



# EVs may equal petrol cars in price this year

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12 February

Sticker prices for electric vehicles (EVs) are falling closer to the point at which they could soon be on a par with gasoline cars.

Increased competition, government incentives and falling prices for lithium and other battery materials are making EVs more affordable.

The tipping point when EVs become as cheap or cheaper than cars with internal combustion engines could arrive this year for mass market models and is already the case for some luxury vehicles.

Prices are likely to continue trending lower as Tesla, General Motors, Ford Motor and their battery suppliers ramp up new factories, reaping the cost savings that come from mass production. New EVs from Volkswagen, Nissan and Hyundai will add to competitive pressure.

The battery-powered version of GM's Equinox crossover, for example, will start around \$30,000 when it arrives this fall, the carmaker has said. That is \$3,400 more than the least expensive gasoline-fueled Equinox.

Only a few months ago, EV buyers faced long waiting lists, and dealers marked up sticker prices by thousands of dollars. Used EVs sometimes sold for more than new ones because buyers were willing to pay a premium to get one right away.

At the end of 2022, the average price of an electric vehicle was \$61,488, compared with \$49,507 for all passenger cars and trucks, according to Kelley Blue Book.

The first major crack in the trend of rising prices came in January, when Tesla cut prices for the Model 3 and Model Y, the two bestselling electric cars, by thousands of dollars. With a starting price of \$43,500 before government incentives, a Model 3 is now \$300 less than the least expensive BMW 3 Series sedan. A Model Y, at \$55,000 before tax credits, costs about as much as a comparable Lexus RX.

Even Lucid Motors, a maker of expensive electric sedans that do not qualify for tax credits, began offering \$7,500 discounts on cars that start at \$107,400.

## THE CAUSES

- ▶ Increased competition
- ▶ Government incentives
- ▶ Drop in prices of battery materials
- ▶ Automobile firms are ramping up production with new factories

Major impetus for the price cuts came from the Inflation Reduction Act, that provides tax credits of up to \$7,500 for electric-car buyers.

By cutting prices, Ford and Tesla increased the number of models that could benefit from the tax credits.

Potentially more significant are subsidies paid to firms that manufacture batteries in the US. The subsidies could cut the cost of making EVs by as much as \$9,000.

That break and the tax credits for buyers of electric cars could allow battery-powered vehicles to achieve price parity with gasoline cars as soon as this year, according to the International Council on Clean Transportation, a research and advocacy group.

That is three to five years sooner than would be the case without incentives.

Declines in new-car prices are pushing down used EV prices, too. They have fallen 17 per cent since July, according to Recurrent, which tracks the used-car market. Under the Inflation Reduction Act, used cars can also qualify for a tax credit of up to \$4,000.

Falling prices for materials like lithium and cobalt have also helped. The price of lithium used in batteries has fallen 20 per cent from its peak in November. Cobalt has fallen by more than half since May, in part because carmakers are selling models that do not require it, reducing demand.

These advantages could fade because of new supply-chain problems. Lithium remains in short supply. New regulations will require e-car batteries to be made in the US, Canada or Mexico with raw materials from North America or any US trade ally. It is unclear how many vehicles will meet those requirements.