India's electric vehicle ecosystem | Policy updates in Mar 2024

Two major policy updates in India's electric vehicle ecosystem occurred in March 2024. **Preetesh Singh**, Specialist – CASE and Alternate Powertrains at **Nomura Research Institute (NRI)**, summarizes the **Electric Mobility Promotion Scheme 2024** and the **Scheme to Promote Manufacturing of Electric Passenger Cars in India**.

Electric Mobility Promotion Scheme 2024 (EMPS)

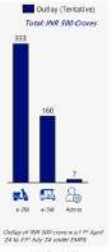

Image Source: NRI

India is set to accelerate its transition towards electric mobility with a significant outlay of INR 500 crore allocated under the Electricity Mobility Promotion Scheme (EMPS) from **April 1st to July 31st, 2024**. The move aims to support the adoption of electric vehicles (EVs) across the country, with plans to bolster the infrastructure and encourage the use of environmentally friendly transportation options.

Under the EMPS, the government plans to **support a total of 372,215 EVs**, with a major focus on electric two-wheelers (e- 2Ws) and three-wheelers (e-3Ws). Specifically, **333,387 e-2Ws and 38,828 e-3Ws** are targeted for promotion. This strategic emphasis on two-wheelers and three-wheelers comes as the government diverts attention from electric four-wheelers (e-4Ws) and e-buses, citing existing schemes such as the Auto Production Linked Incentive (PLI) and the PM e-bus sewa schemes designed to address these segments.

Sr. No.	Vehicle segment	Maximum number of vehicles to be supported	Incentive for vehicles*	Maximum Ex-factory price for availed incentive (INR)	Total fund required from MoE (INR Crore)
1.	Registered E-2 wheeler	333,387	Rs.5,000/ kWh, capped at Rs.10,000	150,000	166.69
2.	Registered E-3 wheeler (L-5 Cat)	22,000	Rs.5,000/ kWh, capped at Rs.25,000 per EV	250,000	55.01
3.	Registered E-3 wheeler (L-5	25,238	Rs.5,000/ kWh, capped at Rs.50,000	500,000	126.31
	Total	372,215			348.01

*The incentive shall be further capped at 15% of the ex-factory price of e-2W/e-3W.
Note: INR 8.45 crores have been allocated for the administration of the scheme

This latest initiative underscores India's commitment to accelerating the adoption of electric vehicles and reducing reliance on traditional fossil fuel-powered transportation. While the EMPS scheme can help bridge the gap and ensure that there are incentives available for EVs for the next four months, it **may not entirely mitigate the potential impact on sales, particularly in segments like 2Ws.**

We feel that providing 3-5 years of support through schemes like FAME-III is essential for nurturing the electric vehicle industry and enabling it **to become self-sustainable in the long run**. Once the industry reaches a certain level of maturity and critical mass, it can thrive without the need for extensive government support.

Counter view

"The recent announcement of the Electric Mobility Promotion scheme represents a positive step towards continuing support to accelerate EV adoption. This timely initiative comes as the Faster Adoption and Manufacturing of Electric Vehicles (FAME) scheme draws to a close by 31st March 2024, providing **a crucial 4-month transition period for the industry to stabilize. Going by the long-term objective of self-sustenance of the EV industry, the Government has been gradually reducing the FAME subsidy**".

Dinesh Arjun, CEO and Co-founder of Raptee Energy

- The last reduction was in May 2023, and the remaining funds were distributed for the vehicles sold until March 2024.
- The FAME subsidy until 31st March 2024 is around ₹22,500 per two-wheeler.
- The Electric Mobility Promotion scheme kicks in on 1 April 2024, with a further reduced subsidy of **₹10,000 per two-wheeler until July 2024.**

This sends a clear signal that, while the FAME scheme cannot be extended, the Government is here to ensure a smooth transition to a self-sustainable business model by the OEMs.

This move reflects a pragmatic approach towards **gradually weaning the industry off heavy subsidies**, allowing it to sustain itself over the long run. In essence, this transition signifies the progress of the EV market, where **government support also evolves from subsidies to strategic incentives** aimed at fostering innovation and changing infrastructure development."

Scheme to Promote Manufacturing of Electric Passenger Cars in India

In a significant move aimed at propelling India's electric vehicle industry forward, the Ministry of Heavy Industries (MHI) has announced a pioneering scheme titled "Scheme to promote manufacturing of electric passenger cars in India." This initiative seeks **to foster the local production of EVs by enticing global OEMs to invest in manufacturing facilities.**

Key highlights of the scheme include a five-year tenure, with stringent eligibility criteria for applicants. To qualify, OEMs must commit to a **minimum investment of USD 500 million** specifically for manufacturing electric four-wheelers (e-4Ws) in India. Moreover, manufacturing facilities are expected to be operational within three years of receiving approval from the MHI.

To avail the benefits of the scheme, applicants must adhere to certain conditions.

- These include achieving a minimum of **25% Domestic Value Addition (DVA) within three years** of approval and escalating to a minimum of **50% DVA within five years.**
- If the conditions are fulfilled, a **15% import duty on Completely Built-In Units (CBUs) of e-4Ws, valued at a minimum of USD 35,000,** will be applicable for a period of five years.

Roadmap for availing the scheme benefits

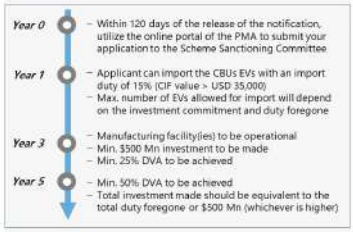

Image Source: NRI

To regulate imports, the scheme imposes limitations such as allowing a maximum of 8,000 e-4Ws to be imported annually, with provisions for carrying over unutilized import limits. Import quantities are also capped based on the total duty foregone or the committed investment of the applicant.

The applicants must furnish a bank guarantee to ensure their commitment to establishing manufacturing setups and meeting DVA targets. Failure to fulfill these obligations will result in the invocation of the bank guarantee.

This scheme can be widely seen as **a response to efforts by global OEMs such as Tesla**. The scheme offers reduced import tariffs for completely built-in Units (CBU) EVs, aligning with Tesla's aspirations for market entry and investment in India. Moreover, this initiative reflects a broader trend within the industry, with other OEMs like **Vinfast** also proposing similar approaches. Vinfast's commitment is evidenced by the commencement of construction of a manufacturing facility in Tamil Nadu as early as February 2024.

The entry of global companies into the Indian EV market would bring significant benefits. Their advanced technology and global reputation could rapidly advance innovation within India's EV industry, driving improvements in product quality and affordability through increased competition. Their investment in manufacturing operations could also accelerate the development of charging infrastructure and create job opportunities, contributing to economic growth. Additionally, their presence would enhance India's visibility and reputation in the global EV market, attracting further investment and stimulating the growth of local supply chains for EV components.

ACMA, the body representing India's auto component sector, congratulated the Government on the announcement of the policy.

"The EV Policy marks another significant step towards accelerating the adoption of cutting-edge technology and fostering innovation in India's automotive sector. **The policy not only aims to attract global EV majors to invest in India** but also emphasizes a significant Domestic Value Addition (DVA) criteria, ensuring the **creation of a robust supply side ecosystem.**" – **Shradha Suri Marwah | President ACMA & CMD Subros**

"Aligned with the Government's vision of reducing our carbon footprint, promoting sustainable manufacturing, and achieving net-zero emissions by 2070, this policy sets the stage for a vibrant future mobility global manufacturing hub in India."