Driving a Growing Economy

LABOUR’S PLAN FOR THE AUTOMOTIVE SECTOR
The automotive industry represents the best of Britain.

It is our most valuable exported good, employs 800,000 people and adds £16 billion to our economy. In short it is the jewel in the crown of our manufacturing sector.

This is an industry full of history and heritage but also on the precipice of immense change. Our world is changing and our habits as consumers have to change with it.

As the world pivots to generating electric vehicles, the UK automotive industry should be poised to jump at that opportunity. But years of neglect under the Conservatives risk leaving the UK automotive industry being lapped by competitor countries.

The Government has adopted a curious mix of top down policies with no direction or support for industry to make that transition.

It had wanted to ban the sale of petrol cars, yet had failed to secure the battery making capacity needed to ensure electric cars are made in Britain. It says it backs British industry, yet it has failed to support it to meet the rules of origin requirements that risk cutting off export ability to our most profitable markets.

Worse still, the government has now rowed back on its promises to the sector, causing more uncertainty and upending billions of pounds of investment. The endless stop start of Government policy has left the British automotive industry stalled.

Labour will change that by offering policy certainty, investing for the benefit of British industry and empowering consumers to benefit from those changes.

Labour knows how important cars are – both for our economy and society.

Growing up in Sunderland, home of the Nissan factory, cars are in my blood. Many of the friends I went to school with still work in that factory today. I know what the automotive industry means to local economies – good work and wages.

But more than that, working families deserve the freedom and pride of having a reliable car in their driveway. Labour’s mission is to ensure electric cars, powered by cheap home-grown energy, don’t become the preserve of the wealthy. We believe everyone should feel the benefit of the transition to electric vehicles and cheaper running costs, be that the family car or the company van.

World class brands, an unrivalled collaboration between academia and industry, a diverse supply chain, and a highly skilled work force place the UK in a strong position in the global race for EV adoption.

This strategy sets out how a Labour government would make that potential a reality, seen in factories and pay packets across the country.

A Labour government would drive the automotive industry into the future by accelerating domestic battery making capacity, investing in gigafactories, and removing planning barriers to get shovels in the ground.

We will inspire consumer confidence and demand by fixing charging infrastructure and developing clear battery standards consumers can understand.

Importantly, we will seek to support businesses and consumers by working to reduce unnecessary red tape forced on them by the Conservatives' botched Brexit deal. We will press the government to ensure British businesses aren't harmed by
the dangerous cliff-edge due to incoming rules of origin changes. At the same time, we will bolster our supply chain resilience and diversity and secure long-term research and development funding agreements for the automotive industry.

Labour’s plans will improve the competitiveness of the UK automotive sector which now faces the highest industrial energy costs in Europe. Our plans to provide clean energy by 2030 will see the industry benefit from cheap, reliable energy, and improved grid capacity.

At the same time, we will continue to invest in the industry’s greatest strength – its workforce. A Labour government will improve skills development, fixing the failed apprenticeship levy and create Skills England which will work hand in hand with industry and trade unions to ensure good jobs remain on our shores for decades to come.

Battery factories on our shores, reliable charging networks in every part of the country, secure supply chains, increased consumer demand and 80,000 more high skilled jobs.

This is a prospectus to meet Britain’s potential.

While the Conservatives fear the future, Labour will build a Britain that can look to the future with confidence. Placing British consumers, businesses, and workers in pole position to take advantage of the changes that are coming across the globe.

Jonathan Reynolds
Shadow Secretary of State for Business and Industrial Strategy
The UK’s automotive sector is a jewel in our manufacturing crown. It has long and proud history across the country and its British footprint reflects the entire breadth of the sector spanning cars, vans, buses, high-performance, off-road and much more.

However, UK automotive is a sector facing significant headwinds with ongoing supply chain challenges, comparatively high industrial energy prices and substantial trade barriers with our nearest markets. And these problems are only exacerbated by an inconsistent regulatory framework by the government. Taken together, the relative competitiveness of the sector is stalling and the UK has fallen to become the 17th largest producer in the world.

Industry has taken the opportunities to transition to zero emission vehicles with both hands, investing and innovating to develop the technologies needed for net zero mobility. Demand for zero emission vehicles (ZEV) has been successfully growing in the UK with successful uptake among early adopters and particular growth in commercial sales with businesses investing their fleets. However, growth in recent years has been stymied by public policy failing to match the ambition of the sector. Charging infrastructure targets are set to be missed and public support for making the transition has left too many consumers nervous.

This plan for the UK’s automotive sector sits within Labour’s modern industrial strategy and is driven by our commitment to work in partnership with business to overcome the barriers they face to thrive and contribute to our mission for economic growth. This is a plan that will co-ordinate government policy to secure supply chains, help British manufacturing to compete and create the demand needed to meet our ambitions. Through this and our wider industrial strategy, Labour will provide the automotive industry with the certainty and strategic direction to invest in UK operations.

The global shift towards zero emission vehicles presents a unique opportunity for the UK automotive sector to reinvigorate itself and regain its competitive edge - but time is running out. Labour believes that by embracing the opportunities of the ZEV revolution, the UK can leverage its technological prowess, skilled workforce, and industrial heritage to tap into new markets, create jobs, and drive sustainable growth. To capitalise on these opportunities, the UK must focus on the following key areas.
The manner in which the UK automotive sector has been treated by the Conservative government is entirely unacceptable. The sector is investing billions of pounds into its decarbonisation. The government had left business entirely in the dark about how the zero emission vehicles mandate will operate until a matter of weeks before it is due to begin, making it impossible for industry to prepare. Worse still, the decision to water down the 2030 phase out of petrol and diesel vehicles is a huge setback for manufacturers who will have spent enormous amounts of money and time on the basis of these targets. Chopping and changing like this in government policy completely undermines the investment prospects for the sector.

Labour knows that business needs certainty and stability from government policy, and we would guarantee this for the UK automotive sector. We believe that the 2030 deadline is the right policy which industry was confident of hitting. Pushing back the date of the phase out will raise costs for British families by billions of pounds because electric vehicles have cheaper lifetime costs than petrol cars, and by 2030 are expected to have lower upfront costs. We will oppose the Government’s plans to water it down in parliament and, through our industrial strategy, a future Labour government would work with industry to proceed with hitting those targets.

Labour would design policy for the long-term, in partnership with business, and ensure consistency across government departments. Where possible, we would do so in a technology-agnostic manner to support the full range of innovative technologies being considered across the sector.
Labour knows that future electric vehicle manufacturing will migrate to where electric batteries are being made. Battery manufacturing will be an important anchor for the sector and, as the Committee on Climate Change has said: “if battery manufacturing gigafactories aren’t located in the UK then it is unlikely that vehicle manufacturers will manufacture EVs in the UK”. With current domestic battery manufacturing significantly behind that of international competitors, building British capacity at pace has to be central to our plans for the sector. The Faraday Institution estimates that the UK will need 200GWh of supply of manufactured batteries to maintain our domestic electric vehicle production.

Through our National Wealth Fund, Labour will part-finance the new, additional gigafactories required to hit that target, using catalytic public investment to unlock the much greater sum of private investment we need to attract manufacturers to establish production facilities in the UK. These plans would create 80,000 new jobs, power 2 million electric vehicles and add £30 billion to the UK economy.

We also recognise that the size and energy demands of gigafactories make them very challenging premises to build with significant threats of planning impediments. That is why Labour will create a new category of Nationally Significant Infrastructure Projects for growth industries, including gigafactories, to simplify and speed up the approvals process for these critical projects. This will sit alongside a plan to accelerate NSIP process that will bring the timeline for decisions down from years to months.

The relevant National Policy Statement would include a spatial plan, which could take into account factors such as the significant size and energy demands of a gigafactory. Opposite is an illustrative map of potential sites in England and Wales, based on these factors.
This is indicative and data is not available for Scotland. A Labour Government would work with industry and local communities across Britain to identify suitable locations for development as well as work to expand grid capacity.

Key
- Power (able to accommodate 200MW of demand)
- Space (more than 200 Acres)

Source: National Grid, Savills
The automotive sector creates highly-skilled, high wage jobs across every part of the country and the industry is home to thousands of high-standard apprenticeships. However, the transition to electric vehicles will necessitate a rapid shift in the skill sets required for automotive manufacturing and presents a unique challenge for the sector. As well as adapting from engineering internal combustion engines to new powertrains, businesses must also develop their workforce capability in systems engineering and software design, while ensuring technological compliance. There will also be a clear and growing skills gap in relation to ZEV maintenance. Alongside that there will also be a clear skills gap in relation to the maintenance of electric vehicles which will need to be filled and addressed by Skills England.

As a result, the UK automotive sector faces a potential shortage of skilled workers, which could hamper its ability to compete in the global EV market. The Institute for the Motor Industry estimates that a skills gap is expected to materialise by 2027, creating a shortfall of 25,100 EV-trained TechSafe technicians by 2030.³

To tackle this problem, Labour will replace the Apprenticeship Levy with a Growth and Skills Levy allowing businesses the flexibility they need to access a wider range of training courses. This will allow automotive businesses to spend their levy funds to deliver high-class apprenticeship programmes while also accessing modular training to equip existing staff with the skills they will need for the future.

To ensure skills provision matches local needs, Labour will support colleges to specialise in the technical skills needed for the future, including for electric vehicle transition. These colleges will provide higher technical level 4 and 5 qualifications which will be specialised to the needs of the local economies as outlined through Local Skills Improvement plans, rather than try to cover all sectors. To assist this, Labour will establish Skills England, a new body collaborating with central and local government, businesses, training providers and unions to meet the skills needs of the next decade across all regions. Skills England will work with the Industrial Strategy Council to deliver skills strategies for priority sectors like automotive and maintenance.⁶
The UK is home to a world-class automotive innovation ecosystem that Labour will continue to support and promote, including through institutions like UK Battery Industrialisation Centre, Faraday Institution, High Value Manufacturing Catapult and the Advanced Propulsion Centre. R&D will continue to be essential to progress the whole EV sector in the UK to promote local supply chains around anchor manufacturing sites or advance new technologies that build competitive advantages and reduce our exposure to international raw material challenges.

Labour wants to champion the breadth of innovative solutions to decarbonising automotive transport that are being explored. Our approach to R&D will not preclude that and we will ensure a multi-path approach that does not stand in the way of the development of alternative solutions alongside lithium-ion battery capabilities, including hydrogen.

We know that what the automotive sector needs is certainty and stability in public R&D funding. The car industry has been left behind while other sectors have received long-term R&D funding settlements. For example, the Aerospace Technology Institute operates a seven-year funding settlement which has allowed for more private sector investment to be crowded in. Every £1 invested by government in ATI projects has resulted in £7 of private sector R&D investment. That is why Labour will commit to ten-year automotive R&D funding decisions matching that given to aerospace to give businesses the certainty to invest in the UK. This is crucial for sectors like automotive, where businesses make decisions based on a multi-year timescale. This will drive innovation and ultimately secure stronger economic growth.

Plans for longer-term funding decisions are part of Labour’s wider science and innovation strategy from which the automotive sector will benefit significantly. Our plans, which also include reducing the bureaucracy from funding applications and affording UKRI greater flexibility in their decision making, will give researchers the confidence and scope to pursue the technological advancements we want to see in the automotive sector.

Labour wants to champion the breadth of innovative solutions to decarbonising automotive transport that are being explored.
This strategy aims to support both the supply and demand for zero emission vehicles by removing the barriers inhibiting consumers from making the transition. Paramount among those is their confidence that there will be the charging infrastructure in place for them to smoothly transition to an electric vehicle. A widespread and fast charging infrastructure is essential for the mass adoption of electric vehicles. Yet the government is failing to deliver the reliable, comprehensive network of chargers that drivers need to have the confidence to drive EVs, with further rollout held back by ineffective delivery of public funds, planning challenges, and grid capacity. This government is on course to miss its aim of having 300,000 public chargers available by 2030 by a decade. This will leave drivers fighting over available chargepoints, as there are set to be 64 electric vehicles per chargepoint in 2030 - over double the current rate of 30 vehicles per chargepoint. Access to charging is also hugely unequal across the UK. There are now more charging points in Westminster alone than in nine of the biggest Northern English cities combined.

Charging infrastructure is one of the biggest obstacles to consumers switching to an electric vehicle. We also know that a reliable network of chargepoints needs to be in place before demand will grow. Consumers and businesses will only make the transition if they are confident the infrastructure will be there wherever they live and travel in the UK. Labour will accelerate the electric vehicle charge point roll-out by setting new binding targets. These targets will be binding on the government itself to give consumers confidence in future supply. We will then delegate responsibility - tied to existing funding - to regional and local levels to ensure that there is a balanced spread of infrastructure across the whole country.

Programmes for measuring what is working at a local level will be developed to learn and share best practice and adjust policy accordingly over time.

We recognise the frustration from industry about how the government has administered charge point funding. **Labour will release and redirect existing chargepoint funding to ensure there is reliable charging coverage wherever you are in the UK.** That includes the unreleased £950 million Rapid Charging Fund, announced more than three years ago in March 2020. Labour would release funding as soon as possible and prioritise bids from areas where the market isn't delivering a reliable network. This will give consumers confidence by helping to address huge regional disparity in access to charging infrastructure and plugging gaps in the network.

Labour will back the builders, not the blockers, by removing barriers in the planning system to new chargepoints. **Labour will turbocharge planning decisions for net zero infrastructure like charging by removing unnecessary planning barriers that delay projects going ahead.** The chargepoint rollout could be accelerated if rapid chargers were not subject to height restrictions that require planning permission.

A comprehensive EV charging network will put enormous demands on the UK’s grid infrastructure. **Labour will remove the barriers to grid expansion to facilitate the largest upgrade to our national transmission infrastructure in a generation.** Expansions to the grid will also allow businesses to install their own charging infrastructure for their fleets more quickly.
However, we understand that it is more than charging worries that are inhibiting consumers from making the transition to electric vehicles. Information asymmetry has bred unnecessary cynicism and anxiety around electric vehicles. For instance, 47% of drivers have worries about battery durability but 56% overestimate the extent of range-loss from batteries, believing it is up to three times worse than is the case.7

Labour believes that government should do more to help address this issue. Labour would introduce an Electric Vehicle Confident labelling requirement on new electric vehicles that give consumers the details they need to make informed decisions. This would mirror the Monroney stickers used in the United States and require constructors to provide accurate information on: the carbon footprint of the vehicle’s production and usage relative to an ICE comparison, the real-life range of the vehicle’s battery in different settings, and the expected life of the battery. This information would allow consumers to make accurate comparisons between models.

With the used car market representing 82% of all cars sold in the UK in 20218, we also recognise that more must be done to support a future market of second-hand electric vehicles. Labour believes that assurances of the battery health of used cars is the best driver to stimulate demand so we will implement a standardised battery health certification scheme for used vehicles similar to those already in place in other countries such as Norway. Alongside this, we will continue to monitor developments in the European Union proposals to require the fitting battery state of health monitors to new electric vehicles.

Finally, more must be done to improve the accessibility of chargepoint data for businesses and consumers, moving away from being burdened with needing countless apps and the poor quality information those apps contain. Labour support moves to make chargepoint data open access as part of our industrial strategy to use data for the public good.

Building on recent regulations, Labour would set quality standards for information provided on charging apps so that drivers know with confidence that a chargepoint is available or out of order before travelling to the location.

We understand that it is more than charging worries that are inhibiting consumers from making the transition to electric vehicles.
The automotive sector is intrinsically an import and export industry with complex, multinational supply chains and enormous exporting capacity. Indeed, with its exporting strength, the automotive sector plays a vital role in our balance of payments amounting to 10% of the value of all UK exports. Within that, Labour understands the importance of the European market for the industry with half of all vehicles produced in the UK being exported to the EU and heavily interconnected supply chains. As such, we share the worries of many UK-based manufacturing businesses about the potential impact of the Rules of Origin provisions in the Trade and Co-operation Agreement that are due to come into place at the end of this year.

Labour will continue to press the Conservative Government to secure an agreement to delay the implementation date of the Rules of Origin provision to prevent a dangerous cliff-edge which could constrain British businesses access to the European market.

Partnering with industry, our industrial strategy will look to enhance domestic manufacturing capabilities, including in supply chains, to increase the local content of our vehicle production and secure future market access. A priority in our future discussions with the EU will be to seek to remove unnecessary red tape for British businesses.
One of the most pressing supply chain challenges for the UK automotive sector is its dependence on imports for critical battery components and materials. **Labour will establish a Supply Chains Taskforce which will build capacity to examine supply chains and identify key interventions to support resilience in sectors like automotive.** Our industrial strategy will look at how the Government can work in partnership with industry to support domestic raw material supplies. This will include exploring the potential for lithium mining in Cornwall and the processing and recycling industries that could incubate around that activity.

We will ensure the importance of the sector is reflected in our diplomacy, identifying friendshoring opportunities with mineral-rich ally countries, including through seeking a critical minerals partnership with the United States. As the first step in our ambition to create a Global Clean Power Alliance, Labour would work with our allies and partners to help develop an international buyers’ club for critical minerals and interconnectors. A buyers’ club with our allies could prevent companies bidding up commodity prices against each other and create a more transparent picture of long-term demand by aggregating across countries. It would also enable a more stable supply and price for critical minerals and; allow space for critical mineral content to qualify for one another's local content requirements in trade agreements.

Our industrial strategy will also look at strategic priorities further along the critical mineral value chain such as in material processing to create competitive advantages that we can leverage to access international markets. **Labour will examine the best ways to promote a circular economy in raw materials** to reduce our dependence on imported critical minerals and create a domestic source of critical resources.

We will establish cross-government oversight of end-of-life recycling to join-up responsibilities beyond the Department for Environment, Food and Rural Affairs and promote innovation. Alongside this, we will support R&D in battery materials to look to explore sustainable and cost-effective alternatives to current technologies including solid state cells like nickel-manganese-cobalt batteries.

**Labour would work with our allies and partners to help develop an international buyers’ club for critical minerals and interconnectors.**
We know that industrial energy prices are crippling the competitiveness of our businesses and making the UK a less attractive location for major investments. Even before Russia’s illegal invasion of Ukraine, UK businesses faced the highest electricity costs in the G7, having soared by 72% between 2010 and 2021. UK electricity prices are the most expensive of any European automotive manufacturing country and 59% higher than the EU average, meaning that last year, UK manufacturers could have saved almost £50 million on energy costs if they were buying in the EU rather than the UK.

Lower energy bills will be vital to our automotive strategy to attract investment in British gigafactories but also to help encourage motorists to transition to electric vehicles. Labour’s mission to make the UK a clean energy superpower will deliver a cheaper, zero-carbon electricity system by 2030. This is a key mission of our industrial strategy and we will invest alongside business in renewable energy, hydrogen, carbon capture and nuclear power to provide industries like automotive with access to secure low cost energy.

The significant increase in both clean power generation and clean industry will require four times as much grid infrastructure to be built in the next seven years as has been built in the last 30. The grid has now become the single greatest obstacle to both deploying cheap, clean power generation and electrifying industry. We know that automotive businesses are seeking to move ahead and invest in their own decarbonisation journeys. However, the queue for grid connections is growing out of control, with more than £200 billion worth of privately funded energy projects stuck.

A Labour government would oversee the largest upgrade to our national transmission infrastructure in a generation. We have a comprehensive plan to secure this including: empowering a Future Systems Operator to take on the role of system architect; adopting a more strategic approach to identifying future demand; aligning our planning system with our ambitions; and implementing measures that use our energy system in a smarter way and reduce pressures on the grid.

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