

BEING PETROLEUM-INDEPENDENT

Relevant for: Environment | Topic: Environmental Conservation, Sustainable Development, and EIA

An attendant at a fuel station fills fuel in a vehicle. File | Photo Credit: [PTI](#)

Speaking on the increase in petrol and diesel prices, Prime Minister Narendra Modi recently said the middle class would not have been burdened if the previous governments had focused on reducing India's energy import dependence. He also emphasised the need for clean sources of energy. Expanding and diversifying energy supply is good, but if India is to reduce its energy import dependence, it must look towards first managing the demand for petroleum products. It is worthwhile to reflect on measures taken by the previous governments as well as the government under Mr. Modi in this context.

The UPA-2 administration under Prime Minister Manmohan Singh formulated fuel efficiency standards for passenger vehicles that are now in effect. It also constituted the National Electric Mobility Mission Plan (NEMMP). While well-intended, both these actions fell short in terms of ambition. India's 2022 fuel efficiency standards for passenger cars are nearly 20% less stringent than the European Union's standards. The NEMMP primarily focused on hybrid electric vehicles, and most of the incentives under the NEMMP went towards subsidising mild hybrids instead of electric vehicles. No wonder global manufacturers are rushing to deploy electric passenger cars in Europe while largely ignoring the Indian market.

The government under Mr. Modi has undertaken several initiatives to increase energy security. Heavy-duty vehicles, which consume nearly 60% of the diesel used in the country, are now subject to fuel efficiency standards. The share of bioethanol in petrol has risen to nearly 8% by volume under the 2018 National Policy on Biofuels. The government has encouraged multiple fuel pathways in the transport sector including natural gas. Importantly, it has recognised the urgency for us to transition to electric vehicles. The Faster Adoption and Manufacturing of Electric Vehicles (FAME-II) scheme now focuses largely on electric vehicles. The government has also provided several additional fiscal and non-fiscal incentives to encourage a transition to electric vehicles.

While these are steps in the right direction, there are many things that the government can and should do to reduce dependence on petroleum. First, the government should formulate a zero-emissions vehicle (ZEV) programme that would require vehicle manufacturers to produce a certain number of electric vehicles. Such programmes are in effect in China, certain States in the U.S., British Columbia in Canada, and South Korea. At present, the electric mobility initiative in India is driven largely by new entrants in the two- and three-wheeler space. Market leaders have adopted a wait-and-watch attitude. A ZEV programme would require all manufacturers to start producing electric vehicles across all market segments.

The government should also strengthen fuel efficiency requirements for new passenger cars and commercial vehicles. Two-wheelers, which consume nearly two-third of the petrol used in India, are not subject to any fuel efficiency standards. A recent analysis by the International Council on Clean Transportation (ICCT) suggests that a standard requiring 50% reduction in fuel consumption by new two-wheelers by 2030 will not only lead to internal combustion engine (ICE) efficiency improvements, but also ensure that nearly 60% of all new two-wheelers sold in India are electric driven. Similar opportunities exist on the passenger vehicle and heavy-duty commercial vehicle fronts. Adopting stringent fuel efficiency standards and a ZEV programme by 2024 can result in India's petroleum demand peaking by 2030, in spite of tremendous projected growth in economic and vehicular activity. Consumers will save money at the pump due to more

fuel-efficient ICE vehicles. Those who switch to electric vehicles will save even more as these consume less energy and electricity is cheaper compared to petrol and diesel.

The FAME scheme focuses on two- and three-wheelers, taxis, and buses. It should be extended not only to all passenger cars and commercial vehicles but also to agricultural tractors. Extending fiscal incentives to all kinds of vehicles and stepping up investments in charging infrastructure are essential complementary policies. By next year, the GST rates for all passenger vehicles could be made proportional to their fuel efficiency level, instead of the present system that relies on vehicle length and engine size.

As the economy recovers from the pandemic, the demand for petroleum products will rise, as will prices. But the government can save money for the consumer while enhancing long-term energy security by wielding the regulatory tools at its disposal.

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