

Elon Musk has huge news for Tesla shareholders

Video clip 8:

<https://youtu.be/HTGDohcJ48A>

From 1:18 - 2:45

Tesla is generally known to make fantastic EVs, and it has made a name for itself in this business. But aside from electric cars, Tesla also makes solar panels, and batteries to store renewable electricity.

A transition to clean energy, which is one of Tesla's major goals, will need these products, and they have to be produced sustainably and humanely.

At the recent investor day, Tesla introduced new measures to support its bid to produce low-cost EVs, as well as a new \$5 billion Tesla gigafactory in Mexico.

Although some say that it didn't meaningfully discuss plans to reduce the high costs of its raw materials for batteries, such as lithium, Musk himself has said that Lithium is extremely common, and there's enough lithium ore in the United States alone to electrify all of Earth.

Definitely, something big is coming from Tesla's energy business, and investors shouldn't miss this opportunity.

Hello everyone and welcome back to "Tesla Tomorrow"

Tesla's Solar business is a potential driver for the company's growth. In 2021, the company reported \$801 million in revenue from its energy generation and storage business which includes three main products: solar, its Powerwall storage device, as well as its Megapack. Although Tesla has not been fully focused on its solar business, there'll still be opportunities to fully optimize the business in the future.

Several Tesla bulls and analysts have stated their bullishness on Tesla's Energy business and how this could take the car company to a whole new level.

Tesla investor Gary Black had previously said that he expects to see Tesla Energy earn about \$20 billion in revenue in 2023 and about \$8 billion in gross profit. According to him, this is one

catalyst that is not well known, and it is because Tesla Energy has not contributed much in the past. There is also little that is expected from this business.

Likewise, Canaccord Genuity analyst George Gianarikas in a recent note called Tesla a “sustainability behemoth”. Pointing to Tesla’s solar and energy storage program, its electric vehicles, and its dominant positions in both, Gianarikas expects to see continued growth from the company. According to him, the coming months seem pretty positive for Tesla, and the car company has an incredibly strong balance sheet to weather a recession.

Will Tesla’s Energy business growing significantly as many of these analysts believe? Well, we’ll find out.

But before we start, if you like this type of content, make sure to hit that like button, subscribe to our channel, and turn on notifications to stay up to date on everything happening with Tesla.

Tesla is increasingly focusing on renewable energy as a whole, rather than just electric vehicles, offering a broad range of solar and energy storage products for clean energy purposes.

Tesla recently announced that it is building a factory in Shanghai to produce its Megapack battery, further expanding into the country at a time of fraught U.S.-China ties. The new factory, where Tesla will manufacture its high-capacity battery for energy storage, is scheduled to break ground in the third quarter this year and start production in the second quarter of 2024.

Tesla plans to produce 10,000 Megapack units every year. This is equal to about 40 gigawatt hours of energy storage, and this product will be sold worldwide.

If you’re not aware of just how big this could be for Tesla, then what’s coming may really surprise you.

China is the second-largest market for Tesla after the U.S., accounting for nearly a quarter of its revenue in 2022. Its car plant in Shanghai, located on the outskirts of the city, accounts for roughly half of the company’s global car deliveries.

For Tesla, Shanghai is the site of its single largest factory for making electric cars. The plant not only supplies China’s domestic vehicle market but also exports large numbers of cars to Europe, where Tesla has found it harder to build factories as quickly as in Shanghai.

China has also been liberalizing its power markets in response to waves of blackouts in the autumn of 2021, when demand overwhelmed the country’s power suppliers. Many factories were closed for days, and some office towers had to be evacuated before their elevators lost power.

In China, demand for grid-storage batteries is especially strong. Many provinces now require new solar and wind farms to have enough batteries to hold 10 to 20% of the electricity they generate. The combination of China's shift in pricing and the regulations for new renewable energy installations to store electricity has created a fast-growing demand for batteries.

China produces most of the world's rechargeable batteries, and dominates the chemical processing needed to produce their ingredients. Tesla's Shanghai facility that will make the Megapacks will be close to the factories that manufacture almost all of the world's lithium-iron-phosphate compounds for batteries. These compounds are less expensive to make than the materials previously used in rechargeable batteries, which makes Tesla's battery cost-effective.

According to Tesla, a Megapack unit can store enough energy to power an average of 3,600 homes for one hour. Tesla's Megapack batteries can be used for utility-scale power storage, such as saving wind and solar energy for later use.

Energy generation and storage are a relatively small portion of Tesla's business, generating about 5% of the company's revenue in 2022. The capacity to store electricity when it isn't in demand is critical as electric utilities move toward wind and solar energy to replace power generated by fossil fuels.

In the second phase of Tesla's Master Plan, revealed in 2016, Musk said the company planned to expand the electric vehicle product line further, create solar roofs with seamlessly integrated battery storage, and develop self-driving capability that is 10 times safer than human driving.

But you may ask, why Shanghai? Well, there are a couple of reasons for this, and we will be discussing some of them.

Tesla's news comes as geopolitical tensions grow between Washington and Beijing, and as economic uncertainties linger in China. These factors are causing many U.S. businesses to be wary of making new investments in the country. Last year, Tesla suspended production at its Shanghai factory on several occasions, first early on during the pandemic lockdown of the city, and then in December as it faced a wave of Covid-19 infections among workers and suppliers.

With the new plant, Tesla will take advantage of China's dominant battery supply chain to increase output of its Megapacks, and to lower their costs, in hopes of meeting the rising global demand for energy storage as the world shifts to using more renewable energy.

In China, Tesla faces competition from homegrown players with similar and cheaper electric vehicles, such as Warren Buffett-backed BYD, U.S.-listed NIO, and XPeng. Tesla cut prices in October for vehicles sold in China as material costs fell and offered various incentives to buyers.

It slashed prices again in January, after deliveries of its Shanghai-made cars plunged in December.

Tesla already has a Megapack plant in Lathrop, and is in the process of increasing production there. Musk stated in a tweet that the planned Shanghai factory would supplement output of the Megapack plant in California.

The Biden administration, as well as the Chinese government, has been pressuring companies to make large investments in emerging technologies. The \$370 billion Inflation Reduction Act, which President Biden signed into law last year, provides incentives for rechargeable battery production in the United States to supply the American market.

Tesla's battery factories represent a bold step taken by the automaker to meet its 2030 delivery goals. Musk has an ambition to sell 20 million Tesla vehicles per year by the end of the decade, and this is no joke.

Although given Tesla's delivery of roughly 1.3 million vehicles last year, it is clear that the automaker still has a long way to go to hit Musk's target. But with more efforts geared towards this course, there is a high chance that Tesla will sell as many cars as it plans to.

By getting a hold on its battery supply, Tesla will be able to manufacture more cars and sell to more people. Benchmark Mineral Intelligence CEO Simon Moores stated that to truly build a sustainable low-cost EV, a number of cost controls need to be implemented across the supply chain, especially for batteries.

If Elon Musk truly wants to deliver EVs that everyone can afford, then he'll need to get serious on bringing the costs of batteries down, or risk ceding the market to hungry competitors. But if he can pull it off, then Tesla has a clear path to expansion.

What are thoughts on this? Let us know in the comment section. And don't forget to tell us what your valuation on Tesla is.

If you would like to know what Tesla has been up to these past few days? Go ahead and click on the next video on your screen.