

LG, Honda to set up US joint venture to make EV batteries

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Honda and LG Energy Solution expect construction of the plant to begin next year.

Major South Korean battery maker LG and Japanese automaker Honda are investing \$4.4 billion in a joint venture in the United States to

produce batteries for Honda electric vehicles in the North American market, the two companies said Monday.

The plant's site is still undecided, but construction will begin in early 2023, with mass production of advanced lithium-ion battery cells to start by the end of 2025, they said. It's likely to be near Marysville, Ohio, or Greensburg, Indiana, where Honda has huge factories that make its most popular models such as the Accord, CR-V and Civic.

The joint venture is to be set up this year, with the closing of the deal subject to regulatory approval.

"Our joint venture with Honda, which has significant brand reputation, is yet another milestone in our mid- to long-term strategy of promoting electrification in the fast-growing North American market," said LG Energy Solution Chief Executive Youngsoo Kwon.

The plant will produce batteries exclusively for Honda vehicles assembled in North America, including the company's Acura luxury brand, according to a joint statement.

Honda's joint venture plant is part of a larger trend of automakers announcing U.S. battery factories as they try to establish a domestic supply chain for the next generation of vehicle propulsion. Ford, General Motors, Toyota, Hyundai-Kia, Stellantis and VinFast have announced plans for 10 U.S. battery plants.

A new U.S. law gives them even more incentive to build batteries in North America. It includes a tax credit of up to \$7,500 that could be used to defray the cost of purchasing an electric vehicle. But to qualify for the full credit, the electric vehicle must contain a battery built in North America with 40% of the metals mined or recycled on the continent.

"Honda is working toward our target to realize carbon neutrality for all products and corporate activities the company is involved in by 2050," said Honda Chief Executive Toshihiro Mibe.

LG, a leading manufacturer of lithium-ion batteries for electric vehicles and power systems, already makes them in joint ventures with U.S. automakers General Motors and Ford Motor Co., as well as South Korea's Hyundai Motor Group. The company is headquartered in Seoul, South Korea, but has operations across the world, including the U.S., China and Australia.

Demand for electric vehicles is expected to grow in the U.S. and many other nations because of concerns about climate change and pollution, as well as rising gas prices. All of the world's top automakers are strengthening their EV lineups.

LMC Automotive, a Detroit-area consulting firm, expects EVs to be 5.6% of U.S. new vehicle sales this year, rising to more than 36% by 2030. Globally, LMC says 8.6% of new vehicle sales will be electric this year, and that will jump to 33% by 2030.

Honda is working with GM to co-develop electric vehicles including a Honda and Acura SUVs. The Honda is expected to go on sale in early 2024, followed soon by the Acura luxury brand. Honda also has said it plans to make its own electric vehicles later this decade.

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