

Electrification is here to stay – but requires a bespoke process

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Let's face it: if we want to reduce CO2 emissions in order to mitigate global warming in line with the Paris Agreement, electric vehicles (BEVs and PHEVs) should represent close to 50% of the European passenger car market by 2030, compared to 3% today. Therefore the next 10 years should mark a steep acceleration.

Corporate fleets are going to play a decisive part in a transition that should start now. However, the path to electrification is much more far-reaching than just replacing an ICE with a BEV, both for customers and for ALD Automotive.

In 2019, ALD Automotive launched a dedicated Electric Vehicle Programme to address the entire electric vehicle value chain across the company. The programme aimed at consistently addressing the EV issue by reviewing internal processes, adapting business policies and procedures, innovating in service offerings and onboarding new partners to fundamentally change the company's business model for electric vehicles. The programme is a holistic approach and focuses on 10 projects to facilitate electric vehicle adoption:

- Pricing, and notably the complex issue of residual value setting

- Client advisory services
- Dedicated products and services
- Commercial partnerships
- Purchasing policies
- Remarketing activities for electric vehicles and used car leasing
- Adapted reporting tools and IT systems
- Market intelligence
- Insurance policies
- Awareness building with key internal decision makers

Stéphane Renie , Head of Corporate Social Responsibility, provides insight into these various projects and explains why it requires a bespoke programme to pave the way to long-term success.



Why is it that electric cars are not business as usual and require a specific approach?

Everywhere you look at, EVs bring new challenges or opportunities. How do you define a residual value when there is no resale history to back this up, and when technology is evolving so fast? How do you create a seamless customer journey while onboarding new

“bricks” in the service offering such as home, office, public charging? How do you change a whole organisational mindset from litres of fuel to kwh? Being honest, there is complexity and a low short term return given the relatively small volumes so far. A structured, systematic and international approach was needed in order to manage our risks, seize commercial opportunities and accompany our clients in the best possible way. That’s why we set up a formal programme with formal streams and a formal governance that includes and involves regular steering committees with ALD’s executive committee.”

What incentives are there for corporate fleets to order electric vehicles?

“First and foremost, there is the issue of environmental responsibility. Our clients, like ourselves, are liable for their CO₂ emissions and they need emission-reduction programmes. The share of fleet in corporate emissions varies across sectors, but it’s a topic with high visibility and is always part of the decarbonisation journey.”

“Another driver is acting as a responsible employer. Employees more and more expect their company to act upon sustainability. Company cars are a powerful signal of these changes in real life and can contribute to employee commitment.

In practice, companies don’t always know how to get there.

“Indeed, there is much uncertainty: where should I start, for what driver profiles and what technology should I use? That’s where our consultancy services come in. The energy transition requires a bespoke process, which we can offer.”

“Electrification is accelerating now because we’ve got a much more compelling product on the market, both in terms of product and in terms of cost competitiveness. In more and more situations, the electrified offer now makes sense from a TCO perspective. That’s a precondition to reach any sort of scale.”

“All in all, the most important is to look for the “sweet spots” and start the journey now, even on a small scale.”

Residual values can still be an obstacle holding back companies from adopting EVs.

“I will start by stating the obvious: leasing companies bear the risk on residual values, and it’s the whole TCO (including energy consumption and taxation) that matters financially speaking.

“In percentage points, the residual value of EVs today doesn’t differ much from equivalent diesel- or petrol-powered cars any more. There’s still a gap on the list price, though, as EVs remain relatively more expensive. That’s a gap we cannot possibly fill just by setting a higher RV.”

“Maintenance also helps keep TCO down because EVs require much less maintenance. It’s not zero, though, in the same way that EVs aren’t zero-emission from cradle to grave.”

Cradle to grave emissions are determined in large part by electricity production. Do you look at how electricity is produced?

“The essential part of life cycle emissions comes from the production phase - including batteries – and electricity production. Our internal research, in line with most scientific studies, show that BEVs have a complete CO2 footprint that is 50% of the equivalent ICE, but varies hugely between a country with renewable electricity and a coal-based power grid. So yes, if we have a client operating in, say, thirty countries, we will look at how electricity is generated in all of those countries and this will be a major factor in our recommendation to set priorities.”

Ordering electric vehicles is one thing, charging them is another. What charging solutions do you offer?

“We are a one-stop-shop for car leasing, including for electric cars. We introduce our clients to our preferred partners for charging infrastructure both at home, at the office and on the road and we can bundle these costs in the monthly rental if possible and required.”

Do you expect the COVID-19 pandemics to slow down the electrification process?

2020 should have been “the year of the great acceleration” with many product launches enforcement of EU emissions targets. This will not happen in volume terms but could well happen in market share terms. Clearly there will be less vehicle renewals from our customers than anticipated, and also a strong focus on cash – and therefore, costs. However, we hear a lot of encouraging signs from customers who will not compromise on their environmental commitments.

My message is simple: electrification should happen and will happen. Today, adding electric vehicles to your corporate fleet makes sense, not only from a CSR point of view but increasingly also from a TCO point of view. Get in touch to find out how ALD Automotive can set up a tailor-made programme to electrify your fleet.