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EV's do not have the power to consign the oil industry to history



It is an appropriate time to make conclusions about the fate of the oil industry, based on recent industrial history when entire technologies and sectors failed because they were outdated or did not adapt in time.

Large oil companies are compared with analogue technologies, which were "eaten by" digital successors. In that context, various parallels are drawn with Kodak, for example.

There is a reason for that because, in a short period, the problems which hindered the faster arrival of electric vehicles on the scene as an environmentally acceptable replacement for older models with internal combustion engines are being eliminated.

However, despite adjustments in market conditions for faster growth of EV use, there is no panic, not even concern amongst oil industry leaders about the fate of their businesses. Not in the short term.

The largest developed economies have set deadlines, after which new cars will be electric only.

These deadlines are generally set between 2030 and 2040. But these are goals set by states as regulators and can be changed. It is similar to reducing carbon dioxide emissions, including their complete cessation by 2050, which is the plan of many developed economies and has been changing from time to time.

Are the oil dinosaurs threatened by a cataclysm?

Oil companies are being ridiculed as dinosaurs who do not know that they are threatened by extinction. They have been pumping large

amounts of money into industries that contribute to the reduction of harmful gas emissions.

The EU and the US have jointly allocated more than \$650 billion to stimulate the green industry, which would effectively lead to the fulfilment of the decarbonisation process.

In this regard, the technologies involved in the EV industry, and indeed the entire industry, have an important place because they are a primary goal for winning the war against pollution.

Transport is the sector with almost 60% of global oil demand. It is also the largest emitter of harmful gases.

This year and the previous year acted as a turning point regarding the arrival of EVs on the big stage, taking primacy over traditional vehicles that use petroleum products.

The ambition of the US Road Traffic Decarbonising Plan developed by the Environment Protection Agency is to have two-thirds of electric cars on the roads in 10 years.

That would be a significant jump from the current 5% to 6% EV share in the US. Canada plans to sell only electric vehicles by 2035. Currently, only about 6% of all registered vehicles are electric.

These goals may be achieved. States have already begun heavily to subsidise the production of components for EVs, including financial support for buyers of new EVs. In the US, it amounts to up to \$7,500.

Growth in oil demand until the end of the decade

Despite this, the oil industry shows little concern, not even nervousness, that it could be squeezed out of its main market, which is transportation, or even disappear like some earlier obsolete technologies.

And why should they? The projections of market observers and the largest producers show the growth in demand, which will certainly last until the end of this decade.

A significant reason for such projections is still the relatively small participation of EVs in the transportation sector, as it can displace only about 3% of the oil demand.

Despite all the EV market incentives and the announcements regarding lowering the prices of some models, as done by Tesla, these vehicles are still expensive compared to conventionally powered cars.

Government incentives would not be enough to make the price reduction more tangible. A change in the current imbalance in the production of batteries, the most expensive part of every EV (a third of its value), belongs to Chinese manufacturers.

Also, diesel and petrol vehicles are experiencing significant technological improvements and becoming economical. With simpler, safer, and cheaper supply than EVs, this is an important asset that continues to attract buyers, regardless of announcements about the end of their production.

A tolerable long-term decline in demand

"By the middle of the century, 90% of vehicles will still be conventionally powered", said Ahmad Al Khowaiter, Chief Technology Officer of the Saudi oil giant Aramco at the Geneva Motor Show four years ago.

"The consensus from forecasters is that the internal combustion engine will be with us for decades to come", said Al Khowaiter.

It is possible that he will change his assessment, bearing in mind the significant state interventions in the most developed markets, but he would have no reason to fear for the future of his company.

Estimates of the EV share in the overall transportation sector in the next decade or two are different and contradictory. For 2050, estimates range from around 30% for the most cautious to 100% for eco-optimists.

However, such differences indicate that many factors still influence the future of the green transition in road traffic, so it will be necessary to wait for the final victory of electric vehicles over traditional vehicles.

Oil companies will not experience significant upheavals in demand or revenues in the next decade.

Their business will not be threatened, even with complete success in the transition to electric vehicles and within the deadlines given by environmental policymakers.

Even if all newly produced vehicles in 2040 are electric, this will reduce the level of oil

demand to the initial EV years, from 2010 to 2013.

That "blow" will be tolerable for the oil companies and they will not suffer the fate of the technological dinosaurs that suffered in previous industrial revolutions.