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Fleet Transition

Thought leadership

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Preparing for a transition to zero emission vehicles

A shift to zero-emission fleets is driven by advances in vehicle and charging capabilities, reducing Total Cost of Ownership, a supportive taxation and policy environment, and rising customer expectations. Fleet managers should consider the use of pilots to inform an enterprise-scale transformation.

Evolution in **vehicle types and capabilities** means that, for some sectors, a switch to zero emission is now not only viable but economically attractive for most use cases and duty cycles (including Grey Fleet, business travel, site visits and commuting). In the last 12 months the growth of imported EVs with the potential for faster charging than has been possible to date is causing some to reassess the potential for switching, whilst the spread of vehicle types to cover commercial vehicles and a wide range of cars means that more trip types are now in scope.

For light commercial vehicles, the OEM mix is changing with established manufacturers and new entrants like BYD offering over 30 models for sale: over 10% of new vehicles sold are now electric, which is rapidly increasing the EV parc to 2% and beyond – although this is some way short of the ZEV mandate for 2025[1].

Total Cost of Ownership for EV has reduced to match ICE for cars and vans across many use cases, with recent grant announcements unlocking EV as an option for many fleet managers, and customers looking to buy a second-hand EV now have a wide choice at attractive prices.

EV penetration by fleets varies greatly: across the public sector, Bristol and Liverpool city councils have over 40% of the fleet as EVs, while TfL's commercial fleet is 3% EV. In the private sector, smaller companies are more likely to have an EV charging strategy and to rely on public charging than large firms[3]; but actual adoption for SMEs lags behind big early adopters like Centrica, BT and Royal Mail – which are well on their way to full fleet transition.

Energy supply and charging remains a challenge for many users and fleet managers. Grid connections for large, fast or remote charging hubs can be a challenge, with some firms waiting many years to get connected[4]. The rapid growth in EV usage means that demand forecasting is a constantly moving target. The multiple providers of EV charging have consolidated on common protocols under consumer regulations, but many customers still have a phone full of charging apps – a far cry from the simplicity of the petrol pump.

Continued Government grant funding and private sector investments mean that the number, capacity and speed of chargers is growing rapidly. The charging infrastructure market has matured to offer solutions from supplier-funded to tenant-funded and everything in between – including shared charging infrastructure like FirstGroup's Caledonia depot showing an important market evolution[5].

There's also a growing opportunity for employees to charge at home, or for landlords to commercialise their chargers. Some market-specific offerings have launched, for example Porsche's launch of high-speed charging available exclusively to their customers at their own sites and selected partners.

Sources:

1. *Zapmap;*
2. *GreenFleet;*
3. *Business Motoring;*
4. *GOV.UK;*
5. *First Bus*

The range of Government policies and tax regimes, together with customer expectations, supports the need for fleet managers carefully to plan an "enterprise scale" transition, which may best begin with targeted pilots.

The **taxation** picture is already changing and is likely to change further, with VED introduced for EVs for the first time, and TfL announcing that EVs will no longer qualify for a 100% discount on the Congestion Charge. Changes to Benefit in Kind tax rates are gradually increasing the cost of EV leases for employees, but Capital Allowances still allow businesses to deduct the full cost of new zero emission cars and goods vehicles until April 2026.

Government policy is locking in the need for new vehicles to be zero emission or hybrid in the next decade; and Government fleets must move much sooner than that. The wider context remains our commitment to Net Zero by 2050 which is still supported across all major political parties – but is facing headwinds from the increasing portion of customers' bills which goes towards paying for it.

Finally, **customer expectations** are rising rapidly across some segments, as the pace of adoption increases. Early adopters are very unlikely to revert back to ICE, but other groups are much harder to persuade that a shift will suit them, their family, or their work – and this includes many freight operators or those with complex duty cycles.

So what?

Due to market constraints, including vehicle and infrastructure capabilities, supply, and costs, businesses with MCVs and HGVs are at the start of their journey, needing to understand how transition will impact them, and determining the right roadmap. **The best way of doing this is to start piloting** vehicles with a robust monitoring and evaluation mechanism to inform development of a long-term strategy.

Many businesses and corporates with mixed car and van fleets are already on the road to transitioning their fleets, piloting, or planning, but now need to plan to **adopt an "enterprise scale" transformation of their fleets**. This requires the right financing, taxation, energy procurement & supply, workforce, asset management, and technology / digital solutions.

We discuss these two methods of delivering a fleet transformation on the following pages.

Our areas of work in supporting fleet transition

We use an 8-step framework for fleet transition, and have extensive experience in understanding the bespoke operational needs of businesses, and advising on the right approach to take to make fleets fit for the future.

For a fleet manager – considering the varied operational needs of freight, servicing, business and commuting trips for a range of trip types, users and duty cycles – the picture can be confusing.

Is it worth making the jump now? Commissioning a(nother) pilot? Or waiting to see how technology and Total Cost of Ownership evolves?

A badly planned transition runs the risk of being costly, fragmented and not delivering benefits.

Here, we suggest two complementary approaches to **delivering pilots and strategy**; and then **enterprise-scale transformation of fleets**.

01 Strategic ambition

- Financial model
- Environmental impact
- Customer proposition

02 Vehicles

- Vehicle segments
- Driver/customer segments
- Markets and sites

03 Infrastructure

- Charging requirements
- Ownership funding models

04 Operations

- Duty cycle mapping
- Service optimisation

To start **piloting projects, and develop a long-term strategy** for fleet transition, clarify:

- "Why" you need a change. How does the ambition align with policies, impacts and propositions?
- What vehicles, routes, depots or customer segments are the most promising to pilot, and then extend?
- What kind of charging infrastructure is needed on your premises, or are shared and public chargers suitable?
- Which duty cycles map best against electrification, and how do services change?

To **deliver a successful Enterprise Scale transformation of the fleet**, across cars and light goods vehicles, you'll need to add to the "Why" and "What" with the "How":

- How, where and when energy needs to be supplied to your fleet
- How data should be generated, analysed and used, and with what partners
- How to fund and finance the fleet transition, considering the Total Cost of Ownership and financing options available
- How to (re)structure the organisation and give people the right skills, training and incentives to deliver

05 Energy supply

- Energy requirements
- PPA optionality
- Energy generation

06 Technology and data

- Delivery model
- Service partners

07 Financing

- Business models
- Funding options

08 Organisation

- Org. structure and governance
- People and culture
- Measures and incentives

As added value for fleet transitions, we recommend:

- Using our **"5 Rs" behavioural change method** to make recommendations which will transform operations as well as fleet.
- Considering the **tax implications** of a transition early, including exemptions.
- Working with associates like Mobilityways to make holistic changes to **sustainable travel** across commuting as well as business travel, considering the tools which can capture data and incentivise changes in behaviour – improving health, wellbeing, finances and resilience.

Piloting and Roadmap Development

For many businesses, piloting zero emission vehicles is the only route to a wider strategy and rollout. Our approach to plan, deliver and evaluate a pilot EV project is set out below.

To **set up the pilot**, we baseline the current position and understand what outcome could be achieved from the proposed pilot in your operations. This involves gathering information from:

- **Our global experience** in deploying EV transitions
- **Data you provide** on operations and on the proposed routes and vehicles
- Your current and future **EV requirements**, relating to policies, strategies and ways of working
- The **trip types** which are taking place across fleets, suppliers, operators, routes, destinations and duty cycles

To **deliver the pilot**, we work with you to suggest candidate routes, depots or vehicles. If other operators are involved we collaborate with you and them to design and deliver the pilot. Analysis of the pilot is critical:

1. **Analytical strategy.** Based on the available vehicles and locations for trials, we will provide you support to understand the relevant approach and data to collect including to allow you to monitor to the trial and understand the outcomes.
2. **Monitoring & evaluation framework and analysis.** Develop a monitoring and evaluation framework for the trial outlining the data collection requirements, KPIs to be adhered to and escalation pathways required if the services provided do not meet the necessary quality standards.
3. **Pilot cost analysis.** Cost analysis of the CAPEX and OPEX requirements to run the EV pilot project to enable a direct cost comparison against BAU activities and set up mechanisms to monitor the financial costs over the life of the EV pilot project.
4. **Applicability to the wider fleet.** Analysis of applicability to wider operations, including:
   - Vehicle types
   - Infrastructure requirements
   - Trip types and duty cycles
   - Pilot timeframe
   - Governance requirements
   - Delivery plan with milestones
   - Risks, issues, dependencies
   - Opportunities to go further
5. **Trial scaling.** Suggest future trial activities, and considerations for roll out across your fleet, and how to expand the pilot(s) into a roadmap for future development based on a solid strategy.

To **evaluate and report on the pilot**, we work with you to understand the implications of your pilot. In addition to the data gathering, we discuss:

- Your policies and strategies, and the ways of working and culture which sit alongside them
- How your trends align to global leading practice and the logistics industry
- The elements of your operations which contribute to a segmented total of vehicles, infrastructure and mileage
- The expected costs of your logistic services and required infrastructure, based on current plans and cost trajectories

Delivering Enterprise Scale Transformation

Beyond an initial pilot and strategy, a wide-scale fleet transition needs to consider the operational, technical and financial factors which will make the difference between success and failure. Our framework addresses all of these topics in a structured, systematic, and evidence-based way.

Energy procurement & supply

Businesses can choose to install chargers on-premises or use a mixture of public, shared and private charging. Using home and public charging needs policies around VAT and expense claims.

For higher-energy users, the sourcing of energy and Grid connections become a consideration. We're seeing many businesses sign Power Purchase Agreements (PPAs) to mitigate risk over the medium-long term.

Digital, data & technology

A new fleet offers the opportunity to capture telematics data on usage, safety, battery status and routing, as well as chargepoint and energy use.

To make the most of these rich datasets, the fleet management system may need an upgrade, integration or upgrade. We're seeing firms look to bundle service management of data and tech with their fleet planning and management systems.

Financing & Asset management

Specialist financing firms can assist with planning whether to buy vehicles outright, lease over a set time period, or a hybrid model of leasing key components like batteries. The landscape of costs and opportunities is evolving rapidly, leading to new options becoming suitable.

Similarly, the maintenance, repair and insurance of vehicles will have different models in line with the ownership and financing situation.

Workforce & skills

The training and upskilling needs of people will vary by team – including vehicle and charger maintenance, financing, and operations.

On top of these skills, it's important to capture the hopes and fears of your team so that a transition meets their needs.

In some cases, "the deal" for employees can include their use of EVs and the delivery model.

Taxation

Involving your tax team from the beginning provides early insight, and could uncover potential tax savings and operational or structuring requirements.

Relevant taxes to consider:

- **Income tax**. Low Benefit in Kind rates for EV allow a reduced gross salary and tax burden for employees.
- **Corporation tax**. Reliefs are enhanced for EVs, both for purchase and leasing (for business use).
- **VAT**. The rate of VAT charged on EV charging depends on the location, person role, and mix of trips.
- **Capital allowances**. 100% First Year Allowance until April 2026 offers significant savings, for vans and cars.
- **Employment taxes**. Salary sacrifice reduces NI contributions for both employers and employees.
- These affect the vehicles, charging infrastructure, the payroll and benefit reporting for employees who use the vehicles.

How KPMG can add value to your fleet transition planning

Our “5 Rs” behavioural change method maximises efficiency

Instead of planning a 1-for-1 replacement of the fleet, consider how demand can be reduced and supply replaced or optimised. Our “5 Rs” behavioural change framework adapts to suit the needs of different organisations reflecting specific business models, fleet compositions, and duty cycles.

Reduce the need to travel through better trip planning, overnight stays, hybrid meetings and combining journeys.

Replace single-occupancy vehicle trips by car-sharing, pooling with other teams, or use of public transport.

Relocate places of work to reduce the need to travel by single-occupancy vehicle.

“Refuel” from ICE vehicles to vehicles with alternative fuels e.g. Electric Vehicles.

Rethink, making use of new and emerging technologies to reduce the need to make certain trips.

Our Tax team can help unlock benefits, savings and certainty

The taxation considerations for an enterprise-scale fleet transformation bring a set of opportunities and challenges, which can lead to greater alignment across teams and less HMRC uncertainty.

We recommend exploring opportunities around incentives and benefits for employees, while considering that there are limits and conditions for the tax reliefs offered by HMRC:

- The provision of electric vehicles (EVs) through a **salary sacrifice** arrangement not only encourages employees to switch to EVs but also generates tax and NIC savings for both the employee and the employer. BiK tax rates will be rising until 2030 so acting fast will secure bigger savings.
- **Cycle to Work** schemes operate on a salary sacrifice basis, offering a tax and NIC efficient way for employees to receive a loan of a bike for commuting purposes, or to use bikeshare schemes locally.
- Employers are increasingly providing **tax free season ticket loans** and **subsidised bus services** to facilitate employees' journeys to work.
- These benefits help reduce the carbon emissions associated with employee commutes, whilst providing valuable perks that can enhance recruitment and retention efforts.

We recommend exploring the tax benefits to employers which can be significant as part of enterprise-scale fleet transformations:

- **100% First Year Allowance (FYA) deductions** for new EVs and chargepoint installations is available until March 2026. Pooling EVs apart from other vehicles avoids the risk of diluting the FYA benefit.
- **VAT** needs to be considered carefully, as full recovery is available on the purchase and lease of EVs for business use only, on chargepoint installation and operation, and on public or workplace charging.
- **PAYE Settlement** allows employers to pay the relevant tax on behalf of employees.
- To ensure the anticipated tax and NIC savings are realised and to maximise employee participation, employers must design and implement the arrangements in accordance with HMRC.

How KPMG can add value to your fleet transition planning

Our network of associates and accelerators includes Mobilityways

We work with SMEs, industry bodies, OEMs, regulators, accelerators and bodies across the public and private sector. Mobilityways is one of our associates who can help unlock sustainable travel.

Our associates Mobilityways advances sustainable travel by identifying commuting habits, defining commuting potential, and supporting employers in implementing workforce engagement strategies.

Mobilityways has over 25 years' experience delivering sustainable travel initiatives to firms across the public and private sectors, in industries including manufacturing, healthcare, utilities and education.

Engagement Strategy 1

A major retailer is providing a £2.50 meal voucher per day to employees who share lifts to their headquarters. The incentive is provided only to those who formally authenticate the trip via their company-branded carpooling technology solution.

Engagement Strategy 2

Another company using a dedicated carpooling technology solution is a large manufacturer who rewards all staff who formally authenticate a shared trip to work with £1 per day. Incentives earned are paid by the business via payroll monthly. The company is preparing to go further by extending the £1 incentive to all who sustainably commute i.e. active travel, public transport, or shared use of private vehicles.

Measured outcomes of the Mobilityways approach across different clients include:

1. A 35% reduction in single-occupancy car trips
2. A 500% increase in job applicants at depot sites
3. £4m annual savings for employees at a large site

Our credentials of where we've done it before

KPMG supports clients on this end-to-end journey with proven experience across vehicle and charging infrastructure types, with three illustrative credentials below.

Central Government Dept with a complex mix of vehicles and duty cycles

The client has set out to decarbonise its fleet by 2030.

KPMG developed a comprehensive transition strategy for all duty cycles and vehicle classes, covering infrastructure needs analysis, fleet management capability development, and staff acceptance. We used our "5 Rs" behaviour change methodology to plan specific changes across the different operational teams.

Local Government Authority with a mixed fleet of Cars, Vans, and MCVs

The LGA secured funding for deploying EV chargepoints and wanted to understand the technology roadmap.

KPMG assessed the adoption curve for EVs across fleet types, and how new technologies will make different partnership and business models suitable. We used this to set out how the authority's fleet could align to the emerging chargepoint landscape and what changes are needed.

FTSE100 FMCG corporation with a large outsourced HGV fleet

This FTSE100 company is exploring how to move towards a decarbonised fleet across its operations and suppliers.

KPMG is partnering to deliver and evaluate the pilot scheme, which is following the steps outlined in this paper. It includes rigorous analysis of performance, costs, relevant duty cycles and fleets to bring together a set of recommended actions for a wider rollout of zero emission vehicles.

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