INDIA'S NEW EV POLICY - GS III MAINS

Q. Discuss the key changes in India's New EV policy and elaborate how it helps in aligning the country's transportation vision. (15 marks, 250 words)

News: *India's new EV policy allows imports from any country, including China: Official*

What's in the news?

- Last month, the Indian government approved the new EV policy, under which import duty concessions will be given to companies setting up manufacturing units in the country with a minimum investment of USD 500 million.

Key takeaways:

- India has no restrictions on the import of electric vehicles from any country, including China, under a new EV policy.

Global EV Market:

- The global EV market has experienced significant growth, with electric car sales exceeding 10 million in 2022, which is a 55% increase relative to 2021. This growth occurred despite a 3% dip in total car sales compared to the previous year.
- China has been at the forefront of this surge, contributing substantially to the increase in electric car sales.
- Additionally, As per data the market share of electric vehicles within passenger car sales globally rose to 14% in 2022, 8.7% in 2021, up from 4.2% in 2020.

India and EV Market:

- India is still in the early stages of EV adoption.
- The country's large population, growing middle class, and increasing environmental consciousness present a huge opportunity for EV manufacturers.
- But, India also faces several challenges such as inadequate charging infrastructure, high upfront costs of EVs, and limited domestic manufacturing capabilities.

Backdrop:

- In recent times, India has taken significant strides towards establishing a robust Electric Vehicle (EV) ecosystem, catalyzed by a series of policy shifts and incentives aimed at both domestic and foreign stakeholders.
- The interim budget for 2024-25 has introduced several key initiatives designed to accelerate the EV revolution in India, reflecting a clear government intention to promote cleaner, more sustainable modes of transportation in alignment with global environmental objectives and India's commitment to a carbon-neutral future by 2070.

Key Policy Changes and Investments:

1. Manufacturing and Infrastructure Support:

- The government has emphasized the importance of enhancing the manufacturing capabilities for EVs and their components, including the crucial aspect of charging infrastructure.
- This includes not only the physical manufacturing of EVs but also extends to the components that are vital for their operation, such as batteries, especially lithium-ion cells.

2. Expansion of Charging Infrastructure:

- Recognizing the critical barrier that insufficient charging infrastructure poses to EV adoption, the government has pledged to undertake significant steps to expand the number of charging stations.
- This move is designed to ease the concerns associated with long-distance travel with EVs, thus encouraging more consumers to make the shift from conventional to electric vehicles.

3. Support for E-bus Adoption:

- A notable focus has been placed on public transportation, with initiatives aimed at incentivizing the adoption of electric buses.
- This approach not only promotes the use of cleaner energy but also addresses the broader goal of reducing carbon emissions in densely populated urban centers.

4. Secure Payment Mechanisms for E-buses:

- The introduction of secure payment mechanisms for e-buses is anticipated to overcome one of the key hurdles to public acceptance, thereby smoothing the path for a broader transition to electric public transportation systems.

5. Duty Reduction for EV Imports:

- The policy slashes customs duty rate to 15% (applicable to Completely Knocked Down - CKD units) will be imposed on EVs with a minimum CIF (Cost, Insurance, and Freight) value of USD 35,000 or above for a total period of 5 years.

6. Import Cap and Investment Prerequisites:

- While allowing reduced-duty imports, the policy caps the number of imported EVs at 8,000 per year.
- Manufacturers must invest a minimum of Rs 4,150 crore (~USD 500 Mn) to avail duty concessions.
- There's no ceiling on the maximum investment, incentivising substantial capital infusion into the sector.

7. Manufacturing and Value Addition Requirements:

- To promote local manufacturing, companies must set up operational facilities within 3 years and achieve a minimum domestic value addition (DVA) of 25% within the same period, escalating to 50% within 5 years from the date of issuance of approval letter by the Ministry of Heavy Industries.

8. Maximum Import Allowance:

- If the investment exceeds USD 800 Mn, up to 40,000 EVs can be imported, not exceeding 8,000 per year.
- Companies can carry over any unused annual import limits.

9. Duty Limit:

- The total duty waived on imported EVs will be capped at the investment made or Rs 6484 Cr (equal to incentive under the Production Linked Incentive (PLI) scheme for Automobile and Auto Components), whichever is lower.

10. Bank Guarantees:

- The bank guarantee will only be returned upon achieving 50% DVA and making an investment of at least Rs 4,150 crore or to the extent of duty foregone in 5 years, whichever is higher.

The recent changes in India's EV policy and the strategic investments in domestic manufacturing and infrastructure signify a comprehensive effort to align the country's automotive sector with global sustainability trends. These initiatives are likely to attract significant foreign investment, foster innovation, and promote the development of a self-sustaining EV ecosystem in India. As the country moves forward, the continuous evolution of these policies will be crucial in maintaining momentum towards achieving a greener, more sustainable transportation network that aligns with India's long-term environmental and economic goals.