

WinckworthSherwood

ELECTRIC VEHICLE (EV) CHARGEPOINTS – REAL ESTATE FOCUS

LEGISLATION

As the UK continues towards its goal of net-zero emissions by 2050, the Government announced in November 2020 that the sale of new petrol and diesel cars and vans in the UK will be banned from 2030, ten years earlier than previously planned. From 2035 onwards, all new cars sold in the UK will have 100% zero emissions.

At the same time, the Government announced £1.3 billion to accelerate the rollout of chargepoints for electric vehicles in homes, streets and on motorways across England.

EV CHARGING MARKET SECTORS

According to the Competition and Markets Authority (CMA), the EV charging market can be split up into six different sectors consisting of: off street home charging; off street charging on the kerbside; workplace chargepoints; charging at service stations; charging at "hubs" where multiple chargepoints are installed together; and charging at "key destinations". An update on 3 of these sectors is below.

1. OFF STREET HOME CHARGING

With 80% of all electric car charging taking place at home, the Government issued proposals to amend existing residential and non-residential buildings regulations in England to include EV chargepoint requirements and ran a consultation which ended on 7 October 2019. The outcome of the consultation is still awaited. The proposals were:

Residential Buildings - every new building with an associated car parking space to have a chargepoint (including buildings undergoing a material change of use to create a dwelling). Every building undergoing major renovation with more than 10 car

parking spaces to have cable routes for electric vehicle chargepoints in every car parking space.

Non-Residential Buildings - every new building and every building undergoing a major renovation with more than 10 car parking spaces to have one chargepoint and cable routes for an electric vehicle chargepoint for one in five spaces.

Existing Non-Residential Buildings - a requirement of at least one chargepoint in buildings with more than 20 car parking spaces, applicable from 2025.

2. KEY DESTINATIONS

"Key destinations" are places that consumers travel to such as shopping centres, cinemas, restaurants, tourist attractions, leisure centres or other places with car parks. Here there may be an EV charging point opportunity because of "dwell time" - the time that people choose to spend there.

Retail and leisure operators may, therefore, wish to consider whether they could enhance their visitor experience, or entice more visitors or gain an edge over their competitors by adding charge points.

The business model is likely to involve leasing the car parking space(s) to an EV charge point provider. The provider bears the costs of the charger and installation and pays the operator an annual rent.

One of the main practical considerations for retail and leisure operators will be whether the existing electricity supply at the site is adequate to install rapid chargers. An upgrade may be needed to support the capacity required.

Another key consideration for operators will be whether they have sufficient legal control over the car parking spaces in question so as to be able to let the area to a chargepoint provider.

If the retail and leisure operator has a leasehold interest it will need to check:

- (a) whether the spaces it wishes to sublet to a charge point provider are actually within its demise (as opposed to being common car parking spaces shared with others);
- (b) whether its lease allows it to sublet part;
- (c) whether any landlord consents are required for it to sublet part;
- (d) whether the alterations clause in the lease allows it to install the infrastructure and cabling associated with the chargepoint;
- (e) whether the lease contains a requirement for its landlord to enter wayleave agreements associated with the cabling.

On new acquisitions and lease re-gears, operators may seek the necessary provisions to allow them to sublet car parking spaces to chargepoint providers since in many current leases the level of control may preclude this.

Landlords are likely to require that any such chargepoint underleases are contracted out and perhaps contain lift and shift provisions to ensure that the presence of the chargepoint will not interfere with future redevelopment plans.

Going forwards, landlords may also become more inclined to seek to retain car parking spaces as common parts (as opposed to demising them) so as to retain the flexibility to grant leases to the chargepoint providers on their own account.

3. SERVICE STATIONS / ELECTRIC FORECOURTS

Gridserve opened a dedicated electric forecourt in Braintree, Essex in December last year. It has also revealed plans to build 100 more over the next 5 years as part of a £1 billion rollout of a nationwide network. The Braintree site has 36 power chargers with a mix of outputs. Electricity at the forecourt is generated by solar panels and a 6MWh battery at the site. The chargers are also supported by a connection to a solar farm network.

Electric forecourt operators need to offer a range of retail, leisure and hospitality facilities in order to make them economically viable. Commentary suggests that the supply of electricity is less profitable than petrol retailing. As such, the Braintree site comprises a mixed use building with a Costa Coffee, WHSmith and Post Office also present. A further challenge to the development of this asset class may also be that large sites are required. Braintree is 2.5 acres.

OUTLOOK

A policy briefing from the thinktank Policy Exchange, entitled "Charging Up", has reported that the rate of EV chargepoints being installed annually across the UK needs to increase by 5x to 35,000 per year over the next 9 years if the UK is to successfully deliver on its commitment to phase out petrol and diesel cars by 2030.

"Range anxiety" – the fear that an EV will have inadequate charge to reach its destination because there is not the opportunity to recharge – has been identified as one of the principal barriers to mass adoption of EVs. Without further Government intervention, Policy Exchange say there is a significant risk that a lack of chargepoints will become a major obstacle to delivering the phase out.

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