

# CHINA EV INSIGHT

THE MOST FASCINATING NEWS IN ELECTRIC VEHICLE INDUSTRY

Brought to you by: SMM Electric Vehicle | Expertise in China Electric Vehicle

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## 1.POLICY

### ***New Policies Gave Welcome Fillip to Ternary Battery and Electric Logistics Vehicles.***

On December 2nd, MIIT revealed The Popularization Catalogue of Automobile Models(4th Edition) eventually, where electric logistics vehicles were listed officially for the first time. 238 special vehicles were listed in the 4th edition catalogue, among which logistics vehicle accounts for over 69%, indicating huge opportunity for future market. Nanjing Kinglong ranked first with 33 units listed in the catalogue, and Yutong ranked second with 16 units. Subsidy policy for special vehicles is expecting to be launched in the near future.

New catalogue's release will also encourage ternary battery's use since over 70% logistics vehicles were applied with ternary battery. Moreover, qualified ternary battery will be allowed in electric bus in case of next year. Thus, we can carefully predict that ternary battery and its relevant material( e.g. ternary material, ternary precursor ) will have strong demand in 2017.

### ***State Subsidy Policy is Expected to be Issued by the end of 2016. 2015 State Subsidy Fund Starts to be allocated.***

State subsidy policy still waited to be released though, according to official media, four major ministries MOF, MOST, MIIT and NDRC have confirmed 2016 subsidy policy recently. Subsidy fund will decrease largely, for bus may even decrease by 60%. Other subsidy requirements are mostly consistent to former version.

Good news is that 2015 state subsidy fund has started to be allocated. According to circular of Zhongtong Bus on December 12th, it has received 2015 state EV subsidy fund amounted to 2.036 billion yuan, relieving its financial pressure effectively. In addition, Nanjing Kinglong is said to receive subsidy fund either. Undoubtedly, subsidy is the biggest gift for China EV industry at the end of 2016.

*MOF: Ministry of Finance; MOST: Ministry of Science and Technology; MIIT: Ministry of Industry and Information Technology; NDRC: The National Development*

## **SMM COMMENTS:**

Key Policies piles in recently. Logistics vehicle and ternary battery will largely benefit from new subsidy regulation and energy density qualification.

## 2.MARKET

### ***Capacity Surplus of Ternary Precursor May Appear in 2017.***

Domestic ternary precursor manufacturers are expanding their capacity. According to SMM's first-hand research, many manufacturers face capacity shortage owing to strong demand of downstream clients, and major players even out-source their productions.

Construction period for production line is about 6 months, including equipment commissioning of 1-2 months. China capacity of ternary precursor is about 118,900 ton with output of 67,000 in 2016. Given that existing expansion plan of major manufacturers were fully completed, capacity will reach 163,900 ton by 2017, which can support over 90 GWh output of li-ion battery. However, we predict that demand for battery will be less than 80 GWh in 2017, thus, we can make a careful conclusion that surplus will probably appear in 2017.

## 3.BUSINESS STRATEGY

### ***Power Battery Manufacturers Have Taken Actions to Expand Capacity.***

As we mentioned before, 8GWh annual production capacity new policy have caused a panic. Recently, some manufacturers have started capacity expansions to qualify for ever-tougher capacity requirement. Below are representative cases in recent two weeks.

[Jiangsu Lixin] 3 billion yuan was invested to build power battery and energy storage program. 4 GWh capacity is expected in 2017.

[BYD] Capacity expansion of 6 GWh power battery in its Shenzhen Kengzi production base is in progress, which is intended to be completed next year.

[Camel group] 2 GWh capacity project is put into operation in Xiangyang with a total investment of 2 billion yuan. As phase two of the project, 2 GWh capacity was planned to be built next year.

[Tianneng Group] Annual output of 5 GWh lithium battery project was put into operation successfully. Tianneng owns 3 GWh capacity now, so it's expected to reach 8 GWh annual capacity in future.

## **SMM COMMENTS:**

Battery manufacturers who have capital strength will fasten their capacity construction to meet policy requirements. However, manufacturers who lack capital support will face serious challenge, and they will be in need for M&A opportunity.