# Electric Cars:
# *Charging Ahead or Losing Speed?*

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# Electric Cars: Charging Ahead or Losing Speed?

*WRITTEN BY LAUREN M. LOEW – 4/9/19*

Anyone following electric vehicle news in the past several months may feel like they are watching a yo-yo: first one analyst will predict an EV boom, and then another analyst will predict an EV sales slowdown. However, despite the differences of opinion on short term sales, signs continue to point to long term sustained growth in EVs sales.

This trend is supported by the current global race for EV and battery cell production. One research analyst predicted EV sales to grow from 1.5 million units in 2018 to 10.79 million units in 2025. This provides a significant market opportunity for those companies and countries that can plan for the shift ahead.

The hot bed of electric vehicles has long been China, largely buoyed by generous government subsidies of EVs. As discussed in the Economist, China is betting big on EVs, and is eyeing the predicted decline in internal combustion engine sales as an opportunity to dominate future car sales through EVs. Beijing Electric Vehicle Co. is now the world's No. 2 manufacturer of electric vehicles behind Tesla. China saw a 62% increase in EV sales in 2018.

Although the news in the last several months has proclaimed China as slashing EV subsidies, the truth is China is reallocating resources to globally expand. As previously discussed on this blog, China revised its generous domestic EV subsidies to reduce (and eventually phase out) subsidies on vehicles that go less than 150 km, and instead to focus more subsidies on vehicles with at least 400 km in range. This effect should increase China's EV sales around the world by pushing Chinese manufacturers toward EVs that can ultimately be exported.

Now, as reported in Fortune, Germany is entering the EV race by betting on the electric car batteries that fuel this boom. Currently, Chinese firms sell the vast majority of global EV batteries. But last fall, the German government set aside 1 billion euros to support German manufacturing of battery cells, with a goal of 30% global market share by 2030. Germany is looking to leverage its automotive industry and chemical manufacturing expertise to catch up to Asian battery makers, and is now entertaining approximately 30 bids for the government aid.

And of course, no EV discussion is complete without discussing the biggest player in the market—Tesla. Although Tesla reported a 61% sales drop in the United States in the first quarter, Tesla Model 3 was the top selling luxury car in the United States in 2018. At least in part, the sales drop was due to logistical challenges, rather than a decrease in demand. Tesla's executives remain optimistic about meeting the company's projections for 2019. However, if the Untied States wants to remain competitive, it will need to focus on incentives to spur EV investment and production. Although certain tax incentives are already in place, a recent paper by Progressive Policy Institute proposes a framework to expand and improve tax credits for consumer purchases of EVs—not unlike the subsidies already used in China to spur growth in EVs there.

Who will win the global EV race remains to be seen. However, the long term outlook for EVs is almost universally acknowledged, and companies that invest in the industry stand to reap significant rewards.