

# THE BOND BUYER

## The electric vehicle industry's mixed welcome in the Southeast

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States in the Southeast have a mixed message for electric vehicle makers and buyers.

New factories to build EVs [are celebrated](#) and [subsidized](#) by the region's largely GOP-controlled governments.

But many of those same governments discourage EV ownership with special taxes levied on owners.



Tennessee Gov. Bill Lee spearheaded almost \$900 million of incentives for a Ford/SK EV and battery complex near Memphis, shown under construction in September. He also wants to triple the fee EV owners pay. **Bloomberg News**

It's a dichotomy that's frustrated public and non-profit attempts to root the EV industry in the US, one industry advocate said.

A flurry of state laws levying extra fees or taxes or otherwise targeting the bottom line of EV drivers, stymieing growth in their potential customer base is on the rise in GOP-led state houses across the country, said Marc Geller, spokesperson for the Electric Vehicle Association, a nonprofit that educates the public and supports policies conducive to the adoption of alternative-fuel vehicles nationwide and has chapters in all 50 states.

"Some of these states are dealing with a partisan divide that suggests electric vehicles are somehow a Democratic issue," Geller said. "We certainly support smart policies, from economic development to incentives, tax credits, and rebates, and it doesn't make sense to build electric cars if you penalize the people who want to purchase them."

Federal and state incentives have driven a boom in the industry over the last few years and the Biden administration [recently estimated](#) nearly 50% of all car sales in the U.S. by 2030 will be of electric vehicles.

With the U.S.'s share of the global EV market expected to rise over the next decade, the favorable conditions as of late have drawn in automakers investing billions in stringing together domestic supply and distribution networks meant to meet that expected demand.

State authorities, attracted to the large job- and revenue-producing projects these companies bring with them, are meeting EV makers with open arms, backing economic development packages that feature large financial commitments, land use, and tax incentives, and publicly financed workforce training programs.

In the Southeast, EV companies new to the market, like Rivian, as well as legacy automakers trying to make the EV shift, like General Motors, Ford, Hyundai, and BMW, have found fertile ground for growing their operations in a region where anti-labor union sentiment is strong, incentives are bountiful, and cheap land is relatively easy to access.

Economic development deals in Georgia, Alabama and South Carolina promise new large assembly facilities.

In Tennessee, North Carolina, and Kentucky, public funds have been behind some of the largest deals in those states' histories, used to attract lithium-ion battery producers supplying car companies. Public funds are retrofitting ports and roadways with an eye on the growing industry and investment in mining operations meant to secure domestic supply lines of lithium are also on the rise.

Nearly every state in the region has inked a large economic development deal with an EV company or battery producer. Nearly every state in the region has also passed regulations penalizing the sale of EVs.

West Coast states and many Democratic Party-led states elsewhere, with the explicit goal of lowering carbon and other emissions, have encouraged EV ownership with [their own financial incentives](#) for buying them, on top of federal tax credits.

But many states in the Southeast have passed or are mulling laws that levy extra registration fees on owners of electric or alternative fuel vehicles.

In Alabama, it'll cost an EV owner \$100 to \$200 more a year to register their vehicle. In Mississippi, it's \$150, and in Georgia, the priciest fees in the region of \$200-300 a year are levied.

Tennessee Gov. Bill Lee, who spearheaded an almost \$900 million subsidy package to land a Ford/SK Innovations vehicle and battery manufacturing hub near Memphis, also wants to triple the annual special fee EVs pay to \$300.

The argument behind the fees is that EVs don't pay gas taxes, so it's a way for them to contribute to highway upkeep.

Geller said it wasn't always so; in the mid-2000s both red and blue states widely adopted EV-industry-friendly regulations and customer-friendly taxes and incentives.

Now, opponents have "hardened on all of this," and would likely become more entrenched before eventually recognizing the industry's inevitable growth.

"There is a political price to be paid for getting out in front of these issues in a commonsensical way now," Geller said.

Some other local, anti-EV regulations across the region included additional taxes on electricity used to charge EVs and the barring of direct sales to customers by manufacturers by requiring sales be made exclusively from separately owned franchise dealers, targeting the business models of Tesla and Rivian.

South Carolina exemplifies the dichotomy.

There are no state-level incentives for EV owners.

At the same time, Gov. Henry McMaster's administration has supported initiatives to entice producers as well as spur the development of public infrastructure for alternative-fuel vehicles.

"The automotive industry continues moving towards electric vehicles and South Carolina is moving along with it," he said in his State of the State address Jan. 25. "Our state will continue to be seen as the ideal place for manufacturers and suppliers to do business."

The state has struck economic arrangements with major automakers like Volvo and BMW as they build out production networks that rely on the state's ports and highways to distribute finished products to market.

The state has also poured time and money into researching the most effective means for implementing the technology on a wide scale, with research partnerships like that with Duke University's Nicholas Institute for Energy, Environment, and Sustainability, where several initiatives are pursued forwarding the adaptation of public infrastructure, funding methods, and policies, to the industry's growth.

"Economic development in the Southeast has been very active," said Trey Gowdy, a research assistant at the Nicholas Institute.

"Our goal is to connect across sectors of key developments and opportunities across the region to engage in this space," he said.

"Substantial activity at the federal and state level" is driving ground-up development of EV infrastructure by building out public charging networks, setting minimum quotas and standards, and making the vehicles more affordable and available to a wider cross-section of the country, Gowdy said, and data analysis, new research, and "other opportunities providing greater visibility into transportation electrification" are important to continuing that work.

"It's important we remember that transportation electrification is just one piece and still think about how electric vehicles fit together into the broader transportation network," he said.

Like most of its neighbors, South Carolina also levies an extra registration fee on EV owners, a fee Gowdy said is an attempt to explore "alternative funding methods as EVs become more prevalent on the roads," to continue funding highway infrastructure.

"Substantial funding for roads comes through federal and state gas taxes and it will be important for states to communicate the purpose of these fees," he said, "but the impacts of them are yet to be determined."