

The impact of Covid-19 on the electrification of transport: a UK perspective

Will the pandemic set back the work of the last five years by another 20 years?

Positive impact on EV adoption

Negative impact on EV adoption

Consumer and fleet demands



- ▲ Year-on-year registrations of Battery and Plug-in Electric Vehicles (EVs) have tripled in absolute terms in March 2020 [1] indicating a **certain resilience** in demand for EVs, especially as company car tax 0% benefits come into effect in April 2020
- ▲ Some **behavior changes** could continue after the pandemic, such as working and collaborating remotely and digitally, leading to less necessity for travel
- ▲ **Perceptions** towards commuting and road transport may be changing as people begin to feel and appreciate cleaner air and less congested cities [2]

- ▲ **Consumer budgets** are more constrained in times of economic downturn, and cars replaced less frequently. If price becomes more important in purchasing decisions, EV demand could be impacted, as EVs are—for the most part—more expensive than ICE vehicles
- ▲ **Fleets** may delay investment in EVs and run their ICE -vehicles to a longer life in times of a recession
- ▲ If the current **depressed oil and carbon prices reach the forecourt**, fossil fuel vehicles may be cheaper to run – reducing a key advantage of EVs for consumers and businesses

Automotive OEMs and supply of vehicles



- ▲ **Share price of pure EV manufacturer** Tesla is currently surging [5] after a recent stock rating rise from analysts[6]. The banks state the upgrade comes from Tesla's competitive advantage over legacy automakers that are facing difficulties in balancing the long-term shift to EVs as a result of Covid-19
- ▲ Some **corporate agendas** have showed continued commitment to electrification. Renault has announced it will sell only EVs in China, and will produce EVs there for other markets [7]. VW is still aiming for ID.3 electric car rollout by August [8], as the Group faces large fines if it fails to sell enough battery-powered vehicles in 2020
- ▲ Increased demand for **rentals, delivery vans and fleets** are being seen with lockdown in place, with last mile mobility, supermarket and food delivery are playing an important role in supplying essentials to the public

- ▲ OEMs have had to **shut down plants** across Europe due to tumbling demand [3] (new UK car registrations have dropped more than 40%) [1], lockdowns and supply chain disruption
- ▲ Chinese and some Polish manufacturing plants have only just **begun to come back** into production at the end of April; UK, Turkey and Eastern European countries are not planning to reopen any earlier than May [4]
- ▲ If consumer demand stays impacted and production doesn't restart quickly, all EU OEMs face the possibility of **not meeting their EU fleet emission targets**
- ▲ With evidence that recent EV adoption has been constrained due to the lack of supply of EVs, if automotive and EV manufacturing is impacted, **EV waitlists may grow longer**

Government and regulation



- ▲ **MPs urge Ministers** to ensure the climate crisis remains a top priority despite the postponement of COP26 [9]
- ▲ As of now, we haven't seen any evidence that **EU emission targets for fleets** will be amended or delayed
- ▲ The DfT **published the first part of its decarbonisation strategy** during lockdown and there has recently been a call for evidence on how Vehicle Excise Duty can further encourage the uptake of zero and ultra-low emission cars [10]
- ▲ Politicians may respond to the **changing perception of value of air quality** and further reduce car usage. We are already seeing examples such as Milan where 35km of streets have been repurposed for cyclists and pedestrian-use only [11].

- ▲ London and other cities announced **ULEZ and congestion charge suspensions** until further notice
- ▲ Birmingham and other cities asked for a **delay of their clean air zone by one year**
- ▲ Historically, an economic crisis has tended to **stall sustainability efforts** of Government and policy makers and has driven carbon intensive policies
- ▲ Public spending necessary to solve the economic crisis will likely amount to a decade of BAU budgetary spending, weighing heavily on Government balance sheets and leaving little room for decarbonisation initiatives

Capital providers and investors



- ▲ Investors currently have a vast amount of **dry powder** - capital raised from funding rounds that is yet to be deployed
- ▲ **ESG resilience** has been witnessed in this market downturn with ESG funds outperforming the market [13]
- ▲ Zouk Capital has recently closed its second round of funding for the Charging Infrastructure Investment Fund (CIIF) citing "no shortage of investors who believe in the long-term fundamentals of CIIF" [14]

- ▲ Some lenders may not want to be involved with financing high merchant or technology **risk projects** such as EV infrastructure or fleet electrification – both of which are a well-documented necessity for widespread EV adoption
- ▲ The lockdown caused a reduction in charging activity by 70% [12]; we could see an **exacerbation of the uncertainty in revenue streams** for certain charging infrastructure business models, making an investment unattractive

