7.1% |
| HEV | 224,339 | 201,879 | 11.1% | 13.5% | 12.6% |
| **TOTAL** | **1,658,382** | **1,605,437** | **3.3%** | | |

# BEV Take Up…

- As range improves and battery cost fall (to **under $100 per kilowatt-hour**) over next decade, tipping point for BEVs in **mid to late 2020s.**
- Forecasts vary as to when BEVs will cost the same to make as ICE cars - BNEF: <u>2027</u>
- **But <u>not</u> there yet.**
- Up front costs still put off private buyers – UK govt acted too soon in cutting subsidies to buy
- Charging infrastructure also a major deterrent
- 1/3rd of UK households don’t have a drive – VAT rates on domestic/public charging.

**Figure 10: Global EV deployment forecasts**

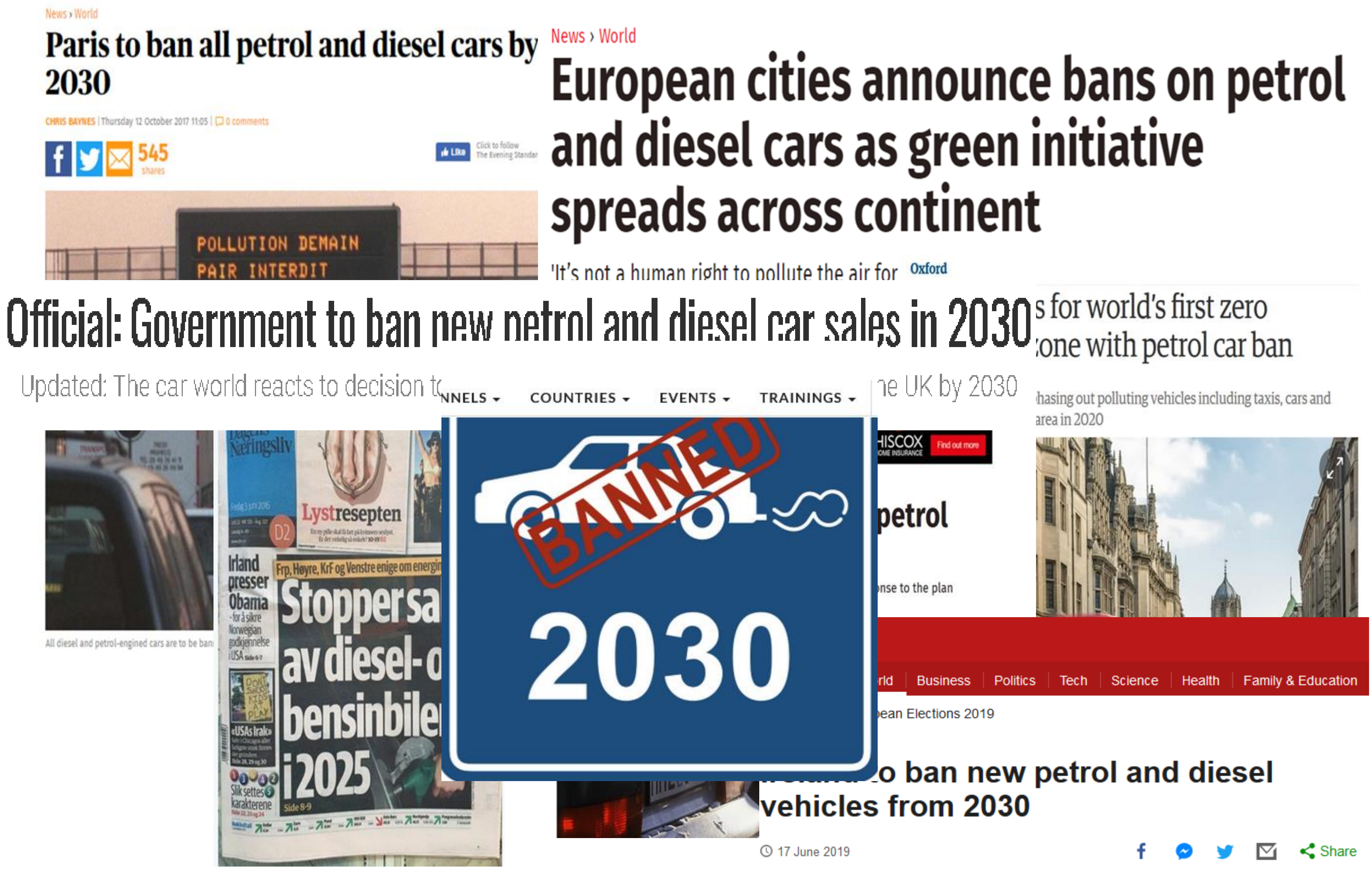



Source: Bloomberg New Energy Finance.

# 2030 (not 2035 or 2040?) ICE Ban

- UK Petrol/diesel ban from 2030 it seems…
- Last govt had shifted the ban back to 2035
- Hybrids allowed until 2035 (but what form? Will be critical)
- SMMT: 2030 was always a ‘date without a plan’
- ‘Moonshot’ that needs a NASA
- Mucking about with ban dates: much uncertainty for business.
- Mandate – starts at 22% this year, rising to 80% by 20230 (used in California and China).

# Déjà vu all over again? The ICE Ban Cometh… in 2030 again. Again.



# The Mandate

- Introduction under last govt was shambolic.
- Starts at 22% this year increasing to 80% by 2030, but some flexibility.
- Car firms can gain points by reducing CO2 emissions from ICE cars and can also buy credits.
- Real targets estimated (@newautomotive) as: Stellantis 21.2%; VW 18.4%; Ford 17.4%; Toyota 10.4%; Nissan 16.4%...
- BUT Ford at only 9.3% and Renault 8.3%
- Meanwhile BMW on 24.9% and Mercedes 25.3%

# The Mandate

- Big challenge for Nissan, JLR, Stellantis…
- Current set up: fines domestic producers but not Chinese BEV importers
- Paradox for policy makers: rapid EV take up vs industrial strategy and UK manufacturing
- Business Secretary last night: relax BEV mandate & fast track 1 month consultation.
- If 2030 is back on, needs much more than just the mandate…
- At the moment it's all sticks and no carrots

# China Challenge (& Trump is coming…)

- China: Largest producer of BEVs in the world and largest market.
- Has been making BEVs for c25 years. Has a cost advantage as high as 40%.
- Major Chinese subsidies ($100bns)
- Big share of EU BEV market.
- EU: introducing tariffs on Chinese BEVs – as high as 35%. Enough? US and Canada – over 100%.
- Trump: possible tariffs on car imports? Will affect UK and European producers most.
- UK: will it follow EU lead?

# Charging Infrastructure issues

- Recent estimate: UK will need 400,000 public chargers by 2030, up from 71,000 currently.
- Around 1m in total at the moment.
- Annual rate of installations must increase: 10K a year to 35K over next decade
- Mix of charging solutions: fast, destination, at home, street.
- Interoperability
- Think holistically like Norway
- Role for new National Wealth Fund? (UK has lost access to European Investment Bank).

# Some big policy issues

- Industrial strategy for EVs; technology, skills, supply chain AND *consumer take up*.
- Ex Govt's industrial strategy / auto sector deal was a start but didn't go far enough on support for take up, EV supply chains, charging infrastructure… + under Johnson, industrial strategy was scrapped.
- Labour: Invest 2035 Industrial Strategy Green Paper. Promising but needs fleshing out.
- Long term commitment and certainty re take up of BEVs but even 2030 is a 'date without a plan'
- 'Mandate' started this year – too ambitious?
- China. Tariffs?

Thanks for listening.

Comments, Criticisms, Questions?

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