LMC Automotive Ltd
4th Floor, Clarendon House
52 Cornmarket Street
Oxford, OX1 3HJ
UK
t +44 1865 791737
f +44 1865 791739
forecastingeurope@lmc-auto.com
www.lmc-auto.com
www.lmc.co.uk

PRESS RELEASE

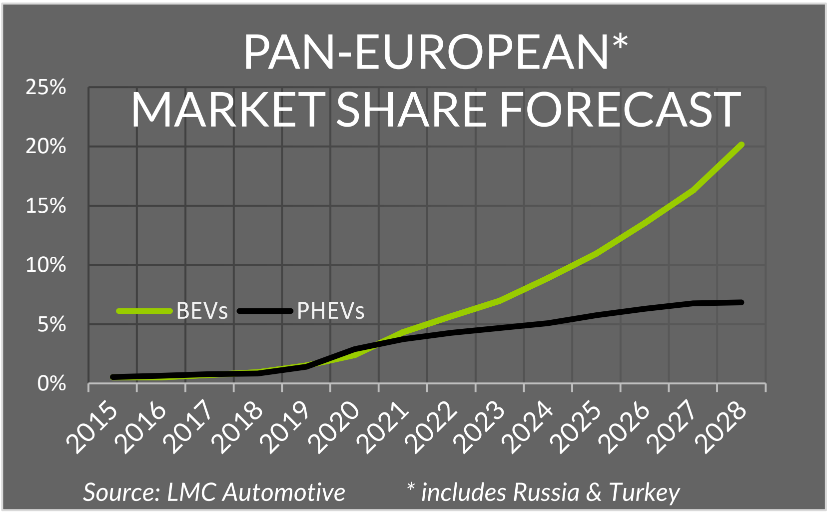
EUROPEAN PASSENGER CAR SALES

Demand for PHEVs set to stagnate as BEVs steam ahead

LMC Automotive: "Tipping point" in sight for hybrids as incentives and production costs point to battery-electric cars dominating the plug-in vehicle market sooner than expected

Oxford, 5 November 2018. After strong growth in recent years, European sales of plug-in hybrid electric vehicles (PHEVs) will dampen in the coming decade, according to LMC Automotive. The independent global automotive intelligence and forecasting specialist sees demand for PHEVs, which combine battery power and an internal combustion engine, tapering faster than expected as incentives and cost structures steadily turn in favour of battery-electric vehicles (BEVs).

As a transitional solution on the journey to zero-emission cars, the heyday of PHEVs, was always going to be temporary. But although PHEVs still have some momentum left after strong double-digit increases in sales in recent years – several new models are slated to appear in the next couple of years – the trend points to BEVs dominating the plug-in vehicle market faster than anticipated.



"As the major drivers of demand for plug-in vehicles, purchase and tax incentives will be the main killers for PHEVs," says Al Bedwell, director, global powertrain at LMC Automotive. "These vehicles will gradually lose their raison d'etre as the cost benefits diminish."

While offering the key advantage of eliminating the range anxiety associated with pure battery power, PHEVs have also enjoyed comparable incentives to BEVs in many markets. At least until recently. The UK, for example, changed its rules for electric vehicle purchase grants, effectively shutting currently available PHEVs out of the programme. This took effect in October, three weeks earlier than planned, after a spike in sales of still-eligible vehicles used up the remaining allotment of grants quicker than anticipated.

LMC Automotive sees PHEV sales falling dramatically in the UK as a result, as was the case in the Netherlands after a PHEV tax break reduction in 2015. Elsewhere, France withdrew PHEVs from its EV grant programme at the beginning of 2018, although it plans to include hybrid cars in an e-mobility car-scrapping scheme next year. Germany, meanwhile, is proposing to halve the company car tax for EVs as of January, a move expected to benefit PHEV sales. But this is unlikely to reverse the overall trend in Europe.

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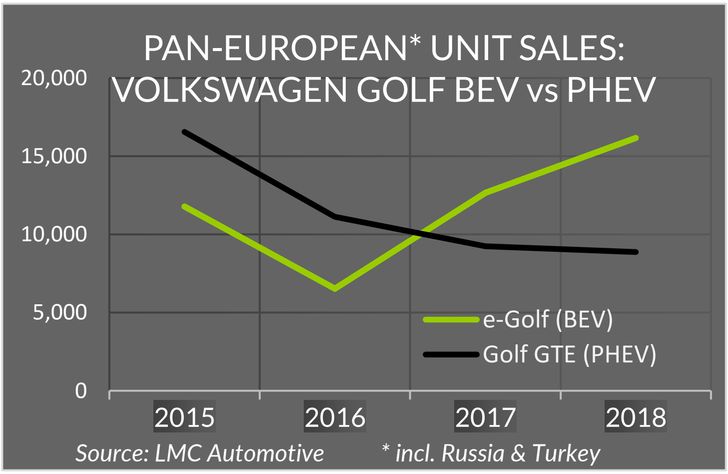
PHEVs are losing ground to BEVs in other ways, as the latter improve in terms of price, range and choice of models. PHEVs retain the inherent cost and weight disadvantages of having two powertrains. BEVs, in contrast, are much simpler, with the key component – batteries – only destined to get cheaper and more efficient.

And then there is the WLTP, which has dramatically worsened the official CO2 emissions of PHEVs, disqualifying them from road tax benefits in many EU countries. The new EU-wide testing procedure reflects the fact that these cars are often propelled solely by their internal combustion engines. The unrealistically low official CO2 figures under the previous NEDC regime were based on testing with a full battery. “In the real world, PHEVs trend to be driven inefficiently,” says Bedwell.



To make PHEVs more attractive, carmakers need to increase the so-called zero emission range when running purely on electric power. But that requires a larger battery, whose extra cost and weight is bound to influence a model’s viability. And this at a time when manufacturers are focusing resources on BEVs, which are already priced similarly to PHEVs where comparable versions exist and whose costs are expected to continue falling.

“We foresee the tipping point coming in the mid-2020s, when battery technology has improved to the point where the utility and production costs of BEVs match that of conventional internal combustion cars,” adds Bedwell. “At this stage, PHEVs sales growth will stagnate and eventually decline.”

For more information, contact Brett Reinhart or Sonja Mankowsky:
office: +49 2166 256 183 mobile: +49 1577 314 8175
mail: lmc-auto.media@mankowsky-reinhart.de

Please visit www.lmc-auto.com/long-term-future-of-phevs to see the related blog post

About LMC Automotive

LMC Automotive is the leading independent and exclusively automotive focused provider of global forecasting and market intelligence in the areas of vehicle sales, production, powertrains and electrification. Highly respected for its responsive customer support, the company’s client base from around the globe includes car and truck makers, component manufacturers and suppliers, financial, logistics and government institutions.

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