

China's electric car market is growing twice as fast as the US. Here's why

Domestic carmakers showcased seven out of 10 new energy vehicles at this year's Beijing Auto Show

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When it comes to electric vehicles (EVs), China might just have the upper hand, with domestic carmakers showcasing seven out of 10 new energy vehicles at this year's Beijing Auto Show.

A total of 1,022 models are on display at this year's event. Of that number, 174 are new energy vehicles including 124 made by Chinese companies.

Last year, 777,000 EVs were sold in China, up 53 per cent compared to 2016, so that is about 2.7 per cent of overall sales of 28,879,000 units sold in 2017, according to China Association Of Automobile Manufacturers (CAAM).

New Energy Vehicles sales (units)

	China	US	Global
2015	331,100	116,000	540,000
2016	507,000	160,000	773,600
2017	777,000	199,000	1,223,600
2018 est.	1,000,000	400,000	1,800,000

Source: CAAM, IEA, Statista, ev-volumes.com, Frost & Sullivan's SCMP

As a result of the strong growth in EVs, China, which is now the largest EV market in the world, has also seen a surge of start-ups focusing on building new energy cars.



Singulato Motor announced at the Beijing Auto Show that it has received new round of funding worth 3 billion yuan (US\$473 million) and has established a 10 billion yuan fund for EVs with the Suzhou municipal government for investing in related areas such as battery, engineering, motors and artificial intelligence.

The Chinese government has been at the forefront driving the switch to new energy vehicles, and it also wants to lead and dominate the EV market. In fact, the government wants EVs to account for 12 per cent of overall sales by 2020.



“They want to be leading the change, a bit like autonomous driving,” said Christian Meunier, Infiniti’s vice-president for global sales and marketing, in an interview at the Beijing Auto Show.

On the other hand, EVs still remain a niche market in the US and growth declined last year.

In 2017, nearly 200,000 electric cars were sold in the US, or about 1.2 per cent of the 17 million vehicles sold over the course of the year. The growth rate slowed down to 24 per cent in 2017 from 37 per cent the previous year.



Here's why sales of electric cars are rising in China:

Government subsidy

With China keen to reduce carbon emissions, the government has been offering subsidies to buyers of EVs of up to 110,000 yuan per unit. Recently, some revisions were made to its policy: subsidies were ceased for vehicles with a driving range of under 150 kilometres, while vehicles with 300km of driving range will continue to receive the current level of subsidies. Those with driving ranges of over 400km are entitled to even higher subsidies.

Charging network

The State Grid Corporation of China, the world's largest utility, said earlier this year that it planned to build 120,000 public charging stations for electric cars by 2020.

“Without the grid [charging infrastructure], EVs [sales] cannot grow,” said Meunier of Infiniti. “And when you have the grid [building the infrastructure] there’s no reason to come back to internal combustion engine.”

Cost

Since most electric cars sold in China are produced by domestic firms they have been able to keep their costs low and are able to price it competitively compared to petrol driven cars.

The most popular range of EVs sold in China is priced between 80,000 to 100,000 yuan, according Toliver Ma, an auto analyst at Guotai Junan Securities in Hong Kong, making it appealing to the country’s cost conscious buyers.

US buyers, meanwhile, tend to prefer sport utility vehicles and trucks that cost less than EVs. And lower petrol prices might put off drivers wanting switch to EVs, said Raymond Bierzynski, executive vice-president at Chery Automobile.