

New Edict Turns Beijing Into EV City

By Bertel Schmitt on April 8, 2011

Call it synchronicity, ESP, or plain dumb luck. Yesterday, only half in jest, I called upon the city of Beijing to issue its sought-after license plates to buyers of EVs and hybrids. Little did I know that the day before, Beijing had decided to do just that. Well, no quite. No hybrids.

Beijing's media, from Beijing Youth Daily to the China Securities Journal, all report that buyers of pure plug-ins, and pure plug-ins only, will enjoy privileges the regular Beijinger can only dream of: EV buyers will not have to win the lottery to drive a car, they can drive on any day of the week, and they pay no tax. Doesn't that sound exciting to you? It could very well turn Beijing into EV city. Here is why:

For several years, Beijing, the city with a population equal to that of Australia, had been fighting an ever increasing traffic congestion. On any given day, 2,000 new cars were registered. Before the 2008 Olympics, an odd/even regimen was introduced. Depending on the last digit of your license plate, you had to leave the car at home every other day. The result? Second car purchases skyrocketed.

After the Olympics, the odd/even rule was abandoned. Instead, you had to leave your car at home on one day of the week, again according to the last digit of your license plate, and according to a constantly changing schedule. The result? Even more cars. Last year, 700,000 cars were registered in Beijing.

By the end of last year, the city of Beijing pulled the emergency brake and handed down draconian measures.

- Only 240,000 new cars would be allowed onto Beijing's streets per year. One third of the 700,000 bought in 2010.
- Applicants for a license plate had to enter a lottery. No plate, no car.
- Cars from outside of Beijing were banned during rush-hour.
- Existing plates could not be transferred with the car to another buyer.

As a result, the car business, both new and used, crashed in Beijing. In January, the first batch of 20,000 plates was awarded through the lottery. Only 2,000 of those resulted in car sales. The remainder became a wall ornament. The most precious thing in Beijing is no longer a Maybach. It's your own license plate.

Trading-in or selling your used car became next to impossible. How can you sell any car if the buyer has to win the lottery first? There are whole sections in downtown Beijing where formerly glitzy showrooms are now boarded up. The formerly teeming car markets on 4th Ring Road are deserted. Car rentals suddenly boom.

Tension in Beijing became high. There were speculations about a face-saving tactical retreat by the city. The new rule comes unexpected, but it is a stroke of genius. It's dark green. It's all about choice. Put yourself in the shoes of a Beijinger. I know, it's hard, just try.

You have money. You flipped some apartments, and being the only child, you inherited from both sides. You want a car. Now here are your choices. You either want a regular car. Then you have to throw your name into a huge hat that already holds hundreds of thousands of names and hope for lady luck. Or you get an EV. You can drive it tomorrow. No tax. A healthy subsidy to ease the pain of the higher price. You can drive it on any day of the week.

EV or bicycle? Suddenly, EV or not EV becomes a no-brainer.

For city driving, the range of say a Nissan Leaf is plenty. Want to visit Grandpa in Qingdao? No problem. I already see huge parking lots or warehouses (roofs for the affluent) in neighboring Hebei province, where the Beijinger parks (and registers) his BMW or Audi A7. On return, his Leaf, or whatever battery-operated cars the Chinese car industry dishes up, will be ready, washed and with a fully charged battery. You think I am kidding?

The Chinese are serious. China is about to invest \$15 billion into the new energy vehicle industry, writes Global Times. China wants to have 5 million EVs on the road by 2015, writes China Daily. If Beijing sets a precedent for other cities, then

China's 5-million-EVs-by-2015 target suddenly looks more reasonable than Obama's 1-million-EVs-by-2015 target. If the future is electric, then China wants to be in the driver's seat.

Two days ago, when the first articles came out, it was just a plan. Today, my Beijing contacts assure me that the plan has already been approved. Someone must be in a hurry.

Now, B&B, who would be best positioned to profit first from this sudden electric bonanza? Hybrids, even plug-in hybrids may not apply. Price is suddenly not so important, it only competes with other EVs, but it should be attractively priced. Who?

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