

**Graham Smith Speech to LowCVP Conference – 15.6.06
Final**

**The Low Carbon Vehicle Partnership
Achievements, Challenges, Plans**

Annual Conference

15th June 2006

Graham Smith

Chairman, Low Carbon Vehicle Partnership



Minister, Ladies and Gentlemen, I would first like to add my welcome to this the Third Annual Conference of the Low Carbon Vehicle Partnership.

Within my presentation this afternoon I would like to review the achievements of the Partnership and its members since our last conference. I will look forward to the challenges before us, and our plans to address them during the coming year. I will also reflect on the rate of progress, and barriers, to progressing our mission to accelerate a sustainable shift to low carbon vehicles and fuels and, through this, to create opportunities for UK business.

Low Carbon Vehicle Partnership

Accelerating a sustainable shift to low carbon vehicles and fuels in the UK

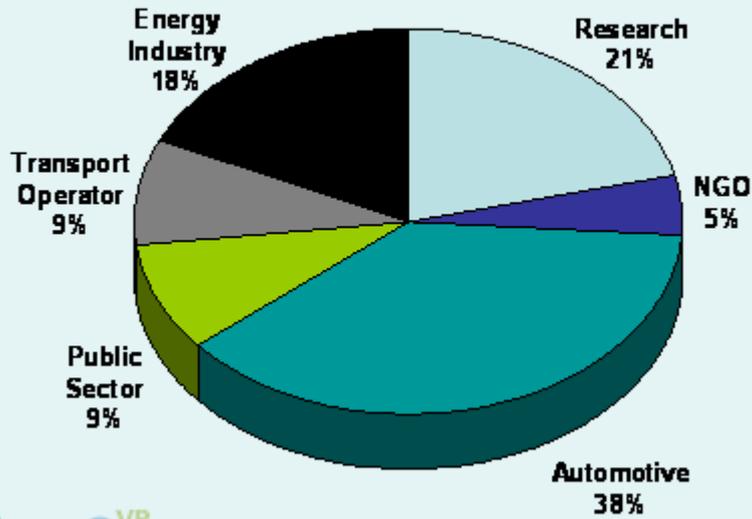
Stimulating opportunities for UK businesses



LowC^{VP}
low carbon vehicle partnership

Since it was established in 2003, LowCVP has grown from modest beginnings with around 40 members to a diverse and mature multi-stakeholder partnership of over 200 members. Organisations committed, through their own efforts and through joint activities facilitated within the Partnership, to accelerating the shift to low carbon vehicles and fuels.

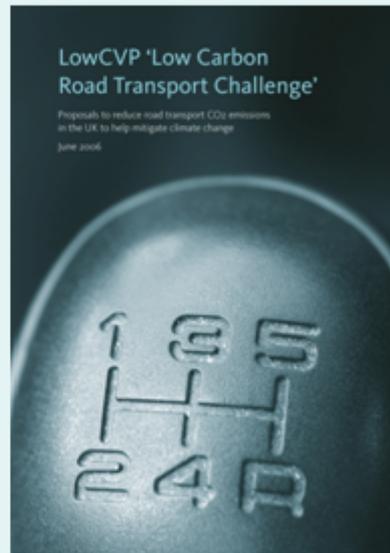
205 members... and growing



One key to the success of LowCVP is the strength and diversity of our membership. In the last year, membership has grown by about a third with stakeholders drawn from a wide spectrum of organisations with an interest in reducing road transport greenhouse gas emissions. Diverse membership also creates the challenge of reconciling conflicting priorities and business interests to achieve meaningful consensus. The last year has nevertheless seen the Partnership’s members make notable progress in several areas.

Key achievements 2005/6

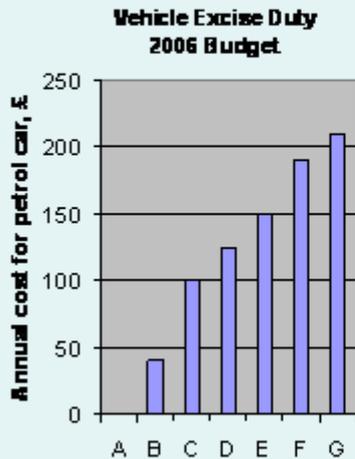
- Support for the development of the Renewable Transport Fuels Obligation
- Successful launch and establishment of Cenex
- Roll-out of the car labelling scheme
- Growth in membership by a third
- LowCVP Challenge
- Car buying behaviour research



Amongst our most notable achievements I would mention:-

- Our input to the development of the Government's Renewable Transport Fuels Obligation.
- Our support for the successful launch and establishment of Cenex, the new low carbon and fuel cell centre of excellence.
- And the roll out of the voluntary car labelling scheme.

The RTFO is a positive development, but weak incentives for low carbon cars remain a serious market barrier



LowC^VED Band
low carbon vehicle partnership

The efforts of the Partnership and its members cannot, however, mask the limited progress being made, overall, in tackling road transport greenhouse gas emissions. Whilst road transport is one of the more expensive and difficult sectors from which to deliver reductions in greenhouse gas emissions, there remains much more that could be done.

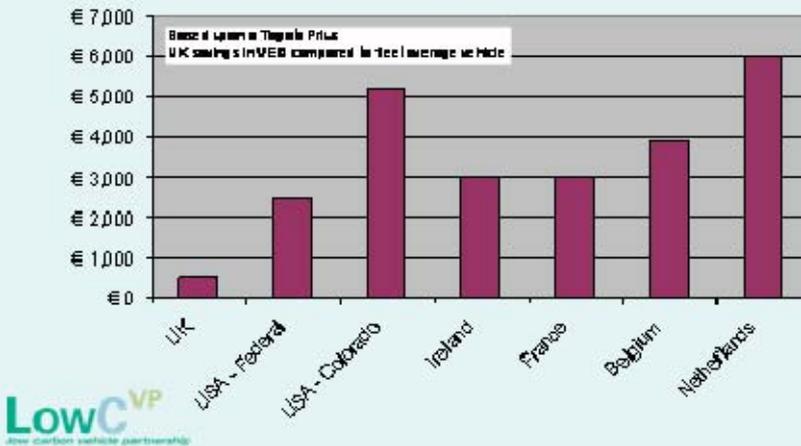
The announcement of the Renewable Transport Fuels Obligation in November 2005 has been a very positive development. But the new Climate Change Programme, whilst acknowledging that Government was unlikely to achieve its 20% carbon dioxide reduction target by 2010, failed to announce new measures to reduce road transport emissions. It did however recognise the achievements of the LowCVP and committed the Government to continuing to support the Partnership – although a long-term funding structure continues to remain elusive.

The introduction of a lower level of company car tax for the most fuel efficient vehicles was a welcome development in the Budget. The widening of the differential between Vehicle Excise Duty bands and the introduction of a new Band G was also welcomed by most

LowCVP stakeholders. But incentives for low carbon cars remain well below the £1000 to £1500 level at which DfT's own research indicates consumers will consider switching to smaller or alternatively fuelled vehicles.

UK incentives for low carbon cars are small compared to other countries

Savings over 3 years through the purchase of a low carbon car



In comparison to many countries, UK incentives to encourage consumers to purchase low carbon cars are limited; and remain a major barrier in encouraging a market shift.

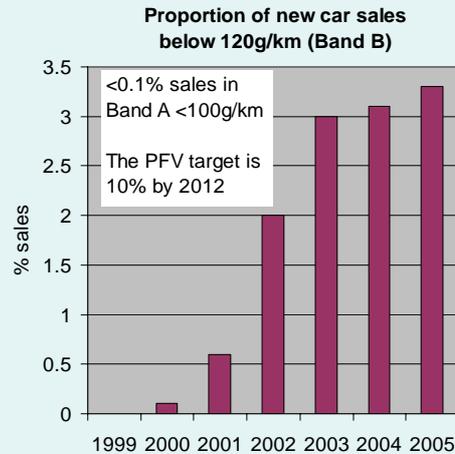
In the last week, the Transport Minister has announced that proposed new grant programmes, including those for low carbon cars and buses, will not now be introduced. Grants for low carbon cars were not a panacea, and could not deliver widespread market transformation without a substantial increase in total funding. Grants were, nevertheless, one of the few significant incentives available to stimulate the market and encourage the sale of low carbon vehicles and their demise, without any new tangible and more effective incentives being introduced, is regrettable. Nevertheless, the Partnership will continue to engage constructively with the Department for Transport and with the Treasury to develop new and attractive measures to stimulate the market.

Sales of the most efficient cars remain a small proportion of the overall market & are growing slowly



Efficient-C – too expensive for PSA to bring to market at present

LowC^{VP}
Lower carbon footprint. Visible. Power. Drive. Reduce.



The non-availability of grants is likely to further weaken the market for the cleanest vehicles, those in VED Bands A & B, most of which would have benefited from the proposed grant programme.

In 2005, just 6 vehicles in Band A were sold compared to a target of 10% of total sales by 2012. The proportion of vehicles sold in Band B increased rapidly to 2003 but recent progress has been more modest. Existing Powering Future Vehicles Strategy targets will not be met without further incentives and fewer manufacturers will be willing to supply vehicles with available low carbon technologies.

LowCVP will be producing advice to Government on the target and support mechanisms to encourage the sale of low carbon cars as part of its response to the review of the Powering Future Vehicles Strategy. Those attending the workshop later this afternoon will have an opportunity to feed into this process.

An illustration of the problem is provided by the Efficient-C project of Ricardo, QinetiQ and PSA Peugeot Citroen, run under the Ultra-Low Carbon Car Challenge – a Government funded programme to produce a Band A family sized car. The challenge has been achieved with a diesel hybrid vehicle, but PSA have indicated the additional cost of £3,000 will need to be significantly reduced before they would consider mass-production.

Just 19 low carbon buses were sold in 2005

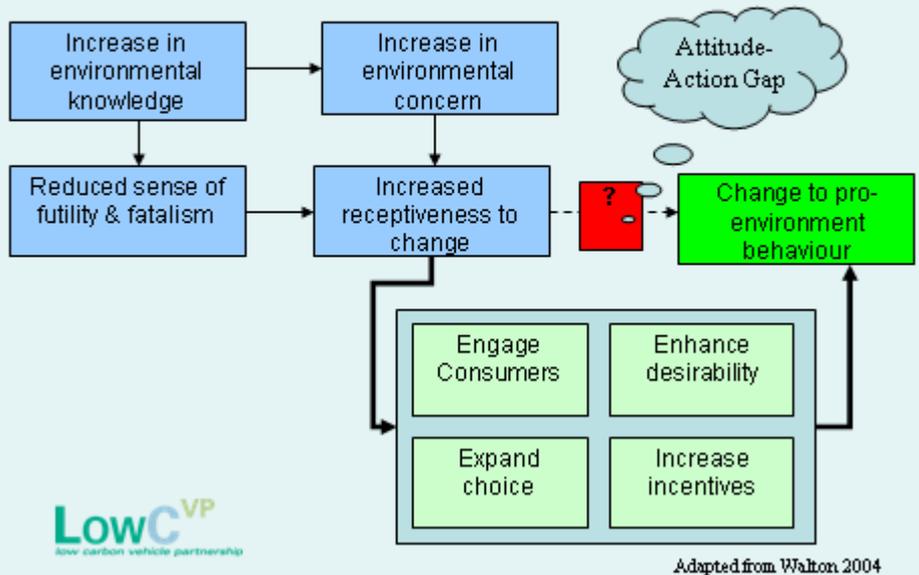


The non-availability of grants has had an even greater impact on the market for low carbon buses. In 2005, just 19 low carbon buses were sold compared to the target of 600 buses established by the Powering Future Vehicles Strategy. In a largely deregulated bus market, in which subsidies are paid on the basis of fuel consumed, the business case for low carbon buses remains hopelessly weak.

The Bus Working Group roadmap for delivering the target is close to completion and will be published in the autumn as part of our review of the progress being made towards the Powering Future Vehicles Strategy targets. A workshop later this afternoon will help towards finalising the conclusions.

I would like to take this opportunity to formally express my thanks to Adrian Wickens of Volvo who has ably chaired the Bus Working Group before stepping down in the spring. If the bus target is to be more than just an aspiration, and the efforts of Adrian and his colleagues in the Bus Group are not to be in vain, action is needed to address market failings created by current arrangements.

Addressing the “attitude-action” gap remains the key challenge to stimulate demand for low carbon cars



Further incentives are a key, but not the only step required to encourage consumers to purchase low carbon cars. Research commissioned by the Partnership has examined car buyer attitudes and how to encourage the purchase of more environmentally friendly vehicles. The work highlighted the “attitude-action” gap where, despite a concern for the environment, few consumers choose low carbon vehicles.

The challenge is illustrated on the slide which shows that increased knowledge and concern for the environment makes consumers more receptive to considering environmentally friendly options but that, at present, this only translates into action for a minority. Further work has identified four strands of activity needed to bridge the gap and these are also shown on the slide.

In addition to incentives, engagement with consumers to help them understand the benefits of new low carbon technology and dispel myths and preconceptions is needed. The Partnership welcomes the Government’s announcement of a communications

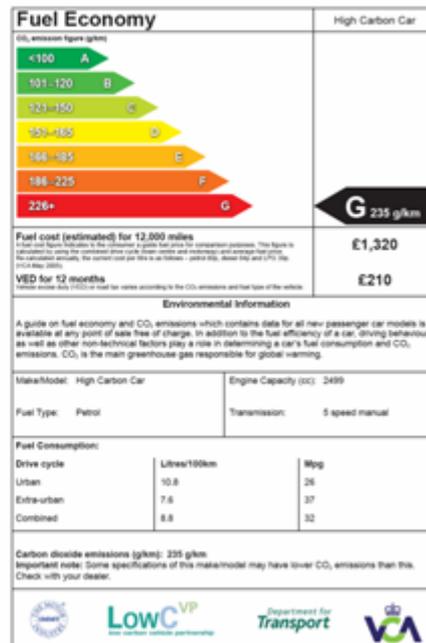
programme in this area and looks forward to working with the Department for Transport in its development.

Increasing demand for low carbon vehicles also requires greater availability of low carbon models across all segments of the market and steps to enhance the desirability of low carbon cars through positive promotion and advertising.

**Car label launched
by Stephen Ladyman
July 2005**



LowCVP
low carbon vehicle partnership



The Partnership and its members are making progress in each of the areas needed to increase demand for low carbon cars. The launch and roll-out of the car labelling scheme has been a major achievement for both the Partnership and the Society of Motor Manufacturers and Traders. A successful launch of the label was held with Stephen Ladyman in June 2005 and you will hear about the success, and remaining challenges of the scheme, in the following presentation.

The SMMT has deservedly been nominated for one of the forthcoming National Transport Awards for its efforts in delivering a voluntary labelling scheme, and special mention should be made of the unstinting commitment of the SMMT's Simon Barnes who chairs the LowCVP Passenger Cars Working Group.

Availability of low carbon models is increasing steadily in all segments of the market

Honda Civic Hybrid



Lexus GS450H



Availability of low carbon models is increasing steadily in all segments of the market

Saab 95 - E85



Ford Focus FFV



Availability of low carbon models is increasing steadily in all segments of the market

Citroen C2 - Stop-Start



Peugeot 107



The range of low carbon vans is also increasing

Modec Van - electric



Mercedes Sprinter Van - with stop-start option



NB: There are 4 slides in the presentation to illustrate different vehicles – they will advance automatically – you do not need to click the mouse

In response to the need for new low carbon models the motor industry is responding with a range of technology solutions. Lexus with the RX400h and GS450h, and Honda with the Civic have introduced new hybrid models.

Saab has launched an E85 model of the Saab 95 and is supporting the development of a chain of E85 filling stations at Morrison's supermarkets. Ford has introduced a Flex-fuel Focus.

Citroen have launched versions of their C2 & C3 with stop-start technology, an option also now available on the Mercedes Sprinter van.

The Toyota/PSA joint venture has successfully launched onto the market a range of sub-110g/km super-minis marketed under the Toyota, Peugeot and Citroen brand names.

New electric powered vehicles are also becoming available with advances in battery technology. At the recent Commercial Vehicles Show, Modex launched their futuristic electric van. Hybrid models are being developed by Azure Dynamics.

The limited range of low carbon models across all sectors of the market does, however, remain a barrier to significantly reducing new car CO₂ emissions and reflects the continuing low demand and weak incentives for the purchase of more efficient low carbon vehicles.

LowCVP developing cutting edge, practical schemes for carbon certification and environmental assurance of biofuels



A hugely significant development, in which the LowCVP has made a considerable contribution, has been the announcement of the Renewable Transport Fuels Obligation. LowCVP has undertaken cutting edge work on biofuels over several years. Its recent activities have highlighted the importance of developing robust carbon certification and sustainability assurance. This will ensure biofuels deliver meaningful greenhouse gas savings without creating other forms of environmental harm or social inequality.

The Partnership's feasibility study, which examined how these issues could be included within the RTFO, led to a Government announcement that reporting of greenhouse gas savings and sustainability would be a mandatory requirement for obligated companies. Further work is leading to the design of practical schemes that will form the basis of the future reporting requirements.

The European Commission is now actively considering how carbon certification and sustainability assurance can be incorporated into EU policy and the Partnership is

ensuring that the outcomes of its work are widely disseminated and available for use and development outside of the UK.

The development of consensus concerning practical solutions for carbon certification and sustainability assurance has been challenging. We are indebted to Malcolm Watson of UKPIA who, through his continuing chairmanship of the Fuels Working Group, has helped to move forward this agenda.

LowGVP support has helped launch and establish Cenex - Centre of Excellence for Low Carbon and Fuel Cell Technologies



Cenex

Another of the Partnership's achievements has been to support the successful establishment of Cenex.

Cenex is an industry-led public-private partnership set up with the aim of assisting UK industry to build competitive advantage from the global shift to a low carbon economy. It supports innovation through a Knowledge Transfer Network dedicated to low carbon and fuel cell technologies and through brokering a programme of activities focused on technology demonstration, targeting early market adoption and supply chain development.

By encouraging the early market adoption of low carbon and fuel cell technologies in automotive applications, Cenex will assist UK industry to develop a supply chain capable of competing in global markets, as well as showcasing UK expertise to encourage further inward investment.

LowCVP, through its recently formed Innovation Working Group, is working to strengthen synergies between the supply chain and research communities. The determined efforts of Geoff Callow (Chair of the Innovation Working Group) and Robert Evans (Chair of the LowCVP Steering Group and CEO of Cenex), are helping to forge a constructive engagement between LowCVP and Cenex.

Future planned activities include to ...

- Develop a framework for hydrogen and fuel cell demonstration priorities in the UK
- Examine options for developing emissions trading schemes for road transport
- To review Government support frameworks
- Encourage and support the fleet sector
- Identify, assess and incentivise light and heavy commercial vehicles



LowC^{VP}
low carbon vehicle partnership

The Partnership also continues to promote the market for low carbon vehicles and fuels through its extensive communications activities. These efforts have been instrumental in raising the profile of the Partnership and ensuring its messages are heard clearly and regularly.

We also continue to engage closely with both Government and opposition parties and Parliamentary committees. We have briefed ministers, their shadows, and given evidence to Select Committees. We are also participating in the Quality of Life Commission established by David Cameron. The Secretariat works closely with officials in policy development and we will be meeting with Douglas Alexander, the new Secretary of State for Transport, in the next few weeks.

In response to its growing membership, the Partnership is evolving its operating structures to improve its effectiveness. The constitution by which LowCVP operates has been updated and membership of the Steering Group is being broadened. Members interested in applying for newly created Steering Group positions should contact the Secretariat.

Both new opportunities, and challenges, abound. The Cars21 process of the EU highlighted the importance of an “integrated approach” to delivering carbon savings from road transport rather than a simple focus on vehicle technology. LowCVP is exploring the role it can play in developing this approach subject to identifying the resources needed to take-forward an extended remit.

In the coming year we are committed to a diverse programme of new work.

We intend to develop a framework for hydrogen and fuel cell demonstration priorities in the UK. We will examine the options for developing emissions trading schemes for road transport. We will also be undertaking a review, and developing recommendations concerning the appropriateness of the current Government frameworks to support research, development, demonstration and procurement of low carbon vehicle technologies.

Other new programmes of work will encourage and support the fleet sector in the purchase of low carbon vehicles and the use of low carbon fuels. We will also commence a challenging new work programme to identify, assess and propose incentives for light and heavy duty commercial vehicles.

We will also be completing activities in respect of: the review of the Powering Future Vehicles Strategy; road user charging; and continue our work in raising consumer awareness.

The work of the Partnership continues to be ably directed by Greg Archer and I am pleased to announce today that the Board have agreed to renew his contract.

I should also like to take this opportunity to thank my Board colleagues for their thoughtful guidance of the work of the Partnership, the challenge they bring to our discussions and the support they provide Greg Archer and the Secretariat. Also to the Departments for Transport and Industry for their on-going support for the Partnership.

Low Carbon Vehicle Partnership

Accelerating a sustainable shift to low carbon vehicles and fuels in the UK

Stimulating opportunities for UK businesses



LowC^{VP}
low carbon vehicle partnership

Despite the challenge of limited incentives for low carbon vehicles and constrained resources within the Secretariat, the Partnership continues to provide an active and effective forum for the development of both policy and practical initiatives to accelerate the market shift to low carbon vehicles and fuels.

My final word is of thanks, to our members, many here today, who provide the time and intellectual capacity to support the work of the Partnership. Also to the Secretariat that coordinate and take forward activities. Without this commitment the Partnership would not contribute in the effective way that it continues to do.

Ladies and Gentlemen, thank you.