

The Putailai investment case: Geopolitical challenges for municipalities in Sweden

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Summary

- A proposed investment by the Chinese company Shanghai Putailai New Energy Technology Co. Ltd. (PTL) in Torsboda Industrial Park in northern Sweden would have created Europe's largest anode material plant for lithium-ion batteries.
- The project was delayed due to a comprehensive review of the investment by the Swedish authorities, which created uncertainty surrounding the process and ultimately caused PTL to pull out of the investment.
- The case illustrates the challenges that emerge when national authorities convey different messages to Chinese investors, with some actively seeking to attract capital and others regarding it as a security threat. This dilemma complicates local decision-makers' efforts to reconcile security requirements with regional development. The case also illustrates how the geopolitical tensions between China and the West are manifested at the local level.

The origins of the Putailai investment in northern Sweden

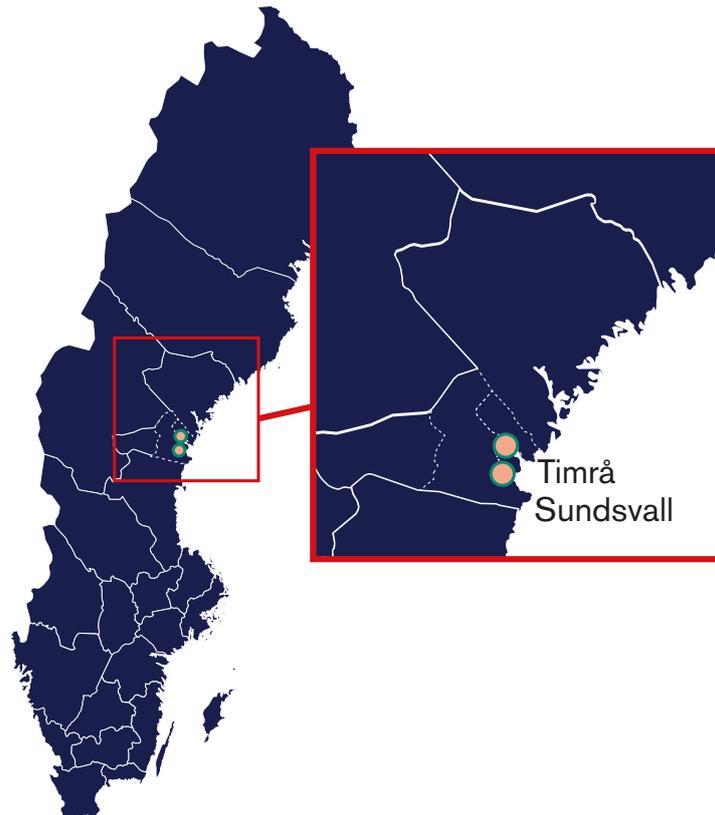
[The municipality of Timrå](#) is located in a resource-rich region along the Baltic coast in [northern Sweden](#). With its strong infrastructure, access to green hydropower, and favourable geographical characteristics, it has become a preferred location for [green transition](#) investments. Such investments are regarded as important sources of revenue for municipalities facing shrinking populations and the challenge of maintaining long-term fiscal stability.

¹ This text is based on a study carried out in 2025 involving interviews with key individuals in the Swedish municipalities involved with the proposed investment by PTL.

In 2021 [Shanghai Putailai New Energy Technology Co. Ltd. \(PTL\)](#) proposed the establishment of a battery factory with an investment which would [amount to SEK 13 billion](#). The factory was expected to generate up to 1,900 new jobs.

Due to its [geographical characteristics](#), Timrå was positioned to offer strategic advantages for this type of industrial development. Its [extensive areas of developable land](#) created favourable conditions for large-scale industrial expansion. In addition, the availability of renewable hydroelectricity at competitive rates provided an important foundation for both [sustainable and economically viable](#) production.

Map of Sweden showing the geographical locations of Timrå and Sundsvall



The first substantial contact between Timrå Municipality and PTL was established in spring 2021 via [Business Sweden](#), the public–private trade and investment council, when PTL sent a comprehensive questionnaire, known as a Request for Information (RFI), to assess the Torsboda site in Timrå for a potential investment. A few months later, the parties held a meeting in Timrå that was attended by PTL's head of European affairs, the municipal commissioner, the opposition councillor, and representatives from national and regional organisations such as Business Sweden and [High Coast Invest](#). In autumn 2021, PTL temporarily withdrew from the process.

At the same time, momentum for the Torsboda region increased as the battery company Northvolt, together with Volvo Cars, signalled plans for a major expansion in Sweden. Torsboda received sustained consideration for that investment, but Gothenburg on Sweden's west coast was ultimately selected. Following this, Timrå and neighbouring [Sundsvall Municipality](#) [began collaborating](#) and formed the [Torsboda Industrial Park](#), a jointly developed industrial

site designed to attract large-scale, sustainable manufacturing through ready-to-build land, infrastructure, and coordinated regional support.

In spring 2022, PTL's interest in the region was rekindled, during a meeting at the Battery Show in Stuttgart and a subsequent meeting in Sundsvall in August. In autumn 2022, contract negotiations began, which proved protracted and were punctuated by interruptions. The agreement was finally signed in April 2023, and on 4 May 2023 the deal was announced at a joint press conference.

Considerable efforts were made to obtain PTL's investment from the Swedish side. The then regional councillor and county governor of Västernorrland County, together with Timrå and Sundsvall municipalities, acting through Torsboda Industrial Park worked actively to attract PTL's investment. Individuals involved in the process describe how they took proactive measures, maintained direct communication with PTL, and put considerable effort into keeping the negotiations on track. In August 2022, a two-day meeting was held with PTL's management, in Sundsvall, together with regional and national stakeholders, including Mid Sweden University, water and energy companies, and the Swedish Public Employment Service, among others involved in the efforts to help implement the PTL investment. Sweden's then [Minister for Business, Industry and Innovation](#) Karl-Petter Thorwaldsson also joined via video link and welcomed PTL to Sweden.

However, the process also unfolded against the backdrop of a broader European debate on Chinese investments and dependencies.

Europe's strategic dependencies on China

Along with the European Union's pursuit of its climate ambitions through [the European Green Deal](#), the demand for clean technologies, critical raw materials, and renewable energy solutions has intensified. While this transition presents significant economic opportunities, it also exposes the EU to strategic dependencies, particularly in [relation to China](#), which dominates [global supply chains](#) for green technologies. Given the urgency of meeting climate targets, the EU is reliant [on imports of Chinese technology](#). China's dominance in these sectors could also pave the way for investment openings in the EU for Chinese companies in key sectors such as electric vehicles, batteries, and renewable infrastructure.

Aside from the EU's dependency on China for the provision of key products such as green technologies, additional factors, such as the reliance on Chinese investment in critical infrastructure – including the involvement of Huawei and ZTE in Europe's 5G telecommunications networks – have further heightened concerns. Moreover, the supply chain vulnerabilities exposed during the Covid-19 pandemic have intensified apprehensions regarding the EU's broader [strategic dependencies on China](#). As China [dominates](#) critical sectors such as [rare earth elements](#), advanced manufacturing, [green technologies](#), and digital infrastructure, it has achieved leverage over European industries from defence to renewable energy. These dependencies shed light on Europe's complicated efforts to secure economic stability, transition to sustainable energy systems, and fostering a viable investment climate.

However, while there is a perceived need to restrict Chinese investment in sensitive sectors, countries and regions within the EU are still eager to attract investments from Chinese companies in other areas. To distinguish between investments that pose security risks and those that do not, an EU-wide screening regulation came into force in 2019.

The Foreign Direct Investment Review Act

In 2019 the European Union adopted [Regulation 2019/452](#), establishing a framework for the screening of foreign direct investment (FDI)² into the EU. The regulation allows Member States to retain control over national screening processes, with the European Commission coordinating cross-border cooperation.

The regulation was designed to be country agnostic. Much of the regulatory discourse has, however, been focused on China, reflecting broader geopolitical concerns, like the European Commission's [de-risking](#) strategy to manage risks linked to economic and technological engagement with China. And of the countries considered antagonistic by EU, China is the country that has been most active as an [FDI investor](#).

In adopting its [Foreign Direct Investment Review Act](#), Sweden was [one of the last countries](#) in the EU to establish an FDI screening mechanism. At the EU level, the minimum standard for screening is primarily anchored in investments involving *critical infrastructure*. The Swedish screening mechanism however employs a broader definition that includes *protection-worthy activities*. According to the Swedish Civil Defence and Resilience Agency this approach aims to "[better reflect the situation in Sweden](#)."

The most recent change in the Swedish regulation was made with the 2024 [amendment](#) that further defines and specifies which essential societal functions are to be covered by the Act. With this range of sectors, the Swedish Investment Review Act constitutes the arguably [most comprehensive](#) in the EU. What makes the Swedish regulatory framework stand out is [its broad scope](#), which requires all investments to be submitted to the [Inspectorate of Strategic Products](#) (ISP), which is the responsible authority for investment screening, including Swedish and intra-EU investments, although only a small number of cases proceed to in-depth scrutiny.

The [Screening of Foreign Direct Investments Act](#) (2023:560) covers investments in a number of activities worthy of protection, which may be conducted by a limited company, a European company, a trading company, an economic association, or a foundation with its registered office in Sweden. Investments in activities worthy of protection that are conducted in a sole proprietorship or as a sole trader in Sweden are also covered by the Act.

The concept of [activities](#) worthy of protection encompasses the following seven areas of activity: (i) activities of importance to society, (ii) security-sensitive activities, (iii) critical raw materials, metals, or minerals, (iv) sensitive personal data and location data, (v) military equipment, (vi) dual-use products, and (vii) emerging technologies or other strategically sensitive technologies.

The ISP is [obliged to consult with](#) government agencies designated by the government, consisting of the [Swedish Armed Forces](#), [the National Board of Trade](#), [the Swedish Security Service](#), [Swedish Defence Materiel Administration](#), and [the Swedish Civil Contingencies Agency](#).

² [Foreign direct investment](#) means that an investor in one country seeks a long-term interest and significant influence in a company in another country, covering both the initial investment and all later capital transactions between the investor, the company, and related entities.

In 2026, [Regulation 2019/452](#) is expected to be replaced by a new regulation, with the aim of achieving greater harmonisation of FDI screening frameworks across EU Member States. The most important change that the proposal would entail is the transition from voluntary to [mandatory national screening](#) of FDI. New sectors are also expected to be designated as critical. While it remains uncertain how this will impact Swedish legislation, the Swedish framework is generally regarded as so comprehensive that it is unlikely to be affected to the same extent as screening frameworks in other countries.

When PTL decided to proceed with its investment in 2023, a review process was initiated by the ISP. As we will see next, the Screening of Foreign Direct Investments Act had a direct impact on PTL's investment.

The regulatory review of PTL's investment

Following the PTL board's approval to go through with the investment, the company submitted the transaction for review under China's outward foreign direct investment (OFDI) regime. This part of the review process was lengthy. According to a person familiar with the process on the Swedish side, PTL had to ensure that Chinese expertise and technology would not leave the country and justify why the investment would take place in Europe and not in China. The investment was eventually approved.

PTL notified the ISP concerning its proposed investment in January 2024. In June 2024, the ISP announced that a formal review of PTL's investment [was being initiated](#). By law, [decisions must be made](#) within three months, with the possibility of an extension to six months in special circumstances. In July 2024, the ISP sent out an extensive questionnaire to local and national actors. However, in September the ISP announced that it was [extending the review process by an additional three months](#), as not all responsible authorities had responded within the specified deadline for submitting the documentation required for the decision. A final decision was scheduled for 12 December 2024.

When the decision was issued in December 2024, the ISP set out [conditions](#) that had to be met within a certain timeframe for the investment to be approved, including [requirements](#) for Swedish majority ownership and Swedish nationals in key positions in the company management. The decision was, however, subject to strict confidentiality, and the detailed reasoning has not been disclosed. The parts of the decision that are public are those that PTL has chosen to disclose. While PTL initially expressed intent to comply, it later [concluded](#) that the conditions were not reasonable from a business perspective or feasible within the given timeframe.

The head of European affairs at PTL stated, "The delays mean that we have to call it a day. Unfortunately, the commercial conditions for the investment are no longer in place." Consequently, in March 2025, [PTL terminated](#) its contract with Torsboda Industrial Park. Following this, PTL decided to [appeal to the government](#), as decisions by the ISP to prohibit or conditionally approve may only be appealed directly to the Swedish government – but in November 2025 [PTL withdrew the appeal](#).

The dilemma of balancing costs, risk-taking, and dependency against national security

The PTL case illustrates the difficulties faced by local decision-makers when dealing with investments involving Chinese stakeholders. Local decision-makers had to navigate not only industrial development, but also geopolitical tensions. In a system where some national authorities encourage foreign investment while others advocate and impose restrictions, a conflict between investment promotion and security-driven limitations was created. In the end, to define, delineate, and act within geopolitical boundaries is an incredibly challenging undertaking for local decision-makers.

Against this backdrop, an important lesson is the need for greater predictability in the investment screening process for the parties involved. In the case of the PTL investment, the review was preceded by extensive internal work by the municipalities involved, and significant resources and capital had already been committed to the investment process. This experience risks discouraging municipalities from taking similar risks or pursuing new investments in the future, particularly when such initiatives involve Chinese stakeholders. This hesitation may further be reinforced by the broad scope of Swedish regulations regarding what is considered a protection-worthy activity.

Sweden has so far proven to be an outlier in terms of the number of formally screened investments. Based on [information](#) from the European Commission on national screening activities carried out in 2024, [Sweden](#) reported a very high number of cases, surpassing the annual number of cases screened by any other Member State. Today, investments from low-risk and allied countries are also being reviewed. [In 2025](#) there were 1,987 reported investments to the ISP; 1,942 resulted in no action being taken and 20 were referred for further investigation. Since the legislation was introduced in 2023, only three out of the 3,362 reported investments have been prohibited.³

This raises the question of the scope of the Swedish screening legislation and, more broadly, the signalling effects that such regulatory actions may have on potential investors, including whether the regulation could be dampening their willingness to consider Sweden as an investment destination. There are examples of other EU countries, such as [Finland](#), making seemingly different assessments of Chinese investments. These concerns were also raised during the [consultation process](#) on the final report on the review legislation by stakeholders such as [Business Sweden](#) and the [Confederation of Swedish Enterprise](#). Addressing risk also involves identifying which option carries the greater exposure. Even though China is an aggressive geopolitical actor, the European dependence on the country will persist unless viable alternatives for products where China is dominant emerge, which is currently difficult in green industries. It is therefore crucial to assess which dependencies can realistically be reduced through restrictive measures, particularly within green industries. By not allowing certain investments, Europe may simply risk shifting its vulnerability to an increased reliance on imports from China. As the need for critical anode materials remains and with no alternative suppliers available, European actors will need to partly source these materials from factories in China, externalising the risk rather than mitigating it. The trade-off becomes a question of what is considered as the greatest risk, a Chinese-owned factory in Europe versus importing the same product from Chinese suppliers in China.

³ As some cases are currently under review, additional cases may be added both for further investigation and for prohibition as the review process continues.

Municipalities – caught between regional development and national security

How can municipalities be supported in this geopolitically difficult situation? Municipalities vary in size, population, and geography and [many are small](#). But despite their size, they can attract large investments – as the case described here demonstrates. And while most foreign investments in Swedish municipalities are made without any major problems, issues arise when the investments are made in sensitive sectors and originate from countries of concern, such as China. This makes municipalities the staging ground for real-time consequences of global shocks, geopolitical tensions, and cross-border crises that they themselves have little control over.

The PTL case highlights the need for more clarity considering conflicting goals between regional business investments and security screening. It shows that enhanced coordination may be called for between regional development initiatives and national security frameworks. To ensure that local opportunities do not inadvertently expose vulnerabilities in critical sectors, and if they are at risk of doing so, this must be known before extensive local initiatives are undertaken. Otherwise, there is a risk that this could affect the investing municipalities and, consequently, have a negative impact on the investment climate in Sweden.

This case also points to a broader issue that may constitute a structural challenge for municipalities and local business actors. This concerns how they can better understand and identify where the intersection between economic security policy and regional development lies. When the European Union [describes China](#) as simultaneously a partner, a competitor, and a systemic rival, it becomes essential for national governments to clarify where the boundary between competitive behaviour and systemic rivalry lies, in order to determine which Chinese investments should, and should not, be permitted.



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About the Swedish National China Centre

The Swedish National China Centre was established in 2021 as an independent unit at the Swedish Institute of International Affairs (UI). The Centre conducts policy-relevant research and aims to contribute to a long-term improvement in the state of China-related knowledge in Sweden. UI's publications undergo internal quality control. Any views expressed are those of the authors.