

Society of the Irish Motor Industry

Opening Statement to the Joint Committee on Environment and Climate Action

Tuesday November 30th 2021.

Good afternoon Chairman, and thank you for the invitation to speak with you and the Committee today.

The project to electrify the national vehicle fleet is a pillar in the Climate Action Plan. It is also the fundamental strategic issue for the Motor Industry. There is a huge appetite across our Industry to deliver on this project. We have already seen massive investments in new vehicles at Vehicle Manufacturer level. Local retailers are also investing heavily in premises, equipment and employee training in preparation for the rapid increase of Electric Vehicles (EVs) on Irish roads. The Industry can, and will deliver EVs in large numbers; the extent of this delivery though, is not just in the hands of the Industry, it needs the State's continued assistance to help build the conditions that will allow motorists confidently move to an EV at the earliest possible stage. In addition, the continued roll-out of a national charging infrastructure is crucial, particularly in rural parts of Ireland where charging is not commercially viable.

The Committee have identified the used EV market as being of critical importance; this is something we in SIMI agree with. Motorists typically buy used cars, chiefly down to affordability reasons. However, the new and used car markets are inextricably linked. Currently, we clearly don't have an adequate supply of EVs in the national fleet to create a viable used EV market; however, this will change, the question is how quickly this can happen. A strong used EV market, will be key to reaching the ambitious targets in the Climate Action Plan, and also provides the opportunity to replace the oldest highest emitting cars on the road.

In Ireland the used car market is typically created in two ways; firstly, by new cars being registered in Ireland becoming used car stock once the original owner has moved it on; and secondly by the used import market which can plug the gap when there is a shortage of used cars. However, the used import dynamic has changed. Brexit and the resulting tax changes on UK imports, along with the shortage of used cars in the UK, means this market is not as attractive as it had been in recent years. Over the coming years, EVs on Irish roads will overwhelmingly be those first registered new in Ireland, and a vibrant used EV market will only evolve on the back of a strong Irish new car market.

The Irish new and used car markets have underperformed since 2008, due to a number of factors, including; the recession; Brexit; the pandemic; and high local taxation levels. The benefits of supporting a stronger new car market can help us to get much closer to the Climate Action Targets, while at the same time replacing the older highest emitting cars on Irish roads with EVs or lower emitting cars. In this regard, we need the State to continue its investment in supporting electric vehicles. The Industry accepts that supports can't last forever, and appreciates that the State has been generous to date. However, we have seen a gradual erosion in recent years of these supports. We feel it is too early in the EV project

to start this withdrawal. It is vital that the SEAI grant, VRT relief and other supports currently available are maintained out to 2025, at which time they can be reviewed. By doing this, we can provide consumers with confidence in the EV project and create an active used EV market at the earliest possible stage, widening the potential constituency of EV buyers. In addition, Ireland is also competing with other EU countries for the supply of new EVs, and to ensure it can optimise its share of this supply, incentives must remain.

In order to boost used EV availability, a particular focus should be made on the business fleet and company car sector. The nature of this market means that the cars are typically released to the used car market when they are 2-4 years old. Two key measures can encourage the business fleet: Firstly, extend the current 0% Benefit-In-Kind ceiling out to 2025 and secondly, re-instate the SEAI Company car grant for a period of time. Another immediate action that can help would be the extension of the home charging grant to second-hand EV buyers. In addition, with the Government commitment to electrifying its own fleets, a requirement that these EVs be traded every two years could also increase supply to the used car market.

In order to drive down emissions, we must eliminate the worst polluters from the national fleet. In the past, targeted scrappage schemes have assisted in this regard, and could be considered and limited to EVs. It has to be highlighted that many of those driving older cars do not have the financial capacity to trade up to a new or used EV, with the likely cost of trying to change to EV from an old petrol or diesel car being unachievable for many consumers. For them, their EV journey will take significantly longer, and in the meantime, they will be trapped and subject to increasing fuel prices as well as increased carbon and potentially other taxes, from which they will not have the potential to escape. These car owners, some of whom do not have other transport alternatives, will need to be supported. The retention of some equity value in their current car will be important to allow them to trade-up to a more fuel-efficient car, thus reducing their running costs and also reducing emissions.

The Industry and the State need to work together, to help consumers make the transition to EVs a successful one. Over the period ahead we want to engage consistently and regularly. We last presented to this Committee four years ago; a lot has changed in the meantime. SIMI will issue our own more detailed report on how to reduce transport emissions, early in the New Year and I will forward a copy to the Chairman and the members. SIMI would welcome the opportunity to meet with this Committee and other State Agencies to discuss this research in detail.

The Industry is committed to driving down emissions and will continue to provide solutions for motorists. EVs are set to become commonplace on Irish Roads. SIMI members will sell and service hundreds of thousands of EVs by the end of the decade. However, it will be the economic, business, taxation and retail environment that will determine how close we can get to the Climate Action Plan targets.