

Why investors are tapping into the electric vehicle market

A huge rise in demand for electric vehicles in the UK is opening up new opportunities for energy and infrastructure investors.

Big oil majors and private equity firms are already investing in electric vehicle (EV) developers, while equity funds are starting to look for opportunities in the vast infrastructure network needed for charging the EVs. And other investors are likely to follow suit.

One of the most widely talked about deals of the past 12 months was Shell's October acquisition of NewMotion, one of Europe's largest electric vehicle charging providers. That followed ENGIE's acquisition of EV-Box, a Netherlands-based charging services provider.

Peter Sermon, Director – Energy and Infrastructure Advisory at JLL, thinks more deals could be on the cards.

“The sector is ripe for investment because it is a mass consumer market that is being backed by the government's regulatory policy around cutting emissions,” he says. “This points to the sector being a long term, high growth market.”

Around £530 million of investment will be required just to implement public electric vehicle charging networks by 2030 and combined with home and work place charging this could increase demand on the country's national grid by 10GW. Therefore aside from charging networks themselves, investment is also needed to upgrade the related grid infrastructure.

“Charging networks offer infrastructure investment opportunities with long term revenue,” Sermon explains. “It is still early so risks do exist, but it's possible for investors to take market share now before the large funds, oil companies and utility providers start to dominate.”

Developer's dream

There is also an opportunity for real estate developers to use the sector to create additional value and increase yields. Sermon says charging networks can be used as an added attraction to other sectors such as hotels and retail outlets. UK supermarket giant Tesco, for example, offers charging to encourage customers to spend money in-store.

“The electric vehicle sector is the first mass consumer electricity market that extends beyond the home,” Sermon adds. “It is a long and broad infrastructure play for investors – from the residential sector through to commercial and industrial.”

Overcoming roadblocks

“The two main stumbling blocks for investors looking at the performance of the sector have been the price of electric vehicles and ‘range anxiety’,” according to Sermon. “However, the price is coming down as mainstream manufacturers launch their own models, and we're likely to see more models that can travel in excess of 200 miles on a single charge.”

“The fact that Volkswagen has invested \$25 billion in battery supplies and technology shows how much clout the electric vehicle space has,” he says.

The sector still faces challenges, particularly around grid capacity and the lack of interoperability between platforms, but many of these difficulties are already being addressed. Some developers are installing batteries alongside, and inside, their charging stations to accommodate increased demand on the grid. Other solutions include ‘smart charging’, which enables charge points to interact with the grid to balance demand; and ‘load balancing’, where charging power is distributed equally across multiple charge points without overloading the grid connection.

Overall, the sector’s long term future looks bright.

“We are witnessing the start of mass adoption of electric vehicles. Costs are falling, availability is increasing, plus they’re already cheaper to run than diesel and petrol cars and more environmentally friendly,” says Sermon.

“This increase in uptake will drive the creation of extensive networks of reliable charging networks, where charging is as easy as filling a car at a pump and payment is via contactless card. If the relevant stakeholders allow, we could see the creation of an energy internet with customers charging and discharging power at optimum times and receiving savings and even cash payments as a result. It is an exciting time for investors in the sector.”

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