China electric vehicle market armenia

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China is the world"s biggest producer of electric vehicles (EVs) - and it"s growing. In 2022, the country accounted for 59% of global EV sales, according to data from the EV Volumes database, with sales of new EVs increasing by 82% from the previous year to reach more than 6 million[1]. China also dominates global production of EVs, accounting for almost two-thirds (64%) in 2022.

China"s current dominance in the EV market has deep roots. According to an analysis by the MIT Technology Review[2], in the early 2000s, the country realized that despite having a developed auto industry, it faced a near-impossible task in seeking to challenge the pre-eminence in making traditional internal combustion engine vehicles enjoyed by manufacturers from the US, Germany and Japan - the latter of which had also established a lead in hybrid vehicles.

China therefore took the alternative and high-risk approach of focusing on pure EVs. And it has paid off. In 2001, the government made EV technology a priority science research project in its five-year plan, which sets out the country"s high-level economic strategy. In 2007, Wan Gang, previously an engineer at Audi in Germany and a champion of EVs, was appointed minister of science and technology. Wan"s influence is seen by many as crucial in China"s consistent prioritization of EVs.

The Chinese government sees the EV industry as strategically important and has supported its development through a range of well-funded policy measures to boost both supply and demand. Between 2009 and 2022, it spent more than 200 billion yuan (US$ 28 billion) on EV subsidies and tax breaks[3]. Until 2022, for example, buyers of EVs could benefit from a reimbursement of up to 60,000 yuan (more than US$ 8,000). Many local governments continue to generously subsidize EV purchases[4]. And in 2023, the national government unveiled a four-year package extending tax breaks for EV buyers, worth 520 billion yuan (more than US$ 72 billion). EVs and other green cars will continue to be exempt from purchase tax in 2024 and 2025, with the rate halved for 2026 and 2027[5].

China"s government has also directly subsidized many domestic EV manufacturers - and continues to do so. An analysis by Nikkei Asia last year, for example, found that five of the 10 companies receiving the most in grants from the Chinese government in the first half of 2023 were local manufacturers of EVs or EV batteries. BYD Auto, China"s largest EV producer, received 1.78 billion yuan, while the state-owned company SAIC Motor received more than 2 billion yuan[6].

The national government is equally active in its support for innovation in the sector, providing procurement contracts to a range of nascent EV manufacturers to help them get up and running[7]. Initially, this strategy focused on public transportation. From around 2010, the government provided contracts for public buses, shuttles and other transport modes, helping the industry gain real-world test data as well as valuable revenue. Local governments in China have also offered incentives to EV manufacturers. Shenzhen, for example - the

first city to completely electrify its public bus fleet - maintains a close relationship with BYD. Research in 2016 found that the support of central and local governments had been "central to BYD's expansion"[8].

As well as financial support to the industry, the Chinese government has also prioritized and supported the development of the necessary infrastructure for EVs. The country has 1.8 million public EV charging points: that"s more than 14 times the number in the US[9], despite a population just four times larger. This coverage helps to reduce range anxiety, which can be a significant barrier to EV take-up among consumers. It has been achieved in no small part through state efforts.

The country"s State Grid is a significant provider of charge points and works closely with relevant authorities to make it easier for drivers to charge their vehicles.

In Jinan"s Laiwu district, for example, the Laiwu Power Supply Co - part of the State Grid - has invested in 75 charging stations and 280 piles, creating "10-minute charging circles" to provide peace of mind for EV owners[10]. The company says its efforts mean it is now possible for EV owners to apply to install residential charging facilities with "remarkable speed and convenience". Initiatives like this form part of a national drive to boost EV infrastructure, with a goal of reaching a ratio of one charging pile for every electric vehicle across the country by 2030.

"Efforts to boost 'new infrastructure' have been highlighted at many high-level meetings in recent years, and China has an urgent need for such efforts amid its green transformation push," one investment consultant told China Daily last year[11].

Vehicle licensing policies are also encouraging the growth of EVs. To combat pollution and congestion, several large Chinese cities restrict the issuing of license plates to ICE vehicles - with a lottery system used in Beijing and auctions in Shanghai. In contrast, it is much easier to get licenses for EVs: Shanghai will continue to offer free EV licenses in 2023[12], while of the 100,000 additional license plates available for Beijing last year, 70% were for EVs[13].

Alongside vehicle production, China has also established a world-leading role in the manufacture of EV batteries. With the battery typically accounting for about 40% of the cost of a new EV[14], the country"s focus on developing affordable technology in this field is now paying major dividends. Many Western EV makers initially favored lithium nickel manganese cobalt (NMC) batteries, which offer a longer range and higher performance. In contrast, Chinese companies have prioritized lithium iron phosphate (LFP) technology, which is cheaper and more reliable.

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