‘Non-runner’

2032 diesel ban risks wrecking automotive sector

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The BEIS Select Committee is right on the Government’s confused government auto stance, but wrong on bringing forward a diesel ban to 2032 – we need an industrial policy if a just transition to electric cars is to happen quickly.

Last week the House of Commons BEIS Committee called for the government’s target to ban new sales of petrol and diesel vehicles to be brought forward to 2032.

Let’s be clear: whilst the aim is laudable in terms of delivering carbon reductions needed on a scale to meet the Paris Climate goals, it is a non runner and needs much more in terms of a wide-ranging policy intervention for a just transition from petrol and diesel engines to electric vehicles if this is to be achieved.

There also needs to be a full impact assessment on the impact of jobs on the industry and on the region as as is being done in Germany.

The danger is that a 2032 ban combined with a lack of coherent industrial policy and a continued piecemeal approach to technology change risks wrecking the UK automotive sector.

In practical terms a 2032 target is impossible without a wholesale policy change. A new industrial policy needs to cover investment in infrastructure, R&D, skills, training and supply chain development. This is currently missing.

At the moment the industry is plagued by a government’s ‘triple whammy’ currently damaging the industry, comprising Brexit uncertainty hampering investment; the lack of an effective industrial policy to drive change; and the government’s piecemeal approach to the transition to electric and alternatively powered vehicles.

Electric vehicle subsidies

The latter was highlighted last week by the government cutting subsidies for EVs and scrapping them for many hybrids even before EVs costs have fallen enough to be on a par with petrols and diesels.

That combined with the UK not counting towards EU fleet emissions targets after Brexit effectively undermines incentives for car firms to sell (currently loss making) EVs in the UK.

Combined, these could stymie the take up of EVs before it even gets going. This is a huge, looming issue and the government seems oblivious to the damage it is about to inflict.

There are some good recommendations in the BEIS Committee report on fiscal incentives for take up of EVs but the recommendations don’t go far enough. In particular, there needs to be much greater incentives to promote business fleet uptake plus a massive, nationwide investment in charging infrastructure.

That needs to be accompanied by a holistic policy package like in Norway, where EV drivers get a raft of benefits to encourage take up, and where EV usage has been integrated into elements of public transport so that drivers can finish their trips with ease.

Deadlines a ‘moonshot’

That could be part of a wider ‘green new deal’ to create the new jobs and technologies we need for a low carbon economy.

The BEIS report is big on a headline target of 2032 but doesn’t follow through on the raft of policies needed to make that happen.

As Andrew Palmer, CEO of Aston Martin said on the original 2040 target for banning petrols and diesels, this is a ‘moonshot’. We need a NASA for that, in the form of an active industrial and technology policy making it happen. At the moment we don’t have that.

The other confusion in the report is over hybrids. These, in various forms, are the short term bridging technology to EVs. Yet we risk killing these off as a key transition technology if 2032 also kills hybrids. That needs to be clarified – and quickly.

Such requirements seem all the more pressing when policy uncertainty is having such an immediate, negative impact on the auto industry in the UK.

Hard Brexit threat

Sales and output in the UK are down this year and last, in large part linked to the introduction of a new real world testing regime, reduced demand for diesels, and Brexit uncertainty.

JLR's CEO Ralf Speth has stressed uncertainty over Brexit and confusion over government policy on diesel engines as big factors in job losses at Solihull and the move to a three-day week at Castle Bromwich.

Most recently he warned that tens of thousands of jobs would be at risk in the event of a no deal on Brexit, with latter potentially costing the firm £1.2bn.

Speaking in Birmingham recently, Speth said "Currently, I do not even know if any of our manufacturing facilities in the UK will be able to function on March 30. Bluntly, we will not be able to build cars if the motorway to and from Dover becomes a car park, where the vehicle carrying parts is stationary."

The firm also said it would have to reconsider £80bn of UK investment over five years in the event of a messy, no-deal Brexit as access to the single market would be hindered and the flow of car part imports disrupted

Meanwhile, JLR have yet to say where it will assemble a new range of electric cars.

The big worry here is that the industry is about to transform itself away from internal combustion engine (ICE) technology to Autonomous, Connected Electric (ACE) cars over the next decade, and this investment could be lost from the UK in the event of a hard Brexit.

The firm recently said it would move Discovery production to Slovakia. We had expected to hear what new models would come to Solihull in its wake but no news has been forthcoming.

Nor have we heard what new models will go into Castle Bromwich, or whether a mooted battery production facility will go ahead in the region.

The fear is that UK investment is stalling at the firm. But, as Speth noted a few weeks ago, “at the end of the day we’re in a cycle plan that means I have to make a decision. I can’t just wait, wait, wait, wait.”

Notwithstanding the uncertainty that JLR faces in the Chinese market, the UK government needs to end the chaos and pull its finger out to end uncertainty here – notably on Brexit and policy on diesels – and in better supporting the take up of electric cars.

Otherwise the UK risks losing a wave of investment, and with it, a raft of new technologies and a strong future for the UK automotive sector.