Subsidising the status quo:How BEE fails EV transition

*By Amitabh Kant**

The geopolitical turmoil in West Asia once again delivers a stark reminder: India's dependence on foreign energy is a strategic vulnerability. Other nations across the world are responding with clarity and speed, accelerating their transition to renewable energy and electric mobility. EV adoption is no longer a matter of environmental virtue; it is a strategic economic and geopolitical imperative.

But faced with these facts, the Bureau of Energy Efficiency is sending dangerously confused signals.

On one side, we see bold and visionary leadership. Delhi's newly-released EV policy, which will phase out internal combustion engine (ICE) two- and three-wheelers starting next year, reflects the urgency and clarity of purpose required to slash air pollution and drive real structural change.

On the other side, we see hesitation and trepidation. The Bureau of Energy Efficiency's latest draft CAFE standards are a dangerous drag on India's ambitions for global leadership and economic security. BEE has hit the brakes at precisely the moment India needs to accelerate.

BEE's weak efforts are not just contradictory to clearly stated national goals of moving towards cleaner forms of energy, they are detrimental.

The visible regression in CAFE ambition is indefensible. The 2024 draft targeted 14 to 15 percent EV sales. The 2025 version diluted this to 11 to 12 percent. The 2026 draft reduces it further to a feeble 8 to 9 percent by 2032. As the rest of the world advances towards electrification of vehicles to meet national security and energy independence goals, India's pivotal regulator retreats.

The global comparison is unforgiving - and unforgivable. Nepal has already achieved 75% electric car sales. Singapore and Vietnam have crossed 40%. Thailand is at 23%, Indonesia at 20%, and South Korea above 15%, followed closely by Brazil at around 10%. India, in 2025, stands at a negligible 2.5%, behind even the global champion of hybrid vehicle technologies, Japan at 3%. This is not a position of caution. It is a position of complacency and denial.

If India doesn't move forward, it will become the world's dumping ground for obsolete technologies. Nearly half of India's car market is controlled by companies that have been consistently and systematically outpaced in every global EV market. From Singapore to China to Indonesia to Brazil, the global market share of these so-called legacy manufacturers shrivels due to their inability to pivot.

Sharp observers would see economic opportunity in the growing obsolescence of legacy manufacturers, a chance to surge ahead. Regulators at BEE, apparently, see the opposite, a chance to double down on past failures. The problem lies squarely in the design of the current CAFE draft. It is riddled with loopholes, distortions, and giveaways that undermine its very purpose.

First, the proposal offers unnecessary incentives to flex-fuel vehicles (FFVs). These vehicles receive a 22.3% carbon neutrality factor along with additional super credits, despite delivering only negligible real-world emissions reductions of 1 to 3% when operating on E85 fuel. More critically, E85 fuel infrastructure is virtually non-existent in India. This creates a compliance pathway that is easy for manufacturers but meaningless in the real world.

Second, emissions targets themselves—the heart of any CAFE standard—have been weakened. The targets of the current draft now get tougher more slowly, and start from an easier baseline. Together, these two changes take most of the bite out of the regulation. What was once a projected 31% emissions reduction shrinks to just 13.8% after accounting for various loopholes.

Third, the draft grants disproportionately high super credits to plug-in hybrid electric vehicles (PHEVs). With a multiplier of 2.5, nearly equivalent to battery electric vehicles, this approach ignores global evidence. Indisputable data shows that PHEVs emit significantly more in the real-world than they do under laboratory conditions. Leading regulators in the European Union, China, and the United States saw that evidence and chose to phase out such incentives. Regulators at BEE, inexplicably, chose to do the opposite.

Fourth, the regulation includes generous credits for common technologies such as start-stop systems, mild hybrids, and LED lighting, features that are already widely deployed by Indian manufacturers and whose benefits are already accounted for. Instead of incentivizing innovation, BEE is subsidizing the status quo.

Other technical loopholes and workarounds abound in the current draft. Taken together, the message is unmistakable. Compliance is being made easier, while meaningful outcomes disappear.

This raises the fundamental question: Who does this regulation really serve?

Regulation cannot be reduced to a process of building consensus with industry players. Consultation is important to achieve technical excellence. But capitulation can never be the basis for effective regulation. BEE's mandate is to safeguard India's long-term interests, not to prop up outdated business models that are rapidly losing global relevance.

India's strategic direction is already abundantly clear. The Prime Minister has called for an eightfold increase in EV sales by 2030 under the Viksit Bharat vision. NITI Aayog has highlighted a $200 billion opportunity linked to achieving 30% EV penetration. Even India's largest automaker, Suzuki, has voluntarily committed to a 15% EV share by 2030.

BEE's current CAFE draft aligns with none of these clear imperatives. In reality, it actively undermines them.

India stands at a decisive moment. The global automotive industry is undergoing its most profound transformation in a century. Countries that move now will capture manufacturing, innovation, and market leadership. Those that hesitate will be left importing outdated technologies and new sources of pollution.

A weak CAFE regime not only slows progress, it locks India into technological obsolescence.

The next steps are clear. BEE must stop writing regulations for the status quo and start regulating for the country it serves. It is time it becomes progressive and forward-looking. The CAFE framework must be tightened, not diluted. It must push the industry towards real change, not provide escape routes to avoid it.

India does not need a regulator that manages decline. It needs one that drives transformation.

Anything less adversely impacts India's economic future, energy security, and global leadership.

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