

EV & Hybrid Finance: Driving Down Australia's Emissions

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**Australian
Finance
Industry
Association**

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Overview

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

In 2025, AFIA members financed 129,816 electric vehicles (EV) and hybrid vehicles, totalling \$7.37 billion in finance, representing a year-on-year increase of nearly 20 per cent. Financing was heavily driven by commercial channels, particularly novated leasing, which accounted for nearly 70 per cent of transactions¹.

Hybrid vehicles remained the preferred choice, with the number of units financed being nearly 24 per cent higher than EVs, showing Australians preference for hybrid vehicles. Hybrid vehicles and EVs are occupying greater levels of market share. Hybrid market share has doubled since calendar year 2023, while EV share has increased by nearly 40 per cent in the same period.

AFIA data shows EVs were especially popular in choices for novated leasing, accounting for nearly 43 per cent of all vehicles financed. Combined, EVs and hybrid vehicles made up over 60 per cent of all vehicles financed under this arrangement.

Consumers believe removing incentives, such as measures to support uptake through the FBT exemption for EVs, would send a negative signal about government commitment to clean energy and climate action and derail changes in customer behaviour right at a time when the momentum is starting to deliver our net zero ambitions. Consumers also see incentives as essential for bringing forward adoption, reducing high-upfront costs and correcting misconceptions about EVs, particularly around range, charging, resale value, technology safety and functionality.

These results highlight the finance industry's important role in enabling low-emission vehicle uptake, while also pointing to structural barriers, particularly infrastructure and policy uncertainty, that continue to shape consumer and business purchasing decisions.

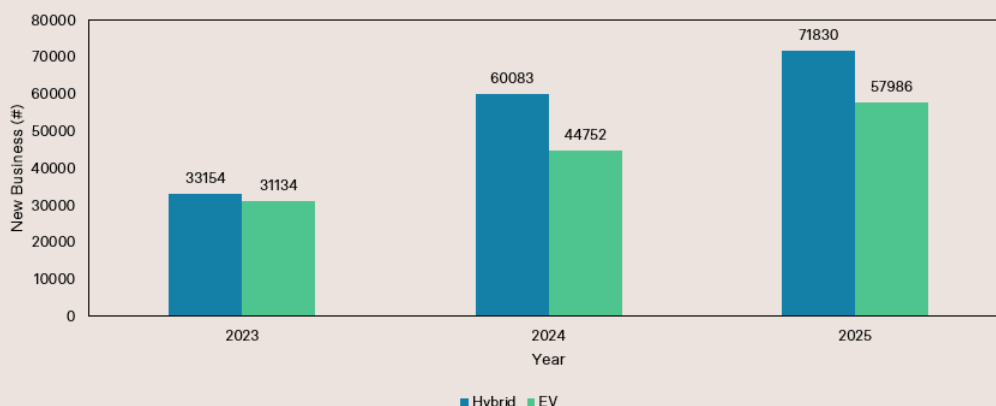
¹ The report covers the period for calendar year 2025, comparisons to prior years are calendar year comparisons.



Over \$7 billion in EV & Hybrid Finance in 2025

- AFIA members financed 129,816 EVs & hybrid vehicles between 1 January 2025 and 31 December 2025, a significant increase of 24 per cent from the 104,835 financed in 2024 (figure 1)^{2 3}.
- This amounts to just over \$7.37 billion in EVs and hybrid vehicles financed⁴.
- AFIA members financed an average of \$614.1m in EVs and hybrid vehicles per month in 2025, a monthly average increase of nearly 20 per cent on corresponding 2024 values⁵.
- Financing of hybrid vehicles exceeded EV financing by 24 per cent, with 71,830 hybrid vehicles and 57,986 EVs being financed. However, EV growth was larger than hybrid vehicle growth, at nearly 30 per cent year-on-year compared to just under 20 per cent for hybrid year-on-year growth (figure 1).
- EVs and hybrid vehicles are progressively making up a larger share of the market. EVs made up over 15 per cent of total financing in 2025, up from only 11 per cent two years ago, while hybrid vehicle market share also increased from just under 8 per cent in 2023 to nearly 15 per cent in 2025, nearly doubling in that period (figure 2).
- However, internal combustion engine (ICE) vehicles continue to significantly dominate the market, with around 70 per cent of all vehicle financing in 2025 (figure 2).
- Hybrid vehicle and EV uptake is predominantly being driven by commercial customers, which accounted for nearly 84 per cent of total EV and hybrid vehicles financed in 2025 (figure 3).
- The impact of the removal of the Fringe Benefits Tax (FBT) discount for hybrid vehicles in March 2025 had an immediate downward effect on financing volumes and values in the commercial sector (figure 3).

FIGURE 1: EVs and hybrid vehicles sold by calendar year



² Note that since 2023, when this reporting series commences, new AFIA members have contributed to the year-on-year increase.

³ Quoted amounts have been rounded to the closest 100 units and the closest \$1,000,000. For the graphs, the plotted amounts have been rounded to the closest \$100 for the average figure and closest 10 for the units graphs.

⁴ Internal AFIA industry data.

⁵ Average figure across the 12-month period.



FIGURE 2: EV and Hybrid Vehicle Market Share Composition

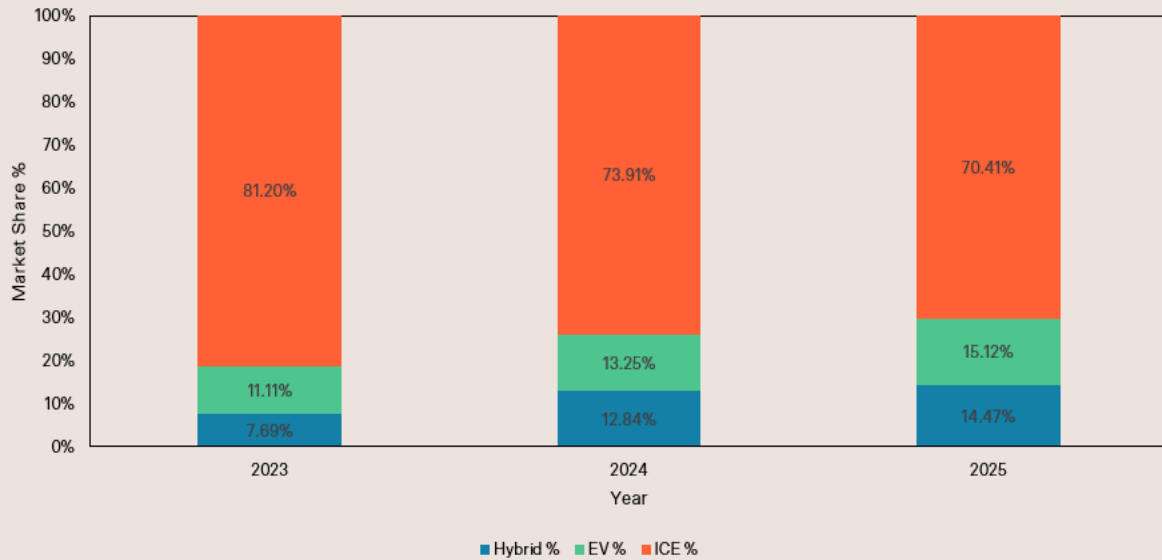
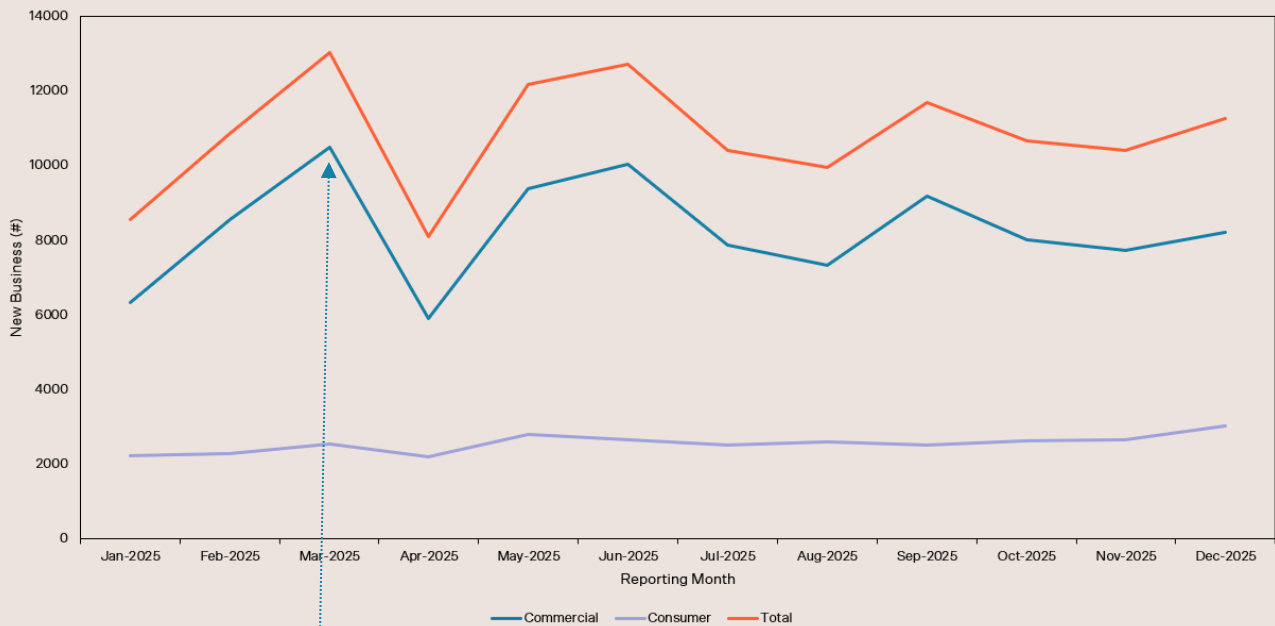


FIGURE 3: EVs and Hybrids Financed Monthly by Customer Type
Combined Line Chart for All Customer Types - EV & Hybrid Vehicles



Removal of the FBT exemption for hybrid vehicles created an immediate shock on hybrid vehicle sales, demonstrating the importance of policy signals for consumer purchase choices.



Commercial finance - EVs & Hybrid Vehicles financed by sector

- In 2025, novated leasing dominated the commercial financing of EVs and hybrid vehicles (figure 4).
- EVs/hybrid vehicles accounted for over 60 per cent of all novated lease new business (\$). This share is a significant increase from 2024, where approximately 51 per cent of all novated lease new business was due to EVs and hybrid vehicles⁶.
- March 2025 had the highest number of EV and hybrid vehicles financed, driven by the then pending cessation of the FBT exemption for plug-in hybrid EVs (PHEV), which encouraged prospective buyers to purchase eligible vehicles to take advantage of the exemption.
- For hybrid vehicles alone, March 2025 was the best month with nearly 8,000 hybrid vehicles financed. The impact of the cessation of the FBT exemption is clear, with financing experiencing a sharp one-off drop in April, declining by about 70 per cent from March, and for the remainder of the year remained low and relatively flat, without any significant rebound (figure 5).
- Novated lease financing for EVs experienced a similar steep decline in April 2025. Given the close correlation with the decline in hybrid vehicle novated lease financing, it would be reasonable to infer that the policy change for hybrid vehicles caused market confusion about the policy status of EVs in the immediate period following the change. This demonstrates the importance of national, consistent policies and initiatives to stay the course (figure 5).

⁶ Comparison is made with calendar year 2024 data gathered from AFIA's aggregated Motor Finance industry dataset.



FIGURE 4: EV and Hybrid split by Financial Segments

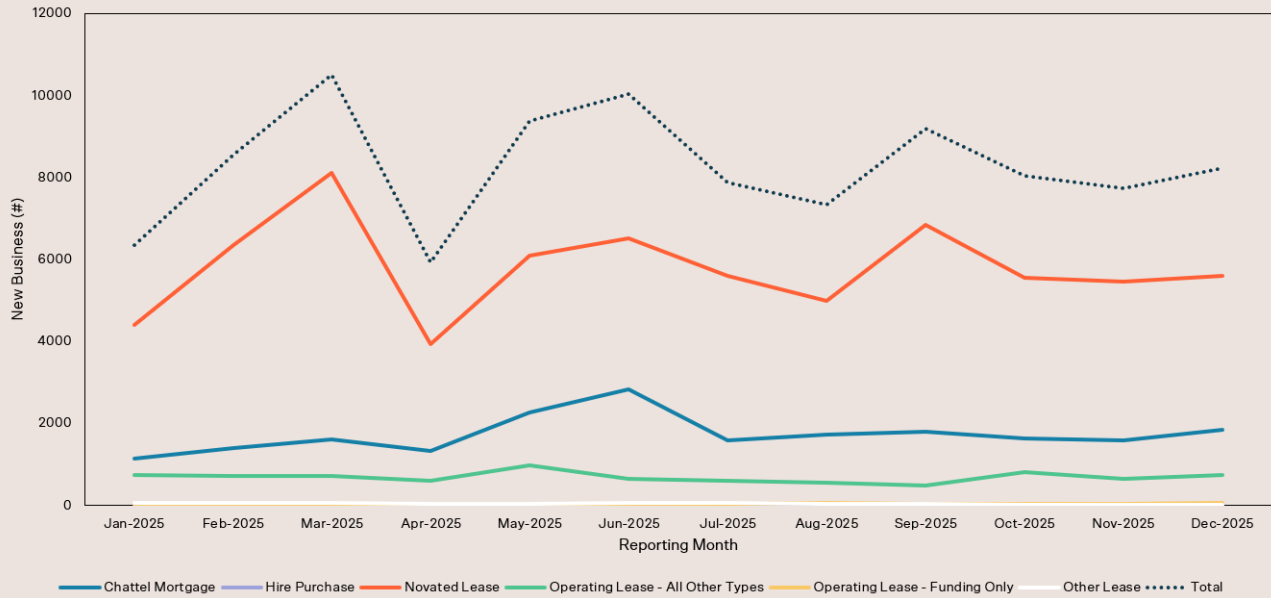
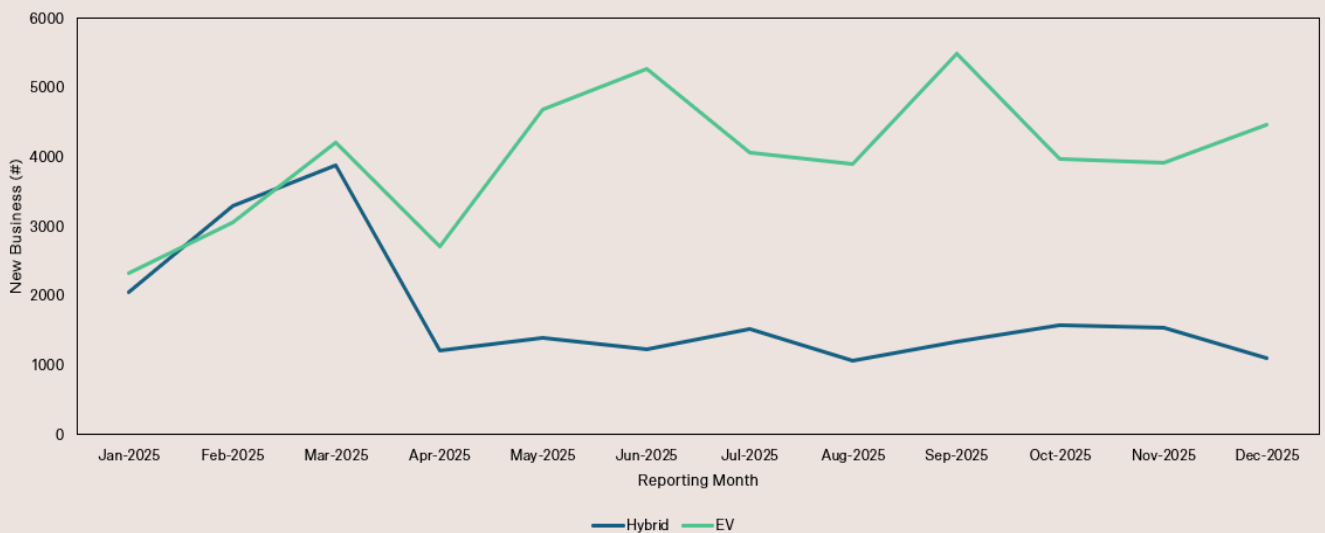


FIGURE 5: EV and Hybrid Vehicle Split – Novated Leasing

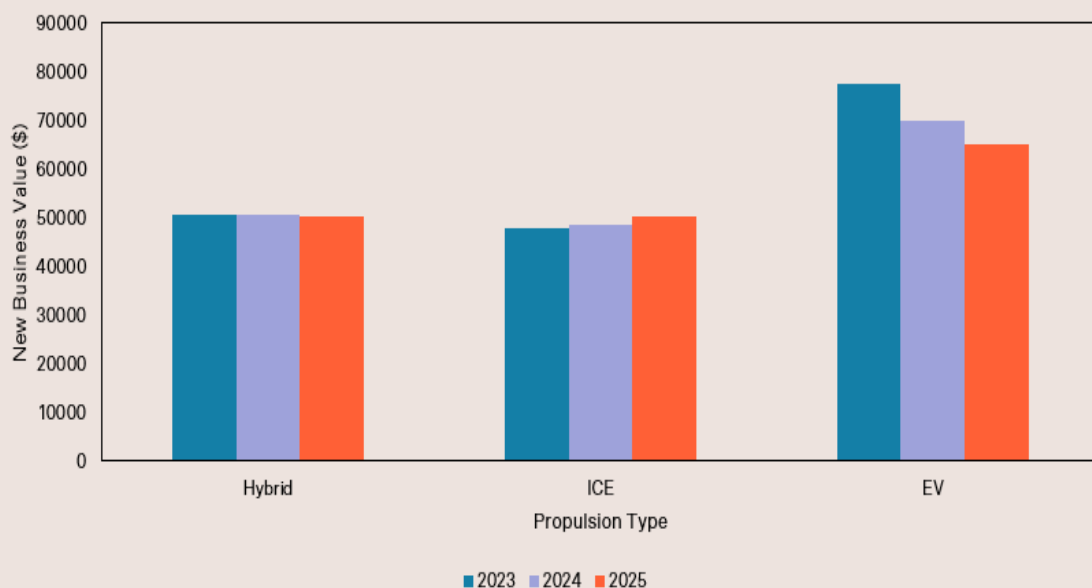




Cost of EVs and Hybrid Vehicles

- The average cost for EVs have been steadily decreasing over the last three years, with the introduction of a wide variety of EVs increasing supply and thus placing downward pressure on prices. The average cost of hybrid vehicles has marginally declined (figure 6).
- The decrease in average cost is in part attributable to additional supply – new brands and models entering the Australian market. The Electronic Vehicle Council reports the number of EV and PHEVs models available in 2025 to be 153⁷ up from 122⁸ models in 2024. Here is a reinforcing feedback loop: the FBT exemption fuels consumer demand which makes the Australian market attractive to car manufacturers thereby encouraging growth in model availability. This dynamic helps address the issue of high upfront costs of EV and hybrid vehicles.
- The average cost of EV financing has decreased by over 16 per cent over the last two calendar years, from nearly \$80,000 in 2023 to just under \$65,000 at the end of 2025. In the same period, the average cost for a conventional Internal Combustion Engine (ICE) vehicle has increased just under 5 per cent, to just over \$50,000 (figure 6).

FIGURE 6: Average value of financed vehicles by propulsion type



⁷ EVC, 2025, [State of Electric Vehicles 2025](#), p29

⁸ EVC, 2024, [State of Electric Vehicles 2024](#), p9

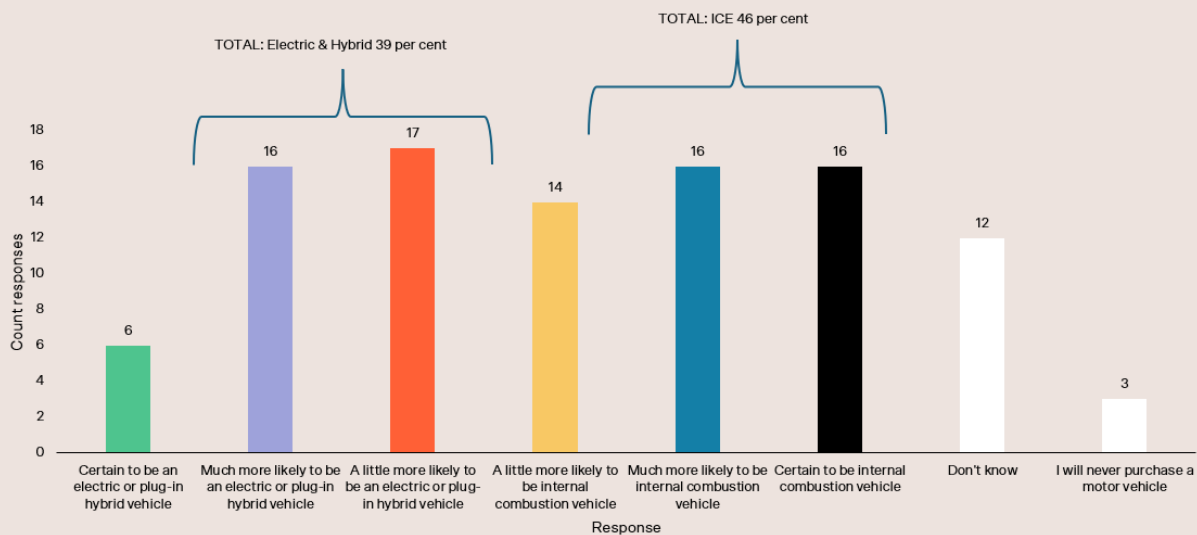


AFIA Consumer Research

- In Quarter 1, 2026 AFIA commissioned consumer research by Pyxis Polling on consumer attitudes towards vehicles and consumer intentions to purchase⁹.
- Australians are evenly divided over whether their next car will be an EV/hybrid vehicle or an Internal Combustion Engine (ICE) vehicle (figure 7).
- There would be a clear, negative impact on EV sales if government tax concessions were removed (figure 8).

FIGURE 7: Propulsion preference for next motor vehicle purchase

When you next buy a motor vehicle, what are the chances that it will be one or the other?



Traditional motor vehicles use internal combustion engines powered by fossil fuels (such as petrol) while other vehicles use electric power or plug-in hybrid. While there are other forms of engine, for the purposes of this question assume that only one or the other is available when you purchase your next vehicle.

When you next buy a motor vehicle, what are the chances that it will be one or the other?

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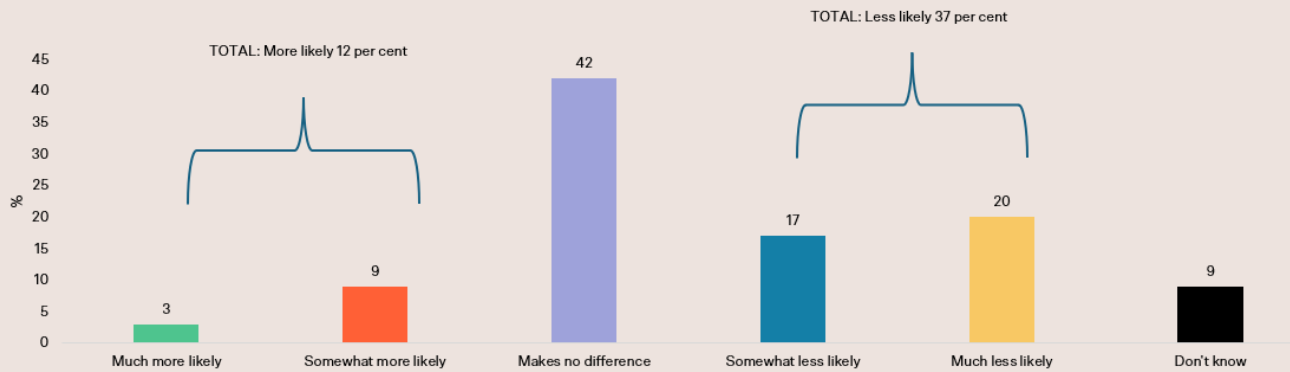
SOURCE: PYXIS Polling & Insights, 2026

⁹ AFIA commissioned Pyxis Polling to undertake two consumer research projects. The first project was a survey conducted between 21-27 January 2026 comprising 1005 interviews with Australian residents. The second project involved eleven live online focus groups conducted between 2-18 February 2026; 7 groups with individual consumers and 4 groups with SME customers.

FIGURE 8: Impact on Electric Vehicle sales

There would be a clear, negative impact on Electric Vehicle sales if government tax concessions were removed

If the Government removed these tax concessions, would it make you more or less likely to purchase an electric vehicle?



The Government currently offers tax concessions specifically for those who purchase electric vehicles, including a Fringe Benefits Tax (FBT) exemption and import tariff exemption. If the Government removed these tax concessions, would it make you more or less likely to purchase an electric vehicle?

BASE: ALL n=1005

SOURCE: PYXIS Polling & Insights, 2026

- Figure 9 replicates verbatim comments from consumers and small business customers in the focus groups that exemplify the current thinking of Australians about their vehicle and transport needs and preferences. The following points are key insights derived from the consumer research.
- Stopping green loans and rebates would send a signal that rooftop solar, batteries and EVs were no longer seen as vitally important (or that the government was giving up on clean and renewable energy). Australians see our climate change and energy policy as interconnected; a change in one area would be seen as a change in another.
- Factors considered when looking at EVs include 'range anxiety', charging infrastructure (especially lack of availability in regional areas and apartments in city areas), uncertainty about resale value, and uncertainty about technology and functionality (e.g. battery life and safety, towing capacity). There are also a number of myths and misconceptions underlying these responses (e.g. the belief that EVs tend to have short ranges, the perceived time taken to charge an EV, and concerns about the environmental impact or safety of batteries).
- High upfront costs remain a major consideration, which is why financial incentives make a difference. The observation is that incentives can help bring adoption forward by lowering the price hurdle.
- The fact that incentives are a secondary, enabling, factor does not mean that participants think that they should be dropped. Instead, numerous participants argued that dropping the incentives would send the wrong policy signal about the importance of EVs, of reducing carbon emissions and of climate action in general, undermining the Government's overall program in clean and renewable energy.
- Additionally, some consumers are thinking about an EV as part of their household energy management model, which is a significant uplift opportunity for Australia to maximise its efforts on climate change and energy policy, which is critical for Australia's economic resilience, financial security and future wellbeing, particularly as global events create additional pressures.



FIGURE 9: Focus group consumer verbatim comments

"Living regionally, through work we have electric vehicles. There's just not enough charging stations. To me, electric vehicles regionally? It's not worth it at all."
(Consumer)

"If there's no FBT benefits, what's the difference? Why would anyone prefer electric or hybrid? Without those incentives the demand will drop right off." (SME customer)

"If they removed the [tax] incentives, yeah, it would kind of be almost like, they're giving up on the initiative. Like, they're just abandoning it, which means that we would lose faith in that being the way forward." (Consumer)

"If they took them away [tax incentives], our coal power stations will need a longer life and, given that the government, well, at least in New South Wales, keep giving money to the owners of the coal power stations to keep them going longer, I think it's a poor idea." (Consumer)



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