

# Why Moscow's Electric Car Revolution Is Doomed to Failure

By [Vakhtang Partsvania](#)

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Moscow traffic in snowy weather. [Vladimir Gerdo / TASS](#)

At the Russian Energy Week forum held in October, Moscow Mayor Sergei Sobyanin [told](#) the city authorities to work on ensuring the majority of cars on Moscow's streets were electric. Sobyanin's predecessor Yury Luzhkov [proposed](#) a similar initiative in 2007, when he [ordered](#) electric vehicle infrastructure to be implemented across the city.

Today, 16 years after Luzhkov's proposal, there are just [3,500 electric cars](#) registered in Moscow (or 0.09% of the city's total passenger car fleet). However, while electric cars were considered exotic in Luzhkov's time, when only weirdos like Elon Musk believed in the transition to their widespread use, today global sales of electric cars are breaking records. Countries and megacities are increasingly planning to ban the sale and registration of vehicles with internal combustion engines in the near future. Moscow is trying to keep up with these trends. But Sobyanin's initiative, similar to Luzhkov's, is also doomed to failure. But for completely different reasons.

To fill this city of 12 million people with electric cars, Moscow authorities are mainly reliant on the Moskvitch automobile plant, which was owned by the French company Renault until 2022. But after Russia invaded Ukraine and global automakers subsequently withdrew from the Russian market, the plant was [bought out](#) by the Moscow government for just 1 ruble. Its facilities are now used for the mass production of a remodeled version of Chinese JAC cars under the Moskvitch brand.

When it was owned by Renault, the Moscow plant did not produce electric cars. Moreover, it is failing to reach its production capacity today. This is due to large-scale difficulties in organizing the production of electric cars and significant capital investments, as well as in selling them on the market, which is still being formed, and, accordingly, long payback periods for investments.

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The development of the electric vehicle industry requires specially designed traction batteries, electric motors, integrated circuits and rare earth metals as well as charging infrastructure and battery processing facilities. This technological complexity means there are few reliable and recognized manufacturers of electric vehicle components. Those that do exist are scattered all over the world, which leads to the need to organize logistics of supplies from different countries and build long-term partnerships with global players in the automotive industry.

This complexity is why [Tesla](#), the world's most successful electric car maker, reached its first year-end profitability only 18 years after its founding. Similarly, [General Motors](#) and Volkswagen are periodically forced to delay their production plans and limit how many cars roll off the production line.

In this regard, the question arises as to how Moskvitch is going to cope with such limitations and challenges and how it plans to achieve the declared production volumes and technological independence. This question is particularly acute because, during the first seven months of 2023, [Moskvitch](#) produced only 20% of the 10,000 cars it was expected to make in the whole year.

The Moscow authorities are also pinning their hopes on another player, Electromobiles Manufacturing Rus, which has stated its intention to create Russia's first fully electric, domestically produced truck. The firm has set up production in the [Technopolis Moscow](#) business center in the city's southeast. However, a closer look at the company raises doubts about whether it can live up to the mayor's goals.

Electromobiles Manufacturing Rus was [founded](#) in June 2021 with just 10,000 rubles (\$139 at the time). Its founder is the president of another company that produces sporting goods. In short, unlike Moskvitch, this company has never produced cars before (let alone developed an electric car), has not been involved in the creation and development of a dealer network, and is unfamiliar with the realities of the industry.

The announced plans look even more unfeasible due to the recent [inclusion](#) of Moskvitch and Technopolis Moscow on the U.S. sanctions list of "specially designated persons and blocked

nationals" (SDN). This list prohibits people and companies in U.S. jurisdictions from entering into transactions with a sanctioned entity, and also puts third-country companies at risk of secondary sanctions and even criminal prosecution. These risks primarily concern companies from China, which have begun to take over economic niches in Russia that were occupied by Western countries that have since left the country.

The Chinese automaker JAC, which supplies parts to Moskvitch, lies in the crosshairs of secondary sanctions. Hence, the company needs to decide whether it is ready to assume sanctions risks and expose its global business to the prospect of collapse for the sake of producing several thousand cars in Russia. The large unit assembly technique used at the Moskvitch plant leaves open the possibility for JAC to withdraw without significant losses.

Things are similarly bad for Electric Vehicles Manufacturing Rus, which is dependent on the willingness of various Chinese partners to continue cooperation. Every company that supplies equipment and technical components now falls under the radar of the U.S. sanctions authorities.

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Realizing the hopelessness of the situation, the mayor of Moscow [refused](#) to set a deadline for the city's great electric vehicle transition and mocked his counterparts in Europe for doing so. But Sobyanin appears not to have realized that businesses need to know the state's long-term plans to set their investment strategy. Such an approach yields results. For example, Norway [decided](#) in 2016 to ban sales of passenger cars with internal combustion engines from 2025. By 2022, three years ahead of that deadline, electric vehicles made up 88% of total car sales in the country.

Things work differently in Russia. As demonstrated by the tender awarded to Electromobiles Manufacturing Rus, the government rarely approaches the most competent vendors. Moreover, if only [dubious](#) candidates are showing interest in the project, it raises the question of whether it is sensible to spend time and resources on it under current sanctions.

Prior to the inclusion of Moskvitch and Technopolis Moscow in the SDN list, there was hope that Moscow could become a leader in the manufacturing of electric vehicles, as well as their use. However, the realities of an industry under sanctions, combined with extremely acute supply chain challenges that limit the production of new electric vehicles, have essentially put an end to the Moscow authorities' plans.

*The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.*

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