T&E UNITED KINGDOM

Government is leaving British carmakers alone in fighting off competition from Chinese production

It is often claimed that the ZEV Mandate forces British manufacturers into unfair competition with electric vehicles Made-in-China by American, European and new Chinese Brands. However, vehicles Made-in-China are rapidly gaining market share across every powertrain, including petrol, hybrids (HEV) and plug-in hybrids (phev).

Weakening the ZEV Mandate would not shield British manufacturers from international competition; it would simply slow the UK's transition while leaving domestic industry exposed. **The real challenge is the absence of an industrial strategy and trade policy capable of supporting UK manufacturing through the transition.**

Key Points

- **Made-in-China vehicles are rapidly increasing market share across BEVs, PHEVs and hybrids.**
- **Slowing EV adoption would not reduce competitive pressure, as manufacturers producing from China are already succeeding across all vehicle types.**
- **Last June, on Autotrader, discounts for petrol cars reached 11.7%, overtaking EVs for the first time as legacy carmakers try to compete with new market entrants.**
- **Manufacturers made in China have benefited from more than $230bn in state support.**
- **The EU has responded with targeted trade measures and industrial policy; the UK has not.**
- **The Government should focus on strengthening the competitiveness of British manufacturing rather than weakening decarbonisation policy.**

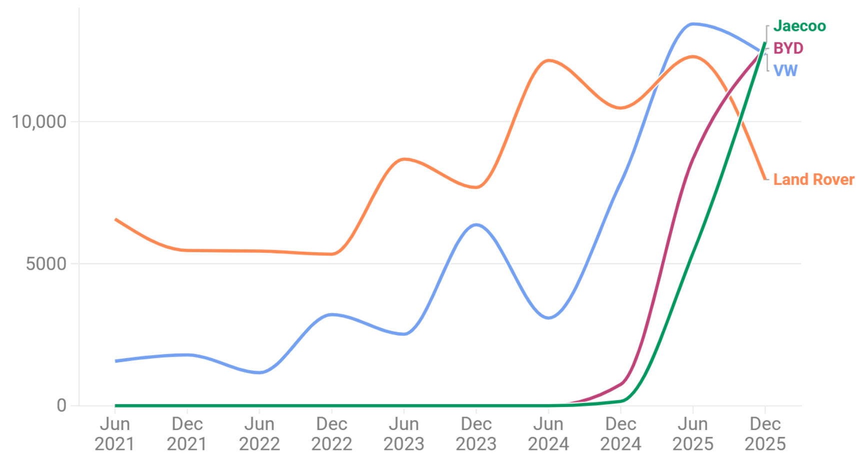
Vehicles Made-in-China are gaining market share on all vehicle types - not just EVs

Slowing down the shift to EVs does not offer any greater security to British manufacturers to protect them from international competitors. **Chinese manufacturers are expanding aggressively across all powertrains, including HEVs and PHEVs.** Watering down targets would merely shift the competitive battlefield to hybrid markets rather than BEVs which will be the technological future for the automotive sector on the whole.

Chinese OEMs are rapidly growing across Hybrid powertrains

Chinese manufacturers are rapidly moving ahead of the best-selling legacy carmakers in PHEV sales

6 monthly PHEV car sales



Source: T&E analysis of DataForce sales data

PHEVs - Chinese manufacturers have rapidly established themselves in the UK PHEV market. Having had almost no presence in early 2024, BYD and Jaecoo have become the two leading manufacturers, overtaking established brands including Land Rover and VW.

HEV - The same trend is evident in hybrid vehicles. MG has grown from virtually no UK hybrid sales before 2024 to overtaking established manufacturers including Nissan and Kia, and is on course to surpass Toyota during 2026.

Dominating on price across powertrains

While much attention focuses heavily on the difficulty of matching Chinese pricing on electric vehicles, the price advantage of Chinese imports actually spans the entire automotive market.

Recent analysis from New Automotive reveals that PHEVs, HEVs, and petrol vehicles Made-in-China are consistently offered at price points significantly lower than those produced in the West. The data shows that the **price gap between Chinese and European produced vehicles is, on average, even wider for petrol and PHEVs models than it is for BEVs.**

Chinese produced vehicles are rapidly expanding market share across powertrains. This applies pressure in every segment, and falling back to different technologies does not offer a ‘safe ground’.

UK carmakers up against heavily subsidised imports

While the price competition is substantial across multiple powertrains, the ability to lead on new EV tech has been significantly driven through substantial government support. Manufacturers in China experience multiple benefits across lower production costs, vertical integration, but also $230.9bn in government support.

$ 230.9 billion — **Cumulative support from Chinese government between 2009-2023**

The European Commission's investigation into state subsidies found that Chinese EV manufacturers had benefited from substantial government support. This support took various forms, including preferential financing, direct grants, tax incentives, and access to raw materials at below-market rates.

The Commission concluded that these measures provided Chinese producers with an unfair competitive advantage and contributed to a risk of economic injury to EU electric vehicle manufacturers.

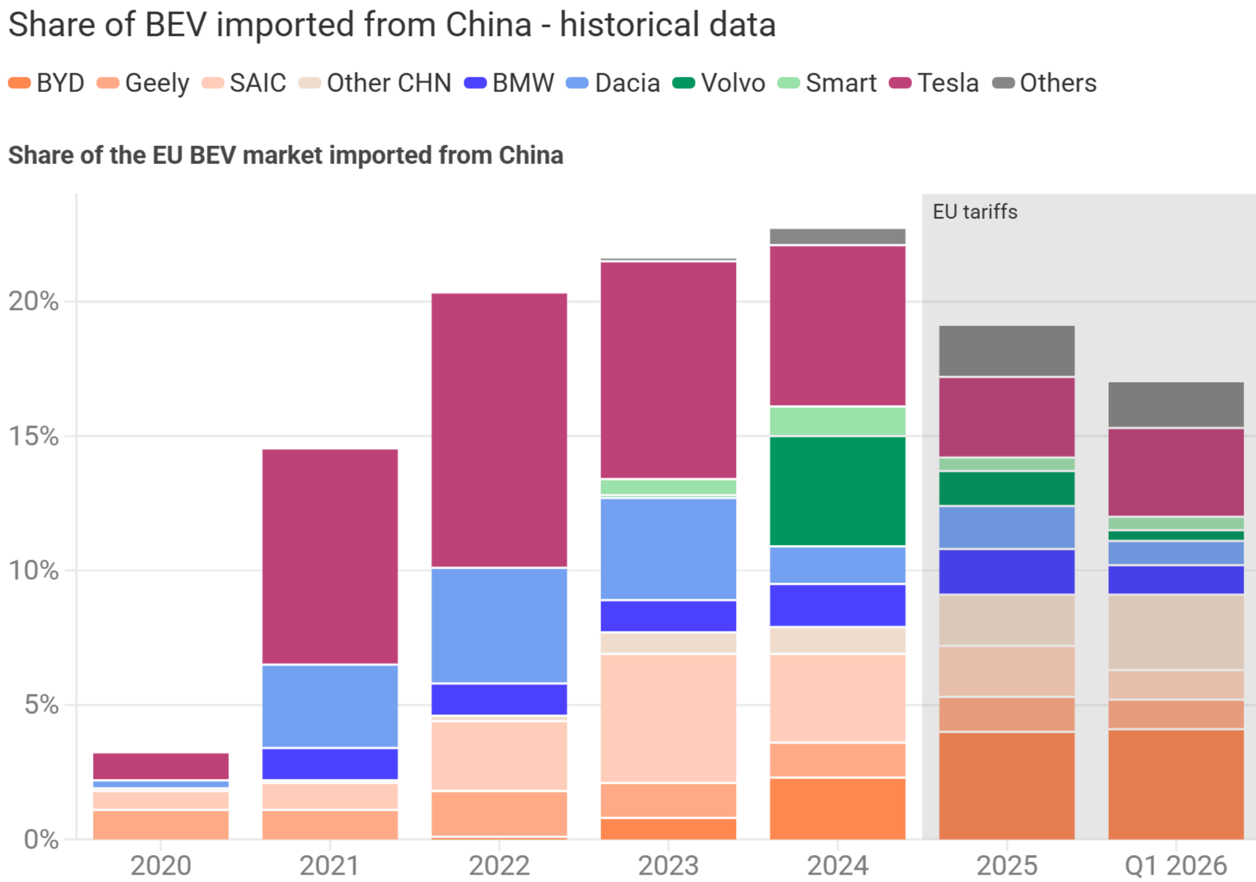
The EU is responding while the UK remains exposed

Following its investigation, the European Union has introduced targeted tariffs on subsidised Chinese EV imports alongside a broader industrial strategy, through its Industrial Accelerator Act, aimed at encouraging domestic manufacturing and localising production.

EU's proactive approach

Following the introduction of targeted tariffs, in some instances as high as 35%, from the EU, the market share of EVs imported from China has already begun to decline in a short space of time.

- ➔ Made-in-China cars have dropped to 17% of BEV sales
- ➔ Western manufacturers have shifted production to Europe. European carmakers imports from China have dropped from 38% to 23% between 2024 and Q1 2026, while Tesla dropped from 55% in 2021 to 19%.
- ➔ Chinese manufacturers are onshoring BEV production to Europe with production set to increase to 600k units in 2035. 10 planned production facilities have been announced since the EU Commission president opened the anti-subsidy investigation in September 2023.



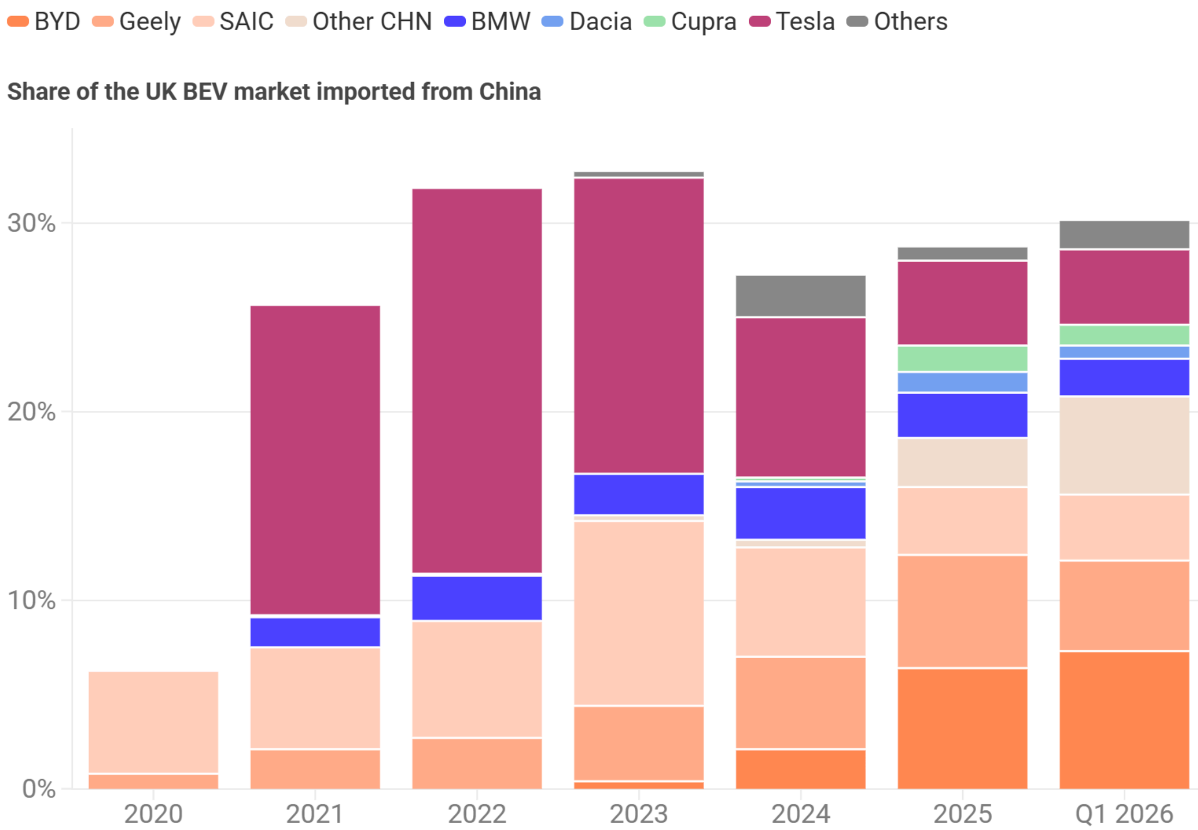
Source: T&E Analysis, EV-Volumes • Scope: passenger cars in the EU imported from China

UK manufacturers are left exposed

By contrast, the UK has yet to set out a comparable industrial strategy or implement equivalent trade measures. As a result, British manufacturers, suppliers and workers remain exposed to heavily subsidised imports despite facing many of the same competitive pressures as their European counterparts. Without greater policy certainty, the UK risks losing future investment across vehicle manufacturing, battery production and the wider automotive supply chain.

While there was a dip from 2024, this was largely driven by Tesla shifting production to Germany as they imported from both manufacturing locations, in part benefiting from the proactive measures taken by the EU as OEMs relocate in response to measures taken. However, the UK still remains an open market where those producing in China can import heavily subsidised production.

Share of BEVs imported from China into the UK



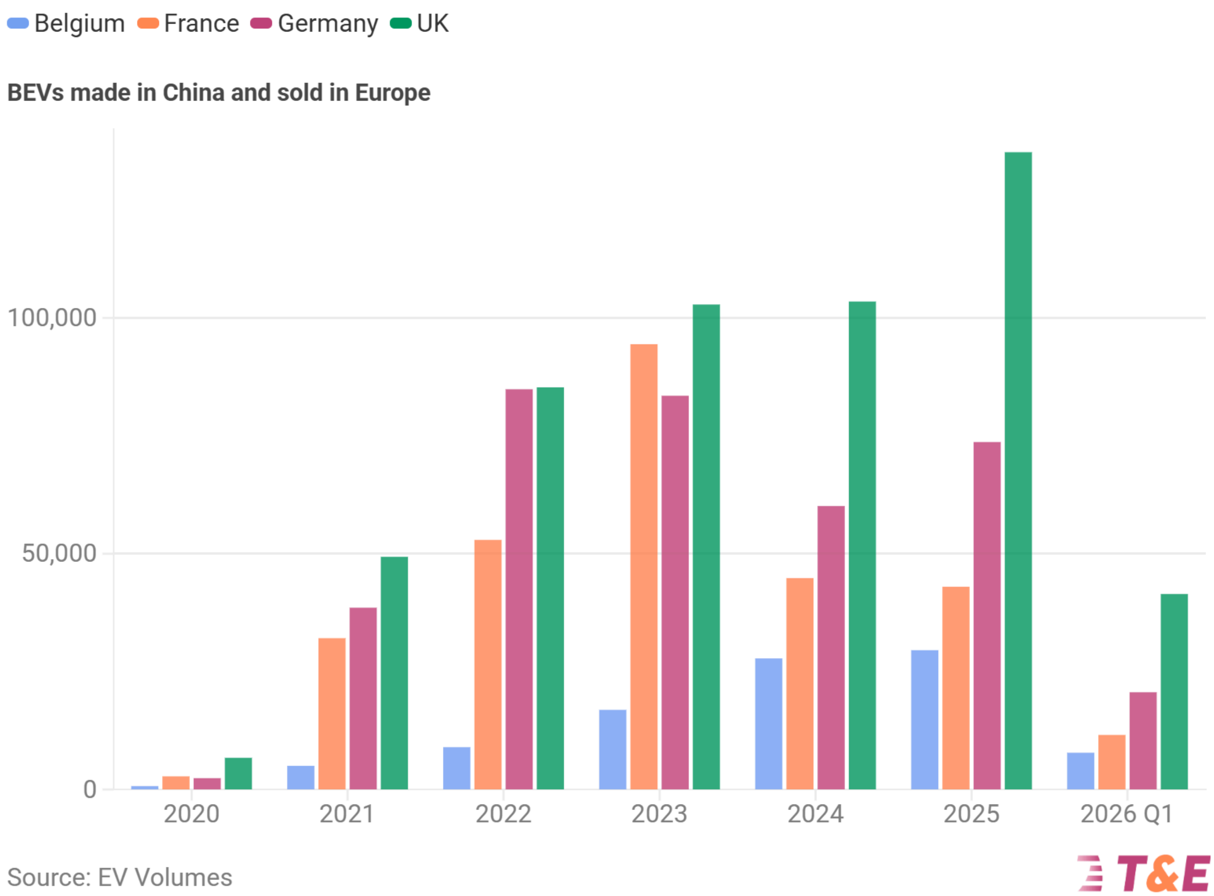
Source: T&E Analysis, EV-Volumes • Scope: passenger cars in the UK imported from China

The UK is increasingly vulnerable to Chinese overcapacity

Currently, 8% of Chinese BEV exports are destined for the UK. That compares to 22% for the rest of Europe combined. This equates to 27% of all Chinese exports to Europe, going to the UK. Comparatively the UK only makes up around 13% of the European car market.

China's significant manufacturing overcapacity means its carmakers will continue looking for export markets to absorb surplus production. As the EU takes steps to encourage local manufacturing and limit the impact of subsidised imports, the UK risks becoming an increasingly attractive market for Chinese exports.

The UK imports more BEVs from China than any other European country and the gap continues to grow



UK car makers urgently need a meaningful industrial strategy, not changing the rules on ZEV mandate

The evidence does not support claims that the ZEV Mandate is responsible for the challenges facing UK manufacturers. The number of EVs, PHEVs, HEVs and petrol vehicles that are Made-in-China are growing rapidly and having a direct impact on UK production. Weakening the transition to electric vehicles would therefore do little to reduce competitive pressure.

The government must urgently produce and implement an industrial strategy for the automotive sector that -

- **introduces appropriate trade defence measures to counter over subsidies imports from China**

- **supports investment in domestic battery and vehicle manufacturing, through maintaining certainty and tackling high energy prices**
- **encourages localisation of future production through incentives and local content requirements**

About us

We are the national office of the European clean transport NGO T&E whose aim is to achieve a zero-emission mobility system that is affordable and has minimal impacts on our health, climate and environment and is accessible to all.

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