



# **Major Automotive Global Trends of August 2024**

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

**September 2024 Edition**



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## **1. Europe**

### **Chinese government submitted the WTO with a formal complaint regarding EV exports against the EU**

The measures taken by the West against Chinese vehicle export floodings are increasing. However, the Chinese government is determined not to give up in the face of what it calls a "Discriminatory policy against the Chinese automotive industry" and is using all the international and economic tools at its disposal.

After submitting an official complaint to the World Trade Organization (WTO) in June against the US administration's discriminatory customs policy against Chinese EVs, China submitted another complaint, this time against the EU in August. In the complaint submitted to the organization, the Chinese Ministry of Commerce claimed that "It is a violation of the free trade rights of China's EV industry and that "The decision was made without a factual and legal basis".

As recalled, at the beginning of July, the EU imposed "Temporary punitive tariffs" on EVs after an ongoing investigation revealed that EV manufacturers from China benefit from deep government subsidies at all levels - from production, through batteries, to financial and logistical assistance. The custom taxes were imposed at a rate of approximately 18% to 37%, depending on the degree of cooperation of each manufacturer, in addition to the existing custom tax of 10%.

Custom taxes were also imposed on EVs of European and American brands (TESLA, for example) that export vehicles from China to Europe. As a result, in July, the prices of some of the key Chinese models sold in Europe had already jumped by thousands of Euros.

It should be noted that the US also decided to increase the taxes on EVs made in China from 25% to 100%; however, the move, which was supposed to take effect on August 1, was postponed to an unknown date.



The Chinese government's complaint to the WTO does not rule out taking additional reciprocal measures even before the organization recommends the matter. Indeed, in August, the Chinese Chamber of Commerce in the EU announced that the Chinese Ministry of Commerce is discussing the possibility of increasing import taxes on gasoline vehicles with large engine capacity that are imported to China. The bureau also noted that 36% of these vehicles are exported to China from Germany and 20% from Slovakia.

In addition, it was announced that the Chinese government "Opened an investigation" into a suspected flooding policy of dairy products, which are exported from the EU to China in an annual volume of approximately 500 million euros. The investigation will examine 20 different subsidies for milk producers, which the EU grants as part of the agricultural support policy. It is unclear whether China intends to take these steps in practice or whether they are merely a threat to prevent the EU from making a permanent decision on the issue.

In the meantime, the EU Commission seems determined to repel all the pressures placed on it. In a first response, the Commission announced in August regarding China's complaint that it is carefully examining all the details of the Chinese government's referral to the WTO and intends to submit an answer to the Chinese government on the matter in due course in coordination with the WTO's procedures. Commentators claim that this is a classic process of delaying, and this is due to the slowness with which the WTO handles such appeals. A spokesman for the Commission said: "Referring to the trade organization does not affect the schedule of the investigation against flooding led by the Union, which continues as usual."



**EU Commission estimates: a wide consensus between member states in the union is expected regarding making the Chinese EV customs taxes permanent**

All 27 member states of the EU are expected to vote before November in favor of imposing punitive tariffs on EVs imported from China. So estimated the trade commissioner of the EU, Valdis Dombrovskis, during August. This, even though the early and provisional vote, held in June, was far from unanimous. Twelve member states then voted in favor of the proposal, four against it, and 11 states abstained (among them Germany, Finland, and Sweden).

According to the commissioner: "All member states understand today that it is necessary to protect the European auto industry in light of the rapidly increasing market share of Chinese vehicles." The decisive vote on the issue is expected to be held at the end of October, and it will be decided whether the temporary tariffs, at a rate of up to 37%, will become permanent in the next five years.

Deciding on the subject requires a majority of at least 15 member states whose population constitutes at least 65% of the total population in the EU. However, even though such a majority is guaranteed, the Commission aims to achieve a "United Front," which will strengthen its argument in favor of the imposition of tariffs if and when the issue reaches international courts, such as the WTO, or if China decides to take reciprocal commercial measures.

It should be noted that during August, the Commission distributed to "Interested parties" the draft of the summary findings of the investigation committee on the Chinese subsidy and updated the taxation rates following the hearings, which were held for various manufacturers. The general picture did not change following the hearings and discussions on the issue with the Chinese government. However, in the case of Tesla, the Commission accepted the appeal and reduced the duty to 10% instead of 21%.



## **The EU is taking steps to refine the issue of the environmental footprint of battery-producing countries**

For the past three years, the EU has been working to formulate a regulation for EV batteries to monitor their origin and increase transparency concerning pollution created in the process of charging, manufacturing, and transporting them. This regulation was approved in August 2023, and some of its provisions are already in effect from mid-February 2024.

However, now the EU Commission aims to refine the issue of calculating the environmental footprint of car batteries starting in 2027 and include in the calculation the mix of national electricity production in the country of manufacture and battery charging as a basis for the calculation. That is, from what sources are the electricity produced, which is used for producing and charging vehicle batteries in each country: coal, mazut (fuel oil), nuclear, renewable sources, etc.

This proposal is met with strong opposition from the German auto industry because the electricity mix in Germany is less "Green" and still relies on a high percentage (40%) of power plants fed by coal and gas. This contrasts with countries such as France, where most of the energy produced comes from nuclear reactors and renewable sources. This means harming the relative competitiveness of EVs and batteries made in Germany.

During August, the car industry lobby appealed to the German government, claiming that the new initiative would make German-made batteries less "Green" than they are and harm plans to establish a large battery manufacturing industry in the country. According to the German Automobile Industry Association (VDA): "The auto industry has little influence on the national energy mix, and the European proposal contradicts previous approaches of the EU and will harm existing and future production centers in Germany".



The EU's battery regulation requires an "Environmental passport" to be attached to every vehicle battery. This passport includes a manufacturer's statement regarding the battery's components, the proportion of recycled material, the place of manufacturing, the environmental signature, and a QR code, which will allow transparency. To give the member states and manufacturers time to prepare, it was determined that the labeling requirements will come into force starting in 2026 while attaching a QR code starting in 2027.

## **2. Turkey**

**Despite the financial crisis in the country, the Turkish president is determined to invest billions of dollars in making Turkey a hub for EV and EV battery production**

Turkey is suffering from a serious economic crisis and a sharp devaluation of its currency. Still, Turkish President Erdogan, who pressed for developing a "Locally produced EV", continues with his grandiose plans in the automotive field. In August, Erdogan announced his government's intention to invest billions of dollars in developing vehicle and battery technologies in the country.

According to the announcement, Turkey intends to invest about 5 billion dollars in accelerating the production of EVs and batteries in its area as part of an investment package for developing the high-tech sector in the country of about 30 billion dollars.

The President of Turkey noted that: "The country is gradually becoming a magnet that attracts companies from the EV field" and specifically noted the commitment of the Chinese BYD, in July, to establish a production plant in the country with an investment of about one billion dollars. The factory will produce



approximately 150 thousand vehicles per year, with the start of production planned for the end of 2026.

According to him, in the future, Turley will become "A major player in the EV market in the world, including the development and self-production of batteries". According to his plan, by 2030, the scale of battery production in the country will have an aggregate capacity of 80 gigawatts/hour.

Commentators point out that in the last two years, Turkey has forced Chinese car manufacturers to transfer production and assembly activities to the country by imposing draconian tariffs of tens of percent on EVs imported from China to Turkey. This, in addition to placing almost impossible logistical requirements. However, the latest step that is beginning to yield results is the imposition of custom taxes on EVs in the EU, which has made Turkey a preferred destination for the production of Chinese vehicles that are exempt from punitive tariffs.

### **3. USA**

#### **Before the elections: The Biden administration is expanding the budget for the EV and EV battery industries in the US**

The US auto industry is currently facing extreme uncertainty due to the profound differences in approach between the two presidential candidates on the issue of "Green" vehicles. However, in the meantime, the Biden administration continues implementing its pro-environmental policies as planned. In August, the US Department of Energy announced its intention to invest tens of millions of dollars in funding projects for research, development, demonstration, and marketing of advanced technology car batteries.





The funding is intended to promote efficient and cheap production of electrodes, cells, and cases for EV batteries in addition to technologies to improve the safety and reliability of batteries and to strengthen the supply chain of cheap raw materials for battery production within the US.

The ministry stated that the investment is part of the government's "Master plan" for a significant reduction of carbon emissions by 2050 through developing an industry for producing safe and emission-free vehicles. The ministry will provide the funding directly. The program also includes funding to improve the performance and longevity of 12-volt lead-acid batteries for internal combustion vehicles, which are expected to continue to dominate US roads for years to come.

Tens of millions of dollars will be invested in production processes, aiming to lower the production costs of electrodes and other components by about 30%, alongside a 50% improvement in production capacity. In addition, over 12 million dollars will be invested in the research and development of silicon-based lithium batteries at a level suitable for driving vehicles and in addition to the development of battery cathodes made of advanced materials with higher energy densities, which will translate into greater driving ranges. The financing joins a previous financing round for the battery industry of about 3.5 billion dollars, which focused on upgrading the battery production capacity in the USA.

Whereas at the end of August, the Federal Highway Administration (FHWA) in the US announced that the administration would invest another 521 million dollars in infrastructure to promote vehicles with alternative propulsion. It was not disclosed who will receive the money, however, it is intended, among other things, to establish 9,200 charging stations for batteries in 29 countries. The budget was allocated by the administration as part of a program announced in May of this year. According to the administration's data, there are currently 192,000 public charging points for EVs in the US, almost double the number before the current administration began.



**New research: production efficiency in US auto manufacturing plants is in a downslope parallel to the shift to EVs**

The utilization of production capacity in auto manufacturing factories in the US is expected to decrease sharply in the coming decade. This is due to different timetables for the transition to EV production among various manufacturers, uncertainty regarding the demand for EVs in the United States, and the latest contract, which was signed with the Auto Industry Workers' Union (UAW) and will make it difficult for car manufacturers to close unused plants.

A new study by consulting company S&P Global Mobility, published in August, indicates that the utilization of automobile production capacity in North America is expected to decrease from approximately 72% in 2024 to only approximately 63% in 2030 and may continue to decrease until 2035. According to the study, most auto manufacturers in the US previously prepared long-term plans for the transition to the production of electric models in all their factories. Still, the current slowdown in sales of EVs caught them by surprise. Therefore, it is very difficult for them to make "Temporary adjustments" in the production factories.

The authors of the study say that some of the existing plants in the US were designed to produce only EVs, others are planned to produce only ICE models, and some are planned to produce both at the same time. This is why the utilization of production capacity is decreasing as the demand for EVs slows down.

Another consulting company, GlobalData, estimates that the average utilization of the production capacity of North American auto manufacturing plants is currently at 70%. However, although this figure is 10 percentage points lower than the target, which most car manufacturers strive to achieve, it still represents an improvement compared to the last four years when production was affected and the utilization was only about 61%. This is due to COVID, wars, disruptions in the supply chain of the industry, and the lack of chips.



According to GlobalData's forecast, starting next year, the average production capacity utilization will decrease again and reach approximately 65% by 2030 and approximately 63% by 2035. The company estimates that by 2035, EVs will occupy a share of more than 50% of all vehicle sales in North America, and this compared to only about 7% in May this year. The company claims that the utilization of less than two-thirds of the total is not effective, and the car manufacturers must improve their production flexibility and produce EVs and internal combustion vehicles on the same production lines. However, the company admits that car manufacturers are facing increasing difficulty in predicting the scope of demand for EVs in light of the changing circumstances.

US analysts cite as an example the extreme differences in attitudes on the issue of EVs between the two presidential candidates in the USA, with one of them (Biden) actively supporting their encouragement and the other (Trump) claiming that there is no need for government investment in the field and that EVs are not inexpensive and not accessible to the masses.

### **US Senate promoting legislation in fear of EV battery safety issues**

The US Senate is promoting two bills aimed at ensuring the safety of lithium batteries used to power EVs, motorcycles, and electric bicycles. Already in May this year, the US legislature passed a resolution that requires the Consumer Product Safety Committee to present new safety standards for batteries and other components such as chargers, electrical cords, and battery cases. In early August, the Senate Commerce Committee also approved legislation, calling on the Safety Committee to develop new and stricter battery standards.

The US is troubled by an increasing number of cases across the country in which fires originating from EV batteries have caused injuries and even death. Analysts point out that "Both the auto industry and legislators must find ways to calm public concerns about EV safety issues before the demand for EVs is harmed", as happened recently in Korea following a mass fire in a parking lot



as a result of an EV catching fire (see separate news item below). It should be noted that the EU has already approved legislation in principle this year (see separate item), which will increase the transparency of battery production and allow consumers to trace their origin. However, the legislation will be valid only about three more years from now.

#### **4. Canada**

##### **Canadian government "aligns" with the US and imposes "punitive tariffs" of 100% on Chinese green energy vehicles**

As expected, the Canadian government announced at the end of August that it is "Aligning" with the US and imposing a 100% tariff on EVs imported from China. The Canadian government even tightened the regulations compared to the US and the American administration and extended the tariffs also to PHEVs and "Full" hybrids made in China.

The official reasoning used by the Prime Minister of Canada, when announcing the tariffs, is that players such as China decided to gain unfair advantages in the global market. In addition, a spokesman for the Canadian government announced that it is considering additional measures to deal with the flood policy in the Chinese economy.

The move was expected due to the close dependence of the Canadian auto industry on the American one, which also employs tens of thousands of workers in Canada. Canada is also part of the North American Trade Agreement and, therefore, had almost no other option but to align with US customs policy. Tesla, which exports EVs from China to Canada, has already appealed to the government to exclude it from the tariffs. At the same time, the Chinese Embassy in Canada strongly protested and hinted that it intends to challenge the move in international forums, such as the World Trade Organization. At the



same time, she is considering reciprocal economic measures. The US Trade Minister, however, congratulated the move in the face of “The determination that the Canadians demonstrated”.

However, the US itself postponed the date of applying the tariffs on the Chinese EVs to September, which was planned for August. This is because it is necessary to discuss the hundreds of objections and comments submitted regarding the subject. The media in Asia report that there is opposition to the move specifically from within the American auto industry and this is due to the fear of damage to the supply chains that will lead to a significant increase in American production costs.

## **5. South Korea**

**Following a giant fire, the South Korean government is promoting legislation that will tighten safety standards for batteries and increase transparency vis-à-vis the consumers**

In July, a large fire occurred in South Korea caused by the ignition of a battery in an EV. The fire spread in an underground parking lot of a residential complex, destroying about 140 parked vehicles and causing damages of tens of millions of dollars. The event received a huge public response in Korea, caused damage to the demand for EVs, and began to drive legislative processes in the country aimed at increasing the supervision of car battery safety.

In August, South Korean media reported that following the incident, the government intends to introduce, towards the end of the year, a new regulation that will oblige all car battery manufacturers in the country to comply with new and stricter safety standards. In addition, all vehicle manufacturers will be



obliged to present the source of the batteries they use transparently. Many manufacturers still keep this data to themselves as a trade secret.

The fire, which started in a Western EV, soon created "Ignition anxiety" among customers in the Korean car market and contributed to the drop in demand for EVs, which has been recorded since the beginning of the year. It should be noted that between January and August, 24 EV fires were recorded in Korea, half of which occurred when the vehicles were in parking lots.

The sales of EVs in the country fell in the first half of the year by 16.5%, although in various European countries, the EV segment recorded growth. Commentators in Korea point out that most car manufacturers have no interest in stopping the downward trend because the production of ICE vehicles and/or hybrid drives is much more profitable for manufacturers than the production of EVs.

Due to the mindset in Korea, several car manufacturers have decided to postpone the planned launch of new EVs in the country. Other manufacturers, mainly Western ones, announced a series of "Constructive faith building" measures such as full transparency about the supply sources of the batteries and various software update.



## 6. China

**The Chinese EV market is losing momentum, but the country is still a world leader in EV export**

In recent years, the Chinese EV market has been a growth locomotive that has dragged the whole EV industry forward. However, it seems that in the past months, this locomotive has been running out of steam.

According to the delivery data for July, published by the Chinese Automobile Manufacturers Association, in mid-August, the total EV and PHEV deliveries in China fell below the symbolic level of one million units in July and amounted to 991 thousand units. This is a 5.5% decrease compared to June, although a 27% increase compared to July last year, which was particularly weak. Of these, EV deliveries totaled 551,000 units, a 10% decrease, while PHEV deliveries jumped to a monthly record and totaled 438,000 units.

Commentators point out that the trend of switching from EVs to PHEVs has been happening in China for several months. This is due, in part, to a significant increase in the supply of vehicles with a drive known as "EREV" or "Extended Range Electric Vehicles," which are electric vehicles with an ICE engine that extends the range. This refers to PHEVs, which are equipped with an especially large battery with an electric range that can reach up to 280 km in theory, and a gasoline engine, which is mainly used to charge the battery. Such vehicles are especially popular in China and rural areas, where the driving ranges are long, and the charging stations are sparsely distributed.

However, China still leads the world in the penetration rate of electric and plug-in vehicles. In July, for example, such vehicles accounted for 43.8% of all new vehicle deliveries.

Another area where Chinese EVs continue to lead this year is exports. In July, the export of "New energy" vehicles made in China jumped by 20.6% compared



to June, mainly due to manufacturers' attempts to export EVs to Europe before the new custom taxes came into effect. Chinese EVs also enjoy strong demand in the Middle East, especially in the Gulf countries and South America.

## 7. India

### **New research: the Indian market for EVs and batteries is facing a huge leap**

According to a study published in August by the consulting firm Praxis, the Indian EV market and its related markets are expected to gain momentum and reach a volume of approximately 250 billion dollars by the end of the decade, thanks to significant investments in production and charging infrastructure.

According to the study, the penetration rate of EVs in the country will grow to about 23% by the end of the decade, and the financial scope of all sales of EVs, including two-wheelers, will reach about 94 billion dollars.

The EV service segment in India is also expected to show accelerated growth and reach from approximately \$26 billion in the current financial year to approximately \$144 billion at the end of the decade. The amount includes, among other things, investments and revenues from electric bus services, electric taxis, charging, and more.

The study indicates that today, there is a low ratio between the number of electric vehicles (including two-wheelers) and the number of public charging stations in India—about 9 to 1—significantly lower than the average in the West. However, the government has set a target of improving this ratio to 4 to 1 with the help of massive support and development budgets.





The study estimates that the EV software development sector in India is also expected to grow fourfold by the end of the decade to approximately 1.6 billion dollars per year. Additional business opportunities are found in the government plan to turn India into a center of vehicle and battery manufacturing, independent development of electric and autonomous vehicles, battery recycling, and more.

## 8. Israel

**Media reports: The Ministry of Finance is considering a new differential tax system for EVs, and the Ministries of Transportation and the Economy are considering limiting the number of import concessions per importer**

According to the economic press in Israel, a series of taxation moves and regulatory programs in the auto sector are expected to increase the uncertainty in the Israeli car market in the last quarter of the year. According to the reports, the plan to impose a travel tax on EVs from the beginning of 2026 is almost completely put away. This plan was demanded by the Ministry of Finance as a condition for a gradual and moderate increase in the purchase tax on EVs.

The plan was met with fierce opposition in the political system even though the revenues that were expected from it, amounting to approximately NIS 1.5 billion per year, had already been incorporated into the long-term planning of the state's tax revenues. These revenues were supposed to finance the continued reduction of the EV purchasing tax until 2028.

According to the reports, the Ministry of Finance is looking for alternative sources today to finance the reduction of the purchase tax on EVs. Among other things, it is considering the imposition of a differential purchasing tax on EVs, depending on their price. A minimal purchasing tax on EVs whose price



to the consumer is below NIS 200,000 and a higher tax on EVs that cost over NIS 200,000. Alternatively, a more complex differential method with several tax steps is possible.

This move may allow the continuation of the purchase tax benefits for EVs as early as January 2025 instead of the default alternative, which is the cancellation of the benefit and the comparison of the purchase tax on EVs to 83%, as on ICE vehicles.

In terms of regulation, it was reported in Israeli media that a committee led by the Ministry of Transportation, the Ministry of Economy and the Competition Authority is examining the possibility of imposing limits on the number of import licenses, which will be approved for each regular car importer. In the first phase, the possibility of stopping the granting of import permits for new brands to large car groups is being examined.

At a later stage, the possibility of "Separating" large importers from existing import franchises and forcing car manufacturers to split their franchises in Israel between several importers is being examined. According to estimates, the criterion for carrying out such a move, if it is decided upon and if it has legal feasibility, will be the total market share of each importer and the sales potential of each brand in the long term. It should be noted that such an outline was already proposed in 2011 by the Zelicha Committee, but it was shelved due to legal invalidity.

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