**The 4th "ZYZH Cup" International Business Negotiation Competition for National College Students**

**The Negotiation between CATL and VGC**

**Party A:** Contemporary Amperex Technology Co., Ltd. (hereinafter referred to as "**CATL**")

**Party B**: Volkswagen Group China (hereinafter referred to as "**VGC**")

## I. Introduction of Negotiating Parties

**Party A: CATL** (Website: https://www.catl.com/)

CATL, founded in 2011, is a global leader in new energy innovation technology, dedicated to providing world-class solutions and services for global new energy applications. Headquartered in Ningde City, Fujian Province, its main products include power battery systems, energy storage systems, and lithium battery materials. The company operates six R&D centers and thirteen production bases worldwide, forming an extensive and efficient R&D and manufacturing network[1]. According to SNE Research, CATL held a 37.9% global market share in power battery usage in 2024[2], maintaining its position as the world's top power battery supplier for eight consecutive years from 2017 to 2024. Additionally, the company's market share in global energy storage battery shipments reached 40% in 2024, securing the global leadership for four straight years[1]. CATL has demonstrated remarkable technological innovation and market dominance in the battery sector. In 2022, it launched the third-generation CTP (Cell To Pack) technology-the Qilin Battery, introduced its battery swap service brand EVOGO with integrated battery swap solutions. In 2024, CATL unveiled its "Chocolate Battery Swap" comprehensive solution.



*CATL and VGC are two real companies. The content involved in this case has been adjusted according to actual circumstances and is exclusively for the "ZYZH Cup" International Business Negotiation Competition for National College Students.

**Party B: VGC** (Website: https://www.volkswagengroupchina.com.cn/)

The Volkswagen Group is one of the first and most successful international car manufacturers in China's automobile industry and we have made individual mobility possible together with Chinese Partners. For over 40 years, the Volkswagen Group and its brands have been pioneers of mobility in China. VGC's business scope includes the production, sales and services of vehicles and parts, such as engines and transmissions. The Group is represented by a diverse array of brands across all segments, including Volkswagen, Audi, ŠKODA, JETTA, Porsche, Bentley, Lamborghini, Ducati, MAN and SCANIA.

VOLKSWAGEN
AKTIENGESELLSCHAFT

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Audi SEAT ŠKODA
BENTLEY BUGATTI PORSCHE
DUCATI Commercial Vehicles SCANIA MAN

The company's success story in China began in 1978, when Chinese partners first made contact with the Volkswagen Group. In 1984, SAIC Volkswagen Corporation Ltd., Volkswagen Group's first joint venture in China, was founded in Shanghai. In 2017, the Group launched the joint venture Volkswagen (Anhui) Automotive Company Limited with the aim of producing NEVs (New Energy Vehicles). In 2021, the Audi FAW NEV Company was incorporated, focusing on the manufacture of premium NEVs in China. In 2023, Volkswagen Group China Technology Company (VCTC), the Group's largest R&D center outside Germany and the only one focused exclusively on the development of Intelligent Connected Vehicles (ICVs), was established in Hefei. One of the key tasks of VCTC is to develop the

Compact Main Platform (CMP), the Group's first vehicle platform developed in China. With its e-models on the CMP, VGC is targeting the price-sensitive compact segment, which is expected to account for about half of the rapidly developing e-market in China by 2030. VGC has a clear product roadmap designed to capitalize on market growth across various segments and align the model portfolio accordingly. The Group will offer more than 30 pure electric vehicle (BEVs) by 2030.

In 2024, the Group and its joint ventures delivered over 2.9 million vehicles in the Chinese mainland and Hong Kong, including more than 200,000 NEVs. Sales of the ID. all-electric model series grew by 17% year-on-year. In China, adhering to its "In China, For China" strategy, VGC continues to deepen localization efforts, accelerate R&D, and steadily expand its portfolio of ICVs. The China region plays a crucial role in the Volkswagen Group's journey towards achieving its sustainable development goals, including carbon neutrality, electrification, and circular economy. By 2030, all VGC plants will be powered by carbon-neutral electricity. Meanwhile, VGC is also actively contributing to the Volkswagen Group's target of achieving net-zero carbon neutrality across all production sites by 2040. Through these series of initiatives, VGC will support the Group in realizing carbon neutrality throughout the entire product lifecycle on a global scale by 2050.[3]

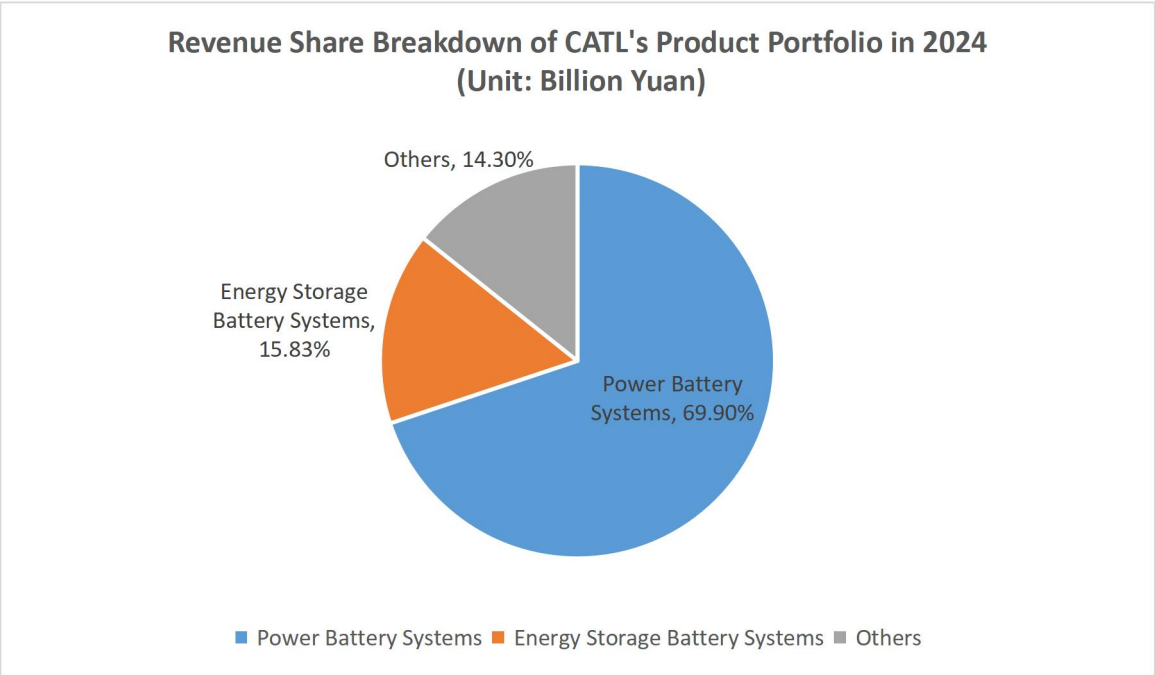
## II. Background

### 1. Challenges Faced by Both Parties

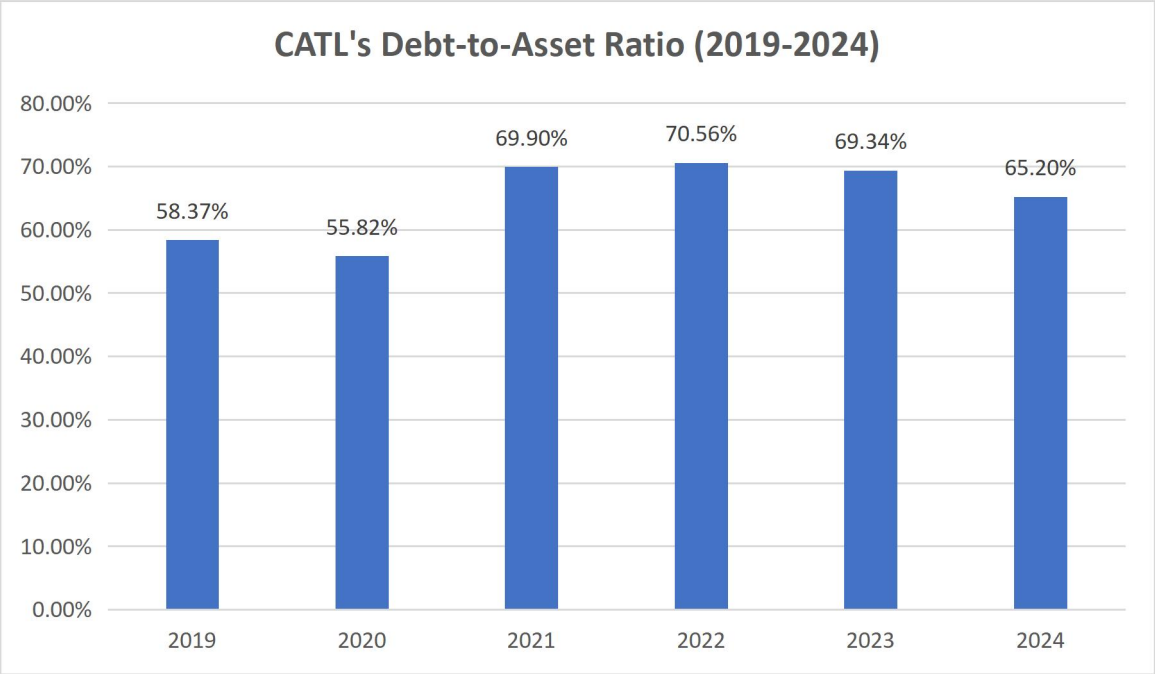
As a leading enterprise in the new energy battery industry, CATL currently faces multifaceted crises and challenges. Firstly, CATL's overseas advantages are gradually diminishing, with LG Energy Solution, the second-ranked player, closing in. Secondly, as domestic automakers increasingly develop their own batteries, CATL's market bargaining power is significantly weakened. The technology in the new energy sector undergoes rapid iterations, and CATL needs to invest substantial funds in R&D to maintain its competitive edge. Insufficient R&D efforts or misaligned R&D direction could undermine product competitiveness. Despite aggressive overseas expansion, including massive investments in battery plants in Germany and Hungary, CATL has not achieved a corresponding significant increase in overseas market share. Furthermore, stricter localization requirements in overseas

markets are intensifying cost pressures and competitive challenges.

CATL is also facing an imbalance between supply and demand in the field of energy storage. While CATL holds a notable share in the energy storage market, the average utilization rate of energy stations remains low, coupled with prolonged return cycles, which hamper profitability. Second-tier manufacturers are making breakthroughs in technological innovation and cost control, gradually eroding CATL's market share.




Source：CATL's financial report




Source：CATL's financial report

In recent years, VGC has faced intensified market competition. Domestic automakers such as BYD, Geely, and Great Wall Auto have leveraged their deep understanding of the local market to continuously innovate in product offerings, pricing strategies, and distribution channels. Meanwhile, emerging EV manufacturers like NIO and XPeng, along with international brand Tesla, have captured market share through advanced battery technologies and autonomous driving capabilities. In contrast, VGC struggles with overcapacity in traditional fuel vehicle production, a lagging electrification transition, and significant challenges in vehicle intelligentization and connectivity. Although VGC has been actively transforming its operations, optimizing costs, and plans to launch 30 electric vehicle models in China by 2030, it urgently needs to enhance brand appeal through innovation and strategic improvements to meet evolving consumer demands and attract younger demographics.


Source: Volkswagen Group's official data & the Passenger Car Association

**2. Cooperation Creates Mutual Benefits**

CATL boasts an advanced R&D system spanning material development, product design, engineering, testing and analysis, smart manufacturing, advanced equipment, information systems, project management, and battery recycling. Its third-generation CTP (Cell-to-Pack) Qilin battery represents the pinnacle of structural innovation in power batteries, while the Shenxing Superfast Charging Battery—the world's first mass-producible 4C superfast charging battery using lithium iron phosphate (LFP) materials—has ushered LFP batteries into the superfast charging era. CATL is also building a resilient, innovative, low-carbon, and cost-efficient supply chain by collaborating deeply with suppliers across cathode materials, anode materials, separators, electrolytes, and equipment. Beyond product sales, CATL engages in partnerships through equity investments, joint ventures, and technology licensing.

As of May 2024, China's NEV penetration rate reached 47%, signaling that VGC's NEV strategy in China must evolve. Beyond accelerating its in-house MEB electric platform technology, VGC needs to secure leadership in battery technology. A deep partnership with CATL would create mutual benefits:

**For VGC**: Accelerated access to cutting-edge battery innovations is critical for consolidating its position in the competitive NEV market.

**For CATL**: it secured long-term orders, reduced R&D costs via economies of scale, and accelerated global expansion through VGC's worldwide network. This collaboration would align with CATL's "localized supply chain" strategy, helping it widen the gap against rivals like BYD and LG Energy Solution.

Volatile prices of battery raw materials[4] (e.g., lithium, nickel) and supply chain security remain key pain points. CATL has proactively tackled these challenges by:

**Vertical Integration**: Investing in mining companies (e.g., lithium mines in the Democratic Republic of the Congo) and building a closed-loop "mining-production-recycling" ecosystem.

**Battery Swap Innovation**: Launching its EVOGO battery swap service and modular solutions in 2022. Despite slow adoption due to high costs and standardization issues, the battery swap market holds immense potential (estimated at ¥100 billion), driven by consumer demand for faster, more convenient energy replenishment.

By combining CATL's technological edge with the Group's global reach, both parties can navigate market uncertainties while driving industry-wide advancements in cost efficiency, sustainability, and innovation.

## III. Negotiation Details

As early as 2018, the Volkswagen Group established a partnership with CATL, which became the battery supplier for the Group's MEB platform-based BEVs in the Chinese market. In April 2024, CATL's German factory obtained dual certifications from Volkswagen Group's module testing laboratory and cell testing laboratory, making it the world's first battery manufacturer to secure Volkswagen Group's module certification and the first in Europe to receive its cell certification. In February 2025, VGC and CATL signed a strategic cooperation memorandum, agreeing to deepen collaboration in lithium power battery R&D, battery swapping, supercharging, and V2G (Vehicle-to-Grid) technologies for NEVs. Driven by the rapid growth of the NEV market and VGC's electrification transformation needs, the two

parties have agreed to reconvene in Ningde, Fujian, in April 2025 for formal negotiations aimed at finalizing the terms of their collaborative partnership. In previous negotiations, the two parties agreed to establish a "Joint Innovation Center" for power battery development and plan to jointly build 1,000~2,000 swap&supercharging stations within the next two years, and consider upgrading the V2G function in the later stage of cooperation. However, they disagreed on several issues:

1. **Battery Procurement**

Contemporary Amperex Technology Co., Limited (CATL) prefers to bind customers with long-term purchase agreements, requiring a 30% deposit of the total purchase volume. Due to profit pressure, VGC needs to control fixed-cost investments and agrees to sign long-term agreements to reduce the per-vehicle battery cost. However, it proposes to pay the deposit on an annual basis. When cooperating with automakers, CATL promotes the "production line buyout" model, demanding an upfront deposit and a committed purchase volume (with fluctuations not exceeding ±15%) from automakers. If the automaker fails to meet the purchase volume, it needs to pay a penalty. VGC's operating profit for the first three quarters of 2024 fell by 20.5% year-on-year, with a core brand profit margin of only 2.1%. There is an urgent need to cut costs (with a target savings of over €10 billion), and VGC opposes CATL's high-cost procurement plan. VGC's current battery suppliers also include Gotion High-Tech (VGC is Gotion's largest shareholder) and LG Energy Solution, among others.

Note: Combining battery electric vehicles (BEVs) and hybrid electric vehicles (HEVs), and calculating based on an average of 50 kWh per vehicle, 1 GWh of batteries can equip approximately 20,000 electric vehicles (1,000,000 kWh ÷ 50 kWh = 20,000 vehicles).

2. **R&D Investment and Profit Distribution**

The two parties may jointly develop more cost-effective battery products, next-generation battery technologies (possibly involving solid-state batteries and lithium-metal batteries), new material applications, and component development (such as new electrode materials, electrolyte and diaphragm technologies, developing integrated and lightweight battery system components, and optimizing vehicle space utilization and energy efficiency).

R&D Cost Sharing: As a global leader in power batteries, CATL's R&D expenses

reached 18.6 billion yuan in 2024, with strong technical reserves. Volkswagen's R&D investment in 2024 was approximately 35.6 billion yuan, mainly focusing on vehicle platform development. CATL and VGC have categorized this battery R&D initiative into two types: basic R&D (for general-purpose technologies, accounting for approximately 50% of the total investment) and applied R&D (for exclusive technologies, also accounting for approximately 50% of the total investment).

VGC states that it is willing to contribute a total of 35% of the total R&D expenses in stages for vehicle-specific adaptability development (such as the MEB/PPE platforms), BMS (Battery Monitoring and Management System) optimization, and user scenario testing. However, CATL proposes the following funding arrangement:

• CATL will bear 70% of the basic R&D costs, while VGC will bear 30%.

• VGC will bear 70% of the applied R&D costs, while CATL will bear 30%.

Based on this calculation, VGC would need to pay 50% of the total investment, significantly exceeding the 35% it had previously proposed, leading to a deadlock between the two parties.

Regarding the ownership of intellectual property (IP), the two parties have not yet reached an agreement. From previous communications, the understanding was that basic R&D results would be owned by CATL, which could license them to other customers. Applied R&D results would be jointly owned by both parties, with VGC enjoying a 5-year exclusive usage right to ensure that its vehicle battery technologies are not easily acquired by competitors. After this period, CATL could generalize them but would need to pay VGC 20% of the net licensing proceeds (for a duration of 10 years).

The two parties have also failed to reach a consensus on pricing models and profit distribution. Previous communications are as follows:

VGC is highly sensitive to costs and prefers a cost-plus pricing model to control overall vehicle costs. CATL, on the other hand, leans towards market-based pricing, setting prices based on the added value of battery technology to the vehicle to achieve higher profits. For batteries exclusive to VGC's vehicle models, given VGC's higher applied R&D costs, VGC would receive 60% of the profit, and CATL would receive 40%. For general-purpose batteries used by third parties, VGC would receive 30% of the profit, and CATL would receive 70%, reflecting the investment ratio of both parties.

### 3. Initial Construction and Revenue Distribution of Battery Swap&SuperCharging Stations

The construction cost of a single battery swap&supercharging station reaches 7 million yuan (including equipment, battery reserves, and operations). The two parties have differing views on the initial investment ratio.

CATL prefers VGC to bear 40% of the total cost (7 million yuan per station). Limited by profit margin pressures, VGC suggests transforming its existing 1,000 4S stores into battery swap&supercharging stations (which can reduce costs by 1.5 million yuan per station) and only accepts bearing ≤15% of the initial cash investment, i.e., a total cost of:

5.5 million yuan (cash) + 1.5 million yuan (in-kind contribution from 4S store renovations) = 7 million yuan.

- CATL would bear 85% of the cash costs (4.675 million yuan), corresponding to the leading role in battery technology and equipment.
- VGC would bear 15% of the cash costs (825,000 yuan) and additionally offset the total cost by 1.5 million yuan through the discounted value of the 4S store renovations.

Regarding revenue distribution, CATL advocates allocating revenue based on the proportion of battery costs, obtaining 65% of the revenue, emphasizing its investment in battery technology. VGC would receive 30% of the revenue, with the remaining 5% serving as a joint reserve fund for hedging against station operation and maintenance risks. This proposal is still under further discussion.

## IV. Requirements for the Negotiation

1. Form an Effective Negotiation Team

As needed by the case, form a four-member negotiation team to represent either Party A or Party B in the case and assume relevant responsibilities in accordance with the case requirements.

2. Write an English Business Negotiation Plan

All participants should thoroughly review the provided case, conduct online research, and write an English business negotiation plan (refer to Appendix II for the outline template). The plan has no strict word limit, but conciseness is encouraged. All abbreviations and acronyms used must be clearly defined to ensure mutual understanding between parties.

No information related to participants' current colleges shall appear in any part of the

negotiation plan, including the cover page and table of contents.

Each team must independently develop the negotiation plan. Instances of plagiarism, once reported and verified, will result in the team's immediate disqualification from the competition, with no eligibility for awards.

Formatting Guidelines for the Negotiation Plan:

a. Cover page: use the designated template provided in Appendix II.

b. Ensure page numbers align with the table of contents, and are typed (not handwritten).

c. Center-align the title and subheadings above the corresponding text, using Times New Roman, 12-point font.

d. Use Times New Roman, 12-point font, left-aligned, with a 0.5-inch first-line indent for each paragraph.

e. Set 2.5-cm (or 1-inch) margins on all sides.

f. Use double-spacing throughout the text.

g. Submit the document in PDF format.

3. Submit Your Works

Submit the Negotiation Plan to the designated platform of the Organizing Committee by June 30, 2025. The file shall be named: Party+College+Team Name ( Party refers to Party A/Party B).

## V. References

1. CATL, "About us", Available at:

<https://www.catl.com/about/profile/> (Accessed: 6 March 2025)

2. CnEVPost, *SNE Research,* Available at: <https://cnevpost.com/tag/sne-research/> (Accessed 28 March 2025)

3. VGC, "About VGC", Available at: <https://www.volkswagengroupchina.com.cn/en/volkswagengroupchina/aboutvgc> (Accessed 2 April 2025)

4. 12365auto.com, "锂价深蹲与镍钴跳高：新能源产业冰火两重天", Available at: <https://www.12365auto.com/news/20250402/545448.shtml> (Accessed 2 April 2025)

**Appendix I**

**Rating Scale for The 4th "ZYZH Cup"**

**International Business Negotiation Competition for National College Students**

**(Semi-Final)**

Judge:_____ Team No.:_____ Total Score:_____ [Full Score:100]

| Items | Details | Full Score | Score |
|---|---|---|---|
| **1. Preliminary investigation and team building (20%)** | Negotiation background and subject | 20 | |
| | Roles and responsibilities | | |
| **2. Analysis of both parties (20%)** | SWOT analysis of both parties | 20 | |
| | Competitor analysis | | |
| **3. Negotiation goals (25%)** | Negotiation goals of both parties | 25 | |
| | Negotiation BATNA of both parties | | |
| **4. Expected negotiation processing and strategies (25%)** | Opening/bargaining/closing strategies | 25 | |
| **5. Emergency plans, arbitration, language, etc. (10%)** | Emergency plans, arbitration, etc. | 10 | |
| | Completeness of the negotiation plan and accuracy of language use | | |
| | | 100 | |

**Appendix II: Cover Template for the Business Negotiation Plan**

**The 4th "ZYZH Cup"**

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**The Negotiation Plan Between XX and XX**

**Party:** Party A/Party B

**Team Name:**_____

**Business Negotiation Plan Outline (For Reference Only)**

## I. Background

1.1 Introduction of the negotiation background

1.2 Analysis of the environment of negotiation

## II. Negotiation Team, Roles & Responsibilities

2.1 Team members (negotiation participants)

2.2 Responsibilities and obligations assumed by each member

## III. Investigation and Survey

3.1 Market investigation and survey for the negotiation subject

3.2 Analysis of background, advantages & disadvantages, and status of the negotiation parties

3.3 Competitor analysis

## IV. Analysis of Negotiation Subject

4.1 Analysis of goals and interests of both parties and sorting out the priorities;

4.2 Each party's BATNA (Best Alternative to Negotiated Agreement).

## V. Negotiation Procedures and Strategies

5.1 The opening stage

5.2 The bargaining stage

It is necessary to state the deadlock encountered by both parties as well as possible reasons for the breakdown of the negotiation and handling strategies therefor.

5.3 Address the possible scenarios of the closing stage:

**Making a deal:** summarize the negotiation results achieved, determine the terms of payment, terms, and date of delivery, package and transportation, insurance, the responsible party for customs formalities, customs duty payer, drafting and signing method for subsequent contract, etc.

**Negotiation suspension or breakdown:** summarize the divergences of both parties, express thanks politely, agree upon the date and time for the following negotiation, close the negotiation, etc.

## VI. Emergency Plans for the Negotiation (Brief Introduction)

For example, accidents, risk prediction, countermeasures, arbitration matters.

## VII. Appendices

Other documents and materials necessary for the negotiation include xxx.