



Revised subsidies to spur EV demand

Context:

Electric two-wheeler makers termed the government's decision to increase subsidy for such vehicles by 50% under the FAME II scheme saying it would be a game changer in the adoption of eco-friendly vehicles as phenomenal.

Relevance:

GS-III: Industry and Infrastructure

Dimensions of the Article:

1. Electric Vehicles (EVs) and their need in India
2. FAME-II
3. Revamped FAME-II scheme

Electric Vehicles (EVs) and their need in India

- An electric vehicle, uses one or more electric motors or traction motors for propulsion. An electric vehicle may be powered through self-contained battery, solar panels or an electric generator to convert fuel to electricity.
- India has committed to cutting its GHG emissions intensity by 33% to 35% percent below 2005 levels by 2030 – replacing combustion engine vehicles with electric vehicles is a step in the right direction.
- According to a recent study by WHO, India is home to 14 out of 20 most polluted cities in the world. EVs will help in tackling this problem by reducing local concentrations of



pollutants in cities.

- India imports oil to cover over 80 percent of its transport fuel. EVs can reduce dependence on imported crude oil promoting India's energy security.
- It will encourage cutting edge technology in India through adoption, adaptation, and research and development. EVs manufacturing capacity will promote global scale and competitiveness.
- The shift towards renewable energy sources has led to cost reduction from better electricity generating technologies. This has introduced the possibility of clean, low-carbon and inexpensive grids.
- Advances in battery technology have led to higher energy densities, faster charging and reduced battery degradation from charging. Combined with the development of motors with higher rating and reliability, these improvements in battery chemistry have reduced costs and improved the performance and efficiency of electric vehicles.

FAME-II

- 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.
- 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.
- 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.
- Fame India Scheme has four focus areas:
 1. Technology development
 2. Demand Creation
 3. Pilot Projects
 4. Charging Infrastructure

Revamped FAME-II scheme

- 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.



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- The government has also capped incentives for electric two-wheelers at 40% of the cost of vehicles, up from 20% earlier.
 - 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.

-Source: Livemint, The Hindu

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