

# UK Automotive: Quarterly Sector Update

April 2026



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How to use this report

This report provides a structured view of the key forces shaping the UK automotive sector in 2026, including market performance, regulatory developments and manufacturer responses.

It is designed to support strategic decision-making by highlighting not only what is happening in the market, but why it matters and how it may evolve.

## Summary

**The UK automotive sector is entering a phase of structural tension, where regulatory ambition, rising costs and weakening consumer demand are increasingly shaping market outcomes.**

- Consumer demand is weakening, driven by deteriorating confidence, rising cost-of-living and sharply higher energy prices (oil +50%), constraining vehicle affordability.
- Market growth (+5.9% YTD; +6.6% in March) remains volume-led but distorted by seasonality and fleet demand, masking structurally weak underlying demand.
- The EV transition is the central tension; adoption is increasing but remains below mandated targets, with growth increasingly compliance-driven and reliant on sustained discounting and evolving policy support rather than underlying consumer demand.
- Cost pressures across energy, financing and regulation are compressing margins, accelerating restructuring across OEMs and retailers.
- Despite these pressures, the sector retains long-term industrial upside, particularly in electrification and supply chain localisation, contingent on improved alignment between policy, demand and cost structures.

### Implications for the sector

The market is becoming structurally policy-driven, with a clear shift from broad adoption incentives towards more targeted and fiscally-driven policy mechanisms directly shaping pricing, product mix and profitability.

Fleet demand is acting as a stabiliser, offsetting weak consumer demand, but increasing structural dependence on non-retail channels.

The EV transition is entering a more complex phase, where compliance costs and demand constraints may delay or reshape investment strategies.

Companies will need to prioritise cost efficiency, pricing discipline and channel mix optimisation to sustain performance under continued pressure.

**The central challenge for the sector is no longer growth, but alignment between regulation, cost structures and underlying demand.**

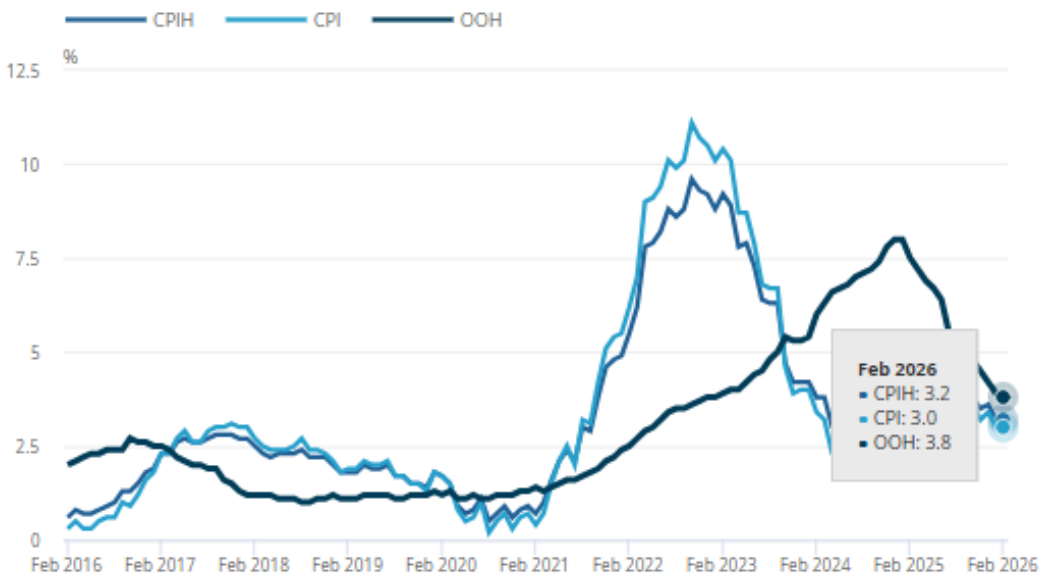
## Economic metrics and consumer confidence

### Inflation vs housing costs remain elevated

Inflation has moderated (3.0%), but housing costs remain elevated, sustaining cost-of-living pressures - source: Office for National Statistics

Implication:

- Persistent cost pressures are likely to constrain consumer spending on high-value items such as vehicles.



<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/february2026>

### Consumer confidence declines amid labour market pressure

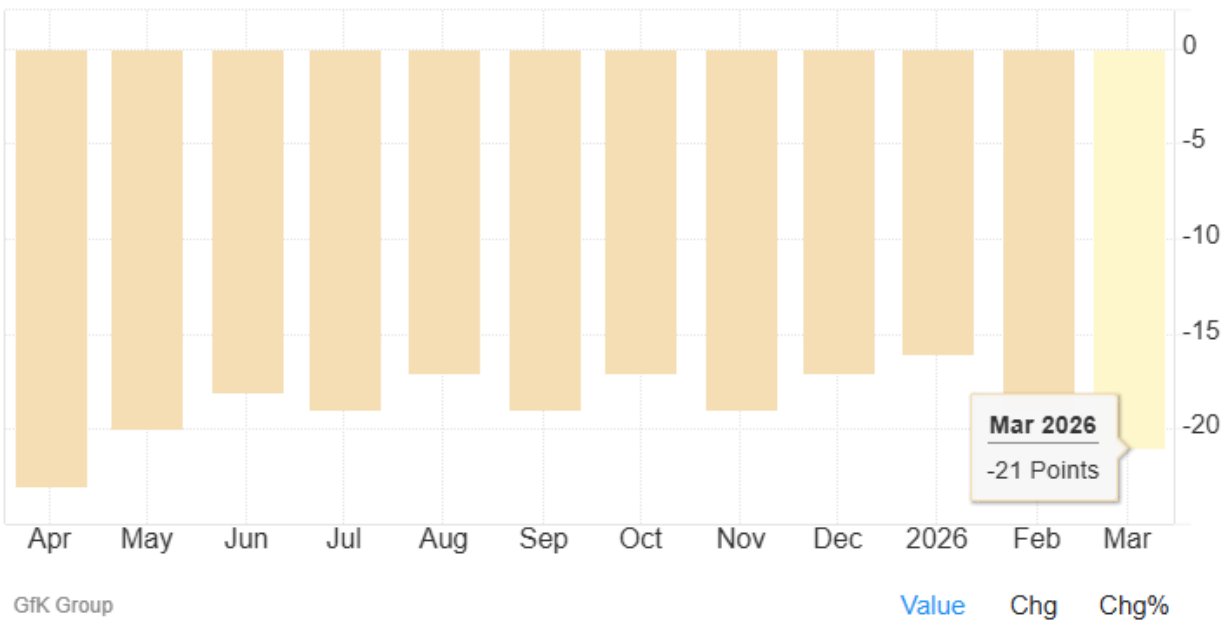
**Worsening consumer sentiment is being driven by labour market weakness and declining perceptions of personal finances.**

- The UK GfK Consumer Confidence Index fell further to -21 in March 2026, down from -19 in February, marking its lowest level in nearly a year.
- The decline reflects ongoing labour market pressure, with unemployment remaining elevated at 5.2%, the highest level since the pandemic, while youth unemployment remains high at 16.4%, highlighting continued pressure on lower-income groups.
- Consumer sentiment is also being impacted by macroeconomic uncertainty, with concerns over the Middle East conflict contributing to rising inflation expectations and a weaker growth outlook.

- The largest decline was seen in households' assessment of the general economic outlook for the next 12 months, while willingness to make major purchases fell and savings rates increased, indicating more cautious consumer behaviour.
- Rising cost pressures remain a key factor, with energy costs increasing significantly, including petrol prices rising sharply, further weighing on disposable income.

Neil Bellamy, Consumer Insights Director at GfK, said

*“People simply do not feel the economy is robust enough to ride out the knock-on effects from the Middle East conflict.” - source: [GfK Group](#)*



<https://tradingeconomics.com/united-kingdom/consumer-confidence>

Deteriorating consumer confidence and reduced willingness to make major purchases are likely to constrain demand for high-value items such as vehicles, reinforcing the reliance on fleet demand and policy support to sustain market growth.

### Oil prices and energy cost pressure

Oil prices have increased significantly in recent months, driven by escalating geopolitical tensions in the Middle East, creating major external pressure on the global economy and automotive sector.

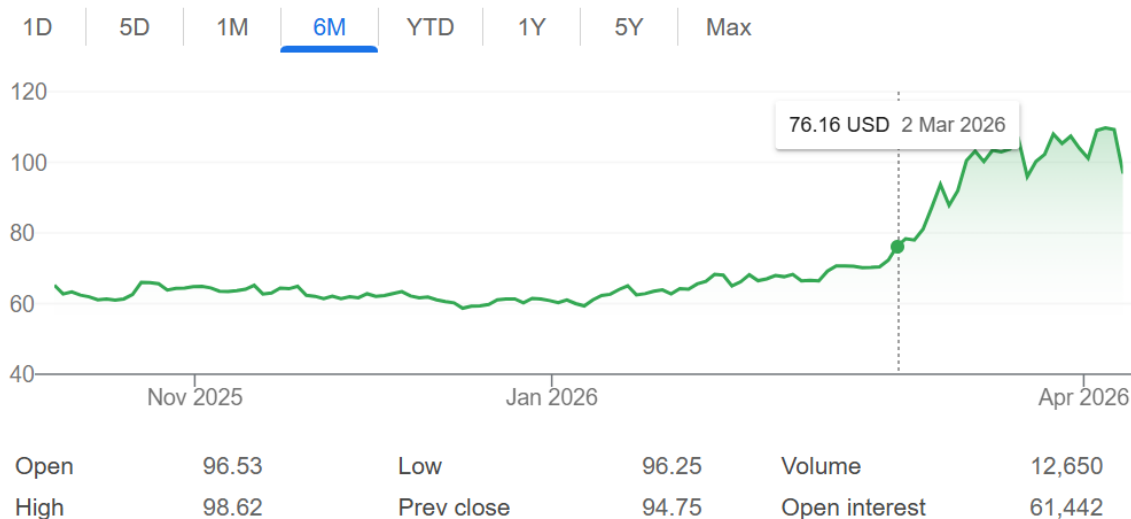
- Brent crude prices have risen to approximately USD 98 per barrel, representing an increase of around 50% in recent months, with heightened volatility in recent weeks.

98.47 USD

NYMEX: BZW00

+33.25 (50.98%) ↑ past 6 months

9 Apr, 06:49 GMT-4 • [Disclaimer](#)



- The increase follows disruption to global energy markets linked to the Iran conflict, including threats to key supply routes such as the Strait of Hormuz, through which a significant share of global oil flows.
- Industry commentary indicates that energy price increases are being driven by both supply disruption risks and broader geopolitical uncertainty, with oil and gas prices rising sharply following military escalation in the region.

<https://www.reuters.com/business/energy/omv-says-higher-energy-prices-balance-losses-caused-by-iran-war-2026-04-09/>

Rising oil prices are contributing to broader cost pressures, including higher fuel prices and energy costs, further weighing on consumer confidence and increasing operating costs across the automotive value chain.

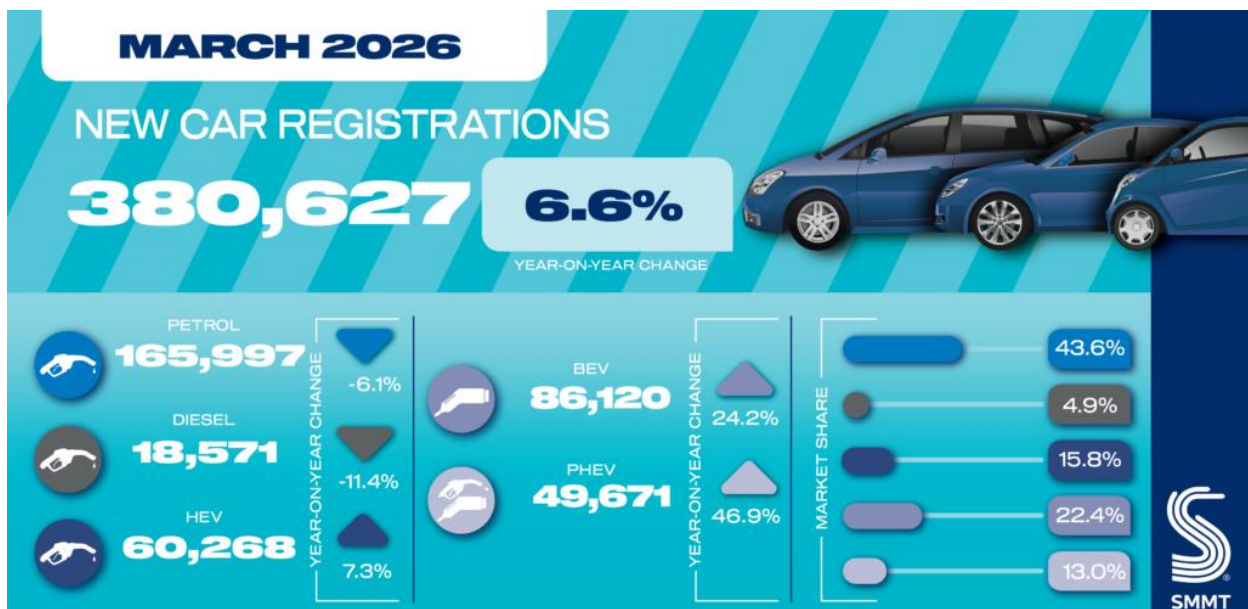
Implication:

- Higher fuel and energy costs are likely to **further constrain consumer demand**, particularly for internal combustion engine vehicles, while also increasing production and logistics costs for manufacturers.
- At the same time, sustained high oil prices may **support the long-term transition toward electrification**, although this effect is being offset by affordability constraints and weak consumer sentiment.

## Latest vehicle sales

**Despite weakening consumer confidence, headline market growth remains resilient, supported by fleet demand, seasonal registration effects and gradual improvement in private sales, while EV adoption continues to rely on policy support.**

- The UK new car market grew 6.6% year-on-year to 380,627 units in March 2026, marking the strongest March performance since 2019 and reflecting the seasonal uplift associated with the plate change.
- Fleet sales remain the dominant channel, while private demand continues to recover in volume terms, supporting overall market performance during this peak registration period.
- Electrified vehicles continue to expand, with BEVs reaching 22.6% in March (22.4% year-to-date), though still below regulatory targets, reinforcing the need for continued policy support and pricing incentives.
- March volumes are structurally higher due to registration timing, with demand concentrated around the plate change, meaning headline growth partially reflects timing effects rather than underlying demand strength.



### Market composition: fleet-led growth and shift in powertrain mix

Market growth remains structurally driven by fleet demand offsetting weaker consumer demand, while electrification is progressing unevenly, with stronger momentum in hybrid technologies than in fully electric vehicles.

- The market remains fleet-led, accounting for 54.9% of total sales, while private demand showed stronger growth (+10.1%), continuing to gain share.

- Electrification continues to expand, with BEVs reaching 22.6% market share, supported by strong growth in plug-in hybrids (+46.9%).
- Hybrid vehicles (HEVs) also increased moderately (+7.3%), while petrol and diesel sales declined (-6.1% and -11.4%, respectively), reflecting an ongoing shift in powertrain mix.

**However, BEV adoption remains below the 33% mandated target, highlighting a persistent gap between electrification growth and regulatory requirements.**

### March car registrations by sale type

Fleet remains the dominant channel, while private demand shows stronger growth.

| MARCH        |                |                |            |               |               |
|--------------|----------------|----------------|------------|---------------|---------------|
|              | 2026           | 2025           | % CHANGE   | MKT SHARE '26 | MKT SHARE '25 |
| Private      | 162,470        | 147,506        | 10.1       | 42.7%         | 41.3%         |
| Fleet        | 208,853        | 201,767        | 3.5        | 54.9%         | 56.5%         |
| Business     | 9,304          | 7,830          | 18.8       | 2.4%          | 2.2%          |
| <b>TOTAL</b> | <b>380,627</b> | <b>357,103</b> | <b>6.6</b> | <b>100.0%</b> | <b>100.0%</b> |

### Year-to-date market dynamics: private demand gains share

Private demand is driving growth, while fleet remains structurally dominant but continues to decline in market share.

| YEAR TO DATE |                |                |            |               |               |
|--------------|----------------|----------------|------------|---------------|---------------|
|              | 2026           | 2025           | % CHANGE   | MKT SHARE '26 | MKT SHARE '25 |
| Private      | 250,094        | 227,586        | 9.9        | 40.7%         | 39.2%         |
| Fleet        | 350,632        | 341,157        | 2.8        | 57.0%         | 58.8%         |
| Business     | 14,128         | 11,759         | 20.1       | 2.3%          | 2.0%          |
| <b>TOTAL</b> | <b>614,854</b> | <b>580,502</b> | <b>5.9</b> | <b>100.0%</b> | <b>100.0%</b> |

## March car registrations by fuel type

Petrol remains dominant, while electrification is expanding, led by strong growth in plug-in hybrids, as diesel continues to decline.

| MARCH        |                |                |            |               |               |
|--------------|----------------|----------------|------------|---------------|---------------|
|              | 2026           | 2025           | % CHANGE   | MKT SHARE '26 | MKT SHARE '25 |
| BEV          | 86,120         | 69,313         | 24.2       | 22.6%         | 19.4%         |
| HEV          | 60,268         | 56,161         | 7.3        | 15.8%         | 15.7%         |
| PHEV         | 49,671         | 33,815         | 46.9       | 13.0%         | 9.5%          |
| PETROL       | 165,997        | 176,847        | -6.1       | 43.6%         | 49.5%         |
| DIESEL       | 18,571         | 20,967         | -11.4      | 4.9%          | 5.9%          |
| <b>TOTAL</b> | <b>380,627</b> | <b>357,103</b> | <b>6.6</b> |               |               |

## Year-to-date car registrations by fuel type

Year-to-date growth in electrified vehicles is being driven by strong expansion in plug-in hybrids, while petrol remains the dominant powertrain and diesel continues to decline.

| YEAR TO DATE |                |                |            |               |               |
|--------------|----------------|----------------|------------|---------------|---------------|
|              | 2026           | 2025           | % CHANGE   | MKT SHARE '26 | MKT SHARE '25 |
| BEV          | 137,614        | 120,191        | 14.5       | 22.4%         | 20.7%         |
| HEV          | 91,372         | 86,005         | 6.2        | 14.9%         | 14.8%         |
| PHEV         | 78,666         | 53,686         | 46.5       | 12.8%         | 9.2%          |
| PETROL       | 276,689        | 286,787        | -3.5       | 45.0%         | 49.4%         |
| DIESEL       | 30,513         | 33,833         | -9.8       | 5.0%          | 5.8%          |
| <b>TOTAL</b> | <b>614,854</b> | <b>580,502</b> | <b>5.9</b> |               |               |

<https://www.smmmt.co.uk/vehicle-data/car-registrations/>

Mike Hawes said,

*“The strongest new car market since 2019, with the highest ever volume of EV registrations, is a boost to the industry and the economy. However, the headlines belie the costs incurred and the challenges involved. Much of March’s performance will be from orders placed before the start of the Iran conflict, which threatens to raise the cost of living, undermining consumer confidence. Against this backdrop, and with the EV market falling further away from mandated levels despite record levels of incentives, an urgent review of the transition is required to secure a sustainable market, economic growth and the UK’s net zero ambitions.”*

## Macro trends

The UK automotive sector is undergoing structural transformation, driven by regulatory pressure, rising cost dynamics, supply constraints and evolving retail structures.

### Key trends

#### **EV transition under pressure as costs rise and demand lags**

The transition to electric vehicles is becoming increasingly challenging as overall cost pressures rise and consumer demand remains weaker than expected.

Although EV market share continues to grow and manufacturers are progressing toward regulatory targets, current EV sales remain below required levels. This progress has required significant discounting, creating financial pressure on some manufacturers. Costs for batteries, energy and public charging remain elevated, while EVs continue to be priced above petrol and diesel alternatives.

Supporting developments:

- ZEV compliance driven by heavy discounting, costing £10bn (2024–2025).
- Growing gap between regulatory targets and real demand.

Sources:

<https://www.smmf.co.uk/zev-mandates-cost-to-industry-cannot-continue-indefinitely/>

<https://cardealermagazine.co.uk/government-begins-review-of-zev-mandate-prompting-hopes-of-revised-ev-sales-quotas/323207>

#### **Regulatory pressure increasingly shapes market dynamics**

Regulation is increasingly shaping market behaviour, influencing pricing strategies, product mix and commercial decisions across the sector.

Industry representatives are calling for an earlier review of the ZEV Mandate, warning that delays could undermine investment, competitiveness and the UK's decarbonisation trajectory, while highlighting the need for closer alignment between policy and market realities.

This is explored in greater detail in the dedicated regulation section below.

Supporting developments:

- Formal review of the ZEV mandate underway amid growing industry pressure.
- Ongoing discussions on potential adjustments to future targets.

Sources:

<https://cardealermagazine.co.uk/government-begins-review-of-zev-mandate-prompting-hopes-of-revised-ev-sales-quotas/323207>

## **Supply constraints and cost inflation compress margins**

Automotive retailers are facing sustained pressure on profitability due to rising operational and vehicle preparation costs.

At the same time, ongoing supply shortages—linked to reduced new car production in previous years and longer ownership cycles—are constraining availability, particularly in high-demand segments such as younger used vehicles and hybrids. This is intensifying competition for stock and increasing acquisition costs.

The expansion of digital sourcing platforms is further amplifying competition, with dealers increasingly bidding at a national level for limited inventory. In parallel, new market entrants, particularly Chinese manufacturers, are adding pricing pressure.

Supply chain resilience is increasingly linked to traceability and compliance requirements, particularly for batteries, electronics and critical materials. As electrification progresses, manufacturers are placing greater emphasis on origin tracking, transparency and supply chain control, further increasing operational complexity and cost pressures across the value chain.

Supporting developments:

- Increased competition via digital sourcing platforms.
- Entry of new competitors (e.g. Chinese OEMs) intensifying pricing pressure. While some suppliers, such as DongFeng, are launching their own brand vehicles in direct competition with customers.

Sources:

<https://cardealermagazine.co.uk/mar-26-rising-bills-for-businesses-tiggo-4-on-sale-plans-to-bring-overseas-firms-to-uk/323121>  
<https://cardealermagazine.co.uk/dealers-face-new-stock-constrained-normal-as-shortages-worsen-in-2026-motorway/323103>

## **Industry restructuring accelerates under financial pressure**

Financial pressure and strategic repositioning are driving structural change across the automotive sector, as businesses adapt to rising costs, margin compression and shifting market conditions.

This is reflected in restructuring and workforce reductions across both retail and manufacturing players. In parallel, new ownership models and investment structures are emerging as companies seek to strengthen resilience and unlock value.

Supporting developments:

- Big Motoring World restructuring after-sales operations amid cost pressures.
- Cargiant initiating redundancy consultations as part of a strategic review.

- Essex Car Group entering liquidation under financial strain.
- Bentley announcing workforce reductions as part of broader operational adjustments, despite continued strong positioning in the premium segment.
- Aston Martin implementing significant workforce reductions (~20%) following increased losses, highlighting financial pressure across parts of the premium segment.
- Adoption of alternative ownership models, including employee ownership structures (e.g. Just Motor Group).

#### Sources:

<https://cardealermagazine.co.uk/more-job-losses-expected-at-big-motoring-world-as-employees-are-left-without-direction-or-support/323147>

<https://cardealermagazine.co.uk/used-car-dealer-cargiant-be-up-for-sale-as-redundancy-process-begins-with-staff/322697>

<https://cardealermagazine.co.uk/independent-dealer-essex-car-group-collapses-into-liquidation/323061>

<https://cardealermagazine.co.uk/accounts-for-billion-pound-turnover-car-dealer-group-hendy-are-overdue/323214>

<https://cardealermagazine.co.uk/just-motor-group-is-sold-to-employee-ownership-trust-as-car-dealer-looks-to-realise-value/322518>

<https://cardealermagazine.co.uk/dubai-firm-dxb-auto-investments-buys-harwoods-ijr-and-bmw-operations-in-uk-expansion/322550>

<https://cardealermagazine.co.uk/bentley-announces-plans-to-cull-hundreds-of-uk-jobs-as-carmaker-sees-profits-slump/322845>

<https://www.bbc.com/news/articles/cp9m8n2vx0mo>

#### External pressures increase structural vulnerability

The UK automotive sector remains highly exposed to external factors, including trade policy and global demand conditions.

Proposed EU industrial policy measures, including “Made in Europe” rules, could potentially disadvantage UK-built vehicles by limiting access to incentives and funding, increasing competitive pressure in a key export market. At the same time, UK vehicle production has declined significantly year-on-year, reflecting weaker demand in key markets such as the US and China, alongside broader global challenges including tariffs and intensifying competition.

This is contributing to a growing disconnect between domestic vehicle demand and UK manufacturing output, as relatively resilient registration volumes are not translating into stronger production levels due to weak export demand and ongoing structural adjustment.

Supporting developments:

- EU industrial policy (e.g. “Made in Europe”) increasing competitive pressure.
- UK vehicle production declining due to weaker export demand.

#### Sources:

<https://www.smmmt.co.uk/no-worse-time-for-damage-to-uk-eu-trade/>

<https://cardealermagazine.co.uk/new-eu-rules-spark-fury-from-smmmt-as-uk-carmakers-accuse-bloc-of-discriminating/322534>

<https://www.smmmt.co.uk/production-pressure-remains-but-foundations-for-growth-in-place/>

<https://www.theguardian.com/business/2026/mar/27/uk-car-production-falls-worrying-decline>

## **Commercial vehicles gain strategic importance in the UK market**

The commercial vehicle segment is becoming increasingly important within the UK automotive landscape, with electrification progressing more rapidly than in passenger cars and supported by targeted regulatory focus.

Supporting developments:

- Strong momentum in electric van adoption and increasing policy attention on HGV decarbonisation.
- Continued relevance of UK manufacturing in van production.
- Vauxhall ends the first quarter of 2026 in a strong position, increasing its total car and van market share to 5.1% year-to-date

Sources:

<https://www.smmmt.co.uk/best-month-ever-for-new-ev-registrations-as-market-grows-in-all-important-plate-change-march/>  
<https://www.gov.uk/government/consultations/new-hgv-co2-emissions-regulatory-framework-for-the-uk>  
<https://www.media.stellantis.com/uk-en/vauxhall/press/corsa-crowned-a-uk-favourite-as-vauxhall-boosts-market-share-ev-growth>

Commercial vehicles represent a more stable and scalable near-term opportunity, particularly for domestic manufacturing and fleet-driven electrification.

## **EV ecosystem faces consolidation amid uneven infrastructure development**

The EV ecosystem is undergoing structural adjustment, particularly in charging infrastructure, where rising costs, uneven utilisation and funding constraints are placing increasing pressure on operators.

As a result, the market is expected to consolidate, with a fragmented base of providers likely to transition toward a smaller number of dominant players.

At the same time, infrastructure expansion continues at a pace; however, access remains uneven—especially for users without private parking—highlighting persistent structural challenges to widespread EV adoption.

Supporting developments:

- Charging operators facing financial pressure and consolidation.
- Infrastructure expanding, but with uneven accessibility.
- Used EV market growing rapidly, though still with low overall penetration.

Sources:

<https://www.theguardian.com/environment/2026/feb/07/uk-electric-vehicle-charging-mergers-acquisitions-b-ev>  
<https://www.techradar.com/vehicle-tech/hybrid-electric-vehicles/ev-charging-just-got-a-massive-boost-for-millions-in-the-uk-as-rule-changes-make-it-easier-to-avoid-driveway-discrimination-at-home>  
<https://www.smmmt.co.uk/evs-power-up-used-car-market-in-three-year-growth-run/>

## **Digitalisation and operational complexity reshape the value chain**

Digital transformation is accelerating across the automotive value chain, particularly in operations and retail systems, while simultaneously introducing new layers of complexity.

Automotive retailers and manufacturers are operating with fragmented and poorly integrated systems, reducing efficiency and increasing operational complexity. At the same time, the adoption of technologies is accelerating, supporting operational efficiency and new capabilities, while legacy infrastructure and integration challenges continue to limit full value realisation.

Growing cybersecurity risks are also emerging as a critical concern, with vulnerabilities across IT and operational systems posing risks to business continuity and supply chains.

Supporting developments:

- Fragmented systems reduce efficiency and dealer margins.
- Increasing digital complexity across operations.
- Growing exposure to cybersecurity risks (e.g., the single breach at JLR).

Sources:

<https://www.infor.com/en-gb/blog/uk-automotive-2026-ev-revolution-disruption>

<https://cardealermagazine.co.uk/automotive-industrys-efficiency-problems-are-costing-dealers-thousands-keyloop/323144>

## **Skills availability emerges as a structural constraint**

The transition to electrification and software-defined vehicles is increasing demand for specialised skills across engineering, software, battery systems and advanced manufacturing.

Supporting developments:

- Increasing industry focus on reskilling and workforce development.
- Growing competition for talent in EV, software and automation domains.
- Bentley Motors opens applications for 2026 apprenticeship intake

<https://www.bentleymedia.com/en/newsitem/1778-bentley-motors-opens-applications-for-2026-apprenticeship-intake>

This indicates that skills availability is becoming a key constraint on execution and investment, potentially slowing the pace of transformation.

## **Financial and regulatory exposure increases across the value chain**

Parts of the automotive sector are facing increasing financial and regulatory risk, particularly linked to legacy financing practices and ongoing regulatory scrutiny.

These pressures are impacting financial performance and driving cost-cutting measures across the value chain.

Supporting developments:

- The Financial Conduct Authority (FCA) has confirmed a motor finance compensation scheme worth approximately £7.5bn, covering loans issued between 2007 and 2024.
- Close Brothers announcing job cuts and cost-saving measures following expected compensation costs (~£300m).
- Increased use of outsourcing and operational restructuring in response to financial pressure.

Sources:

<https://cardealermagazine.co.uk/7-5bn-compensation-scheme-for-motor-finance-scandal-revealed/323237>

<https://cardealermagazine.co.uk/motor-finance-scandal-and-85m-of-cost-savings-forces-close-brothers-to-cut-600-jobs/322865>

### **Industrial opportunity and supply chain expansion**

Despite current market pressures, the UK automotive sector presents significant long-term industrial opportunities, particularly linked to electrification and supply chain localisation.

Industry analysis suggests the sector could unlock a £4.6bn boost to domestic manufacturing by 2030, driven by increased demand for UK-sourced components. Demand for locally produced automotive parts is expected to rise by ~80%, supported by the transition to electric vehicles and increasing supply chain resilience requirements.

Electrification is expected to drive substantial growth in key component categories, including electric motors, power electronics and battery systems, with some segments projected to grow multiple times over the decade.

At the same time, traditional manufacturing segments (e.g. interiors, chassis, braking systems) remain significant, highlighting a dual-track opportunity across both ICE and EV value chains.

This implies that while short-term market conditions remain challenging, with increasing pressure across demand, cost structures and industrial capacity, the sector continues to offer strong long-term investment potential, particularly in supply chain localisation and next-generation technologies.



However, realising this opportunity will depend on policy stability, cost competitiveness and alignment between regulatory ambition and market demand.

<https://www.themanufacturer.com/articles/smmmt-claim-4-6bn-opportunity-puts-uk-auto-in-shop-window-for-investors/>






## Industry impact diagnostic

The sector is under pressure from weak demand, rising costs and regulatory misalignment, with limited offset from structural growth areas.





### Demand dynamics

| TREND                          | IMPACT  | WHAT THIS MEANS   |
|--------------------------------|---|---|
| Underlying demand remains weak |  | Strong headline volumes (e.g. March peak) are driven by seasonality and fleet demand, masking weak underlying consumer demand |
| Fleet-driven market            |  | Fleet demand is sustaining volumes, masking structurally weak underlying consumer demand                                      |

### Supply and industry structure

| TREND                         | IMPACT  | WHAT THIS MEANS   |
|-------------------------------|---|---|
| Supply constraints            |    | Limited vehicle availability and higher input costs are compressing margins across the value chain                    |
| Industry restructuring        |   | Cost pressure is accelerating restructuring and operating model changes across OEMs and retailers                     |
| External pressures            |  | External factors (trade, energy prices, global demand) are increasing cost volatility and weakening demand conditions |
| Financial exposure            |  | Regulatory and financial risks are increasing costs and forcing operational adjustments                               |
| Digitalisation and complexity |  | Technology offers efficiency gains, but fragmentation and system complexity limit value realisation                   |

### Policy and transition dynamics

| TREND                        | IMPACT  | WHAT THIS MEANS  |
|------------------------------|---|--|
| EV transition under pressure |  | EV adoption is below targets and increasingly reliant on discounting, impacting profitability          |
| Regulatory pressure          |  | Regulation is directly shaping pricing, product mix and investment decisions                           |
| EV ecosystem constraints     |  | Infrastructure and ecosystem limitations are slowing scalable EV adoption                              |
| Industrial opportunity       |  | Long-term growth potential exists, but depends on alignment between policy, cost structures and demand |

## Automotive regulation: Key developments

Building on the trends outlined above, regulation is now a central force shaping market dynamics, directly influencing product strategy, pricing and profitability across the sector.

The regulatory landscape in 2026 is characterised by tightening electrification targets, evolving fiscal frameworks and the early development of autonomous vehicle regulation.

### Key 2026 changes

This section covers regulatory measures that are being implemented or come into force in 2026, directly affecting market conditions, compliance requirements and industry operations.

#### Tightening of the ZEV Mandate

The Zero Emission Vehicle (ZEV) mandate has tightened materially in 2026, requiring 33% of new car sales and around 24% of van sales to be zero-emission. The framework, supported by credit trading and financial penalties, reinforces compliance as targets remain on track to reach 80% by 2030 and 100% by 2035. This significantly increases compliance pressure for manufacturers.

This is a key driver of the pricing pressure and discounting dynamics observed across the market.

<https://www.am-online.com/news/uk-reported-to-be-reviewing-ev-sales-quotas-as-zev-pressure-mounts>

#### Introduction of Euro 7 emissions standards

Euro 7 emissions standards will come into force from November 2026, introducing new regulatory requirements across all vehicle types, including petrol, diesel, hybrid and electric vehicles.

The framework expands the scope of regulation beyond exhaust emissions to include non-exhaust sources such as brake and tyre particles, while also introducing durability requirements, including minimum performance thresholds for EV batteries over time.

In addition, vehicles will be required to comply with emissions limits over a longer lifespan, with standards extended to up to 10 years or 200,000 kilometres.

<https://www.rac.co.uk/drive/advice/emissions/what-is-euro-7-and-when-does-it-start/>

#### Adjustment of EV company car taxation

From April 2026, the Benefit-in-Kind (BiK) rate for electric company cars has increased from 3% to 4%, raising the tax burden on EV users while remaining significantly below that of internal combustion vehicles.

This forms part of a gradual increase in EV taxation as the market matures, with further rises already planned in subsequent years.

<https://www.carwow.co.uk/news/10510/electric-company-car-tax-rate-increase-2026#gref>

### **Adjustment of fuel duty framework**

Fuel duty policy is evolving this year, with the long-standing freeze expected to end in September 2026 and rates increasingly linked to inflation.

This introduces upward pressure on running costs for internal combustion engine vehicles, reinforcing the relative cost advantage of electric vehicles.

<https://hatfields.co.uk/news/major-motoring-changes-coming-to-the-uk-from-2026-onwards-december-25/>

### **Adjustment of EV luxury tax threshold**

The threshold for the Expensive Car Supplement has been increased for electric vehicles, raising the limit from £40,000 to £50,000.

This reduces the tax burden on higher-value EVs and supports adoption in the premium segment.

<https://www.hoganlovells.com/en/publications/automated-vehicles-in-the-uk-whats-coming-down-the-road-in-2026>

### **Adjustment of EV charging support scheme**

From April 2026, the UK government has increased EV charge point grants from £350 to £500 per socket, expanding financial support for home and workplace charging installations. At the same time, several schemes have been extended until March 2027, while others are being phased out, signalling a transition in the structure of public support.

The changes indicate a more targeted approach to incentives, with continued support for key user segments such as renters and households without private parking, alongside a gradual reduction in broader subsidy schemes.

<https://skywell-uk.com/news/ev-chargepoint-grant/#:~:text=From%201%20April%202026%2C%20most,to%20%2%A3500%20per%20socket>

### **Continuation of EV purchase incentives (Electric Car Grant)**

The government continues to support EV adoption through the Electric Car Grant (up to £3,750 per vehicle), reinforcing demand-side policy alongside regulatory targets.

An additional £1.3bn of funding has been allocated, extending the scheme to 2029–30 and increasing total funding to £2bn.

However, ongoing adjustments to incentive schemes and broader policy discussions highlight continued uncertainty around the effectiveness and design of demand-side support. This reinforces the gap between regulatory ambition and underlying consumer demand.

<https://www.carwow.co.uk/news/9217/electric-car-grant>

<https://www.gov.uk/guidance/changes-to-electric-vehicle-chargepoint-grant-schemes-from-1-april-2026>

### **Adjustment of urban EV incentives**

Changes to London's congestion charging scheme include the removal of the full Cleaner Vehicle Discount and the introduction of a reduced, tiered discount for electric vehicles, alongside an increase in the daily charge to £18.

This reflects a shift from full exemption towards partial incentives, as urban policy increasingly focuses on traffic management alongside electrification.

<https://tfl.gov.uk/modes/driving/congestion-charge/congestion-charge-changes#:~:text=New%20discount%20details.&text=This%20means%20the%20daily%20charge,discounted%20charge%20will%20not%20apply>

**Beyond implemented changes, the regulatory landscape is also being reshaped by many recent policy decisions and ongoing regulatory developments.**

### **New regulatory decisions**

In addition to implemented changes, many recent policy decisions and ongoing regulatory developments are shaping the future direction of the market.

### **Emerging regulatory review cycle**

A formal review of the ZEV mandate is scheduled for 2027. However, industry pressure to bring the review forward is increasing, with early engagement between government and manufacturers already underway.

The upcoming review introduces policy uncertainty in the near term, as the regulatory framework may be subject to adjustment ahead of the planned timeline.

<https://cardealermagazine.co.uk/government-begins-review-of-zev-mandate-prompting-hopes-of-revised-ev-sales-quotas/323207>

### **Shift in EV taxation framework**

The UK government has introduced a new pay-per-mile road pricing system for electric vehicles, set to be implemented from April 2028. EV owners will be charged approximately 3p per mile, with lower rates for plug-in hybrids, marking a shift away from preferential tax treatment for zero-emission vehicles.

This policy aims to offset declining fuel duty revenues as EV adoption increases, signalling a transition towards a more sustainable taxation model for road use. At the same time, financial

support mechanisms remain in place, including purchase incentives such as the electric car grant.

<https://theconversation.com/what-will-2026-look-like-for-the-uks-electric-vehicle-market-271441#:~:text=In%20the%20UK%2C%20as%20in,cleaner%20transport%20affordable%20for%20consumers.>

## **New HGV CO2 emissions regulatory framework for the UK**

The Department for Transport / OZEV launched a consultation on a new HGV CO<sub>2</sub> emissions regulatory framework (January 2026), extending decarbonisation policy beyond passenger vehicles into heavy-duty segments.

This extends the decarbonisation agenda further into heavier vehicle segments and broadens the strategic horizon for UK manufacturers beyond passenger cars and vans.

<https://www.gov.uk/government/consultations/new-hgv-co2-emissions-regulatory-framework-for-the-uk>

**While electrification remains the primary focus, regulatory developments are also accelerating in the autonomous vehicle space.**

## **Acceleration of autonomous vehicle regulatory framework**

The UK government is accelerating the implementation of its autonomous vehicle (AV) regulatory framework, with pilot deployments of automated passenger services expected from 2026.

This includes the introduction of a permit system enabling operators to run commercial self-driving passenger services, including vehicles without a safety driver.

<https://www.hoganlovells.com/en/publications/automated-vehicles-in-the-uk-whats-coming-down-the-road-in-2026#:~:text=In%20brief%20what%20can%20we,to%20be%20published%20in%20draft.>

## **Development of secondary legislation for AV ecosystem**

The government is developing secondary legislation covering key elements of the AV ecosystem, including licensing regimes for “no-user-in-charge operators” and regulatory requirements for authorised self-driving entities.

These measures will define roles, responsibilities and compliance requirements across the AV value chain.

<https://www.hoganlovells.com/en/publications/automated-vehicles-in-the-uk-whats-coming-down-the-road-in-2026#:~:text=In%20brief%20what%20can%20we,to%20be%20published%20in%20draft.>

## Ongoing consultations shaping future AV regulation

A series of consultations and calls for evidence is underway in 2026, covering areas such as safety principles, vehicle authorisation, data requirements and insurance frameworks.

These consultations will inform secondary legislation and future regulatory updates ahead of full implementation planned for 2027.

<https://www.hoganlovells.com/en/publications/automated-vehicles-in-the-uk-whats-coming-down-the-road-in-2026#:~:text=In%20brief:%20what%20can%20we,to%20be%20published%20in%20draft>

## Regulatory outlook

The UK automotive regulatory landscape in 2026 reflects a transition from policy design to active implementation, with regulation now exerting direct and measurable impact on market dynamics and industry performance.

At the same time, emerging policy decisions and ongoing reviews indicate that the regulatory framework remains in flux, introducing a degree of short-term uncertainty alongside long-term strategic direction.

The regulatory focus is increasingly shifting from headline net-zero targets to implementation economics. The key challenge for the sector is no longer compliance alone, but whether policy design, incentives, infrastructure and cost conditions make compliance commercially viable.

### Key regulatory shifts

EV incentives are becoming more targeted and less generous, reflecting a shift away from broad subsidy-driven adoption.

Manufacturers are increasingly relying on pricing strategies to meet regulatory targets, highlighting the growing misalignment between regulatory requirements and underlying demand.

Policy focus is shifting from adoption to demand management, with fiscal, urban and infrastructure measures evolving as governments adapt to declining fuel duty revenues and the long-term impact of EV adoption.

## Manufacturer developments

The UK automotive manufacturing landscape is undergoing significant adjustment, as OEMs respond to regulatory pressure, shifting demand dynamics and rising cost constraints.

### Key developments

#### OEMs reassess EV strategies amid profitability challenges

Automotive manufacturers are increasingly reassessing their EV strategies, as high costs and weaker-than-expected demand challenge the commercial viability of current electrification strategies.

- Ford delays electric pickup, van to 2028 as it chases smaller, affordable options  
Ford has adjusted its global EV strategy, delaying certain launches to prioritise more commercially viable and affordable models.  
<https://www.reuters.com/business/autos-transportation/ford-delays-electric-pickup-van-2028-it-chases-smaller-affordable-options-2025-08-07/>
- Ford UK has warned that current ZEV mandate targets are not viable in their current form, highlighting a growing mismatch between regulation and real market demand.  
[https://fordauthority.com/2026/03/ford-uk-boss-says-zero-emissions-mandate-not-currently-feasible/#google\\_vignette](https://fordauthority.com/2026/03/ford-uk-boss-says-zero-emissions-mandate-not-currently-feasible/#google_vignette)
- New all-electric Jaguar must wait until 2026  
The brand's transition has been affected by weaker, more inconsistent EV demand, contributing to delays in launching new electric models.  
<https://www.thetimes.com/business/companies-markets/article/all-electric-jaguar-must-wait-until-2026-5s2qtscwt>
- Kia UK leadership has criticised EV targets as overly aggressive, highlighting the need for incentives as manufacturers rely on discounting to meet targets.  
<https://www.thetimes.com/business/energy/article/electric-car-targets-are-a-sword-hanging-over-us-says-kia-boss-ql2r3m8vq>

#### Financial performance under pressure across OEMs

Several manufacturers are facing financial pressure due to electrification costs, market volatility, and external shocks, which are impacting profitability and operational performance. This reflects the broader challenge of balancing investment in future technologies with near-term financial sustainability.

- Ford reporting losses linked to EV program writedowns despite strong revenues.  
<https://www.reuters.com/business/autos-transportation/fords-quarterly-earnings-miss-forecasts-ceo-sees-stronger-year-2026-2026-02-10/>
- Stellantis reporting significant losses (€22bn), partly linked to overestimating EV demand, highlighting the risks of misaligned electrification strategies.  
<https://www.gbnews.com/lifestyle/cars/vauxhall-stellantis-losses-electric-cars>

- **Jaguar Land Rover experiencing a sharp sales decline due to tariffs and operational disruption.**

Sales at Jaguar Land Rover slumped in the final quarter of last year as US tariffs hit and production was slow to recover after a devastating cyber-attack.

Wholesale volumes – sales via dealerships – fell by 43.3% to 59,200 vehicles in the quarter to December.

<https://www.theguardian.com/business/2026/jan/06/jaguar-land-rover-sales-us-tariffs-cyber-attack-shares-tata-motors>

## Manufacturing footprint and investment decisions under scrutiny

Manufacturers are reassessing production footprints and long-term investment decisions, reflecting increased sensitivity to policy, trade dynamics and cost structures.

The UK's position within broader European industrial policy is emerging as a key factor influencing future manufacturing decisions.

- **Nissan says Sunderland plant could close' if UK excluded from Made in Europe rules**

The Japanese carmaker Nissan has reportedly said it could be forced to close its plant in Sunderland if the UK is not fully included in new "Made in Europe" manufacturing rules proposed by the EU.

<https://www.theguardian.com/business/2026/mar/05/nissan-sunderland-plant-could-close-if-uk-excluded-from-made-in-europe-rules-eu>

- **Nissan investing in UK manufacturing through its EV36Zero project, integrating vehicle production, battery manufacturing and renewable energy.**

Nissan didn't just enter the electric car market; they created it when they launched the world's first affordable EV in 2011. Today, with over 270,000 Leafs built in Sunderland and a £3 billion transformation underway, Nissan remains a smart choice for UK salary sacrifice schemes, offering reliability and tax benefits.

<https://www.electriccarscheme.com/blog/nissan-electric-cars-uk-leaf-ariya-complete-guide-2026>

## Innovation and technology investment continue despite pressure

Despite financial and operational pressures, manufacturers continue to invest in innovation and new technologies, particularly in electrification and energy integration.

These investments are aimed at strengthening long-term competitiveness, even as short-term pressures persist.

- **Nissan to launch affordable Vehicle to Grid technology from 2026**  
Nissan plans to introduce vehicle-to-grid (V2G) technology in the UK from 2026, allowing EVs to supply energy back to homes and the grid.

- <https://uk.nissannews.com/en-GB/releases/nissan-to-launch-affordable-vehicle-to-grid-technology-from-2026>
- Kia's strategy includes scaling its dedicated EV platform (E-GMP) and targeting a full electrified lineup across key markets in the coming years.  
<https://www.electriccarscheme.com/blog/kia-electric-cars-uk-ev6-ev9-complete-guide-2026>
- Jaguar Land Rover investing in workforce development to address skills gaps linked to electrification and the transition to new technologies.  
<https://media.jaguarlandrover.com/news/2026/01/jlr-helps-bridge-green-skills-gap-future-ready-workforce>
- Toyota implementing circular manufacturing initiatives, including recycling alloy wheels into new engine components to improve resource efficiency.  
<https://newsroom.toyota.eu/toyota-circular-factory-recycling-alloy-wheels-into-new-engine-blocks/>
- ZF and SiliconAuto unveil tech for ADAS and autonomous driving.  
<https://www.just-auto.com/news/zf-siliconauto-tech-adas/>

## Operational and technology risks increase alongside transformation

As manufacturers accelerate the transition to electrification, operational and technological risks are becoming more visible across the value chain.

This includes product quality challenges, increasing system complexity and growing exposure to manufacturing and supplier-related issues, highlighting the difficulty of managing large-scale transformation.

- Ford recalling over 400,000 vehicles due to a windshield wiper defect linked to a supplier issue, affecting visibility and safety.  
<https://abcnews.com/Business/wireStory/ford-recalls-400000-trucks-suvs-windshield-wipers-fail-131799887>
- Honda recalling over 46,000 vehicles in the UK due to a wheel component fault posing safety risks.  
<https://cardealermagazine.co.uk/honda-recalls-46000-uk-civics-over-fault-that-could-cause-wheels-to-fall-off/322325>
- Multiple OEMs (including Volkswagen Group and Volvo) recalling EVs due to battery-related defects, including fire risk and performance issues.  
<https://www.autoexpress.co.uk/news/369250/volkswagen-and-cupra-recall-almost-100000-evs-due-battery-fire-risk>  
<https://www.irishtimes.com/motors/2026/03/24/vw-recalling-100000-evs-over-battery-issues/>  
<https://www.thisismoney.co.uk/money/electriccars/article-15591231/Volvo-recalls-10500-UK-electric-car-battery-fire-concerns.html>
- Jaguar Land Rover experiencing operational disruption and sales impact following a cyber incident.  
<https://media.jaguarlandrover.com/news/2026/01/jlr-q3-sales-impacted-cyber-incident-previously-indicated>

## What mattered across all manufacturers

The most important cross-sector commentary in Q1 came from SMMT, which argued in March that the UK's EV transition pathway needs recalibration because the assumptions underpinning it no longer match economic reality. SMMT said battery costs are materially above earlier expectations, energy remains expensive, and consumer demand is lagging. Its February market data reinforced that message, with EV uptake still below the pace implied by the 2026 target.

From a strategy perspective, that means the UK sector is now operating with a tension between:

- **long-cycle capital already committed** to electrification, and
- **short-cycle market economics** that are not yet fully supportive.

This tension is driving a divergence across manufacturers, with some continuing to invest and expand, while others implement cost-cutting and restructuring measures.

## Bottom-line ranking of the quarter's most consequential developments

1. SMMT warning on EV economics and mandate realism — the clearest sector-wide signal highlighting the growing gap between regulatory ambition and market reality.
2. OEMs reassess EV strategies amid weak demand (e.g. Ford, Jaguar) — evidence that electrification plans are being adjusted as profitability challenges persist.
3. JLR stabilisation alongside operational disruption — remains central to UK sector stability, while also highlighting ongoing operational vulnerabilities.
4. Financial pressure intensifies across OEMs (e.g. Ford, Stellantis) — significant losses linked to EV investment and misaligned demand underscore structural profitability challenges.
5. Rising operational and product-related risks (recalls and cyber incidents) — increasing system complexity is translating into tangible quality and operational disruptions.
6. Selective investment in future capabilities (e.g. Nissan, Toyota, Bentley) — investment continues, but is increasingly targeted and uneven across manufacturers.

**The UK automotive sector is entering a phase of structural pressure, as regulatory ambition accelerates faster than market and economic realities.**

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