

Government Policy Report

August 2021 Edition

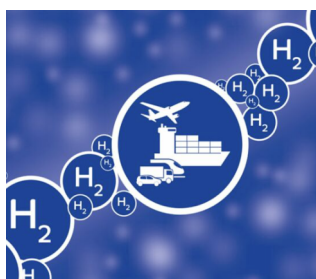


Policies Covered In The Edition



1. Vehicle Scrapping Policy, 2021

2. e-RUPI: an Indian Digital Payment Solution



3. National Hydrogen Mission 2021-22

Vehicle Scrapping Policy, 2021

Vehicles are the status symbols of Indian households for centuries and they have become their part of life and a valuable belonging over time. Yet the health of the vehicle deteriorates over time if we don't care for them properly. These aged faulty vehicles cause high levels of air pollution (10-12 times more than fit vehicles) and put a major threat on road safety.

Thus to address these issues in an eco-friendly way the government of India has launched the Vehicle Scrapping Policy, 2021. This will also be known as the “Voluntary Vehicle Fleet Modernisation Programme”. Under its first phase, around 51 lakh Light Motor Vehicles (LMVs) above the age of 20 years and 34 lakh LMVs above the age of 15 years will be scrapped. This will also give a major boost to the circular economy in the country by attracting around Rs 10,000 crore additional investment and enhance road safety in an environmentally sustainable way.

The applauded step can help to attain reduced air pollution levels to achieve our commitments to check climate change levels and global warming. It can also increase the fuel efficiency and the availability of raw materials for automotive & allied industries like steel, electronics, etc, and reduce the cost of manufacturing automobile parts by more than 30%. The policy will give great support to the informal vehicle scrapping industry and formalize its function, which in turn can create around 35,000 jobs in this sector. The success of this policy framework is already proven on international standards in the countries like the USA, UK, Japan, and Germany, which have adapted this a decade ago and reaping its benefits over the span.

In the first phase, the government has planned to scrap all the vehicles which have completed their 15 years of registration and are used by Central and State Governments, Municipal Corporations, Panchayats, PSUs, State undertakings, and autonomous bodies. The step will reduce the current fuel import of the country significantly and promote green fuel and electricity-enabled vehicles on the road. This will show up a 30 % boost in the automobile industry in India and almost double the export component, which is going to be welcome news for the Indian economy. All this in turn increase the adoption rate of new technologies in this sector. The timeline of the phase-wise implementation of the Policy is outlined as:

01st October 2021	01st April 2022	01st April 2023	01st June 2024
Notification of Rules for Fitness Tests and Scrapping Centres	The First phase of implementation kick start by Scrapping Government and PSU vehicles above the registration age of 15 years	Fitness Testing for Heavy Commercial Vehicles will be mandatory	Fitness-Testing will be made mandatory for other categories in a phased manner

Incentives for new vehicle purchase:

- The evaluation of scrap value of old vehicles by the scrapping center, which amounts to around 4-6% of the ex-showroom price of the new vehicles (Through Scrapping Certificate)
- The state government is suggested to offer a rebate on road tax for private and commercial vehicles upto 25% and 15% respectively.
- A discount of 5% on the purchase of new vehicles may be suggested to the vehicle manufacturers. (Through Scrapping Certificate)
- Additionally, the registration fee waiver may also be present for the new vehicle purchase. (Through Scrapping Certificate)

Disincentives for possessing old vehicles:

- An increased fitness certificate and fitness test fee for the commercial vehicles from the date of their initial registration after 15 years.
- An increased fee for re-registration of private vehicles after 20 years from the date of initial registration date from 15 years onwards.
- An additional levy of “Green Tax”
- Automatic deregistration of vehicles that are found to be unfit.

Who all will be exempted!

- All the vehicles which use green fuels like LPG, CNG, ETHANOL, etc.
- Hybrid and Electric vehicles
- Agriculture equipment and allied vehicles like tractors, harvesters, etc.

Thus the scrapping policy will overall help to reduce the maintenance costs of vehicles and ensure road safety for pedestrians as well as drivers. The reduction in fuel spending will also be an attractive outcome and help in reducing environmental

pollution and degradation through the rampant use of unfit vehicles on Indian roads. To achieve the outcome of the policy, the quality and performance of fitness testing centers along with scrapping centers will play a key role. To check the same the fitness centers will not be authorized for any repair/sale of spares on the fitness centers and the appointment to these fitness centers will be made online and the test reports will also be generated through electronic mode only.



The challenge to the timely implementation of the policy is evident due to the lack of infrastructure available for fitness checking and scrapping. As we are currently owning only seven automated fitness centers against the proposed fitness centers at each district. There are only two scrapping centers present in the country that cannot cater to the large market requirement. This is also going to be emotionally challenging for Indian vehicle owners to deregister and scrap their vehicles as per the guidelines. But the central government along with the Society of Indian Automobile Manufacturers working continuously to overcome these challenges and the roll-out of the policy in a systematic phased manner will also prove a significant milestone in its success overall.



e- RUPI: an Indian Digital Payment Solution

The government of India on 2nd August has launched India's **digital payment solution** named e-RUPI, a **cashless and contactless voucher-based** payment mechanism that needs **one-time SMS or QR code** to realize the benefits. This mode of digital payment will require no electronic cards, internet banking, or digital payment apps and thus reduce the cost of the transactions too. The beneficiaries will only need to share the one-time SMS or QR code at any center that will accept the same and get the benefits without any commission payment or delay. This payment solution will strengthen the Direct Benefit Transfer mechanism of the Indian government by sending the benefits to their target beneficiaries and curb the leakages on different touch points.

This digital payment system is **person and purpose-specific** and needs no actual contact of sponsors and beneficiaries at any point in time. In the lack of such a payment solution, the direct benefit in form of cash is transferred to the bank account of beneficiaries. But the targeted use of those cash transfers cannot be ensured through any means. Thus this voucher-based payment mechanism will help in ensuring the targeted use of benefit transfer in the case of government policies and other welfare programs. As the QR code is not going to be accessed for any other purpose than its intended benefit, the targeted use of the payment will be ensured. As per the Government of India, it will ensure the smooth delivery of drugs, diagnostic and nutritional support under Mother and Child welfare programs and Ayushman Bharat, fertilizer and seed subsidies to farmers, etc.

This revolutionary digital payment solution can also support the private sector of the Indian economy. The corporate social responsibility and employee welfare program of big corporate and private players will leverage the target-based direct benefit transfer through this technology enabled voucher-based payment system. This will ensure transparency and integrity in the benefit transfer and will directly impact the life of the people who are only dependent on such benefits and have limited sources of income.

During the Covid-19 pandemic, in India digital transactions have increased many folds, and to leverage these trends the launch of e- RUPI payment solution by the government is the right step at the right time. Before India, on similar lines, the

M-Pesa was launched in Kenya in 2007 to access financial services universally and was a huge success there. Thus to address the challenges of the financial and technology access divide of urban and rural India this mobile-based payment method can open new avenues of financial inclusion.

The service will be prepaid in nature and so no intermediary will be required to warrant the payment. Each digital transaction in this method is an end-to-end encrypted transaction and thus realized without any inconvenience and delay. The mechanism is developed by the National Payments Corporation of India (NPCI) with the help of the Department of Financial Services under the Ministry of Finance, Ministry of Health and Family Welfare, and National Health Authority (NHA). All the major Indian Banks and payment apps have already been partnered with NPCI for e-RUPI transactions. In the first phase, the e- RUPI voucher can be redeemed on 1600 hospitals that have already partnered with NPCI and will be expected to expand its reach in the coming days.

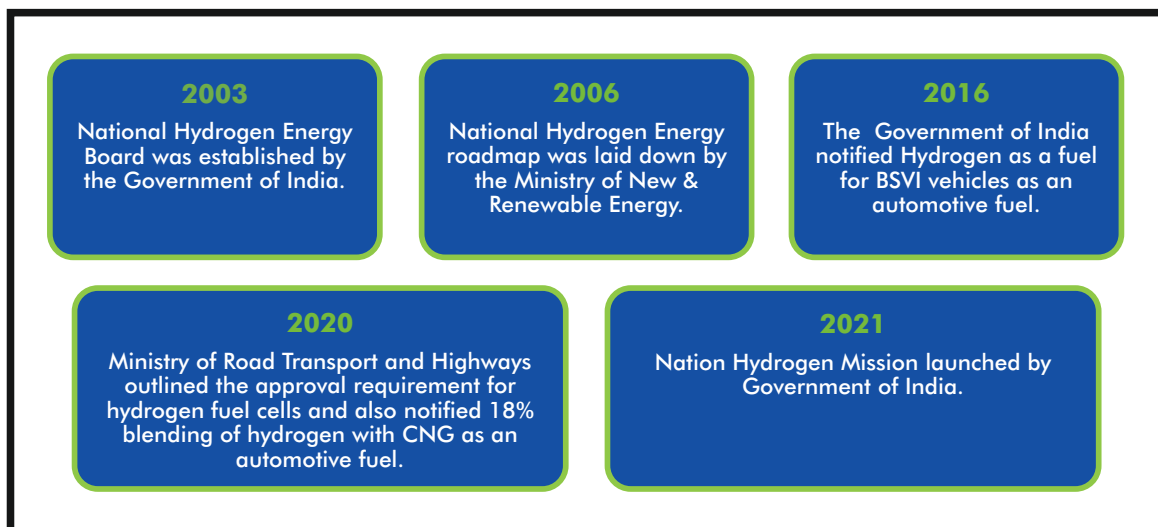
The payment system simply works like a gift voucher, which will help to redeem the gift from its intended provider when the person holding the voucher provides the respective one-time SMS or QR code received in their registered mobile phone. To complete the process the person is not required to share their details with anyone and requires no bank account or internet-enabled mobile services. Due to the expanding coverage of digital currency and the adoption of digital payment systems by Indian people the future of this technology-enabled payment method is bright. It is well expected from e-RUPI to draw a large landscape of financial inclusion in India and prove to be a game-changer. Through this, digital governance will pave the way for good governance through the integration of technology for the betterment of the Indian people.



National Hydrogen Mission 2021-22

The Prime Minister on the occasion of the 75th Independence Day of India launched the National Hydrogen Mission to pave the way for energy security and sustainability in India. Energy is undoubtedly a most crucial and integral part of a fast developing country but the sustainable and environmentally friendly production of this energy is also an important parameter of sustainable growth. The government has the vision to eradicate the energy poverty in the country through this energy roadmap using hydrogen as a source of renewable energy. The availability of energy as per the demand with a limited carbon footprint is the overall motivation of this mission.

The mission has highlighted the use of renewable energy sources for the production of Hydrogen in place of fossil fuels. The electricity will also be generated from the hydrogen under this mission objective and will be able to cater to the continuously changing energy needs of the Indian people. The development of Hydrogen as emerging fuel is one of the major key drivers for the energy security of the country which will help in perceiving the outcomes of government initiatives like Atmanirbhar Bharat. Thus the Indian Government has allocated Rs 1500Crore for the development of Renewable energy and the National Hydrogen Mission under the 2021-22 Central Budget. NTPC, India's dominant power producer and one among the Maharatnas is playing a pivotal role in this initiative and also developing the first green hydrogen fuelling station of India in Leh district of Ladakh.

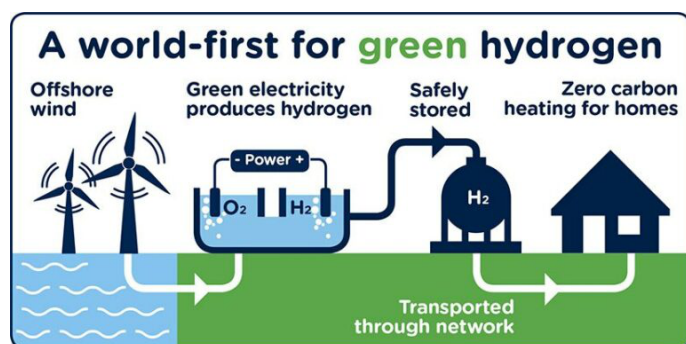


Hydrogen has enormous potential to replace fossil fuels in the coming years as this is an energy source which in all its form of production reduces global warming. To meet those global climate commitments in the future hydrogen will play a significant role. You can either burn hydrogen or use it as a fuel cell; it does not emit any pollutant or Green House Gas (GHG). Thus various ministries and departments of the Indian government such as the Ministry of New & Renewable Energy, DST, CSIR, etc are playing an active role in the production of fuel cells through hydrogen. The “Hydrogen” is present in different colors depending upon the process used for production. Blue hydrogen is produced through natural gas by following the process of steam methane reforming while green hydrogen is produced through renewable energy sources by the process of electrolysis in which water (H_2O) molecule is split into Hydrogen and Oxygen. The integration of these processes will create a major capacity to produce hydrogen and develop mega energy infrastructure.

Indian Petroleum sector is currently producing most of the hydrogen in the country for their refinery process and thus the sector is going to pave a new way in achieving the targets set under National Hydrogen Mission. This in turn helps India to achieve the set target of renewable energy generation i.e. 450GW by 2030. The properties of hydrogen can be used as decarbonizing agents, Waste-to-Energy, and rapid replacement of fossil fuels and that can help across major industries like energy, power, transport, chemicals, etc. The government on the pilot project is trying to blend hydrogen with CNG to use it as an alternative fuel to serve the rising needs of domestic cooking gas as well as the transportation sector in India.

Thus the Hydrogen Mission will create a new energy mix through technological advancements and the creative potential of huge investment in the sector. The government under the mission will initiate the hydrogen purchase obligation for fertilizers and refineries to produce green hydrogen along with the private players. This will create transparency in the production process and also encourage competitiveness. This will put the foundation stone of a much clean and green Atmanirbhar Bharat in the future. Also, it will be a cost-effective measure to be self-sustainable in the energy sector.

India, currently driven through strong political commitments along with a sustainable policy approach will attract lots of investment through their global energy partners. This will help in guiding the future roadmap of the hydrogen



economy and check the carbon emission standards under control during the phase of development. In the 21st century, India is evolving in a sustainable way where economical and industrial development is on the rise by keeping environmental concerns on the priority. Renewable energy sources such as “Hydrogen” will bless our future generations and make Indian society self-reliant in sustainable energy generation.



Resources

1. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1705811>
2. <https://pib.gov.in/PressReleasePage.aspx?PRID=1705814>
3. <https://www.ibef.org/blogs/vehicle-scrappage-policy-2021-expectations-and-challenges>
4. <https://www.indiatoday.in/auto/story/vehicles-scrappage-policy-launched-all-rules-and-benefits-explained-in-5-points-1840491-2021-08-13>
5. <https://pib.gov.in/PressReleasePage.aspx?PRID=1743056>
6. <https://pib.gov.in/PressReleasePage.aspx?PRID=1741110>
7. <https://www.livemint.com/opinion/online-views/the-e-rupi-could-take-us-a-long-way-towards-financial-inclusion-11630945804631.html>
8. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1744419>
9. <https://www.india.gov.in/spotlight/e-rupi-digital-payment-solution>
10. <https://pib.gov.in/PressReleasePage.aspx?PRID=1742793>
11. <https://pib.gov.in/PressReleasePage.aspx?PRID=1712018>
12. <https://pib.gov.in/PressReleasePage.aspx?PRID=1696498>

AG Group

AG was established in the year 1998. In the due course of time AG has become multi-functional, multi-disciplinary organization offering a wide range of consultancy services to multiple sectors for implementation of projects under one roof from “Concept to Commissioning” AG shareholders has track record in the development of mega projects in country & overseas in field of sports, hospitality, tourism, flood management, turf farms, F&B, real estate, fashion & clothing, import & exports, chemical & fertilizers.

The integration and coordination of our in-house experts delivers the pragmatic, valued solutions expected in the markets of today. Quality and Service delivery are key elements of AG Group corporate philosophy and are upheld by a professional management team. The highly motivated, experienced and multi-disciplined team, plans, develop and implement that meet, and often exceed client expectations. We can synergies our experience with your projects to make it a success.



Disclaimer

The documentation created is by using information available on public domain as general in nature. It does not address to any particular situation or source. However, the information received from these sources is believed to be reliable. This information might be partially amended and it's also subject to revision.

A G Horizon Pvt. Ltd. does not make any warranties, expressed or implied, as to the accuracy of such information. We do not accept any liability whatsoever, for any direct or consequential loss arising from this document or its contents.

Contact Details

+91-11- 45356553, 54 +91-9810046249
info@aggrp.in www.aggrp.in

★ New Delhi ★ Mumbai ★ Hyderabad ★ Imphal

