Chinese Government New Energy Vehicle Sales Strategy

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GOVERNMENT GOALS AND INCENTIVES IN CHINA

- With massive pollution and scant domestic oil reserves, China has made going electric a top priority. The Central Government wants 3 (was 5) million "new energy vehicles" (NEVs) on the roads by 2020.
- In order to have access to subsidies, foreign automakers should develop NEVs with their Chinese joint-venture partners.
- The EV sales are spurred by government subsidies and permits:
  - Subsidies can reach up to 60% sticker price of a car/bus;
  - Exceptions from the lotteries for license plates in big cities.
  - CCG plans to gradually reduce the amount of subsidies by 20% annually from 2016 to 2020, planning to stop providing subsides after 2020.
  - Incentives/subsidies differ for companies and individuals (Individuals get more) (source)
Monthly NEV Sales Data from 2013--2017

NEV’S SALES IN CHINA: 2017
BEV V.S. PHEV

Belzowski, Bruce; Muniz, Sergio; Cu, Camille. - Electric Vehicle Platform Strategies by Chinese Automakers: What’s Going On in the EV Arena In China?
New Energy Vehicles (NEVs) Sales in China (Passenger Vehicles)

Source: EV Volumes

Belowski, Bruce; Muniz, Sergio; Cu, Camille. - Electric Vehicle Platform Strategies by Chinese Automakers: What’s Going On in the EV Arena In China?
Cost of plate in Beijing and Shanghai for NEVs ($15-$20 instead of $13K)
Shanghai: if you want to pay a large amount of money you can go through an auction instead of going through the lottery or if you don't win the lottery. That is where the $13K comes in.

Getting a NEV plate is easier in Shanghai: as long as you fulfill all the requirement. No need to wait in line or lottery.
Procedure:
1. Legal documents: Receipt for purchase, vehicle title, registration, tax-related paperwork, etc.
2. Apply for the plate at Motor vehicle quota examination department of the Municipal Transportation Commission (The application will be approved in approximately 7 business days)
NEV Purchasing Requirement in SH/BJ

1) Local resident or person with Residential permit
2) Have paid for the social security insurance for 1 continuous year (in the past 24 months) (5 Years for BJ)
3) Do not have any NEV in the city yet
4) With good social credits
5) Have a parking spot and a charging station

For Provinces (district, city) with a more complete charging infrastructure construction and a large scale of new energy vehicle application receive financial incentives.

In heavy pollution regions, financial incentives are provided when the region reaches production of NEVs equal to 2%, 3%, 4%, 5%, 6% of total vehicle production from 2016 to 2020.

For mild pollution regions, the goal is 1.5%, 2%, 3%, 4% and 5%.

For all other regions, the goal is 1%, 1.5%, 2%, 2.5% and 3%.
CONSUMER TAX EXEMPTION FOR NEW ENERGY VEHICLE PURCHASE

- Typical Tax: (vehicle price/1.17)*10%
- The purchase of new energy vehicles are exempt from the vehicle purchase tax from September 1 2014, to December 31, 2017
- 5 requirements to be in the tax exemption directory
  - BEV, PHEV, fuel cell vehicles with permit and sold in China.
  - Lead-acid batteries will not be accepted.
  - Driving range requirements
  - The combined fuel consumption of the plug-in hybrid passenger car (fuel consumption excluding electric energy conversion) should be less than 60 percent of the corresponding fuel consumption of traditional vehicle in national standard.
  - Pass the new energy vehicle special inspection and meet the new energy vehicle standards requirements.
POLICY PROBLEMS: INCENTIVES AND TIMING

Volume Requirements

2019

2020

Incentives

2015

2020
FINAL EV SALES POLICY

- 8-10-12%
- Will foreign companies be able to form their own separate EV companies?
- NEV sales and credit policy combine
## A Comparison of Subsidy for Passenger Vehicle

<table>
<thead>
<tr>
<th>Type</th>
<th>Endurance Capacity R (km) - 2017</th>
<th>10,000 yuan (1,600 USD) / vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>150≤R&lt;200</td>
<td>200≤R&lt;250</td>
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<tr>
<td>BEV</td>
<td>1.5</td>
<td>2.4</td>
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<td>PHEV</td>
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Subsidy per Vehicle = Subsidy Standard x Battery Power x Energy Consumption Adj. coefficient; Maximum amt. of Subsidy for battery: 1200 yuan/kWh

Source: Chinese Ministry of Finance
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