

To EV or Not EV? That is the Question

FIDELIO OVERTURE



NAVIGATING CHANGE

THE RIGHT WAY TO DECARBONISE?

The transition to electric vehicles represents a seismic change and challenge for the automotive industry and its leadership. Fidelio was pleased recently to co-host a [Roundtable](#) with automotive and supply chain leaders from both Germany and the UK, as well as investors, to explore progress and obstacles on the path to electrification.

Electric vehicles were seen as a cornerstone of decarbonisation. The early promise and excitement, however, are starting to wear thin. Key challenges include technology and cost, inadequate infrastructure, political hesitancy, and uncertain consumer uptake.

But EVs are needed if Germany and the UK are to transition to a Net Zero economy, and the overarching challenge is one of leadership for OEMs, suppliers and investors. For EVs to be commercially viable, business leaders will need to ensure that progress is made across the eco-system of technology, policy, investment, infrastructure and consumer trust.

Fidelio's focus is building Boards and leadership teams capable of delivering these outcomes and in this Overture, we are pleased to share some of the key themes from our recent Roundtable.

DIFFERING PERSPECTIVES / COMMON GOAL

EV REFLECTIONS

An overwhelming takeaway from Fidelio's recent EV leadership Roundtable was differing perspectives on a common goal. Very evidently the automotive industry has a critical contribution to make to decarbonisation. If it fails, the environmental impact could be catastrophic. EVs have an important role but there were distinct differences of viewpoint among our industry leaders about what EVs can and should be delivering.

We set out below some of the key arguments and points rehearsed at the recent Fidelio / German British Roundtable discussion, highlighting the very real tension between challenge and opportunity throughout the EV supply chain.

OBSERVATIONS FROM THE EV ROUNDTABLE

1. While Electric Vehicles caught the political and public imagination as a key response to climate change, many in the automotive sector see **EVs as one part of a more rounded technological response** including hydrogen, hydrogen fuel cells, and e-fuels. For many OEMs R&D budgets were traditionally focused on a range of solutions. Tesla and "Dieselgate" helped to focus political attention on EVs, but both suppliers and OEMs are arguing that EVs alone are not the solution.
2. Other participants at our Roundtable took a firm and differing view that **EVs should be treated as a proxy for tackling climate change**. Therefore, every business leader should be focusing on the success of EVs and systematically addressing obstacles that impede the roll out of this technology across the car fleet.
3. While governments across Europe have brought in demanding targets for OEMs to transition their fleets to EVs, **the commercial reality looks very different**, not least due to hesitant consumer demand. Some OEMs have also shifted attention back to developing fuel cars, in parallel to EVs, reflecting the reality of the marketplace, as well as political ambivalence.
4. Our Roundtable participants cautioned that successful automotive models and brands are not created by government edict, and **there is a danger of OEMs developing products that are neither popular nor profitable**. The societal and environmental benefits of decarbonisation are uncontested; but for EVs to be sustainable, bottom-up consumer demand needs to be much stronger.
5. **Subsidies have played an important role in kick-starting the EV market**. Some of our OEM participants reflected on how business fleets have a much higher percentage of EVs than private purchases. There is certainly greater opportunity for joined-up policy and thinking from government as well as financial service providers in promoting and facilitating demand for EVs.

6. **Sustainability is clear consideration for EVs.** For EV owners, whether fleet or individual, this includes the value of the car and how well that holds up. As the EV market expands and matures, more data points are available regarding residual values. Recent unsettling trends in residual values may help to explain why business uptake of EVs appears more robust than that of individual consumers.
7. **Affordability is of major consideration for the EV market.** The Roundtable discussion kept coming back to the concern that for many drivers EVs remain unaffordable. For some participants this created a moral pressure for those who could afford EVs to lead the way with their purchases; others argued for the importance of a just transition ensuring that all drivers have access to this important technology.
8. Whilst affordability was seen as the main driver of consumer hesitancy, **other influences were clearly also at play.** For those investing in EVs and the supply chain there was frustration about the persistently negative narrative surrounding the recharging infrastructure, which clearly contributed to anxiety range.
9. The transition to EVs cannot be achieved without the automotive OEMs, but it cannot be achieved by the OEMs alone. **The energy required to support the electrification of the car fleet is clearly a major theme** and, while most leading countries have set the NetZero targets of 2045 or 2050, much work still needs to be done to ensure that the greening of energy sources provides the energy to the grid and the access to electricity that a national car fleet requires.
10. **Government and regulation clearly have a role to play but not by being overly prescriptive** and getting caught in the weeds. The contribution of government in shaping ambition was cited. The example of JFK setting a target of putting a man on the moon by the end of the decade but not specifying how was applauded.

EV OR NOT EV

The transition to EVs is one of the biggest transformations that any major industrial sector has undergone.

The Fidelio / GBR Roundtable clearly underscored that the next phase of this major step towards Net Zero will be multi-faceted and complex. All players – investors, suppliers, OEMS - are dependent upon system change and that requires exceptional leadership.

Fidelio is grateful to contributors to our debate who brought strongly diverse perspective, as well as a commitment to decarbonisation. The future depends on business leaders who can think in systems and work through influence. Harnessing innovation is a given.

Fidelio's focus on building this leadership capability in the automotive sector and beyond is timely.

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