



Major Automotive Global Trends of February 2024

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

March 2024 Edition



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1. Europe

EU considers allowing higher GVW to electric and hydrogen-powered trucks

In February, the transport committee of the European Parliament approved an initial decision to enlarge the GVW and overall length of ZE trucks. The decision was made to solve the problem of the electric and hydrogen-powered truck's high unladen weight, resulting from the need to carry batteries or hydrogen tanks weighing hundreds of kilograms and over a ton. This fact limits the weight of the freight these trucks can carry according to current weight regulations. As a result, the financial motivation of operators to purchase them is declining.

The new decision states that the GVW for ZE heavy trucks will be increased by 4 tons compared to parallel diesel trucks. According to the committee's statement, "To meet the emission reduction targets set by the EU, ZE vehicles must become the backbone of overland haulage... the new regulation will create incentives for companies to shift to ZE trucks and turn cargo transport safer and more sustainable. We want to ensure that the same cargo can be transported with fewer vehicles, fewer rides, and lower emissions".

The decision's draft also sets new regulations for a new category of "Mega-trucks" that will be longer and heavier than the current maximum restrictions in the EU. However, the movement of such trucks will be allowed only along specific routes and per each country's approval. The countries must "Carry out an initial assessment of the influences of mega-trucks on road safety, infrastructure, and the interaction between transportation infrastructure and the environment". The new European parliament will give final approval in June.



France continues a comprehensive “Social” revision of its’ subsidy program for EVs

After making comprehensive changes in its’ subsidy plan for EVs and excluding Chinese EVs, the French government announced in February that it is turning the whole program into more “social”.

According to the new governmental directive, the government subsidy for purchasing an EV was reduced from 5,000 euros to 4,000 euros for customers with the upper median annual income in France. The maximum subsidy for those with the lower median is 7,000 euros. Also, the subsidy for companies purchasing EVs was canceled, and the subsidy for purchasing electric LCVs was decreased by a thousand euros.

According to the French minister of the environment, the change in plans “Is designed to aid more citizens, with less money”. However, commentators in France claim that the reason for that is the budgetary pressure that the French government is currently facing and its’ aspiration not to exceed the overall subsidy budget framework, which stands at 1.5 billion euros.

At the same time, the government froze the subsidized leasing plan of EVs for low-income citizens in February. The plan took effect at the beginning of the year but was greeted with unexpected success that exceeded the budget. Since the beginning of 2024, only 50,000 “special terms” leasing contracts were approved for persons of low income, which brought about an almost 100% deviation from the planned budget for this section for 2024. The plan will be renewed only in 2025.

It should be noted that as part of this leasing program, citizens with an annual net income of less than 15,400 euros could lease an EV for 100-150 euros a month only (according to model), provided that the contract holder drives at least 8,000 Km a year for work or lives more than 15 Km from his workplace.



France also increased the “Eco fine” for vehicles whose emission level exceeds the determined threshold.

Scrapping returns: Italian government allocates almost a billion euros for “Green” car purchasing, against scrapping of polluting vehicles

Italy has one of the “oldest” and most polluting fleets in the EU, and EV penetration is one of the lowest in the European Union. The Italian government is attempting to change this trend with a new program for swapping polluting cars with low-emission cars, with a budget of almost a billion euros.

The program, announced in February, allocates 790 million euros to passenger cars, 35 million to 2-wheelers, 53 million to LCVs, 20 million to used cars, and 50 million to subsidized long-term rental plans.

Of the sum allocated for passenger cars, only 240 million are for purchasing BEVs and another 150 million for PHEVs. More than half the money will be allocated to subsidize the purchase of various hybrids and ICE cars with emissions of 61-135 grams/Km.

Also, the Italian government adopted a part of the French “social” model—the subsidy for purchasing or upgrading their car to a “green” one will depend on the customer’s income.

Each purchased EV will receive a subsidy of up to 13,750 euros for those earning less than 30,000 euros annually, provided that they scrap an ICE car with an engine that complies with EURO 2 or less. The subsidy will be given to models that cost up to 42,700 euros. PHEVs will be eligible for subsidy if they cost up to 55,000 euros.

Up to 3,000 euros will be subsidized for purchasing ICE models with low emissions, also against scrapping an old polluting car. In case of purchasing an



EV or PHEV, a subsidy of up to 7,5000 euros will be given even without scrapping an old car.

It should be noted that the Italian government initially considered adopting the French model as a “Patriotic” subsidy, which prioritizes European-made EVs and blocks the penetration of Chinese EVs. However, the plan was rejected, possibly because the Italian-based Stellantis group decided to collaborate with Chinese EV manufacturers. Lately, the company even committed to increasing its production in Italy to a million units a year after producing only 750,000 units last year.

Sweden begins subsidizing pickups and LCVs with electric propulsion

Sweden is one of the “Greenest” countries in Europe, and its government didn’t hesitate in the past to introduce sustainable groundbreaking vehicle regulations that were mimicked afterward by many countries. Therefore, many eyes in Europe are now following its’ new regulation for focused subsidizing electric pickups and LCVs.

According to the new regulation, the government will give an “Environmental bonus” for purchasing up to 3.5-ton LCVs that are either BEV or fuel-cell-powered. The subsidy will be 30% of the difference between the EVs, correlating gasoline or diesel models, and up to 50,000 Swedish Krona, around 4,400 euros.

From January 1st, 2025, the subsidy ceiling will decrease to 3,550 euros and six months later to 2,660 euros. The program will end on October 1st, 2025. Subsidizing will be given to leased cars under certain conditions. Also, companies, municipalities, and other district bodies can apply for subsidizing and order the vehicles only after approval.



The step taken by the Swedish government is a result, among other things, of the fact that the current rate of the shift to EVs in Sweden will make it very difficult to meet the official target of a complete shift to EVs by 2030. Also, the step stems from Norway's failure to meet its ambitious EV shift target. Norway declared at the time that it intends to reach 100% EV sales by 2025, but in 2023, its' penetration rate was much lower. As far as electric LCVs, the penetration rate is only 29%.

2. USA

EPA to present new and lower targets for decreasing passenger car consumption and emissions

Heavy pressure on the American administration was reported in January, aimed at moderating the EPA's plan to reduce consumption and emissions from new passenger cars in the next few years. The pressure bore fruit, and in February, the news agencies reported that the final regulation of the EPA and its' original timeline for emission reduction by the end of the decade would be significantly moderated compared with the original proposal.

The draft of the EPA's original plan for 2027-2032 was published in 2023. Set a target of 60% EV production out of the total car production by 2030 and 67% by 2032. The draft also determined that the average emission levels of all new passenger cars sold in the US will decrease by 56% by 2030, a target achievable only by a swift shift to EVs and PHEVs. The EPA assessed that the program would result in a relatively mild 1,200\$ increase in car average prices.

Most of the large automakers in the US (except for Tesla) opposed the original plan, and recently, the opposition stance was strengthened by the decline in demand for EVs. The United Auto Workers (UAW), which has much political power, especially before elections, also joined the opposers. The UAW claims,



"Electric cars are still too expensive for many US consumers, and it takes more time to develop charging infrastructure for them".

The opposers were also joined by the industry's main lobbying body, the AAI, representing Ford, GM, Stellantis, Toyota USA, VW, and other companies. The IAA claims that the program is "unreasonable and unachievable", given that EV sales in 2023 were only 8% of US car sales.

It should be noted that the Biden administration's tone on the topic recently changed. In 2023, the administration said that "The ambitious targets reflect the sense of urgency the president and the administration feel about the climate crisis". Recent comments made by the administration on the subject were much less acute.

The state of California promotes a financing package of close to 2 billion dollars to expand charging networks for EVs

In mid-February, the California Energy Committee (CEC) approved an additional 1.9 billion dollars for establishing public charging stations and Hydrogen fueling stations for electric vehicles. The infrastructure is intended for ZE passenger cars, trucks, and buses. The grants for this purpose will be spread over four years.

According to the plan, the budget will be used to establish 40,000 public charging stations in California, most for quick charging, alongside infrastructure for hydrogen-powered FCEVs. Noted, this is only a tiny part of the state of California's (regarded as the state with the most advanced sustainability policy in the US) commitment to allocate by the end of the decade 48 billion dollars for decreasing pollution from transportation, out of which over 10 billion dollars for ZE cars infrastructure. That, in addition to billions of dollars from the Federal government.



The budget will be distributed by tenders, and half will be dedicated to “Disadvantaged population groups”. Businesses, NGOs, indigenous tribes, and public bodies can also apply for funding. One billion dollars will be allocated to charging and fueling infrastructure for passenger cars, 658 million for commercial vehicles, and 130 million for charging and fueling infrastructure in ports.

According to CEC assessments, by the end of the decade, 7.1 million EVs will travel on California roads and require a million public charging stations, in addition to 155,000 electric trucks and buses requiring 114,000 public charging stations. The CEC estimated that by 2035, the number of EVs will increase to 15.2 million, requiring 2.1 million public chargers and 377,000 electric trucks and buses.

However, voices in the US claim that these estimates are highly optimistic. The official sales figures 2023 show that the EV penetration rate in California is only 25%, and the number of public charging stations is only 94,000, far from the targets mentioned.

When it comes to Hydrogen fueling stations, the situation is even worse. In February, energy supplier Shell announced that it intends to shut down all its’ Hydrogen fueling stations in California due to “Supply difficulties and other exterior market factors.”

Following the success of the “Big strike”, UAW attempts to enroll production workers in EV and battery factories

In February, the UAW (United Auto Workers) announced that it intends to invest 40 million dollars in the next two years in campaigning and operating to unite



factory workers in EV and battery factories in the US that have yet to form a union.

The UAW registered one of its most significant achievements in the past months by aiding the unionized workers of the three largest auto manufacturers in the US in reaching unprecedented salary terms. That, after prolonged strikes that lasted almost three months and made it difficult for the big companies.

Last November, the union announced that it intends to launch a public campaign, calling on auto workers not yet unionized to do so. The UAW represents 146,000 workers of the three largest American automakers and 800 employees in the Ohio battery plant, jointly owned by GM and LG. In addition, more than 12 new battery manufacturing plants will be established in the US in the next few years.

In February, UAW spokesmen said, “The EV battery industry will add tens of thousands of new jobs in the US in upcoming years, and these will complement, and in other cases replace, the existing manpower in the auto industry”.

American auto market keeps trudging in February with a minor increase, but inventories are growing, and prices are dropping

The total car sales in February 2024, including private and fleet sales, are expected to reach 1.24 million units, a 5.6% increase from last February, according to the monthly projection made by J.D. Power.

The adjusted annual sales rate is currently at 15.4 million units. The company estimates that sales to private customers in February rose 8% (adjusted to the number of sale days) compared with last year and amounted to 981,000 units.

Company analysts say growth is driven mainly by high inventory levels, higher manufacturer incentives, and lower dealer margins. Dealer inventory levels in



February were 1.7 million units, an increase of 44.7% compared with last February.

The average deal price for private customers in February was 44,000\$, a drop of 1,900\$ or 4.2% from last February. However, it is still the highest average price in February ever.

According to the projection, dealers' overall profit in February for a sales deal that includes income from financing and insurance is expected to be 2,574\$, a drop of 31.3% from February 2023. Only 17.4% of new cars sold in February were sold at a price higher than the MSRP, compared with 31.7% in February 2023.

J.D. Power estimates that 32.7% of the cars sold in February were sold within ten days of arriving at the dealership, a drop from the 58% record set in March 2022. The average time for a car to be in stock before being sold is 43 days, an increase of 14 days compared with 2023. Leasing deals sales for private customers compose 23% of the sales to private customers, a rise of 4.5% from February 2023.

The company's analysts say that the data suggests the industry is returning to its traditional pre-COVID dynamics after three years of inventory constraints. Sales promotions and discounts are also returning. "These are good news for buyers that had difficulty finding a reasonably priced car".

As for EVs. The report determines that 2024 set off with a slowdown in demand. EV sales dropped by 1.6% from 9/2% in December 2023. A decrease in the willingness of new customers to shift to EVs is also evident. Only 25.6% of the respondents to a survey said in February that it is "Most likely" that their next car will be an EV, a drop of 1% from December. The reasons haven't changed, primarily due to the lack of charging stations.



The lobby of the American auto industry: production of Chinese cars in Mexico to export them to the US may severely damage the American auto industry

On February 23rd, the American auto industry lobby published a declaration of opinion in which it called on the American government to block the importation of cheap Chinese cars and car components manufactured in Mexico, using the free trade agreement between Mexico and the US.

According to the lobby, the government should exclude Chinese cars and batteries produced in Mexico from the NAFTA free trade agreement. The declaration states, “The US should close the ‘Backdoor’ that was opened for Chinese car import, to prevent shutting down factories and unemployment in the US”.

According to the trade agreement between the US, Canada, and Mexico, the lobby mentioned that EVs and EV components manufactured in Mexico are treated as ‘Local production’ and entitled to a 7,500\$ tax subsidy.

The declaration followed the growing activity of Chinese car makers in the Mexican auto industry. BYD announced that it intends to open a vast EV manufacturing plant in northern Mexico, and other Chinese companies announced similar plans.

At the same time, both parties in Congress are pushing the government to impose up to 27% customs tax on Chinese-made cars, including those manufactured in Mexico.

3. South Korea

Car exports from South Korea leaped by almost 25% in January



According to data from the South Korean Ministry of Trade, industry, and Energy, in January, new car exports from South Korea leaped by 25% compared with last January. According to the ministry, the increase resulted from strong demand for EVs, Hybrids, and PHEVs.

According to the data, the value of car exports from South Korea in January was 6 billion dollars, a 24.7% increase compared with last year. Regarding sales, 245,000 units were exported, the highest figures since January 2015. The main reason for the rise is the strong demand for low-emission cars. In January, exports of “Green” cars went up 12%. Exports of EVs grew by 18.1%, while that of Hybrids by 12.5%.

According to a spokesperson of the Korean government, “We are working vigorously to remove barriers from the green cars segment and to advance investments for their production. In July, a new parts and components regulation will take effect and increase the scope of parts production in the country”.

It should be noted that despite the new Biden administration regulations in the US that revoke subsidies from EVs and PHEVs manufactured outside the US, in January, North America was the largest destination for exported Korean cars, with an increase of 53.9%. South Korea's export of vehicles to the EU dropped by 14% compared with last January, while exports to European non-EU member states grew by 21.7%.

4. China

More and more voices call for a “Rationalization” of the Chinese auto industry

During February, the “Price war” between Chinese auto manufacturers flared again when some increased discounts to thousands of dollars per car. That was part of the fierce competition in the Chinese auto market, which hosts hundreds



of brands. Last year, some auto manufacturers ceased their business, and the Chinese feared that the trend would expand and ultimately harm customers.

The founder, chairman, and CEO of Nasdaq traded Li Auto, Li Xiang, and called policymakers in China to form a regulation mechanism to encourage mergers and acquisitions between automakers. He estimated that in the upcoming year. Several brands will face financial and operational difficulties as a result of the competition in the market. For example, he mentioned the three large American automakers created due to fierce competition and the merging of hundreds of brands.

According to him, a “Healthy” automaker factory can add over 30,000 stable jobs to the Chinese economy and produce over 100 billion Yuan worth of merchandise if operating at total capacity. “Healthy increase in economic output is the bloodstream of modern society”, said Li.

5. Australia

Australian government formalizing for the first time advanced regulation for limiting car emissions

Until now, Australia has used its' isolated location from the Western world and its' unique geographical conditions to avoid reforms to decrease vehicle emissions. Today, it is the only developed country apart from Russia with no modern vehicle emission regulation.

However, the growing international pressure to fight global warming hasn't been passed on to the vast “Continent-state” in which transportation pollution is one of the largest sources of pollution.

In February, the Australian central government announced that it is moving towards formalizing a comprehensive policy for decreasing emissions from new



passenger cars and LCVs, which will take effect from January 2025. Currently, three options are on the table.

The preferred option by the government is a system based on the European one from the beginning of the decade. This system sets an upper threshold for each manufacturer's model fleet average emissions of 141 grams of CO₂ per kilometer for passenger cars or 199 grams/Km for ICE-powered LCVs such as the very popular pickups in Australia. The threshold will gradually decline by 2029 to 58 grams/km and 81 grams/km, respectively. Manufacturers that do not meet the target will have to pay a fine of 100 Australian dollars (60 euros) for each gram of emission over the threshold, multiplied by the number of vehicles sold in Australia. These fines may accumulate to dozens and even hundreds of millions of dollars.

Alternatively, auto companies could purchase "CO₂ quotas" from manufacturers with an average emission level lower than the threshold. Manufacturers or importers focusing on EVs, such as Tesla, whose fleet averages zero emissions, will enjoy significant "Side" income.

Australia is not planning to set a date for forbidding the selling of ICE and highly polluting pickups in its territory. However, the proposed plan will make their purchasing much less economical. According to the Australian Minister of the Environment, "The plan puts no limits on what Australians can and will be able to buy. They can still choose a small car or an SUV, according to their wishes".

6. Thailand

The Thai government intends to introduce new incentives for building an EV battery industry in the country



In February, the Thai government announced that it intends to introduce a new incentive package for expanding local production of EV batteries. According to the announcement by the “National Committee for the Encouragement of EVs in Thailand,” the government is mulling giving cash support to companies that will establish battery manufacturing plants in the country. The scope of each subsidy will be examined individually. The Thai government will also subsidize 30-50% of the building costs.

To receive the subsidy, battery manufacturers must comply with a set of standards and threshold requirements. The batteries that will be manufactured will have to have high energetic density and survive at least 1,000 charging cycles. Interested companies will have to submit proposals for investments by 2027. The program is still pending official approval.

At the same time, the Thai government announced in February a particular tax relief program for local companies that will purchase electric trucks and buses by the end of 2025. The program aims to add 6,000 electric buses and 4,000 electric trucks to Thai roads next year, compared with only 1,000 today.

Thailand has operated an aggressive incentive plan in the past few years that has managed to draw quite a few EV producers to the country, especially from China. According to the governmental plan, by 2030, EVs will constitute 30% of all car production in Thailand. Demand for EVs has also leaped by hundreds of percent in recent years.

7. Israel

Ministry of Finance is developing an alternative system to the “Green tax”, according to each brand’s average CO₂ emissions



The Ministry of Finance and the Ministry of Environmental Protection are continuing discussions to develop a new “Green tax” reform that will replace the current formula that has existed since the end of the last decade. The main idea is to adopt a system parallel to the one used in Europe and enforce it directly on automakers abroad. According to this system, the average CO2 emission of all car models imported to the country will be measured, and a “Maximum emission bar” that the importers must comply with will be determined. Exceeding the maximum allowed average will result in fines. The goal is to encourage importers to import greener cars, mostly EVs.

It should be noted that in Europe and other countries around the world that use this system, importers/producers with an average emission figure lower than the government-set bar, for example those who specialize in EVs, can trade their “Emission surplus” with others who are above the bar but want to avoid heavy fines.

In recent years, trading in “Environmental credits” for billions of dollars has become an essential source of income for auto manufacturers, especially for companies such as Tesla. It is still unclear how the system will be implemented in Israel and whether there will be fines for exceeding the bar or just “Prizes” for those who comply. The “Prize” in such a system may be in the form of reduced purchasing tax according to the emissions average (similar to the current “Green tax” categories). Also, the schedule for implementing the new system and whether it can be technically implemented already in 2025 is unknown. Meanwhile, the Ministry of Finance is ready to announce a bi-yearly update for the current “Green tax” formula that will take effect in January 2025 and apply only to petrol cars, hybrids, and PHEVs. EVs will receive a different taxing formula.



Hezi Shayb, Ph.D
CEO – I-Via

A handwritten signature in black ink, appearing to be "H. Shayb".