



Department for  
Business & Trade

## **Driving Research and Investment in Vehicle Electrification (DRIVE35) – Summary Business Case**

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### **1. Executive Summary**

#### **Summary**

The DRIVE35 (Driving Research and Investment in Vehicle Electrification) Full Business Case seeks final approval to launch a £2 billion programme over five years (FY25/26–FY29/30) to transform the UK's zero emission vehicle (ZEV) manufacturing and supply chain. The Department for Business and Trade delivers this programme through formal Grant Funding Agreements with the Advanced Propulsion Centre (APC) and Innovate UK (IUK).

Please note, following approval of the DRIVE35 Business Case a further £500m was allocated to support zero-emission vehicle R&D as part of the Industrial Strategy and Advanced Manufacturing Sector Plan. This funding is considered part of the DRIVE35 Programme, bringing the total CDEL funding allocated to DRIVE35 to £2.5bn.

DRIVE35 is structured around three coherent and modular pillars, each designed to funnel innovation into the others:

- **Innovation Grants:** R&D grants developing strategically important zero-emission vehicle technologies, bringing new systems and prototypes to technology readiness.
- **Scale-Up Grants:** R&D grants fast-tracking near-commercial pilots for zero-emission vehicle technologies, enabling manufacturing and market readiness.
- **Transformation Grants:** Capital grants to drive the industrialisation of an electrified automotive sector in the UK, from vehicle plants to their supply chains.

#### **Programme Objectives**

DRIVE35 Programme Objectives:

- To substantially increase inward investments into the UK automotive sector
- To secure and create high-quality jobs in the UK automotive industry
- To deliver significant emission reductions, meeting our climate obligations
- To strengthen supply chain resilience, anchoring future vehicle assembly
- To help achieve the required battery manufacturing capacity
- To enable a decade of R&D investment in UK automotive

DRIVE35 will provide a simpler, faster, and more effective government offer to investors, building on the track record from previous APC and ATF programmes and competitions. The delivery model is a consortium arrangement between APC, IUK, and DBT, ensuring value for money, operational efficiency and continuity in delivery, building upon industry confidence and ensuring a smooth transition to the new programme.

As outlined in the original full business case, DRIVE35 requires £2.04 billion in capital and R&D funding, alongside required resource funding. The programme has robust governance, risk management, and monitoring and evaluation arrangements in place. Total funding, as announced in the Industrial Strategy, is £2.5 billion through to 2035, however this document summarises the programme's original full business case.

## 2. Strategic Case

### Overview

DRIVE35 is designed to secure the UK's position as a global leader in zero emission vehicle (ZEV) manufacturing and supply chains. The programme addresses the need for the UK automotive sector to strengthen its competitiveness amid rapid technological change, global competition, and ambitious climate targets. This is an essential part of the actions that government will deploy to increase the volume of vehicles made in the UK to over 1.3 million cars and commercial vehicles by 2035, as set out in the UK's Industrial Strategy.

DRIVE35 fundamentally reviews, streamlines and consolidates previous support into three coherent streams: Innovation, Scale-Up, and Transformation, maximising impact and bridging the gap between innovation and industrialisation. DRIVE35 aims to increase inward investment, create and secure high-quality jobs, deliver significant emission reductions, strengthen supply chain resilience, and support long-term R&D investment.

### Strategic Alignment

DRIVE35 aligns to the following HMG missions: (i) Kickstart economic growth, by supporting jobs and productivity growth, and (ii) Make Britain a clean energy superpower, by accelerating zero emission vehicles and battery manufacturing.

DRIVE35 is integral to the UK's Industrial Strategy, helping to drive increased EV supply chain manufacturing, anchor future vehicle assembly and battery manufacturing in the UK, and ensuring the UK remains at the forefront of automotive innovation, electrification and sustainability. Investment under DRIVE35 will help achieve our ambitions to nearly double the annual business investment in the UK advanced manufacturing from £21 billion to £39 billion in 2035, driving growth across our economy. DRIVE35 will help achieve the Industrial Strategy ambition to increase the volume of vehicles made in the UK to over 1.3 million cars by 2035.

DRIVE35 will work alongside the National Wealth Fund, who have a mandate to invest £27.8bn in sectors aligned to the Industrial Strategy, including automotive. Together, DRIVE35 and NWF represent a complementary and multi-layered offer to investors, combining grants and other policy instruments from the Government with a suite of financial products, to increase support across the electric vehicle supply chain.

## 3. Economic Case

### Overview

The economic rationale for DRIVE35 is based on correcting market failures such as high entry costs, technology lock-in, coordination failures, and the need for greater R&D investment. The programme was appraised against a range of options, with the preferred approach being a backloaded funding profile that aligns support with industry demand and minimises underspend.

DRIVE35 is forecast to:

- Leverage £6.6 billion in private investment
- Support over 50,000 jobs
- Cut up to 10.7 million tonnes of CO<sub>2</sub>e in the UK

The programme is expected to deliver a Benefit-Cost Ratio (BCR) of 4.8, representing high value for money. Additional benefits include enhanced battery manufacturing capacity, reduced dependence on overseas supply chains, and regional economic growth.

### **Summary of the Analysis of Different Options**

The DRIVE35 business case considered a range of options for government intervention in the UK automotive sector, including 'do nothing', extending existing programmes, and several configurations of the new DRIVE35 programme. Each option was assessed for its ability to address market failures, deliver value for money, and achieve strategic objectives.

### **Shortlist of Options**

The final shortlist included:

- Option 1: Only committed spend to 2025 (baseline/do nothing)
- Option 3b: DRIVE35 programme with backloaded funding (preferred)
- Option 3c: DRIVE35 programme with a flat funding profile
- Option 4c: DRIVE35 with a flat profile, extending the £2.04bn capital and R&D budgets to 2035.

### **Type of Economic Appraisal Used**

The Department used social cost-benefit analysis (CBA) to appraise the options. This approach quantified both the costs and the monetised benefits of each option, including employment and R&D spillovers to assess overall value for money.

### **Costs, Benefits, and Risks of Shortlisted Options**

All shortlisted options assumed a total nominal cost of £2.04 billion (capital and R&D).

- The preferred option (3b, backloaded DRIVE35) had a discounted Net Present Social Value (NPSV) of £6.1 billion and a Benefit-Cost Ratio (BCR) of 4.8, representing very high value for money.
- Other options had slightly lower BCRs and NPSVs but followed similar spending profiles.
- Key risks included the potential for underspend if funding was not aligned with industry demand, and the risk that insufficient intervention would lead to loss of competitiveness, jobs, and investment in the UK sector.

## Rationale for the Choice of Preferred Option

Option 3b (DRIVE35 with backloaded funding) was chosen because it best aligns funding with forecast industry demand, minimises the risk of underspend, and maximises the opportunity for programme benefits to be realised. It also scored highest against critical success factors such as strategic fit, ability to address market failures, value for money, and deliverability.

## 4. Commercial Case

The Commercial Case for DRIVE35 looked at the options available to deliver the programme from maintaining the existing model, in-housing, or through to outsourcing. Five options were considered as outlined below:

- Option A: Consortium with DBT: IUK/APC reappointed to work alongside DBT
- Option B: Consortium with DBT: new delivery partners
- Option C: Fully outsource to IUK/APC
- Option D: Fully outsource to new delivery partners
- Option E: In-house delivery using DBT resource

Each option (A-E) was assessed against the following criteria that were developed in alignment with the recommendations from the Cabinet Office's Sourcing Playbook, and ranked as high, medium, or low alignment:

- Value for money
- Operational efficiency & mobilisation
- Proven success & experience
- Technical & sector expertise
- Industry confidence & familiarity
- Separation of key functions

Option A, which maintained existing arrangements, scored highest and was identified as the preferred delivery model. This option ensures operational efficiency, continuity, technical expertise, and strong industry relationships which IUK and APC are uniquely positioned to leverage. This is complemented by policy direction from the DBT Automotive Unit, alongside grant management expertise and oversight from the DBT Grant Delivery Directorate.

The preferred approach offers strong value for money, operational efficiency, and proven delivery capability. This for the following reasons:

- As a non-profit organisation, APC operates on a not-for-profit basis. This ensures cost-effectiveness compared to commercial alternatives, which would likely incur higher costs.
- Operationally, the existing arrangement enables immediate mobilisation, building on established structures, teams, and roles already in place. This continuity avoids the delays and disruption that would result from onboarding new delivery partners and provides familiarity for applicants and stakeholders.

- The current delivery consortium has a decade-long track record of success, having supported over 58,000 jobs and delivered significant CO<sub>2</sub> savings. Working with Government, this delivery consortium has leveraged over £6 billion in private investment, demonstrating its effectiveness in catalysing industry engagement.
- This delivery model ensured a clear separation of responsibilities between APC, IUK, and DBT.

From a legal and procurement perspective, this arrangement is structured as a Grant Funding Agreement (GFA), not a contract for services, and is therefore not subject to public procurement regulations. The commercial case also addresses how the delivery model will be implemented, and considers payment mechanisms, contract management, intellectual property, diversity and inclusion, sustainability, TUPE, and Modern Slavery.

The case notes that there will likely be ad hoc delivery requirements that are only anticipated to arise when required or at specific points in the programme lifecycle. These could include Professional Services, Research, and Monitoring & Evaluation services. Such services will be procured as and when required through standard competitive tendering processes in line with the applicable procurement regulations and DBT commercial policy.

## 5. Finance Case

### Overview

As per the original business case, the financial plan for DRIVE35 requests £2.04 billion in CDEL funding over five years, plus required RDEL funding. Of the total CDEL allocation, 75% is allocated to capital grants (Transformation), and 25% to R&D grants (Innovation and Scale-Up). The spending profile is designed to flexibly respond to forecast industry demand. It reflects the appetite across both the UK and global markets, as demonstrated through previous APC and ATF legacy competitions.

R&D funding will be delivered through Grant Funding Agreements with APC and IUK, with robust financial controls, risk management, and assurance processes in place. Capital funding is delivered directly from DBT. The plan is designed to be flexible and responsive to market conditions, with regular reviews and adjustments as needed.

### Financial Assumptions

The financial assumptions for DRIVE35 set out how funding will be managed, classified, and controlled throughout the programme. Transformation Grants will use Capital CDEL funding, while Innovation Grants and Tech Scale-Ups will use R&D CDEL funding, each disbursed under the relevant spending powers. Each sub-programme will run several funding competitions, with application windows to help manage resources and budget. The plan assumes the programme ends in 2030, with grant payments subject to HMT approval.

## 6. Management Case

### Programme Structure and Governance

DRIVE35 is part of the Government Major Project Portfolio (GMPP). The delivery of DRIVE35 is organised around three main sub-programmes: Innovation Grants, Scale-Up Grants, and Transformation. These are managed concurrently under the oversight of a central Programme Governance Board, the DRIVE35 Strategic Board. The DBT Automotive

Unit leads the programme, supported by the Grant Delivery Team, Sector Analysis, and external delivery partners, namely the APC and IUK.

The governance structure is multi-layered. At the top is the DRIVE35 Strategic Board, which is chaired by the Senior Responsible Owner (SRO). This board is supported by a Monitoring and Evaluation Governance Board and two sub-programme Delivery Boards. Delivery consortia for each funding stream are also established, ensuring that operational and strategic oversight is maintained throughout the programme's lifecycle. Escalation routes are defined, allowing issues to be raised from project level up to ministerial level as required.

The programme's success is dependent on several factors. These include timely approval and budget confirmation from HMT, effective collaboration with delivery partners, alignment with other government programmes and regulatory frameworks, and the availability of skilled staff and resources within both DBT and its partners.

### **Approach to Risk Management Summary**

Risk management for DRIVE35 is systematic and embedded in programme delivery. All risks, assumptions, issues, and dependencies are recorded in a central RAID log, which is reviewed monthly for each programme in meetings with delivery partners. Risks are assessed using DBT's five-point scale for probability and impact and are categorised by proximity. Ownership of risks is assigned to the most appropriate delivery partner or DBT function, and escalation routes are in place for risks that fall outside of tolerance to ensure appropriate actions are taken and mitigations applied.

### **Evaluation Plan Summary**

The DRIVE35 Monitoring and Evaluation (M&E) plan sets out a clear framework for systematically measuring the progress of DRIVE35. It is designed to produce evidence on the effectiveness of the programme's delivery, and the extent to which the programme is on track to deliver its intended outcomes and value for money.

The DRIVE35 M&E plan is expected to deliver the following:

- A comprehensive evaluation framework, setting out the future process and impact evaluations
- A baseline exercise, aiming to collect data on the automotive sector prior to the launch of DRIVE35.
- A process evaluation of each DRIVE35 pillar, alongside an overarching synthesis of findings
- An impact evaluation of each DRIVE35 pillar, alongside an overarching synthesis of findings. These will include a Value for Money (VfM) evaluation.

Evaluation activities are scheduled at key points in the programme, so that findings can be used to inform programme improvements and future policy decisions. The evaluations will be externally commissioned and managed by analysts within DBT. The M&E work will be further guided by a dedicated governance board, involving internal teams, delivery partners and external evaluators.