



LEX AUTOLEASE

Electric Pathways: Route to a greener fleet



Executive Summary

Lex Autolease asked 400 fleet decision-makers at UK organisations about their plans for, and progress towards, the transition to electrified vehicles, the obstacles they face, and the opportunities ahead. This comprehensive survey was conducted to further understand fleet managers' needs on this complex journey, with the aim of gaining valuable insights into the challenges and opportunities they encounter as they navigate the transition to electrified vehicles.

Key findings in this report include:

28% of fleet decision-makers are implementing plans to electrify their vehicles.

38% of car-only fleet decision-makers say they are making progress of sorts, compared to **23%** of van/truck-only fleets.

56% of respondents cite a range of reasons for prioritising pathways to fleet electrification including cost consideration, and electrification being an overall business goal for **54%**.

71% of respondents believe the switch to EVs will be cost neutral (46%) or could actually save them money (24%).

97% of fleet decision-makers who have started their ZEV journeys, or plan to, expect their intentions will be affected by tough economic conditions.

Just **25%** say their drivers are yet to be convinced about the benefits of using ZEVs.

“We recognise that the economic landscape is impacting fleet managers’ efforts towards electrification. Mounting pressures to run a business efficiently and profitably has meant that other priorities have had to take a back seat. However, with the progress already made to electrify business fleets, I am confident we are still on the path of achieving success. Lex Autolease continues to support fleets’ decision-makers’ and drivers’ net-zero transition by working closely with the government on policy changes and putting in place strategic partnerships. We are supporting government’s development of the Zero Emissions Vehicle Mandate, to ensure the development of robust and ambitious legislation, as well as a steady supply of electric models in the UK. We’ll also be on hand to support fleets and drivers with advice on where electric vehicles might best suit their needs, and the charging provisions they need to put in place to support the switch.”

Nick Williams

Managing Director of Lex Autolease, part of Lloyds Banking Group



Introduction

The brakes are off as UK fleet decision-makers strive to reach the government's target of switching all new vehicles from internal combustion engine (ICE) power to electrified motors by the current deadline of 2035.

This report examines the impact of current economic circumstances on organisations' fleet transition plans.

We asked 400 fleet decision-makers at UK organisations about their plans for - and progress towards - transition, the obstacles they face, and the opportunities ahead.

It's clear that current economic headwinds threaten to blow off course some fleet decision-makers' plans to switch to Zero Emissions Vehicles (ZEVs) - but elsewhere progress is being made.

Most organisations reveal they are at an early stage of the journey, not expecting to complete their transition to ZEVs until nearer the deadline. Meanwhile, increased vehicle and energy costs are among the financial considerations that are causing uncertainty.

Despite these anxieties, many fleet decision-makers state their organisation has made electrification a priority. In large numbers, they are already progressing towards full fleet transition.



Methodology

The research was conducted by Censuwide, among a sample of 400 fleet decision-makers with large fleets (250+ vehicles). The data was collected between 31.01.23 - 09.02.23. Censuwide abides by and employs members of the Market Research Society (MRS), and follows the MRS code of conduct, which is based on the ESOMAR principles.

Analysis

1. Progress on electrification pathways

Some organisations still need to make more progress on the road to fleet electrification.

Just 28% of fleet decision-makers have begun to implement plans to electrify their vehicles. Included in this figure are 19% who say some progress has been made, and 9% who have transitioned some or most of their fleet.

Meanwhile, a total of 38% of car-only fleet decision-makers say they are making progress of sorts, compared to 23% of van/truck-only fleets.

Bigger organisations are the most likely to have made progress. For instance, just under a third (32%) that have a fleet volume of between 350 and 399 vehicles have already started or have even completed their journey. The comparative figure for those with 250 to 299 vehicles is 26%.

Just 1% of respondents overall state they currently have a ZEV fleet.

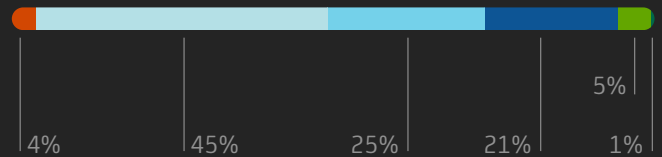
The majority of fleet decision-makers reveal they are either just beginning their electrification journey (36%) or have plans in place which they haven't yet started to implement (29%).

A further 6% of respondents claim their organisation won't take action to transition their fleet to ZEVs.

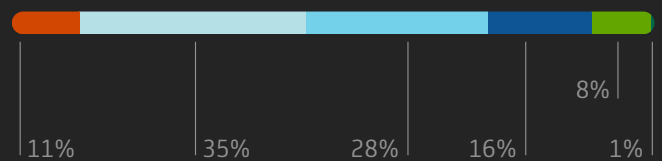
How far are you along the journey to electrification?

Size of fleet

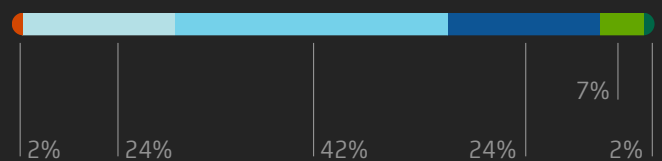
250-299



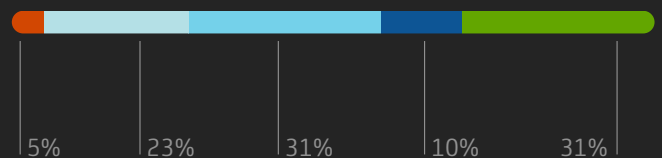
300-349



350-399



400+



* Figures rounded to the nearest integer

- Haven't started yet and no plans to start
- Just at the beginning
- Haven't started but there are plans to start
- Have made some progress
- Have transitioned some/most of the fleet
- We have a fully electrified fleet



Long journey

Progress towards electrification is quite clearly mapped out for most fleet decision-makers, and this is true across organisations of all sizes. However, implementation is still seen as a considerable undertaking. The journey to a ZEV commercial vehicles fleet, with drivers on board and able to use their vehicles in the right way, is long and complex. For company cars it is less so: firms that have not yet transitioned will already be experiencing increased operating costs by missing out on significant tax savings.

This alone should be a strong incentive to switch.

2. Shifting priorities on the ZEV journey

There is a widespread understanding of the urgency associated with progressing on the electrification pathway.

Nine in 10 (90%) fleet decision-makers overall say their organisation felt the pressure of the previous 2030 deadline for the sale of new petrol and diesel vehicles. This is most keenly experienced by respondents with fleets of between 250 and 299 vehicles (93%).

Just one in 10 respondents overall claim there is no urgency at their organisation. Moreover, three quarters (75%) say electrification is a priority. This includes 22% stating it is a high priority, and 8% who claim it is the number-one goal.

Respondents cite a range of reasons for prioritising pathways to fleet electrification. Chief among these is cost consideration (56%), closely followed by the journey being an overall business goal (54%).

Despite the journey being a key goal, exactly a quarter (25%) of fleet decision-makers believe their organisation is not prioritising ZEV transition. In fact, a minority (49%) say it has been easy to engage their wider workforce in the process - with almost a quarter (23%) claiming this has been somewhat or very difficult.

Furthermore, almost one in five (19%) respondents foresee a difficult 2023 from a financial standpoint. As a result, more than one in 10 (12%) claim sticking to fleet transition plans will be “extremely difficult” in the short term.



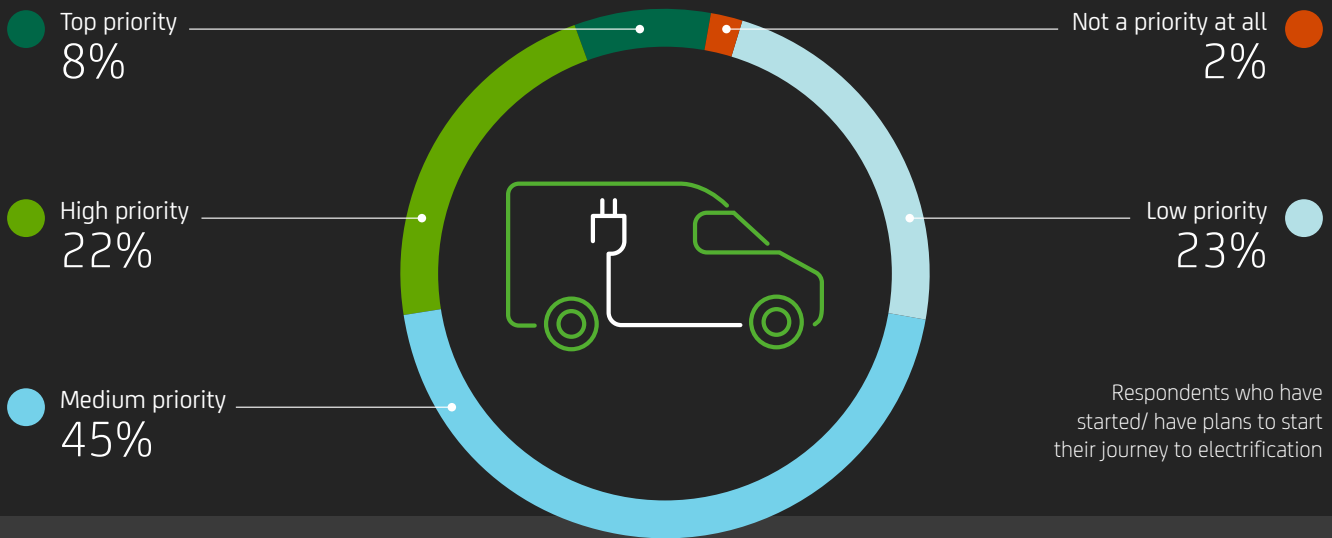
Year ahead

Vans and trucks pose their own problems on the pathway to electrification. Switching to ZEV cars should be somewhat easier - but even here, some organisations seem less advanced than expected. It will be interesting to see if the government issues more strict policies beyond its ZEV Mandate, which is intended to accelerate BEV uptake by compelling manufacturers to increase their share of the overall powertrain mix sold.

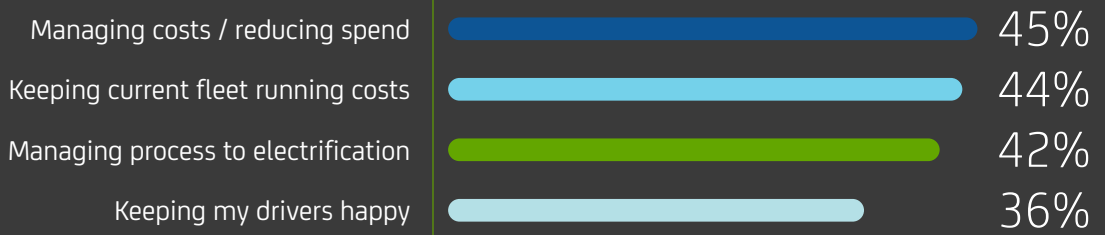


Cost of Living Crisis Puts Electric Fleets in the Spotlight

How much of a priority is the journey towards an electrified fleet for your organisation?

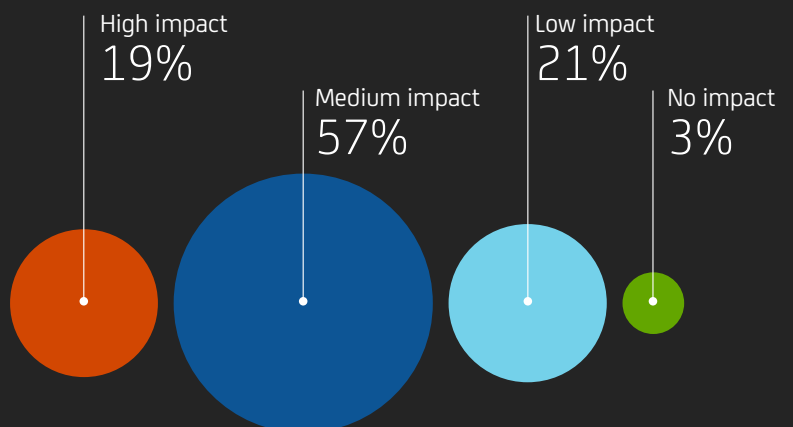


What are the main priorities in your role right now, with regards to the fleet?



What impact do you think the cost of living crisis will have on your electrification plans in the next 6 months?

Respondents who have started / have plans to start their journey to electrification and don't have a fully electrified fleet



3. Considering ZEV cost implications

Costs are a key concern for those in charge of fleets. More so, in fact, than the needs of their drivers - and higher on their agenda than managing vehicle change.

During the ongoing cost-of-living crisis organisations must balance expenditure, such as fleet electrification, with a range of financial issues that are putting pressure on budgetary decisions.

Respondents believe current economic circumstances will result in their organisation's customers having less money to spend (30%), with the potential knock-on effect of reduced revenues. This is the top perceived impact of the financial situation, alongside the threat of staff shortages (30%).

However, the good news is that nearly three quarters (71%) of respondents believe the switch to EVs will be cost neutral (46%) or could actually save them money (24%). Just one quarter (25%) believe the transition will cost more than their current expenditure.

Those with bigger fleets are more likely to believe electrification will save money: for example, 25% of respondents managing between 300 and 349 vehicles say this. Meanwhile, three in 10 (30%) respondents with 100% car fleets agree they'll save money overall, compared to 23% of those with 100% vans/trucks.





Balancing act

For car operators, ZEV adoption is fast reaching a state of “business as usual”. Van/truck fleets will find moving away from ICE models more challenging, with issues ranging from vehicle availability to charging accessibility, and more. Organisations operating light commercial vehicles are faced with balancing their desire to operate more sustainable fleets with cost and operational efficiency.

4. Economic effects on ZEV progress

The cost-of-living crisis is slowing fleet electrification progress.

During the next six months, 97% of fleet decision-makers who have started their ZEV journeys, or plan to, expect their ZEV intentions to be affected by tough economic conditions. This includes almost a fifth (19%) who believe their organisation will be heavily impacted.

Regardless of their organisation's size, or make-up of fleet, a majority of respondents anticipate inflationary costs will slow transition. Overall, fewer than a quarter of fleet decision-makers (24%) expect to face low or no impact.

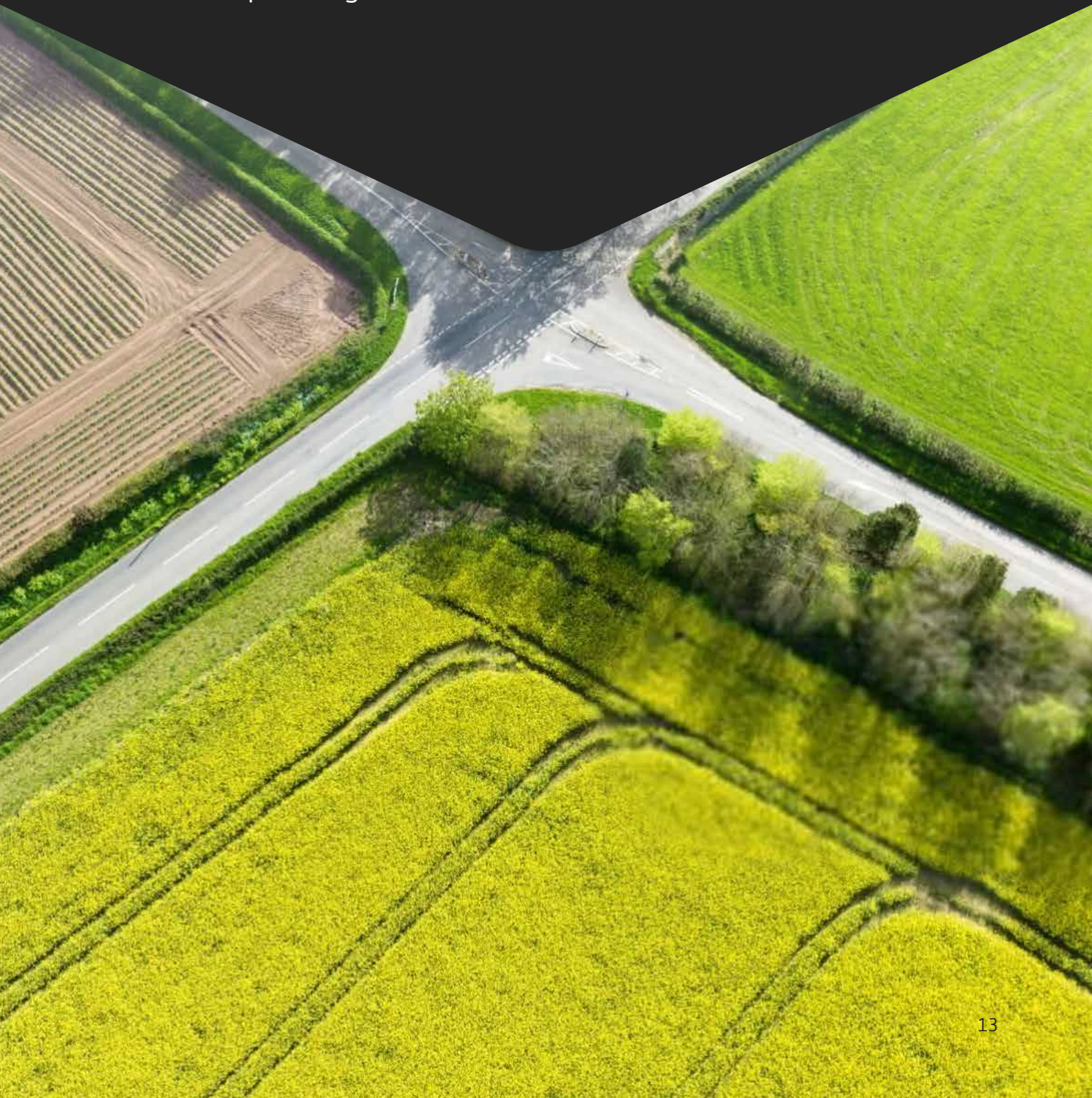
These attitudes are magnified when respondents share their thoughts on a range of issues that may affect their plans. Some 95% say the removal of Vehicle Excise Duty tax breaks on ZEV purchases from 2025 will have an impact. A further 95% cite rising energy costs as an obstacle to progress.

There are other concerns that relate to meeting net-zero deadlines. Almost a quarter (24%) state fluctuating and rising energy costs, and the price of vehicles are a problem. A further 26% are worried tax breaks will not be enough to mitigate costs.



Inflation in mind

While the cost-of-living crisis is expected to eventually abate, it is a clear roadblock to overcome for fleet decision-makers. Inflation is having a knock-on effect on both the prioritisation and cost of electrifying fleets. Associated delays in planning and decision-making could push organisations ever closer to the 2035 deadline.



5. Overcoming obstacles on the ZEV pathway

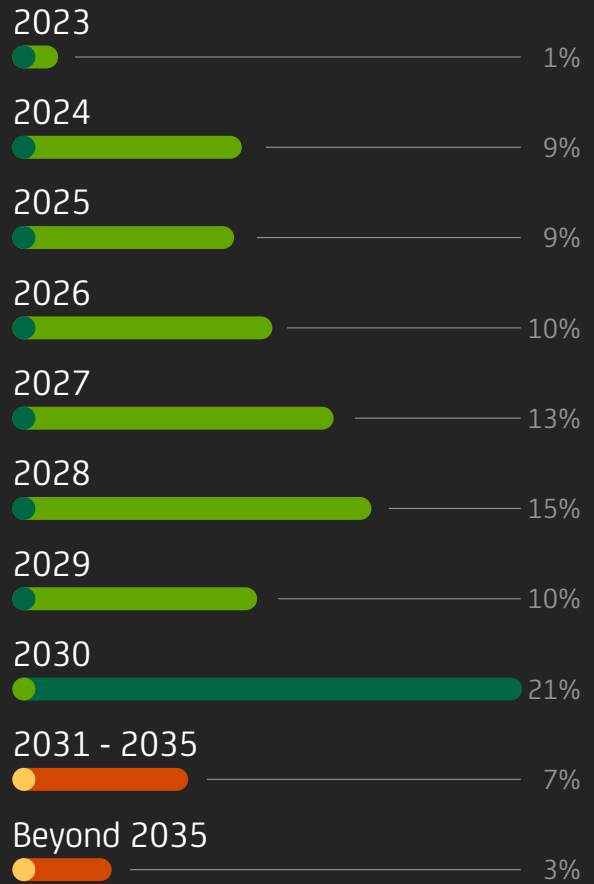
On average, respondents expect their organisation to have finished full fleet electrification by late 2028 - regardless of fleet size and vehicle make-up.

Coming two years ahead of the first phase deadline for non-ICE sales this represents real progress, and should be a source of pride given all the barriers businesses face.

Furthermore, a large majority of respondents are convinced EV is the way forward. Just 25% say their drivers are yet to be convinced about the benefits of using ZEVs, and only slightly more (26%) are anxious that the government may change its plans.

A total of 42% of fleet decision-makers feel confident they will reach the end of their electrification journey in speedier fashion. This includes nearly a fifth (19%) who claim they will have a ZEV fleet by the end of 2025 - significantly exceeding the government's overall electrification goals.

When do you expect to have a fully electrified fleet?



Respondents who do not have a fully electrified fleet

Positive progress

It's pleasing to see the industry has generally prepared well for change, showing the groundwork in preparing for transition has been laid successfully.



6. Electrification education still required

78% of respondents say they are confident that they understand what is required of them and their organisation to complete fleet electrification before the deadline.

But that leaves more than a fifth (22%) who do not feel they have enough knowledge of the process. There is clearly still a job to be done to support decision-makers of fleets of all sizes and vehicle types with the knowledge they need to make the right choices at the right time.

To improve their insight into attendant issues, fleet decision-makers consult a range of sources such as trade publications (37%), management consultants (36%), as well as government sources of information (31%).

Three in 10 (30%) seek advice from their trusted leasing partner offering consultancy services, and the same figure (30%) seek information from vehicle manufacturers.



Foot on the gas

Even if transition speed picks up again once the economy improves, organisations are in danger of moving too late. A number of organisations have taken their eye off the ball - but electrification must happen. If not, they will operate older, less environmentally friendly fleets that are likely to be impacted by a growing trend for the introduction of clean air zones - ultimately increasing their cost base.

The road ahead

Most fleet decision-makers are accepting of the journey towards ZEV fleets. In fact, three quarters (75%) of them say electrification is a priority for their firm.

It's a path of significant change - whatever the fleet size or composition - and the journey is different for every organisation.

As we've seen in our study, decision-makers are dealing with challenges often outside their control: the cost of supply of vehicles, driver concerns about using and charging vehicles, and a lack of wider team buy-in among them.

But this pathway is now set in stone. As such, fleet decision-makers require a focused approach to change. They should also keep in mind the many positive opportunities that exist as a result of electrification. Organisations will reduce their carbon footprints; significant tax advantages continue for now; and fleets will potentially cost less to manage and maintain.

Navigating this huge change poses a wide range of emerging challenges for fleet experts. But they've told us they're ready for the journey, and focused on the road ahead.

“This insight is a timely reminder that the move to electric shows no sign of slowing, especially in the corporate arena. Fleets are beginning to make good progress on their electrification journey and for most it is seen as a priority for their business. The government targets are clearly a driver behind this pressure but it is encouraging to see fleet managers also recognising the cost benefits of switching to electric, particularly for company car fleets. However, there is still more to be done and at Lex Autolease we are confident that we can offer the best support for our customers. The transition to electric can seem daunting but reaching net zero will take a collective effort and we have the expertise to support at every stage.”

Abi Krumins

Sustainability & Electrification Propositions, Lex Autolease





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