

Say goodbye to gasoline: China's going electric

Sydney: Say goodbye to gasoline. The world's slow drift toward electric cars is about to enter full flood.

China, one-third of the world's car market, is working on a timetable to end sales of fossil-fuel-based vehicles, the country's vice-minister of industry and information technology, Xin Guobin, told an industry forum in Tianjin on Saturday. That would probably see the country join Norway, France and the UK in switching to a wholly electric fleet within the lifetime of most current drivers. The announcement is important because the most influential players in the global auto market have always been not companies, but governments.

Diesel cars make up about half of the market in the European Union (EU) and less than a percentage point in the US, largely because of different fuel-taxation and emissions regimes. Carburetors have been regulated out of most developed markets as fuel injection—originally a more costly technology—results in less tailpipe pollution.

Moves toward electrification of the world's cars have been tentative. Just 695,000 electric vehicles were sold in 2016, according to Bloomberg New Energy Finance (BNEF), equivalent to about three days of sales in an 84 million-strong market. Including those already on the roads, the global car fleet is roughly a billion-strong.

At the same time, the direction of travel is unambiguous. China's auto industry plan released in April envisages new energy vehicles—including electric and hybrids—making up all the future sales growth in the country.

With conventional cars plateauing at current levels, new-energy vehicle sales will reach 7 million annually in 2025.

As many as 800,000 charging stations will be built this year alone, according to the official China Daily.

Government mandates will require manufacturers to sell 8% of their vehicles with electric or hybrid power trains from next year, or purchase credits to make up the difference, rising to 20% by 2025.

India, due to overtake Germany and then Japan as the world's third-biggest auto market by 2020, is on a similar path. Prime Minister Narendra Modi's think-tank Niti Aayog aims to get electric vehicles to 44% of the fleet by 2030, and is aggressively favouring them with tax rates 31 percentage points below those on hybrids and internal-combustion-engine cars under its new harmonized GST.

France and the UK, the world's sixth- and seventh-biggest markets, are planning to phase out sales of non-electric cars by 2040, while Norway aims to reach that line 10 years earlier.

Neither of those targets looks especially ambitious, given the rapid drop in battery costs—in the US and EU, electric cars will reach price parity with conventional vehicles in terms of purchase and running costs around the mid-2020s, according to BNEF.

The International Energy Agency believes the use of oil in passenger cars has already more or less peaked, with just 7% of demand growth by 2040 set to come from the sector.

The pattern will accelerate as major automakers dedicate more of their research and development

budgets—and, subsequently, lobbying funds—to the EV transition.

Until the first Tesla Inc. Roadster went on sale just nine years ago, Mitsubishi Motors Corp. was the only major car company to take the prospect of fully electric vehicles seriously. Now, every large automaker is working on battery-powered cars, with even longstanding skeptics like Fiat Chrysler Automobiles NV's Sergio Marchionne and Maruti Suzuki India Ltd.'s R.C. Bhargava announcing plans in recent weeks.

For all the eye-catching symbolism of a ban, it's unlikely that fossil fuel will soon be illegal on the roads.

Gasoline and diesel cars will still be sold in 2040, and probably 2050 and 2100 as well.

But with an increasing cost disadvantage and growing infrastructure issues, as gas stations close or go electric, internal-combustion engines will be sold only to enthusiasts—like high-performance sports cars, kit cars and vintage cars are, today.

The conventional car isn't quite dead yet—but its years are numbered. **Bloomberg Gadfly**

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