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With a focus on profitability, Ford tweaks new model pipeline, sourcing strategy

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Ford and LGES are planning to relocate the production of batteries, mainly required for the Mustang Mach-E, from Poland to Michigan, US, in 2025

Source: Getty Images/Ziga Plahutar

Ford Motor Co. announced Aug. 21 that the company is tweaking its new model pipeline and its battery sourcing strategy with a focus to bring down costs and improve the profitability of its electric vehicle business.

These changes in Ford's EV gameplan come at a time when global EV sales have slowed because of high acquisition costs and range anxiety among potential buyers, owing to the lack of adequate EV charging infrastructure. The slowdown in demand for battery-electric vehicles (BEVs) continues to exert pressure on automakers, which are looking to explore ways to reduce costs for wider adoption. Meanwhile, rapid overseas expansion by Chinese automakers further adds to the worries of US and European legacy automakers.

Under its revised strategy, Ford, which plans to prioritize enabling lower prices and longer driving range in its upcoming models, looks to expand propulsion choices by adding the hybrid powertrain to its new model pipeline, with a view that such an approach could "speed up" customer adoption of EV technologies.

The carmaker revealed that in its BEV portfolio, it will prioritize the launch of a new digitally advanced commercial van in 2026, followed by two new advanced pickup trucks in 2027 and other future affordable EVs.

At the same time, Ford now looks to scrap the previously planned all-electric three-row sport utility vehicle (SUV), which was first announced at its investor day in 2023. Instead, the company plans to develop a new family of electrified three-row SUVs that will include hybrid technologies offering breakthrough efficiency and extended driving range while cutting down on emissions compared to combustion engine-powered vehicles.

In addition, Ford also plans to launch the next-generation F-Series Super Duty pickup with a range of propulsion options.

As a result of this decision, Ford will take a special non-cash charge of about $400 million for the write-down of certain product-specific manufacturing assets (for the previously planned all-electric three-row SUV), the carmaker said, adding that these measures are also expected to result in additional expenses and cash expenditures of up to $1.5 billion.

"With pricing and margin compression, we've made the decision to adjust our product and technology roadmap and industrial footprint to meet our goal of reaching positive EBIT within the first 12 months of launch for all new models," said John Lawler, Ford vice chair and CFO.

Lawler further said that catering to the increasing demand for hybrids and accelerating the mix of battery production in the US to qualify for tax credits are key to enhancing profitability. The move will bring down Ford's mix of BEV-focused annual capital expenditure from 40% to 30%.

Meanwhile, the company also updated that its California, US-based engineering team has developed an all-new low-cost, highly efficient and modular EV platform. The platform is developed with a focus on Ford's new approach to next-generation vehicle development, reducing the complexity and bending the cost curve on EVs. The new platform is capable of quick-scaling volumes by underpinning multiple vehicle styles for both retail and commercial applications.

The first affordable vehicle off this new platform is going to be a midsize electric pickup, which is slated for launch in 2027. The vehicle is expected to offer longer driving range, more utility and more usability, the carmaker said.

That said, Ford’s next generation rollout of EVs will begin with a commercial van that will be assembled at Ford’s Ohio Assembly Plant starting in 2026.

The company further shared that it is retiming the launch of its next-generation electric truck, code-named Project T3, to the second half of 2027. Developed on the new modular BEV platform, the planned new truck will offer upgraded bidirectional charging capability and advanced aerodynamics, among other features, and will be assembled at BlueOval City’s Tennessee Electric Vehicle Center.

“Retiming the launch allows the company to utilize lower-cost battery technology and take advantage of other cost breakthroughs while the market continues to develop,” Ford said.

Ford is also realigning its battery sourcing to support the requirements of producing both pure EVs and hybrid vehicles to enable cost reductions and improve capital efficiency by qualifying for tax credits under the US Inflation Reduction Act (IRA). Under this head, Ford and LG Energy Solution (LGES) are planning to relocate the production of batteries, mainly required for the Mustang Mach-E, from Poland to Michigan, US, in 2025, with an intent of qualifying for the tax benefits under the US IRA.

Moreover, the company updated that the local production of lithium iron phosphate (LFP) batteries is on track and is expected to begin in 2026 at BlueOval Battery Park Michigan. The site is touted to be US' first automaker-backed LFP battery plant, which will also help the locally made LFP batteries qualify for the tax credits under the US IRA.

“An affordable electric vehicle starts with an affordable battery. If you are not competitive on battery cost, you are not competitive,” said Ford President and CEO Jim Farley.

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