

***5 years - accelerating the shift to low  
carbon vehicles and fuels***

LowCVP Annual Conference

23<sup>rd</sup> July 2008

John Wood, Vice-Chairman, LowCVP



Good afternoon ladies and gentleman and welcome. I am John Wood, Managing Director of MIRA, and Vice Chairman of LowCVP.

I am speaking today in the absence of the LowCVP Chairman, Graham Smith, who is recovering from a hip operation, but sends his warm regards.

Graham has been Chairman of LowCVP since its creation in 2003 and has said he will step down at the end of 2008. He was awarded an OBE in the New Years honours list, recognising his leadership within the automotive industry, which has included shaping the direction, and contributing to the successes, of the LowCVP. On your behalf I am sure you will join me in wishing him both a speedy recovery and thanks for his exceptional contribution to LowCVP and the motor industry. **[CLICK]**

## *LowCVP 5<sup>th</sup> anniversary reception*

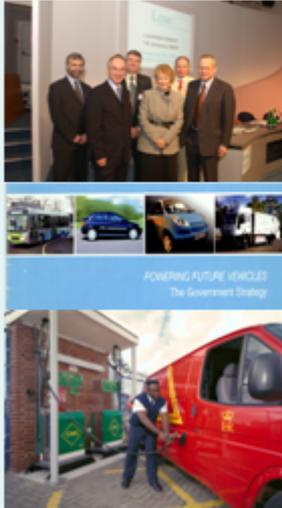


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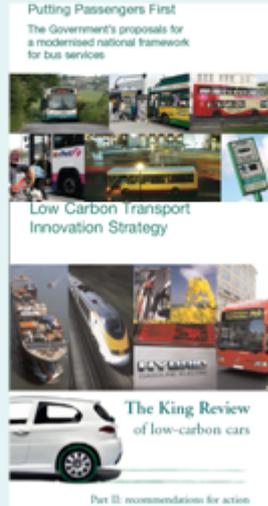
In January, LowCVP celebrated its fifth anniversary at a reception in the House of Commons hosted by the then Business Minister Stephen Timms. This afternoon I would like to review the progress made over the past 5 years since the Partnership was established. I will look back over some of the achievements, outstanding challenges and will outline the future plans of the Partnership. **[CLICK]**

## 5 years of low carbon transport policies

2003-4  
Optimism



2005-7  
Uncertainty & review



2008-  
New market requirements



The world of low carbon vehicles and fuels was rather different in 2003 when the then LowCVP launch Director, Professor Jim Skea, welcomed Transport Minister David Jamieson and Lord Sainsbury the Minister for Science and Innovation to the first annual conference.

At that time the price of oil was just 30 dollars a barrel. The Government had published the First Annual Report for the Powering Future Vehicles Strategy setting targets for low carbon cars and buses. There were grants to encourage the take-up of alternative fuelled vehicles. It was a time of great optimism:

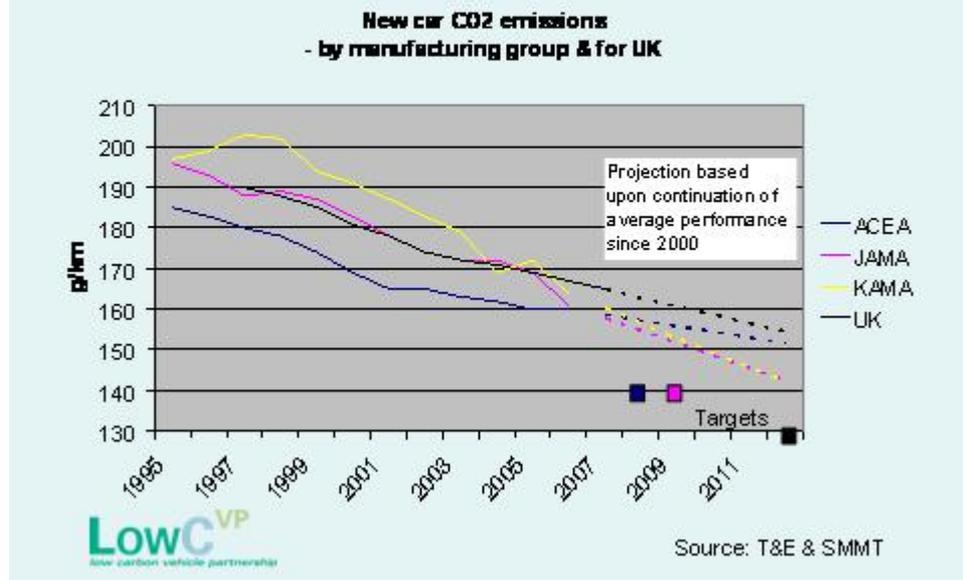
- Sales of LPG vehicles were growing;
- Car manufacturers were on track to deliver their voluntary agreement targets with the European Commission; and
- New R&D funding was being provided for demonstration vehicles.

Just two annual reports on the Powering Future Vehicles Strategy were ever published and The Low Carbon Ministerial Group that had been setup to oversee the Strategy was merged into other Cabinet Committees, diluting the focus on low carbon vehicles and fuels. Progress stalled as planned programmes for grants for low carbon vehicles and fuels were first delayed then cancelled. A string of Reviews, provided further insight but delayed the implementation of new policy to support the market as Ministers with different priorities came and went. The long awaited review of the Powering Future Vehicles Strategy, to which LowCVP provided substantial input in 2006, was never completed and the Strategy was quietly dropped.

In hindsight, some of the targets and policies within the Powering Future Vehicles Strategy look optimistic. But this was a genuine attempt to construct a coherent and integrated strategy with targets against which progress could be measured. This is in marked contrast to the absence of clear current targets and policies and programmes that tend to be focused upon specific fuels, vehicle types or technologies. A more holistic solution to the challenges of reducing road transport greenhouse gas emissions is needed.

Nevertheless, in the last 12 months rising fuel prices, emerging evidence of the costs and urgency of climate change and a range of new European regulations on vehicles and fuels has changed the environment. The market for, and investment in, low carbon vehicles and fuels has been reinvigorated. Together with substantial new funding for research and demonstration we are entering a new era for low carbon vehicles and fuels with significant prospects for companies, including those in the UK with the appropriate models, knowhow and technologies. **[CLICK]**

## *New car CO2 emissions are falling – but not sufficiently quickly to achieve targets*



Throughout the last 5 years new car CO2 emissions have fallen, but not sufficiently quickly to achieve either the voluntary agreement targets; or, if past trends are maintained, the 2012, 130 g/km proposal from the European Commission.

UK emissions from new cars have declined steadily at about 1.3% per year and are by now means the highest in Europe - but significantly greater than the best performing countries such as France, Italy and Portugal where new car sales are dominated by small diesel vehicles. [\[CLICK\]](#)

***2008 has seen a rapid decline in new car CO2 emissions – including the introduction of a range of low carbon models***



The most recent data from 2008 published by Clean Green Cars and the Society of Motor Manufacturers and Traders is much more promising. In the first 6 months of 2008, new car CO2 emissions fell by 3.2%, double the rate of previous years.

A combination of high fuel prices and consumer credit crunch appears to be shifting the market in favour of more efficient diesels and small vehicles. An increased range of low carbon models and brands has also helped to reduce emissions and raise the profile of fuel efficient vehicles. Anecdotal information also indicates the way in which cars are used is becoming more sustainable with more car-sharing and a reduction in journeys as drivers seek ways to reduce the costs of motoring.

In the last 12 months, outstanding improvements have been delivered by BMW that has reduced emissions of new cars its sold by over 10%. VW launched the Polo Bluemotion and the Seat Ibiza with emissions below 100g/km – Vehicle Excise Duty Band A. There are a range of new small family cars in Vehicle Excise Duty Band B.

Some individual models have also been made radically more efficient such as the BMW 6 Series, Subaru Legacy and Mazda 2 each with improvements of around 15% or more.

Sustained and accelerated performance by all manufactures is needed but the most recent evidence is extremely encouraging. **[CLICK]**

## ***LowCVP led the development of world leading systems to improve biofuels sustainability***



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- Delivery of the RTFO carbon & sustainability reporting requirements
- International consensus building:
  - European Parliament hearing
  - International workshop – Global Bioenergy Partnership
  - EU/South America international workshop
  - California Fuel Quality Standard Workshop
- Support to the Gallagher Review
- Awareness raising in UK and EU
  - World Biofuels Congress
  - Waterfront Conference

A further area of notable change over the last 5 years has been in the introduction of biofuels – and attitudes towards them. Back in 2003 many environmental groups were campaigning strongly for regulations to require the introduction of biofuels. This is in notable contrast to current campaigns for a moratorium on their use!

The last 12 months have seen the culmination of activities to design, implement and launch the Renewable Transport Fuels Obligation. This obligates road transport fuel suppliers to provide 2.5%, by volume, of renewable transport fuels this year. The amount of biofuels will rise over the next few years to 5%.

LowCVP has been active throughout, conducting the original feasibility study that examined the way in which carbon and sustainability criteria could be built into the Obligation and then managing the design of the carbon and sustainability reporting guidance that was launched by the new Renewable Fuels Agency in January.

The carbon and sustainability reporting scheme is the first of its type in the world. Sceptics have argued throughout the process it would be impossible to design and implement an effective scheme. We have heard today from Professor Gallagher of the early success of the scheme that has also paved the way for requirements at a European level within the Renewable Energy Directive.

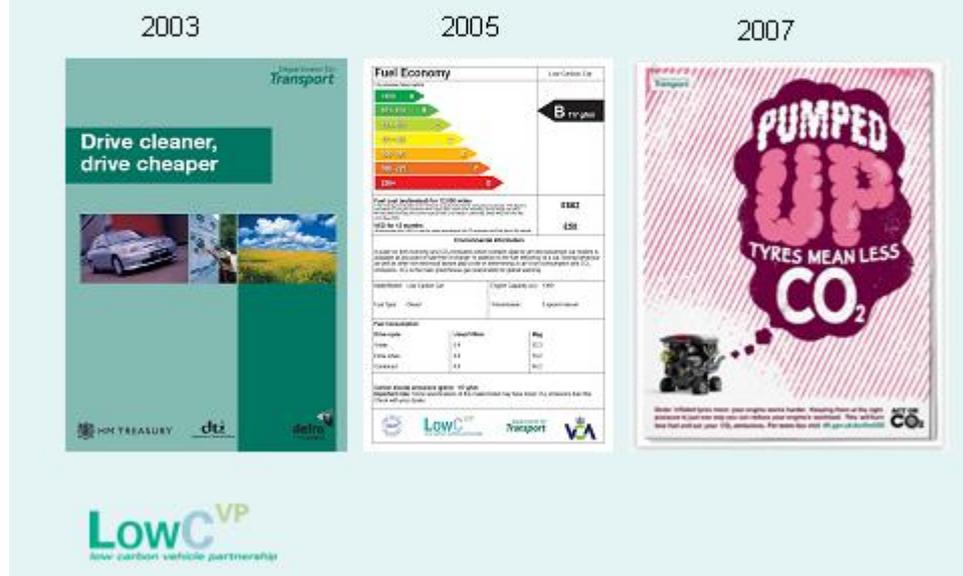
The Partnership has also been extremely active disseminating practical advice on policy and practice to deliver sustainable biofuels to the market and encouraging international adoption of carbon and sustainability requirements.

There remain challenges to creating a genuinely sustainable biofuels industry, notably how to address the indirect effects of land change and rising food commodity prices that Professor Gallagher has described. However, by continuing to mobilise all stakeholders' knowledge, progressive thinking and a willingness to engage, LowCVP will continue to make a world leading contribution to improving biofuel sustainability.

Despite these challenges, British Sugar commenced production of sustainable bioethanol at its Wisington facility and announced plans with BP for a larger facility in Teesside.

LowCVP's Jessica Chalmers has played an invaluable role in taking forward the work on biofuels sustainability. In November, she will be moving onto new challenges. On behalf of the Board and members of LowCVP I would like to thank her for the outstanding work she has performed. **[CLICK]**

## Consumer information has been significantly improved



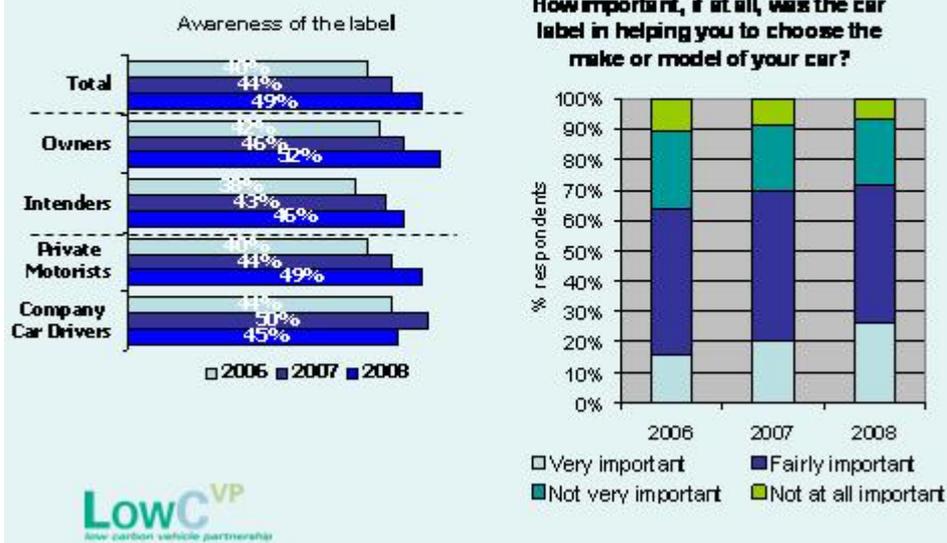
Another area of notable progress is in public information – where LowCVP continues to make an outstanding contribution.

Back in 2003 the sum extent of activity was a Department for Transport booklet *Drive Cleaner, Drive Cheaper*. In 2005, LowCVP with the SMMT, launched its voluntary car labelling scheme to provide car buyers with simple information on the fuel costs and CO2 emissions of the vehicle.

Since then the Department for Transport Act on CO2 Campaign has commenced drawing extensive support from LowCVP and its members in the design and content of the campaign. Today I am pleased to announce The Department for Transport will be funding an additional post within the LowCVP Secretariat for 12 months to encourage business to fully participate within the campaign.

The smarter driving advice, including that provided in the Green Drivers Pavilion which LowCVP has supported, provides a timely opportunity for motorists hit by rising living costs to reduce their fuel bills. After today's conference there will be an opportunity to visit the Pavilion as part of a closing drinks reception. **[CLICK]**

**Half of car buyers are aware of the label – three quarters believe it is important**



In a LowCVP survey published today, a half of all recent and intending car-buyers recognised the label, up 10% in the last 2 years. Nearly three quarters indicate the information on the label was important in helping them choose their make and model of car. Fuel costs feature as especially important. **[CLICK]**

## Over 90% of dealers now display the label

□ Voluntary automotive industry initiative

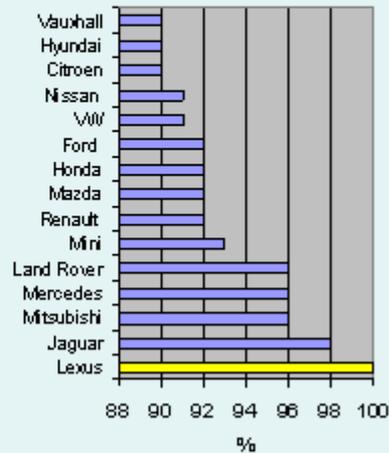
- Brokered by LowCVP
- Launched in July 2005
- Roll-out continues

|   | 2006 | 2007 | 2008 |
|---|------|------|------|
| <b>Dealers displaying labels</b>          | 74%  | 86%  | 93%  |
| <b>Dealers achieving Good Performance</b> | -    | 61%* | 77%  |
| <b>Cars labelled</b>                      | 55%  | 65%  | 82%  |

\* Good performance in 2007 was 75% labelled; in 2008 90%



**Brands achieving >90% vehicles labelled**



82% of new cars in showrooms are now being labelled, up from 65% in 2007. Over three quarters of dealers met the new measure of “Good Performance” that 90% of vehicles in showrooms are labelled.

The improved consumer awareness of the label clearly reflects the increasing use of the label in car dealerships. 93% of dealers are now using the label up from 86% last year.

Fifteen brands achieved over 90% of cars labelled in showrooms the benchmark for good performance. Lexus became the first Brand to achieve 100% of vehicles labelled in every showroom visited – an outstanding achievement. **[CLICK]**

***Proposed amendments to bus subsidies can enable a market for low carbon buses to develop***



Another area of stop-start policy now finally moving in the right direction is low carbon buses. LowCVP has been active in encouraging the Department for Transport to reform bus subsidies to encourage the purchase of low carbon buses. We developed the original definition of a low carbon bus and in the last year have completed the development of a low carbon bus procurement specification that can be used to provide a technology neutral basis for organisations wishing to purchase low carbon buses. This has now been adopted as the basis for a consortium of European cities to do just this.

LowCVP has also been active in shaping proposed changes to bus subsidies responding to a series of detailed questions posed by the Department for Transport. We will be pressing in the next few months for buses to be included in the Low Carbon Vehicle Procurement Programme in order that low carbon buses are first demonstrated and then operated outside of London. **[CLICK]**

***Substantial new investment in encouraging road transport technology and innovation***



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Another area of significant recent progress has been additional support Government is now providing to stimulate innovation in low carbon vehicle technologies.

The Low Carbon Transport Innovation Strategy and announcements of the £30M Innovation Platform managed by the Technology Strategy Board have provided significant new funds for research, development and demonstration of low carbon vehicles. With RDA support, notably from the West Midlands, this pot has recently grown to £70M.

The Low Carbon Public Procurement programme, being managed by Cenex, is also providing new public sector markets for low carbon vehicles and will hopefully be extended to the private sector and a wider range of vehicle types, including buses, in the near future.

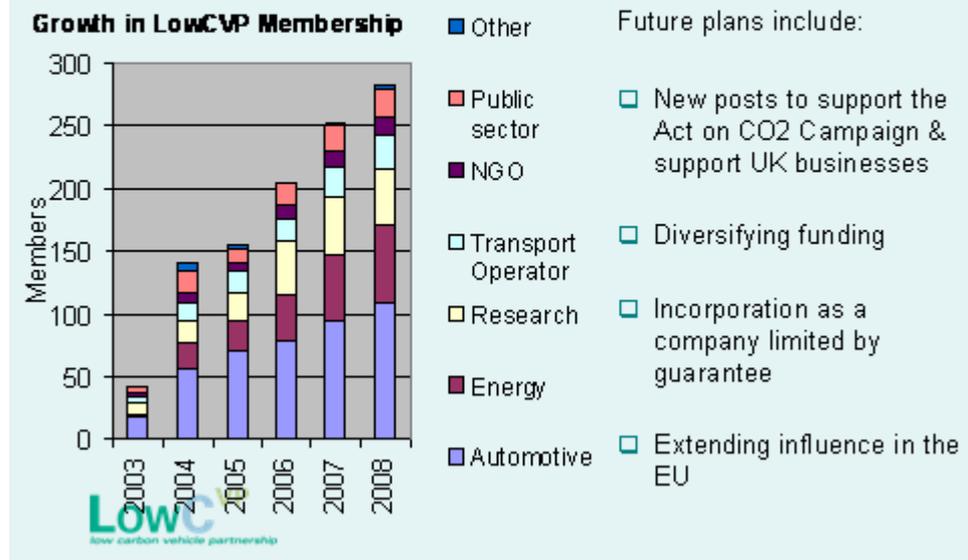
The Carbon Trust has commenced work on advanced biofuels. The new Energy Technology Institute is designing new transport programmes.

LowCVP has also worked tirelessly to address both barriers to the introduction of new technology and support the establishment of new partners such as Cenex. We remain closely involved in road-mapping activities highlighting key technologies and the role the UK should perform in their commercialisation.

It is notable that 5 years ago none of the organisations or strategies shown on the slide existed, or was active in the transport arena - illustrating the recent pace of change. It is incumbent on all partners to ensure that there is effective coordination of activities – something LowCVP will endeavour to oversee.

**[CLICK]**

**LowCVP has grown from 44 members at its launch to 284 – it will be strengthen governance and diversifying funding to respond to new opportunities**

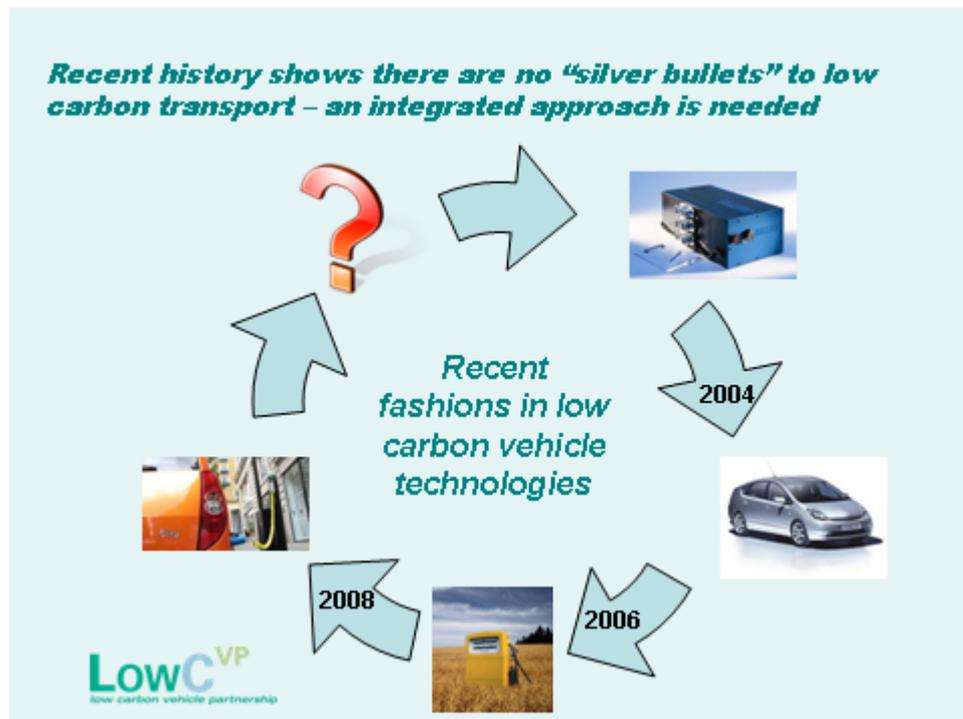


At its launch LowCVP had just 44 members and has since grown to 284 with representation from all sectors. LowCVP has also increased the income it receives from both Government and members and reduced operating costs releasing funds to support the work programme. Our analysis of the in-kind and financial contributions being provided by members indicates this is broadly equivalent to the Government funding it receives.

The opportunities for the Partnership to extend its influence and effectiveness outstrip its resources as initiatives to reduce road transport carbon emissions multiply. The Partnership will focus its efforts in those areas most likely to deliver meaningful change and in which it is uniquely placed to contribute. This will include: in Europe on consumer information and biofuels sustainability. In the UK, supporting the Act on CO2 campaign and Government as it continues to strengthen the environment for the development and introduction of low carbon vehicle and fuel technologies particularly for vans.

In the next year we anticipate a particular focus on supporting small, UK businesses benefit from the shift to low carbon vehicles and realising our long-term objective of a strong incentive mechanism to encourage the purchase of low carbon buses. We also hope to complete work on advertising guidance for new cars and extend the labelling scheme to the nearly-new market.

In recognition of the growing agenda, the Partnership will need to strengthen Governance and diversify funding. During the remainder of 2008 LowCVP will become a not-for-profit company limited by guarantee owned by Partners who pay a membership fee or provide an equivalent in-kind contribution. This is a major change but one that will enable LowCVP to further reduce its overheads and respond to the growing challenges and opportunities presented by the need for low carbon vehicles and fuels. The Secretariat will be consulting with members on the precise details in the next few weeks. **[CLICK]**



The last 5 years has seen a series of starts and stops for policy to support the introduction of low carbon vehicles and fuels. It has also seen a number of technologies emerge as perceived silver bullet solutions. Initially fuel cells and hydrogen, then hybrids and most recently biofuels have been offered as the single solution to low carbon road transport.

Most recently it has been suggested that it is electric vehicles than will deliver **the** solution – unrealistically raising expectations. Electric vehicles represent a very promising technology and will be undoubtedly part of the future mix of low carbon vehicles and fuels – but are unlikely to offer the whole solution.

A range of fuels and vehicle engineering solutions are needed, along with approaches to improve the efficiency with which vehicles are driven and road capacity used. Low carbon road transport also requires drivers to be encouraged to occasionally leave their cars at home and make better use of public transport

and walking and cycling. It will require more efficient freight distribution networks. LowCVP will continue to argue in favour of an integrated solution to reducing road transport greenhouse gas emissions rather than suggesting specific technologies represent the whole solution. **[CLICK]**



In the last 5 years LowCVP has delivered a diverse and impressive range of projects including the voluntary label, establishment of Cenex and biofuels sustainability schemes. It has delivered original research, such as on car buying behaviour that has shaped thinking. It has provided balanced, expert input to Government on the direction and detailed design of policy and programmes. It has at times been a rollercoaster ride but over the past 5 years LowCVP has made a valuable contribution that goes significantly beyond the size and resources of the organisation.

I have little doubt there will continue to be a need for LowCVP that that bridges between Government, industry, academics and environmental and consumer organisations to stimulate and guide new initiatives for low carbon vehicles and fuels. I will be stepping down from my role at LowCVP during 2008, but I wish my successors well in their valuable endeavours. **[CLICK]**

## **Any Questions?**

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

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**Stimulating  
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