Headwinds in the Space - How Can You Navigate the Market Slowdown?

Ever drove an electric car (EV)? They are fun to drive. The acceleration is unmatchable. The less fun part, however, is the charging of these electric vehicles. From finding a public charger to operating several apps to pay with the right one. Combine that with the lower availability of fast chargers (depending on the part of the world you are in), the overall EV charging experience becomes a complicated one. Things have improved significantly in the recent past though. There are a lot more fast DC chargers available today than two years ago.

If you are in the business of selling these chargers, or in the eMobility ecosystem in general, the last few years were a great time to be in this business. The demand grew in double digits in several countries across the world with the increasing adoption of EVs. Things, however, are different now. 2024 was the first year since the "EV boom" started where we see a down-turn in the market - which ranges from mild to quite significant, depending on the part of the world you are in. Both in Europe and the US, the EV chargers' market is facing a downturn, albeit for different reasons.

Reasons for a slowdown in the European and the US EVs and EV Chargers Market

In Europe, the slowdown in the eMobility market is caused by the elimination of subsidies for EVs, coupled with the economic situation. Germany, for example, eliminated environmental bonuses for EVs which has had a negative impact on the consumer sentiment. Leading to a 32% drop in sales between January-August 2024, compared to the same period last year in 2023. The CPOs in Europe are also facing financial challenges due to the low utilization rates. In addition to the lengthy and complex permitting process for grid connection, leading to additional organization and financial resources being spent. These changes are directly impacting the public chargers market. Several EV charger manufacturers are struggling to achieve profitability. Something we see impacting the broader ecosystem, with EV automakers and EV battery manufacturers struggling as well.

In the US, the situation is, however, slightly different. Despite the incentives in place for the last few years, the EV market has been growing at a slower pace than expected. Consumers have not been inclined towards EVs due to their higher cost and the low reliability of the current EV charging infrastructure (EVCI) in the US. Biden administration had been promoting EV adoption through tax incentives as part of the Inflation Reduction Act (IRA) and by funding public EV charging infrastructure

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through National Electric Vehicle Infrastructure (NEVI) program. A total of USD 7.5 Billion was earmarked over 5 years to build a national network of 500,000 EV charging stations. However, due to the delays in the funding being administered, as well as the delays in permitting for the grid connections, only 192,000 charging points have been deployed. Like Europe, auto-makers and charger manufacturers are facing financial challenges in the US as well. In early 2024, US automakers successfully advocated for a change in government EV targets, from 50% annual share of car sales in 2050 to as low as 35% by 2032. This situation is expected to be further impacted by the change in administration after the recent elections, that could roll back much of the incentives in place and change the end of decade targets significantly.

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How will the European and US markets evolve in the current scenario?

Given all these changes, here is how PTR expects the market in Europe and the US to evolve until the end of this decade.

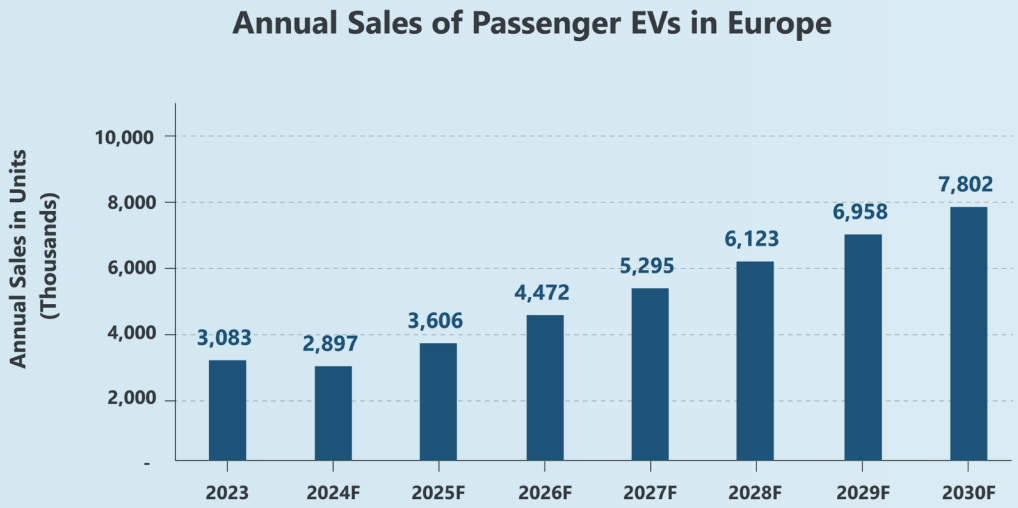

Figure 1: Annual Sales of Passenger EVs in Europe, Source: PTR Inc.

European EVs & EVCI Market

In Europe, 2024 is expected to close lower than the last year, with around 6-7% reduction in passenger EV sales and around 4% reduction (by revenue) in public chargers' sales. This change is coming at the back of some notable market drop-offs for BEVs* incl. Germany (-32%), Sweden (-21%) and Italy (-12%) but supported by strong market performers like Denmark (+50%), Belgium (41%), UK (+10%) and France (+11%).

Moving forward, PTR expects the EV market to recover and continue to grow, albeit at a lower growth rate than previously expected. Between 2024-2030, EV sales are expected to grow at around 18% annually. Especially as it is expected that some new EV incentives will be introduced soon.

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The private charging market, mainly consisting of AC and DC low power chargers, is expected to follow a similar trajectory as the EV sales, growing at around 20% (by revenue) annually until 2030. The public chargers market, however, which is dominated by DC chargers, is expected to grow at a much slower pace at around 7% annually until 2030.

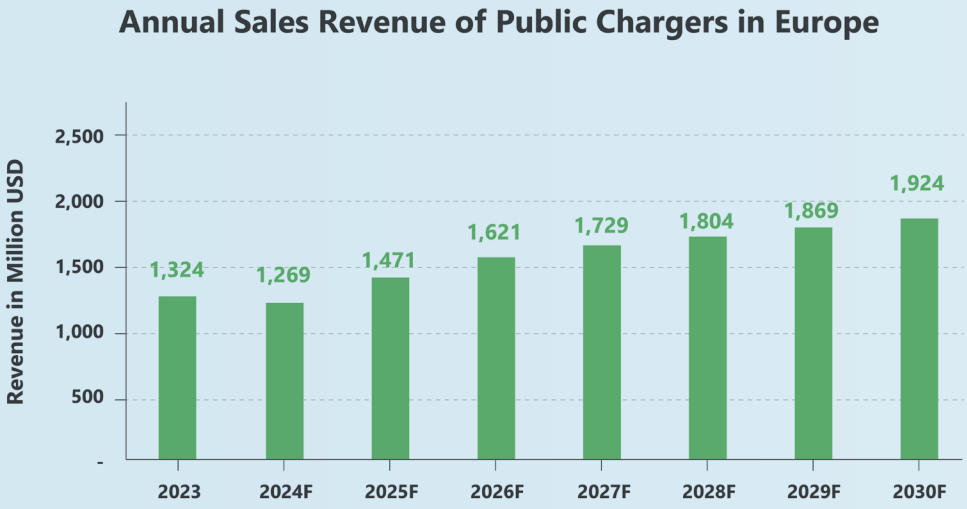

Figure 2: Annual Sales Revenue of Public Chargers in Europe, Source: PTR Inc.

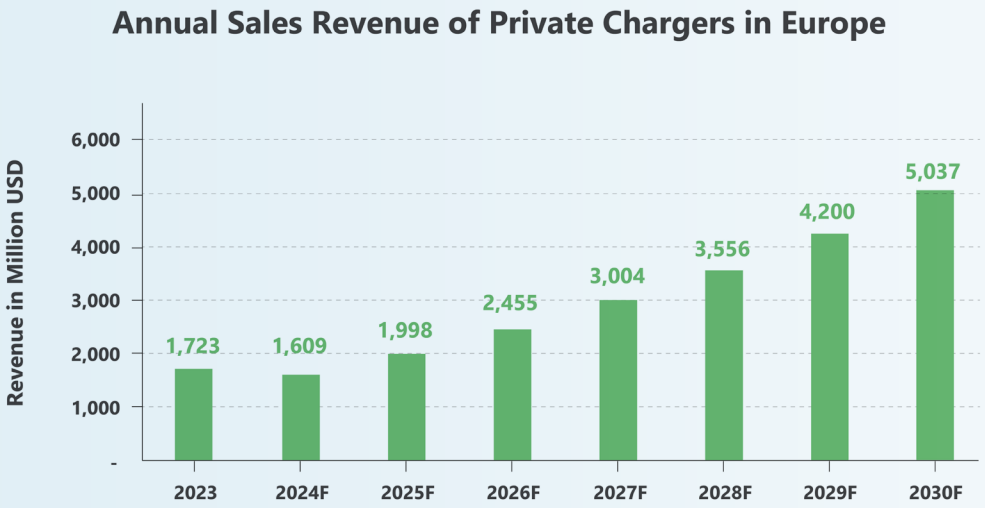

Figure 3: Annual Sales Revenue of Private Chargers in Europe Source: PTR Inc.

Despite the current situation, this growth is expected because the underlying drivers of the market are in place. These include regulations and funding sources like Alternative Fuels Infrastructure Regulation (AFIR/AFIF), as well as the EV adoption incentives and targets set by major European markets like UK's GBP 1.6 billion funding for EVCI until 2030 and France's 2030 investment plan of EUR 3.6 billion for EVCI.

US EVs & EVCI Market

The US EV market is slowly stagnating. In 2024, EVs held a share in annual car sales of around 10%, up from 4.3% in 2021, but far from the initial target of 50% annual EV sales by 2030. Contrary to Europe, however, PTR forecasts 2024 to end with slightly higher total EV sales than the last year by around 5%. Without taking into consideration any announcements by the upcoming administration, PTR was estimating the EV sales to continue growing at a stronger rate beyond 2024 at a CAGR of 20% between 2024-2030. Public EVCI was also expected to continue growing at a higher pace at around 18% annually between 2024-2030 due to projects in pipeline for which funding has been applied. This forecast, however, will be adjusted as the new administration takes office in January and issues new directives or regulations, potentially rolling back the incentives and targets.

At the time of writing, we expect the revised market growth to be as low as 10-15% in the coming years until 2030, expecting the rollback of incentives through the new announcements.

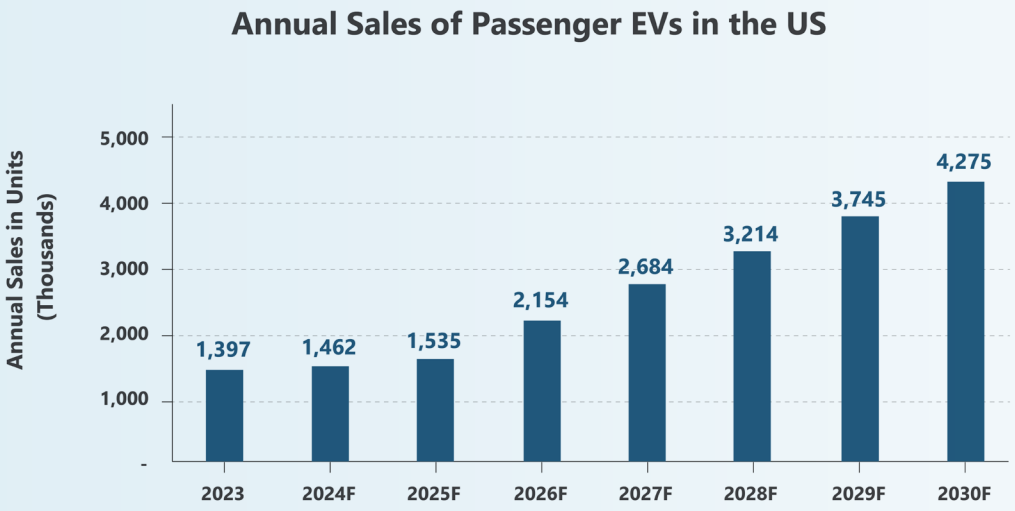

Figure 4: Annual Sales of Passenger EVs in the US Source: PTR Inc.

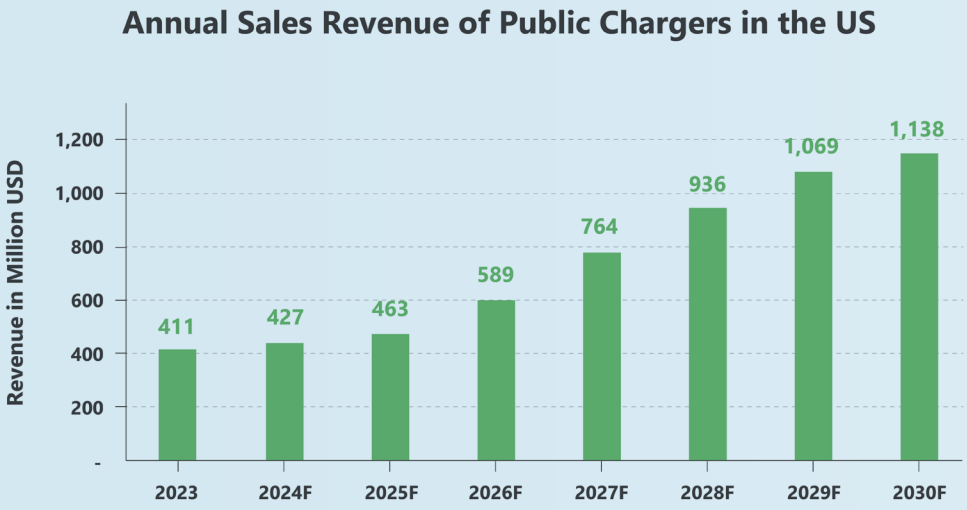

Figure 5: Annual Sales Revenue of Public Chargers in the US Source: PTR Inc.

However, we expect that the local manufacturing incentives for the automotive industry will continue, including EVCI. International manufacturers who have started manufacturing locally in the US (e.g. LG electronics, Alpitronic, Nidec, etc.) would benefit from the tariffs on imports, and the projects already put into motion (e.g. ChargePoint/Mercedes Benz/ Starbucks partnership, $500M investment in the Supercharger network etc.) will see their completion.

Embracing the headwinds - Positioning your company for success

Even though the market is still expected to grow, it is expected to grow significantly more slowly than previously thought, with a potential for stronger growth 2-3 years down the lane. With the market evolving in this way, if your company is in the eMobility business, you should set these two main priorities for your business as soon as possible: managing costs and cash flow in the short-term and investing strategically in product/service portfolio and market positioning to capitalize on the eventual recovery of the market. Easier said than done, but here are a few actions to consider:

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Customer Retention & Loyalty:

Offer enhanced support, maintenance packages and training to existing customers to strengthen relationships. Introduce flexible financing and leasing options to lower the investment barriers and risk.

Government & Regulatory Environment:

Work with policy makers and advocate to extend or create subsidies for EVs and EVCI. Propose regulatory frameworks that ensure long-term sustainable demand creating new opportunities in the economy.

Diversification, Diversification, Diversification:

Focus on countries where EV adoption remains strong, which could either be your existing markets or new markets for you to enter. Develop offering for specific customer segments like fleet operators and commercial buildings which might continue to grow despite the overall slowdown.

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Try to grow revenue through adjacent services like service contracts, warranty extensions and flexible installation contracts in phases.

Scenario Planning & Agility:

Continuously monitor market trends, regulatory shifts and competitive dynamics to be ready to respond as quickly as possible. Lessons from Covid - companies that adapted quickly to the changing situation, came out on the other side much better than the others.

If you can survive in the market today, there is light at the end of this short tunnel. If you can respond to the changing market situation by acting quickly, in the medium-term, you will be ready to gain from the market recovery.

With the eMobility market changing so rapidly, PTR is actively tracking the new announcements and updating our forecasts accordingly and will share more strategic insights as we update our forecasts over the coming weeks.

About PTR:

With over a decade of experience in the Power Grid and New Energy sectors, PTR Inc. has evolved from a core market research firm into a comprehensive Strategic Growth Partner, empowering clients' transitions and growth in the energy landscape and E-mobility, particularly within the electrical infrastructure manufacturing space.

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