"New Polo will be a big fleet hit"
CAP's Martin Ward on Volkswagen's supermini p27

Higher-polluting fleets will face an expensive future

Worst offenders will be targeted as Government strives to meet CO_2 reduction targets

By Neil Wallis
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Barely a week goes by without new warnings, widely covered in the media, about the potential impacts of climate change.

The UK now has a Climate Change Act which enshrines in law the requirement to cut UK greenhouse gas emissions 80% by 2050. The Government, acting on the advice of the Committee on Climate Change, has announced emissions targets for the next 10 years. These set a very challenging but, most significantly, a legally-binding 34% target for the reduction in CO_2 emissions by 2020, compared with 1990 levels.

While there are, as yet, no explicit emissions reduction targets for the transport sector, there is heavy pressure on industry and policy makers alike to ensure that the sector contributes to the targets. Indeed, it is not possible that the legally-binding targets will be met if transport – responsible for around a quarter of UK emissions – does not begin to make significant emissions cuts.

Government policies are becoming increasingly focused on reducing CO_2 emissions. ACEA, the European motor industry trade body, has recently published its 2009 Tax Guide which details increase in CO_2-based tax policies across Europe.

These are now levied at purchase, as a charge on ownership and as a charge on use of vehicles. CO_2-based charges are also increasingly being levied by local authorities for parking and – in London, for example – for access to certain areas.

80%
Amount by which greenhouse gases have to be cut by 2050

8%
How much fuel consumption can be cut by smarter driving

At the European level, policy makers are also active and there are implications for fleet and transport managers arising from Brussels-based policy.

So what should fleet managers be aware of, and what actions might they take to prepare for this carbon-constrained future?

Higher carbon cars will become increasingly expensive to own and operate as taxation is increasingly based on CO_2 emissions.

This will come as little surprise to operators who have seen carbon-based taxes and incentives become increasingly strengthened over the last decade. In the latest Budget, the chancellor announced a return to the fuel duty escalator which was abolished in the fuel price protests. While the escalator will be at a lower level than before (1p a litre above the inflation rate from 2010-13), it will mean significantly higher fuel costs over the lifetime of a vehicle.

Company car tax (CCT), which has been based on carbon emissions since 2002, is being gradually strengthened to encourage the take-up of more fuel-efficient cars in company fleets. This year's Budget announced that, with effect from April 6, 2011, the threshold CO_2 rates for CCT bandings will be reduced by 5g/km. Also, the percentage of list price subject to tax will continue to increase by 1% with every 5g/km increase in CO_2 emissions to a maximum of 35%.

To continue to provide an incentive to purchase the lowest emitting vehicles on the market, the Government intends to remove the 10% band of CCT (for cars emitting less than 120g/km) in 2012 and, instead, extend the system of CCT bands so that they increase by 1% with every 5g/km increase in emissions.

The 2008 Pre-Budget Report also announced reforms to vehicle excise duty (VED), also designed to incentivise the purchase and manufacture of lower carbon cars. The 2009 Budget confirmed the decision to increase the number of VED bands from seven to 13 and the decision to introduce, from April 2010, a differential first-year rate of VED – effectively a tax on purchasing higher carbon cars. To ensure that new VED rates and bands are clearly understood, the Low Carbon Vehicle Partnership has revised, with manufacturer and Government agreement, the economy label for new cars, and is also continuing to work with industry to develop a fuel economy label for the second-hand car market.

Fleet managers should expect the differential between VED bands to be increased in the coming years, just as CCT and fuel duties are being strengthened to offer greater incentives to purchase and operate lower carbon and fuel efficient vehicles.

There is also a significant risk that oil prices will rise which will mean benefits for the fuel frugal.

Oil prices, which reached in excess of $150 a barrel last year, have fallen to the region of $50 as the recession has caused a collapse in demand. However, an increase in economic activity is likely to produce rises and there are an increasing number of people pointing to the likelihood of an ever more constrained supply in the coming decade.

There are both technical and behavioural routes to reducing your fleet's mileage which will vary depending on the nature of your organisation.

Some may be able to reduce vehicle miles through improved logistical arrangements and planning.

The provision of sat-navs may provide savings where drivers are doing long and frequently changing routes. Recent sat-navs focus on conserving fuel and one recent launch even provides advice on eco-driving.

Some progressive organisations are actively promoting tele-working to cut down on the need to travel to the workplace and other initiatives such as lift-sharing (see, for example: https://www.liftshare.com/uk/).

» The Low-Carbon Vehicle Partnership was established in January 2003 with a mandate to accelerate the shift to low-carbon vehicles and fuels.

Its sixth annual conference will take place on June 8, 2009, at City Hall, London. More details are available from www.lowcvp.org.uk/events

Where do I go from here?

Advice on vehicle choice is available from a range of sources.

The Government's 'Act on CO_2' campaign (campaigns.direct.gov.uk/actonco2/home.html) has a database providing emission and fuel information on almost every UK model. It details the 10 most fuel-efficient vehicles in each class.

The Vehicle Certification Agency (www.vcacarfueldata.org.uk) provides official information on on new and used cars first registered on or after March 1, 2001.

Website www.cleangreencars.co.uk provides advice about choosing and using cars in an environmentally considerate way.

'Higher carbon cars will become increasingly expensive to operate'

Neil Wallis, Low Carbon Vehicle Partnership

Government sets the example by running a greener fleet

Central Government, local authorities and many other public bodies are setting the example on lifetime energy and environmental impacts – including CO_2 emissions and fuel consumption – into account when purchasing new vehicles.

It follows the adoption of a European Parliament directive which aims to stimulate the market for energy-efficient vehicles as well as reducing the impact the transport sector has on the environment.

The Government is increasingly basing its procurement decisions on lower carbon criteria.

The Low-Carbon Vehicle Procurement Programme, focused on vans, aggregates demand for electric and low-carbon vans from the public sector. Manufacturers will receive larger orders and the public sector benefits from lower costs.

The EU has recently agreed to set binding targets on the CO_2 emissions from new cars.

There is now a regulation in place which states that average new car emissions should not exceed 130g/km by 2015.

An indicative target for a further cut in emissions – to 95g/km – has been set for 2020.

The European Commission is developing similar proposals for vans which account for 15% of total road transport emissions. It is the fastest growing source of transport emissions.

Top tips to boost fuel efficiency

Smarter driving can cut fuel consumption by up to 8%. The key tips:

1. Keep tyres correctly inflated.
2. Reduce cruising speed.
3. Reduce over-revving as well as stopping and starting.
4. Stop idling which wastes fuel.
5. Lighten your load by removing excess clutter in the boot, roof-racks.

The Energy Saving Trust claims that its smarter driving training programme helps drivers to improve fuel consumption by 15%. For a 100-vehicle fleet, this could mean a fuel saving of up to £20,000 a year.

Grey fleet is bad for emissions

Grey fleet travel refers to mileage in employee-owned vehicles.

This is an area where there is potential for cost savings and reduced environmental impacts.

Employer's can encourage unnecessary journeys through the use of approved mileage allowance payment rates.

Limiting annual grey fleet miles may be one solution. For drivers who travel more than 8,000 miles, for example, a company car is likely to be cheaper and have lower emissions. For daily journeys of 100 miles or more, a daily rental vehicle may be cheaper and cleaner.