

Tesla in talks with LG Chem on battery supply in China



Reuters Seoul/Shanghai

US electric vehicle maker Tesla Inc is in advanced talks with South Korea's LG Chem Ltd to source batteries for vehicles to be made in its Shanghai plant, a person familiar with the matter said.

The move represents a push by Tesla to diversify sources of the key component for its electric vehicles from its exclusive supplier, Japan's Panasonic Corp.

Another source said LG Chem agreed to supply batteries for Tesla's China plant, without elaborating.

LG Chem is expanding its China battery capacities and modifying some manufacturing facilities in Nanjing to make a different type of auto battery, according to the first source.

The company currently mainly makes pouch-type auto batteries, but as a major battery maker, it is not hard for it to revamp facilities to make cylindrical auto batteries that Tesla uses, the source and separate people familiar with the matter added.

The source said Tesla is still likely to use Panasonic

batteries in the initial phase of production and source from other suppliers including local names in the future. A third person said Tesla may source batteries from CATL later, as the Chinese battery maker does not have much experience in making cylindrical batteries used by Tesla.

All of the sources declined to be identified because of the confidentiality of the deal.

Tesla did not immediately respond to Reuters' request for comment.

LG Chem and CATL declined to comment. Tesla chief executive Elon Musk said in November the US company would manufacture all its battery modules and packs at the Shanghai factory, which will make Model 3 and Model Y cars, and planned to diversify its sources.

LG Chem has signed battery material supply agreements with China's Huayou and Tianqi, as the South Korean battery maker is trying to expand its foothold in China.

It said it would set up a joint venture with a unit of China's Geely on batteries.

China has scrapped its so-called "white list" of recommended battery suppliers, which did not include foreign firms when it was first published in 2015 to spur a domestic battery sector, a decision foreign companies said could open up the world's biggest market for electric vehicle batteries.

Panasonic has said it could supply batteries to Tesla's Chinese plant either from Japan, the United States or China