

# Tesla ‘losing billions of dollars’ due to supply chain issues isn’t its only problem

Article

**The news:** Tesla CEO Elon Musk is worried about the company’s future as supply chain disruptions and coronavirus pandemic lockdowns prompt mention of possible bankruptcy.

- Musk said new gigafactories in Austin and [Berlin](#) are “losing billions of dollars” as operating expenses accrue and production stalls due to **EV battery parts stuck at a port in China**, [per Insider](#).
- “Both Berlin and Austin factories are gigantic money furnaces right now,” Musk said in an interview with **Tesla Owners Silicon Valley**. “There’s a giant roaring sound, which is the sound of money on fire. ... There’s a ton of expense and hardly any output.”
- Citing a “super bad feeling” about the economy, Musk last week announced a **10% cut of salaried staff** over the next three months, [per Inside EVs](#).
- Tesla’s adjusted Q2 earnings will fall to **\$2.5 billion**, down from its record **\$3.7 billion** in Q1, [per CNN](#). The automaker earned **\$1.6 billion** in Q2 2021.

**The rocky EV road:** Tesla isn’t the only EV-maker facing serious troubles. Others, like [Rivian](#) and **Ford**, have also expressed supply chain pain.

The [gas price](#) spike has resulted in unprecedented consumer interest in EVs, but meeting demand is increasingly becoming a stumbling block for the sector.

- While the troubles might not lead to bankruptcy, **Gordon Johnson** of **GLJ Research** told CNN that the risk is there because of how dependent EV makers are on China.
- China’s zero-tolerance COVID [policy](#) has weighed heavily on companies like Tesla, as just a few cases shuttered factories and ports.
- While lengthy [waitlists](#) for EVs help give automakers a better demand forecast, it’s also indicative of struggles to capitalize on consumer interest.

**The bigger picture:** Stymied production from port closures is one issue, but even when that particular problem abates, the shortage of battery components will continue to plague the industry.

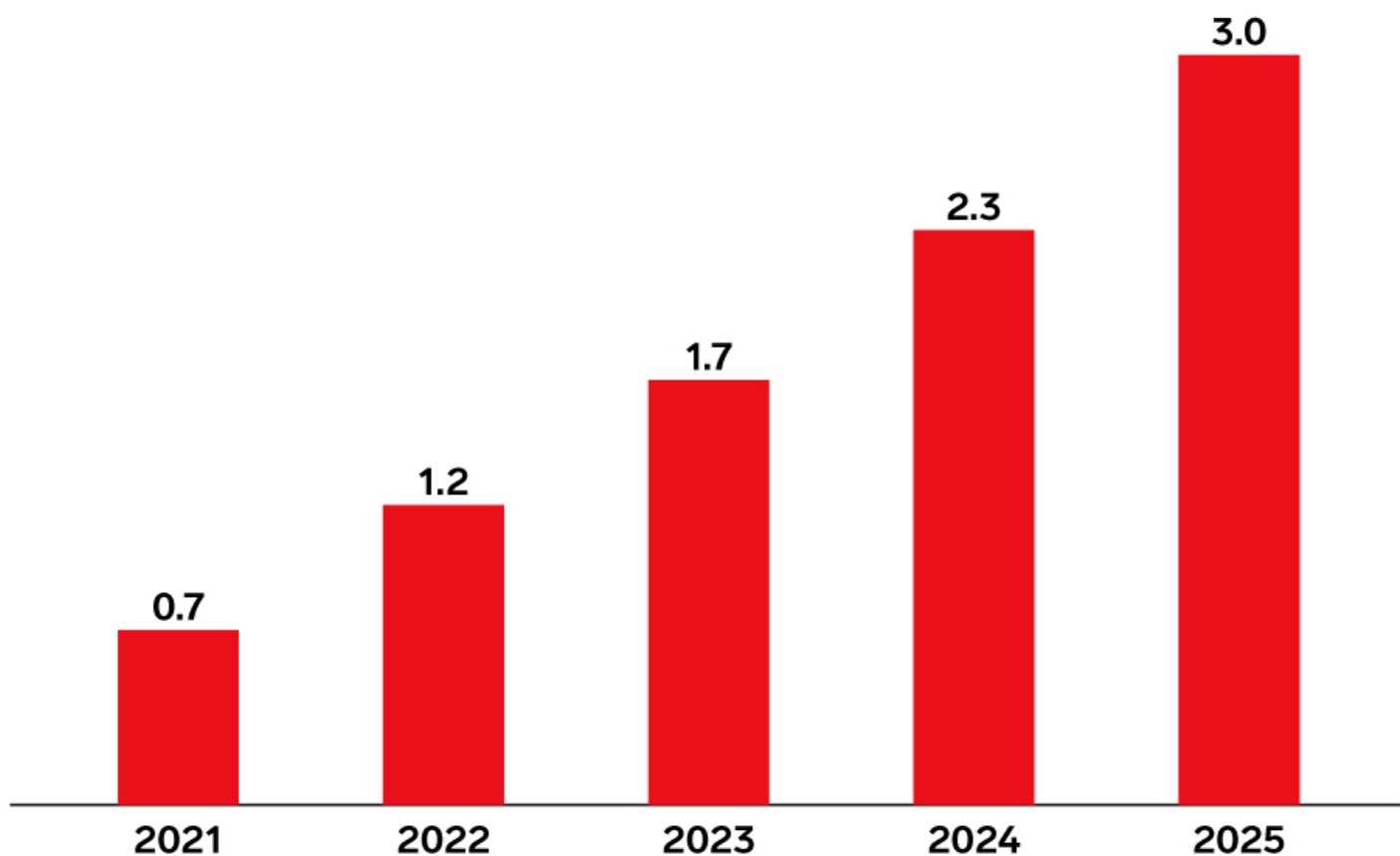
- The average **cost of key [minerals](#) used in batteries, like cobalt, nickel, and lithium, is about \$8,255 per vehicle**—a **140%** increase from the **\$3,381** cost in March 2020, [per Insider](#). The raw materials cost is now **125%** more than combustion vehicles.
- The end result is more expensive EVs that significantly reduce the buyer pool, further diminishing automaker earnings.
- “As price rises, the number of people that can afford a [Model] S or X doesn’t drop by a little, it drops by an order of magnitude,” Musk said.

**Three solutions:** The raw material problem isn't inevitable, but given the minerals' finite supply and geopolitical challenges, the situation could get worse if action isn't taken.

- Doubling down on battery recycling efforts would reduce the need for mineral exploration and mining.
- Developing new battery technologies that don't use the most expensive minerals will help make EVs cheaper.
- Shifting resources away from developing luxury models to mass market ones could help automakers stay afloat and boost EV adoption.

## US Electric Vehicle (EV) Sales, 2021-2025

*millions of vehicles*



*Note: includes battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs)*

*Source: EVAdoption, "Electric Vehicles by the Numbers: Past, Present, and Future," March 11, 2022*

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