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Complexities cloud carbon credits in Delhi's EV policy

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The proposal is designed to promote the adoption of vehicles without tail-pipe emissions

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The Delhi government is considering awarding carbon credits to buyers of electric vehicles (EV) in the national capital, a move that has sparked scepticism from industry experts because of the complexities involved. The proposal, designed to promote the adoption of tail-pipe emission free vehicles, is part of the upcoming Delhi Electric Vehicles Policy 2.0. "Collaboration shall be explored with development banks, carbon asset management enterprises to identify and evaluate various emission offset mechanisms and facilitate trading of carbon credits for the EV owners in Delhi," read the draft of the upcoming policy, which was shared with automakers for comment last month. *Mint* has seen a copy of the draft.

The thinking is that by avoiding the carbon emissions of traditional vehicles, EVs could accrue credits over their lifespan. These carbon credits could then be sold by EV owners in a secondary market, offering them a potential revenue source that would lower their total cost of ownership for the vehicles.

Emailed queries to Delhi's Transport Department, which is responsible for the EV policy, remained unanswered.

Experts, however, warn of several uncertainties involved, including the methodology to be adopted, pricing of the credits, and the availability, or lack of potential buyers.

Vaibhav Chaturvedi, senior fellow at think-tank Council on Energy, Environment and Water (CEEW), said the move was a smart one by the Delhi gov-



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ernment, but questioned how lucrative the incentive would really be. "Unless there is some certainty or minimum price assurance in this regard, a prospective EV buyer might be left wondering about the cost saving due to carbon credits," he said.

typical EV offsets about 0.5–2 tonnes of CO₂ a year.

Accurately estimating CO₂ savings per vehicle would also be a challenge, Dhaka said, as it would involve tracking usage patterns, grid emission factors, and vehicle specifications. "Without a

markets is another challenge. According to Deepto Roy, partner at law firm Shardul Amarchand Mangaldas & Co., if credits are given directly to EV owners, it will be difficult for them to access the carbon credit markets, where trading usually happens at a larger scale. "It would be easier to give the credits to manufacturers or if the government steps in and buys the credits at a floor price, aggregates them and then sells them in secondary markets," Roy said.

There is no precedent globally for carbon credits being awarded to EV buyers, Primus Partners' Dhaka said. However, similar concepts do exist for other stakeholders in the EV value chain. For example, China's credit system gives automakers carbon credits for selling EVs. Companies must meet credit quotas or buy credits from others, pushing manufacturers to produce more EVs.

Then, in California, electricity used for EV charging generates credits for charging companies. More than \$2.8 billion flowed to EV charging suppliers in 2023, Dhaka said. "This is analogous to paying EV drivers (or their utilities) for the carbon reduction from switching fuels. The lesson: well-designed credit programs can channel large funds to accelerate EV adoption, but they require tight regulation to prevent oversupply," he said.

I.V. Rao, distinguished fellow of transport and urban governance at research institute Teri, said that the proposed carbon credits policy for EV buyers could act as a boost if seen together with other incentives in the scheme.

"However, for effective policy implementation, you would need guidelines on how the carbon credits trade will work," he said. "Based on usage of a vehicle and its age, some carbon credit incentives can be thought of."

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CREDIT NOTES

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Estimates from Nikhil Dhaka, policy lead at consultancy Primus Partners, point to as little as ₹200–1,600 annual revenue from carbon credits for an EV.

Credit prices in the Indian market currently range from ₹100 to ₹800 per tonne of CO₂, he said, adding that a

well-established mechanism, carbon credits alone are unlikely to be a strong buyer incentive yet, but could gain value as India's carbon market matures," Dhaka said. There is no precedent globally for carbon credits being awarded to EV buyers," Dhaka said.

Connecting EV owners to carbon