



Peak EV: Electric Vehicles Will Fade as Their True Costs Become Clear

Description

“On Wednesday, the Environmental Protection Agency plans to announce tough new tailpipe emission standards designed to effectively force the auto industry to phase out the sale of gas-powered cars,” reports *The Verge*, with the provocative headline “The End Is Nigh for Gas-Powered Cars.”

Environmental, social, and corporate governance (ESG) is the newest religion, and we all know who the practitioners are. Electric vehicle (EV) owners sing “Hallelujah” when they pull out of their garages. The investor-class ESG evangelists believe the new belief is in its beginnings. Whatever the Biden EPA does, investor Harris Kupperman thinks it’s likely just the Church of What’s Happening Now.

Kupperman, referred to as Kuppy by Real Vision’s Maggie Lake, told her, “Well, I think we’re nearing peak ESG, which is probably a good thing, honestly.” He explained,

And it’s like religions kind of come, they peak, they die out. No one practices Roman religions anymore. I can name three of the gods and I’m a Roman history major.

These things, they peak, they crest, and this little religion of ESG, it’s been around for a while. It peaked. And now there’ll be some die hard adherence, but I think the vast majority of investors want to make money. And it’s great if they’re doing something that has a social good, but most of them just want to save for their retirement.

As to all those fancy Teslas silently cutting you off in traffic, their drivers teeming with superiority, thinking they are saving the planet, Kuppy sees them going the way of T. rex. “No. I think EV is going to be something you’re going to go to a museum with my kids and be like, wow, that was an evolutionary dead end and we always [waste] trillions of dollars on this. No, I think that there’s no future to EV.”

“Really, why?” an aghast Lake wondered.

Next, Kuppy comes with the hard facts amateur environmentalists and government enforcers don't consider.

Because it [the EV] destroys energy. You have this concept called EROI, which is the return on energy you put in. An EV, you put more energy in than you get out. And so as a result, it's just like a thermodynamic rule—it won't work unless you subsidize it.

What's the reason for EVs? It's because it supposedly produces less carbon. But through the full life cycle of owning an EV, because so much carbon has to go into the stupid thing, it doesn't use less carbon. You're better off having a gas guzzler.

Yikes. Maybe EV owners are not as heroic as they believe.

Kupperman says that without government subsidies, consumers will stick to internal combustion engine (ICE) vehicles. In fact, even with subsidies, most people, like Kupperman, will buy ICE vehicles. But there will always be snobs.

[If] you kind of want to be a snob and say you've got an EV, then be a snob. It's a nice thing to have if you want to show off that you have a thing. For me, I have a truck. Doesn't bother me at all and I'm proud of my truck.

However, "if carbon is the thing you're caring about, you're caring about the total cost of using the car or the energy in versus energy out. Almost any component you look at, you're better off just having an internal combustion engine. And those engines have actually gotten very efficient over the last couple of years."

Kupperman points out that as these EVs age, owners will see

what happens to battery degradation with lithium ion batteries, and the fact that the lithium ion battery is such a large component of the total cost of a car, and when you're at year five or six [and] have to replace 30% to 40% of your car's initial cost, people are going to realize the lifetime cost of owning an EV is astronomically high.

Thus, in Kuppy's view adoption will decline and EV owners will have second thoughts and realize their EVs are terrible vehicles.

As far as ESG goes, it is just a tax on humanity, according to Kupperman. "And that's a real detriment to 6 billion people that want a better standard of living if they can't afford the things to pull them up out of poverty, effectively."

Kupperman believes continued demand for energy is unstoppable and the government will only make matters worse.

They'll try all sorts of stupid things. Governments historically do really dumb things that make problems worse. That's the history of governments. I assume they'll try all sorts of

things that'll fail. And all that it will do will be to destroy the supply response because of the government's interfering in your ability to do your business.

When Lake asked about potential government interference, Kupperman replied,

Yeah, they're probably going to try excess profits taxes. They're probably going to try export bans, and price caps, and all sorts of other things. And the net result is that guys will take their dividends and go to the beach. They're not going to drill for oil. No, I think it's almost inevitable that the government will take a problem and turn it into a crisis.

Yes, an energy crisis is on the way, courtesy of Uncle Sam.

by Doug French

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Date Created

04/17/2023