

# Ethanol Blending

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**In News:** Oil marketing companies (OMC) are set to procure 283 crore litres of ethanol from mills for blending up to 10% with petrol in 2020-21 (December-November).

## Ethanol

- Ethanol, an anhydrous ethyl alcohol having the chemical formula of  $C_2H_5OH$ , can be produced from sugarcane, maize, wheat, etc which are high starch content. In India, ethanol is mainly produced from sugarcane molasses by fermentation process.
- Ethanol can be mixed with gasoline to form different blends. As the ethanol molecule contains oxygen, it allows the engine to more completely combust the fuel, resulting in fewer emissions and thereby reducing the occurrence of environmental pollution. Since ethanol is produced from plants that harness the power of the sun, ethanol is also considered as renewable fuel.

## Ethanol Blended Petrol Programme

- Ethanol Blended Petrol (EBP) programme was launched in January, 2003. The programme sought to promote the use of alternative and environment friendly fuels and to reduce import dependency for energy requirements.

## Implementation of EBP programme

- During 2001, pilot projects on Ethanol Blended Petrol started at 3 locations i.e. at Miraj, Manmad (Maharashtra) and Aonla/Bareilly in Uttar Pradesh.
- The Government of India decided to launch Ethanol Blended Petrol (EBP) Programme in January, 2003 for supply of 5% ethanol blended Petrol.
- The Ministry of Petroleum & Natural Gas (MoP&NG) vide

its notification dated 20th September, 2006 directed the Oil Marketing Companies (OMCs) to sell 5% Ethanol Blended Petrol subject to commercial viability as per Bureau of Indian Standards specifications in notified 20 States and 4 UTs with effect from 1st November, 2006.

- This programme has been extended to whole of India except Union Territories of Andaman Nicobar and Lakshadweep islands with effect from 01st April, 2019 wherein OMCs sell petrol blended with ethanol up to 10%.
- During the ethanol supply year 2018-19 about 189 crore ltrs of ethanol was supplied by sugar mills and grain based distilleries to OMCs thereby achieving 5% blending target and in the ethanol supply year 2019-20, efforts are being made to supply 190-200 crore ltrs of ethanol for blending with petrol to achieve 5.6% blending.
- The Government has 10% blending target for mixing ethanol with petrol by 2022 & 20% blending target by 2030.

### **Procurement of ethanol**

- The OMCs are to procure ethanol from domestic sources.
  - Government has notified administered price of ethanol since 2014. For the previous ethanol supply year 2019-20, the ethanol procurement by OMCs is estimated to be 195 crore litres.
  - Revision of ethanol price for the Ethanol Blended Petrol (EBP) Programme for the forthcoming sugar season 2020-21 during Ethanol Supply Year (ESY) 2020-21 from 1st December 2020 to 30th November 2021 is as follows.
1. The price of ethanol from C heavy molasses route be increased from Rs.43.75 per lit to Rs.45.69 per litre
  2. The price of ethanol from B heavy molasses route be increased from Rs.54.27 per lit to Rs.57.61 per litre
  3. The price of ethanol from sugarcane juice / sugar / sugar syrup route be increased from Rs.59.48 per lit to Rs. 62.65 per litre

4. Additionally, GST and transportation charges will also be payable. OMCs have been advised to fix realistic transportation charges so that long distance transportation of ethanol is not disincentivised
5. In order to offer fair opportunity to the localized industry within the State and reduce criss cross movement of ethanol, Oil Marketing Companies (OMCs) shall decide the criteria for priority of ethanol from various sources taking in account various factors like cost of transportation, availability, etc. This priority will limit the excisable boundaries of the State / UT for production in that State / UT. Same order of preference will be given thereafter for import of ethanol from other States wherever required.

- Government has reduced the GST rate on ethanol meant for EBP Programme from 18% to 5%.
- OMCs are advised to continue according priority of ethanol from
  1. Sugarcane juice/sugar/sugar syrup,
  2. B heavy molasses
  3. C heavy molasses and
  4. Damaged Food grains/other sources, in that order.
- Subsequent to amendment in Industries (Development & Regulation) Act, 1951, giving control on production, movement and storage of ethanol to the Central Government, Central Government has been regularly interacting with the State Governments and other stakeholders to resolve the bottlenecks in smooth implementation of EBP Programme.
- Department of Food & Public Distribution has introduced a Scheme for extending financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity. This Scheme aims to infuse Rs. 1332 crore via Interest Subvention route.