

# CHINA EV INSIGHT

THE MOST FASCINATING NEWS IN NEW ENERGY VEHICLE INDUSTRY

Brought to you by: SMM New Energy | Expertise in China New Energy

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## 1.POLICY

### **Government Unveiled the State Subsidy Policy**

The state subsidy policy was issued eventually on December 30th, which basically coincides with former web version. As a result, subsidy now is inseparably linked with battery energy density. Good news is subsidy's 20% decrease in 2018 was canceled.

What follows are new contents in the official version. To begin with, new national standard of power battery was introduced, which was aimed at improving safety, cycle life, charge-discharge performance of power battery. What's more, random spot checks on EVs will be carried out, and unqualified enterprises and its products will be removed from the Popularization Catalogue of Automobile Models( Catalogue). Third, for automobile model which caused security incident result from disqualified products, government will withdraw its subsidy funds and suspend the qualification depending on the consequences of incident. Last but not least, EV( work type special purpose vehicle is not included) purchased by non-individual consumer with accumulated mileage is less than 30,000 kilometers is not qualified for subsidies.

From what's new in the new subsidy policy, we could see the switch of government's attitude, they are trying to focus subsidy policies to leading enterprises with technical advantages.

### **The 5th Catalogue was released; 1-5 Edition Catalogue Shall be Reviewed**

MIIT announced the 5th Popularization Catalogue of Automobile Models on December 29th, where 493 automobile models of 95 automakers are listed in the directory. In addition, MIIT cleared out 4 automakers in the catalogue( Suzhou Kinglong, Henan Shaolin Bus, Shenzhen Wuzhoulong Motors, Chery Bus).

Later in January 8th, government informed that 1-5 edition catalogue shall be reviewed, and enterprises should submit their application according to new technical requirements in subsidy policy.

China EV industry is going to enter consolidation period in 2017, and products are intended to be further standardized.

## 2.MARKET

### **Cheers and Fears in Chinese Cobalt Market**

Recently, we have seen a sharp increase of cobalt price, SMM quotation for refined cobalt is RMB 275,000-280,000/mt so far, RMB 6,500 higher on a weekly basis. Driven by the ever-increasing cost from raw materials, cobalt raw material segments manufacturers had to keep raising their quotation without transaction supporting. While downstream buyers' fears was their clients do not accept the price till now. Taking overseas unstable political situation and domestic environmental inspection into consideration, we see that domestic cobalt supply is going to be in short while demand from EV market is expected to increase.

## 3.BUSINESS STRATEGY

### **Chinese Market Had More Than 517,000 New EV's Zooming in the Streets in 2016**

According to Chen Wang, deputy director of China Automotive Technology Research Center, overall sales in 2016 reached 517,000 units with that number in December exceeded 110,000 units. On the basis of the 13th Five-Year development program, future EV market development will be as follows according to SMM's forecasting.

Year	2017	2018	2019	2020
Stock (units)	1,600,000	2,400,000	3,500,000	5,000,000
Output (units)	600,000	800,000	1,100,000	1,500,000

### **Large Amount of Capital Poured Into Lithium-Ion Battery Industry for Manufacturers' Capacity Extension**

[Zhuoneng] Intended to raise RMB 150 million to invest in the construction of power battery project.

[EVE] Signed RMB 1 billion power battery cooperation agreement with Nanjing Kinglong.

[AVIC] Lithium-ion battery factory with investment amounted to RMB 1.567 billion will be put into trial production; Intended to Invest RMB 4.37 billion to construct 5GWh power battery production line.

[Shunda] Power battery automated production line with investment of RMB 500 million will be put into trial production.

[McNair] Intended to Invest RMB 5.0 billion to construct 8GWh power battery project.