

Brokers support infrastructure improvements to accommodate alternative fuel vehicles

- 72% of motor finance brokers say uncertainty over diesel policy is impacting the market
- Brokers divided on what action should be taken with lukewarm support for a scrappage scheme
- Uncertainty expected to drive increase in consumer demand for hybrid and electric vehicles
- Overwhelming support for infrastructure improvements to accommodate alternative fuel models

According to Paragon's latest Headlight Survey, 72% of the UK's largest motor finance brokers say that uncertainty over diesel policy is having an impact on the market.

Diesel has been identified by the Government as one of the most significant contributors to poor air quality in the UK's cities. The Government plans to ban sales of new petrol and diesel vehicles in the UK by 2040 and has tasked local authorities with developing plans to reduce emissions in the most highly polluted areas by the end of 2018.

However, brokers are divided on what action should be taken to ease any market disruption felt as a result. In particular, they offer only lukewarm support for a scrappage scheme - with 32% saying it may help compared with 44% who feel it definitely or probably would not – and shun zonal charging. More positively, more than half (56%) said that electric car infrastructure should be improved, with 48% stating there should be greater support for alternatively fuelled vehicles.

Unsurprisingly, on the back of plans to phase out diesel, brokers expect the market for alternatively fuelled vehicles to grow over the next 12 months, as diesel's share of the market decreases.

46% of respondents expect diesel sales to decrease moderately over the course of the year, while a further 21% expect a significant reduction. Brokers expect petrol vehicles to absorb some of this market capacity, with 25% of respondents expecting an increase in sales of petrol vehicles and 50% expecting the petrol market to remain steady.

The big winners from diesel's decline however, are expected to be hybrid and electric vehicles. 67% of brokers expect a 'few more' electric sales over the coming 12 months, while 13% expect a significant increase. 38% expect moderate growth in the hybrid market and a further 38% expect significant growth.

Julian Rance, Director of motor finance at Paragon, said: "In order to achieve a smooth transition towards alternatively fuelled vehicles, policy makers, manufacturers, infrastructure providers and lenders should work together to develop a more detailed timeline.

"Today's Euro 6 diesel engines are in fact cleaner than many petrol vehicles so the blanket ban on fossil fuel vehicles by 2040 should be supported by interim targets to gradually phase out the most polluting models.

"Greater insight into new and developing engine technologies, together with clear plans to build out the supporting infrastructure for alternatively fuelled vehicles are also required."

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Paragon provides motor finance through approved intermediaries and car dealers for cars, LCVs, motorhomes and caravans.

Paragon's Headlight Survey is a six monthly survey of the UK's top 30 vehicle finance brokers operating across the UK. It includes a wide range of brokers, including those who arrange business for car dealers and specialist vehicle retailers as well as brokers who arrange finance with customers directly.

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