

VW spending \$2.2B to expand in China's electric car market

May 29 2020, by Joe McDonald



In this Tuesday, April 16, 2019, file photo, Volkswagen unveils a concept electric SUV, the whimsically named ID. ROOMZZ during the Auto Shanghai 2019 show in Shanghai. Volkswagen says Friday, May 29, 2020, it will spend 2 billion euros (\$2.2 billion) to expand its presence in China's electric car industry in the biggest foreign investment announced since the country shut down to fight the coronavirus. (AP Photo/Ng Han Guan, File)

Volkswagen is spending 2 billion euros (\$2.2 billion) to expand its presence in China's electric car industry in the biggest foreign investment announced since the country's economy began to reopen following the coronavirus pandemic.

Volkswagen AG said Friday it will buy control of its electric vehicle venture with a Chinese partner in a 1 billion euro (\$1.1 billion) deal. The German automaker said it would spend another 1 billion euros (\$1.1 billion) to become the biggest shareholder in a battery producer.

The ruling Communist Party scrapped limits on foreign ownership of electric vehicle makers in 2018 to promote industry development. Beijing sees [electric cars](#) as a profitable technology where China can become a global leader.

China accounts for about half of global electric car sales but demand has slumped as Beijing wound down multibillion-dollar subsidies and shifted the burden to automakers by imposing sales quotas. Sales of pure-electric and gasoline-electric hybrid models fell 43.4% in the first four months of this year from a year earlier to 205,000 vehicles.

VW, General Motors Co., Nissan Motors Co. and other brands are spending heavily to develop models that can compete on price, range and features without subsidies.

Beijing announced in April that subsidies to buyers and producers that were due to end this year would be extended through 2022 to support sagging demand.

Volkswagen said it will acquire 50% of Jianghuai Automobile Group, the parent of its electric vehicle partner, JAC Volkswagen, and expand its stake in JAC from 50% to 75%. It said the transaction is expected to close this year, subject to regulatory approval.

"By gaining management control, Volkswagen is paving the way for more electric models and infrastructure," the company's announcement said.

VW said it also was acquiring 26% of battery supplier Gotion. The company said that made it the first global automaker to invest directly in a Chinese battery producer.

GM, Nissan, BMW AG and other automakers also have joint ventures with Chinese partners to develop lower-cost electric models.

Tesla Inc. is the first foreign brand to set up a wholly-owned venture in China. Its Shanghai factory delivered its first electric sedans to customers in January.

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Citation: VW spending \$2.2B to expand in China's electric car market (2020, May 29) retrieved 19 April 2024 from <https://techxplore.com/news/2020-05-vw-22b-china-electric-car.html>

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