KPMG-CII report highlights policy and decision making as key for EV growth

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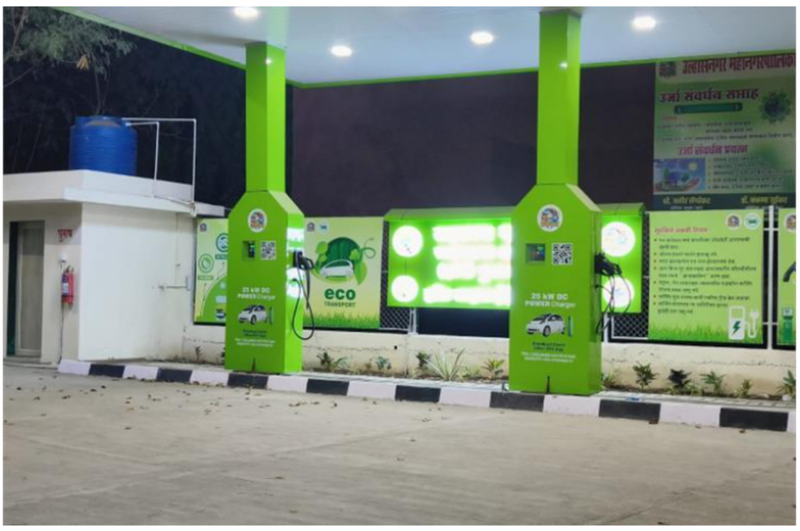

Right policy support and faster decision-making can help in fostering collaborations across stakeholders in the EV ecosystem. India can significantly advance its EV adoption, reduce its oil import bill, and lower CO2 emissions, contributing to a more sustainable future, according to a report by Confederation of Indian Industry (CII) and KPMG.

The report titled 'Enabling infrastructure changes through policies for growth of EV' stated that EVs offer a promising solution to these challenges and align with India's COP26 commitment to transition to 100 percent zero emission vehicles by 2040.

In the last four to five years, EVs in India have witnessed rapid adoption. The total electric vehicle sales reached the 1.2 million mark and achieved 5% penetration in FY24. India has set the ambitious target of 30% penetration by 2030 as part of EV30@30 campaign

The growth of the Indian EV market is currently being aided by four key factors including Policy support, total cost of ownership (TCO) parity, technology access and start-up ecosystem.

Countries with significant EV penetration, such as Norway, Sweden, China, Germany, and the United Kingdom, have benefited from factors like policy support, total cost of ownership parity, a robust start-up ecosystem, and access to technology.

While India has made strides in these areas, substantial progress in developing EV infrastructure is still needed. Focusing on various aspects of infrastructure will further boost EV penetration and mark this decade as a transformative period for mobility in India, said in the report.

The four primary infrastructure areas to focus include physical Infrastructure, power infrastructure, economic infrastructure and social infrastructure.

Physical infrastructure includes developing a denser and more distributed charging ecosystem and establishing battery recycling facilities.

Power Infrastructure will help to manage the increasing power demand and improve the quality of power supply. Integrating renewable energy sources to support EV charging.

Economic Infrastructure is more to ensure access to low-cost capital for EV buyers. Efficient taxation structure across EV value chain and supporting innovative vehicle ownership business models will be an important part.

Under Social Infrastructure it is important to educate and enhance the capabilities of various stakeholders by creating public awareness about the benefits of EVs.

While the Automotive Industry is the testament of India's economic growth, the proliferation of vehicles on Indian roads has resulted in burgeoning of the import bill as well as the CO2 emissions. India's oil import bill has been consistently around $100 billion over the last three years.

Road transportation today accounts for over 12% of India's total CO2 emissions, with 0.2 t CO2 per capita contribution. So far, lightweighting initiatives from the supply side along with regulatory mandates on fuel efficiency and ethanol blending have been the key mitigating levers.

However, Electric Vehicles (EVs) present the permanent solution, given India's economy wide net zero targets and commitment to COP26 for 100% transition towards zero emission vehicles by 2040.

Right policy support and faster decision-making can help in fostering collaborations across stakeholders in the EV ecosystem including government bodies, private enterprises, and international partners which shall drive innovation and investment, requisite for development of infrastructure that keeps pace with the growing demand for EVs. Only then, India can significantly advance its EV adoption, reduce its oil import bill, and lower CO2 emissions, contributing to a more sustainable future, said in the report.

A recent Government release noted that policy support includes Faster Adoption and Manufacturing of Electric Vehicles (FAME), reduction in GST, reduction in road tax for EVs among others. The Government implemented this scheme for a period of five years from 1st April, 2019 with a total budgetary support of Rs 11,500 crore.

Production Linked Incentive (PLI) Scheme for Automobile and Auto Component Industry in India (PLI-Auto), which was in September, 2021 for Automobile and Auto Component Industry will enhance India's manufacturing capabilities for Advanced Automotive Technology (AAT) products with a budgetary outlay of Rs 25,938 Crore.

The scheme proposes financial incentives to boost domestic manufacturing of AAT products with minimum 50% Domestic Value Addition (DVA) and attract investments in the automotive manufacturing value chain. Government also introduced various schemes to push EV penetration.

Compared to ICE TCO saving range is estimated at 43 per cent in 2W, 27 per cent in 3W, 5 per cent in 4W nad 13 % for bus.

Start-up ecosystem houses around 400 startups in India across the EV value chain, including OEMs, fleet operators, battery producers, battery re-cyclers, charge point operators, and financing/insurance providers.

Tags: EVs