Ford Motor Company

July 21st Announcement Call

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CORPORATE PARTICIPANTS

Marin Gjaja – *Chief Customer Officer, Ford Model e*

Lisa Drake – *Vice President of EV Industrialization*

Annie Liu – *Executive Director of Model e Sourcing*

PRESENTATION

Operator
Good morning and welcome to the Ford EV Update Conference call. All participants will be in listen-only mode. Should you need assistance please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there'll be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question please press star then two. Please note this event is being recorded.

I'd now like to turn the conference over to Marin Gjaja, Ford Model e Chief Customer Officer. You'll also be joined by Lisa Drake, Vice President of EV Industrialization, and Annie Liu, Executive Director of Model e Sourcing. Marin, please go ahead.

Marin Gjaja
Hello, and thanks for joining us today. Most of you are familiar with our Ford Plus plan. You've seen how we're organizing ourselves around Model e, Ford Blue, Ford Pro, Ford Next and Ford Credit to execute our plan. You also know that we're investing over $50 billion in EVs through 2026. Today, we want to bring you up to speed on several milestones in our electric vehicle plan. That includes how our EV lineup is landing in the marketplace; what we're learning about the growing number of EV customers we see coming our way; and why we're confident in our plan to deliver a global EV run rate of 600,000 units by late 2023 and a 2 million EV annual global run rate by late 2026. Plus, Lisa and Annie will walk you through what we're doing to secure the battery capacity and raw materials to support both milestones and give you insights into how we're building a new EV supply chain, all aimed at getting more EVs to our customers sooner.

Let me start by breaking down the 600,000 run rate number in 2023. Here's a global snapshot of the products that will make up that total. It includes the electric version of one of the world's most loved nameplates, Mustang. Mustang is the world's best-selling sports coupe. Transit is our global workhorse. We've sold 7.4 million of them around the world as the industry's top commercial vehicle seller. The F-150 was already a legend, and Ford F Series pickups have been America's best-selling vehicle for 44 straight years, even before the F-150 Lightning became an instant favorite.

We've leveraged the high awareness of our iconic nameplates, backed them up with exceptional EV engineering, plus software and connected services, and we will round them out next year with a new EV offering in Europe. Others are talking about what they hope to bring to market next year; we've already delivered an all new EV lineup for customers and here's what they're telling us. When Americans think of EV trucks, they think of Ford. We dominate when it comes to EV truck consideration. Furthermore, F-150 Lightning beats every EV truck rival in favorability among industry wide vehicle shoppers. In fact, the Lightning beats every truck in the segment, electric or internal combustion, with one exception, and that's the gas engine powered Ford F-150.

Lightning owners bring good news too. Fifty percent of Lightning customer orders are from people new to Ford. They are younger, more affluent, more resilient to economic volatility, and cross shopping with luxury vehicles. Our F-150 Lightning reservations list will take us all the way into 2024 production. We really appreciate our customers' patience as they wait for their trucks to be built and delivered.

It's a similar story with Mustang Mach-E, first in its segment in favorability and Consumer Reports electric vehicle top pick. The Mach-E took the crown from Tesla Model 3. Seventy percent of Mach-E customers are new to the Ford brand. And even in our third year of Mach-E sales, demand is unrelenting. In fact, we had to close our order banks because we simply don't have the supply to fulfill customer orders.

This is not related to industry supply constraints. Other automakers are retiring name plates, or have 100 days' supply of EVs on their lots. We can't keep Mustang Mach-E on US dealer lots. In fact, we have been consistently running at 10 days or less supply for Mach-E. Why? Ford's vehicles connect with people, in part because the consumers already know what they stand for. And going forward, our customers will know that their vehicles will keep getting better over time thanks to Ford Power Up over the air updates that create more value throughout their ownership experience through new features or services like Blue Cruise, quality updates that don't make customers take time out of their day to go in for service, and continually making our vehicles better after purchase. Our ability to update the UX is just one example of how we can refresh a vehicle for our customers over time.

As an example, about 99% of our eligible North American Mustang Mach-E owners who opted in have successfully received at least one available OTA. That's over 40,000 Ford customers whose vehicles have gotten better since they bought them.

Fresh content is king and we're seeing more people clamor for EV information online. Online searches are surging, more online content than ever is being created about EVs, and it's off the charts for Lightning, which generated a reach of 1.6 billion people the week it was launched. People want to know about the truck and see how it's being used. Customers are sharing content like we've never seen before creating clubs, and filling forums. It's no wonder that for the first time ever, over half of the world's consumers who intend to buy a car in the next two years say they will choose an EV or hybrid vehicle according to an E&Y study.

Encouraging, but we have some serious work to do to help grow EV acceptance. Take charging. While the number of charge points is important, that's not the end game. With 10s of 1000s of vehicles in operation and millions of charging events, we know that the charging experience is crucial to owners.

In North America, our aggregated charging data shows only 95% of out of home DC fast charging attempts are successful, and 20% of those create some level of frustration. That's completely unacceptable. We're working to fix that. We can't accelerate adoption without reliable charging. That's why we're developing better dynamic route planning for our customers, so when they turn up to a DC fast charger it's working, available and if they're towing can accommodate a trailer. Together, our Model e and Ford Pro businesses will provide much more personalized and real time information to our customers so that they can optimize the combination of their route and charging experience.

That's just one of many examples in the US. Ford Pro is the only commercial services provider in North America to offer comprehensive support to ensure customers get the full benefit of going electric. And this becomes more important as we know 60% of US fleet managers who don't already deploy EVs, plan to add EVs to their operations within two years.

In addition to charging, we are also working to fundamentally transform our customers experience across shop, buy, care and ownership. Our customers expect to purchase and own a vehicle the same way they experience many other products and services in their lives – digitally connected, easy to engage with and always there for them. This requires much better digital tools and platforms for our customers, our dealer partners, and Ford. To start, we need an ecommerce experience for shopping and buying that is effortless and lets our customers engage from their couch at home, from their office desk, from a park bench on their phone or when physically at a dealership. And we need to do the same for apps that control the cars, scheduled test drives and scheduled service appointments.

We already have an extensive physical dealer network that we need to support with new platforms and tools so they can expand their expertise, offer more human connections, more convenient access and

more efficient and effective test drives, refreshes, renewals and repairs of these vehicles. We expect this will translate to higher after sales and repurchase loyalty.

All of this, Ford's unique product strategy, early success in the market, shifts in consumer behavior and a new customer experience model will drive our growth. In fact, we see a compound annual EV growth rate of more than 90% for Ford EV's through 2026. That compares to a 36% CAGR for an EV market that IHS has forecasted to reach 34 million units, or over a third of all new car sales globally by 2030, all while we have significant unmet demand for the products we've already launched. In short, we're growing our slice of a rapidly growing pie.

This is why we are confident from a demand standpoint that we can reach our 600,000 EV annual run rate goal by the end of 2023 and 2 million unit EV run rate by the end of 2026. But that means little unless we can actually meet that demand. Lisa Drake will tell you how we plan to get there.

Lisa Drake
Thanks, Marin. So let's start by framing what it takes to deliver a run rate of 600,000 vehicles, and I'd like to start with the battery cell capacity. With some simplified assumptions, 600,000 EVs requires about 60 gigawatt hours of battery cell capacity. We've now secured 100% of this capacity, both from our existing suppliers who installed incremental capacity, and also by adding another battery chemistry. Today we're announcing Ford is adding Lithium Iron Phosphate or LFP to our battery portfolio. LFP joins nickel cobalt manganese, or NCM chemistry, that we offer in our current lineup today, and this creates even more battery capacity for the high demand products that Marin just spoke about.

Starting next year, CATL, the world's largest battery producer, will provide full LFP battery packs for the Mustang Mach-E and the F-150 Lightning starting in early '24. These standard range batteries offer customers many years of operation with minimal loss of range after many charge cycles, and that benefits owners who need to charge often, like our commercial customers. And for the company, LFP reduces our reliance on scarce critical minerals such as nickel, and at current cost can bring a 10% to 15% bill of material savings for the company versus the NCM.

Along with the material cost efficiency, the architecture strategy we outlined at Capital Markets Day has really saved us engineering time as well. Ford designed flexibility into our EV architecture from the beginning. That allowed CATL's Prismatic LFP cell-to-pack technology to be built into the same battery architecture we've been using with our NCM pouch cells. And that flexibility is what helped us to scale so quickly and bring this new chemistry to market in months, not in years.

In addition to the incremental LFP capacity from CATL, Ford is leveraging longstanding relationships with LG Energy Solution and SK On to meet our battery cell capacity targets to support the 600,000 run rate. Working with both, we've been able to scale quickly through line expansions at their existing facilities. We have not needed to rely on newly built plants to support our near-term production targets. Speed to market matters, and these two suppliers really stepped up to the challenge for us.

Specifically, LGES doubled our capacity in its Poland facility to support incremental NCM cell production for the Mach-E and E Transit models. Meanwhile, SK On scaled NCM cell production beyond earlier plan levels at its Atlanta facility, and it's providing new battery cell capacity to us from its Hungary operation. In summary, our existing suppliers scaled quickly and early on the back of very strong reception to Ford's new EVs. Actions from SK On, LGES, and now the addition of CATL takes us to 100% battery capacity to meet our 600,000 EV run rate.

Our drive to support a run rate of more than 2 million units by late '26 required an even more aggressive approach though. We hear a lot of questions from media, capital markets about whether and how the

industries EV players will source enough batteries to meet their production goals. And many industry analysts believe that supply of raw materials like lithium and nickel might only be enough to support half or even less of the commitments all the automakers have announced through 2030. And given the importance of these materials to the success of our scaling, we aren't leaving that to normal business as usual.

Our Model e team has been operating very differently than anything I've experienced in my 28 years at Ford. They move with speed, creativity to secure these materials, and the teamwork to get deals done is in days, not months, and is absolutely incredible. And I'm pleased to confirm that we've already sourced 70% of the battery capacity we need to achieve our EV product plans through ‘26.

Today, we are announcing a second agreement with CATL. Ford assigned an MOU with CATL for a global strategic cooperation that will supply batteries in North America, China and in Europe. Ford also has plans to install 40 gigawatt hour of LFP capacity in North America starting in ‘26, which is a full battery cell plant of capacity. We plan to use that additional capacity to complement our three previously announced battery plants in Kentucky and Tennessee, and those are part of the Blue Oval SK joint venture, which we officially formed last week.

And while we talked a lot about the battery cells and the supply chain, we're also transforming and redesigning our manufacturing process and that's something we'll get into a bit later as our world-class electric truck plant in Blue Oval City in Tennessee starts to come to life.

Battery cell manufacturing capacity is the foundation of our EV business and to support it, we are now building out the supply chain, just as we said we would, going deeper than ever before to secure the raw materials that are necessary. We have direct sourced our lithium and nickel to scale battery production more quickly and keep the volumes and the cost more stable over time.

In doing this, it meant considering new markets for us, new financing terms; it meant going and seeing, visiting areas around the world to understand true available capacities and creating all new supply relationships that we've never had before. But what it does not mean is moving away from our environmental, social and governance principles and commitments. Those are fundamental to Ford. And governing and monitoring those is a huge challenge in this space, but it starts with picking partners who we trust.

We still have a lot of work to do and a lot of work ahead of us, but the team is up for the challenge, and attracting new talent to the team is one of the ways we've managed to move so quickly. I am very pleased to announce Annie Liu. Annie joined us several months ago, and she was formerly at Microsoft and then Tesla. She now leads sourcing for Model e components and the embedded systems for Ford globally. Annie has tremendous knowledge about technology supply chain development, especially when it comes to raw materials and mining, and she's joining us today to talk about several new relationships we're building very deep in the battery raw materials supply chain. Annie, over to you.

Annie Liu
Thanks, Lisa. Hello, everyone. It's great to be here with you today.

To start, we want to share that Ford is working to further localize the processing of key battery material in North America. We're securing a North America capital production facility with ECO PRO and SK On. This will be a key high volume capital producer for us. And, we will announce a second capital production facility later this year.

On our raw material localization efforts, Ford has struck an agreement with Valet [ph] Canada to explore

potential opportunities across the EV supply chain. We have also signed several North America projects, including Compass Mineral for lithium in Utah, and Sara [ph] Resources for natural graphite processing in Louisiana. Battery raw material is in critical supply for the entire EV industry. Ford is taking an important first step to secure raw materials directly from mining companies, and we are building a new EV supply chain that is geographically diverse.

On the lithium side, you will recall last month Liontown Resources announced an agreement with Ford for up to 150 kilo tons of spodumene from Liontown project in Western Australia. Ford is also exploring a significant lithium uptake with Rio Tinto from its flagship recons project in Argentina. Rio Tinto understands the scale we bring as they provide aluminum raw materials for F-Series and some of our SUV's.

On the nickel side, in addition to Valet Canada, we're exploring a collaborations with PT Valet Indonesia and YU Cobalt on Paloma project. Ford will have uptake rights for up to 84 kilotons of MHP nickel intermediate product.

We're also working with BHP on a multi-year agreement that could start as early as 2025. This agreement may also involve additional commodities over time.

All this effort is just a start. Ford has a great momentum built up to secure the raw materials needed to support our ambitious EV growth plan. Back to you, Lisa.

Lisa Drake
Thanks, Annie. So just to summarize a bit of what you've heard today, we have a distinct EV lineup and it's really winning over customers and we're learning an immense amount to help make an even better EV. We've got more manufacturing capacity to further ramp up production. We have the battery capacity to fully cover our EV run rate through 2023. We've now diversified our battery chemistries with LFP to help manage costs and add more capacity for batteries. And we have clear sourcing plans for vertical integration of battery raw materials and we shared a bit of those with you today.

We're very excited and very motivated to continue the acceleration to deliver 600,000 and then 2 million EVs, and hopefully this gives you a better understanding of our plan. We know we have a lot of customers waiting for our products, and I can tell you we do not take that lightly, so there is still a lot more work to do. Now we're ready to hear your questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your touch tone phone. If you're using a speakerphone, please pick up your handset before pressing the key. To withdraw your question, please press star then two. At this time, we'll pause momentarily to assemble our roster.

Our first question comes from John Murphy from Bank of America, Merrill Lynch. Please go ahead.

John Murphy
Good morning, and thanks for all the information. I appreciate it. I have two quick ones.

First, which is kind of an overarching question, there's a ton going on here and there's a lot changing and a lot of it is new to the industry, but especially new to Ford. How are you going to get this all done from

maybe a human capital standpoint? And are your suppliers ready for this? I don't know if you can maybe even comment on your dealers given your experience so far with some of your early products. It just seems like there's a lot going on and trying to understand how you're keeping track of this, how you're working with your internal human capital and external human capital.

And there was also a rumor running around in the press that you were going to cut about 8000 jobs in North America, which seems like you need more people to manage this, maybe not less. So I just wonder if you'd comment on that as well.

Lisa Drake
Yes, thanks, John. It's Lisa here. So I'll actually start, believe it or not, to move fast in this space, smaller is better. A smaller team can move faster than a larger team, and that was a bit of the underpinning of why we split the company internally. And the Model e team is a little bit smaller than you might think, and that allows the agility and the speed that we needed.

And I can tell you, I've been here 28 years, I've worked on a lot of big teams, I've worked on some small teams too, but this team moves fast and it's because we cut out a lot of the bureaucracy. I will tell you, most of those deals that you saw, we did not have a lot of meetings about them. There were probably four to five key decision makers that needed to align, and we did that. We did it in days, not months, and I would say that's probably months was more typical. So that's how I would characterize the human capital.

Supply readiness, that's our work that we have to do. That's the job we have in front of us. But I would tell you, we're not leaving that up to desktop work, WebEx meetings. We're going and seeing, visiting these suppliers, visiting the mines, visiting the processing facilities. We need to make sure that they can scale as fast as we want them to do. And I will tell you, part of that is the reception to the product. The number of times that we hear about the F-150 Lightning, the F-150 Lightning around the world, it's very humbling to see the reception to the product launch and how they believe in us. They know we know trucks, and so the F-159 Lightning has been a big help to me personally on the supply side when we go to secure the materials.

And then I would just say, in general, we approach it, we want to be a trusted partner. We want to strike these deals, we want to deliver on our end of these deals, and I think they believe that. The Ford Blue Oval has been well received as we started down this new space with the supply chain.

I'll turn it over maybe to Marin to comment anything on the dealer side.

Marin Gjaja
Thanks John. Thanks, Lisa. I think it is important to recognize that the dealers are our partners in this, and we've said that from the very beginning, as we started the Model e journey way back in March. I spent 25 of my first 75 days together with dealers across North America and Europe, and that is part of the human capital that we need. They are 1000s of [indiscernible] and 1000s of people out there every day helping take care of our customers, and that participation in our business is critical to our success. So we are spending a lot of time, as I mentioned earlier, building the tools, building the platforms to better enable that network and combine the very best of digital with the very best of the human and physical.

John Murphy
Okay, and maybe just a second question real quick on the 10% EBIT margins that were mentioned in the press release. I mean, obviously, as you go through this transition, whether it be 2023 or 2030, where it's 600,000 or 2 million units, there's going to be periods of time as you go through this transition which [indiscernible] viewed is less than optimal in your EV plants, as well as your ICE plants. So I'm just curious

how you manage that sort of volatility and less than optimal cap viewed as you go through this transition and get to those 10% margins, because 10% margins are strong in any environment, but in this transition that seems pretty audacious.

Lisa Drake
Yes, John, I would think about this transition in more of a step function than a ramp. And I say that as an example, on our Claudeland [ph] facility today, where we make the Mach-E, we make about 2000 Mach-E's a week. Demand clearly well exceeds that. And when we change over our plant next year, we will very quickly – and when I say accelerate, we're talking, again, weeks, not months – to a 4000, roughly a 4000 per week run rate. So there's not a lot of underutilized capacity on our way to 600,000. I would say these are step function change overs, and they're required, because the demand is so built up.

On the ICE side, I mean, honestly, we're still trying to make every unit we can. There's no underutilized capacity at this point in the ICE plants, especially just what's happened over the last couple of years with COVID and the stock level. So I would look at it more of a step function over the next couple of years and not so much as a ramp.

John Murphy
Great, thank you very much.

Operator
The next question comes from Adam Jonas from Morgan Stanley. Please go ahead.

Adam Jonas
Thanks very much. So really a lot of exciting developments here as we try to re-architect and onshore the supply chain. I wanted to confirm. Do you have any binding contracts for raw materials with your partners yet? And if not, when they do move into binding, how do we think about the capital commitment? What portion of the $50 billion that you've allocated to EVs would be required to kind of co-invest with your materials partners?

Lisa Drake
Thanks, Adam. I can't disclose how much of the $50 billion, but the capital is inside of that number that we reported, so I'll start there.

We do have binding agreements. Some of them are binding and we've announced some of those. The non-bindings, as you know, will progress fairly quickly into some binding agreements in the next couple of weeks and months. We don't have anything to announce there. And when we do, we'll get into the details of those deals when they're orchestrated.

I would say all of these deals vary. It's been interesting for me, at least, to learn this space; they're a bit like snowflakes, they take various forms of financing. Whether they're pure off takes, you saw the loan, the creative work that we did with Liontown on the loan, but all of them are intended to secure the capacity and also help control costs. So more to come when we get to the definitive agreements on some of these, but we do have a few binding and those have been announced.

Adam Jonas
Okay, it's just one follow up, Lisa. While I think the Department of Energy and others in the battery industry have described the material, battery material market as essentially an OPEC of one, that country being China, where we're easily 75% of the upstream cathode materials and refining is done there, so how do we think about on shoring that? I'm guessing that the first iteration of LFP, prior to 2026, will not be sourced in North America? So tell us your line of sight, what gives you confidence in working with the

regulatory bodies, the administration, and just thinking about permitting and all these impediments that seem to unfortunately prevent us in this country from controlling our own energy destiny, what gives you that confidence? Or if there's still more work to do, where is that work to do to make sure we can get that sensitive material processing here? When Elon Musk last night was talking about how important that is.

Lisa Drake
Yes, he's right. I mean, we're facing the same challenge that the whole industry is in trying to localize these materials, and there is more work to do. I wouldn't say that we have 100% confidence that all of these can be localized, but you have to bring it here step by step. And there is no doubt there is more investment needed in the processing side of some of these raw materials.

That said, every step we can localize, we are, and it's hard work. We announced the cathode facility with ECO PRO that'll be in North America. I can tell you our second cathode supplier, we haven't announced it yet, but that will also be in North America. It was important even though we're going to import those LFP packs from CATL for the Mach-E and the Lightning, just speed to market, it was the fastest way to do it, but it was really important that we localized that technology in North America and not be reliant on an import, which is why we're spending so much time and energy on LFP and that 40 gigawatt hour plant.

So, I don't want to underestimate or give any perception that this is going to be easy, but we're very committed to do it. And, frankly, our relationship with the US government, and as Ford Motor Company, we're just going to educate and educate as much as we can, and make sure we can get as much help through the process.

Adam Jonas
Thanks, Lisa.

Operator
The next question comes from Joseph Spak from RBC Capital Markets. Please go ahead.

Joseph Spak
Thanks so much for all the information. Maybe just back on the topic of LFP, as we think about either that 600k run rate, or maybe even the 2 million, given sort of the announcements today, what do you expect your mix of LFP vehicles to be on a global basis?

Lisa Drake
Joe, that's a great question. Unfortunately, we're not going to answer that today. And the reason why is when we launch LFP, we want to do it in a very customer facing way as well. We'll talk about MCs, we'll talk about attributes, you we'll talk about what's important about that technology to the customer when those product launches actually happen. So I'd say there's probably more to come when the Mach-E gets it first next year, and then the F-150 Lightning right after that. I think it'll be a better story when we can more comprehensively tell it in the context of the product.

Joseph Spak
Okay. And then I guess, on the Mach-E, and appreciate some of the unit numbers you put here for the 600k, so it seems like maybe you're targeting, I don't know, maybe like 100K-150k Mach-E capacity out of China. I think right now you're supplying Europe from North America, and I'm wondering if you're thinking of any plans to maybe increase capacity in China, use that as a little bit of an export hub, maybe similar to what Tesla did with the [indiscernible]? Is there a cost advantage to you of doing so, especially since the LFP cells are based over there?

Lisa Drake

So Joe, we do out of our Cuautitlan plant in Mexico, we do supply the European market. So you are correct there. We will increase capacity at all of our plants to meet the demand. Right now the numbers that you saw, the majority of that 270,000 for Mach-E, I'll tell you, it's about 200,000 in Cuautitlan, and we previously stated that last year when we converted that plant to be all Mach-E. And then I would say about 70,000 of that comes from China. That's how you should look at the 270. But for right now, the European market is supported out of Mexico.

Joseph Spak
And are their plans under consideration to use China for more export purposes? Or is it all just for local demand?

Lisa Drake
Nothing to announce now. But as you can imagine, one thing we're pretty good at is finding the right capacity in the right spot.

Joseph Spak
Thank you.

Operator
The next question comes from Gabrielle Coppola from Bloomberg News. Please go ahead.

Gabrielle Coppola
Hi, good morning. Can you hear me?

Lisa Drake
Yes.

Gabrielle Coppola
Okay. Lisa, I know that you didn't want to get too much into specs on the LFP and the Mach-E, but at a high level, general, my rudimentary understanding of batteries is that LFP is cheaper, longer range but on the energy density and the power side, it’s not as powerful. And so I'm curious about how – I mean, the Mach-E and the Lightning are very flagship and important vehicles, and the general orthodoxy around this is that Chinese customers are okay with LFP, but Americans want their power and they want NMC. So, are you confident you have the technology to make those vehicles appealing to Americans with an LFP battery? How would you do that versus NMC?

Lisa Drake
I'd love to get into this today, but we really just want to focus on the capacities that we've installed and the battery cell raw material change. That's sort of what today is about. Like I said, when we get to the product launch, I think you're going to hear a lot more about this. So if I could ask you to just be a bit patient with us, but when we launch it in the actual Mach-E, you'll hear a lot more of this from the engineering team.

Gabrielle Coppola
Okay, sure. If that's the case, then let me just ask a small bonus question. Is the location for the CATL North America plant settled yet?

Lisa Drake
We're not announcing the location of the plant today.

Gabrielle Coppola

Okay. Okay, well, if I got two no's, I feel like I should ask another bonus question. I guess the geopolitics of this, I think you alluded to you're going to be importing batteries directly from CATL to start, and then you'll be localized then. How does the Biden administration feel about having the Chinese national champion be the battery supplier of such an iconic American vehicle?

Lisa Drake
Well, I can't comment on what they might think about it, but I would say we need to scale EVs quickly in the US and that is one of the aspirations of the administration and there is not enough battery cell capacity to meet the demand. So what we're doing is importing some battery cell capacity to help meet that demand, get more products in the hands of our customers who we know will then become EVs for life once they actually drive these types of products, and then we're taking that next step to localize it in North America. So I think there's going to be many ways that we have to scale EV production, and this is just one of them.

Gabrielle Coppola
Okay, thank you.

Operator
The next question comes from Mike Martinez from Automotive News. Please go ahead.

Mark Martinez
Hey, Lisa. Is there a particular reason why you're not using the LFP chemistry on e-Transit? And then, separately, you guys have said that Mach-E is no longer profitable because of rising costs. Will the addition of this new chemistry swing the Mach-E back to being profitable?

Lisa Drake
So I would just say, although we haven't announced E Transit today, but certainly you're correct, you could see LFP maybe in the future being on an E Transit, but that was not part of the announcement today.

In terms of profitability, we know that the battery material cost is where the war will be won in the short term, and by far LFP chemistry will give you the biggest step function down in that material cost. And then frankly, the next step is controlling that value chain that we talked about. So these are the most important steps we need to take first to control the material cost.

Mark Martinez
Gotcha. Appreciate it.

Operator
The next question comes from Steve Levine from The Electric. Please go ahead.

Steve Levine
Thanks. Good morning, Lisa. Thanks for taking my question. I have a follow up on the LFP. A lot of people talk about LFP as a chemistry that will be used a lot during the 2020s because of the cost of raw materials, but not necessarily something that will go on into the 2030s. In Ford's case, is it something that you see as something for the 2020s? Or is it long term?

And I wanted to add one other question about the raw materials. Do you have an idea of what proportion of your raw material needs that you'll have to acquire yourselves? Thank you.

Lisa Drake

You bet. So let me start with the LFP longevity. So we announced that we were installing 40 gigawatt hours of LFP capacity in the US. That starts in ‘26. So you have to imagine, if you just even took typical product cycles of six years, even an eight year product cycle that would put you into the 2030 timeframe. So the answer is yes, we feel like LFP will have some level of applicability in that I'll call it early 2030 timeframe. So that's a way to think about that.

What mix level it is and how it plays with either NCM or other chemistries that are starting to develop in the space, they might be splitter chemistries, something between an NCM and an LFP, that's something that we have a roadmap for and that we're developing, but it'll be there.

On the second question of what percent raw material, I can tell you our first focus is for the Blue Oval, SK joint ventures. We have the three battery cell plants we announced in the US. So we have Tennessee and Kentucky with two sister plants. And then I think you know we have an MOU we've signed with the Koch family and SK On for another plant in Turkey. So those are NCM plants. That's where we're focusing first on the nickel and lithium arrangements with SK On as our partner, but we're not stopping there. We're going beyond that to make sure that the other arrangements that we're making are also supported with some of the raw materials. So that's the way I would I would think about it.

I will tell you, we're targeting to have full control. That's the target. We don't want to leave this to chance. So that's the team's aspiration.

A lot of questions about LFP and its applicability for commercial vehicles. It’s a great technology for commercial vehicles. And like I said, nothing to announce today. But you can imagine what that type of chemistry to do in a product like an e-Transit. I hope those helped answer your questions.

Steve Levine
Thank you.

Operator
The next question comes from Ben Klayman from Reuters. Please go ahead.

Ben Klayman
Hi, Lisa, thanks for taking the question.

I just wanted to clarify, that line about the plans to localize and use the 40 gigawatt hours of LFP capacity in North America starting in 2026, is that a Ford plant, a joint venture plant or just a supplier relationship? And is that a CATL plan?

Lisa Drake
Yes, we'll talk about that a little bit later. We're not prepared to have that conversation today. We just wanted to make sure it was clear where we were getting the battery capacity and the type of cell chemistry that it was, but more to come on that a bit later.

Ben Klayman
Thank you.

CONCLUSION

Operator
This concludes our question and answer session. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.