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**The EV policy**

No one could imagine, a few years back, a vehicle without an engine. It has become a reality today owing to the contribution of new electric vehicle (EV) technology. A revolution has already taken place in the EV world, as we saw Tesla celebrating Battery Day last September.

If we look at a broader picture of the automobile industry, a huge transformation is underway. It would be a complete replacement of a conventional internal combustion engine with a battery-backed system. While Tesla under CEO Elon Musk is leading the revolution, there is a lot of optimism and demand for electric vehicles all over the world. Norway has become first among the equals to jumpstart EV demand and sales at such a huge scale followed by the state of California with heavy subsidies. The United Kingdom and Canada are also part of this bandwagon.

There will be an immediate need of associated infrastructure along with EVs to back up the whole supply chain, especially the charging stations. The whole electric vehicle industry revolves around the battery system, which is totally dominated by China, Japan and Korea. Chinese Contemporary Amperex Technology, Japanese Panasonic and Korean LG, Samsung, SK are the world leaders. In a way, the ownership and driving force of EV revolution will be with Asia, although innovation will always be the main contribution of Tesla and General Motors. But where lies Pakistan's automobile industry in this new world of green revolution?

Pakistan has become a part of the revolution by recently approving a five-year EV Policy. The Pakistan Electric Vehicles Policy 2020-2025 is a new document in the field. The Policy envisaged targeting a robust electric vehicle market having a 30 percent and 90 percent share in passenger vehicles and heavy duty trucks by 2030 and 2040 respectively. The salient features of the policy include a phased transition of the automobile industry, as it would be covering two and three wheelers and Heavy Commercial Vehicles (HCVs) providing incentives to manufacturers. The car sector has not been effectively prioritised in this EV Policy, apparently leaving room for further discussion.

Pakistan has a heavy annual oil import bill of about $13 billion. This needs to be curtailed through efficient use of more clean renewable energy. Trade and the current account deficit have always been a source of discontent and disequilibrium for economic stability and growth.

Climate change is another challenge for Pakistan in the coming days. Fossil fuel vehicles (FFVs) have been a burden adding to the environmental degradation through hydrocarbon concentration. Further, new and innovative technologies like EV technology are always a welcome step but there is a need for more coherent policy initiatives for stable and sustainable growth.

The initial capital cost involved in this new technology of EVs will be definitely high due to the material input cost of the battery pack. But it will come down once the production starts at economies of scale owing to more R&D by the private and public sector in the coming months and years. It is expected that the cost of EVs would be comparable with the cost of FFVs (Fossil Fuel Vehicles) by the end of 2025.

The role of the Ministry of Science and Technology along with the Ministry of Industries and Production will be very crucial in bringing out fruitful results of the revolution and that would be only possible if R&D is properly prioritised. A more focussed approach is urgently needed. But the sorry state of affairs of almost no funding to the R&D sector to the attached departments of the Ministry of Science and Technology can be highlighted as a prime source of discontent; this is more important and true in the context of the new EV Policy. The government needs a more focussed approach towards that to make the policy more meaningful and fruitful.

Infrastructure development is all the more important for the successful implementation of the EV policy. The charging stations along with new workshops infrastructure especially designed for EVs are very important for enhancing local manufacturing capabilities. More investment will be required in this area of interest for the successful transformation of the auto industry with a long history of engine growth. It will play a dynamic role in employment generation along with a positive impact on the environment in the overall context of socio-economic changes.

A new tariff structure and incentive package for the auto industry, promoting EVs, is required to be strengthened further by proper implementation and enforcement. It is really appreciable that the government will not charge any income tax and sales tax (zero percent customs duty and taxes) on import of EV-related Machinery and Equipment. The proposed customs duty of one percent on all EV-related parts and components along with only one percent sales tax, coupled with no registration fee for locally manufactured EVs and no renewal fee for registered EVs, define an impressive roadmap for EV Policy implementation. It would be an added incentive if the government considered an amnesty scheme and total exemption of duties and taxes for five years for local manufacturers promoting EVs in Pakistan.

In my considered opinion, there is a need to revise the EV Policy. A separate EV Board in place of the Engineering Development Board (EDB) is immediately needed, as the present EDB lacks expertise and knowledge in the field of EV technology. Further, the policy document is also deficient in nature by not prioritising the important car sector, as we cannot achieve the best results by delineating and promoting only 2/3 wheelers and HCVs. The future lies in the EV industry and a country like Pakistan has all the potential to revitalise its economy by prioritising and promoting the car manufacturing sector as a part of the policy.

The writer is an economist.