

China's CATL to build first EU electric car battery plant in Germany

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BMW is to buy nearly \$5 billion worth of batteries from CATL

Chinese firm CATL will build a battery factory in central Germany to supply the country's key auto industry in its transformation toward electric cars, an investment hailed Monday by Chancellor Angela Merkel

as a "new step" in Sino-European cooperation.

The factory will be the only such manufacturing site in all of Europe, noted Merkel at a press conference with Chinese Prime Minister Li Keqiang following talks involving both countries' cabinets.

"It is therefore of course a qualitative new step for a Chinese company to come here with technology that we don't have in Europe at the moment," she said.

One of the world's largest battery cell producers worldwide, Ningde-based CATL is listed on the Shenzhen stock exchange and already supplies large Chinese car firms like Saic Motor and Geely.

The firm's new factory will be based at Erfurt, in Thuringia, making the site "one of the most important European locations for battery technology," regional economy minister Wolfgang Tiefensee told news agency DPA.

Industrial workers' union IG Metall also hailed the deal, which it said could create around 1,000 new jobs in the high-tech sector.

Earlier Monday, luxury carmaker BMW had already announced that it had struck a 4.0 billion euro (\$4.7 billion) deal to buy batteries from the Chinese giant, with 1.5 billion euros worth of sales in Germany and 2.5 billion in China.

BMW said the Chinese battery manufacturer would supply the cells for the electric Mini and for BMW's upcoming "iNext" electric limousine, slated for production from 2021.

"CATL has the know-how needed to produce at scale... we haven't had this know-how in Europe so far," said BMW purchasing chief Markus

Duesmann.

Low-energy Europe?

Politicians, industry leaders and worker representatives have frequently mooted a homegrown German option for battery production, but massive car parts supplier Bosch shied away earlier this year, calling it too risky an investment.

And calls from the European Commission last year to create an "Airbus of batteries"—referring to the success of the pan-European firm—have thus far shown little effect.

Merkel said the Chinese investment did not rule out the possibility that German companies could one day develop a competitor.

But pending the lack of homegrown companies, it is better for foreign investments to be made in Germany than elsewhere, added Merkel.

Carmakers are squeezed both by looming stricter European Union targets to reduce greenhouse gas output and years of scandal over cars built to cheat diesel emissions tests.

German firms have been hard at work lining up their supply chains to produce massive volumes of electric vehicles, hoping to solve both problems at a stroke.

While they work on motors and other components, top of the to-do list has been striking deals with battery makers and securing supplies of raw materials for the cells, especially cobalt.

BMW's Duesmann said the firm was investing 500 million euros in supplies of the mineral, which is often mined under poor conditions

including child labour in Africa.

"We buy the raw materials ourselves and then make it available to the parts supplier," the car executive said.

In a sector dominated by Asian firms, CATL and Panasonic, allied with California-based Tesla Motors, are slugging it out for the world's battery top spot.

As well as BMW, Mercedes-Benz maker Daimler is also weighing a deal with CATL according to German business daily Handelsblatt, while Volkswagen already has contracts with the Chinese firm as well as with South Korea's Samsung and LG.

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