

Capital electric vehicle market

Behind this overall upward trend, however, there has been significant volatility. Supply chain disruptions and battery metal price fluctuations - notably in the wake of Russia's invasion of Ukraine - as well as increasing competition, price wars among OEMs and expectations of slower relative annual growth as major EV markets mature, and of possible consolidation, are having an important downward impact on investor confidence and EV stocks.

As we reported last year in GEVO-2023, companies and investors are exploring new opportunities upstream in EV supply chains, especially as competition intensifies. Carmakers are seeking to secure direct deals with battery makers and companies involved in the mining and processing of critical minerals. Investors including large banks and funds are pouring capital into the metal industry.

As a result of increasing investor appetite and growing EV markets, the valuation of critical mineral companies has increased significantly in the last few years. Over the 2015-2022 period, the market capitalisation of companies involved in the extraction and processing of lithium increased sixfold. The margins for lithium, nickel and copper companies typically outperformed those of the top 100 mining companies over the same period, including relative to gold or iron ore.

In 2023, however, global VC investments in clean energy start-ups fell considerably relative to 2022, and EVs and batteries were no exception. Early-stage investments (i.e. seed and series A, referring to the first rounds of financing and the earlier stages of development) in start-ups developing EV and battery technologies dropped 20% to USD1.4billion in 2023. Meanwhile, growth-stage investments (i.e. series B and growth equity, which refer to the later rounds of financing as start-ups increase activity) dropped 35% to USD10.1billion.

Notable deals in 2023 included Germany-based Jolt Energy's first round of VC funding, which raised USD160million. The company seeks to bring its fast-charging technology to urban areas of Europe and the UnitedStates, and claims to provide 100km of driving range in just 5 minutes. Similarly, German EV charging start-up Numbat raised USD75million in series A funding through the European Infrastructure Fund, as well as another USD75million in loans. Indian start-up Charge Zone also raised nearly USD55million to develop nearly 300 charging stations.

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Web: <https://www.hollanddutchtours.nl/contact-us/>

Email: energystorage2000@gmail.com

WhatsApp: 8613816583346

