**LowCVP Budget Response - New car fuel economy label adapted to reflect VED changes**

# LOW CARBON VEHICLE PARTNERSHIP NEWS RELEASE

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**Partnership welcomes budget focus on low carbon vehicles and fuels**

*New colour-coded car fuel economy label illustrates tax changes for 'gas guzzlers' and low carbon cars*

The Low Carbon Vehicle Partnership welcomes the Budget 2006 focus on incentives for low carbon vehicles and fuels.

The changes to Vehicle Excise Duty (road tax) further signal the Government's intention to encourage a shift away from less fuel efficient/higher carbon cars. The 'environment label' which appears on all new cars following last year's LowCVP-brokered deal will be changed to reflect the Budget tax changes and the introduction of a new 'Band G'. (***Examples of how the new labels may look are available on the LowCVP website***)

The changes to Company Car Tax with the introduction of a lower 10% rate for cars with emissions below 120g/km in 2008/9 will provide company car drivers with a further incentive to choose the most efficient vehicles and should encourage manufacturers to supply new models qualifying for the lower tax band into the UK market.

The LowCVP has been leading efforts to develop carbon certification and sustainability assurance schemes as part of the Renewable Transport Fuels Obligation (RTFO) which mandates that petrol and diesel will contain 5% biofuels content by 2010/11. The Partnership welcomes the ongoing commitment of the Government - highlighted in the Budget - to ensure that biofuels are delivered in a way that maximises their greenhouse gas savings while ensuring they are also sourced sustainably. The combination of stretching targets with a package of duty-incentives and buy-out penalties for companies that fail to meet targets aims to strike a balance between the needs of both biofuels producers and the oil industry. The announcement provides a sound basis for the development of a strong UK biofuels industry by 2010.

Commenting on the Budget, Greg Archer, Director of the LowCVP said: "We welcome the Budget's focus on providing incentives for low carbon vehicles and fuels to help meet climate change targets. While the monetary amounts involved are relatively small, they are a clear signal to producers and consumers alike of the likely direction of future tax policies."

**Attachments**: The colour-coded label which appears in all new car showrooms will be adapted to reflect the VED tax changes and the introduction of VED 'Band G'. Example of how labels may appear for a 'G Band' high carbon and a 'B Band' low carbon car are available from the LowCVP Secretariat or website: www.lowcvp.org.uk.

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Notes to Editors

1. The new colour-coded fuel economy label was introduced to car showrooms from July 2005. The new label enhances the pre-existing statutory label by incorporating clear colour coding as well as tax and running cost information.

2. The label has been introduced years ahead of likely EU legislation and is the result of a voluntary agreement by car makers following discussions with environment groups and other road transport 'stakeholders' under the auspices of the Low Carbon Vehicle Partnership (LowCVP).

3. The Low Carbon Vehicle Partnership was set up in January 2003 with funding from the DfT and the DTI with a mandate to accelerate the shift to low carbon vehicles and fuels. The establishment of a stakeholder partnership was one of the central actions arising out of the Government's 'Powering Future Vehicles' strategy that identified greenhouse gas emissions reduction as a priority of future transport policy. The Partnership already comprises over 190 members representing government, the motor and fuels industries, vehicle users, environmental groups, consumer representatives and others. The Partnership is coordinated by a secretariat based in central London.

4. The road transport sector is responsible for nearly a quarter of the UK's emissions of carbon dioxide, the main cause of climate change.

Through the partnership approach, UK vehicles, fuels and related industries should be better placed to seize market opportunities in a future in which environmental concerns are set to be a major priority.

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