

## Guatemala city electric vehicle adoption

Despite the fact that Guatemala is vigorously promoting clean energy vehicles, data released by the relevant agencies show that sales of electric and hybrid vehicles are still not as good as they could be. What are the reasons? A recent article in the Guatemalan press analyzes the situation.

More than a year after the law regulating the importation and sale of electric vehicles came into force (August 30, 2022), Guatemala's transition to clean energy vehicles is still progressing very slowly. According to official data, in 2023, Guatemala's vehicle fleet stood at approximately 5,184,000 vehicles, of which gasoline accounted for 4,500,000, diesel 567,000, electric vehicles 1,428, and hybrids 5,905. Among the electric vehicles, motorcycles accounted for the most at 883, private cars for 166 and buses and coaches for only 17.

Jean Pierre Devaux, president of the Association of New Vehicle Importers and Dealers, noted that a total of 146 electric vehicles were sold in 2023, an increase of 123 over 2022. By contrast, sales of hybrids increased even more: 1,509 hybrids were sold in 2023, compared to 1,004 last year, an increase of 505 units.

Devaux believes that buying an electric or hybrid car has become a popular trend, and that the main factor preventing people from switching to hybrids or electric cars is cost, in addition to a lack of infrastructure, charging ports, and related knowledge.

"Many people who are interested in purchasing these types of vehicles believe that they may face the dilemma of running out of power when they go on long trips." Devaux said, explaining that this is rare because more than 94 percent of such vehicles are residential and are only driven in cities.

At the same time, the Electric Vehicle Incentive Act partially banned the importation of used EVs and hybrids, thus reducing the supply in the market, so there are very few of these low-cost or commonly used commercially branded vehicles, which limits the public's access to them.

In addition, price is a decisive resistance for people to shift their purchasing goals to electric and hybrid vehicles. The average price of an electric vehicle is as high as \$180,000, compared to about \$100,000 for the same level of internal combustion vehicle, making the former almost twice as expensive as the latter. Similarly, hybrids are far more expensive than internal combustion vehicles.

Guatemala's Minister of Energy and Mines (MEM), Manuel Eduardo Arita, said that they are already heavily campaigning on the incentives in the law as well as the benefits of using electric vehicles, which in addition to aiming to promote them, also aims to encourage people to increasingly invest in electric vehicles.

Regarding the issue of high prices, Nancy Chac?n, President of the Electric Vehicle Association (Amegua), argued that although electric vehicles are currently more expensive than traditional internal combustion

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vehicles, 100% electric vehicles save on operating costs: not only do they save on fuel costs, but they are also simpler to maintain due to the fact that there are fewer parts and they can save between 80% and 90% of the costs.

We expect that electric vehicle (EV) sales will remain nascent in Central America in 2022 as we believe that EVs are unaffordable to the majority of consumers in the sub-region, despite announcements by three markets in the region (Nicaragua, El Salvador, Panama) this year that they would be introducing new legislation to support EV adoption. In total, we expect that EV sales in Central America in 2022 will reach around 4,000 units, with 95.2% (3,808 units) sold in Costa Rica (see graph below).

These policies have enabled EV adoption to grow exponentially in the country over the last decade; our most recent data is from Costa Rica's National Property Registry, which registered a total EV fleet of 3,633 by June 2021. While there is no official data for sales in 2022, we estimate that the EV fleet currently sits at 5,806 units and forecast that there will be 3,080 EVs sold in 2022 (see graph below).

We believe that Guatemala's EV strategy, named the Electromobility Law, will support EV adoption in the country, once it is officially ratified. The law, which the government aims to launch in late 2022, was proposed by the Ministry of Energy and Mines with the aim of increasing the country's EV fleet to 1.5mn units by 2040. While the government has noted at public events that there will be fiscal incentives provided to consumers, currently at the time of writing, no further details have been provided by the government on what policy items will be included in the legislation.

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