



October 2024

## PM Electric Drive Revolution in Innovative Vehicle Enhancement Scheme

Given India's commitments concerning emission reduction, and achievement of net zero emissions by 2070, adoption of electric vehicles ("EV") would play a crucial role in the years to come. To this end, the Government of India ("GOI") has been taking various steps to promote adoption and manufacturing of EV in India and setting up of charging infrastructure to promote e-mobility in India including the following:

1. **FAME I:** In 2015, GOI had launched Phase I of 'Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India' for a period of 2 (two) years with an initial outlay of INR 795,00,00,000 (Indian Rupees seven hundred and ninety-five crore), which was subsequently extended upto 2019 with increased outlay of INR 895,00,00,000 (Indian Rupees eight hundred and ninety-five crore);
2. **FAME II:** In 2019, the Department of Heavy Industries further formulated the Phase II of 'Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India ("FAME II") with an outlay of INR 10,000 crore (Indian Rupees ten thousand crore) in 2019, which was extended upto March 2024 with enhanced outlay of INR 11,500 crore (Indian Rupees eleven thousand five hundred crore); and
3. **Electric Mobility Promotion Scheme 2024 ("EMPS"):** As between April and September 2024, the Ministry of Heavy Industries ("MHI") launched the EMPS to continue supporting e-2 (two) wheelers ("e-2W") and e-3 (three) ("e-3W") wheelers. The outlay for EMPS was initially INR 500,00,00,000 (Indian Rupees five hundred crore) which was enhanced to INR 778 (Indian Rupees seven hundred and seventy-eight crore).



Pursuant to the review of FAME II and EMPS, MHI, on September 29, 2024, has notified a comprehensive scheme, namely, PM Electric Drive Revolution in Innovative Vehicle Enhancement ("PM E-DRIVE") Scheme ("PM E-DRIVE Scheme" or "Scheme"), which is valid for a period commencing from October 1, 2024, to March 31, 2026. With a substantial outlay of INR 10,900 crore (Indian Rupees ten thousand nine hundred crore), the Scheme aims to strengthen and build on the previous FAME schemes for faster adoption of EVs, setting up of charging infrastructure and development of EV manufacturing eco-system in the country.<sup>1</sup>

## Key highlights of the PM E-DRIVE Scheme

### Components, outlay and parameters

The PM E-DRIVE Scheme with an outlay of INR 10,900 crore (Indian Rupees ten thousand nine hundred crore) subsumes the EMPS and is proposed to be implemented through the following categories:

<sup>1</sup> Paragraph 5, the PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) scheme, Ministry of Heavy Industries, [https://pmedrive.heavyindustries.gov.in/docs/policy\\_document/257594.pdf](https://pmedrive.heavyindustries.gov.in/docs/policy_document/257594.pdf).

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<b>Demand incentives/subsidies</b> <b>Outlay - INR 3,679 crore</b> <ol style="list-style-type: none"> <li>1. Incentives for e-2W, e-3W, e-ambulances, e-trucks and other new emerging EV categories, available to buyers/ end users.</li> <li>2. Incentives linked to battery capacity with a vehicle segment wise cap and limited to 15% of the ex-factory price.</li> <li>3. While the Scheme is mainly applicable to vehicles used for public transport or registered for commercial purposes in e-3W, e-trucks and other new emerging EV categories, it also covers privately or corporate owned and registered e-2Ws.</li> </ol>	<b>Grant for creation of capital assets</b> <b>Outlay - INR 7,171 crore</b> <ol style="list-style-type: none"> <li>1. Allocation for e-buses (INR 4,391 crore), establishment of network of charging stations (INR 2,000 crore) and upgradation of testing agencies (INR 780 crore).</li> <li>2. For charging infrastructure, flexibility of funding upto 100% of project cost.</li> </ol>	<b>Admin expenses</b> <b>Outlay - INR 50 crore</b> <p>Allocation for administration of the Scheme including information, education and communication activities and fee for project management agency (“PMA”).</p>

## Conditions for vehicle manufacturers

With regard to the demand incentives, the following conditions have to be complied with:

1. **Localization requirements:** The EVs should be manufactured in India and meet the prescribed requirements for local manufacturing and assembly. The Scheme also details out the Phased Manufacturing Programme for EVs as well as charging infrastructure/public charging stations.
2. **Registration:** For availing incentives, Original Equipment Manufacturer (“OEMs”) are required to be registered with MHI and have the EV models approved by MHI.
3. **Advanced batteries and technical criteria:** Vehicles should be fitted with advanced batteries as prescribed under the Scheme (which includes new generation batteries such as lithium polymer, lithium iron phosphate, lithium cobalt, etc.). Further, the vehicle models are required to satisfy the prescribed technical eligibility criteria as regards the performance and efficiency of vehicles (which includes criteria such as minimum range, maximum electric energy consumption, minimum max speed, etc. as per specific category of vehicles). Additionally, vehicles are required to be fitted with suitable monitoring devices in specified category of vehicles and have branding that it has been purchased under the Scheme.
4. **Pricing of vehicles:** Vehicles should have ex-factory price lesser than the prescribed thresholds (for e-2Ws the maximum ex-factory price to avail incentives is INR 1,50,00,000 (Indian Rupees one lakh fifty thousand) for e-rickshaws and e-carts is INR 2,50,00,000 (Indian Rupees two lakh fifty thousand) collectively, while for L5 e-3Ws is INR 5,00,000 (Indian Rupees five lakh) and that for e-buses is INR 2,00,00,000 (Indian Rupees two crore), and the Scheme also prescribes for indicative number of vehicles in specific categories which would be supported by the Scheme.
5. **Type approval and compliance with Central Motor Vehicle Rules, 1989 (“CMVR”):** The vehicle models are to be type approved as per prescribed procedures by recognised testing agencies. The vehicles should be registered as ‘Motor Vehicle’ as per the CMVR, and should comply with provisions of CMVR in relation to type approval, road worthiness, registration, classification, categorisation, etc.

6. **Certificate:** OEMs are required to obtain certificate of PM E-Drive eligibility assessment from recognised testing agencies.
7. **Warranty and after sales:** OEMs are required to have comprehensive warranty including for battery, and adequate facilities for after sales for the vehicle life as prescribe under the Scheme.
8. **Disbursements:** OEMs will submit reimbursement claims to MHI, detailed guidelines for which have been issued separately.

## Steps for implementation

1. **Nodal Ministry:** MHI will be the nodal ministry in GOI for planning, implementation and review of the Scheme.
2. **Project Implementation and Sanctioning Committee ("PISC"):** PISC, an inter-ministerial empowered committee, headed by the Secretary, MHI is constituted for overall monitoring, sanctioning as well as implementation of the Scheme. PISC has been empowered to *inter alia*, decide scheme parameters, downward revisions to demand incentives, quantum of financial support to charging infrastructure, etc.
3. **Project Management Agency ("PMA"):** The Scheme will be implemented through a PMA which would *inter alia* be responsible for secretarial, managerial and providing implementation support and other responsibilities as assigned by MHI from time to time. The responsibilities of the PMA would *inter alia* include development and maintenance of online portal, processing of applications, examination of claims, etc.
4. **Digitalisation process:** The Scheme contemplates use of Aadhaar-authenticated e-vouchers for EV buyers, making the process more accessible and transparent for stakeholders.

## Conclusion

The Scheme puts an end to the speculations around continuity of demand side incentives. While new categories of vehicles have been included in the Scheme, it may be relevant to note that e-4 (four) wheelers have been specifically excluded from the coverage of the Scheme. Further, there is an emphasis to promote EVs for public transportation and commercial purposes. The enhancement of fund allocation for charging infrastructure is also a positive step given the crucial role of charging infrastructure for ensuring EV deployment. This initiative of GOI is poised to boost e-mobility in India, and the Scheme along with Phased Manufacturing Programme, is likely to attract increased investment in the EV ecosystem.

## Electric Vehicle and Charging Infrastructure Practice

Our team has advised and represented national and international entities operating across the EV value chain ranging from OEMs, parts suppliers to battery manufacturers as well as assisting in setting up and operating charging stations, swap infrastructure. We have assisted our clients in the drafting, negotiation and finalization of various operational agreements such as technology sharing agreements, licensing agreements, joint venture agreements, collaboration agreements, vendor/ supply agreements etc. We have been at the forefront of advising entities across the value chain in respect of issues arising under the various EV policies issued by the Government of India and the state governments as well as schemes formulated by the Government of India including the Faster Adoption and Manufacturing of Electric Vehicles in India scheme, vehicle scrappage policy and the performance linked incentive schemes.

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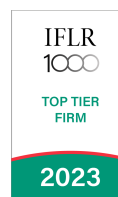


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