



ENERGY AND INFRASTRUCTURE

CAFE Norms Get Enforcement Powers: What the Draft Energy Conservation (Compliance Enforcement) Rules, 2025 Mean for India's Auto Sector

AUTHOR Shrishail Kittad

PUBLISHED 7 August 2025

Introduction – From Efficiency Targets to Legal Mandates

For years, India's Corporate Average Fuel Economy (CAFE) standards have set fuel efficiency benchmarks for vehicle manufacturers and importers. These targets, administered by the Bureau of Energy Efficiency (BEE) under the Energy Conservation Act, 2001, are designed to reduce fuel consumption and emissions in the transport sector.

While the standards have been in place since 2017, enforcement has largely relied on periodic data submissions and administrative follow-up. There was no statutory penalty process specifically tailored to CAFE non-compliance. That changes with the Draft Energy Conservation (Compliance Enforcement) Rules, 2025, issued on 4 August 2025. Once finalised, these rules will give BEE clear authority to penalise automakers who fall short of CAFE targets, making compliance a matter of legal obligation rather than policy guidance.

Table of contents

- [Introduction – From Efficiency Targets to Legal Mandates](#)
- [Scope – Why Automakers Are Directly Affected](#)
- [Key Changes for the Auto Industry](#)
- [How the New Enforcement Process Will Work for Automakers](#)
- [Appeal Path for Automakers](#)
- [Practical Impact on the Auto Sector](#)
- [Conclusion – From Policy to Law](#)

Scope – Why Automakers Are Directly Affected

The draft rules apply to multiple sectors under the Energy Conservation Act, 2001, but vehicle manufacturers and importers fall squarely within Section 14(b) and (c) of the Act, which empower the Central Government to:

- Notify fuel efficiency standards for motor vehicles.
- Direct manufacturers/importers to comply with these standards.

This means all Original Equipment Manufacturer (OEMs) selling passenger vehicles in India, whether domestic or foreign, are bound by the reporting, verification, and penalty provisions in the new framework.

Key Changes for the Auto Industry

1. **No Change in Targets, Change in Enforcement:** The CAFE fuel efficiency limits for vehicles remain exactly as previously notified by the Bureau of Energy Efficiency (BEE). The draft rules do not alter these engineering targets. However, the major shift lies in the enforcement mechanism. Any shortfall in meeting these targets will now be treated as a statutory violation, attracting penalties under Section 26 of the Energy Conservation Act, 2001. This transforms CAFE compliance from an administrative requirement into a legal obligation backed by enforceable sanctions.
- **Mandatory Periodic Reporting:** Every Original Equipment Manufacturer (OEM) and vehicle importer will be required to submit detailed CAFE compliance data to BEE at specified intervals. These reports will cover fleet-wide sales, fuel consumption figures, and other prescribed parameters. The data provided will be central to determining whether the manufacturer has met the applicable fuel efficiency target, making accurate and timely reporting a core compliance responsibility.
- **Definition of Underachievement:** The draft rules formally define “underachievement” as any shortfall in meeting the notified fuel efficiency targets. This means that even partial gaps between actual performance and the standard can trigger statutory proceedings. By providing a clear definition, the rules eliminate ambiguity and ensure that all shortfalls are treated consistently for enforcement purposes.
- **BEE's Expanded Role:** Under the new framework, BEE's role extends beyond simply monitoring and collecting data. The Bureau will have the authority to detect non-compliance, verify reported figures through its officers or designated agencies, and present such cases before an Adjudicating Officer appointed by the relevant State Electricity Regulatory Commission. This expansion of powers gives BEE a more active and decisive role in ensuring that automakers meet CAFE norms.

How the New Enforcement Process Will Work for Automakers

The Draft Energy Conservation (Compliance Enforcement) Rules, 2025 set out a clear, statutory process for identifying and penalising CAFE non-compliance in the automobile sector.

- **Detection** – The process begins when the Bureau of Energy Efficiency (BEE) reviews the periodic CAFE compliance reports submitted by an OEM or vehicle importer. These reports contain fleet-wide sales and fuel consumption data prepared in accordance with prescribed testing cycles. BEE will verify this data through its own officers or designated agencies, cross-checking it against independent testing, type-approval records, and market sales information. If the verified results reveal that the automaker's fleet average fuel efficiency is below the notified target, the shortfall termed "underachievement" will be recorded for enforcement action.
- **Notice** – Once a shortfall is established, BEE issues a formal written notice to the automaker. This document sets out the compliance period, the applicable CAFE target, the verified fleet performance, and the quantum of shortfall. It also cites the legal provisions being invoked under the Energy Conservation Act, 2001. This notice formally places the automaker on record as a potential violator and starts the statutory proceedings.
- **Representation** – BEE, or its designated agency, will present the case before the Adjudicating Officer appointed by the relevant State Electricity Regulatory Commission. The automaker has the right to respond to the notice, provide technical clarifications, and submit supporting evidence, including sales data, fuel economy certificates, and explanations for any anomalies. Both sides may engage legal counsel, and the case will proceed in a quasi-judicial setting.
- **Adjudication** – The Adjudicating Officer will review the verified compliance data, the automaker's submissions, and any mitigating circumstances. For vehicle manufacturers and importers, jurisdiction is determined by the location of their registered head office in India. The adjudication process is intended to be completed in a defined timeframe to ensure efficiency and avoid prolonged disputes.
- **Penalty** – If the Adjudicating Officer confirms a breach, penalties will be imposed under Section 26 of the Act. The penalty may be up to ₹10 lakh, with an additional sum for every day the violation continues, and in certain cases, may be linked to the scale of excess energy consumption caused by the shortfall. The order will specify the penalty amount, payment deadline, and consequences for non-payment. All penalties will be deposited into the Central Energy Conservation Fund, with ninety percent transferred to the State (based on the automaker's sales distribution) and ten percent retained by the Central Government.

Appeal Path for Automakers

If penalised, an automaker has the following remedies:

1. **Challenge before the Adjudicating Officer** – Contest the facts, data interpretation, or application of standards.
2. **Appeal to APTEL** – Approach the Appellate Tribunal for Electricity for a second review.
3. **Appeal to the Supreme Court** – On points of law arising from APTEL's decision.

Practical Impact on the Auto Sector

- **Compliance Becomes Legally Binding** – Failing to meet CAFE targets will no longer be without consequence; penalties will be statutory and enforceable.
- **Greater Scrutiny of Product Mix** – High-emission models could drag down fleet averages, increasing legal risk.
- **Need for Strong Data Management** – Accuracy in CAFE reporting will be critical, as any discrepancy can become the basis for enforcement.
- **Legal and Technical Coordination** – Compliance will require close coordination between engineering teams (to achieve targets) and legal teams (to respond to regulatory action).
- **Reputational Risk** – Public penalties under a central statute could impact brand trust and investor confidence.

Conclusion – From Policy to Law

The Draft Energy Conservation (Compliance Enforcement) Rules, 2025 signal a fundamental change for India's automobile sector. While the CAFE standards themselves remain the same, the enforcement mechanism is being raised from policy oversight to a statutory, penalty-backed regime. Once these rules are in force, OEMs and importers will operate in a framework where fuel efficiency is both a technical performance goal and a binding legal requirement.

Sustained compliance will require two parallel priorities: achieving the prescribed efficiency targets through product and fleet strategy, and maintaining rigorous reporting systems capable of withstanding regulatory and judicial scrutiny. With enforceable penalties now part of the equation, CAFE compliance shifts from a peripheral corporate responsibility to a central element of risk management and governance in the automotive industry.

For more details, write to us at: contact@indialaw.in

Related Practice Areas

Energy And Infrastructure