



asociación mexicana de la industria automotriz, a.c.

# Electric vehicle development and production in Mexico

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**Dr. José Zozaya Délano**

*Executive President*

## Climate change

In April 2022, the Intergovernmental Panel on Climate Change (IPCC) released their mitigation report, which outlines 6 crucial steps the world must take to keep the planet safe and liveable



**NO MORE FOSSIL FUELS**

We cannot allow any new fossil fuel infrastructure

**GLOBAL EMISSIONS MUST PEAK BEFORE 2025 AND BE REDUCED BY 43% BY 2030**

The infographic features a red icon of a factory with smokestacks and a train. The text is in blue and red, with the year 2025 and 43% in red.



**WE NEED TO TRANSFORM SYSTEMS**

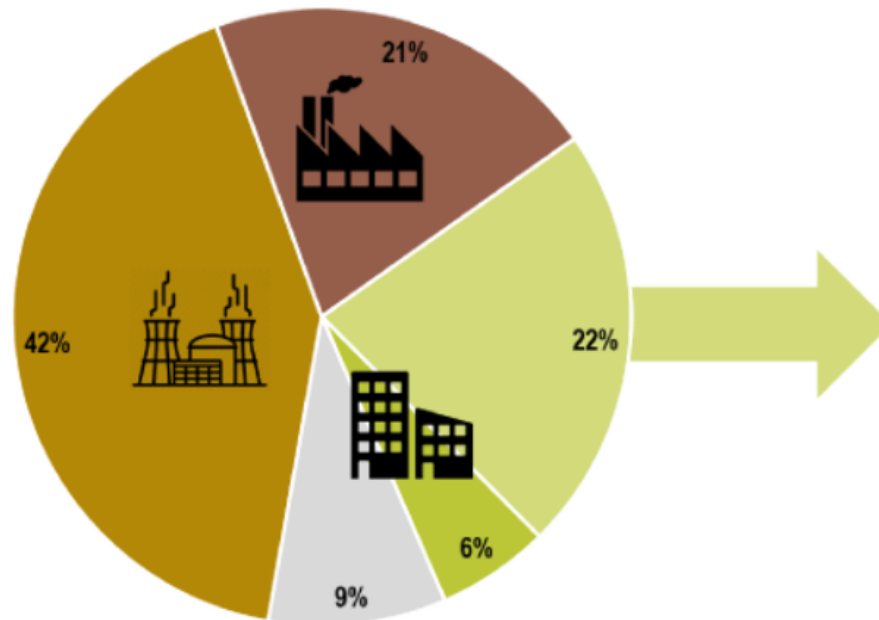
- DECARBONISE INDUSTRY
- ZERO-CARBON BUILDINGS AND A FOCUS ON RETROFIT
- SCALE-UP RENEWABLES
- PROTECT AND RESTORE NATURAL LANDSCAPES AND IMPROVE AGRICULTURE
- REDESIGN CITIES FOR LOW-CARBON TRANSPORT AND SHIFT TO CLEAN FUEL

The infographic features red icons for a factory, a wind turbine, a building, a sun, a tree, and a bus. The text is in blue and red.

## Automotive Industry and climate change

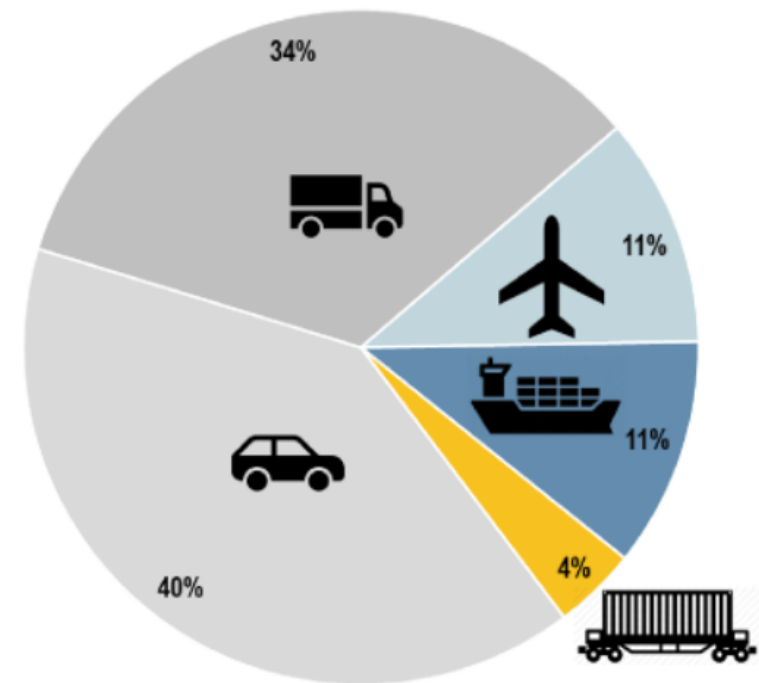
- ❑ Global transportation accounts for 22% of CO<sub>2</sub> emissions, with road transportation accounting for about three-quarters of this share.
- ❑ Global Automotive Industry needs to rise to the IPCC challenge

CO<sub>2</sub> Emissions by Economic Sector



■ Electricity and heat production ■ Manufacturing and Construction  
■ Transport ■ Residential  
■ Other

CO<sub>2</sub> Emissions by the Transport Sector

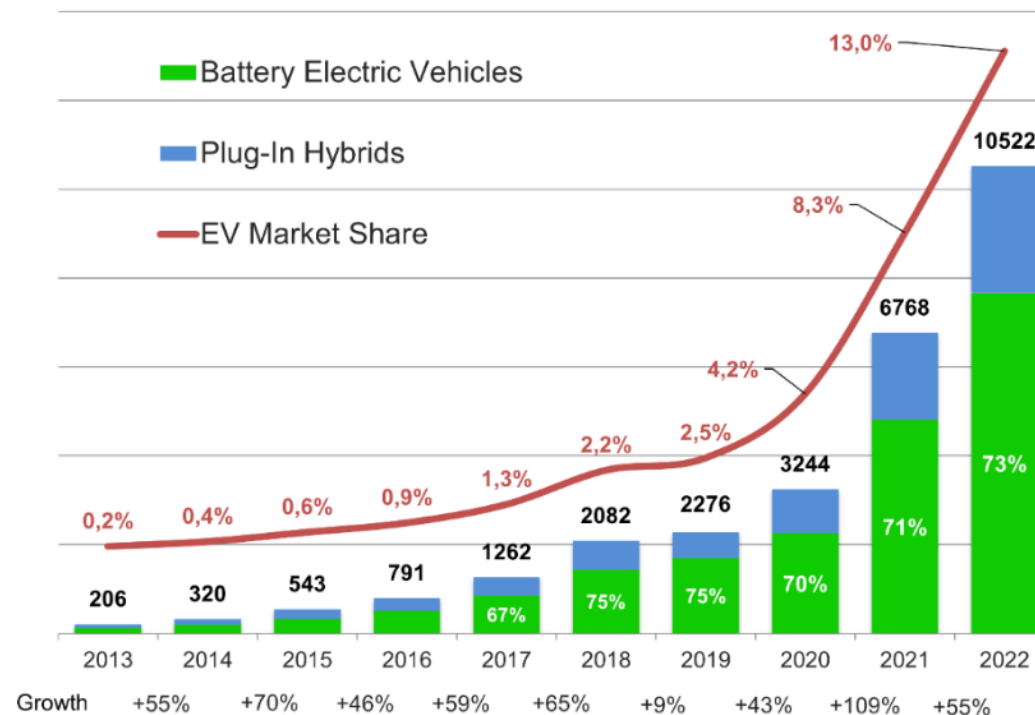


■ Automobiles ■ Trucks ■ Aviation ■ Marine ■ Railways

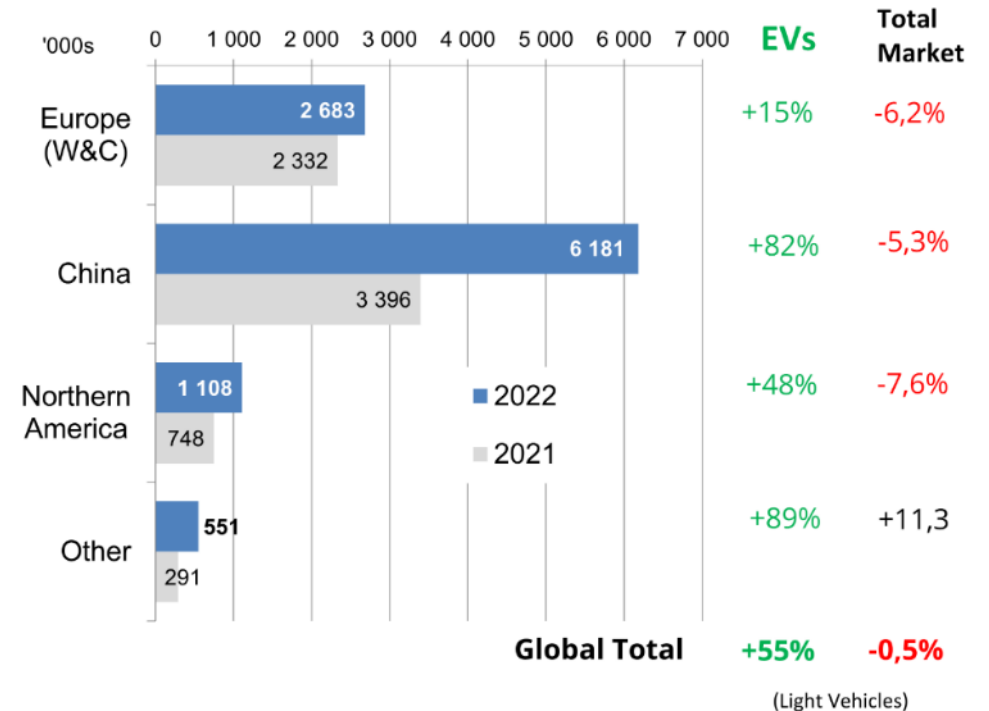
# Global BEV & PHEV Sales

- The Global Automotive Industry is undergoing a rapid transition from reliance on internal combustion engine vehicles (ICE) to battery electric vehicles (BEV) and plug –in hybrid electric vehicles (PHEV)
- China is, by far the largest BEV & PHEV market, with 59% of global sales in 2022.

GLOBAL BEV & PHEV SALES ('000s)



BEV+PHEV SALES AND % GROWTH FOR 2022 vs 2021



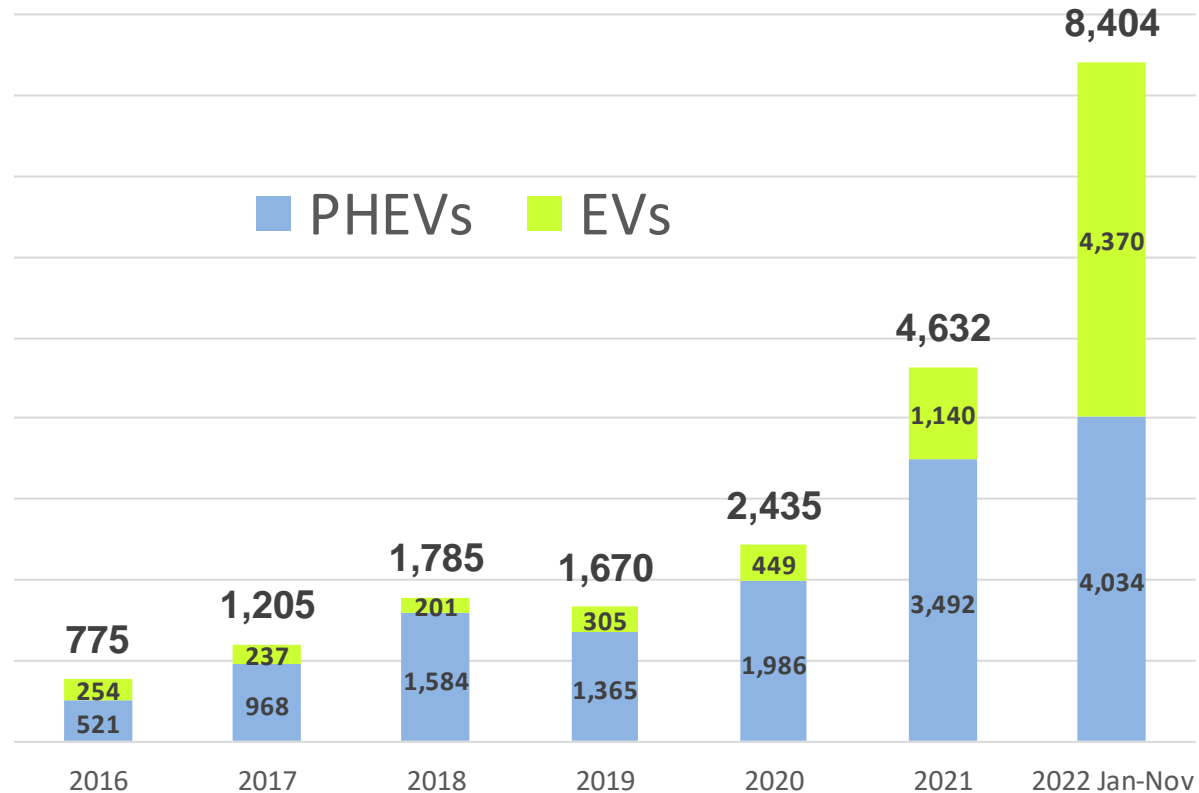
# North America EV Outlook

- ❑ As U.S. automakers pivot into the EVs era, cross-border operators say Mexico is more than ready to seize the moment
- ❑ Many of Mexico's advantages hold for EVs as much as for ICE, such as a skilled labour force and experience



# Mexico's EV & PHEV Sales

## Mexico's EV & PHEV Sales (vehicle units)



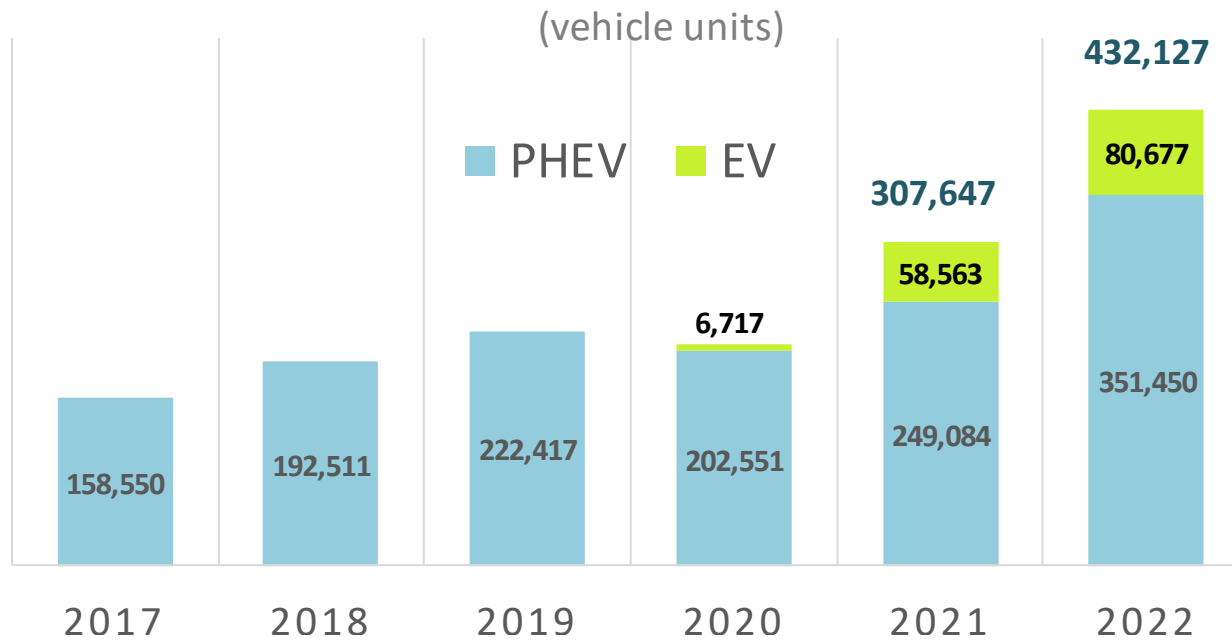
## Some reasons for increase in EV & PHEV demand:

- Rising prices for gasoline and pollution alerts that ban vehicles to transit
- Mexican consumers receive some government incentives
- Mexico has more than 1,100 charging points. It has grown by 1,300% since 2015

# Mexico EV & PHEV Production

- ❑ In 2019 Ford began producing the Mustang Mach-E
- ❑ In 2022, EV production accounted for 2.4% and PHEV for 10.6% of total light vehicle production

## Mexico's EV & PHEV Production



## Firms are converting factories

- ❑ **General Motors** announced in 2021 a US \$1 billion investment in Ramos Arizpe factory to produce electric cars. The company plans to convert two other Mexican plants to EV production by 2035
- ❑ **BMW** will invest US \$866 million in San Luis Potosi to produce high-voltage batteries and fully electric models
- ❑ **Tesla** is yet to confirm recent reports that it will set up a new electric vehicle “gigafactory” in Mexico





# Investment announcements derived from nearshoring

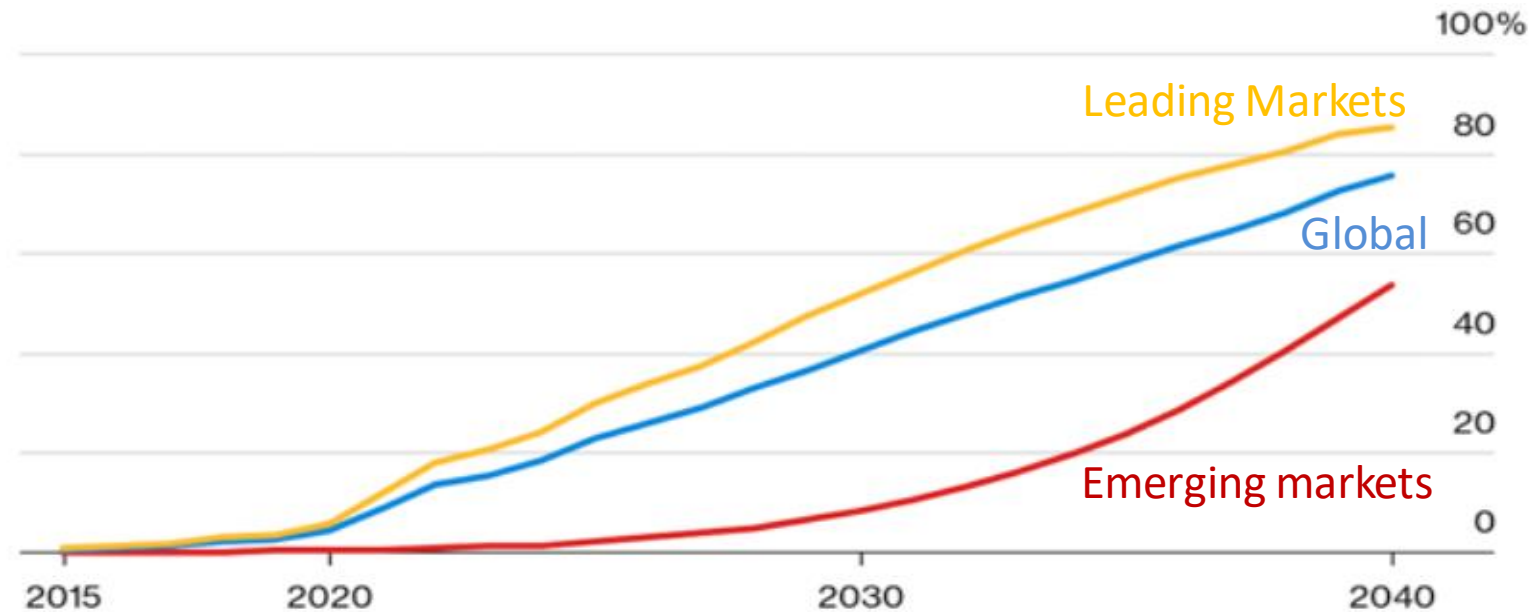
- ❑ Under UMSCA, nearshoring is attracting investment in Mexico's Automotive Industry with a focus on the EV segment
- ❑ Auto parts production represents 37% of investment announcements in Mexico due to nearshoring. 15 billion dollars would be invested in the next few years



## Two – tier global perspective

- ❑ One significant barrier to achieving zero tailpipe emissions is the gap in EV adoption between wealthier and developing economies
- ❑ Developing countries will also require government incentives and support

Scenario in passenger electric vehicle sales as a share of total sales



Source: BloombergNEF

Note: Leading markets include China, The US, Europe, Canada, Japan, South Korea and Australia.

Emerging Markets include India, Southeast Asia, and “Rest of world” countries like Brazil, Mexico and South Africa

# Firms will also have to reduce their carbon footprint

- ❑ OEMs are motivating and pressuring their Tier 1, 2 and 3 suppliers to improve their processes with a lower carbon footprint to meet their corporate commitments



Reducing waste and pollutants, conserving resources and recycling material at every stage of the product lifecycle



Implementation of technologies to minimize pollutant emissions



Participating actively in educating employees about environmental conservation

# What can firms do to achieve the goals?

Compliance plans to meet targets could comprise of four principal elements:



Increasing sales of  
Evs & PHEVs



Investing in  
technologies to  
lower the entire  
value chain's carbon  
footprint



Pricing, sales and  
marketing  
approaches to  
encourage customers  
to buy EVs, PHEVs,  
smaller and less  
powerful engines

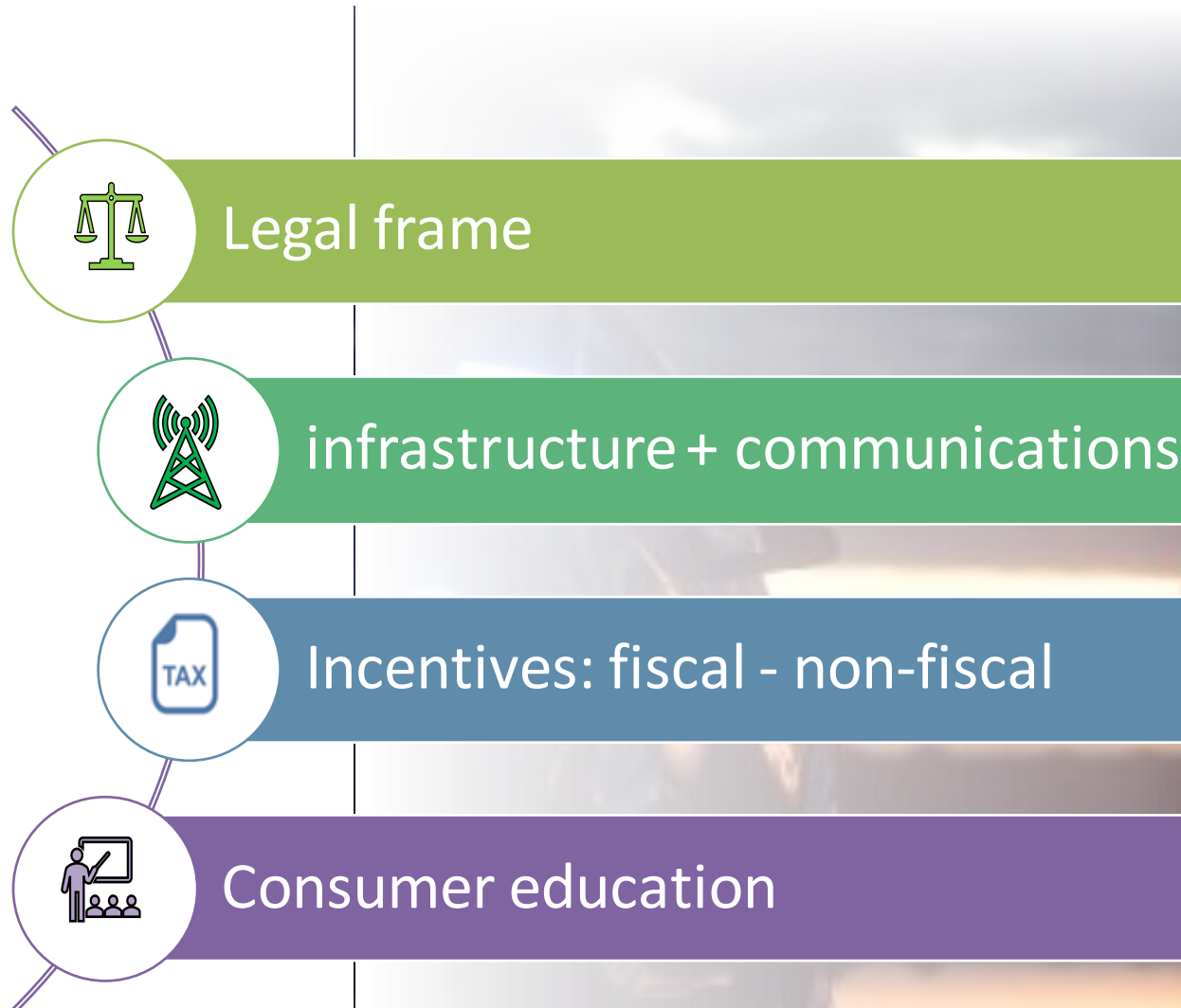


Pooling with another  
company. Like VW  
& JAC with E10X\*

\* E10X is a JAC zero emissions model, which also is positioned as one of the most accessible of EVs in the Mexican market. .

# What else is required to advance?

## Elements for transition



# What else is required to advance?

- ❑ Investment attraction and new productive projects requires **an ecosystem that ensures clean energy supply at competitive costs** throughout the entire automotive value chain in Mexico





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# ¡Thank You!

**Dr. José Zozaya Délano**

Executive President

Asociación Mexicana de la Industria Automotriz

(55) 5272-1144

[jzozaya@amia.com.mx](mailto:jzozaya@amia.com.mx)