Exemptions to 2035 phase-out date for the sale of new non-zero emission HGVs 26 tonnes and under

22 July 2022

Summary of Logistics UK View

- While it is important that duty cycles and use cases for vehicles up to 26 tonnes are carefully considered for exemptions to the 2035 phase-out date, it is too early to propose an exhaustive list and more time should be allowed while the zero tailpipe emission HGV market develops.

- More zero emission road freight trials for HGVs at and under 26 tonnes must be undertaken and evaluated with a view to looking at what the latest date for exemptions Government would consider.

- The Government should produce a roadmap with milestones showing what it expects to see and by when, to help to inform decisions and planning for the development of the necessary supporting energy supply infrastructure and larger vehicle fleet decarbonisation investment. The roadmap must also identify key dates as developments happen and ensure there is continuous consultation with industry.

About Logistics UK

Logistics UK is one of Britain's largest business groups and the only one providing a voice for the entirety of the UK's logistics sector. Our role, on behalf of over 19,000 members, is to enhance the safety, efficiency and sustainability of freight movement throughout the supply chain, across all transport modes. Logistics UK members operate over 200,000 goods vehicles - almost half the UK fleet - and some one million liveried vans. In addition, they consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight.

Response to consultation

Logistics UK welcomes the consultation considering exemptions to the 2035 phase-out date for the sale of new non-zero emission HGVs 26 tonnes and under, alongside the recognition that not all logistics operators will be able to meet this challenging deadline across their lighter rigid and HGV fleets.

The logistics industry is firmly committed to achieving net zero and many of our members are already making investment and operational decisions to support the need to reduce their greenhouse gas (GHG) emissions.

When responding to the consultation on phase-out dates for new, non-zero tailpipe emission HGVs, Logistics UK called for duty cycles and use cases for vehicles up to 26 tonnes to be carefully considered to avoid any unintended consequences. While we therefore welcome the Government listening to industry and publishing this call for evidence, it is too early to propose an exhaustive list of vehicles or use case exemptions and more time should be allowed while the zero tailpipe emission HGV market develops.

Our members have concerns about creating situations that could result in operators being forced into keeping vehicles for longer than desirable due to there not being suitable replacements that are zero tailpipe emission, resulting in greater vehicle down-time due to more frequent servicing and maintenance requirements. This could also impact upon SMEs who rely on the second-hand vehicle market, with reduced fleet renewal. Members need confidence to continue to invest

in the newest vehicle technology, with the right supporting infrastructure, so Government guidance and incentives will continue to be critical as the market develops. It is also important to understand the power supply infrastructure requirements and energy usage patterns at depots and on highways, and how increases in electricity supply to depots will be funded.

Logistics UK supports the trials of zero tailpipe emission HGVs, however these have been largely aimed at heavy vehicles in the 44 tonnes range. It is important that more trials of zero tailpipe emission HGVs at and under 26 tonnes are also undertaken and evaluated quickly. Lighter HGVs are often utilised in urban areas and trials must consider how they will perform on urban duty cycles and what public charging requirements are necessary. The upcoming ZERFT funding should be used to fund these trials given that there is unlikely to be many vehicles available in the 40 to 44 tonne weight category that could be deployed in the timeframes of the grant funding. Very heavy zero-emission tailpipe emission vehicle availability is not expected to reach the UK market until after 2025.

Our members have clearly indicated that it is too early to propose a full range of exemptions without a better understanding of which zero emission vehicles are likely to be available and how the zero tailpipe emission HGV market is likely to develop, before a full list of exemptions is decided upon.

However, our members have identified some vehicle types and use cases that present a particular challenge to decarbonise and therefore are likely to need exemption given that the technology may not be readily available for zero tailpipe emission alternatives by 2035:

- Vehicles used in construction where power for plant and machinery is also required
- Sectors such as mining, quarrying and forestry, that operate in remote areas where refuelling or recharging infrastructure may be inadequate
- Tractors operating on the roads
- Break-down and recovery vehicles
- CAT 3 abnormal loads
- ADR loads
- Road marking and maintenance vehicles
- Cherry pickers
- Large cranes
- Specialist body vehicles, such as blue/yellow light emergency vehicles

Specialist vehicles can often have very long build times for modifications after they have left the manufacturer. Provision must be made to allow sufficient time for the extra time required from initial purchase to the point at which the vehicle is ready to be introduced to the fleet for operation. Without this, operators may be unable to purchase these vehicles many years before the phase-out date, and this may mean there are no alternatives available to them that are zero tailpipe emission.

There are concerns amongst our members about innovation being stifled if the decisions about exemptions are taken before a clearer understanding of new technologies and their application within commercial road vehicle fleets.

The steps that must be observed before finalising exemptions include:

- More zero emission road freight trials for HGVs at and under 26 tonnes must be undertaken and evaluated with a view to looking at what the latest date for exemptions Government would consider.

  A roadmap with milestones showing what the Government expects to see and by when, will help to inform decisions and planning for the development of the necessary supporting energy supply infrastructure and larger vehicle fleet decarbonisation investment. This should cover, for example, technology developments, final exemption dates and changes to fiscal incentives and taxation The roadmap must also identify key dates as developments happen and ensure there is continuous consultation with industry.

- Whatever exemptions are agreed, international vehicle policy developments and regulations, particularly European, must be considered.

- The experience of the van sector in starting to decarbonise should be used to guide any roadmap for larger vehicles.

Whilst the picture is now more certain for the van sector, Logistics UK calls on the Government to take a flexible approach until there is greater clarity about which HGV technologies will emerge, what vehicles will be available from manufacturers and when they will be launched for the UK market. Once this is known, there will also be greater understanding about vehicle acquisition, including vehicle types, costs and availability. This understanding will be assisted by ensuring more trials are undertaken at scale, for a wider range of vehicle weights and in real world situations.

Other areas to consider

Fiscal incentives

Clarity and certainty about the time periods that fiscal incentives, including taxation, fuel duty, R&D funding and subsidies will be available to businesses, is also a necessary element for business planning. This will help give operators the confidence they need to invest as zero tailpipe emission vehicles begin to come to market.

Axle weights and regulations

In order to make use of the additional weight derogation for alternatively fuelled vehicles for heavy commercial vehicles it will be necessary to review the current maximum axle weight in GB, without such these limitations will mean that the additional weight allowance will be meaningless as payload will have to be compromised due vehicles not being able to exceed the maximum GB axle weights.

Role of low carbon fuels in road transport

There is not yet a commercially viable technology solution that is zero emission at the tailpipe. For smaller HGVs, battery electric vehicles could be adopted more rapidly but this is dependent on vehicles coming to market that are affordable for operators to acquire and run, as well having sufficient appropriate and supportive infrastructure in place.

Given this ongoing uncertainty and the need to urgently address transport GHG emissions, our members are keen to utilise and adopt low carbon fuels that can lower emissions from both new vehicles and those already in the existing fleet.

A report by Zemo Partnership entitled '*Market opportunities to decarbonise heavy duty vehicles using high blend renewable fuels*' concluded that the greatest opportunity for deploying high blend renewable fuels was in HGV fleets using back-to-base 'depot' refuelling[1]. The study noted that the complete replacement of fossil fuels with RTFO approved renewable fuels such as biodiesel, HVO and biomethane can achieve more than 80% GHG emissions savings. Whilst not fully zero emission, long-term Government support for these fuels will give operators the confidence to adopt these into their vehicle fleets until there is more certainty about zero emission tailpipe vehicle technology for HGVs.

The Zemo report also determined significant savings could be achieved over the next decade with the HGV fleet adopting a 30% renewable fuel blend taking into account diesel and gas HGVs.

These findings highlight the GHG emissions savings that would be lost if low carbon fuels are not more widely adopted for use in HGVs. The low carbon fuels strategy can play an important role in giving logistics operators the confidence to adopt these fuels into their vehicle fleet, knowing there will be long-term Government support for their use.

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[1] https://www.zemo.org.uk/work-with-us/fuels/projects/2020-high-blend-biofuels.htm