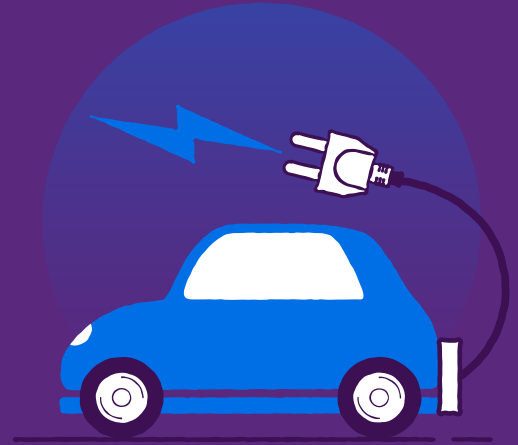




Why your business needs to plan for an electric future

Electrification of UK roads

Electric vehicles (EVs) are now a regular sight on UK roads.



In 2022 more battery electric vehicles (BEVs) were sold than ever with 267,203 registrations (16.6% of all new car sales), while plug-in hybrid electric vehicles (PHEVs) made up 6.3% or 101,414 cars. Electric car sales are now second only to petrol cars in the UK. Manufacturers ranging from Toyota and Ford to BMW and Jaguar are all producing their own EVs, and with increased competition in the market comes more focus on increasing the vehicles' performance.

More BEVs are now available with a range of over 300 miles. EVs are also becoming increasingly affordable, with prices starting from around £20,000.

The UK Government has also made a concerted effort to create the infrastructure needed to support electric vehicles. It has committed to installing 300,000 public chargers by 2030, ahead of the ban on the sale of new fossil fuelled vehicles in 2035. As the UK Government prepares for electrification, it is time for businesses to do the same.

EVs are no longer a nice-to-have option for fleets; in the coming years they will be the only option for those wanting to buy or lease new vehicles. They are also proving themselves to be a cost-effective choice, with the average total cost of ownership (TCO) for mid-range battery electric cars being 10 – 15% lower than their ICE counterparts¹. Switching your car fleet from internal combustion engine (ICE) to BEVs will soon be a necessity, though thankfully one that is becoming increasingly feasible.

¹TCO is based on a basket of 17 vehicles for each powertrain.
Based on Contract Hire Full Maintenance with a contract term of 36mths / 20,000 miles per annum.
Fuel costs are based on 75% business miles using Advisory Fuel Rates (AFR's)
PHEV MPG figures have been reduced by 75% to reflect real world conditions
Based on TCO effective from May 2023 – inclusive of Health and Social Care Levy

What is driving electrification?

The UK Government has made its target to reach net zero emissions by 2050 into law, but decarbonising transport remains a significant challenge.



Latest statistics for 2020, published in June 2022 by the Department for Energy, Security and Net Zero (DESNZ), show that transport was the largest emitter, accounting for 26% of all UK emissions and these emissions have only dropped by 3% over 20 years.

To reach the 2050 target, the Government has ramped up its decarbonisation strategy. It has set new reporting standards, which require businesses of a certain size to clearly outline their environmental efforts to investors through Sustainability Disclosure Requirements (SDR).

Another step has been introducing a grant to subsidise the cost of purchasing new low-emissions vans as well as a grant for workplaces to install EV chargers, both of which are designed to incentivise fleet managers to choose EVs.

You may notice that there are more Clean Air Zones (CAZs) in UK cities, ranging from major destinations like London and Birmingham to smaller cities like Cambridge and Bradford. These restrictions limit which vehicles can drive on central roads in a bid to combat air pollution.



The Government has also committed to ending the sale of petrol and diesel cars and vans, as well as PHEVs, by 2035.



This means BEVs are likely to be the main choice for car owners and fleet managers in future.

Electrification of UK roads is on the move. However, it is important to note that although the transition to EVs is inevitable and essential, it is not imminent.

At Lombard Vehicle Solutions, we are working closely with businesses to help them transition to EVs in the most seamless and cost-conscious way.

This guide explains some of the considerations you will need to make as part of your fleet electrification.

Navigating Clean Air Zones (CAZs)

Across the UK, towns and cities are implementing CAZs with charges as high as £100 a day for vehicles that produce high emissions.

The rules vary from city to city, with different charges and restrictions on certain vehicles at set times. Although some cities have voted to change road layouts or implement other measures to reduce emissions rather than bring in CAZs.

It is crucial that you know which CAZs will impact your fleet, so that you can consider amending your routes or introducing compliant vehicles, like EVs. Bear in mind that CAZs affect the highest polluting vehicles, which tend to be older. You may need to update your fleet to avoid or minimise charges.

Current CAZs:	
Aberdeen	Low Emission Zone
Bath	Class C Clean Air Zone
Birmingham	Class D Clean Air Zone
Bradford	Class C Clean Air Zone
Bristol	Class D Clean Air Zone
Dundee	Low Emission Zone
Edinburgh	Low Emission Zone
Glasgow	Low Emission Zone
London	Ultra Low Emission Zone
Oxford	Zero Emission Zone
Portsmouth	Class B Clean Air Zone
Sheffield	Class C Clean Air Zone
Tyneside (Newcastle & Gateshead)	Class C Clean Air Zone



Not all petrol and diesel vehicles will incur charges, and the charges are only in place for certain roads. This leeway gives you time to strategically plan your transition to EVs. However, do take into account that CAZs could change, and local governments are considering new, tighter restrictions in cities across the UK.

It is worthwhile paying attention to new announcements should you need to adjust your fleet strategy or logistics.



Getting ready for emissions legislation change



The Government has already made low-emissions transport part of its procurement requirements.

As of 30 September 2021, all Government contracts worth over £5 million are subject to a Procurement Policy Note known as PPN 06/21, which means that bidding suppliers must provide a Carbon Reduction Plan.

This plan should show the supplier's commitment to achieving net zero by 2050 and the low emissions measures it will have in place during the period of the contract.

If your business works with customers in the public sector, you will need to start measuring, monitoring and addressing your day-to-day fleet carbon impact and EVs could play a key role in reducing that impact.

Organisations may soon mirror the Government's procurement policies to reduce their Scope 3 emissions (emissions produced that are connected to a company, like business travel, commuting and purchased goods or services), which will impact even more suppliers.

Legislation is only set to tighten as the Government strengthens its strategy to reach net zero emissions.

Even if your business is not yet impacted by procurement requirements or other legislation, it could be in the near future. Now is the time to understand the coming changes and begin preparing your business to switch to EVs at the optimal time.

Ensuring EVs are cost-effective for your business



As you create a strategy for EV fleet transformation, cost will be an important consideration.

It is understandable why fleet managers may be concerned that the retail or leasing price for EVs could be higher than for ICE vehicles, but they are normally cheaper to run in the long term. Business car journeys, according to a study in 2018, meant that drivers travelled on average 47 miles a day.*

Real-world range of 200 miles to 250 miles is accepted as standard for today's BEVs, meaning most journeys can be run purely on electricity, which still costs less than petrol or diesel if charged at home, in a depot or at work.

When you look at the total cost of ownership for vehicles, 17% of running an ICE vehicle goes towards fuel compared to 10% of running an EV².

Now that the true cost benefits of running EVs are coming to light, it is worthwhile considering whether your business could shrink its overheads by switching to EVs.

By calculating your fleet's average distance travelled and how often the vehicles are used, you can work out whether EVs could meet your needs for a fraction of the cost. Do factor in the weight of the loads you typically carry.

Cold weather can also affect an EV's battery performance and reduce the vehicle's range, as does using the air conditioning, so remember to factor in some leeway to account for these.

*Fleet News, "Company car drivers spend almost three years of their career behind the wheel", 26/04/2018.

²TCO is based on a basket of 17 vehicles for each powertrain.

Based on Contract Hire Full Maintenance with a contract term of 36mths / 20,000 miles per annum.

Fuel costs are based on 75% business miles using Advisory Fuel Rates (AFR's)

PHEV MPG figures have been reduced by 75% to reflect real world conditions

Based on TCO effective from May 2023 – inclusive of Health and Social Care Levy.

Tax considerations when switching to EVs

A lower tax rate is another reason why EVs are becoming an increasingly cost-effective choice for businesses.

BEVs carry lower Benefit-in-Kind (BiK) and Class 1 National Insurance rates than petrol or diesel cars. Although BiK rates have doubled from 1% to 2% for BEVs (for 2022/23), the rate is still considerably lower than for their ICE counterparts. BiK rates start at 22% for petrol cars and can be as high as 37%.

Given the difference in BiK rates, switching to BEVs could be more tax efficient for your business and your employees, helping to drive employee satisfaction.

It should be noted that PHEV models with a range of less than 30 miles have a 14% BiK rate, so you will need to weigh up whether it is worth offering these vehicles as well as BEVs.



Preparing for the logistics of electrification

If you decide that your business is not yet ready to switch to EVs, it is still important to get ready for the practical side of electrification ahead of the 2035 target.

In recent years, the infrastructure needed to support EVs has seen a marked improvement. At the end of July 2023, there were nearly 46,000 charging points across 23,000 charging locations in the UK, which represents a growth of 23.5% in the number of charging devices on the previous year.

However, you should also consider the infrastructure at your workplace. Some employees will need to recharge their vehicles at work before driving home or to meetings and many may not have the off-street parking often needed for charging EVs at home. By priming your business so it's ready to accommodate electric fleet vehicles, you can help your employees navigate charging time when they do make the switch.

The Workplace Charging Scheme (WCS) grant could help cover up to 75% of the costs of installing the charging points, capped at £350 per socket and a maximum of 40 sockets per organisation.

The WCS is available to registered businesses, charities and public sector organisations that demonstrate a need for EV charging equipment or an intention to encourage EV uptake in their fleet or among employees. Applicants will need to have dedicated off-street parking for employees.

You can see full details on WCS eligibility on the scheme's website.





Smoothing the transition to EVs



Electrification will fundamentally change UK roads in the next few years.

Although businesses might not need to choose EVs now, it is sensible to prepare for when you will need to move your fleet away from fossil fuels.

A great way to start is to explore EV models and calculate the cost and practical implications of switching your fleet. No two fleets are the same, but the experts at Lombard Vehicle Solutions can help you create a transition timeline that supports your business case. Get in touch to speak to our team.

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