Govt to limit incentive plan for auto to green vehicles

NEW DELHI: Petrol and diesel vehicles will not be included in the ambitious production-linked incentive (PLI) scheme for automobiles as the government will restrict benefits of the Rs 26,000 crore scheme – slashed from the originally-planned Rs 57,000 crore – to green technologies such as electrics and those powered by the futuristic hydrogen fuel cells.

The scheme, which could be announced as early as next week, is likely to be a dampener for top companies such as Maruti Suzuki, Honda (cars and twowheelers), Toyota, Renault-Nissan, Skoda-VW and many other auto companies that derive all their sales only from petrol, or diesel cars.

Homegrown Tata Motors and Mahindra & Mahindra, which have been pursuing electric and other clean technologies for many years, will stand to gain. Although the original plan was to have an allocation of Rs 57,000 crore over five years, starting 2022-23, the scope of the scheme has now been refined, government sources told TOI.

WHY THE SCHEME IS NEEDED

- Will help create a strong base for new green automotive technologies such as hydrogen, electric vehicles, which are expected to gain in volumes in the coming years
- Move up the value chain and focus on growing higher value and higher technology
- Increase India's share of global automotive trade from the current level of 2%
- Will have multiplier effect on steel, aluminium, plastics, other industries. An investment of Re 1 creates multiplier effect of Re 3

The government believes that restricting incentives only for greens will prompt almost all the companies to urgently focus on getting electric and other sustainable technologies to the market, rather than wait for a mega customer transition.

Apart from vehicles, the PLI scheme for automobiles will also provide benefits to auto components that are aimed at making vehicles green, or smarter. Categories that will be rewarded by incentives in the component industry will include those engaged in hybrid energy storage systems, collision warning gear, EV parts, automatic braking and blind spot detection parts, advanced driver assistance systems, and sensors of certain categories, sources told TOI.

The original plan was seen to be far too wide, while the revised draft is now focused on the so-called new-age clean automobiles as part of the government's aim to leapfrog into the next generation of green, connected and smart vehicles.

The change in government strategy may push top car players such as Maruti Suzuki and Hyundai (it has only one imported electric Kona), to provide an aggressive thrust for electric and other green technologies to make the cut.

Several of the existing players are currently seen as reluctant to switch over to electric vehicles as they look to maximise value of their investments in operational plants (producing petrol and diesel cars), prompting the government to incentivise those willing to make a quick transition, sources said.

The Centre has argued that incentives for the two green technologies will fuel a significant growth in the share of hydrogen and battery-electric vehicles. With several international majors seen to be transitioning to electrics, the government is hoping to tap into what it believes will be a booming business in the coming years. Government officials said several companies as well as industry bodies, including Siam and Acma, have been consulted before formalising the plan.