

Driving past the ICE age

Impact note | **Delhi EV policy** | April 2026

Faced with an air quality crisis that culminated in being ranked as the world’s most polluted capital city by the IQAir 2025 World Air Quality Report, the Government of Delhi recently released the draft Delhi Electric Vehicle Policy 2026-2030.

The draft policy builds a framework of financial incentives, tax benefits and regulatory mandates to accelerate the transition to green mobility.

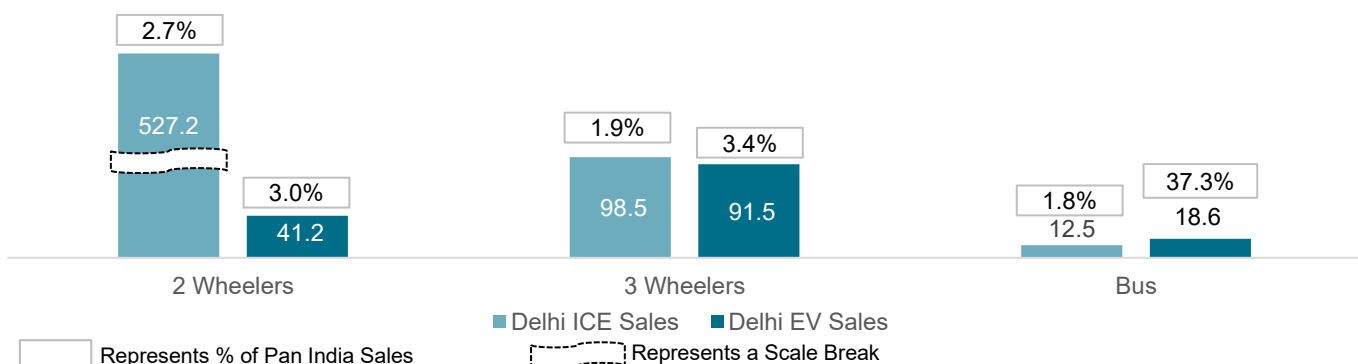
As per the Delhi EV Policy Draft 2026-2030, vehicular emissions contribute ~23% of the city’s winter pollution and two-wheelers account for nearly 67% of Delhi’s total registered vehicle stock, their electrification is central to any meaningful reduction in transport emissions.

The draft policy proposes a ban on the registration of new internal combustion engine (ICE) three wheelers and two wheelers from January 1, 2027, and April 1, 2028, respectively, requiring these vehicles to be electric. New Delhi Transport Corporation buses and Transport Department fleets will also need to be electric, and school buses are targeted to achieve 30% electrification by 2030.

The draft is open for public feedback for 30 days, with submissions due by May 10, after which it will be finalised and formally notified.

Delhi accounts for ~2.7% of all-India retail two-wheeler sales, 1.9% three-wheeler and 1.8% in the bus segment in the ICE fuel type. It accounts for ~3% of the all-India retail electric vehicle (EV) sales for two wheelers, 3.4% for three wheelers and 37% for buses, showcasing the push electric mobility received in the capital under the 2020 EV policy, which was valid till 2026.

Figure 1: Delhi commands higher EV share as compared with share in overall India sales



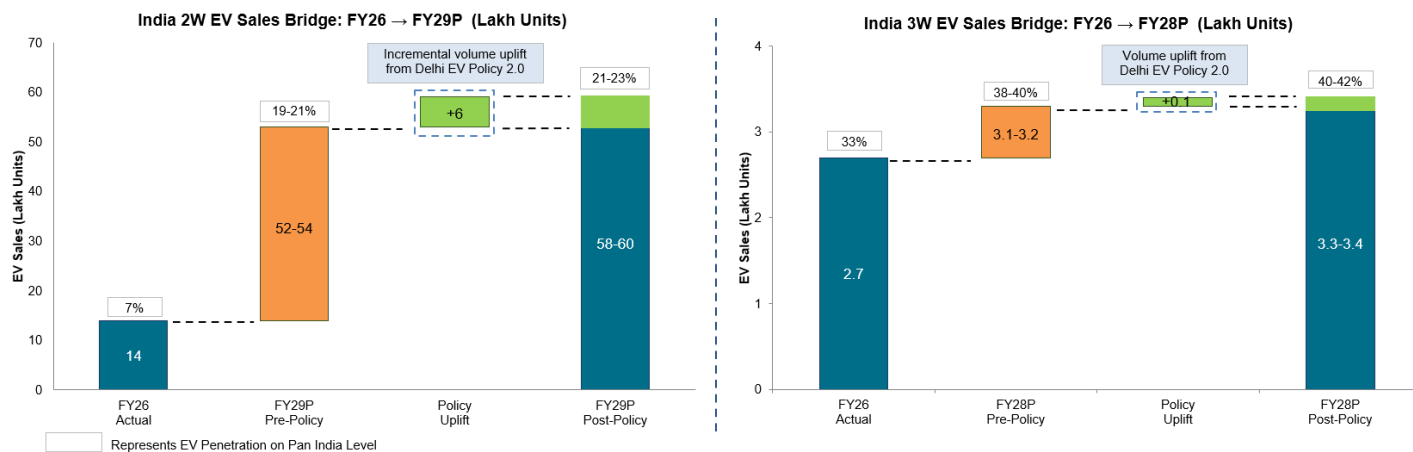
Note: Two wheelers in ('000s); three wheelers and buses in ('00s)

Source: MoRTH, Crisil Intelligence

Despite Delhi's relatively modest share in all-India vehicle sales, implementation of the draft EV policy is expected to enhance EV adoption.

Almost 600,000 e-two wheelers (9-11% of EV two wheelers in fiscal 2029) and 11,500 e-three wheelers (4-6% of EV three wheelers in fiscal 2028) are projected to be sold in lieu of ICE vehicles if the policy is implemented in its present shape. Consequently, EV penetration in the two-wheeler segment is projected to increase to 21-23% by fiscal 2029, compared with 18-20% otherwise, while three-wheeler penetration could rise to 40-42% versus 38-40%.

Figure 2: Policy-led demand to accelerate EV penetration



Note: P-Projected, Business-as-usual scenario: In absence of the Delhi EV policy

The numbers above are pan-India EV penetration numbers

Source: MoRTH, SIAM, Crisil Intelligence

On the demand side, the lifetime cost of ownership (LCO) for electric two and three wheelers already compares favourably with their ICE counterparts. The incentives outlined in Delhi's policy will likely make it more advantageous to own and operate EVs.

While the LCO is favourable for the state transport undertaking (STU) bus segment, on account of the gross cost contract (GCC) model and central subsidies, it is unfavourable for non-STU segments. This signifies an additional burden on school bus operators and the policy may need to carve out incentives for this segment.

Given that 66 of top 100 polluting cities are in India, the adoption of similar measures by larger states following Delhi's example, would accelerate the ongoing transition to EVs.

The increased adoption would rest on original equipment manufacturers revising and redrawing their strategies and increasing their electrification investments. The greater demand would also require expedited localisation of battery and EV components and improvements in the charging infrastructure.

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