

Govt recently notified doing away with the incentives given to low-speed lithium battery two-wheelers

# EV firms fret over subsidy removal

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Mumbai: India's electric two-wheeler manufacturers are up in arms against the government's recent notification of doing away with subsidies to low-speed lithium battery vehicles (speed to less than 25km/hour), though the segment accounts for around 95% of the total sales. Earlier, the low-speed lithium scooters received subsidies of up to Rs 17,800. However, the subsidies will continue for high-speed vehicles.

The low-speed electric vehicles, used primarily by school students, women and elderly commuters, does not require registration or driving license. As a result, the segment forms a bulk of total sales of EV 2-wheelers in major countries including the US, Europe, the Middle East, China among others.

As per the industry estimate, out of a total of around 55,000 units of electric two-wheelers sold last year, around 53,000 vehicles comprised low speed. And the abrupt change in the rule which came into effect from October 1, will wipe out the industry, the industry captains said. The ministry in a September 27 notification, while extending the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles (FAME-1) scheme for six months, ordered that subsidies will be removed for conventional batteries (lead batteries) and unregistered (low-speed lithium batteries) vehicles starting October 1.

Sohinder Gill, director general of the lobby group, Society of Manufacturers of Electric Vehicles (SMEV), in a letter written to heavy industries minister Anant Geete said that there has been an oversight



**IN SLOW LANE**

**₹5.5k cr**

FAME-2 scheme to give financial support to electric vehicles

**₹1.38lakh**

Incentives offered to electric cars under FAME-1

**₹17,800**

Low-speed lithium scooters received subsidies earlier

which led to a drastic negative impact on the industry. SMEV counts Mahindra & Mahindra (M&M), Tata Motors, Hero Group and Ashok Leyland as its members.

According to Gill, while exclusion of lead battery vehicles is justified (due to its polluting nature), the decision to prohibit the low-speed lithium battery vehicles is not justified, at least for the next few years. However, exceptions for debarring can be made for metro cities like Mumbai, Delhi and others where the slow movement of vehicles can create traffic problems. "Out of the total of 14 companies enrolled for the subsidies, 12 companies are into low-speed lithium two-wheelers," he said.

Ironically, the Ministry of Road Transport and Highways (MoRTH) under the leadership of union minister Nitin Gadkari is said to be toying with the idea of coming with special registration and licenses for vehicles to be operated by school students (age of 16-18 years).

The industry is still awaiting the

## BUMPY ROAD AHEAD

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declaration of FAME-2 which is now expected to be announced in April. FAME-2 is the second phase of the incentive scheme being provided to the consumers of electric vehicles (EVs) in India. The first phase, which is called as FAME-1, was introduced in

2015 and offered incentives to hybrid and electricity vehicles of up to Rs 29,000 for two-wheelers and Rs 1.38 lakh for

cars. The new scheme will have the financial support of around Rs 5,500 crore and is expected to last for around five years.

A recent Icara report claimed that the battery cost of EV, accounting for almost one-third of the total cost, will remain a key determinant in the rate of acceptance of EVs globally. In a significant development, the cost of lithium-ion EV battery has fallen to almost one-fourth to \$208/Kwh in 2017 from \$800/kwh in 2011.

According to industry experts, the electric vehi-

cles industry is at a nascent stage in India. It is less than 1% of the total vehicle sales but has the potential to grow over 5% in the next few years. At present, there are more than 4 lakh electric two-wheelers and few thousand electric cars on Indian roads.

The industry volumes have been fluctuating, mostly depending on the incentives offered by the government, the experts added. Further, more than 95% electric vehicles are low-speed electric scooters (less than 25km/hr) that do not require registration and licenses.

Almost all electric scooters run on lead batteries to keep the prices low, however, battery failures and low life of batteries have become major limiting factors for sales besides the government subsidies.

However, Sridhar V, partner, Grant Thornton India LLP, said, "The notification extending subsidies to registered two-wheeler EVs till March 2019 is probably done with the intention of targeting the largest volume of two-wheeler segment."

