

‘CNG, EV, hybrid vehicles to hit 30% of auto sales in 5yrs’

Press Trust of India

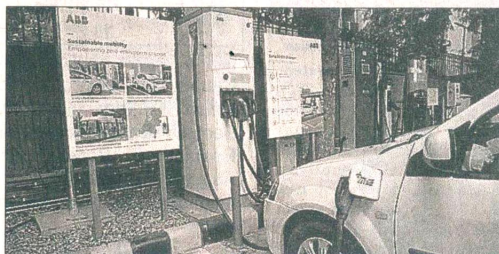
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MUMBAI: CNG, EVs and hybrid vehicles may grab up to 30% share in total auto sales in next five years even as petrol cars are likely to dominate passenger vehicle volumes in medium-term, a report said on Tuesday.

Demand for Electric Vehicles (EVs) has increased exponentially in the last two years with the government's push, increasing awareness, and new launches, domestic rating agency Icrta said in its report.

However, the share of EVs in the overall PV (passenger vehicle) industry remains low, at 1% currently, it stated.

On the other hand, CNG vehicles have also gained prominence in recent years, aided by favourable running costs, improving penetration of CNG dispensing stations across the country, and enhanced product offerings by OEMs, Icrta said and added, lower emissions in CNG



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vehicles would also help OEMs (original equipment manufacturers) comply with the impending Corporate Average Fuel Economy (CAFE) norms.

Noting that a cohesive approach from all stakeholders is imperative to facilitate the E20 (petrol blended with 20% ethanol) transition within the targeted timelines, the ratings agency said auto OEMs are, however, unlikely to face major challenges to comply with pro-

posed ethanol blending norms. Ethanol blending would reduce vehicular emissions, strengthen energy security, help reduce oil imports and conserve forex reserves, as per Icrta.

Ethanol blending in petrol has been gradually increasing in the last several years, and India achieved 10% ethanol blending in 2022, according to Icrta. Further, the central government has advanced its target for E20 implementation to 2025 from

2030 earlier.

"We expect the proportion of CNG, EVs, and hybrid vehicles to increase to 20-30% of new vehicle sales in the next five years. However, petrol-based vehicles will likely account for a significant portion of new PV sales over the medium-term," said Shamsher Dewan, senior vice president at Icrta.

This makes it important to reduce emissions from petrol-based vehicles to meet the CAFE norms and start the trajectory towards achieving carbon neutrality over the medium-to-long-term, besides promotion through the adoption of alternative powertrains, including EVs and hybrids, he added.

Making adequate ethanol available pan-India and addressing portability challenges would be imperative, given that ethanol production is currently concentrated in select states such as Uttar Pradesh, Karnataka, and Maharashtra, owing to feedstock availability,

according to the ratings agency.

It, however, added that the government has been providing relatively faster environmental clearances and financial assistance in the form of interest subvention to facilitate capacity addition and ensure adequate ethanol availability for a seamless transition.

"Icrta believes that the readiness of the auto industry and the OEMs to meet E20 blending norms is unlikely to be a major challenge. No major design changes are required from a vehicle standpoint except material recalibration, and the impact on the vehicle cost is expected to be less than 1 per cent in the case of passenger vehicles and about 2-3 per cent in the case of two-wheelers," added Dewan.

While no major capex is envisaged, changes in engine designs and after-treatment systems apart from the material selection will be key to meeting the norms, it said.