

**MINISTRY OF POWER
DRAFT NOTIFICATION**

New Delhi, the __ July, 2026

S.O. XXXX(E).—In exercise of the powers conferred by clauses (a),(b) & (c) of section 14 read with section 18 of the Energy Conservation Act, 2001 (52 of 2001) the Central Government in consultation with the Bureau of Energy Efficiency, hereby makes amendments in the notification of the Government of India, Ministry of Power, published in the Gazette of India, Extraordinary, Part II, section 3, Sub-section (ii) dated the 23rd April, 2015 vide number S.O. 1072(E), which was subsequently amended vide SO 5020(E) dated 6th December 2021, and hereby invites objections and suggestions from all persons likely to be affected thereby.

Notice is hereby given that the said draft amendments will be taken into consideration after the expiry of fourteen days from the date of this notification as published in the Gazette of India, and are made available to the public;

Any objections or suggestions which may be received from any person in respect of the said draft amendments before the expiry of the aforesaid period will be considered by the Central Government.

Objections and suggestions to these draft amendments, if any, may be addressed and sent to the Under Secretary, Energy Conservation, R. No.-6424, Hall No.-4, 6th Floor, GPOA-3, Africa Avenue, Netaji Nagar, New Delhi and may be sent at the e-mail address **saket-upsc@gov.in**.

1. Following shall be inserted prior to para 2 of the said notification:

1. **Definitions:**

2. **“Credit”** means the positive compliance balance accrued when a manufacturers Corporate Average fuel consumption is better (lower) than the applicable target, expressed in terms of CO₂ (g/km)
3. **“Debit”** means the shortfall arising when a Manufacturer’s Corporate Average Fuel Consumption exceeds the prescribed target expressed in terms of CO₂ (g/km).
4. **“Pooling”** means a voluntary compliance mechanism that allows exchange or trading of credits between vehicle manufacturers for meeting Annual Average Fuel Consumption permitted for respective manufacturer.

5. **“Passbook”** means a credits and debits account for each manufacturer and maintained, recorded, tracked, carried forward, and adjusted across compliance periods.
6. **“Reporting period”** means the twelve-month period starting from 1st April to 31st March of the preceding assessment year, both dates inclusive.
2. At sub para (ii) of para 2(1) the words and figures “fiscal year 2022-23 onwards” shall be substituted by “fiscal year 2022-23 to 2026-27 in Table 1.2”.
3. Following shall be inserted after sub para (c) of sub para (ii) para 2(3)

d. Credit/Debit Calculation:

The difference in Annual Average of Actual Fuel Consumption for each manufacturer and Annual Average Fuel Consumption Standards applicable to the respective manufacturer shall result into credit or debit as follows:

$$\text{Credit} = (T - P) \times n_i$$

$$\text{Debit} = (P - T) \times n_i$$

where,

- i. T is Annual Average Fuel Consumption Standard in g CO₂/km applicable to a manufacturer
- ii. P is Annual Average of Actual Fuel Consumption in g CO₂/km of respective manufacturer
- iii. n_i means the total number of manufactured / imported vehicles of a type approved model 'i', including its variant(s) in a reporting period as declared by the manufacturer.

e) Pooling

Credits and debits shall be assessed on an annual basis for individual manufacturer(s) and shall be recorded in manufacturer's passbook. Such credits and debits may be carried forward within the compliance block of five years from FY 2022-23 till FY 2026-27. Any credits remaining unsettled at the end of the compliance block shall stand lapsed.

Individual manufacturer may exchange or trade credits with other manufacturer(s) for the purpose of compliance on their mutually agreed terms and conditions. Result of trading or exchange of credits by individual manufacturer(s) shall be completed and furnished to the designated agency.

f. Credits buyout from BEE

Manufacturer(s) shall also be permitted to offset any debit balance accumulated in their respective passbooks through the purchase of credits from the Bureau of Energy Efficiency. The price of such credits in INR per g CO₂/km shall be Rs 2500 for each reporting period of FY 2022-23 till FY 2026-27.

g. Timeline for reporting the compliance

- i. Offsetting of debits during the period of 1st April, 2022 to 31st March 2027 through exchange of credits under sub para (e) or (f) shall be allowed till 30th September, 2027.
- ii. The designated agency shall collate and submit to Bureau of Energy Efficiency the final passbook on or before 31st October, 2027 for the compliance duration of 1st April, 2022 to 31st March 2027.

h. Compliance

- i. Compliance shall be assessed on an annual basis, and manufacturers or importers, in case of noncompliance, shall be liable to penalty, at the end of a block period
- ii. The non-compliance in litre/100km at the end of the block period shall be calculated as per the following formula: -
$$\text{Non-compliance in litre/100km} = (\text{Total Debit at the end of the block period}) / (\text{Total Sales of vehicles in block period} * 23.7135)$$
- iii. Penalty shall be as per the Section 26 read with Section 27 and 28 of the Energy Conservation Act, 2001 (52 of 2001).

iv. Penalty

All penalties payable by entities referred to in Rule 2 of the Energy Conservation (Compliance Enforcement) Rules, 2025 and sums received against buyout of credits for compliance shall be credited to the Central Energy Conservation Fund established under Section 20 of the Energy Conservation Act, 2001 (52 of 2001). Of the total amount so credited, ninety per cent shall be transferred to the respective State Governments and ten per cent shall be retained by the Central Government. The State Governments' share shall be apportioned to the Consolidated Fund of each concerned State in proportion to its share in the total sales of the vehicles by the respective manufacturer or importer during the compliance period.

4. sub para (2) of para 4 of the said notification shall be substituted with the following:

"The Ministry of Road Transport and Highways shall enforce provisions related to testing and calculation methodologies, reporting, conformity of production, volume

derogation factor for super-credits (vi) and petrol equivalent fuel consumption reducing technology derogation factor (ci) for all motor vehicles under the Central Motor Vehicle Rules, 1989, in consultation with Ministries concerned. Every manufacturer for the reported volume (n_i) shall furnish to the designated agency, on an annual basis along with the final compliance report, the state-wise sales data of its vehicles.”

[F. No. 10/3/2021-EC]

..... Addl. Secy.

Note: The principal notification was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii) dated the 23rd April, 2015 vide number S.O. 1072(E).

Explanatory Note – Draft Amendment to the Existing CAFE Norms

Background

1. The Corporate Average Fuel Efficiency (CAFE) norms provide the regulatory framework for improving the fuel efficiency of passenger vehicles (M1 category) in India. The norms prescribe fleet-average fuel consumption (liters/100 km) (measured through tailpipe carbon dioxide emission limits (g CO₂/km) for vehicle manufacturers. Compliance is assessed based on the sales-weighted average fuel consumption (or tailpipe CO₂ emissions) of all vehicles sold by a manufacturer during the assessment year, rather than on the performance of individual vehicle models.
2. The CAFE framework is based on the concept of a representative vehicle, determined by the average kerb weight of a manufacturer's fleet. This approach provides greater flexibility to manufacturers with heavier vehicle portfolios while ensuring compliance with the prescribed fleet-average targets. The framework is technology-neutral, enabling manufacturers to achieve compliance through improved internal combustion engine vehicles, hybrid vehicles, electric vehicles, or any combination thereof.
3. The Ministry of Power, in consultation with the Bureau of Energy Efficiency (BEE), notified the CAFE norms under clauses (a), (b) and (c) of Section 14 read with Section 18 of the Energy Conservation Act, 2001, vide Gazette Notification dated 23 April 2015, which was subsequently amended in December 2021. The current CAFE norms have been applicable from FY 2022-23 onwards.
4. Vehicle manufacturers adopt different technological pathways to comply with the CAFE norms, including the introduction of fuel-efficient internal combustion engine vehicles, hybrid vehicles, electric vehicles and CNG-powered vehicles. Since the deployment and market penetration of such technologies require time,

manufacturers may experience varying levels of compliance across different years. While manufacturers exceeding their prescribed targets currently receive no incentive for their over-achievement, those falling short are liable for penalties. Accordingly, there is a need to establish a mechanism that recognises and rewards over-achievement by enabling manufacturers to utilise or transfer the credits earned through superior performance.

Proposal

5. The existing CAFE notification provides enabling provisions relating to compliance mechanisms, including pooling. However, the detailed operational procedures for implementation of these provisions have not been specified. Accordingly, the proposed amendment seeks to introduce a comprehensive framework for credit accounting, utilisation and compliance assessment.
6. The salient features of the proposed amendment are as follows:
 - i. **Credit/Debit Accounting:** ICAT shall continue to maintain a Credit/Debit account for each Original Equipment Manufacturer (OEM) based on its performance against the prescribed CAFE targets. Credits and Debits shall be quantified in terms of grams of CO₂ per kilometre (g CO₂/km).
 - ii. **Generation of Credits and Debits:** Performance exceeding the prescribed target shall result in the generation of Credits, while under-performance shall result in the creation of Debits.
 - iii. **Credit Trading and Banking:** OEMs may offset their Debits by purchasing Credits from other OEMs or by utilising Credits accumulated during previous compliance years.
 - iv. **Compliance and Penalty Assessment:** While compliance shall continue to be assessed annually, the determination of penalties shall be carried out over a block period of five years.

- v. **Purchase of Credits from BEE:** OEMs may also purchase Credits from BEE at the rate of ₹2,500 per g CO₂/km for each reporting period from FY 2022-23 to FY 2026-27. This provides a compliance option at a cost lower than the statutory penalty, which is approximately ₹5,000 per g CO₂/km under the Energy Conservation Act, 2001.

Expected Outcome

- 7. The proposed amendments are expected to provide greater regulatory clarity, establish a transparent compliance mechanism, incentivise superior performance through a credit-based framework, and reduce compliance-related uncertainties for vehicle manufacturers while preserving the objectives of the CAFE norms.