

Understanding the Electric Car Market

Whenever a new technological advancement begins to change a market, it becomes necessary for affected parties to understand the transformation. In recent years, the UK has observed a measurable rise in the popularity of electric cars.

The number of pure electronic vehicles (EVs) registered in the UK nearly tripled in 2020 to over 108,000. In addition, while battery electric vehicles (BEVs) made up only 1.6 per cent of the new car market in 2019, that figure increased to 6.6 per cent in 2020.

Part of the rise in demand for EVs may stem from a government timeline that aims to phase out internal combustion engine vehicles—such as those that run on petrol and diesel—by 2030.

With that upcoming legal change in mind—as well as climate change becoming a more prevalent subject—it is important for both consumers and dealers to understand the advantages and disadvantages of these new vehicles.

The Benefits of EVs

There are many different benefits that EV owners can enjoy, such as:

- **Cleaner emissions**—One of the most well-known advantages of EVs is how environmentally friendly they are. The batteries in these cars power both the electric motor and other electronics while not producing any waste material.
- **Reduced recurring costs**—The initial purchase of an EV may cost more than that of an internal combustion vehicle, but afterwards, costs decrease significantly. Charging an EV can cost as little as one-tenth of what it would take to fill up a petrol or diesel vehicle.

- **Purchasing incentives**—In addition to the reduced daily costs that EV owners enjoy, there are also other financial incentives for purchasing one of these cars, such as the government's Plug-in Car Grant. This programme provides a £3,000 grant to those who purchase a pure EV that costs less than £50,000. Additionally, EV customers may be privy to favourable finance rates or free wall box charger installations as a further reward for committing to the purchase.

UK Prime Minister Boris Johnson announced in November 2020 that the sale of new petrol and diesel vehicles will be banned by 2030.

- **Tax benefits**—EVs that cost less than £40,000 may also qualify for free road tax. Cars that exceed that price will be subject to a £340 a year tax for five years, but will become exempt afterwards. In addition, employers who use EVs can avoid any Benefit In Kind (BIK) company car tax. Comparatively, petrol and diesel vehicles may garner a 23 per cent and 27 per cent tax rate, respectively.
- **Reduced insurance premiums**—In addition to other savings, EVs are now also cheaper to insure. According to industry experts, as of December 2020, the average premium for EVs over the preceding year was £629 compared with £718 for petrol and diesel vehicles.

In addition to these environmental and financial benefits, there are other incentives that EV owners

Provided by RS Risk Solutions Ltd

Contains public sector information published by GOV.UK and licensed under the Open Government Licence v3.0. The content of this publication is of general interest and is not intended to apply to specific circumstances or jurisdiction. It does not purport to be a comprehensive analysis of all matters relevant to its subject matter. The content should not, therefore, be regarded as constituting legal advice and not be relied upon as such. In relation to any particular problem which they may have, readers are advised to seek specific advice from their own legal counsel. Further, the law may have changed since first publication and the reader is cautioned accordingly. © 2021 Zywave, Inc. All rights reserved.

Understanding the Electric Car Market

may also enjoy, such as quieter engines and greater acceleration.

Drawbacks

While there may be many advantages of EVs, it is important to acknowledge that these cars also bear certain disadvantages, such as:

- **Required charging point access**—In order to fully enjoy an EV, owners must have convenient access to a power supply. Many motorists in built-up areas, such as those who rent, may not have access to off-street parking and, therefore, cannot have a charging station easily installed.
- **Need to plan ahead**—Much like smartphones and other electronic devices, EVs must be charged regularly. Unlike a petrol vehicle, which can simply be refuelled when necessary, EV owners must be sure to keep their car charged.
- **Limited range**—Most EVs currently have a range of approximately 240 to 320 kilometres. While these vehicles may be more than suitable for the average UK commute, motorists taking longer trips may be apprehensive about access to necessary charging facilities during their journey.

In Conclusion

While EVs may have previously been seen as a trend, it is important to understand that this technology is here to stay. In the years to come, dealers, manufacturers and consumers will all need to get used to the ever-increasing popularity of electric cars.

For more information, contact us today.