

## **TransportEnergy Programmes Update**

Following the stakeholder meeting held on the 19<sup>th</sup> January 2005, we would like to update you on the current situation with the proposed TransportEnergy programmes. The Department for Transport has formally notified the European Commission of its intention to introduce new grant incentive programmes in 2005/6. The formal notification was received by the Commission on 15 March.

The Commission has two months to respond to the proposed programmes. If no response is received the programmes are cleared by default and can be started any time thereafter. If the Commission responds with questions on the detail of the programmes, then DfT will respond, and the Commission will have a further two months from the date of the response to respond again or clear the programmes.

During discussion with the Commission, the detail of the programmes may be subject to change. However, within these general constraints, we can confirm that 6 separate programmes proposed by the UK have been notified to the Commission as follows:

**A Low Carbon Research and Development Programme:** which would provide grants towards the costs of research and development for prototype low carbon vehicles and technologies. The programme largely replicates the "New Vehicle Technology Fund" programme. Levels of grants will be limited according to European Research Funding rules, and will not exceed 50% of overall project costs.

**A Low Carbon Bus Demonstration Programme:** which would provide purchase grants to bus operators to incentivise the purchase of up to 150 "low carbon buses" (defined as buses with CO<sub>2</sub> emissions at least 30% lower than new Euro III buses of equivalent passenger capacity). Grants will be no more than 30%-40% of the additional cost of purchasing and running a low carbon bus over 5 years compared to a conventional equivalent.

**A Low Carbon Car Programme:** which would provide purchase grants to incentivise the uptake of cars and vans that fall below a maximum CO<sub>2</sub> limit. This limit is expected to be 110g/km, but will depend on the forecast market volumes for these vehicles. The vehicles will also need to meet an air quality threshold limit at Euro IV, and additionally diesel cars need to be within a PM limit of 5 mg/km. Levels of grants will be no more than 30%-40% of the additional cost of the purchasing and running a low carbon vehicle over 5 years compared with an equivalent "comparator" vehicle which does not meet the emission requirements.

**An Air Quality Retrofit Programme:** which would provide grants for the retrofitting of air quality abatement equipment to existing vehicles, including vans, buses, coaches and HGVs. Retrofitting may include the fitting of alternative fuel technologies including LPG and CNG systems. Levels of grants will be no more than 30% of the costs of converting/fitting vehicles with emission reduction systems.

**An Air Quality Vehicle Programme:** which would provide grants to purchasers for eligible vehicles meeting the European Commissions emission standards for Enhanced Environmental Vehicles (EEVs) as detailed in Directive 1999/96/EC.

Grants will be no more than 30%-40% of the additional cost of purchasing and running these vehicles over 5 years compared to a conventional equivalent

**An Infrastructure Development Programme:** which would provide grants to support the early introduction and installation of alternative fuel infrastructure, including infrastructure for natural gas, electricity, biofuel and hydrogen fuels. Grants will be limited to no more than 30% of the costs of establishing alternative fuel infrastructure sites, and be limited to equipment and installation costs.

The proposals for these new programmes have been developed through a comprehensive stakeholder process that was run during last year. The key results and recommendations from the stakeholder responses have been built into the new programmes to:

- Address carbon and air quality objectives;
- Be emissions based and technology neutral, providing simple fixed grants, which are easy to communicate;
- Accelerate the early uptake of new vehicles into the market by reducing the barriers to adoption through grant incentives, advice and information;
- Grant fund 8-12000 new vehicles per year, which represents 0.5% of UK annual vehicle sales. This will help to drive the market to reach the PFV target set by government for 10% of new car registrations to be under 100g/km (tailpipe) by 2012, and support the move to the EU/ACEA voluntary agreement average of 140 g/km CO<sub>2</sub> by 2008-2012
- Support the introduction of cleaner commercial vehicles into the market and improve the environmental performance of existing commercial vehicles through the fitment of emissions reduction exhaust systems and engine conversions to cleaner fuels. This will support the UK governments' objectives to improve air quality in support of the European Air Quality Directive (1999/30/EC).

**Budgets:** The overall 2005/6 budget for the TE programmes across the UK is £28m. This includes EST's work in delivering advice to organisations to develop travel plans and improve the environmental performance of their fleet operations. Grant programme budgets will depend on when the programmes can be started and the level of uptake.

We will keep stakeholders informed of the progress in starting up the new programmes, in order to give as much certainty and planning time as possible. However, as a matter of law, it is not possible to extend the 2004/5 schemes or begin new TransportEnergy grant programmes until the Department for Transport has communicated to EST that the requisite clearance from the Commission has been obtained.