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Draft CAFE-III Norms: Reshaping How India Regulates Car Fuel Economy

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ENVIRONMENT

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Draft CAFE-III Norms: Reshaping How India Regulates Car Fuel Economy

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Source: ujjyari.com — researched, fact-checked & UPSC-mapped

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WHY IN NEWS

On , the **Ministry of Power**, through the **Bureau of Energy Efficiency (BEE)**, released the **draft CAFE-III (Corporate Average Fuel Economy) norms for M1 passenger vehicles**. The norms will apply from **FY2027-28 to FY2031-32**, replacing **CAFE-II** (which ends **March 31, 2027**). Public comments are open till **August 6, 2026**.

Fuel-economy regulation is one of the quietest yet most consequential levers India has for cutting transport emissions. Road transport is a major and rising source of carbon dioxide, and passenger cars sit at the centre of that picture. The **CAFE framework** does not police any single car; it regulates the **fleet-average carbon dioxide (CO₂) emissions**, measured in grams per kilometre, of everything a manufacturer sells in a year. A carmaker that sells thrifty small cars can therefore offset its thirsty SUVs, so long as the average stays under the mandated ceiling. It is, in effect, a **market-based emission tool** that lets each manufacturer choose its own compliance mix.

What Is New in CAFE-III

CAFE-III breaks from its predecessors in two significant ways, and both reflect the tug-of-war between the electric-vehicle push and the biofuel lobby.

First, the draft introduces, for the **first time**, **Carbon Neutrality Factors (CNFs)**. These formally recognise that fuels such as **ethanol, other biofuels and compressed biogas (CBG)** are partly carbon-neutral because the carbon they release was recently absorbed from the atmosphere by the crops or feedstock (<https://ujjyari.com/vocab/feedstock/>) that produced them. Applying a CNF discounts the tailpipe CO₂ attributed to such fuels, rewarding manufacturers who build vehicles able to run on them.

Second, the draft offers **super-credits, also framed as volume derogation**, for clean-vehicle technologies. When a manufacturer computes its fleet-average fuel consumption, qualifying vehicles count for more than one unit, pulling the average down.

Vehicles Eligible for Super-Credits

VEHICLE TYPE	ABBREVIATION
Battery Electric Vehicle	BEV
Range-Extended Electric Vehicle	REEV
Plug-in Hybrid Electric Vehicle	PHEV
Strong Hybrid Electric Vehicle	SHEV
Flex-Fuel Vehicle	FFV

The design deliberately keeps the pathway **technology-neutral**: a pure EV and a flex-fuel car running on high-ethanol blends can both earn credit, rather than the regulation betting on electrification alone.

Definitions and the Regulatory Backbone

An **M1 vehicle** is a passenger vehicle with **up to 8 seats in addition to the driver's seat**, that is, the ordinary car category. CAFE norms are enforced under the **Energy Conservation Act**, with **BEE** as the implementing authority. The framework is tightly linked to India's **ethanol-blending programme (E20)** and to the broader **net-zero-by-2070** pathway, situating car regulation within the national climate architecture.

The Underlying Tension

CAFE-III lays bare a real policy fault-line. The **EV-push camp** argues that only electrification delivers deep, durable **decarbonisation** (<https://ujjayanti.com/vocab/decarbonisation/>) and that generous biofuel credits risk slowing the transition. The **biofuel-neutrality lobby** counters that India's vast agricultural base makes ethanol and CBG a cheaper, faster, more inclusive route that also supports farm incomes and **energy security** (<https://ujjayanti.com/terms/energy-security/>). By writing both super-credits and CNFs into the same rule, the draft attempts a balance, though how the numbers are finally calibrated will decide which side gains the edge.

UPSC RELEVANCE

GS Paper 3: Environment and ecology, conservation and pollution; infrastructure and energy; climate change mitigation (<https://ujjayanti.com/vocab/mitigation/>); India's net-zero commitments and market-based environmental instruments.

Prelims pointers:

- **CAFE-III** issued by **BEE** under the **Ministry of Power**; enforced under the **Energy**

Conservation Act

- Applicable **FY2027-28 to FY2031-32**; replaces CAFE-II (ends March 31, 2027); comments till **August 6, 2026**.
- **M1 vehicle = up to 8 seats plus the driver.**
- **First-ever Carbon Neutrality Factors (CNFs)** for ethanol, biofuels and CBG; **super-credits** for BEV, REEV, PHEV, SHEV and FFV.
- CAFE regulates **fleet-average CO₂ (g/km)**; linked to **E2o ethanol-blending** and net-zero-2070.

Mains question: Draft CAFE-III norms attempt to balance electrification with fuel-neutrality. Critically evaluate whether Carbon Neutrality Factors and super-credits strengthen or dilute India's transport decarbonisation goals. (15 marks, 250 words)

FACTS CORNER

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CAFE: Corporate Average Fuel Economy, regulates fleet-average CO₂ in g/km, not individual cars.

Issuing body: Bureau of Energy Efficiency (BEE), under the Ministry of Power; legal basis is the Energy Conservation Act.

CAFE-III window: FY2027-28 to FY2031-32; replaces CAFE-II ending March 31, 2027.

M1 vehicle: passenger vehicle with up to 8 seats in addition to the driver.

New tools: Carbon Neutrality Factors (CNFs) for ethanol/biofuels/CBG; super-credits (volume derogation) for BEV, REEV, PHEV, SHEV, FFV.

Public comments: open till August 6, 2026.

Linkages: E2o ethanol-blending programme and the net-zero-by-2070 pathway.

Sources: *Bureau of Energy Efficiency* (<https://beeindia.gov.in/>), *Ministry of Power* (<https://powermin.gov.in/>), *PIB* (<https://pib.gov.in/>), *The Hindu* (<https://www.thehindu.com/>), *Indian Express* (<https://indianexpress.com/>)

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