

# Tesla's new game changing compact model (Model 2) is coming sooner than you think

written by Matt Bohlsen | July 18, 2023

The Tesla (NASDAQ: TSLA) compact model (often referred to as Model 2) is likely to be released for sale late 2023 or early 2024 with production starting in H1, 2025. It is expected to sell for ~US\$25,000 depending on the location. Pre-orders will be off the charts and may approach a staggering 5 million globally. This will be a 'game changing' event for both Tesla and the EV industry.

## Tesla compact model possible design and specs (base version)

The Tesla compact model is expected to have the following features:

- Design – Most forecasts are that the new Tesla compact vehicle will look like a small version of Model Y. It will be a small/compact size electric car and very likely a hatchback. Elon Musk has said it won't be called Model 2, perhaps it will be called the Model C. We will have to wait and see the new name.
- 40-50kWh battery pack with a range of about 250 miles (or ~400 kms) in the base model. The battery will probably be a lithium manganese iron phosphate ("LMFP") (or "LFP") battery from CATL as this will reduce costs when compared to a nickel manganese cobalt ("NMC") battery.
- Price = US\$25,000 global average, with pricing potentially

a bit cheaper in locations near the manufacturing factories (China and Mexico) where production costs are lower.

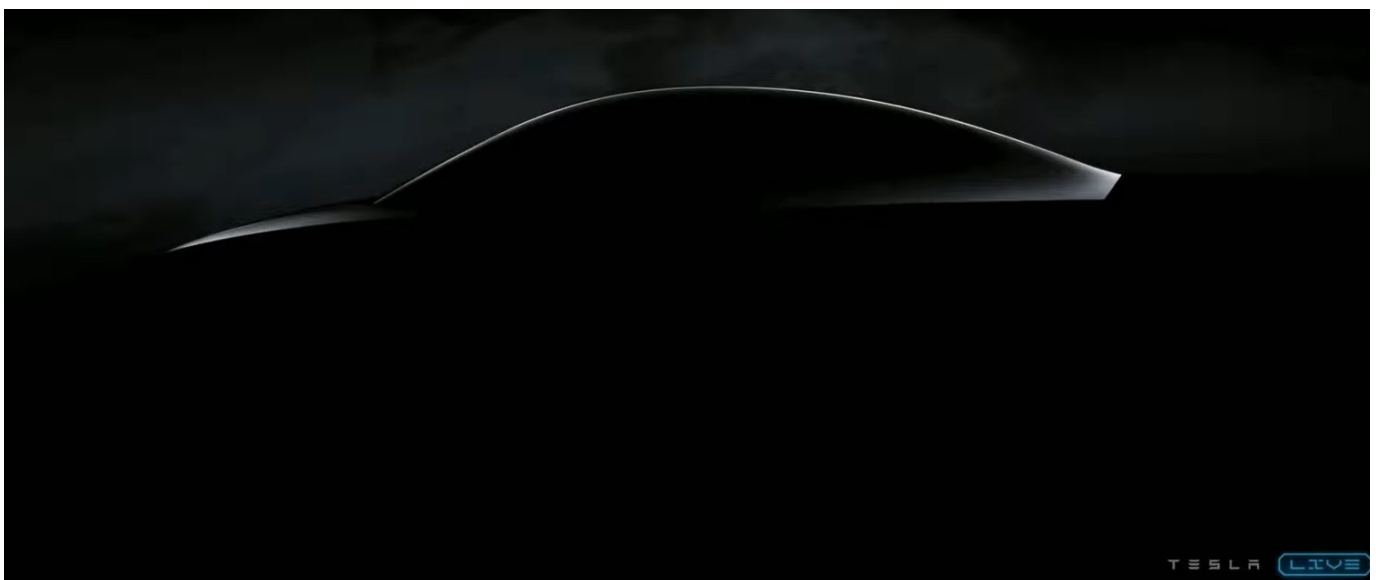
- Global production to ramp to about 4 to 4.5 million pa. Production factories in Mexico (up to 2 million pa), China (1-1.5 million pa) plus a third gigafactory likely in Europe (1-1.5 million pa) (Giga Berlin or perhaps in eastern or southern Europe ([Spain](#))). The Mexico factory construction is about to [start now](#).
- Available to order late 2023 or early 2024. Production could begin by late 2024 or more likely in H1, 2025.

Elon Musk [stated](#) at the Tesla 2023 Annual Shareholder Meeting:

*“If I were to guess – an Elon guess, if you like – we will probably make in excess of five million units a year of these two models combined.”*

The two models refer to a compact model and probably a minivan.

**Tesla compact car appearance as teased by Tesla in May 2023**



Source: [Tesla 2023 Annual Shareholder Meeting \(52 minute mark of the video\)](#)

# How is a lower cost possible for the compact model Tesla?

Tesla plans to dramatically reduce costs, aiming for the compact model to cost half the price to produce as the Model 3. That would mean a cost of production for the compact model of about US\$18,000. The bullet points below show how Tesla intends to achieve this:

- A new manufacturing technique known as the 'unboxed process'. It will reduce complexity and the number of steps needed.
- A smaller battery than Model Y or Model 3 and probably a more energy dense LMFP battery (LFP battery with manganese) from CATL.
- A cheaper electric motor that does not need rare earths.
- Reduced parts and wiring. The compact model will use a new higher voltage 48 volt architecture thereby requiring less wiring.
- Smaller size vehicle so less material costs.
- Large scale production from cheaper and more efficient factories.

## The compact Tesla is coming sooner than you think

Tesla has been working on the compact Tesla for several years and appears to have completed the design work and is now just starting to build the new factories and organizing the production lines to make the compact Tesla.

At the Tesla 2023 Annual Shareholder Meeting in May 2023, Elon

Musk [stated](#) (52 minute mark):

*“We obviously need to have, you know, a proper dedicated product launch. I just want to emphasize that **we are actually building a new product**, not designing a new product.....we are not sitting on our hands here.....there are two new products that you will be very excited about....”*

Late Q3, 2023 should see the Cybertruck's first delivery event, so the compact model launch party would most likely be in either Q4, 2023 or Q1, 2024.

As shown below the two new products on the generation three platform are most likely to be a compact car and a minivan. The compact car segment is by far the largest globally, totaling ~700 million vehicles in the fleet today.

**Tesla's new third generation smaller platform will be used for 2 new models – A compact model sedan or crossover and probably a minivan**



Source: [2023 Investor Day March 2023](#)

## Closing remarks

As announced this week, Tesla has now started production of the Tesla Cybertruck. This suggests that Tesla can now start to

focus more on their next new model, the compact Tesla. Will it be called Model 2, Model C, or something else?

I expect the product launch will happen later in 2023 (or early 2024) and production starting most likely in H1, 2025. Following the compact model launch, I suspect Tesla could achieve pre-orders approaching 5 million for their US\$25,000 compact car. If I am correct, then this will be a total game changer for EVs and would signal the final death bell for ICE vehicles.