

In electrification race, VW launches mammoth bet at IAA car show

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Volkswagen's ID 3 electric car is a big bet on the future of auto trends, as VW has invested tens of billions of euros in a broad range of electric vehicles

With a new electric car and range sporting a spruced-up logo, German car giant Volkswagen enters the Frankfurt IAA car show hoping bets

worth tens of billions of euros will pay off.

The new model, known as ID.3, is the highest-profile response from Germany to strict new European carbon emission limits and to battery-powered competition from the US and China.

In an interview Tuesday, chief executive Herbert Diess told AFP that VW is "very sure that it will work".

"It's the first electric car coming to customers that has characteristics that will make it very hard to turn down," he added, namechecking a roomy interior, fast charging and an "attractive" price at 29,900 euros (\$33,000) for the base model.

Alongside the ID.3 is a new, more streamlined logo set for rollout across Europe and then the world, in VW's first brand update since 2012.

"The car for the new era is here," Diess said at the unveiling late Monday.

With ID.3 and its attendant range, "they can catch up the shortfall in electric mobility," said industry expert Stefan Bratzel of the Center of Automotive Management—adding that "it has to be a success".

The moves mark a new stage in the Wolfsburg-based behemoth's efforts to regain respectability after years of scandal.



VW chief executive Herbert Diess unveiled the new model, known as ID.3, saying "the car for the new era is here"

In 2015, VW's admission to installing software to cheat regulatory emissions tests in 11 million vehicles worldwide inflicted massive reputational damage.

It was the biggest industrial debacle in post-war German history.

Future platform

But while "dieselgate" has so far cost VW more than 30 billion euros (\$33 billion), it has also become a "catalyst for electric mobility" at the firm, Bratzel said.

A slew of future cars will be based on the battery-powered platform known as "MEB" that underpins the ID.3.

VW is introducing the technology just as tougher new European emissions regulations enter into force.

From 2020, manufacturers' fleets must produce on average less than 95 grammes of carbon dioxide (CO₂) per kilometre.

Breaching the limit means fines of 95 euros per excess gramme, multiplied by the number of cars sold in the European Union.



Pressure from environmentalists and EU regulations has spurred VW to target sales of one million "zero-emission" vehicles per year by 2025

VW hopes to sell one million so-called "zero emission" vehicles per year by 2025.

More than 30,000 people have already pre-ordered a more expensive first edition of the ID.3.

But the broader German market is less encouraging.

Battery-powered vehicles make up just two percent of sales, while only 16 percent of Germans planning a car purchase would choose an electric car, according to a poll for energy firm EON.

"The years 2020 and 2021 will be an especially significant challenge" to meet emissions requirements, the chief executive of Mercedes-Benz parent Daimler Ola Kallenius told journalists at the IAA Tuesday.

SUVs cover costs

For now, electric cars are more expensive to build, as numbers aren't yet large enough to achieve economies of scale.

"In the medium term, there isn't any money to be made in electric cars," said Ferdinand Dudenhoeffer of the Center Automotive Research (CAR).



For now, electric cars are more expensive to build than those which use petrol, as numbers aren't yet large enough to achieve economies of scale

"By 2023-24, battery production capacity will be available in Europe and prices will fall," he predicted.

Kallenius said Daimler was "building battery factories on all continents".

And VW aims to scale up as quickly as possible by agreeing to licence its MEB technology to Ford.

Meanwhile many manufacturers are going through belt-tightening programmes including job cuts to lift profitability.

And car sales are running out of steam, especially in the vital Chinese market.

Those factors combined rule out stopping production and sales of large, popular SUV models—highly profitable but also high on the hit list of environmentalists and city planners looking to slash space accorded to cars.

VW has launched an "SUV offensive" that will bring its offer in the class to 30 models by 2025, from 11 at present—some of them battery-powered.

"The money we'll earn from SUVs will allow us to face up to the future," Volkswagen brand chief Ralf Brandstaetter forecast.

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