

## **EVs in India have moved on subsidies Delhi policy shows clearer path**

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India's transition to clean mobility has reached a decisive moment. Within the span of a week, two critical policy developments unfolded. The Government of Delhi released its draft EV Policy 2.0 for public consultation, while the Bureau of Energy Efficiency (BEE) circulated a revised draft of the CAFE-3 norms to industry stakeholders. Each of these is significant in its own right.

The next few months will determine whether India can move from incremental progress to large-scale transformation.

Delhi has once again set the pace. Historically, the capital has often acted as a proving ground for urban transport innovation. Its early adoption of metro rail created a template for the country. Its transition to modern bus systems reshaped public transport expectations. In electric mobility as well, Delhi's first EV policy in 2020 became a benchmark for other states.

The new draft builds on that legacy, but more importantly, it marks a shift in approach.

### **Delhi Sets the Pace - As It Always Does**

The most important element of the policy is the proposed phase-out of internal combustion engine vehicles in key segments. The plan to stop new registrations of ICE three-wheelers from January 2027 and two-wheelers from April 2027 is an ambitious and strategic intervention as the segment constitutes almost 3/4<sup>th</sup> of the motor vehicle sales in Delhi. It moves beyond incentives and establishes a clear regulatory direction. This distinction is critical.

India's EV journey so far has relied heavily on subsidies. While these have played an important role in market creation, they have not delivered scale on their own. What drives sustained adoption is certainty. When industry knows that a transition is inevitable, it invests accordingly in manufacturing, supply chains, and innovation. Consumers, in turn, respond to falling costs and improved availability.

Global experience reinforces this. Jurisdictions that have achieved rapid EV adoption have done so by combining incentives with clear phase-out timelines. India has been cautious in embracing this approach. Delhi's draft policy signals a departure from that caution. It is a step in the right direction, and one that other states would do well to study closely.

### **CAFE-3: Progress, But at a Snail's Pace**

At the national level, the revised CAFE-3 draft is equally important. Passenger cars remain a weak link in India's electrification story, with EV penetration at only around 4 percent. CAFE norms are the principal regulatory tool available to influence this segment.

The latest draft reflects some positive changes. The earlier provisions that disproportionately favoured small petrol vehicles have been tightened. The introduction of mechanisms such as credit pooling and the option to purchase compliance credits introduces flexibility while ensuring accountability. These are pragmatic features that can ease the transition for manufacturers while maintaining pressure to improve efficiency.

However, important concerns remain.

The continued use of super-credit multipliers for hybrid technologies is one such issue. Strong hybrids, plug-in hybrids, and flex-fuel vehicles are not zero-emission solutions. While they may serve as transitional technologies, offering them generous compliance credits risks diluting the signal to invest in full electrification. If we get locked in to intermediate Hybrid technology we will lose two decades. We need to technologically pole vault as we did in digital public infrastructure & mobile telephony.

If the objective is to accelerate the shift to zero-emission vehicles, the regulatory framework must reflect that priority clearly and consistently.

Equally important is the issue of timing. CAFE-3 has been under discussion for more than three years. Multiple drafts have been circulated, and extensive consultations have taken place. Yet, the standard remains unfinalized. This delay has tangible consequences. In the absence of regulatory clarity, manufacturers defer investment decisions, supply chains evolve more slowly, and the broader ecosystem remains uncertain.

Policy ambition must be matched by timely execution. Finalising CAFE-3 is no longer a matter of refinement. It is a matter of urgency.

### **The Truck Problem: India's Biggest Blind Spot**

Trucks account for only 3 percent of India's vehicle fleet, yet they contribute around 44 percent of transport emissions. This imbalance makes freight one of the most critical sectors for decarbonisation. And yet, it remains largely outside the current policy focus.

India's existing framework for heavy-duty vehicles is based on model-specific fuel efficiency standards. While this represents a starting point, it does not create the kind of systemic pressure needed to drive transformation. There is no fleet-average mechanism and, more importantly, no meaningful incentive for manufacturers to introduce zero-emission trucks.

As a result, the regulatory signal to invest in electric or hydrogen-based freight solutions remains weak.

What is needed is a more comprehensive approach, a framework similar in spirit to CAFE but tailored to the realities of the commercial vehicle sector. Such a framework should be based on fleet-average performance, differentiated by payload categories, and designed to reward the adoption of zero-emission technologies. Without this, even well-intentioned schemes to promote electric trucks like the Ministry of Heavy Industries e-Truck initiative under the PM EDRIVE scheme will struggle to achieve scale.

The absence of a robust regulatory push in the freight sector is a gap India can ill afford.

### **What Must Happen Now**

The West Asia crisis has not gone away. India still imports close to ninety percent of its oil. The vulnerability is structural, and the answer, electrification of transport, is known. What has been missing is coordinated and courageous policy execution.

Delhi has now demonstrated what that looks like for two- and three-wheelers. The draft policy deserves strong public support during the thirty-day comment period, and it should be strengthened, not diluted, before notification.

The Bureau of Energy Efficiency also needs to step up its role and function more decisively as a regulator rather than a consultative agency. It has spent more than three years on CAFE and fuel efficiency regulations for medium- and heavy-duty trucks. This must come to an end. BEE must finalise CAFE-3, and set an ambitious EV trajectory for passenger cars. It

must then move urgently on a fleet-average framework for trucks through fuel efficiency regulations. India does not have the luxury of sequencing these actions slowly.

We have a renewable energy revolution underway. We have the manufacturing base. We have the domestic market. What we need is for the Bureau of Energy Efficiency to match the ambition of the moment and finish the job it started three years ago.

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