

# ELECTRIC VEHICLES (EVs)

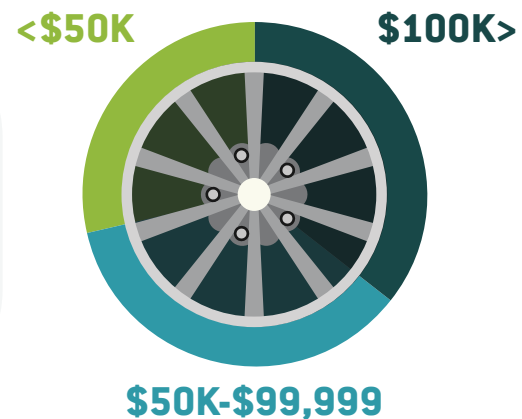
TRANSPORTATION IN THE RIGHT DIRECTION

**“WE ARE MORE INTERESTED IN WHERE THE COMPANY IS GOING, RATHER THAN WHERE IT HAS BEEN.”**

“We are more interested in where the company is going, rather than where it has been.” That’s a maxim we often share with our clients and partners when considering companies for investment.

The sentiment certainly applies to our overall philosophy and approach. Take electric vehicles (EVs), for example. EVs still comprise a small portion of global vehicle sales, but we believe that several indicators point to a sustained and rapid upward trajectory of adoption.

First and foremost, people want EVs. A joint survey conducted by Consumer Reports and the Union of Concerned Scientists found that American interest for EVs was not only strong, but also ranged across the economic spectrum. Consider that **39% of potential buyers making more than \$100k per year, 39% making between \$50K and \$99,999, and 31% of those making less than \$50k a year** all voiced interest in purchasing an EV – that is a far cry from where the market was only five years ago, when electric vehicles were primarily marketed to the wealthy.



## 72% EV MARKET EXPANSION BETWEEN 2017 AND 2018



The U.S. is not the only market where interest is high either – in fact, it’s not even the front-runner. China, the world’s largest auto market, saw a 72% EV market expansion between 2017 and 2018 and has a larger EV market than the U.S. and Europe combined.<sup>1</sup> Being the largest car market, China has the ability to propel the rest of the world, especially considering that **foreign brands made up 62% of the country’s market share.**

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WHILE THERE ARE MANY FACTORS CONTRIBUTING TO GROWING INTEREST, WE BELIEVE THERE ARE TWO MAIN UNDERLYING PRINCIPLES: **THE DESIRE TO COMBAT THE NEGATIVE EFFECTS OF CLIMATE CHANGE DUE TO GREENHOUSE GAS EMISSIONS AND LOWER COSTS.**



An EV driving on electricity in the U.S. is **equivalent to a conventional gasoline car that gets 80 MPG**, which is up considerably compared to 73 MPG in 2017.<sup>3</sup> Yes, it's true that electricity generation is still dominated by non-renewable forms of energy. But before you cry foul: that too is changing. In fact, the Energy Information Administration projects that the share of total U.S. electricity generation produced by all renewables other than hydropower will **increase by three percentage points over the next two years**. And while the U.S. Administration has formally begun withdrawing from the Paris Climate Agreement, individuals, private companies, municipalities, and state governments have all demonstrated commitments to address climate change. It is also important to note that several countries across the globe including France,<sup>4</sup> Norway<sup>5</sup> and China<sup>6</sup> either have passed legislation or imposed mandates limiting the sale of traditional combustion engine vehicles and **created incentives encouraging EV sales** in an effort to accomplish goals under the Paris Agreement.

Affordability is another factor that cannot be ignored. A larger number of car manufacturers now have at least one electric model. Technologies used in these cars can vary but one component consistent across all models is the lithium-ion battery. According to BloombergNEF, **stationary energy storage systems are expected to grow 122-fold over the next 20 years**. This growth will be anchored by further declines in the cost of lithium-ion batteries that follow the **85% cost reduction** seen between 2010 and 2018. These are relatively significant numbers, and while not directly correlated, it is also interesting that Continental, the fourth-largest auto supplier in the world, announced in August 2018 that it would stop investing in the production of parts for internal combustion engines.<sup>7</sup>

When considering the mosaic of information coupled with megatrends such as climate change, electrification of the grid, and the overwhelming aspiration of consumers and governments to be more sustainable, electric vehicles and the technologies they use are interesting innovative solutions.

**AT REYNDERS, MCVEIGH, WE WILL CONTINUE TO FOCUS OUR ATTENTION ON THE INNOVATIONS THAT HAVE THE ABILITY TO CHANGE OUR WORLD FOR THE BETTER. THAT IS WHERE WE SEE TRUE, LONG-TERM GROWTH POTENTIAL.**

1. <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/the-global-electric-vehicle-market-is-amped-up-and-on-the-rise>  
2. <https://about.bnef.com/blog/energy-storage-investments-boom-battery-costs-halve-next-decade/>  
3. <https://blog.ucsusa.org/dave-reichmuth/new-data-show-electric-vehicles-continue-to-get-cleaner>  
4. <https://www.theguardian.com/business/2017/jul/06/france-ban-petrol-diesel-cars-2040-emmanuel-macron-volvo>  
5. <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/the-global-electric-vehicle-market-is-amped-up-and-on-the-rise>  
6. <https://www.wri.org/blog/2018/12/how-china-raised-stakes-electric-vehicles>  
7. <https://about.bnef.com/blog/energy-storage-investments-boom-battery-costs-halve-next-decade/>

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