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Navigating the ZEV Transition: The Impact on OEM Pricing and Leasing Strategies



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01 Introduction

The UK Zero Emission Vehicle (ZEV) Mandate: Rules, Requirements, and Strategic Implications for OEMs.

The global automotive industry is undergoing unprecedented technological disruption and regulatory pressure. Manufacturers face increasingly stringent Zero Emission Vehicle (ZEV) regulations that are accelerating a fundamental transformation of the market and reshaping traditional business models. Regulatory frameworks are no longer peripheral constraints, they have become central drivers of strategic decision-making.

The UK ZEV Mandate, which came into force on 3 January 2024, is one of the most ambitious regulatory instruments in Europe. It obliges manufacturers to progressively increase the share of zero-emission vehicles within their annual sales, with clear incremental targets leading to a complete transition by 2035.

What Is the ZEV Mandate?

The UK ZEV Mandate is a regulatory policy requiring car and van manufacturers to ensure that a minimum and growing percentage of their annual sales consists of zero emission vehicles. A ZEV is defined as Battery Electric Vehicles (BEVs) or Hydrogen Fuel Cell Electric Vehicles (FCEVs).

Hybrid vehicles (HEV, MHEV, PHEV) do not count toward ZEV targets, although they fall under separate CO2 based compliance schemes.

To qualify as a ZEV in the UK, a vehicle must also meet technical criteria, such as zero exhaust emissions, a minimum range of 100 miles, and mandatory 8 year or 100,000 mile battery warranty.

To ensure the 2035 target is reached the UK has introduced an aggressive ramp-up of ZEV quotas. These targets apply to each manufacturer and are calculated as a proportion of their annual new vehicle registrations.
The ZEV Mandate incorporates a complex but flexible compliance system inspired by the Californian model. It includes credits, borrowing, certificate trading, and financial penalties.

1. ZEV Certificates: Every ZEV sold generates certificates. Manufacturers must hold a sufficient number of certificates relative to their total annual sales to meet the target.

2. Credit Trading and Flexibilities: OEMs can buy credits from manufacturers exceeding their targets, sell surplus credits for revenue or future leverage, bank credits for use in future years or borrow credits (recently extended to 2030 to support industry transitions). These tools allow strategic smoothing of fluctuations in BEV demand or product launch timing.

3. Penalties for Non-Compliance: manufacturers failing to meet annual ZEV percentages face heavy sanctions up to £12,000 per non-compliant car, up to £15,000 per non-compliant van.

Year	Passenger Cars	Light Commercial Vehicles
2024	**22%**	**10%**
2025	**28%**	**16%**
2026	**33%**	**24%**
2027	**38%**	**34%**
2028	**52%**	**46%**
2029	**66%**	**58%**
2030	**80%**	**70%**
2035	**100%**	**100%**

The ZEV Mandate is reshaping the competitive landscape in ways that require manufacturers to rethink multiple dimensions of their strategy. OEMs are accelerating the transformation of their product portfolios by investing more heavily in BEV technologies, while at the same time managing the planned decline of internal combustion engine models. This shift is accompanied by a necessary recalibration of commercial and pricing strategies: manufacturers must position their electric vehicles more competitively to stimulate demand and secure sufficient BEV volumes to meet annual ZEV targets, thereby avoiding the significant financial penalties associated with non-compliance.

Alongside these commercial considerations, credit management has emerged as a central operational lever. The ability to trade, bank, or borrow credits allows OEMs to smooth demand fluctuations, bridge delays associated with new model launches, and mitigate compliance risks within an increasingly rigid regulatory environment. This regulatory shift is also influencing long-term industrial planning. The mandate is accelerating commitments to battery production, dedicated EV platforms, and broader R&D investments necessary to support next-generation electric technologies. These industrial adjustments are complemented by a strategic re-examination of market positioning, as manufacturers must ensure that their BEV volumes are aligned with brand identity, profitability expectations, and the specific dynamics of the UK market. A governmental review of ZEV mandate is due in 2027, however there is mounting pressure from manufacturers and industry bodies to bring this forward due to the current BEV sales vs the impending 2026 target of 33%.

Within this rapidly evolving context, the purpose of the study is to analyse how the main automotive groups have performed under the ZEV Mandate framework and to assess whether, and under which circumstances, compliance pressures have influenced the level of discounting applied by OEMs in the UK market.

The CO2 target

In the UK, all car and van manufacturers are subject not only to the ZEV sales mandate, but also to mandatory CO2 targets that apply to their remaining non-ZEV registrations. Under this framework, each manufacturer receives an annual, manufacturer-specific, emissions target expressed in grams of CO2 per kilometer (gCO2/km), and compliance is assessed on a calendar-year basis against the manufacturer's in-scope registrations.

While the ZEV element constrains the maximum share of non-ZEV vehicles a manufacturer can register, the CO2 element is designed to prevent the emissions performance of the non-ZEV fleet from deteriorating relative to a defined baseline period, meaning manufacturers must still manage the emissions intensity of ICE and hybrid sales that remain in the mix.

If a manufacturer exceeds its CO2 target, it becomes liable for additional financial penalties, calculated as €95 per gram of CO2 exceeded multiplied by the total number of registrations. These penalties are separate from any fines triggered by missing the ZEV sales requirement.

Crucially, however, the UK system links the two compliance pillars through a trading-scheme logic: overperformance in one pillar can be used to compensate underperformance in the other, so an OEM that falls short of the required ZEV mix may be able to reduce (or in some circumstances avoid) the resulting ZEV-related compliance payment by demonstrating better-than-required CO2 performance on its non-ZEV fleet, and vice versa—thereby lowering the total compliance cost exposure versus treating the ZEV and CO2 obligations as fully independent.

02 Analysis of main group performances in 2025

Volkswagen Group	7	Nissan	28
Stellantis	10	Mercedes-Benz	31
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BMW Group	16	Mazda	37
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Renault Group	25		

Volkswagen Group

VOLKSWAGEN GROUP

ZEV Mandate performance analysis

Despite Volkswagen Group not meeting the ZEV target, the £225 million of potential passenger-car fines has been fully offset thanks to a strong over-performance against the CO2 target.

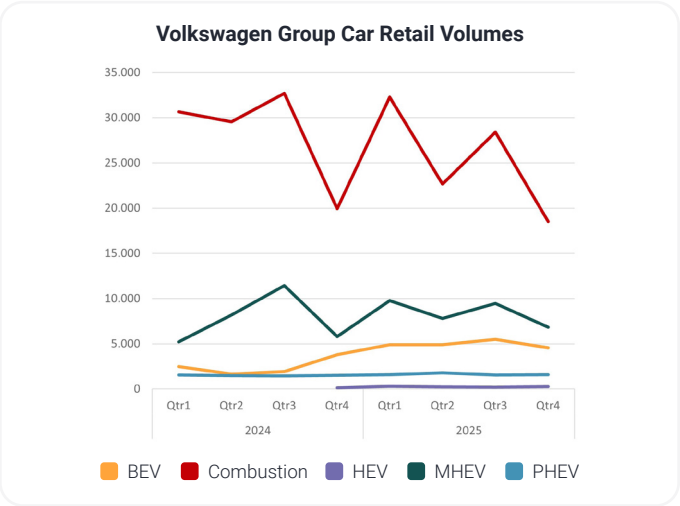
Looking at individual brands, Cupra (driven by the Born and Tavascan) and Porsche (supported by the new Macan Electric) have overachieved both the CO2 and ZEV targets, each exceeding a 35% ZEV mix. Audi is broadly in line with a 28% share, while all other brands remain below the target.

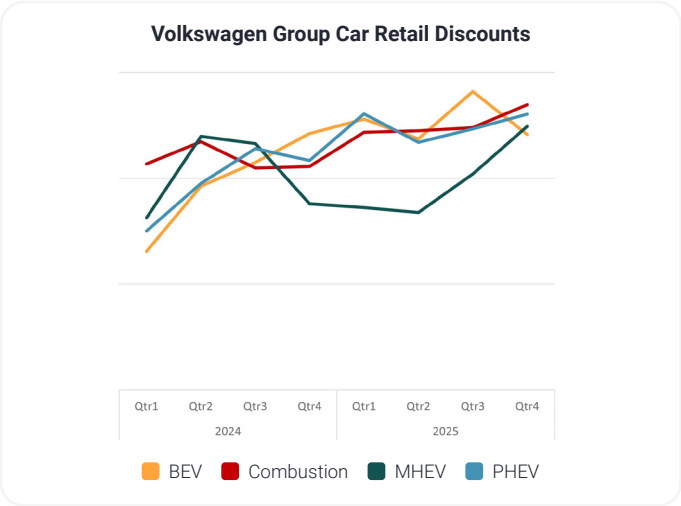
Overall, BEV volumes increased by +52% in 2025 versus 2024, mainly supported by the strong performance of newly introduced models such as the Audi Q6 e-tron and the Škoda Elroq.

On the CO2 side, the significant growth in PHEV volumes (+32%), which ultimately saved the Group from potential penalties, played a decisive role in helping it reach the target. This improvement was driven by the strong performance of models such as the Tiguan, Golf, and Passat, along with the introduction of new PHEV models including the Terramar, A5, and Tayron.

	2025 full year data	
Values	**Cars**	**LCV**
Total Volumes (units)	**457,734**	**38,865**
ZEV Volumes (units)	**109,355**	**6,217**
ZEV share (%)	**23.9%**	**16.0%**
ZEV Target (units)	**128,166**	**6,219**
ZEV excess/deficit (units)	**-18,811**	**-2**
Average WLTP CO2 (g/km)	**123.4**	**200.1**
CO2 target (g/km)	**140**	**202**
Total CO2 emitted (g)	**42,854,995**	**6,204,792**
CO2 allowance (g)	**48,622,250**	**6,590,378**
CO2 excess/deficit (g)	**5,767,255**	**385,586**
Estimated CO2 penalties	**0**	**0**
Estimated ZEV penalties	**£225,732,000**	**£30,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**0**	**0**
Total estimated penalties	**0**	

Car retail incentive analysis

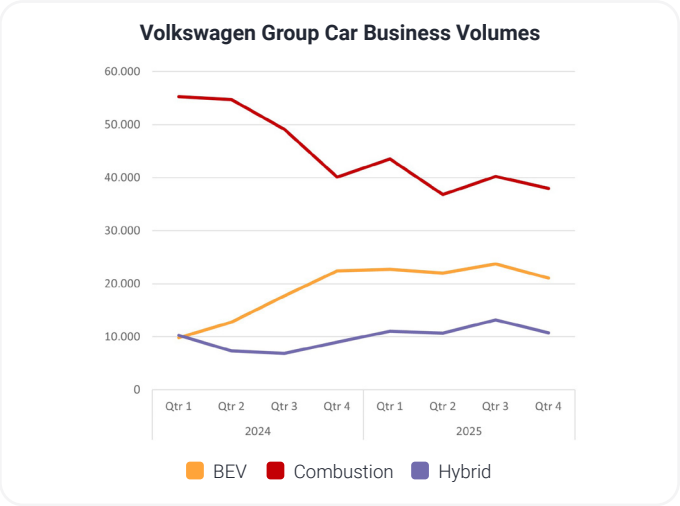


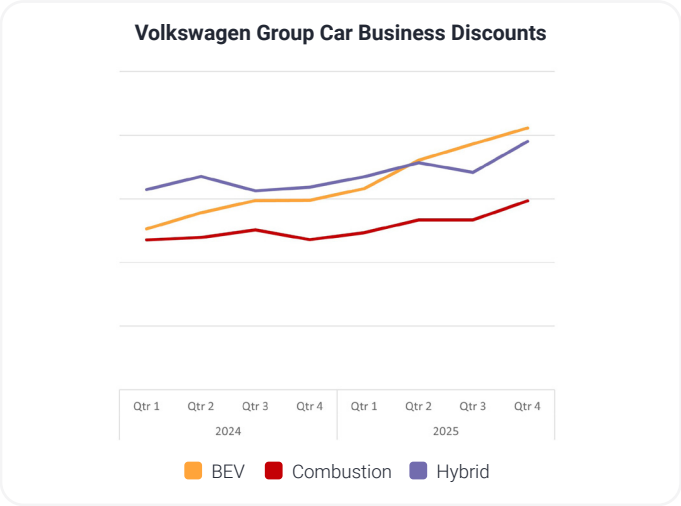


On average, the group's car retail incentives have increased steadily between 2024 and 2025, with most of this growth concentrated on PHEVs and BEVs. BEVs volumes benefited from the incentives pull effect with an acceleration in Q4 2024, confirmed in 2025 especially in Q3 where incentives efforts have been put in place.

PHEVs don't follow the same trend, despite the increasing effort over the two years and with the push in Q1 2025, the volumes remain stable.

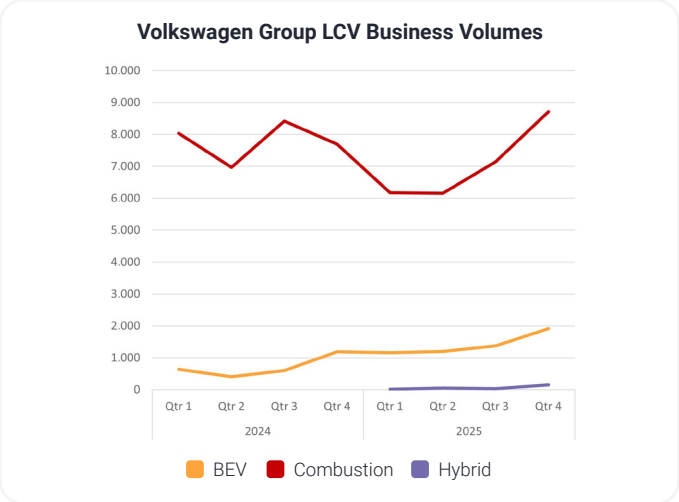
Car business incentive analysis

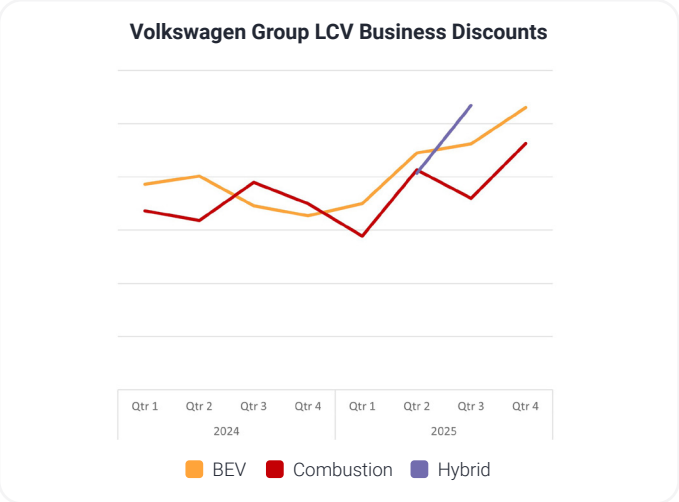




On the car business side, BEV volumes increased quite steadily, supported by dealer incentives that helped reduce the volume gap versus ICE. For hybrid powertrains, both volumes and incentives remained almost stable, while ICE volumes clearly decreased despite small increase on incentives, overall the picture is showing a clear shift from ICE to BEV driven by growing incentives.

LCV business incentive analysis





On the LCV side, the group has doubled its BEV volumes, also supported by higher incentives, while ICE remains the main powertrain. PHEV volumes are still limited, mostly on the Caddy, due to deliveries starting only in Q3 2024.

Conclusion

Overall, the Volkswagen Group's 2025 performance highlights a strong acceleration in electrification, supported by effective CO2 compliance strategies, targeted incentives, and the successful launch of new BEV and PHEV models. While the Group still needs to strengthen its ZEV mix to meet future regulatory expectations, the clear market shift toward BEVs, reinforced by rising incentives and declining ICE volumes, positions it on a progressively more sustainable trajectory.

Stellantis

ZEV Mandate performance analysis

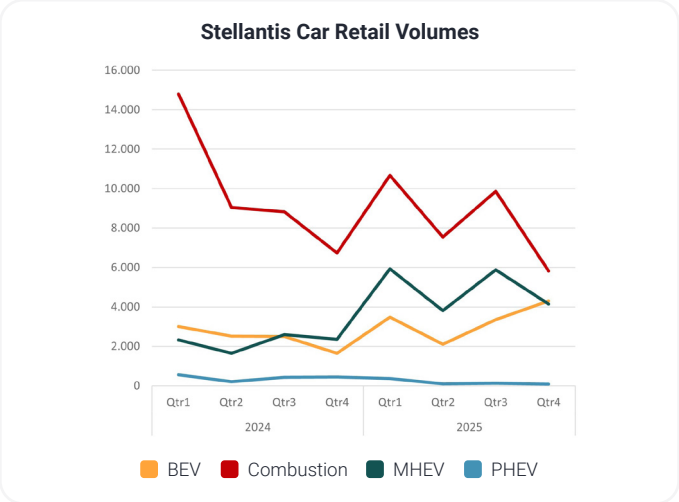
With a 21.3% ZEV sales mix on passenger cars and 9.9% on LCVs, the Stellantis Group remains well below the UK ZEV mandate targets.

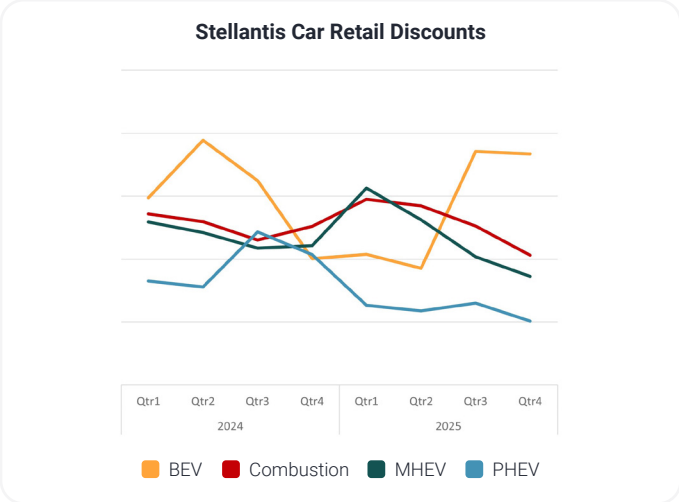
The two main players, Vauxhall and Peugeot, which together account for 77% of the Group's passenger car volume in the UK, have achieved an average ZEV share of 19%, almost 10 percentage points below the regulatory threshold of 28%. Within the Group, the best-performing brands were Leapmotor (100% ZEV), Abarth (92%), and Citroën (27.7%).

The Group avoided approximately £171 million in passenger car penalties and £62 million in van penalties, thanks to its overall CO2 performance.With an average CO2 level of nearly 5 g/km below the passenger car target, Stellantis demonstrated the ability to effectively manage fleet compliance. All brands closed the year below their respective CO2 targets, with particularly strong performances from Jeep (-37 g/km vs. target) and Alfa Romeo (-60 g/km), both supported by growing volumes of smaller vehicles compared with their traditional line-ups, such as Jeep Avenger and Alfa Romeo Junior. Fiat also performed well (-16 g/km vs. target), driven by its focus on small vehicles such as the Fiat 500 and Fiat 600.

	2025 full year data	
Values	**Cars**	**LCV**
Total Volumes (units)	**214,028**	**66,825**
ZEV Volumes (units)	**45,629**	**6,626**
ZEV share (%)	**21.3%**	**9.9%**
ZEV Target (units)	**59,928**	**10,692**
ZEV excess/deficit (units)	**-14,299**	**-4,066**
Average WLTP CO2 (g/km)	**124.3**	**166.6**
CO2 target (g/km)	**129**	**187**
Total CO2 emitted (g)	**20,772,457**	**3,605,926**
CO2 allowance (g)	**21,745,717**	**11,250,059**
CO2 excess/deficit (g)	**973,260**	**7,644,133**
Estimated CO2 penalties	**0**	**0**
Estimated ZEV penalties	**£171,588,000**	**£60,990,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**0**	**0**
Total estimated penalties	**0**	

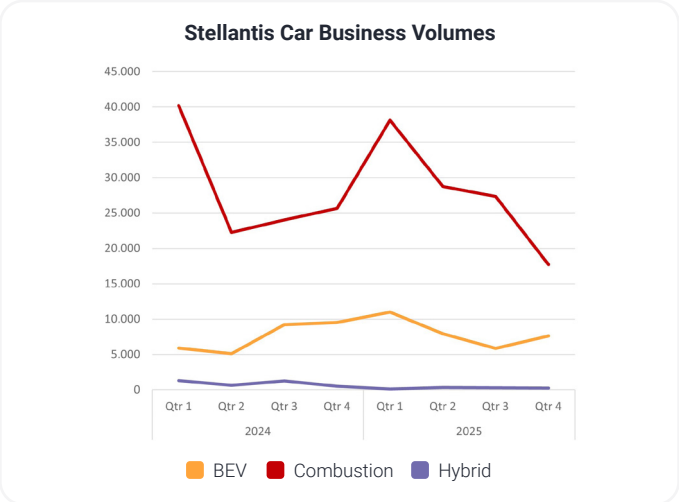
Car retail incentive analysis

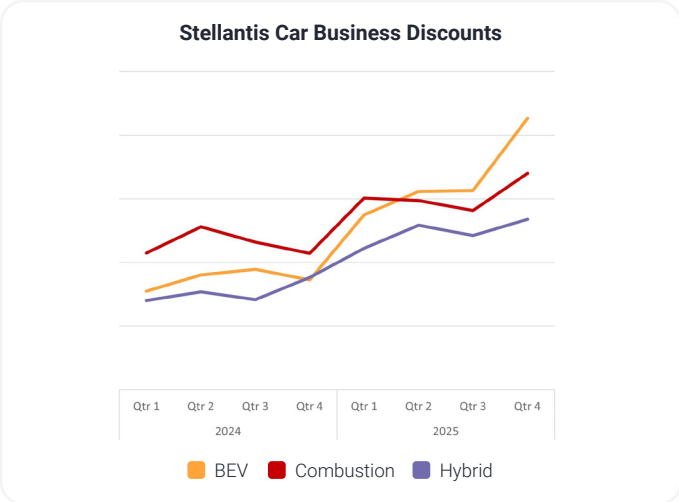




The group has increased BEV sales in 2025, especially from September onwards, supported by growing incentives. This improvement has been partially driven by the Electric Car Grant, which is available for many of the group's main electric models across the main brands Vauxhall, Peugeot and Citroen.

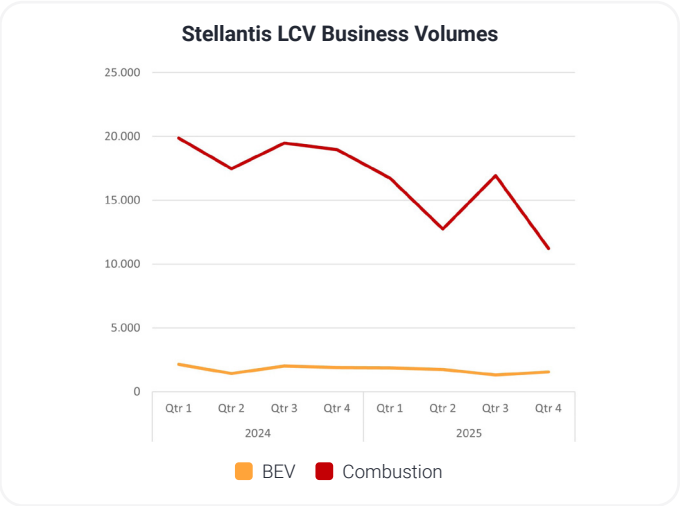
Car business incentive analysis

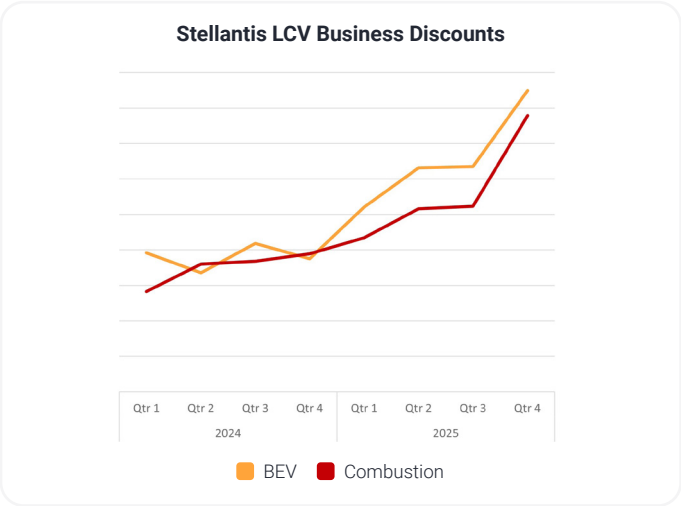




Stellantis is increasing incentives across all powertrains, especially for BEVs, many of which benefit from the Electric Car Grant. However, this rise in support is not translating into higher volumes, with BEVs even declining after the good results in Q1 2025. A similar pattern can be seen across other powertrains: ICE volumes remain below 2024 levels in every quarter and are gradually being replaced by MHEVs, which are outperforming 2024 but still show a decreasing trend throughout the year.

LCV business incentive analysis





LCV volume trends are not reflecting the increase in incentives. Despite growing incentive support, overall volumes are declining, with Combustion down 24% and BEV down 13%.

Conclusion

Stellantis shows strong control of CO2 compliance and clear progress in expanding its electrified line-up, but its ZEV penetration remains well below UK mandate requirements. Despite increasing incentive support, both dealer-led and business-focused, BEV demand has not kept pace, with volumes unable to sustain early-year momentum. As ICE continues to decline and MHEV growth loses strength over the year, the Group will need a more effective and sustained push on BEVs to close the regulatory gap and reinforce its competitive position in the UK market.

Hyundai Motor Group

ZEV Mandate performance analysis

Despite Hyundai and Kia now offering a broad portfolio of ZEV models (including Ioniq 5, 6, 9 and Inster for Hyundai, and EV3, EV4, EV5, EV6 and EV9 for Kia) the Group remains approximately 7 percentage points below the ZEV mandate threshold.

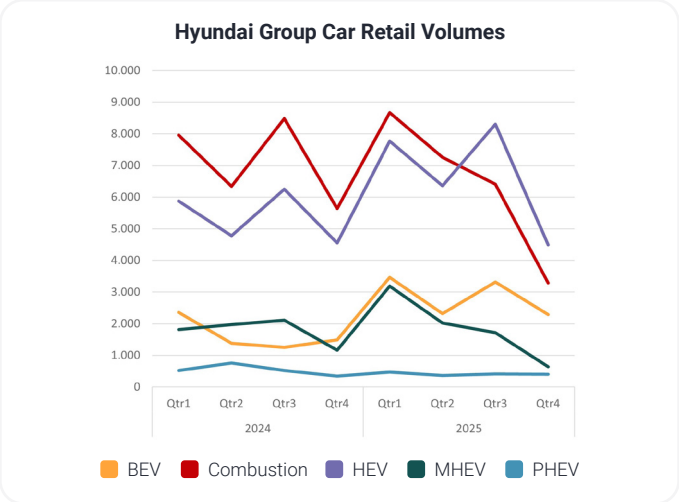
Genesis is the only brand within the Group to record a high ZEV mix (73%); however, its volumes remain too low to be material at Group level, as in 2025 the brand accounted for only 0.6% of total UK passenger car registrations.

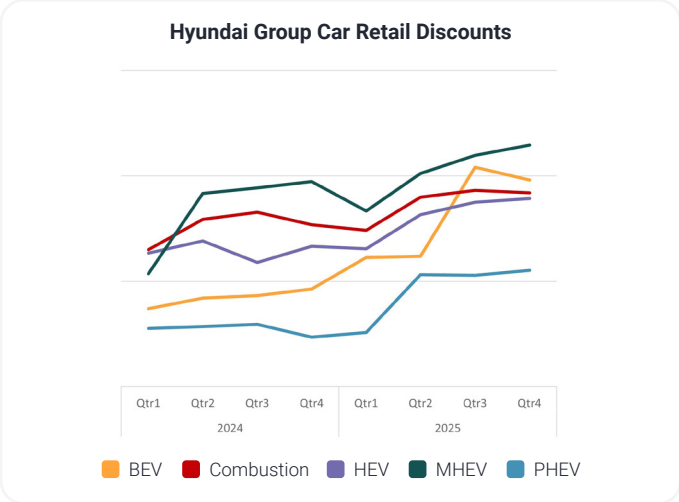
Nevertheless, the overall BEV mix increased by 3.8 percentage points, indicating a strategy of continuous improvement in ZEV penetration.

At the same time, HEV penetration also rose by 2.7 percentage points, enabling the Group to overachieve its CO2 target by nearly 12 g/km and offset approximately £187 million in potential penalties.

	2025 full year data
Values	**Cars**
Total Volumes (units)	**207,785**
ZEV Volumes (units)	**42,559**
ZEV share (%)	**20.5%**
ZEV Target (units)	**58,180**
ZEV excess/deficit (units)	**-15,621**
Average WLTP CO2 (g/km)	**120.4**
CO2 target (g/km)	**132**
Total CO2 emitted (g)	**18,902,535**
CO2 allowance (g)	**21,857,465**
CO2 excess/deficit (g)	**2,954,930**
Estimated CO2 penalties	**0**
Estimated ZEV penalties	**£187,452,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**0**
Total estimated penalties	**0**

Car retail incentive analysis

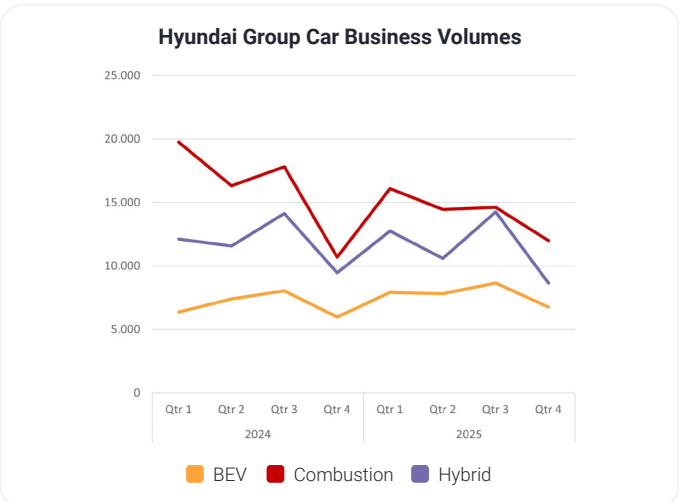


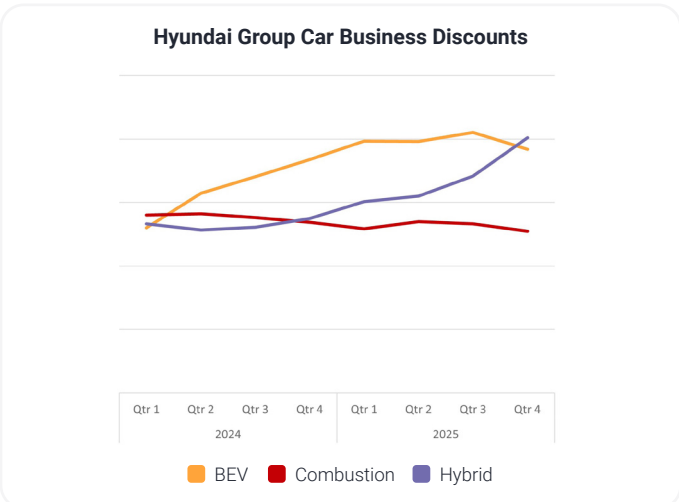


The group has been increasing its discount levels with a clear focus on BEV powertrains across its two main brands, Hyundai and Kia, with a significant uplift starting from H2 2025. This strategic shift is visibly supporting the growth in BEV sales.

PHEV incentives have also more than doubled since April; however, the product offering remains limited, primarily centred on the Tucson, Sportage and Santa-Fe.

Car business incentive analysis





Hyundai Group has steadily increased incentive support for electrified powertrains in the business channel, resulting in a +12% growth in BEV business volumes in 2025. However, hybrid powertrains are declining by around 10% despite higher incentives. ICE volumes also continue to fall, reflecting the Group's progressively lower support for this powertrain type.

Conclusion

Hyundai Group continues to strengthen its electrification strategy, supported by rising BEV and HEV penetration and a clear incentive focus on zero-emission models. However, despite the progress, the Group still falls short of the UK ZEV mandate threshold, with BEV growth not yet sufficient to close the remaining gap.

Incentive increases, both retail and business, are helping sustain momentum, but hybrid declines highlighting the need for a more decisive push on BEV. Overall, Hyundai is moving in the right direction, but further acceleration will be required to match regulatory expectations and reinforce competitiveness in the UK market.

BMW Group

ZEV Mandate performance analysis

BMW Group is broadly in line with the ZEV mandate, reaching a 28.1% ZEV mix.

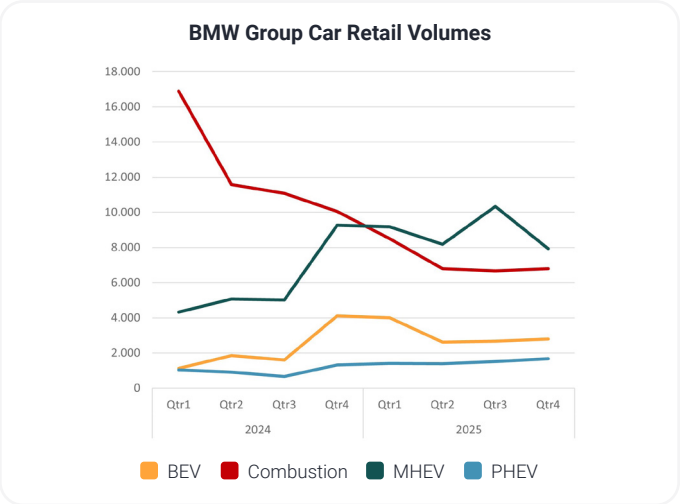
With the exception of the niche brand Rolls-Royce, all other brands are almost at or above the threshold, with BMW at 27.7% and MINI at 29.4%.

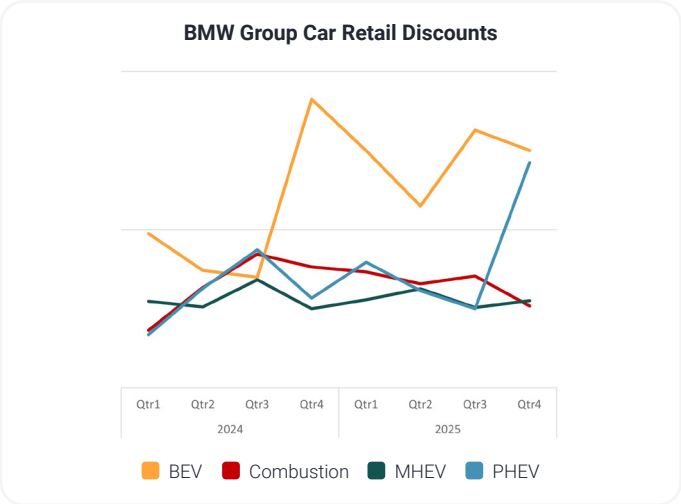
On CO2 performance, the Group overachieved its target by 5.3 g/km, primarily driven by BMW brand performance. This result was supported by a continuous shift from ICE powertrains towards MHEV and an increasing penetration of PHEVs, allowing BMW brand to close the year 10 g/km below its CO2 target.

MINI remains above its CO2 target by 9 g/km, as almost 50% of its mix is still concentrated on Cooper ICE variants. However, accounting for only 28% of total BMW Group volumes, MINI does not represent a material risk to overall Group compliance.

	2025 full year data
Values	**Cars**
Total Volumes (units)	**170,403**
ZEV Volumes (units)	**47,919**
ZEV share (%)	**28.1%**
ZEV Target (units)	**47,713**
ZEV excess/deficit (units)	**206**
Average WLTP CO2 (g/km)	**123.7**
CO2 target (g/km)	**129**
Total CO2 emitted (g)	**15,140,752**
CO2 allowance (g)	**15,783,762**
CO2 excess/deficit (g)	**643,010**
Estimated CO2 penalties	**0**
Estimated ZEV penalties	**0**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**0**
Total estimated penalties	**0**

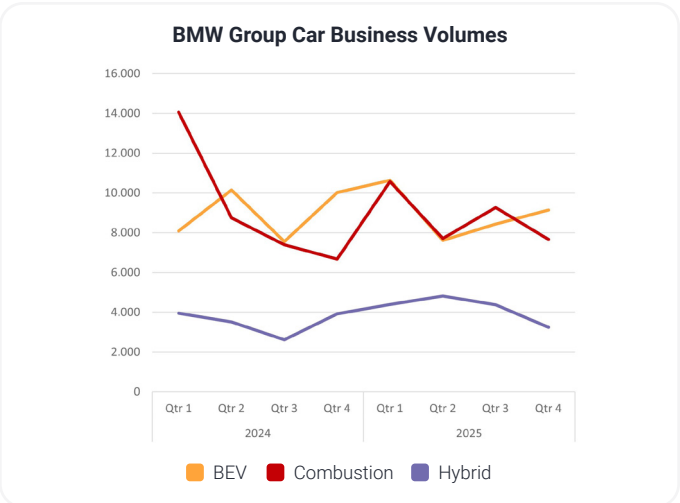
Car retail incentive analysis

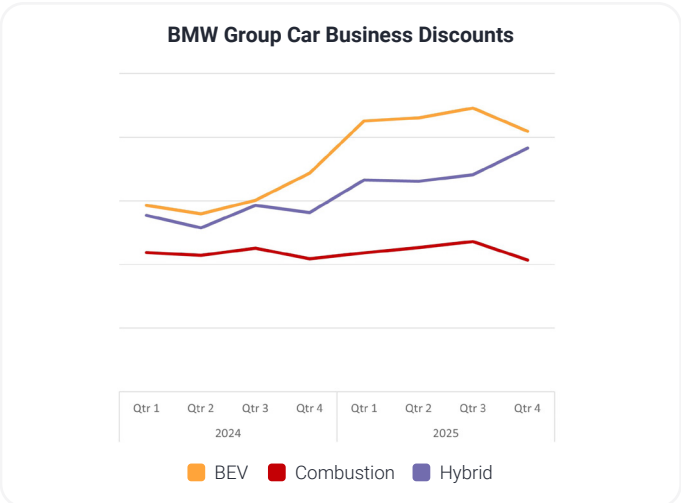




Q4 2025 clearly shows a higher incentive support on PHEVs, which is also driving a slight increase in volumes, although this powertrain remains in fourth position overall. The X1 is the model benefiting the most from this uplift. For BEVs, average discount levels have remained broadly stable since Q4 2024. While supporting more the combustion powertrain, 2025 marks a shift between ICE and micro hybrid vehicles volumes. MHEVs are replacing steadily the ICE.

Car business incentive analysis





BEV powertrains lead the Group's business volumes, supported by increasing incentives; however, 2025 BEV volumes remain broadly in line with 2024. ICE volumes have more than halved, while hybrids are gaining traction, with MHEVs steadily replacing ICE, and PHEVs increasing business volumes by around 20%.

Conclusion

BMW Group closes 2025 with strong overall compliance, staying broadly aligned with the ZEV mandate and comfortably below its CO2 target. Electrified powertrains continue to strengthen the mix, with BEVs leading business volumes and hybrids increasingly replacing ICE, whose presence has sharply declined.

Incentive dynamics support this shift, particularly on PHEVs, although BEV momentum remains stable rather than expanding. Overall, the Group shows a consistent and well-balanced transition pathway, with limited regulatory risk and a steadily improving electrified share.

Ford

ZEV Mandate performance analysis

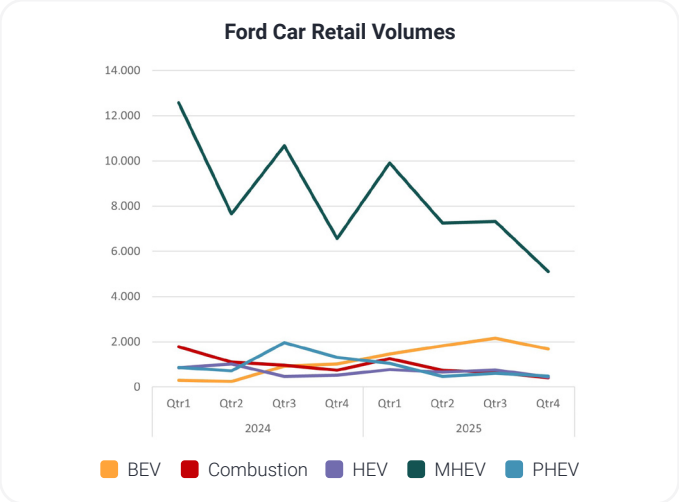
The introduction of new BEV models (Puma and Capri), together with the full roll-out of the Explorer EV, boosted Ford's ZEV mix by 16 percentage points in 2025 versus 2024, bringing the passenger car ZEV share to 24.5%. While still below the 28% target, the trend indicates a positive trajectory for further improvement.

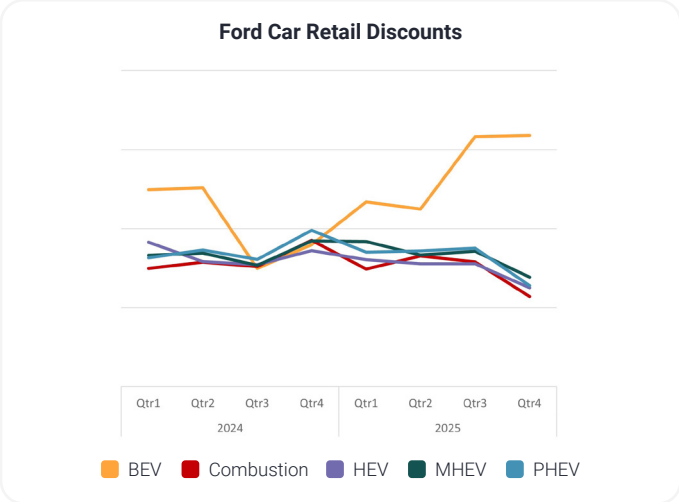
The situation is tighter in the LCV segment, where the Transit is currently the only BEV offering and accounts for just 6.9% of the mix, more than 9 percentage points below the target. In this area, the announced development of new electric commercial vehicles in partnership with Renault will be a key lever for improvement.

The overachievement of the CO2 target is saving the Group more than £200 million in potential penalties, mainly driven by growing PHEV volumes in the LCV segment, following the full roll-out of the Transit PHEV and the launch of the Ranger PHEV.

	2025 full year data	
Values	**Cars**	**LCV**
Total Volumes (units)	**118,998**	**110,538**
ZEV Volumes (units)	**29,183**	**7,641**
ZEV share (%)	**24.5%**	**6.9%**
ZEV Target (units)	**33,320**	**17,687**
ZEV excess/deficit (units)	**-4,137**	**-10,046**
Average WLTP CO2 (g/km)	**118.9**	**180.8**
CO2 target (g/km)	**123**	**191**
Total CO2 emitted (g)	**10,570,024**	**15,144,031**
CO2 allowance (g)	**11,052,276**	**19,700,691**
CO2 excess/deficit (g)	**482,252**	**4,556,660**
Estimated CO2 penalties	**0**	**0**
Estimated ZEV penalties	**£49,644,000**	**£150,690,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**0**	**0**
Total estimated penalties	**0**	

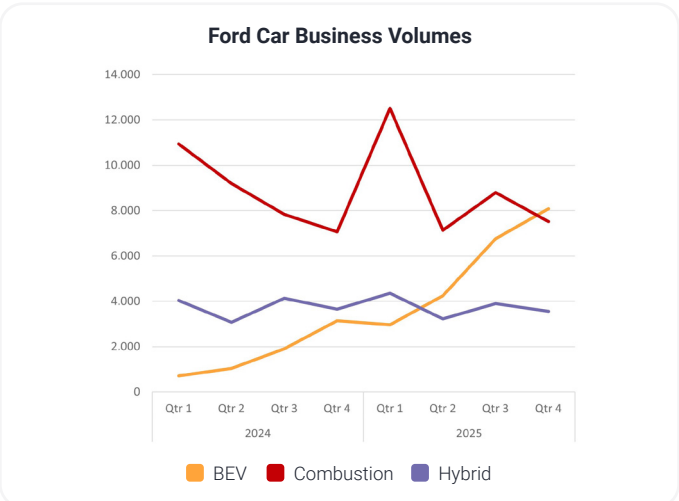
Car retail incentive analysis

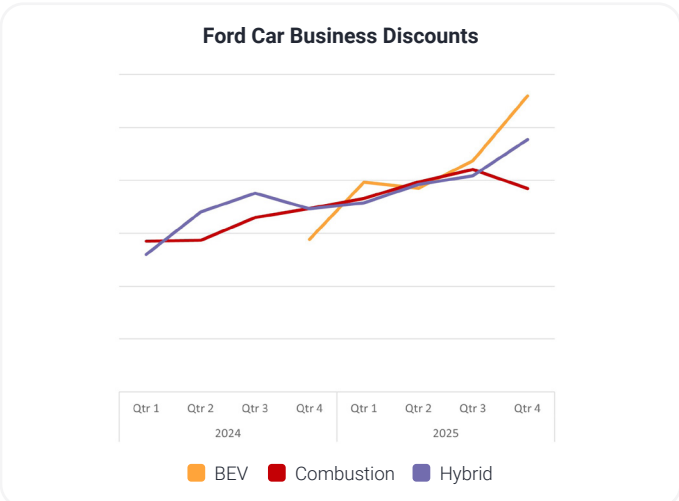




Despite the average discount in value being lower than in 2024, the launch of more affordable models such as the Puma is increasing percentage discounts. This effect is amplified by the fact that the model also benefits from the Electric Car Grant. As a result, we see a volume increase for BEVs starting from September 2025. All other powertrains, instead, show a reduction in discount levels from Q4 2025 onwards.

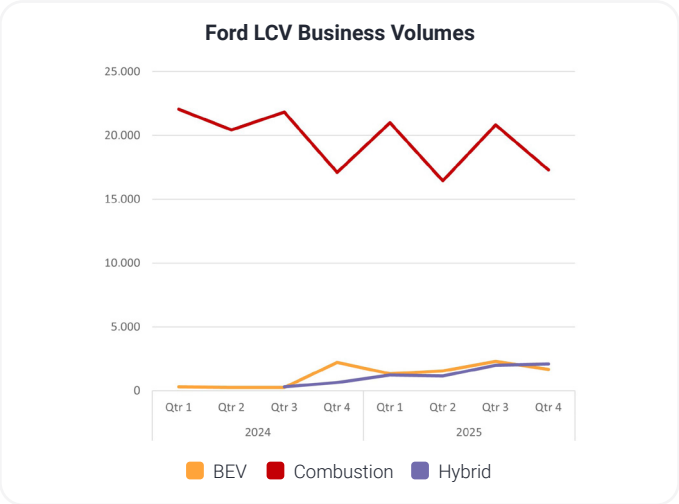
Car business incentive analysis

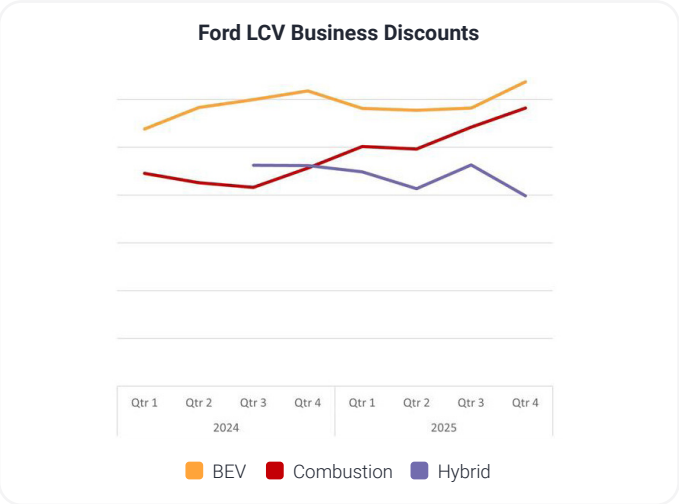




ICE powertrains remain quite relevant in the business channel, growing by around 20% versus 2024 and supported by increasing incentives. However, BEVs have seen a sharp acceleration in the last two quarters, performing at four times their 2024 volume. Incentives for hybrid are stable with different effects on volumes: PHEVs show solid growth (+7%), while MHEVs and HEVs are slightly declining.

LCV business incentive analysis





In the LCV segment, BEV incentives are higher than for other powertrains, and this is reflected in a growing volume trend: 2025 volumes have doubled versus 2024. However, ICE remains by far the main powertrain. On the hybrid side, the full-year roll-out of the Transit PHEV, together with the launch of the Ranger, is starting to generate more consistent volumes.

Conclusion

Ford shows clear progress on electrification in 2025, driven by the rollout of new BEV models and strengthening incentive support, especially in the business channel. While the Group remains below the ZEV mandate threshold, particularly in the LCV segment, the momentum gained in the second half of the year signals a positive trajectory. Strong CO2 compliance and growing PHEV penetration further support regulatory performance. Overall, despite persistent gaps in ZEV share, Ford's expanding electric line-up and improving BEV demand position the brand on an upward path toward future targets.

Toyota Group

ZEV Mandate performance analysis

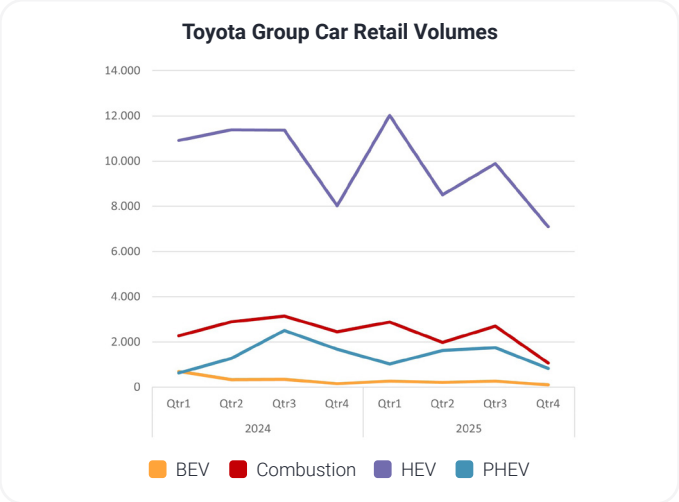
The strong focus on HEV solutions, which accounted for 66% of Toyota's portfolio in 2025, has not translated into strong performance under the ZEV mandate.

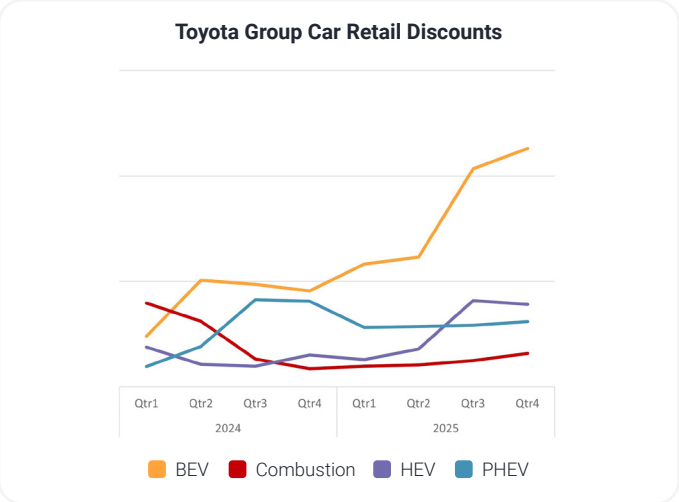
With only the bZ4X available as a BEV model, the Toyota brand achieved just a 5.2% ZEV mix, increasing to 6.6% at Group level when including Lexus. Lexus recorded a 14% ZEV share, mainly driven by the RZ, but it still represents only 15% of Toyota Group passenger car registrations.

However, the HEV-led strategy continues to support CO2 compliance, allowing the Group to overachieve its CO2 target by nearly 22 g/km and reduce potential penalties from £274 million to approximately £113 million.

	2025 full year data
Values	**Cars**
Total Volumes (units)	**106,580**
ZEV Volumes (units)	**6,992**
ZEV share (%)	**6.6%**
ZEV Target (units)	**29,843**
ZEV excess/deficit (units)	**-22,851**
Average WLTP CO2 (g/km)	**92.6**
CO2 target (g/km)	**114**
Total CO2 emitted (g)	**9,183,499**
CO2 allowance (g)	**11,399,276**
CO2 excess/deficit (g)	**2,215,777**
Estimated CO2 penalties	**0**
Estimated ZEV penalties	**£274,212,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**£113,064,000**
Total estimated penalties	**£113,064,000**

Car retail incentive analysis

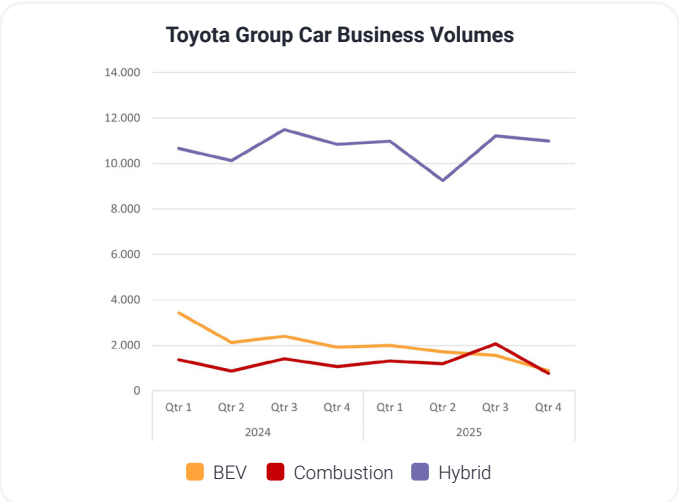


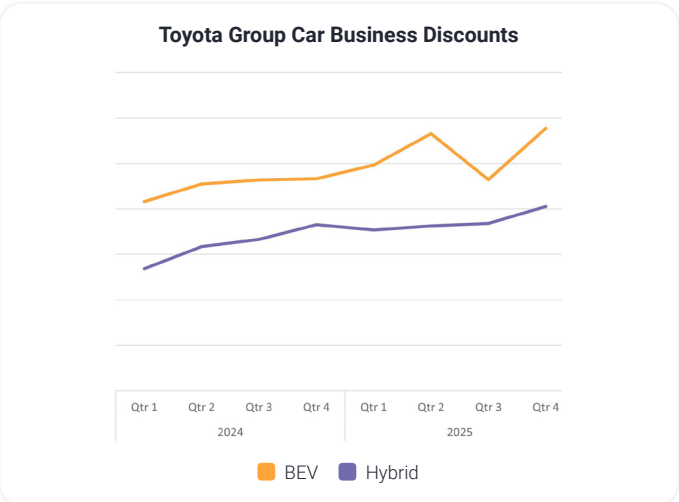


In Q4, Toyota has clearly increased incentives on the BZ4X, its main BEV model. However, this has not translated into a proportional increase in sales. On the contrary, volumes are decreasing compared with 2024, highlighting a lack of attractiveness for the model despite the higher support.

For the other powertrains, while PHEV incentives remain broadly in line with H2 2024, HEV support has increased in the final months of 2025, an action that seems to have allowed Toyota to maintain results in line with 2024 for the period.

Car business incentive analysis





Volumes are clearly concentrated on hybrid powertrains which, despite a constant incentive pressure, are declining by 4% vs 2024 for full hybrids, while PHEVs are growing (+9%). For BEVs, higher incentives are not compensating for the limited product offer, resulting in a 34% year-on-year drop. On ICE side incentives have been almost stable contributing to a +12% on volumes with very few registration on Q4*.

*No incentives available on ICE Business Channel for Q4.

Conclusion

Toyota's strong reliance on hybrid technology continues to support CO2 compliance, but it limits the Group's performance under the ZEV mandate, where the lack of a broader BEV portfolio remains the main structural constraint. Incentive activities across both retail and business channels have intensified, especially on the bZ4X and HEV models, but without generating a meaningful uplift in BEV demand.

As a result, overall volumes remain centred on hybrids, with BEVs declining despite higher support and ICE showing marginal growth. The Group's current strategy ensures regulatory compliance but highlights the need for a more competitive and diversified zero-emission offering to improve ZEV mandate results.

Renault Group

ZEV Mandate performance analysis

Despite the strong performance of Renault (29.1%) against the ZEV mandate, driven by the new Renault 5, and the overperformance of the niche sporty brand Alpine (88.5%) thanks to its electrification strategy, the Group remains below the 28% threshold in the passenger car segment.

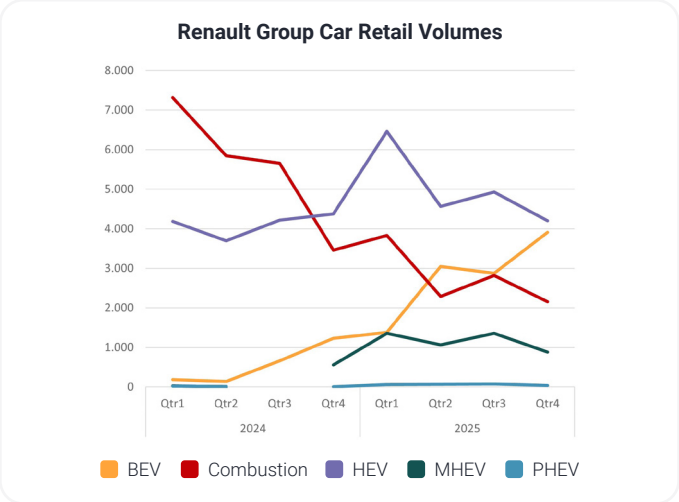
This is mainly due to Dacia's low BEV mix (17.1%), which represents 31% of the Group's UK volume and currently offers only the Spring as a fully electric model.This situation could change significantly in 2026 with the introduction of additional electric models, such as the Dacia Evader and the new Renault Twingo.

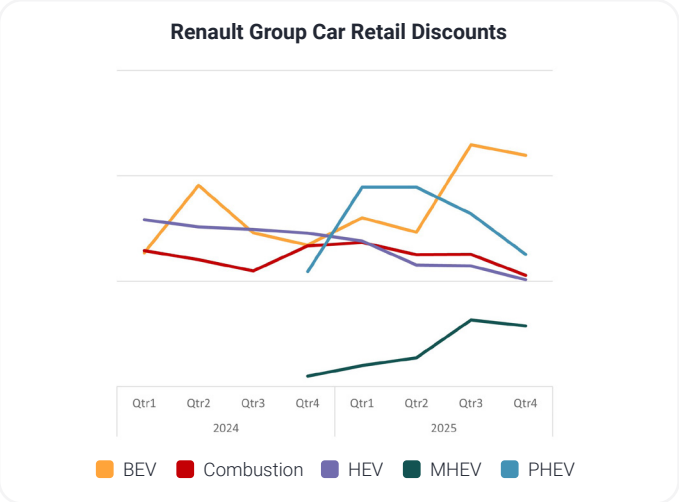
However, thanks to the declining share of ICE powertrains in favor of MHEV and HEV, together accounting for almost 50% of total Group passenger car registrations, Renault has been able to offset its ZEV underperformance with an overachievement on CO2 targets.

The situation is different in the LCV segment, where performance is almost 10 percentage points below the ZEV target and appears to be penalized by the lack of new electric models. A new electric Trafic, together with a completely renewed LCV lineup, is expected to be launched in 2026 to compensate for the weak 2025 performance, which is estimated to have resulted in approximately £4.5 million in penalties.

	2025 full year data	
Values	**Cars**	**LCV**
Total Volumes (units)	**97,464**	**22,427**
ZEV Volumes (units)	**25,862**	**1,488**
ZEV share (%)	**26.5%**	**6.6%**
ZEV Target (units)	**27,290**	**3,589**
ZEV excess/deficit (units)	**-1,428**	**-2,101**
Average WLTP CO2 (g/km)	**118.9**	**180.8**
CO2 target (g/km)	**112.6**	**193.6**
Total CO2 emitted (g)	**127**	**212**
CO2 allowance (g)	**7,715,171**	**4,050,694**
CO2 excess/deficit (g)	**9,089,824**	**4,440,431**
Estimated CO2 penalties	**0**	**0**
Estimated ZEV penalties	**£17,136,000**	**£31,515,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**0**	**£4,455,000**
Total estimated penalties	**£4,455,000**	

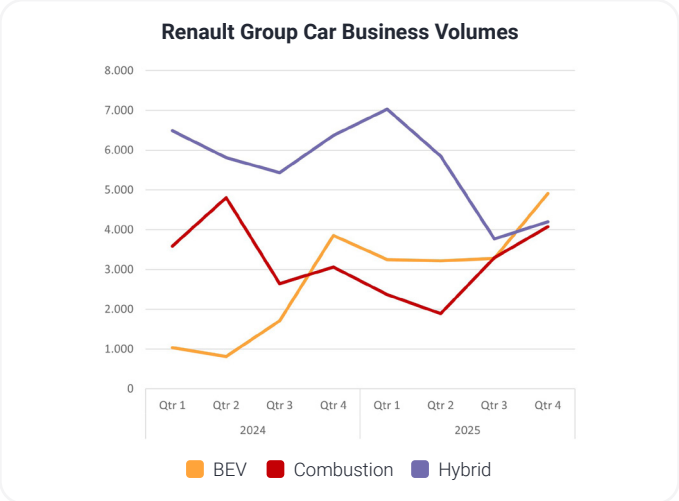
Car retail incentive analysis

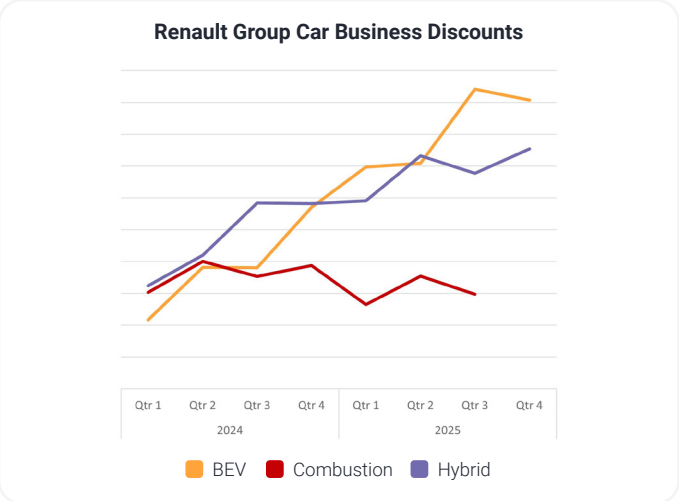




Renault's overall incentives are decreasing compared to 2024, with an inverse trend on BEV, strongly supported by the Electric Car Grant that, together with the introduction of the Renault 5, is boosting the volume for this powertrain.

Car business incentive analysis



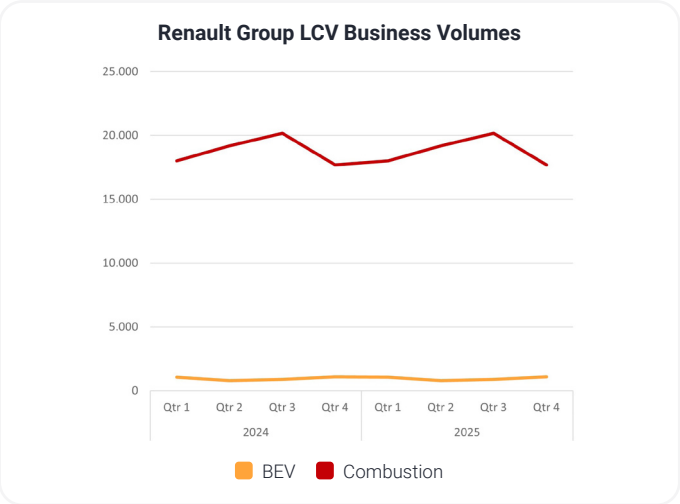


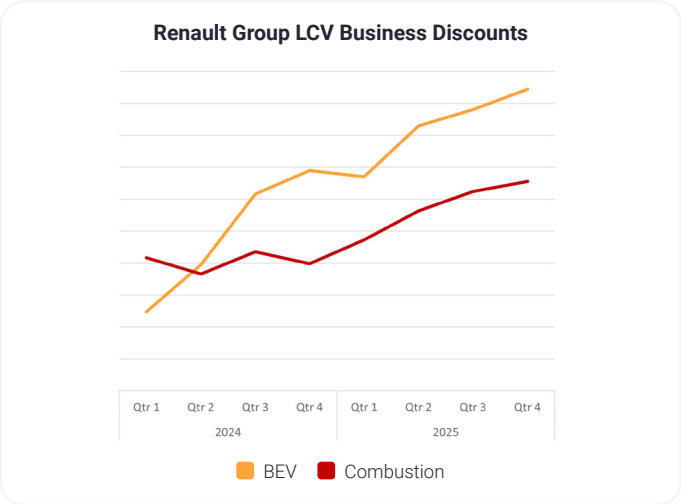
There is a clear focus on increasing incentives for new powertrains, which is generating positive results for BEVs, with volumes nearly doubling compared with the previous year. The same trend is not reflected in Hybrids, which declined by 14% and were overtaken in Q4 by full-electric solutions in terms of volume.

In contrast, ICE volumes are falling sharply (-36%), partially replaced by MHEV, which has now become an established component of the brand's business offering.

*No incentives available on ICE Business Channel for Q4.

LCV business incentive analysis





Within the LCV market, rising incentive activity is not resulting in corresponding volume growth. ICE vehicles remain the dominant technology but decline sharply by –22%, whereas BEV volumes show only a modest +3% increase.

Conclusion

Renault Group shows solid progress on electrification, supported by the strong momentum of its core brands, while Dacia's limited BEV offer still weighs on the Group's overall ZEV position. The shift toward hybrid technologies helps balance compliance, although the LCV division remains challenged by a lack of fresh electric products.

Incentives are moving toward electrified powertrains, effectively boosting BEV demand, especially with recent model launches, while traditional engines continue to lose traction. In the LCV business, however, higher incentive activity has yet to translate into meaningful volume growth.

Nissan

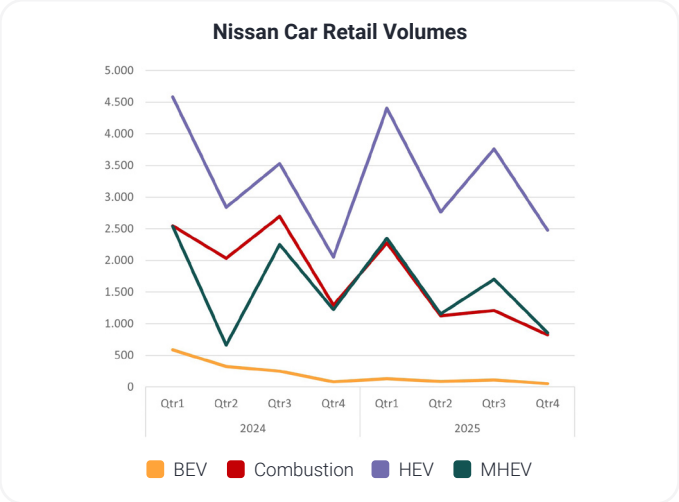
ZEV Mandate performance analysis

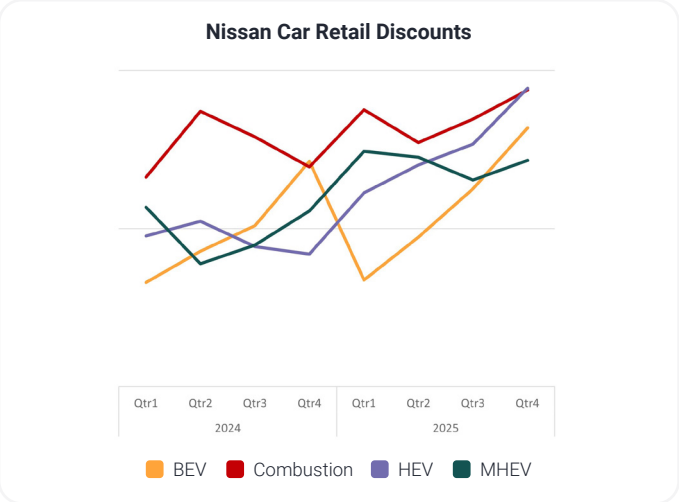
Nissan's ZEV performance has been significantly penalized by the lack of electric models. Ariya currently accounts for only 4.3% of the brand mix, while the new Leaf and Micra were introduced at the end of 2025, not allowing the brand to recover within the year.

Thanks to a powertrain mix composed of 72% Hybrid and Mild-Hybrid models, the brand has managed to overachieve its CO2 targets, partially offsetting the penalties and reducing them to nearly £120 million. The performance of the new models will be crucial to further offset penalties in 2026.

	2025 full year data
Values	**Cars**
Total Volumes (units)	**90,102**
ZEV Volumes (units)	**3,910**
ZEV share (%)	**4.3%**
ZEV Target (units)	**25,229**
ZEV excess/deficit (units)	**-21,319**
Average WLTP CO2 (g/km)	**92.6**
CO2 target (g/km)	**130.8**
Total CO2 emitted (g)	**143**
CO2 allowance (g)	**11,275,078**
CO2 excess/deficit (g)	**12,289,707**
Estimated CO2 penalties	**0**
Estimated ZEV penalties	**£255,828,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**£119,592,000**
Total estimated penalties	**£119,592,000**

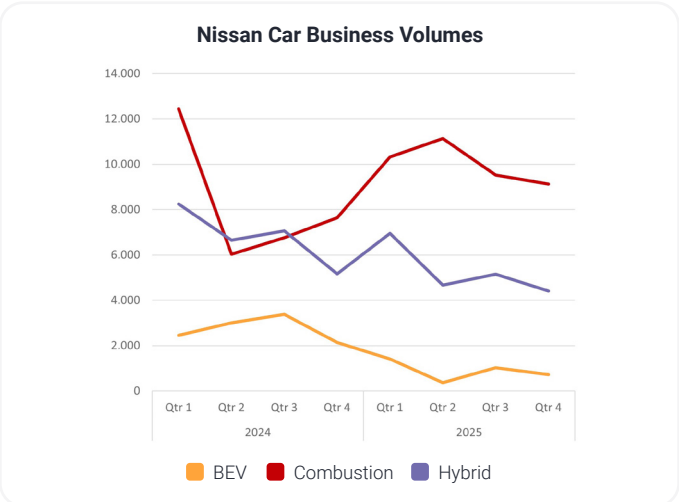
Car retail incentive analysis

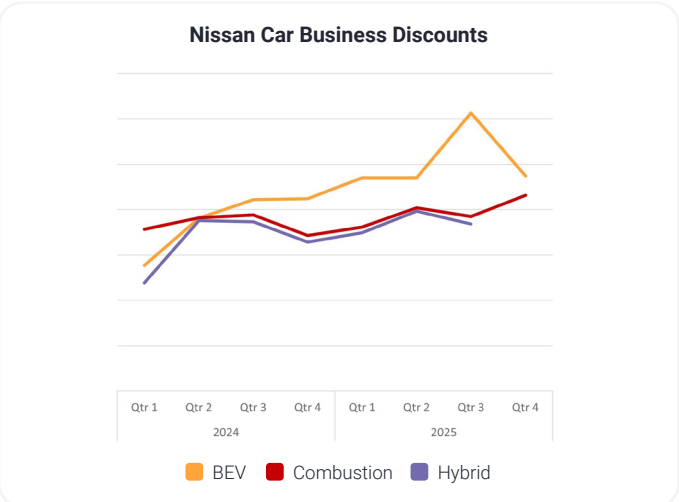




Nissan's incentives have been steadily increasing over the past two years, reaching a peak in Q4 2025, particularly driven by support on the Juke. This has mainly boosted HEV and ICE powertrains. Despite the growing incentives on BEVs, Ariya volumes remain flat, indicating a low level of attractiveness for the model.

Car business incentive analysis





Despite an increase in BEV incentives in Q3 2025, BEV volumes remain significantly lower than in 2024 (-68%). Incentives for other powertrains are mostly stable; however, only MHEVs (+19%) and combustion vehicles (+26%) are showing volume growth, while full hybrids are declining (-22%).

*No incentives available on Hybrids business Channel for Q4.

Conclusion

Nissan's 2025 results show a clear imbalance between its electrification objectives and market performance. The limited BEV line-up continues to drive compliance penalties, partly mitigated by a strong hybrid mix. Incentive strategies have supported HEV and ICE volumes but failed to generate traction for BEVs, with Ariya remaining weak despite increased support.

Entering 2026, the ZEV mandate result will depend on the market response to the new Leaf and Micra.

Mercedes-Benz

ZEV Mandate performance analysis

Mercedes' ZEV mix in the passenger car segment stands at 24%, in line with 2024 levels. However, the introduction of the new CLA in Q4 2025, awarded Car of the Year, is laying the groundwork to achieve the target in 2026.

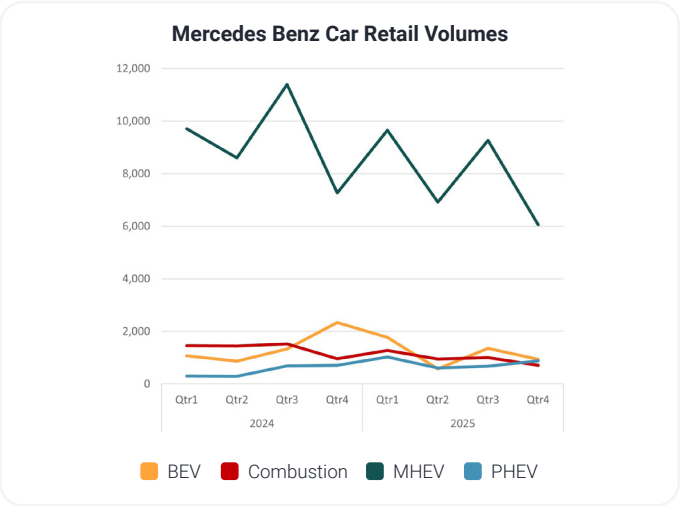
The increase in the PHEV mix (+5 percentage points) has strongly supported the overachievement of the brand's CO2 target, partially offsetting passenger car penalties.

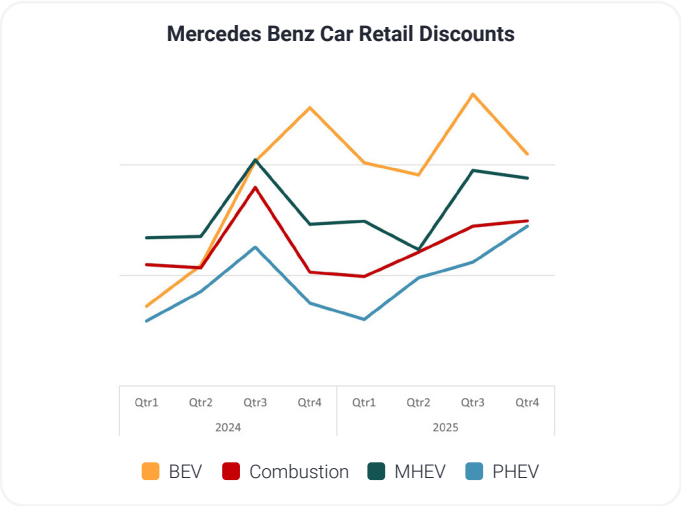
In the commercial vehicle segment, the brand is struggling due to weak BEV performance. The top-selling Sprinter has achieved a BEV mix of less than 5%, resulting in an overall LCV BEV mix of 8%.

LCV performance is still heavily reliant on ICE powertrains (92% mix), which does not allow the brand to offset the £22 million penalties stemming from the ZEV mandate. This represents a factor that could become a growing risk for Mercedes going forward.

	2025 full year data	
Values	**Cars**	**LCV**
Total Volumes (units)	**89,267**	**19,004**
ZEV Volumes (units)	**21,477**	**1,543**
ZEV share (%)	**24.1%**	**8.1%**
ZEV Target (units)	**24,995**	**3,041**
ZEV excess/deficit (units)	**-3,518**	**-1,498**
Average WLTP CO2 (g/km)	**134.7**	**223.8**
CO2 target (g/km)	**138**	**212**
Total CO2 emitted (g)	**8,959,539**	**3,872,449**
CO2 allowance (g)	**9,370,180**	**3,703,698**
CO2 excess/deficit (g)	**410,641**	**-168,751**
Estimated CO2 penalties	**0**	**£17,553,650**
Estimated ZEV penalties	**£42,216,000**	**£22,470,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**0**	**£22,470,000**
Total estimated penalties	**£22,470,000**	

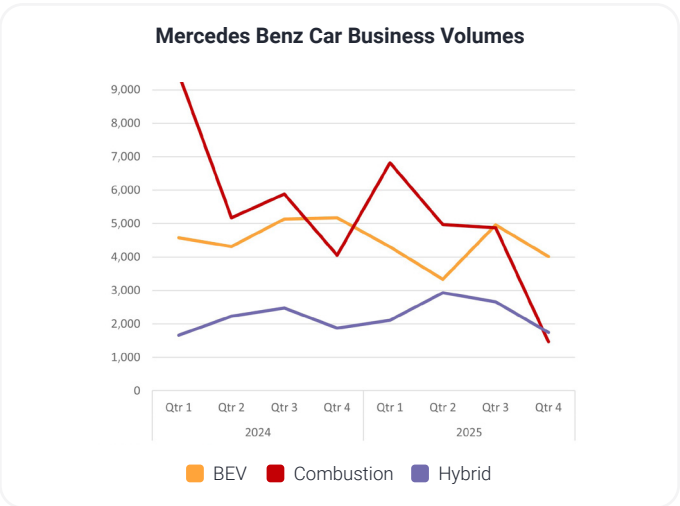
Car retail incentive analysis

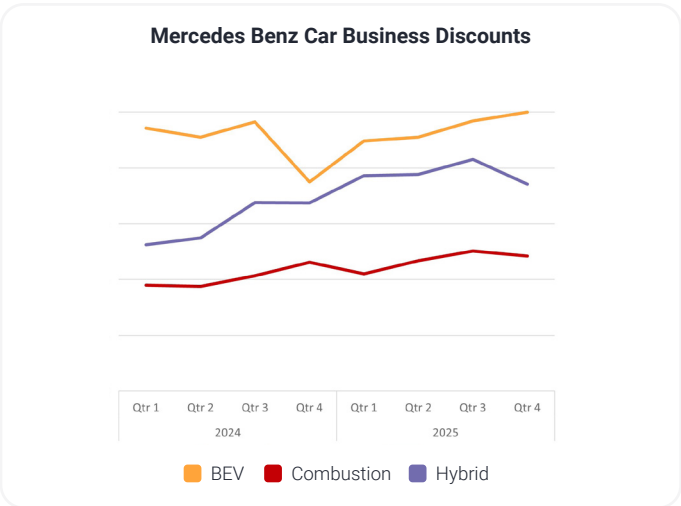




In 2025, Mercedes followed a similar incentive strategy to 2024, increasing the average discount level starting from June. Additionally, the brand strongly supported the sell-out of BEV products in Q3, during the second UK peak sales season, without achieving higher performance compared to the previous year, and focused its support on PHEV products in Q4.

Car business incentive analysis

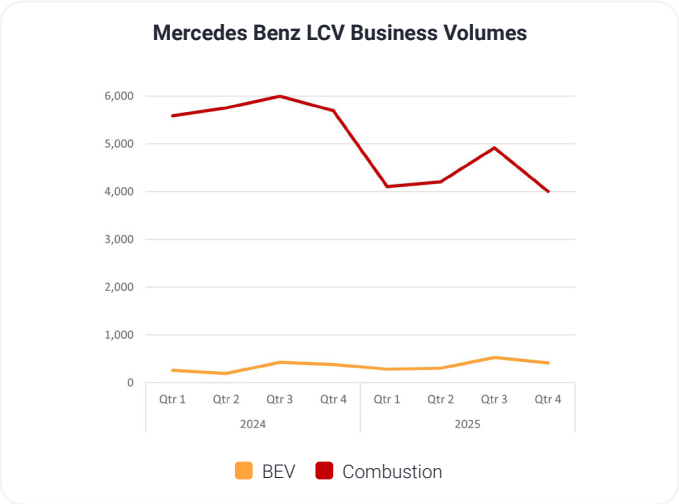


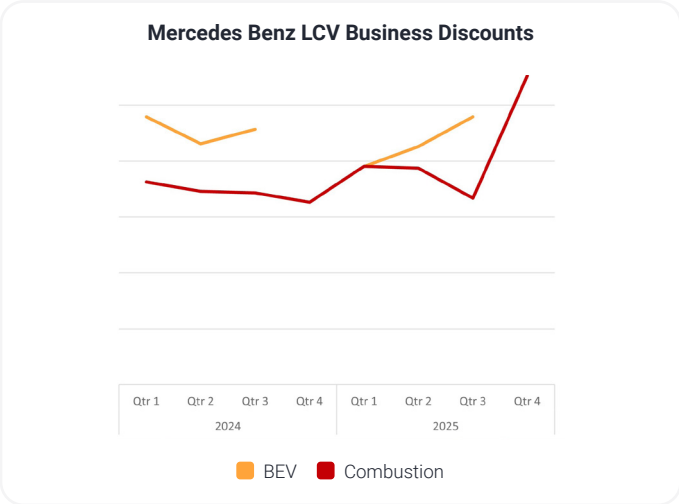


Since Q3, BEVs have become the main powertrain sold by Mercedes in the Business Channels, also supported by higher incentive levels compared with other powertrains. However, FY 2025 BEV volumes in the Business Channel are 13% lower vs FY 2024.

Despite the increase in incentives on hybrid powertrains, both MHEV and PHEV volumes are declining in Q4, while on this channel ICE accounts for only a minimal share of the group's total volumes.

LCV business incentive analysis





LCVs remain heavily centred on combustion engines, with rising incentive levels failing to generate corresponding volume growth.

Conclusion

Mercedes shows a mixed performance across regulatory, retail, and business channels. On the regulatory front, the brand maintains a stable ZEV mix and benefits from a stronger PHEV contribution, but its LCV weakness, driven by extremely low BEV penetration, creates a structural exposure to rising mandate penalties.

From a commercial perspective, Mercedes sustained its incentive strategy throughout 2025, intensifying support on BEVs in Q3 and PHEVs in Q4, though without generating a significant uplift vs 2024. In the Business Channels, BEVs became the leading powertrain from Q3 onward, yet full-year volumes remain below 2024 levels and hybrid performance softened in Q4.

Overall, while passenger car progress toward 2026 targets is visible, the brand's heavy reliance on ICE in LCVs represents the main risk factor going forward.

TATA (Jaguar – Land Rover)

ZEV Mandate performance analysis

Jaguar and Land Rover (owned by Tata Group) are clearly in a transition phase.

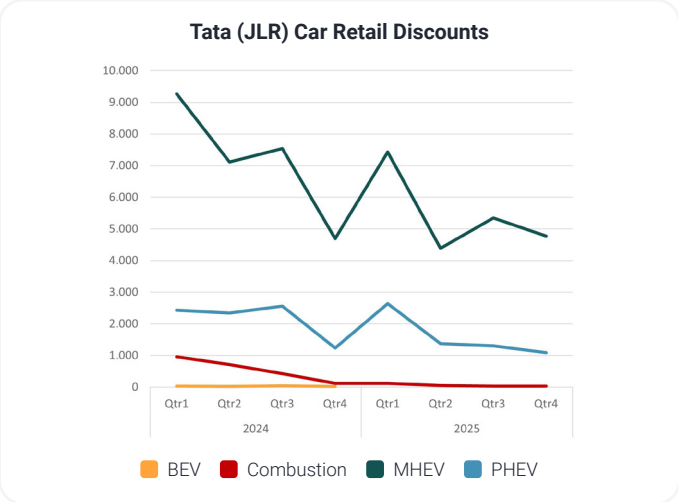
Jaguar, in particular, is undergoing a full brand transformation. In 2025, the brand accounted for only 3% of the Group's sales, with 90% coming from BEVs. This share will drop even further in 2026 due to the production halt ahead of the launch of an entirely new, fully electric line-up.

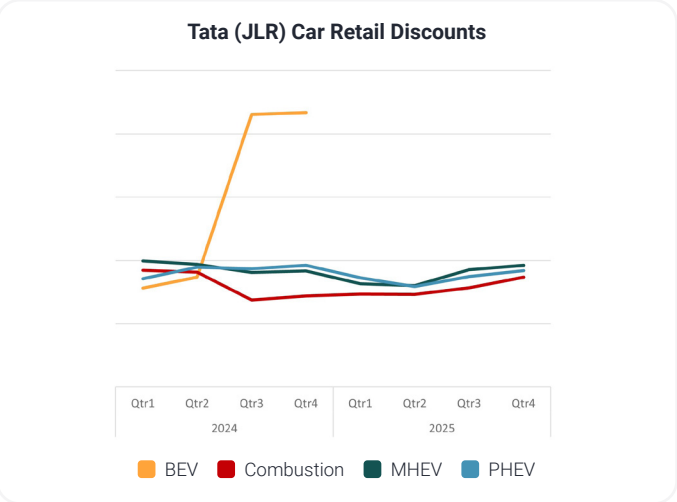
Land Rover has not yet introduced any full electric model, with the first BEV (the Range Rover Electric) planned for launch in 2026.

As a result, the Group achieved only a 2.5% ZEV performance in 2025, leading to potential penalties of £206 million. These penalties are reduced to £50 million thanks to the overachievement of the CO2 target, driven by Land Rover's strong PHEV mix (30%) and the complete replacement of ICE powertrains with MHEV across the line-up.

	2025 full year data	
Values	**Cars**	**LCV**
Total Volumes (units)	**62,445**	**6,666**
ZEV Volumes (units)	**1,590**	**0**
ZEV share (%)	**2.5%**	**0.0%**
ZEV Target (units)	**17,485**	**1,067**
ZEV excess/deficit (units)	**-15,895**	**-1,067**
Average WLTP CO2 (g/km)	**143.6**	**223.0**
CO2 target (g/km)	**177**	**241**
Total CO2 emitted (g)	**8,702,908**	**1,486,624**
CO2 allowance (g)	**10,763,023**	**1,603,507**
CO2 excess/deficit (g)	**2,060,115**	**116,883**
Estimated CO2 penalties	**0**	**0**
Estimated ZEV penalties	**£190,740,000**	**£16,005,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**£42,708,000**	**£7,890,000**
Total estimated penalties	**£50,598,000**	

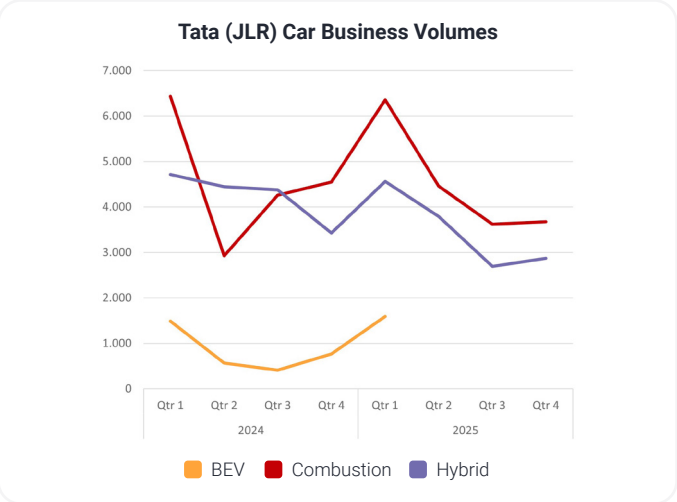
Car retail incentive analysis

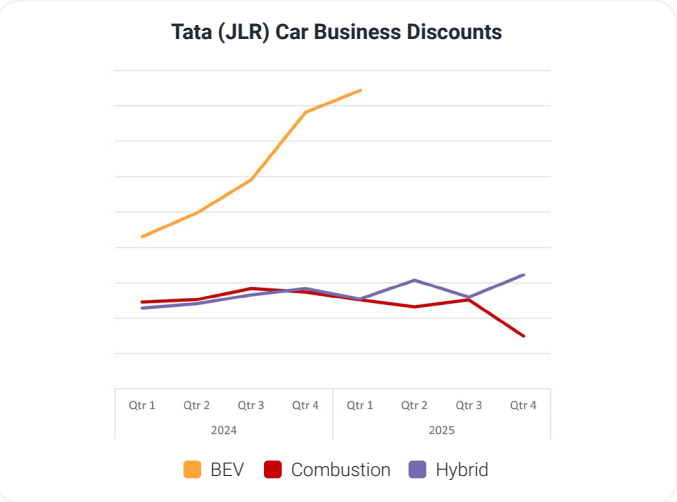




On average, group discounts in 2025 remain almost stable compared to 2024, which has helped keep overall volumes largely unchanged, including for Land Rover. PHEV volumes, however, are lower than in 2024, partly due to reduced incentive levels. Despite a slight increase in incentives at the end of the year, the overall support for PHEV models remains below 2024 levels.

Car business incentive analysis





With the BEV powertrain no longer available, hybrids have clearly become the main focus of the group's incentives in the Business Channel. However, results are mixed, with MHEV volumes growing by 6% while PHEV volumes decline by 18%.

Conclusion

Jaguar Land Rover enters 2026 in a transitional position, with Jaguar's full-electric relaunch and Land Rover's first BEV yet to arrive. The Group's very limited ZEV contribution in 2025, driven by Land Rover's BEV gap and Jaguar's reduced scale, results in substantial mandate exposure, only partially mitigated by strong PHEV performance and the full shift to MHEV.

Commercially, incentive levels remain broadly stable vs 2024, supporting overall volume retention. In Business Channels, the focus on hybrids, following the removal of BEVs, delivers uneven results, highlighting a portfolio reliant on MHEV growth but undermined by a significant PHEV decline. Overall, the Group's regulatory and commercial performance underscores the urgency of its 2026 electrification milestones.

Mazda

ZEV Mandate performance analysis

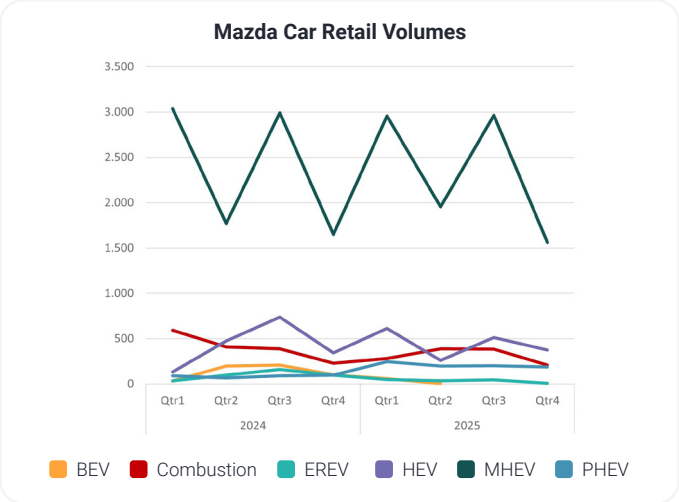
Mazda has been negatively affected by the run-out of the MX-30, its only fully electric model, resulting in a ZEV mix of just 0.5% in 2025.

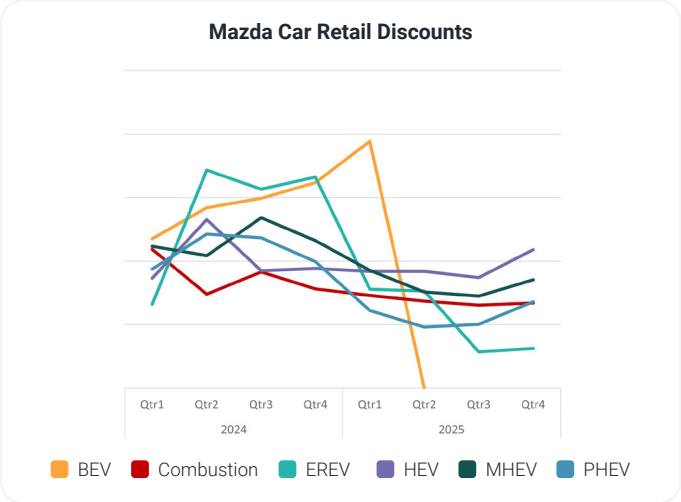
Despite strong performance across electrified powertrains, with MHEV, HEV and PHEV together accounting for 92% of Mazda's volume, and CO2 emissions that are 16 grams below the target, this is not sufficient to fully offset the £103 million estimated penalties. The CO2 over achievement seems to reduce the amount to £56 million.

Looking ahead, 2026 is likely to be challenging as well, with the brand's first new full-electric model, the Mazda 6e, expected to be introduced during the summer.

	2025 full year data
Values	**Cars**
Total Volumes (units)	**31,443**
ZEV Volumes (units)	**171**
ZEV share (%)	**0.5%**
ZEV Target (units)	**8,805**
ZEV excess/deficit (units)	**-8,634**
Average WLTP CO2 (g/km)	**122.7**
CO2 target (g/km)	**139**
Total CO2 emitted (g)	**3,837,093**
CO2 allowance (g)	**4,344,252**
CO2 excess/deficit (g)	**507,159**
Estimated CO2 penalties	**0**
Estimated ZEV penalties	**£103,608,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**£56,064,000**
Total estimated penalties	**£56,064,000**

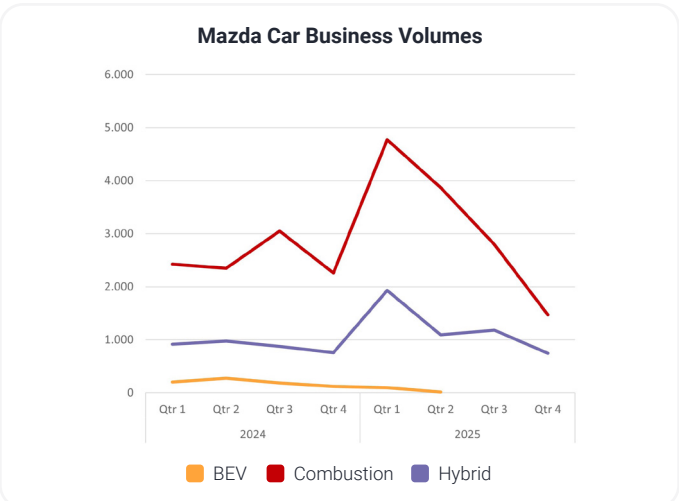
Car retail incentive analysis

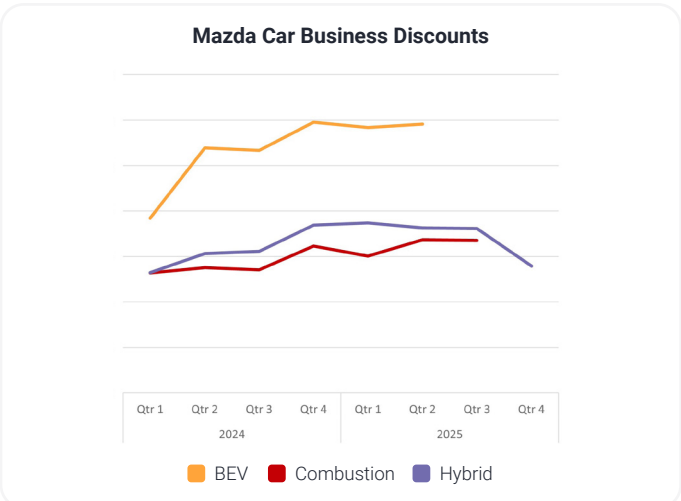




Overall, average discounts in 2025 have been lower than in 2024 across almost all powertrains. Only combustion models appear to have maintained similar incentive levels. BEV incentives were clearly discontinued in April due to the run-out of the MX-30, and PHEV incentives have also been significantly reduced, nearly halved since the beginning of the year.

Car business incentive analysis





With the BEV discontinued and the lower attention on ICE powertrain (-65%) the brand incentive focus is clearly on hybrid powertrain with a growing pressure Vs 2024 that is corresponding on a +44% in terms of volumes mostly focused on the peak in Q1.

Conclusion

Mazda faces a difficult year from a ZEV-mandate perspective due to the phase-out of its only electric model, while strong hybrid performance and solid CO2 compliance help limit, though not neutralize, the impact.Incentives have generally decreased compared with last year, reflecting a lower emphasis on BEVs and PHEVs, while support has shifted decisively toward hybrid powertrains.

Honda

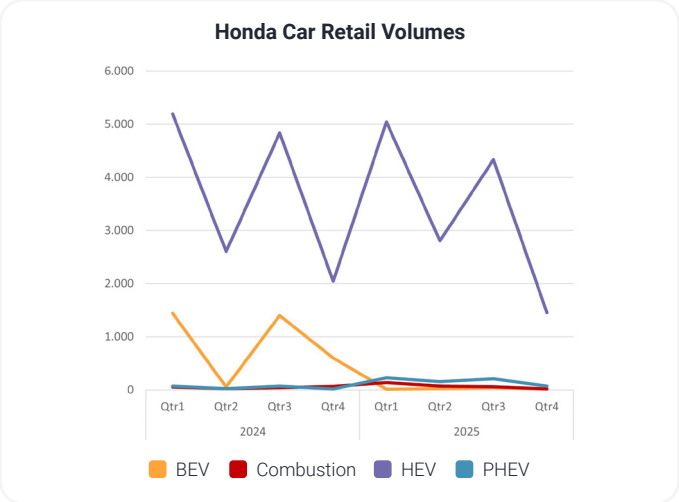
ZEV Mandate performance analysis

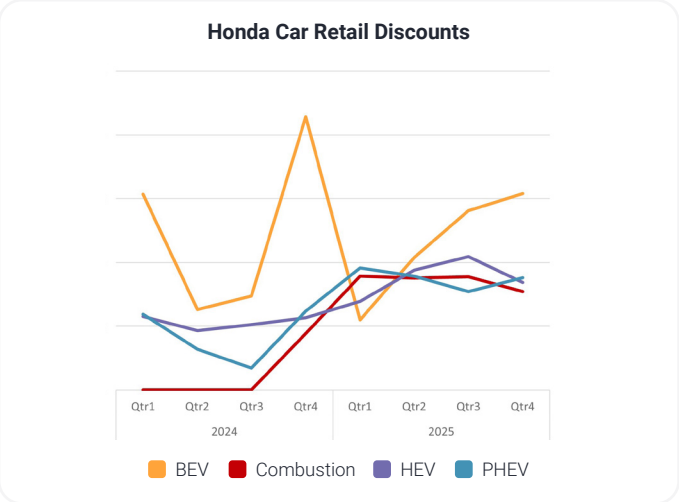
Honda's strategy is clearly centered on HEV powertrains, which account for 91% of the brand's mix, while the e:NY1, its only BEV model, reaches just 1.2%.

As a result, the brand remains far from meeting the ZEV target. Although the current powertrain mix enables Honda to achieve CO2 emissions that are 16 grams below the target, this strong overperformance significantly reduces the penalties but does not fully offset them, leaving an estimated £39 million still to be compensated.

	2025 full year data
Values	**Cars**
Total Volumes (units)	**23,017**
ZEV Volumes (units)	**284**
ZEV share (%)	**1.2%**
ZEV Target (units)	**6,445**
ZEV excess/deficit (units)	**-6,161**
Average WLTP CO2 (g/km)	**109.2**
CO2 target (g/km)	**125**
Total CO2 emitted (g)	**2,482,509**
CO2 allowance (g)	**2,847,368**
CO2 excess/deficit (g)	**364,859**
Estimated CO2 penalties	**0**
Estimated ZEV penalties	**£73,932,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**£39,132,000**
Total estimated penalties	**£39,132,000**

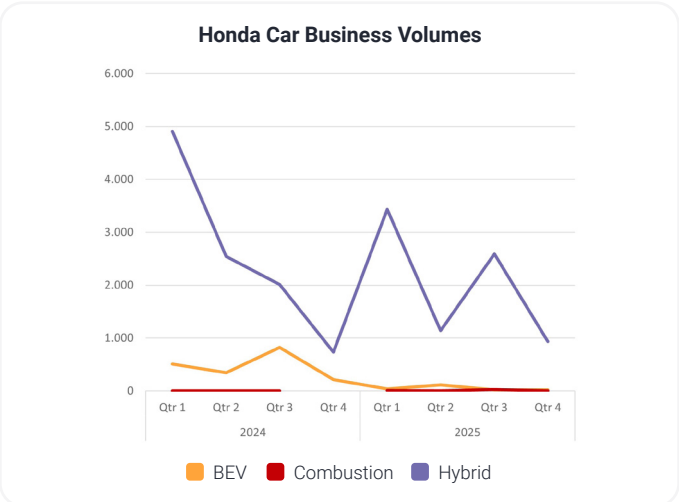
Car retail incentive analysis





Honda has increased the average level of incentive between May and September, almost doubling the level of support on PHEV vs 2025. Despite a higher push on BEV in August-September and in December this is not corresponding to a volume increase and overall BEV volumes are lower than 2024.

Car business incentive analysis





In the business channel, incentive activity is clearly focused on hybrid powertrains, with higher support that is not translating into volume growth. HEV registrations are down by 31%, while other powertrains remain marginal.

Conclusion

Honda's strong hybrid strategy ensures CO2 compliance but leaves the brand unprepared for ZEV mandate. Until the lineup expands both retail and business performance will remain heavily dependent on hybrids.

*No combustion incentives available except for Q2 and Q3 2024.

Suzuki

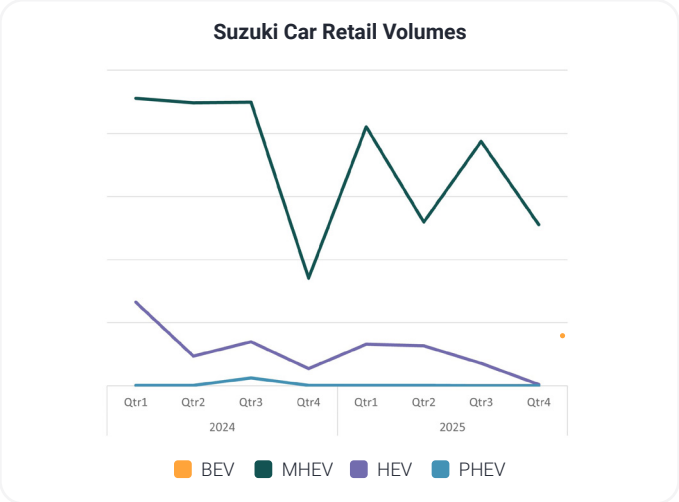
ZEV Mandate performance analysis

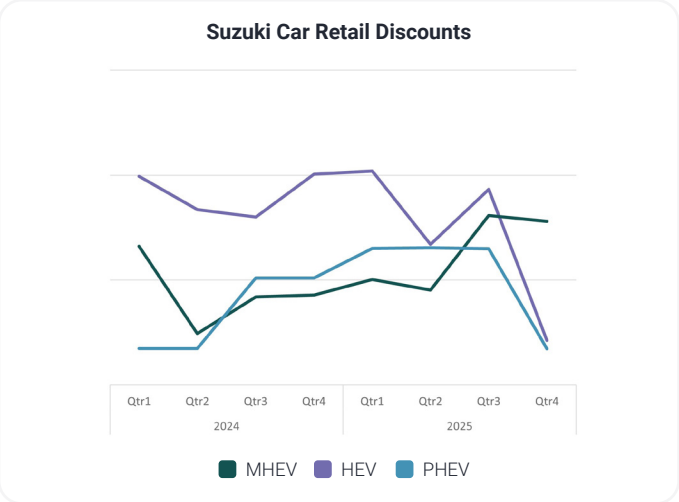
Introduced in Q4 2025, the E-Vitara, Suzuki's only BEV, has reached a 4.5% share within the brand's portfolio in just a few months. While this is not enough for Suzuki to meet the ZEV target, it places the brand on the right trajectory for next year.

As seen with other Japanese manufacturers, Suzuki's CO2 performance is overachieving the target, supported by the full replacement of ICE powertrains with MHEV and HEV solutions. However, this improvement only partially offsets the penalties.

	2025 full year data
Values	**Cars**
Total Volumes (units)	**18,226**
ZEV Volumes (units)	**819**
ZEV share (%)	**4.5%**
ZEV Target (units)	**5,104**
ZEV excess/deficit (units)	**-4,285**
Average WLTP CO2 (g/km)	**109.0**
CO2 target (g/km)	**118**
Total CO2 emitted (g)	**1,898,091**
CO2 allowance (g)	**2,054,355**
CO2 excess/deficit (g)	**156,264**
Estimated CO2 penalties	**0**
Estimated ZEV penalties	**£51,420,000**
Estimated penalties after credit transfer (ZEV ↔ CO2)	**£23,868,000**
Total estimated penalties	**£23,868,000**

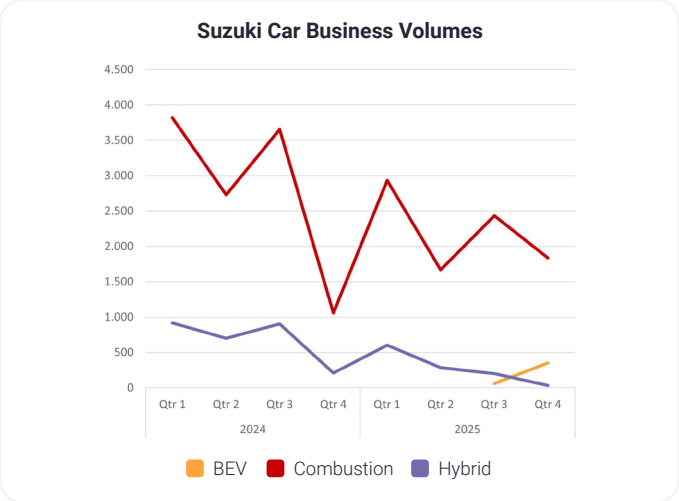
Car retail incentive analysis

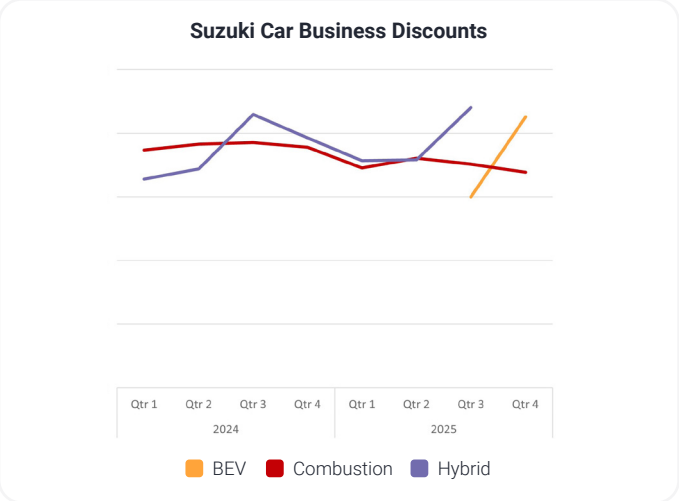




The brand increased its level of incentives in 2025, especially in the latter part of the year, with a specific focus on MHEV models. However, this growing pressure on incentives has not translated into higher volumes.

Car business incentive analysis





Business channel volumes are heavily focused on MHEV powertrain and overall decreasing, despite an increase of discounts in Q3 2025. BEV is still in an early phase, introduced only in Q4 2025.

*No incentives available on Hybrid Business Channel for Q4.

Conclusion

Suzuki's 2025 performance reflects an early phase of electrification. The late introduction of its first BEV marks a positive shift but is still far to meet ZEV requirements, leaving the brand reliant on strong CO2 over-performance to partially absorb remaining penalties. Incentive spending increased across both retail and business channels, with a clear focus on MHEV models, yet this has not driven meaningful volume growth.

Overall, Suzuki enters 2026 with encouraging signals but still faces structural challenges that require a broader and more competitive electrified portfolio.

03 Conclusions

Our analysis shows that the UK ZEV Mandate is reshaping OEM strategies across product planning, commercial policies and compliance management. While most manufacturers have strengthened their electrified portfolios, ZEV penetration remains highly uneven across groups, with only a limited number currently aligned with the mandate trajectory. Across the market, CO2 overperformance has played a crucial role in reducing overall exposure to ZEV penalties, reinforcing the growing interdependence between the two regulatory pillars.

From a commercial perspective, incentives have become a central lever for managing both compliance and demand. OEMs are increasingly supporting BEVs (though with mixed results) and selectively boosting hybrid incentives to stabilise non-ZEV volumes. BEV performance varies considerably, with some groups capitalising on new product launches while others are constrained by limited availability or insufficient model competitiveness.

Regulatory uncertainty has also become a defining feature of the UK market. This signals potential openness to recalibrating the ZEV mandate in response to mounting industry pressure, even though ministers continue to reaffirm their commitment to maintaining the 2035 ban on new ICE vehicles. The accelerated review reflects rising concern over the feasibility of interim targets at a time when EV sales momentum has softened, competitive pressure (particularly from lower-cost Chinese entrants) is intensifying, and several OEMs are warning about the economic implications of adhering to the current mandate trajectory.

Many OEMs are preparing major BEV launches that will be essential to closing compliance gaps, especially in segments where electrification remains structurally weak, most notably LCVs, which continue to be heavily ICE-dependent for several groups. At the same time, reliance on CO2 overachievement will become increasingly unsustainable as ZEV thresholds tighten. The ability to balance product investment, pricing discipline and incentive deployment will therefore be critical to limiting financial exposure and maintaining competitiveness in a rapidly evolving market.

Additionally, the rapid expansion of Chinese OEMs is further constraining the BEV growth potential available to established brands. Over the past five years, their BEV penetration has nearly doubled, from 11% to around 20, supported by broader product availability and retail prices roughly 10% lower than those of traditional OEMs. This cost advantage, coupled with strong positioning in value-driven segments and growing brand recognition, is enabling Chinese manufacturers to capture a disproportionate share of incremental BEV demand. As their portfolios expand and new entrants arrive, competitive pressure on pricing and volumes is likely to intensify, further challenging legacy OEMs' ability to meet ZEV targets without increasingly relying on incentives or product-mix optimisation.

Overall, the UK mandate continues to act as a powerful catalyst, rewarding early movers with strong electric portfolios while intensifying pressure on manufacturers progressing more slowly on their electrification roadmaps. Strategic alignment, portfolio depth and commercial effectiveness will ultimately determine which players emerge strongest in the next regulatory cycle.

04 Appendix: methodology

1. Scope of the Analysis and Data Sources

All analyses presented in this report are based on data extracted from **JATO Dynamics' proprietary databases** or provided by **a leading leasing company**, including:

- **JATO MMix Database** – monthly registrations by model, version, and powertrain.
- **JATO Specifications Database** – technical attributes for each version derived from OEM official pricelist, including WLTP CO2 values, powertrain definitions, vehicle mass, and standard equipment.
- **JATO Incentives Database** – incentive campaigns monitored across the UK market during the year.
- **Leasing company business incentives Database** – We analyse all completed vehicle quotations generated within the leasing company platforms during the previous quarter and calculate the average manufacturer discounts, dealer discounts, and applicable government grants (expressed in GBP). These data points are aggregated and structured by manufacturer, model, fuel type, and vehicle segment to ensure consistency and comparability.

For Q4 2025, the dataset comprised more than **5 million individual quotes**, providing a robust and statistically reliable foundation for the discount and grant assumptions supplied to JATO.

All datasets reflect the status as of the end of the 2025 calendar year, unless otherwise indicated.

2. Definitions of Metrics Used in Tables:

The document relies on a consistent set of definitions across all brands and vehicle groups.

Volumes & ZEV Metrics

Total Volumes (units): Total number of vehicle registrations (Cars or LCVs) in the 2025 calendar year.
ZEV Volumes (units): Number of registrations that qualify as **Zero Emission Vehicles** (BEV + FCEV).
ZEV share (%): Percentage of ZEV registrations out of the total 2025 volume:

ZEV Share = ZEV Volumes / Total Volumes ×100

ZEV Mandate Compliance

ZEV Target (units): Regulatory minimum number of ZEV registrations required in 2025, calculated by applying the mandated ZEV percentage to total registrations.
ZEV excess/deficit (units): Number of non-ZEV units permitted without incurring penalties, based on the ZEV performance achieved.

CO2 Metrics

Average WLTP CO2 (g/km): The fleet average CO2 for each group or brand is calculated as:

- Average CO2 = (∑CO2 version × registrations version) / ∑registrations version

Where:

- Each **version** is uniquely defined by engine, transmission, trim level and body style.
- **Registrations** represent the actual vehicles registered in the UK within the period.

CO2 target (g/km): Manufacturer specific CO2 compliance target (g/km) for non ZEV fleet under the UK CO2 standard.

Total CO2 emitted (g): Total "CO2 emissions activity," calculated as:

- CO2 Activity = Average CO2 × Non-ZEV Volumes

CO2 allowance (g): Total allowable CO2 emissions for the year based on regulatory targets:

- CO2 Allowance = CO2 Target × Non-ZEV Volumes

CO2 excess/deficit (g): Difference between actual CO2 activity and the regulatory allowance:

- **Positive value:** Over performance (emissions below target)
- **Negative value:** Under performance (emissions above target → penalties)

Estimated Penalty Calculations

Estimated CO2 penalties: Financial penalties due to exceeding CO2 targets after credit transfers. Penalties follow the standard EU/UK formula per gram exceeded × number of vehicles.

Estimated ZEV penalties: Penalties generated from failing to meet ZEV mandate targets after allowable compensations.

Estimated penalties after credit transfer (ZEV ↔ CO2): Surplus ZEV credits are used to offset CO2 deficits, as allowed under UK regulation, and vice versa.

Total estimated penalties: Final combined penalty owed to the UK government after all offset and transfer mechanisms are applied.

Additional considerations:

ZEV Mix (%): Share of registrations classified as **Zero Emission Vehicles**, defined as:

- **Battery Electric Vehicles (BEV)**
- **Fuel Cell Electric Vehicles (FCEV)**

Hybrid powertrains (HEV, MHEV, PHEV) are not counted as ZEVs under the UK mandate.

ICE / MHEV / HEV / PHEV / EREV Mix:

- **ICE:** Internal Combustion Engine (petrol/diesel)
- **MHEV:** Mild Hybrid
- **HEV:** Full Hybrid
- **PHEV:** Plug in Hybrid
- **EREV:** Range extender

For business volumes where the powertrain details are not available, the following should be considered:

- **Combustion:** ICE & MHEV
- **Hybrids:** HEV, PHEV, EREV
- **BEV:** Battery Electric Vehicles and Fuel Cell Electric Vehicles

Car Retail Incentives / Car & LCV Business Incentives

- **Car Retail incentives:** retail-facing discounts, dealer support, and tactical campaigns tracked by JATO.
- **Car & LCV Business incentives:** incentives targeted at fleet, leasing, rental, and corporate channels. Values are presented as average incentive levels or their evolution over time.

3. CO2 Calculation Methodology

3.1 CO2 Data Source

All CO2 values used in this report correspond to the official **WLTP declared emissions** for each model/version, as recorded in the **JATO Specification database**.

3.2 Standard Configuration — Important Note

All CO2 values used correspond to the **standard configuration** of each model/version as declared by the manufacturer.

Therefore:

The analysis does not account for any CO2 variation caused by optional equipment, such as:

- wheels of non standard size
- accessory packs that affect weight or aerodynamics
- optional features altering energy consumption.

This ensures consistency and comparability across all manufacturers but means that CO2 values for vehicles with customer selected options may differ from those reflected in this report.

4. Assumptions and Limitations

- Analyses reflect only **registered vehicles**, not production or supply figures.
- Where applicable, penalty estimates rely on the UK regulatory formulas and may include conservative assumptions.
- Incentive data cover campaigns observable via JATO monitoring; undisclosed or private campaigns may not be included.
- CO2 values are based on **standard configurations only**, as explained above.
- All figures rely on the datasets available at the time of extraction.

5. Summary

The methodology consolidates technical specifications, market registrations, and incentive activity within a unified analytical framework.

All metrics—CO2 averages, ZEV shares, powertrain splits, and penalty simulations—are computed using consistent, transparent, and reproducible rules based on JATO Dynamics' proprietary data architecture.

05 Appendix: legal notes

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With extensive global coverage across more than 50 markets, 200+ brands and 1,800+ vehicle models, JATO's expertise can help leasing and fleet management companies close the data gap and make faster, more confident decisions.

For more information, contact one of our experts for a discovery call.

Helen Fisk

Global Head of Leasing & Professional Services