



Major Automotive Global Trends of December 2023

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

January 2023 Edition



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1. Europe

The EU announces a 3-billion-euro subsidy plan for battery ventures in Europe

The EU has acted vigorously in the past year to decrease its dependence on EV and raw material supply from China. It is also active in reducing the dependence on Chinese battery manufacturers and in establishing an independent battery supply chain in Europe.

As part of this trend, the EU Commission presented on December 6th a 3-billion-euro plan to subsidize battery and battery components manufacturers that will establish manufacturing plants in Europe until the end of 2026. The money will come from the EU's innovation fund, and it will be financed by "Selling" carbon emission quotas.

The commission claims: "We are dealing with a shortage in batteries and raw materials for manufacturing batteries. Our goal is that batteries will be manufactured in the EU or Britain already today, but it is currently impossible". The subsidy aims to reach local manufacturing of 70% of the demand for batteries in the European auto industry.



Commentators say that the supply chain for batteries in Europe, especially for EVs, is far from the maturity phase of Chinese giants such as CATL and BYD, which lead the global market. According to data from Bloomberg's energy research division, 6 out of the ten leading manufacturers, according to the accumulated capacity of their batteries in the first three quarters of 2023, were Chinese, and the rest were Japanese and Korean – no European manufacturer made it to the top ten list.

The plan may also be a part of a future deal between the EU and Britain, in which the EU will propose to postpone imposing customs tax on EVs manufactured in Britain for three years instead of in January 2024. European commentators mention that the proposal to subsidize battery manufacturing in the EU is meant, among other things, to “Soften” the anti-UK stance of the French government that opposes postponing the exemption.

As of today, a few battery plants are built in France, including a “Super plant” in Dunkirk in the north of France with a 5.2 billion euro investment. The French government is supposed to provide it with financial support of 1.5 billion euros, and subsidizing by the EU may remove a considerable budgetary burden from it.

Currently, Chinese battery manufacturers that intend to build new plants in Europe will also be eligible for subsidies in dependence on purchasing components and manufacturing resources from the EU.



However, the Chinese fear the EU will change its' position with time. Therefore, Chinese battery manufacturers are accelerating their expansion rate overseas, and some are in the midst of advanced preparations to build new plants in Europe. Meanwhile, the two main impediments slowing them down are the EU's demands for 60% local sourcing of the supply chain, including local purchasing of the Anodes (one of the electrodes in the battery) and the raw materials for their production, that, despite the European stringent environmental requirements is slowing down the establishment of anodes manufacturing plants.

ACEA figures: passenger car sales in Europe are heading for double-digit annual growth. However, what 2024 will look like is still uncertain

In November, passenger car deliveries in Europe registered a 6% increase compared with last November, with 1.08 million units, out of which EVs captured a 17% share, according to figures published by the ACEA at the end of December. Much of this growth in sales is attributed in Europe to the demand that was postponed from last year due to global supply disruptions. That, alongside a gradual decrease in inflation, freed households' and companies' budgets.

The research division of Bloomberg forecasts that, in the annual summary, 2023 will register a 14% growth over 2022. However, the researchers mention that there are still negative background factors,



such as a high probability of a recession in the EU and a slowdown in demand for EVs (which acted as a growth engine in 2023)—that, due to the lowering of subsidies as well as high prices and lack of sufficient charging infrastructure.

In a report published by City Bank’s research division in December, it was claimed that if the EU doesn’t improve its’ industrial strategy to allow manufacturers to launch moderately priced models with reasonable range, it will not meet its goals for shifting to EVs by 2030.

Analysts forecast that by 2024, the market share of EVs will be 18%, only 3% more than in 2023. The reasons are high prices, range anxiety, and lack of charging stations that deter the customers.

German government cancels the subsidies for EVs. Meanwhile, the manufacturers will continue to subsidize at their own expense

On December 18th, the German government announced it would stop government subsidies for EVs a year before the planned date. The announcement was made after passing the revised fiscal budget for 2024 in the German parliament and in light of the budgetary distress Germany is experiencing.



The subsidy plan that started seven years ago gave in its last incarnation a subsidy of up to 6,750 euros for each EV, which was given jointly by the government and the EV manufacturers. After the government announced the early stoppage of the subsidy, many auto manufacturers said that they would “Absorb” the change for a limited time and continue to give the subsidy at their own expense.

Among others, Stellantis announced that it will give the full subsidy to German customers until December 31st and a partial subsidy for vehicles registered between January and February 29th. VW announced that it will provide the full 6,750 euros subsidy to EV buyers that order before December 15th and up to 4,500 euros to those who buy between January 1st and March 31st. Mercedes declared that it would give a full subsidy to those who ordered EVs in December and a partial subsidy starting in January. Kia announced it will provide total subsidies for EV customers in Germany until March 31st.

It should be noted that according to the original outline, the German government was supposed to keep subsidizing EVs until the end of 2024. However, a verdict given by the German constitutional court that was published recently created a “Hole” of 60 billion euros (65 billion US\$) in Germany’s fiscal budget for 2024. It forced the government to stop subsidizing EVs, among other cuts.

As expected, this move has wide opposition in Germany, claiming that stopping government subsidies will deliver a blow to German



auto companies that are trying to lower the prices of their EVs in an attempt to stay competitive against Tesla and Chinese manufacturers. The move will also hurt Tesla because part of its decision to manufacture cars in Germany was based on the continuation of government subsidies.

Analysts estimate that the move will cause a loss of sales of almost 200,000 units in Germany in 2024. The German drivers organization ADAC joined the opposers, claiming that EVs in Germany are still too expensive and only three models of prominent German brands are priced under 30,000 euros.

European parliament gives final approval to “Softened” EURO7 regulation

In December, the European Parliament reached an agreement with the EU countries on the future emission regulation EURO7 that was introduced a month before. It is a new and softened version compared with the original version. It enables the manufacturers to continue manufacturing the existing petrol and diesel engines without any substantial alterations.

In November 2022, the EU Commission presented its initial proposal for future EURO7 regulations with new and stringent thresholds for emissions from ICE vehicles starting from 2025 and additions of new pollutants and new restrictions to the list.



The original proposal was met with strong opposition from the lobby of the European auto industry and countries supporting local auto manufacturers. As a result of the pressure, in September 2023, an agreed position of the participating EU states, at the level of ministers, was presented, including a substantial “Softening” of the regulations and emission thresholds similar to those of EURO6 that have existed since 2014. In November 2023, the EU parliament voted on and approved that version.

Along with the new emission thresholds, new regulations regarding the durability of batteries for EVs were also approved. They state that the manufacturers of passenger EVs under EURO7 will have to provide batteries that will have at least 80% of their original capacity (translated into range) after five years or 100,000 Km. After eight years or 160,000 Km, the batteries should provide at least 72% of their original capacity. For electric LCV, 75% “Durability” was set after five years or 100,000 Km, and 70% after eight years or 160,000 Km.

The supporters of the “Softened” version say that the goal of the negotiations was to ensure that there is a continued supply of small and cheap ICE cars for European households and, at the same time, enable the auto industry to align for the important change of shifting to EVs by the end of the decade. According to the decision of the European Parliament, the new regulation will apply to passenger



cars and LCVs 30 months after their introduction, and a period of 4 years was determined for trucks and buses.

An additional component of the regulations demands attaching an “Environmental ID” for each model that will provide information such as CO2 emissions, fuel or electricity consumption, range, and battery durability when the car is registered. In its press release, the EU parliament said that car users would have access to current info about consumption, battery condition, emissions, and any other relevant information in real time. Additionally, auto manufacturers will have to design their vehicles to prevent manipulation of the emission control units.

European Parliament approves the “Law for the supply of critical raw materials,” including components for battery production

In December, the European Parliament gave a green light to the legislation intended to establish the local supply of critical raw materials that are used, among other things, to produce EV batteries. The law was approved by a majority of 549 votes, with 43 opposing and 24 abstaining, and forwarded to approval in the European Council.

The law was introduced initially in November and passed hardly unchanged, except for a significant enlargement of the minimum



requirement for producing critical materials via recycling – the minimum threshold for 2030 was raised from 25% in the original proposal to 45%.

It should be remembered that during the passing year, various committees in the EU formulated the new law intended to “Ensure accessibility of EU states to a steady, varied and sustainable supply of raw materials” for the e-mobility market. The law places minimum quotas for extracting, processing, and producing critical raw materials through recycling. The quotas were determined according to the expected demand for these materials in the EU. According to the proposal, by 203, the EU will purchase up to 65% of its critical, required materials from one single third-party country. This means China has supplied the EU with most of its critical materials demand.

At the same time, the parliament called to “Reduce the demand for critical materials through accelerated technological progress,” i.e., investing in R&D of alternative critical materials and production processes that utilize smaller amounts of essential materials such as Lithium and Cobalt for batteries.

France published a list of EVs eligible for government subsidies with absolute dominance for European models

The French government continues to vigorously advance its' new plan for EV subsidizing, which is based on the vehicle's



accumulated emissions in the production process and international shipping. As expected, the new plan gives a commercial advantage to vehicles produced in Europe using “Green” energy. It discriminates against vehicles manufactured in the East and exported by ships that add to the accumulated emission balance of the vehicles.

Proof of that can be found in the list of vehicles eligible for a subsidy that the French government published on December 14th. Most of the 79 eligible models are manufactured in Europe, and only a few are outside Europe. The Koreans, for example, lost the subsidy for most of their imported models except for a single Hyundai model manufactured in the Czech Republic, and so did the Chinese.

According to estimates in France, this situation will cause severe competitive problems for those marketing Chinese cars in France, who will have to pay the government subsidy of up to 4,000 euros out of their pocket or be left out of the competition.

2. USA

The US autonomous car industry seeks government support

In recent years, the Americans have legged behind the Chinese regarding EVs and batteries, but it seems they are determined to avoid this situation in the autonomous cars arena. However, on



December 7th, the lobby of prominent companies in the US autonomous auto industry warned that without government support, the US may also lose on that front. That is given that China is considered the world leader in autonomous car trials on public roads, and its government regulation provides the basis for the quick commercialization of that technology.

In a letter addressed to the US Secretary of Transportation, Pete Buttigieg, as well as to the US Chamber of Commerce, the lobby claimed that: “The autonomous car industry in the US is at a critical crossroads and needs a demonstration of strong leadership from the ministry of transportation.”

The writers added that: “Continued support from the ministry of transportation is critical for preserving the competitive advantage of the US as far as autonomous driving technologies since many countries, including China, are actively investing and promoting the development of such technology...autonomous vehicles can save thousands of lives every year by reducing human errors such as driving when being tired, drunkenness and distractions”.

It should be noted that legislation promoting autonomous vehicles has been “Stuck” in the American Congress for more than five years. And if that is not enough, the industry is also facing negative attitudes in the media and public opinion following a series of accidents. A number of large worker unions even approached the Ministry of Transportation, demanding further regulatory actions to



ensure autonomous vehicle safety. They even called the NHTSA to open a comprehensive investigation “To determine the real scope of their safety hazards.”

The US is considering raising the customs tax on Chinese-made EVs

On December 21st, the WSJ reported that the Biden administration is considering raising the customs taxes on several products imported from China, including EVs, to support and protect the green energy industry in the US and improve its competitiveness in the face of Chinese products that are being sold at “Flood” prices.

The Biden administration left most of the custom taxes on Chinese imported goods imposed during the Trump era unchanged. These taxes yielded 300 billion US\$ and included a 25% customs tax on cars imported from China. According to the report, these taxes are now being revisited.

Before the article in the WSJ, a group of legislators from both parties approached the US government, requesting that taxes on Chinese cars be raised, and ways that would prevent Chinese companies from exporting cars from Mexican plants to the USA be examined.

According to these legislators, American auto companies, such as Tesla, produce cars in China and export them to the US, proving



that current taxes are ineffective. The Ministry of Trade and the National Security Council have not officially responded to these claims.

Those supporting the tax raise present figures according to which China has become a global power of EVs and is expected to end 2023 with a market share of 60% of global passenger EVs (14.1 million units). They claim that China is exporting these vehicles at “Flood” rates.

On the other hand, others claim that American taxes are sufficient to deter Chinese competition, contrary to Europe. The data showing that in the first ten months of the year, China exported to the US only 48,000 EVs, while to Europe, it exported 564,000 EVs, testify to that. Therefore, it is claimed that raising the taxes will not significantly improve the American customer's state but may harm American companies' sales in China if the latter decides to retaliate.

Sales forecast for the US: impressive increase in December and annual summary, but the future is uncertain

The American auto market is expected to register 1.39 million units in December, an increase of 13.2% compared with last year, reveals the monthly forecast published by J.D. Power's research division. The yearly sales rate for 2023 is 15.466 units, an increase of 13.2% from last year.



Sales to private customers in December are expected to be 13.1 million units, an increase of 13.1% from last year. In all of 2023, sales to private customers will amount to 12.645 million units, an increase of 8.4%. The researchers state that increased sales were possible due to improved inventories and prices.

The significant rise in available inventories that reached a three-year high kept pushing the average deal prices down to 46,055\$, a decrease of 2.7% compared with last December. Despite that, US customers are on a course to breaking the record of their monthly payments for new car purchases, which amounted to 50.4 billion US\$ in December. The researchers state that sales to fleets also rose by 9.4% in December.

The average profit per unit of US dealers was 2,729\$ in December, including profits from financing and insurance. This figure represents a steep decrease of 32.5% compared with last December when inventories were low but is still twice that of December 2019. The decrease in profit results from the decrease in models sold at a price higher than the MSRP and a sharp rise in inventories.

According to the data, only 35.5% of the cars in the dealer's inventories were sold within ten days of arriving at the agency in December, compared with 57% last March. The average time



vehicles were in inventory in December was 38 days, 13 more than last December. Along with the rise in inventories, manufacturer's incentives rose to an average of almost 2,500\$ in December, 4.9% of the price, almost double that of December last year.

The researchers estimate that in 2024, inventories for private customers will continue to grow and cause a moderation in prices. The planned interest rate decreases are also expected to encourage the market. However, the market will likely grow moderately by only a few percent next year. The estimation of S&P Global Mobility's research division also expects a moderate 2% growth.

According to J.D. Power's estimation, the market share of EVs in the US, which registered an impressive growth this year to 9.8% out of all private customer sales, will also continue the positive trend in 2024. The availability of EVs in dealers' inventories has improved significantly compared with last year; the number of models grew from 45 to 51, and prices have become more accessible following Tesla's price drops and the price war in the segment. Today, the initial price of EVs in the US is almost identical to that of a comparable petrol model.

That being said, the first quarter of 2024 is expected to be challenging for the EV segment due to various updates in the IRA



that will decrease the number of models eligible for a federal tax incentive.

3. Canada

Canada to introduce minimum “Quotas” for the selling of low-emission vehicles in its territory starting from 2026

In December, the Canadian government presented a plan to impose minimum quotas for selling low-emission vehicles in its territory. In the first phase, starting from 2026, manufacturers and marketers will have to sell at least 20% low-emission vehicles out of their yearly sales of cars, SUVs, and LCVs. The list of low-emission vehicles includes EVs, PHEVs, and Hydrogen Fuel-Cell vehicles.

The Canadians mention that one of the reasons that the legislation isn't focused on EVs only is that the country has many rural regions where public charging infrastructure is scarce. Therefore, PHEVs are also on the list as an intermediary step until the charging infrastructure improves.

According to the plan, the “Minimum quota” the government demands will grow to 60% by 2030 and reach 100% in 2035. Canada also aspires to a penetration rate of 35% for EVs in the medium to heavy commercial vehicles segment by 2030 and up to 100% in specific categories by 2040.



According to the government's announcement, the plan will aid Canada in lining up with similar programs for reducing emissions from transportation that were introduced in the US, Britain, the EU, and other large countries. The government intends to back the plan by 1.2 million Canadian dollars (820 million euros) to finance the establishment of 84,500 charging stations across Canada by 2029.

4. South Korea

Export of “Green” vehicles from South Korea broke records in 2023

The export of “Green” (EVs, PHEVs, Hybrids, and Hydrogen fuel-cell) vehicles made in South Korea is expected to reach over 700,000 units – a record. According to data published by the Korean Automobile Manufacturing Association (KAMA), the cumulative export of environmentally friendly cars between January and November 2023 came to 662,307 units, an increase of 32.5% from last year. The growth rate in exporting “Green” vehicles was twice that of ICE cars.

The rise in EV exports is most prominent this year. In 2023, South Korean manufacturers exported 316,654 EVs, an increase of 65.7% from last year. For the first time, the export of EVs surpassed that of hybrids, which grew by only 6.5%.



However, KAMA estimates that given the discriminatory policy that Western governments have introduced lately and the favor of domestic auto industries, it is doubtful that such growth rates can be maintained in the future. For instance, France recently introduced a subsidizing policy that precedes cars manufactured in Europe and discriminates against Korean-made cars. Meanwhile, Italy and other countries are considering similar policies, and Germany has canceled EV subsidizing altogether.

5. Turkey

Turkish government places new import barriers for Chinese EVs

In the last few years, the Turkish auto market has absorbed the import of cheap EVs from China, and many Chinese manufacturers have hurried to place their flag in the Turkish market. However, two years ago, the government announced a “National project to develop an independent EV” and launched the Turkish brand TOGG, with which the Erdoğan family has business connections. At the same time, the government started giving the new brand competitive incentives and protection customs, including a 40% purchasing tax on EVs imported from China last year and a 10% tax imposed on local and European models.



In December, a new phase in this “Defensive” governmental policy started with presenting new and dramatic import requirements, headed by the demand to establish many sales agencies nationwide as a condition for an import permit. According to a report by Bloomberg, brands wishing to sell EVs in Turkey will have to open at least 140 agencies in a uniform geographical distribution across the country and a 24/7 national service center.

Importers of cars from the EU and other countries with free trade agreements with Turkey will be exempt from this requirement, so the Chinese are those left with this threshold requirement that is almost impossible to abide by. The importers have a one-year extension to meet the new requirements. Suppose that is not enough, according to an order published by the Turkish Ministry of Trade. In that case, they will have to operate the agencies directly and not by distribution agreements with dealers.

Turkey is Europe's sixth-largest auto market and is considered important to Chinese manufacturers. Despite the 50% customs tax, in the first ten months of 2023, Chinese brands sold 184 million US\$ worth of EVs in Turkey, twice that of the whole of 2022. It is still unclear whether this situation will be negotiated between the Turkish and the Chinese governments.



6. Israel

Car transportation costs to Israel and Europe surged by double-digit percentage due to assaults in the Red Sea

The prices of car transportation from the east to Israel and Europe have risen by tens of percent in December and, in some instances, even doubled due to the assaults on ships in the Red Sea. Most of the shipping firms from Asia and Europe that operate RORO lines announced in December that they forbid their ships from entering the Red Sea on their way to the Suez Canal, and they are rerouting their transportation lanes to the Cape of Good Hope and around Africa. This route prolongs the transportation time from the east by at least 20 days and raises fuel costs significantly.

Also, some car shipping firms informed their customers that they are forced not to dock in Israel but in harbors near the Mediterranean Sea, such as Italy, Turkey, and Greece. From there, the cars are transshipped to Israel, increasing imports by hundreds of dollars per car.

These announcements are joined by the prolonged shortage of car shipping ships from the eastern routes caused primarily by increased exports from China. In the past year, China exported over half a million vehicles to Europe, and there is a long waiting list for free ships in these lines. This fact pushes the shipping rates from



the east to Europe and Israel. Also, a “War insurance premium” imposed by international insurance companies on cargo arriving in the area is added to the transportation costs. The prices of these premiums have increased by hundreds of percent since the beginning of the Houthi attacks.

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A handwritten signature in black ink, appearing to be the name "Hezi Shayb".