

# Volkswagen, China's JAC in talks to make electric cars

7 September 2016, by David Mchugh And Joe Mcdonald



In this Oct. 5, 2015, file photo, the VW sign of Germany's Volkswagen car company is displayed at the building of a company's retailer in Berlin. Volkswagen Truck & Bus, an arm of the German automaker Volkswagen, is buying a minority stake in Navistar. The two companies also said Tuesday, Sept. 6, 2016, that they will enter a procurement joint venture that will help source parts for both businesses. (AP Photo/Markus Schreiber, File)

German automaker Volkswagen said Wednesday it is in talks about forming a joint venture to develop electric vehicles with China's Anhui Jianghuai Automobile, or JAC.

The move is part of Volkswagen's new push into electric vehicles after its reputation was damaged by a scandal over [diesel vehicles](#) rigged to cheat on emissions testing. Volkswagen aims to come up with 30 new models over the next ten years.

Electric vehicles so far are not a major part of the global car market. But companies are working on them in hopes that battery range will improve, and to meet tougher emissions standards.

Volkswagen said it had signed a memorandum of understanding Tuesday with Jianghuai to evaluate

the possibility of joining forces. No financial details were disclosed.

The announcement also follows Chinese government policy changes to spur electric vehicle development. Communist leaders see [electric vehicles](#) as an opportunity for China, the biggest auto market by number of units sold, to seize a leading role in a fledgling industry with no established competitors.

Beijing said last year automakers will be allowed to create separate electric vehicle brands that will face less complex ownership and other regulations than traditional internal combustion manufacturers. That has allowed a flurry of Chinese technology companies with no auto background to obtain licenses to build electric cars.

"They want to raise the technical capabilities of the sector and for that they want better-quality players to enter the sector," said Namrita Chow, an analyst with IHS Automotive.

Chinese buyers have been put off by the limited travel range of electrics and reports of batteries catching fire. But the government is trying to encourage sales by offering incentives, including exemption from sales taxes and quotas on new license plates.

Jianghuai is little-known abroad but ranks No. 9 among auto brands in China in total number of cars and SUVs sold. The company already sells an all-electric sedan, the iEV.

Demand in China for all-electric models is modest but Jianghuai said iEV sales in April, the latest month reported, rose 400 percent to 2,331 vehicles. First quarter sales were 4,410 units.

Jianghuai's total sales of cars, trucks and SUVs in the first seven months of 2016 rose 11.4 percent over a year earlier to 370,000 units, according to

the China Association of Automobile Manufacturers, an industry group.

"Jianghuai already is quite a player in China," said Chow.

The company announced an agreement in April to provide manufacturing for NextEV, a startup electric car brand backed by Chinese technology companies. The first cars are due out next year.

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