



Major Automotive Global Trends of May 2024

**On the background of
“Iron Swords” war
in Israel**

June 2024 Edition



Table of contents

1.Europe.....	3
2.USA.....	8
3.Japan.....	11
4.South-Korea.....	12
5.Global.....	14
6. Israel.....	18



1. Europe

The EU tends to join the US in imposing custom taxes on EVs imported from China

A day after the US administration announced that it intends to impose significant customs taxes on EVs and batteries made in China (see separate item), the EU seems to be making a similar move.

On May 16th, the newspaper Politico published an interview with the EU Trade Commissioner. In the interview, it was hinted that as part of the Commission's ongoing investigation into the suspicion of flood policy and subsidizing the export of EVs from China to the EU, which the Chinese government is using, the Commission is considering raising the existing custom tax on Chinese-made EVs from 10% to 25-30%.

The commission believes that the rate of the planned tax increase reflects the extent of the subsidy which, according to its claim, the Chinese government gives to the Chinese auto manufacturers that export to Europe. This opinion is also shared by UBS analysts, who wrote in a particular review on the subject that "An import tax of 25%-30% is reasonable". The bank analyzed the export of EVs from China to Europe last December and found that they enjoy a cost advantage of about 30% over the "Local" competitors in Europe. Therefore, the bank claims, "Imposing a tax at such a level is not a punitive but only a competitive line alignment".

The latest date the commission has declared to end the investigation is July 4th, and it is possible that the temporary taxing actions will be declared in June before the publication of the final results. However, it is still unclear whether the EU will decide to impose the taxes due to disagreements between leading



countries in the EU. France, for example, supports the taxing policy and has been a leading force on this issue.

In May, The Italian Industry Minister said, "The EU should follow the US and impose custom taxes on Chinese vehicles imported into Europe". According to him, imposing such taxes is inevitable, among other things, because Chinese manufacturers whose route to the US will be blocked may channel most of their export efforts to Europe. He called for forming a "Stronger" policy of the Union vis-à-vis China towards the European Parliament elections, held in June. It should be noted that this stance of the Italian minister is expressed despite the strengthening collaboration between the Stellantis group, based in Italy, and Chinese manufacturers.

On the other hand, Germany resolutely opposed imposing customs taxes, which it believed could lead to a trade war. The German auto industry has strong ties with China in manufacturing and exporting (particularly premium cars), so a trade war in which China takes reciprocal measures against Europeans in China is problematic for German manufacturers.

Justification for such concerns was given to the Germans on May 23rd when the Chinese trade chamber to the EU (a main lobbying body of the Chinese government) issued a "Warning" saying that the Chinese administration is looking into taking reciprocal measures against petrol vehicles and PHEVs that are exported from Europe to China.

According to this publication, the Chinese are considering the possibility of imposing a 25% tax on models with "Big engines" from 2.5 liters and upwards. The official reason is the "Chinese government's effort to reduce the average car emissions". However, commentators say this step is meant to harm the profitable export of premium and luxury cars from Europe, especially by German premium manufacturers. This threat is also meant to provide the



German government with an additional “Push” to exert its influence on the EU to prevent taxation.

The EU has finalized a plan to reduce emissions from heavy vehicles. All new urban buses will be ZE from 2035

Following a long series of discussions, the EU approved stringent standards for reducing CO2 emissions in trucks and buses after the EU Council approved them for regulation.

According to the final formula, all new urban buses sold in the EU starting at the end of 2034 must be ZE, and trucks from 2040 must be ZE.

The regulation states that manufacturers must decrease the average emissions of 7.5-ton trucks by 45% starting from 2030, by 65% from 2035, and by 90% from 2040. The reference point for the reduction is the emission threshold allowed in 2019.

In addition, starting in 2035, these regulations will also apply to “Professional” heavy vehicles such as garbage disposal trucks and construction trucks. Trailer manufacturers will also have to reduce trailer emissions by 10% until 2030, mainly through weight reduction and aerodynamic improvements.

The most significant regulation relates to new urban bus sales, of which 90% will have to be ZE by 2030 and 100% by 2035. These figures mean that in upcoming years, all bus manufacturers operating in or exporting to Europe are expected to cease developing new models with diesel engines and concentrate on electric propulsion.

It should be noted that hydrogen/fuel-cell models are included under the term “ZE buses.” However, apart from a few experimental projects, most



manufacturers have given up on the hydrogen option due to high costs and insufficient hydrogen infrastructure in Europe.

The industry estimates that the regulation will significantly increase the penetration of electric Chinese buses and trucks into Europe. This is due to low production costs and to the significant advantage of the Chinese manufacturers in this field. As far as it is known, the EU regulation for imposing customs taxes on EVs imported from China is not expected to apply to buses.

It should be noted that the European Parliament already paved the way for the new CO2 standards in April when it voted in favor of the proposal with a majority of 341 votes, 268 against, and 14 abstained. Still, in May, official approval of the council was also received. The new regulation will be published in the official journal of the EU and enter into force twenty days after its publication.

It should be noted that the new regulations focus on the time frame of 2030 onwards and, therefore, do not change the existing emission reduction targets. Among other things, the goal of reducing 15% of the emissions of heavy trucks weighing 16 tons or more by 2025 has not changed. In contrast, the reduction goal for 2030, which was 30% according to the previous regulation, has now been raised to 45%. The commission will review the effectiveness and impact of the revised regulation in 2027.

The only exceptions to which the regulation will not apply in the meantime are heavy vehicles for the mining, forestry, and agricultural industries, military and security vehicles, and emergency vehicles.

French government signs a “Framework agreement” with the auto industry and leading companies to significantly increase the manufacturing and selling of EVs in upcoming years



At the beginning of May, the French government signed a “Framework agreement” with the French auto industry, significant business groups, and workers' unions to significantly increase the penetration of EVs in the country in upcoming years.

According to the agreement, private EV sales in France will be accelerated to 800,000 units annually by 2027, four times the current rate in 2022. Electric LCVs in France are also planned to leap sixfold compared with 2022, to 100,000 units a year.

The “Sectorial strategy agreement,” as it is called in France, also states that 400,000 public charging points will be established along main traffic routes and in big cities by 2030, and 25,000 fast charging points will be established by the end of 2027.

The government didn't specify the budget for this plan but promised to “Continue supporting the buying and leasing of EVs”. According to news agencies, the initial government budget is 1.5 billion euros.

At the time of the signing, the French minister of the economy, Bruno Le Maire, said, "We have chosen to be a nation that is a major manufacturer of EVs...the development of the French EV industry is essential for the country's independence and to reduce its dependence on oil producers and large car exporting countries."

The move is intended, among other things, to produce a local alternative to EVs imported from China, whose sales in France have soared in recent years. The government has already taken containment measures to establish a link between the environmental subsidy given to EVs and broad ecological criteria related to the country that manufactures the vehicle, such as the emission attributed to the vehicle manufacturing process, the emission created during



the transportation of the vehicle, and so on. This regulation has effectively "Filtered" Chinese car manufacturers, whose primary production is based on polluting energy such as coal power plants.

However, the government emphasized that it will "Welcome the opening of new Chinese manufacturing plants in France". According to estimates, this remark was aimed at Chinese President Xi Jinping, who visited France in May.

Today, less than 20% of new cars sold in France are electric, and only 12% are manufactured in France. French President Emmanuel Macron set a target for EV manufacturers in France to produce two million electric or hybrid cars annually by 2030. That is compared with 1.5 million units a year of all types currently manufactured in France.

2. USA

The American administration announced heavy customs taxes on Chinese-made EVs starting in August

On May 14th, the Biden administration announced that it intends to impose customs taxes on a series of Chinese-made "Strategic products" imported to the US, aiming to "Defend local production from unfair trade tactics used by the Chinese government." These include aluminum and steel, cellular cells, cranes, medical products, and more.

The meaning of this for the auto industry is an increase of 100% in the custom tax imposed on EVs and batteries for EVs made in China. That is due to the claim that China is using anti-competitive tactics, and these steps are designed to protect jobs in the US and national security.



The White House said that the new taxes will affect the importation of 18 billion dollars worth of products from China annually, especially “Products in which China aims for global dominance or products that may harm industries in which the US has made significant investments lately.”

A week later, the US ministry of trade delegate revealed additional operational details regarding the move. According to him, the taxes on EVs will come into force on August 1st, 2024, while on other products on January 1st, 2025, and January 12th, 2026.

On August 1st, the custom tax on Chinese-made battery components will rise from 7.5% to 25%, on cars from 25% to 100%, and on complete lithium-ion batteries for EVs from 7.5% to 25%. The tax on semiconductors (chips) will increase from 25% to 50% on January 1st, 2025, and the tax on lithium-ion batteries for non-electric vehicles will rise from 7.5% to 25%.

The US Department of Commerce requested comments from the public and interested parties on issues such as the expected impact of the proposed tax increases on the US economy (including consumers). The comments can be submitted by June 28. However, it is doubtful that they will change the final decision.

American Secretary of Treasury Janet Louise Yellen said the Biden administration would not allow a return to the state in the early 2000s when Chinese importation cost 2.4 million American jobs.

The U.S. trade deficit with China has existed for decades. It is a sensitive issue in the current election campaign in the U.S. According to the US Bureau of Statistics, in 2023, the US imported 427 billion dollars worth of goods from China and exported only 148 billion dollars.



As expected, the move was met with a sharp verbal response from the Chinese side. The Chinese foreign minister said, "This is a typical example of American protectionism. Some people in the United States have lost their judgment to maintain the unipolar hegemony of the United States... The use by the United States of all the means at its disposal to suppress China does not prove that the US is strong, but that the US is confused and cannot solve its internal problems.... It cannot prevent China's development and rejuvenation, but it will motivate 1.4 billion Chinese to work harder".

The Chinese embassy in Washington stated that "The Chinese government will take all necessary measures to protect its rights and interests" and that the imposition of custom taxes "Will not only undermine the normal economic and commercial cooperation between China and the US but will also significantly increase the cost of products imported to the United States, increase the losses of American companies and cause American consumers to pay more."

US sales forecast for May: prices dropping, sales increasing accordingly, but still don't catch up with production rate

According to the monthly forecast of research company J.D. Power, in May, the total sales of new vehicles to private and institutional customers in the US are expected to total approximately 1.5 million vehicles, an increase of 2.9% compared with May 2023.

The predicted annual sales rate currently stands at about 16 million units, an increase of about half a million units compared to the rate indicated in May last year. Deliveries to private customers are expected to reach approximately 1.2 million vehicles, an increase of 4.4%. The company's researchers say that despite the ongoing recovery in deliveries, the industry's production rate still exceeds the sales growth rate, resulting in a rapid increase in inventories. The company estimates that in May, the amount of inventory at dealers in the US



amounted to approximately 1.8 million vehicles, an increase of 52.7% compared with May 2023.

At the same time, manufacturers' discounts are also increasing, and the average vehicle prices are gradually decreasing. The average cost for a new car sale in May was about \$45,000, a drop of about \$1,045, or 2.3% compared to May last year. Along with the prices, the average profit per transaction is also falling; in May, it was about \$2,471, a 31.5% drop compared to May 2023, which was still characterized by excess demand. The average discount for a new car was about \$2,640 in May, a sharp increase of 48.1% compared to May last year. Leasing sales to individuals totaled approximately 23.9% of all sales in May, a rise of 3.3% compared to the previous year.

3. Japan

The Japanese government is encouraging local auto manufacturers to collaborate on developing “Smart” vehicles

The Japanese government is determined to allow the local auto industry to catch up with the Chinese in developing and selling “Smart” vehicles, which can be redefined and updated by software after they have been sold.

In May, news agencies reported that the government had presented the auto industry to sell 12 million software-defined intelligent vehicles (SDV) in Japan and abroad by 2030. This was part of its national "Digital" strategy, in which the government encouraged the major Japanese auto manufacturers to collaborate.

The final goal is to allow the industry to capture a share of about 30% of the global smart vehicle segment and reach a leading position in areas such as AI and semiconductors for smart vehicles. Japan's Ministry of Economy, Trade,



and Industry presented the country's "Digital Transformation" strategy draft to auto industry representatives on May 20th. The strategy emphasizes the development of new means of transportation, such as software-defined vehicles and autonomous taxis.

The Japanese government believes that local car manufacturers' efforts in this developing field will affect their future competitiveness against players such as Tesla, which already dominates the field, and against Chinese manufacturers. The Japanese government's plan also sets a goal of 19 million "Smart" vehicle sales by 2035.

To support the market's development and expansion, the government encourages local car manufacturers to collaborate and issue joint patents in areas such as car chips, programming interfaces, applications that connect software and car systems, virtual simulation, generative AI, cyber security, and high-resolution 3D maps for autonomous driving and sensing technology.

As part of the initiative, the government also announced plans to present a new framework for recruiting and training the industry workforce. It seeks aid from large industrial manufacturers and start-up companies outside the auto industry to train engineers in relevant fields.

4. South-Korea

The Koreans are worried about the side effects of taxes and restrictions on importing EVs equipped with Chinese-made components

The South Korean auto industry and the Korean government are still examining the repercussions of the US administration's decision to impose taxes on Chinese-made vehicles and vehicles equipped with Chinese-made batteries



and components. However, in the meantime, the country's media are already expressing apparent concern about the administration's emerging move to limit the entry into the US of "Smart" vehicles with connectivity technology made in China.

On May 15th, the American secretary of commerce announced that a new regulation would be introduced to monitor and supervise innovative and network-connected vehicles made in China this fall. The investigation into the matter began in February, and according to the minister, initial findings reveal that "The risk to national security is severe". She noted that the US is considering a total ban on the import of Chinese-made connected vehicles.

Following the announcement, Korean media published that the Hyundai Motors Group, the leading manufacturer in Korea, is "Closely monitoring the proposed regulation of the US government." According to the publications, Korean manufacturers' smart and connected vehicles, which are also exported to the US, use self-developed Korean software. However, some of their hardware components, also related to connectivity, come from China.

A typical example is the Wiring harness, which provides power and transmits data between car components. Korean auto manufacturers import these harnesses mainly from China and Southeast Asia, while European and American companies use Eastern European and Latin American products.

"If Chinese components are banned under the new regulation, the price of replacement parts, sourced from neutral zones, could skyrocket", said an official at a Korean automaker. "Although nothing concrete has been announced yet, we are closely monitoring the situation as it is worrisome in various aspects," he added.



As part of the American investigation, the American administration asked for comments on the subject from the public and interested parties. The South Korean government, Hyundai, and the Korean Automobile Manufacturers Association (KAMA) also submitted comments. In the letter sent by KAMA, it was stated that the uncertainty surrounding the scope of the investigation and the regulation of the supply chain of connected vehicles could affect the Korean auto industry.

5. Global

The auto industry and analysts are trying to evaluate the impact of the US new custom taxes on Chinese EVs

The US government's decision to impose custom taxes on vehicles and batteries made in China echoed around the world during May, especially in Southeast Asian countries that are active in manufacturing and supplying components for the American auto industry. The decision also received widespread attention from analysts who cover the industry.

The CEO of Taiwanese automotive electronics supplier Liteon Technology said that his company has already set up an assembly plant in Dallas, Texas, to help its customers circumvent the impact of tax increases. He said, "The auto industry expected this to happen and started preparing for it a while ago...but it is impossible to build new production capacity overnight. We need more time to prepare".

According to Nomura Securities investment bank analysts, in 2023, the American market absorbed 20.8% of China's total lithium battery exports. Therefore, the significant increase in customs taxes on Chinese batteries in the US will impact the Chinese economy. According to them, the problem will be much more severe if Europe follows the US and imposes high taxes on



Chinese EVs. In the long term, the increase in trade tensions could hinder the development of car exports worldwide and disrupt additional supply chains.

At the same time, some companies in East Asia fear that China may take retaliatory steps. Thus, for example, senior officials in the Japanese battery industry estimated in May that the imposition of custom taxes on electric vehicles and batteries made in China could disrupt the production of EVs by Japanese companies in North America. According to them, the primary industry for processing raw materials that are essential for the battery industry, such as graphite, nickel, and lithium, is in China. Therefore, imposing sanctions on their export from China could create a severe problem for the auto industry as a whole.

Most of the major Japanese car manufacturers have production plants in the US. Still, they purchase raw materials from all over the world - mainly from China or companies associated with China. Data recently published by the market research company Woods Mackenzie indicate that China controls about 60 % of the world's mining of rare lead, which is essential for producing batteries. Also, many nickel producers in Indonesia, which controls 60% of the supply to the global nickel market, are supported by significant investments from Chinese companies.

Other analysts predict that EV manufacturers from China will now try to adopt different strategies to enter the American market. Among them are the transfer of manufacturing plants from China to countries in Southeast Asia, to which American regulation does not apply in this context, the adoption of a B2B strategy, under which the Chinese will supply parts, components, and "kits" to American brands, and the transfer of entire plants to Mexico or even the USA.

Consulting company AlixPartners also predicts that, in the long run, it will not be possible to prevent the entry of Chinese vehicles into the American market. The company says Western car manufacturers must prepare for this and



improve their standards instead of "relying on protection from the regulator" or cooperating with Chinese car companies.

Morgan Stanley analysts share this opinion. They estimate that the move may delay Chinese EV and component manufacturers' plans to expand rapidly in the short run, but it won't stop their development in the long run.

New PwC research on the global market for EV charging: along with the expected acceleration of EV sales, the demand for charging points and electricity will grow rapidly as well, but lack of profitability may stop growth

By 2035, there will be a need for more than 150 million new charging points for EVs and more than 54,000 stations for fast battery replacement in Europe and China, so reveals a new study by the consulting firm PwC entitled "Forecast for the EV charging market".

In the study, the company estimates that by 2035, light electric vehicles (under 6 tons) in Europe and China will make up 36%- 49% of all vehicles moving on the roads, while medium and heavy electric vehicles (trucks over 6 tons) will reach 22-26% -26% of all vehicles on the roads in Europe and China.

In Europe, the penetration rate of light and heavy EVs is expected to grow to 96% and 62% of all new vehicle sales by 2035 (respectively). In China, the penetration rate of new light and heavy electric vehicles will reach 78% and 41% of all sales by 2035.

The study's authors write, "Currently, the dominant segments in the European market are passenger cars in the B and C segments at accessible prices. The selection of electric models in these segments is not large at the moment, but



many new electric models will be launched in the future and will be accepted by a wider group of consumers".

According to the study, by 2035, the demand for charging in Europe is expected to stand at 400 terawatt hours (TWH) and in China at 780 TWH. In Europe, fast charging stations will meet 75% of the demand for charging private vehicles. In contrast, in China, the charging market will be dominated by fast charging stations and quick battery change stations (in cars that support this). These will cover 29% and 56% (respectively) of charging demand by 2035. The researchers note that the quick-swap battery technology has so far been mainly implemented in private vehicles in China but has potential in heavy-duty electric trucks.

The study indicates that the value chain of the market for electric vehicle charging has six primary sources of income: the hardware of the charging stations, the software of the charging stations, trade-in sites and assets for the stations, electricity supply, side services related to charging, and value-added services related to software (for example, clearing). Achieving profitable growth for the players in the charging market is essential for the entire system.

6. Israel

The Ministry of Energy is mulling over adopting the new European regulation for EV charging points

The Ministry of Energy is considering adopting the new European regulation on public charging stations for electric vehicles in Israel, which came into effect in April in the European Union. The "Alternative Fuels Infrastructure Regulation" (AFIR)



includes several components and guidelines designed to significantly improve the service quality of public stations and consumers' user experience.

The first component, which obligates the EU member states, states that fast charging stations with a capacity of 150 kW or more must be installed no more than 60 km apart along major traffic routes.

In addition, the total public charging scope must ensure a public charging capacity of at least 1.3 kW for each EV authorized for traffic in any country. The rule of a distance of 60 kilometers between stations also applies to charging stations for heavy electric vehicles such as trucks and buses, where the minimum charging capacity at the speed stations designated for them is 350 Kw/h.

Another issue in the regulation is improving the payment process, which is currently carried out using chips and separate apps that connect to them, subject to registration with each charging provider. According to the new regulation, every fast charging station with a capacity of 50 Kw must allow payment by credit card using a credit card reader, like at gas stations.

It should be noted that the Ministry of Energy has already begun to run a pilot to test the possibility of "Roaming" customers between companies using a credit card, and this will probably be the first element of the regulation to be adopted in Israel.

The last component of the European regulation is the operator's obligation to install "Smart and managed" charging stations equipped with a communication component connected to the cloud, which enables remote supervision and optimal management of the stations' energy consumption. It should be noted that a significant number of the stations installed in Israel already offer a network connection or preparation for a smart network connection. Still, the Ministry of Energy is looking into reaching uniform communication protocols, enabling centralized supervision of all the stations.



Hezi Shayb, Ph.D
CEO – I-Via

A handwritten signature in black ink, appearing to be 'H. Shayb', is positioned below the printed name and title.