

## Chinese demand for new energy vehicles key to decision-making of global carmakers

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While governments around the world argue the merits of electric cars, China is pushing toward its goal of sales of 2 million new energy cars a year by 2020.

Already the world's largest electric vehicle (EV) market, China has more manufacturers in this segment than anyone else and the largest charging network of 450,000 charging points (almost half of which are publicly accessible).

According to Liu Kai, an official with the China Electric Car Charging Technology and Industry Alliance, "around 6,054 poles" a month were built last year.

A total of 777,000 new energy cars were sold in 2017, up 53.3 percent year-on-year, according to statistics from the China Association of Automobile Manufacturers. The new energy category includes pure electric and plug-in gasoline-electric hybrids.

Xu Haidong, an assistant to the association's secretary-general, expected sales would grow at around 40 percent to exceed at least 1 million in 2018, although the growth rate of the car market would slow to around 3 percent year-on-year.

A survey by the China Automotive Technology and Research Center said that buyers of new energy passenger cars currently are well-educated residents in first-tier and second-tier cities, most of them aged between 30 and 40.

Anders Hove, a Beijing-based energy researcher with Columbia University, told the *Sydney Morning Herald* that the three goals of China's EV policy are: An "industrial strategy to dominate an emerging industry"; to reduce oil imports, because China has replaced the US as the largest oil importing country; and to improve public health in urban areas by reducing human exposure to exhaust emissions and secondary pollutants.

One way of doing that is to limit the number of license plates issued for conventional cars with tailpipe emissions.

In Beijing, for example, the annual quota for conventional license plates was more than halved last year, from 90,000 to 40,000.

The capital is among seven major Chinese cities to restrict license plates for conventional cars. Drivers can wait for years in an annual lottery to get one. But for those willing to get behind the wheel of an EV, the wait is just a couple of months, with some 60,000 license plates on offer.

While electric cars cost more than conventional vehicles, generous government subsidies have been making the prices more affordable.



Charging poles in Xi'an, Northwest China's Shaanxi province, on Jan 2. China has the largest number of electric vehicle charging points in the world.

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# Electric mobility charges ahead

Until January, it was expected that the country would further cut subsidies for new energy cars in 2018 and phase them out completely by 2020. The move, according to a Jan 18 report in *China Daily*, would accelerate the exit of uncompetitive players from the fast-growing sector.

However, Bloomberg reported on Feb 12 that the Chinese government is leaning toward retaining local subsidies for EVs. The newly amended policy was said to be in the final stages of discussions in order to sustain a rising demand for new energy automobiles in China.

China has been offering financial incentives since 2010 to stimulate the popularity of new energy cars.

In December, Bloomberg said the subsidies had cost the Chinese government 59 billion yuan by 2015 and cited estimates that it may need to set aside 83 billion yuan more for 2016 and 2017.

The Beijing Electric Vehicle EU400, with a range of 460 kilometers, sells for 135,000 yuan after government subsidy, a 90,000 yuan discount.

The Chinese government recently said it will ban gasoline and diesel

cars in the future, but unlike Britain and France, did not give a date.

More pressing for the traditional car industry, China will impose a new rule from 2019 that any carmaker producing or importing more than 30,000 cars must ensure that 10 percent are EVs.

The minimum quota rises to 12 percent from 2020. Carmakers can buy credits from competitors if they cannot meet the EV quota.

The move by the world's largest car market to mandate these vehicles could have global repercussions in lowering costs through mass production.

In May last year, Germany's Volkswagen (VW), the largest foreign automaker in China, and Anhui Jianghuai Automobile Group (JAC Motor) received approval from Chinese regulators to form a joint venture to make EVs.

The National Development and Reform Commission, China's top planning body, gave its approval to JAC and VW to build 100,000 pure battery EVs annually in a project worth 5.1 billion yuan, according to a JAC Motor stock exchange filing.

According to a Reuters report

in May, VW has pledged to rapidly develop a range of EVs as the Chinese government aggressively promotes the segment to combat intense smog in much of the country. The company already has joint ventures with China FAW Group Corp and SAIC Motor Corp.

The company previously said it aims to sell 400,000 new energy vehicles in China by 2020 to meet strict Chinese fuel economy and emissions regulations, with JAC Motor EVs coming in addition to that figure, Reuters reported.

EV showrooms and charging stations by Tesla are prominent in downtown Beijing, and the US brand will build its first offshore assembly plant in Shanghai. However, the premium market in the Chinese mainland is dominated by Chinese companies.

The ArcFox is the premium brand from Beijing Electric Vehicle Co (BJEV), which recently announced a \$4.5 billion plan for a stock exchange listing.

Spanish designer Walter de Silva, the former head of design for Volkswagen Group, was hired to design ArcFox models.

BJEV sales of EVs almost doubled

to 103,199 last year. Its major Chinese rival BYD, backed by billionaire US investor Warren Buffett, sold slightly more, and will open an assembly plant for electric trucks in Canada this year.

Auto startup companies and existing players are also forming alliances with leading tech firms to fast-track their entry into China's new mobility market. China's Ioniq Motors is teaming up with Microsoft to roll out the Ioniq Seven EV, while Japanese automaker Honda is working with Chinese Internet giant Alibaba to develop connected car technology aimed at Chinese consumers.

China produces two-thirds of the global supply of batteries for EVs. The boom in EVs is driving Chinese companies, including automaker Great Wall Motors, to invest in Western Australia's lithium mines.

Looking ahead to 2040, China is forecast to capture more than 40 percent of the world EV market, according to a recent report from the International Energy Agency.

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