

The Advent of Australia EV Era

Alden LIU | 15 Oct 2024

Introduction

Around 130 years after the first electric vehicles (EV) debuts in the US, credited to a US chemist, William Morrison, EV has undergone a tremendous evolution in terms of appearance, technology, and popularity. According to the global car sales data from “Our World in Data”, EV-to-Total-Car-Sales ratio in Australia only attained 12% in 2023. However, countries which also signed the Paris Agreement, like China, United Kingdom, and Germany, achieved 38%, 24%, and 24% respectively. While the discrepancy in EV-to-Total-Car-Sales ratio between Australia and other net-zero-oriented countries displayed its sluggishness in the EV domain, it does, in an opposite way, show a tremendous growth potential in EV and its accessories in this country.

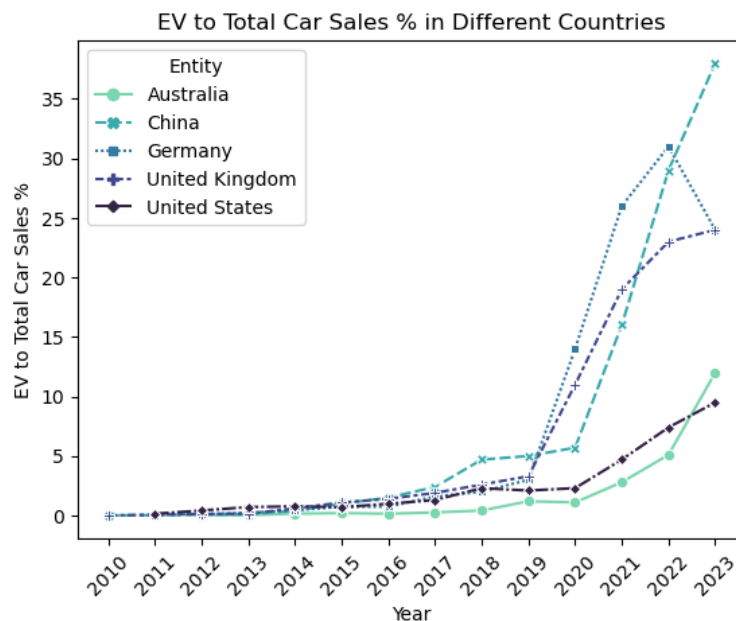


Figure 1 EV to Total Car Sales % in Different Countries, from source “Our World in Data”

Market Outlook

According to the data from Australia Automobile Association, the number of Battery electric vehicle (BEV) and Plug-in Hybrid Electric Vehicle (PHEV) sales across all states in Australia from 2024 Q1 to Q2 were 59,006 which already amounts to 60% of the total Australia EV sales in 2023. Assuming a constant number in EV sales, it is believed that Australia EV sales will finally reach the milestone of 100,000 in 2024 and even beyond 150,000¹ by 2026 given the motivating factors in both supply and demand sides below.

Australia EV Sales Volume Up to 2024 Q2

2024 Q1	2024 Q2	Total
28,978	30,028	59,006

Figure 2 Data from "Australia Automobile Association"

World EV to Total Car Sales %

	2016	2017	2018	2019	2020	2021	2022	2023	Average
Sales	0.90%	1.40%	2.40%	2.60%	4.20%	8.90%	14.00%	18.00%	
Growth	N/A	55.56%	71.43%	8.33%	61.54%	111.90%	57.30%	28.57%	30.48% ²

Figure 3 Data from "Our World in Data"

Supply

Sustainability Target

Endorsing the 2030 Agenda for Sustainable Development, the Australia government has been dedicated to reducing the country's greenhouse gas emissions to 26-28 percent below 2005 levels by 2030. One of the effective measures to achieve this target is improving the efficiency of vehicles which entails the adoption of EV. In Victoria, the Zero Emission Vehicle (ZEV) Roadmap sets a goal for 50% of new car sales to be ZEV by 2030, supported by a \$100 million package. This includes

¹ The figure is calculated based on the assumptions of same total car sales in 2023 in Aus, same mean growth rate in EV-to-Total-Car-Sales % as the globe, and convergence in EV-to-Total-Car-Sales % with the globe.

² This is calculated by harmonic mean.

consumer subsidies and charging infrastructure to accelerate EV supply and adoption, fostering a zero-emission transport sector.

Influx of EV Manufacturers

In recent years, the monotonous EV market in Australia has faced an influx of foreign EV manufacturing companies from worldwide. Other than the brands that Australians are familiar with, such as Tesla, BMW, and Mercedes-Benz, brands like BYD, MG, Hyundai, Kia, and so on, have brought diversity to the market recently. Moreover, brands which have achieved a great success in China, such as XPeng, Aion, and Zeekr, are ready to embark on their journey here in Australia by the end of next year. The abundance of EV manufacturers in Australia supports the supply side of EV and the foreseeably intense market competition among those manufacturers will eventually benefit consumers with a more competitive EV selling price.

Demand

EV Incentive Schemes

In Australia, there are several state and federal level EV incentive schemes available for consumers in the forms of tax threshold, registration/stamp duty discount, and purchase rebate. Federal EV incentives include a higher luxury car tax (LCT) threshold for fuel efficient cars at \$91,387 compared to other vehicles at \$80,567. Western Australia provides a ZEV rebate scheme that will provide a \$3,500 rebate after purchasing an eligible vehicle. Northern Territory provides consumers with a free registration for new and existing plug-in electric vehicles (PEV) and stamp duty concessions of up to \$1,500. These incentive schemes lower the cost for consumers to purchase EV which in turn increases the demand.

Interest Rate Cycle

On 18th September this year, the US Federal Open Market Committee (FOMC) announced to lower the Federal Funds Rate by 50 basis points to 4.75-5.0% in four years. The interest rate cut delivered a strong signal to the market about the end of high-interest-rate era and the prelude to a new monetary easing cycle. Foreseeably, the Reserve Bank of Australia (RBA) is likely to follow the interest rate cut pace and start the first rate cut in Q1 next year. The decreasing trend in interest rate facilitates

consumers to take out a car loan which induces a positive effect on Australia car sales volume, in other words, spurring the demand in the EV market.

Conclusion

The sluggish EV market in Australia and the sustainability development agenda endorsed by the government provide sufficient conditions for a considerable growth in the EV industry. From the perspectives of government policy, economics, and market competition, both supply and demand sides for EV are expected to grow. With an on-track annual 100,000 EV sales milestone this year, annual EV sales in Australia are expected to reach 150,00 by 2026.

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