Concerns with FAME II

What is the issue?

- The second phase of FAME (Faster Adoption and Manufacturing of Hybrid & Electric Vehicles), FAME-II was recently approved by the Union Cabinet.
- With criticisms raised against the features of FAME-II, it is essential to assess its parameters and understand its impact.

What is the FAME scheme?

- FAME II is the expanded version of the present scheme titled FAME India which was launched in 2015.
- The scheme offers upfront incentive on purchase of Electric vehicles.
- FAME-II will cost Rs 10,000 crore over 3 years and intends to provide incentives to the manufacturers of electric and hybrid vehicles.
- It also motivates to establish the necessary charging Infrastructure for electric vehicles.
- It will help in addressing the issue of environmental pollution and fuel security.

What are the concerns?

- It seeks to accelerate manufacturing in India without ensuring there is adequate demand for the electric and hybrid vehicles so produced.
- Moreover, electric two-wheelers and three-wheelers are most appropriate for Indian conditions.
- Ride-sharing on electric scooters has penetrated many cities in the West and is recognised as being of considerable convenience.
- In this light, small electric scooters have the capability of revolutionising urban transport in India.
- But FAME creates a relative disincentive for smaller vehicles.
- This is because the amount of incentive is tied to the size of the battery in the vehicle.
- Reportedly, around 95% of the electric two-wheeler models currently produced in India will not be given incentives under FAME-II.
- Also, currently, for vehicles to benefit from the scheme, 50% must have been produced locally.
- This is not the right approach as is experienced in the case of solar panels

manufacturing. Click here to know more

What should be done?

- FAME-II should be structured to ensure that adoption of electric two-wheelers and three-wheelers is not hampered but instead sped up.
- It should have been structured towards the creation of demand, and not the localisation of production.
- It is better to ensure adoption first, and then a local industry can be created.
- This is doubly true in the case of electric and hybrid vehicles since India has considerable expertise when it comes to automobiles.
- The focus now must be on ensuring that it is easy and cheap for consumers to switch to using electric vehicles.
- Another focus should be on retrofitting (addition of a new component/technology) existing small vehicles at a nominal cost.
- E.g. the CNG fleet of auto-rickshaws in Delhi can be transformed into an all-electric or hybrid fleet at a relatively small cost to owners
- This would require some innovative finance, which the government could support.

Source: Business Standard

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