China’s New Energy Vehicle Policy

- China’s National Development and Reform Commission (NDRC) released an updated policy last week.
- Combined with existing policy, the government is seeking to foster an investment climate for electrified vehicles.
- Being a leader in the production and sale of EVs may also provide a long-run global competitive advantage.

China’s NDRC, the major policymaking arm of the government, announced today that it seeks to refine its policy regarding new energy vehicle production and investment.

- The NDRC statement indicated the government will eliminate the 50% cap on foreign company ownership for “new energy vehicle” firms at the end of this year.
- The timeline targets 2022 as the date when foreign ownership limits are eliminated for all types of commercial and passenger vehicle manufacturers.
- China will also scrap all foreign ownership limits in the ship and aircraft manufacturing industries in 2018, according to the NDRC statement last week.

The rule change may give way to a Tesla wholly-owned plant in China. At the same time, China’s central government and provinces continue to support the development of new energy vehicles among domestic firms in multiple ways.

- On the demand side, EV buyers are exempt from paying sales tax. For a buyer of Nio’s ES8, the 17% VAT tax exemption could amount to as much as $11,000. This is scheduled to remain in effect until 2020.
- EV buyers are also handed a subsidy for their EV purchase, which in 2017-18 is an estimated $7,000 for a BEV and about $4,000 for a PHEV.
- Cities like Shanghai and Shenzhen match this subsidy up to 50%.
- Buyers are also exempt from paying license plate fees which in Shanghai can be as high as nearly $16,000.

Thinking Big and Plotting Out A Long-Term Strategy

- China’s central, provincial and city governments, as well as the new energy vehicle industry players, are aligning policies to promote the transition away from conventional gasoline and diesel powered vehicles.
- They see the future of their environment, and employment base, tied to pollution reductions in the transport sector.
- Government leaders recognize that merely substituting coal powered electrified vehicles for gasoline and diesel powered vehicles is wholly inadequate.