

Standing Committee Report Summary

Promotion of Electric Vehicles in the Country

- The Standing Committee on Industry (Chair: Mr. Tiruchi Siva) presented its report on ‘Promotion of Electric Vehicles in the Country’ on December 20, 2023. Key observations and recommendations of the Committee include:
 - **FAME Scheme:** The Faster Adoption and Manufacturing of Electric (and Hybrid) Vehicles (FAME) in India was started in 2015. The objective of FAME-II is to encourage faster adoption of electric and hybrid vehicles (EVs) by offering upfront purchase incentives and establishing charging infrastructure. The Committee noted that the number of vehicles supported under FAME-II was reduced as compared to the initial targets. The Committee noted that more numbers of EVs need to be supported. Thus, they recommended extending the Scheme by at least three years more and broaden its scope. It also recommended supporting more four-wheeler EVs under the scheme with a cap based on the cost and battery capacity of the vehicle.
 - **Charging infrastructure:** The Committee observed that 22,000 charging stations have been sanctioned under FAME-II; however, 7,432 have been set up. Thus, it was recommended that more charging stations should be set up. It was recommended that the setting up of charging stations should be incentivised for individual investors, women self-help groups and cooperative societies by offering an assured return. The Committee recommended that PSUs and government institutions should install charging stations on their premises. The Committee also recommended the Ministry of Heavy Industries to conduct a study on the feasibility of battery standardisation and formulate a battery swapping technology policy.
 - The Committee noted that the Ministry of Power has undertaken augmentation of the power distribution network through the Revamped Distribution Sector Scheme. It observed that as the penetration of EVs increases, owners might prefer charging vehicles at home during non-solar hours. This might lead to a surge in the demand for power. The Committee recommended that the Ministry of Power should encourage charging vehicles when solar power is available and promote establishing charging infrastructure at office premises. The Committee also recommended the Ministry of New and Renewable Energy to tap the maximum amount of energy possible from renewable energy, such as solar and wind energy. This would help meet electricity demand from various sources including EV charging stations.
- **Cost of EVs:** The Committee noted that the cost of ownership for EVs is still relatively higher as compared to internal combustion engine vehicles. The Committee noted that the Income Tax Act, 1961 allows individuals to claim tax savings on interest paid for a loan to purchase an EV. However, this benefit was limited to loans approved until March 31, 2023. The Committee recommended extending this benefit till at least March 31, 2025. The Committee also observed that almost half the cost of owning an EV comes from the batteries. It recommended that the GST on batteries be reduced by the central government.
- The Committee noted that the Ministry of Road, Transport and Highways has issued various guidelines to bring down the initial cost of EVs. Currently, 19 states/UTs provide exemptions and rebates in road tax for EVs. To achieve the targeted EV penetration by 2030 of 30%, the Committee recommended the Ministry take up the issue of reducing road tax on EVs with the remaining states/UTs. The Committee also recommended that EVs should be bought under the priority sector lending.
- **Production of EVs:** The Committee noted that the Ministry of Heavy Industries introduced schemes such as Production Linked Incentives (PLI) schemes and the Phased Manufacturing Programme under FAME-II. The Committee recommended that the Ministry should have supportive, transparent, and consistent government frameworks at the national, state, and local level. It also recommended setting up dedicated manufacturing hubs and industrial parks for manufacturing batteries, cells, and EV auto components. Until such sufficiency is achieved, the Committee recommended that the Ministry foster international cooperation/partnerships with global suppliers/countries to maintain the domestic supply chain. The Committee noted that reserves of lithium, the key metal needed for EV batteries, had been discovered in Jammu and Kashmir and Rajasthan. The Committee recommended that the government should take initiatives to accelerate the extraction of lithium.
- **Public Transport:** The Committee noted the need for a safe and cost-effective public transport system to improve air quality and reduce private vehicles. The Committee recommended that the Ministry of Heavy Industries should allocate more funds towards developing such a system. The Committee also recommended enhancing the budgetary allocation towards the e-bus scheme under FAME-II.

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