That fuzzy feeling

A first analysis of the impact of the Electric Car Grant

NEW AUTOMOTIVE

Findings at a glance

- **Limited immediate impact on overall market share:** In September 2025, battery electric vehicles (BEVs) eligible for the Electric Car Grant (ECG) accounted for 23.8% of registrations, unchanged on these models' market share before the scheme was announced.

- **Variation by model:** Some models supported by the publicly-funded schemes, notably the Ford Puma and Nissan Ariya, saw significant gains, while others declined. Manufacturer-backed grants (e.g. MG, Volvo) also drove notable market share increases.

- **High fiscal cost:** The first month of the ECG may have cost up to £31m, with Ford and VW Group and their customers capturing nearly two-thirds of the benefit. At this pace, the fund risks early depletion by 2026/27—well before the intended 2028/29 horizon.

- **Market signaling:** While the ECG's direct impact appears modest, it has sent a strong signal of government commitment to EVs, supporting consumer confidence, the expanding used market and green jobs in markets closer to home.

- **Other policies are available:** measures with no taxpayer cost would likely be more effective in meeting the Government's goal of "enabling more people to access the savings associated with driving electric".

Executive Summary

Following the first full month of Electric Car Grant operation, with more than 20 eligible models, New AutoMotive has carried out an analysis of its impact.

We used publicly available data from DVLA and the DVSA to compare registrations of models eligible for the ECG - or covered by manufacturer-funded grants introduced alongside - in September 2025 (when the ECG was in operation) with those in April to June (before the ECG was announced).

Whilst we saw some evidence of switching from ineligible battery electric models to ECG-eligible models offered by the same maker, we found little evidence that the grant was encouraging consumers to switch to eligible models overall. The market share of battery electric models eligible for the ECG was 23.8% in September, unchanged on the the share of the same models before the scheme was announced.

However, this masked a wide variation between models - the Nissan Ariya and especially the Ford Puma saw a big increase in market share, whilst many other models saw a decline. Manufacturer-funded ECG grants from MG and Volvo also appear to have been successful in boosting these firms' market share.

The cost of the first full month of ECG operation could have been as high as £31m, with Ford, VW Group and their customers accruing just under two-thirds of the benefit.

Even allowing for the fact that September is a new plate month, this suggests that the ECG could run out a year early in 2027/28. Taking account of the growth in battery electric registration and the likely increased numbers of eligible vehicles, the fund could be exhausted in 2026/2027.

These are early results, and they cannot measure the effect of the ECG in boosting interest in EV purchase more broadly. The grant has offered the market and consumers a clear signal that Government is serious about the switch to EVs, which will help support consumer confidence and a rapidly growing used market. Taxpayer funded handouts are also popular with industry and can be popular with consumers if they can see the benefit.

However, the entirety of the budget will support an absolute maximum of 400,000 car purchasers, suggesting that the grant may well not be as effective in widening take up of electric vehicles as other policies, which could benefit 20 times the number of consumers - in particular those currently reliant on public charging - without cost to the taxpayer.

Government must increase its focus on tackling the unfairness between home-owners with driveways on the one hand, and the approximate 10 million renters, leaseholders and those who cannot park off-street on the other. For the second group, the switch can result in running costs which are seven times as high as those faced by the first.

We are running out of time to deliver the fair, effective suite of policy solutions required to enable everyone to access the savings associated with driving electric.

Background

Government took many people by surprise when it announced £650m of funding for an Electric Car Grant (ECG) on 15 July 2025.

Although industry had been calling for new consumer support measures ever since the original plug-in grant was scrapped three years ago, the strained state of public finances offered little reason to believe the Government would reverse course.

Publicly-funded grants of £1,500 (Band 1) or £3,750 (Band 2) are now being awarded for cars priced at under £37,000 based on somewhat opaque "manufacturer sustainability standards". A total of 28 models are currently eligible, the Ford Puma and Tourneo in band 1, and the others in band 2. Many other firms (see Methodology) have responded with their own company-funded ECG-like discounts.

With all eligible vehicles now in receipt of the grant for more than 1 month, it is a good time to assess:

- What proportion of the battery electric market is covered by the grant?
- Are makes and models eligible for the ECG rising in popularity?
- Are we seeing consumers switch within makes to models which are eligible for the grant?
- How much has the electric car grant cost?
- Is the ECG a good use of money to support the switch, or are there other things Government should consider spending the money on?

Our results are necessarily preliminary. Car markets are seasonal and volumes from many makers are volatile.

We will continue to monitor the effects of the Electric Car Grant, and report regularly on emerging trends.

Methodology

We used publicly available data from the DVLA's vehicle enquiry service API, and the DVSA's MOT history API. These APIs provide access to the vehicle licensing database, which is the record of all licensed vehicles in the UK.

We compared registrations in September - the first full month for which all 28 models were eligible to receive the grant, with registrations between April and June 2025, the last full month before the Electric Car Grant was announced.

We did not consider registrations earlier than April because of the potential for data to be skewed by consumer behaviour in the run up to tax increases on electric vehicles announced by the previous Conservative Government, which came into effect on 1 April.

We define company-funded grants (as opposed to the publicly-funded ECG) as grants introduced after the ECG announcement which gave an upfront cash saving comparable to the level of the ECG. We did not consider other kinds of benefits, such as free service plans. On this definition, ECG-like grants were offered by Fiat, Hyundai, Jeep, Kia, Leapmotor, MG, Suzuki, Volvo and some smaller makes, but not BYD.

We don't have information on model variants, trims or asking prices to identify how many units of a particular model would have been ineligible by virtue of exceeding the £37,000 cost cap. We have therefore treated all registrations of a particular model being eligible as an upper bound.

Because quite different numbers of vehicles were sold in September from April to June, we generally compare vehicles based on changes in their percentage market share of the battery electric car market.

Findings

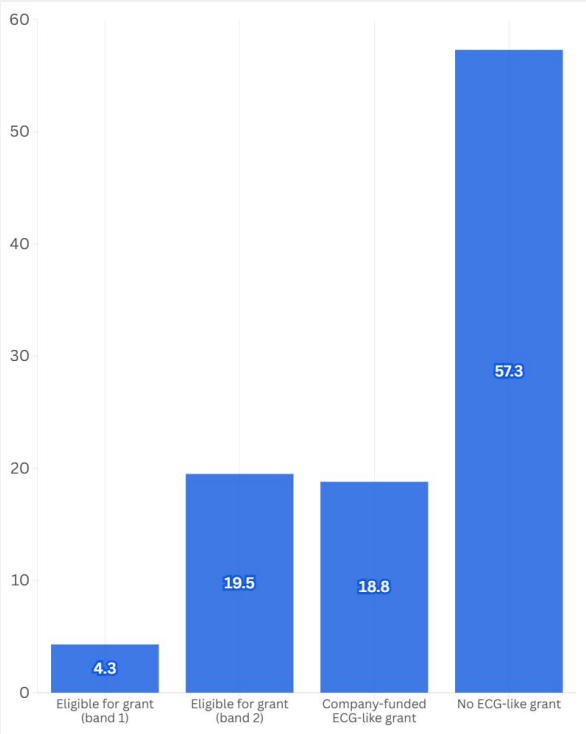
How much of the market is covered by the battery electric grant?

In September, just under a quarter (23.8%) of battery electric registrations were potentially covered by the electric car grant. Just under one-fifth (18.0%) of these were subject to the higher (band 2) grant.

Companies responsible for a further 18.8% of the battery electric market - principally Hyundai, Kia, MG and Volvo, offered ECG-like grants on a number of their models.

However firms responsible for 57% of the battery electric market - including Tesla, BYD, Audi, Mercedes-Benz and BMW - were not eligible for the ECG and did not offer any ECG-like company grants.

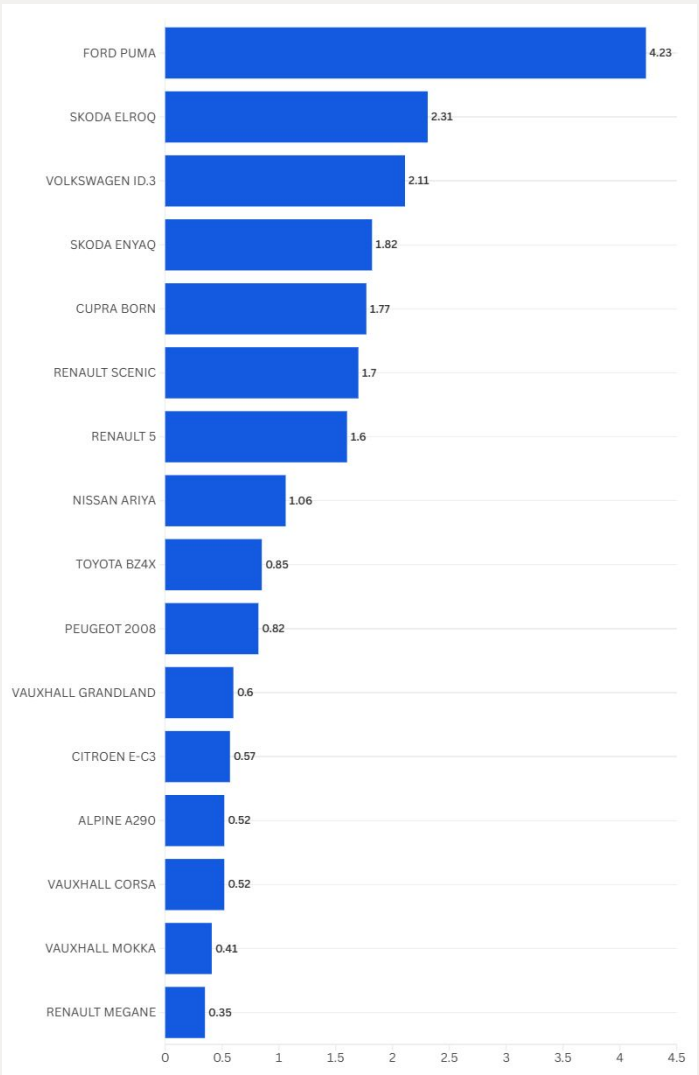
Figure 1: Percentage of September battery electric registrations by grant eligibility.



The most popular eligible models are shown below. The Ford Puma, responsible for more than 4% of all battery electric registrations, is one of the two models to receive the higher band 2 grant.

The next four most popular models, under the Skoda, Volkswagen and Cupra brands, are all made by the VW Group. Renault take sixth and seventh.

Figure 2: September's most popular eligible battery electric models, by share of the BEV market.



Are makes and models eligible for the ECG rising in popularity?

If the market share of the makes and models eligible for the Electric Car Grant had risen between Q2 of 2025 (when the ECG remained unannounced) and September, this would suggest that it was increasing consumer uptake of battery electric vehicles, in line with Ministers' stated goal of "enabling more people to access the savings associated with driving electric".

However, there appears to be little evidence of this. Vehicles which are now in receipt of the grant accounted for 23.8% of the market between April and June, exactly the same level as in September.

The market share of manufacturers who now offer a company-funded ECG-like grant for some models has increased very slightly from 16.5% to 18.8%.

Meanwhile the share of manufacturers not offering any ECG-like grant has fallen very slightly, from 59.6% to 57.3%.

In conclusion, the effects so far on market share are extremely small.

This masks a wide variation at individual model level.

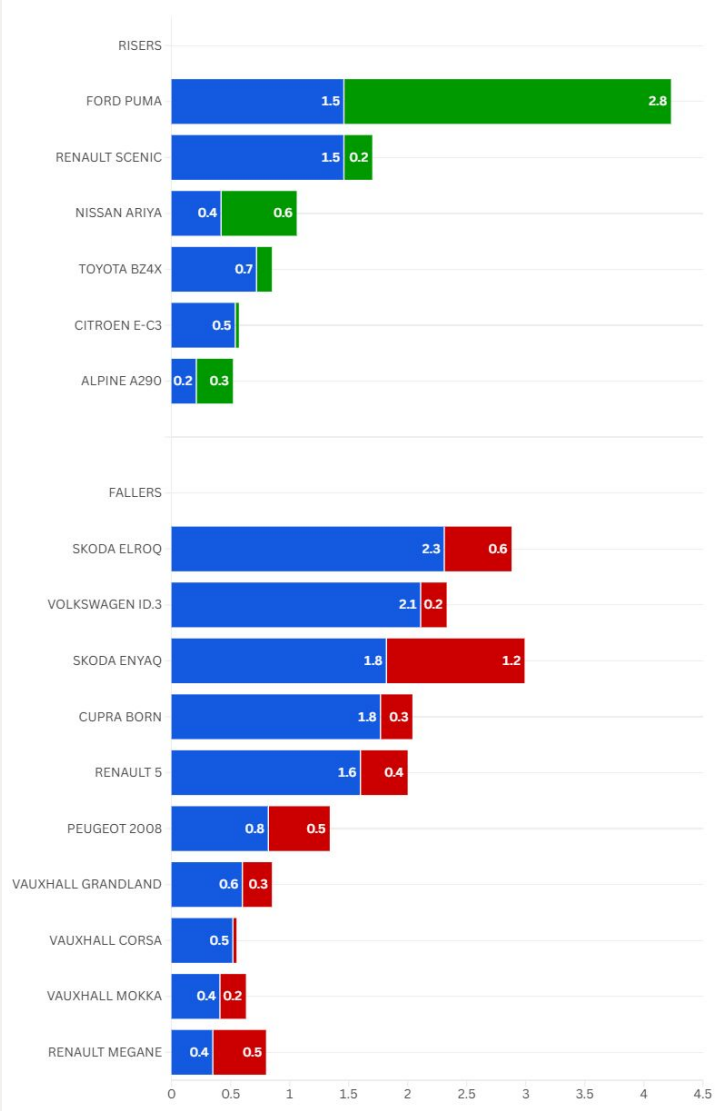
The Ford Puma, Renault Scenic and Nissan Ariya have all risen sharply in popularity between Q2 and September.

The Puma's particularly steep rise is likely attributable to it not arriving in UK showrooms until the Spring. This will have reduced registrations in Q2, which we have used as our baseline.

Models by Skoda, VW and Cupra, and the Renault 5, have all fallen back, but remain very popular.

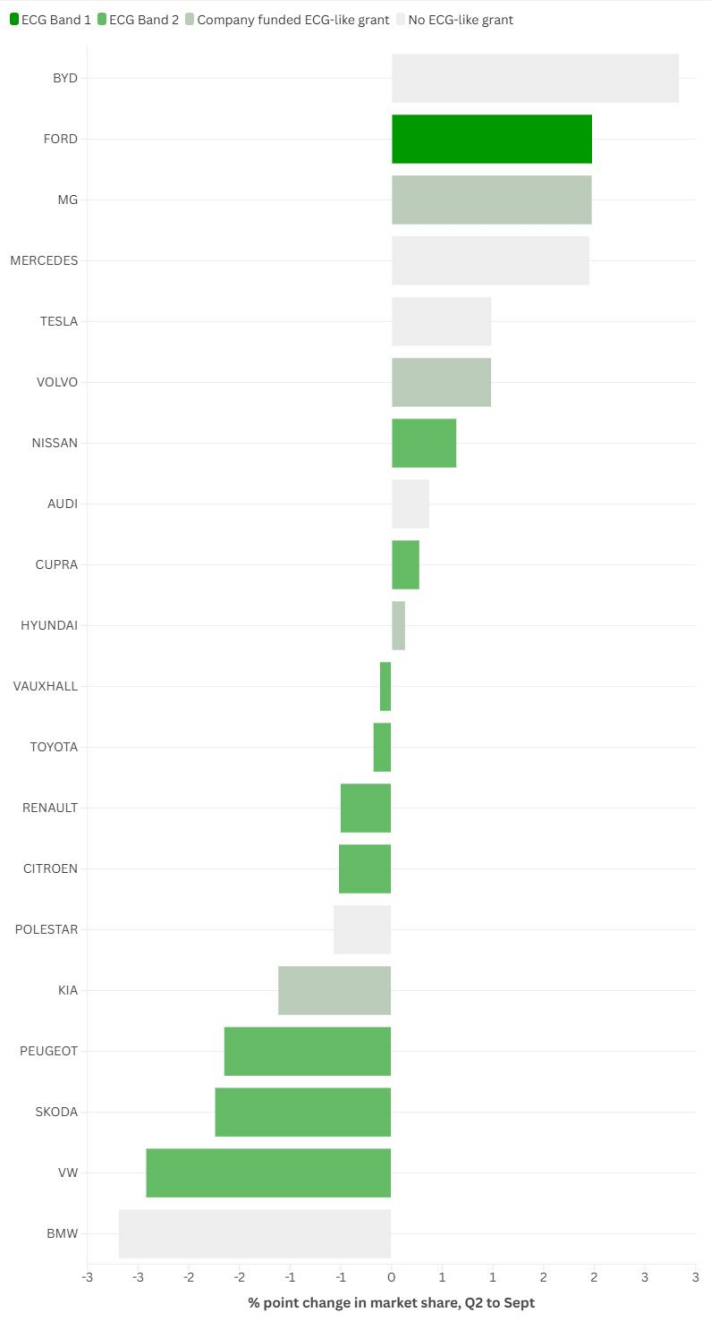
Figure 3: Changes in BEV market share of ECG-eligible models between Q2 2025 and September.

Total length of bar indicates September share, green indicates a rise on Q2, red a fall



The wide variation in market share growth of individual ECG-eligible models is echoed by variation in market share between firms which are not producing eligible models.

Figure 4: Percentage point change in BEV market share of all models (eligible and non-eligible) between Q2 and September



Ford is the only one of the six firms which have added most market share to be eligible for the grant in respect of some models. Of the other big risers, MG and Volvo both offer company-funded grants comparable to the lower (band 1) rate, whilst BYD, Mercedes and Tesla do not offer any ECG-like grants at all. Nissan, whose only current EV benefits from the ECG, grew seventh fastest, but from an exceptionally low base.

At the other end, three of the four firms whose share of the market fell fastest have some models eligible for the ECG. However, BMW, which has no eligible vehicles and does not offer any comparable company-funded grants, fell fastest of all.

Are we seeing consumers switch within makes to models which are eligible for the grant?

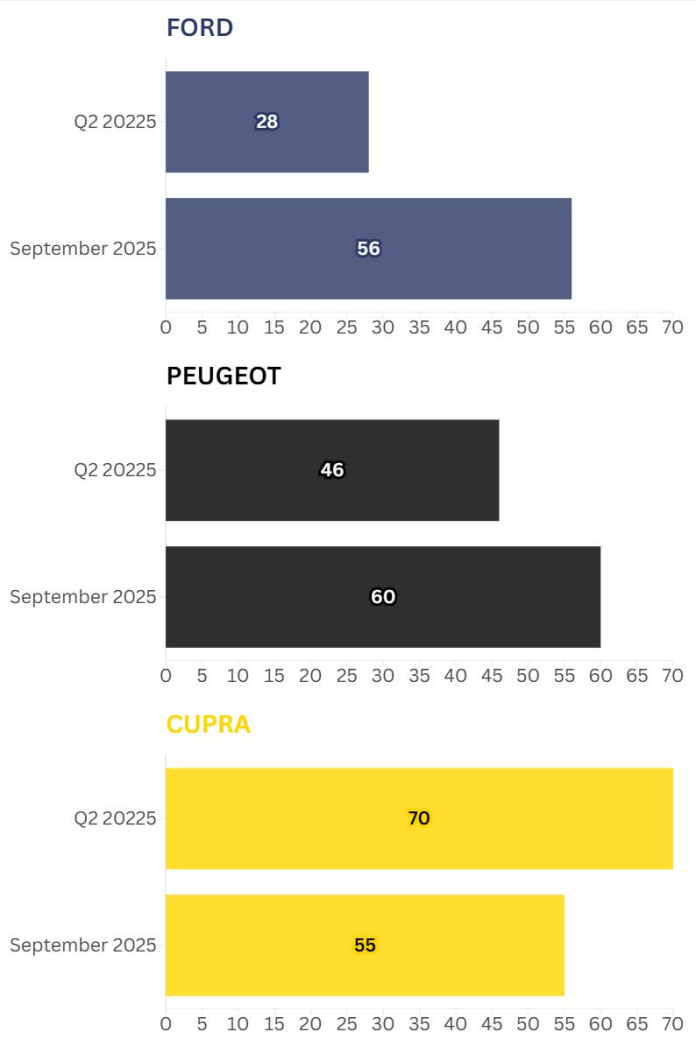
If the Electric Car Grant was driving customer behaviour, we might also expect consumers buying particular makers to show a tendency to switch within that make - from a model which was not eligible for the ECG to one which was.

The evidence for this is a little stronger.

Cupra, Ford, Mini and Peugeot all sell a mixture of ECG-eligible and non-eligible models. Three out of four firms saw a significant shift towards vehicles which became eligible between Q2 and September. Cupra appeared to show a slight increase in the proportion of vehicles registered which were ineligible for the ECG.

However this does not suggest that the ECG is causing the battery EV market to grow; only that it is encouraging consumers who already intended to buy an EV from a particular maker to switch model.

Figure 5: Percentage of battery electric vehicle registrations which were for models eligible for the electric car grant in Q2 and September.

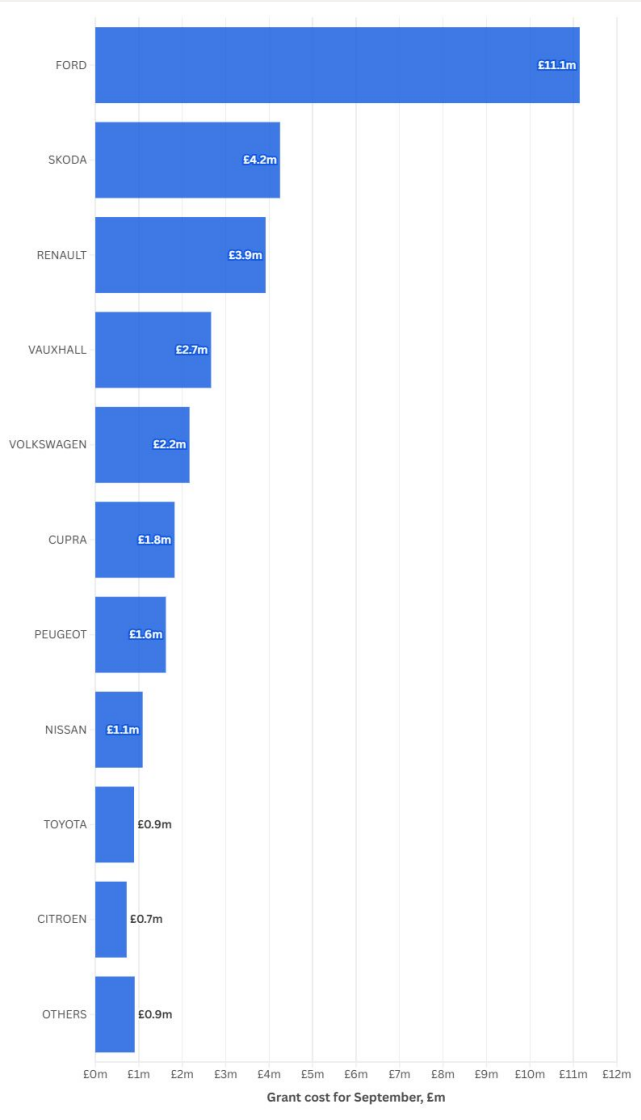


How much has the electric car grant cost?

We estimate that up to £31m of the £650m of grant funding may have already been spent in the first full month in which the ECG has been in operation.

Ford may have benefited from more than one-third of the funding. VW Group, across its Skoda, Volkswagen and Cupra brands, is a close second with up to £8.2m.

Figure 6: Upper bound of spend on ECG in September by manufacturer, £m.



As a "new plate" month, September is one of the busiest months for vehicle registrations. Last year, it accounted for 14.7% of battery electric registrations. This suggests the **total annual cost of the Electric Car Grant could potentially amount to £200m or more over the next 12 months**.

Were EV registrations to remain flat, this would suggest that the grant could run out one year ahead of schedule in 2027/28.

However, given that battery electric registrations have increased by between 23% and 30% over the past 2-and-a-half years, and manufacturers are likely to bring forward more eligible models, **the ECG fund could potentially be exhausted in financial year 2026/27.**

Is it worth it?

Is the Electric Car Grant the best use of taxpayers' money to support the transition to electric vehicles, or should Government be considering other uses for the funds at a time of deep financial constraints?

It's a waste of money …

It is early days, but there is little evidence as yet that consumers are responding to the change by buying eligible cars in any greater numbers than they are buying non-eligible cars. It could be argued then that consumers (if the grant is passed on in lower prices), or manufacturers (if it is not) are being rewarded at the public expense to do something they would have done anyway. That would make it a poor use of public funds.

… Or is it?

However it is not as simple as that, for two reasons. First, ineligible manufacturers responsible for a roughly similar proportion of the market have responded by cutting their own prices. This is good news for car buyers, and may help explain why producers of eligible cars are not seeing growth in market share. Competition has just got tougher.

In this respect, DfT Ministers could be staggering geniuses of policy design. For every £ of input they could be producing a consumer saving of up to £2 (assuming the ECG payments are passed on).

Second, Government also has broader industrial policy reasons for its approach to grants. By targeting grants at manufacturers with science based climate targets and models with lower production emissions (which appear to be assessed by reference to the carbon intensity of the electricity where vehicle assembly and battery production are located), it is currently supporting green jobs in markets closer to home.

So the fact that firms like BYD are piling on market share regardless of non-eligibility for the ECG may be seen for now as an inevitable feature of Government's policy rather than invalidating it.

That warm fuzzy [dice] feeling

One thing we also can't measure is the extent to which the grant is boosting EV registrations as a whole - up 25% in the year to date and a similar amount in September - by engaging consumers.

Money talks but free money is a bit more shouty. The mere invention of a grant has triggered advertising from the firms offering Government supported grants, the firms offering their own grants and the firms not offering grants but determined to prove that their existing offer for their existing product is still worth it.

Public signals are important. Although there is no clear evidence that the ECG has been effective in driving demand, what it has done is offer the market and consumers certainty that Government is serious about the transition. This would in turn underpin growing consumer confidence and boost a rapidly growing secondhand EV market.

The temporary nature of grants - which we've also helpfully drawn attention to by highlighting that the money could all run out sooner than expected - will be starting conversations and drawing people in.

And even if we don't see an actual boost in the rate of growth, it could also be that the counterfactual (in other words, a scenario *without* the ECG) would have seen a slowdown. You can't keep growing registrations exponentially forever.

Yeah, yeah, but come on …

But considered in the round, and alongside the whole range of policy options to "enable more people to access the savings associated with driving electric" …. no of course it isn't worth it.

In fact, it's arguably bonkers. Government could be accused of spaffing £650m whilst doing almost nothing about unfairness for the 30-40% of consumers without off-street parking who are reliant on public charging that costs seven times as much as overnight charging at home (51p/kwh is the ZapMap slow public charging average, compared with 7p off-peak at home).

And with a current bill of up to £31m Government has probably spent more - in one month - on uncertain discounts for a few thousand people who were probably going to buy an EV anyway than the £25m it has committed *in total* to cross-pavement charging solutions (safe and secure cable gullies) to help EV owners without on-street parking charge affordably from their domestic electricity supply.

What makes it even crazier is that most of the solutions to lower the cost of running an EV - and therefore broadening the base of buyers, which is what the manufacturers all ultimately want - come at zero cost to the taxpayer. They are simple policy measures, not publicly-funded bungs.

Many of these can be achieved through changes to the Planning and Infrastructure Bill which is before the House of Lords. They can increase the number of people who can charge at home by:

- giving tenants and leaseholders the right to pay for and install a home chargepoint;
- lifting the requirement for planning permission to install unobtrusive domestic chargers to charge on-street;
- changing highways regulations to give gully providers the same ability to carry out installations already afforded to far more disruptive works carried out by water, gas and electricity firms;
- or even *requiring* local authorities to accept safe cross-pavement charging, as 44 local authorities already do, whilst the other 100 faff about inventing imaginary barriers that their counterparts have already solved.

They can also lower the cost of public charging by:

- accelerating reforms to bring down the high cost of standing charges for charge point operators; and
- adding EV charging to the existing Renewable Transport Fuel Obligation scheme.

Conclusion

It's early days. We could see much more evidence emerge of the Electric Car Grant driving consumer uptake.

But to the extent that we can measure it so far, the omens are not good. Consumers are buying the cars they want to buy at the prices they want to pay and the grants - to the extent they are being passed on - do not appear to be driving switching, which makes their effectiveness doubtful.

Government does have laudable wider industrial policy goals which might deliver UK employment benefits in the longer term. But right now, there are other more important things which Ministers could and should be doing and will benefit UK jobs more.

Whilst taxpayer funded handouts are popular with industry and can be popular with consumers if they can see the benefit, the entirety of the budget will support an **absolute maximum of 400,000 car purchasers.**

In the meantime, ambitious and rapid policy solutions are urgently needed to **address the approximate 10 million** who pay too much to charge and will become increasingly aware of the huge unfairness in the expectation of switching when renting, leasing or not having the good fortune of a driveway.

We are running out of time to deliver the fair, effective suite of policy solutions required to accelerate the uptake of EVs.