
The average retail price of gasoline in the U.S. hit \$4.70 on May 23.¹ Will the rising cost of gas be a boon for electric vehicle manufacturers and retailers?

PLUGGING IN VS. FILLING UP: THE RISE OF ELECTRIC VEHICLES CREATES NEW OPPORTUNITIES FOR INVESTORS

Overview

After cratering to \$13.78 per barrel in the early days of the pandemic, oil prices skyrocketed to over \$100 per barrel in February 2022 — and stayed there.² The rise in oil prices has led to a significant jump in gas prices, with most U.S. consumers currently paying well over \$4 per gallon at the pump.³

The jump in gas prices has spurred consumer interest in electric and hybrid vehicles. Online car shopping website Edmunds reported clicks on “green vehicle” listings increased by 39% from February to March.⁴ And according to the U.S. Department of Energy, the sale of new plug-in electric vehicles nearly doubled last year, going from 308,000 in 2020 to 608,000 in 2021.⁵

Despite the recent bump in sales, gas-powered cars still make up 91% of passenger vehicle sales globally.⁶ But could high gas prices and growing interest in environmentally friendly vehicles signal a coming shift in the number of electric cars on the road?

A Brief History of Electric Vehicles

Electricity-powered cars aren't a new invention; in fact, the first electric vehicles were invented in the late 1800s, manufactured by long-gone car brands such as Baker Motor Vehicles and Detroit Electric.⁷ But they fell out of favor in the early 1900s, after Henry Ford came up with a faster and easier way to produce gasoline-powered cars through his assembly line.

The interest in electric vehicles didn't spark again until nearly 100 years later, when GM and Chevrolet tested the market with electric coupes. Other manufacturers followed suit, although all of the electric cars in the 1990s struggled with limited range and power. They were also much more expensive to make, and most of the well-known manufacturers halted production on their electric vehicles by the start of the 21st century.

But while they were shutting down, an unknown company was just ramping up. In 2008, Tesla released its “Roadster,” the first electric vehicle that could go more than 200 miles before needing a



recharge.⁸ Tesla's foray into the electric vehicle market inspired other manufacturers to take another look at their own production efforts.

Over the past decade, nearly every major car manufacturer has released electric vehicle options. Today's consumer can even buy a GMC Hummer EV, with a range of 329 miles. (But be ready to pay for it: The base price of the Hummer EV Edition 1 is \$110,000.)⁹

Investing in Electric Transportation

Price has always been a hurdle for potential electric vehicle owners, with the average sticker price running about \$10,000 more for electric vehicles. There's also the cost of installing a charging system at your home, which can cost around \$2,000.¹⁰

Still, owning an electric vs. gas-powered vehicle may provide long-term financial benefits. Buyers can take advantage of federal (and some state) tax incentives, while charging an electric vehicle is much easier on the wallet than filling up at the pump. According to Consumer Reports, electric vehicle drivers save as much as 60% on annual fuel costs.¹¹

Although American consumers have been somewhat slow to embrace the shift to electricity, new legislative initiatives could speed up the prevalence of electric vehicles on the road. For example, California has introduced a proposal to prohibit the sale of new gasoline or diesel cars by 2035.¹² And in early 2022, the U.S. Departments of Transportation and Energy announced a joint five-year, \$5 billion plan to establish a national charging network, funded by the Infrastructure Law.¹³

Final Thoughts

For investors, the increased focus on electric-powered transportation opens up new opportunities. The potential increase in sales bodes well for manufacturers' bottom lines over the next few years. Meanwhile, companies that produce components and technology used for charging stations — and service providers who install them — could see a boost both from government-funded programs and private-property installations.

Investors would be wise not to turn their backs on oil just yet, as gas-powered vehicles will continue to dominate U.S. roads for many more years. However, oil — and gas — prices will likely remain volatile for some time, especially if the Russia-Ukraine war continues to drag on. We encourage you to keep your eyes open for potential areas of growth in both the oil and electric markets, and discuss opportunities for investing with your financial advisor as those opportunities arise.



¹ YCharts. "U.S. Retail Gas Price." https://ycharts.com/indicators/us_gas_price. Accessed May 25, 2022.

² Markets Insider. "Oil (WTI)." <https://markets.businessinsider.com/commodities/oil-price?type=wti>. Accessed May 25, 2022.

³ YCharts. "U.S. Retail Gas Price." https://ycharts.com/indicators/us_gas_price. Accessed May 25, 2022.

⁴ Edmunds. "More American Car Shoppers Consider Going Green as Gas Prices Climb to Record Highs, According to Edmunds Data." <https://www.edmunds.com/industry/press/more-american-car-shoppers-consider-going-green-as-gas-prices-climb-to-record-highs-according-to-edmunds-data.html>. Accessed May 31, 2022.

⁵ Energy.gov. March 1, 2022. "New Plug-in Electric Vehicle Sales in the United States Nearly Doubled from 2020 to 2021." <https://www.energy.gov/energysaver/articles/new-plug-electric-vehicle-sales-united-states-nearly-doubled-2020-2021#:~:text=EV%20sales%20grew%20by%2085,3%25%20during%20the%20same%20period>. Accessed May 24, 2022.

⁶ Catherine Clifford. CNBC. Feb. 14, 2022. "Electric vehicles dominated Super Bowl ads, but are still only 9% of passenger car sales." <https://www.cnbc.com/2022/02/14/evs-dominated-super-bowl-ads-but-only-9percent-of-passenger-car-sales.html>. Accessed May 24, 2022.

⁷ Andrew Lambrecht. InsideEVs.com. Nov. 22, 2021. "The Simplified History of the Electric Car." <https://insideevs.com/features/549726/electric-car-history/>. Accessed May 25, 2022.

⁸ Ibid.

⁹ Scott Oldham, Austin Irwin and Greg Fink. Car and Driver. Feb. 11, 2021. "Here's Every New Electric Vehicle Model for Sale in the U.S." <https://www.caranddriver.com/shopping-advice/g32463239/new-ev-models-us/>. Accessed May 23, 2022.

¹⁰ Courtney Lindwall. NRDC. May 25, 2022. "Electric vs. Gas Cars: Is It Cheaper to Drive an EV?" <https://www.nrdc.org/stories/electric-vs-gas-it-cheaper-drive-ev>. Accessed May 25, 2022.

¹¹ Chris Harto. Consumer Reports. October 2020. "Electric Vehicle Ownership Costs: Today's Electric Vehicles Offer Big Savings for Consumers." Page 12. <https://advocacy.consumerreports.org/wp-content/uploads/2020/10/EV-Ownership-Cost-Final-Report-1.pdf>. Accessed May 23, 2022.

¹² Rachel Becker. Cal Matters. April 13, 2022. "Clean-car rules: California unveils proposed measure to ban new gasoline-fueled cars." <https://calmatters.org/environment/2022/04/california-electric-cars-rule-zero-emissions/>. Accessed May 23, 2022.

¹³ U.S. Dept. of Transportation | Federal Highway Administration. Feb. 10, 2022. "President Biden, USDOT and USDOE Announce \$5 Billion over Five Years for National EV Charging Network, Made Possible by Bipartisan Infrastructure Law." <https://highways.dot.gov/newsroom/president-biden-usdot-and-usdoe-announce-5-billion-over-five-years-national-ev-charging>. Accessed May 23, 2022.

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