

## Clean fuel, not electric vehicles, should be India's goal

The regulatory vacillations around India's electric vehicles plans are becoming all too frequent, reflecting the underlying stresses of what is certainly a potential game changer for the auto industry but also a hugely disruptive threat for the incumbents.

In April last year, then power minister Piyush Goyal [declared](#) that by 2030, no petrol or diesel cars would be sold in India, a declaration that was reaffirmed [forcefully](#) in September by Nitin Gadkari, minister for road transport, highways and shipping, when he warned India's automobile industry that it would have to adopt electric standards on its own or be forced into doing so.

But following some adroit back channel moves by the industry's leading lights, come 2018 and we have been seeing a more mellow stance with Gadkari saying last month that [there's no need for an EV policy](#) even while the government would like to promote their use in the country. Indeed, the decision last year to place hybrid cars in the same GST slab as those based on internal combustion engines (ICE), was a sign that the all-out push for EVs was losing some steam.

India's auto industry which contributes nearly 12% to the country's GDP has always punched above its weight thanks to its multiplier effect and it came as no surprise to see a more tempered view at the top given that none of the Indian auto companies, including market leader Maruti Suzuki India Ltd, have the technology to move decisively into EVs.

A government changing its stance to be more sensitive to an industry's limitations and commercial sensibilities isn't in itself such a bad thing. In any case, India has very few natural advantages in EV making, with lithium the main element in lithium-ion batteries not available in the country unlike in China, which has the world's second-largest reserves of the metal.

Instead of looking at electric vehicles as the antidote to India's pollution crisis, the focus needs to shift to the use of clean fuels. Much of the hype around EVs stems from the larger-than-life image of its principal proponent and exemplar Elon Musk. So far the hype though has lacked substance. Even with the subsidies that most countries offer EV makers, the cost of ownership of these vehicles vis-à-vis conventional cars is much too high. And while the global electric vehicle market is forecast to grow at a CAGR of 21.27% for the period 2017 to 2026, they will have a major (54%) share of the market only by 2040.

There is no questioning the move away from conventional ICE-based vehicles. But instead of mandating any particular technology, the government would do well to lay down the desired objectives—say reducing vehicular emission by 10%—and leaving companies to decide the best route to follow to get there.

Already, with the national capital region [shifting](#) to BS-VI fuel next month, two years ahead of the rest of the country, we can expect cleaner air with the sulphur content in BS-VI a fifth of what it is in BS-IV fuel and by 2020 when companies launch BS-VI vehicles, there could be a small but significant impact on pollution levels.

In the meantime, there are other options before the government. For instance, it could look at the example of Singapore where changes in the system of rebates with the objective of lowering emissions is expected to lead to a 34% fall in car registrations, according to *The Economist's The World in 2018*.

At the start of India's telecom revolution in the 1990s, the early pace setters like Bharti Airtel Ltd chose the Global System for Mobiles (GSM) as opposed to Code Division Multiple Access

(CDMA), then a more popular standard. Despite CDMA's popularity in the US, eventually, it was GSM that became the prevalent standard across the world and India ended up being on the right side of the technology curve. It was a smart call but what's more important, it was a call that companies took rather than one that was mandated by the government.

In the ongoing debate on EVs versus the others, it may be prudent for the government to stick with its latest stance of laying down guidelines rather than making a rigid policy on what is just one of the many ways of getting cleaner vehicles on Indian roads.

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