Rodney's Take

April 1, 2024

So Right, and So Wrong

If you went way back in the time machine to 2021, you'd see I nailed it about electric vehicles (EVs). Unfortunately, in that same time frame, I utterly failed to see how the government would respond to the EV challenge. The call, or even mandate, for more EVs is here, and a few people are asking, "How do we create that much power, and how do we distribute it to users?" That's the question I posed in my *Rodney Johnson Report* newsletter in March 2021. I saw the problem but not the eventual answer. That answer won't make you happy.

In 2023, EVs made up 8% of new car sales. EV supporters cheered for this "victory" in the quest to wipe the internal combustion engine (ICE) off the road, but the triumph was Pyrrhic. To get there, car companies had to offer huge incentives, and every U.S. carmaker but Tesla lost money on EVs. Tesla slashed its costs at the expense of profits, while others reported a sea of red ink. Ford lost an estimated $60,000 per EV sold, once the strike was factored in, and more than $30,000 per EV without the strike. While domestic manufacturers are dedicated to EVs, they are thankful for ICE vehicles, particularly SUVs and pickup trucks.

But the elephant in the room is this: If we can convince all the consumers to buy EVs, how do we deliver the power?

To make sense, charging stations must have massive electric capabilities. Even then, they can service only a few consumers at a time, unlike gasoline stations. This leaves the option of charging your EV at home. A level 1 charger is no big deal, because it plugs into a regular outlet. They also charge painfully slowly and won't recharge an EV overnight. To make charging at home feasible, many consumers would need to install level 2 chargers and we would have to upgrade the electrical grid, a massive, (expensive) undertaking that could cost around $1 trillion. With many consumers possibly plugging in at the same time, we would need to upgrade transformers in hundreds of thousands of neighborhoods.

Back in that March 2021 newsletter I was on point, so far. Fast-forward to today, and we still haven't even developed a plan, much less started upgrading the electrical grid beyond normal maintenance.

But that's also where I missed the mark. The government has floated the idea of charging our cars at work, and then using them as batteries to enhance the grid in the evening. That's nice, but it shifts the burden to commercial settings, and who wants to go out in the middle of the day to repark his or her car? We could give consumers an overnight charging window, so that they could charge their EVs only from midnight to 5 AM (or whatever), but again, it tethers consumers to charging on someone else's schedule.

When I covered all of this three years ago, I did not anticipate the obvious answer as the EV craze grew. The government will do none of it beyond building infrastructure, because that's the least efficient choice. Instead of working on a charging schedule, a chargeback plan, or a tolling-versus-payment plan for people who use more or less, instead we will build in the name of "jobs," no matter how ridiculous that might be. Eventually, convenience stores in the suburbs will have the capacity to draw as much electricity as their entire towns and, if there are several convenience stores, the added capacity will grow exponentially.

I don't think EVs will overtake ICE vehicles unless that is mandated by the government, which changes with every administration. If we get there, the only way will be by using tax money to fund electric capacity. Our standard of living will drop as the cost of energy rises, and our productivity will decline because we're spending massive sums to get what we already have.

When government mandates run into obstacles, one solution rises to the top: spend more of other people's money. So, make sure you've done all you can to minimize your taxable footprint before the local, state, and federal governments come knocking on your door. Make no mistake, they will come.

Rodney

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