

# Ethanol Procurement Policy

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**In News:** Ministry of Petroleum and Natural Gas has published an 'Ethanol Procurement Policy on a long term basis under Ethanol Blended Petrol (EBP) Programme' on 11th October 2019 which broadly covers the modalities for long term procurement of ethanol, proposed mechanism for long term procurement contracts, pricing methodology, etc.

## Long Term Procurement

- OMCs have been entering into long term service contracts with Petroleum, Oil and Lubricants (POL) as well as LPG transporters, Private LPG Bottlers, Lube C&F, Warehousing, Drum supplies etc. Several suggestions / representations have been received from the ethanol industry members to explore the possibility of long term procurement contracts between OMCs and ethanol suppliers.
- Long term contracts for ethanol supply for a period of five-years will have following advantages:
  - The vendors get an assured supply requirement in advance which would help them in investment decision.
  - Reduction in number of tenders and time in finalization of tenders .

## Proposed Mechanism for Long Term Procurement Contracts.

- **Ethanol Procurement Quantity**
  - The period of long term ethanol procurement will begin as per Ethanol Supply Year (ESY) – i.e. period from 1 stDecember to 30thNovember.
  - OMCs would estimate the location-wise, quarter-wise, annual ethanol procurement quantity for a period of five years and this

will form a part of the procurement tender/Expression of Interest (EOI).

- The annual procurement quantity as estimated by OMCs in the EOI shall remain firm for an ESY.
- The location-wise quantity for the subsequent ESYs can be amended in the annual EOI floated by OMCs before the start of next ESY and shall remain firm for that ESY.
- OMCs to make provisions for long term supply of ethanol quantities from the likely ethanol suppliers along with mapping of the distilleries and OMC locations for allocation of quantities.
- A mechanism to be made by OMCs to account for change in transportation rates with the change in fuel prices over this long term contract period, such that, suppliers get realistic payment for transportation and are not disincentivized for supplying ethanol over long distances.
- Any new category of raw material for ethanol procurement may be introduced by the Government during the block of five years. Quantities of ethanol from such new categories would be sought and allocation of quantities will be done by OMCs as per the order of priority declared by the Government from the following ESY.

### **Entry and Exit of New / Existing Supplier / Distillery during the Contract Period:**

- OMCs to develop a mechanism for induction of a new distillery /sugar mill or additional quantity offers by an existing ethanol supplier at the beginning of each ESY during the long term

contract period.

- Similarly, OMCs to make provision for exit by an existing / participating distillery / sugar mill as per ESY in the tender.

### **Price Reduction Clause (PRC) applicability:**

- OMCs to work out the modalities of PRC applicability as per ESY and on a long term basis.

### **Pricing Methodology**

- The ex-mill price of ethanol derived from damaged food grains unfit for human consumption will be decided by OMCs. A single ethanol price will be declared for all the varieties of damaged food grains, unfit for the human consumption category.
- After the approval of NBCC for utilization of surplus food grains, the price of ethanol derived from such surplus food grains [excluding sugar] will be decided by OMCs. A single ethanol price will be declared for all the varieties of surplus food grains category.
- The annual ex-mill price of ethanol for an ESY, derived from sugarcane based raw materials viz. C heavy molasses, B heavy molasses, Sugarcane juice / Sugar / Sugar syrup shall be declared by Government.
- Additionally, GST as applicable and transportation charges as decided by OMCs shall be payable to the ethanol suppliers.