Re-vitalising Ethanol blending

What is the issue?

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A consistent and flexible policy for ethanol blending is needed to derive the many advantages that it offers across sectors.

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What is the need?

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- To achieve the government's target of 10% blending by 2022, the ethanol required is 300 crore litres.
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- Of this, 130 crore litres is consumed by the potable alcohol sector and 60 crore litres by chemical industries, leaving only about 110 crore litres for blending with petrol.
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- India's fuel bill in 2018-19 is expected to rise by 42% to $125 billion from $88 billion in 2017-18.
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- To help reduce current account deficit and to make best use of a domestically available alternate, ethanol blending with petrol for fuelling vehicles was proposed.
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- It serves as an environment-friendly alternative which can help reduce India's dependence on oil imports, thus presenting itself as a compelling option.
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What are the concerns?

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- The ethanol blending policy was first announced in 2002 with a target of 5% blending rate.
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- However, lack of a consistent policy and the will to implement the programme effectively resulted in the average blending rate still hovering around 2.07% in 2016-17.
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- Along with that, pricing of ethanol, whether to be fixed by the government or identified through tendering, created so much of hassle for the oil marketing companies.
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- Also, since the price offered by the potable alcohol industry more attractive, sugar mills tend to leverage more towards them rather contributing towards ethanol blending.
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- State governments, on their part, have either banned inter-State movement of ethanol or dis-incentivised it by levying taxes, affecting both demand and supply.
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What are the measures needed?

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- For India’s ethanol blending programme to deliver, three critical factors are essential — policy consistency, price stability and flexibility.
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- Automotive Industry will have to study if engines need to be modified, with increasing blending requirements, and have to make necessary adjustments.
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- **Price stability** - Ethanol has competing users and for OMCs to get their share for blending they should pay a remunerative price.
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- Thus, for ensuring price stability, ethanol pricing should be de-linked from crude prices.
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- **Policy consistency** - Blending ethanol with petrol will help the country manage its surplus farm output by using feedstock that goes into making ethanol.
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- The national bio-fuel policy permits damaged/broken food grains apart from agri-waste to be converted into ethanol.

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- **Flexibility** - In India, ethanol is produced after distilling molasses, a by-product of sugar.
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- Sugar mills should be allowed to produce ethanol directly from cane juice or by converting molasses earlier in the process instead of producing sugar.
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- This would avoid rising cane arrears due to surplus production of sugar and would also ensure better price realisation for farmers through diversification.
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Source: Business Line

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