



Fairytale or failure?

**Used EVs need help to find
their #happyEVafter**

Battery electric vehicles (EVs) are crucial for decarbonisation, but like any fairytale, the journey is far from smooth...

Our 'Happy EV After' ending is at risk.

New EVs are costly and lose value far faster than petrol or diesel. Over the last 24 months, used EV values have dropped by more than 50%, an unprecedented decline. Values are expected to fall another 28% by 2030. We face a crisis.

While falling prices might seem appealing, they are unsustainable. Like the Three Little Pigs' houses, a sustainable EV transition needs a solid foundation—a healthy used market. Strong used values make new EVs affordable.

By 2027, the collapse of used EV values could result in over 290,000 fewer new EVs sold. The ZEV Mandate ties the new vehicle market to EV volumes, so fewer EV sales will shrink UK automotive, impacting GDP, employment, and carbon targets.

Dealers are hesitant to stock used EVs, consumers worry about depreciation, and funders face significant risks. Automotive manufacturers, dealers and funders must invest billions in the transition to net zero while facing enormous losses.

A dark and stormy future looms unless we act fast...

We need intervention to boost demand in the used EV market, secure a fairytale ending and achieve our climate goals for future generations.

1. Launch a public information campaign.
2. Implement standardised battery health certification.
3. Provide grants for used EVs.
4. Cut VAT on used EVs for four years.
5. Reduce BiK on used EVs for four years.
6. Open used EV salary sacrifice to the civil service.

Q&As

Why are falling used EV values bad?

It's a good deal if you want a used EV, but if you want a new one, it's going to cost you more and, in the long run, is unsustainable.

It can't be that bad, this sounds like an industry problem.

Used EV values have plummeted, while petrol and diesel remain stable. Boosting demand for used EVs is essential.

Still, why is that a problem? Let people buy cheaper and cheaper used EVs.

Every used EV starts as a new one. Stable lease rates for new EVs rely on stable residual values. Slumping values mean higher lease rates and fewer new EVs hitting the UK market.

So, everyone must be buying used EVs?

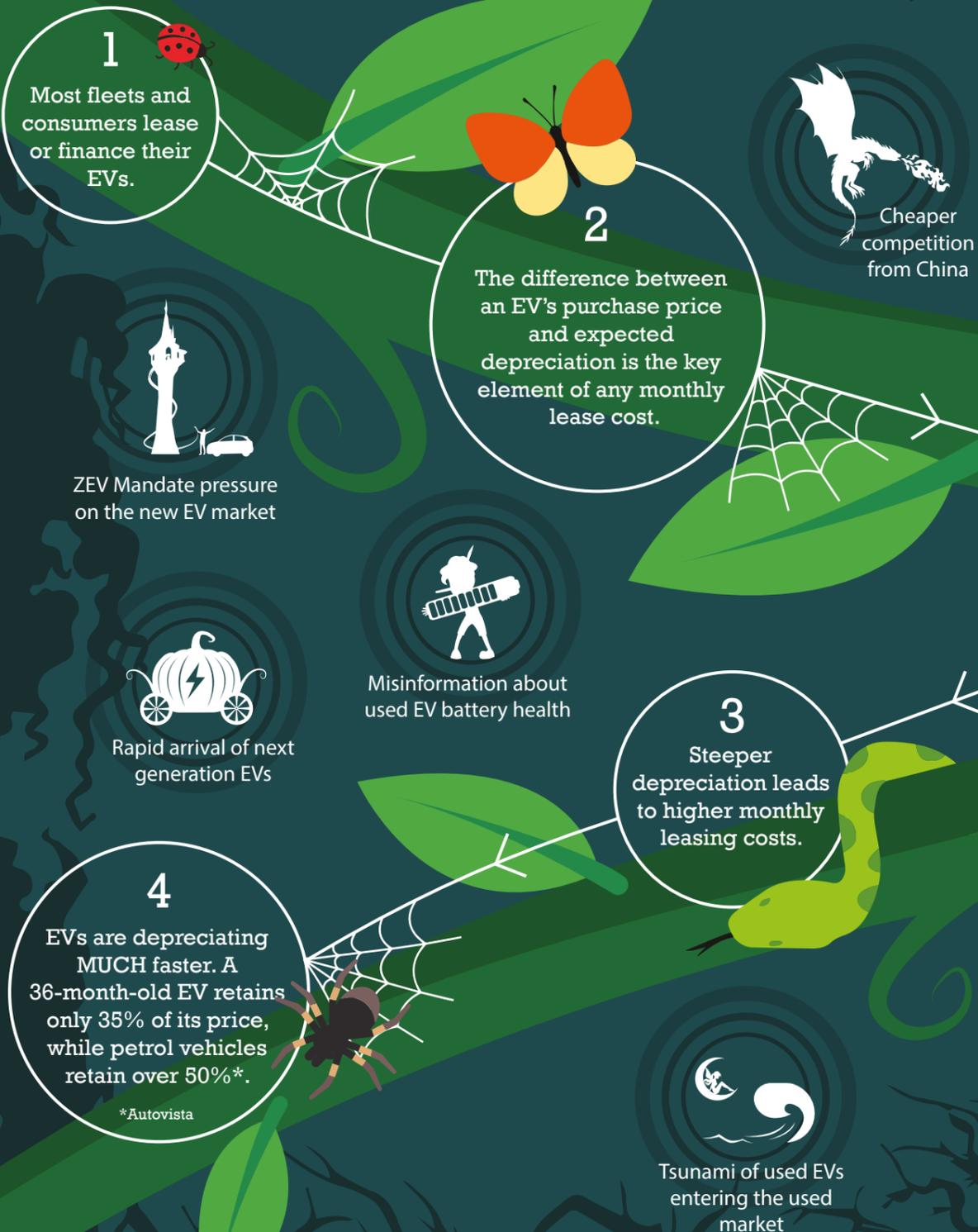
There are great deals, but demand must match the incoming supply tidal wave, and there is no sign it will.

Surely, the market will solve this.

Forecasts show RVs dropping all the way to 2030 and beyond. There is a systemic weakness in demand.



Residual Value Conundrum



Quest 1

#happyEvafter

Giving confidence to buyers

Many used car buyers are hesitant about EVs. Over 61% worry about battery longevity, and a third believe negative EV myths. To beat the Big Bad Wolf of misinformation and fear, we need the Government's help!



Launch an information campaign (GoUltraLow 2.0)

Myth-busting is crucial to counter the negative media attention EVs receive, from fire risks to car-park collapses due to their weight. A public information campaign with unbiased, fact-checked information can balance this out.

The successful 'Go Ultra-Low' campaign educated the public and boosted demand. A similar, broader campaign for EVs, involving more sectors, would be beneficial.

Existing initiatives like the Electric Vehicle Approved (EVA) programme, which audits dealers for EV readiness, need more public awareness.

Just like Tinkerbell's pixie dust only worked when people believed, the EV transition relies on consumer confidence.

Bring in battery health requirements (UN GTR 22)

EV batteries are robust, losing about 2% of their health each year on average¹, similar to the performance degradation of petrol or diesel vehicles.

The main concern for used EV buyers is battery wear². A cost-free, ready-made solution exists: the UN's Global Technical Regulation 22 (In-vehicle Battery Durability for Electrified Vehicles).

The UK should adopt this regulation to standardize battery condition information and provide consumers with transparency.

Key tasks



1.

Public Information Campaign – to give buyers confidence.



2.

Standardised battery health certification – UN GTR 22 - will provide reassurance to those thinking of buying a used EV.

1 - GeoTab <https://www.geotab.com/uk/blog/ev-battery-health/>
2 - Auto Trader

Quest 2

Move the market

Without a strong used market, there is no new market. Residual values (RVs) determine new vehicle monthly costs, and the collapse in electric values makes new EVs less accessible. A robust used EV market is essential to meet the ZEV Mandate and keep the UK automotive industry viable. We face an existential threat.



Key tasks

Launch a targeted “Used EV Plug-in Grant”

The EV transition has not reached less affluent individuals, and e-van uptake is limited to large fleets. We need to support lower-income families and SMEs in transitioning to EVs.

A £1,500 grant for purchasing used EVs, capped at around 530,000 cars and vans over four years, should be introduced immediately. This grant should apply to used EVs over one year old, sold to a second driver, and originally priced at £45,000 or less.

This familiar and straightforward grant system, understood by both the Government and businesses, would cost £795 million and significantly increase adoption among less affluent drivers and firms.

Cut VAT on used EVs by 50% for four years

This short, sharp intervention would incentivize retail customers to buy used EVs, stabilizing the market and making new EVs more accessible.

Any EV over one year old with at least 10,000 miles should attract 10% VAT instead of the standard 20% when sold to a second (or subsequent) driver. Most used vehicles have VAT charged on the margin, making this reduction affordable.

This measure benefits everyone—from consumers to dealers, leasing companies, and manufacturers. It will also improve new EV affordability.



3.

A £1,500 targeted “Plug-in Grant” for 500,000 lower-priced used EVs is a straightforward and familiar way to boost demand and democratize access to EVs.



4.

A 10% VAT reduction to 10% for used EVs will help consumers buy a used EV.

Quest 3

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Make the transition more accessible

There are some tried-and-tested routes to market that are already driving decarbonisation. Expanding these channels can help widen the transition to support many more workers.



Key tasks

0% Benefit-in-Kind for used EVs for four years

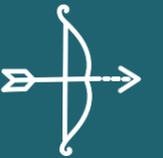
The average price of a new EV is over £49,000³, making used EVs more accessible but still out of reach for many.

Salary sacrifice schemes allow employees to pay for an EV from their gross salary, with a benefit-in-kind (BiK) tax. Most users are lower-rate taxpayers, including many health/social care workers and female drivers⁴.

Reducing the BiK to 0% for used EVs from April 2025 to April 2029 will greatly improve accessibility at a low fiscal cost, and kickstart the used leasing market.

This should apply to EVs over a year old with 10,000 miles and used by a second or subsequent driver via a salary sacrifice scheme.

This measure will create the most accessible avenue for workers to join the clean mobility transition.



5.

Reduce benefit-in-kind tax on used EVs to 0% for four years to increase affordability and make used EVs more accessible.

Allow the Civil Service to access used EV salary sacrifice

Government aims to ensure net zero benefits everyone, and salary sacrifice schemes are a key part of this effort.

Currently, civil servants cannot participate in car salary sacrifice schemes.

Allowing civil servants to access used EV salary sacrifice would boost retention and cohesion, giving government workers a stake in the transition to clean mobility.



6.

Open up salary sacrifice to the Civil Service. A meaningful change that helps retain staff and improve the transition.

3 - Auto Trader
4 - BVRLA Data

Key stats

Oxford Economics has taken a detailed look at the used EV market...



Used EV supply will double to **100,000** in just two years and demand will need to keep pace, there is no sign of this happening.



Used EV values are expected to drop another **28%** from 2024 to 2030. Intensifying the financial pressure on an already strained system.



The CO₂ impact of the 290k lost EVs could be as much as **8.5 MtCO₂** over their lifetimes (IEA & BVRLA).

246K LESS ↓

Due to fewer EV sales and the ZEV Mandate, total new registrations could fall nearly **246,000** units from 2025 to 2027.

290,000 ↓

Slumping RVs could reduce new EV sales by **290,000** between 2022 and 2027.



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