

Standing Committee Report Summary

Electric and Hybrid Mobility

- The Standing Committee on Industry (Chair: Dr. K. Keshava Rao) presented its report on ‘Electric and Hybrid Mobility – Prospects and Challenges in Automobile Industry’ on December 6, 2021. As of 2019, Electric Vehicles (EVs) comprises of 2.3% of all automobile sales in the world. In India, the share of EVs was 0.1%. In 2020-21, around 1.59 lakh EVs were sold in India, which is 0.8% of the Internal Combustion Engine (ICE) sales in the same period (1.79 crore). Key observations and recommendations of the Committee include:
 - **National policy:** The Committee noted that 13 states have notified dedicated EV policies, while 12 are in process of drafting their policies. These policies focus on demand and supply side incentives to lower the total cost of ownership of vehicles and promote local manufacturing. The Committee recommended the central government to align the policies at the central and state level and create a national level policy for adoption of EVs in the country.
 - **FAME India:** The Faster Adoption and Manufacturing of Hybrid and Electric Vehicles in India Scheme (FAME) was launched in April 2015 to develop the market and manufacturing ecosystem for electric and hybrid vehicles. The second phase of the scheme was launched in April 2019 with a budgetary outlay of Rs 10,000 crore for three years. It aims to finance the purchase of 7,090 electric buses, 55,000 four-wheeler passenger cars, five lakh three-wheelers, and ten lakh electric four-wheelers. The Committee noted that the FAME scheme is limited to subsidising purchase of EVs and charging infrastructure. It recommended broadening the scope of the scheme to include funding and providing incentives for: (i) research and development of components for EVs and charging infrastructure, (ii) locally manufacturing EV components, and (iii) extending incentives to purchase four-wheeler EVs.
 - **Battery manufacturing:** Currently, the lithium-ion battery is most commonly used in EVs. The Committee noted that India does not manufacture lithium-ion batteries, and is heavily reliant on the international market to meet its EV component needs. A Production Linked Incentive (PLI) scheme was launched in May 2021 to incentivise manufacturing of Advanced Chemistry Cell (ACC) in India. ACCs are battery cells with advanced storage technologies that can store electric energy as chemical energy and convert it back to electric energy when required. The Committee noted that the threshold to become eligible for the scheme is high (production units with a capacity of at least five GWh). It recommended: (i) revising the eligibility criteria to allow Indian manufacturers to be eligible for the PLI scheme, and (ii) scaling up the local manufacturing ecosystem to lower the price of EV batteries. Further, the Committee recommended forming a consortium with international countries for joint research, investment pooling, development of battery technology, and battery recycling.
- The Committee noted that spending on research and development on technological advancements is less than one percent in India. Major economies spend around five to six percent on the same. It recommended the government to improve the research and development to promote indigenous manufacturing and reduce dependency on imports.
- **Charging infrastructure:** Under the second phase of the FAME India scheme, 2,877 charging stations have been sanctioned across 68 cities by the Ministry of Heavy Industries. The Committee noted that the number of existing charging stations is negligible and is concentrated only in select cities. It recommended: (i) establishing a dense and robust fast charging infrastructure across the country, (ii) providing charging facilities in showrooms and service stations of manufacturers, (iii) establishing universal and uniform charging provisions at charging stations, (iv) creating a live database of active charging stations, and (v) bringing expenditure incurred in setting up a charging station under Corporate Social Responsibility for two to three years. Further, the Committee recommended installing a separate metering arrangement for billing public charging points at subsidised rates.
- **Financing:** The Committee noted that to promote local manufacturing, import duties on components not manufactured locally have been increased from 5% to 15%. Further, it noted that EVs are taxed at 5% GST, whereas hybrid EVs (it has both an internal combustible engine and electric component) are taxed at 43% (28% GST plus 15% Cess). The Committee recommended: (i) raising the import duty in a phased manner till the components are manufactured locally, and (ii) lowering the GST on hybrid EVs. Further, the Committee recommended designating EV as a priority lending sector, easing availability of loans for EVs for procurement of components and purchase of vehicles.

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