

The negligible inflationary impact of an HGV zero emission mandate

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Summary

The UK's reliance on diesel to fuel its heavy goods vehicle (HGV) fleet leaves our economy exposed to inflationary pressures from oil shocks like the one we are currently experiencing. In contrast, our analysis shows that new regulations being considered by the government to mandate increasing levels of sales and/or purchases of zero emission HGVs will make the UK more resilient to fossil fuel price volatility, while having a negligible impact on inflation between now and 2040. We estimate that the zero emission regulation will reduce the costs of shipping freight by HGV by seven per cent between 2027 and 2040, while diesel price shocks could drive them up by as much as 13 per cent in a single year.

Options to reduce emissions from HGVs

The UK government has recently consulted on options for a zero emission regulation on the sale and purchase of lorries. The aim of this new regulation is to phase out the sale of all new non-zero emission HGVs by 2040.¹ The new rules will apply to new vehicles, ensuring a gradual electrification of the overall fleet over time as older lorries are replaced.

Options being considered include:

1. A CO₂ standard for new vehicle sales,
2. A mandate on the proportion of new zero emission sold by manufacturers, similar to the ZEV mandate for cars and vans; and/or;
3. A mandate for large fleet operators to ensure a growing proportion of their HGVs are zero emission.

The first consultation has closed and the government is currently considering the responses and which option to take forward. A new consultation is expected to be announced in the Autumn on the preferred option. If a sales mandate is introduced, it will set rising targets each year

until the 2035 and 2040 phase out dates to end the sale of new polluting diesel lorries under and over 26 tonnes respectively.²

New regulation is needed because diesel HGVs are one of the main sources of climate-changing CO₂ emissions in the UK's domestic transport system, accounting for 17 per cent of the sector's emissions.³ That makes the switch to zero emission HGVs essential if the UK is to meet its carbon budgets on the route to net zero.⁴ They are also a significant source of nitrogen dioxide and particulate matter pollution which harms the health of communities living near major roads across the UK.

Opponents of the new regulations claim the upfront costs of switching to zero emission trucks and investing in charging infrastructure at truck depots could have an inflationary impact.⁵

In an era of geopolitical instability and repeated fossil fuel price shocks, it is crucial that the potential inflationary impacts of all policies are examined. In our analysis, we consider the inflationary impact of a zero emission mandate for manufacturers. We then compare it with inflation that could be driven by continued reliance on diesel to transport goods by road.

How we estimated the inflationary impact of zero emission regulations for HGVs

The price consumers pay for goods and services is partly made up of the cost of transporting them from factories or farms across the world to distribution centres, supermarkets, retail outlets and consumers. A proportion of those transportation costs are the operating and capital costs of road hauliers in the UK. If those costs rise, for instance if fuel or equipment costs go up, the increases are likely to be passed on to consumers as higher prices.

We modelled the inflationary impact of the HGV zero emission mandate in the UK by calculating annual price changes from 2028 (when the regulation is likely to be introduced) to 2040 when non-zero emission HGV sales will have been phased out. We based our calculations on three key variables:

- The proportion of the fleet transitioning to zero emission vehicles each year. The government has not yet published the likely trajectory of any new zero emission sales targets. However, for this analysis, we have used a likely trajectory for sales targets to meet the 2035 and 2040 phase out dates, assuming the regulation comes into force in 2028.
- The cost differential between battery electric and diesel HGVs. This is based on projections of the total cost of ownership of both types of HGV.
- The proportion of consumer prices attributable to HGV transport. We use final consumption expenditure by households as a proxy for consumer

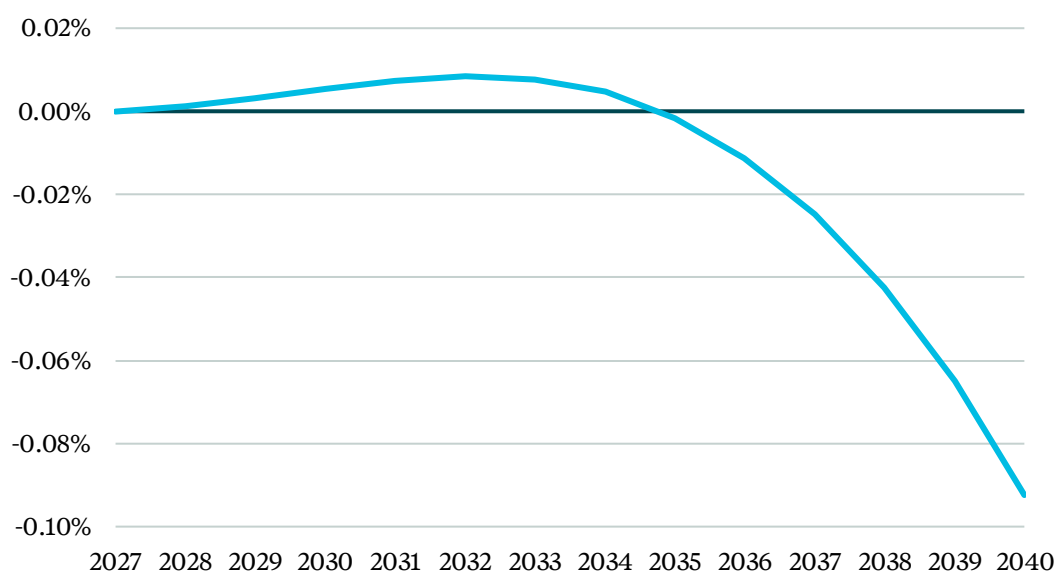
inflation and the cost of transporting freight via HGV as HGV operators' costs.

We took a deliberately cautious approach, selecting assumptions and modelling choices that were more likely to overestimate inflationary impact. Our full methodology can be viewed [here](#).

Overall, an HGV zero emission mandate will be disinflationary

Our analysis of the UK's HGV fleet shows that between 2027 and 2040 (including the baseline year, with the sales targets assumed to be implemented from 2028 onwards) a new zero emission regulation would be disinflationary.

Cumulative change in consumer inflation caused by the zero emission HGV mandate



We estimate that cumulatively, between 2027 and 2040, the HGV zero emission regulation will reduce consumer inflation by 0.09 per cent and will cut the costs of transporting freight by HGV by 6.9 per cent.

There will be a small cumulative inflationary impact between 2027 and 2032, peaking at a negligible 0.008 per cent for consumer inflation and 0.7 per cent for the cost of transporting freight by HGVs.

The reason there is a modest increase, followed by a sharp fall, is that the total cost of ownership of electric HGVs (eHGVs) is expected to reach parity by 2032 and then become lower than for diesel HGVs.⁶ Until the early 2030s, the rate of increase in eHGV sales driven by new regulation would be relatively low as a proportion of the whole HGV fleet. Therefore, the overall inflationary impact of their higher cost of ownership is minimal. By the time

a sales mandate requires much higher proportions of new sales to be zero emission in the early 2030s, eHGVs are expected to be cheaper to own than diesel trucks. The resulting savings on the total cost of ownership will then drive prices down faster.

Diesel price fluctuations have a greater inflationary impact

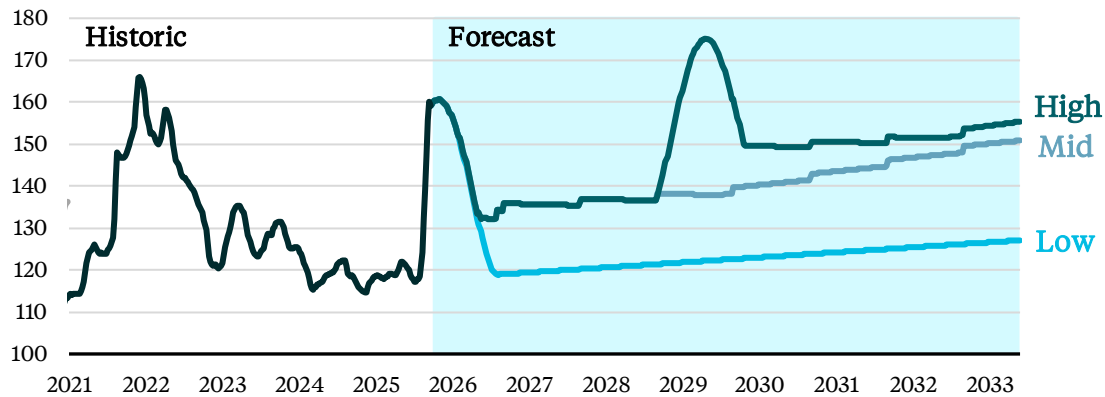
As a result of the oil price shock in the past few months, diesel prices at the pump rose 35 per cent between April 2025 and April 2026.⁷

We expect this to increase HGV operators' costs by between 1.8 and 13 per cent in 2026 compared to 2025, accounting for the total cost of ownership. This would lead to a 0.02 – 0.17 per cent increase in consumer prices between 2025 and 2026.

This is based on the same total cost of ownership data used in our analysis above, and our own modelling of expected diesel prices over the next seven years. For diesel prices we set out three possible scenarios:

- **A lower price scenario**, which excludes the planned reversal of the 5p cut to fuel duty and subsequent increases. In this scenario prices rise as a result of the current oil crisis and then fall again quickly, returning to pre-crisis levels. They then rise slowly, at half the rate of historic diesel inflation.
- **A mid price scenario**, which includes the planned increases to fuel duty, where prices rise and fall quickly, but return to a level slightly above the pre-crisis average, based on the sustained higher prices following the 2022 crisis. They then rise moderately, at three quarters of the rate of historic diesel inflation.
- **A high price scenario**, which includes the planned increases to fuel duty and follows the same pattern but includes a second price shock in 2029, due to continued geopolitical instability. After settling, prices rise by 2.9p per year, the historic rate of diesel inflation.

Historic and forecast diesel prices before VAT (in pence per litre)



The largest annual increase in consumer inflation caused by a zero emissions HGV mandate would be 0.0023 per cent. This is 10 times smaller than the inflationary impact of the current oil price shock, based on our low diesel price scenario, 54 times smaller than the middle scenario and 74 times smaller than the high scenario.

These estimates indicate that continued reliance on fossil fuels for transporting goods is likely to be more inflationary than introducing regulation that drives the shift to zero emission electric HGVs.

Recommendations

The results of our analysis reaffirm the need for a transition to zero emission electric HGVs. We recommend that the government introduces a mandate on manufacturers to progressively increase sales of zero emissions HGVs to meet the 2035 and 2040 phase out dates for sales of polluting diesel lorries, under and above 26 tonnes respectively. This should be complimented with continued support for businesses to meet the upfront costs of investing in zero emission lorries and charging infrastructure. Further action to reduce the cost of electricity could also help to incentivise the switch to cleaner, quieter, electric trucks and bring forward the date when they cost less than diesel HGVs to own and operate.

For more information, contact:

George James, policy analyst, gjames@green-alliance.org.uk, Amira Jamal, policy analyst, ajamal@green-alliance.org.uk and Nick Davies, head of climate policy

Endnotes

¹ Gov.uk, New HGV CO₂ emissions regulatory framework for the UK

² Department for Transport, January 2026, 'Goods vehicle CO₂ emissions regulatory framework for the United Kingdom'

³ Department for Energy Security and Net Zero, March 2026, 'Final UK greenhouse gas emissions statistics: 1990 to 2024'

⁴ Green Alliance, January 2025, [Mind the gap: cutting UK transport's climate impact](#)
» [Green Alliance](#)

⁵ *The Telegraph*, 10 January 2026, 'Diesel lorries to be banned in eco drive'

⁶ Element Energy for Transport & Environment, November 2022, 'Battery electric HGV adoption in the UK: barriers and opportunities'

⁷ Department for Energy Security and Net Zero, 'Weekly road fuel prices', diesel price change from 21/04/2025 to 20/04/2026