**The Car Market in Turmoil**

The car market is currently in turmoil, with many manufacturers changing direction and announcing new plans, which is causing confusion in the market

Lotus was the first to announce a change in direction, abandoning its plan to go all-electric and instead focusing on hybrid cars, due to low sales of their electric cars

Volvo also announced that it will no longer be all-electric by 2030, and will instead investigate plug-in hybrids and put engines back into their electric Volvos

BMW announced that its V8 engine will live on indefinitely, and the company is betting on a range of options, including electric, plug-in hybrids, and performance cars

Bentley cancelled its plan to go all-electric by 2030 and is restarting its internal combustion engine development, believing there are still one or two generations of internal combustion engines to come

Audi stopped production of the Q8 and Sportback due to a drop in demand for premium EVs, which is affecting many premium manufacturers, including Porsche, which has seen a 40% drop in sales

Porsche is introducing a new electric model, the electric Boxster, but its launch may be delayed, and the company is experiencing a significant drop in profitability, with margins expected to fall to 10-12%

Aston Martin delayed its first EV by at least 3 years, and will instead focus on hybrid models, raising questions about the future of electric vehicles and why many premium manufacturers are pulling out of electric

**The Rise and Fall of EVs**

The current turmoil in the car industry, particularly with regards to electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs), can be traced back to the dieselgate scandal involving Volkswagen (VW) in the US, which led to a significant shift in the industry's focus towards EVs

In the early 2000s, VW was pushing to introduce diesel cars to the American market, but California's strict emissions standards, including the reduction of nitrogen oxide emissions, posed a significant challenge, and the company attempted to use clever engine management to bypass these standards

The dieselgate scandal, which was discovered in 2015, led to a major backlash against diesel cars, and the EU regulators introduced the Euro 7 emissions standard, which was extremely tough to pass and would have essentially outlawed diesel cars

In response to the Euro 7 standard, manufacturers, including VW, decided to invest in electric cars, partly to compete with Tesla, which was experiencing huge success with its Model 3, and partly because the Euro 7 standard would have been too costly to comply with

The development of electric cars was further accelerated by the delay in implementing the Euro 7 standard, which was initially scheduled to come into effect in 2020 but was postponed due to the COVID-19 pandemic, and the introduction of interim standards such as Euro 6d and Euro 6e

Despite the initial hype surrounding electric cars, they have not quite lived up to expectations, particularly for premium customers, and the industry is now experiencing a shift towards PHEVs

The early electric cars were introduced to the market too early, and as a result, their value plummeted in the second-hand market, with no one really wanting them because they made sense as a business purchase, which gave premium electric cars a bad reputation

**The Emergence of PHEVs**

Plugin hybrid cars, such as the Range Sport P460e or Cayenne Hybrid, have been developed and offer more electric range than they used to, with some models able to do 50 miles or more on a single charge, and they have become a popular alternative to pure electric cars

Many people have discovered that they can do around 75% of their total mileage on pure electric, with no outside charging issues, and this has made them less inclined to consider pure electric cars again

The manufacturers are realizing that plugin hybrid cars are becoming a more popular choice, and this is causing them to delay the introduction of pure electric cars, as they are aware that many people were put off by the early electric cars and had a nightmare experience

The premium manufacturers are delaying the introduction of pure electric cars, and instead, they are focusing on plugin hybrid cars, which offer the benefits of electric motoring without the need for outside charging, and this is expected to continue in 2025

**Small EVs and Market Dynamics**

Small electric cars, such as the Renault R5, are expected to be a growing area of the market, and they offer a more affordable and practical alternative to larger electric cars, with some models offering a range of over 50 miles on a single charge

The introduction of taxes on CO2 emissions and weight in some European countries, such as France, has made it more expensive to own and operate petrol-powered cars, with some models incurring taxes of up to €70,000, making electric cars a more attractive option

The cost of owning a petrol-powered car, such as the Renault R5 if it had a 1.8-liter engine instead, would be significantly higher than an electric car, with taxes and other costs making it less competitive in the market

As a result, many people are expected to choose electric cars over petrol-powered cars, due to the significant cost savings and other benefits, such as lower emissions and smoother motoring

**\*\*Tax Implications and Market Shifts**

The car industry is shifting towards hybrid and electric vehicles, with some cars potentially never being produced again due to strict emission regulations and taxes, such as the Jaguar Project 8

The tax situation in France is particularly notable, where cars like the Range Rover can cost €100,000, and the tax on a Defender D250 110 can be €70,000, plus an additional weight tax of €11,000, making the total tax £81,000

In contrast, hybrid versions of these cars, such as the hybrid Defender, are exempt from these taxes, which is why many people are opting for hybrid vehicles

The tax on non-hybrid cars in Europe is significantly higher than in the UK, which could be a concern for the UK government as they aim to encourage electric car sales

The car market in 2025 is expected to be healthy for electric cars, particularly in the sub-segment A and B markets, where affordable electric cars like the Renault R5 and Panda Grand Panda will be popular

These smaller electric cars make sense due to their affordability, lower depreciation, and better range, making them a more practical choice for many consumers

**Government Regulations and Industry Concerns**

The UK government's stance on hybrid vehicles is a concern, as they have not defined what a hybrid is, and the zero-emission mandate only deals with zero-emission vehicles, which could have significant implications for the car industry

The government's current stance on hybrid vehicles is seen as illogical, as even the most efficient hybrids are not allowed, which is considered just as bad as buying a highly polluting car, and this needs to change

The idea of pure electric vehicles being the only option from 2030 is not realistic, as there will likely be a continued need for combustion power, especially considering the global nature of the issue and the fact that many countries are not adopting the same zero-emission mandate

The zero-emission mandate was introduced by Boris Johnson in 2020, but the customer is not on the same journey as the government, and the arbitrary deadline of 2030 seems to be more about bragging rights than a realistic goal

The government's focus on being the first to reach this goal is seen as misguided, as it is a global issue that requires a more unified approach, and the current approach is likely to harm the car industry and lead to unemployment

It is unlikely that 100% electric vehicle adoption will be reached for a long time, and sales of new cars are likely to continue to fall as people become slower to change their cars, with a more realistic target date being 2050

Many countries, including the US, India, and Japan, are not adopting the same zero-emission mandate, which is why manufacturers are going back to internal combustion engine production, as they are global players and need to consider the broader market

There is resistance to the current regulations, not only from manufacturers but also from customers who do not like being told what to do, especially when it does not make sense, such as in countries with dirty electricity production like Germany

A consultation is currently underway, with the industry arguing that the current approach is not working and that something needs to change, with the hope that the government will have a reality check and realize that electric vehicles are not for everyone

**The Future of the Car Market**

Making everyone buy an electric car is like trying to get the whole country to go vegetarian, which is not realistic, and similarly, electric vehicles are not suitable for everyone, but they are a good option for small cars.

Manufacturers that sell one electric car can earn credits, which can be sold to other manufacturers that are not meeting their zero emission mandate, and this can be a significant source of revenue, as seen in Tesla's business model.

The credits earned by selling electric cars can be worth more than the profit made from selling the cars themselves, allowing companies like Tesla to make a substantial amount of money by selling credits to companies that need them to meet their zero emission mandate

Chinese manufacturers are aware of the potential benefits of selling electric cars in the UK, where they can earn £45,000 per vehicle sold, and are taking advantage of this opportunity to generate revenue

Companies like Tesla are selling electric car credits, also known as regulatory credits, to other manufacturers, such as the Stellantis group or Ford, which can then use these credits to meet their zero emission mandate, demonstrating the complexity of the car market and the various strategies employed by manufacturers

The car market is undergoing significant changes, with manufacturers adapting to new regulations and opportunities, and this shift is expected to continue in the future, with more developments and changes anticipated