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Switch to electric vehicles can end oil era

Report says increased electric vehicle production will drastically reduce cost of oil imports

PARIS

Emerging markets switching from petrol and diesel engines to electric vehicles could save $250 billion annually and slash expected growth in global oil demand by as much as 70%, an industry analysis showed on Friday.

As more and more nations such as China and India look to grow their electric fleet, they are in turn reducing reliance on imported oil, with electric vehicles forecast to be cheaper soon to make and run than their fossil fuel-fired cousins.

An analysis of electric vehicle cost trends by industry watchdog Carbon Tracker found that a switch to electric vehicles could save China - a world leader in the technology - $80 billion each year by 2030.

Increased electric vehicles production would drastically reduce the cost of oil imports, which account for 1.5% of China's gross domestic product (GDP) and 2.6% of India's.

The analysis found that the electric vehicle revolution could essentially fund itself as component costs fall over time and governments turn away from fossil fuel infrastructure such as pipelines and refineries, which risk becoming stranded assets as transportation gets greener.

> Transport in emerging markets accounts for more than 80% of all expected growth in oil demand by 2030

"This is a simple choice between growing dependency on what has been expensive oil produced by a foreign cartel or domestic electricity produced by renewable sources whose prices fall over time," said Kingsmill Bond, Carbon Tracker energy strategy and lead report author. "Emerging market importers will bring the oil era to an end."

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Analysing the International Energy Agency's (IEA) business-as-usual emissions scenario, the report found that half of that growth is forecast to come from China and India.

It calculated that by switching to the IEA's Sustainable Development Scenario -- under which electric vehicles account for 40% of car sales in China and 30% in India -- oil demand growth would be slashed by 70% this decade.

The authors said a fall of 20% in battery costs in a decade had driven "huge new markets" for electric vehicle growth.

Using industry baseline figures, the analysis calculated that the cost of importing oil to run an average car over its 15-year lifetime ($10,000) is already 10 times higher than the cost of the solar equipment needed to power an equivalent electric vehicle.

Last year, electric vehicles accounted for 61% of China's two-wheeler sales and 59% of bus sales.

"Factor in the war on plastics hitting petrochemical demand and rising EV penetration in developed markets, it becomes ever more likely that we have seen peak oil demand in 2019," said Bond. AFP