SECTOR UPDATE

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Batteries (OVERWEIGHT)

ESS Pulse: *CHARGE Act* seeks to limit Chinese ESS imports

- US congressman Greg Steube on Feb 20 introduced a bill to the House of Representatives that would prohibit the import of certain Chinese-made ESS.
- The exclusion of Chinese ESS systems integration firms from the US market would benefit Korean competitors (such as LG Energy Solution's subsidiary) and related component suppliers.

▶ AT A GLANCE

LG Energy Solution (373220 KS, 396,000)	
Target price	KRW510,000 28.8%
BUY	
HanJungNCS (107640 KQ, 46,150)	
Target price	n/a
Not rated	
Shinsung ST (416180 KQ, 38,000)	
Target price	n/a
Not rated	
Seojin System (178320 KQ, 35,550)	
Target price	n/a
Not rated	

WHAT'S THE STORY?

US congressman introduces bill to restrict import of Chinese-made ESS: US House Republican Greg Steube on Feb 20 introduced the *Countering Harmful Adversarial Rechargeable and Generative Energy Act* (*CHARGE Act*), which aims to prohibit the import of certain Chinese-made energy storage systems (ESS). Only once the bill is finalized and enacted will it become clear exactly which firms in the value chain will benefit. From a power infrastructure perspective, however, tighter sanctions on Chinese ESS would likely be neutral to positive for Korean companies—unlike the situation with EVs.

***CHARGE Act* overview:** The *CHARGE Act* would "bar the importation of specific ESS that possess remote monitoring capabilities" manufactured with technology licensed or owned by companies based in China; companies organized under Chinese law; or companies under the jurisdiction, control, or oversight of the Chinese Communist Party. If the bill is passed, the US Customs and Border Protection has 60 days to issue regulations to enforce the import ban.

Implications: We see two key implications.

- **Precise targeting of ESS SI companies:** Remote monitoring capabilities are primarily embedded in the power conversion system and energy management system, rather than in the communication functions of ESS battery cells or modules. Thus, the bill would likely have the greatest impact on Chinese ESS systems integration (SI) companies. Under the current draft, the likelihood of the import ban extending to Chinese ESS battery cells or modules appears low.

(Continued on the next page)

- **Tighter US scrutiny of Chinese involvement in power infrastructure:** In Mar 2025, communication devices not listed in product documents were discovered in Chinese-made solar power inverters that connect solar panels to electricity grids—a development viewed as a major security concern in the US. These rogue communication devices could potentially allow remote shutdown of inverters, posing a risk of physically destroying the grid. This has heightened concerns over Chinese software in energy infrastructure, and we expect restrictions on Chinese participation in the sector to tighten further as a result.

View—*Charge Act* bodes well for ESS SI and parts suppliers with US operations: According to 2024 data compiled by Wood Mackenzie, Tesla holds a 39% share of the North American ESS SI market, followed by Sungrow (China) at 10% and Powin (US) at 9%. Globally, Tesla has a 15% market share, followed by Sungrow at 14%, and CRRC (China) at 8%. LG Energy Solution's subsidiary LGES Vertech, which began sales in earnest in 2025, has grown rapidly alongside its parent's local LFP battery production. The *CHARGE Act* should support non-Chinese ESS SI companies—including LGES Vertech—in strengthening their positions in the US market. Other potential Korean beneficiaries include HanJungNCS (ESS water cooling systems), Shinsung ST (ESS busbars and module cases), and Seojin System (ESS enclosures and rack structures).

Overview of the CHARGE Act (Bill to Sanction Chinese ESS) Introduced in the US Congress

Item	Description	Implications
Bill	Countering Harmful Adversarial Rechargeable and Generative Energy Act (CHARGE Act)	National security-based legislation to block certain ESS imports
Scope of regulation	**"Energy Storage System" = all devices, modules, and products that store and discharge electricity**	**May include ESS cells, modules, racks, and containerized ESS**
Key condition #1	**Includes remote monitoring capability**	**BMS, communication modules, and remote-control systems are key issues**
Key condition #2	**Manufactured using technology owned or licensed by a PRC entity or a CCP-controlled company**	**Technology ownership more critical than simple country of production**
Regulatory measure	If conditions are met, imports to the US are fully prohibited	Import ban rather than tariff imposition
Effective timeline	CBP enforcement regulations to be announced within 60 days of bill enactment	Substantive customs enforcement to commence within 60 days
Potential expansion	Additional restrictions to be reviewed after 180 days, and annually thereafter	Possibility of expanded regulatory scope
Penalties	Intentional violations subject to up to 5 years' imprisonment per shipment + USD250,000 fine	Criminal enforcement structure
Government reporting requirement	Secretary of Commerce to report to Congress within 180 days, followed by annual reports (for six years)	Systematic tracking of Chinese ESS usage in the US

Source: Office of US Representative Greg Steube, Samsung Securities

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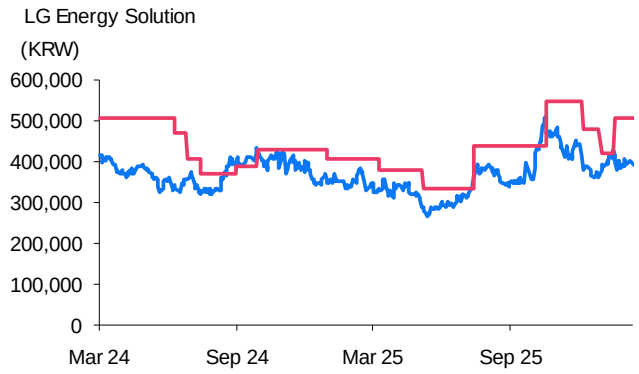
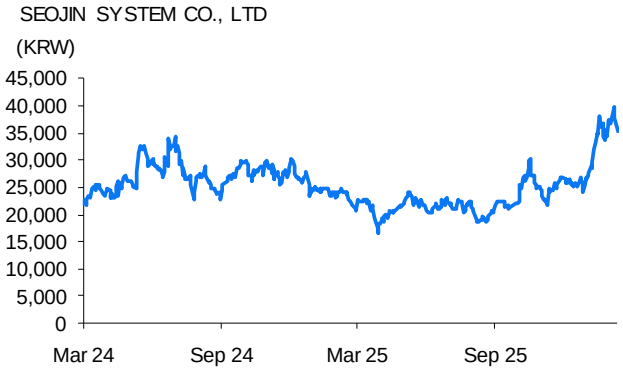
Target price changes in past two years





Rating changes over past two years (adjusted share prices)

LG Energy Solution												
Date	2024/1/26	6/20	7/8	7/25	9/11	10/10	2025/1/10	3/21	5/19	7/25	10/31	12/18
Recommendation	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	HOLD	HOLD
Target price (KRW)	510000	470000	410000	370000	390000	430000	410000	380000	335000	440000	550000	480000
Gap* (average)	-25.18	-27.55	-15.22	-3.89	5.00	-9.14	-14.77	-12.67	-10.19	-12.74	-19.50	-21.65
(max or min)**	-17.75	-23.62	-8.54	11.35	0.38	-0.70	-5.98	-5.26	9.85	16.82	-11.91	-18.65
Date	2026/1/12	1/29										
Recommendation	HOLD	BUY										
Target price (KRW)	420000	510000										
Gap* (average)	-3.83											
(max or min)**	2.62											
HanJungNCS.Co.,Ltd												
Date	2026/2/24											
Recommendation	Not Rated											
Target price (KRW)	n/a											
Gap* (average)												
(max or min)**												
Shinsung ST Co., Ltd.												
Date	2026/2/24											
Recommendation	Not Rated											
Target price (KRW)	n/a											
Gap* (average)												
(max or min)**												
SEOJIN SYSTEM CO., LTD												
Date	2026/2/24											
Recommendation	Not Rated											
Target price (KRW)	n/a											
Gap* (average)												
(max or min)**												

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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