Tesla's mega battery plant breaks ground

US carmaker Tesla broke ground on a mega factory in Shanghai last week to manufacture its energy-storage batteries, Megapacks, a project hailed by the company as a "milestone."

The move underscores Tesla's commitment to investing in the world's second-largest economy, defying the rhetoric of "decoupling" and "de-risking" from China ratcheted up by some US politicians.

The new plant spans an area of approximately 200,000 square meters, with a total investment of around 1.45 billion yuan (US$203.94 million), according to the administration of the Lingang Special Area of the China (Shanghai) Pilot Free Trade Zone.

The mega factory is the first of its kind built by Tesla outside the US and the company's second plant in Shanghai, following the inauguration of its gigafactory in 2019 which involved an initial investment of over 50 billion yuan.

"I believe the new plant is a milestone for both Shanghai and Tesla," the company's vice president Tao Lin said in an exclusive interview.

"In a more open environment, we can create a new Tesla speed at the Megapack factory, and supply the global market with large-scale energy-storage batteries manufactured in China," she added.

At the groundbreaking ceremony, Tesla representatives and local government officials formally launched the construction of the Megapack factory, which is expected to begin mass production in the first quarter of 2025, with an initial capacity of 10,000 Megapack units a year.

"With Tesla's benchmark project, we anticipate that within the next three to five years, an industrial cluster centered around energy storage will rapidly emerge," said Lu Yu, an official of the Lingang Special Area Administration.

After the ceremony, Tesla signed a deal with Shanghai Lingang Economic Development (Group) Co, securing the first batch of orders for its Megapacks in China.

Gong Wei, vice president of Lingang Group, said the Megapacks would be used for energy storage in a data center in Lingang, as part of its efforts to achieve carbon peaking and carbon neutrality.

Tesla's deep involvement in the energy storage industry now rivals its electric vehicles in importance, Tao noted, adding that its energy storage products are now used in over 60 countries and regions.

The US firm already has a factory for its Megapacks in California, which has an annual capacity of 10,000 units.

Each Megapack unit can store over 3.9 megawatt-hours of energy, sufficient to power approximately 3,600 households for one hour.

A view of the construction site of Tesla's new mega factory in the Lingang Special Area of Shanghai. — Sun Minjie

A ceremony marking the start of construction of Tesla's Shanghai mega factory was held on May 23. — Sun Minjie

As the global renewables powerhouse, China is a major market for energy storage. Last year, its installed renewable energy capacity surpassed thermal power for the first time, accounting for approximately 50 percent of the global additions to renewable energy capacity.

Tesla's plan to open a Megapack battery plant in Shanghai was announced in April 2023, cementing another foothold for the company in China. The land acquisition deal for the project was signed in December of the same year, and it received a construction permit earlier this month.

Hailing China's efforts in developing the new energy industry, including the energy storage sector, Tao said the country boasts complete industrial chains, vast market potentials, and a production and business environment crucial for enterprise growth.

In January 2019, Tesla broke ground on its Shanghai Gigafactory, becoming the first company to benefit from a policy allowing foreign carmakers to establish wholly-owned subsidiaries in the world's largest automotive market and one of the fastest-growing EV market.

The gigafactory delivered 947,000 vehicles in 2023, up 33 percent from 2022.

(Xinhua)