Automotive Industry Priorities

1 February 2022

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Chief Executive

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To download a copy of the recording click here.

- During presentations (10:00 – 11:00) everyone will be muted so that only the presenters will be heard.

- Polls will be conducted throughout the webinar.

- The presentation will be followed by a Q&A session. Type in your question at any point.

- If you are experiencing any technical problems please email memberservices@smmt.co.uk.

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Mike Hawes, Chief Executive, SMMT

1 February 2022

A Review of 2021

Registrations full year 2021

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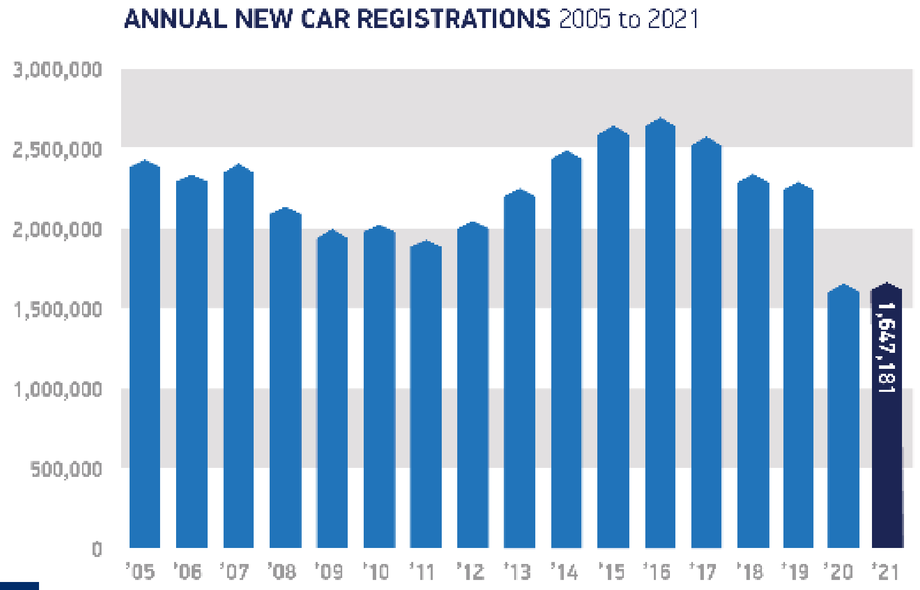
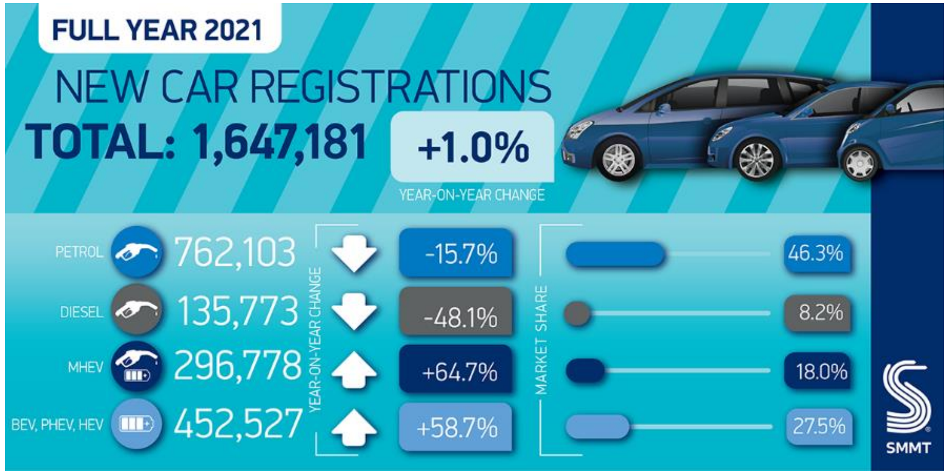
- 1.65m new cars registered in 2021 – up just 1.0% on pandemic-ravaged 2020 and -28.7% below pre-Covid levels.
- Plug-in vehicles account for record more than one in six registrations, while battery electric cars alone rise to one-in-nine, with more registered than 2016-2020 combined.
- Industry calls for incentive extension and mandated chargepoint targets to accelerate consumer uptake.





Year to date

	YTD 2021	YTD 2020	% change	Mkt share -21	Mkt share -20
Diesel	135,773	261,772	-48.1%	8.2%	16.0%
MHEV diesel	98,753	60,953	62.0%	6.0%	3.7%
Petrol	762,103	903,961	-15.7%	46.3%	55.4%
MHEV petrol	198,025	119,179	66.2%	12.0%	7.3%
BEV	190,727	108,205	76.3%	11.6%	6.6%
PHEV	114,554	67,134	70.6%	7.0%	4.1%
HEV	147,246	109,860	34.0%	8.9%	6.7%
TOTAL	1,647,181	1,631,064	1.0%		

BEV - Battery Electric Vehicle; **PHEV** - Plug-in Hybrid Electric Vehicle; **HEV** - Hybrid Electric Vehicle, **MHEV** - Mild Hybrid Electric Vehicle

LCV, Bus & Coach and HGV market

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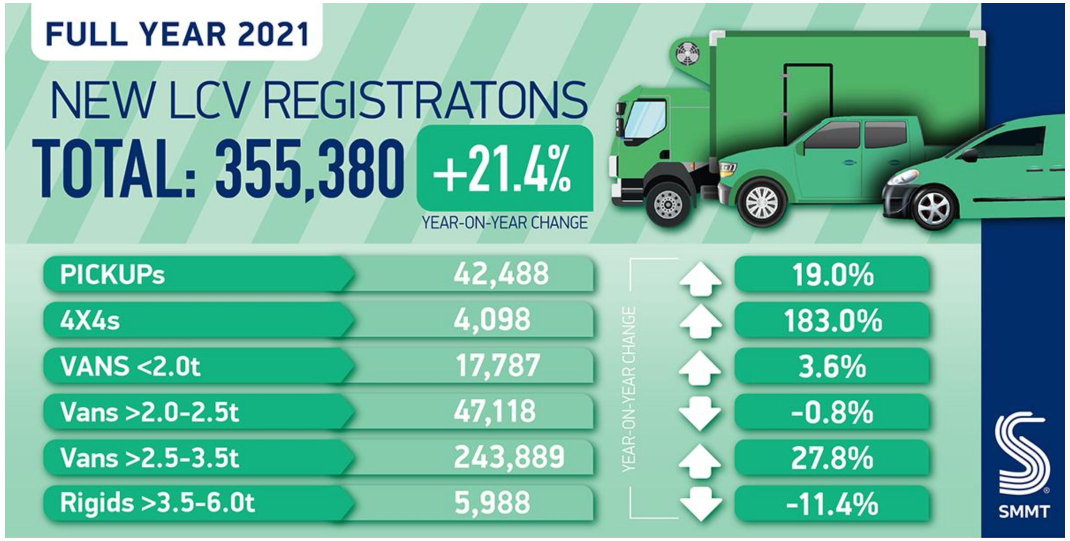
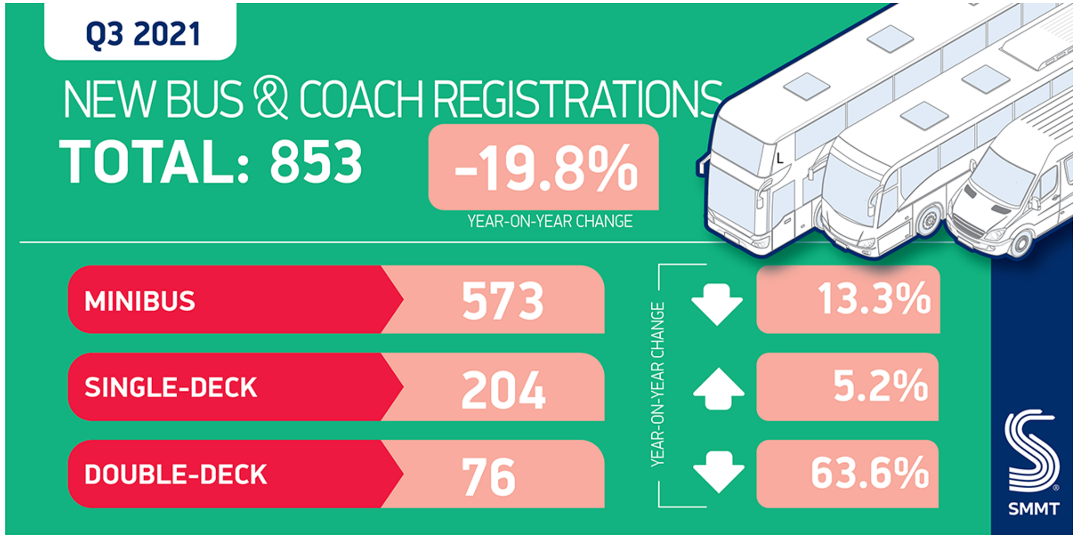
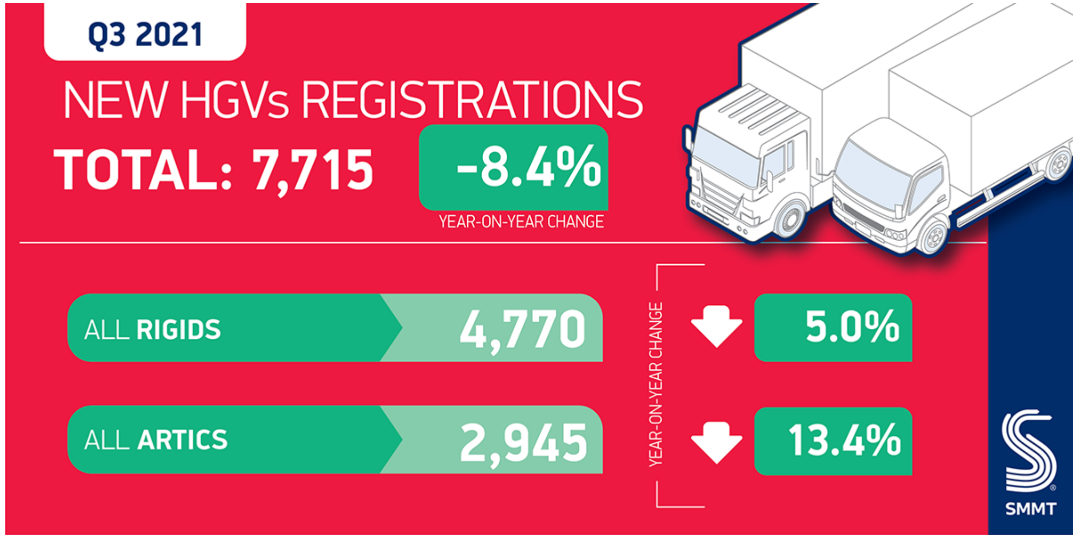
- New van market grows by a fifth as battery electric demand more than doubles
- Bus and coach registrations decline by almost a fifth in Q3 2021
- HGV market declines -8.4% in Q3 2021

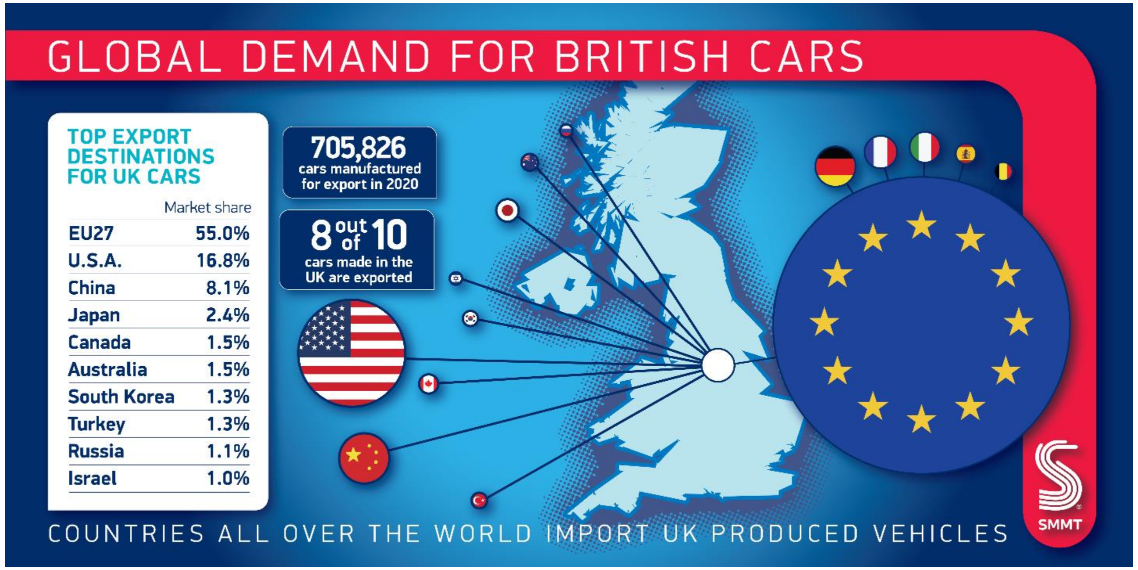


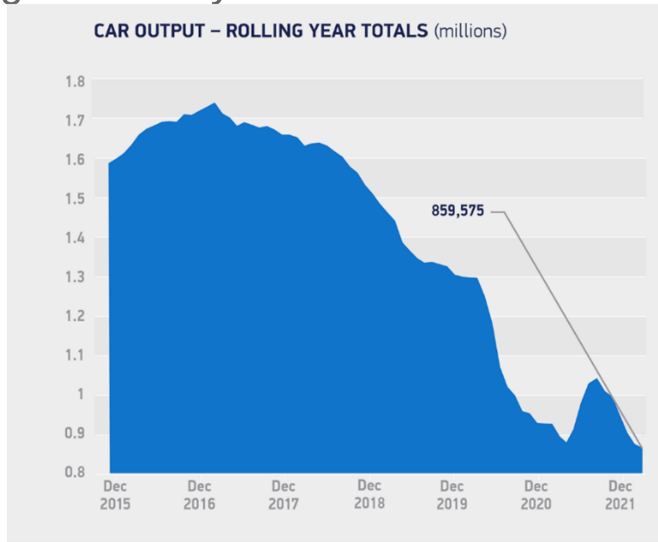




Car Manufacturing figures

- Car production falls -6.7% to 859,575 units due to multiple factors, most Covid-related.
- UK electrified vehicle output surges, up 29.6%, to more than a quarter of production.
- Factories turn out record number of battery electric vehicles, volumes up 72.0%.
- Grounds for optimism in 2022 with potential £4.9 billion of investment announced and production forecast to begin recovery.





CAR MANUFACTURING

	Dec-20	Dec-21	% change	YTD-20	YTD-21	% change
Total	71,403	62,310	-12.7%	920,928	859,575	-6.7%
Home	16,785	16,091	-4.1%	171,890	153,749	-10.6%
Export	54,618	46,219	-15.4%	749,038	705,826	-5.8%
% export	76.5%	74.2%		81.3%	82.1%	

Commercial Vehicle manufacturing figures

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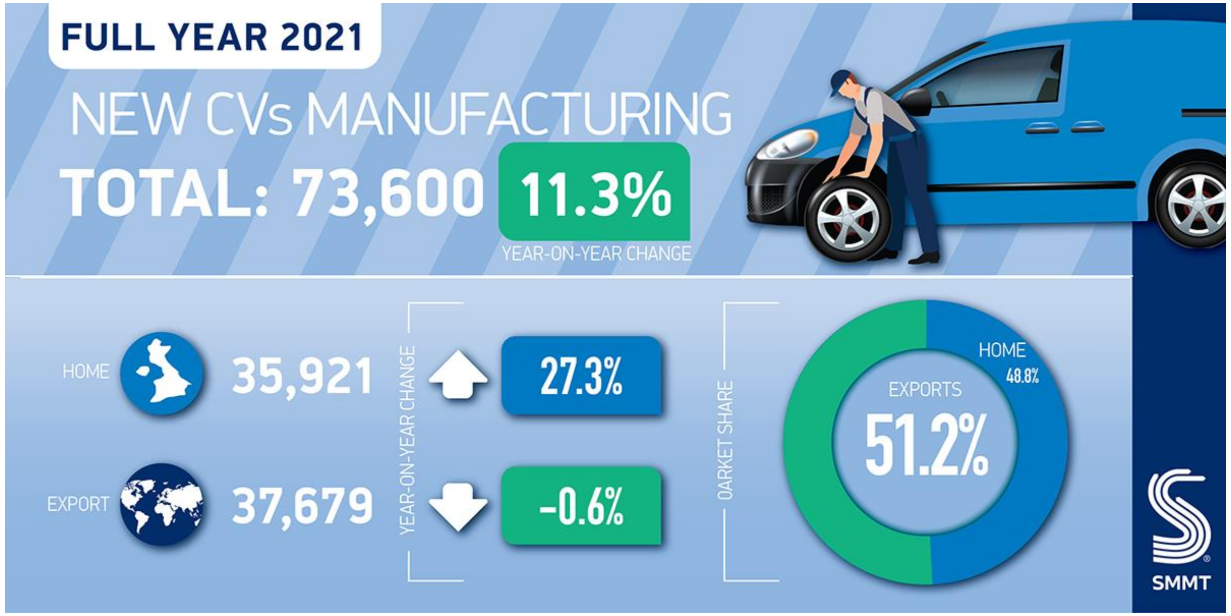
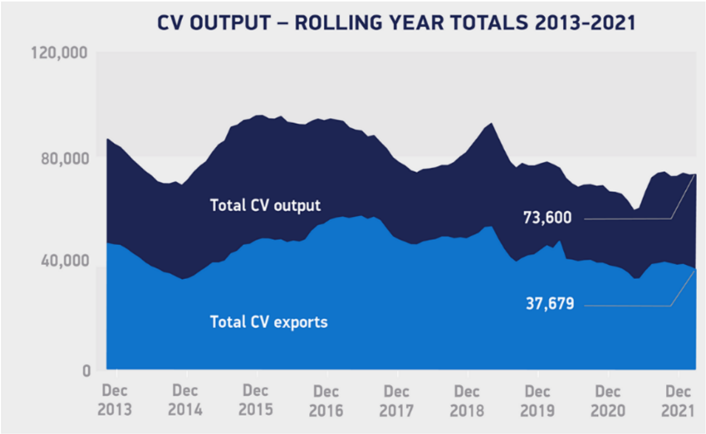
- British commercial vehicle production rises 11.3% to 73,600 units, but remains -14.4% down on pre-pandemic five-year average.
- Increase driven by production for UK, up 27.3%, while output for overseas markets broadly stable, down -0.6%.
- More than half of all British-built CVs exported, with the majority destined for EU roads.





CV MANUFACTURING

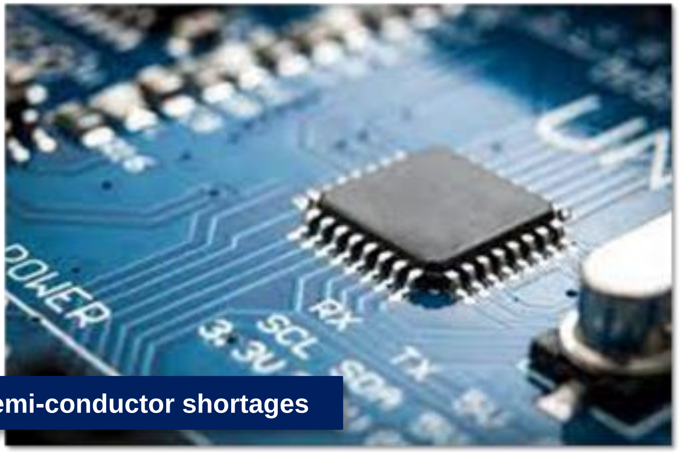
	Dec-20	Dec-21	% change	YTD-20	YTD-21	% change
Total	6,638	6,848	3.2%	66,116	73,600	11.3%
Home	2,319	3,548	53.0%	28,223	35,921	27.3%
Export	4,319	3,300	-23.6%	37,893	37,679	-0.6%
% export	65.1%	48.2%		57.3%	51.2%	

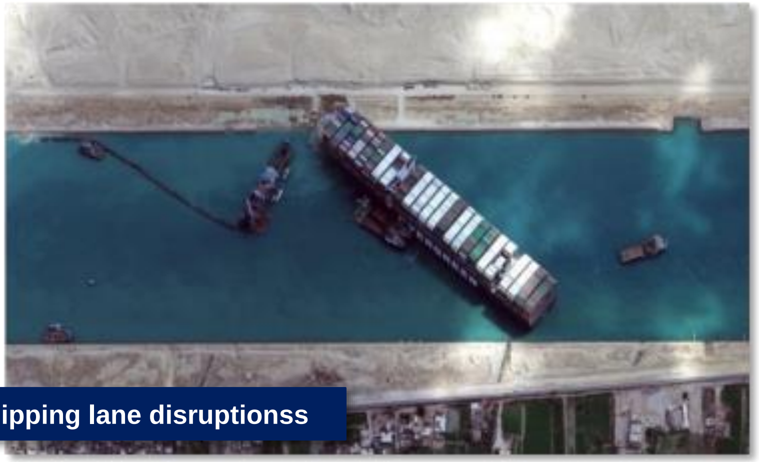
Supply chain challenges

Raw material shortages


Container shortages


HGV Driver shortages


Semi-conductor shortages


Shipping lane disruptionss


Air freight issues

COVID-19: Where are we, where are we going?

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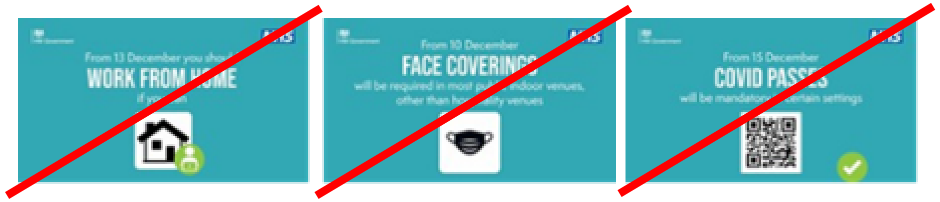
December 2021
A new Covid variant – Omicron – enters circulation, leading UK to implement its Winter Plan B measures.

January 2022
UK weathers the Omicron storm and rolls back Plan B measures.



From March 2022
All Covid legislation to end on 24 March.

2022 and beyond
What is the risk of new variants? How will the world respond? What is the future for international travel?

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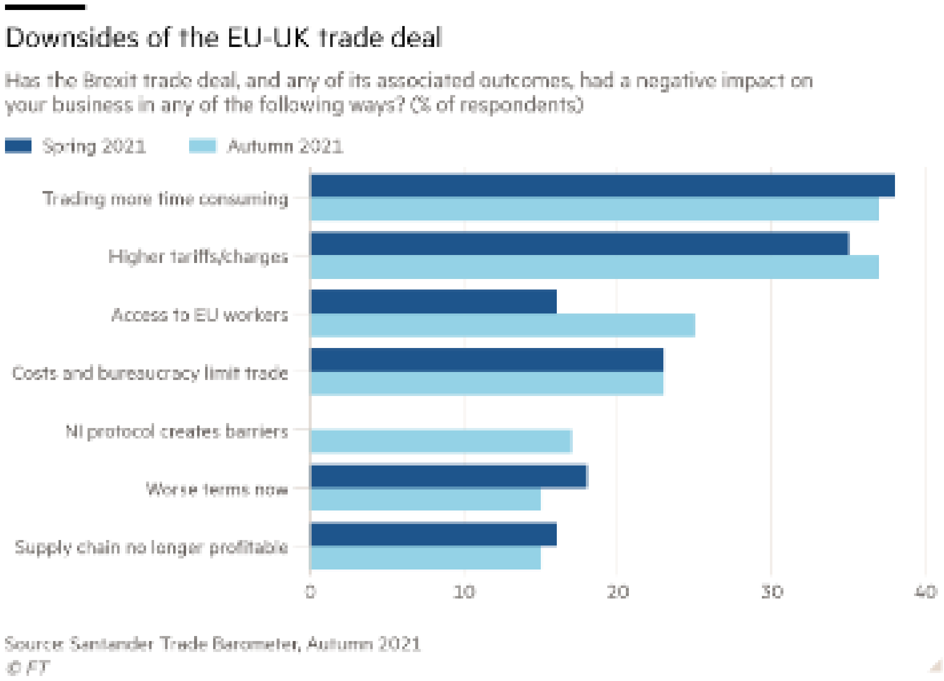
Brexit – Teething Issues or Structural Problems?

Brexit: new rules are here

New rules apply to things like travel and doing business with Europe. Use the Brexit checker to get a personalised list of actions for you, your business and your family.

Brexit checker: start now

Check Change Go



- Political environment remains challenging, ongoing Covid impact
- Cost and inflationary pressures rising
- Northern Ireland Protocol / Art 16 – UK & EU proposals have merit but politically challenging
- Full UK customs controls since Jan 2022, while 2021 exports down 3%
- New regulatory timelines, shared challenges out of sync / two solutions

Where next for UK & Europe?

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UK wants new opportunities, must still implement retained legislation

- Deal just about works, success not guaranteed
- TCA still political, not technical – all or nothing
- Challenges to transpose existing UK rules / powers, update or create new legislation, capitalise on new opportunities
- Future of wider trade ambitions and negotiations – e.g. role of EU cumulation

EU priorities create risk of divergence by design or by default

- Implementing the European Green Deal
- Achieving a Europe fit for the digital age
- Delivering an economy that works
- Making Europe stronger in the world
- Key dossiers incl. Fit for 55, data etc

Customs

- **End to delayed declarations**
- **End to the grace period for declaring origin**
- **Introduction of a new system for hauliers and customs brokers**
- **Teething problems at some entry ports**
- **Compliance in origin verification to be tested**
- **Long term cost impact / volumes?**

Northern Ireland

- **Lord Frost resigned on Dec. 19**
- **Foreign Sec. Liz Truss new chief negotiator**
- **More conciliatory tone but key issues unresolved**
- **Customs controls remain suspended**

Regulation

- **Key year for future regulation – CO2, Type Approval, SZEC, CBAM, Euro VII**
- **2024 battery regulations and Rules of Origin compliance**
- **Need for solution on UKCA spare parts before introduction of full scheme in 2023**
- **Establishment of working groups?**
- **New ‘Brexit Freedoms’ Bill & paper to consider EU retained law & post-EU proposals and opportunities**

The Year in Numbers

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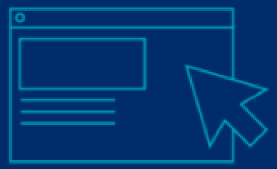
25,000

people visited our dedicated online Covid-19 support hub to access latest updates and guidance with safe-working best practice guides for auto retail, aftermarket and manufacturing downloaded 3,000 times since launching.

6,500

people attended 101 SMMT events, including driving days, political roundtables, market briefings, press conferences and networking sessions, including webinars on Covid-19 and Brexit preparedness support.



1.8 million

page views on smmt.co.uk by members of the industry, government and global media to access our world-leading data, insight and guidance and stay up to date with latest SMMT news and comment.

350

high level political meetings with Secretaries of State, Ministers and MPs. Covid restrictions presented an ongoing challenge. However, through online and in-person meetings and events, SMMT engaged on key issues including Covid-19, UK-EU relations, UK trade policy and the suite of legislation moving vehicles to zero emission in the coming decade.

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SMMT events

SMMT TECH NETWORKING

SMMT DIGITAL NETWORKING

Poll 1

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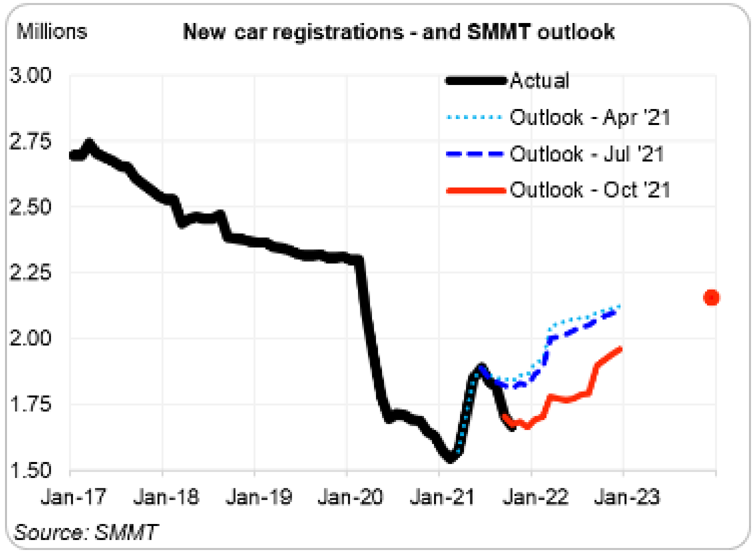
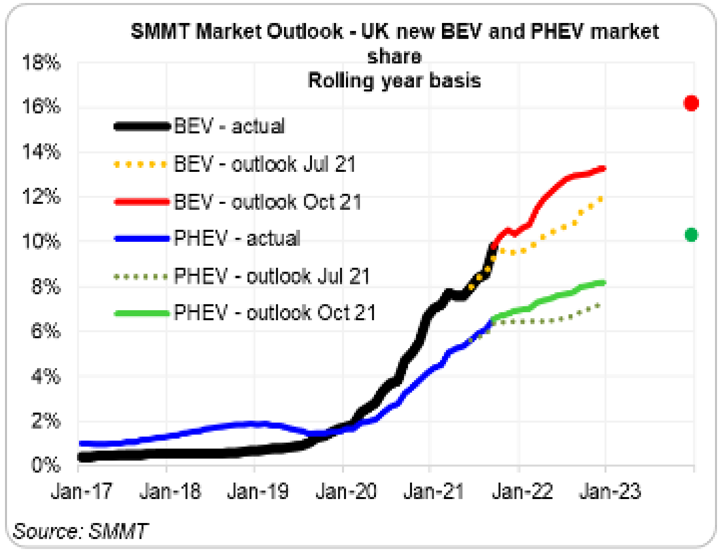
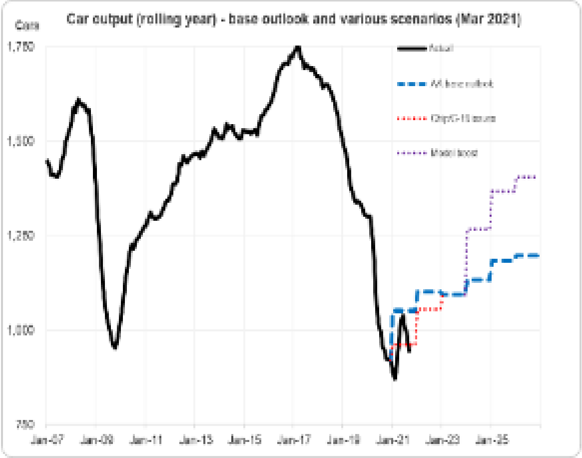
A look ahead to 2022

Overview and Priorities







Issues

- **COVID & retail** – Chip issue derailed market and outlook been revised down by 160,000 units from July view to 1.66mn units this year. BEVs up 73.1% in Oct to 15.2% mkt share and YTD at 9.9% share after 86% volume growth.
- **COVID & manufacturing** – ongoing supply-chain issues. Sept car production -41.8%. Global chip shortage continues to plague production costing suppliers more than £2.4 billion. BEV and hybrid car manufacturing as almost a third of all cars.
- **Semi-conductor & input availability / costs –** ongoing issues affecting production, HGV shortage impacts
- **Skills & employment** – wage costs, labour-supply
- **Energy cost competitiveness** – rising prices, supply
- **Brexit issues** – *Costs*; *Customs & Border* – 1 Jan full control / Systems & Processes / Northern Ireland Protocol / Logistics, capacity and capability; *Rules of Origin* – Compliance & utilising grace period for zero tariff trade / tariff suspension; UKCA marking
- **Taxation** – Increase in NI and marginal taxes
- **Rising Inflation** – Interest rates rise, consumer confidence?

COP26

Outcomes

- Glasgow Climate Pact
    - Agreed by 197 countries
    - Use of unabated coal should be 'phased down', as should subsidies for fossil fuels
    - Warns that current progress is far from what is needed to keep emissions at 1.5C
    - $100bn of climate finance per year by 2020 agreed at COP15 has been missed
    - 12 countries have pledged $413m in new funding for the Least Developed Countries Fund
- COP26 World Leaders Summit: Statement on the breakthrough agenda
- COP26 Declaration on accelerating the transition to 100% zero emission cars and vans
- Zero Emission Vehicle Transition Council:2022 Action Plan
- Statement on public support for the clean energy transition
- New mission innovation missions

UK Government - Transport Decarbonisation Plan

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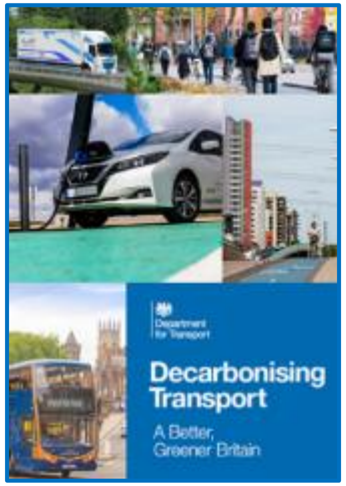
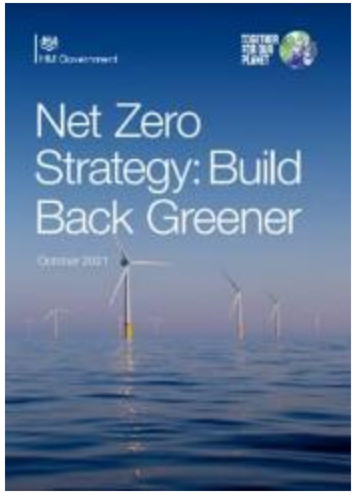
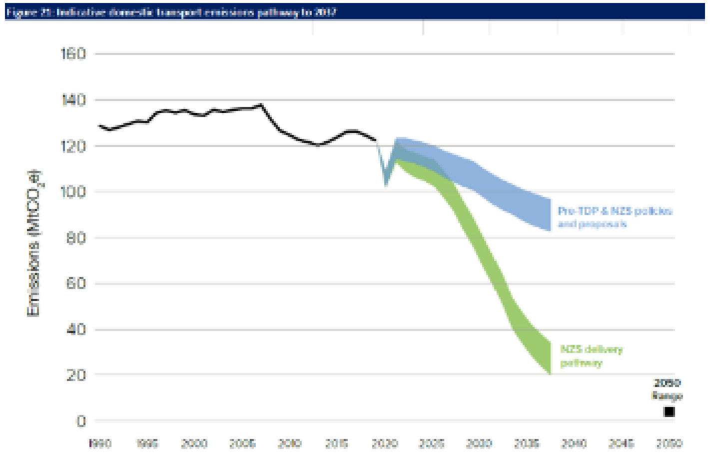
Policy Commitments/Regulation

- End-of-sale of petrol and diesel cars and vans by 2030
- All cars and vans emission-free by 2035
  (“*Significant Zero Emission Capa*bility” only 2030 – 35)
- Phase-out of non-zero emission buses and coaches
- ZEV mandate – 2024/25
- CO_2 “Backstop” for Non-ZEV (in addition to fleet CO_2)
- Heavy Goods Vehicles:
  - 2035 (or earlier if a faster transition seems feasible) for vehicles weighing from 3.5 tonnes up to and including 26 tonnes
  - 2040 (or earlier if a faster transition seems feasible) for vehicles greater than 26 tonnes
- A commitment to powering the UK using clean electricity by 2035, subject to security of supply.







EV registrations are on the rise

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Registrations and market share of plug-in cars in the UK

	Jan-Sept 2021		2020		2019		2018		2017	
	Registrations	Market share	Registrations	Market share	Registrations	Market share	Registrations	Market share	Registrations	Market share
BEVs	125,141	9.5%	108,205	6.6%	37,850	1.6%	15,510	0.7%	13,632	0.5%
PHEVs	87,040	6.6%	66,877	4.1%	34,984	1.5%	44,437	1.9%	35,585	1.4%
Total plug-ins	212,181	**16.1%**	175,082	**10.7%**	72,834	**3.2%**	59,947	**2.5%**	49,217	**1.9%**
All cars	1,316,614	100%	1,631,064	100%	2,311,140	100%	2,367,147	100%	2,540,617	100%

Source: SMMT

- Of the 35 million cars in the UK parc at the end of 2020, 438,595 (1.3%) were plug-in vehicles.
- BEVs (199,085) made up 0.6% of the parc, while PHEVs (239,510) 0.7%.

Driven by industry commitment and investment

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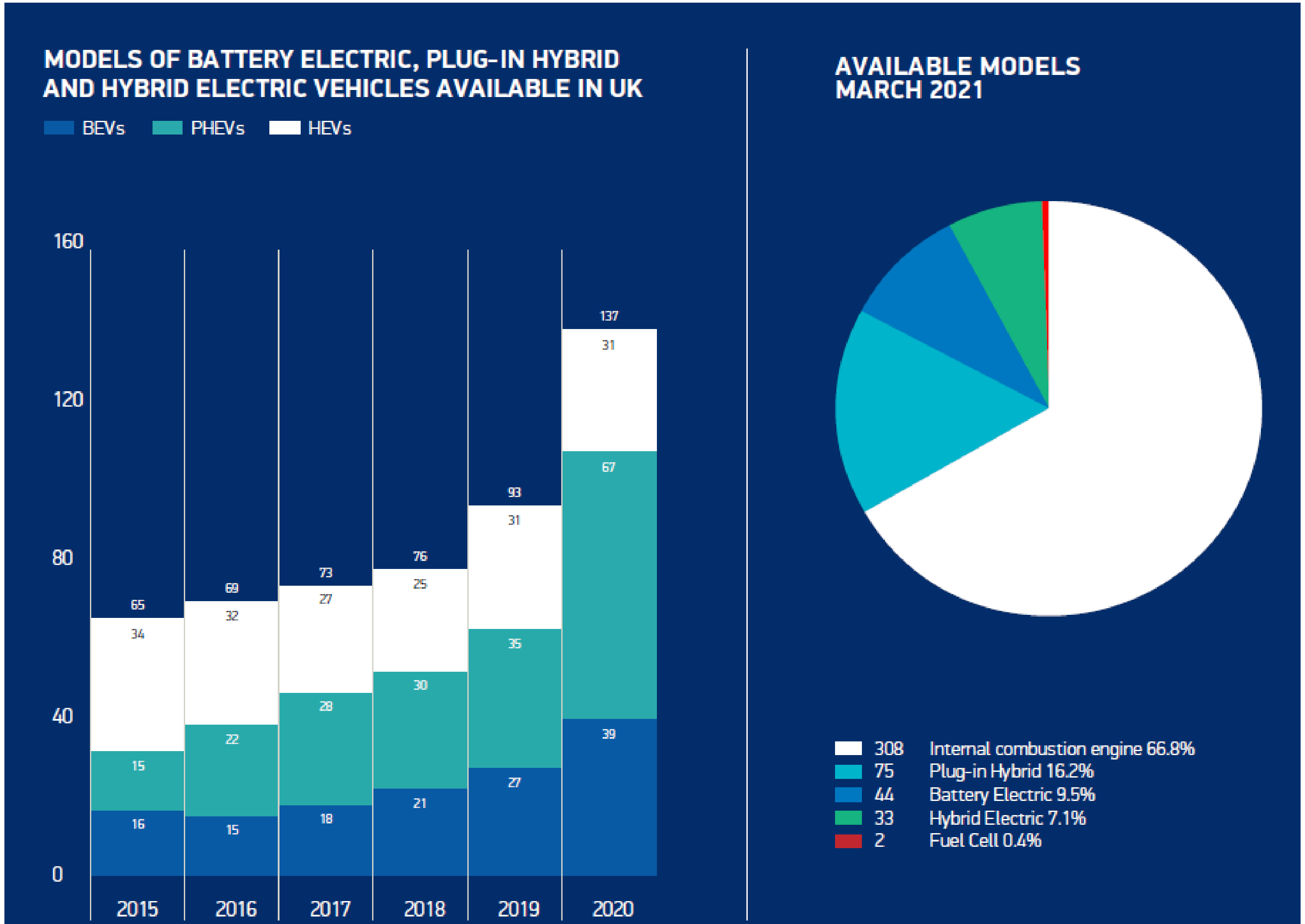

Source: SMMT

Industry is investing heavily to bring an ever increasing number of models to market

- 1/3 of the models currently on the UK market are electrified vehicles, 1/4 a plug-in or fuel cell vehicle and 1/10 a BEV.
- A number of manufacturers have announced their brands will be fully electric between 2025 and 2030.
- Manufacturers invested more than £54 billion across Europe in 2019 alone.
- Government's 2035 Delivery Plan:
  - Manufacturers will invest an estimated £230 billion in the next 5 to 10 years.
  - 28 BEV models are already under £35,000.

Long-term market outlook

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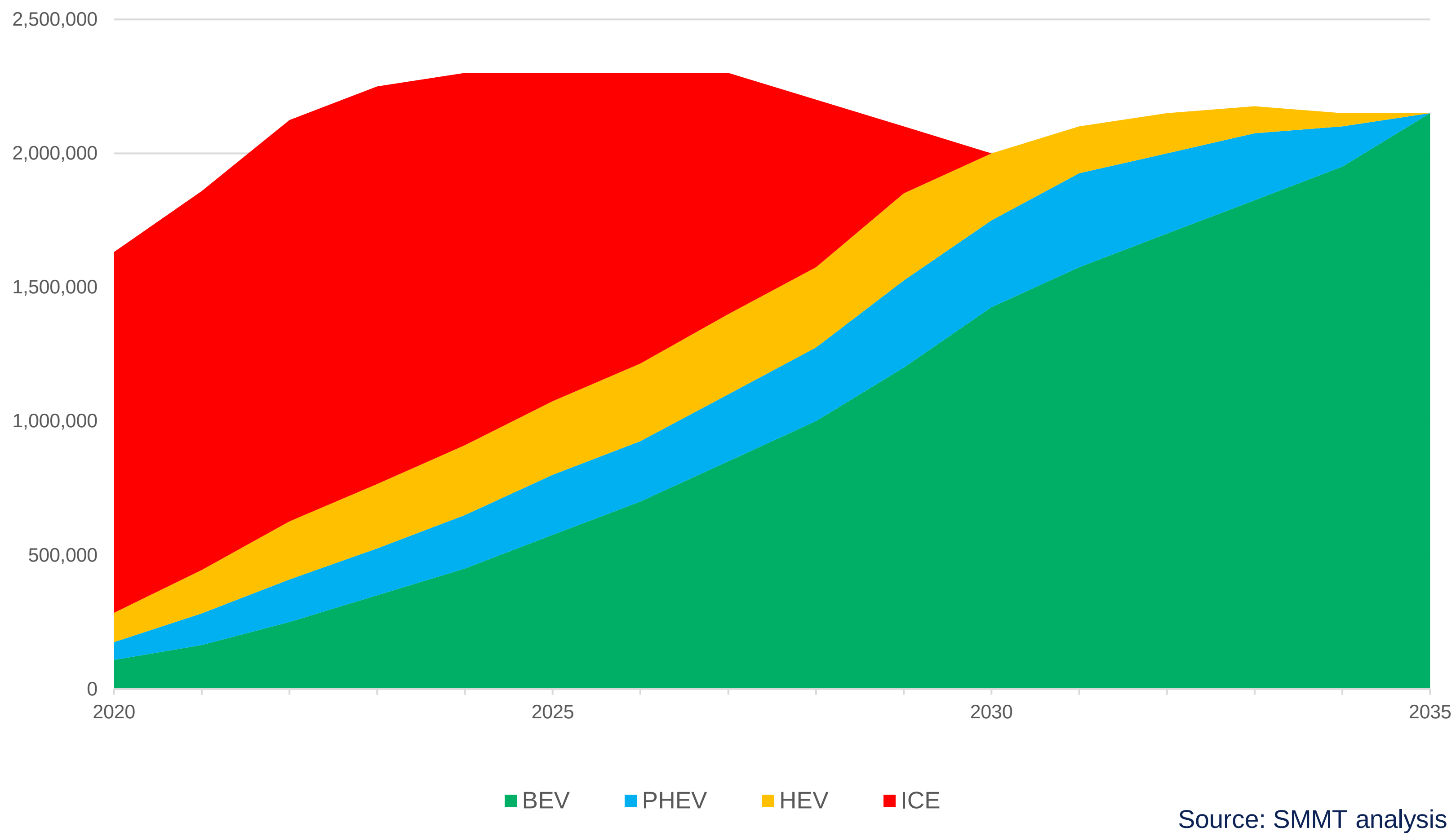
UK new car market outlook to 2035



Source: SMMT analysis

Government policy

£2.8 billion support package:

- £582m for vehicle grants
- £1.3bn for grid capacity and charging infrastructure
- £1bn for industrial and supply chain transition

Barriers to mass market EV uptake

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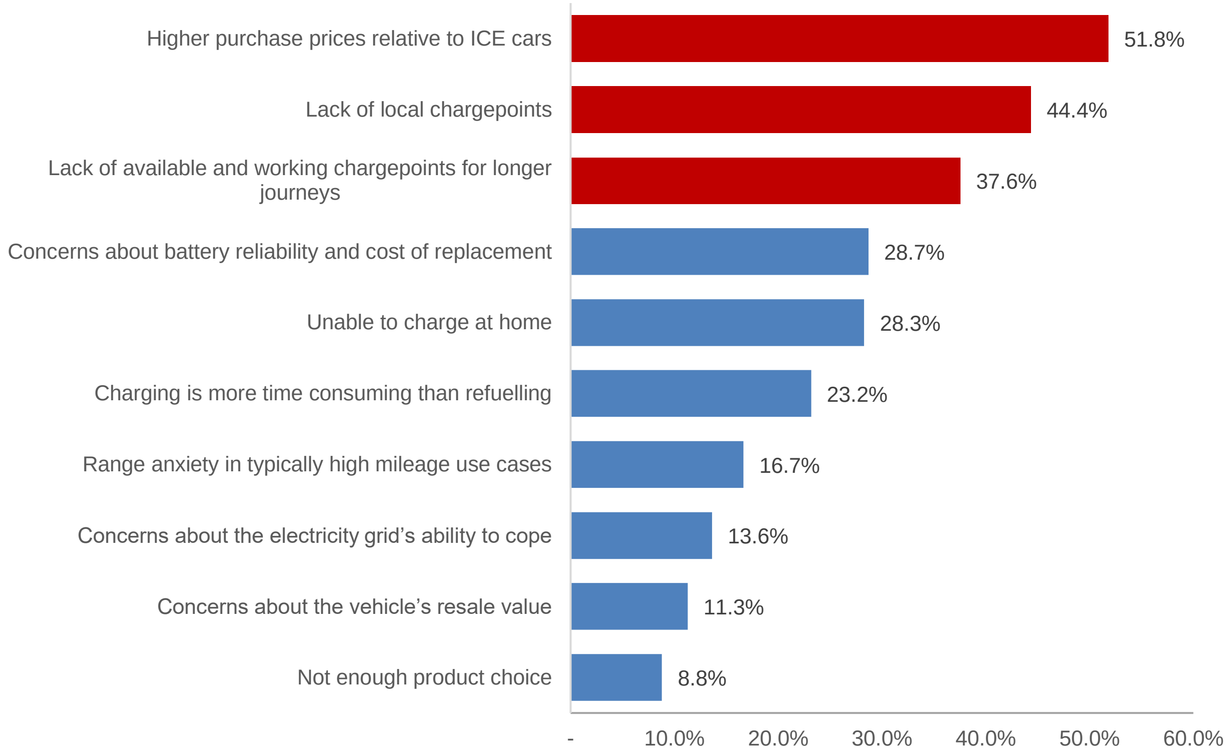
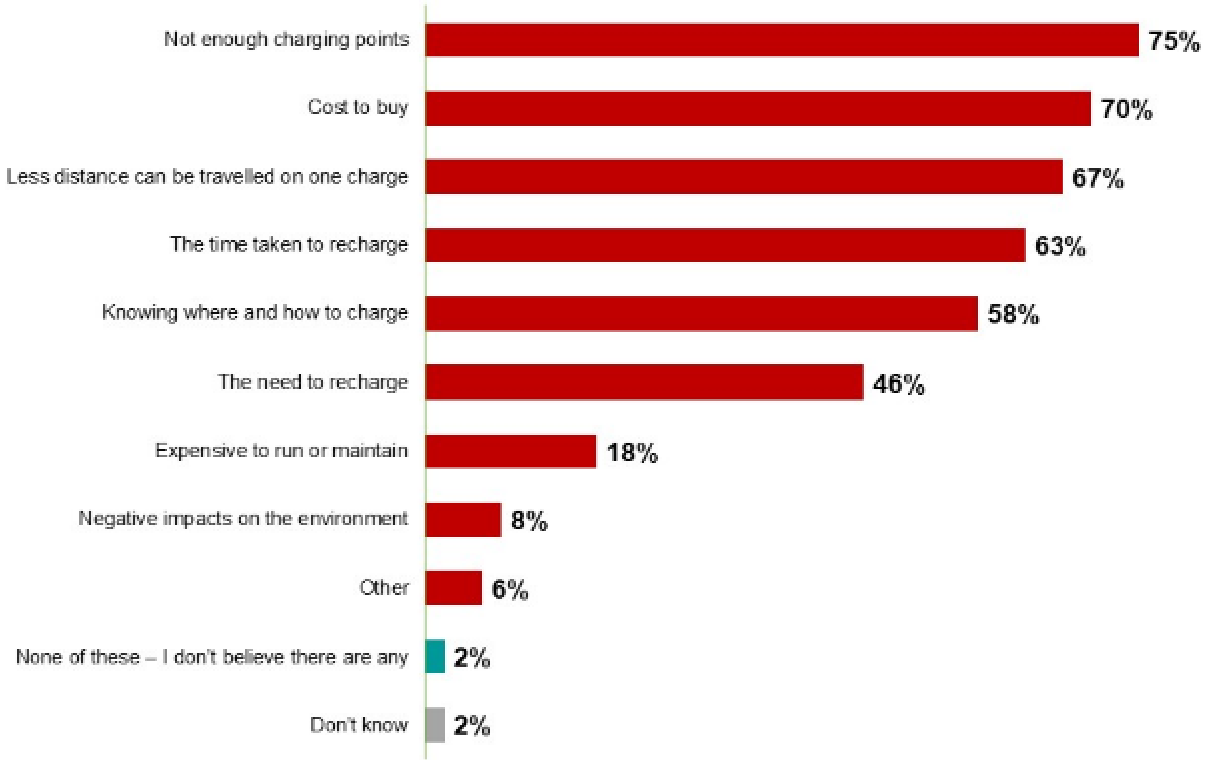
Every single reputable study, including government's own, points to charging infrastructure and affordability as key barriers.

Key factors holding consumers back from buying EVs



Source: Savanta ComRes for SMMT, 2020

Disadvantages of EVs



Source: Ipsos MORI for Department for Transport, 2021

Growth in public chargers needs to keep pace with accelerated EV uptake

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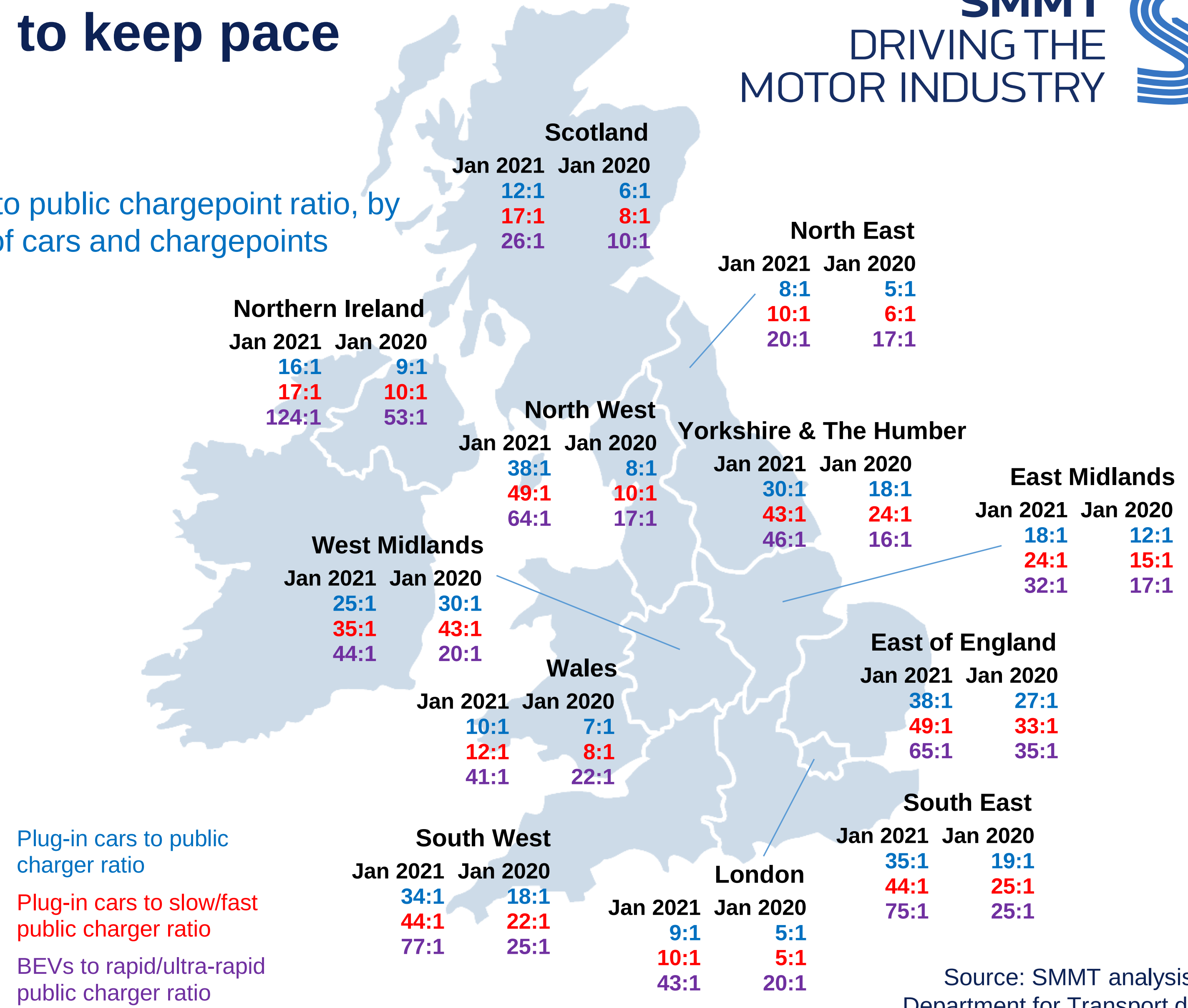
- Plug-in cars on the road had grown a phenomenal 280.7% in the two years between 2019 and 2021, but slow/fast public chargepoints grew by just 70.3% in the same period.
- While BEVs in the car parc grew by a staggering 587.7% in the last two years, rapid/ultra-rapid charger stock grew by 82.5%.
- While the problem may not be a lack of chargepoints, the provision of public chargers risks becoming increasingly inadequate, inequitable and disproportionate as plug-in vehicle uptake accelerates.

Cars to public chargepoint ratio, by type of cars and chargepoints



Source: SMMT analysis of Department for Transport data (2021) and SMMT parc data

What is needed to deliver fit-for-purpose infrastructure

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Adequacy

- Now no longer range anxiety, but charging anxiety.
- Bold commitment to invest ahead of need so that motorists can easily find an available and working public charger on demand.
- A coordinated plan to uplift the number of public chargers of the right types in the right places.

Experience

- Reliability of public chargepoints must be at least 99% (currently 91.7%).
- Ease of payment is essential on all public chargepoints.
- Consumers must be given real-time information of public chargepoints.
- There must be pricing transparency across all public chargepoints.
- A regulatory body must enforce a minimum standard.

Equity

- No socio-economic groups or communities, particularly those in rural areas or reliant on on-street residential charging, should be disadvantaged or left behind.
- Public charging must be affordable so that consumers are not penalised in the pocket for not having a private driveway.

Consumer-centric charging infrastructure

Consumer-centricity means putting consumer interests first in every aspect of charging infrastructure development and expansion, including policy-making

Binding targets

Enabling support

Proportionate regulation

Commercial Vehicles and Bus & Coach Sectors

National Bus Strategy driving supply side but ridership struggles

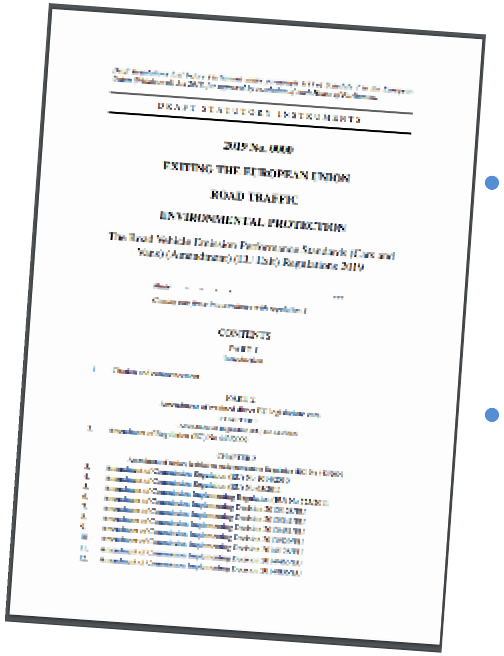
HGV Decarbonisation: uncertain technology path - infrastructure investment

Long term growth continues – self employed and home shopping

COMMERCIAL VEHICLE SHOW

UK CO_2 Regulations

- European Regulations transposed to **UK Law** from 1st Jan 2021
- Regulations remain largely **unchanged**
- Northern Ireland registrations **will** now be part of UK compliance
- Unable to balance compliance across **EU28**
- **Covid-19** creating significant challenges



DRAFT STATUTORY INSTRUMENTS

2019 No. 0000

EXITING THE EUROPEAN UNION

ROAD TRAFFIC

ENVIRONMENTAL PROTECTION

The Road Vehicle Emission Performance Standards (Cars and Vans) (Amendment) (EU Exit) Regulations 2019

CONTENTS

PART 1

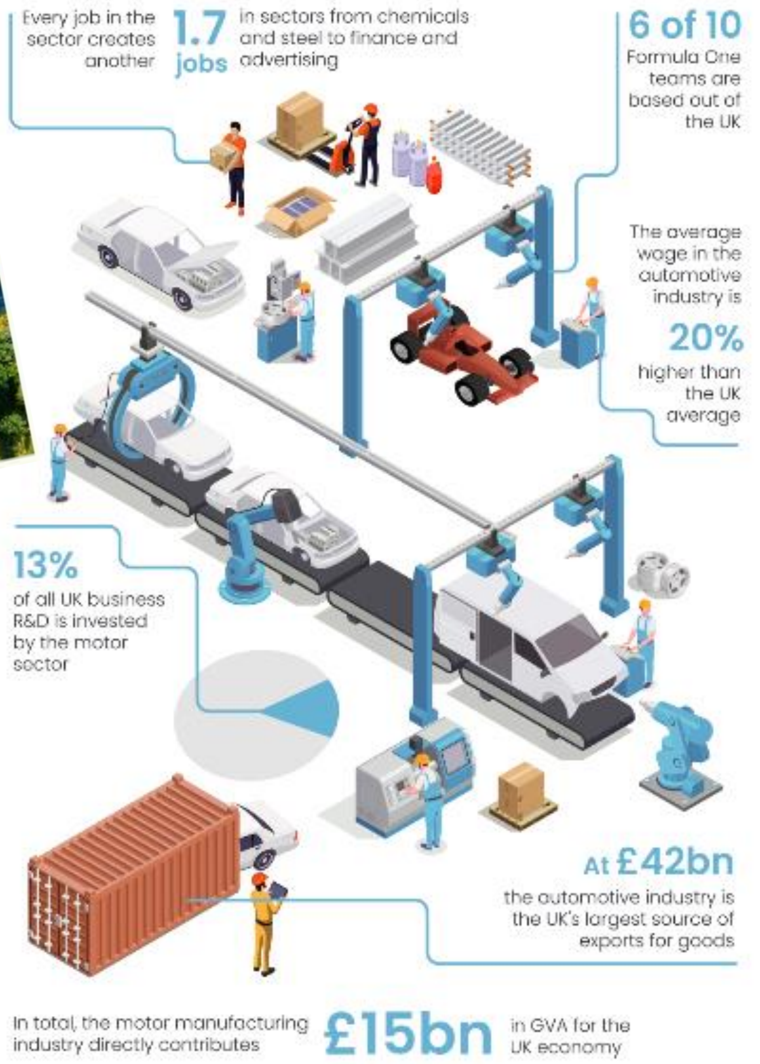
Introduction

The future

- Government **Green Paper** on the future of the UK CO_2 Regulations to be published.
- **ZEV mandate**, as well as more stringent targets to reach end-of-sale dates?
- Consideration of **life-cycle** emissions?

Full Throttle: Driving UK Automotive Competitiveness

- ‘Full Throttle explains how government can deliver manufacturing competitiveness in the transition to net-zero and help ‘level-up’.
- Sector calls for a ‘Build Back Better Fund’, 60 GWh of gigafactory capacity and 2.3 million charge points by 2030.
- Industry has potential to gain 40,000 jobs this decade but, if left stranded, risks precipitous decline.



Budget – cost of living to force Chancellor's hand?

Spring Statement or full Budget to tackle growing cost pressures?

- 30-year high inflation rate and cost of living pressures and rising energy costs
- Limited funding or new money available
- OBR forecast requested for 23 March
- Desire to move on from Covid-19 into economic recovery

UK priorities in post-pandemic environment

- Levelling Up White Paper
- Infrastructure Strategy
- COP Presidency & Net Zero
- Global Britain & trade – India, CPTPP
- May local elections
- Reshuffle?

Competitiveness

- **Levelling Up / Build back better funding to accelerate transformation and recovery**
- **Automotive Transformation Fund – close gap between ambition and delivery**
- **Taxation – Bis Rates; Superdeduction**
- **Semiconductor disruption mitigation**

Net Zero

- **Infrastructure delivery incl. public charging infrastructure**
- **EV Incentives / benefits – PiCG/PiVG, VAT etc**
- **Energy costs & industrial decarbonisation, CCAs**
- **Bus Back Better funding delivery**
- **Giga factory / H2 investment**

Employment & Skills

- **Funding support and extension of Emerging Skills Project / Faraday Battery Challenge**
- **Medium-long term strategy for future auto skills and workforce retention / retraining**
- **Apprenticeships Levy flexibility and NMCL 2 extension**

Support for UK automotive manufacturers

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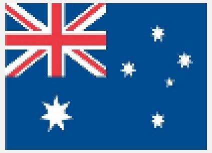
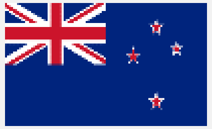
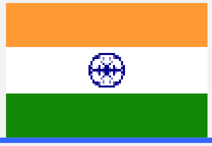
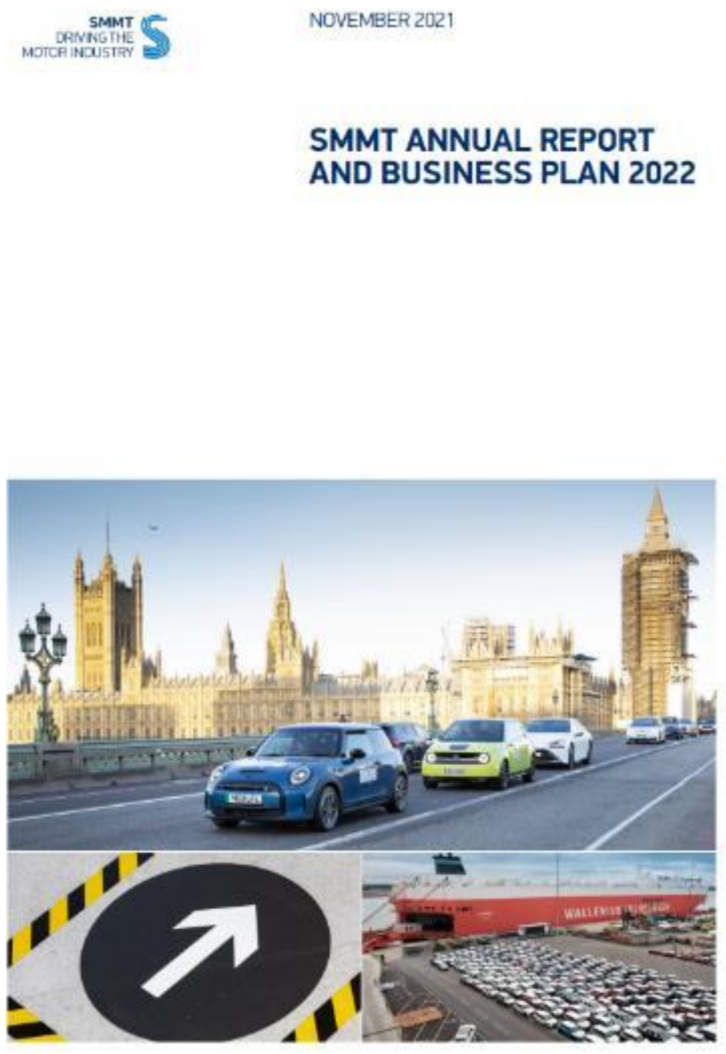
Trade Negotiations

	FTA	POTENTIAL BENEFITS	POTENTIAL NEGATIVES	COMMENTS
SIGNED		Medium	Low	Missed opportunity on NTBs, Positive RoO/tariff precedent
IN PROGRESS		Low	Low	AIP reached, NTBs not addressed
		Medium/Low	Medium	Impact on existing FTAs, First movers & game changers
		High	High	High barriers = big opportunities; Traditional RoO is a risk
UPCOMING	 	Medium/Low	Medium	EU cumulation or new RoO?
		Medium	Low	Roo, Auto Annex key asks

Poll 2

SMMT 2022 Business Plan

SMMT
DRIVING THE
MOTOR INDUSTRY



2022 Key Priorities

SMMT
DRIVING THE
MOTOR INDUSTRY

INTERNATIONAL TRADE
SMMT will continue to advocate for member businesses in transitioning to the new trading conditions, securing new growth opportunities and overcoming challenges in international trade

UK COMPETITIVENESS & INDUSTRIAL STRATEGY
SMMT will work with government and policymakers to secure UK automotive recovery and a UK business environment, which is highly competitive globally

SUSTAINABLE MOBILITY & DECARBONISATION
SMMT will continue to engage with government on plans to end the sale of all non-zero emission vehicles, representing industry views on the regulatory framework for enabling this, and the role of different technologies in making the transition

TECHNOLOGY & INNOVATION
Promoting the UK as a location of choice for the development, testing and deployment of next generation vehicle technology will continue to be a major workstream in 2022

BUSINESS DEVELOPMENT & NETWORKING
As the pandemic recovery continues and the industry adapts to supply chain challenges, SMMT will further enhance our business development activities and broaden our portfolio of events both in the UK and abroad

INTERNAL OPERATIONS & PEOPLE
Heading into winter 2021/22, the working environment continues to be challenged by Coronavirus, and new uncertainty around the virulence of emergent variants

Section Issues

SMMT
DRIVING THE
MOTOR INDUSTRY

AFTERMARKET
MVBER
MOT

AUTOMOTIVE COMPONENTS SECTION
Supply chain EV transition

COMMERCIAL VEHICLE
Euro VII and decarbonisation of existing HGV fleet

UKLF
Developing skills and addressing driver shortages

BUS AND COACH
Generate momentum on National Bus Strategy/ridership

REMANUFACTURING
Developing policy frame work to maximise opportunities – Remanufacturing

SPECIALIST VEHICLE BUILDERS GROUP
Difficulties with IVA, supply, registrations and regulation

LTTE
Towing safety with O1/O2

Major Events for 2022

- SMMT Electrified: 23 March 2022
- CV Show: 24-26 May 2022
- Test Day: 26 April 2022
- International Automotive Summit: 28 June 2022
- Regional Test Days: 27 & 29 September 2022
- Meet the Buyer: Q4 2022
- Annual Dinner: 29 November 2022

International Events for 2022

Contact: international@smmt.co.uk / www.smmt.co.uk/international

Trade Shows

UK Pavilions are dedicated areas for British automotive businesses to exhibit at key trade shows

JSAE Spring Congress: Yokohama, Japan | May
SMMT is supporting Advanced Propulsion Centre who are organising the UK Pavilion at the Japan Society of Automotive Engineers Spring Congress

Electric Vehicle Symposium (EVS35): Oslo, Norway | June
Innovate UK, Department for International Trade, Advanced Propulsion Centre and SMMT will organise a UK Pavilion at EVS - a key meeting place for all interested in e-mobility.

Automechanika Frankfurt: Germany | September
SMMT is organising the UK Pavilion at one of the leading aftermarket trade shows.

Daegu International Future Auto Expo: Daegu, Korea | October
SMMT is supporting the UK pavilion at the DIFA Expo in Daegu..

Trade Missions

Where SMMT plus key partners host networking receptions, B2B meetings with key stakeholders and site visits for UK automotive businesses

Trade mission to Poland | 4-7 April (TBC)
With Department for International Trade and Santander

Trade mission to India | April (TBC)
With Department for International Trade and UK India Business Council

Trade mission to Hungary | May (TBC)
With Department for International Trade and Santander

Virtual Events

SMMT Electrified International (International events): Digital | March

International webinars / virtual roundtables throughout the year

Member Services Engagement

- COVID Business Support - SMMT Safe Harbour supporting automotive suppliers impacted by Covid-19

- Business Competitiveness Programme – access to expert advice on a variety of topics such as customs, regulation and supply chain issues

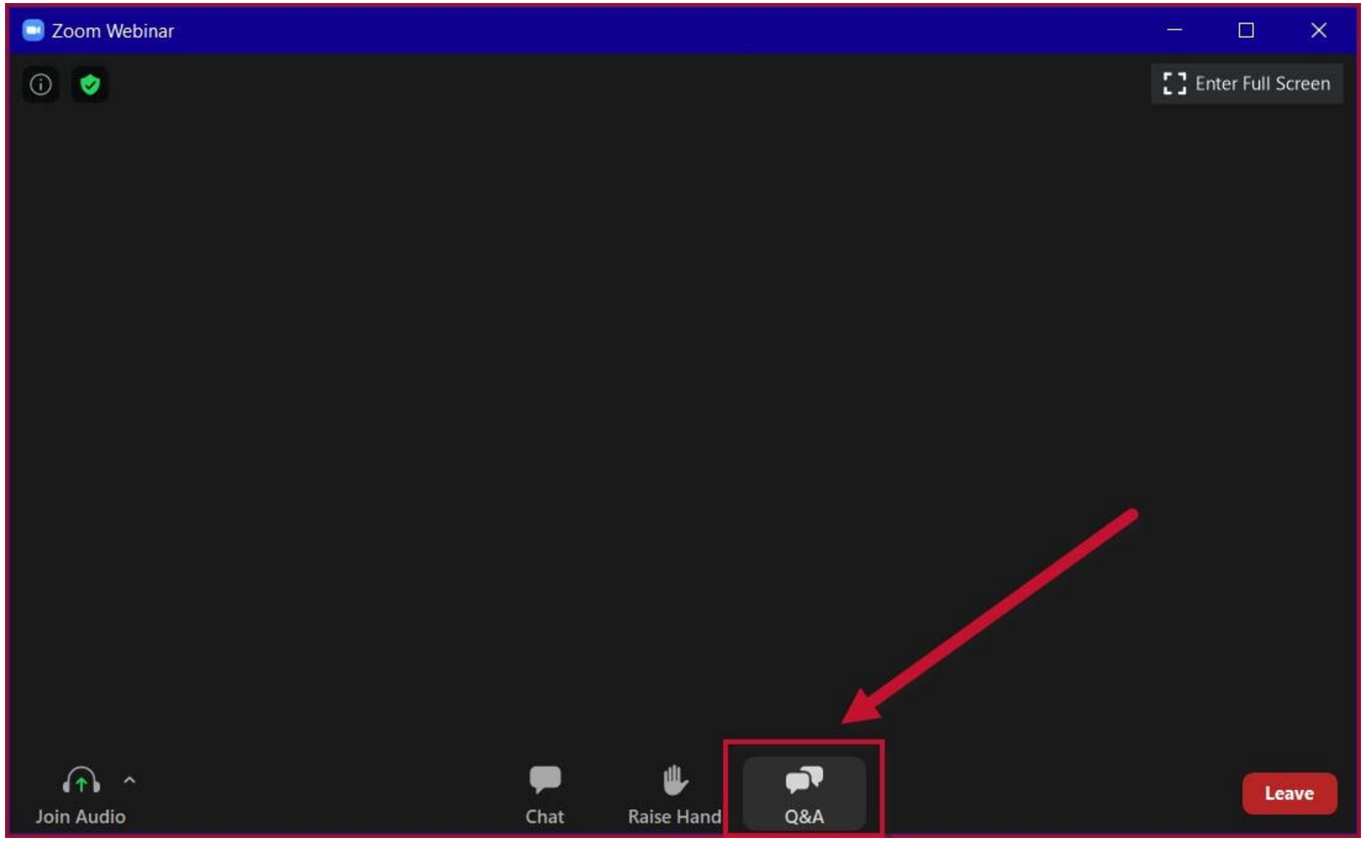
- DE&I – providing a framework to improve diversity, equity and inclusion in the workplace

- Networking and Business Development - Automotive Supplier Finder – bringing automotive businesses together and reducing sourcing time

Poll 3

Questions and Answers

Please click on Q&A and type in your questions.



Email: **memberservices@smmt.co.uk** with your questions after this session.

Thank you

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