



Frequently asked questions about T&E's report: *Used electric cars are hot, leasing deals are not*

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This document serves as an addition to the Transport & Environment report [Used electric cars are hot, leasing deals are not](#) published 28 February 2023.

1. Why did T&E decide to analyse car residual values and the role of leasing companies?

T&E's objective is to lower the environmental impact of our transportation system. In our research on passenger cars, it became clear that leasing companies are a significant actor in the ecosystem (22% of new registrations in Europe) and are lagging behind on the uptake of battery electric vehicles (BEVs) in markets such as France and Spain (Figure 3 of the report).

Our report investigates this low level of BEV uptake and finds that leasing companies are offering expensive leasing deals for BEVs based on fears about the resale value of these vehicles on the used car market. Whether these fears are justified is an important question that has received little research attention (particularly public research). Our report makes an important contribution by analysing the actual resale value of BEVs compared to other powertrains using a large dataset of resale values from one of the major data providers (Autovista's Residual Value Intelligence tool).

This research highlights the important role of leasing companies. All actors in the mobility ecosystem have a role to play in the transition to zero-emission fleets, including leasing companies. At T&E we research, advocate, and collaborate with all actors in the ecosystem including [car makers](#) and [car buyers](#).

2. Are the major leasing companies leading or lagging in the transition to zero-emission mobility?

Some major leasing companies claim that they are leading the transition to electrification, but this can be misleading. By referring to 'electrification' rather than 'zero-emission mobility', leasing companies are including plug-in hybrid cars (PHEVs) [which pollute as much as normal petrol cars](#). None of the top ten

leasing companies publicly discloses their share of BEVs (Table 1 of the report). To produce our research, all ten companies were contacted to provide their share of BEVs but all ten companies declined to do so.

Without disclosed data, the claims of leasing companies have no basis. For the leasing sector as a whole, BEV uptake is leading in countries like the UK (due in large part to very favourable company car taxation), but is lagging in other countries (see previous question). Closer examination of the French market ([see T&E's analysis of fleet electrification](#)), where disclosure is required through the French Climate and Resilience Law, shows that all of the major leasing companies are lagging on BEV uptake compared to private households.

The major leasing companies are also laggards in terms of their zero-emission targets (Figure 2 of the report). Unlike many car makers that have targets for 100% of their production to be zero-emission production by 2030, only one major leasing company has any target for zero-emission purchases by 2030 – ALD's target of 50%.

3. Do fluctuations in BEV resale values in recent months change the report findings?

At the end of 2022 and beginning of 2023, BEV resale values fell in the [UK and in Germany](#). Three main reasons explain this. First and foremost, this is viewed as a market correction after a dramatic increase in BEV resale values over the course of 2022. A second driver is the reduction to BEV purchase prices made by Tesla with a few other carmakers following suit. These price reductions will partially shift demand away from used BEVs and towards new BEVs. A third driver in Germany is the phasing out of purchase grants that caused a surge in interest in new BEV registrations (again shifting demand away from used BEVs).

These results do not change the report findings. In both the UK and Germany, the recent decrease in BEV resale values is much less than the increase in the same values over the course of 2022. This highlights the importance of using longer-term data rather than month-to-month fluctuations.

These results and their underlying drivers also do not change expectations of future resale values. Conversely, cheaper BEVs from Tesla and other car makers will mean *less* depreciation for cars entering the market today (as BEV depreciation is measured compared to the price of a new car, which is now smaller) and therefore the report's findings are strengthened.

To keep up-to-date on the latest trends, Autovista publishes a [monthly update to their data dashboard and a blog interpreting the data](#).

4. Do discounts from car makers change the report findings?

When leasing companies purchase a vehicle to lease they may receive a discount from the car maker. This is particularly common for large orders, where there is an oversupply of new cars, and as a marketing strategy from some brands. The implication is that the actual purchase price of a car may differ from the manufacturer's suggested retail price used in the data on resale values (Autovista's Residual Value Intelligence tool). The actual discounts used are not readily disclosed (as commercially sensitive information) so no adjustment to the underlying data could be made in our analysis.

In order to substantially change the report findings, the discount for petrol cars would not only need to be larger than the discount for BEVs, but larger by such a degree that it accounts for the difference between the assumed and actual resale values (Figure 11 in the report). In the current car market, tight supply means that discounts are low across fuel types. Looking forward, analysts anticipate little difference in discounts between powertrains as the composition of car production shifts from combustion engines to BEVs.