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UK Carmakers Allocated £2.5 Billion for Electric Vehicle Transition.

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The UK government has announced a £2 billion fund to bolster the nation's automotive industry as it pivots towards electric vehicle (EV) production. This initiative, dubbed DRIVE35, aims to fortify British manufacturing and sustain the supply chains that underpin it, ensuring the sector remains competitive in a global market increasingly dominated by electric vehicles. The funds will be disbursed over a decade through competitive bidding, enabling companies to secure support for projects ranging from innovative prototypes to sprawling gigafactories.

The allocation is split into phases: £2 billion will be channelled by 2030 into car factories, battery plants, and start-ups. Business Secretary Jonathan Reynolds, speaking to the Sunday Mirror, framed the initiative as a collaborative effort with investors to build a robust EV supply chain in the UK. However, the Labour government's approach has drawn scrutiny for its reliance on competitive funding models, which some argue may favour larger corporations over smaller innovators, potentially stifling grassroots advancements in the sector.

The UK automotive industry contributed £21.4 billion to the economy in 2024, employing 132,000 people. Last year, the UK ranked as Europe's second-largest EV market after Germany, selling over 314,000 electric vehicles, a 17% increase from the previous year. This growth aligns with the UK's Zero Emission Vehicles mandate, which compels manufacturers to increase EV sales annually, targeting a complete phase-out of new petrol and diesel car sales by 2035. Hybrid vehicles that can drive significant distances on electric power will remain permissible until then, offering a transitional buffer for manufacturers and consumers alike.

Mike Hawes, Chief Executive of the Society of Motor Manufacturers and Traders (SMMT), welcomed the initiative, stating in a recent interview: "The creation of this dedicated automotive programme is further evidence of the sector's importance to economic growth. DRIVE35 has the potential to unlock investment and innovation in the UK, supporting jobs and creating wealth across the country." Hawes underscored the urgency of swift implementation, citing geopolitical uncertainties and intense global competition as pressing challenges for the industry.

Additional measures include a trade agreement with the US to reduce tariffs for British carmakers, alongside plans within the government's Industrial Strategy to lower electricity costs and refine the Zero Emission Vehicles mandate. These steps are intended to safeguard jobs and secure the sector's long-term viability. Yet, critics question whether the Labour government's strategy adequately addresses the immediate financial pressures facing manufacturers, particularly as global rivals accelerate their EV production.

The DRIVE35 programme represents a significant commitment to the UK's automotive future, but its success hinges on effective execution and equitable distribution of funds. As the industry navigates this transformative period, the government must ensure that its policies foster innovation and resilience without overburdening businesses with regulatory complexities.

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