

# China's dream of electric car leadership elusive

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A woman demonstrates BYD's new charging and discharging technology on a BYD e6 electric car during the 2012 Beijing International Automotive Exhibition in Beijing, China, Monday, April 23, 2012. (AP Photo/Alexander F. Yuan)

(AP) -- China's leaders are finding it's a lot tougher to create a world-beating electric car industry than they hoped.

In 2009, they announced bold plans to cash in on demand for clean vehicles by making China a global power in electric car manufacturing. They pledged billions of dollars for research and called for annual sales of 500,000 cars by 2015.

Today, Beijing is scaling back its ambitions, chastened by technological hurdles and lack of buyer interest. Developers have yet to achieve

breakthroughs and will be lucky to sell 2,000 cars this year, mostly taxis. The government has hedged its bets by broadening the industry's official goals to include cleaner gasoline engines.

The government has repeatedly changed targets because the "technology isn't advancing quite as fast as people had hoped," said Joe Hinrichs, Ford Motor Co.'s president for Asia, at this week's Beijing auto show.

The government has yet to lower sales goals that ramp up to 5 million vehicles a year by 2020. But officials including Premier Wen Jiabao started acknowledging last year that progress was slow and developers need to improve quality instead of rushing models to market.

About 13,000 all-electric and other alternative [energy vehicles](#) are being tested in 25 cities, but that is "still small despite government subsidies," the deputy director of the Ministry of Science and Technology's electric vehicle bureau, Zhen Zijian, said in March, according to the business magazine Caixin.

China's most advanced developer, BYD Co., in which American investor Warren Buffett's Berkshire Hathaway Corp. owns a 10 percent stake, says its electric e6 sedan can travel 300 kilometers (190 miles) on a charge, similar to Western models.

BYD has sold 300 taxis and 200 electric buses used in the southern city of Shenzhen, a center for business and technology near Hong Kong, according to Henry Li, general manager of its export division. BYD has invested heavily in research and has thousands of engineers working on battery and motor technology.

"We think our EV (electric vehicle) platform is one of the most advanced in the world, and our capability for mass production is quite high," Li said.

But as for the rest of the industry, "there are not many manufacturers with really reliable or commercialized products," he said.

Chinese leaders saw [electric cars](#) as a way to curb demand for imported oil, which they regard as a strategic danger, and to help transform China from a low-cost factory into a creator of profitable technology.

"China has run up against the same technical obstacles as anyone else," said Michael Dunne, president of Dunne & Co. Ltd., a Hong Kong-based industry researcher.

"They said: Hold on, maybe we shouldn't marry ourselves to electrics just yet. Let's look at the alternatives. Maybe we have to take an incremental approach, just like everyone else," Dunne said.

Wary consumers have been put off by news reports of batteries in Chinese-made cars catching fire. A lack of charging stations is causing "range anxiety" - fears a car might run out of power, leaving the driver stranded.

Under the Communist Party's latest five-year development plan for China's economy, issued in 2011, the government has released guidelines for other industries but not for alternative vehicles - a possible sign officials have gone back to the drawing board.

Developers were encouraged last week by a Cabinet statement that repeated support for electric vehicles. But it also called for work on developing non-plug-in hybrids and energy-saving internal combustion engines.

"The momentum has been slowed down," said John Zeng, chief of Asian forecasting for LMC Automotive, a research firm.

"They don't expect the EV or hybrid can be the only way for China to maintain its future sustainable mobility," Zeng said. "They think they need multiple initiatives to achieve that target."

Plus, gasoline and diesel technologies are advancing, luring consumers with the promise of lower operating costs.

The government launched research into electric, fuel cell and other alternative power sources in 2001. It followed in 2004 with a plan to create a competitive electric car and promised financial support to developers.

Automakers responded to Beijing's enthusiasm. General Motors Co. announced plans in 2007 for a \$250 million alternative fuel research center in Shanghai. Germany's Daimler AG teamed up with BYD to create an electric car joint venture dubbed Denza. They unveiled a display version of its first model this week at the Beijing auto show.

China's initiative prompted some in the United States and Europe to worry they might fall behind in a key technology. An assistant U.S. energy secretary, David Sandalow, visited Beijing in 2009 and warned China had "the potential to be ahead" if the United States failed to invest in development.

Beijing's 2009 plan called for world-class electric cars by this year, followed by trucks and buses. To encourage buyers, the government started paying buyers rebates of up to 60,000 yuan (\$8,800) per car the following year in five cities including Shanghai.

But Wen, China's top economic official, expressed frustration at the slow pace of development in an article published last July.

"We are no match for developed countries in technology," Wen wrote in

Qiushi, the ruling party's main theoretical journal.

"We've only just begun in electric car development," the premier wrote. Wen said Chinese leaders shared in the blame: "We have not set clear enough goals of which way to go."

Beijing strained relations with the United States and other trading partners by rolling out rules limiting access to its auto market unless foreign developers shared technology to Chinese partners.

Daimler has said it formed its venture with BYD not due to official pressure but because it wanted to create a low-cost brand for China. Daimler said their car, due to go on sale next year, should have a range of 200-250 kilometers (125-155 miles) on one charge.

Other manufacturers such as Nissan Motor Co., maker of the electric Leaf, and General Motors Co. have chosen to pay the higher taxes required to import electric and hybrid vehicles rather than disclose expensive know-how to Chinese partners that might become rivals.

GM is taking orders for its all-electric Volt in China but expects limited sales due to a relatively high price of 498,000 yuan (\$79,000).

"It's expensive in China at the moment because of import duties, and we don't qualify for incentives," said Kevin Wale, president of GM China. "But we still think it's important that we demonstrate its capabilities here in [China](#)."

Chinese producers have unveiled a series of display models of electric and hybrid cars, some sprouting tiny solar panels or wind turbines for recharging, though most say they are not ready for mass-market sales.

LMC Automotive's Zeng said that aside from BYD, which has spent

heavily on development, most have done only the minimum required to qualify for research grants.

"I think it's more to create a PR bubble or fight for government subsidies," he said.

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