

Appraiser Blog

# When Electric Vehicles Will Cost Less to Make Than Gas Cars



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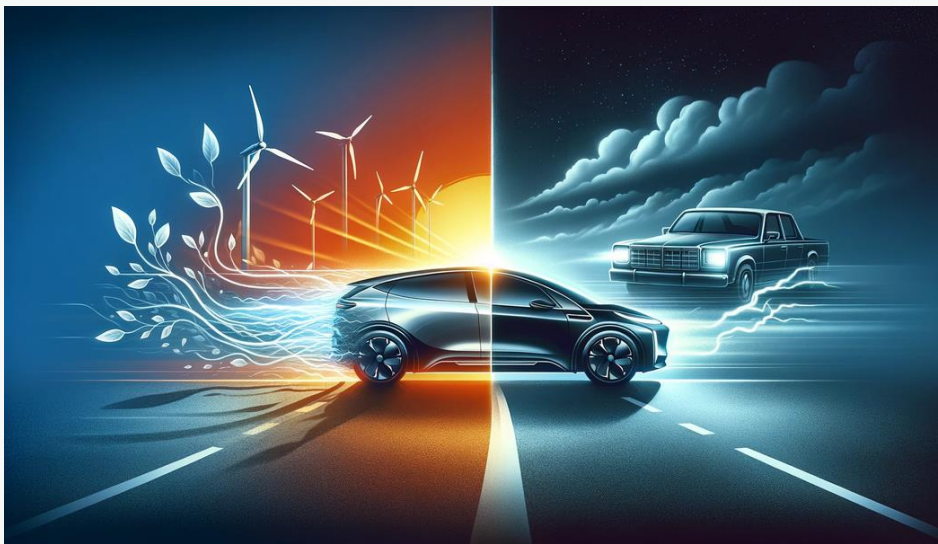
## When Electric Vehicles Will Cost Less to Make Than Gas Cars

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Once upon a time, in a world buzzing with the whispers of change, electric vehicles (EVs) were on the brink of a revolution.

The air was thick with anticipation as the cost of making these futuristic chariots began to plummet, promising a future where they would soon cost less to produce than their gas-guzzling ancestors.

Yet, as this tale unfolds, a shadow looms over the land—a twist in the story that could leave many a buyer wide-eyed and wallet-thin when faced with their first repair bill.



### **The Dawn of an Automotive Revolution**

Price parity between electric vehicles (EVs) and internal combustion engine (ICE) vehicles is on the horizon.

The rapid decrease in the cost of manufacturing EVs has outpaced industry predictions, with experts forecasting that by as soon as 2027, EVs will not only reach cost parity with ICE vehicles but will also become cheaper to produce.

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This shift could herald a new era of affordability for eco-conscious consumers, making the leap to electric more appealing than ever before.

However, like every good story, this one has its complications. The very advantage that makes EVs increasingly affordable to make—their cutting-edge technology—also makes them considerably more expensive to repair after an accident.

According to Notebook Check, as the sticker price of EVs starts to dip, the cost of insurance and repairs is expected to rise, potentially giving consumers pause.

### A Pricey Patch-Up

The heart of the issue lies in the complexity of EVs. With advanced battery systems and sophisticated electronic components, even minor accidents can result in repairs that are far more costly than those for comparable gas-powered vehicles.

Some insurance companies, facing the prospect of sky-high repair bills, may opt to declare these vehicles a total loss rather than footing the bill for repairs. This trend could lead to a sharp increase in insurance premiums or even lead insurers to deny coverage for certain models altogether.

The situation is exacerbated by the fact that, despite becoming cheaper to produce, the repair costs for EVs are expected to climb by an eye-watering 30% by 2027. Analysts are calling on automakers to prioritize repairability in their designs to avoid alienating consumers with prohibitively high post-purchase costs.

### The Long-Term Equation

Currently, EVs are known for their higher upfront costs compared to ICE vehicles. The justification for this premium has traditionally been the lower operating and maintenance costs over the vehicle's lifespan.

However, with the anticipated changes in production costs and repair expenses, this equation might flip. EVs could become more affordable at the point of purchase but more expensive over the long term, especially when factoring in insurance and repair costs.

## A Lesson from Hertz

The case of Hertz and its Tesla Model 3 fleet serves as a cautionary tale. Initially, the rental giant hailed its new EV fleet as a forward-thinking investment, only to sell off these vehicles due to unexpectedly high insurance and repair costs.

This incident highlights the broader implications of the evolving EV landscape—what looks like a smart financial decision on paper can quickly become a liability.

## Looking Ahead

As we stand on the brink of a new chapter in automotive history, the promise of EVs as a cheaper and greener alternative to gas cars is clearer than ever.

However, this vision is clouded by the looming challenge of repair and insurance costs. For EVs to truly revolutionize the road, they must overcome not just the barrier of production cost but also the hurdle of affordability in the aftermath of accidents.

Will automakers rise to the challenge and design EVs that are both affordable to buy and to repair, or will the dream of widespread electric mobility be dampened by high maintenance costs?