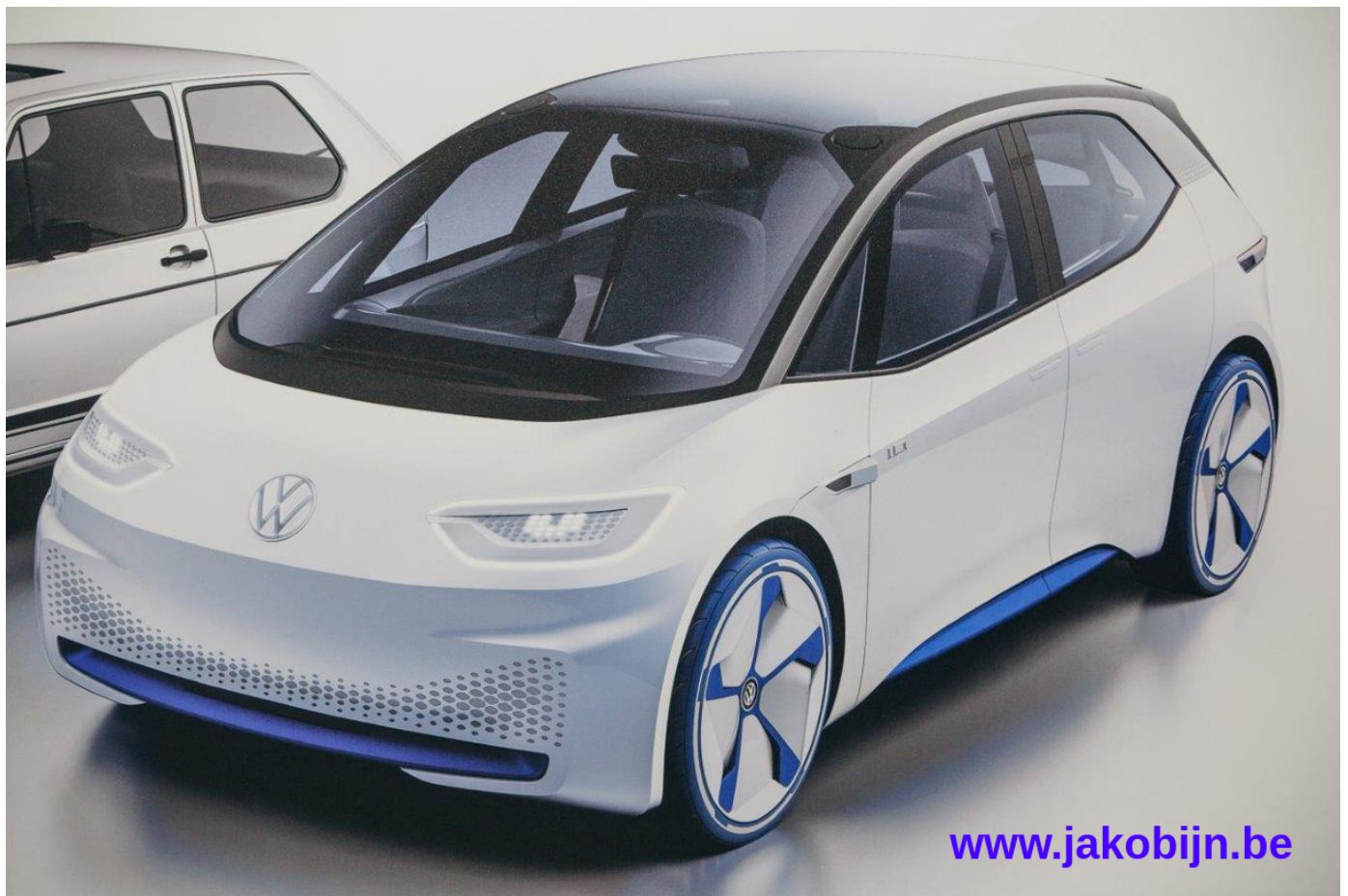


Volkswagen - Gotion deal shows hard limits of China de-risking

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Shared plants in Spain, Slovakia and Morocco are Volkswagen's - and Europe's - bet that managing China ties beats cutting them



By **Goktug Caliskan**

Volkswagen has spent years trying to build a European battery business strong enough to carry its electric-car ambitions. Its latest deal pulls a Chinese partner

deeper into that effort. On September 28, Germany's Volkswagen and China's Gotion High-Tech [agreed](#) to deepen a partnership that began in 2020. Gotion plans to invest about 1.1 billion euros (US\$1.25 billion) for a 49% stake in Volkswagen's battery plant in Valencia, Spain. For its part, Volkswagen's PowerCo is expected to contribute about 470 million euros for 49% stakes in Gotion-led projects in Slovakia and Morocco. All three transactions are subject to regulatory approval and customary closing conditions.

The deal exposes the bind Europe's battery industry is in. Brussels has spent years trying to reduce its strategic exposure to China, particularly in clean technology.

Carmakers, meanwhile, need batteries that are affordable, proven at scale and available soon enough to keep their electric models competitive. In practice, "de-risking" is starting to look like a search for interdependence on more manageable terms. Volkswagen already knows Gotion well. In 2020, it became the first global carmaker to take [a direct stake](#) in a Chinese battery maker, and it remains a major shareholder. The relationship has since grown from capital and supply agreements into technology and industrial production.

The ownership terms show how carefully the relationship is being calibrated. PowerCo will retain 51% of the Valencia operation, giving Volkswagen majority control of what is planned as Europe's main production hub for lithium iron phosphate, or LFP, batteries. In Surany, Slovakia, and Kenitra, Morocco, Gotion will hold 51% and PowerCo 49%. Management will still be shared.

Volkswagen is also selling a 5.3% stake in Gotion to an undisclosed buyer. Its voting position will not change, because part of its existing holding carries no voting rights, and it will keep its board representation and its status as a strategic investor. The harder question is what the structure actually brings closer to Europe. LFP batteries are increasingly important for mass-market electric vehicles and stationary storage. They are relatively affordable, durable and well-suited to cars where cost matters more than maximum range. Volkswagen expects LFP's share of the [European battery market](#) to rise sharply by 2030.



Manufacturing capacity, however, is only one part of the equation. Battery competitiveness also depends on cathode materials, specialized equipment, supplier networks, engineering experience and years of refinement on production lines.

The new partnership localizes several links in that chain. Valencia is slated to make LFP cells inside the European Union, and Surany would add a second cell plant in Slovakia. Kenitra would make cathode material on the Mediterranean's southern shore. The agreement also covers joint procurement and sales in Europe.

Just as important is what the deal leaves out. Upstream minerals, precursor materials, parts of the specialized machinery base and much of the manufacturing know-how behind Chinese LFP production will continue to come from a broader ecosystem that Europe cannot replicate with three factories alone.

Morocco figures prominently in the plan. Gotion is already developing a separate, integrated battery [gigafactory](#) in the Rabat-Sale-Kenitra region, for which the African Development Bank approved a 100 million euros loan in July. The first phase is designed for 10 gigawatt-hours of annual LFP cell and pack capacity, with longer-term expansion planned.

PowerCo's new 49% investment covers only the cathode-material joint venture in Kenitra; Gotion's broader gigafactory is a separate project. The distinction matters because, together, the investments point to something larger than a single Volkswagen deal: a battery cluster taking shape around Kenitra, with different projects covering different stages of production.

Morocco already has the industrial base to make that plausible. Stellantis is expanding its [Kenitra plant](#) toward an annual capacity of more than 500,000 vehicles. Automotive suppliers, export logistics and European-oriented production networks are well established, and the country is close enough to southern Europe that components can cross the Mediterranean without the long transit distances of Asian supply chains.

For Gotion, that means a production base near European customers. For Volkswagen, Moroccan cathode output in Morocco can broaden the regional supply base for its European battery plants. Morocco, in turn, gains access to a stage of the electric-vehicle chain with more industrial depth than conventional assembly. Still, the benefits of localization will depend on what develops around the factories once production begins.

A cathode plant can create a new source of material without automatically generating the chemical, engineering and equipment ecosystem around it. A European cell factory can shorten supply routes while still depending on technology refined elsewhere. The more consequential question will be whether local suppliers, e gaps.



Here, the Volkswagen-Gotion deal could

matter well beyond its initial investment figures. Shared production would give European engineers and managers closer contact with LFP manufacturing. Majority ownership in Valencia gives PowerCo direct operational influence.

In Slovakia and Morocco, Gotion's **majority stakes** give the Chinese company a strong incentive to transfer enough expertise for the sites to run efficiently. The result will inevitably be uneven localization. Some stages can move quickly; others depend on supplier depth and technical knowledge built over many years.

That distinction is easy to miss when trade policy moves faster than factories. Tariffs can change the price of an imported battery within months. Developing engineers, supplier relationships, process knowledge and dependable production takes far longer.

Volkswagen's new battery map thus runs through **Spain, Slovakia and Morocco**, with ownership varying by site and different parts of the supply chain spread among them. The real test will come after the deals close and construction advances: how much of the industrial capability around the plants takes root locally. Europe's exposure to China will increasingly be shaped there, on factory

floors and inside supplier networks, rather than by the name and nationality written above the gate.