

PMO for incentives to lithium-ion batteries over electric vehicles

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The Prime Minister's Office (PMO) has sought reworking of a proposal to offer incentives of as much as ₹5,500 crore (\$759 million) for electric cars as it wants to use most of the funds to encourage local manufacturing of lithium-ion batteries, which form the core of such vehicles.

The PMO last week returned the proposal prepared by the department of heavy industry, which sought the incentives solely for electric vehicles (EVs), two people familiar with the matter said.

The PMO has instead asked the department to redraft the plan, incorporating ways to promote local manufacturing of lithium-ion batteries to reduce their prices, as well as of battery-powered vehicles, the two people said on condition of anonymity.

The PMO conveyed its decision ahead of the first edition of the Global Mobility Summit that took place in New Delhi on 6 and 7 September. The summit, attended by several industry leaders and addressed by Prime Minister Narendra Modi, was aimed at discussing the future of mobility.

Four days before the summit, the PMO expressed its reservations on the lack of emphasis on lithium-ion bat-

teries in the so-called second phase of the Faster Adoption and Manufacturing of Electric and Hybrid Vehicles (FAME) scheme. The current imbroglio will delay the introduction of the scheme.

"The PMO had its reservations about the lack of emphasis on manufacturing of lithium-ion batteries in the final draft of the FAME scheme, as batteries are the most important and expensive part of electric vehicles," one of the two people cited earlier said. "The officials wanted to know what steps will be taken to reduce the cost of batteries in India that will help make EVs affordable."

The PMO and the department of heavy industry did not respond to emails seeking comment.

To be sure, India does not produce lithium or cobalt and will have to be imported these, unless it acquires mines in lithium-

rich regions such as Latin America and Australia.

The PMO wants to build an ecosystem for manufacturing electric vehicles, especially batteries, in India and does not want to repeat the outcome of the solar power generation push, which saw an import of bulk of panels from different countries rather than them being produced locally.

"If battery manufacturing doesn't pick up in the domestic market and costs don't



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come down in the future, no one will be able to afford EVs after the second stage of FAME will be over,” the second person said. “The PMO also wants to make India the hub for making batteries, which will generate a lot of employment. They don’t want EV manufacturing to go the solar way where bulk of panels are imported.”

The impasse will likely result in a delay in the implementation of the FAME scheme. The scheme has already been extended three times.

The Indian automobile industry was looking forward to an announcement by the Union government on the second phase of the scheme, wherein the proposed outlay of ₹5,500 crore is almost eight times more than the ₹700 crore sanctioned in the first

phase.

The government is seeking to push sales of electric vehicles to cut rampant pollution afflicting most of its major cities.

Companies such as Maruti Suzuki India Ltd and Hyundai Motor Co. have already unveiled their electric vehicle plans for India, where about 3 million fossil fuel-powered passenger vehicles are sold annually.

Maruti’s parent, Suzuki Motor Corp., which has partnered Toyota Motor Corp. to make small electric vehicles in India, has also teamed up with Denso Corp. and Toshiba Corp. to build a lithium-ion battery manufacturing plant in Gujarat.

Earlier this year, Mahindra and Mahindra Ltd and South Korea’s LG Chem announced their plans to collaborate on lithium-ion battery technology.