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EDITORIAL ANALYSIS

Beyond Subsidies: India's EV Policy Maturity Test

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INTERVIEW ANGLE

"Has India's EV policy fixed the subsidy trap -- or just dressed it up as regulation?"

EDITORIAL SUMMARY:

The Indian Express argues that the Delhi EV Policy 2.0 and the revised CAFE-3 fuel-efficiency standards together mark a shift from subsidy-led EV adoption to regulatory-mandate-led transition. The editorial welcomes the maturity of approach but flags excessive hybrid-vehicle concessions and a near-total absence of reform on freight electrification.

FROM SUBSIDY DEPENDENCE TO REGULATORY MANDATE

The Faster Adoption and Manufacturing of Electric Vehicles (FAME) scheme, launched in 2015 and scaled up as FAME-II in 2019, built India's first-generation EV market through demand-side subsidies. By 2024-25, electric two-wheelers crossed 1.1 million annual sales and electric three-wheelers became the dominant cargo segment in many cities. But subsidy fatigue set in as the FAME-II corpus depleted and the successor PM E-Drive scheme (2024) signalled clear taper.

The Delhi EV Policy 2.0, notified in early 2026, and the Bureau of Energy Efficiency's Corporate Average Fuel Efficiency (CAFE-3) norms together represent a different theory of change: not "pay buyers to choose EVs" but "make it costly for manufacturers to keep selling inefficient ICE vehicles".

WHAT THE NEW ARCHITECTURE DOES

Three regulatory levers now operate in parallel:

- **CAFE-3 standards** (effective FY2027): tighten fleet-average CO₂ emissions to roughly 91.7 g/km, down from 113 g/km under CAFE-2, forcing manufacturers to electrify a rising share of their portfolio.
- **Delhi EV Policy 2.0**: targets 95 per cent of new vehicle registrations to be electric by 2027, phases out CNG autos and old commercial diesel vehicles, mandates EV-only fleets for app-based aggregators.
- **PLI for Advanced Chemistry Cell (ACC) batteries**: Rs 18,100 crore outlay aims at 50 GWh of domestic cell capacity, addressing the import-dependence vulnerability that has dogged Indian EV manufacturing.

The shift from FAME-II's per-vehicle subsidy to CAFE-3's penalty-on-inefficiency is the textbook move of any maturing decarbonisation regime.

THREE DESIGN FLAWS

- ❶ **Hybrid generosity**: CAFE-3 retains super-credits for strong hybrids, which Indian manufacturers have lobbied for. The result is that hybrid sales – not pure EVs – may absorb the compliance burden, slowing the transition to zero-emission.
- ❷ **Freight electrification gap**: Heavy-duty trucks generate roughly 40 per cent of transport-sector CO₂ but barely feature in current policy. There is no equivalent of CAFE for medium and heavy commercial vehicles, no battery-swap framework for long-haul trucking, no targeted PLI for electric trucks.
- ❸ **Charging infrastructure choke**: India had roughly 25,200 public charging stations by March 2025. The Ministry of Power's target of one charger every 3 km in cities and every 25 km on highways remains aspirational; private investment is throttled by tariff uncertainty and land-aggregation delays.

THE EXTERNAL PRESSURE: EU CBAM

The European Union's Carbon Border Adjustment Mechanism, in transition since October 2023 and operational from January 2026, will price the embedded carbon of imported steel, aluminium, cement, fertilisers, hydrogen and electricity. Indian export competitiveness in these sectors is directly linked to the electrification and renewables intensity of upstream transport and logistics. CAFE-3 is therefore not just a domestic air-quality instrument; it is an industrial-competitiveness instrument.

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Key arguments:

- Indian EV policy is transitioning from demand-side subsidies (FAME) to supply-side mandates (CAFE-3) and city-level regulation (Delhi EV 2.0).
- PLI-ACC addresses the upstream lithium-cell vulnerability; freight remains the policy blind spot.
- EU CBAM links India's transport decarbonisation to export competitiveness in carbon-intensive goods.

Counterarguments:

- Premature subsidy withdrawal risks stalling adoption in price-sensitive two- and three-wheeler segments.
- Hybrid super-credits, though imperfect, provide compliance flexibility for manufacturers and may broaden electrification's political base.

Keywords: FAME-II, PM E-Drive, CAFE-3, Delhi EV Policy 2.0, PLI-ACC, Advanced Chemistry Cell, EU CBAM, super-credits, freight electrification, Bureau of Energy Efficiency.

The Indian Express's verdict: India has graduated from EV adolescence – subsidy-led, scattergun – into EV adulthood, with binding mandates and industrial-policy depth. But adulthood is judged by what is unfinished. Freight electrification and charging-grid build-out are the next decade's tests. Failing them will turn CAFE-3 from a transition into a token.

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