

DHC restrains scrapping of Li-ion batteries by Delhi Transport Department and directs return of batteries to the Battery as a Service (BaaS) business company (EV Sector)

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Introduction

In a landmark ruling dated December 12, 2024, the Hon'ble High Court of Delhi (DHC) addressed the complex issues surrounding the disposal of swappable lithium-ion batteries fitted in e-rickshaws.

The Petitioners¹ grievance arose from a sweeping action undertaken by the Transport Department, of impounding several e-rickshaws plying in Delhi without valid registration or the fitness certificate, which were equipped with the Petitioners' Lithium-ion batteries (through swapping model). These batteries, were provided on a lease-based swap model, as a crucial part of the e-rickshaw ecosystem.

Since the batteries faced scrapping as a single-unit alongwith the impounded e-rickshaws, the Swapping company approached the DHC seeking returns of its Lithium-ion batteries.

Key Points argued by the Petitioners:

The swappable batteries in the impounded e-rickshaws can be segregated and the

Petitioners' ownership rights over the batteries can be preserved. The battery is a separate unit which can be segregated from the e-rickshaws. Thus, the destruction of the batteries would not only cause substantial economic loss to the Petitioners but would also greatly contribute to generating e-waste.

As per Rule 3(k) of the Battery Waste Management Rules, 2022, notified by the Ministry of Environment, Forest and Climate Change, an "end of life battery" is defined as a 'battery which have been used, completed its intended use and is not meant for refurbishment'. Therefore, the batteries in question cannot be categorized as 'end of life batteries' as defined in the said Rules. Although, the batteries may have deteriorated substantially on account of the impounding action of the Respondents, however, the batteries still have life and can be utilised by the Petitioners by leasing out to the other certified e-rickshaws owners.

The Government has introduced the 'Draft Batter Swapping Policy' which recognises battery swapping under the broader umbrella of Battery as a Service (BaaS)

¹ WP (C) 12992 / 2024: M/s UPGRID SOLUTIONS PRIVATE LIMITED AND ANR (Petitioners)

business models, whereby EVs can be purchased without the battery.

The Ministry of Road Transport and Highways (MoRTH) has issued clarification that the vehicles without batteries can be sold and registered on the basis of type approval certificate issued by the Test Agency. Thus, the impounding of the e-rickshaws does not necessarily entail that the batteries installed in the e-rickshaws, cannot be segregated.

Ratio Decidendi:

The DHC ruled in favor of the Petitioners, recognizing their ownership rights over the swappable lithium-ion batteries.

In light of this regulatory framework and the evidence adduced by the Petitioners, the DHC ruled that the batteries in question are not inherently tied to the impounded e-rickshaws and are separable from the impounded e-rickshaws.

DHC ruled that the batteries are a significant and valuable component of e-rickshaws, and the financial investment made by the leasing company must be protected. The leasing model presented by the Petitioners highlights that the batteries remain the property of the leasing company under the terms of the agreement. Returning the batteries would enable the Petitioners to

either reuse them in other vehicles, thereby recovering a portion of their investment.

Implications of the Ruling:

This ruling sets a precedent for the treatment of leased batteries in the context of electric vehicles, reinforcing the notion that ownership rights can be preserved even when vehicles are impounded.

It also highlights the importance of regulatory compliance in the burgeoning electric vehicle sector, balancing public safety concerns with the rights of private entities.

Conclusion:

The case underscores the evolving landscape of electric vehicle regulations and the complexities surrounding ownership and leasing agreements. As the electric vehicle market continues to grow, this ruling in favour of the Company enabling swapping of the batteries may influence future legal frameworks and business models in the industry, promoting sustainable practices while ensuring compliance with regulatory standards. The Battery as a Service (BaaS) business is a growing sector and the judgment boosts the EV business players in a substantial matter at a crucial time.
