

Volkswagen to explore green car options with China's BYD

Christoph Rauwald | May 26, 2009

Article from: Dow Jones Newswires

VOLKSWAGEN has signed a memorandum of understanding with Chinese automaker BYD on exploring options for teaming up on hybrid and electric vehicles powered by lithium batteries.

It is the latest sign that global automakers are seeking to ramp up their presence in the area of alternative drivetrains.

"Hybrids and electric vehicles will play an increasingly important role," Volkswagen's executive board member for technical development, Ulrich Hackenberg, said. "Particularly for the Chinese market, potential partners such as BYD could support us in quickly expanding our activities."

In February, Volkswagen had signed a letter of intent with Toshiba to co-operate on the development of electric-drive units and related power electronics for the German automaker's upcoming New Small Family cars.

Volkswagen's premium brand, Audi, last year had entered into co-operation with Sanyo Electric on the development of lithium-ion technology, saying at the time the new battery technology should be ready for use in production in 2012.

Volkswagen said the memorandum of understanding with BYD was signed by chief executive Martin Winterkorn and BYD chairman Wang Chuanfu.

In March, Mr Wang said BYD was in talks to supply batteries to carmakers in Europe and the US, but he didn't name them.

The Shenzhen-based company moved into the spotlight last year when a company controlled by investor Warren Buffett invested \$US230 million (\$294 million) in BYD, mainly because of BYD's cost-effective technology. In December, BYD caused a stir by launching a plug-in car ahead of more established foreign rivals.

Concerns over petrol shortages and climate change have prompted a global race to commercialise affordable electric-battery cars and plug-in hybrids that get most of their power from batteries.

Last week, Volkswagen's German rival Daimler announced that it will buy a 10 per cent stake in Silicon Valley electric vehicle start-up Tesla Motors.

Daimler and Tesla are already cooperating to integrate Tesla's lithium-ion battery packs and charging electronics into the first 1000 electric versions of Daimler's tiny Smart two-seater.

As part of a closer tie-up, Daimler and Tesla will intensify the joint development of battery systems, electric drive systems and individual vehicle projects.

While lithium-ion batteries are seen as the technology that will ultimately work, their successful use has been hindered by relatively high price, limited durability and safety concerns.

BYD says it has largely resolved those issues by turning to a safer, more cost-effective technology called iron-phosphate-based lithium-ion.