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Why EVs Are So Expensive?

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Electric cars are still too expensive, despite being "supposed to be cheaper". The cost of EVs has gone up for some and down for others. We'll discuss some factors that influence EV pricing below.

The base price for the 2022 Chevy Bolt is \$10,000 less than the 2018 Bolt. Tesla has raised prices on its models from \$35,000 to as much as \$75,000 apiece. However, Chevrolet, Hyundai and Nissan have all lowered prices on newer models in the summer of 2022.



Another example of this is Rivian, a newcomer that has already increased prices before even creating any loyal customers. Meanwhile, buyers of some tried-and-true models, like Chevy's Bolt, are enjoying lower-than-ever prices. Once again, the point here is that electric cars don't always follow traditional rules.

But why do electric cars cost so much?

Luxury is Expensive

The mainstream automotive industry is beginning to understand the true potential of electric vehicles. And so, many automakers have taken the opportunity to produce their own fully electric models. For the most part, these EV models are competitively priced with one another.

Luxury automakers are already ramping up their EV offerings, looking for ways to introduce new technology. Whenever a company introduces new technology, it starts on the most expensive vehicles and then trickles down.

At this point, all-electric car manufacturers like Tesla and Rivian are able to charge whatever prices they want for their high-performance luxury cars—note that Rivian has shown signs of following in Tesla's footsteps by raising prices outside of regular model year changes. Those price hikes add up: the starting price of Tesla's entry-level Model 3, as of June 2022, is about 25% higher than it was not even a year and a half earlier.

These automakers don't sell any fuel-powered models, so it's tough to compare their prices to those of legacy automakers.

Batteries Prices

Batteries are the most important and significant component of an electric vehicle and batteries are expensive.

But that's not the case. EV batteries are actually getting cheaper. The average total cost of an EV battery has dropped by 80% over the last decade. Everyone knew that batteries would get cheaper over time — it's typical for any new or emerging technology.

Even though electric vehicle batteries are getting cheaper, they are still expensive to produce. They're very different from the conventional car battery, which is under the hood of a gas-powered car. Entrepreneurs have been testing ways to make batteries better, which requires continual investments in research and development.

Cars Are expensive

As of July 2022, the average cost of an electric car was about \$18,000 more than the average cost of a gas car. Keep in mind that gas-powered cars are expensive too.

It's difficult to pinpoint one specific reason for this trend. However, in 2022, the big one is Supply and demand.

