

**Minutes of Zero Emission Truck Taskforce  
Meeting 4: Financing Zero Emission HGVs  
13 October 2022, 09:30-11:30  
Microsoft Teams**

<b>Organisation</b>	<b>Name</b>
BVRLA	Catherine Bowen
HV Systems	Daniel Musenga-Grant
Road Haulage Association	Chris Ashley
Scottish Wholesale Association	Colin Smith
NEoT Capital	Aurelian Achard
Volvo	Neil Park
STUC – UNITE	Willie Thomson
Transport Scotland	Sara Grainger (Co-Chair)
ScottishPower	Mark Griffin (Co-Chair, rotating)
WH Malcolm	Gavin Summers

## **1. Welcome and minutes of last meeting**

The minutes of 25 August 2022 were approved as an accurate record and outstanding actions reviewed.

Action 3.1 – No data on fuel stops held centrally. RHA will approach relevant trade bodies for public fuel stops on trunk roads to explore their plans for moving to zero emissions fuels.

Action 3.3 - Chris Ashley, RHA, provided a summary of his paper setting out issues raised by members in respect of the transition to zero emissions HGVs. This will be circulated for additions by others.

The RHA's *Environment Policy Paper - third update* has been shared with Transport Scotland and will be copied to members.

## **2. Financing Zero Emission HGVs**

Ben Foulser, KPMG Consultants, provided an overview of the content of Paper 1 (*HGV Financing Models*) and Paper 2 (*Total Costs of Ownership*).

A general discussion then took place under the following broad areas.

What business models are you already familiar with or using, and which ones are new to you?

- One trade body has members with a range of business sizes. In smaller/family run businesses they have always tended to buy second-hand medium sized rigids. Common models are purchase outright, hire models and lease.
- Another trade body stressed the importance of residual value to their members, with owner operators either selling on to or purchasing from the second-hand market.

- Several trade bodies commented that many of the business models listed in the papers were new to them.
- One OEM currently primarily sells trucks under contract hire and is actively exploring new financing options.
- Another OEM is looking at price per mile for the future.

Having considered the papers, do you feel that the Taskforce should take action to enable and support long term financing? If yes, in what ways?

- One member involved in deployment of ZE buses in Aberdeen saw a drop in price of over 50% between first set of purchases and second. Investors and OEMs are looking at second use of batteries, from smaller use to home storage. We need to explore how this benefits all HGV operators, not just those with larger fleet size for negotiating.
- Perception of risk is important as well as cost parity – trials are important here. Uncertainties around how vehicles perform and age.
- OEMs prefer a TCO model that offers a direct comparison to ICE, ie that excludes infrastructure costs.
- One OEM anticipates that long distance (190k+ miles per year) vehicles will come to the market first as the TCO makes more sense as they are using more 'fuel'.
- Financiers are developing these models but there is a lack of connection with operators. Greater connectivity is required to raise awareness and confidence.
- Financing models can and do adapt to the use case, eg First Bus in Glasgow. These models are quite well developed for bus.
- It is key to define what the risk allocation will be, who will take which aspects of the risk. Eg the OEM could guarantee some of the maintenance costs to provide confidence.
- There could be commitments around usage, e.g. the operator will run 150 miles per day for 8 years and the financier will commit to that, using their own analysis to see how the asset will age and working with the supplier for a replacement after x years if needed.
- Infrastructure could be considered within the package, but could also be seen as separate.
- OEMs are examining aftersales and warranties – one member currently aiming for 7 years and designing the vehicle so if something wears out, it can be replaced as a module.
- Additional measures such as carbon taxes, congestion charging would improve TCO towards equity, but also give cause for concern to operators.
- Needs to be as easy as possible for operators, there are lots of options.
- One of the challenges is depot upgrading and the costs and risks associated with that – we could explore financing and bringing together people that want to upgrade.
- It will be important to bring people together with common goals. We need to compare apples with apples for the TCO, understanding residual value and aligning suitable guarantees/warrantees.

- It could be worth exploring the potential to capitalise a volume of fuel from a price stability perspective.

#### What is required for appropriate business models to become accessible to SMEs/ small fleets?

- Purchase cost is so much higher than ICE, so leasing organisations are looking at increasing lease life to accommodate costs.
- Hire or leasing models may become most viable given the high costs but means the asset is no longer on balance sheet. There may be business implications.
- Aggregation for vehicle demand offers a good starting point, particularly for SMEs. Allows for some flexibility within the pool of operators.
- Some form of partial guarantee from government would be useful to unlock this kind of model.
- Some operational changes to duty cycles and refuelling may be required, with thought given to cross-modal energy infrastructure.
- Shared infrastructure needs to be directly on routes and offer appropriate rest facilities for drivers. Important to avoid “dead miles”, ie driving off route.
- Financiers are already considering SMEs and understand they are important within logistics.
- SMEs may be conservative around financing so there will need to be education to inform operators of new models – there is a role for the freight bodies here. We need to do things in tandem – prove the operational viability whilst exploring the financing.
- Possibility of different finance agreements for different components, eg chassis and battery.

#### How can this group support better conversations between operators, OEMs and finance to understand and develop these new business models?

- Confidence and collaboration are key - operators, financiers, manufacturers and government need to figure this out collectively.
- Uncertainty in respect of technology, possible merit in powertrain road map.

#### Action

- **RHA** will undertake conversations with members on finance models to ascertain appetite and awareness, and provide an update.

### **3. ZETT Membership**

Members were asked for views on whether the Taskforce had the right membership to develop a pathway and if there were other people or sectors missing from the group.

Members suggested consideration be given to including:

- Hydrogen producer/ supplier or refuelling agency
- ZEMO Partnership – specialise in mechanics of how vehicles are powered.

- Green Finance Institute (Lauren Pamma) – feedback/lessons to be learned from existing trials
- Innovation Ecosystem Group
- Representative to address skills gap, eg Energy Skills Partnership, Hydrogen Skills Partnership
- Information from DfT on the road freight demonstrators

### **Actions**

- A number of trials are underway with others in the pipeline. TS will consider organising an event/workshop bringing together a broad range of interested parties and hear more from OEMs and finance providers.
- The remainder of the calendar year will be used to pull together information , extract data and create a draft pathway for further development considering where we are and what is missing.
- Members agreed to establish working groups to explore specific issues/ options, with ZETT maintaining overview on progress.

### **6. AOB**

For awareness, the next update to Climate Change Plan will be laid in the Scottish Parliament by November 2023 and will cover the period 2024 to 2040. ZETT discussions will inform the policy within the Climate Change Plan.

### **7. Date of Next Meeting**

The next meeting is scheduled for 9 February 2023. Invitation extended to members to volunteer to co-chair.

### **Action log**

<b>Reference</b>	<b>Action</b>	<b>Owner</b>	<b>Due date</b>
2.1	Define clearly what we need to know (both the data outputs required and the range of contexts which will inspire confidence)	See 3.9	Autumn 2022
2.2	Establish whether that information can be gained from trials that are already complete/ underway/ planned, drawing on existing relationships and reaching out to Innovate UK and others	All members	To be discussed at a later meeting
2.3	Bring forward proposals for trials that will fill any gaps in the information needed. The Taskforce will consider how	All members	To be discussed at a later meeting

	gaps in information needed can best be addressed and by whom		
3.1	RHA will approach relevant trade bodies for public fuel stops on trunk roads to explore their plans for moving to zero emissions fuels.	RHA	October 2022
3.2	Consider if it is possible to identify and contact HGV public fuel points on trunk roads to explore their zero emission infrastructure plans	Secretariat	October 2022
3.3	<p>Identify all known issues in the transition to zero emissions HGVs, whether real (planning, skills, legislative) or perceived, no matter how small</p> <ul style="list-style-type: none"> <li>• RHA will develop a starter list based on the “prosaic issues” RHA members and others have raised to date</li> <li>• Secretariat will circulate using a cloud-based tool so all members can add to the live list</li> <li>• Secretariat will make sense of them, identify any work in hand to address them already and reflect back to a future meeting</li> <li>• These can then form the basis for further action, process maps or additional guidance</li> </ul>	<p>RHA</p> <p>All members</p> <p>Secretariat</p>	<p>Complete</p> <p>To be discussed at a later meeting</p>
3.4	Consider a survey of operators to explore where they will require infrastructure and engage them in development		To be discussed at a later meeting
3.5	Pull together and share learning from the transition of bus + public sector depots (to include installation of infrastructure, upskilling staff)	Secretariat	October 2022

3.7	Make contact with Scottish Government planning team to explore confidence and consistency in applications for zero emission depot sites	Secretariat	September 2022
3.8	Research successful planning applications and share knowledge	Secretariat	Autumn 2022
3.9	<p>To identify what information is required from trials, a template will be developed and circulated to members. This will seek to identify the information various sectors (Operator, Financier, Policy, Energy network, OEM) require from trials; what proof are they looking for that a transition is worth doing.</p> <p>All members will complete the template from the perspective(s) they are most familiar with, seeking views from members/ stakeholders/ customers where applicable.</p>	<p>Secretariat</p> <p>All members</p>	Autumn 2022