

DESPITE FAME SUBSIDY BOOSTER...

EV penetration gap widens between India, other nations

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As stakeholders debate whether electric vehicle (EV) subsidies should be continued or withdrawn, data shows that India's EV penetration, or the sales of EVs as a percentage of total vehicle sales, is way behind many key countries in the world. And India will need to do some serious catching up to even meet the government's own declared target of 30 per cent by 2030.

According to an ICRA study, EV penetration in India in calendar year 2022 (CY22) stood at only 1.5 per cent, despite five years of the ₹10,000 crore Faster Adoption and Manufacturing of (Hybrid & Electric Vehicles (FAME)-II subsidy programme, which ends in March 2024. This has been partly due to the problems plaguing the subsidy scheme, with vehicle makers being probed for allegedly not complying with localisation norms, and partly due to a late pick-up in electrification.

In FY23, India's EV penetration was around 4 per cent. In contrast, China's EV penetration went up from a mere 2 per cent in CY17 to 29 per cent in CY22, despite subsidies falling by more than half in 2019. This led to fall in China's EV sales in 2020. But it zoomed to new high highs in CY21 and CY22 and the country now controls 58 per cent of global EV sales.

The UK, which is looking at withdrawing all sub-

TaMo to bolster sales infra to sell EVs in Tier-II, -III cities

Tata Motors (TaMo) is looking to expand sales outlets in Tier-II, -III cities in order to cater to the increased demand for its electric model range from such locations, according to Tata Motors Passenger Vehicles Managing Director Shailesh Chandra. The company, which ended the first quarter with sales of around 19,000 electric vehicles (EV), is also looking to have a separate sales infrastructure for its EV portfolio.

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sidies on EVs, has seen penetration in the same period going up from 2 per cent to 23 per cent.

The European Union has also done well, with EV penetration up from 2 per cent to 21 per cent. The EU accounts for 25 per cent of global EV sales.

The US, though, has been a laggard in this regard. And like India, it is now aggressively pushing subsidies to correct the imbalance. The penetration of EVs in the US was 1 per cent in CY17, going up to 8 per cent in CY22. The government is now offering \$7,500 federal credit if you buy an electric car, which gets adjusted with the tax an individual pays annually. The country has recently extended the credit line on

EVs for another decade, until December 2032.

The penetration numbers seen in relation to the vehicle electrification targets that countries have by 2030, show that India and the US have to buck up. India's target of 30 per cent will require nearly an eight-fold growth in percentage point terms.

The first FAME subsidy scheme was launched in 2015 with a budget of ₹895 crore, and the number of electric vehicles supported was over 250,000, which, experts say, was too minimal to make any impact.

China's penetration target is 40 cent by 2030, and the way they have grown, they could achieve that number even earlier. Europe, on the other hand, has an ambitious target of 55 per cent, while the US needs a lot of work to hit 50 per cent penetration.

So can India afford to withdraw subsidies? China's example clearly shows that a sharp reduction in subsidies can have an adverse impact on the industry for a few years, forcing consolidation and the closure of several players.

Many electric vehicle makers, such as Ola Electric founder Bhavish Aggarwal, say that they are prepared for a complete withdrawal of FAME -II and are working to reduce the cost of production. Yet a majority of players want some kind of subsidy, even if it is much lower, for a few more years, or, at least, until penetration reaches around 10 per cent. Others want it to be focused only for public transportation like buses and three-wheelers.