

Development & Policy Forecast for Global and Chinese NEV Markets in 2021

Invited by China EV 100, officials and experts from domestic and foreign government agencies, industry associations, research institutions and businesses attended the 7th China EV 100 Forum in January 15-17, 2021. The summary below captures the observations and insight of the speakers at the forum on the industry trend and policy forecast in the world and China in 2021.

I. 2021 Global & China Auto Market Trend

1. In 2021, the global auto market may resume growth, and the NEV boom is set to continue. 2020 saw a prevalent downturn of the auto sector in major countries due to the onslaught of COVID-19, yet the sales of NEVs witnessed a spike despite the odds, with much greater penetration in various countries. The monthly penetration of electric vehicles in Germany jumped from 7% to 20% in half a year and is expected to hit 12% in 2020, up 220% year on year; Norway reported an 80% market share of EVs in November, which is projected to exceed 70% for the whole year, topping the global ranking. Multiple consultancy firms foresee a comeback of global sales growth and a continuance of NEV boom in 2021 as coronavirus eases.

2. China's auto market as a whole is expected to remain stable in 2021,

with a strong boost in NEV sales. In 2020, China spearheaded global NEV market growth with record sales of 1.367 million units. The Development Research Center of the State Council expects overall auto sales to grow slightly in 2021, which ranges 0-2%. Experts argue that barring major changes of three factors - macro economy, the coronavirus pandemic and relative stability of global supply chain - global car sales is set to experience minor growth, much higher in the first half of the year than the second half, and that NEVs will enjoy strong sales performance throughout 2021, potentially hitting a new record high. China Association of Automobile Manufacturers (CAAM) worked with key industry players in gauging the market in 2021, projecting a 4% year-on-year growth in annual sales at around 26.3 million units and a whopping 40% increase in NEV sales at 1.8 million.

3. China's NEV market has embarked on a new journey fueled by both market forces and policy incentives. Experts at the forum highly recognized the breakthrough of NEVs achieved in the private market and the cities without purchase restrictions in 2020. A record 633,000 NEVs were sold to private users in the first 11 months of 2020 - an increase of 218,000 units, of which 137,000 were sold in cities without restrictions, accounting for 63% of the total. Experts stated that China's NEV sector has entered a new stage led by both market and policies,

and that more private users will embrace electric vehicles - a signal that market factors are gaining prominence in driving growth.

4. In 2021, China market will experience stronger competition of NEV models in the RMB 200,000 to 300,000 range. In 2020, Tesla has made four price cuts of its China-made Model 3, and the pre-subsidy price of Standard Range Plus is down 24% to 269,700 yuan from 355,800 yuan at the end of 2019. Now, the price range of domestically produced Model 3 overlaps with that of Xiaopeng P7, Li One, BYD Han, BYD Tang and GAC Aion V, etc, heating up competition of the 200,000-300,000 yuan models. In January 2021, Tesla officially rolled out the locally made Model Y, slashing prices by 30% to just over 300,000 yuan. Experts expect the cut-throat competition to intensify for the 200,000 to 300,000 yuan range in 2021 in light of the wider consumer choices and Model Y price cut.

5. Speedier product launches are expected for local smart car brands in 2021. In 2020, Changan unveiled an L3 production car Uni-T; GAC introduced a mass-produced L3 model Aion LX; Great Wall launched the L2.9 WEY vv6. In 2021, Great Wall is poised to achieve L3+ autonomous driving; GAC will ramp up investment on AION intelligent vehicles; Huawei Hicar and BJEV will deliver a smart car in the first half of the year; Zhiji Auto, the joint venture of Alibaba and SAIC, will debut an electric car by the end of the year.

II. Action Plans & New Launches of Global Carmakers in China

1. Global auto giants are increasingly moving toward electrification, with multiple new launches in 2021. Volkswagen ID.4X and ID.4 CROSS will come to customers in 2021 as part of the plan to produce 22 million Volkswagen BEVs by 2028. Daimler will launch EQA and EQE in 2021 and aims for 50% of passenger cars sold to be electric by 2030 and all passenger cars to be carbon-neutral by 2039; GM is looking at 30 electric models worldwide by 2025; BMW iX, i4 and other models are expected to go on sale in 2021 as part of the corporate plan for 20% electrification by 2023; Toyota will introduce plug-in hybrid RAV4 in 2021 and provide the option of an electric powertrain for all its car lineup in 2025 in a bid to sell over 5.5 million electric vehicles by 2030.

2. Major Global OEMs view China as a key market for EVs. Volkswagen declares to produce and sell 15 new energy models in China by 2025 - 35% of its total sales, and to manufacture 11.6 million battery electric vehicles in the country by 2028; GM pledges over 40% of its cars in China to be electric by 2025; Nissan looks to fully electrify its China market by 2025 (incl. hybrid) and phase out gasoline cars.

3. Major carmakers pair up with local businesses to increasingly tap into the new industrial chain of electrification and intelligence in China, the first

time in the history of car industry when China's new forces in the supply chain intensively engage in the global auto industrial chain. Volkswagen partnered with JAC for a joint venture dedicated to new BEV brands, launched two MEB plants in 2020, acquired major stake in the battery maker Gotion High-Tech, set up JV with Star Charge, FAW and JAC for charging solutions, and worked with Shanghai Du-power to build flexible quick charging stations. Toyota launched a joint venture with BYD to develop BEVs and share manufacturing platforms; besides, it teamed up with FAW to build new EV plants and bet on China's hydrogen fuel cell future by working alongside SinoHytec, FAW, Dongfeng, BAIC and GAC for the joint development of fuel cell systems; furthermore, it forged a strategic partnership with Momenta to commercialize the Automated Map Platform (AMP) in China. Tesla Gigafactory in Shanghai is boosting its capacity to around 500,000 units in 2021 and is exporting Model 3 to the European market. Audi and Huawei inked an MOU in Berlin on the strategic cooperation to jointly develop intelligent and connected vehicles and conduct vehicles-on-road collaborative testing in real highway scenarios based on C-V2X.

III. New Dynamics & Challenges for Chinese OEMs

1. Legacy OEMs will continue to expedite the transformation toward

electrification. Wuling Hongguang Mini EV - the top-selling EV in China - has bolstered industry confidence in developing small and economical electric vehicles and becomes the benchmark of transformation for some businesses. In the meantime, some carmakers are making inroad into the premium segment, setting the stage for key breakthroughs in terms of high-end smart and electric products and technologies in the years to come. GAC, for instance, has rolled out its premium smart EV brand Aion in November 2020. It will mass produce graphene-based super fast charging batteries in September 2021, materialize the production of L4 vehicles in 2024, commercialize L4 smart driving under specific scenarios, and fully electrify its own brand in 2025; SAIC has presented its high-end smart EV brand Zhiji in January 2021 and unveiled its first C-class sports coupe and B-class crossover SUV at CES; Changan has reshaped itself as a smart and low-carbon mobility company by setting up the "Changan Global Software Center", building three dedicated BEV platforms, and joining hands with Huawei and CATL to create premium intelligent car brands.

2. Gaining stronger footholds in the market, new carmakers will stay committed to technology and business model innovations. China's mainstream new entrants have enjoyed robust growth since 2020, with an accumulative sale of over 150,000 units - 12% of China's total NEV sales. Nio alone has sold 43,728

units and the sale of Li Auto was 32,624 units. On the whole, these emerging car companies are still building up their production capacity, market system and brand image, with a range of measures to explore innovations in products and business models. To illustrate, Nio will continue to push battery leasing (BaaS), striving to deliver their products in overseas market in 2021 and introduce the next generation autonomous driving models in 2022; Xiaopeng seeks to launch a third model in 2021; Li Auto aims for a full-size extended-range SUV in 2022; and Weltmeister looks to release a model featuring L4 autonomous driving under specific scenarios at the 2021 Shanghai Auto Show.

3. The CAFC and NEV credit policy have undercut the profits of some enterprises. In 2020, six auto giants have earned negative double credits, which, coupled with the surging prices of NEV credit, has triggered mounting losses despite rising sales in some OEMs.

4. Capacity management in the industry shall be strengthened. Now, some carmakers with dual licenses approved by NDRC and MIIT are on the brink of bankruptcy. By contrast, some new outperformers are lacking such licenses and could only resort to contract manufacturing or M&A to expand their capacity. In view of such reckless investment and market disorder, NDRC is working with competent authorities to holistically reinforce industry management, and

resolutely curb redundant new NEV projects.

5. Product safety remains a headache. EV safety has been a major concern, prompting improved battery safety regulations and standards as well as technological innovation. It's advised that battery acupuncture should be phased in as a mandatory test, and that the duration of thermal diffusion test should be raised to no less than 30 minutes from 5 minutes in an effort to enhance technology innovations of intrinsic safety, passive safety and active safety of batteries.

6. Market growth is imbalanced. For now, NEV market is characterized by increased sales of the premium segment, explosive growth of entry-level segment and lack-luster performance of mid-end segment. Tapping into the massive mid-end market remains a challenge.

IV. Capital Market Remains Bullish on the NEV sector

1. The exponential growth of NEV companies in the stock market is built on a solid value proposition. NEV was the biggest rising star in the 2020 capital market - the shares of BYD soared nearly 300%, and the market worth of NIO, Xiaopeng and Li Auto multiplied. For the first time in history, Chinese automakers joined the ranks of the top 10 most valuable car companies in the world. Participants of the forum generally agreed that the surging market cap of China's

NEV enterprises is underpinned by a strong value proposition: China's commitment of carbon peaking in 2030 and carbon neutrality in 2060 would galvanize the transformation of car consumption and industrial structure toward electrification, paving the way for 30% plus compound growth of the NEV sector in the next five to 10 years - the very basic rationale for the stock rally of the new market entrants. Aside from the certainty of market growth, the enormous value of the intelligent and connected vehicle ecosystem also fuels tremendous optimism in the valuation of car manufacturers. Riding on the wave of digital economy, EVs in the future, being mobile smart devices, will feature more services and application innovations. NEV companies will not only produce revenue from selling cars, but also from software and services to gain more value distribution and higher valuation.

2. NEV startups still struggle to obtain financing. Since bank loans have long been out of reach, these startups mostly rest on private equity financing before raising funds via IPOs. Nevertheless, PEs and VCs preferred such “low-hanging fruits” as the Internet, and NEV was less of an attractive offer. What's more, the secondary market is devoid of innovative financial instruments, with no new carmakers trading in the S&T Innovation Board thus far. The investment community mostly recommends public car companies to raise more

funds whenever possible so as to be financially prepared for the R&D of new products and technologies.

V. Cross-sectoral Integration Gains Momentum

1. The intensive collaborative development of sectors will be inevitable.

Experts generally agreed that the collaboration between the auto industry and energy, transportation, information and communication industries represents a new trend. The entire sector will be transformed and upgraded through the integrated development of NEVs and information and communication industries comprising "vehicle, road, Internet and cloud", the two-way interactions of cars and energy, and cars and transportation.

2. The share of software and data value will rapidly expand. According to McKinsey, the share of software costs will spike from 15% now to 60%. Experts at the forum held that carmakers alone can't manage such wide spectrum of high technologies and that cross-sectoral integration and collaborative innovation hold the key to success.

3. Technology firms and auto companies will speed the creation of an industrial innovation ecosystem. Baidu will team up with Geely to establish a smart vehicle company; Alibaba will work with SAIC to build the smart EV brand

Zhiji; Apple and Hyundai are pushing toward the deal to produce the next generation car; Changan is to develop premium smart car together with Huawei and CATL; Home appliance manufacturers such as Skyworth and Gree, and real estate companies such as Evergrande and Baoneng also joined the race for car making. Experts noted that future cooperation will increasingly involve a network of stakeholders with collaborative innovation of the car and technology sectors to foster a new ecosystem of the smart vehicle industry.

4. Electric vehicles and renewable energy will witness further collaboration, which remains a challenge at present. Several experts argued that energy, electricity and auto industries should support and integrate with one another under the shared target of carbon emissions. To boost the coordinated development of NEVs and renewable energy, major steps should be taken to promote smart and orderly charging. Furthermore, V2G, micro-grid and other technologies should make full use of solar, wind, hydro and other renewable power. However, experts warned that V2G falls far short of industrialization, and major challenges exist in formulating standards. In addition, the power system is troubled by a high uptake of coal power, lack of flexible resources, backward energy storage systems, inadequate charging infrastructures and services, deficient charging business models, and the mismatch between EV energy storage and

power grid demand, etc.

VI. Charging & Battery Swapping Infrastructures Constitute the Key Barriers for further Electrification

1. In 2021, China will further scale up high-power, orderly charging, smart charging, battery swap and other new business models. For private car owners, slow charging at parking spaces has been the norm, supplemented by fast charging in public charging stations. Speakers at the forum stated that in the next few years, small power DC is set to supersede AC charging to be the primary charging services in residential compounds, and that orderly and smart charging technologies will be made more accessible, together with more private sharing and public charging in residential community. The creation of an EV energy service network featuring “swift charging + quick battery swap” is expected to address the pain points of user range anxiety and lengthy energy replenishment.

2. The bedrock of energy Internet, infrastructure will give a further boost to V2G. Participants from State Grid said the company has put in place 120,000 orderly charging poles in some 10,000 neighborhoods for over 150,000 car owners, transferring 4.32 million kilowatt-hours of peak power in a single month. V2G pilots also help regulate grid frequency in just under one minute, as

evidenced by the ChinaRe Building in Beijing - a V2G commercialization project generating over 4,000 yuan of income annually to car owners. The outlook for such technologies as orderly charging and V2G promises efficient energy interaction between NEVs and grids in the future. Distributed photovoltaic power generation and energy storage system, charging and discharging multi-functional integration will be further promoted.

3. Data integration and profit diversification are where infrastructure is heading next. According to Roland Berger, the market of NEV charging and battery swap will grow 6.6 folds in the next decade from the current level of 30 billion KWh, and the high commercial value of charging and battery swap infrastructure will gradually move to the downstream value-added services, which enables the use of data to generate important revenue streams. Experts attending the forum said the sharing of varied forms of data cross platforms - data like charging safety, vehicle power consumption and vehicle behavior - could pool all information along the value chain of charging poles, thus fostering diverse business operations covering grid energy supply, pole-grid interaction, energy replenishment and after-sales services, dramatically expanding the use and value of the charging pole industry.

4. The priorities going forward are to make charging points more

accessible, allow data sharing & connectivity, remove V2G barriers and build a sound industry ecosystem. China is currently plagued by the imbalanced infrastructure development, inadequate charging facilities, lack of data sharing and equipment safety. Due to grid market control, synergistic technical barriers and lack of business models, two-way energy interaction between electric vehicles and power grid is still falling short. Moreover, more clarity and solutions are needed for the rights and responsibilities involved in battery leasing and the integrated development of the grid, Internet and telematics. Experts at the forum said going forward, major steps should be taken to disseminate digital technologies in charging infrastructure, enhance the footprint of regional infrastructure, boost infrastructure information sharing and payment connectivity, promote battery safety and high-energy charging and discharging, facilitate orderly smart charging, V2G, micro grid technologies, and conduct research on the collaboration between new energy vehicles and power distribution network.

VII. Battery Innovation Continues to Flourish with More New Technologies & Products on the Horizon

1. Battery technology innovation, in the short term, is characterized by overhauls in the battery system structure as well as facelifts in battery cell

materials. Innovation of battery materials features low cobalt, more silicon and lithium content and semi-solid technologies, etc. The energy density of solid-liquid electrolyte pouch cell reaches up to 360 Wh/kg, and that of LFP battery exceeds 200 Wh/kg after adding lithium and silicon. Chinese companies improve battery energy density mostly through structural innovation, e.g. CATL CTP, BYD blade battery, Gotion J2M, while M2C, C2C and other radical notions are under further study.

2. Solid state battery is a key benchmark for the development of new generation batteries. With greater energy density and better safety, it's set to become a major battleground in the near-to-mid term. At present, China has made some headway in terms of solid state batteries. For example, the Institute of Physics of Chinese Academy of Sciences has achieved progress in core technologies such as in-situ solid state technology, pre-lithified silicon carbon anode, nano solid electrolyte coated anode and nano solid electrolyte coated membrane; Beijing Welion New Energy Technology Corporation developed a 2.5Ah cell with a volumetric energy density of 1540 Wh/L; the all-solid-state battery developed by Qingtao New Energy achieves an energy density of 430 Wh/kg and over 300 Wh/kg at SOP.

3. An increasingly higher uptake of renewables provides a broad

prospect for battery energy storage. With the cost of solar and wind power falling, batteries, particularly lithium-ion batteries, stand out as the best option for short, distributed small-size renewable energy storage. The storage cost per kilowatt hour is expected to drop by over 50% in the next 3 years, promising enormous potential for application. CATL has speeded the launch of new products with a record-breaking 12,000 charging cycles and a 25-year lifespan while improving energy density and efficiency. Sunwoda also introduced grid energy storage and home storage related products.

4. Surging demand v.s. short supply for batteries. The global lithium battery market will continue to see a pickup in demand in 2021, which is set to be measured by TWh in 2025. However, the growth of capacity and supply in the industrial chain is falling short of demand.

5. Improving battery safety and environmental adaptability is a pressing priority in the short term. 2020 alone saw over 100 battery-related EV accidents covered by Chinese and foreign media outlets. The available energy of batteries diminishes by 10%-20% in cold winter, and the inaccurate and swinging range estimate in freezing temperature is also frowned upon.

VIII. With Carbon Neutrality Target, a Hydrogen-based Smart Energy Ecosystem will Gradually Take Shape

1. The cost of fuel cell powertrain is to come down. The cost of fuel cell battery systems is expected to drop to 600 yuan /kW by 2030. In China, enterprises like Sinopec have commenced factory building to localize the production of carbon fiber in the core area of on-board hydrogen storage system - a move likely to cut carbon fiber cost by 50% in the next few years and bring down the cost of 70MPa on-board high pressure hydrogen tank wrapped with plastic liner carbon fiber to under 3,000 yuan /kg.

2. With carbon neutrality in mind, green hydrogen will be instrumental to commercial vehicles. Comprising only 5% of cars on the road in China, mid-to-heavy-duty commercial vehicles are responsible for 68% of vehicular particulate emissions and over 90% of nitrogen oxides, contributing to roughly 50% of vehicular CO₂ emissions due to its large share in refined oil consumption. Experts indicated that fuel cells are suitable for long-distance and heavy-haul traffic, and that promoting the application of fuel cells in commercial vehicles is vital to achieving carbon peak and carbon neutrality.

3. A green hydrogen-based centralized and integrated wind - solar - hydrogen smart energy ecosystem will emerge in the next 10 years.

Centralized long-distance wind and solar, hydrogen storage and power generation, fuel cell vehicles, Internet of things and blockchain represent one of the major combinations of smart energy ecosystem for carbon neutrality in the transport sector. It's projected that in the next 10 years or so, solar installed capacity will be measured by terawatt, or 1 billion kw (electricity price 0.2 yuan/kwh), so will wind installations. Meanwhile, over 1 million tons of green hydrogen will be produced annually (over 30 billion kwh of power is stored for each 1 million tons of hydrogen), and over 1 million fuel cell vehicles will be manufactured a year (100 million kw power).

4. Development of the hydrogen industry still faces a number of hurdles in terms of policy, technology and business model. On the policy front, construction of hydrogen stations and other infrastructures is hampered by the inadequate policy framework and industry management system; technologically speaking, such core technologies as electrolytic hydrogen production, hydrogen storage and transportation, and hydrogen safety fall short of meaningful breakthroughs, with constraints in key materials; as for the business model, fuel cell vehicles still lack compelling use cases, and a replicable profitability model for hydrogen stations is not in sight.

IX. Smart Features in Vehicles will further Grow

1. Automobile intelligence will gradually shift from strategic guidance to specific technical planning. From 2017 to 2020, the U.S. Department of Transportation issued the *Guidelines for Autonomous Vehicles* for four years in a row, explaining the degree of autonomy, safety and scenarios, etc, and introduced the *Automated Vehicles Comprehensive Plan (AVCP)* in 2021, requesting the creation of new regulatory framework that suits industrial development to speed up innovations in smart cars and transportation infrastructure. In the meantime, the European Union and Japan unveiled the *Guidelines on the Exemption Procedure for EU Approval of Automated Vehicles* and the *Guidelines on Autonomous Driving Safety Technologies* respectively, providing further buttress to policies with specific technical planning.

2. There is extensive recognition across the industry that smart cars are the future of automobiles. In 2020, L2 vehicles made up 15% of China's new passenger car sales. It's estimated that some 20 million intelligent connected vehicles (ICVs) will be produced in the country by 2025, among which more than half will feature L2+L3 capabilities. According to China Automotive Technology and Research Center (CATARC), over a quarter of new cars sold globally is expected to be ICVs (L3 and above) by 2035.

3. Growing smart features of automobiles continue to catalyze the growth of software and electronics industries. Deloitte estimates that software as a percentage of car value will rise from less than 10% now to 50% in 2030. Some companies forecast that the worth of automotive semiconductors per unit of cars will soar from about \$180 (L2) at present to approximately \$1,100 - \$1,200.

4. The commercialization of intelligent automobile business is gathering pace. In the space of passenger cars, Waymo, Baidu, Auto X, Pony.ai and other leading firms rapidly scaled up the commercial pilot of Robotaxi, while Huawei, BMW, Bosch and other enterprises are dabbling in automatic parking. In terms of commercial vehicles, 37%, or 85,000 out of the 230,000 such new vehicles in 10 provinces such as Zhejiang, Henan and Shandong were installed with smart devices in 2020. Smart demonstration and application will gradually become the norm in closed/semi-closed scenarios such as ports, mines and BRT, as well as in urban logistics, sanitation and public transportation, etc.

5. New breakthroughs are required for core technologies. China still trails behind in such technologies as wire control chassis (less than 1% localization), chip, operating system, cloud control platform, artificial intelligence algorithm and so on.

6. Formulating regulations to define safety responsibilities is of great

urgency. In recent years, the US, EU, Japan and other countries and regions have developed policies to clarify issues on ethics, responsibility, insurance and road access, etc, creating an enabling environment for road testing and commercial demonstration of autonomous driving. China should swiftly follow suit to precisely delineate safety responsibilities.

7. The testing system should be revised and updated. With enhanced level of vehicle intelligence, the current testing scenarios and assessment criterion are proving outdated against the new functions of high-level autonomous cars.

X. China's Transportation Sector to Move Quicker on Carbon Peak & Carbon Neutrality as Global Carbon Reduction Efforts Accelerate

1. A global carbon market has taken shape, with multiple countries announcing carbon neutrality targets and action plans. The EU, US, Australia and other countries have put in place four international carbon trading platforms, the Chicago Climate Exchange being the most prominent one, which marks the dawn of a global carbon trading system. Countries and regions accounting for over 75% of global GDP, including the Netherlands, UK, Japan, Spain and California, have set clear targets of zero emissions and carbon neutrality, coupled with action

plans and incentive policies.

2. Automobile electrification will be an inevitable trend in China, prompting the proposal to incorporate road transport in the country's carbon market. Experts at the forum noted that future NEV goals should be built on the goals of carbon peak and carbon neutrality, and recommended prompt creation of a carbon trading system relevant to China's road transport conditions, which might include four components - carbon tax, carbon reward, carbon offset, carbon emission trading and credit trading.

3. China needs to overcome six major challenges in the transport and energy sectors in order to deliver carbon neutrality and carbon peak. As experts observed at the forum, the six challenges are: a high share of coal in the power mix; lack of flexibility in the power system; stunted growth of the energy storage system; inadequate charging infrastructure services; deficient business model of charging services; mismatch between EV energy storage and grid demand, etc.

XI. China Rolls back NEV Subsidies, Contrary to Other Nations - Experts in Favor of Extending & Revising the Types of Financial Support

1. As China scales back subsidies for new energy vehicles, its European counterparts are ramping up funding support: Germany subsidizes up to €9,000 per car; France offers €6,000; and Netherlands, €4,000; subsidy budget went from €60m to €70m in Italy; countries like Norway, Netherlands, Denmark and Spain provide tax incentives as the mainstay and cash payout as a supplement. NEV buyers in the US also enjoy purchase tax subsidies ranging from \$2,500 to \$7,500. In contrast, subsidies were reduced in China in 2021 and 2022 by 10% and 20% respectively from the year earlier - potentially allowing European market growth to outpace that of China.

2. It's advised to increase the types of subsidies and extend subsidies for specific models. Experts suggested certain models - in particular medium-duty electric trucks - continue to receive purchase subsidies until 2025, and other models be eligible to subsidies in the wake of 2022 with the trade-in of gasoline models. Other options might include personal income tax deduction, lower tax for car use, interest-free or soft loans for car purchase, so that frequent car users and repeat buyers would favor an electric model.

XII. CAFC & NEV Credit Policy Should be further Revised

1. Prices of NEV credits will continue to climb. Recent years saw the NEV credit prices soar from several hundred yuan to over 1,000, or even 3,000 yuan at the end of 2020. Industry insiders foresee further price hikes in the future.

2. The CAFC and NEV credit policy has put a damper on some enterprises, and challenges abound in the industry. The dual credit policy has spurred the growth of NEV market. However, as high premium remains a scarcity, certain carmakers suffered losses despite increased sales due to their reliance on ICE models and the consequent purchase of pricy NEV credits from their peers. In 2020, 82 OEMs failed to earn the required credits, and the six auto giants reported negative points in both credits - a challenge that can't be ignored.

3. Build a credit pool for passenger vehicles, and facilitate the implementation of credit policy for commercial vehicles. It's suggested to establish a management scheme of a credit pool for passenger vehicles by referring to the regulation mechanism of grain reserve, in an effort to manage supply and demand and ease price fluctuations. Currently, the Ministry of Industry and Information Technology is mulling the inclusion of the dual credits of commercial vehicles into management, and industry players are hoping for the early enactment of policies.