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Are we asleep at the wheel on EVs?
James Kirby
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Australian investors are moving faster than local car drivers

Are we missing something when it comes to electric cars? You just have to wonder that as Tesla ascends into the all-important Wall Street S&P 500 index, Australia might get left behind in what looks like becoming one of the investment themes of our time.

In Britain, conservative Prime Minister Boris Johnson has just launched a very ambitious green transport plan, underpinned by a £3bn support package to ‘‘lace the land’’ with EV (electric vehicle) charging stations.

In Canada, a comparable economy to our own, the ElectraMeccanica (Solo) company has tripled in two months while China’s EV group Nio Motors (a second favourite to Tesla among EV investors) has doubled since October 13.

And we have … well, we don’t have a national policy and we don’t have a listed ‘‘national champion’’ electric vehicle company. But we do have a string of states that just announced new road taxes aimed at EVs. The latest, a 2.5c per km charge in Victoria’s budget earlier this week, was branded as ‘‘shameful’’ by Behyad Jafari, CEO of the Electric Vehicle Council.

But here’s the thing: investors are pragmatic. The debate over how to deal with climate change can rage on, the debate over EVs (a microcosm of the larger arguments) can extend interminably, but there is no way active Australian investors are going to miss out on this global boom.

At the very least, the arrival of Tesla in the S&P 500 index means that all those Australians in US-focused exchange traded funds will now sleepwalk into the EV market.

And that first step into the EV sector might be expensive, since Tesla is now on a forward price/earnings ratio of more than 100 times. At its current price Tesla is the seventh biggest company in the US, four times bigger than Toyota.

Indeed, prices across the EV landscape are highly volatile and occasionally outrageous but what’s opening up here is a complete ecosystem around electric cars and commercial vehicles.

At it’s best we are looking at something akin to plastics in the 1960s or computer tech in the 1980s. There will be winners and losers, booms and bubbles. We are only at the beginning of this megatrend.

Already some of the smartest investors are diversifying their portfolios. There may be no better example than energy tycoon Trevor St Baker.

The entrepreneur, best known for his role in buying the Vales Point coal power station in NSW for a bargain some years ago, is better known overseas for his role as chairman of Tritium, an ambitious global company that makes “technology to create the world's most advanced fast chargers for electric vehicles”. In a very similar vein, thousands of everyday Australian investors are also taking positions in the EV sector through buying offshore EV stocks.

Tesla is up 500 per cent this year and it is also the most popular overseas stock held by Australians on just about every trading platform, from CommSec to eToro.

The number of Australians investing in Tesla are as incredible as most numbers from Elon Musk’s empire. At CommSec there are three times more Australians holding Tesla stock than holding Apple. At the online broker Stake, the dollar value of trading volumes in Tesla over the last year has gone from $22m to $442m.

Closer to home, it just so happens the ASX has a proxy EV sector — mining stocks involved in lithium, a key input to EV batteries. (See more on this with Richard Hemming below).

We even have a Tesla sub-sector within locally listed lithium miners, where companies that can claim a connection with the Musk empire are hot property. Two companies come to the forefront here: Piedmont Lithium, with a mine in North Carolina that has executed a supply agreement with Tesla, and Ioneer, which has a lithium mine in Nevada. Both Ioneer and Piedmont are also in the 28 member Zero Emission Transport Association, which also includes Tesla.

This is, of course, speculative territory and the share price movements can rival Tesla itself for jaw-dropping volatility. Meanwhile, on the street we remain exceptionally resistant to the cars themselves.

Electric cars make up just 0.6 per cent of our total car sales. The dominant brand is Tesla, selling what are by any measure ‘‘luxury cars’’.

Indeed there is deep scepticism about the cars among many Australians. Among those concerns are ‘‘range anxiety’’ (can the cars do long distances?), expense, depreciation and that debatable intangible “virtue signalling’’.

All these issues can be overcome — prices will come down, market standards will improve, the trophy aspect of high-priced EVs will fade.

How long it takes for the bitter politics of the issue to fade is more difficult to determine. Politicians from resource-rich regions will regularly take absurd positions on anything that may threaten their electorates, while EV lobbyists are just as capable of isolating statistics that suit their needs.

The Andrews government’s new electric car tax, set at 2.5c/km, drew howls of criticism — one academic, Jake Whitehead at University of Queensland, suggested a national tax would result in 5 to 10 million fewer EVs in Australia over the next 30 year.

Yet only a few days later, after a detailed examination of the new Victorian policy (which did actually include a $25m package towards a charging network) KPMG tax partner David Sofra suggested: ‘‘In my view the new taxes ensure EVs make a fair contribution towards funding our public road system, and supported by the accompanying initiatives, are unlikely to disincentivise consumers and businesses from making the switch to electric.’’ Well, perhaps. Investors won’t be waiting around to see if that’s true anyway.