



NEW CORPORATE AVERAGE FUEL ECONOMY (CAFE) NORMS NOTIFIED

**SEEKS OVER 16% IMPROVEMENT IN FUEL EFFICIENCY
OVER 5 YEARS**

**SUPPORTS DEVELOPMENT OF ALTERNATIVE FUELS, EVs
AND HYBRID CARS**

**PROMOTES INNOVATIONS IN NEW TECHNOLOGIES FOR
HIGHER ENERGY EFFICIENCY IN CARS**

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The Ministry of Power, Government of India has notified the new Corporate Average Fuel Economy (CAFE) Norms for passenger vehicles, which will come into effect from 1 April 2027 and remain applicable up to 31 March 2032. The new norms will apply to new passenger vehicles manufactured or imported for sale in India.

The new CAFE framework will drive progressive improvements in fuel economy through year-on-year tightening of targets across all five years. The fuel-consumption benchmark is tightened from 3.996 litres/100 km in 2027–28 to 3.3273 litres/100 km in 2031–32, representing an improvement of around 16.7 per cent over the period.

The revised target line has also been flattened to provide a more balanced, weight sensitive approach, with relatively softer targets for lighter vehicles and greater fuel efficiency requirements for heavier vehicles. The reference weight has been increased from 1,082 kg under existing norms to 1,229 kg under new CAFE norms, an increase of around 13.6 per cent, reflecting the evolving characteristics of the passenger vehicle fleet.

The new norms provide flexibility to manufacturers to adopt cleaner technologies, alternative fuels and other innovative solutions. The new CAFE framework promotes technological innovation in new technologies such as Solar reflective paints, advance glazing, high efficiency air-conditioning for improved fuel efficiency and India's energy security and sustainability objectives.

The passenger vehicle segment accounts for a substantial share of India's transport energy demand and remains an important contributor to fossil-fuel consumption. The new CAFE framework is consistent with and supports, rapid technological advancements, increasing availability of alternative and renewable fuels, growing electrification and evolving global automotive technologies.

Explanatory Note

Corporate Average Fuel Economy (CAFE) Norms from 2027-28 to 2031-32: A Future-Ready and Flexible Framework for India's Automotive Sector

The new CAFE Norms notified today, will apply to passenger vehicles for the period from 1 April 2027 to 31 March 2032. They will replace the existing CAFE norms with effect from 1 April 2027 and will apply to new passenger vehicles manufactured or imported for sale in India. The new framework provides greater regulatory clarity and a stable policy framework for the automobile industry, while facilitating technological innovation and supporting the continued evolution of India's passenger vehicle sector towards greater energy efficiency and lower fuel consumption.

CAFE framework marks an important milestone in India's transition towards cleaner, more energy-efficient and sustainable mobility. The new CAFE Norms have been finalised following extensive consultations with automobile manufacturers, industry associations, academia and other stakeholders, with the objective of providing a future-ready, technology-neutral and flexible regulatory framework for the passenger vehicle sector.

The CAFE framework builds on the gains achieved under the existing regime while providing greater technology choice, flexibility and regulatory certainty to the automotive industry.

The framework seeks to drive continuous improvements in fuel efficiency while enabling greater adoption of cleaner technologies, alternative fuels and innovative solutions, thereby supporting India's energy security and sustainability objectives. The framework is aligned with the broader vision articulated by Prime Minister Shri Narendra Modi for clean, energy-efficient and sustainable mobility as an important pillar of India's development and energy security.

Key Features of the new CAFE Norms

1. The overall fleet-average target has been progressively strengthened compared with the existing targets, while simultaneously providing manufacturers with a range of incentives and compliance pathways to encourage the adoption of clean fuels, cleaner technologies and more efficient vehicles. The framework therefore combines higher ambition with greater flexibility for industry to determine the most appropriate technology pathways.
2. The framework recognises the contribution of renewable and low-carbon fuels, including ethanol-blended petrol, biofuels and CBG, through the introduction of the Carbon Neutrality Factor (CNF). This provides manufacturers with an additional pathway for improving their fleet-level CAFE performance, alongside vehicle efficiency improvements and electrification. The provision supports India's broader transition towards cleaner fuels while encouraging innovation across multiple technology pathways.
3. The list of recognised fuel-conservation technologies has been significantly expanded from four to twelve technologies. This provides manufacturers with greater flexibility to adopt and receive recognition for approved fuel-saving technologies. A concession of 1 g CO₂/km for each eligible technology, subject to a maximum of 9.0 g CO₂/km, is available under the framework.
4. Battery Electric Vehicles (BEVs), Range-Extended Electric Vehicles (REEVs), Plug-in Hybrid Electric Vehicles (PHEVs), Strong Hybrid Electric Vehicles (SHEV) and Flex-Fuel Vehicles will receive volume derogation factors, also known as 'super credits', in fleet-average calculations. This provides an additional incentive for manufacturers to accelerate the deployment and market penetration of cleaner and advanced vehicle technologies.
5. To facilitate ease of compliance and provide manufacturers with greater operational flexibility, manufacturers may opt to meet their obligations over specified two-year/three-year compliance blocks, as provided under the framework. This allows manufacturers greater flexibility in managing their technology transition and product portfolios over the compliance period.

6. The framework provides greater flexibility to manufacturers in meeting their CAFE obligations. Manufacturers that perform better than their prescribed targets will generate credits, which may be carried forward within the specified compliance blocks. Manufacturers with a compliance gap may utilise eligible carry-forward provisions, enter into exchange/trade of credits with other manufacturers, or purchase credits through the buyout mechanism administered by the Bureau of Energy Efficiency. These provisions are intended to ease the compliance burden, provide flexibility during the transition and enable manufacturers to manage variations in their product portfolio and technology adoption pathways.

7. Reporting will be undertaken under both the Modified Indian Driving Cycle (MIDC) and the Worldwide Harmonized Light Vehicles Test Procedure (WLTP). This dual approach will facilitate India's gradual transition towards globally harmonised vehicle testing practices.

8. Manufacturers with annual sales of below 1,000 units will remain exempt from fleet-average obligations, thereby avoiding the regulatory burden for low-volume manufacturers.

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