

# Centre set to ease norms for small cars in CAFE-3 shake-up

**DECISIVE MOVE.** April 16 meet is the last major stakeholder round to seal final rules

**S Ronendra Singh**  
New Delhi

The upcoming Corporate Average Fuel Efficiency-3 (CAFE-3) norms are likely to offer significant concessions to small cars, marking a decisive tilt in favour of entry-level and compact vehicles even as emission targets tighten sharply for large, fuel-intensive SUVs.

Sources told *businessline* that a high-level meeting at the Cabinet Secretariat this Wednesday, attended by Secretaries from the Ministry of Road Transport & Highways (MoRTH), Ministry of Power (MoP) and Ministry of Heavy Industries (MHI), paved the way for key revisions to the draft CAFE-3 framework released in September 2025.

The next decisive step comes on April 16, when the three Secretaries will jointly chair a critical meeting with industry stakeholders and original equipment manu-



**CARBON POOL.** Another change under consideration is the introduction of a CO<sub>2</sub> pooling mechanism, allowing companies to average emissions across the first three years of the regime REUTERS

facturers (OEMs), at the Ministry of Power.

#### **PMO NOD**

"Industry bodies such as SIAM and major OEM representatives have been called to present their views before the norms are finalised," a government source said, adding that the final recommendations will subsequently be sent to the Prime Minister's Office (PMO) for approval.

Industry sources confirmed participation in the

April 16 consultations, widely seen as the last major stakeholder round before the rules are locked in. Sources added that the revised draft proposes flattening the slope in the CO<sub>2</sub> target calculation formula, a move that effectively eases compliance pressure on lighter, small vehicles while tightening benchmarks for heavier vehicles.

Another key consideration is the introduction of a CO<sub>2</sub> pooling mechanism, allowing companies to average

emissions across the first three years of the regime.

Automakers missing targets in FY2027-28 could then offset shortfalls using performance in FY2028-29 and FY2029-30, with compliance assessed cumulatively at the end of the third year. The same averaging approach would apply to the final two years of the cycle.

The five-year CAFE-3 regime is scheduled to come into force from April 2027, covering FY2027-28 to FY2031-32.

With just weeks to finalise the framework, the April 16 meeting is expected to be pivotal in determining the final contours of India's next-generation fuel efficiency norms, rules that could reshape vehicle strategy across the industry.

For automakers, especially those heavily invested in compact cars, the emerging changes signal a potential strategic win, if the final round of negotiations holds.