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'Social leasing' pilot scheme: Lessons learned from an unanticipated success

Authors

Marjorie Mascaro

Head of development, Institute Mobility in transition

Jean-Philippe Hermine

Director of the Mobility in Transition Institute and Associate Researcher at IDDRRI

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In March 2022, between the two presidential election rounds, Emmanuel Macron announced a flagship measure: the 'social leasing' of electric vehicles at €100 per month. Following a long gestation period, the scheme finally opened to the public on January 1, 2024, but only six weeks later was shut down, a victim of too many applicants for its planned budget and available supply of vehicles. The program's success demonstrates its relevance and justifies its future expansion; however, the system needs to change if it is to meet the challenges highlighted by this pilot scheme. In this blog post, the Institut Mobilités en Transition (IMT) evaluates the initial implementation phase and shows how social leasing can be an effective transition tool and contribute to resolving specific structural problems of the precarious and dependent households concerned.

Social leasing: characteristics and budget trade-offs

After extensive consultation, the government unveiled the details of this new scheme in January 2024. It was to be earmarked for the poorest 50% of the French population who depend on their vehicle for day-to-day business¹. The scheme's design followed the traditional options for long-term leasing or leasing with an option to purchase used by the leading actors in the industry. A state subsidy could amount to as much as €13,000, and would fully cover the initial deposit. Monthly payments would vary between €70 and €150, depending on the vehicle model. All eligible vehicles would have to meet a minimum environmental score (as defined by ADEME² for receiving an ecological bonus), thus excluding virtually all models produced in China. Finally, the contract term would be three years, renewable once, and would include the possibility of early termination, free of charge, in the event of loss of employment.

It was an attractive proposal and was immediately popular with many people in France. However, with only 25,000 vehicles planned to launch the scheme, the government was overly cautious. Within six weeks, social leasing had become a victim of its own success: the platform received 90,000 applications. The government was soon forced to freeze the registration scheme, having exceeded its initial target both in the number of vehicles available from manufacturers (who put forward the models to be included in the scheme, and committed themselves to specific quantities) and in terms of the budget (about €650 million).

The 2024 Finance Law included social leasing, just like the premium on conversion and the ecological bonus, in its allocation of €1.5 billion for funding the greening of the vehicular fleet. To respond to the popularity of the scheme and finance the 50,000 orders eventually approved, while remaining within the allocated budget, the Ministry of Finance had to cut other elements. It was decided to reduce the bonus on the purchase of an electric vehicle by €1,000 for individuals (which generally benefited the wealthiest households), and to abolish purchase subsidies for businesses. Given these circumstances, how can the scheme be renewed in 2025 and the difficult budgetary equation resolved?

A few guidelines for the new scheme

Considering and testing an adjusted model in terms of duration and cost

In our proposals (T&E, Iddri, 2023), we recommended a significantly different model from the one adopted; specifically, (1) for eligibility of the households targeted, opting for lower income groups in deciles 1 to 4; and above all, (2) for duration, based not on a household's commitment, but on the time a vehicle remains in the scheme (10 years), with the possibility for passing on a vehicle from one household to another (but still as a social lease), with refurbishment between each contract integrated into the budget. This proposal, which reduces some of the uncertainty around a vehicle's residual value after three years, achieves roughly identical monthly rental amounts, but with the state's entry premium halved. Finally, as with the government scheme, the proposal assumes that unpaid rentals amounts will be covered by the state. The point here is to limit the cost of the scheme per eligible household or per vehicle entering the scheme, and therefore to increase their numbers.

Why then was a plan chosen that is so similar to today's leasing companies' traditional practices? The explanation reflects the fact that leasing companies, wanting to preserve their position and business model, presented themselves as natural facilitators for the scheme; and manufacturers were reluctant participants, apprehensive that the scheme would disrupt the used car market and reduce their profits. This hindered the creation of a joint industrial project. It also understandable that, for a pilot scheme, the public authorities chose to rely on an analysis by

traditional leasing actors who know their business model³.

Nevertheless, in view of the concept's popularity, IMT's proposals on the length of time the vehicle remains in the scheme and more demanding targeting remain valid for developing the scheme in 2025.

Strengthening the scheme's targeting of the most vulnerable beneficiaries and those most affected by the transition Having dependency and precariousness criteria as preconditions for receiving this aid is essential for redirecting tax expenditure and creating a positive narrative on a just transition. For example, earmarking social leasing for the bottom four income deciles (as opposed to the top five in the current scheme) will maximise the measure's social and environmental impact. On average, the lowest-income households own older vehicles; switching to electric leasing means lower running costs and greater environmental gains. Similarly, within deciles 1 to 4, earmarking a significant quota of vehicles for users of high Crit'Air vehicles affected by the introduction of low-emission zones (LEZs), provides a concrete solution for reducing pollutant emissions.

Relying on local authorities affected by LEZs

In addition to suffering the consequences of excessive local pollution, local authorities are the first to experience the difficulties and tensions associated with the introduction of LEZs. Creating a partnership between the state and local authorities for social leasing is a way of lowering the temperature of the dialogue between stakeholders. Local authorities can provide a credible alternative for excluding certain vehicles and the state can rely on a local intermediary to reach the target public and share the financial burden. Subsidies for conversion currently offered by local authorities as part of the LEZ could complement the basic scheme. Similarly, because local authorities have close ties to potential beneficiaries and local players in the mobility ecosystem, they are legitimate players for governing and monitoring the scheme.

Transparent monitoring and evaluation

Social leasing is a new tool, which must be reported and monitored to assess its effectiveness, including from a social perspective (beneficiary profiles, changes in mobility budgets, etc.), an industrial perspective (impact on the used car market and changes in the residual value of vehicles), and an environmental perspective (nature of vehicles replaced by the scheme, number of kilometers covered in electric vs. internal combustion vehicles, etc.). These elements are essential for guaranteeing the impact and development of the scheme over many years. This assessment should be carried out transparently by a trusted third party, such as the *Commissariat Général au Développement Durable (CGDD)*.

Using social leasing as a lever to promote new mobility practices

Mobility transition depends on a combination of complementary levers. Electrification is key, but other levers, such as modal shifts and reduction of kilometers traveled, also have a role to play. Among these, optimising the use of the current road system by improving occupancy rates has significant potential. Social leasing could therefore be partly targeted at car owners who regularly carpool. This would maximise the environmental efficiency of the scheme and increase the number of shared mobility possibilities.

Building the system as an industrial project

A multi-year program, with steady financial commitment over several years (integrated into the multi-year financing strategy for ecological transition) would create potential for an additional market, which car manufacturers can plan for. Strengthening environmental criteria for eligible vehicles (environmental score, vehicles, and battery reparability) would provide security to decisions on a range of appropriate vehicles, industrial locations, and design choices, for

which domestic manufacturers are often well positioned.

Finally, social leasing has become a reality and a success in France. It is interesting to note that the heads of the two national manufacturers now present it as a useful tool with potential at European level. Nevertheless, it remains an innovation that needs to be adjusted and integrated into a multi-year program to truly reveal all its advantages, including at industrial levels and in terms of the emergence of an *ad hoc* vehicle offering.

1 To be eligible, an individual must have a per unit reference fiscal income (RFR) below €15,400 (according to DGFIP statistics dated 05/07/2022, this RFR falls between deciles 5 and 6), and be able to prove that they drive more than 8,000 kilometers per annum in the course of their professional activity, or commute more than 15 kilometers from home to work.

2 The method for assessing the eligibility of new electric passenger cars for environmental score grants is defined in articles [D. 251-1-A](#) and [R.251-1-B](#) of the Energy Code and in the [Decree of October 7, 2023](#) .

3 This point is examined in greater detail in the longer version of this post (in French), available on [the IMT website](#) .

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