



Scale, scope and strategy: the pillars behind China's battery dominance

China's leading position in global battery markets is becoming a cornerstone of the global decarbonisation agenda. Here our Asian Equity team explores the scale, scope and strategy behind the country's competitive edge, the companies at the forefront of this sector, and what it means for equity investors seeking exposure to the energy transition theme.

Key takeaways

- **Export strength:** China's resilience in global export market share has been remarkable – even in the face of trade tensions and protectionism – supported by deliberate scale, scope and strategic intent.
- **A driving force in decarbonisation:** with dominance in battery technology, reinforced by vertical integration and a wide competitive moat, China's national champions are playing a leading role in advancing global decarbonisation.
- **Investing in the transition:** for equity investors, this creates a compelling opportunity, in our view, to gain exposure to one of the most important structural growth themes in the global energy transition.

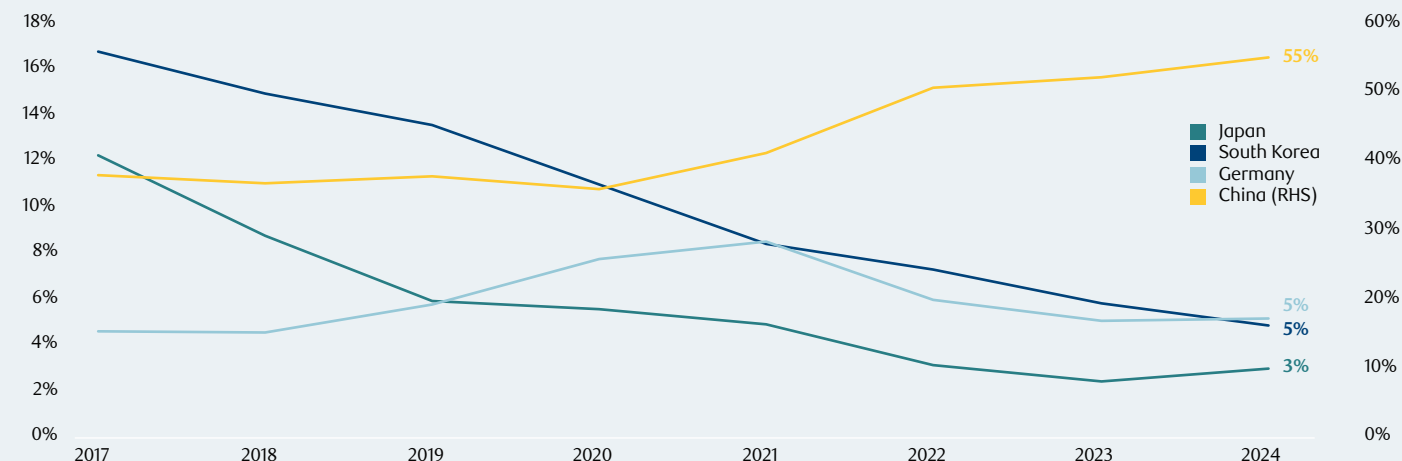
A picture of global export dominance

China's position in the global export market has proven remarkably resilient. Even against a backdrop of persistent trade tensions and continued protectionism, the country has continued to steadily gain export market share, running a trade surplus with 177 out of 225 economies and accounting for 15% of global exports, a figure that is expected to reach 16.5% by 2030.¹

The foundation for China's competitive edge is robust, based on the pillars of scale, scope, and strategic intent, which should allow the country to sustain its dominance in global manufacturing. This stands even as trade partners look to diversify away from the market in response to geopolitical tensions, U.S. tariff uncertainty, and concerns over dependency on Chinese supply chains.

New energy technology is just one area in which China maintains a wide competitive moat, with the government laying out ambitious plans to further advance this sector in its 15th Five-Year Plan (governing the period 2026 to 2030). The country holds significant market share in solar products and electric vehicle (EV) exports (at 46% and 25%, respectively), but its dominance in the lithium battery market is greater still. Accounting for 54% of global exports, China has taken significant market share from Japan and South Korea during the past five years (Exhibit 1).²

Exhibit 1: China has been winning significant market share in battery exports from Japan and South Korea
Global export share: lithium-ion batteries



Source: WITS, Morgan Stanley Research.

How China built its moat

China's dominance in battery technology has been carefully and deliberately built during the past decade, resting on three foundational elements: strategic acquisition of foreign technology, significant state subsidies, and an intensely competitive domestic market. Together, these elements have propelled the country to become a global leader in battery technology, building high barriers to entry and securing its dominant position in the green technology movement.

China initially began building out its capabilities in battery technology in the mid-2000s, leveraging foreign direct investment to achieve technological "catch-up." International firms were drawn to the country's vast domestic market, although they were generally granted access only through the formation of joint ventures and sharing technology with local partners. This allowed Chinese firms to adopt and localize foundational technologies, effectively bypassing years of research and development to achieve cutting-edge technology.

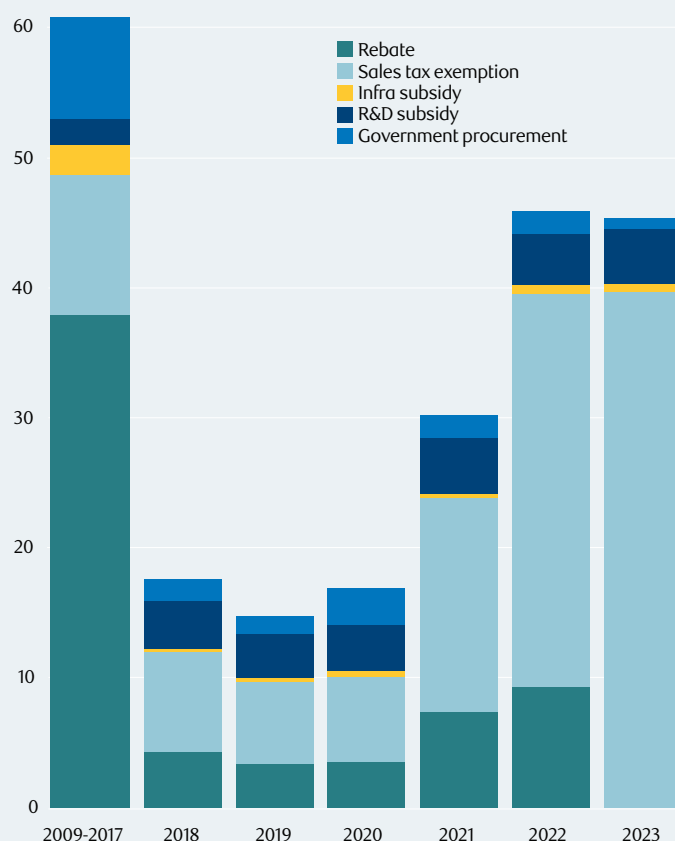
This foundation was bolstered by extensive government support in the form of subsidies, with state-financed supply-side production and consumer rebates creating dual-pronged fiscal support that cultivated significant growth. The "Ten Cities, One Thousand Vehicles" program, launched in 2009, is one example of this, helping to subsidize the entire EV value chain, including lithium-ion battery manufacturers. This program ran until 2012, but other initiatives have ensured a steady stream of government support, demonstrating its strong commitment to new energy technology (Exhibit 2).

Alongside this significant state support, the government has helped to foster an environment of intense competition in the sector. Price wars among domestic firms are weeding out inefficiencies and leading to the emergence of globally competitive businesses, with China's battery export prices falling since the end of 2023.³ Businesses are compressing profit margins to gain market share—a dynamic that's likely to accelerate industry consolidation and support the emergence of an oligopoly.

China's leading players drive consolidation and vertical integration

This intensely competitive environment has resulted in rapid consolidation, with China's battery sector increasingly dominated by a handful of powerhouse manufacturers. Two companies in particular, Contemporary Amperex Technology Co., Limited (CATL) and Build Your Dreams (BYD), have emerged as clear leaders in the battle for scale, together capturing over half of global market share. Even among these two champions, a clear winner has emerged in the space, with CATL accounting for more than twice BYD's market share and more than three times that of the next runner-up, LG Energy Solution (South Korea) (Exhibit 3).⁴

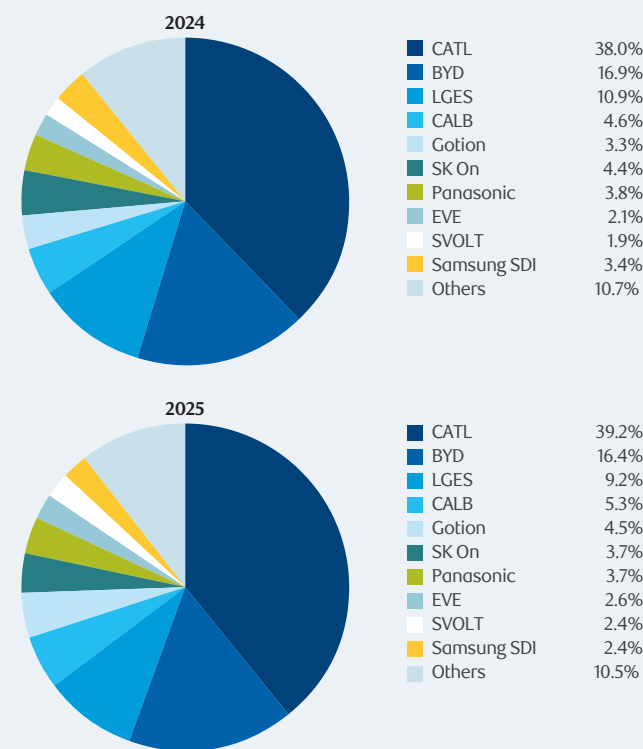
Exhibit 2: Chinese government support for the full EV value chain has been extensive and sustained Industry policy spending for China's EV sector (USD billion)



Source: Center for Strategic and International Studies, Natixis.

³ Natixis, China green tech and its industrial policy, May 2026. ⁴ UBS, Contemporary Amperex Technology: Natural winner of 2026 battery teardown, February 2026.

Exhibit 3: CATL stands out as the main contender in global battery markets, steadily gaining market share
Global EV battery market share (%)



Source: UBS Research, SNE Research.

CATL's ascent to global leadership illustrates China's strategic approach to building out the sector, bolstered by sustained domestic policy support. It also introduces another competitive advantage of China's leading battery manufacturers: vertical integration.

China has established and maintained commanding positions in critical mineral processing, with this upstream integration creating significant competitive advantages for Chinese battery makers. The country has a near-monopoly on global refining capacity, accounting for nearly 90% of rare earth processing, 70% of graphite refining, and 60% of lithium chemical conversion.⁵ So even as material extraction occurs globally, the value-added processing that transforms ore into battery-grade materials remains concentrated in China. Accordingly, this geographic concentration of processing capacity creates a bottleneck that competitors cannot easily bypass.

CATL has carefully leveraged this home advantage, constructing a supply chain spanning the entire battery value chain. The company pursues multiple strategies simultaneously: expanding into upstream mineral resources, engaging in self-production of critical materials, securing long-term supply contracts, and maintaining strategic investments in suppliers.⁶ This integration delivers substantial competitive advantages, helping insulate CATL from raw material volatility, strengthening supply chain resilience during disruptions, and driving down costs to levels well below those of overseas competitors.

Beyond this vertical integration, the company's strong leadership in product technology and manufacturing amplifies its moat. Propelled by China's highly competitive domestic landscape, CATL maintains high research and development (R&D) spending across its entire value chain, accelerating breakthroughs in battery materials, architecture, and AI-driven management systems.⁷

A catalyst for global decarbonization

With businesses like CATL dominating battery markets, China's role in global decarbonization becomes increasingly significant. The cost reductions driven by Chinese battery makers have made EV adoption economically viable for both mass-market consumers and original equipment manufacturers (OEMs) globally, particularly in developing economies where cost remains a primary barrier to technology adoption. This represents a genuine catalyst for global decarbonization: lower battery costs accelerate EV penetration and enable renewable energy deployment at a pace otherwise impossible with higher-cost alternatives. Globally, we're seeing battery EV (BEV) market penetration steadily rising, with Europe's BEV penetration expected to reach 40% by 2030 and China's edging towards the 50% mark.⁸

The benefits of broader access to this type of green technology are clear. In China alone, BEV penetration of approximately 34% could avoid at least one billion tons of emissions – the equivalent of Japan's total emissions in 2020.⁹ Battery recycling practices have also improved significantly during the past few years, with China's waste EV battery collection rate reaching 90%.¹⁰ These practices not only bring significant environmental benefits, but they also enhance the country's resource security as valuable metals recovered in the process can be used as raw materials.

Investment implications

China's commanding position in global battery markets represents far more than a commercial triumph. It's become a cornerstone of the global decarbonization agenda. By driving down battery costs through scale, technological prowess, and vertical integration, Chinese manufacturers such as CATL enable widespread access to clean energy technology, contributing to mass-market EV adoption and renewable energy deployment across developed and emerging economies alike.

For equity investors, this convergence of environmental-imperative, sustained-competitive moats, and robust policy support creates a compelling opportunity for China. With the country's battery champions well-positioned to capitalize on a structural shift toward decarbonization, they're actively building the infrastructure that will help underpin the global clean energy transition.

⁵ UBS, Net Zero Transition Materials, November 2025. ^{6,7} CICC, Contemporary Amperex Technology: Global lithium-ion battery leader starting a new chapter in global expansion, December 2025. ⁸ Deutsche Bank Research, European Automotive: Kickstarting Electrification, December 2025. ⁹ Bloomberg Intelligence, February 2023. ¹⁰ UBS, APAC Focus: Battery recycling in China - don't waste the opportunity, September 2023.

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