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GIIA CMA Electric Vehicle Charging Market Study Response

Global Infrastructure Investor Association (GIIA) is the membership body for the world's leading institutional investors in infrastructure. Our members operate in 55 countries across 6 continents and are responsible for over US\$780bn of assets under management globally, with a third of that value invested in the UK.

In response to the CMA Market Study into the Electric Vehicle (EV) charging market, launched on the 2nd December 2020, we are keen to provide the perspective of institutional investors in UK infrastructure. This response acts as a high-level position statement on behalf of the institutional investor community that highlights the issues currently present in the charging market, specifically the public charging network, and offers suggestions on how private investment could be incentivised.

Infrastructure investors see the EV charging sector as a nascent market which, at least for the next few years, has a very immature and uncertain business model. Consequently, the sector is generally unable to access the low-cost financing that can provide the significant scale of private funding required to develop EV charging into a more investible asset class for institutional investors with very long term time horizons.

Furthermore, the sector has been described by infrastructure investors as similar to the 'Wild West'¹, particularly in areas such as London where there are many charging operators, which may result in structural issues such as overbuild. There does not appear to be a clear, overarching plan to ensure roll-out takes place in the interests of both current and future consumers. As this sector matures, investors are seeking a fair and level playing field in which low cost private capital can be deployed. Consumers also need further confidence in the accessibility and reliability of charging facilities, which contrasts significantly with consumer attitudes towards Internal Combustion Engine (ICE) refuelling.

Given the current low penetration of electric vehicles, the major challenge for infrastructure investors in this sector is the level of uncertainty surrounding revenue streams for EV charging points. It is therefore essential that the Government sticks to its recent policy commitment to ban the sale of new ICE vehicles by 2030 as this is the major driver of EV ownership growth and subsequent revenue streams for the EV charging market. Furthermore, it is not clear whether the automotive Original Equipment Manufacturers (OEMs) investing in charging infrastructure are doing so to make a return on investment, or whether this is being done as a 'marketing expense'.

¹ PwC 'Unlocking Capital for Net Zero Infrastructure' 2020: [URL](#)

If it is the latter, then the risk profile for investment is likely to be distorted which acts as a disincentive for infrastructure investors to enter this sector. Furthermore, the development of charging infrastructure at destinations such as supermarkets and gyms – which may look to offer such facilities for free, or at a discount – makes the investment case even more challenging.

A regional concession or utility-style model may provide an effective way to incentivise private investment into developing an EV charging network. The benefits of utilising such a model would be the speed, efficiency, and certainty with which charging infrastructure could be rolled out across both urban and rural areas. In this regard, a "purist" approach to competition in the EV charging sector runs a significant risk of not incentivising the necessary investments to achieve the Government's Net Zero targets, as well as consumer detriment due to insufficient charging points to meet demand.

Similarly, public subsidies and government support are also vital to de-risking the roll-out of less mature technologies as is the case with elements of EV charging infrastructure. Historically, the UK has successfully relied on public subsidies to support the development of technologies such as offshore wind. Infrastructure investors are keen for there to be a more effective balance between government policy support and private sector investment to accelerate the scale and maturity of today's Net Zero technologies, such as EV charging. Targeted public finance support, particularly in the rapid charging market where upfront investment costs and regulatory complexities are high², would have a positive impact on creating the stable environment needed to crowd-in private investment. We note that the European Commission has recognised for some time that environmental objectives can justify state support without raising state aid issues. We assume the UK will adopt a similar approach in a post-Brexit world.

Furthermore, ensuring that the UK's EV charging infrastructure serves rural and remote communities will be an important step to support the wider uptake of EV's beyond urban areas such as London. Lessons can be learned from the issues that have occurred during the roll-out of fast fibre, where rural connectivity continues to lag behind urban areas. The Climate Assembly UK's 2020 report highlights that assembly members voted in support of prioritising 'fairness within the UK, including for the most vulnerable (affordability, jobs, UK regions, incentives and rewards) in actions, not just words'³. This emphasises the need to establish a clear funding model for the development of an EV charging network that serves the needs of the entire UK, and not just urban centres.

² PwC, 2018: [URL](#)

³ Climate Assembly UK, 2020: [URL](#)