

TESLA'S GIGAFACTORY IN POLAND? A TASK FOR THE POLISH NATIONAL FOUNDATION

Tesla, the company which stays at the cutting edge of the electromobility domain, may erect its Gigafactory in Poland. The decision to transfer some of the manufacturing efforts undertaken by the entity to one of the European states has already been made by the Tesla's CEO, Elon Musk. Polish location has several political and economic advantages. However, to make the above come true, Warsaw would need to take some serious steps.

Tesla is one of the brands that markets itself just through its existence. The company in question, founded back in 2003, has since become a motoring trendsetter. Had it not been for the **unrestricted momentum of the billionaire and visionary - Elon Musk**, currently acting as the Tesla's CEO, we would not be witnessing such boom. Musk's attitude made the company stand up to the challenges it creates for itself, for instance by setting an objective to design an **electric car** which would be affordable for an average US citizen. Thanks to the great emphasis placed on **innovations**, Tesla became a trendsetter, seducing more and more customers who unanimously indicated the Musk's brainchild as **the best US car brand**.

Even though Tesla is still far away from a commercial success, with a little over 100 thousand vehicles sold and financial problems emerging last year, Musk is optimistic, being driven by his vision and attracting customers, investors and media. He does that, for instance, by creating car designs that are more and more attractive - such as the **Roadster**. However, if the company plans to boost its production up to 500 thousand cars in 2018, Tesla needs to invest a lot in the **manufacturing resources and assets**. Hence the concept of the *Gigafactories*. One of such factories may be erected in Poland.

The first of Tesla's Gigafactories, *Gigafactory 1*, is under construction in **Reno**, Nevada. The facility is going to be tasked with manufacturing batteries and other components of electric cars. Tesla made an investment of almost USD 2 billion, with regards to the said factory which has been in construction since 2014. The works related to the facility have not come to an end yet. It is expected that the process will last until 2020, with another 3 billion dollars being spent. The *Gigafactory 1* will take up an area of around 1.5 square kilometer. Even though the work progress is said to have reached only 30%, covering only 14% of the space planned, certain components are already being manufactured there. **3 out of 21** sections of the facility are up and running.

Meanwhile, the second *Gigafactory* plant is going to be established in Buffalo, NY. The plant is owned by SolarCity, which is a Tesla's daughter company. Even though the construction works began simultaneously with Gigafactory 1, the second facility has been handed off for use in 2017. However, it is much smaller than its prerequisite.

The Gigafactory is designed in a way focused around optimization of the production process through **vertical integration**, a system assuming that single entity owns the whole supply chain. The plant is going to manufacture batteries, drives and other components, at uniquely affordable prices. All of the above would happen thanks to the **large scale** of production coupled with **innovative manufacturing processes** and diminished **loss of resources and materials**. What is more, the whole factory has been designed in the way that would make it **energy-independent**. All of the power is going to be generated by wind turbines, solar panels and geothermal sources.

Nevada was tempting for Tesla, as the said state uses an **expansive tax reduction** system, allowing the entity to save millions of dollars. The authorities hope that the facility would bring 100 billion dollars of profit to the state, throughout the upcoming two decades. Gigafactory is going to be **an open facility** that would be welcoming **any visitor** willing to witness the manufacturing process in person.

Another Gigafactory is currently being built in the US, however the experts suggests that the effort may be insufficient to enable Tesla to meet its production goals.

Thus, a concept to create a **factory in Europe** was born, making it possible to expand the manufacturing capacity and avoid import taxes and fees imposed by the EU, on the car manufacturers.

Tesla's expansion in Europe could have been witnessed since 2009 when the first salon of the company has been opened overseas, in London. Elon Musk's company has its European HQ located in **Amsterdam**. The city in the Netherlands also hosts the maintenance centre, along with a plant that assembles the individual components of the cars, which makes it possible to avoid the EU import tax. **Prüm** is a German city where Tesla has established a branch dealing with automation and enhancement of the efficiency of the production process. Elon Musk was to announce where the European *Gigafactory* would be located in 2017. However, **no announcement referring to the above has been made until today**.

The countries listed among the pretenders by the analysts and journalists include Poland, which shows a certain degree of **advantage** here. Not only do the benefits include good geolocation in Europe and a vast number of locations where the plant could be established, but, above all, the **pro-American policy of the government** has been listed as the primary advantage, alongside the intensive **electromobility-focused industrialization** initiative.

Close relation between Warsaw and the DC has been in existence since several years, however after **Trump** was elected President, the dialogue became even closer. The current POTUS paid a visit to Warsaw last year, supporting the Polish Three Seas Initiative. Meanwhile, the US State Secretary, **Rex Tillerson**, paid a visit to Poland during his European trip in 2018. On the other hand, **President Andrzej Duda** and **PM Mateusz Morawiecki**, as well as a number of Ministers, also visited the US. One should also mention the relevant **Polish-US relations** in the areas of defence or energy industries. Noteworthy, **US Army** is also stationed in Poland, within the framework of the NATO enhanced presence and reinforcement of the Eastern Flank. The listed factors are taken into equation by the US entrepreneurs who would like to start operations abroad.

What is more, an ecosystem favourable for industrial investments is also a relevant advantage here. The **Strategy for Responsible Development** created by the government, also known as the **Morawiecki's Plan**, assumes industrial clusters and valleys would be created, creating favourable conditions for business development. **Polish Development Fund** is one of the entities that would provide assistance within that scope – it is a state strategic company based on the western entities, with its share capital exceeding PLN 1 billion. Furthermore, **electromobility** is one of the key

elements of the SRD initiative. The strategy is still in its infancy, and taking a decision driven at setting up the Gigafactory in Poland would make it possible to properly shape the government's industrial policy, for the sake of accommodating the said initiative.

Poland is not the only of the EU states looking forward to having the Tesla's facility located within its borders. Other European states are also driven to attract the US company. In 2016 **France** suggested that Tesla opens its factory at the decommissioned Fessenheim nuclear power plant. **Portugal**, with its rich lithium deposits, also began an online promotional campaign. **Lithuania** uses an unconventional method to promote its willingness to attract Musk, as the Minecraft players from that country have created a model of *Gigafactory* in the universe of the game. Thanks to the above they have managed to reach Musk directly, with him retweeting the design via his Twitter account.

No media actions have been visible in case of Poland within that regard so far. Last year some press sources were suggesting that **negotiation is in progress** between Musk and the Polish government, without any specific information emerging in the public sphere. Meanwhile, activating the **Polish National Foundation** could possibly create fantastic results. Considering the love for gadgetry expressed by Musk, a properly creative media campaign carried out via social media, could be of advantageous value for Warsaw.

The financial problems faced by Tesla last year have moved the issue pertaining to a new European factory into the shadows. Nonetheless, one should not consider this project to be dead yet. Being aware of Elon Musk's persistent drive, one may expect that he would not resign from his plans in the field of electromobility that will not materialize without the European production assets. The fight for *Gigafactory* is on then, while Warsaw should use the delays to its advantage, to close the gap on the competitors and plan a proper media campaign. It shall also be remembered that not only would establishment of a facility as such be seen as an economic success, as it could also be transformed into a major PR achievement.

Jakub Wiech