Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Tesla's expansion in Germany - the fight for the market and development, but also prestige

Some Germans, for whom the domestic auto industry is an inseparable component of national pride, saw the opening of the Tesla Gigafactory near Berlin in March last year as a "declaration of war".

If they hadn't already recovered from the initial shock, a new one followed when Tesla announced plans to double capacity at its Grünheide factory, located around 30 kilometres from Berlin.

Production so far has not reached its full capacity of 500,000 vehicles per year.

Production at the Berlin factory is increasing, from around 4,000 at the start of the year to about 5,000, about 260,000 annually, or half of the estimated capacity.

However, the local authorities' announcement that the company has asked to double its production capacity suggests that the present target of 500,000 cars will be surpassed.

The Berlin Gigafactory will become Germany's largest auto manufacturer when it reaches its new target of producing one million vehicles annually, much larger than the iconic Volkswagen facility in Wolfsburg, with the capacity of 800,000 vehicles annually.

American leadership in the European EV market

Tesla's most recent decision to expand one of its four gigafactories - the sole one in Europe - indicates that the company aspires to become the leader amongst its direct competitors in the domestic, European market.

Thanks to the Berlin facility and the constant increase in its production, it has been quite successful in this.

In the first half of the year, Tesla surpassed Volkswagen as the company selling the most EVs on the European market, whilst also having the highest sales growth.

Volkswagen held a 25% market share of EVs in Europe when Tesla's Berlin factory opened 16 months ago, with Tesla’s having a 13% share.

Now almost one in five EVs sold in Europe is a Tesla, whose market share is around 18%, and records the highest year-to-year growth (6.7%) amongst EV manufacturers.

Satisfied hosts

Competitors have not yet indicated a response to the announced expansion of Tesla on the European market. The Brandenburg factory expansion is awaiting approval from the local authorities, which will take about two months, but this is just a mere formality.

The Brandenburg province is particularly supportive of Elon Musk's investment because it sees an opportunity for reindustrialisation through new technology. Its objectives for development centre on mobility and energy transition, with wider benefits for the community through digitalisation and education.

Tesla's huge capacities ideally satisfy the ambitions of local authorities. The global attention which Elon Musk brings with him is attractive to new investors.

Above all, Tesla's gigafactory satisfies the need for new employment, so with the current 10,000 employees, the capacity expansion

would employ a total of about 22,000 people.

Taking over the future largest market

Given the enormous and rapid expansion of EV sales, the company has indicated that the vast European market is the priority in company's objectives, along with China, where Tesla has been fighting the biggest competition.

Last May alone, around 170,000 new EVs were registered on the European market (28 countries), which is even 65% more than a year ago,. This increased the share of EVs in the total market to 15%.

Regulations and strategies in Europe have stimulated the transition from conventional internal combustion engine vehicles to electric vehicles faster than other regions. Two-thirds (67%) of all vehicles on European roads are expected to be EVs by 2030, significantly more than the present 20%.

The fact that these projections for the end of the decade put Europe in the lead, ahead of China, in the share of EVs in the entire car market, makes them even more crucial for the car manufacturing industry.

Europeans fighting for an American investor

The publication of Tesla's plans to double the capacity of its gigafactory in Berlin puts an end to doubts and expectations that prevailed in Europe about the location Elon Musk would choose for his new investment.

Before he decided in 2019 to build a gigafactory in Germany, the UK and the Netherlands were also options. His new investments, after Berlin, were expected in Spain (Valencia), and in particular, France and Italy.

Last June, Elon Musk was a guest of the Italian Prime Minister Georgia Meloni, and although it was reported that they discussed the risks of AI, innovations and even birth rates, it was anticipated that they would also discuss Tesla’s entry into Italy.

After Rome, Elon Musk met with French President Emmanuel Macron in Paris for the second time in just four weeks. The French leader openly invited Musk to invest in his country.

”Today, France is more attractive than ever. But the competition with other countries is extremely fierce, so we're bringing out all of our strengths”, said Roland Lescure, French Industry Minister.

However, the recent announcement about the expansion of production in Berlin for an enormous 500,000 electric vehicles per year has cooled down the hopes of other European contenders for Musk's investments.

Similar to the EV industry, European economies compete with one another for Tesla's investment. The company's scale is the first thing to consider because it spent roughly $5 billion building the Berlin factory.

But even more, it is a struggle to attract a global leader in one of the fastest growing segments of high technology - a leader who raises local technological capacities and connects the host with the world's business and technology leaders.

A very significant shift in the European car market, in which European government and corporate leaders are more interested, has been ongoing while the world's attention is focused on Musk’s new Twitter logo.