

## **Our Energy Challenge – Securing Clean, Affordable Energy for the Long Term (15/3/06, The Royal Society)**

Good afternoon ladies and gentlemen...minister. I am speaking today in a personal capacity informed by both my role as MD of Toyota UK and Chairman, since 2003, of the Low Carbon Vehicle Partnership. LowCVP, which now comprises almost 200 organisations, was established to accelerate the shift to low carbon vehicles and fuels. It was responsible for the introduction of the colour-coded fuel economy label, now voluntarily displayed on all new cars; and has overseen the establishment of Cenex, a new centre of excellence for low carbon and fuel cell technology. It is presently playing a central role in assisting the Government develop the Renewable Transport Fuel Obligation.

Road transport is a vital and dynamic part of the UK economy and fundamental to the country's future commercial success. Whilst, in recent years, we have begun to de-link road transport emissions from economic growth, these are still rising and represent a quarter of UK releases.

As evidence emerges of the need for further and faster emissions reductions to avoid the most severe consequences of climate change; it is clear transport emissions must be radically reduced. This will require a combination of measures to manage demand; increase use of no and low carbons transport modes; reduce the carbon intensity of fuels; and improve the efficiency of vehicles through both new technology and driver information. Progress to date is not sufficient as gains in efficiency are offset by the growth in traffic.

The Government's framework to stimulate the market for low carbon vehicles and fuels is broadly appropriate. Fiscal and market based instruments linked to the environmental performance of the vehicle or fuel can encourage both sales and innovation from industry. The RTFO provides a good example of this approach and how Government can stimulate the shift to lower carbon intensity fuels. Unfortunately, policies to stimulate supply of low carbon

vehicles have been inconsistently implemented and most policy signals far too weak to stimulate significant change in consumer attitudes and behaviour.

Private new car buyers are choosing larger, less efficient vehicles. But grants for the lowest carbon cars have stopped and differential rates of vehicle excise duty provide a weak incentive. Company car tax has encouraged businesses to purchase lower carbon cars. But why is the tax for a car emitting 140g/km the same as the most efficient vehicles, such as the Toyota Prius, emitting about 100g/km?

Stronger incentives must be complemented by Government and the motor industry, engaging with drivers to make them more aware of how their use and choice of vehicles contributes to climate change. Vehicle manufacturers have a responsibility to expand the range of lower carbon options in all sectors of the market; and also to strongly promote these to increase the desirability of more climate friendly models. Toyota, and a small number of other manufacturers, have begun this process; but greater leadership is needed across the industry to deliver a consistent and concerted message. An integrated approach to reduce emissions is required; but vehicle manufacturers must also accelerate the progress they are making and stimulate, not just respond to the market for low carbon vehicles.

To date the Government has announced targets for reducing greenhouse gas emissions but has not established clear ownership of these or put in place the policies through which they can be delivered. As evidence continues to emerge of the urgent need to significantly reduce greenhouse gas emissions greater leadership is needed from both politicians and industry to engage with civil society and persuade the public and business to use and choose more climate friendly transport options.

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