

THE RISE OF EVS

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The future is electric

Charting the global trends in the EV market

The electric vehicle (EV) market is experiencing a period of rapid transformation, with countries worldwide charting their course towards a more sustainable transportation future. This article delves into the key trends shaping the global EV landscape in 2024, highlighting the interplay between government policies, technological advancements, and economic factors.

Leaders charging ahead: Norway and China pave the way

Norway has emerged as a global leader in EV adoption, thanks to its unwavering commitment. Comprehensive government incentives, including tax exemptions, toll waivers, and extensive charging infrastructure development, have created a highly supportive environment for EVs. This commitment extends to a national goal of phasing out fossil fuel vehicles entirely by 2025. The results are undeniable: in 2023, over 80% of new car registrations in Norway were for battery electric vehicles (BEVs) and plug-in hybrids (PHEVs), showcasing a dominant market share for electric mobility.

China, the world's largest auto market, has also taken significant strides. Ambitious government policies, including quotas for electric vehicle production and sales, coupled with subsidies and tax breaks, have fostered a booming domestic EV market. China is now a global leader in EV manufacturing, with domestic car makers like BYD challenging established players.

Contrasting approaches in major economies: A multi-speed race

The United States presents a mixed picture. While states like California, with its stringent emission standards and generous incentives, boast a high EV market share, others lag behind. This disparity highlights the critical role of state-level policies in driving EV adoption. The federal government's recent move to prioritise the development of a domestic EV supply chain through targeted incentives in the Inflation Reduction Act signals a potential shift towards a more holistic approach.

The European Union (EU) has adopted a comprehensive strategy, combining regulations, incentives, and investments in charging infrastructure. Stringent emission targets for new cars and vans, coupled with support for innovation, are propelling EV adoption across member countries. The EU's focus extends beyond just tailpipe

emissions, with some countries like France considering the environmental impact of the entire EV production process when structuring incentives.

Germany, a traditional automotive powerhouse, has seen a steady rise in EV adoption. However, the government's recent reduction in financial incentives suggests a shift towards a more autonomous EV market. Local incentives and continued infrastructure expansion will be crucial in maintaining momentum.

The electric vehicle (EV) market is experiencing a growth spurt, leaving the internal combustion engine in the dust. After a record-breaking year in 2023, with global sales exceeding 1.5 million

incentives for EV purchases. This, coupled with high consumer uncertainty and economic headwinds, might lead to a temporary plateau in growth. However, this doesn't signal a slowdown in EV adoption. Analyst predictions from UBS suggest a shift in growth rates, with sales in Europe and the US expected to climb 10-15% in 2024, compared to the impressive 25-50% witnessed in 2023.

Legacy automakers like Volkswagen, Toyota, and Ford are scrambling to launch competitive EV models. However, their agility pales in comparison to pure-play EV manufacturers like Tesla, BYD, Nio, and XPeng. These companies are laser-focused on electric vehicles, allowing them to move faster and capitalise on technological advancements.

Traditional automakers face the additional challenge of navigating the transition from combustion engines to electric powertrains. This involves dealing with cost pressures and potential labour unrest as the workforce adjusts to new production methods. As a result, we've seen companies like Ford, GM, and Mercedes Benz scaling back production plans and revising their EV sales forecasts for 2023.

In contrast, Tesla has been able to cut production costs for its Model Y, currently on track to be the best-selling car globally in 2024, while maintaining higher profit margins than most traditional gasoline-powered vehicles. Additionally, China's BYD, having transitioned to solely producing EVs in 2021, overtook Volkswagen as China's best-selling car brand this year and is closing in on Tesla's global EV sales lead.

Chinese EVs accelerate global expansion

Having established a strong domestic market presence, Chinese EV manufacturers are setting their sights on international expansion to hedge against a potential economic slowdown at home. China boasts the world's fifth largest EV market share, trailing only Norway, Iceland, Sweden, and the Netherlands. However, its sheer size as the world's largest car market translates to a clear lead in total sales. In 2022, China accounted for a staggering 22% of global EV sales, which translates to 4.4 million units, far exceeding the combined sales of the rest of the world.

Looking ahead to 2024, global sales of electric, hybrid, and fuel cell vehicles are expected to reach 17 million units, with a significant contribution from China.



units by September, the industry is poised for a period of transformation in 2024. While the breakneck pace of growth might ease slightly, several key trends will continue to shape the EV landscape:

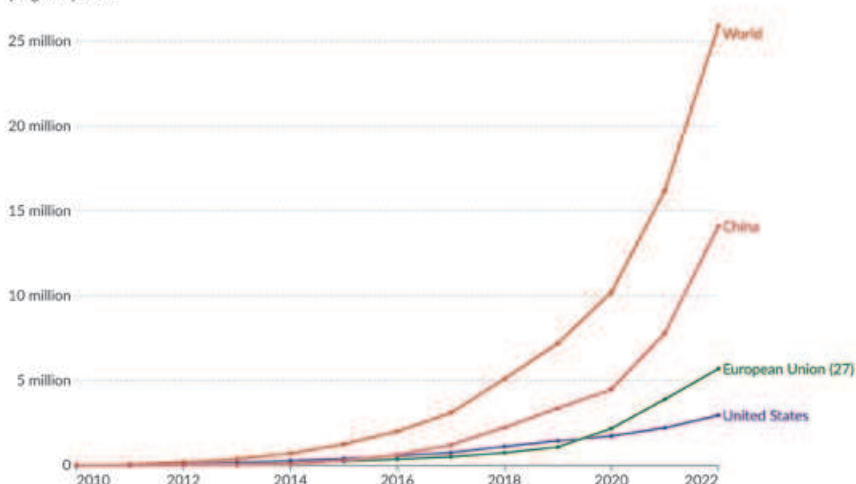
Slower growth, not stagnation

Having witnessed a surge in demand, the EV market is expected to experience a moderation in growth rates in 2024. This can be attributed to a few factors. First, the industry is looking to expand beyond early adopters and attract more price-conscious mainstream buyers. Several manufacturers implemented significant price cuts in 2023, with Tesla leading the charge by slashing prices on its Model 3 and Model S cars by 25%.

Secondly, some countries are phasing out financial

Electric car stocks, 2010 to 2022

Car stocks represent the number of cars that are in use. It is the balance of cumulative sales over time and the number of cars that have been retired or taken off the road. Electric cars include fully battery-electric vehicles and plug-in hybrids.

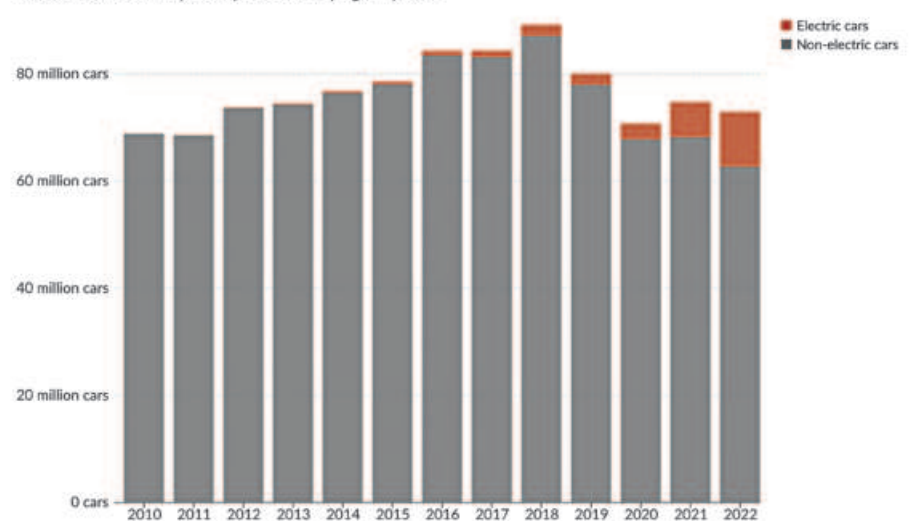


Data source: International Energy Agency, Global EV Outlook 2023.

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Number of new cars sold, by type, World

Electric cars include fully battery-electric and plug-in hybrids.



Data source: Calculated by Our World In Data based on the International Energy Agency (2023)

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