
Subsidy Targeting

Computing additionality and subsidy costs

Two EV's are eligible for a \$5000 EV subsidy.

- EV A costs \$30,000 and has a demand elasticity of -2.5.
 - EV B costs \$50,000 and has a demand elasticity of -3.5.
1. If the government was choosing which EV to subsidize, which one is more cost-effective?

Steps:

1. Compute the additional sales from the subsidy for each car.
2. Compute the total cost of the subsidy for each car.
3. Compute the cost per additional EV sold for each car.