Raw ambition or pure fantasy: Musk sets sights on an e-vehicle for all

The Tesla boss has made cheaper cars and 20m sales a year his goal, something that analysts say is wishful thinking, finds *Michael Cogley*

Making an affordable electric car "has always been our dream from the beginning of the company", according to Tesla founder Elon Musk. The billionaire took a step forward in that ambition on Tuesday when he unveiled his plans to build a $25,000 (£19,600) electric car, while cutting battery costs in half over the next three years.

Musk unveiled a series of innovations, including making the battery a structural element of the car and creating larger cylindrical cells that will provide five times more energy and six times more power.

Musk said Tesla would eventually produce 20 million cars a year. If all goes to plan, he believes costs can decrease by 56pc, vehicle range can increase by 54pc and investment in gigafactories can come down by 6pc.

The Tesla chief gave his speech in front of an audience of parked Teslas against a backdrop of smog from the fires that have ravaged California. The dystopian setting could not have worked better for a man spelling out his version of a renewable future for the automotive industry.

But the news failed to inspire investors with $50bn wiped off its stock market value. Shares closed down 5.6pc and dropped another 6.9pc after hours.

"Nothing Musk discussed about batteries is a done deal," said Roth Capital Partners analyst Craig Irwin. "There was nothing tangible."

For instance, the entrepreneur said that he wanted to reduce the use of cobalt, often referred to as the "blood diamond" of batteries, to almost zero.

"The issue is separating what's commercially real and achievable and what's a dream," says Benchmark Minerals' Simon Moores, who describes the plans as "fantasy".

"Tesla has put out a lot of big statements to do with zero cobalt in the batteries, and they make it sound like they can do it now. They make it sound like it's easy but the reality is it's far more difficult than that." Moores says having zero cobalt in the battery puts the "entire vehicle at risk from fire".

'Tesla has put out a lot of big statements to do with zero cobalt in the batteries. They make it sound easy but the reality is it's far from easy'

There is also the issue of manufacturing the cells. Musk tweeted on Monday that Tesla would have to make its own battery cells in Berlin and Fremont to meet its ambitious goals, alongside increasing cell purchases from the likes of Panasonic and LG.

It is a move other carmakers have shied away from given their lack of expertise and the high investment costs. Musk's ambitions did impress some however. Founder of research group Radio Free Mobile, Richard Windsor, says: "Tesla is continuing to push the boundaries of e-vehicle tech, which combined with a substantial turnaround in its financial performance ensures that it will be a major player in the next generation of vehicles."

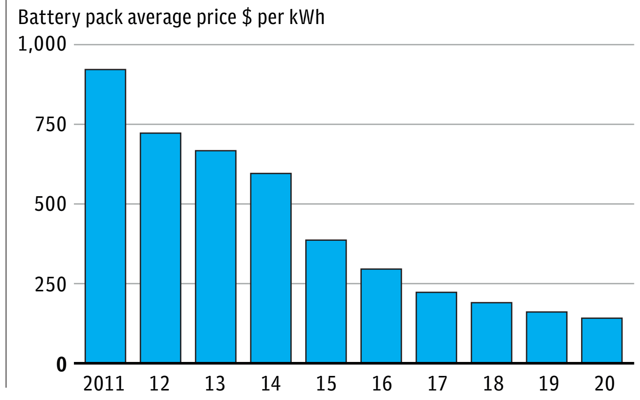
Despite the positivity, Windsor admits that Tesla's stock is at a "ludicrous valuation". He says the company's share price had been driven by "sentiment and hype and has no connection with reality whatsoever".

The company's valuation has soared throughout 2020, placing Musk as the third wealthiest man in the world with a $75.2bn increase in his worth.

But the lag between the announcements made at Battery Day and their ultimate effect could lead to investors pouring out of Tesla.

Tesla's future is undoubtedly bright, but many believe lean times are on the horizon for the company's stock.

Electric cars benefit from the plunging cost of lithium-ion batteries



JP Morgan shifts €200bn in assets from UK to Germany

By **Michael O'Dwyer** *and* **Rachel Millard**

JP MORGAN is moving about €200bn (£184bn) of assets from the UK to Germany, with only a little over three months until the Brexit transition period ends.

The Wall Street bank plans to finish moving assets to its Frankfurt-based subsidiary by the end of the year, Bloomberg reported.

Separately, it emerged last night that JP Morgan is set to pay nearly $1bn (£785m) to settle investigations into alleged market manipulation in the US.

Back on this side of the Atlantic, the shift in assets will make JP Morgan one of the biggest banks in Germany, and could raise concerns that London's position as Europe's top financial centre will be weakened by Brexit.

International banks have been moving assets and making changes to their operations to ensure they can continue to function fully if there is no deal between the UK and the EU on market access once the transition period ends at the turn of the year.

However, the number of job losses in the City as a result of Brexit has so far been lower than previously feared.

JP Morgan already books transactions for some of its European clients through its German subsidiary. But is understood to be increasing the capital in its Frankfurt entity in preparation for the end of the Brexit transition.

It is understood that the bank plans to route more transactions through Frankfurt from next year.

The changes will not have any bearing on jobs, a source close to the bank said. However, about 200 of its 12,000 London staff were told last week to move to European cities including Paris, Frankfurt, Milan and Madrid.

Citi, UBS and Standard Chartered are among the financial institutions that have expanded their Frankfurt operations ahead of the UK's new trading relationship with the EU. A spokesman for JP Morgan declined to comment.

Separately, the Financial Conduct Authority (FCA) launched a consultation on how to regulate financial services firms based in the European Economic Area from next year.

More than 1,500 firms and about 600 funds have registered under the UK's temporary permissions regime. The watchdog said it expected the number of international firms seeking authorisation to increase following the transition period. Simon Morris, a financial services partner at law firm CMS, said: "This consultation reflects the FCA's and the Government's 'open door' approach and contrasts with the EU's increasingly protectionist stance."

Essential advice for businesses to avoid Brexit disruption on Jan 1

The leaked 'worst case scenario' letter from Michael Gove highlights the urgency for action

By **Lizzy Burden**


GETTY IMAGES
Michael Gove has urged companies to act now to 'get ready for new formalities'

WITH fewer than 100 days until the UK leaves the single market and customs union, business leaders up and down supply chains must concentrate on preparedness for Brexit.

That was Michael Gove's message to industry groups in a leaked letter seen by *The Daily Telegraph* on Tuesday. Otherwise, the Cabinet Secretary warned, in a "reasonable worst-case scenario" about 7,000 port-bound trucks in Kent could find themselves in two-day delays.

But staying afloat amid the Covid-19 crisis has dominated most firms' bandwidth. According to the British Chambers of Commerce, only 38pc of businesses have completed a Brexit risk assessment this year.

Many companies say unanswered questions – regarding, for example, rules of origin, the labelling of food and drink to be sold in the EU and Northern Ireland and goods moving west from Britain to Northern Ireland – are holding back their plans.

Andrew Hood, a former adviser to David Cameron as prime minister and partner at Fieldfisher, the law firm, says: "Whatever your views on Brexit, for better or worse it's coming, and for some businesses there will be opportunities, not just within the EU but in the wider trade world."

So with the information available now, what can businesses do to prevent disruption and make a success of Brexit on Jan 1?

Tax, tariffs and customs

To move goods into and out of the EU, from Jan 1 firms will need an economic operators registration and identification (EORI) number, all goods imported to the UK will be subject to UK global tariffs, in addition to other new tariffs if there is no Brexit trade deal – and possibly others even if there is an agreement.

New duty rules will also apply to goods bound for the rest of the world that face EU-negotiated tariffs, although many of these have yet to be agreed.

Sarah Gunton, commercial partner at Harper James solicitors, advises that firms should keep track of new foreign tariffs, review their commercial contracts, consider hiring a customs agent to fill out customs declarations, and check whether they need to register for VAT in EU countries they work in.

Supply chains

Companies should ask their suppliers whether they are stockpiling to cover potential border delays and check whether anyone in their supply chain will be raising prices to cover Brexit costs. "Covid-19 has taught us that resilience is so important and firms may look to diversify their supply chains into new markets to provide greater security through the end of the transition period and beyond," Ian Tandy, head of trade at HSBC UK, says.

'Where any links in the supply chain are found to be ill-prepared for Brexit, look for alternate suppliers'

Staffing

From Jan 1, a new points-based system for sponsored workers will come into effect, covering both EU and non-EU migrants. UK-based workers who are citizens of the EU, the European Economic Area or Switzerland will need to register for settled status to remain living in the UK six months after the end of the transition period.

Hood says firms should audit their staff now to check who can legally stay post-Brexit, and start the hiring process early.

Finance

For start-ups especially, stockpiling and storage costs to cover potential border delays, price rises and currency fluctuations will take a financial toll. Firms should speak to their bank about finance options for temporarily boosting their cash flow, according to Harper James.

Regulatory changes and data

While most UK regulations are recognised in the EU and vice versa, and the UK is creating a new set of regulations to operate in parallel with the EU, there is no guarantee they will be ready for Jan 1 – or that the EU will accept them. The EU is likely to treat data transfer to and from the UK as it does other third countries.

Gunton advises that firms should review where their data is stored, keep abreast of updates from the Information Commissioner's Office and assess whether contracts and other paperwork need to be revised post-Brexit, particularly on privacy rules.