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Nissan Considers Shift to LG Chem Batteries

Japanese auto maker's venture with NEC already makes batteries for Leaf electric car



Carlos Ghosn, chief executive of the Renault-Nissan Alliance, in an interview with The Wall Street Journal in Tokyo. *PHOTO: ERIC PFANNER/THE WALL STREET JOURNAL*

By **ERIC PFANNER** And **PETER LANDERS**

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TOKYO— Carlos Ghosn, chief executive of the Renault-Nissan Alliance, said Thursday that Nissan Motor Co. is considering using batteries made by LG Chem Ltd. of South Korea in future electric vehicles, signaling a possible shift that could further roil the French-Japanese partnership's delicate balance of power.

Battery supply is one of several issues that have shaken up the alliance of late, after the French government's move this year to increase its influence at Renault SA .

Nissan already has a battery-making partnership with NEC Corp. , which is also based in Japan. That venture, known as Automotive Energy Supply Corp., makes batteries for

Nissan's flagship electric car, the Leaf.

Any decision to reduce the supply of batteries from the Nissan-NEC partnership could heighten Japanese concerns about Nissan's standing in its 16-year alliance with Renault.

But Leaf sales have been disappointing, and Nissan wants to improve performance and reduce costs of electric vehicles to speed consumer acceptance of the technology. Mr. Ghosn said consumers consider electric cars too expensive.

"We have opened to competition our battery business in order to make sure we have the best batteries," Mr. Ghosn said in an interview. "For the moment, we consider that the best battery maker is LG."

Nissan's alliance partner, Renault, is one of several global auto makers using LG Chem's batteries in their electric vehicles, along with General Motors Co. Renault and LG Chem work together on battery development.

Renault-Nissan said last month that it had sold 250,000 electric vehicles to date, but Mr. Ghosn has deferred an alliance goal of selling 1.5 million by 2016. Mr. Ghosn said Renault-Nissan was working on expanding the number of charging stations.

Nissan and other makers of electric cars are trying to address so-called range anxiety, or the concern that these vehicles might run out of charge before drivers reach their destinations. The Leaf can travel 84 miles, or 135 kilometers, on a single charge, according to the U.S. Environmental Protection Agency, but the car maker hopes to increase that substantially with the next generation of vehicles.

Mr. Ghosn said the decision on a battery supplier for an overhauled Leaf, expected in a few years' time, would come down to which battery performs better.

"There is no guarantee for anybody that you're going to get the business without performance," he said.

A spokesman for LG Chem said, "We're open to all possibilities."

Analyst firm Lux Research said in a report published in May that the Nissan-NEC partnership "risks falling behind" electric-vehicle competitors such as Tesla Motors Inc. in the push to lower battery costs, "unless it changes technologies and production strategies." Tesla, which is cooperating with Panasonic Corp. on battery development, is on track to cut prices of lithium-ion battery packs by more than one-third by 2025,

Lux said.

A spokesman for Nissan said it was “hypothetical” to consider how a decision by the Japanese car maker to embrace LG Chem batteries might affect Nissan’s venture with NEC, in which the two companies have invested hundreds of millions of dollars. Automotive Energy Supply batteries are made at three factories, in Japan, Britain and Tennessee.

Renault holds a 43% stake in Nissan, while the Japanese company owns 15% of Renault —equal to the French government’s share in Renault before a battle over voting rights heated up. Paris, one of the two biggest shareholders in Renault, alongside Nissan, in April prevailed over Mr. Ghosn’s objections in a bid to double its voting rights in the French auto maker.

Yet Nissan is larger and more profitable than its French partner, selling 5.3 million vehicles last year, compared with 2.7 million for Renault.

Mr. Ghosn, who also serves as chief executive of each of the two companies, said he saw no reason for Nissan to try to raise its shareholding in Renault. He also played down tensions at the alliance, saying the two companies were deepening their cooperation on operational matters such as vehicle platforms and purchasing.

“We are not in a power play, we are in a partnership,” he said. “I am discouraging anything that would jeopardize the spirit of partnership.”

The alliance this month said the partnership generated €3.8 billion (\$4.2 billion) in cost savings, revenue increases and other financial benefits of working together in 2014, up from €2.87 billion a year earlier.

The boardroom jockeying in Paris followed passage of a law in France last year that gives double voting rights to investors who hold shares for at least two years. Mr. Ghosn said he hoped to find “common ground” with Paris.

But Mr. Ghosn also sought to soothe discontent in Yokohama, Japan, where Nissan is based, saying he aimed to suggest to the car maker’s board that it should name a Japanese executive to succeed him as Nissan chief executive.

“I would prefer to propose a Japanese person because we have a lot of Japanese talent,” he said. “I could propose a foreigner, but I will propose a Japanese.”

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