EXECUTIVE SUMMARY

Initiation of an anti-subsidy investigation concerning imports of new battery electric vehicles designed for the transport of persons originating in the People's Republic of China

The Commission has decided to initiate on its own initiative an anti-subsidy proceeding pursuant to Article 10(8) of the basic Regulation[1], on the grounds that imports of new battery electric vehicles for the transport of persons originating in the People's Republic of China ('China') are being subsidised and are thereby causing injury to the Union industry.

The product concerned is new battery electric vehicles ('BEVs'), principally designed for the transport of nine or less persons, including the driver, propelled solely by one or more electric motors. Motorcycles are excluded from the present investigation.

After an in-depth analysis of recent market developments, the Commission collected market information from various independent sources. Based on this information, there is sufficient evidence demonstrating that imports of the product under investigation originating in China benefit from countervailable subsidies provided by the Government of the People's Republic of China ('GOC'). Those subsidies have allowed the subsidised imports to rapidly increase their market share in the EU to the detriment of the Union industry.

The subsidy practices consist, *inter alia*, of (1) direct transfer of funds and potential direct transfers of funds or liabilities, (2) government revenue forgone or not collected, (3) and government provision of goods or services for less than adequate remuneration.

In particular, the Commission has found evidence, among others, of various grants, provision of loans, export credits and credit lines provided by State-owned banks or bonds underwritten by State-owned banks and other financial institutions at preferential terms, provision of preferential export insurance; income tax reductions and exemptions, dividend tax exemption, import and export tax rebates; VAT exemptions and rebates; and government provision of goods (such as raw and input materials as well as components) and services for less than adequate remuneration.

Moreover, the available evidence shows the likelihood of substantially increased subsidised low-priced imports. In this regard, there is evidence of massive increase in capacity in China and significant spare capacity. In combination with the attractiveness of the Union market for the Chinese exporting producers this will lead to an imminent increase in subsidized imports which represents a threat of injury to the Union industry.

The evidence at the disposal of the Commission also shows that that the prices of the subsidised imports are significantly lower compared to the prices of the Union industry, thereby depressing prices or preventing price increases which otherwise would have occurred and, consequently, placing significant pressure on Union sales, market shares and profit margins.

There are more than 300 BEVs producers in China. While many of them were established to serve their domestic market, the Chinese policies and subsidisation described above have already led to a situation of overcapacity. There is evidence that the factory usage is already

[1] Regulation (EU) 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidised imports from countries not members of the European Union, OJ L 176, 30.6.2016, p. 55.

at this stage very far from full usage, indicating an already existing overcapacity that could target the EU market. Such rapid capacity was built up as a result of Chinese industrial policy and subsidies. Moreover, the GOC is encouraging BEVs producers to explore markets overseas. Furthermore, there is evidence that Chinese capacity will still increase significantly in the coming years, suggesting that the overcapacity will only increase.

The Union is an attractive market because of the speed of uptake of BEVs and the higher pricing BEVs command. Furthermore, as compared to other markets, EU has set up ambitious targets for the number of BEVs registration in the future. By 2035, 100% of the newly registered cars should be BEVs, while in the USA the obligation only goes to 50%. In addition, the Union market is relatively open in comparison to other markets, as the import duty and other entry barriers in the main markets including US, Turkey, India are much higher for Chinese BEVs.

The current market share of Chinese imports is already significant. Many reports estimate that, by 2025, the market share of Chinese imports could rise even more as a result of the mentioned increased capacity and the introduction of new brands previously unknown in the EU.

Based on the above-mentioned grounds, the Commission believes that there is sufficient evidence to initiate an anti-subsidy investigation concerning imports of new battery electric vehicles designed for the transport of persons originating in the People’s Republic of China.