INSTITUT MOBILITÉS
EN TRANSITION

ÉTUDE
N° 01
MAY 2025

What has really driven the rise of vehicle prices between 2020 and 2024

Jean-Philippe Hermine (IMT) and Clément Dupont-Roc (C-Ways)

Since 2020, the European automotive industry has been experiencing a systemic, multi-faceted crisis, the most significant and impactful of which is a structural decline in sales volumes compared to the pre-Covid period. In France, for instance, the number of new vehicles sold fell from 2.21 million in 2019 to 1.72 million in 2024, a decrease of 22% (source: CCFA). A similar trend has been observed in many other European countries.

There is a broad consensus that this decline in sales is due to the rise in price of new passenger vehicles, which are now widely regarded as unaffordable for many households. The price/volume elasticity effect, which is well known and especially pronounced in the automotive sector, is at play here. Between 2020 and 2024, the list prices of new vehicles purchased in France rose significantly—by €6,800 including VAT, equivalent to a 24% increase—with an unprecedented impact on fleet renewal.

Some manufacturers blame European regulations for this increase, while other actors point to opportunistic model lineup strategy and pricing policies used by manufacturers to maximize profits at the expense of volumes.

However, there is general recognition of the long-term detrimental effect of this trend, affecting both:

— (1) automotive equipment manufacturers and their European production sites, where the decline in sales and production is exacerbating their structural overcapacity—a situation already driven by years of intense competition from carmakers sourcing components in low-cost countries;

— (2) middle-income consumers, whose financial capacity to purchase new vehicles has been severely undermined. They are also now experiencing the delayed impact of four years of rising new car prices on the second-hand market. This has slowed down the renewal on the second-hand market, leading to an ageing stock, an increasing lock-in effect, and a structural decline in sales.

IDDRI

In this note, we examine the specific mechanisms through which new vehicle prices have risen over the past four years, allowing us to identify the underlying causes, whether:

— Exogenous to the strategic choices of car manufacturers (imposed); Inflation in the price of raw materials and energy; Costs linked to regulatory enhancements required to meet European pollution and safety standards.
— Endogenous, aimed at improving margins for manufacturers (chosen); Moving upmarket through segmentation (reducing the model range and sales of smaller low-end cars, while increasing those of SUVs, higher-end vehicles, or better-equipped versions of existing models); Increasing prices within segments to boost model profitability (pricing power).
— Or combined, depending on each brand's compliance strategy (chosen/imposed); The electrification strategy adopted by manufacturers (the share of electric or hybrid vehicles) to meet their CO_2 individual regulatory targets set out according to European climate commitments.

To this end, the Institute for Mobility in Transition (IMT-IDDRI), with technical support from the strategic foresight consultancy C-Ways, conducted a detailed study of the evolution of sales-weighted list prices for all passenger vehicles sold in France between 2020 and 2024. Comparative analysis by segment, brand and energy type reveals both general and manufacturer-specific trends, as well as the mechanisms behind them.

This analysis is essential for addressing two key questions that will shape future fiscal and industrial policies to restructure and support the automotive sector:

— What policy measures could stimulate demand (purchase incentives, social leasing, taxation, green quotas for private or public fleets) to develop an offer of new and used vehicles that better matches the budgets of middle-income households?
— What are the risks of increased production costs associated with local content requirements (such as "made in EU" policies) for vehicles sold in Europe, and what leeway exists to offset these effects?

KEY MESSAGES

Of the 24% increase in the price of new vehicles between 2020 and 2024, the contributing factors can be broken down as follows: Imposed causes: 6%; Chosen causes: 12%; Combined causes: 6%.

"Natural" inflation in commodity prices, energy and labour costs accounted for less than 6% of the total 24% increase in average selling prices over the period. This is lower than the approximately 10% inflation rate for consumer goods in France during the same period. The impact of regulatory changes (Euro 6d-Full, GSR2) on prices could not be isolated (probably very limited in the 4 year period, given that diesel mix, most impacted by new Euro standards, remained low in the sales and that most C/D/E models had been previously, by anticipation and voluntarily, equipped beforehand with the appropriate GSR2 features).

Electrification, a "combined" cause, accounts for around 6% of the total 24% increase over the period. The impact of EU regulations is less significant than during the 2015–2019 period, when the introduction of Euro standards to reduce pollutant emissions from diesel vehicles drove more substantial changes (particularly the technological upgrades required in the wake of the Dieselgate scandal). In reality, the simple hybridization of petrol vehicles has continued to serve as a substitute, offering comparable cost and performance to diesel models. Plug-in hybrids (PHEVs) contributed 1% to the overall price increase, and battery electric vehicles (BEVs) around 2%. From the customer's perspective, the higher purchase price of electric or heavily electrified vehicles is becoming less of a financial issue, as their Total Cost of Ownership (TCO) is becoming increasingly favourable.

The two main levers available to manufacturers—moving upmarket and exercising pricing power—account for more than half of the overall increase in transaction prices in France during this period: 12 of the 24 percentage points. Pricing power represents about one-third of this (4 points), and the upmarket shift around two-thirds (8 points), with significant variation between manufacturers. These levers were already part of the strategy of Europe's mainstream manufacturers: in the Volkswagen group for many years, at Stellantis under the leadership of Carlos Tavares, and at Renault through the Renaulution plan. Dacia, traditionally the price leader, recorded the most pronounced upmarket shift and price increase of any brand. The electronic component shortage in 2022–2023 further reinforced and facilitated this strategy.

However, this strategy now appears to be running out of steam, as shown by a structural and unprecedented decline in sales, with less affluent consumers who had traditionally been able to buy new vehicles increasingly priced out of the market – notably those in income deciles D1–D6, who accounted for 43% of the private new car market in 2019, compared with just 30% in 2024 (all energy types combined). This situation is also contributing to stagnation in electric vehicle uptake, jeopardizing progress towards achieving the CO_2 Standard regulatory targets. Large electrified vehicles (including PHEVs and upper segment BEVs) appear to be hitting a ceiling of 20-25% of the private market, mainly because they remain unaffordable for middle-income households, who make up the majority of this segment. Stellantis' recent volume losses point to the limits of relying too heavily on pricing power.

It should be noted that SUVization and the shift upmarket have not only driven up the average transaction prices of new vehicles, they have also significantly affected the electrification rate required to meet CO_2 regulatory targets (measured as the average CO_2 emissions in g/km across all vehicles sold). Indeed, heavier and less energy-efficient (i.e. less aerodynamic) vehicles increase the regulatory gap that manufacturers must close (an SUV can emit up to 20% more than a saloon car in the equivalent range). Fortunately, the regulatory decarbonization milestone scheduled for 2025 has led manufacturers, since the end of last year, to offer and sell a new range of EVs in the A and B segments, which is certainly contributing to the 20% increase in EV sales in the first quarter of 2025 in Europe.

In the coming years, two factors could drive prices upward: the ongoing shift towards electrification and the desirable reshoring of the value chain to Europe (supported by industrial and fiscal policies promoting "Made in Europe"). However, this study shows that levers exist to contain or even reverse this trend. For instance, reverting to a "segment mix" similar to that of the previous decade would lower the average sale price by more than €2,000, all else being equal.

Public policy should therefore focus primarily on supporting a shift downmarket by stimulating demand for the most affordable vehicles, particularly within public and private fleets. This could involve measures related to purchase and ownership taxes/incentives, as well as social leasing schemes. Crucially, these policies must allow manufacturers to improve the relative profitability of smaller models.

Finally, it may be worth introducing normative distinctions for a new small vehicle category, based on the example of Japanese "Kei Cars". These would fall under a dedicated regulatory framework and benefit from tax incentives at European, national or local levels (usage-based benefits). This approach, supported by some industry leaders, could enable the production of small vehicles priced around €15,000, help contain inflationary price spirals and declining sales volumes, and revitalize the European automotive industry, provided that eligibility for support is linked to criteria such as production location or environmental performance (including decarbonization and circularity).

What has really driven the rise of vehicle prices between 2020 and 2024

Jean-Philippe Hermine (IMT) and Clément Dupont-Roc (C-Ways)

TABLE OF FIGURES

1. INTRODUCTION: BACKGROUND AND OVERVIEW OF THE MARKET DURING THE STUDY PERIOD (2019–2024):

Since 2020, the European automotive industry has been undergoing a crisis that is reshaping its position in the global market. At the centre of this crisis is a structural decline in sale volumes in the European market, set against a background of chronic overcapacity. Thus, the average annual EU-27 market for new passenger cars was 12.1 million vehicles between 2020 and 2024, compared with 14.1 million between 2010 and 2019, representing a 14% decline (source: European Automobile Manufacturers' Association – ACEA). In France, the trend has become even more pronounced, with sales falling from 2.21 million in 2019 to 1.72 million in 2024—a 22% decrease (source: French Automobile Manufacturers' Committee – CCFA).

This structural decline in volumes has several detrimental effects:

— First, industrial—it harms European equipment manufacturers (the supply chain), who are already weakened by systematic competition from non-European suppliers,
— Second, environmental—it slows down fleet renewal, leading to an ageing vehicle stock,
— And finally, social—it polarizes car buyers by concentrating new vehicle sales among the wealthiest households, while pushing middle-income buyers towards the used vehicle market. As used vehicles are becoming more expensive, this further slows fleet renewal and structurally entrenches the dynamic over the long term. **(Box 1)**

It should be noted that car manufacturers, unlike equipment suppliers, retain some room for manoeuvre in this context to mitigate the financial impact of falling volumes:

— Moving upmarket—i.e. selling larger, better-equipped vehicles in higher segments, where unit margins are much greater than in lower segments such as city cars,
— Increasing the transaction price of a given model—known as exercising "pricing power", for those with sufficient leverage due to the quality of their offering or their brand reputation,
— Reducing manufacturing costs—by sourcing components and raw materials from countries with lower manufacturing costs.

The first two factors contribute to an increase in the average transaction price of new vehicles. However, there is broad consensus that this rise in new passenger vehicle prices is a key driver of the decline in sales volumes—highlighting the risk of being locked into an inflationary spiral.

Indeed, between 2020 and 2024, the list price of new vehicles purchased in France was shown to rise by €6,800 including VAT, an increase of 24%. **(Fig. 2)**

In this note, we examine this phenomenon and, in particular, the mechanisms that have driven up new vehicle prices over the past four years. This allows us to identify the causes, whether they are:

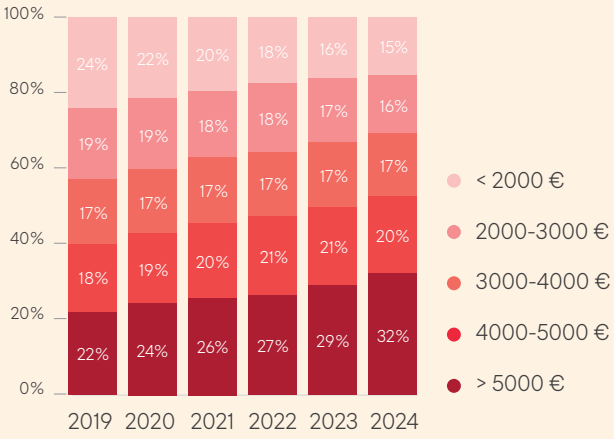
— External to the strategic choices of manufacturers, such as: Inflation in raw materials and energy prices; The cost of regulatory enhancements needed to meet European emissions and safety standards.
— Internal, aimed at improving per-vehicle margins, including: Moving upmarket through segmentation; Price increases by segment and model.
— Combined factors, depending on each brand's

BOX 1. CONCENTRATION OF THE NEW VEHICLE MARKET AMONG HIGHER-INCOME GROUPS

Taking the example of the French private car market, which saw a reduction of around 200,000 units from a total of 1 million between 2019 and 2024, it is clear that this entire decline was concentrated in the first six income deciles. These lower to middle-income groups accounted for 43% of the market in 2019 but are expected to represent just 31% of buyers in 2024, as they are the most sensitive to increases in new car prices.

FIGURE 1. Share of new vehicle purchases by private individuals

(by net monthly income bracket in €)



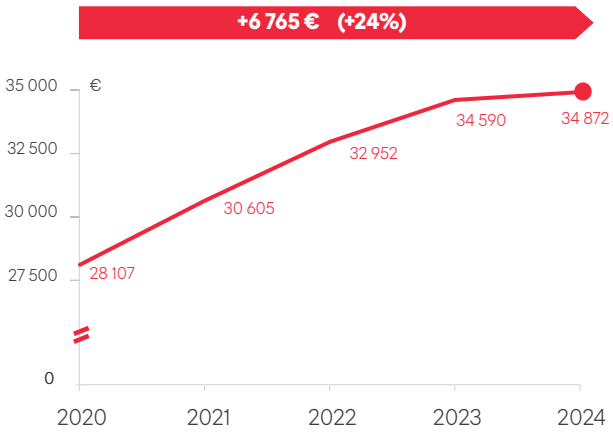
Source: C-Ways, based on the NextCar owner survey

compliance strategy: Electrification of the fleet to meet environmental requirements, in line with European climate commitments.

To this end, we conducted a detailed analysis of how sales-weighted list prices evolved for all passenger vehicles sold in France between 2020 and 2024. The comparison by segment, brand and energy type reveals general and manufacturer-specific trends, along with the underlying mechanisms driving them.

FIGURE 2. List price of new passenger cars, weighted by sales

(€, 2020-2024)



2. EFFECT ANALYSIS: THE THREE LEVERS AT PLAY AND WHETHER THEY ARE IMPOSED OR CHOSEN BY MANUFACTURERS

Looking at the underlying factors behind this increase, three cumulative effects can be identified:

- The segmentation effect—a higher proportion of larger vehicles, or a shift towards more SUV-style models in the sales mix,
- The energy mix effect—a growing share of electrified vehicles, which are more expensive to purchase, even if their total cost of ownership may be lower in the case of EVs,
- The increase of residual price—price increases for vehicles of the same size and with the same engine type.

For some of these levers, what is imposed and chosen by manufacturers is closely intertwined.

When it comes to segmentation, manufacturers certainly need to respond to customer demand (in 2024, one in two new vehicle private buyers chose an SUV), but they also retain levers on the supply side (saloon and estate models have virtually disappeared from some segments, replaced by SUVs—see the WWF note written in partnership with the IMT and UFC-Que Choisir). In addition, they can influence demand through commercial strategies (advertising, discounts, dealer or salesperson incentives) to steer sales towards products with higher unit margins.

However, despite European and national regulations aimed at reducing CO_2 emissions, which increasingly favour smaller and less SUV-oriented vehicles, manufacturers often actively choose the level of SUVization and the segment shift in their range to optimize the balance between volume and profitability. It is worth noting that the higher the segment, the higher the unit margins.

In terms of the energy mix, the transition to low-carbon mobility is pushing manufacturers to offer more electrified vehicles, which are more expensive to produce. The pace of this shift also depends on whether customers are willing to switch to electric models. Nevertheless, the choice is not entirely dictated by external forces: manufacturers retain a degree of flexibility in selecting their powertrain mix to optimize the balance between volume, profitability and CO_2 emissions compliance. It should be noted that, in general and for the foreseeable future, the more electrified a vehicle is, the less profitable it tends to be per unit for the manufacturer (technology amortization at stake). **(Box. 2)**

With regard to the portion of the price increase that cannot be attributed to product upgrades or regulatory requirements, referred to in this study as the "residual price increase", three possible explanations can be identified:

— Imposed inflation of production costs, particularly the rising prices of raw materials, energy and labour, which affected Europe between 2020 and 2022,
— Compliance with European standards, notably Euro 6d-Full for emissions (effective in 2021) and GSR2 for safety (effective in 2024),
— A basic strategy to increase margins, applied by manufacturers in a position to do so.

The imposed component (inflation, regulatory standards) tends to affect all manufacturers similarly, whereas the chosen component (margin policy) reflects each manufacturer's individual strategy. This distinction makes it possible to identify and compare the different mechanisms at play.

BOX 2. MANUFACTURER CHOICES AND STRATEGIES FOR MEETING CO_2 STANDARDS REQUIREMENTS

The regulatory obligation to reduce average CO_2 emissions from new vehicles each year (as set out in European Regulation 2019/631 – "CO_2 emission performance standards for cars and vans", represents both a constraint and a source of flexibility for manufacturers. There is certainly an imposed aspect to the regulatory target, but the regulation remains "technologically neutral" until 2030 at least, and the approach to preparing for the 2025 target is entirely left to each manufacturer. The range of levers available to meet the individual target assigned to each brand includes:
Improving the energy efficiency of combustion engine vehicles (for example, through lighter or more aerodynamic designs, i.e. reducing SUV-type features),
Adjusting segmentation to refocus the range on city cars and mid-range vehicles. This lever is doubly rewarded by European regulations because smaller vehicles emit less CO_2, and are more favourably weighted in the calculation of individual manufacturer targets,
Managing the level of hybridization or electrification in the product mix and sales, which again gives manufacturers considerable strategic leeway in their choice of technologies, at least until 2030.
Until now, manufacturers have chosen not to move away from large vehicles and SUVs, which generate higher margins. In France, the share of SUVs rose from 39% to 49% over the four-year period studied, while the average weight of vehicles sold increased from 1,365 kg to 1,490 kg. Instead, manufacturers have generally opted to massively electrify their ranges to reduce average CO_2 emissions, with the share of electrified vehicles rising from 17% to 47% between 2020 and 2024.
This situation is likely to evolve with the arrival – driven by European CO_2 regulations –of more affordable small EVs, such as Citroën's e-C3 and Renault's R5, and the upcoming electric Twingo.

FIGURE 3. Breakdown of the factors behind the increase in new passenger vehicle prices

(€ incl. VAT, 2020-2024)

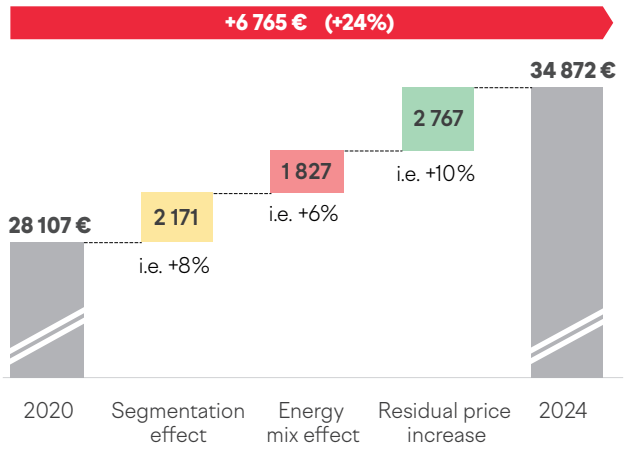
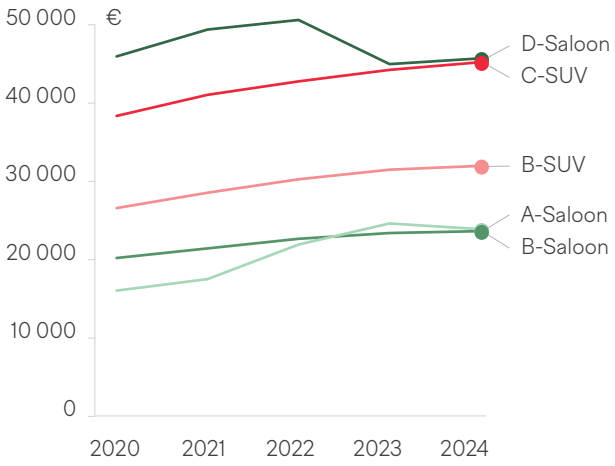


FIGURE 4. Average price by segment

(€, 2020-2024) (sample of key segments)



The macro-level results of the analysis (not broken down by manufacturer) show that all three levers contributed in varying proportions, with regulatory constraints having the least impact. **(Fig. 3)**

2.1. The segmentation effect

The macro-segmentation effect as a driver of rising transaction prices is largely unrelated to regulatory pressure, yet it has played a significant role in the recent period (2019–2024). This trend is mainly due to a sharp decline in sales of small saloon cars in the A-segment (e.g. Renault Twingo) and B-segment (e.g. Peugeot 208), which have lost 7 percentage points of market share, primarily to larger segments such as C-SUVs (e.g. VW Tiguan), D-SUVs (e.g. Tesla Model Y) and E-segment (e.g. Mercedes E-Class). A return to a segment mix typical of the previous decade would reduce the average price by over €2,000 (i.e. one-third of the total increase observed over the four-year period).

This opens up scope for public intervention through taxation or regulation to help shape the market or supply, particularly by promoting city cars and mid-range vehicles that are relatively economical in terms of material use (e.g. penalties for heavier vehicles, green incentives, etc.).

Reversing the trend towards higher-end and larger vehicles could, if left unchecked, impact manufacturers' margins. It is therefore important to explore how to ensure both affordable prices for these smaller vehicles (particularly electric ones) and sufficient margins for the companies that produce them. This is the spirit of the joint request made by mass-market manufacturers Stellantis and Renault, whose CEOs recently addressed the issue. In this context, volume is a decisive factor: all tax or regulatory measures that encourage public, corporate and private fleets to preferentially reduce acquisition costs (via penalties or green incentives), ownership costs (e.g. company car tax, benefits in kind) or usage costs (e.g. parking benefits) for these smaller vehicles are favourable. Social leasing schemes, due to their relatively captive, additional and predictable nature, as well as their lower marketing costs, also offer a way to mobilize additional industrial capacity. This creates clear economies of scale in production costs and helps secure reasonable margins.

Segment analysis

Two contrasting trends appear to be shaping prices across segments:

- A rise in the floor price, driven by the electrification of A-segment cars and a sharp residual price increase in the A and B-segments (21% and 16%, respectively),
- A decline in the ceiling price, due to Tesla's disruption of the traditionally premium D-segment, which has effectively brought all energy types to a similar price level. **(Fig. 4)**

As a result, the A-segment saw a 50% increase in average price, driven by a full shift to EVs, but also lost more than half of its volume over the period, largely due to reduced model range proposed by manufacturers (e.g. the disappearance of Twingo-type models).

Core market segments (B and C) saw price increases of 16 to 21%, driven by changes in the energy mix and residual price rises.

- B-saloon: This segment was not affected by the energy mix effect, as hybrids largely replaced diesel models and the share of EVs has remained steady at 12% since the launch of the Renault Zoé. However, the residual price increase (core inflation + manufacturer margins) was higher than average, at 16% (note the

pricing effect on the petrol Sandero, which saw one of the steepest price rises over the period, with a 37% increase in list price).

- B-SUV: Prices in this segment rose by 21%, including 11% from the energy mix (due to hybridization) and 10% from residual price increase.
- C-saloon: This segment saw a smaller increase of 16%, including 8% from the energy mix (EVs replacing diesel) and 8% from residual price increase—a lower level than in other segments, due to the price war triggered by Tesla and MG.
- C-SUV: Prices increased by 18%, including 7% from the energy mix (replacement of diesel with hybrid and plug-in hybrid in the high-end segment) and 11% from intrinsic increase, driven by significant upmarket expansion and enhanced features in a segment with strong pricing power.
- Upper segments: The increase here is virtually zero, as Tesla has disrupted the market by offering EVs at the same price as combustion models. This has led to a shift from 0% to 50% electric mix without any change in price.

It should be noted that the residual price increase becomes progressively smaller as we move up the segments (around 20% for A and B, 10–15% for C, and less than 0% for D), reflecting a greater capacity for higher-end segments to absorb cost increases stemming from raw materials, trade tensions (e.g. Tesla price reductions), or regulatory requirements.

It also indicates, to some extent, that the supply of small vehicles imported from Asia (A and B-segments) remains very limited. This is due to a lack of interest from Asian manufacturers in exporting such vehicles to Europe, which in turn allows for better price and margin control by European or pan-European production (e.g. Morocco, Turkey) in these segments.

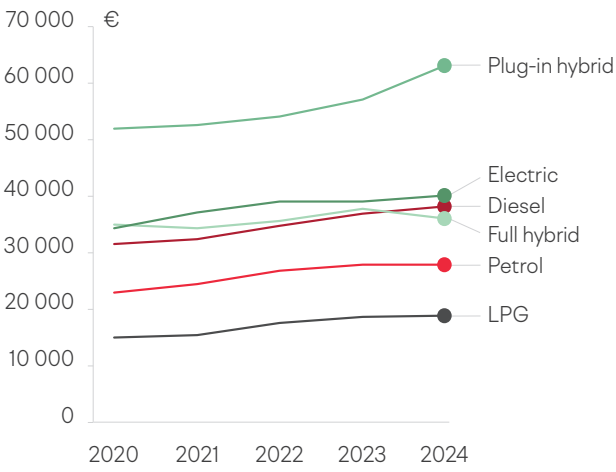
2.2. Energy mix and regulatory effect

The energy mix effect is evident, but far less significant than media coverage might suggest or than claimed by certain economic players who are quick to blame electrification for rising prices. Even though EVs (16% of the mix) and PHEVs (7%) have contributed to higher average prices, the main driver within the energy mix has been the replacement of diesel (around 30% of the market in 2020) with full hybrids at a similar price point. These full hybrids have therefore enabled the market to electrify without pushing up the average price. **(Fig. 5)**

It should be noted that the average price of PHEVs remains particularly high, due to the cost structure of dual-motor vehicles. As a result, this technology has largely been confined to upper segments (typically for customers with higher budgets or company-owned

FIGURE 5. Average price per energy source

(€, 2020-2024)



vehicles). While their versatility is appealing, their high cost raises questions about their long-term future and resale appeal, particularly in the used car market. This is all the more relevant given that economically and environmentally responsible use requires frequent charging and discharging cycles, which tend to shorten battery lifespan in the long term.

Analysis by energy type

The price increase has been fairly consistent across energy types (ranging from 17% to 21% over four years), except for full hybrids, the average price of which rose by only 3%.

There is a straightforward explanation for this anomaly. Over the period, hybrids moved from niche market (6% of the mix), typically limited to high-end models or specialist brands (e.g. Toyota RAV4, premium marques) to a core market segment (24% of the mix) represented across all segments. This democratization of hybrids, particularly in the B-segment, is largely attributable to Renault and Toyota.

EV prices have risen by 17%, despite falling battery costs. This increase is almost entirely driven by a strong segmentation effect and the disappearance of the Zoé around the turn of 2023/2024. In 2020, B-segment models accounted for 73% of EV sales; by 2024, their share fell to just 34%. Manufacturers have adopted a "top-down" strategy for introducing EVs, betting that the additional cost is less likely to deter buyers of a €40,000 vehicle than those considering a €20,000 model. Tesla's surge in sales has also contributed to this upward shift in the segment mix. However, this trend is now reversing—a positive sign for the future.

The contribution of EVs to the overall rise in prices is shaped by two offsetting trends, which are likely to continue in the years ahead. The first is the growing share

of EVs in the sales mix, driven by CO_2 regulations and the strategic and industrial commitments of manufacturers, who cannot afford to fall behind technologically. The second is a decline in unit prices for equivalent electric and PHEV models, linked to the arrival of smaller, more affordable vehicles in manufacturer ranges over the past six months, and to a sharp fall in battery production costs, especially over the last year.

Segment by segment, the EV market shows the same pattern as the overall market: a rise in the floor and a drop in the ceiling:

- A-segment: prices increased by 15% (reflecting an upmarket shift led by the Fiat 500),
- B-saloon: up 19%, following the replacement of the Zoé with the significantly more expensive e-208 and e-Corsa,
- B-SUV and C-saloon: both remain at €41,000,
- B-SUV prices are very high—almost on par with premium brands (Volvo, Mini)
- C-saloon prices have been pulled down by price competition from the MG4 and Tesla Model 3, prompting repositioning of the VW ID.3 and Renault Megane E-Tech
- D-saloon and D-SUV: prices have dropped following Tesla's repositioning in 2023.

2.3. The residual price increase (inflation + manufacturer pricing and lineup strategy)

The "residual price increase" is the main contributor to the overall rise in prices, accounting for €2,800, or 10% of the total increase. This component warrants a more detailed breakdown by manufacturer.

Analysis of the inflation effect

Automotive production costs rose by around 12% between 2020 and 2022, before declining slightly and stabilizing in 2024 at a level 7.5% higher than in 2020. This equates to an additional €1,200 on a base production cost of €16,000. **(Fig. 6)**

Although the 2022 peak was mainly driven by rising steel and energy prices, it is labour costs, copper, aluminium and gas that remain high and continue to drive residual inflation now that the initial shock has passed.

When we compare the residual price increase with inflation in component costs (adjusted to include VAT and other price effects), we observe two curves that follow a similar trajectory, but with a time lag of around one year between them. **(Fig. 7)**

FIGURE 7. Inflation des composants du coût et augmentation de prix résiduelle constatée

(€, 2020-2024)

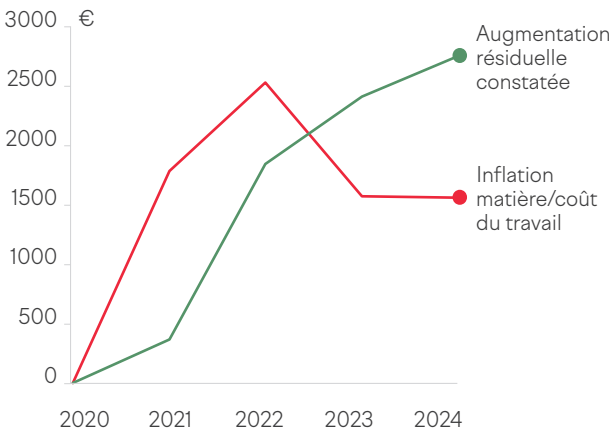
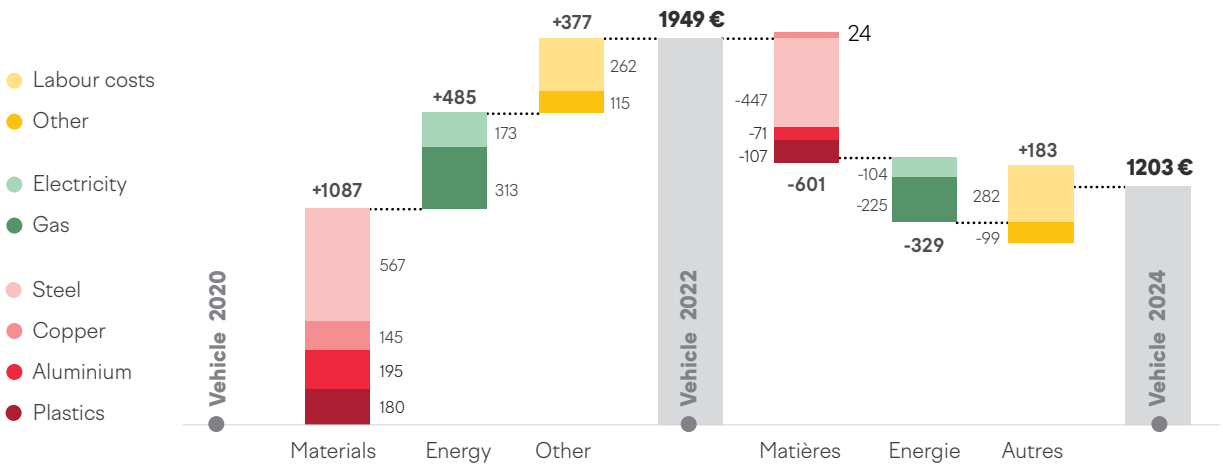


FIGURE 6. Inflation in car production cost components

(C-segment, full hybrid, 2020-2024, €)



This lag may be partly explained by the time it takes for the automotive industry to pass on cost changes to vehicle prices, particularly during the 2021–2023 period, when delivery times were close to a full year.

It is nonetheless interesting to note that the decline in costs in 2023 was not reflected in the residual price increase in 2024. Since manufacturers rarely lower list prices (to avoid undermining residual values), it is likely that the cost reduction was instead reflected in real prices through discounts, which were probably more generous in 2024 than in previous years.

However, given the continued strong financial performance of manufacturers over the period, with average operating profits of €145 billion (2021–2024), compared with €80 billion in the five years prior to the COVID crisis (2015–2019), according to calculations by the consulting firm EY (published by France Info), it is likely that some manufacturers retained part of the decline in production costs as additional margin in 2023–2024. Here again, regulatory pressure is not a factor, and it is clear that pricing power worked well over the period.

Of the €2,800 residual increase in list prices, representing a 10% rise, €1,600 (6%) is attributable to inflation and €1,200 (4%) to pricing power.

The analysis of levers and impacts by manufacturer is informative in this respect, as shown below.

3. DIFFERENCES IN MANUFACTURER STRATEGIES

As mentioned above, the observed increase in prices is partly the result of external pressures on manufacturers and partly the outcome of commercial or strategic choices. The table below, through the wide variety of choices observed, shows that soaring prices are far from inevitable or solely driven by regulation. **(Fig. 8)**

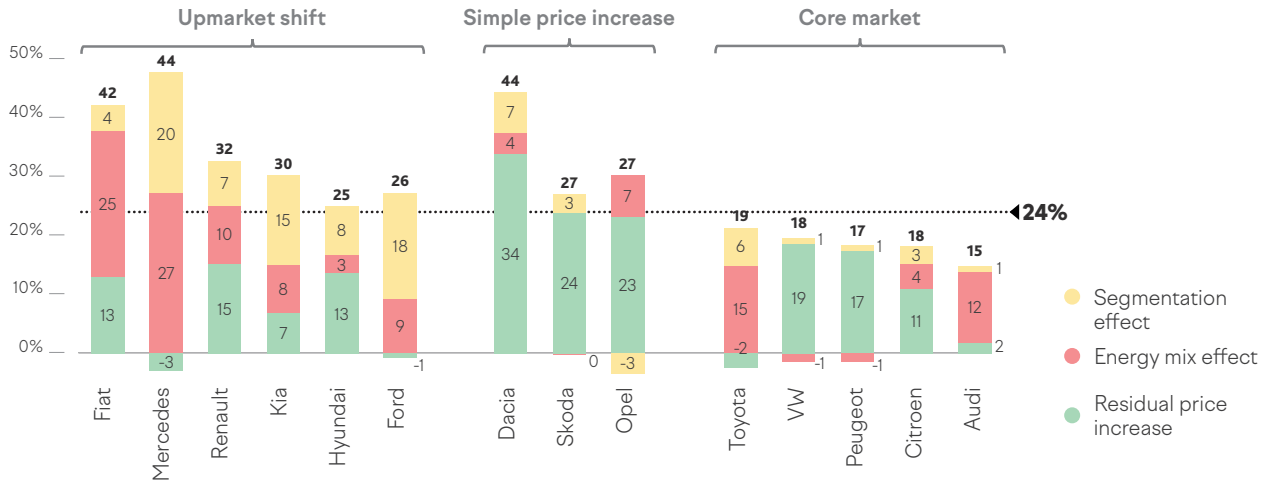
Price fluctuations vary significantly by brand, ranging from a decrease (-15%) at Tesla, to a surge at Fiat (44%), reflecting highly differentiated strategies for responding to inflationary market changes.

A first group of brands has pursued an upmarket shift through segmentation or energy choices:

— Mercedes (44%), which is transitioning from premium to luxury and gradually phasing out its C-segment.
— Renault (32%), which has refocused its range on C-SUVs rather than the B-segment it traditionally targeted, since the Renaulution strategy.
— Nissan (39%), Hyundai, Kia (25%) and Ford (24%), which have shifted away from small saloons to concentrate on SUVs.
— Fiat (53%), which has moved from a 4% electric mix in 2020 to 60% in 2024, largely through the 500 range.
— A second group of brands has implemented straightforward price increases for comparable segments and energy types:
— Dacia (44%), as part of its repositioning from low-cost to value-for-money.
— Skoda (21%), leveraging the strength of its intrinsic desirability.
— Opel (27%), seeking to differentiate itself from Citroën within the Stellantis group.

FIGURE 8. Price increases by factor and brand

(% of initial price, 2020-2024)



A third group comprises the core market, with an average price increase of 17–19%, mostly driven by residual price effects (11–19%):

— Peugeot (17%)
— VW (18%)
— Citroën (18%)
— Toyota (19%)

4. LEVERS FOR A RETURN TO A MORE AFFORDABLE AND DYNAMIC MARKET

Three solutions could, in principle, be implemented to lower prices for consumers and give us a collective chance of successfully completing the energy transition:

— Promote smaller, lighter and more affordable vehicles. This approach can only be imposed externally on the market through interventionist public policies targeting demand, because a manufacturer that unilaterally adopted this strategy would jeopardize its profitability and sales volumes. However, some governments, including the French government, are supporting this strategy through measures such as weight-based penalties, eco-scores, etc.,
— Lower production costs by sourcing from countries with surplus capacity, particularly China. This approach, advocated by some manufacturers, may be protective but poses risks to European suppliers and undermines Europe's ability to develop a domestic battery industry (and ultimately the long-term competitiveness of European manufacturers),
— Introduce regulatory flexibility and lower European environmental ambitions. While supported by manufacturers, this idea overlooks the fact that Euro 6d-Full and GSR2 did not result in any visible increase in final prices, and that the additional costs were absorbed without harming profitability.

None of these solutions is fully satisfactory for the stakeholders involved. Reconciling social acceptability, European industrial policy, the ecological transition, and the performance of European manufacturers requires a more negotiated and interventionist approach to public and industrial policy.

This could include:

— Combining local content requirements with substantial financial support for the battery industry (for both capacity installation and production) to help it bridge the so-called "valley of death". This solution, recommended by the Draghi report, would reduce costs of "Made in Europe" batteries, limit the attractiveness of sourcing batteries from abroad, and put downward pressure on EV prices.
— Strengthening and sustaining tax incentives targeting heavy and poorly aerodynamic vehicles—for example, through weight-based penalties (as in France), by making green incentives for EVs conditional on electricity consumption efficiency (as in Luxembourg), or by extending a CAFE-style regulatory decarbonization pathway to include the carbon footprint of batteries and certain other commodities and components (such as steel, aluminium or the carbon intensity of production countries).
— Creating a more predictable European market for low-carbon vehicles by developing "lead markets" based on public procurement policies, supporting the greening of private fleets—with targeted support for the most affordable vehicles—and expanding social leasing schemes. These measures would generate additional demand for small to mid-sized vehicles, provided conditions are applied regarding vehicle size, price and local content.
— Creating a dedicated category of small vehicles, inspired by Japan's Kei Cars, with tax or regulatory support at the European level. According to some industry leaders, this approach could enable the production of small vehicles priced below €15,000, helping to curb the spiral of rising prices and declining volumes.

What has really driven the rise of vehicle prices between 2020 and 2024

Jean-Philippe Hermine (IMT) and Clément Dupont-Roc (C-Ways)

Hermine, J.-P., Dupont-Roc, C. (2025). What has really driven the rise of vehicle prices between 2020 and 2024. *Study* N°01/25, IMT.

jeanphilippe.hermine@sciencespo.fr

clement.dupontroc@c-ways.com

Institut des moblités en transition
41, rue du Four – 75006 Paris – France

institut-mobilites-en-transition.org