



Plug-in hybrids 2.0:

A dangerous distraction, not a climate solution

Transport & Environment

Published: February 2022

Author: Anna Krajinska

Modelling: Yoann Gimbert

Expert group: Julia Poliscanova, Thomas Earl

Editeur responsable: William Todts, Executive Director

© 2022 European Federation for Transport and Environment AISBL

To cite this report

Transport & Environment, (2023) Plug-in hybrids 2.0: A dangerous distraction, not a climate solution.

Further information

Anna Krajinska

Transport & Environment

anna.krajinska@transportenvironment.org

Mobile: +447761536337

www.transportenvironment.org | @transenv | fb: Transport & Environment

Acknowledgements

The findings and views put forward in this publication are the sole responsibility of the authors listed above. The authors kindly acknowledge the external peer reviewers Jan Dornoff from The International Council on Clean Transportation, Stefan Hausberger and Claus Metzger from TU Graz.

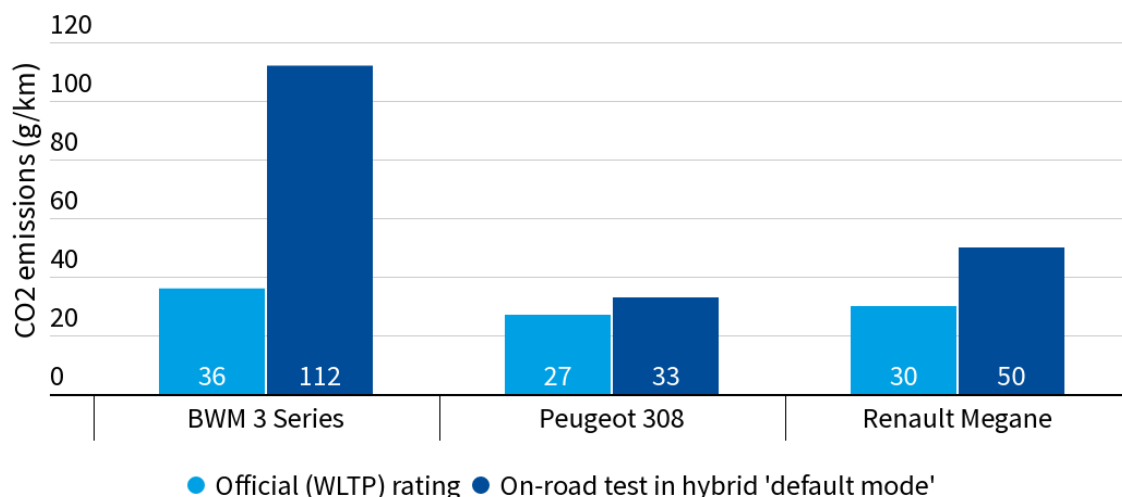
Executive Summary

Plug-in hybrids 2.0: A dangerous distraction, not a climate solution

T&E commissioned TU Graz to independently test three new and popular, average-sized plug-in hybrids (PHEVs): the BMW 3 series, the Peugeot 308 and the Renault Megane on the road.

- The real-world CO₂ emissions of the tested PHEVs are 85-114 g/km, around 3 times the artificially low official rating of 27-36 g/km
- When not charged city CO₂ emissions are 5-7 times the official values
- When commuting, starting with a fully charged battery, test CO₂ emissions were 1.2-3 times the official values
- The city electric range of the BMW was 26% and of the Peugeot 47% lower than expected
- BMW's geo-fencing technology does not guarantee zero emission driving in cities

In commuter tests, PHEVs pollute more than claimed when starting on a full battery



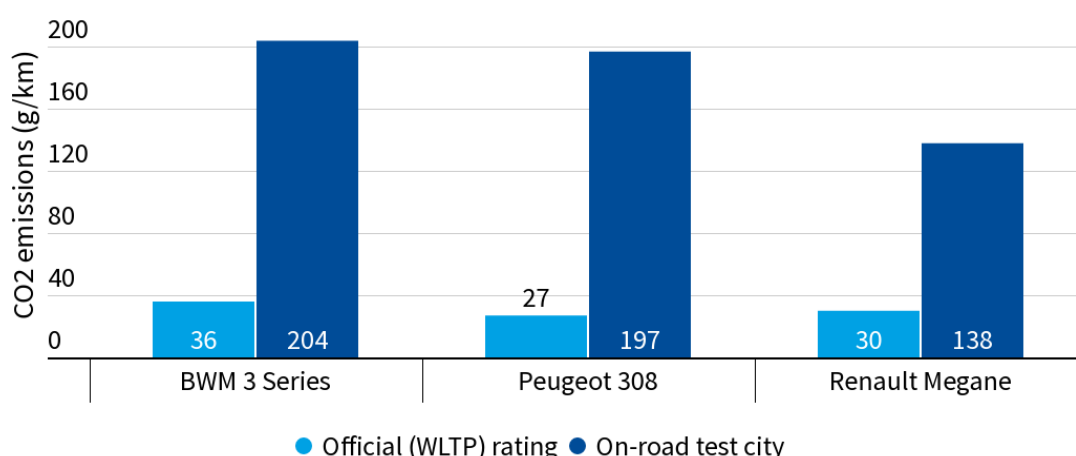
Official WLTP CO₂ and that measured on the commuter route, starting with a fully charged battery in the default mode selected by the PHEV. Tested by the Graz University of Technology for Transport & Environment.

Two years ago T&E tested the BMW X5, Volvo XC60 and Mitsubishi Outlander SUV PHEVs under a wide range of conditions, mostly on longer routes. This year T&E tested three smaller PHEVs on shorter routes which can be reasonably done by those living in cities or commuting to see if PHEV performance has improved.

Commuting CO₂

When tested on the commuter route, starting with a fully charged battery and driving in the mode selected by the PHEV, the Peugeot and the Renault emitted 1.2-1.7 times the official CO₂ (33 - 50 gCO₂/km). They still performed comparatively better than the BMW, which emitted over 100 gCO₂/km (3 times the official value). Activation of the BMW's 'anticipatory' mode was needed (by programming the route into the satellite navigation system) to reduce commuting CO₂ by around half to 67g/km (2 times the official value). The necessity to use the sat-nav to reduce CO₂ to levels closer to the other PHEVs tested is not ideal as driver's may not use the sat-nav on known routes resulting in unnecessarily high CO₂ emissions.

In city tests, PHEVs powered by the engine emit 5-7 times advertised CO₂

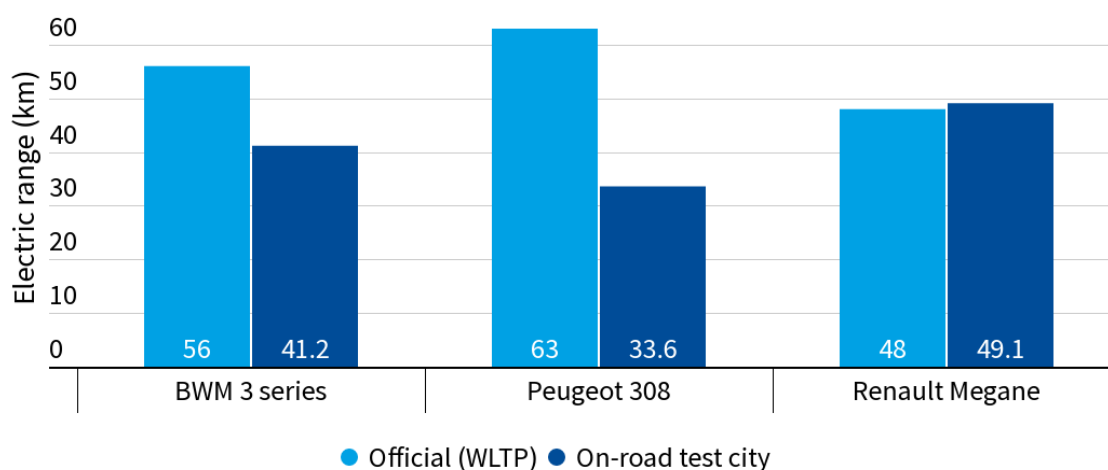


Official WLTP CO₂ and that measured during city driving in charge sustaining mode. Tested by Graz University of Technology for Transport & Environment.

CO₂ when not charged

Studies show that many PHEVs, especially company cars, are rarely, if ever charged. T&E's previous testing showed that when not charged, PHEV CO₂ is very high. When tested with an empty battery in the city, CO₂ emissions were still very high (~200g/km) for the BMW and the Peugeot. This is equivalent to the emissions of the VW Tiguan SUV. The Renault had lower emissions of 138g/km. Compared to the over two PHEVs the Renault has around half the engine power, a more powerful electric motor than ICE and lower weight, all factors which are important in restricting PHEV CO₂ emissions.

In city tests, all three PHEVs had less than 50km range



Official WLTP electric range and that measured during city driving. Tested by the Graz University of Technology for Transport & Environment.

City electric range

The electric range of PHEVs is still limited. When driving around the city of Graz, the electric range of all three PHEVs was less than 50km. BMW achieved a 26% lower electric range and Peugeot 47% lower than expected based on official data. Only Renault achieved the expected electric range.

PHEVs are not suitable for clean cities

PHEVs offer cities few climate or air quality benefits because there is no guarantee that they will be driven electrically. BMW's 'eDrive Zone' geo-fencing is advertised as a way to increase PHEV zero emission driving in 138 European cities by automatically switching to zero emission driving when in the city.

During testing the technology failed to guarantee emission free city driving. With geo-fencing technology enabled, the engine switched on twice while driving in the city putting into doubt the effectiveness of the technology. Outside of geo-fenced zones, T&E's tests also showed that the BMW might be conserving battery charge in case of entry into such areas - risking increasing CO₂ from PHEVs when driving outside of cities.

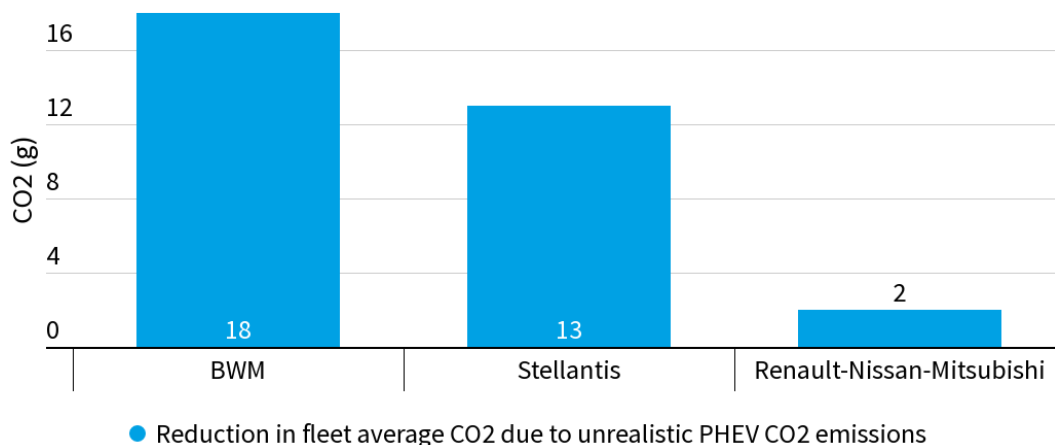
Short electric range and no fast charging, risk PHEVs rapidly running out of charge in geo-fenced zero emission zones. This puts the integrity of future zero emission zones in cities such as Amsterdam, Paris and London at risk and limits their climate and air quality benefits.

Even if an EU-wide geo-fencing standard, required zero emission driving in geo-fenced areas, it is doubtful this can be effectively enforced. PHEVs that turn on their ICE for just short bursts would be nearly impossible for cities to detect.

PHEVs weaken Europe's clean car rules

While official CO₂ emissions of PHEVs are low (27-36 g/km for the tested PHEVs), real world data shows that PHEVs are driven electrically less than assumed by regulation. This means that in reality, the official CO₂ of the three PHEVs tested should be 85-114 g/km.

Carmakers unfairly benefit from artificially low PHEV CO₂ when it comes to compliance with EU car CO₂ standards



Calculated based on H1 2022 sales and 2027 PHEV utility factors.

In 2022, PHEVs will have reduced carmakers fleet average CO₂ by more than any other flexibility in the CO₂ regulation. Due to the unrealistically low PHEV CO₂, the monetary value for carmakers of selling PHEVs is large. T&E calculates that in 2022 this amounted to :

- BMW: €0.9 billion or €8,200 per PHEV
- Stellantis: €1.3 billion or €9,300 per PHEV
- RNM: €0.3 billion or €6,900 per PHEV

Selling PHEVs with artificially low CO₂ also means that fewer BEVs need to be sold for carmakers to comply with CO₂ targets. For the three carmakers 247,000 less BEVs needed to be sold, 22% of 2022 BEV sales.

Carmakers benefit from PHEV subsidies

The benefits for carmakers don't stop at CO₂ compliance. T&E estimates that around €350 million will have been paid out in PHEV purchase subsidies in 2022 for the three carmakers alone. While Germany, which is responsible for the majority of the subsidy spend, has removed PHEV subsidies starting from 2023, other Member States such as Spain plan to

continue to support PHEV sales despite the large body of evidence which shows that these cars fail to deliver the promised climate benefits.

Subsidies given to PHEVs in 2022:

Country	Subsidy total (euro)
 Austria	2,090,795
 France	47,496,000
 Germany	263,467,125
 Italy	11,171,040
 Romania	358,904
 Spain	21,137,064
 Sweden	4,694,433
Total	350,415,360

This all comes at a cost to consumers as, on average, in the EU, it is cheaper to own a BEV than a PHEV. T&E's analysis using comparable BEV models shows that owning a Tesla Model 3 vs. the BMW 3 Series would save €2,600 euro over 4 years, the Citroën eC4 vs. the Peugeot 308 would save €4,800 and the electric Renault Megane vs. the PHEV version would save €1,300.

The results of T&E's testing show that PHEV models are not getting considerably better at CO₂ savings, and cannot guarantee zero emissions driving in cities. Policymakers should take action by ensuring that PHEVs are not treated the same as BEVs when it comes to entry into zero emission zones. T&E recommends the following reforms in the short and medium term:

Key recommendations

- 1 PHEVs should not be treated as zero emission even if they have geo-fencing capability.

- 2 PHEV ownership and company car benefit-in-kind taxation should be based on the actual CO₂ reduction delivered by individual PHEVs in the real world.

- 3 Privately owned PHEVs should not receive purchase subsidies. Where these exist (e.g. in early BEV markets), they should be based on performance criteria, such as: a min electric range of 80km, the power of electric motor at least equal to the power of the ICE, capability to fast charge and maximum engine only CO₂ of 139 g/km.

- 4 No purchase subsidies should be given to company cars.

- 5 Official PHEV CO₂ emissions need to be regularly updated with real world data.

- 6 The option to charge the PHEV using the internal combustion engine should be removed by carmakers.

- 7 Carmakers should educate and reward PHEV drivers for driving electrically.

Table of contents

1. Introduction	11
2. Methodology	12
2.1. The cars	13
2.2 The routes	14
2.3 The tests	16
3. Results	18
3.1 Real world electric range	18
3.2 CO2 emissions	20
3.2.1. Emissions when not charged	20
3.2.2 Charge increasing emissions	22
3.2.3 Hybrid emissions	24
3.4 Anticipatory hybrid mode of the BMW	27
3.5 Geo-fencing: BMW eDrive Zone	28
4. Analysis of PHEV CO2 and its impacts	30
4.1. Realistic PHEV CO2 emissions	31
4.2 Impact of more realistic WLTP emissions on OEM CO2 compliance	34
4.2.1. 2021 CO2 compliance	34
4.2.2 2022 CO2 compliance	36
4.3 Cost of subsidies in 2022	36
4.4 Total cost of ownership	38
5. Discussion	39
5.1 Geo-fencing & PHEV suitability for cities	39
5.2 PHEV suitability for reducing CO2 emissions	41
5.3 Vehicle taxation should reward low CO2 PHEVs and their drivers	44
5.4 Subsidies	44
6. Conclusion and policy recommendations	45
7. Annex	48
Bibliography	54

1. Introduction

Since the publication in November 2020 of T&E's first report on the real world performance of plug-in hybrid cars (PHEVs)[1], sales of PHEVs in the European Union have continued to skyrocket as carmakers expand their line up and push sales to meet their CO₂ targets. Covid has not dampened carmakers' commitment to the technology which has been supported further by generous purchase incentives in many Member States. PHEVs share of total vehicle sales increased from 5.1% in 2020 to 8.9% in 2021[2], increasing to 9.4% in 2022 just behind battery electric cars (BEVs) at 12.1%. There are now 87 PHEV models available to buy in the EU compared to 57 in 2020 and 877,00 PHEVs were sold in 2022[3]. By the end of the decade it is expected that there will be about 11 million PHEVs in the EU vehicle fleet¹.

Yet, while the climate benefits of 100% electric vehicles cannot be doubted, the widely advertised climate benefits of PHEVs cannot be guaranteed. Officially, PHEVs boast very low tailpipe CO₂ emissions; the majority of EU PHEVs emit less than 50 gCO₂/km on paper with some boasting CO₂ as low as 16 gCO₂/km. However, while the average official CO₂ of PHEV models decreased in the first half of 2022 by 6.5% compared to 2021[4], real drive data shows that PHEVs do not deliver the expected CO₂ savings on the road with PHEVs actually emitting 3-5 times more CO₂ than official figures[5]. This means that the average PHEV sold last year emits between 114-190 gCO₂/km instead of the official 38 gCO₂/km.² The large gap in emissions means that carmakers benefit significantly from PHEV sales when it comes to CO₂ compliance while the climate benefits are not realised on the road. This both undermines the EU car CO₂ targets and as PHEV fleet penetration increases will make it harder for Member States to meet their climate obligations when it comes to transport emissions.

The large gap between official and real world PHEV CO₂ emissions arises because of overly optimistic regulatory assumptions on the share of electric kilometres driven by PHEVs known as utility factors. Battery electric vehicles (BEVs) can only be driven using the electric motor and battery and therefore their tailpipe CO₂ and pollutant emissions are guaranteed to be zero. PHEVs on the other hand are fitted with both an electric drivetrain and an internal combustion engine (ICE). This means that the share of electric driving and therefore the PHEV's CO₂ and pollutant emissions are determined by the design of each PHEV model (e.g. the power of the internal combustion engine vs. electric motor and how these are programmed to interact, electric range i.e. battery size and charging speed) as well as how often the PHEVs is charged, the trip distances driven, ambient conditions and the driving modes used. This means that PHEV design and use are critical determinants of the CO₂ and pollutant emissions savings that the technology can achieve.

In 2020 T&E undertook testing on 3 SUV PHEVs: a BMW X5, Volvo XC60 and Mitsubishi Outlander which showed that the PHEVs tested were much closer in design to traditional ICE cars than BEVs[6]. Large CO₂

¹ Based on 2021 PHEV in the fleet data from the European Alternative Fuels Observatory and LMC Automotive Global hybrid & Electric Vehicle Forecast (Q2 2022).

² Based on the real world UF for company and private cars published in ICCT. (2022) [Real-world usage of plug-in hybrid vehicles in Europe](#) and T&E's methodology for calculating PHEV CO₂ emissions outlined in T&E. (2022) [Update- T&E'S analysis of electric car lifecycle CO2 emissions](#).

emissions when the PHEVs were driving using the internal combustion engine only, an electric drive which only had sufficient power for zero emission driving under a narrow range of on-road conditions and lack of fast charging combine to make it hard to achieve the officially very low CO₂ emissions in the real world. The small PHEV battery sizes which constrain the electric range and weak electric motors seen across much of the EU PHEV fleet further indicated that PHEVs were being sold as compliance tools to help carmakers meet their car CO₂ standards rather than to deliver the expected CO₂ savings on the road. Research conducted since has shown PHEVs are drifting further away from BEVs with real world fuel consumption increasing by 6-8% per year[5].

While the European Commission took action earlier this year to update utility factors based on real world data³, the gap between official and real world CO₂ emissions will not be fully closed until 2027. As regulation has been a strong driver of PHEV design it is unlikely that significant improvement to PHEVs will be made prior to 2025, when the first adjustment to the utility factor and thereby PHEV CO₂ emissions takes place. Yet, despite knowing the large gap between official and real world PHEV CO₂ emissions and arguing against substantial improvements to regulation[7]⁴, the EU's carmakers have been advertising PHEVs as a good driver choice for the environment. Skoda goes as far as to advertise that the PHEVs are 'great for the environment'⁵. Carmakers have also been claiming that PHEVs are the 'perfect' city car⁶ which allows owners to drive zero emission in cities while the internal combustion engine is a back up for longer trips⁷. BMW has even voluntarily introduced geo-fencing technology-- so called 'eDrive zones' which it claims automatically place their PHEVs in zero emission mode when driving in 138 European cities thus providing air quality and emissions benefits⁸.

Since T&E's last PHEV testing, carmakers have increased their offering of small and medium sized PHEVs. To check how these smaller PHEVs perform, T&E commissioned TU Graz to independently undertake testing of three popular compact PHEV passenger cars, the BMW 3 Series, the Peugeot 308 and the Renault Megane. The PHEVs were tested during city and commuter use, which is often touted by carmakers as the ideal use case for PHEVs⁹. T&E also tested the effectiveness of BMW's flagship eDrive zones geofencing technology. This report presents the results of the on road tests as well as an analysis of the use of PHEVs by the three carmakers as a CO₂ compliance mechanism.

2. Methodology

In the summer of 2022 T&E commissioned TU Graz based in Graz, Austria to undertake testing of PHEVs under real world city and commuter driving conditions to investigate the vehicles' real world electric range, fuel consumption, CO₂ and pollutant emissions.

³ <https://ec.europa.eu/transparency/comitology-register/screen/documents/082562/1/consult?lang=en>

⁴ T&E. (2021) How to fix the PHEV loophole.

⁵ <https://www.skoda.co.uk/electric-hybrid-cars/phev-technology>. Accessed 20th November 2022.

⁶ <https://www.bmw.co.uk/en/all-models/phev.html>. Accessed 10th September 2022.

⁷ <https://www.renault.co.uk/engines-innovation/plugin-hybrid-technology.html> Accessed 10th September 2022.

⁸ <https://www.press.bmwgroup.com/global/article/detail/T0361792EN/emission-free-city-centres-bmw-edrive-zones-now-available-in-138-european-cities?language=en> Accessed 10th September 2022.

⁹ <https://discover.bmw.co.uk/article/bmw-edrive-zones-in-the-uk> Accessed 10th September 2022

2.1. The cars

Three PHEVs were chosen by T&E for the testing: a BMW 3 xDrive series, a Peugeot 308 and a Renault Megane. Smaller non-SUV PHEV models were chosen on this occasion to complement the SUV PHEV testing undertaken by T&E in 2020[6], thereby providing a wider overview of the performance of PHEVs across different car segments and top EU car brands. A BMW PHEV was chosen specifically to test its ‘eDrive zone’ geo-fencing technology, which is advertised to automatically put the PHEV into zero emission driving mode in 138 European cities,¹⁰ and anticipatory hybrid technology (which uses the sat-nav to optimise battery and engine use). These have been widely advertised by BMW as a ‘success story’ for inner city emissions, and for drivers due to lower fuel costs¹¹. The BMW 3 series was chosen for the testing since it is the second best selling PHEV in Western Europe in 2022[8]. The other two PHEVs were chosen because they are compact PHEVs sold by two well known European carmakers.

All three cars were of the Euro 6d emission standards approved under the WLTP regulation and were sourced independently of T&E by TU Graz. Further details of the tested vehicles are available in Annex 7.1.



Fig. 1: The three PHEVs testest by TU Graz: BMW 3 xDrive series, Peugeot 308 and the Renault Megane with installed Portable Emission Measurement System.

¹⁰

<https://www.press.bmwgroup.com/global/article/detail/T0361792EN/emission-free-city-centres:-bmw-edrive-zones-now-available-in-138-european-cities?language=en> Accessed 10th September 2022.

¹¹

<https://www.press.bmwgroup.com/global/article/detail/T0361792EN/emission-free-city-centres:-bmw-edrive-zones-now-available-in-138-european-cities?language=en>

2.2 The routes

Three different on-road test routes were developed by TU Graz to represent driving routes and styles which can be considered to be representative of typical PHEV use including city and commuter driving.

1. City driving route

The city driving route was designed to test the PHEV's performance and emissions when driving within a town or city. This route starts and finishes at the test centre at the Inffeld Campus of TU Graz and is driven on roads within the inner city of Graz. The full test route involves driving the full loop (as shown in fig. 2) counterclockwise twice with a total test distance of 66 km. The average speed on this test was between 20-30 km/h with 97-99% of driving conducted at speeds of less than 60 km/h as per the EU Real Driving Emissions (RDE) urban driving boundary.

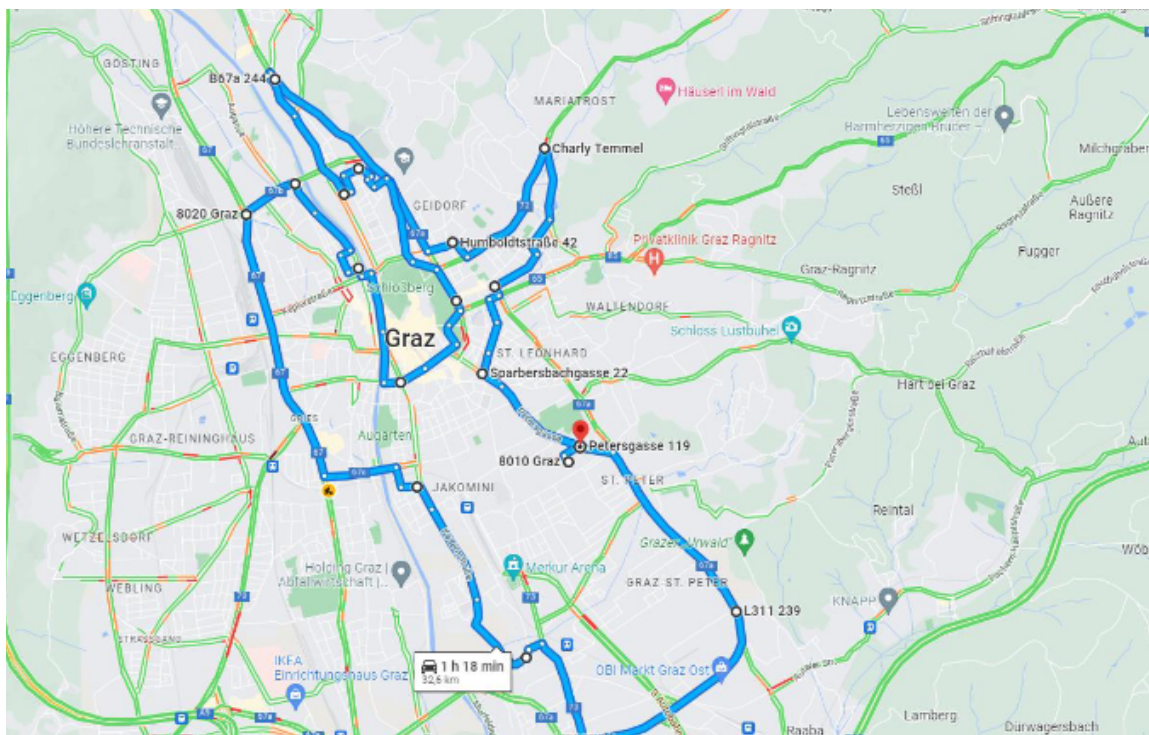


Fig. 2: The city driving route around the city of Graz, Austria. Map source: Google maps

2. Commuter route

This route was designed to test the PHEV's performance when commuting into a town or city. The route starts 20km from Graz in a small town called Gleisdorf which is a popular commuter town for Graz. The A2 highway is taken into the inner city of Graz and a brief 20 minute stop took place in the centre of town at the old campus of TU Graz University. The stop was included to represent an event such as shopping, drop off or attending work. The length of the stop was limited by the capacity of the emission measurement equipment battery, however it is not expected that a longer stop would have a significant impact on the performance of the vehicle outside of the cold start period. After the stop, with the exception of several one way streets, the same route was driven back. The total test is 55 km long, the

majority of driving by distance (73%) occurred at speeds of above 90 km/h, city driving at speeds of less than 60 km/h accounted for 18% of the trip and the remaining 9% encompassed speeds typical of rural driving with speeds of between 60-90 km/h.

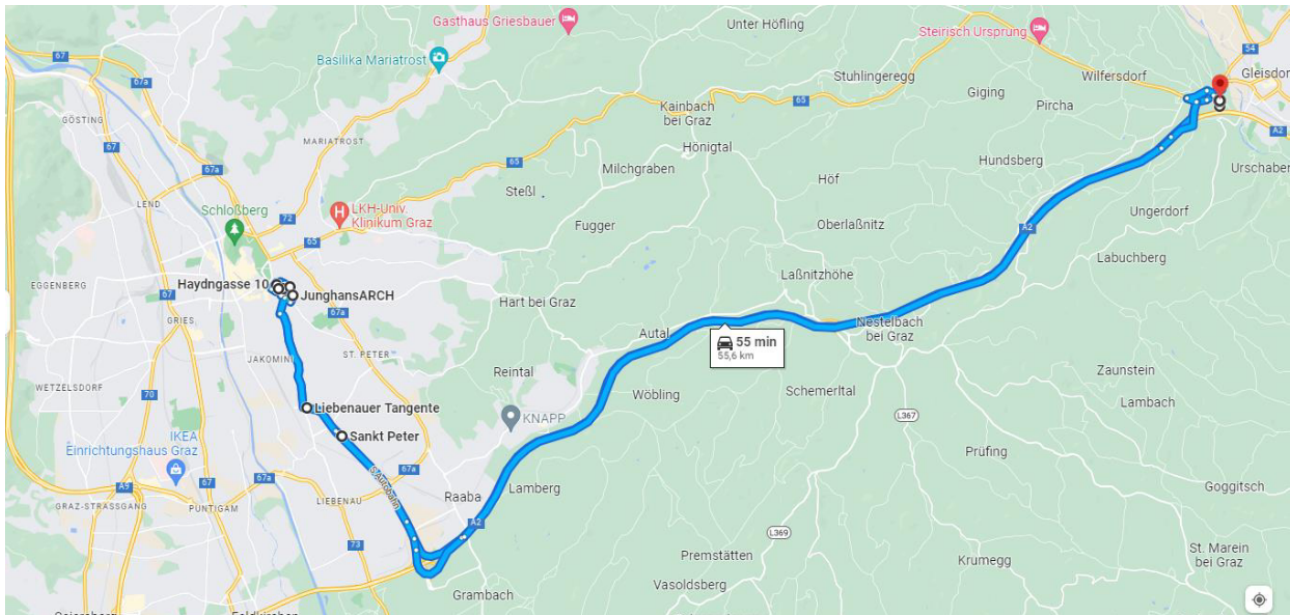


Fig. 3: The commuter route used for testing of hybrid emissions. Map source: Google maps

3. Extended commuter route

This route was designed to test the PHEVs performance on a commute where the engine is used to charge the battery for later zero emission use by using the driver selectable charge increasing mode. The route starts at the Inffeld campus in the centre of Graz and the A2 highway is taken to Ilz 48 km away with the same route driven back. This route was longer than the commuter route to allow sufficient time for the battery to charge so that the emission impact of charging could be assessed. The majority of driving (>80 %) occurred at speeds of above 90km/h, city driving accounted for 8% of the trip and the remainder was driven at 60-90km/h.

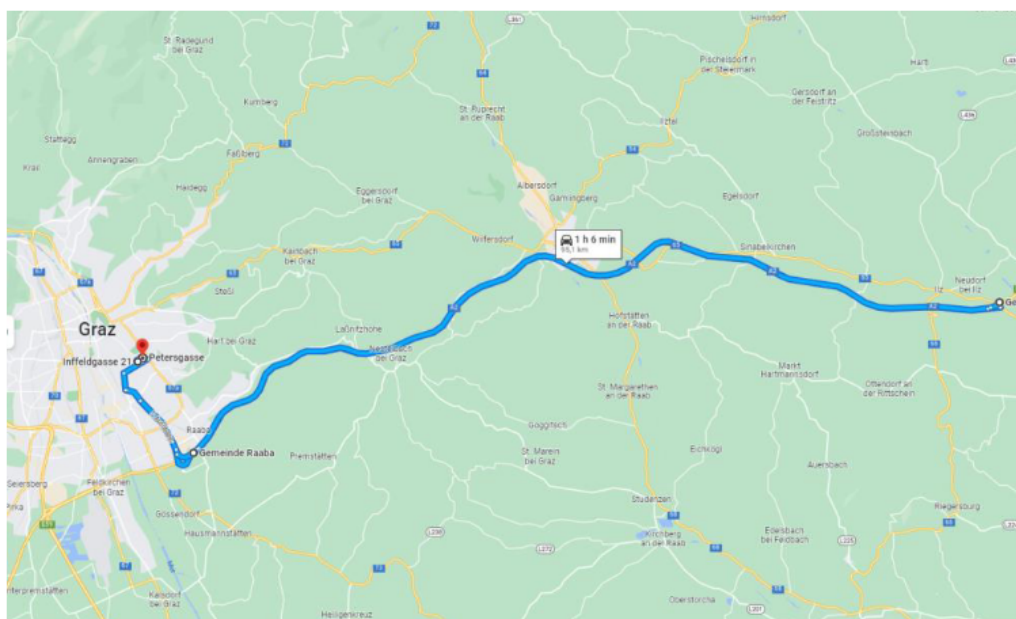


Fig. 4: The extended commuter route used for testing of the charge increasing mode. Map source: Google maps

It should be noted that the routes used for this testing programme are not compliant with RDE (RDE) regulation for on-road testing due to the stringent criteria surrounding the length, order and share of urban, rural and motorway driving which must take place during the RDE test and the maximum stop time allowable. However they cover driving conditions which can be reasonably expected to be driven by a PHEV under normal conditions of use. Full technical details of the test routes are available in Annex 7.2.

2.3 The tests

The following tests were carried out on the routes described in Section 2.2. During all tests the air conditioning was set on automatic mode at 22 °C. Infotainment and lights were set on the default automatic mode selected by the PHEV. The same load was used for all vehicles of around 275kg which comprised the driver, co-driver and the PEMS system. During all tests the vehicles' pollutant (NO₂, NO, CO, PN) and CO₂ emissions were measured continuously at the tailpipe at a frequency of 1Hz using an AVL M.O.V.E. Portable Emissions Measurement System (PEMS). On-board diagnostic channels were monitored using a CAN connection, however it should be noted that no channels relating to the operation of the PHEV's high voltage battery were available on any of the three cars tested.

1. City electric range test (BMW, Peugeot, Renault):

City driving is often advertised by carmakers as the ideal use case for PHEVs, therefore to determine if the official electric range could be replicated during real world city driving the electric range of the three PHEVs was tested on the city driving route. All three PHEVs started the test with a fully charged battery and the electric charge depleting mode was activated at the start of the test. For all three PHEVs this was a cold start test i.e. all three cars were left with their engine off for more than twelve hours. The end of the test corresponded to the point at which the battery was fully depleted. None of the PHEVs tested

provided data on the state of charge (SoC) of the battery via the data-logger connected to the on-board diagnostic port, therefore the dashboard display on the state of charge was used. As this is the only source of information on the battery SoC provided to the driver (i.e. the consumer) it is an acceptable method for monitoring SoC during real world testing where the aim is to replicate realistic on road driving conditions experienced by a typical PHEV driver. Due to the low power needed on this test route, the ICE was not started on any of the PHEVs to support the electric motor and the ICE was only started when the PHEV battery was empty, which defined the real world electric range.

2. Charge sustaining CO₂ test (BMW, Peugeot, Renault) :

The test to determine CO₂ emissions when the battery is empty and the car is running using the ICE only (so called 'charge sustaining' mode) was also conducted on the city driving route to determine the real world city emissions that occur when PHEVs are not charged. The test was conducted on the same day as the city electric range test with a break between tests and as such constitutes a 'hot test' i.e the engine was not fully cold at the start of each test. Each vehicle started the test with an empty battery as determined from the dashboard display and the test was conducted in the default driving mode selected by the PHEV at the start of the test. During the test two laps of the city driving route were driven per vehicle. A 10 minute stop occurred after the first loop of the test to change the PEMS batteries.

3. Hybrid 'Default mode' test (BMW, Peugeot, Renault) :

Not all PHEV users will choose the driving mode for the PHEV and will rely on the vehicle to make the choice. To test what each vehicle would do and the associated CO₂ emissions when the car is fully charged, used for commuting and driven in the default mode selected by the PHEV were tested on the commuter route. On the BMW the eDrive zones geo-fencing technology was active by default and this test was also used to assess the effectiveness of the technology once the car enters the city centre. This was a hot start test for all three PHEVs as they were first driven to the start of the test route at Gleisdorf.

4. Anticipatory hybrid test (BMW):

The BMW is fitted with adaptive hybrid technology which is advertised to use the satellite navigation in the car to optimise the use of the internal combustion engine and the battery for efficient driving. To test how this affects the BMW's performance and CO₂ emissions and if it has any impact on the eDrive zone geo-fencing technology the car was driven once again on the commuter route with a fully charged battery. To activate the adaptive hybrid technology the route was programmed into the sat-nav prior to the start of the test. This was a hot start test.

5. Charge increasing CO₂ test (BMW):

Only the BMW was equipped with a battery charging (charge increasing) mode therefore only the BMW was subject to the charge increasing test. The test to measure CO₂ emissions when the internal combustion engine is used to power the car and charge the battery (so called 'charge increasing' emissions) was conducted on the extended commuter route. This route was chosen as this is representative of what the carmakers often claim is the ideal use case for this mode i.e. the battery is charged during high speed motorway driving during travel to a town or city which then allows zero emission in the town or city. This was a cold start test.

6. 50% hybrid test (Peugeot, Renault):

Since neither the Peugeot nor the Renault were equipped with a charge increasing mode like the BMW it was decided to instead test the two PHEVs on the extended commuter route in hybrid mode starting the test with a 50% charged battery to check how this would affect their performance.

3. Results

This section presents the electric range and CO₂ emissions results of the three tested PHEVs as well as an assessment of the performance of BMW's geo-fencing (eDrive Zones) and adaptive driving modes.

While on-road pollutant emissions were not the main focus of this project, pollutant emissions were measured on all tests and all PHEVs complied with the applicable Euro 6d on-road emission limits¹² for particle number (PN) and nitrogen oxides (NO_x). The Euro 6 limit for carbon monoxide (CO) was also met by all three PHEVs.

3.1 Real world electric range

The electric and in particular the zero emission electric range of a PHEV is a critical determinant of the CO₂ emission savings that PHEV technology can deliver. The greater the electric range of a PHEV, the greater, on average, the share of electric kilometres driven and therefore the greater the associated CO₂ reduction[5]. As such, it is important that the official type-approval electric range determined on the WLTP test and used both for the calculation of PHEV CO₂ emissions and for advertising, reflects the vehicle's real world performance. This is important for consumers so that they are not misled into buying cars which are not capable of achieving the electric range expected of them, especially since city driving is often advertised as the optimal use case for PHEVs.

¹² Euro 6 limits combined with the applicable 6d conformity factor.

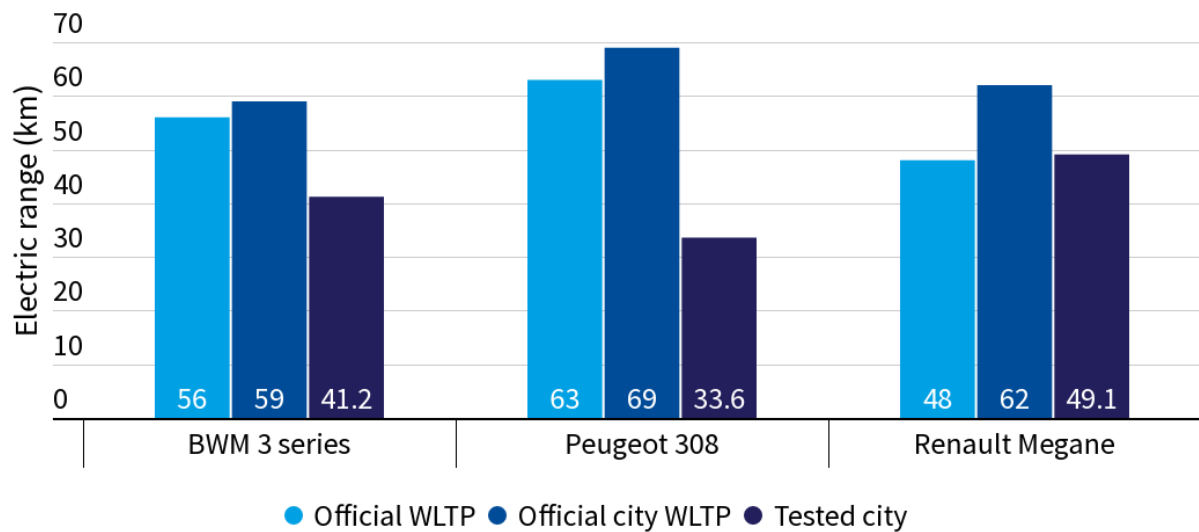


Fig. 5. The tested and official WLTP electric range of the BMW, Peugeot and Renault PHEVs¹³. All three PHEVs had a shorter real world electric range than expected from real world values.

Fig 5. shows the results of the electric range of the vehicles tested on the city driving route, compared to their official WLTP ranges. Despite the mild driving conditions experienced during this test, the electric range of both the BMW and Peugeot were significantly lower than the Equivalent All Electric Range, EAER stated on the PHEV's Certificate of Conformity (CoC).

- The BMW's tested electric range was 26% lower
- the Peugeot's was almost half the advertised range (47%)
- Only the Renault managed to achieve a greater electric range by 2%

The gap further increased when compared to the WLTP electric range determined specifically for city driving, (known as the Equivalent All Electric Range City, EAER_{CITY}):

- BMW's range was 30% lower
- Peugeot's range was 51% lower
- Renault Range was 21% lower

City driving often results in an increased electric range compared to the EAER, as evidenced by the longer WLTP electric range of the PHEVS for city driving (EAER_{CITY}) compared to that reported for the whole test which is a combination of city, rural and motorway driving . This is partly due to the lower speeds in city driving consuming less energy and more opportunity for regenerative braking.

¹³ The official electric range refers to the Equivalent All Electric Range (EAER) and the official city electric range refers to the City Equivalent All Electric Range (EAER_{CITY}).

Some of the gap in electric range may be due to differences in how the WLTP electric range and the on-road electric range are determined. The EAER is determined by calculating, from the point at which the battery is fully depleted, how much of the total distance driven can be attributed to electrical energy. This method allows driving with the internal combustion engine prior to the full depletion of the battery and as such does not exclusively cover EV only (zero emission) driving. The method used for the determination of real world EV range during on road testing was based on the first ignition of the internal combustion engine which for all three PHEVs also corresponded to an empty battery state of charge on the driver's dashboard. The main reason for the variation in on road and WLTP values is likely to be due to differences in the on road and the laboratory based WLTP test procedures including differences such as payload, ambient conditions and driving style.

3.2 CO₂ emissions

3.2.1. Emissions when not charged

Driving without a charge battery, using the engine only, is known as driving in charge sustaining mode. Real world data on the use of PHEVs indicates that a significant proportion of the PHEV fleet is rarely, if ever, charged despite the assumption in WLTP Regulation that PHEVs are charged daily. This is particularly a problem for company cars; data from Belgium indicates that only 8% of PHEVs[6] are charged once a week. Considering that the electric range of most PHEVs is rather limited - the average official WLTP electric range is 58 km¹⁴- especially compared to BEVs which have an average official WLTP range of around 400 km¹⁵, infrequent charging means that the PHEV is likely to drive predominantly using the internal combustion engine only. As such, it is important to determine PHEV's real world CO₂ emissions when the PHEVs battery has not been charged as for many cars, especially company, this will be the mode in which they are driven most frequently. The three PHEVs CO₂ charge sustaining emissions were determined during the city charge sustaining test.

¹⁴ Equivalent All Electric Range, based on T&E's weighted analysis of 2021 EU sales.

¹⁵ Based on T&E's weighted analysis of 2021 EU sales.

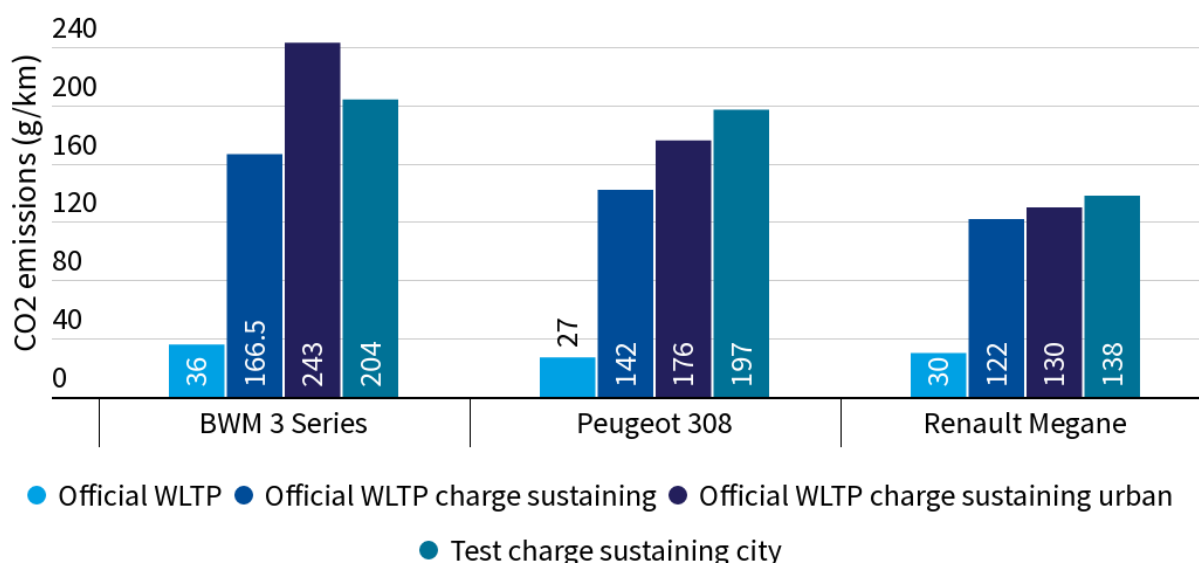


Fig. 6. Official WLTP CO₂ and that measured during city driving in charge sustaining (engine only) mode. Emissions when the engine is running are 5-7 times the official values used for CO₂ compliance and advertising.

On-road city CO₂ vs. official urban charge sustaining WLTP CO₂

Fig 6. Shows the results of the charge sustaining test driven on the city route. On this test the Peugeot and the Renault PHEV emitted more CO₂ than the comparable low urban phase of the WLTP test as reported on the CoC. This part of the WLTP test replicates city and rural driving with speeds up to 77 km/h, frequent stops and accelerations therefore covering similar driving conditions to the city driving route on which the PHEVs were driven for this test, albeit with some faster rural driving. On the road, the Peugeot emitted 12% and the Renault 6% more than the official WLTP urban phase. This is broadly in line with the CO₂ gap reported of 14% between the WLTP test and on-road driving[9].

The BMW emitted 16% less than reported for the WLTP urban phase. This may be due to the high contribution of cold start emissions to the urban phase of the WLTP test for this PHEV. As this test was not a cold start, the magnitude of the initial increase in CO₂ when the engine is first started may have been reduced compared to the WLTP test which is a cold start. The warmer ambient temperature during the on-road testing may also have played a part. Additionally, the city driving test is much longer than the urban phase of the WLTP tests, 65.2 km vs. 3.1 km. High CO₂ from when the engine is first started are averaged over more kilometres resulting in lower average emissions. It is also possible that despite the dashboard displaying an empty battery, there was some residual charge left in the battery which assisted the ICE and reduced CO₂ emissions on this test.

On-road city CO₂ vs. official whole test charge sustaining WLTP CO₂

Official whole test (combined) charge sustaining WLTP emissions¹⁶ were significantly lower than emissions reported for urban low speed phase of the WLTP test for the BMW and the Peugeot. Therefore it could be expected that, particularly for these vehicles, there would be a larger gap between official charge sustaining WLTP CO₂ and CO₂ measured on the city driving route. The gap between official WLTP and on road CO₂ was:

- 22% for the BMW
- 39% for the Peugeot
- 13% for the Renault

On-road city CO₂ vs. official combined WLTP CO₂

Compared with the official weighted WLTP values that are used for CO₂ compliance¹⁷ which include assumptions on the share of electric kilometres driven by PHEVs i.e utility factors, on road city CO₂ emissions were:

- 5.7 times the emissions for the BMW
- 7.3 times for the Peugeot
- 4.6 times for the Renault

Overall, the CO₂ emissions of the BMW and Peugeot are high when the PHEV is not charged. They are more than double the EU CO₂ fleet average target of 95g /km. While Renault's CO₂ emissions were lower, with a smaller gap between official and real world values, they were still 32% higher than the EU CO₂ fleet average target.

3.2.2 Charge increasing emissions

The charge increasing (CI) mode on PHEVs uses the internal combustion engine to charge the PHEV's battery as the PHEV is driven. Of the three PHEVs tested only the BMW was equipped with this driving mode.

¹⁶ As reported on the Certificate of Conformity

¹⁷ As reported on the Certificate of Conformity

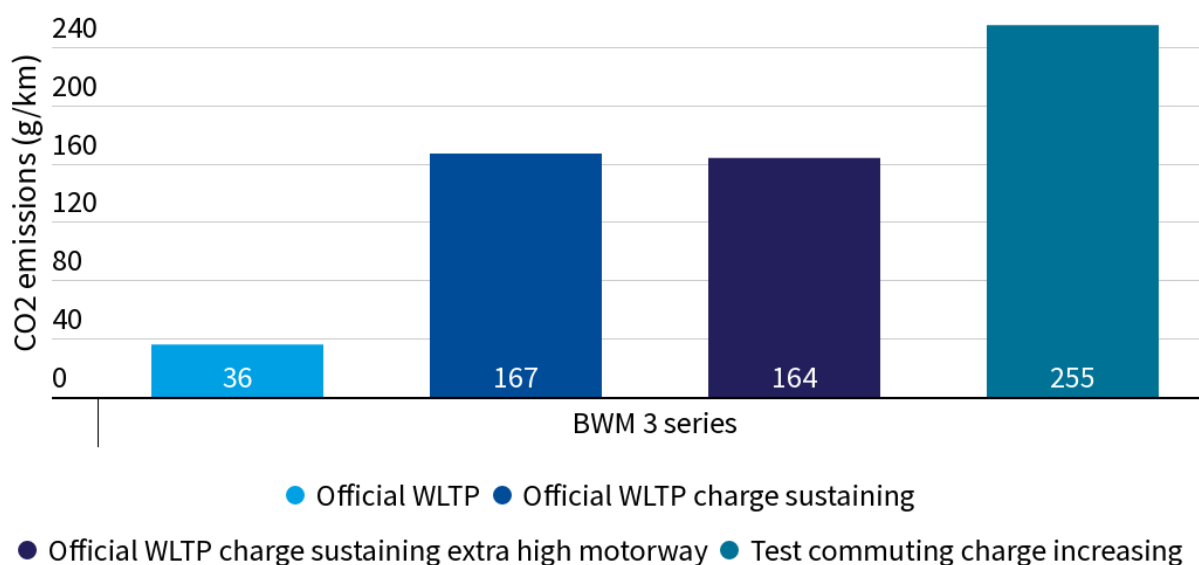


Fig. 7. Official BMW WLTP CO₂ and that measured on the extended commuter route in charge increasing (battery charging) mode. Charging the PHEV battery in this mode causes a large increase in CO₂. Emissions in this mode are over 50% higher than those measured on the WLTP charge sustaining (engine only).

During the charge increasing tests undertaken on the extended commuter route the battery state of charge increased from 0% to almost 100% as indicated by the driver display. This means that the 12.4 kWh battery was almost fully charged during the 97 km test. The BMW's CO₂ emissions in the charge increasing mode were much higher than official figures from the WLTP charge sustaining test. Compared with the motorway¹⁸ phase of the WLTP test which covers high speed motorway driving (as undertaken during 86% of this on road test) CO₂ was 55% higher on the road in charge increasing mode. As there is little difference between the whole test WLTP CS CO₂ and the high speed phase (3 gCO₂/km) the difference between road and the whole test WLTP CS CO₂ was only slightly smaller at 52%. On- road charge increasing emissions were 7 times the official WLTP CO₂ used for calculating fleet CO₂ and advertising¹⁹.

The increase in CO₂ emissions due to use of the charge increasing mode is in line with results previously reported by the International Council on Clean Transportation[10] for the BMW X1 which reported a 60% increase in WLTP CO₂ and T&E's previous on road testing of the BMW X5 for which CO₂ increased by over 50%[6]. For this test, the increase in CO₂ due to battery charging could be equivalent to up to 87 g/km. Over the 97 km test distance that would equate to 8.4 kg of CO₂ to deliver a maximum 41 km of zero emission driving in the city (as determined during this testing and described in Section 3.1). This in turn would equate to 206 gCO₂ per electric kilometre driven. This is comparable to the CO₂ measured for this car when driving using the ICE only (charge sustaining mode) in the city (as described in Section 3.2) suggesting there is no CO₂ benefit to charging the battery using the ICE for later zero emission use.

¹⁸ Extra high phase

¹⁹ Weighted, combined WLTP CO₂

In contrast charging from the mains²⁰ would result in emissions of 88 gCO₂/km²¹, meaning that using the engine to charge the battery is 2.3 times more energy intensive than using the grid. While there is significant uncertainty regarding some of the parameters in this calculation²², it does suggest that on average in the EU charging from the mains is more efficient than using the ICE. This aligns with findings from ICCT which reported 2.5-2.8 higher CO₂ from use of the charge increasing mode compared to charging from the mains.

3.2.3 Hybrid emissions

The hybrid mode on PHEVs uses both the battery and the internal combustion engine to power the PHEV. Two different hybrid tests were undertaken during this testing programme: the hybrid 'default mode' test and the 'Hybrid test with 50% charged battery'.

Hybrid 'default mode' test

Not all PHEV users will choose a driving mode but rather rely on the PHEV to make the choice. To test how each PHEV default mode performs when the car is fully charged, all three PHEVs were tested on the commuter route starting with a fully charged battery and driven in the default mode selected by the PHEV. Fig. 8 shows the results of this test.

²⁰ A 2022 EU grid carbon intensity of 244.6g/kWh is applied as reported in [T&E. \(2022\) Update- T&E's analysis of electric car lifecycle CO2 emissions](#). 6.4% electricity grid losses and 9.8% charging losses are applied.

²¹ This is a highly conservative estimate as it assumes that the whole 12.4kW battery is charged during the drive. However, usually a minimum state of charge is always maintained within the battery for durability reasons so the full 12.4kW will not be charged. Therefore the CO₂ emissions associated with grid charging may actually be lower.

²² For example due to the battery not being fully charged, or because there is likely to have been residual battery charge at the end of the city electric range test.

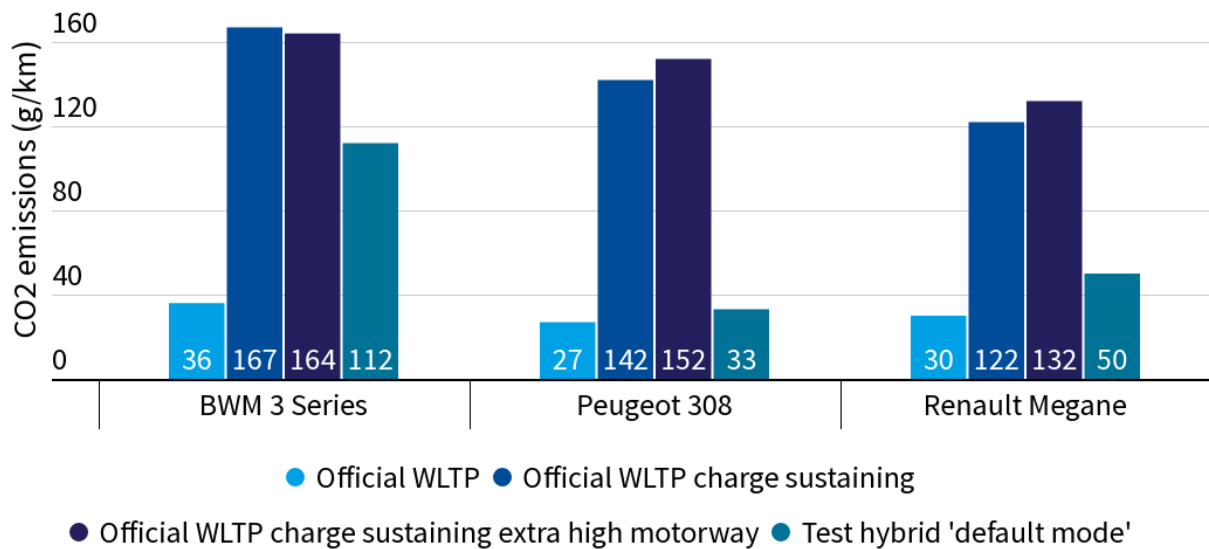


Fig. 8. Official WLTP CO₂ and that measured on the commuter route starting with a fully charged battery in the default mode selected by the PHEV. This resulted in a significant reduction in CO₂ for the Peugeot and Renault compared to using the ICE but only a small 33% reduction for the BMW vs. WLTP.

The BMW had the highest CO₂ on this test, more than double the CO₂ of the Peugeot or the Renault. Compared to the WLTP extra high motorway phase (motorway driving accounted for the majority of the test km's) the default hybrid mode selected by the BMW reduced CO₂ by only 32%. In contrast the Peugeot reduced CO₂ by 78% and the Renault by 62%. Compared to WLTP whole test charge sustaining CO₂, the BMW reduced CO₂ by 33%, the Peugeot by 77% and the Renault by 59%. Compared to official WLTP figures ²³ for the three PHEVs, CO₂ emissions on the test were:

- 3.1 times the official values for the BMW,
- 1.2 times for the Peugeot's
- 1.7 times for the Renault

The large difference in CO₂ savings between the three PHEVs appears to be predominantly down to differences in the operating strategy of the three PHEVs. From the drive data it appears that both the BMW and Peugeot selected a hybrid driving mode to operate in during this test with the ICE coming on after around 0.6km of driving during the first acceleration onto the motorway. In contrast, the Renault operated zero emissions until 36 km into the 55 km test after which the internal combustion engine stayed on for most of the rest of the test.

Both the Peugeot and Renault maximised the use of the battery and electric motor, finishing the test with fully depleted batteries. The BMW on the other hand only used between 25-50% of the battery, finishing with between 50-75% of the battery SoC left. This meant that the BMW had to use the ICE more. Based on

²³ Weighted, combined

an analysis of engine data the BMW used the ICE two and a half times more than the other two PHEVs²⁴ on this test, resulting in much higher fuel consumption and CO₂ emissions on this test.

Hybrid test with 50% charged battery

Neither the Peugeot or the Renault were equipped with a charge increasing mode like the BMW. Therefore it was decided to instead test the two PHEVs on the extended commuter route in the default mode selected by the car, this time starting the test with a 50% charged battery to check how this would affect their performance.

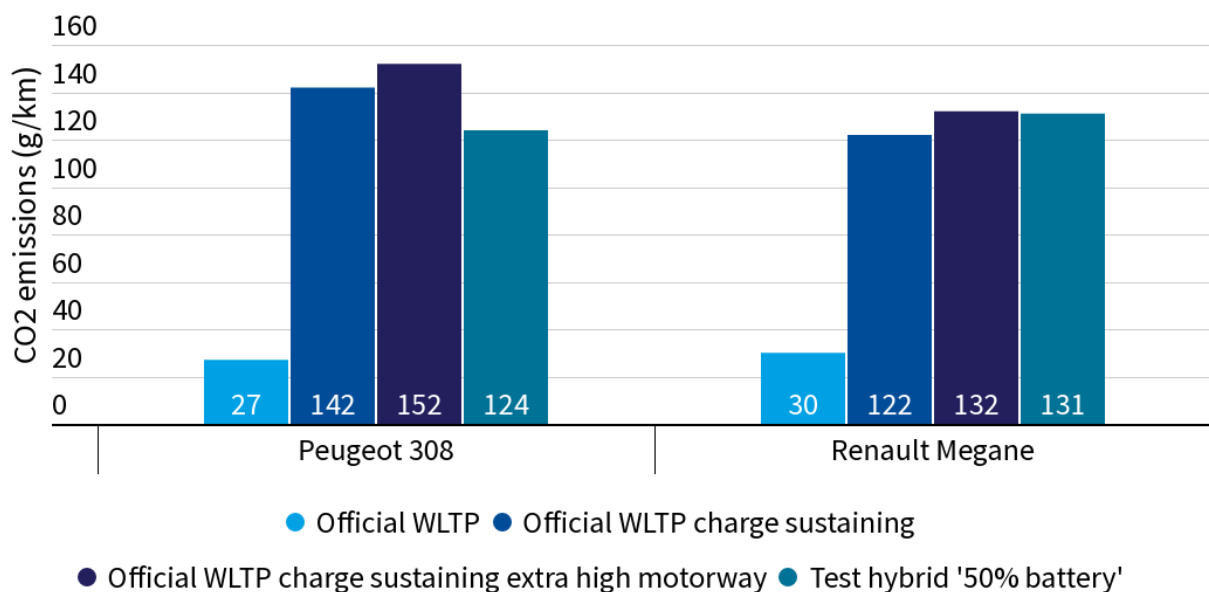


Fig. 9. Official WLTP CO₂ and that measured on the extended commuter route starting with a 50% charged battery in the default mode selected by the PHEV. This resulted in only a minimal CO₂ reduction for both the Peugeot and the Renault compared to driving using the ICE based on official figures for both the Peugeot and Renault.

CO₂ emissions were markedly higher for both PHEVs on this test compared to the hybrid 'default mode' most likely due to the lower battery SoC at the beginning of this test, longer test length and higher speeds reached. Compared to the WLTP extra high motorway phase, Peugeot's CO₂ was reduced by only 18% with no difference for the Renault. Compared to WLTP charge sustaining CO₂, Peugeot's CO₂ was reduced by 13% and the Peugeot's increased by 7%. Peugeot's CO₂ was 4.6 times and the Renault's 4.4 times the official WLTP figures.

²⁴ Based on an analysis of ECU fuel rate. When per second fuel rate >0 it is assumed the ICE is on. During the hybrid 'default mode test' the BMW had an ICE usage rate of 26% compared to 10% for the Peugeot and 12% for the Renault.

Engine use increased significantly on this test compared to the hybrid 'default mode' test. The Peugeot's ICE use increased from 10% on the hybrid default mode test to 60% on this test. Similarly, the Renault's increased from 12% to 61%. The Peugeot's engine turned on as soon as the car was started. This could be due to pre-heating of the exhaust to reduce pollutant emissions for later ICE use. As this did not occur either at the start or after the 20 minute break during the hybrid 'default mode' test this may be programmed to occur when the SoC of the battery and the engine/exhaust temperature is below a certain threshold. The ICE then stayed on for the majority of the test.

The Renault's ICE came on much sooner on this test than in the hybrid default mode test, after the first 7.3km, and stayed on for the majority of the rest of the test. The early switch on of the ICE is most likely due to the low SoC of the battery as the driving speed at the time (85km/h) and acceleration²⁵ did not exceed values previously driven in zero emission mode.

3.4 Anticipatory hybrid mode of the BMW

The BMW is fitted with an anticipatory hybrid driving mode. The technology is advertised to use the sat-nav in the car to plan and optimise the use of the internal combustion engine and the battery for efficient driving²⁶. The effectiveness of this mode was tested on the commuter route starting with a fully charged battery with the planned route pre-programmed into the sat-nav.

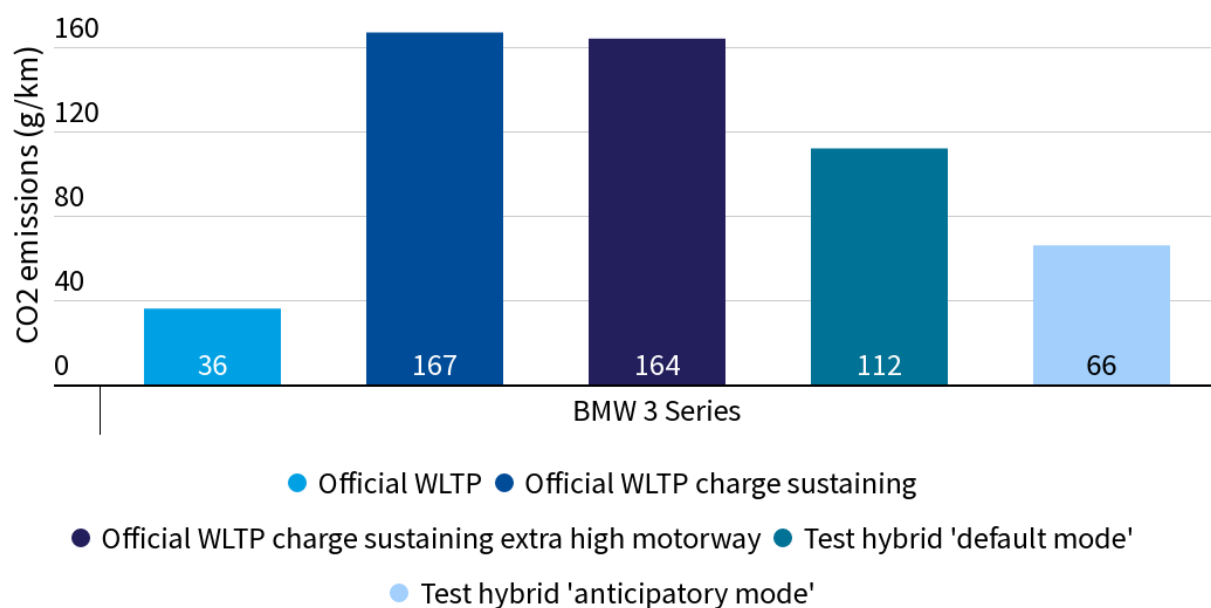


Fig. 10. Comparison of BMW CO₂ when driven on the commuter route starting with a fully charged battery in the default mode selected by the PHEV and the anticipatory hybrid mode which adapts performance based on sat-nav data. Use of the anticipatory mode resulted in an additional 40% decrease in CO₂.

²⁵ Previous acceleration prior to ICE on was 0.59 m/s² vs. 0.26 m/s² during the engine on acceleration.

²⁶ <https://www.bmw.co.uk/en/topics/discover/efficientdynamics/efficient-driving.html> Accessed 15th of October 2022.

The use of the adaptive hybrid mode resulted in a significant decrease in CO₂ emissions compared to the hybrid 'default mode' test driven on the same route detailed in section 3.2.3: CO₂ emissions decreased by 40%. Compared to the official WLTP charge sustaining CO₂ emissions were reduced by 60% on this test.

The decrease in CO₂ emissions during this test appears to be predominantly due to decreased use of the internal combustion engine and increased use of the electric motor and battery²⁷. Engine usage decreased from 28% of driving time to 16%²⁸ and the battery state of charge at the end of the test was significantly lower than on the hybrid test with only around 25% of the battery charge left. The decrease in engine use is closely correlated with the decrease in fuel consumption with engine use decreasing by 37% and fuel consumption decreasing by 40% compared to the hybrid 'default mode' test.

3.5 Geo-fencing: BMW eDrive Zone

The BMW is fitted with geo-fencing technology. The geo-fencing capability, the so called eDrive Zone of the BMW is advertised to switch the vehicle into zero emission mode when driving in 138 cities including in Graz Austria²⁹. The geo-fencing capability of the BMW is on by default and was on during both the hybrid 'default mode' and the anticipatory hybrid tests.

Geo-fencing during the hybrid 'default mode' test

In Fig. 11, the engine use data during the BMW's hybrid 'default mode' has been overlaid on google maps; red dots represent engine on driving and green represent engine off driving. The map, as well as the figure in Annex 7.3, shows that the BMW's engine switched on twice while driving in the city centre where the eDrive zone should have been active. This occurred on the journey into the city prior to the 20 minute break which proceeds the drive back out of town. On the first occasion the engine turned on for 7 seconds and on the second occasion for 9 seconds. From the data available it is unclear why the engine came on within the city where it can reasonably be expected for geo-fencing to be active, but it was not due to a depleted battery as the car finished the test with a battery SoC of between 50-75%.

²⁷ It is possible that some of the decrease in CO₂ emissions may also be due to the lower temperature on the adaptive hybrid test compared to the hybrid test (25.5 vs. 30.6 °C)

²⁸ Based on engine rotation feed from the engine control unit. It is assumed that where RPM>0 the engine is running.

²⁹ <https://www.bmw.co.uk/en/topics/discover/efficientdynamics/efficient-driving.html> Accessed 15th of October 2022.

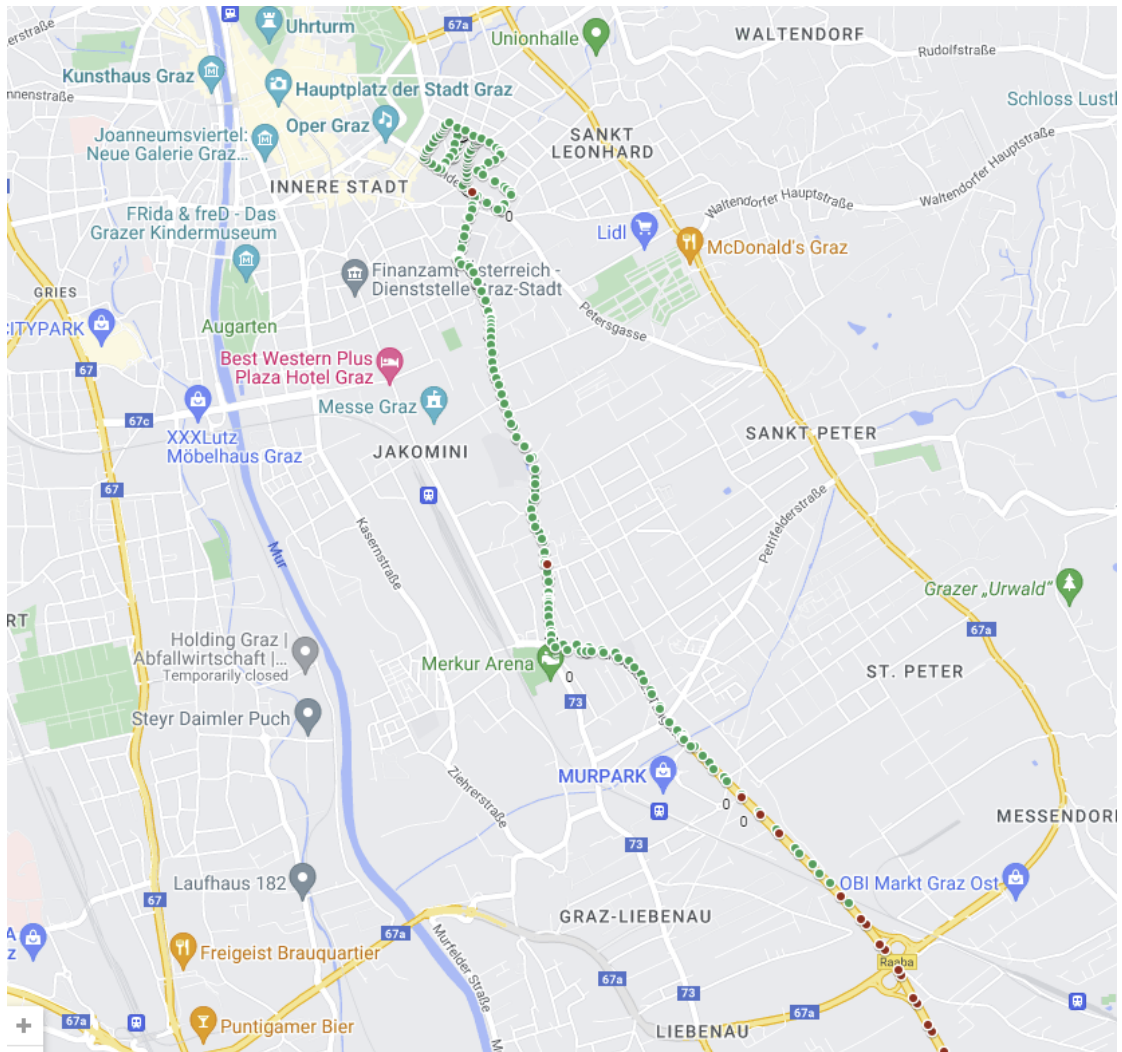


Fig. 11. Map of engine use by the BMW during the default 'hybrid' mode test when the geo-fencing 'eDrive Zones' was active. Red dots show that the engine came on twice while driving inside the city when the eDrive technology should have ensured that the car was driving zero emission. Map source: Google maps

Geo-fencing during the anticipatory hybrid test

During the anticipatory hybrid test, in which the route was pre-programmed into the sat-nav and the geo-fencing eDrive zones were active the engine did not switch on while driving in the city which can be seen from Fig. 12 as well as in Annex 7.4. This indicates that the vehicle is technically capable of staying in zero emission mode while driving within the city of Graz on the route, however the software on the vehicle is not necessarily capable of ensuring that zero emission driving always takes place within the city limits. It may suggest that the anticipatory hybrid mode may need to be active for eDrive Zones to work as intended.

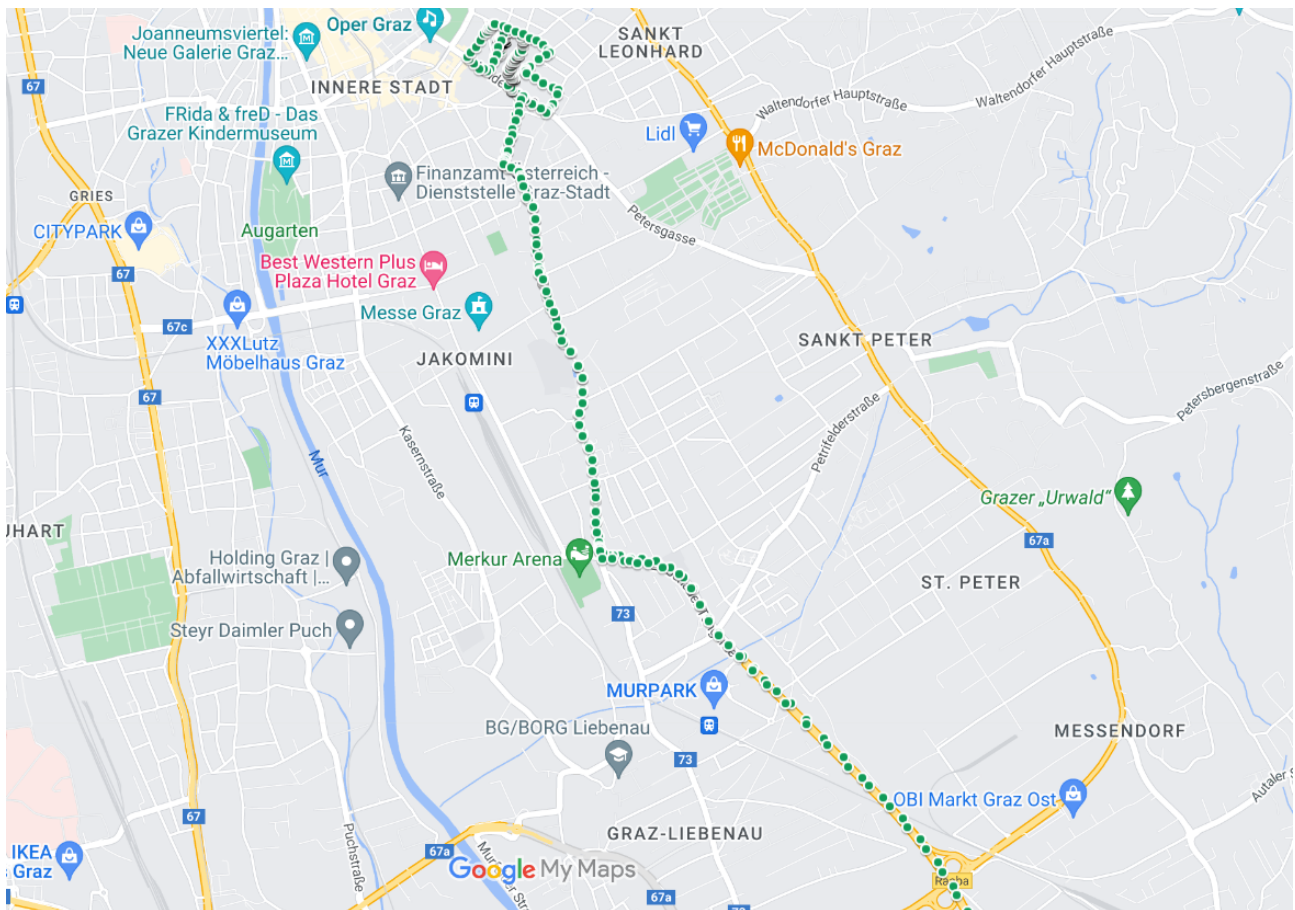


Fig. 12. Map of engine use by the BMW during the anticipatory hybrid mode test when the geo-fencing ‘eDrive Zones’ was active. Red dots show that the engine did not come on inside the city during this test when the route was pre-programmed into the satnav. Map source: Google maps

4. Analysis of PHEV CO₂ and its impacts

Real world PHEV CO₂ emissions have been shown to be 3-5 times higher than official WLTP values[5]. This arises due to unrealistically optimistic assumptions on the share of electric kilometres driven by PHEVs within the WLTP regulation known as utility factors (UF). For example the regulation assumes that a PHEV with 50km of electric range will be driven electrically³⁰ 75% of the time, yet real world data shows that this is actually around 25%³¹.

Such a large gap in official and real world CO₂ emissions is problematic as it allows carmakers to unfairly benefit from the sale of PHEVs when it comes to compliance with EU car CO₂ standards. In this respect they can benefit twice. First from the significantly lower CO₂ emissions and secondly for PHEVs with emissions of less than 50g/km from Zero and Low Emission Vehicle (ZLEV) credits. It also allows

³⁰ Based on WLTP electric range, driven electrically in charge depleting mode.

³¹ Based on 2027 WLTP factors assuming a 50:50 split of company and private vehicles.

carmakers to benefit from generous subsidies given to PHEVs and negatively impacts consumers through higher fuel costs than expected based on type-approval data.

This section provides an analysis of:

1. The impact of more realistic assumptions on the share of electric kilometres driven by PHEVs on CO₂ emissions of the tested PHEVs.
2. The three carmakers' compliance with 2021 and 2022 EU car CO₂ standards.
3. The subsidies given to carmakers for selling PHEVs in 2022.
4. The total cost of ownership of the three tested PHEVs compared to similar BEV models.

4.1. Realistic PHEV CO₂ emissions

Realistic WLTP CO₂

In 2022 the UFs within the WLTP regulation were updated to better reflect real world values. The PHEV WLTP UFs will be adjusted in a two step process in 2025 and 2027 (fig.13) fully aligning with the best known estimate of real world values on the latter date. A further review of UF is planned by 2024 based on data obtained from on board fuel consumption metres, which collect data on the real world fuel consumption (and therefore CO₂ emissions) of all new cars sold in the EU since 2021.

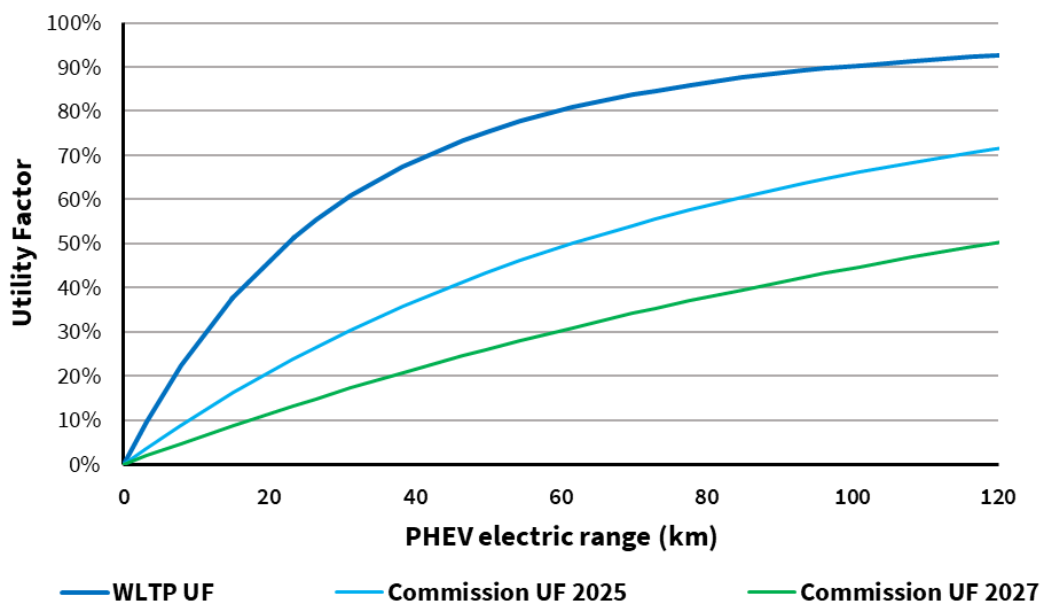


Fig. 13. Assumption on the share of electric kilometers driven by PHEVs depending on their electric range. Current (WLTP) UF are shown as well as the reduction scheduled in 2025 and 2027 which will result in a substantial increase in currently undercounted official PHEV CO₂ values.

For the three PHEVs tested the new UF implemented in 2025 and 2027 will result in a large decrease in the assumed share of electric kilometres driven, resulting in a large increase in official WLTP CO₂. For all three

PHEVs the current official WLTP UF has been calculated by T&E to be 84%³² meaning that the PHEVs are assumed to drive electrically (in charge depleting mode) 84% of the total driving distance, resulting in a very low official WLTP CO₂ of 27-36 gCO₂/km. This is despite having a limited official WLTP electric range of just 48-62 km and as demonstrated even less on road.

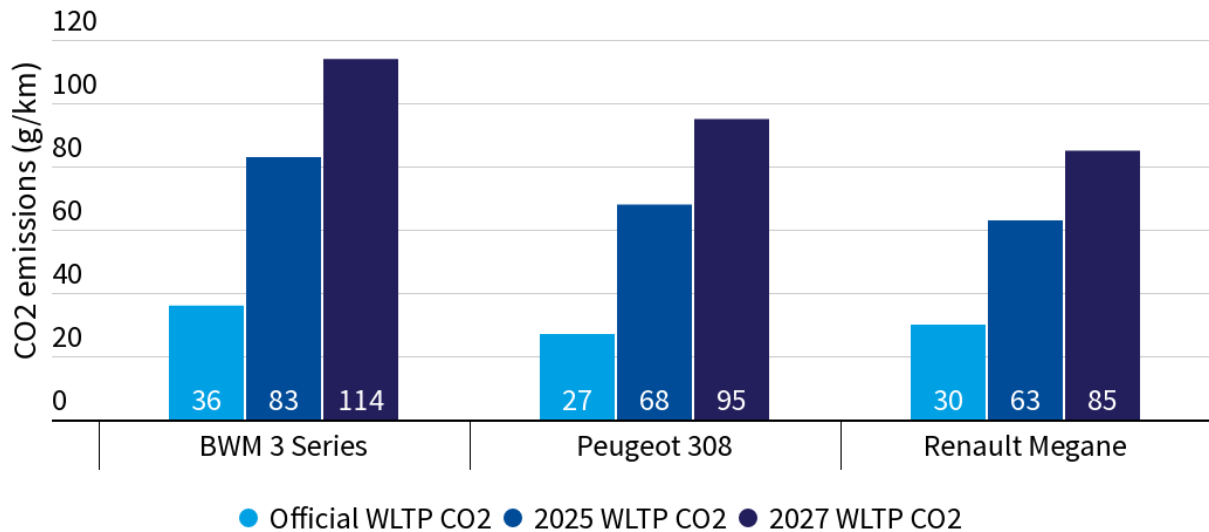


Fig. 14. Current official PHEV CO₂ for the three tested PHEVs and the CO₂ values based on more realistic utility factors due to be implemented in 2025 and 2027. 2027 will finally align official PHEV closely with real world CO₂ values, this will triple official PHEV CO₂.

In 2025, the UF for the three tested PHEVs will decrease to 54% with a further decrease to 34% in 2027. The impact on CO₂ emissions can be seen in Fig. 14. Today, the gap between official and real world CO₂ emissions stands at:

- 78 gCO₂/km for the BMW
- 68 gCO₂/km for the Peugeot
- 55 gCO₂/km for the Renault

This is between 2.8-3.5 times the official values. Renault has the smallest gap due to having the lowest WLTP charge sustaining CO₂ emissions. In 2025 official CO₂ emissions for all three PHEVs will more than double, reducing the gap to:

- 31 g/km for the BMW
- 27 g/km for the Peugeot
- 22 g/km for the Renault

³² Methodology in Annex 7.5.

In 2027 CO₂ will triple compared to today, fully aligning with real world CO₂ emissions. From 2025 all of the PHEVs tested will no longer be eligible for ZLEV credits as their emissions will exceed the threshold of 50 g/km.

Realistic city emissions

While the WLTP test is used to determine the official CO₂ emissions for PHEVs, the test cycle is not necessarily representative of the real world use of these cars and therefore their real world CO₂ emissions. For example, PHEVs driven predominantly in cities will have a higher share of urban driving (and less driving on rural and motorway roads) and possibly more cold starts than the WLTP cycle assumes. In addition the WLTP test cycle has been shown to underestimate CO₂ by around 14% compared to real world CO₂ emissions[9].

The measurement of CO₂ emissions during city driving as part of this testing programme allows the calculation of realistic real world CO₂ emissions for city driving based on the share of electric kilometres driven by the PHEV (fig. 15)³³.

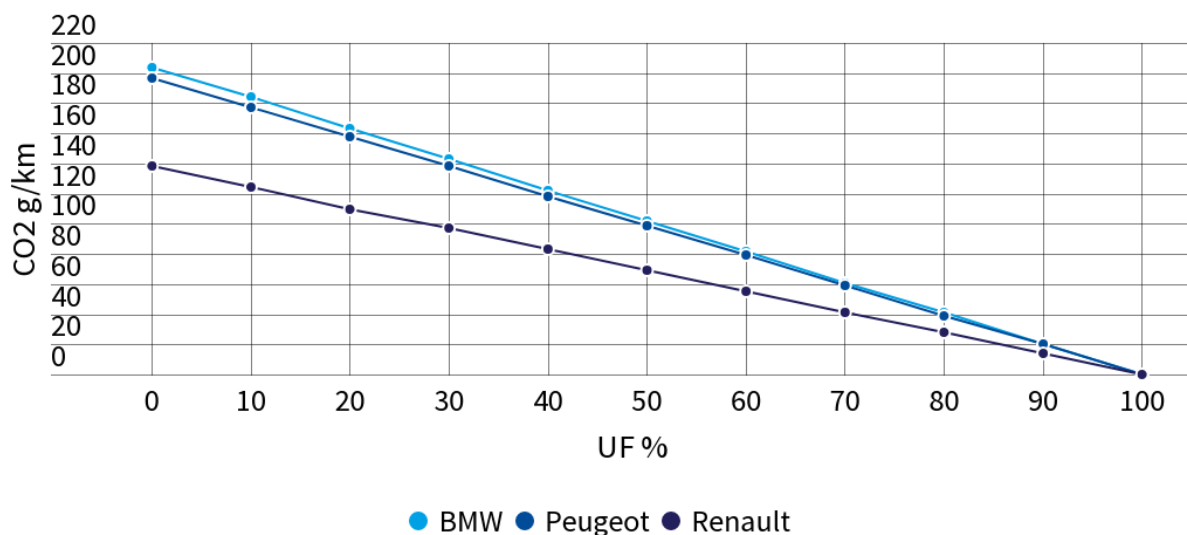


Fig. 15. Realistic city PHEV CO₂ of the three tested PHEVs depending on the share (UF) of electric driving. If city electric driving share is the same as for all driving, city emissions are 3-5 times higher than official values.

A driver who never charges their PHEV would have urban emissions of 204 gCO₂/km for the BMW, 197 gCO₂/km for the Peugeot and 138 gCO₂/km for the Renault. In this case BMW's on road city emissions would be the same as the official WLTP CO₂ emissions of the VW Tiguan 2.0L petrol SUV³⁴ and the Peugeot's of the Skoda Kodiaq 2.0L petrol SUV³⁵. A driver who exclusively drives their PHEV electrically would have emissions close to zero. However, CO₂ emissions would not be completely eliminated as

³³ Charge sustaining emissions from the city driving test were used. It is assumed that charge depleting CO₂ is zero since during the city electric range test the internal combustion engine came on once the battery state of charge was indicating as empty.

³⁴ Average WLTP CO₂ of 204 g/km as reported on www.nextgreencar.com Accessed January 2023.

³⁵ Average WLTP CO₂ of 197 g/km as reported on www.nextgreencar.com Accessed January 2023.

many PHEVs have to periodically turn the ICE on to maintain the engine and prevent fuel degradation. For example the manual for the Renault Captur PLUG-in hybrid states that if the car is not refilled with at least 10 litres of petrol every three months the ICE will come on automatically. In this case the car then has to be driven using the ICE long enough to reduce the fuel level of the tank by half and the tank must then be topped up with a minimum of ten litres of fuel³⁶.

If the share of electric kilometres driven by PHEVs used exclusively in the city were equal the share of electric driving assumed by the updated 2027 UF then the real world city emissions would be:

- BMW:** 139 gCO₂/km, 3.9 times the official WLTP CO₂
- Peugeot:** 132 gCO₂/km, 4.9 times the official WLTP CO₂
- Renault:** 96 gCO₂/km, 3.2 times the official WLTP CO₂

To achieve the official WLTP CO₂ in the city the BMW would have to be driven electrically approximately 82% of total kilometres, the Peugeot 86% and the Renault 78%.

4.2 Impact of more realistic WLTP emissions on OEM CO₂ compliance

PHEVs are a key compliance strategy for many carmakers for the EU car CO₂ standards, particularly BMW which has the highest PHEV sales share of any carmaker. 16.8% of its overall car sales were PHEVs in 2021 and this is further expected to increase to 19% for 2022³⁷ meaning that almost one in five cars sold by BMW will be a PHEV. Comparatively BMW's BEV share is much lower at 9%. Stellantis Group, whose brands include Peugeot (and count together for CO₂ compliance), had PHEV sales share of 5.2% in 2021, this is expected to increase to 7.3% in 2022. Renault-Nissan-Mitsubishi (RNM), which are also counted together for compliance, had a PHEV share of 3.9% in 2021, in 2022 this is expected to decrease to 3.5% .

4.2.1. 2021 CO₂ compliance

Each year carmakers have to meet their fleet average CO₂ targets. T&E calculates that the fleet average CO₂ target³⁸ in 2021 was 126g for BMW, 118g for Stellantis and 111g for RNM. All three carmakers complied with their targets in 2021, with BMW achieving CO₂ of 115g, Stellantis 112g and RNM of 109g³⁹. However, if more realistic UF were used for the calculation of CO₂ - in line with the 2027 UF- BMW and RNM would no

³⁶ <https://gb.e-guide.renault.com/eng/Captur-2/E-TECH-Plug-Hybrid> Accessed October 2022.

³⁷ Based on an analysis of H1 2022 sales data obtained from Datforce.

³⁸ Adjusted for vehicle mass through the so- called mass adjustment factor

³⁹ Carmakers' emissions are calculated from carmakers' new car fleet emissions taking into account super credits and eco-innovations credits. Based on the analysis of 2021 new car sales data reported by the [European Environment Agency](#).

longer be compliant. T&E modelling⁴⁰ shows that the fleet average CO₂ for each carmaker would increase by:

- **BMW:** 14g
- **Stellantis:** 5g
- **RNM:** 3g.

Stellantis would still comply by 1g, but BMW would have exceeded its target by 3g and RNM by 1g.

The artificially low PHEV CO₂ provides a monetary benefit to carmakers as each 1g of non-compliance with car CO₂ standards is charged at €95 and levied on every car in the fleet. In total PHEVs reduced CO₂ for the three carmakers to the value of⁴¹:

- **BMW:** €0.9 billion or €8,300 for every PHEV sold,
- **Stellantis:** €1 billion or €9,400 per PHEV
- **RNM:** €0.3 billion or €6,600 per PHEV.

This equates to 5% of BMW's profit for 2021, 15% for Stellantis and 13% for RNM⁴². While the CO₂ benefit for Stellantis from selling PHEVs was smaller than for BMW, Stellantis' much larger fleet sales resulted in a larger total monetary benefit. The total value of fines avoided (which would have resulted from CO₂ non-compliance) was €221 million for BMW and €140 million for RNM.

At the same time as providing a significant monetary benefit to carmakers in terms of CO₂ compliance, artificially low PHEV CO₂ reduced the number of truly zero emission (battery electric) cars which need to be sold. In total, this resulted in 208,000 less BEVs sold in 2021 than would have otherwise been the case if PHEV CO₂ reflected real world values. BMW sold 81,000, Stellantis 95,000 and RNM 32,000 less BEVs than they would have otherwise needed to. Just for these three carmakers the BEVs lost is equivalent to 21% of 2021 BEV sales (993107)⁴³.

⁴⁰ Carmakers' emissions were split by powertrains and PHEV's emissions were corrected to take into account the WLTP UF planned for introduction in 2027. The R_CDC is assumed to be the distance reached at the end of the test cycle in which the EAER is reached (electric range from carmakers website). The current UF is calculated from the R_CDC. Emissions in CD and CS mode are derived from the declared WLTP emissions (from carmakers website) and the UF. Emissions in CD mode are assumed to be non-zero values and are derived from testing data (same ratio between CD and CS emissions used for all models of a carmaker). From these values, average emissions of each PHEV model are calculated with the 2027 UF curve provided by the EC. Finally, based on OEM's PHEV average emissions and the share of each powertrain, the new fleet average emissions were calculated. The difference with this average emission including the 2027 UF and the original average emissions enable us to quantify the unrealistic PHEV UF loophole.

⁴¹ This is not equal to the fines avoided per PHEV but to the total monetary benefit of selling PHEVs. This is calculated by multiplying the fleet average CO₂ reduction due to unrealistic PHEV CO₂ emissions by the number of vehicle sales in the carmaker fleet and then multiplied by €95.

⁴² Based on combined profit of Renault-Nissan group and Mitsubishi Motors.

⁴³ [EEA 2021 sales data](#).

4.2.2 2022 CO2 compliance

In terms of compliance for 2022 T&E forecast - based on sales in the first half of 2022⁴⁴ - that the 2022 CO2 target for BMW would be 127g, 119g for Stellantis and 111g for RNM. It is expected that all three carmakers will overcomply with targets, BMW by 18g, Stellantis by 13g and RNM by 2g. However, the majority of the overcompliance is due to artificially low PHEV CO2 emissions. Taking into account the main loopholes which result in the weakening of the cars CO2 regulation (mass adjustment, eco-innovations, supercredits and PHEV UFs) the unrealistic PHEV UF is responsible for 79% of the weakening in CO2 standards for BMW, 73% for Stellantis and 64% for RNM⁴⁵. If realistic PHEV CO2 were applied, BMW's compliance margin would be reduced to 2g and Stellantis' to 6g. RNM would no longer comply as their CO2 would be 0.4g higher than the target, resulting in about €48 million of fines for RNM.

The PHEV benefit to BMW and Stellantis increases in 2022 due to an increased share of PHEV sales. Artificially low PHEV CO2 are expected to help BMW avoid 16g and Stellantis 7g of CO2 an increase of 15% and 35%, respectively compared to 2021. For RNM the CO2 benefit stays largely constant. This, along with expected higher fleet sales, would increase the total monetary benefit to BMW by 9% vs. 2021 to €0.9 billion, and Stellantis by 22% to €1.3 billion. Only for RNM would the monetary benefit be reduced by 12% due to expected lower PHEV sales. The per PHEV monetary benefit in 2022 is expected to remain fairly constant vs. 2021 at:

- **BMW** €8,200
- **Stellantis** €9,300
- **RNM** €6,900

Just for these three carmakers BEVs lost in 2022 increased by 19% to 247,000 or 22% of the forecast 2022 EU BEV sales⁴⁶: 94,000 for BMW, 125,000 for Stellantis and 28,000 for RNM.

4.3 Cost of subsidies in 2022

EU PHEV sales continue to be supported by generous purchase incentives in many Member States including in the car manufacturing countries of Germany, France, Italy and Spain. Based on a forecast of BMW, Stellantis and Renault-Nissan-Mitsubishi PHEV 2022 EU sales, EU governments are expected to spend ⁴⁷ €350 million on PHEV subsidies for BMW, Stellantis and RNM alone in 2022. This is based on an analysis of the 7 EU countries (Austria, France, Germany, Italy, Romania, Sweden⁴⁸ and Spain) which

⁴⁴ Based on an analysis of H1 2022 sales data obtained from data force.

⁴⁵ T&E quantified the total amount of bonuses allocated to each OEM due to regulatory loopholes, taking into account both the bonus from the mass adjustment, eco-innovation credits and super credits as well as the unrealistic PHEV UF loophole (difference between average emissions with and without the 2027 UF, same methodology as in the section 4.2.1). The ratio of the unrealistic UF loopholes over the total amount of bonuses determines the share which can be assigned to unrealistic utility factors.

⁴⁶ Assuming 1.14 million BEV, based on LMC Automotive's Global Hybrid & Electric Vehicle Forecast (Q2 2022).

⁴⁷ Excluding subsidies requiring scrappage of older vehicles. Methodology available in Annex 7.5.

⁴⁸ For Sweden only purchase subsidies for private cars are included, due to the difficulty in determining purchase subsidies for company PHEVs.

provide PHEV subsidies, for which H1 PHEV sales data was available and have PHEV sales of more than 200 cars per model.

Country	Subsidy total (euro)
 Austria	2,090,795
 France	47,496,000
 Germany	263,467,125
 Italy	11,171,040
 Romania	358,904
 Spain	21,137,064
 Sweden	4,694,433
Total	350,415,360

Table 1: EU countries spend on PHEV purchase subsidies almost €350 million was spent in 2022 alone.

The majority of the money is spent by Germany which accounts for 75% of the total PHEV subsidy spent on the three carmakers with almost half (€126 million) spent on BMW alone. From 2023, Germany is removing the purchase incentive for PHEVs, thereby this should result in a large decrease in PHEV subsidy spending in the EU. Of the six countries detailed above, Italy and Spain have a higher share of PHEV vs. BEV sales. By the end of 2022 PHEVs had 57% of the EV market in Italy and 61% in Spain, likely at least in part due to the generous subsidies provided.

Overall the breakdown of total subsidy spend per carmaker (fig. 16) across all countries analysed shows that there is an equal split between BMW and Stellantis (€133 million each) with RNM benefitting less (€84 million) from the subsidies due to lower PHEV sales volumes. Overall if averaged over all PHEV sales of the three carmakers in the analysed countries, the subsidy per PHEV is equal to €1,540.

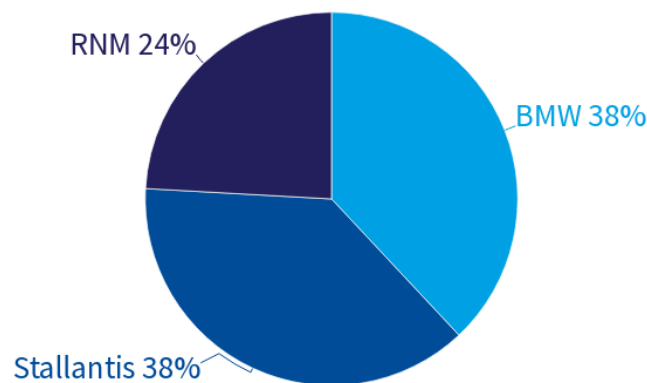


Fig. 16. Breakdown of the share of PHEV purchase subsidies to BMW, Stellantis and RNM in the six analysed EU countries. Overall Stellantis and BMW benefit almost equally, RNM benefits less due to lower PHEV sales.

4.4 Total cost of ownership

Unrealistic official CO₂ emissions and therefore fuel consumption impact consumers through higher than expected running costs. While fuel consumption is highly dependent on individual PHEV usage and therefore varies between consumers, there is little clarity for consumers at the time of purchase on how the fuel consumption advertised for PHEVs is determined or how the consumer needs to use the PHEV to achieve the same performance. This leads to a lack of transparency of everyday running costs of PHEVs and the total cost of ownership.

T&E has calculated the average costs of ownership of the three PHEVs based on 4 years ownership and realistic utility factors, as well as the TCO of comparable BEV models. The PHEV and BEV versions of the Renault Megane are compared, the Peugeot 308 PHEV vs. the Citroën eC4 BEV and the BMW 3 series PHEV vs. the Tesla model 3. The Citroën and Tesla were chosen as a comparison for the Peugeot and BMW as they are BEVs of a similar class, weight, price and specification. The methodology for the TCO calculation can be found in Annex 7.6. The results presented in Table 2, show that for all three PHEV models consumers would save money by switching to a BEV.

Car	Total Cost of Ownership EU Average (€/km)
BMW 3 Series PHEV	0.72
Tesla BEV	0.68
Peugeot 308 PHEV	0.57
Citroën eC4 BEV	0.50
Renault Megane PHEV	0.52
Renault Megane BEV	0.50

Table 2: Comparison of the total cost of ownership of PHEVs vs. BEVs. In the EU, on average, it is cheaper to own a comparable BEV than the three PHEVs tested.

Even with today's historically high electricity prices, switching from the BMW 3 Series to a Tesla Model 3 would save €2,600 euro over 4 years, the Citroën eC4 would save €4,800 compared to the Peugeot 308 and the Megane BEV would save €1,300 compared to the PHEV version. This indicates that at least for these PHEVs, car drivers are worse off by buying a PHEV than buying a BEV.

5. Discussion

5.1 Geo-fencing & PHEV suitability for cities

100 cities from the European Union have joined the EU mission to become climate-neutral by 2030⁴⁹ and at least thirty five cities across Europe including Amsterdam, Greater Paris and London[11] have committed to implementing zero emission zones (ZEZ) by the same date in order to reduce air pollution and CO₂ emissions. With the recent proposal by the European Commission to revise the Ambient Air Quality Directive (AAQD) and reduce permissible ambient concentrations of NO₂ by 50% and PM_{2.5} by 60%, it is likely that more cities will follow in announcing zero emission zones in order to meet these stricter limits. For ZEZ to achieve their aims of improving air quality and reducing CO₂ emissions, zero emission driving has to be guaranteed within these zones. For BEVs, zero emission operation is certain, however for PHEVs the situation is less clear cut. However it should be noted that the aim should be to reduce harmful pollution and climate warming emissions in the real world throughout cities (and beyond), not just on paper compliance in zoned areas only.

Proponents of PHEVs argue that geo-fencing technology can guarantee zero emission operation of PHEVs within geo-fenced areas, such as within low and zero emission zones, and the European Commission

⁴⁹ [EU mission: 100 Climate-Neutral and Smart Cities by 2030.](#)

hopes to have an official procedure for certifying cars with geo-fencing from 2025⁵⁰. BMW is the first carmaker to put the technology into mass production. It is included as standard on many of their models including the 530e, 745e and X5. The technology currently covers 138 cities including Graz, Austria where T&E's testing took place.

However, the performance of BMW's eDrive technology during this testing programme shows that even PHEVs equipped with geo-fencing technology cannot be guaranteed to drive zero emissions in the center of the city, casting into doubt the potential enforceability of such technology. During one of the hybrid tests undertaken by the BMW in the city of Graz, in which the geo-fencing "eDrive zones" were active, the engine came on twice while driving in the city without a request to do so from the driver⁵¹. The reason for this is not clear from the data available but it was not due to a depleted battery as the car drove another 30 km and finished the test with between 50 and 75% of the battery charge left.

The high residual state of charge may be due to the vehicle conserving battery power in case of potential entry into geo-fenced areas. This would help to explain why the BMW's battery was depleted further on the anticipatory hybrid test for which the full route was programmed into the satellite navigation. If this the case, the use of geo-fencing for PHEVs could result in an increase in CO₂ emissions from PHEVs as maintaining the state of charge of the battery in case of entry into geo-fenced areas would result in a higher share of engine use and therefore a lower real world utility factor. This means that PHEV geo-fencing technology not only risks having negative impacts on air quality but also on CO₂ emissions.

While geo-fencing in Graz is not a legally mandated requirement, eDrive Zones is advertised by BMW to switch to 'all-electric driving mode upon entering inner city areas'⁵² therefore it is reasonably expected to perform as such. While the engine did not come on in the city during the anticipatory hybrid test where the route was pre-programmed into the sat-nav, the PHEV should drive exclusively zero emission in the city of Graz whenever eDrive Zones is active, not only when the sat-nav is in use. Especially since the sat-nav may not be used on frequently driven routes as drivers don't put it on for familiar routes.

The real world **zero emission range of PHEVs in cities is rather limited** as evidenced by T&E's testing. The zero emission range of between 34-49 km measured during city driving falls 26-47% short of the range that could be reasonably expected from customers based on official figures for the BMW and Peugeot. This is especially the case for the Peugeot whose zero emission range was almost half the advertised electric range even under the mild driving and weather conditions experienced on this test. In cold weather or with more auxiliaries running, the range could be decreased further reducing the utility of the PHEV as a zero emission car.

On top of the limited zero emission range of the three tested PHEVs, **a lack of fast charging capability** means that none of the 3 PHEVs tested could quickly or easily be topped up on the go when the battery runs out of charge. This was also the case for the three PHEVs T&E tested in 2020 indicating that

⁵⁰ As part of the upcoming Euro 7 emission standards.

⁵¹ According to BMW the driver can choose to switch out of eDrive zero emission driving at any time.

⁵²

<https://www.press.bmwgroup.com/global/article/detail/T0361792EN/emission-free-city-centres-bmw-edrive-zones-now-available-in-138-european-cities?language=en> Accessed 10th September 2022.

carmakers are not improving in this area. The BMW and Renault charging rate is limited to 3.7 kW/h, meaning that it would take around 3 hours to charge the limited PHEV e-range to full. It is surprising that Renault decided not to put faster charging on the PHEV Megane given that the fully electric Megane is capable of fast charging the six times bigger battery in 1h 15 min (giving an estimated charging rate of 48 kW/h). The Peugeot is the only PHEV tested capable of slightly faster charging at 7.4 kW/h, but to achieve the 34km of zero emission range achieved during city driving would still take at least 1h 40 minutes⁵³.

The limited zero emission range and slow charging raise the question of what would happen to a PHEV which runs out of electric charge in a geo-fenced area. At present the internal combustion engine would simply switch on, but in a future legally mandated zero emission area switching the ICE on should not be an option. The European Commission plans that PHEVs with geo-fencing would provide the driver with a 5km warning before the battery ran out and the car automatically stopped⁵⁴. Yet with the limited zero emission range of most PHEVs - which is expected to be about 66km⁵⁵ by the time geo-fencing rules are expected to come into force in 2025 - and slow charging this would be a significant inconvenience to users. This could potentially result in tampering of geo-fencing systems and circumvention of geo-fenced area rules, something already seen in ICE with emissions control technology such as Selective Catalytic reduction (SCR) used for diesel NOx control and DPFs. Ultimately, what matters is a long-enough real-world electric range (and easy fast charging) for drivers to switch to zero emission km in cities, not software or test procedures that are open to tampering.

Aside from switching on the ICE in geo-fenced zones when the battery is empty, the ICE in PHEVs can come on for only brief periods as occurred for the BMW on the hybrid 'default mode' test. This makes **detection of PHEV ICE use in geo-fenced areas challenging**. Also BMW states that 'at temperatures below 0 degrees Celsius, the purely electric driving mode of plug-in hybrid models will not be available until the battery has warmed up to an operational condition after the vehicle has travelled a few miles'⁵⁶. Combined, these caveats make the ability to effectively enforce PHEV zero emission operation in geo-fenced areas doubtful, especially if some PHEVs are not capable of driving zero emission under a range of normal conditions such as cold weather. To guarantee that PHEVs drive zero emission in a ZEZ a widespread network of movable remote emissions sensors which can detect emissions from exhausts would likely be needed to ensure that rules are not circumvented. As such, monitoring of PHEV emissions within zero emission zones would likely increase both the cost to cities and the administrative burden of enforcing ZEZ compared to ZEZ which only allow fully electric vehicles.

5.2 PHEV suitability for reducing CO₂ emissions

Carmakers are continuing to increase PHEV sales while claiming that these cars are an environmentally friendly option and a transition technology to fully zero emission cars. However this report and testing shows that even smaller non-SUV PHEVs are still not a good solution for the climate.

⁵³ <https://www.peugeot.co.uk/electric-and-hybrid/drive-electric/hybrid-charging.html> Accessed October 2022

⁵⁴ According to the European Commission's [Euro 7](#) proposal.

⁵⁵ Based on a forecast of future PHEV battery size using a range proxy and 2021 WLTP data.

⁵⁶ www.bmw.co.uk/en/all-models/3-series/touring/2022/bmw-3-series-touring-overview.html#plug-in-hybrid Accessed November 2022.

PHEVs still have very high CO₂ when only the engine is used

High CO₂ emissions when PHEVs are not charged and driven using the engine only show that PHEVs are not designed with CO₂ savings in mind, resulting in very high CO₂ emissions if PHEVs are not regularly charged. The **BMW** and the **Peugeot** have official WLTP CO₂ of 167g/km and 176g/km when the cars are not charged; this is higher than the average CO₂ of a pure ICE car of 139 g/km and which can be as low as 100 g/km[4]. The CO₂ measured during city driving when the cars were not charged was even higher (by 23-39%).

This comes down to the design of these two PHEVs which are much closer to an ICE car than a BEV. The power of the ICE in both of these PHEVs is greater than that of the electric motor. The electric motors on both cars have just 60% of the power of the ICE and the engines on both cars are almost twice as powerful as that fitted to the Renault.

In contrast the **Renault**, which has much lower official (122 gCO₂/km)⁵⁷ and on road (138 gCO₂/km) emissions than the other two PHEVs, has an electric motor which is 7% more powerful than the ICE. The mass of the Renault is just 103 kg (6%) lower than that of the Peugeot, but the CO₂ emissions when the battery is not charged are 30% lower. Even when considering variations in driving and weather which will account for some of the difference in on-road city CO₂ between the two cars, **limiting the power of the ICE engine and having a more powerful electric motor appears to be an effective strategy to reduce CO₂**. A study by the International Council on Clean Transportation supports this: their study estimates that for each additional 10kW of ICE power CO₂ increases by 0.8-2.4%[5]. For the BMW and the Peugeot this means between 5% to 17% higher CO₂ than if the PHEVs were fitted with an engine of the same power as the Renault.

Fitting a weak electric motor also increases the chance that the ICE will have to come on to assist the electric drive when more power is needed than the electric motor can provide, reducing the real world share of electric driving. This could be one of the reasons why the BMW ICE came on while it was driving in a supposedly geo-fenced area. Unfortunately, at present there is little policy incentive for carmakers to reduce CO₂ when the battery is not charged since both EU car CO₂ standards and Member State national taxation policies use very low official PHEV CO₂ values (which for most PHEVs is less than 50 g/km) and do not take into account the high CO₂ emissions of PHEVs when they are not charged.

Even the update of utility factors in 2025 and 2027 will at best only have a marginal impact on improvement of engine-only (charge depleting) CO₂. In 2022 BMW and Stellantis would have complied with their EU CO₂ targets if 2027 utility factors were used for compliance. Additionally, carmaker CO₂ targets are only reduced by 15% in 2025, meaning that car makers will have to do little to improve their PHEVs to meet their CO₂ targets. Therefore, the most effective way to incentivise reductions in the high charge sustaining CO₂ of PHEVs and improvements in other key aspects (e.g. electric range and fitting of a more powerful electric motor vs. ICE) is through taxing PHEV models for the CO₂ that they actually emit, not the average CO₂ performance of EU-wide PHEVs which is determined at type approval .

⁵⁷ WLTP combined, charge sustaining

Some PHEVs are better designed for commuting than others

The CO₂ measured during this testing programme shows that some PHEVs are better than others at reducing CO₂ while commuting. The three PHEVs were tested on the commuter route which can be considered representative of what a typical PHEV commute to a city could look like. During the commute, the Peugeot reduced CO₂ by 78% and the Renault 62% compared to official figures⁵⁸, yet the BMW reduced CO₂ emissions by only 32% owing mainly to greater use of the ICE and less of the electrical drive. Substantial CO₂ savings were only realised when the route was plugged into the satellite navigation and the anticipatory hybrid mode was active.

Overall, considering the magnitude of BMW's CO₂ emissions on the commuter route when the sat-nav was not used (112 g/km), the BMW performs much worse on this type of route and distance than the Peugeot and Renault due to the greater use of the internal combustion engine (as detailed in Section 3.2.3). As already mentioned (in Section 5.1) this may be due to the BMW PHEV preserving battery charge in case of entry into a geo-fenced zone. As such, a customer driving this type of route without the use of satellite navigation is likely to see greater CO₂ emissions and fuel consumption reductions with the Renault and Peugeot than the BMW.

However, testing of the Peugeot and the Renault starting with a 50% charged battery shows that combining a not fully charged battery with a long distance drive results in at most only a small reduction in CO₂. As shown in T&E's 2020 PHEV report[6], to achieve substantial CO₂ savings PHEVs have to be driven with a fully charged battery and on trips which do not substantially exceed the car's electric range as CO₂ emissions increase rapidly once the internal combustion engine turns on. Carmakers should better inform and educate consumers on the type of PHEV use that will deliver the largest CO₂ savings and best fuel economy. BMW's scheme to promote electric driving by rewarding consumers with free charging[12] is a step in the right direction and all carmakers selling PHEVs should adopt similar schemes.

Charging the battery using the engine still results in a large increase in CO₂

Previous T&E PHEV testing has shown that charging of the PHEV battery using the ICE while driving results in a large increase in CO_{2[6]}, at the time all three PHEVs tested were equipped with this mode. This time only the BMW was equipped with this driving mode. As before, charging of the PHEV battery while driving resulted in a large increase in CO₂ of over 50% compared to official engine only CO₂⁵⁹ and 7 times the official figures. The charging of the battery using the engine is also estimated to be 2.3 times less efficient than charging using the mains. Given the inefficiency of charging battery using the engine, BMW and other carmakers should follow in the footsteps of Renault and Peugeot and remove the ability to charge the battery in this way, especially since drivers are not provided with information on the associated fuel consumption and CO₂ emissions and therefore cannot make an informed decision about its use. This is particularly important if geo-fencing capability on PHEVs becomes more widespread as this may result in an increased use of this mode which could result in an increase in average PHEV CO₂.

⁵⁸ WLTP

⁵⁹ Compared to both WLTP motorway charge sustaining CO₂ and whole test WLTP combined charge sustaining CO₂.

5.3 Vehicle taxation should reward low CO₂ PHEVs and their drivers

Incentivising the sale of lower emissions PHEVs (with lower charge sustaining CO₂, longer electric range and more powerful electric motors vs. ICE) can be achieved by shifting the national taxation of PHEVs from the official CO₂ determined at type-approval for each model variant to the individual performance and use of each PHEV. This is possible as all cars sold since 2021 with an ICE are fitted with an on-board fuel consumption metre (OBFCM), which continuously measures and records real world fuel consumption. OBFCM data from cars is already collected by Member States and the EU; it can be obtained from the car at service centres, since carmakers already have to collect this data when a car is brought in for service or repair. From May 2023 this data can also be obtained from centres which undertake Periodic Technical Inspections (PTI) since they are obliged to start collecting OBFCM data during PTI from this date. Obtaining data from on-board fuel consumption metres for the purpose of taxation should not be overly burdensome as new cars, especially company cars, are regularly serviced at the beginning of their lifetime (most often on an annual basis) and the obligation for Period Technical Inspections begins in most Member States after 3 years.

To ensure that PHEV taxation at national level encourages the purchase of more efficient PHEVs and rewards drivers for driving their cars electrically, ownership and company car benefit-in-kind taxation should be based on the actual CO₂ emissions of each individual car based on data obtained on an annual basis from OBFCM. For efficient implementation T&E suggests that PHEVs are taxed based on the official WLTP engine only (charge sustaining) CO₂ at the start of the year. Then, based on a read-out of the OBFCM data at the end of the year, the driver can apply to receive a tax rebate if their real world CO₂ emissions were lower than the taxed value due to electric driving. The size of the rebate should be scaled based on the reduction in CO₂ achieved in order to incentivise the highest share of electric driving and largest reductions in CO₂. The tax rebate approach ensures that CO₂ emissions are fully taxed and reduces any concerns over data privacy as only those drivers who wish to benefit from the rebate would need to provide data to the relevant Member State authorities.

Basing ownership and benefit-in-kind taxation on the actual CO₂ savings delivered by individual PHEVs on the road would provide the fiscal incentive needed to encourage the sale of PHEVs which are designed to deliver CO₂ savings on the road, and for drivers to increase the share of electric kilometers driven. This is particularly important for company car drivers, who are often provided with free fuel cards, which reduces the incentive to use PHEVs electrically. Company car drivers drive the lowest share of kilometres electrically, just 11-15% vs. 45-49% for private drivers[5]. Tackling this through smarter benefit-in-kind taxation has the potential to substantially reduce CO₂ emissions and fuel consumption from the PHEV fleet considering that 71% of PHEVs sold in the EU are company cars, in Belgium this is as high as 90%⁶⁰.

5.4 Subsidies

Subsidies

EU Member States have spent large sums of money subsidising PHEV sales. For BMW, Stellantis and RNM alone EU governments are expected to spend €350 million subsidising PHEVs sales in 2022 alone, which

⁶⁰ Based on 2021 sales data obtained from Datforce.

do not deliver the expected CO₂ savings on the road. Quantity does not necessarily equal quality as, aside from maximum price thresholds, little additional criteria are placed on PHEVs in order to secure subsidies. When applied, these are mostly based only on the maximum official PHEV CO₂ emissions. Since official CO₂ values are not a good indicator of the CO₂ reductions that the PHEV can achieve on the road, this approach fails to drive the production and sale of PHEVs which are more likely to reduce CO₂ emissions, such as those with a long electric range, fast charging and low engine only CO₂ emissions⁶¹. Sometimes electric range criteria is applied but this is not very stringent. When applied, the requirement is not very ambitious and varies from a minimum of 30-60 km.

Given the low share of electric kilometres driven by company cars (11-15%)[5] Member States should no longer provide subsidies for company car PHEVs. Subsidies for private cars, where these exist (e.g. in early BEV markets), should be based on stringent performance criteria. At the minimum this should require:

- 1) An electric range of at least 80km
- 2) Electric motor power should be equal or greater to ICE power.
- 3) Be capable of fast charging at a minimum rate of 50 kW
- 4) Have engine only (charge sustaining) CO₂ no higher than the 2022 average for a pure ICE car of 139 g/km

Such criteria would ensure that subsidies are targeted at the most efficient PHEVs. If desired, subsidies could also be tied to individual CO₂ savings based on data from on board fuel consumption meters as suggested for ownership and benefit-in-kind taxation in section 3.2.

6. Conclusion and policy recommendations

T&E's testing of the BMW 3 series, Peugeot 308 and the Renault Megane PHEVs shows that 2 out of the 3 PHEVs tested have a shorter electric range in cities than expected based on official data (by 26-47%), with all three PHEVs having a rather limited range of 34- 49 km. CO₂ emissions when the PHEVs are not charged and driving in cities are very high for both the BMW and the Peugeot (~200 g/km), equivalent to the official CO₂ of the 2.0L VW Tiguan SUV. This is 6-7 times the official WLTP CO₂ values for these PHEVs. The Renault has lower emission of 138 gCO₂/km likely due to limited engine power and lower weight, yet this is still 5 times the official WLTP value. Both the BMW and the Peugeot are closer in design to an ICE car than a BEV due to their ICE being more powerful than the electric motor, only the Renault had an electric motor more powerful than the ICE. None of the PHEVs were capable of fast charging.

The Peugeot and Renault performed better than the BMW 3 series when fully charged and driving on a route representative of commuter driving and in the mode chosen by the car, delivering larger CO₂ savings (59-77% vs. using just the ICE) and achieving emissions of 33-50 gCO₂/km. Yet this is still 1-2-1.7 times the official WLTP values. The BMW reduced CO₂ by only 33% with emissions of 112 gCO₂/km (3.1 times the official values). For the BMW pre-programming of the driving route into the satellite-navigation

⁶¹ A full overview of purchase subsidies given to PHEVs can be accessed in [T&E. \(2022\) The good tax guide](#).

(which activates BMW's 'anticipatory' driving mode) is needed to further reduce emissions when commuting. Use of this mode additionally reduced emissions by 40% to 67gCO₂/km (2 times the official WLTP CO₂). When not fully charged and driving at high speeds the Renault does not deliver any CO₂ savings compared compared to official WLTP data, the Peugeot reduced CO₂ by at least 13%

Only the BMW was fitted with a battery charging mode, use of this mode increased CO₂ by more than 50% to 255 g/km which is 7 times the official CO₂. T&E estimates that use of the engine to charge the battery is 2.3 times less efficient than charging from the grid and delivers no CO₂ savings for city driving. Overall, the test results show that even most non-SUV PHEVs are closer in design to ICE cars and not designed with CO₂ savings in mind.

As regards to the much touted geofencing, T&E's testing shows cars fitted with BMW's 'eDrive Zone' geo-fencing technology cannot be trusted to continuously drive zero emission in cities since the engine came on twice while driving in the city of Graz -a supposedly geo-fenced city according to BMW. This puts into doubt the usefulness and enforceability of the technology. It also suggests that geo-fencing may hinder the efficient use of the entire battery if electrical range must be maintained for possible entry into geo-fenced zones resulting in an increase in PHEV CO₂ emissions due to less overall electric driving.

PHEV continues to be used as a compliance mechanism for carmakers to easily meet their CO₂ targets due to their artificially low CO₂ emissions. For the three PHEVs real world CO₂ is around three times the official values resulting in a real world gap of 55-78 gCO₂/km. In 2021, if realistic CO₂ emissions were used for the calculation of fleet average CO₂ standards neither BMW nor Renault -Nissan-Mitsubishi (RNM) would have complied, facing fines of €221 million and €140 million, respectively. While T&E calculates that all but RNM would have complied in 2022 even with realistic PHEV emissions, the monetary benefit of artificially low CO₂ is huge: BMW will benefit €0.9billion or €8,200 per PHEV sold, Stellantis by €1.3billion or €9,300 per PHEV and 0.24 billion for RNM or €6,900 per PHEV. This also results in depressed BEV sales, T&E estimates, for the three carmakers, 247,000 less BEVs in 2022 or 22% of forecast BEV sales.

While not delivering the expected CO₂ savings on the road PHEV sales are still supported by generous purchase incentives by many EU Countries. T&E forecasts that in 2022 BMW, Stellantis and RNM will receive €350 million in PHEV subsidies. This is despite the cost of owning a PHEVs being higher than comparable fully electric models. On average an EU driver switching from the BWM 3 series to a Tesla Model 3 would save €2,600 euro over 4 years, the Citroën eC4 would save €4,800 compared to the Peugeot 308, and the Magane BEV would save €1,300 compared to the PHEV version. Overall, PHEVs do not deliver the expected CO₂ savings on the road, while being a cost burden to EU Governments and consumers.

Based on this study T&E provides the following policy recommendations:

- 1) **PHEVs should not be treated as zero emission even if they have geo-fencing capability.** Geo-fencing capability cannot guaranteed zero emission driving, therefore letting PHEVs into zero emission zones makes is harder to enforce and risks the integrity of the zone.

- 2) **PHEV ownership and company car benefit-in-kind taxation should be based on the actual CO₂ reduction delivered by individual PHEVs in the real world.** Data from on-board fuel consumption meters (which are fitted to all cars with an engine since 2021) should be used to determine ownership and benefit-in kind taxes for individual PHEV to ensure that PHEV drivers pay for the CO₂ that they emit since official CO₂ values do not reflect real world CO₂ savings, especially for company cars.
- 3) **Privately owned PHEVs should not receive purchase subsidies. Where these exist (e.g. in early BEV markets), they should be based on performance criteria, such as:** a min electric range of 80km, the power of electric motor at least equal to the power of the ICE, capability to fast charge and maximum engine only CO₂ of 139 g/km.
- 4) **No purchase subsidies should be given to company cars** since company cars have been shown to have the lowest electric driving share of just 11-15% and therefore contribute little to reducing CO₂.
- 5) **Official PHEV CO₂ emissions need to be regularly updated with real world data.** In 2024 there is a review of PHEV utility factors (i.e. the assumption on the share of electric kilometres driven by PHEVs) this should be based on data gathered from on board fuel consumption meters collected by the Commission annually. To ensure that official PHEV CO₂ continues to reflect real world values another review should be scheduled in 2028, this would also provide the opportunity for carmakers to benefit from improvements that they make to their PHEVs.
- 6) **The option to charge the PHEV using the internal combustion engine should be removed by carmakers.** Using the engine to charge the battery results in a large increase in CO₂ and is at least 25% less efficient than charging from the mains. Both Peugeot and Renault no longer offer this mode of charging on the 308 or Megane. Other carmakers should follow in their footsteps. As for BEV, a ubiquitous public and semi-public fast charging network is needed instead, with cities, governments and the EU all working to deliver this.
- 7) **Carmakers should educate and reward PHEV drivers for driving electrically.** BMW has already introduced such a scheme which rewards PHEV drivers for driving electrically with free charging. Such a tool is a good example of driver education and should be implemented by all carmakers selling PHEVs.

7. Annex

7.1 Vehicle details of the three tested PHEVs as recorded on the PHEV's certificates of conformity

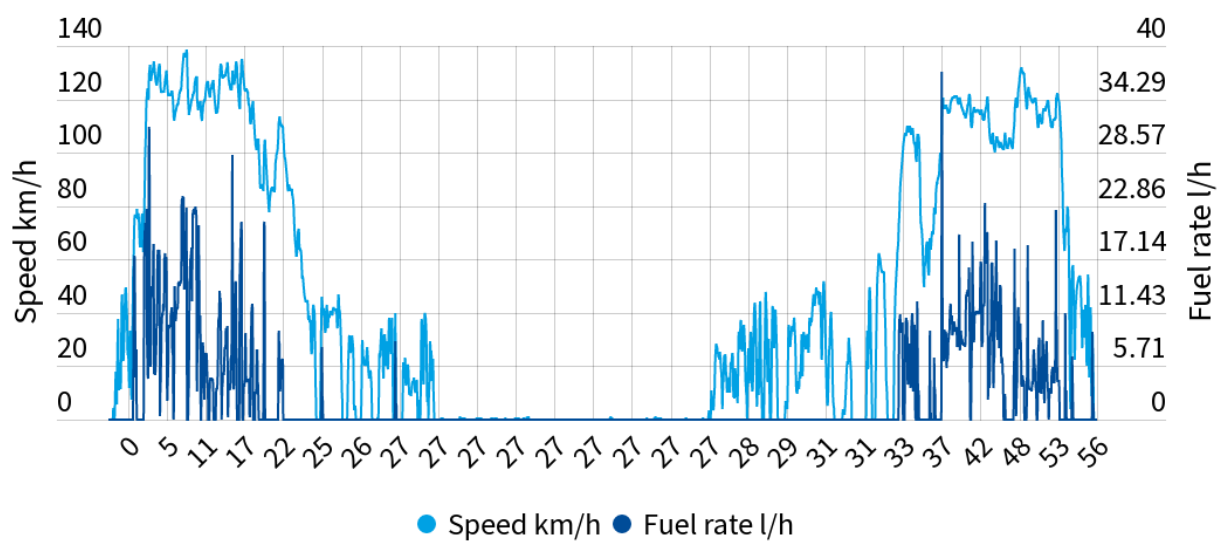
	BMW 330e	Peugeot 308	Renault Megane
Type- approval	WLTP Euro 6d-ISC-FCM	WLTP Euro 6d-ISC-FCM	WLTP Euro 6d-ISC-FCM
Registration year	2022	2022	2021
Fuel	Petrol	Petrol	Petrol
Engine size (cm ³)	1998	1598	1598
Mass in running order (kg)	1965	1708	1605
Power combustion engine (kW)	135	132	69
Battery size (kW)	12.4	12	9.8
Electric range: EAER (km)	56	63	48
Electric range: EAER city (km)	59	69	62
Electric motor max net power (kW)	83	81	74
Mileage at start of testing	7625	3962	9338
Combined WLTP CO2 emissions (g/km)	36	27	30
Combined WLTP fuel consumption (l/100km)	1.6	1.2	1.3
Electrical consumption, weighted (Wh/km)	147	157	155

7.2 Technical details of the test driving routes

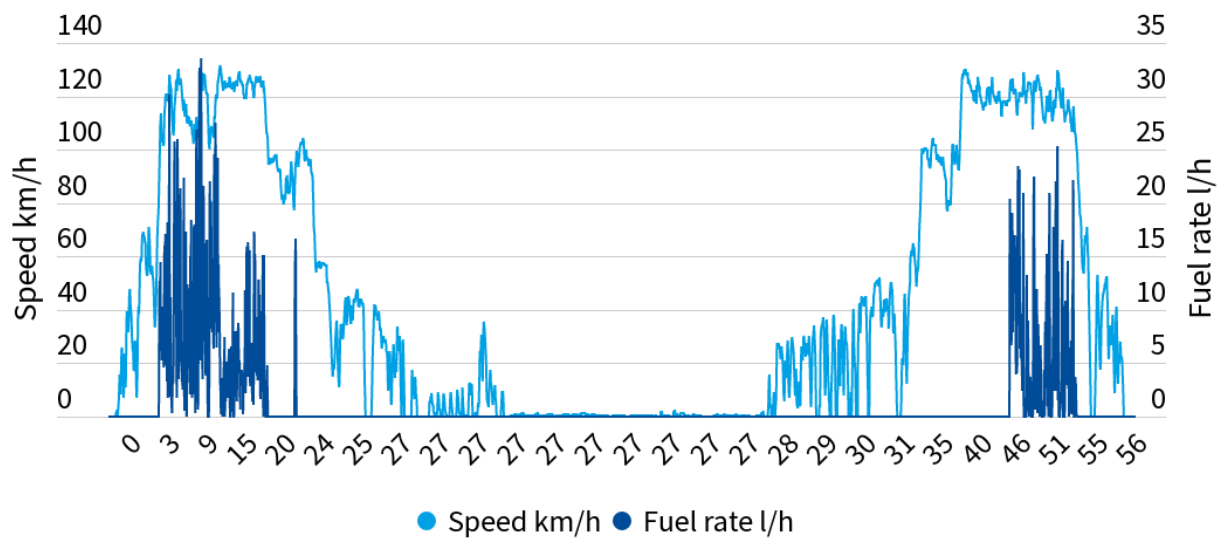
Test	Ambient temperature [°C]	Urban share [%]	Rural share [%]	Motorway share [%]	Avg. urban speed [km/h]	Avg. rural speed [km/h]	Avg. motorway speed [km/h]
BMW City electric range	23	99.1%	0.9%	0.0%	26.1	60.7	-
BMW City charge sustaining	30	97.2%	2.8%	0.0%	25.4	61.9	-
BMW Charge increasing	23	8.1%	4.4%	87.5%	28.7	76.3	122.4
BMW Hybrid 'default mode'	31	18.2%	10.7%	71.2%	12.5	75.6	116.4
BMW Anticipatory hybrid	25	20.2%	7.2%	72.6%	13.4	75.6	114.3
Peugeot City electric range	21	99.1%	0.9%	0.0%	21.1	60.7	-
Peugeot City charge sustaining	31	97.2%	2.8%	0.0%	22.7	64.1	-
Peugeot Hybrid '50% battery'	31	7.7%	6.5%	85.8%	27.9	77.4	123.5
Peugeot Hybrid 'default mode'	25	17.9%	9.1%	73.1%	10.7	76.2	107.2
Renault City	30	98,4%	1,6%	0,0%	25,8	61,8	-

electric range							
Renault City charge sustaining	34	97,9%	2,1%	0,0%	24,5	61,9	-
Renault Hybrid '50% battery'	34	8,0%	8,2%	83,8%	28,2	82,1	124,6
Renault Hybrid 'default mode'	27	18,0%	11,7%	70,3%	12,9	75,1	115,6

7.3 BMW engine data from the hybrid 'default mode' test



7.4 BMW engine data from the anticipatory hybrid test



7.5 Methodology for the calculation of WLTP Utility factors, charge depleting CO2 and PHEV CO2 emissions in 2025 and 2027.

To calculate the impact of updated utility factors on the CO2 emissions of the three tested PHEVs the following steps were taken:

1. Firstly the official type-approval WLTP utility factor and charge depleting CO2 emissions had to be calculated as these are not available in the Certificate of Conformity. As the range in charge depleting mode used for determination of the UF is not publicly available, this was estimated based on the Equivalent All Electric Range (EAER) detailed in the Certificate of Conformity. For the purpose of this analysis, the range in charge depleting mode is assumed to be the distance reached at the end of the test cycle in which the EAER is also reached. For all three PHEVs this was 69.8km.
2. Based on this electric range the UF used at type approval was obtained from the WLTP UF curve. The assumed UF for all three PHEVs is 0.84.
3. Using a re-arranged version of the WLTP utility factor equation as reported in [T&E\(2022\)Update: T&E's analysis of electric car life cycle emissions](#) combined with the charge depleting CO2 emissions obtained from the CoC, the range in charge depleting mode obtained in step 1 and UF obtained in step 2, the charge depleting CO2 emissions for each PHEV were calculated.
4. The PHEVs 2025 and 2027 UF were determined from the respective UF curves based on the same assumption of electric range as assumed in step 1.
5. The UFs were used in the same equation to determine the expected CO2 emissions for the three vehicles in 2025 and 2027.

7.5 Methodology for the calculation of PHEV subsidies

The value of purchase subsidies⁶² given to BMW, Stellantis and Renault-Nissan-Mitsubishi in 2022 were calculated on the basis of subsidies reported in [T&E. \(2022\) The good tax guide](#) and H1 2022 EU sales data obtained from Dataforce. Of the countries which provide subsidies for PHEVs data on H1 PHEV sales data was analysed for Austria, France, Germany, Italy, Romania, Spain and Sweden. The following steps were taken:

1. H1 sales data was scaled by two to estimate 2022 whole year sales.
2. As most subsidies have a price ceiling, price data was obtained from each car manufacturer in December. The base price for each model was used. Any PHEV with sales of less than 200 units over the whole year in a given country were excluded from the analysis to streamline the price data collection process. This equated to ~2% of data points and excluded Latvia and Croatia from the analysis.
3. Since in some countries different subsidies are given to company and privately purchased cars the number of each were calculated based on the latest available data on the percentage of new cars sold as company cars. The latest data available was from 2021 and it was assumed that the share stayed constant in 2022. Where data was not available for the specific country the EU average was used.
4. The applicable subsidies available for private and company PHEVs in each country were multiplied by the number of private and company cars sold to obtain the total value of subsidies in each country.

Additional information: The minimum 60km threshold for PHEVs in Germany was applied from October as per Germany's subsidy criteria. Subsidies calculated for Sweden only include company cars (due to the complexity of calculating purchase subsidies for company PHEVs) and were calculated based on information available at <https://www.transportstyrelsen.se/en/road/Vehicles/bonus-malus/bonus>.

7.6 Methodology for the calculation of the total cost of ownership of the three tested PHEVs and comparable BEV models.

The methodology used for the calculation of the total cost of ownership for both the PHEV and BEV models is aligned with that reported in [T&E. \(2021\) E-fuels: why e-fuels in cars make no economic or environmental sense](#) with an update to the following assumptions:

- Electricity price: 0.31€/kWh. Calculated based on a 6 month EU average from July to December 2022 with prices extracted from the Household Energy Price Index tracker⁶³.
- Fuel price: 1.7 €/L (inclusive of duties and taxes). Calculated based on a 6 month EU average from July to December 2022 with prices extracted from the Weekly Oil Bulletin⁶⁴.
- Ownership period: 4 years.
- Purchase price obtained from the respective carmakers websites in the respective countries in November 2022.

⁶² Subsidies given upon scrapping of a vehicle were excluded from this analysis.

⁶³ <https://www.energypriceindex.com/price-data>

⁶⁴ https://energy.ec.europa.eu/data-and-analysis/weekly-oil-bulletin_en

- Fuel consumption: PHEV fuel consumption in charge sustaining mode derived from WLTP data with a 14% increase to take into account the real world fuel consumption⁶⁵.
- Electricity consumption: electricity consumption derived from WLTP data with a 5% increase to take into account real world fuel consumption⁶⁶.
- PHEV utility factor: derived from WLTP data.
- Charging: no fast charging assumed.
- Maintenance: PHEVs are assumed to be 25% cheaper to maintain than diesel cars (about 330€ per year) and BEVs are assumed to be 50% cheaper.
- Residual value: based on trends of residual value data acquired from Element Energy, we assumed that both PHEV and BEV would retain 45% of their purchase value after 4 years.
- Financing: paid upfront.

⁶⁵ According to ICCT, the average difference between WLTP and real world emissions for all ICEs is about 14%. We assume that this difference can be applied for PHEVs used in charge sustaining mode.

https://theicct.org/sites/default/files/publications/On-the-way-to-real-world-WLTP_May2020.pdf

⁶⁶ T&E calculations from efficiency data of BEVs provided by the EV-Database show that electricity consumption in real-world conditions is, on average, 5% higher than WLTP values. It is assumed that this relationship is also applicable for PHEVs used in charge depleting mode.

Bibliography

1. T&E. (2020). *Plug in hybrids: Is Europe heading for a new dieselgate?* Transport & Environment.
Retrieved from
<https://www.transportenvironment.org/publications/plug-hybrids-europe-heading-new-dieselgate>
2. Fuel types of new cars: battery electric 9.1%, hybrid 19.6% and petrol 40.0% market share full-year 2021. (2022, February 2). *ACEA - European Automobile Manufacturers' Association*. Retrieved September 12, 2022, from
<https://www.acea.auto/fuel-pc/fuel-types-of-new-cars-battery-electric-9-1-hybrid-19-6-and-petrol-40-0-market-share-full-year-2021/>
3. Despite headwinds, EU electric car sales keep growing. (n.d.). *Transport & Environment*. Retrieved from <https://www.transportenvironment.org/discover/co2-targets-propel-european-ev-sales/>
4. Gimbert, Y. (2022). *From boom to brake: is the e-mobility transition stalling?* Transport & Environment.
5. Patrick Plötz, Steffen Link, Hermann Ringelschwendner, Marc Keller, Cornelius Moll, Georg Bieker, Jan Dornoff, Peter Mock. (2022). *Real-world usage of plug-in hybrid vehicles in Europe - A 2022 update on fuel consumption, electric driving, and CO2 emissions*. ICCT. Retrieved from <https://theicct.org/publication/real-world-phev-use-jun22/>
6. Krajinska, A. (2020). *A new Dieselgate in the making*. Transport and Environment.
7. Krajinska, A. (2022). *How to fix the PHEV loophole*. Transport&Environment.
8. SCHMIDT AUTOMOTIVE RESEARCH. (2022). *Schmidt Automotive Intelligence: Monthly Market Intelligence*.
9. Mock, J. D. U. T. (2020). *ON THE WAY TO "REAL-WORLD" CO2 VALUES: THE EUROPEAN PASSENGER CAR MARKET IN ITS FIRST YEAR AFTER INTRODUCING THE WLTP*. The International Council on Clean

Transportation. Retrieved from

<https://theicct.org/publication/on-the-way-to-real-world-co2-values-the-european-passenger-car-market-in-its-first-year-after-introducing-the-wltp/>

10. Dornoff, J. (2021). *Plug-in hybrid vehicle CO2 emissions: How they are affected by ambient conditions and driver mode selection*. ICCT.
11. Müller, Z. A. B. S. (2022). *The development trends of low and zero-emission zones in Europe*. Clean Cities Campaign. Retrieved from <https://cleancitiescampaign.org/wp-content/uploads/2022/07/The-development-trends-of-low-emission-and-zero-emission-zones-in-Europe-1.pdf>
12. BMW. (n.d.). Drive electric, collect BMW Points, charge for free: BMW presents the worldwide first bonus programme for Plug-in Hybrid Model drivers. Retrieved from <https://www.press.bmwgroup.com/global/article/detail/T0318758EN/drive-electric-collect-bmw-points-charge-for-free:-bmw-presents-the-worldwide-first-bonus-programme-for-plug-in-hybrid-model-drivers?language=en#:~:text=Purely%20electric%20and%20thus%20locally,even%20awarded%20with%20double%20points.>