能源与交通创新中心
Innovation Center for Energy and Transportation

Clean Transportation Program

Brief, Sep 11

New Energy Vehicles Receiving National Re-Affirmation:
Will Innovative Market Creation Approaches be the Next Big Thing?

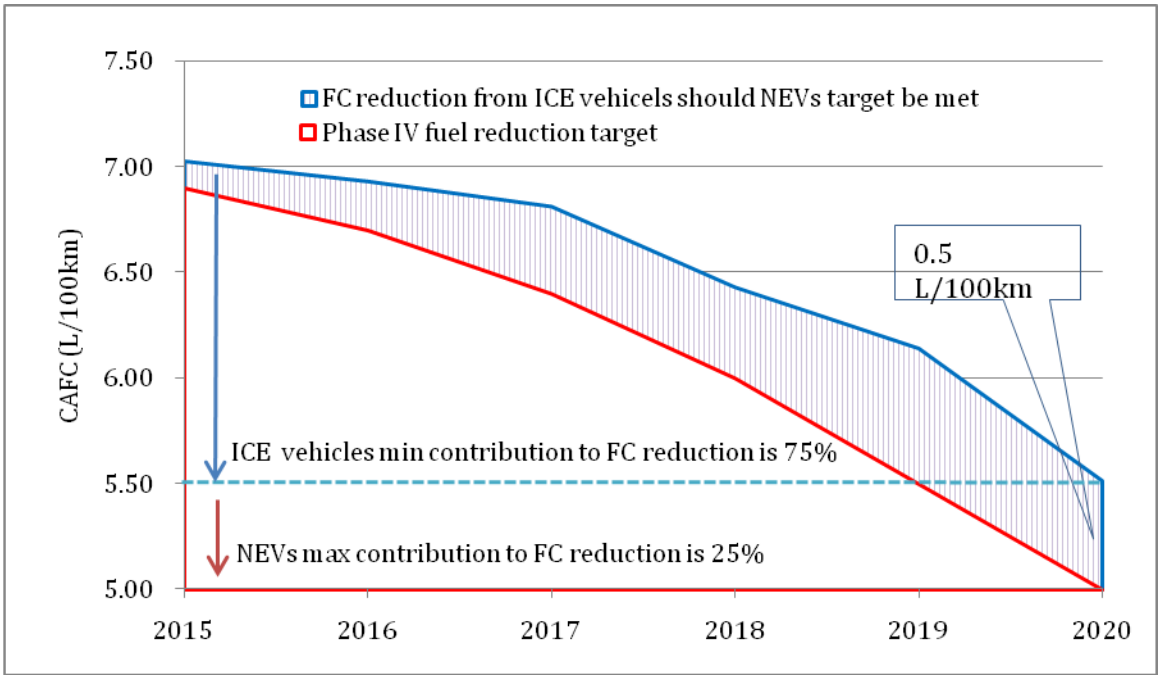
The State Council issued a new guideline for advancing the commercialization of New Energy Vehicles (NEV), laying out an extensive list of objectives to achieve by 2020. These objectives include vehicle sales as well as infrastructure and recycling targets, providing back-wind to industries that complement clean-vehicle production and sales. The announcement also calls for innovative approaches to help motivate production and consumption and re-affirms government support of NEV development and commercialization in the world's largest auto market. This goes beyond public-sector vehicle requirements, which accounted for the majority of vehicle sales to date. The most feasible solution for NEV commercialization, requiring a more robust business-case than that provided by local demonstration projects, has been identified by various local authorities as the development of government-led market-based programs.

In 2012, China announced a challenging target of the sale of 5 million NEVs by 2020. However, in 2013, NEV sales reached only 20 thousand vehicles, and in the first 8 months of 2014 sales only reached 22.8k. Recognizing some of the barriers for NEV demand, China exempted NEVs from import and purchase tax as of September 2014, incentivizing purchases of well-recognized global brands by potential early-adopters. This step is projected to not only assist in triggering demand for NEVs and potentially serving local brands down the road, but also in motivating infrastructure development as demonstrated by Chinese consumer initiatives and new agreements between importers and strong local players aimed at advancing the development and deployment of EV infrastructure. The Tesla and China Unicom partnership announced last week is an example of one of these agreements. Tackling yet another commercialization barrier, the MIIT abolished the protectionist local NEV approval lists paving the way for the national market growth of local brands, which until recently couldn't secure purchase benefits to potential clients in areas beyond their production geographies.

One innovative market encouragement approach the Chinese government is considering is the inclusion of NEVs into China's Corporate Average Fuel Consumption (CAFC) calculations. Should NEVs' cumulative sales reach 5 million units by 2020, annual production capacity would reach 2 million units, of which 1.6 million are passenger vehicles. iCET estimates this will contribute about 25% towards Phase IV CAFC reduction of the 1.9L/100km reduction

requirement between 2015 and 2020. Furthermore, the new fuel economy standard draft is allowing vehicle development in the first years of the standard period and requires more aggressive fuel consumption improvements in corporate production models towards the end of the period. This arguably enhances local capacity building and gives more time to the development of NEVs. These were among the topics discussed at iCET's Low Emission Vehicles and Fuel Economy China Stakeholders Engagement Workshop on August 15in Beijing.

ICE vehicles fuel consumption reduction towards Phase IV CAFC target, should NEVproduction targets be met



Source: iCET. China 2014 Annual Corporate Average Fuel Consumption Report

Another innovative market creation method currently under evaluation by the national government and local governments is the incorporation of trading programs in regulatory requirements. Bai Rongchun, Deputy Director of National Energy Standardization Committee and former Director of Industry Planning Division of the National Economic and Trading Commission, said in a recent auto sector multi-stakeholder engagement workshop: "…incentives and penalties should be integrated with fuel consumption management; meanwhile, the CAFC credit exchange can be designed along with carbon trade mechanism." iCET is currently working with the government of Shenzhen and the Shenzhen Low-Carbon Development Foundation on the evaluation of California's ZEV credits scheme and trading programs and an assessment of its suitability to the case of Chinese cities.

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