

China's drive for 'green' cars hits roadblocks

18 January 2012, by Bill Savadove



A man looks at a Volvo V60 electric car displayed at the Shanghai Auto Show in Shanghai last April. Car makers are struggling to sell environmentally friendly vehicles in China, even as Beijing pumps billions into clean energy.

Foreign and domestic car makers are struggling to sell environmentally friendly vehicles in China, the world's largest auto market, even as Beijing pumps billions into clean energy.

China wants five million "new energy" vehicles on the streets by 2020 to ease chronic pollution and reduce reliance on oil imports, but high prices, lack of infrastructure and consumer reluctance are creating major roadblocks.

The number of electric and hybrid vehicles currently in the country is tiny at about 100,000, mostly in government fleets, according to an industry estimate.

A salesman at the main Shanghai showroom of Chinese [car maker](#) BYD said the dealer sold only one electric car and two [hybrid cars](#) -- which combine a conventional [internal combustion engine](#) and an electric motor -- last year.

BYD, which is backed by US investment titan Warren Buffett, launched a fully electric vehicle for private buyers in October priced at 370,000 yuan (\$60,000), though subsidies cut the cost by at least 16 percent.

"People hesitate to choose cars with a high price," said BYD sales manager Zhang Jiankun. "Although the government can provide subsidies for alternative-energy cars, the lack of charging stations is a main concern."

China had an estimated 243 charging stations at the end of 2011, but Beijing plans to invest 100 billion yuan over the next 10 years to build up the new-energy vehicle sector as a whole, focusing on electric models.

Foreign [auto makers](#) are also promoting the new technology in China.



A worker cleans a Toyota Hybrid Prius displayed at the Shanghai Auto Show in April 2011. Car makers are struggling to sell environmentally friendly vehicles in China, even as Beijing pumps billions into clean energy.

US giant General Motors imported its first Chevrolet

Volts into China in December and will begin selling the hybrids in early 2012 at 13 dealerships in eight cities.

But the Volt could suffer a potential image problem even as sales get under way in China as the vehicle faces a US government probe after damaged [lithium batteries](#) caught fire following crash tests.

GM says it has addressed the safety issue by reinforcing the battery.

The company is also developing a separate electric vehicle with its Chinese partner, domestic auto giant SAIC Motor, which itself launched five new energy vehicles in November.

"It seems every major company has its own electric-vehicle programme," Ray Bierzynski, executive director for electrification strategy of GM China, told reporters last year.

China overtook the US to become the world's top [auto market](#) in 2009 and is increasingly important for global players as economic turmoil hits demand in developed markets.

But the push for clean-energy cars comes as China's overall sales slow. Auto sales rose just 2.5 percent to 18.51 million units last year, compared with an increase of more than 32 percent in 2010.



Drivers get stuck in traffic in Beijing on a "Car Free Day" in 2010. Car makers are struggling to sell

environmentally friendly vehicles in China, even as Beijing pumps billions into clean energy.

China had hoped to vault its car companies into the top ranks of electric-vehicle producers but in recent months has reconsidered that strategy given the technological lead of foreign firms, and is now focusing more on hybrids.

The government is keen to build up its domestic auto industry so it has slapped import tariffs on some US passenger cars and sports utility vehicles, and said it would "withdraw support" for foreign investment in the sector.

"At the beginning the objective was, literally, to leapfrog. They have realised this is far too over ambitious," said Klaus Paur, director for automotive analysis at market research agency Ipsos in China.

"Currently, the government is re-visiting the strategy on (fully) electric vehicles. This is why they push more into the hybrids," he said.

However, one industry executive said the move did not indicate a "dramatic shift" in China's commitment to electrification.

"As we move down that path, there's a more realistic view of how quickly people can move and how some of the challenges can be addressed," Kevin Wale, president and managing director of GM China Group, told reporters.

The challenge includes building the infrastructure for charging batteries and convincing consumers to trust the technology. China has set up 15 pilot zones for electric vehicles across the country to this aim.

But in a country where car culture is only two decades old and fuel prices are controlled by the government, flashy luxury brands carry more appeal.

"To me, the performance of a car is the top priority, including how powerful it is," said marketing manager Gu Jiahuan, who is shopping for a car.

"Alternative-energy cars are not mature enough.
And pure electric cars cannot go very far."

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