BERNSTEIN
SOCIETE GENERALE GROUP

European Automobiles & Components

Electric Revolution: Resilience - Chinese OEMs and the battle for Europe



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Welcome to the 2026 edition of Bernstein's Electric Revolution series - our annual cross sector look at the transformation of the EV landscape. The burgeoning success of Chinese automotive brands in Europe, almost entirely driven by exports from China, is seen as an existential threat to domestic European auto manufacturers and therefore an acid test of the resiliency of an industry that traces its roots back to Karl Benz's Benz Patent Motor Car in 1885. This is not the industry's first challenge from Asia; from the mid 1970s to the mid-1990s, Japanese brands with their fuel efficenient and reliable cars rapidly increased their share of the European market. Today, the threat comes from the Middle Kingdom.

The first wave of Chinese OEMs gained share in Europe through the acquisition of existing European brands, such as Volvo (owned by Geely) and MG (owned by SAIC). Chinese-owned European brands grew from 2.8% of the market in 2020 to 5.1% in 7M26. Domestic Chinese brands such as BYD and Chery have also made inroads, growing from 1.0% of the market in 2024 to 6.8% in 7M26, underscoring European consumers' growing appreciation of Chinese brands. So today, the combined China share stands at 11.9%.

In our Long View report (link) our base case scenaro is for this share to reach 18.7% by 2035, so exceeding the 13% peak share the Japanese brands achieved in Europe. Considering the 5.6 points of European market share growth that the Chinese brands achieved in less than 30 months, is our base case forecast too benign? We do not think so. There are a number of factors that will mitigate the recent furious pace of Chinese passenger car import growth. The first is regulatory - the EU has already introduced coutervailing tariffs on Chinese-built BEVs on the grounds of injurious subsidisation since the end of 2024, and we expect it to add similar measures on China-built plug-in hybrids (PHEVs) now that China has refused the EU's request for voluntary restraint.

Secondly, the growing threat to the EU's domestic auto sector that still employs 13.6m individuals and accounts for 8% of the EU's GDP is making the clamour for minimum European content hard to ignore, and we expect to get the pertinent details from the planned European Industrial Accelerator Act by December. This will put even more pressure on Chinese brands to localise in Europe, either through expensive greenfield factory development (like BYD in Szeged, Hungary) or through the repurposing of existing European brownfield sites, as planned by Leapmotor and BYD, as well. This inevitably increases costs compared to the Chinese OEMs' optimised structures at home. With localisation, we also expect the tighter applications of European Single Market and national rules designed to prevent predatory pricing pricing practices; this could also help reduce some of the more egregious price gaps between certain Chinese imports and European cars that have proved so compelling for value conscious consumers.

Thirdly, and most importantly, there is product substance. If your products are not appealing, no amount of regulatory support will save you. We believe the product substance gap between Chinese and European BEVs is closing and some European OEMs are showing signs of pulling ahead in terms of product appeal. ***(Continued on Page 3)***

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

			21 Sep 2026		TTM		Adjusted EPS			Adjusted P/E (x)		
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
BMW.GR (BMW)	O	EUR	60.34	82.00	(42.2)%	EUR	11.89	6.64	9.44	5.1	9.1	6.4
P911.GR (Porsche AG)	M	EUR	44.57	47.00	(2.8)%	EUR	0.48	1.96	2.05	92.4	22.8	21.8
MBG.GR (Mercedes)	M	EUR	43.73	56.00	(29.6)%	EUR	5.34	5.39	6.59	8.2	8.1	6.6
RNO.FP (Renault)	O	EUR	27.07	40.00	(37.0)%	EUR	(39.98)	4.96	6.14	(0.7)	5.5	4.4
STLAP.FP (Stellantis)	U	EUR	4.23	4.00	(63.8)%	EUR	(0.42)	0.29	0.70	(10.1)	14.6	6.0
STLA (Stellantis)	U	USD	4.81	4.60	(66.6)%	USD	(0.46)	0.34	0.81	(10.5)	14.1	6.0
VOW3.GR (Volkswagen)	M	EUR	75.12	100.00	(32.0)%	EUR	13.35	15.69	19.97	5.6	4.8	3.8
VOLCARB.SS (Volvo Car)	U	SEK	16.88	17.00	(26.6)%	SEK	0.06	3.09	6.56	288.2	5.5	2.6
EDME			1,592.81									
SPX			7,764.64									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

VOLCARB.SS estimate is Reported EPS;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

We rate Renault and BMW Outperform. We rate Mercedes, Porsche and Volkswagen Market-Perform. We rate Stellantis and Volvo Cars Underperform.

DETAILS

(Continued from Page 1)

Good examples are provided by the Renault 5, Twingo and Dacia Spring. Playing on a smart reinterpretation of a heritage design (which won over this analyst), the Renault 5 is the highest selling BEV in its segment in Europe YTD and 4th best-selling BEV overall. Meanwhile the Twingo and Spring benefit from optimised accelerated development in China and manufacturing within the EU in low-cost Slovenia. Another example is VW group's new range of MEB+ smaller and cheaper Spanish-built BEVs, the ID.Polo, Cross, Raval and Epiq. These combine competitive performance and pricing, brand familiarity and trust along with the advantage of a broad dealer network, particularly valuable to fleet customers.

EXHIBIT 1: **We make a distinction between Chinese originated brands and Chinese owned European brands**

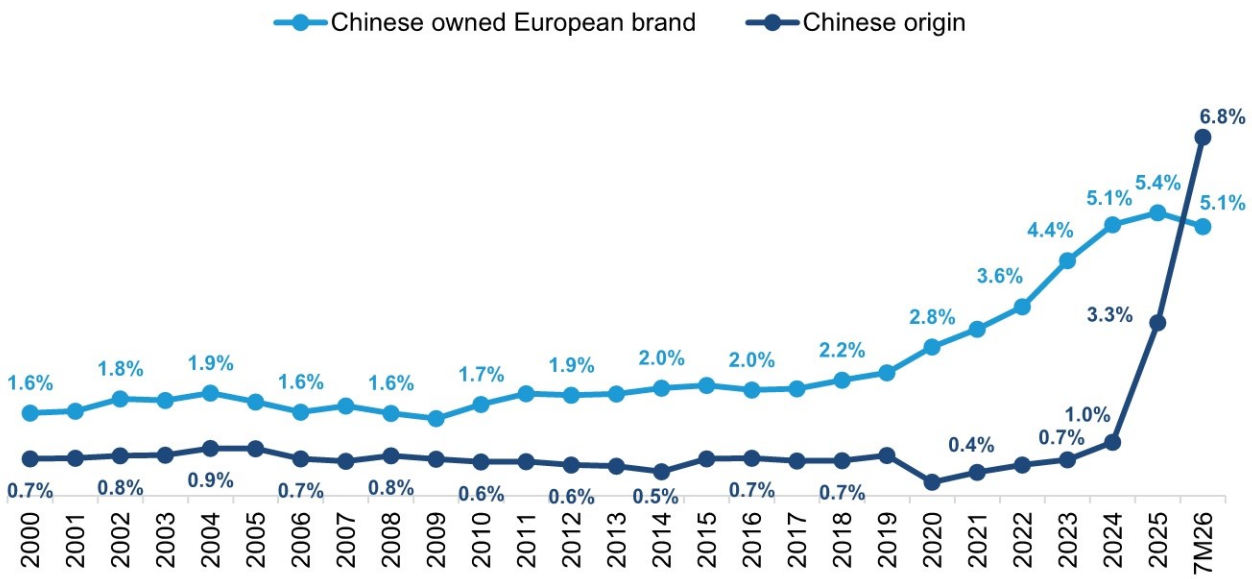
Bernstein brand origin definition	
Brand	**Category**
BYD	Chinese origin
Chery	Chinese origin
Volvo	Chinese owned European brand
MG	Chinese owned European brand
Polestar	Chinese owned European brand
Tesla	US
Skoda	European
VW	European
Opel	European
Jaguar	European
Hyundai	Korean
Honda	Japan
Vinfast / Tata / etc.	Other

Source: Bernstein analysis

As Exhibit 2 shows, Chinese car manufacturers used brands with existing European heritage to push into the European market - this has been a successful strategy with Chinese owned European brands going from 2.8% of the total European market in 2020, to 5.0% in 1H26. Perhaps more worrying is the recent success of what we define as a 'Chinese' OEM - where market share has risen from just 1.0% in 2024 to 6.6% in 1H26. Over the last decade, European OEMs have lost the largest portion of market share, going from 69.4% of the market in 2015, to 62.5% in 7M26. Japanese and US OEMs have also lost market share, 1.3% and 2.5% respectively over the same period. This concurs with the conclusions conducted by the Horvath Study, where the results of a survey showed that over the last 3 years European consumers have become significantly more sympathetic to the idea of purchasing a car from a Chinese brand. The survey found that the percentage of people who "definitely would not consider buying a Chinese car" more than halved from 46% in 2H23 to 21% in 2H25.Exhibit 3-Exhibit 4

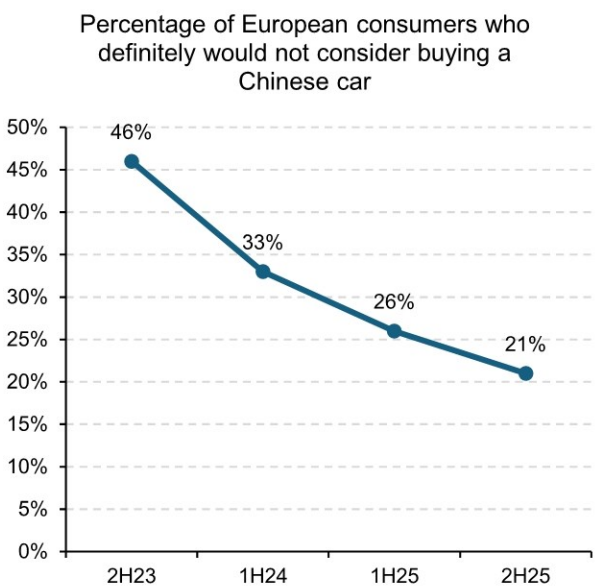
EXHIBIT 2: **Chinese originated brands historically had a <1% market share in Europe up until 2024. The strategy of OEMs, such as Geely and SAIC, buying established European brands has been successful. But now brands originating from China have seen their sales surge over the last 2 years.**

Market share in Europe



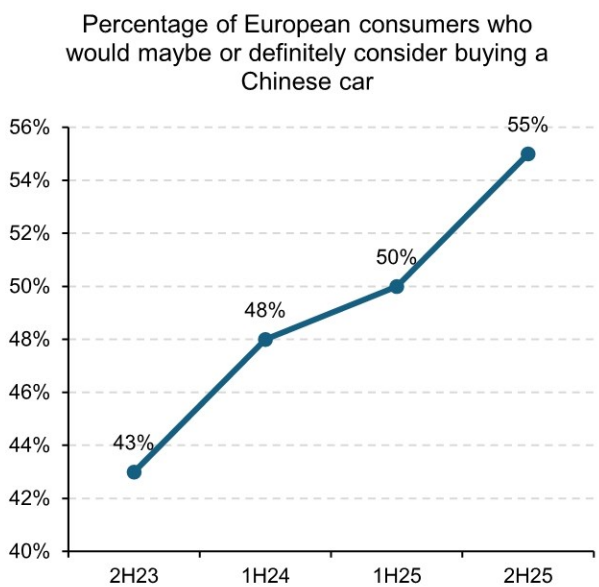
Source: S&P Global, Dataforce, Bernstein analysis

EXHIBIT 3: **Strong opposition to the idea of buying a Chinese car has waned dramatically over the last 2 years**



Source: Horvath Study, Bernstein analysis

EXHIBIT 4: **European consumers are becoming increasingly receptive to Chinese car brands**



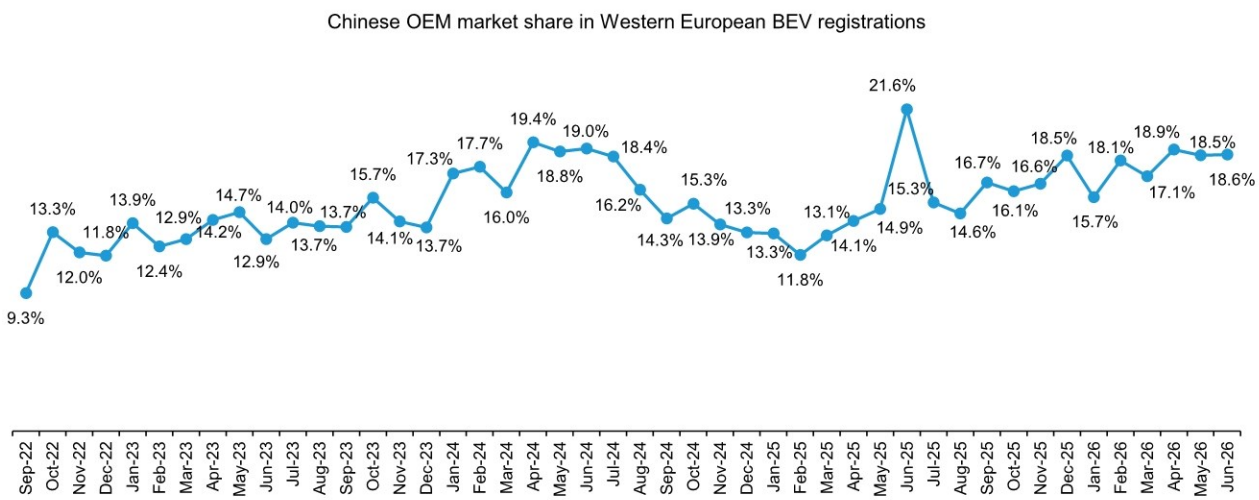
Source: Horvath Study, Bernstein analysis

Helped by ready access to advanced battery technology, a very well developed automotive electronics supplier base and strong state and regional support, the Chinese car industry has built up an extremely strong positiion in software defined vehicles (SDVs), largely unburdened by legacy platforms and underutilised internal combustion engine (ICE) capacity. It was hard for Chinese carmakers to compete in the ICE space with international brands that had spent many decades buidling up the most advanced ICE experise. As cosnumers were actively encouraged to switch ot new energy vehicles or xEVs (BEVs and PHEVs), experience in ICE no longer mattered. As growth in domestic capacity has outpaced domestic demand, Chinese OEMs have

increasingly looked to export markets. Europe has been firmly in their crosshairs. The data in Exhibit 5 and Exhibit 6 shows that since late 2022, Chinese OEMs focused predominantly on the European BEV market, where they quickly rose to a double-digit market share. Chinese OEMs share of the BEV market has consistently been above their share of the PHEV market until late 2024. An inquiry by the EU concluded in June 2024 that BEVs manufactured in China had benefited from injurious subsidisation from state authorities. In response, it countervailing punitive tariffs on BEVs imported from China, determined on a company by company basis. Crucially, the legislation did not impose a similar punitive tariff on PHEVs, which caused many Chinese OEMs to refocus their efforts in this area. As Exhibit 6 shows, Chinese OEMs quickly rose from around 10% share of the Western European PHEV market prior to 2025 to 37.6% in June 2026.

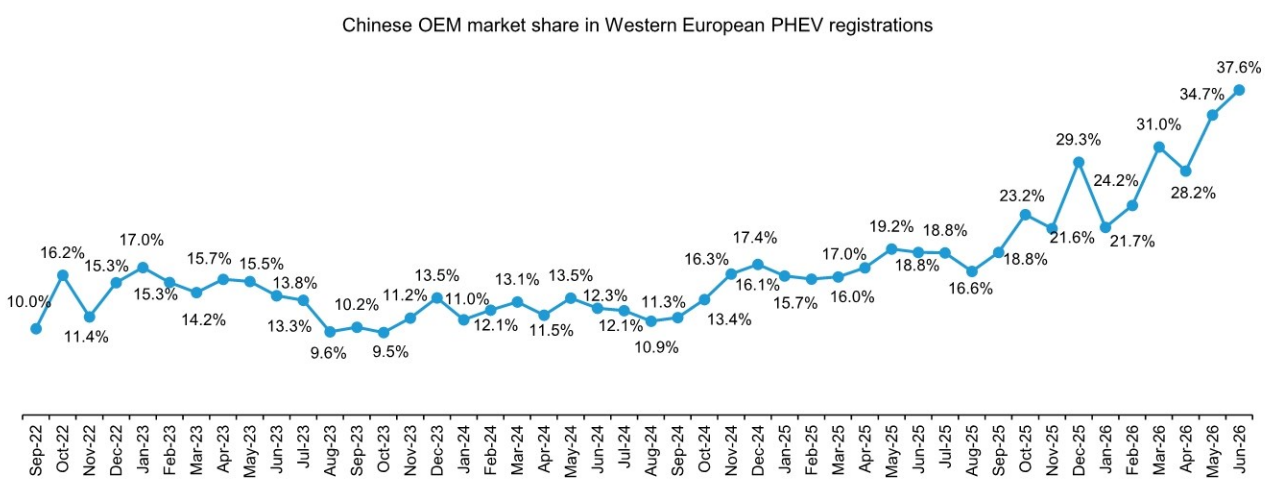
We discuss tariffs and our expectations from the EU going forward later in the report.

EXHIBIT 5: **Chinese players have gained significant market share within the European BEV market; as of June 2026 they held 19% share**



Combines Chinese origin and Chinese owned European companies
Source: Schmidt Automotive, Bernstein analysis

EXHIBIT 6: **Chinese OEMs have made a concerted effort to push into the PHEV space after the punitive tariffs on BEVs were announced 30 October 2024**



Combines Chinese origin and Chinese owned European companies
Source: Schmidt Automotive, Bernstein analysis

IF CHINESE OEMS HAVE GAINED SHARE IN EUROPE, WHO HAS LOST?

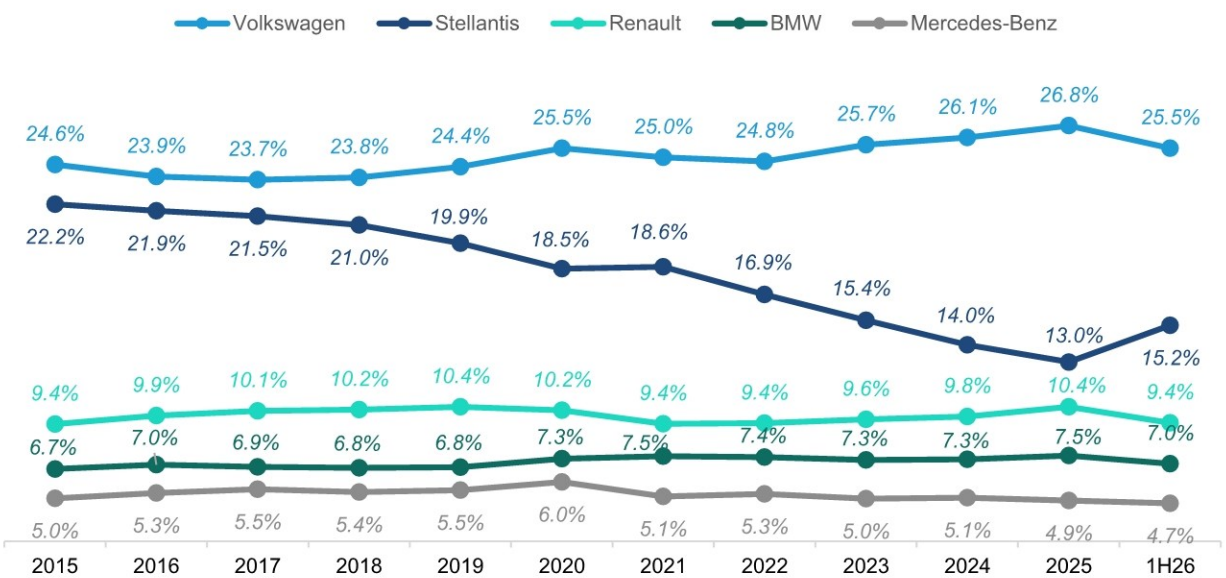
As Exhibit 2 shows, the combination of Chinese originated OEMs and Chinese owned European brands, has risen to make up 11.9% of the total European market in 7M26. ***But who have they gained share from?***

Over the past 10 years, the greatest share loss has suffered by European brands, going from 69.4% market share in 2015, to 64% in 2025. Within the European brands bucket, our coverage (Volkswagen, Stellantis, Renault, BMW, Mercedes) represent over 98% of volumes. Korean OEMs have gained 2pts of market share, US brands have lost 2pts of market share and Japanese OEMs have kept a consistent ~13% share of the European market.

It is a widespread assumption that share gains from Chinese OEMs have been at the expense of the European OEMs collectively. Exhibit 7 contradicts this. We note that most OEMs in our coverage have either *maintained or gained,* market share over the last 10 years, *apart from Stellantis*. The share loss from European branded OEMs within the European market shown in can be exclusively attributed to Stellantis - equating to a decline of 1.4m units over the period. This does not mean Volkswagen, Renault, BMW and Mercedes are immune to Chinese competition, but the data suggests that they are doing better than investors often give them credit for.

EXHIBIT 7: **Most European OEMs have actually held market share over the last 10 years, with Stellantis being the notable exception**

European OEMs market share of total European car market



Source: S&P Global, ACEA, Bernstein analysis

Another way of segmenting Chinese OEMs success in Europe, is by looking at their market share by segment. As stated earlier, pure Chinese OEMs held a 3.3% market share of the European market in 2025, with a disproportionately larger share of the A segment and D segment. Their C segment share is in line with its overall market share at 3.2%. As a reminder, the B and C segment represents 75% of the European market and so presently, Chinese OEMs are over indexing in relatively smaller segments.

EXHIBIT 8: **Chinese origin OEMs market share by segment**

	2020	2021	2022	2023	2024	2025
Chinese origin OEM market share	**0.3%**	**0.4%**	**0.6%**	**0.7%**	**1.0%**	**3.3%**
o/w A segment share	*3.4%*	*4.3%*	*3.1%*	*2.6%*	*1.3%*	*4.4%*
o/w B segment share	*0.0%*	*0.0%*	*0.0%*	*0.4%*	*0.3%*	*1.0%*
o/w C segment share	*0.0%*	*0.2%*	*0.7%*	*0.8%*	*1.3%*	*3.2%*
o/w D segment share	*0.1%*	*0.3%*	*0.5%*	*0.4%*	*1.8%*	*9.0%*
o/w E segment share	*0.0%*	*0.1%*	*1.0%*	*0.9%*	*1.5%*	*1.7%*
o/w F segment and other share	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

Source: S&P Global, Bernstein analysis

FACTORS INFLUENCING THE EUROPEAN CAR MARKET

According to the European Commission, the European automotive sector accounts for €1 trillion in GDP (over 8% of EU GDP) and provides 13.6m jobs in the EU, representing 8.1% of all manufacturing jobs in the EU. The health of the auto sector is therefore, of great importance to the EU. In the next section, we discuss some of the factors that influence the European car market, including tariffs, subsidies, protectionist measures and nuances behind the market that we believe are underappreciated.

TARIFFS

One line of defence the EU has already had in place to protect its automotive industry are import tariffs. A 10% tariff has been applied on vehicles from non-preferential trading partners as part of the Common Customs Tariff since the European Community's customs union was completed on 1 July 1968.

EU Investigation: After a year-long investigation, the European Commission concluded in 2024 that the BEV value chain in China benefits from unfair government subsidies, and therefore threaten EU BEV producers. Under its traditional trade defense rules (Basic Regulation (EU) 2016/1037) the EU can impose duties to counteract subsidies that cause or threaten to cause injury to the European industry. The Commission identified various forms of subsidisation to Chinese BEV producers, including preferential financing, grant programs, the provision of goods and services for less than adequate remuneration, and tax exemptions. The Commission found there was an imminent threat of material injury to the Union BEV industry, based on a projected surge of low-priced BEV imports that would likely capture significant market share and impede the heavy and sustained rate of investment required for the Union industry to transition to full BEV production.

On the back of this investigation, higher tariffs were put in place from 30 October 2024, specifically on BEV imports from China. Upon the announcement, Valdis Dombrovskis, Executive Vice-President and Commissioner for Trade, said *"The EU remains the global champion for open, fair and rules-based trade. We welcome competition, including in the electric vehicle sector, but it must be underpinned by fairness and a level playing field. By adopting these proportionate and targeted measures after a rigorous investigation, we're standing up for fair market practices and for the European industrial base. In parallel, we remain open to a possible alternative solution that would be effective in addressing the problems identified and WTO compatible."*

As we show in Exhibit 9, OEMs were subject to differentiated additional penalties. OEMs who cooperated with the EU's fact-finding investigation were levied with lower tariffs vs those that did not - this means BEVs from SAIC imported from China into the EU, face a combined 45.3% tariff. BYD BEVs on the other hand, face a lower combined tariff of 27%.

The implications of additional tariffs on BEVs have been clear. The data in Exhibit 5 and Exhibit 6 shows that Chinese OEMs focused predominantly on BEVs since 2022, where they quickly rose to a double-digit market share. Chinese OEMs' share of the BEV market was consistently above its respective share of the PHEV market until late 2024, when the additional tariffs were introduced on BEVs. Crucially, the legislation *did not* impose a similar punitive tariff on PHEVs. This caused many Chinese OEMs to redouble their efforts in the PHEV market. As Exhibit 6 shows, Chinese OEMs quickly rose from around 10% of the Western European PHEV market to reach 37.6% in June 2026. This can also be tracked in BYD's registration data in Germany, where its sales mix from 2025 onwards is more skewed towards PHEV. 96% of BYD's registrations in Germany in 2024 were BEVs, but this had fallen to 39% in 8M26, with the remaining 61% being PHEVs. Exhibit 10

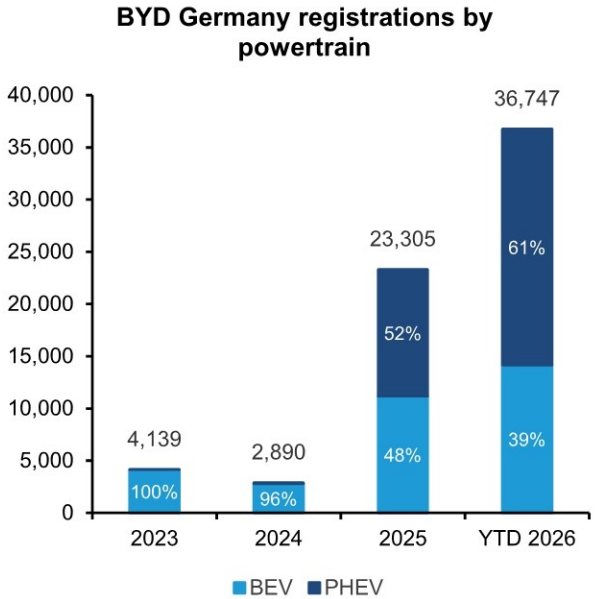
Comparing the UK with France: The UK chose not to follow the EU in 2024 and so did not impose additional countervailing tariffs on Chinese BEV imports - so Chinese OEMs only face a 10% tariff when selling into the UK. As we show in Exhibit 12, this more favorable tariff regime has helped drive the overall market share of Chinese OEMs in the UK to as high as 20%, well above the European average of 12%. In France, a vehicle environmental score is assessed for new electric passenger cars to determine their eligibility for state aid schemes (Eco bonus) for private individuals and for the annual incentive tax on BEVs acquired by companies and for the assessment of the benefit in kind linked to the provision of a company car. This disqualifies all cars built in China, and is the main explanation for the lower than average penetration of the French new car market by Chinese vehicles Exhibit 11.

EXHIBIT 9: **After the EU's inquiry, countervailing punitive tariffs were imposed on Chinese imported BEVs from 30 October 2024**

Company	Existing import tariff	Additional tariff	Total import tariff
Tesla	10.0%	7.8%	17.8%
BYD	10.0%	17.0%	27.0%
Geely	10.0%	18.8%	28.8%
SAIC	10.0%	35.3%	45.3%
Cooperating OEMs	10.0%	20.7%	30.7%
Non-cooperating OEMs	10.0%	35.3%	45.3%

Source: European Union, Bernstein analysis

EXHIBIT 10: **BYD has increasingly prioritised PHEVs since tariffs came into effect**



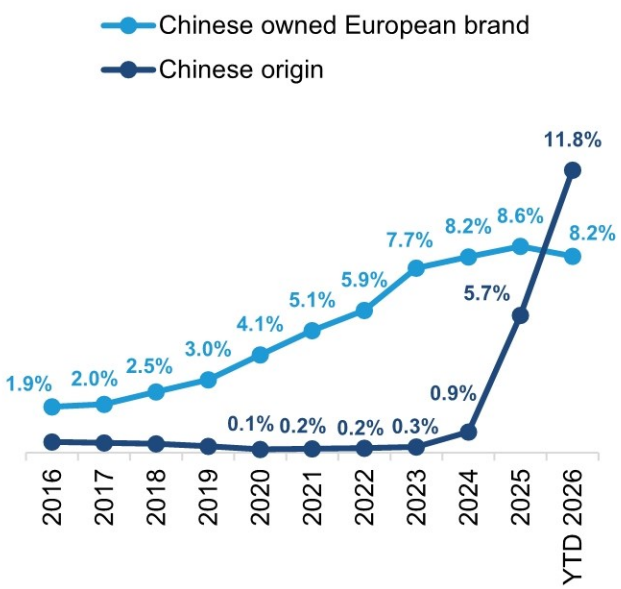
Source: KBA, Bernstein analysis

EXHIBIT 11: **Chinese OEM market share in France**



Source: S&P Global, CCFA

EXHIBIT 12: **Chinese OEM market share in the UK**



Source: S&P Global, SMMT

INDUSTRIAL ACCELERATOR ACT

The Industrial Accelerator Act (IAA), proposed by the European Commission on 4 March 2026 is a comprehensive regulatory framework designed to strengthen the EU's industrial base while promoting low-carbon and EU-origin products, streamlining investment, and enhancing economic security. It integrates industrial policy, climate objectives, and economic resilience into a single package, targeting strategic manufacturing sectors and critical technologies. The details of the policy are currently still being negotiated, but it is expected to contain some local content requirements for EVs should they want to benefit from state

subsidies.

Via the IAA, the EU plans to require electric vehicle manufacturers that receive state support to be assembled in the EU as well as source 70% of their components (excluding battery cells) from within the trading bloc. (link) For EU manufacturers, this is not problematic since they are already meeting this threshold even with the rise Chinese auto part imports. But for Chinese manufacturers who have been mostly operating on a pure import model, stripping away state incentives would materially diminish the appeal of their products, given that one of their major attractions has been their incredibly competitive price positioning.

INCENTIVES

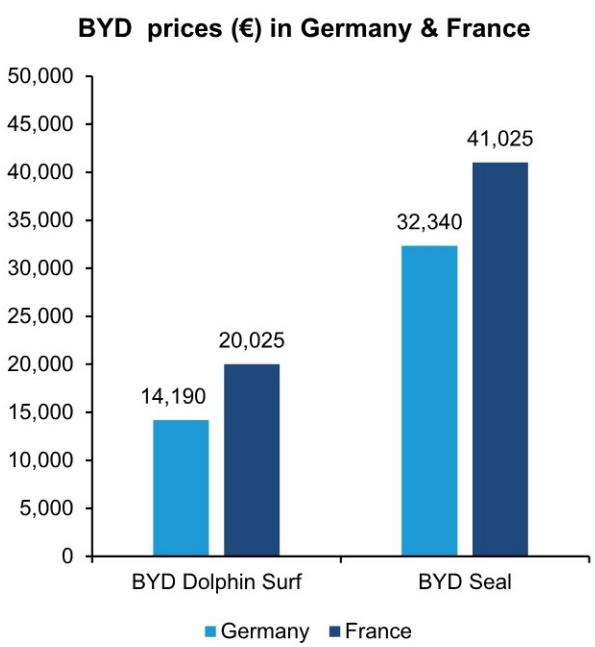
Germany, for example, has a scheme in place that can subsidise BEV customers between €3,000-€6,000 depending on level of household income. If BYD's imports were excluded from this benefit once the IAA had passed, one could assume that their registrations in Germany would be pressured. As a contrast, the current incentive structure in France require the car's manufacturing process to meet certain emissions requirements to receive an Eco score that is required for state support. This excludes imported Chinese cars, which leads to the Tesla Model Y being eligible as it is supplied from Tesla's Berlin gigafactory, but the Model 3 that comes from Giga Shanghai is not eligible. Exhibit 13-Exhibit 14

EXHIBIT 13: **State incentives in Germany that do not discriminate against China-built cars have enabled BYD to offer very attractive prices to German consumers**

BYD registrations	Germany	France	% difference
2024	2 891	5 415	-47%
2025	23 306	13 533	72%
8M26	36 748	18 695	97%

Source: KBA, CCFA, Bernstein analysis

EXHIBIT 14: **Incentives in Germany enable Chinese BEVs to be a much more financially attractive option for consumers in comparison to other countries in Europe such as France**



Source: BYD, Bernstein analysis

LOCALISATION

Chinese OEMs already had long-term plans in place to build a manufacturing footprint in Europe (Exhibit 15), but the announcement of the IAA in March has brought their timelines forward. BYD, Chery, Geely, Leapmotor and SAIC have all announced projects in the last few months to have plants in Europe operational before 2030. These roadmaps which we summarise in Exhibit 15 should be taken with a pinch of salt, however. Some of these companies had initially planned to start manufacturing in Europe as early as 2025, such as BYD and Chery with their respective Hungary and Spain plants, but neither have yet begun series production. Nevertheless, the pending IAA has prompted a response from Chinese automakers, with localising in Europe now viewed as a top strategic priority, particularly as their domestic market continues to weaken (down over 20% yoy in 8M26), and Europe offers one of the most viable avenues for sustaining sales volumes. BYD's June 2026

announcement that it would halt construction of its Manisa, Turkey plant, without providing a timeline for resumption, serves as further evidence of the increasing importance Chinese OEMs are attaching to potential future regulations. Although BYD did not explicitly state this, it appears that the Szeged, Hungary plant has been prioritised as Hungary is a member of the EU. Although Turkey enjoys a customs union with the Eu on industrial goods including passenger cars, it is not clear whether the content of vehicles produced in Turkey would be judged to be in compliance with the IAA.

Avoiding the EU's tariffs by manufacturing within teh EU is obviously welcome and material. However, this does bring higher labour costs. In 2025, hourly wages in the auto industry in Hungary were more than triple those in China Exhibit 16. And the higher labour rates will also be manifest in the prices it pays local or other EU suppliers to meet the EU local content requirement Exhibit 17. The logistics burden is reduced as the cars are manufactured closer to their end European markets but energy costs are substantially higher. All in all, we believe that ex-factory costs of vehicles produced in either greenffield or brownfield sites in Europe will noticeably higher than for vehicles imported from China, leaving less room for aggressive pricing to gains share.

Building their casrs within the EU could also trigger stricter application of EU competition, that could reduce the ability of Chinese OEMs to sell below cost, something that remains a problem in China despite the introduction of anti-involution rules by the Chinese Government earlier this year. The EU's **Foreign Subsidies Regulation (FSR)** applies directly to companies operating *inside* the single market. If a Chinese brand sells its imported cars below cost in Europe because it is backed by state subsidies from Beijing such as below market rate loans, state-funded battery supply chains, or direct grants, the European Commission can investigate. If the EU determines the foreign subsidy distorts the internal market, it has the power to impose significant fines, prohibit the company from winning public procurement tenders, or force the OEM to divest assets. Once established as an EU manufacturer, the Chinese OEM will be bound by standard EU competition law. The most relevant covers predatory pricing. If a Chinese brand achieves a dominant market position in the EU and uses below-cost pricing to intentionally drive European competitors out of business, it violates **Article 102 of the Treaty on the Functioning of the European Union (TFEU)** and faces fines up to 10% of its global turnover. Also, **National Laws** are still in place: Individual Member States have strict laws on "loss leaders." France and Germany strictly ban selling below cost at the retail level to prevent large corporations from driving smaller competitors out of the market.

To summarise, our view is that the IAA and subsequent localisation will make it harder for some Chinese OEMs to underprice vehicles and this could slow their market share gains.

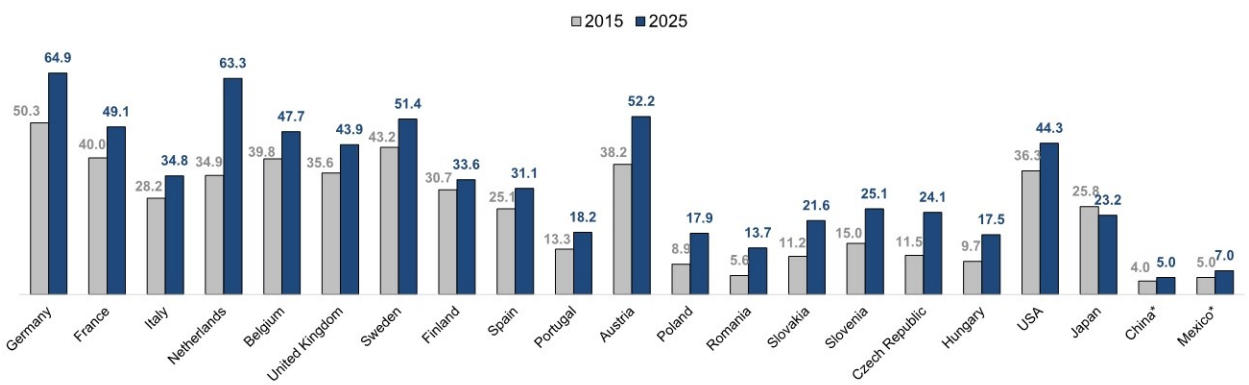


EXHIBIT 15: **Planned localised production of Chinese OEMs to 2030**

Company	Planned capacity/production from announced plants	2030 estimated production	2030 production split by plant	Models	Further detail
BYD	Eventually reach 300k unit sales in Szeged, Hungary 150k unit capacity in Manisa, Turkey (now on hold) Potential takeover of brownfield sites in Spain and France	250,000	All from Szeged, Hungary	Atto 2, Atto 3, Dolphin, Dolphin Surf	Originally supposed to start production in Szeged, Hungary in late 2025, but this has been delayed to late 2026. Construction in June 2026 that construction of Manisa, Turkey plant was suspended, with no timeline on resumption of construction given.
Chery	Targeting production of 150k units in Barcelona, Spain in 2029 Nissan's Sunderland, UK plant has max capacity of 600k units	300,000	200,000 in Barcelona, Spain 100,000 in Sunderland, UK	Spain: Jaecoo 5 & 7, Omoda 3,4,5 & 7, EBRO S400, S700, S800, S900 UK: Tiggo 4, 7 & 8	Originally planned to start Barcelona production of its own cars in 2024 but still yet to start. First units supposed to be built in 2026. Started production from EBRO JV in 2024. Announced in June 2026 a non-binding MoU where Nissan would allow its Sunderland plant to be used to manufacture Chery cars. Production is due to start in 2027.
SAIC	Capacity of 120k units	100,000	All from Ferrol, Spain	*MG 2, 3X, 4 & 4X	Announced in June 2026 with production scheduled to start in 2028
Leapmotor	Zaragoza, Spain has capacity of 450k units Madrid, Spain has capacity of 200k units	120,000	60,000 in Zaragoza, Spain 60,000 in Madrid, Spain	Zaragoza: B05, B10 Madrid: B01*, B03, B03X and C10*	Although the production level was insignificant, Leapmotor was assembling its T03 small car at Stellantis' Tychy plant in Poland in 2024/25. Production was suspended in April 2025, after the Chinse government forbade OEMs from manufacturing cars in countries that supported the EU's countervailing tariffs on China-built BEVs. Stellantis announced in May 2026 that both Spain plants are planned to start production of Leapmotor vehicles in 2028. Stellantis' May 2026 announcement of its intention to use its Pomigliano d'Arco plant in Italy for a small, affordable electric car in 2028 is rumoured to be a Leapmotor vehicle (e.g. T03). This could add something like an extra ~30k units to the 2030 production figure.
GAC	Magna Steyr's Graz, Austria plant has a capacity of 200k units	10,000	All from Graz, Austria	AION UT and AION V	Austrian manufacturer Magna Steyr has historically contract built for other OEMS at its Graz plant, mainly to luxury names such as MBG & BMW AION UT and AION V started production in March 2026 and November 2025 reseptively
Geely	Volvo's Kosice, Slovakia plant has planned production of 250k units Volvo's Torslanda, Sweden plant has capacit of 300k units Volvo's Ghent, Belgium plant has capacity of 300k units Ford's Valencia, Spain plant has capacity of 500k units	505,000	160,000 from Ghent, Belgium 130,000 from Kosice, Slovakia 30,000 from Valencia, Spain 180,000 in Torslanda, Sweden 5,000 in Conventry and Norfolk, UK	Ghent: Volvo EX30 and XC40 Kosice: Volvo EX40 and Polestar 7 Valencia: *Geely Coolray, Starray, and Galaxy Cruiser 700 (KO11) Torslanda: Misc. Volvo UK: Misc. Lotus	Valencia plant belongs to Ford. Geely and Ford announced a manufacturing JV in June 2026 where 3 Ford-branded vehicles and 2 Geely-branded vehicles would be produced at Ford's Valencia plant from 2028. Geely Auto will own 34% of the new entity and Ford will own 66%.
Xpeng	Magna Steyr's Graz, Austria plant has a capacity of 200k units	40,000	All from Graz, Austria	G6, G9L, P7+, L03*	G6, G9 started in September 2025 P7+ started in early 2026 another model will start later in 2026, rumoured to be the L03

*model unconfirmed to be produced and our estimates
Source: Company reports, S&P Global, Bernstein analysis and estimates

EXHIBIT 16: **Hourly wage in auto industry (euros)**



Source: VDA, Eurostat, Bernstein analysis, *Bernstein estimate

EXHIBIT 17: **Chinese suppliers in China offer significantly cheaper solutions across all product types. What happens when they localise in Europe to meet impending local content requirements?**

Component	Cost gap between average European options vs best-cost option*
Chassis	-29%
Exterior & Body	-16%
ICE Powertrain	-19%
EV Powertrain	-24%
Interior	-26%
Electronics & Electricals	-21%
o/w ADAS	-20%

*Excludes logistics costs
Source: CLEPA, Bernstein analysis

EUROPEANS ARE NOT ROLLING OVER

The European OEMs are not standing still. Below we look at what Renault and VW Group have been doing to enhance the competitiveness of their BEV ranges.

Renault's new product

We have already noted that the French made Renault 5 is the best-selling BEV in its segment in Europe this year and is the #4 seller across all BEVs sold in Europe, behind Tesla's two mass BEVs, Model Y and Model 3 and the Skoda Elroq. However, Renault is now actively extending its offer to the smaller A-segment with its Twingo BEV and new second gen Dacia Spring that is now made within the EU rather than imported from China as with its earlier iteration.

EXHIBIT 18: **Renault 5**



Source: Renault

EXHIBIT 19: **Renault Twingo BEV**



Source: Renault

EXHIBIT 20: **Dacia Spring**



Source: Dacia

Renault is already leveraging its own fully controlled Chinese business accelerator, namely its Advanced China Development Centre (ACDC) research and development centre in Shanghai. The ACDC opened in 2024, and was designed to plug directly into China's fast-moving EV ecosystem, accelerating time-to-market, scouting innovation, and building strategic partnerships. Thanks to the ACDC, Renault's new Twingo was developed in 21 months so well within its target parameter of less than 100 weeks and its sister car, the second generation Dacia Spring, was developed in just 16 months. Both are being built within the EU at Renault's low cost Novo Mesto plant in Slovenia. The Twingo and new Spring BEVs are already able to achieve cost levels that compare favorably with Chinese competitors, especially if they have to localise within the EU.

VW's new MEB+ vehicles

VW opened the European order books for the new ID. Polo in April 2026. Initially, the price list started at €33,795 for the mid-range 'Life' trim. Towards the end of July, the most affordable version, the ID.Polo Trend became configurable from €24,995, so meeting the promise of a VW BEV priced below €25,000. *Automobilwoche* reported that this had immediately generated significant interest, with the head of a major VW dealership group saying that the entire ID. Polo range is sold out, and the waiting time is at least ten months. VW told *Automobilwoche* that the combination of "very positive customer demand" and

the long-term planned production capacities at the Martorell plant currently leads to longer delivery times. Delivery dates are expected to vary depending on individual configurations. VW has confirmed more than 30,000 orders across Europe, and the ID. Polo has "significantly exceeded original expectations, particularly in Germany." Demand for the sister models in the electric small car family from Škoda and Cupra is also said to be significantly higher than anticipated. Škoda alone reports more than 35,000 orders for the Epiq.

EXHIBIT 21: **How VW's new ID.Polo compares to Chinese competitors**

Note: German prices. Do not include up to €6,000 of German state incentives based on household income and size of household

Model	Germany starting price	Battery / WLTP range	Power	DC charging	Key attributes
Volkswagen ID.Polo Trend	**€ 24,995**	**37 kWh usable / up to 334 km**	**85 kW**	**90 kW 10–80% ~23 min**	**Clean packaging, driving dynamics, local network, VW brand**
Volkswagen ID.Polo 52 kWh	**€33,795 in Life launch form**	**52 kWh usable / up to 454 km**	**155 kW**	**105 kW 10–80% ~24 min**	**Range, performance, cabin quality/ergonomics**
BYD Dolphin Surf	€23,490 in Germany, currently discounted down to €20,190 through BYD E-Bonus.	30 kWh / 220 km WLTP	65 kW	65 kW 30-80%, 30 min	Purchase price and city-car value
BYD Dolphin Surf Boost	€27,490 in Germany, discounted down to €22,990 through BYD E-Bonus	43.2 kWh / 322 km WLTP	65 kW	85 kW 10-80%, 30 min	Battery size, standard equipment
BYD Dolphin	€33,990 discounted down to €27,040 through BYD E-Bonus	~60.4 kWh / 427 km WLTP	150 kW	up to 88 kW 10-80%, 40 min	Larger car, long warranty, equipment/value
Geely E2 Max	€ 23,990	47.1 kWh / 345 km WLTP	85 kW	80 kW 30-80% 25 min	Interior space, standard equipment
GAC Aion UT	€ 27,900	60kWh / 430 km	155 kW	87 kW 10-80%, 32 min	Interior space, restrained design, acceleration, advanced driving assistance
Dongfeng Box	€ 19,990	42.3 kWh / 230 km WLTP	70 kW	77 kW 30-80%, 30 min	Equipment-led value proposition with discounts
Leapmotor B05 Pro	€27,900 in Germany	56.2 kWh / 401 km WLTP	160 kW	up to ~140 kW 30-80% 16 min	SUV packaging, charging speed, price-adjusted hardware

Source: Company sources, Bernstein analysis

EXHIBIT 22: **VW ID.Polo**



Source: Volkswagen

EXHIBIT 23: **VW ID.Cross**



Source: Volkswagen

- The ID.Polo offers a credible efficiency-led package: its 37 kWh/334 km version exceeds the range of the BYD Dolphin Surf Boost despite a 14% smaller usable battery, while the 52 kWh version reaches up to 454 km WLTP.

- Volkswagen offers stronger performance and charging: its motor outputs run from 85–155 kW, versus roughly 45–65 kW for many Chinese entry-level city EVs, while 90 kW DC fast charging and standard 11 kW AC charging improve everyday practicality.
- Packaging is a key European-market strength: the MEB+ platform is intended to deliver more cabin and boot space than a combustion supermini, with early impressions pointing to a more substantial, mature interior than typical budget-focused rivals.
- VW has addressed a major weakness of earlier ID models by bringing back physical controls for essential functions and using a more conventional instrument/display layout, reducing reliance on touchscreen operation. Chinese cars still tend to be exclsuively screen focused.
- The ownership case may outweigh a €2k–5k price premium: Volkswagen's established European dealer, servicing, repair, finance, fleet and residual-value infrastructure supports five-to-eight-year ownership, while European production also avoids EU duties on China-built BEVs and may help fleet and incentive eligibility.
- Volkswagen does not need the ID.Polo to undercut every Chinese rival. It just needs it to narrow the total-cost-of-ownership gap enough that buyers choose a familiar, well-supported European product.

EXHIBIT 24: **Cupra Raval**



Source: Cupra

EXHIBIT 25: **Skoda Epiq**



Source: Skoda

Additionally, new models from BMW's NEUKE KLASSE and the Mercedes electric show impressive efficiency statistics vs peers (Exhibit 32 and Exhibit 33). We covered new offerings from BMW and Mercedes in our in depth report - Future of Tech: BMW and Mercedes fight back.

Turning to the Chinse market which is currently the battleground for testing whether an EV is competitive on both hardware and software. Press reporting suggests that there is substantial interest in BMW's forthcoming China-built NEUE KLASSE iX3 whose pricing was confirmed and whose order book opened on 21 August (link). On 27 August, Ye Tao, the CEO of China Meidong Auto Holding (not covered), one of the largest BMW dealer groups in the Middle Kingdom with 27 dedicated stores and service centers at the end of 2025, stated that *"We are cautiously optimistic about the iX3 launch's market potential. The pricing strategy has been aggressive this time from BMW. So based on the order intake and the margin situation, the initial response has been quite good, including foot traffic coming back, mostly reflected in the tier-one cities — in our stores in Beijing and Guangzhou, the order intakes are the highest. And the margin is so far held up pretty well — it's about 4.5%. But the reason why we are cautiously optimistic is because of the nature of the EV market, it's behaving more like consumer electronics, which means the product lifecycle will be short for most EV models. So you're going to enjoy a very brief period — we don't know how long — of high margin and high order intake. And then you're going to get into a very rapid cycle of iteration, that requires new models and new cycles to sustain the growth. So it's too early to tell, but so far so good".*

Meidong certainly has a vested interest in promoting the new iX3, but considering the circumstances of the China market, this was still a pretty constructive take. And as for Ye Tao's desire for a very rapid cycle of iteration, there is certainly a wave of NEUE KLASSE products that follow fast in the wake of the iX3, including the i3L in 1Q27.

EXHIBIT 26: **BMW iX3**



Source: BMW

EXHIBIT 27: **BMW i3**



Source: BMW

EXHIBIT 28: **Mercedes electric GLC**



Source: Mercedes-Benz

EXHIBIT 29: **Mercedes C-class Electric**



Source: Mercedes

EXHIBIT 30: **Audi A2 e-tron**



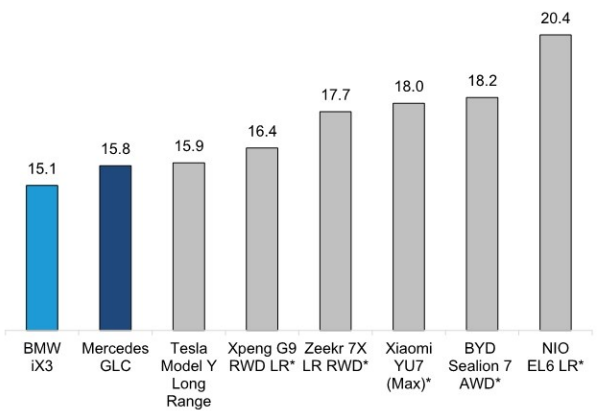
Source: Audi

EXHIBIT 31: **Porsche Cayenne Electric**



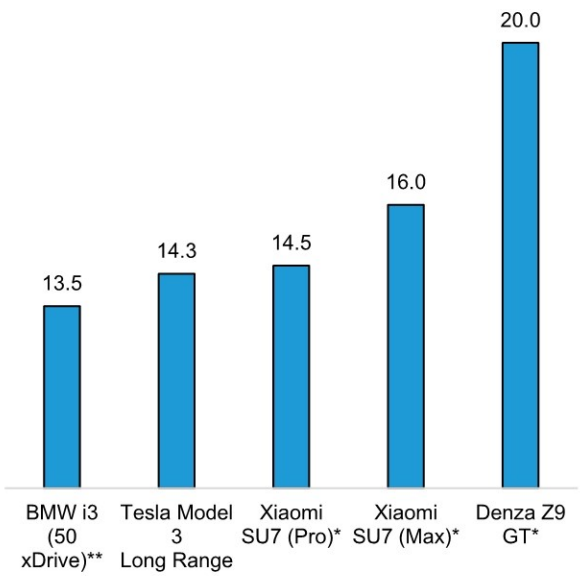
Source: Porsche

EXHIBIT 32: **BMW iX3 and Mercedes GLC show very competitive efficiency (kWh per 100km)**



Source: Company reports, Bernstein analysis, *from EVKX.net

EXHIBIT 33: **BMW i3 shows segment leading efficiency vs peers (kWh per 100km)**



Source: *EVKX.net, Bernstein analysis and estimates,** denotes Bernstein estimate for BMW

WHERE DO WE GO FROM HERE?

Below, we forecast the proportion of the European market that we expect Chinese OEMs to gain. Over the long term, the European passenger car market has averaged around 13-13.5m units. We do not see a strong rationale for this to change and therefore assume a similar number of absolute units in the European market going forward. Building on the work from earlier in the report, we forecast unit sales by brand origin for each segment in the European market, which combined, make up our total forecast.

As in many big debates, we think the answer lies somewhere between maximum pessimism and maximum optimism. Below we map out our views of the key structural debates and the evidence to support our thesis.

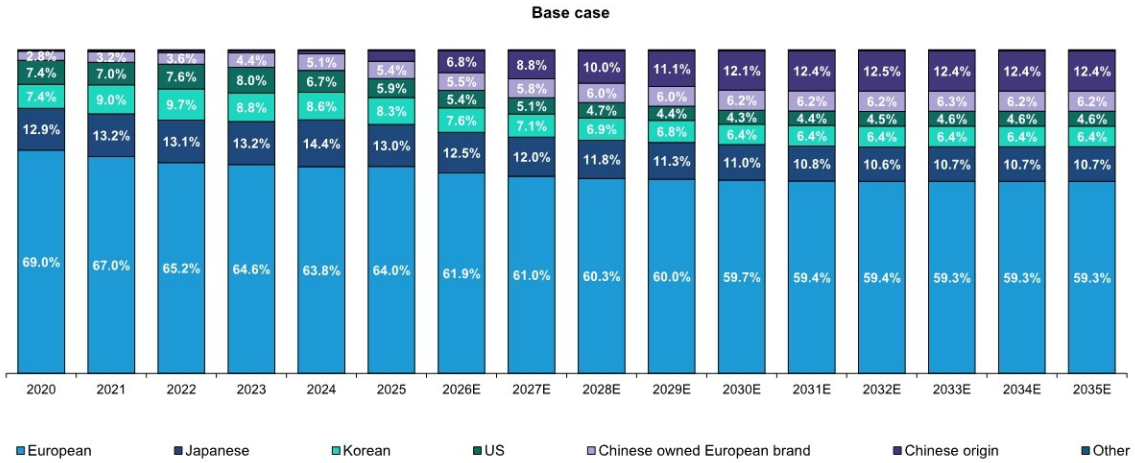
1. **Regulation:** According to the European Commission, the European automotive sector accounts for €1 trillion in GDP (over 8% of EU GDP) and provides 13.6m jobs in the EU, representing 8.1% of all manufacturing jobs in the EU. This to say, **the health of the auto sector is of great importance to the EU.** The European Commission *provisionally concluded that the battery electric vehicles (BEV) value chain in China benefits from unfair subsidisation, which is causing a threat of economic injury to EU BEV producers* on 12 June 2024. This led to increases in tariffs on BEVs imported from Chinese OEMs as we show in Exhibit 9. We struggle to see why this rationale from the EU would *not apply* to PHEVs, and therefore see higher tariffs on Chinese imported PHEVs as a very likely outcome. This would put some pressure on Chinese OEMs which have recently prioritised PHEVs since the additional tariffs were put in place on BEVs. Additionally, in order to safeguard employment, we also see local content rules (i.e. mandatory proportion of components in a vehicle derived from the EU) as a likely outcome which will deter imports from China.

2. **Localisation:** Local content rules will deter imports but also act as a catalyst for local production. Many Chinese OEMs are already in the process of planning to set up local production, making this a *when* not *if,* question. We highlight the key announcements from Chinese OEMs in Exhibit 15. The combination of European manufacturing (where labour and energy costs are considerably higher than in China, even in what Europeans still call low cost locations - Exhibit 16) *and* local content rules, will likely lead to significantly higher costs of production for Chinese OEMs. Companies that are already in the process of setting up production (BYD and Chery) have already shown that the addressable market is large enough to justify their presence in the region, and tariff savings will be a major offset. We think the higher costs to operate in the region will act as a deterrent to other brands. Clearly, this is a function of the local content rules which, **A)** need to be imposed and, **B)** need to have wide coverage in order to be effectively enforced. Given the strategic importance of the auto sector to the EU, we consider this a likely outcome. Chinese OEMs will also consider the state of their domestic market when thinking about building a presence in Europe - China is currently facing steep declines in volume (-20% YTD).

3. **Product:** Historically, the offering from Chinese OEMs, particularly in the BEV space, could be characterised as superior vs the initial BEV offering from legacy OEMs. We also recognise that consumers are becoming increasingly open to Chinese brands (Exhibit 3 and Exhibit 4). However, we note that legacy OEMs are fighting back. As we wrote earlier this year, new BEV products from BMW and Mercedes offer comparable, or even better, efficiency stats vs Chinese competitors (Exhibit 32 and Exhibit 33). We also highlight the Renault 5 as an example of how legacy OEMs can still strike a chord with consumer. We note that in a user experience comparison between the R5 and the Chinese-built NIO Firefly, published by the respected SBD Automotive consultancy, the R5 was a clear winner. SBD Automotive concluded "*The Renault 5 shows that Chinese dominance is not a given. In this analysis, the European incumbent delivers the more balanced and emotionally engaging HMI (human machine interface) with higher perceived quality, stronger brand storytelling and better alignment with Euro-NCAP-driven usability expectations, even if stability and voice execution still need refinement. The Firefly demonstrates the Chinese brands' software strength with a smooth OS, playful micro-interactions and feature-rich ADAS. But it falls short on cabin cohesion, basic ergonomics and every day use cases*". The Renault 5 is one of the highest selling BEVs in Europe. We believe BMW's NEUE KLASSE offerings and Mercedes' MB.OS technology will also capture audiences and provide some defence against Chinese OEMs.

Conclusion: We acknowledge the strength of Chinese OEMs and acknowledge that share gains are highly probable over the next decade. However, we also believe that the combination of EU protectionist measures and strong products from the European OEMs will hamper their penetration into the European market. Ultimately, we expect that Chinese origin OEMs will gain a market share of 12.4% by 2035 (Exhibit 34), implying unit sales of 1.7m. We expect Chinese owned European brands will expand their market share from 5.5% in 2026E, to 6.2% in 2035E. This would take our *total* (Chinese originated and Chinese owned European brand) Chinese OEM market share to 18.6% by 2035, from 12.3% in 2026E.

EXHIBIT 34: **Bernstein 2035 European passenger car market forecast by brand origin: Base case**



Source: S&P Global, Bernstein analysis and estimates

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