

EV policy whiplash affects automakers and the franchised dealer base, too

While largely welcomed by franchised dealers, the federal government's rapid pivot on U.S. electric vehicle policy nevertheless is creating disruptive waves in the auto industry that retailers will have to manage over the coming months and years.

Some of the uncertainties dealers are now grappling with include near-term issues like how many new EVs to keep stocked on their lots between now and Sept. 30, when the \$7,500 federal tax credit for EV buyers expires or which EV nameplates at what volume to order after that subsidy ends. Then there are longer-term issues: How will the major disruption to automaker product development plans affect their operations when product cycles stretch out, creating a notable slowdown in the introduction of both fresh EV and combustion-engine vehicles? And will there be more policy whiplash in four years when a new presidential administration is installed?

"There will be a significant slowdown in fresh product coming to dealerships and to the market over the next several years because of this," said Michael Robinet, vice president of forecast strategy at S&P Global. "It's a lot of



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wasted capital and resources not only for the supply base and OEMs, but at some point [for] the dealer getting ready for all that volume."

In addition to the elimination of the tax credit, recent measures led by the Trump administration also include revoking former President Biden's target of 50% of U.S. new-vehicle sales being zero-emission options by 2030; repealing fines for automakers not meeting federal fuel economy standards; and eliminating California's EPA waiver that allowed it to set vehicle emissions standards more stringent than the national rules.

Kevin Tynan, director of research for The Presidio Group, said franchised dealers will have to push harder to get inventory to a manageable level by the end of September. Dealers had about 178,000 battery electric vehicles in stock at the end of June, a comfortable 44-day supply using the second-quarter BEV sales rate, he said.

"Incentives and discounting should be strong," Tynan said. "Consumers considering BEVs will likely jump in before the tax credit expires and every unit becomes \$7,500 more expensive. The third quarter will be the final heavily subsidized quarter for BEVs, and the supply-and-demand landscape will change precipitously in the fourth quarter and into 2026."

Compounding the EV uncertainty is the evolving landscape of U.S. tariff policy. While President Trump's promised tariff increases are already taking effect, final terms are still being negotiated with many countries. Where tariffs ultimately settle will drive more changes and disruption to vehicle production plans and product pipelines.

With the sweeping changes around both EVs and tariffs still playing out, the only certainty is that the path forward will be far more disruptive than what dealers had planned for just a few years ago.

Though they've long argued for more flexibility and a demand-driven approach to EVs, some retailers tried to

mitigate that disruption by seeking to moderate the recent changes. The National Automobile Dealers Association, the American International Auto Dealers Association, CarMax and Carvana, among others, lobbied lawmakers and the White House to keep the tax credits or at the least to phase them out over a longer period.

Product void?

The regulatory measures and a sharp slowdown in EV sales growth rates have pushed automakers to rethink their product pipelines.

Robinet estimated that 42% of the industry's BEV product programs have been canceled in the last year. Another 20% have been somehow altered. And it's not just EVs. Development work on internal combustion engine vehicles was slowed or halted when the focus was on EVs, so product cycles for those vehicles will be lengthened, too.

Disappointing return on investment on electric drivetrain technology will not force automakers to completely abandon the EV initiative, Tynan said. "But it will require a ramp in financial resources devoted to existing internal combustion platforms," he said.

Mike Maroone, a dealer with stores in Florida and Colorado, expects up to a four-year delay in new non-EV products

"I have a deep concern about the product void," he said.

In the meantime, with the tax credit ending and higher tariffs looming, Maroone is making adjustments to manage the wind down.

"Now that the federal subsidies are vanishing, we've slowed our ordering of EVs given the uncertainty around pricing and incentive support," he said. "Our EV sales today have limited, if any, profitability. We are working aggressively to minimize inventory until we get more clarity on customer demand and OEM support."

After Sept. 30, Maroone plans to be careful about how many EVs his stores order and favor the models best positioned to sell, whether because of price or design or both.

Automakers' strategies are quickly evolving. For instance, EV production at Mercedes-Benz's Alabama plant is slated to drop by nearly 55% between August and December, in a direct response to softening U.S. demand and the looming end of federal tax credits, *Automotive News* recently reported. The luxury brand has paused U.S. orders for its EQS and EQE electric models and will stop producing them for the U.S. on Sept. 1 to shift focus to EV



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exports and gasoline-powered models.

Dealer executives across the industry are watching the situation closely and adjusting strategy in real time.

Richard Shearing, COO of North American operations for Penske Automotive Group, said Penske and the automakers supplying it are both incentivizing EV sales during the tax credit wind down. The aim is "to have the least amount of inventory in that time frame as possible," he said in late July. Penske stores already lowered EV supply from around 12% to 15% of their inventory a year ago to about 10% now.

AutoNation CFO Thomas Szlosek said its stores' battery-electric sales volume rose 20% last quarter, "reflecting OEM actions with incentives and some pre-buying ahead of the termination of government incentives."

Jeremy Beaver, CEO of Del Grande Dealer Group in Northern California, said he doesn't want to be caught with a high oversupply of EVs after Sept. 30 and so is watching the supply-demand data closely and focusing on what the dealership group can control. Del Grande's market area is one of the strongest in the country for EV sales, "so I expect a little more heightened demand over the next 60 days here," he said.

Investment mismatch

Dealers have collectively invested hundreds of millions of dollars into the EV transition in reimagined showrooms, new charging stations, upgraded electrical infrastructure, new tools and equipment for service bays and training

for sales and service employees. While future investment will come down with the policy changes, the expenditures already made are a sunk cost for dealers.

“Dealers have invested a lot of money already in EV charging and sales and service infrastructure [that] may or may not be fully utilized,” Beaver said.

Inga Maurer, a senior partner specializing in automotive retail at consulting firm McKinsey & Co., said dealers surely will be more cautious about investment asks in the future.

“If you could turn back time, I’m sure most [dealers] would not have made that investment,” Maurer said.

After pouring many billions of dollars into an EV shift that’s now being slowed in the U.S., the entire industry will be extremely careful about how it invests its capital over the next decade “because of the risk of more whiplash and having waste like that again,” Robinet said.

Maroone called the spending “a wasted generation of capex.”

While the recent changes restore some operational flexibility to dealers to scale their investments to organic demand for EVs, much uncertainty remains about the far-off future.

Whether today’s retreat from EVs in the U.S. will last is anything but clear — it could change again after the 2028 election when a new president is chosen to replace Trump.

“There’s already been whiplash from a regulatory standpoint for the industry. There’s nothing saying [current policy will hold] four years from now when the administration itself will change,” Maurer said.

That’s where dealers’ perpetual resilience and optimism comes into play.

There’s not much dealers can do at their level about the uncertainty, so Del Grande’s team tries to focus on what they can control, Beaver said.

“We’re gonna figure it out,” he said. “The dealer always figures it out.”



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