

Consultation response of the RHA to the Northern Ireland Assembly – Committee for Infrastructure

Decarbonising road transport in Northern Ireland

19 April 2021

Summary of the consultation

1. The RHA is pleased to respond to the Committee for Infrastructure's request for specific views on decarbonising road transport in Northern Ireland. We understand the Committee is conducting an enquiry
to explore the future pathway to decarbonising road transport in Northern Ireland, by:
 - A) *identifying Northern Ireland's current transport policy for the transition to a carbon neutral system, what can be improved and what can be learned from elsewhere;*
 - B) *identifying potential barriers to Ultra-low Emission Vehicles (ULEV) adoption;*
 - C) *and exploring the role of public transport, walking, cycling and reduced demand for travel in decarbonising road transport.*

Background about the RHA

2. The RHA is the leading UK trade association representing road haulage and distribution companies who operate HGVs and vans commercially. Our 7,200 members operate near to 250,000 HGVs out of 10,000 Operating Centres. Members range in size from single-truck firms to those with thousands of vehicles. Within Northern Ireland, the RHA represents 200 operators with access to 3500 HGVs.
3. These road transport companies provide the people and businesses of the UK with the goods upon which we all depend - from food and clothing through to medicines, car parts and construction material.
4. Without lorries and vans delivering good to businesses and consumers, the economic and social wellbeing of the UK would be seriously impacted.
5. Recently, the RHA has initiated a coach operator membership for those operating non-scheduled passenger services using vehicles with a capacity of more than 16 seats.
6. The RHA proactively encourages a spirit of entrepreneurialism, compliance, profitability, safety and social responsibility. We do so through a range of services, such as advice, representation, and training.

7. Our response is set within an overall UK context where 54,800 SMEs are involved in haulage and 52% of lorries operate in fleets of less than 20 (source: Traffic Commissioners - 2016/17). The purchase cost of an HGV starts from £85,000 and its life span is typically 12 years. However, depending on the application (e.g. mobile cranes), this can be for much longer (30+ years) and cost considerably more (£200k+). Due to the high efficiency of logistics, operators typically work on a 2% profit margin (source: Statistica 2021), meaning any additional costs incurred cannot be absorbed.
8. During the Covid-19 pandemic, UK policymakers have recognised lorry drivers as “key workers” and the value and critical nature of haulage to keep the economy functioning. The RHA will continue promoting the need for resilient, cost-effective and efficient supply chains.

General Comments

Introductory remarks

9. The RHA supports the policy ambition to decarbonise the UK economy and, within it, the HGV fleet. In 2019, road transport accounted for 22% of UK greenhouse gas emissions (HGVs: 3.7%).
10. We also recognise the deeply complex nature of reducing emissions, which we are addressing based on two starting points:
 - a. our approach is guided by sustainability values which recognise that economic needs must be nurtured alongside environmental and social needs. As economic enablers, hauliers drive economic well-being and are willing to invest in environmental well-being.
 - b. for a successful transition away from diesel to occur, the right policy frameworks must be in place to achieve it. Key to this is recognising and respecting asset lifecycles, so that waste and the “stranded asset” risk is avoided.
11. The RHA is clear that environmental, social and economic wellbeing depends on the effective movement of goods. Within the UK in 2019, 1.44bn tonnes of goods were lifted by road freight, 19.1 billion vehicle kilometres were travelled, with haulage overall contributing £124bn GVA to the economy. Road freight creates the connectivity we all need with businesses, plus the 2.54m people employed within logistics, dependent on hauliers providing the efficient and cost-effective receipt and dispatch of goods essential for basic economic operations.
12. We crystallised our thinking in our policy paper “Eliminate – Minimise – Offset: Updated vision for decarbonising the commercial vehicle fleet”¹ (April 2021). With a call for the UK Government to provide coordinated leadership, the paper’s central ask

¹ See: https://www.rha.uk.net/getmedia/9af576bd-b6ec-48cb-a732-c9d01cb84df5/RHA-Vision-for-Decarbonising_spreads_FINAL.pdf.aspx

is for investment in developing vehicle standards to drive down CO₂ emissions, supported by stable regulation and a well-considered, evidence-based national decarbonisation roadmap that fully takes account of the needs of users and the environment.

13. We respond to the Committee's specific questions as follows.

What are the main challenges to the uptake of ULEV?

14. There are recognised technical challenges to decarbonise the HGV fleet whilst maintaining the customer-focussed and efficient movement of goods, as follows:
- a. there are no clear scalable technological solutions in place that cater for the range, weight and payload factors demanded by hauliers to deliver goods to consumers and industry cost-effectively;
 - b. the needs of road freight are diverse. Whilst the viability of battery-powered vehicles under 10 tonnes (gvw) is increasingly understood within an urban environment, solutions for the transport of goods within non-urban settings such as long-distance haulage, forestry, quarries or above 10 tonnes are less clear;
 - c. the deployment of alternatively-fuelled HGVs must be supported by the required infrastructure – for example, an electricity network able to sustain rapid charging points and/or overhead gantries; strategically-located hydrogen refuelling points that ensure all parts of the United Kingdom, including remote areas, can be serviced by an HGV.

What are the main benefits to the uptake of ULEV?

15. There is a clear benefit to the environment and society by reducing CO₂ emissions in vehicles, and our solution to the challenges articulated above is to invest in vehicle standards and infrastructure supported by clear national and international standards to drive change. To overcome barriers, we believe that market-driven solutions, guided by corporate social responsibility policies framed by a public awareness and demand for investment in green technology, are best placed to achieve freight decarbonisation.
16. Supported by revenue-neutral taxation policy, we believe this will stimulate the innovation and investment needed in a sustainable way. By allowing different technology options to develop, the market can respond flexibly and sensitively to end-user needs.
17. Good practice already exists. We commend the development of the Euro VI/6 diesel standard, introduced from 2013, as a model for policymakers to follow. In this instance, a well-designed standard led by business in a stable regulatory environment incentivised vehicle manufacturers to create new technology which has generated significant reductions in NO_x air pollution - see annex 1.
18. The RHA accordingly welcomes the development of zero emission technology such as hydrogen, battery or electric powered HGVs and, as an interim step, cleaner fuels

such as biodiesel, compressed natural gas (CNG) and liquid natural gas (LNG). We see this as enabling the commercial vehicle sector to decarbonise as part of the “balanced pathway” journey articulated by the Committee of Climate Change in December 2020, whilst maintaining the cost-effective and efficient movement of people and goods that consumers demand.

What support to assist a move to ULEV would you like to see from the NI Executive?

19. Commercial vehicle operators work as a minimum at a national UK-level. Our core ask therefore is that the NI Executive provides a stable regulatory framework that, for road freight, recognises asset lifecycles of at least 12 years and aligns with national and international standards. In simple terms, operators should be able to invest in new assets (ie. the latest vehicles) and associated supporting infrastructure knowing they can be used without retrospective fines or charges for the same amount of time.
20. This will require policymakers adopting a co-ordinated evidence-based approach with manufacturers, industry sectors, regulators and the end-users whom we represent so that all can then act consistently, including national, regional and local governments. In doing so, proper planning, good quality information, plausible strategies and supportive regulation can then materialise.
21. With this platform in place, the RHA believes that the decarbonisation of the HGV sector can be achieved in line with technical innovation and vehicle/infrastructure replacement cycles, underpinned by a credible evidence-base and without recourse to recourse to public funds via highly wasteful, expensive, and inefficient scrappage schemes.
22. By contrast, a failure to work within cohesive national and international standards will undermine investment, add cost, bureaucratic burdens and confusion resulting in poorer, counter-productive outcomes.

Avoiding “stranded assets”

23. The RHA is particularly concerned over the dangers posed from “stranded assets” which we flag as a major risk that will prevent policymakers from achieving the desired reductions in emissions. Stranded assets are “assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities which can be caused by a variety of risks” (Source: Ben Caldecott, University of Oxford) which includes public policy measures.
24. In road transport, the “stranded asset” phenomenon has occurred within the UK due to faulty policy thinking on NO_x emissions, specifically within the context of the UK Government’s “Clean Air Zone” policy. In a well-intended aim to improve air quality in specified English cities, the UK Government linked air quality compliance to the Euro VI diesel standard.
25. We regret however that this has had a pernicious impact on non-Euro VI vehicles where demand and, consequently, the value of non-Euro VI HGVs plummeted. It is most acutely felt on the Euro V fleet of HGVs, which represents 21% (112,000 lorries) of the current UK HGV fleet. As much as £1.2 billion has been prematurely wiped off the value of this asset-class as a direct result of the CAZ intervention.

26. We are particularly concerned that, due to the twin hit of premature asset devaluation plus a corresponding rise in the price of the desired technology due to shortages, perverse outcomes will now occur. Specifically, market forces are preventing operators of older, more-polluting vehicles from upgrading, forcing them to run these vehicles for longer than desired and which is counter-productive to the goal of reducing NO_x emissions.
27. We can not emphasise enough the damaging impact from the “stranded asset” effect. Clumsy or inadequately-evidenced policies have the potential to destroy asset values across all industry sectors with harmful economic consequences that disrupts business investment decisions. Faulty policy frameworks that create “stranded assets” are also **wasteful** if the full lifecycle and economic utility of the asset cannot be realised.

Do you believe there should be official targets for your sector and have you any views on the potential timescale this could take?

28. Given the technical challenges to decarbonise the HGV fleet that we articulate above, we ask that the Committee considers that any targets are guided by the current work led by the UK Government to assess the feasibility of introducing zero emission fuels via its *Zero Emission Freight Trial* - the RHA sits on the Advisory Board to steer this work. Whilst we support the political ambition to decarbonise, we believe that decarbonisation must be implemented viably.
29. We ask in particular that the Committee notes that, currently, there is significant debate within the HGV sector on the cost-effectiveness and efficiency of zero emissions fuels such as battery, electric and hydrogen fuel-cell vehicles.² Given this debate, developing the evidence-base is vital and emblematic of best-practice policy making. To build investment confidence, our position is that the viability of these fuels must be subject to trials which can then inform future targets. This is to demonstrate how different fuel-types in different applications can operate cost-effectively and efficiently in real-world situations.
30. With regard to timescales, we anticipate that the forthcoming *Transport Decarbonisation Plan* from DfT will provide further guidance on the expected timeline to decarbonise the transport sector. In the meantime, we recommend that the Committee takes into account the “balanced pathway” considerations set out in *The Sixth Carbon Budget – The UK’s path to Net Zero* report published by the Committee on Climate Change (CCC) in December 2020.³

² On the viability of hydrogen, the RHA observes that there is a body of opinion led by the Centre of Sustainable Road Freight (headed by Professor David Cebon at the University of Cambridge) who question its cost-effectiveness to produce, given the electricity demand needed to create it and its overall efficiency to power heavy duty vehicles.

³ Notwithstanding the outcomes from the *Zero Emission Freight Trial*, the RHA is currently guided by the CCC recommendation that, by 2040, all new HGVs should be “low-carbon” (p67) and we continue to engage with key partners to assess how this milestone can be achieved sustainably. To inform this discussion, we have also taken note of the following assumptions set out in the CCC’s advice (p99):

- new zero emission HGVs to make up 96% of sales by 2035, rising to “almost 100%” from 2040;
- by 2035, 170,000 zero emission HGVs & coaches (around 33% of fleet) in service, rising to 67% of fleet by 2040

Final Comments

31. Public authorities across the United Kingdom are making a “green recovery” from the COVID-19 pandemic a core priority, with the UK Government articulating rhetoric exhorting the country to “build back better and greener”. The RHA supports this vision but calls on policymakers to focus on a “**sustainable recovery**”.
32. On too many occasions in recent times, the term “green” is used to justify poorly-evidenced interventions (e.g. Clean Air Zones, “roadspace reallocation”) without considering the societal or economic impacts of the measures implemented.
33. The road freight sector has shown that the right frameworks can work very effectively. As we set out in annex 1, the extra £1.9bn investment in Euro VI lorries that have contributed to NOx emissions from HGVs falling by around 60% since 2013 demonstrates how effective well thought-through policies and standards can work.
34. Achieving climate objectives is about doing the right thing for everyone, supported by a coherent policy framework that takes account of multiple competing factors. The RHA firmly believes that we can get this right if we work with our end goals in mind, and in partnership with governments, industry, and end-users. This will require substantial thought, care and consideration to ensure the needs of all are catered for.
35. We therefore ask that the Committee takes account of the following recommendations to steer the next steps on the decarbonisation journey:
 - Recommendation 1: **well-designed standards** generated to govern the development of new road transport technology and infrastructure that is **phased in sustainably** as market supply allows.
 - Recommendation 2: policymakers to provide **regulatory certainty** to avoid future “stranded assets”.

19 April 2021

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Annex 1: Building on what has already proven to be effective – reducing NO_x emissions

1. We ask that the Committee notes that a positive policy model to drive down pollution levels, underpinned by established good practice, already exists. We commend the development of the Euro VI/6 standard, introduced from 2013, as an exemplar for policymakers to adopt. In this instance, a well-designed standard led by business in a stable regulatory environment incentivised vehicle manufacturers to create new technology which generated significant reductions in NO_x air pollution.
2. Charts 1 and 2 below demonstrate the successful environmental outcomes that can be achieved when market dynamics then phase in the desired technology. Chart 1 is generated from the UK Government's own data and, when overlaid with the introduction of successively more stringent Euro engine standards (Euro III, Euro IV etc), shows how the desired falls in NO_x pollution from HGVs has been achieved from around 2007 onwards.
3. The RHA's own estimates are that, due to a £1.9bn investment by hauliers in the latest cleanest lorries, NO_x pollution from HGVs has fallen by around 60% since 2013 and, with no further policy intervention, would fall by 85% from 2013 levels by 2025.
4. Chart 2 shows a correlation between the ever-increasing number of Euro VI HGVs introduced into the UK market from 2014 with a consequential reduction in harmful NO_x emissions from HGVs (chart 1).
5. We strongly believe that the actions undertaken to drive a successful reduction of NO_x pollution from HGVs is a positive model policymakers can adopt for future climate objectives and forms the basis of our "Recommendation 1".

Chart 1 - NOx emissions by transport mode (UK)

Source: DfT Statistics ENV0301, June 2020

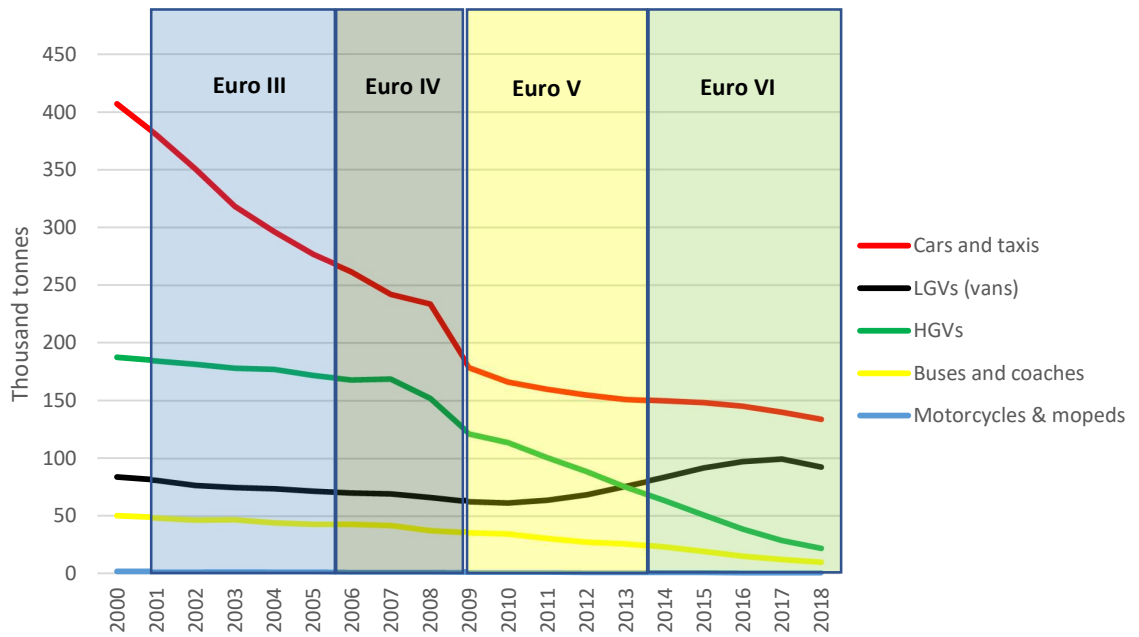


Chart 2 - HGV fleet profile (UK)

Source: DfT Statistics VEH0511 April 2020

