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Investment Opportunities and Historical Risks in the EV Charging Market

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Electric vehicle (EV) charging has historically been viewed as a high-risk investment, primarily because of demand uncertainty. But recent federal incentives to encourage the EV market and more widespread adoption of EVs from a larger group of users have spurred interest from a broader range of investors. More demand in the overall EV market will allow for increased opportunities for investment as well as easy charging infrastructure development and heavy charging platforms.

We recently discussed historical risks and upcoming opportunities for investments and transactions involving EV charging.

- A few of the historical EV charging-related investment risks that have carried over to the current market include concerns about states having a stable power supply to charging stations, site control to ensure there is enough customer access to chargers, and the still-evolving regulatory environment around EV chargers.

- Across the power and infrastructure industry, co ... g
from the pandemic have affected the EV chargin ...
are critical components of charging infrastructu ...
continue for another 12-18 months.

- As federal incentives increase the demand for bo ... e
additional opportunities for investment with few ... th
EV charging investments. For example, one of th ... d
been investors' inability to find ways to contract ...
to grow, investors are finding more appetite for l ...
revenue streams.

- Increasingly, sophisticated technology in high-speed charging stations has not only allowed for chargers that are more efficient, but has pushed the cost down, which in turn brings up investor demand. Those same technological advances have helped mitigate some of the concerns around the impact on the energy grid by including solar and battery storage installations at specific charging stations or identifying charging patterns in certain locations to spread out stations' energy usage. Concerns about a consistent electricity supply for charging stations previously made these projects more difficult to finance; thanks to these advances this is now less of a concern.

- Corporate investors have favored the EV space as companies from a wide range of industries (oil and gas, communications infrastructure, semiconductors, and auto makers/dealers) see opportunities to partner with one another to capitalize on complimentary technologies or reinvent themselves with new innovations. Because these investments typically include a partnership agreement, the transaction often involves a collaboration agreement and/or side letter to give the corporate investors a degree of control in the project. Investment contracts between corporate investors and startups often include provisions for exclusivity, most favored nations clauses, warrants, and rights of first refusal. EV startups must carefully consider their strategy as the auto sector has a limited field of major players and associating with one or more players may limit upside potential.

[View source.]

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