

Consultancy Services

LeasePlan Industry Fleet Ranking 2019

Why the Financial & Professional Services
industry is leading the way

An aerial photograph of a winding asphalt road with white dashed lines, curving through a dense green forest. A small stream or river flows alongside the road on the right. A large, stylized orange graphic, resembling a series of overlapping peaks or a stylized 'W', is superimposed over the upper half of the image. The word 'LeasePlan' is written in white, bold, sans-serif font across the middle of this orange graphic.

LeasePlan

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This report has been developed with the help of Consultancy Services, a global team of experts which draws on more than half a century of fleet and mobility management experience.

Introduction

1.1 The move away from diesel

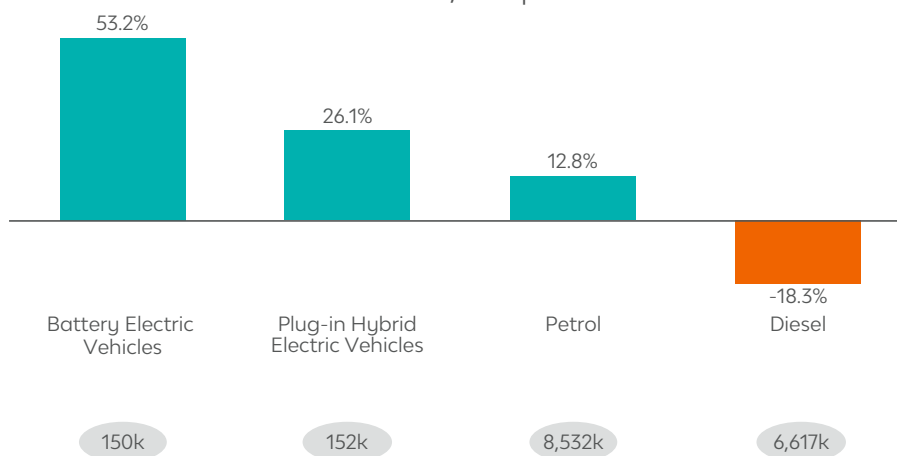
Diesel is losing ground – that much is clear. Just some of the factors denting the popularity of diesel include the ‘diesel-gate’ emission scandal, the introduction of Low Emission Zones (LEZs) which often restrict city-centre access for vehicles with older diesel engine types, and the shift in public focus from CO₂ emissions (which diesels generally emit less of compared to petrol engines) to NO_x and particulate matter emissions (which older diesels emit more of than older petrol engines).

New diesels perform well below the stringent Euro 6d-TEMP standards during Real Driving Emissions (RDE) tests, which measure NO_x and particulate matter emissions during real-life driving. On average, these tests show that modern diesels emit 85% less NO_x than earlier Euro 5 cars¹. Nevertheless, diesels are quickly losing ground – mainly to petrol vehicles,

and to a lesser extent to Battery Electric Vehicles (BEVs) and Plug-in Hybrid Electric Vehicles (PHEVs).

This is underlined by the recently published statistics from the European Automobile Manufacturers Association (ACEA). When comparing 2018 against 2017, BEVs and PHEVs have the highest growth rate in total car registrations, but in absolute terms the increase in petrol vehicles accounts for 80% of the drop in diesel sales.

New passenger car registrations by fuel type
2018 versus 2017, European Union



Source: ACEA, 2019

¹ Source: ADAC

² Source: Statistics Netherlands CBS, 2016 data



1.2 The LeasePlan Industry Fleet Ranking 2019

The company car category is an interesting subset of on-the-road vehicles as its composition is affected by not only the aforementioned general trends, but also by some additional fleet-specific ones. To start with, fleets have historically been more skewed towards diesel because of the higher average mileage of company cars (24,000 kilometres for company cars versus 12,000 kilometres for private cars²) which often makes diesel cars a more cost-effective option than petrol. On the other hand, the benefit-in-kind taxation schemes in a number of countries have recently led to BEVs and PHEVs becoming the most cost-effective option, resulting in accelerated adoption of such vehicles.

Besides this, most leading companies include fleet initiatives in their sustainability agenda, prioritising cleaner and greener mobility solutions which can of course also

LeasePlan Industry Fleet Ranking 2019
The Financial & Professional Services Industry is leading the way towards a future proof European passenger car fleet

	Diesel drop	PHEV adoption	EV adoption	CO ₂ emissions	Total score
Financial & Professional Services	1	2	2	1	6
Transport	3	3	3	6	15
Construction	4	1	9	2	16
Industrial	7	4	6	3	20
Technology	9	5	3	3	20
Automotive	2	7	5	10	24
Energy & Chemicals	10	6	1	8	25
Pharma	5	9	8	6	28
Consumer Goods	8	10	7	3	28
Healthcare	6	8	10	8	32

1 = positive (the industry with the largest drop in diesel and CO₂, and the largest increase in PHEV & BEV)
10 = negative (the industry with the lowest drop in diesel and CO₂, and the smallest increase in PHEV & BEV)

impact fleet composition. Lastly, a company car is not only a perk but also often a business necessity, so it can be business-critical to ensure that the fleet vehicles are allowed into even the most stringent Low Emission Zones.

All in all, several interesting dynamics unique to company cars are driving changes in fleet composition. To understand how quickly fleets in different industries are evolving to address these dynamics and how 'green' those fleets currently are, LeasePlan has developed the LeasePlan Industry Fleet Ranking. This ranking takes into account the speed at which the diesel share of vehicles is being reduced, the adoption of PHEVs and EVs, and the average CO₂ level of the fleet per industry. We have used data from LeasePlan's larger international European passenger car fleets, grouped into ten distinct industries: Financial & Professional Services (F&PS), Automotive, Transport, Construction, Pharma, Healthcare, Industrial, Consumer Goods, Technology, and Energy & Chemicals (E&C). We have then compared the fleets of 2018 against those of 2016.

Looking at the LeasePlan Industry Fleet Ranking 2019, we can divide the industries into three categories:

- The early adopters: Financial & Professional Services, Transport and Construction are the three industries showing the most willingness to change their fleet composition and work towards low average fleet CO₂ emissions, and thus they score consistently highly on all the fleet ranking criteria.
- The followers: The Industrial, Technology, Automotive and Energy & Chemicals industries each score highly in one of the categories, but not consistently across the board.
- The laggards: The Pharma, Consumer Goods and Healthcare industries are clearly not adapting their fleets as quickly as the market average, either because they are unable or too conservative to change.

In this report we will go deeper into each of the aspects of the LeasePlan Industry Fleet Ranking and uncover the underlying factors in these industry trends.



Change in diesel share

The F&PS industry is leading the transition away from diesel

All industries are moving away from diesel, with the share of diesel reducing by 3.3 percentage points on average. The shift away from diesel is particularly rapid in the F&PS and Automotive industries, with a 7.8 and 5.9 percentage point reduction respectively. These figures are especially striking since the F&PS industry already had the lowest diesel share back in 2016. One explanation for this is that the F&PS industry has the lowest average annual mileage. Although petrol vehicles have a lower investment value than diesel vehicles, the fuel itself is more expensive in many countries and diesel vehicles tend to go further per litre of diesel. This makes diesels a more attractive choice from a certain annual mileage level. The low average annual mileage in the F&PS industry means that petrol vehicles are financially attractive for a relatively large group of fleet drivers. Besides this, companies in the F&PS industry



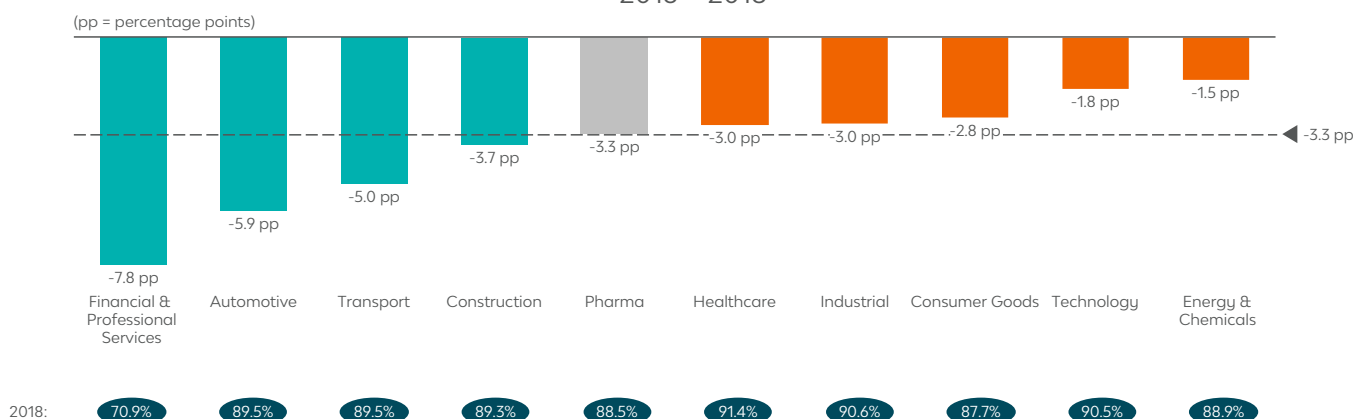
are by and large more willing to adapt their fleet policy to reflect sustainability issues, business needs and employee needs, making this industry a 'first mover' with respect to fleet changes.

Conversely, the E&C industry is the slowest to move away from diesel, while Healthcare remains the industry with the highest diesel share (even though this has fallen somewhat). These are the two industries with the highest average annual mileages, which means that switching to petrol comes at a relatively high cost. Besides this, companies in these industries are less open to change – either

because it is not part of their company culture or because they are conservative when it comes to changing employee benefits.

It will be interesting to see whether F&PS can sustain this pace, and when moving away from diesel will become a viable option for the E&C and Technology industries, given their high average mileages. With legislation across the continent becoming less favourable towards Internal Combustion Engine (ICE) vehicles, we are confident that the share of diesel will continue to decline in each industry.

Diesel fleet share difference per industry
2016 – 2018





Change in petrol share

To a large degree, petrol is replacing diesel and the F&PS industry is once again leading this trend

Petrol is seen by many companies as a better alternative to diesel, and all industries are moving towards this fuel type. Following the 'diesel-gate' scandal and the increased focus on NO_x emissions which is driving the growth in Low Emission Zones, petrol seems to be back in vogue.

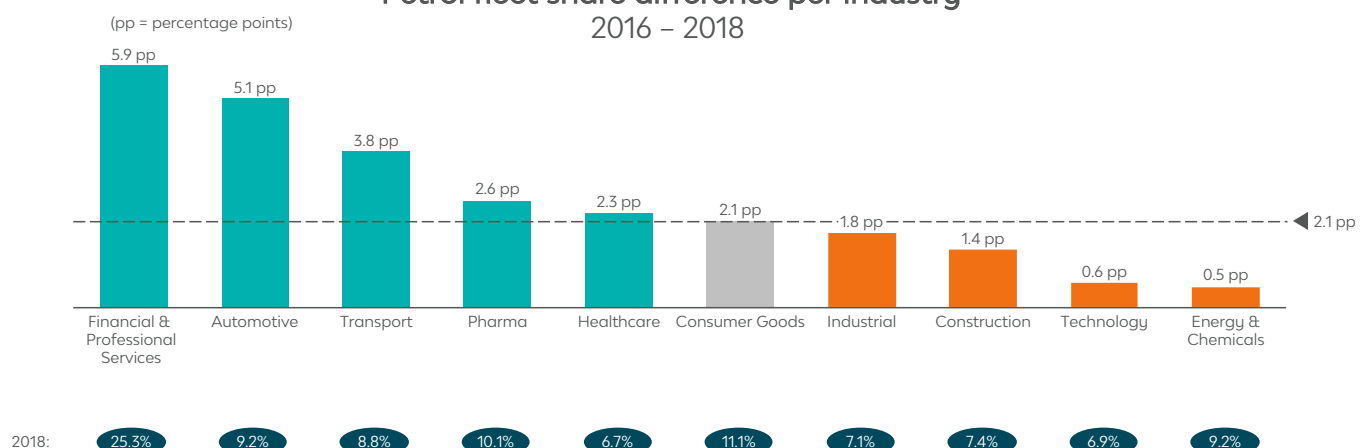
The F&PS and Automotive industries have seen the largest growth

in petrol vehicles, with a 5.9 and 5.1 percentage point increase respectively, which mirrors the reduction in the share of diesel. As two industries with high average mileages, it is logical that the E&C and Technology industries show the smallest increases in petrol vehicles.

The less favourable Europe-wide legislation regarding ICEs is also affecting the share of petrol. While

petrol does not produce such high NO_x emissions as diesel, on average it does generate more CO₂ (g/km). This can make petrol vehicles more expensive due to higher CO₂ emissions premiums. Therefore, it will be interesting to see whether the growth in the petrol share will continue in the future.

Petrol fleet share difference per industry
2016 – 2018



Change in Plug-in Hybrid Electric Vehicle (PHEV) share

The Construction and F&PS industries are top in the adoption of PHEVs

Another vehicle type which has gained ground since 2016 is the PHEV. There are various reasons for the increased adoption of this type of vehicle. In many European countries, the lower CO₂ emission levels of PHEVs have resulted in various benefits including lower CO₂-based taxation, purchase incentives and fewer restrictions in Low Emission Zones.

Battery Electric Vehicles (BEVs) enjoy similar financial benefits as PHEVs. However, PHEVs are currently preferred over BEVs in most industries for several reasons:

- A BEV requires a larger battery than a PHEV, making BEVs more expensive since the batteries themselves are still costly.
- Unlike PHEVs, there is still insufficient availability of BEV car models for each segment (especially the middle segment).
- In contrast to BEVs, PHEVs do not have range restrictions.
- Unlike BEVs, PHEVs do not depend on a mature charging infrastructure.

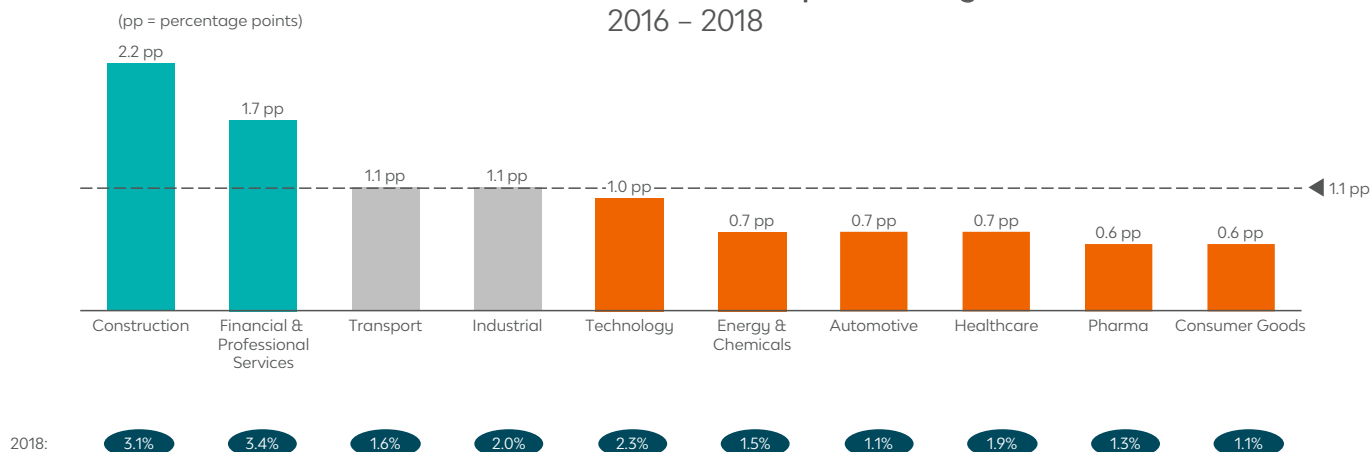
The Construction industry has the highest share of PHEVs. However, this is influenced by the fact that the Construction dataset contains a larger than average number of vehicles from the United Kingdom, where financial incentives and taxation have favoured PHEVs and BEVs for several years now.

Therefore, the F&PS industry statistics can be seen as most significant and shows a three times bigger increase in the share of PHEVs than the Consumer Goods industry over the past two years. This can once again be attributed to the F&PS industry's focus on futureproof mobility and a willingness of companies to adjust their fleet policies to reflect this.

Across the whole of Europe, governments are using all kinds of incentives to persuade fleet drivers to move away from ICE vehicles. Some governments are incentivising PHEVs as a good alternative to ICEs. Others have experimented with PHEV incentives but have since stopped again after concluding that such vehicles do not reduce actual CO₂ emissions unless they are plugged in frequently. Furthermore, OEMs are increasing both their electric ranges and the choice of PHEVs they offer. It will be interesting to see how these various approaches will affect the market share of PHEVs.



PHEV fleet share difference per industry
2016 – 2018





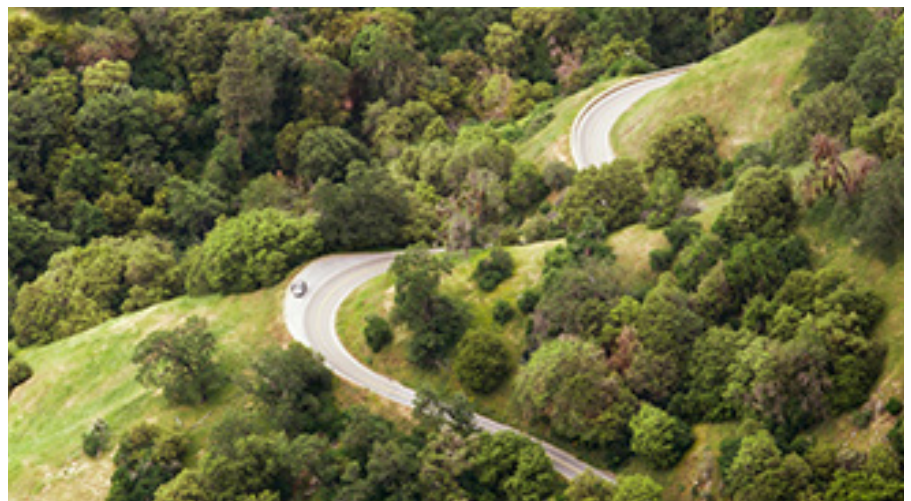
Change in Battery Electric Vehicle (BEV) share

The BEV share is slowly taking off and has doubled in most industries over the past two years

BEVs have received a lot of attention in recent years. Although leading companies in each industry are building up their BEV fleets through 'start electric' programmes and BEV pilots, the uptake is still relatively slow. There definitely seems to be a demand for BEVs, but large-scale adoption is being delayed by several barriers:

- Limited choice of car models, especially in the middle segment
- Expensive battery technology means that BEVs remain uncompetitive (without governmental incentives)
- Long order times (up to one year) for car models
- Charging infrastructure is still limited in many countries

For these reasons the BEV share remains relatively small, despite an average growth rate of 100% across the industries as a whole. However, all these barriers are likely

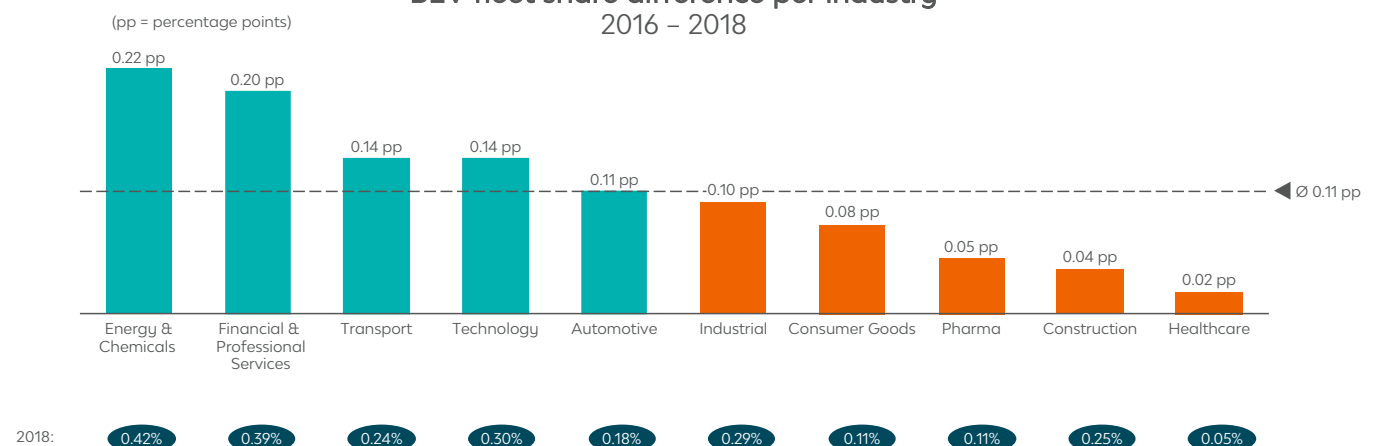


to diminish in the coming years as the cost of battery technology is rapidly decreasing, OEMs are scaling up their BEV production, and the charging infrastructure is rapidly improving in many countries.

Interestingly, the E&C industry – which generally lags behind in the shift away from diesel (mainly due to the high annual mileage) – is leading the move towards BEVs. This is mainly due to a few sustainability-minded smaller players in the E&C industry that have chosen to go completely electric.

Given the ever-improving battery technology, the governmental and environmental support for BEVs and the fact that the BEV share has doubled in most industries, it is safe to say that this growth is set to continue, although we cannot predict how quickly. It will be interesting to see whether the lagging industries will catch up or if E&C and F&PS will maintain their lead, and when the BEV share will result in a significant reduction in CO₂.

BEV fleet share difference per industry
2016 – 2018





Change in average CO₂

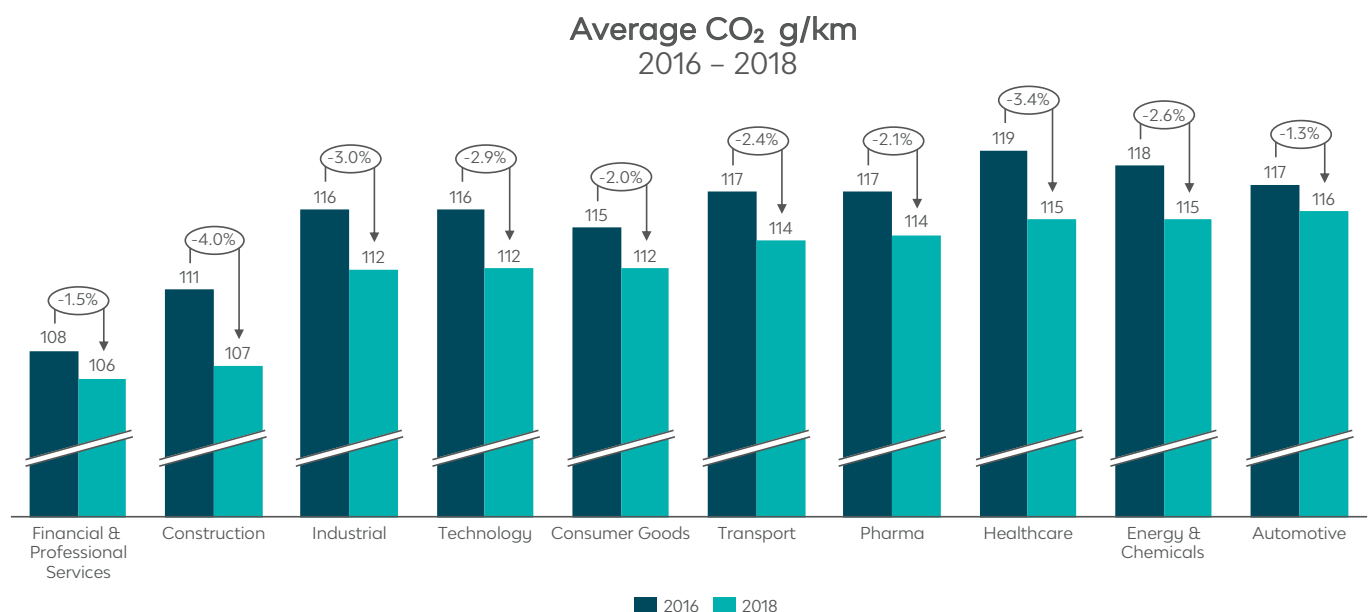
Replacing diesel with petrol achieves the least reduction in average CO₂

The average CO₂ emissions (g/km) decreased across all industries from 2016 to 2018. However, the F&PS and Automotive industries made the least progress in reducing CO₂. This can be explained by their relatively strong shift towards petrol, which produces more CO₂ than diesel. This underlines the importance of introducing more fuel-efficient vehicles rather than just moving away from a certain fuel type (in this case diesel). Meanwhile the Construction industry, which already

had a relatively low level of average CO₂ emissions, was able to realise the largest decrease by replacing diesel vehicles with PHEVs.

Since 1 September 2018, the WLTP CO₂ values must be provided for all new passenger cars. It still remains to be seen what impact this will have on the future CO₂ averages. Another major factor will be companies' fleet policy decisions. If companies implement a higher CO₂ threshold to offer their

employees the same amount of vehicle choice, their average CO₂ will rise. If they maintain their existing thresholds and perhaps also introduce PHEVs and BEVs to compensate for the loss of vehicle choice, this will decrease their average CO₂. As different industries may choose different tactics, the car(d)s may well be reshuffled in 2020.



Conclusion

Over the past two years there has been a fall in the diesel share of fleets and a corresponding rise in the share of petrol vehicles, PHEVs and – to a lesser degree – BEVs. With governments ramping up legislation to persuade drivers away from diesel in favour of PHEVs and BEVs, the drop in diesel is set to continue. It will be interesting to see whether the petrol share will continue to grow at the same pace, given the associated high CO₂ levels and the growth of CO₂-based taxation across Europe.

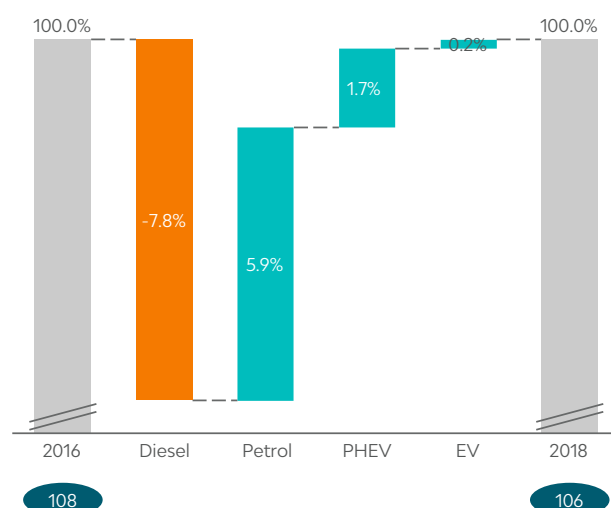
Comparisons between different industries reveal strongly varying speeds and approaches in the fuel-type transition. The Financial & Professional Services industry is leading the way; it is the sector with the average lowest mileage, which fosters the companies' willingness to change fuel type and move away from diesel. Companies in the Energy & Chemicals industry, on the other hand, seem much more conservative when it comes to changing their fleet policies, either because change is not part of their company culture or because they are reluctant to alter employee benefits. Rather than rocking the boat, they prefer to ride out the current period of uncertainty caused by the ever-changing emission taxation schemes and the rapid technological advancements in PHEVs and BEVs. There are some notable exceptions in the Energy & Chemicals industry, however, with a few companies having switched to a 100%-electric vehicle fleet over the past couple of years.

Overall, looking at all the categories included in the LeasePlan Industry Fleet Ranking 2019, the Financial & Professional Services industry is leading the pack by a clear margin whilst the Healthcare industry is the most reluctant to change, despite having high CO₂ levels on average.

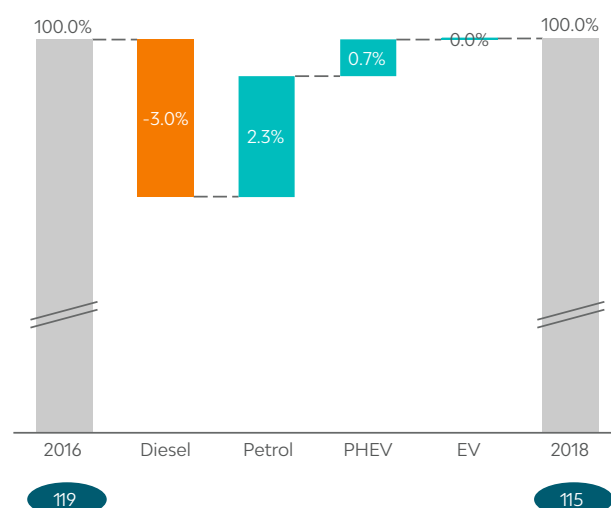
As BEVs become more attractive and ICE vehicles more expensive, we will closely monitor the progress of other industries in following the Financial & Professional Services industry's lead and perhaps even closing the gap.

Average CO₂ emissions have decreased across the board. Increasing the number of PHEVs helps in achieving a lower CO₂ average, even if a large share of

**Financial & Professional Services fleet
fuel share development
2016 – 2018**



**Healthcare fleet fuel share development
2016 – 2018**



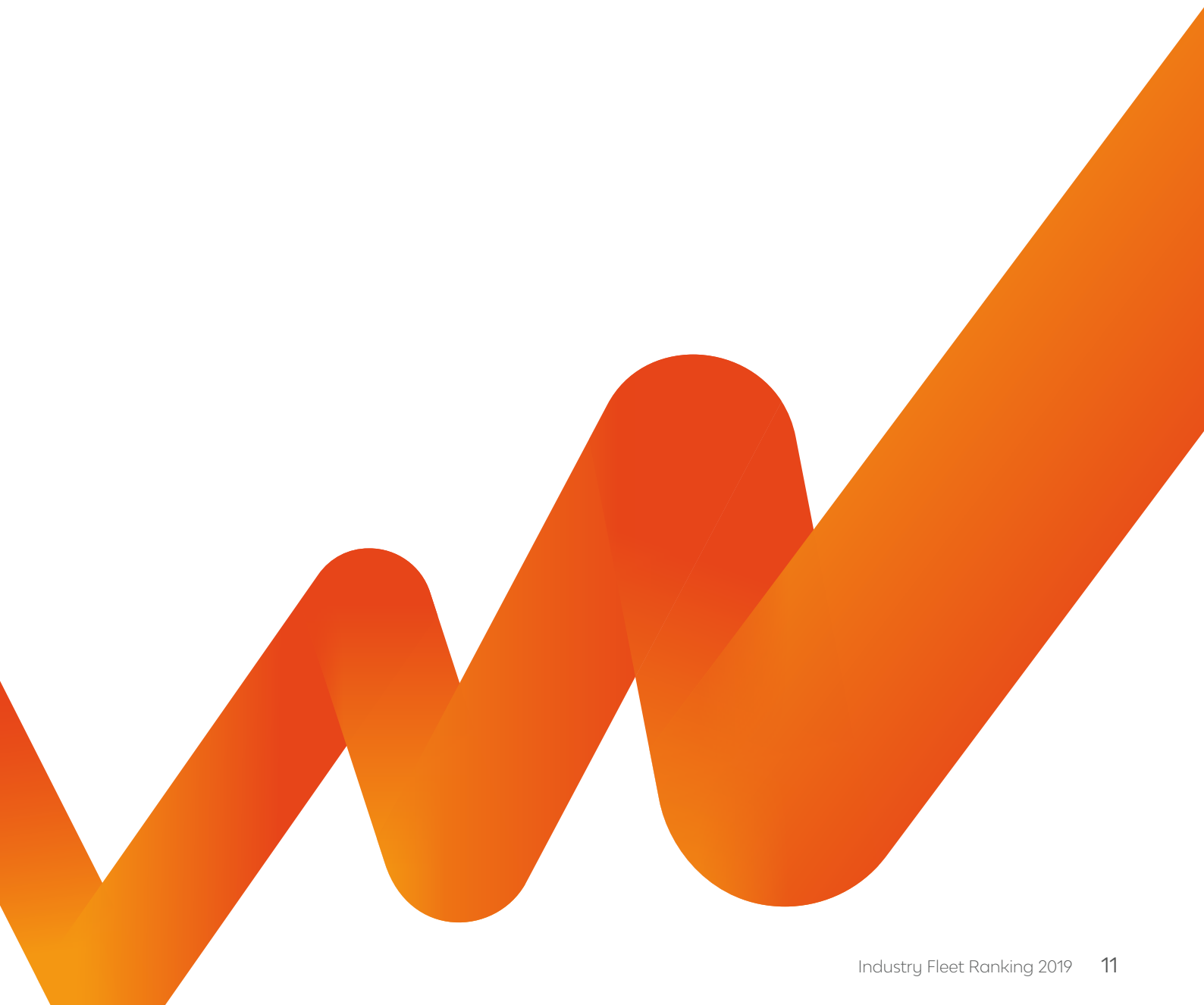
the industry's fleet is also made up of petrol, as F&PS proves. Now that WLTP CO₂ values are the norm, the downward trend is no longer self-evident. Companies' fleet policy strategies will determine whether the decline in average CO₂ levels can be maintained in the future.

As a fleet manager, how can you ensure you remain competitive while not overpaying on your fleet? The Tailored Benchmark Report is a paid-for service that offers unique granular insights into how you are performing compared to (anonymised) industry peers in terms of OEM and make breakdowns, contract term, annual mileage, average CO₂ levels and fuel mix.

What's in it for you?

- Better understanding of how your company stacks up against industry peers in key measures.
- Indication of performance gaps and improvement opportunities.
- Make better informed mobility decisions and adopt best practices.
- Improve fleet quality, efficiency and cost control.

For more information please contact your LeasePlan Account Manager or LeasePlan Consulting:
<https://www.leaseplan.com/en-lp/international/consultancy/benchmark/#Paragraph3>





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