

SURVIVAL OF THE FIERCEST: HOW INVOLUTION HELPS CHINA DOMINATE GREEN TECH GLOBALLY

ALEXANDER BROWN, JOHANNA KREBS, SOPHIA PRADELS

ABOUT THE CHINA TECH OBSERVATORY

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KEY FINDINGS

- **Since 2022, the solar PV, electric vehicle and wind sectors in China have all experienced some degree of destructive competition, referred to as “involution”.** Sustained price declines have been triggered by a mix of regulatory changes and aggressive firm behavior.
- **Each sector varies in its susceptibility to involution** based on market dynamics, product characteristics and company business models. For green tech products, the degree of technological sophistication and design-intensity plays an important role.
- **Prolonged price wars in green tech and other sectors are still a risk**, even though combating involution has been elevated to a major political priority by the Chinese government, because the political and economic system that makes them possible remains intact.
- **The downward pressure on prices further enhances the competitiveness of Chinese firms vis-à-vis foreign companies.** Chinese exports of green technologies are being spurred on by involution in the domestic market, with Europe acting as the top destination market.
- **China’s leadership in green technologies means it will remain a key partner** for Europe in the development and sourcing of green technologies.
- **European policymakers and companies must work together** to build local capabilities, mitigate strategic dependencies and ensure the security of Europe’s energy infrastructure.

INTRODUCTION: RACE TO THE BOTTOM UNDERMINES CHINA'S GREEN TECH INDUSTRIES

China has secured a leading position in most mature green technologies, from solar photovoltaic (PV) modules to wind turbines, batteries and new energy vehicles (NEVs),¹ thanks to long-term policy support, scale across the value chain and innovations in these sectors. Yet these sectors also face a paradox: although they feature some of China's most successful industries in global markets, they are mired by low profitability and a high number of loss-making firms. Many of the sector's most innovative companies are unable to capitalize financially on the technological advances they have made.

This dynamic is part of a bigger problem: excessive domestic competition drives firms to prioritize holding onto or winning market share above all else. In China, this phenomenon affects a variety of critical sectors and is dubbed "involution".² This term is used to describe fruitless competition in society as well as in industries. It represents a race to the bottom where all participants in a system work harder and spend more resources, but for no more gain. Chinese firms can pursue such a strategy for an extended period as public actors are incentivized to provide financing or subsidies regardless of their profitability, in the same way that structural overcapacity is made possible in China.³

China's dominance in green tech is growing even stronger

Since 2024, Beijing has made combating this cutthroat competition and its negative impact on state finances and corporate profits a strategic priority. Green tech sectors, particularly the solar and NEV industries, are major targets in this campaign. This report investigates the factors that have caused hyper-competition in these two sectors, alongside the wind turbine sector, which has also experienced a degree of involution. It analyzes the restrained government response so far and the impact on corporate strategies, primarily in terms of cutting costs and expanding into foreign markets.

The results show that fostering a degree of excessive competition has become part and parcel of China's industrial policy playbook in green tech sectors. The downward pressure on prices further enhances the competitiveness of Chinese firms vis-à-vis foreign companies. This means China's dominance in green technologies is growing even stronger. In some ways, Europe could benefit from this process, as cheaper green technologies sourced from China would lower the costs for its energy transition. But it also risks increasing established and emerging dependencies, hindering Europe's own industrial ambitions in green tech sectors, and by extension ceding the EU's autonomy in its energy security and green transition.

GREEN TECH SECTORS GRAVITATE FROM PRODUCTIVE TO DESTRUCTIVE COMPETITION

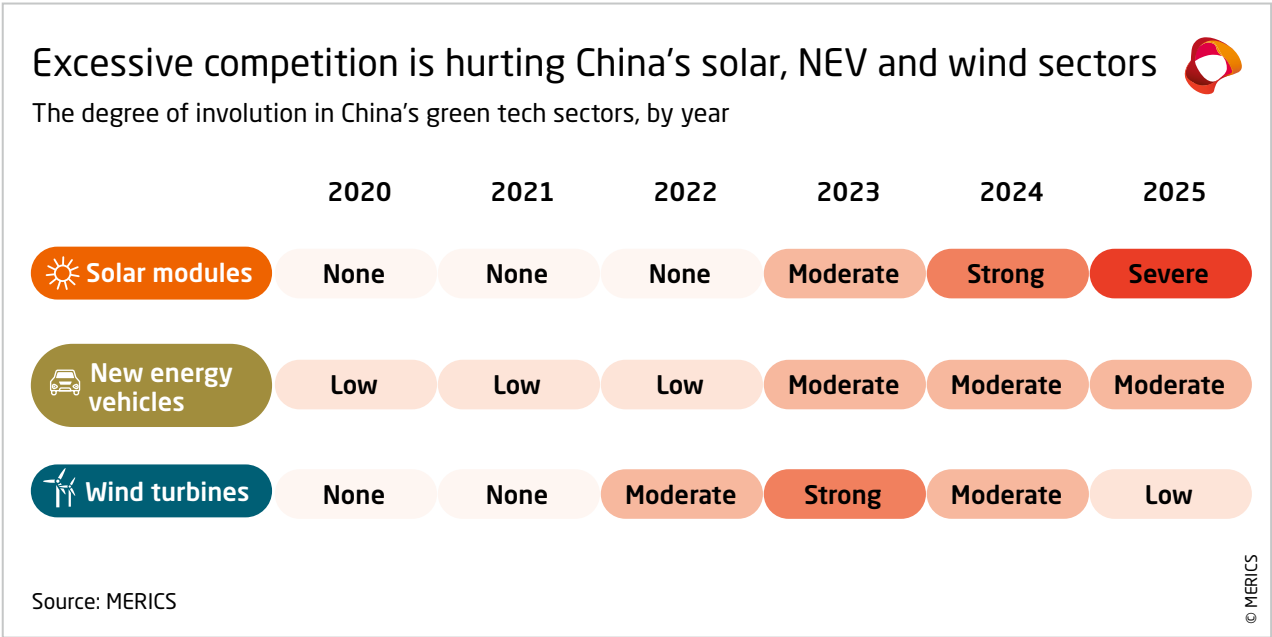
Competitive forces go off the rails in green tech industries

When it comes to the production and installation of green technologies, China is in a league of its own. In 2025, Chinese firms supplied at least three-quarters of the solar modules, wind turbines, and electric vehicles sold worldwide, and China accounted for at least 57 percent of global demand for these products. The remarkable growth in both domestic sales as well as exports of green tech products since 2020 has been very significant not only for China’s decarbonization agenda, but also for economic growth, as other parts of the economy, such as the real estate sector, have floundered.

These industries are dominated by private firms, and their dynamism, coupled with the competitive pressure to innovate, has played a key role in their success. Yet fierce competition in recent years has also led to falling prices, profits, and in some cases falling revenue for the top firms in these sectors. Since 2022 or 2023, each sector has experienced a sustained period of price declines, triggered by a mix of regulatory changes and aggressive firm behavior. Exhibit 1 displays an overview of the varying degrees of involution over time for each sector (the details are explored in the second chapter):

- Involution has hit hardest in the solar sector, with losses among its leading firms equivalent to 10.75 percent of revenue in 2025. Despite rising domestic and global demand for solar modules, excess production capacity and an overcrowded market have triggered destructive price wars.
- In the NEV sector, competitive pressure has also been intense and transaction prices have trended downwards between 2023 and 2025. The impact on key players has been mixed. While BYD and large manufacturers of both NEVs and internal combustion engine (ICE) vehicles have maintained healthy profit margins, most smaller firms focused purely on NEV manufacturing are yet to turn a profit.

Exhibit 1



- Cost pressures in the wind sector heated up after regulatory changes led to a sharp drop in turbine prices in 2022, followed by further decreases in 2023 and 2024. Since the end of 2024, the situation has stabilized, in part thanks to a self-discipline pact signed by China's major manufacturers pledging to not sell below cost.

While general traits of involution, such as deflation, an increased share of loss-making firms and lavish state support for industrial firms have been visible across the Chinese economy in recent years, the reasons why and to what degree an industry gets entangled in involution are specific to each sector. The mix of private and state-owned firms, fluctuations in domestic and foreign demand, changes in sectoral policies, the level of technical complexity, the degree of vertical integration and diversification of business portfolios, or the state of industrial development – be it an emerging industry or more mature – all play a role.

Depending on their prevalence or absence, these factors can either spur or hinder involution. For instance, more technologically advanced or design-intensive products, such as wind turbines, have a higher barrier to entry than simpler products such as solar modules. This makes more sophisticated products less susceptible to competition based only on cost-cutting. The enforcement of higher technical standards can have the same effect, forcing producers of outdated technology to exit the market and thus limiting the ability of firms to compete primarily on cost.

Industrial goals prevent sweeping reforms to curb involution

The government's efforts to combat involution in green tech sectors show that despite recognition of the negative impact of destructive competition, Beijing is not willing to tackle its root causes. Beginning in mid-2024, China's leaders have repeatedly called for preventing vicious "involution-style" competition and curbing "low-price and disorderly competition" across the economy.⁴ Top-level government documents state that this will require managing the setting of prices in certain sectors, phasing out outdated and inefficient production capacity, eliminating local protectionism, as well as corporate self-regulation. New and forthcoming legislation, regulations, and closer scrutiny of corporate behavior have followed.⁵

Beijing is not willing to tackle the root causes of involution

Most of the measures implemented to date in China's green tech sectors have been carried out via sector-specific regulations or actions taken by industry associations or individual firms themselves (see second chapter for details). Each sector has followed different pathways to managing destructive competition, from raising standards and reducing financial support in solar, to revising tender practices in wind, to publicly scolding the major players in NEVs. These measures have led to moderate improvements in the NEV and wind sectors but have failed to change the course of the solar industry.

Prolonged price wars in green tech and other sectors are still a risk because the political and economic system that makes them possible remains intact. Local officials are strongly incentivized to support firms in their province or city – particularly those in sectors deemed strategic by Beijing – even if they operate at a loss, since they contribute to GDP growth, jobs and tax revenue. These are important KPIs for officials and more likely to be prioritized than general directives from Beijing to limit protectionist policies.⁶ In addition, bankruptcy laws are often not enforced and allow firms to continue operating even if they default on payments.⁷

In many sectors, the intense competition generated by China's decentralized system of industrial support has proven to be highly effective in building up capacity and has delivered rapid gains in efficiency, scale and quality. Green technologies are highly strategically relevant for both their economic importance and contribution to enhancing China's energy security. Consequently, even as President Xi publicly laments the uncoordinated behavior of local officials, he has shown no sign of changing the system which pushes them to act in this way.⁸

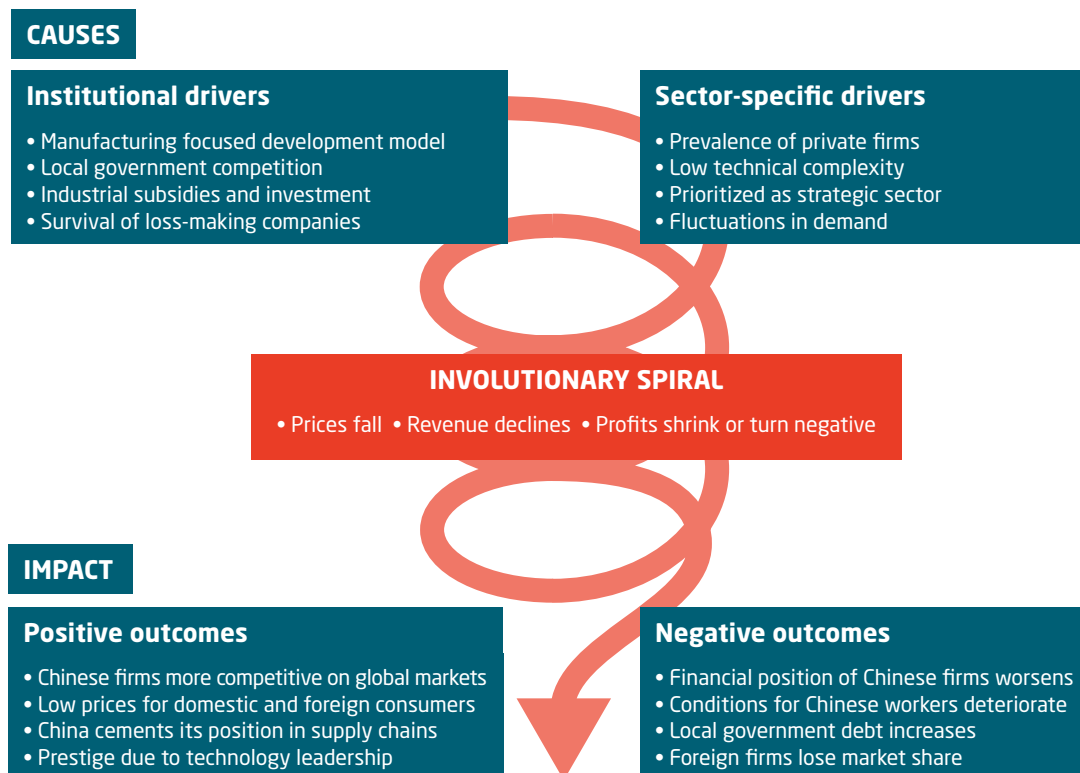
So long as ruthless competition helps Chinese firms to acquire global market share and secure China's position at the center of key industries, Beijing will view this policy approach as a success overall. That is despite the numerous costs involved. Persistent involution will hurt the fiscal position of local governments as they fuel their continued support for firms with additional debt. The money spent on industrial support also means less funds are available for social welfare and other public goods. Employment opportunities are made more precarious by the impulses of firms to expand aggressively and then cut their workforce when prices fall.

Exhibit 2

Harnessing hyper-competition: China derives both gains and losses from involution



The mixed causes and impact of involution trends



Sources: MERICS

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The examples of the solar, NEV and wind sectors show that Beijing does not want to eliminate involution altogether but rather contain it. By extension, some degree of destructive competition could also emerge in the industries that the government has outlined as priority areas for the next five years and beyond, such as robots, legacy semiconductors and hydrogen technologies.

TECHNOLOGIES VARY IN THEIR VULNERABILITY TO EXCESSIVE COMPETITION

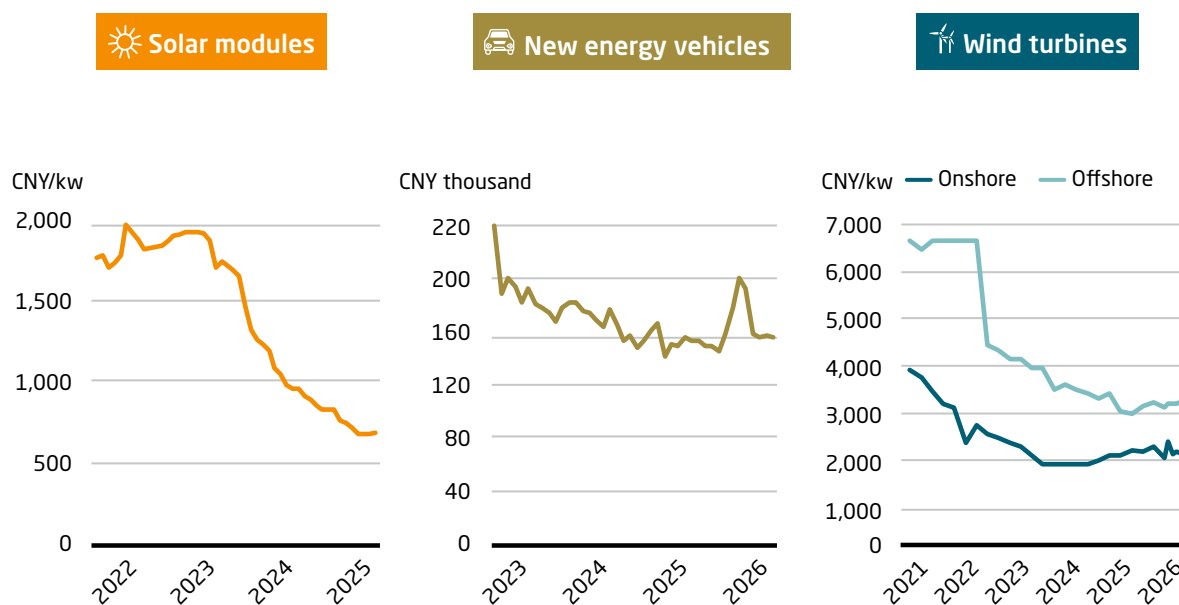
The following case studies look at the different drivers of involution in the solar PV, NEV and wind turbine sectors in China. Differences in technical complexity, commoditization, production capacity and market structure determine the degree to which these green technologies are affected and their ability to extricate themselves from destructive competition. For Europe, each technology represents either an established dependence (solar), an emerging challenge (NEVs) or a future challenge (wind turbines). Understanding the domestic dynamics affecting each technology helps explain their technological competitiveness and cost-effectiveness.

Exhibit 3

Green tech products have experienced a significant fall in prices since 2022



Price trends in China's solar, NEV and wind sectors



Note: Solar module prices are shown as an equal-weighted average of 182mm and 210mm modules; NEV prices are monthly average market transaction prices; Wind turbine prices are monthly average tender prices for wind turbines, including tower. The spike in NEV prices in early 2026 is largely due to a decrease in overall sales and increase in the number of higher-end, expensive NEVs on the market.

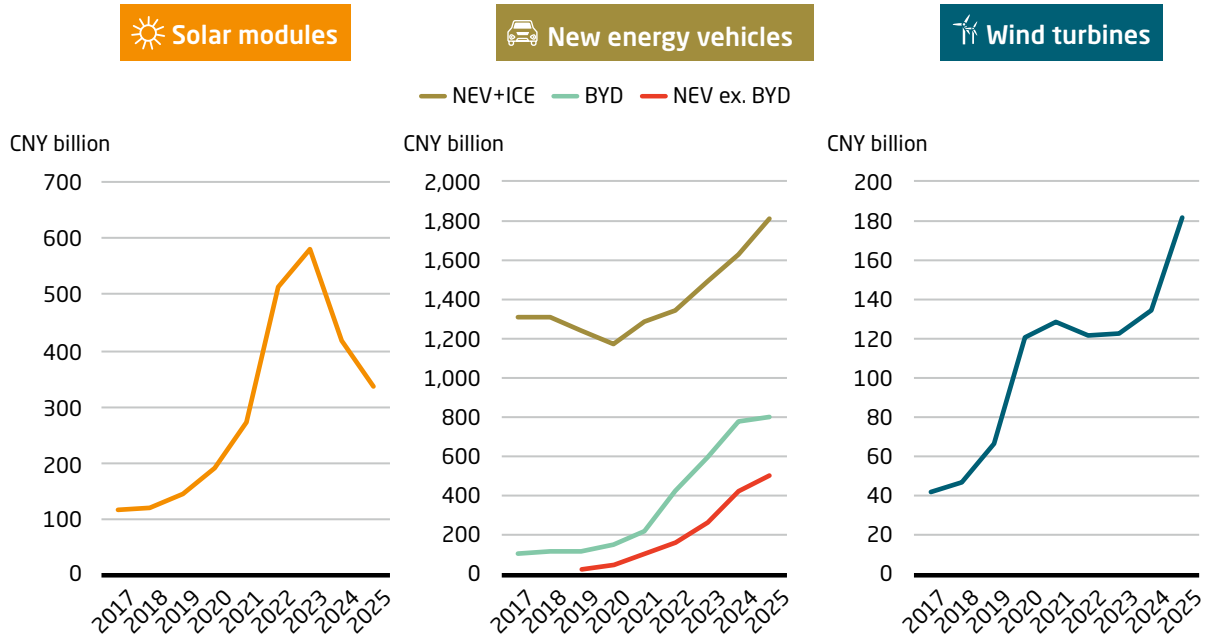
Sources: Shandong Longzhong Information Technology Co., Ltd. and Gessey PV Consulting (Solar), China Passenger Car Association (NEV) and Global Wind Energy Council Market Intelligence (Wind).

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Involution has swung the solar sector from boom to bust, with more moderate impact on the NEV and wind sectors

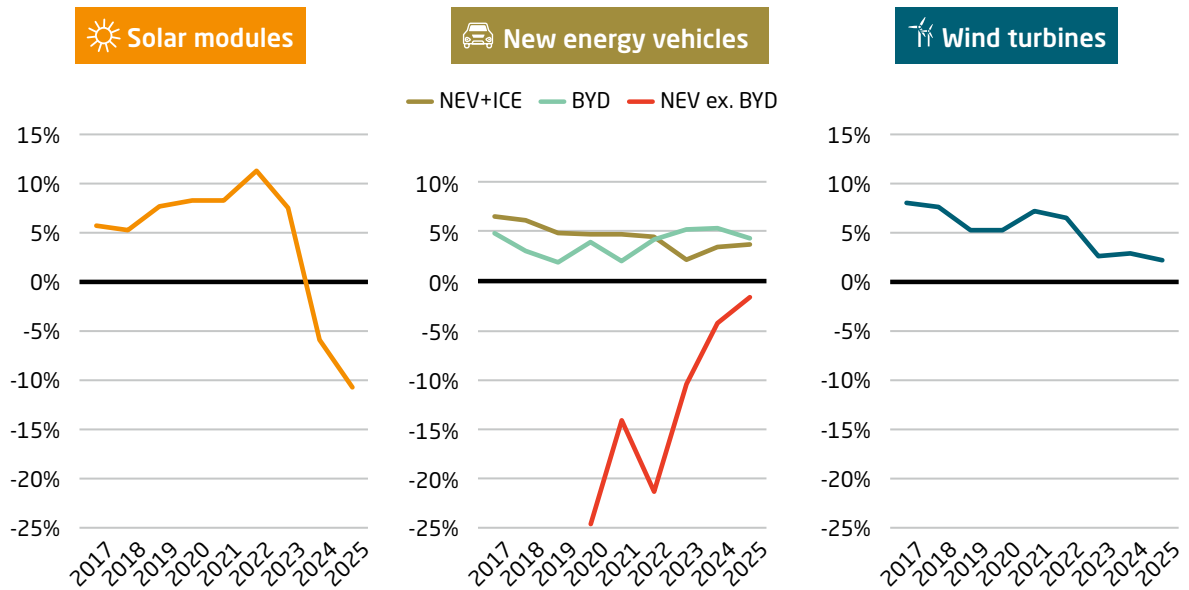


Aggregate operating revenue (CNY billion) of leading firms in China's solar, NEV and wind sectors⁹



Data is based on the financial records of leading firms by market share for which data is publicly available.

Aggregate net profit margin of leading firms in China's solar, NEV and wind sectors

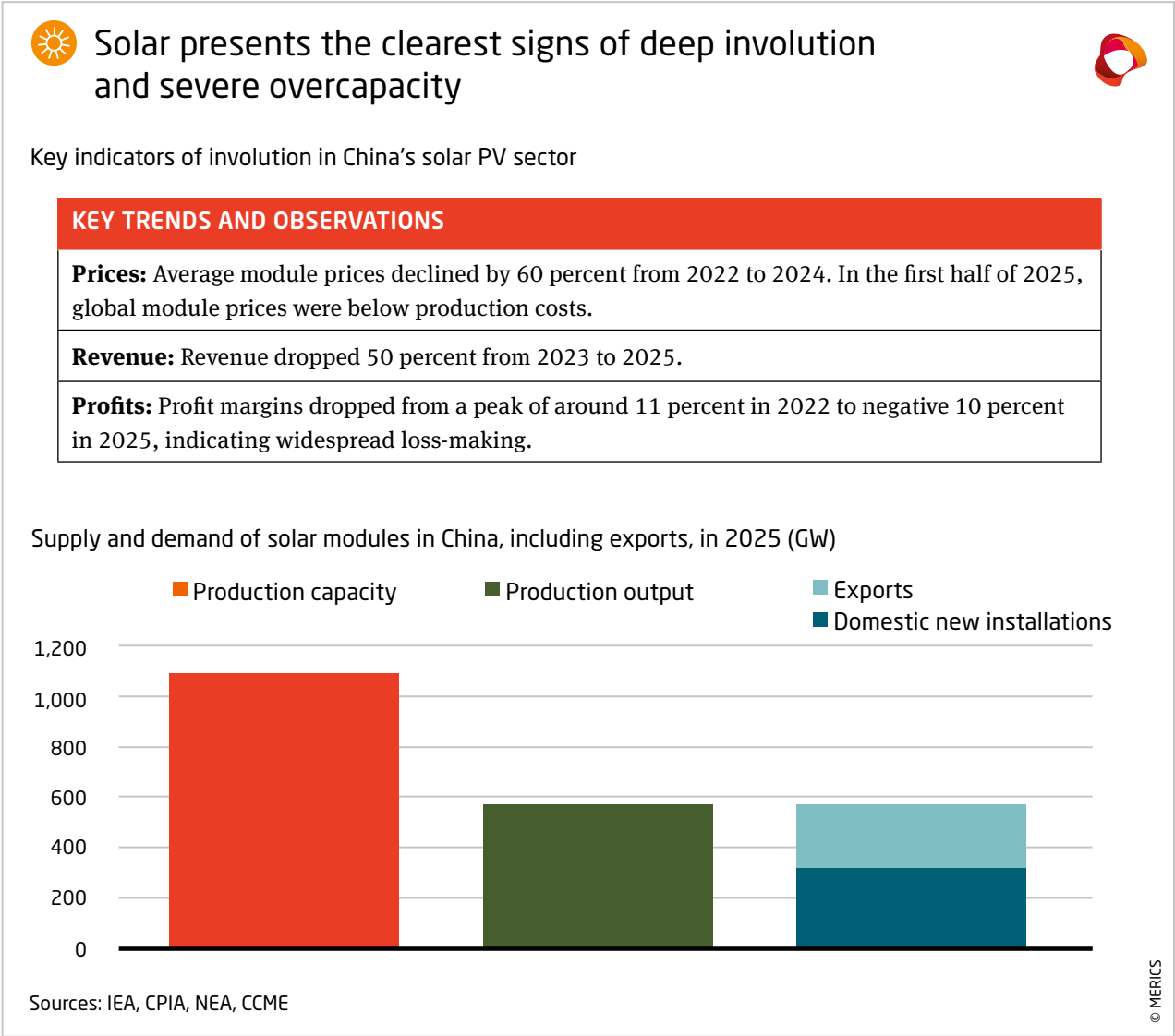


Data is based on the financial records of leading firms by market share for which data is publicly available. Net profit margin for "NEV ex-BYD" before 2019 is less than negative 25 percent and therefore not shown to preserve the scale. Sources: EMIS, company annual reports

Solar supply glut turns sour as firms fall deep in the red

Long plagued by structural overcapacity, China’s solar sector has been ravaged by cut-throat competition since 2023, leading to heavy losses for its leading firms even as domestic and global demand for solar has grown strongly. Since 2020, manufacturing capacity utilization has not exceeded 56 percent and in 2025 China could have met global demand while leaving 40 percent of its available production capacity idle.¹⁰

Exhibit 5



Following China’s 2020 dual-carbon pledge, investment poured into the sector. Local governments offered varied financial incentives as they sought to align themselves with the central government priorities.¹¹ Producers further ramped up production following Russia’s invasion of Ukraine, anticipating a spike in demand.¹² While exports in volume terms grew by 38 percent in 2023, the value of exports in CNY terms remained stable. Prices for solar products both within China and abroad (via exports) fell by over 50 percent between 2022 and 2025. Since 2024, over 150 solar firms have filed for bankruptcy or liquidation.¹³

Low technical barriers to entry make the solar sector more susceptible to overcapacity and hyper-competition. In the lower and mid-tier segments, solar panels are relatively simple and commoditized products that are easily scalable, so long as sufficient capital is available. Technology upgrades generally occur every two to three years, with old equipment often sold, allowing other players to continue producing less advanced products.¹⁴ Years of government support for the sector has led to an overcrowded market and manufacturing capacity far overshooting current demand levels. In addition, project developers usually favor the cheapest offer in their tenders, pressuring companies to compete on cost rather than quality.¹⁵

Government and corporate-led efforts to streamline capacity in the sector have so far not yielded any clear results. Corporate initiatives to reduce production and set price floors have failed, either due to a major player ignoring the price floor, or to regulatory intervention to prevent monopolistic behavior.¹⁶ Regulators have also removed export tax rebates for PV products and raised the threshold for financial strength, technology level and energy efficiency for PV manufacturing projects. In addition, recent change to the pricing for renewable energy projects could slow long-term demand for solar PV installations.¹⁷ This could prompt more market exits, help streamline some capacity, and eventually lead to a recovery.

Electric vehicle price wars sting suppliers and small producers

At the start of 2023, larger NEV manufacturers in China initiated a price war to revive sales and expand market share following the removal of purchase subsidies in 2022. The smaller players followed in a race-to-the-bottom.¹⁸ While NEV sales have grown strongly in recent years – up 80 percent in 2023, 27 percent in 2024 and 23 percent in 2025 – prices have continued to trend downwards. Smaller NEV manufacturers, who are less capable of taking advantage of efficiencies of scale, and suppliers, facing intense pressures to reduce prices from OEMs, appear to have been most impacted by cost-cutting measures.

NEV prices have continued to trend downward

The attractiveness of the auto sector to local officials, as well as China's strengths in technologies related to electric vehicles, have all fueled the large number of players in the market and tendency towards excessive competition. For local governments, NEVs are a prestige product and potential creator of many jobs. Companies in the traditional auto sectors as well as in consumer electronics have used existing competencies to expand into the NEV sector. Technically speaking, electric vehicles are far simpler than internal combustion engine vehicles, making a successful foray into the market possible for more firms, but not guaranteed. By one estimate, as many as 500 NEV companies were active in 2018, and around 100 still existed in 2025.¹⁹

Regulators have intervened to prevent the worst cost-cutting excesses by major players, such as delayed supplier payments,²⁰ as well as the growing trade of barely driven vehicles sold abroad as second-hand cars to inflate sales figures and dodge export tariffs.²¹ Yet beyond this, regulators have taken few concrete measures. New regulatory scrutiny on safety and battery standards for NEVs, announced in mid-2026, could help limit the number of players in the market.²² On the corporate side, an appeal from the industry association appears to have been sufficient to temper the behavior of the market leader – BYD – and restore a degree of moderation to the competition in the industry.²³ But there have been no significant efforts to self-regulate.



The growing NEV market has moderated the impact of involution



Key indicators of involution in China's NEV sector

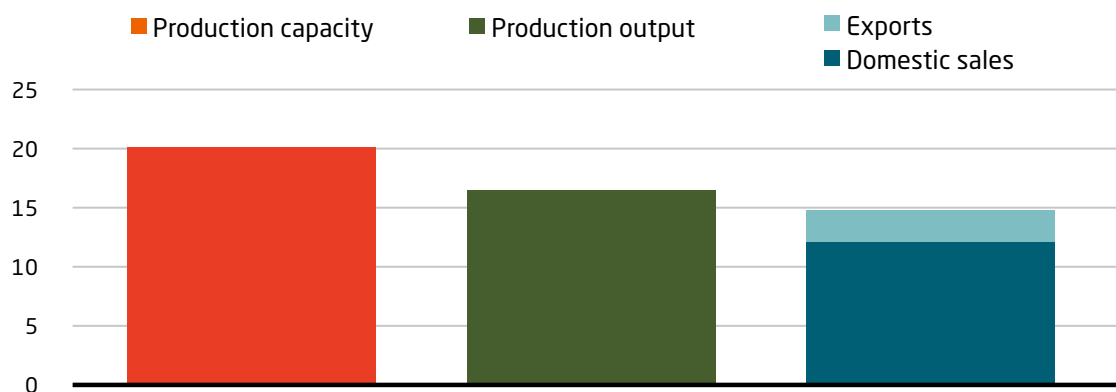
KEY TRENDS AND OBSERVATIONS

Prices: Prices have steadily declined since early 2023 until mid-2025, falling approximately 16 percent during that period.

Revenue: Between 2020 and 2025, revenue for NEV producers has grown consistently, and uniformly between BYD and other smaller pure NEV producers, as well as mixed ICE and NEV producers.

Profits: Since 2022, the profit margins of BYD and mixed ICE and NEV car manufacturers have fluctuated between 3.2 and 5.4 percent. Meanwhile, despite getting closer to breaking even, the smaller pure NEV producers have consistently operated at a loss. Operating profit for China's automotive sector overall fell by 7.8 percent year-on-year in 2024, remained stable in 2025 and then fell by another 19.6 percent in the first half of 2026.

Supply and demand of NEVs in China, including exports, in 2025 (million units)



Sources: IEA, CPCA, NBS, EET, Jiemian News

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Key corporate players in wind negotiate an end to harmful spiral

Unpredictable demand cycles have fueled involution in the wind sector. The phasing out of feed-in tariff subsidies in 2021 led to surges in installations as developers rushed to complete projects. This front-loaded demand and fueled investment and manufacturing capacity.²⁴ When new wind installations then fell in 2022, producers were pushed to compete more aggressively on price to not cede market share. In 2023, prices for onshore wind turbines only stabilized, and those for offshore wind turbines continued to fall, even as installations doubled.²⁵

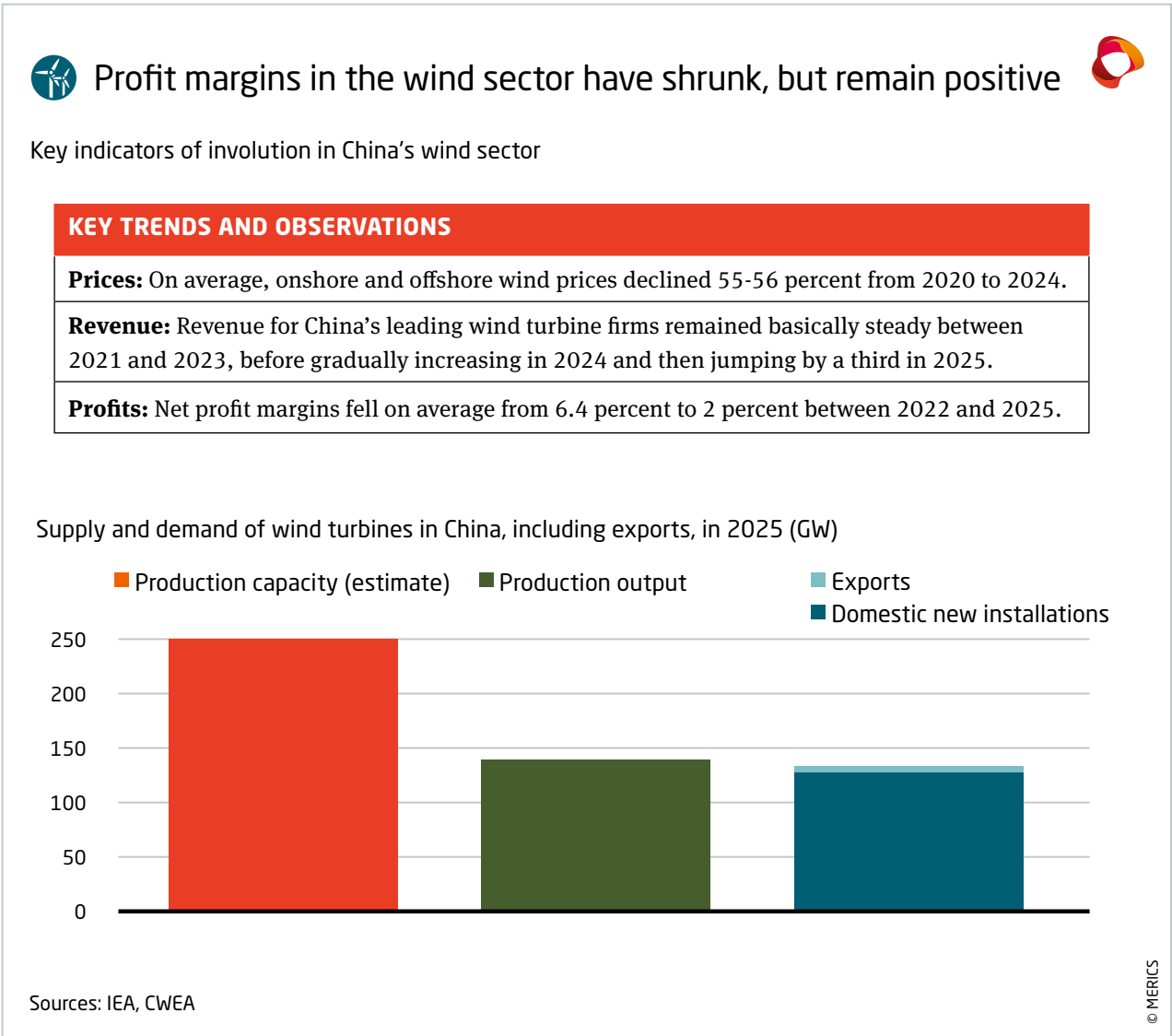
The combination of a limited number of suppliers and disciplined state buyers was crucial in coordinating action to restrain destructive competition in the wind sector. China's twelve leading wind turbine firms – together accounting for 99 percent of the domestic market –

pledged to cease below-cost pricing in a self-discipline pact signed in October 2024.²⁶ Wind project developers then began using a benchmark price for their tenders, to avoid bidders focusing excessively on price competition.²⁷ These measures led to a recovery of prices and slowed down falling profitability.²⁸

The technological characteristics of wind turbines primarily explain why the sector is not as contested and overcrowded as other green tech areas. Wind turbines are design-intensive and less commoditized than solar panels or NEVs. This limits the rapidity at which turbine production can be scaled and capacity can expand. The supply chain for a wind turbine also requires longer lead times and greater coordination with suppliers for each component. Consolidation has gradually occurred in the sector, with the number of manufacturers decreasing from nearly 80 in 2010 to only 10 by 2025.²⁹

While the profit margins of China’s leading wind turbine manufacturers are yet to return to their previous levels, they have avoided running at a loss. Companies are now looking to increase offshore wind turbine production and expand their overseas market sales to shore up margins.³⁰ In addition, changes to energy pricing regulations is expected by industry insiders to create more domestic demand for wind compared to solar in the years to come.³¹ This could shore up profitability for the sector.

Exhibit 7



CHINA'S GLOBAL DOMINANCE IN GREEN TECH IS SET TO DEEPEN, NOT WEAKEN

Chinese firms cut costs at home and seek higher profits abroad

As involution has heated up in China's green tech sectors, firms have adopted numerous strategies to streamline their operations. Leading solar firms reduced their headcount by almost a third on average in 2024, as profits turned negative in that year, while in the NEV and broader auto sector, some firms also cut staff to reduce the burden of salary payments.³² They have put pressure on suppliers to reduce their prices and delayed payments, causing involution to spread up the supply chain. State media in China has also reported some firms are cutting costs "covertly" by changing materials and production methods to cheaper alternatives, thus sacrificing product quality.³³

The shrinking of margins in China creates a strong incentive for firms to seek higher returns in foreign markets.³⁴ For instance, the price charged for the same NEV model exported to and sold in Europe is as much as twice as high as the price in China.³⁵ For larger firms that can afford to fund such an internationalization strategy, it may be considered a necessity,

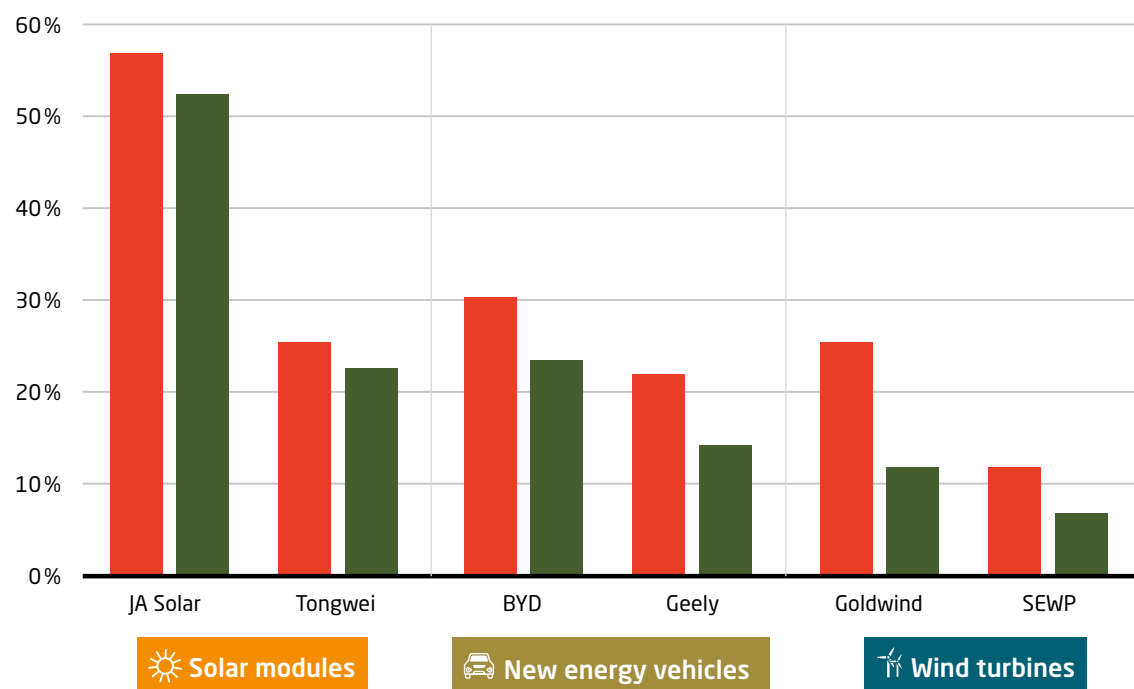
Exhibit 8

Chinese green tech companies tend to secure higher prices for their products overseas



Overseas sales as a share of total sales in 2025, in terms of value and volume, by company

- Overseas revenue as a share of total revenue (based on CNY value)
- Units sold overseas as a share of global sales (solar modules / cars / wind turbines)



Note: Revenue value data for Tongwei is based on its solar module business segment, for BYD it is based on its automotive business segment, and for all other firms it is based on all business segments combined.
Sources: Company annual reports

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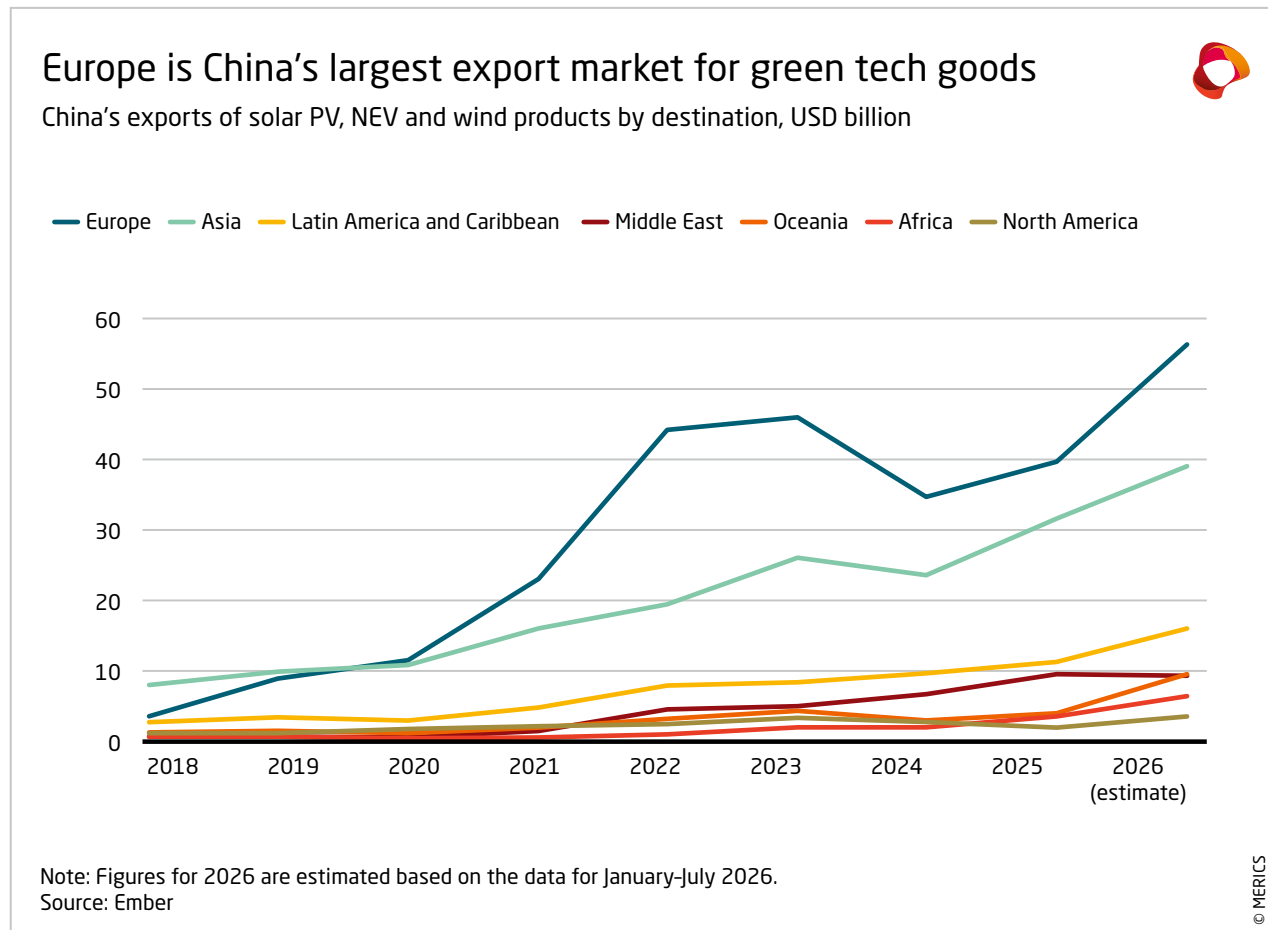
rather than an option. The slogan “If you don’t go abroad, you will exit the market” has gained traction among Chinese business leaders since 2024.³⁶

For instance, BYD – China’s leading NEV manufacturer – has made its expansion into Europe a priority. In 2025, over a fifth of BYD’s car sales were made overseas, while almost a third of the revenue from its automotive business was derived from overseas markets.³⁷ The company’s chairman and president, Wang Chuanfu, has highlighted that prices in overseas markets are relatively stable and significantly contribute to the company’s profitability.³⁸ Mingyang – a leading wind turbine maker – is another example of a Chinese clean tech firm with an explicit interest in expanding its business in Europe. While Chinese turbines account for a negligible share of those installed in Europe to date, Mingyang has been looking to invest in a local production facility to serve the market.³⁹

Involution adds fuel to the fire of the China-challenge facing Europe

The increased pressure on Chinese green tech firms to tap foreign markets will be most felt in Europe. The continent has been the most important destination for Chinese green tech exports in recent years. In 2021, it surpassed Asia (excluding China), in particular for NEV exports. In the first half of 2026, China’s domestic installations and sales of solar, wind and NEV products slowed, while exports continued to grow apace.⁴⁰ European firms should expect competition with Chinese firms in third markets as well as in the EU to increase further.

Exhibit 9



The price gap between the offerings of European firms versus their Chinese competitors for products of comparable quality continues to grow. Today, it ranges from 30 percent to as much as 50 percent cheaper, depending on the technology in question. For many foreign firms, the only viable strategy appears to be to shift more of their own production to China, to tap into the same cost advantages as their competitors. This shows that China's dominance in green tech sectors is growing ever stronger.

All of these issues related to involution directly challenge Europe's ambitions in green tech. They threaten the viability of policies such as the Net Zero Industry Act, which seeks to ensure the EU's position as a supplier of green technologies in the future. The lower the cost of sourcing directly from China, the higher the premium necessary to develop alternative supply chains, either in Europe or elsewhere.

Involution
challenges Europe's
ambition in green
tech

China's dominant position throughout the supply chain makes it very difficult for Europe to adopt clean technologies without sourcing a significant share of inputs or final products from China, leading to critical dependencies in some areas.⁴¹ Reversing these trends will require a ramping up of efforts to support local industries and protect them from Chinese competitors.

While the EU is currently working on related measures, like the Industrial Accelerator Act, their implementation will take years, and their impact will likely be moderate at best. Policymakers face difficult choices regarding how to best balance the advantages of accelerating the energy transition via cheap imported products, against the risks of long-term dependencies and the security of critical infrastructure.

How Europe can combat the impact of involution

For European governments and companies, formulating strategies on how to engage with and manage pressures emanating from China now requires a clear understanding of the involution phenomenon, and the long-term consequence of current trends. Much like in China, governments and business will need to work together to achieve results. Without coordination, any actions are likely to prove ineffective. A comprehensive response ought to:

- **Engage where useful, but on Europe's terms:** China's technological leadership in green tech products makes it an indispensable partner in Europe's energy transition. However, engagement should not come at the cost of dependency. While joint ventures with Chinese firms could serve to promote tech transfer, Europe should also actively partner with other countries where possible and build on its own research capabilities to develop the next generation of green technologies.
- **Be pro-active in addressing the economic challenges:** The EU should make full use of existing tools to stymie the flow of goods from China sold at below cost prices, when EU interests are harmed. The priority should be to prevent the erosion of existing industries based in Europe. Governments should not expect current trends to change, without concerted action from the EU and its member states. China has made clear that it will not deviate from its current course on trade, and as such negotiated solutions are highly unlikely.

■ **Set clear minimum requirements for supply chain security and cybersecurity:**

Green technologies are a part of critical infrastructure. Clear standards and implementable objectives are necessary to build resilience and provide certainty for businesses to invest. Policymakers and companies need to engage in frank dialogue to determine the right boundaries.

■ **Hold onto lower-end and affordable product segments:** European firms should not focus only on the most advanced, cutting-edge products, even if involution increases price pressures. Ceding lower-end product segments to Chinese competitors expands their revenue base and provides them with a foundation to build on and challenge European companies in higher value-added segments. In consumer-oriented sectors like electric vehicles, Europeans companies also need to compete in more affordable, high-volume product segments.

■ **Carefully assess market and investment opportunities in China:** Many European firms are important players in China's green tech sectors, particularly as suppliers of machinery and components. Companies ought to carefully weigh the risk of rising competition within China amid involution trends, for both mature and emerging green technologies. Using China as a base for exports may also become less viable if trade barriers rise in key foreign markets.

Engagement with China should not come at the cost of dependency

Prominent anti-involution measures in China's green tech sectors since 2024



YEAR	 Solar modules	 New energy vehicles	 Wind turbines
2024	<i>November:</i> Export tax rebates are lowered for solar wafers, cells and modules, from 13 percent to 9 percent. Updated industry standards raise the minimum capital ratio and technical requirements for new PV manufacturing projects. <i>December:</i> A self-discipline pact, signed by 33 companies commits firms to voluntary output and capacity restraints.	NEV industry not directly targeted. <i>June:</i> MIIT publishes non-binding guidelines calling on the upstream lithium-ion battery producers to reduce projects that are solely aimed at expanding capacity without advancing innovation. <i>November:</i> The upstream lithium-ion battery industry agrees to phase out outdated production capacity and organize production capacity "in accordance with market demand".	<i>October:</i> 12 turbine makers covering over 99 percent of the domestic market sign a self-discipline pact pledging to not bid below cost. <i>November:</i> Over 40 wind developers and turbine makers reach a consensus to optimize bidding/evaluation methods, raise the weighting of technical scores and eliminate "lowest-price-wins" tendering.
2025	<i>February:</i> Regulators announce an end to fixed feed-in tariffs for new renewable energy projects starting June 2025. <i>October:</i> Regulators determine that 129 firms passed and 71 firms failed to meet compliance standards. <i>December:</i> Leading producers of polysilicon establish a platform company to acquire and retire outdated production capacity.	<i>March:</i> Amended regulations target payment delays and require large enterprises to pay small and medium suppliers within 60 days of delivery, effective June 1 2025. <i>May:</i> The China Association of Automobile Manufacturers launches an anti-involution competition initiative. <i>November:</i> MOFCOM tightens regulations for export of used cars (effective starting 2026).	<i>February:</i> Regulators announce an end to fixed feed-in tariffs for new renewable energy projects starting June 2025. <i>March:</i> The self-discipline pact between the 12 manufacturers is updated with a quarterly-revised methodology for identifying below-cost bids and formal handling procedures.
2026	<i>April:</i> Export tax rebates for solar PV products are discontinued. <i>July:</i> New mandatory standards on energy consumption and efficiency are announced for polysilicon, wafer, PV module and inverter production. <i>July:</i> Regulators announce a 2 percent consumption tax will be levied on PV cells starting April 1 2027 and rise to 4 percent on April 1 2028. <i>July:</i> SAMR publishes price compliance guidance for the PV industry.	<i>January:</i> Vehicle purchase tax is reintroduced for purchases of new energy vehicles at the reduced rate of five percent. <i>February:</i> SAMR announces the compliance guidelines for automotive industry price behaviour. <i>September:</i> MIIT releases stricter supplier payment rules.	<i>June:</i> Qin Haiyan, Secretary-General of the China Wind Energy Association publishes two letters stating that prolonged involution has eroded the trust between manufacturers and developers.

Note: This table includes measures that are widely considered by analysts as contributing to Beijing's anti-involution agenda, even if they are not explicitly advertised as such.

ENDNOTES

- 1 | New energy vehicles (NEV, 新能源汽车) is the umbrella term for battery electric vehicles (BEVs), plug-in hybrid vehicles (PHEVs), fuel cell electric vehicles (FCEVs) and range-extended electric vehicles (REEVs). The dominant technology is the BEV, however Chinese policies usually address the entirety of NEVs, which is why this report uses the term NEV.
- 2 | This report uses destructive competition, excessive competition, cutthroat competition, fruitless competition and hyper-competition interchangeably to refer to involution.
- 3 | Structural overcapacity refers to firms in a sector maintaining or growing unused production capacity over several years, without concern for the impact on profits, due to the lack of pressure to operate efficiently. It is prevalent in China due to the ample state support afforded to firms. This report considers structural overcapacity and involution as related, but distinct phenomena.
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CONTACT

Alexander Brown
Senior Analyst, MERICS
alexander.brown@merics.de

EDITORIAL TEAM

Claudia Wessling
Director Communications and Publications, MERICS
claudia.wessling@merics.de

Nele Fabian
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Jonathan Lundberg
External Relations Manager, MERICS

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