

# Tesla's Elon Musk said a \$25,000 electric car with next-gen battery in the works

Tesla announced that it will dramatically reduce the cost of its battery cells and packs – which means the company's new goal is a \$25,000 electric car. The company's CEO Elon Musk said its new “tabless” battery cells, as well as by changing the materials inside the cell, will allow Tesla to “halve” the price per kilowatt-hour, which will make electric cars roughly the same price as combustion engine ones.

The price per kilowatt-hour (kWh) is the unit of energy most commonly used to measure the capacity of the battery packs in modern electric vehicles. Those prices have been falling dramatically over the last decade, from \$1,100/kWh in 2010 to \$156/kWh in 2019, a drop of 87 percent.

*Tesla will “halve” the price per kilowatt-hour, Musk said*  
Experts predict that the price will hit \$100/kWh by 2023, but Musk said Tesla will kick off a three-year process to bring the price below that – though he didn't say exactly what the price target would be.

There is more to a battery than just its cells. A lithium-ion battery cell that costs \$100/kWh to produce means a battery pack, with its additional components such as a battery management and cooling systems, could cost \$125–\$130/kWh or more.

*Photo by Sean O'Kane / The Verge*

Today's battery packs cost around \$10,000–\$12,000, depending on their capacity. Low battery prices could be the key to unlock more affordable, higher volume electric cars. Tesla is

aiming to reduce the cost of future packs to less than \$6,000, which would put the cell cost at well under \$100/kWh.

The average price of electric cars in the US has been dropping, most recently from \$64,300 in 2018 to \$55,600 in 2019, a 13.4 percent decline. And that's mostly thanks to Tesla's Model 3. But that's still high compared to the average price of a regular, gas-burning vehicle at \$36,600 (though that price has been ticking upwards).

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The Model 3 was supposed to be Tesla's first car for the broader market. From early on, the company's "master plan" – as set out by Musk in a 2006 blog post – outlined how it would build a desirable electric sports car to convince people that EVs can be cool (which was not an easy task at the time), use the revenue from that to help fund a more affordable luxury sedan, and plow the funds from *that* effort into a car that hundreds of thousands of people could buy.

But Musk's plan to make a \$35,000 Model 3 never came to fruition, thanks to the company's well documented "production hell." Today, the Model 3 Standard Range Plus starts at \$37,990, the Long Range starts at \$46,990, and the Performance starts at \$54,990.

This isn't the first time Musk has predicted that Tesla would dramatically reduce the costs of its electric cars. He first promised a \$25,000 EV back in 2018, which he said was possible within three years.

"I think in order for us to get up to...a 25,000 car, that's something we can do," Musk said in an interview with You Tuber Marques Brownlee. "But if we work really hard I think maybe we can do that in about three years."

But at Battery Day, Musk added a new prediction: 20 million cars a year. That would be "roughly twice" the current production of Toyota, GM, or Volkswagen, tweeted Ed

Niedermeyer, author of *Ludicrous: the Unvarnished Story of Tesla Motors*.

<https://www.theverge.com/2020/9/22/21450916/tesla-battery-pack-elon-musk-price-kilowatt-hour-ev-cost-tabless>