India’s EV ambition rides on three wheels

What is the issue?

Sales of three wheel Electric Vehicles (EVs) fare well than the sales of two wheel and four wheel EVs

What is FAME 2 Scheme?

- Phase-II of the Faster Adoption and Manufacturing of (Hybrid and) Electric (FAME) Vehicles scheme was approved in 2019 with an outlay of Rs10000 crore.
- This renewed push for EVs is significant considering phase-I launched in 2015 with an outlay of Rs 895 crore.
- It aims to support 10 lakh e-two-wheelers, 5 lakh e-three-wheelers, 55,000 e-four-wheeler passenger cars and 7,000 e-buses.

How successful is FAME 2 scheme?

- **Response from companies -**As a part of FAME-II, the government has also made a push for indigenous manufacturing.
- As a result Legacy auto manufacturers such as Tata Motors, Mahindra & Mahindra, Hero Electric, and TVS have unveiled their EV offerings.
- New EV players like Ola and Bounce have also emerged on the scene.
- **Adoption of EVs -** 3 years into FAME-II the adoption lags far behind the target due to various factors including the pandemic. As a result FAME-II got a two-year extension in June 2021.
- Three wheeler EVs are dominating the EV market while two wheelers and four wheeler EVs have received only a considerable coverage.
- The sales of two wheeler EVs comes at a distant second with over 30% of registrations and passenger four wheeler EVs stands at a meagre 2.5% of the total sales of EVs.
- Three wheelers EV sales have crossed over 4 lakh vehicles of the 5-lakh target since 2019.
- The numbers are expected to be higher given the prevalence of unregistered vehicles in India.
- At the current rate, e-three-wheelers are expected to breach the 5-lakh target by 2023.

Which states fare well in e-three-wheeler sales?

- Assam, Bihar, Delhi, Uttar Pradesh and West Bengal account for close to 80% of all e-three-wheeler registrations, with U.P. accounting for close to 40% of all registrations.
- Of these five States, Assam, Delhi, U.P., and West Bengal have formalised EV policies while Bihar has a draft policy with a final policy due to be introduced later in 2022.
- These five States are characterised by high population density and shortage of affordable public transport.

What are the incentives provided for promoting e-vehicles?

- All five States provide road tax exemption of 100% and on registration fees.
- Assam, Delhi and West Bengal have linked incentives to the battery size (in kWh) with

additional benefits on interest rate on loans and scrappage incentives in some cases.
- U.P. has offered 100% interest-free loans to State government employees for purchasing EVs in the State and 30% subsidy on the road price of EVs to families with a single girl child. It has also exempted SGST on all such vehicles.
- UP has outlined incentives to promote EV manufacturing in the State.
- Bihar's draft EV policy too has been drafted along similar lines, focusing on both adoption and manufacturing.

How well local manufactures fare up against legacy brands?

- With financial assistance from FAME-II, local manufacturers have built a truly Indian EV with its unique design catering to Indian commuter needs.
- Costing between Rs1 lakh and Rs1.5 lakh, these vehicles are produced by scores of local workshops and small enterprises and have come to dominate the e-three-wheeler market.
- Legacy automakers with their own e-three-wheeler offerings have been struggling to compete with these local producers.

What are the issues to be addressed?

- **Low rate of adoption -** e-two-wheeler and e-four-wheeler have problems both on the demand and supply side.
- Consumers are justifiably apprehensive in adopting such vehicles given the host of issues which come with it.
- The recent incidents of fires in e-scooters have added to the apprehension.
- Reliable manufacturers with proven track are also hard to come by.
- **Adequate passenger safety -** Local manufacturing enterprises often lack motivation to invest in design developments focusing on safety.
- Fragmented manufacturing industry with non-uniform standards have made legacy automakers struggle to compete with local manufacturers.
- Future policies must therefore incorporate appropriate design and passenger safety standards.

Reference

1. https://www.thehindu.com/opinion/op-ed/indias-ev-ambition-rides-on-three-wheels/article65480119.ece

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