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Revised Subsidy for Electric Vehicles

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Why in News

Recently, the central government has decided to **increase the subsidy by 50% on electric two-wheelers** under the **FAME-II (Faster Adoption and Manufacturing of Electric Vehicles) scheme** in view of the adoption of eco-friendly vehicles.

Key Points

- **New Modification:**
 - The Centre has made a **partial modification of the FAME-II**, including **increasing the demand incentive for electric two-wheelers to Rs. 15,000 per KWh** from an earlier uniform subsidy of Rs 10,000 per KWh for all EVs, including plug-in hybrids and strong hybrids except buses.
 - The government **has also capped incentives for electric two-wheelers at 40%** of the cost of vehicles, up from **20% earlier**.
- **Significance:**
 - It will **bring down the prices of electric two-wheelers nearer to the IC (internal combustion engine) vehicles** and remove one of the biggest blocks of the high sticker price of electric two-wheelers.
 - Together with the other important factors like **extremely low running cost, low maintenance and zero emission**, such price levels will surely spur a substantial demand for electric two-wheelers.

- **FAME-II:**

- **Background:**

- **FAME India** is a part of the **National Electric Mobility Mission (NEMM) Plan**. Main thrust of FAME is to encourage electric vehicles by providing subsidies.

- NEMM intends to allow **hybrid and electric vehicles** to become the first choice for the purchasers so that these vehicles can replace the conventional vehicles and thus **reduce liquid fuel consumption** in the country from the **automobile sector**.

- **Two Phases of the Scheme:**

- **Phase I:** Started in 2015 and was completed on 31st March, 2019
 - **Phase II:** Started from April, 2019, will be completed by 31st March, 2022.

- The scheme **covers Hybrid & Electric technologies** like Mild Hybrid, Strong Hybrid, Plug in Hybrid & Battery Electric Vehicles.

- **Monitoring Authority:** Department of Heavy Industries, the **Ministry of Heavy Industries and Public Enterprises**.

- Fame India Scheme has **four focus areas:**

- Technology development
 - Demand Creation
 - Pilot Projects
 - Charging Infrastructure

- Under this scheme, **demand incentives will be availed by buyers** (end users/consumers) upfront at the point of purchase and the same shall be reimbursed by the manufacturers from Department of Heavy Industries, on a monthly basis.

- **Salient Features of FAME II:**
 - Emphasis on **electrification of the public transportation** that includes shared transport.
 - Aims to support, through subsidies, approximately 7000 e-Buses, 5 lakh e-3 Wheelers, 55000 e-4 Wheeler Passenger Cars and 10 lakh e-2 Wheelers.
 - In the **3-Wheel (W) and 4-Wheel (W) segment** incentives will be applicable mainly to **vehicles used for public transport or registered for commercial purposes.**
 - In the **2-Wheel (W) segment**, the focus will be on the **private vehicles.**
 - To encourage advanced technologies, the **benefits of incentives will be extended to only those vehicles** which are fitted with advanced batteries like a **Lithium Ion battery** and other new technology batteries.
 - Proposes for the **establishment of charging infrastructure**, whereby about 2700 charging stations will be established in metros, other million plus cities, smart cities and cities of Hilly states across the country so that there will be availability of at least one charging station in a grid of 3 km x 3 km.
 - Establishment of **Charging stations are also proposed on major highways** connecting major city clusters.
- **Concerns:**
 - The **adoption of electric vehicles depends on several factors**, including robust charging infrastructure, easy financing and adequate performance in real-world conditions. These **require considerable government intervention and planning**, especially with the sector in its nascent stages.
 - E-rickshaw drivers also **depend on unsafe, sometimes illegal, sources of power to charge their vehicles.** Charging is done in unsafe conditions, which poses a danger to both the driver and the commuter.

Way Forward

- Such **initiatives coupled with a mass awareness campaign** by the government and easy terms financing by public sector banks will bring us closer to the target of **30% of the two-wheeler** market becoming electric in five years.
- The government's continued support to drive adoption of EVs, with a keen focus on locally built electric two-wheelers **will make India the manufacturing hub of EVs.**
- Establishing the right coordination among **three pillars of the EV industry** i.e., urban planning, transportation and power sectors will assist in systematic adoption of EVs.

Source: TH