Financing the Global Shift to Electric Mobility *

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Abstract

Using comprehensive auto loan data from Europe, we document a gap in financing terms between Electric Vehicles (EVs) and non-EVs. EVs, compared to non-electric models in the same car family or pair, are financed with higher interest rates, lower loan-to-value ratios, and shorter loan durations. We show that the primary driver of this EV financing gap is the technological risk associated with EVs. The rapid and uncertain evolution of EV technologies accelerates technology obsolescence, diminishing the resale value of EVs. In response, lenders charge higher interest rates on EV loans. Consumer demographics, lenders' market power, and macroeconomic factors contribute minimally to the EV financing gap.

Keywords: Green financing, Car loans, Electric vehicle, Electric vehicle battery, Battery technology, Technological risk, Technological obsolescence

JEL Codes: G21, G23, G50, O33

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