

 JUSTIN COX, DIRECTOR, GLOBAL PRODUCTION

 16 APRIL 2021

## Eyes on the prize

Over the last few months, more and more of Europe's OEMs have made increasingly bold announcements to demonstrate their commitment to auto electrification in the region. VW Group, for example, now expects over 60% of its considerable European sales to come from battery electric vehicles (BEVs) as early as 2030, while both Ford and Volvo are aiming to cease ICE production altogether over the same period. Others, like BMW and Daimler, include new electrification targets of 50% of total deliveries by 2030. Although targets vary between European OEMs, the most recent goals represent increases over previous ambitions.

The clustered timing of these new OEM declarations has much to do with businesses reassessing the pace of transformation within the auto industry, following the impact of the COVID-19 pandemic. Changes to consumer behaviour, competition, cost structures and even government intervention will have contributed to the widespread recent shift in gear towards electrification by OEMs in Europe.

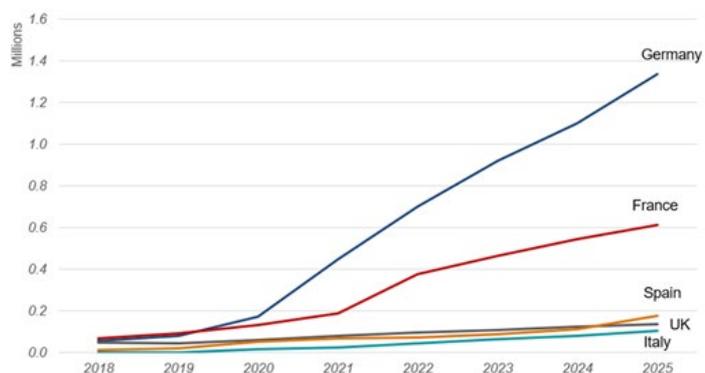


“Moving forward, the growing market will increasingly require more European facilities to manufacture BEVs beyond the current core.”

As the momentum for electrification gathers pace, the geographical distribution of auto manufacturing will be impacted. Our medium-term Light Vehicle output forecast already reveals the emergence of a BEV production core, with Germany at the centre. In recent years, German vehicle output has been on a downward trend, principally due to model sourcing decisions. However, investment in BEVs remains, at least in this first phase, closer to home. To some degree, this is also mirrored in France, where key BEV sourcing decisions are staying local. Indeed, we estimate that in 2025, the combined BEV production of both countries will account for over 60% of the region's total pure-electric vehicle output.

Moving forward, the growing market will increasingly require more European facilities to manufacture BEVs beyond the current core. Selection competition will be fierce and while some plants in the hinterland may be temporarily boosted by the concentration of runout ICE production, securing electrification investment will be the ultimate prize for many stakeholders, including governments, over the longer term.

BEV LV Production by Source: *selected key European countries*



© 2021 LMC Automotive Limited, All Rights Reserved.