

Standards that threaten India's mobility future

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Common, Connected, Convenient, Congestion-free, Charged, Clean and Cutting-edge – these 7Cs represent the vision for the future of mobility in India, outlined by Prime Minister Narendra Modi. All mobility initiatives in India have since evolved around this vision.

On 25th September 2025, the Bureau of Energy Efficiency (BEE) released the revised draft of the next phase of the Corporate Average Fuel Efficiency (CAFE) standards. This comes 15 months after the first draft. For a sector that accounts for 7% of India's GDP and millions of jobs, this is not just another regulatory update - it is about the very future of India's mobility.

Globally, the automobile industry is undergoing its biggest disruption in a century. The internal combustion engine (ICE) is giving way to electrification. China has raced ahead, Europe is catching up fast, and even the US is moving. India, the world's third-largest automobile market, cannot afford half-steps and incrementalism. EVs produce zero tailpipe emissions, reducing air pollution and greenhouse gases like carbon dioxide. CAFE is one of the most powerful tools we have - but the revised draft falls severely short. The present draft will lock India in intermediate technology for next two decades, derail its ability to technologically pole vault and delay its electrification journey. If India is serious about global leadership in clean mobility, **four decisive course corrections are essential.**

1. Put EVs at the Heart, Not the Periphery

India is badly lagging. EVs made up just **2% of new passenger car sales in 2024–25**, compared to **50% in China, over 20% in Europe, and 10% in the US**. Yet the revised CAFE framework pays lip service to electrification — a **retrograde step** at a time when the world is racing ahead. Let's be clear: **there is no pathway to efficiency without electrification.** Anything else is wishful thinking.

India has set a target of **30% EV penetration by 2030**, but the current CAFE draft will not even deliver that. Regulations must **explicitly drive EV adoption** — tougher targets, stronger incentives, and no loopholes. Electrification is not just an environmental imperative; it is an **economic one**, tackling air pollution, reducing high oil imports, and creating new industries and jobs. If designed right, India has the opportunity to **leapfrog** into a cleaner, more competitive future. **BEE should revise the CAFE regulations to define outcome, set clear annual EV targets and review them based on actual performance.**

2. Stop Backing Yesterday's Technology

The revised norms still provide “super credits” to hybrids - technologies that neither here nor there and are outdated. These so-called “strong hybrids” are, in reality, conventional hybrids with tiny batteries - smaller than those in electric two-wheelers - still dependent on fossil fuels, still polluting, and offering only marginal efficiency gains.

Supporting hybrids today is like subsidising typewriters in the age of smartphones. It delays the inevitable, misleads consumers, and holds back real innovation. CAFE must send one message loud and clear: **India backs full electrification. No halfway houses, no distractions.**

BEE should gradually phase down super credits for battery electric vehicles (BEVs) to 1, and **eliminate super credits altogether for internal combustion engine (ICE) and hybrid technologies.** This will ensure clarity of direction, reward genuine innovation, and stop wasting policy support on outdated solutions.

3. Redefine What an Efficient Car Really Is

The current draft gives special treatment to cars under 1200 cc and 4 metres in length, based on the flawed assumption that smaller automatically means more efficient. **This is a myth.** Small car definition was introduced by Chidambram in the 2006 Budget and is a unique creation of the Indian policy makers. This definition does not exist in any other market. Uniform standards push technology forward; exemptions hold it back.

ICCT's research clearly shows that cars with the same engine displacement can have vastly different emissions. For example, a 1200 cc car may emit as little as 85 g/km or as much as 149 g/km. Yet under the revised CAFE norms, they are treated identically. This is not just scientifically flawed - it undermines the very purpose of the regulation.

The low-cost car segment is steadily shrinking as Indian consumers demand greater safety, comfort, and advanced features. Supporting a category that is losing relevance in the marketplace is counterproductive. **CAFE must reward actual efficiency, not arbitrary definitions of "smallness."** The metric should be measurable performance on emissions and fuel use, backed by data, not outdated proxies like engine size or length.

4. Reward Leaders, Not Just Punish Laggards

CAFE today penalises non-compliance but does not reward overachievement. That is backward. India needs a **credit-trading system** that incentivises leaders. Manufacturers who exceed EV targets should be able to trade credits with those who fall short.

This creates a dynamic, market-driven mechanism that drives innovation, rewards ambition, and accelerates change. Pooling targets, as allowed in the draft, is too limited. What India needs is a performance-based ecosystem where leaders thrive and laggards pay.

A Defining Moment for India's Economy

India's mobility transformation is not about incremental efficiency. It is about industrial leadership. The EV value chain alone could create 50 million jobs by 2030 - spanning manufacturing, R&D, software, digital services, and repair. With bold policies, India can dominate the global EV market, not just participate in it.

Consumers will benefit too. As production scales, EVs will become cheaper to buy and cheaper to run. Coupled with renewable energy, domestic cell manufacturing, and smart charging, the cost advantage will be undeniable.

The revised CAFE draft, in its current form, is contrary to the 7C vision highlighted by the Prime Minister. It risks pushing India backward at a time when the world is racing ahead. If

India truly wants to lead and not lag, BEE must think bigger, act bolder, and move decisively. This is our defining moment - **incrementalism and half -measures will only hold us back.**

Author was India's G20 Sherpa and Ex-CEO, Niti Aayog. Views expressed are personal.