



Smart Mobility

The European EV market is becoming the strong driving force

- Despite Covid-19, global EV market to achieve +25% unit growth rate for 2020
- Europe is likely to overtake China this year as the world's biggest EV market
- Declining battery prices and stricter regulations set a bright future for EV growth

In the midst of an automotive market heavily impacted by the Covid-19 lockdowns, which caused unprecedented declines in car sales in 2020 (-20% in units YOY), the global EV market has continued on nearly 'undeterred'. It is on target to achieve +25% unit growth rates for 2020.

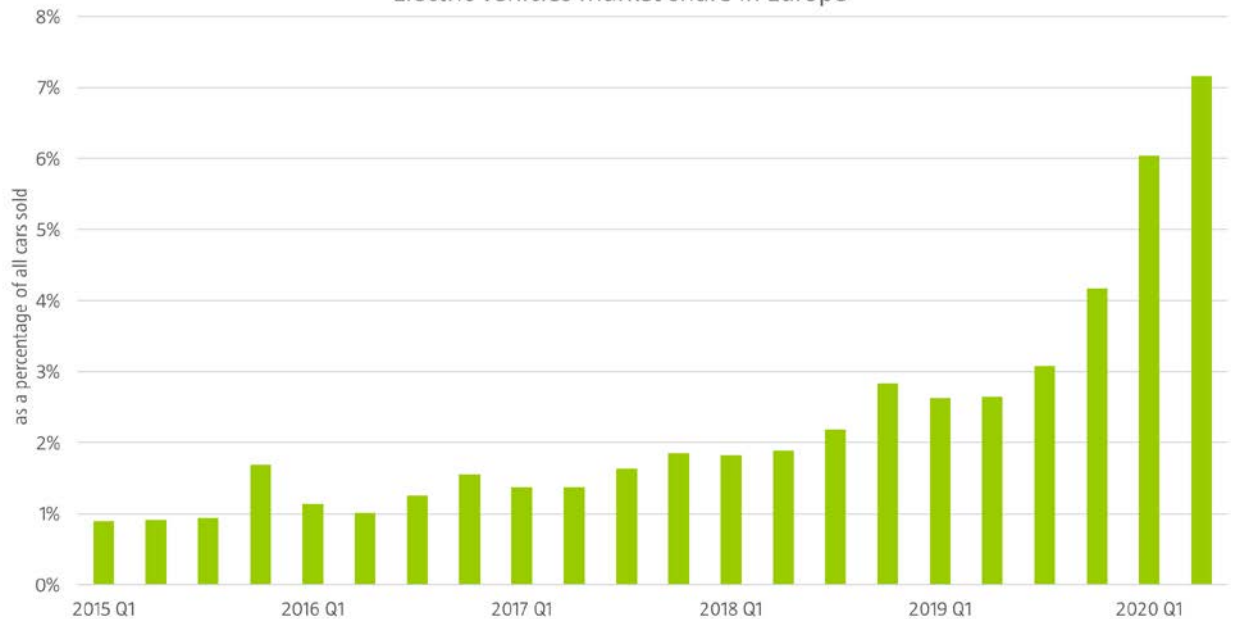
Notably the European EV market is gaining strong momentum this year, becoming the biggest driver of electric vehicle sales worldwide. In the second quarter of 2020, the market shares of EVs in the EU reached 7.2% (plug-in electric vehicles + battery electric vehicles), up from 6.0% the previous quarter and from 2.4% during the same period last year. A further large push towards EVs is expected in the second half of 2020, driven by stricter CO2 compliance regulations, changes in national vehicle taxation and grants and increased availability of new 'mainstream' EV models. Therefore, Europe is likely to take over China this year as the world's biggest EV market.

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Electric vehicles market share in Europe



Source: EV numbers: BNEF; full passenger car market numbers: Bloomberg.

We estimate that 1 million EVs will be sold in Europe in 2020, nearly double the units sold year-over-year. This represents a market share of 8% of all cars sold (up from 3.1% in 2019). Going into 2021, we expect Europe to outpace global EV growth once again and to model unit growth rates of another +75%. We are also well on track to achieving our current expectations of more than 40% of all cars that are sold globally, being electric by 2030. This excludes any additional sales that might come from fuel cell electric vehicles.

Our expectations are that battery-powered electric cars (and not fuel cells electric cars) will continue to dominate the electrification of cars. The achievable battery energy density is expected to go up from 250kWh/kg to 400kWh/kg or more by 2030. This will further improve the overall economics of an EV: the battery prices will come down, enabling lighter cars and/or more range. Other significant efficiency improvements are expected in the development of more efficient powertrains, inverters, electric motors, battery management systems and charging stations – all investment areas that we as investors have strong exposure to.

In addition to battery-powered electric vehicles, we also foresee a future for hydrogen fuel cell electric vehicles – most notably in heavy duty transportation for trucks, long-distance buses, trains, ships and, in the long term, even aircrafts. The reported production cost declines for fuel cells have been pretty spectacular since the beginning of this century. The costs associated with a fuel-cell bus has been reduced by 65% over the last 10 years – a similar cost reduction for fuel cell vehicles seems very likely in the next decade, enabled by cheap, ‘green’, carbon-free hydrogen as well as further fuel cell cost reductions.

With the electrification of the whole transportation sector already offering a ‘once in a century opportunity’ for investors, the simultaneously occurring ‘automotive data revolution’ is just adding another huge transformational shift – offering ample investment opportunities. Driving assistance and connectivity features, over-the-air updates and “on board” car data/video processing will ultimately allow for a fully autonomous vehicle. New business models surrounding shared mobility and delivery services will be created, where fully autonomous electric vehicles are seamlessly integrated into intelligent transportation, energy and IT networks.

For us, as investors, these are truly exciting times. Our focus is on the most well-positioned companies that span the entire value chain – from building the car of the future to driving it. We therefore see the RobecoSAM Smart Mobility Strategy as being very well positioned to benefit from these unique market opportunities.

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