

Interest Subvention Scheme for Ethanol Distilleries

January 1, 2021

In news

The Union Cabinet approved the expansion of interest subvention scheme to provide financial assistance for enhancement of ethanol distillation capacity from grain-based distilleries along with molasses-based distilleries.

Key highlights

The total outlay under the interest subvention scheme is estimated at Rs. 8460

The expanded interest subvention scheme will fuel investment of about Rs.40,120 crore in the ethanol value chain, encouraging 'Urja-Kheti, which will augment farmer's income, transform our 'annadatas' into 'urjadas' and contribute to the overall vision of Aatmanirbhar Bharat.

Current status of ethanol procurement

Due to progressive, reform oriented approach and series of steps taken in the last six years, ethanol procurement has gone up from 38 crore litres in 2013-14 with a value of around Rs.1500 cr to estimated procurement of 325 cr Litres in sugar year 2020-21, with an estimated value of Rs. 19,000 Cr. The price of ethanol procurement has also gone up from around Rs. 39 per litre in sugar year 2013-14 to an average price of Rs. 58 per litre in sugar year 2020-21

Status of Ethanol blending

The blending percentage of ethanol in petrol has gone up from 1.53% in 2013-14 to 5% in 2019-20 and estimated to be 8.5% in 2020-21. The Government has setup an ambitious target of 10%

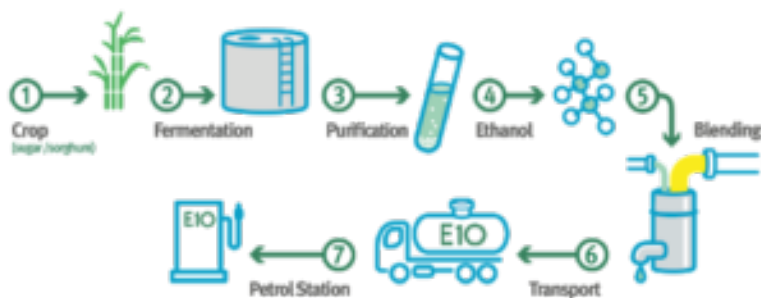
ethanol blending by 2022 and 20% ethanol blending by 2030 which will require additional capacity to be added

Significance of the move

The decision will facilitate capacity addition and greater ethanol blending will immensely help in import substitution, savings of foreign exchange and environment sustainability.

The science behind ethanol blending:

- Ethanol is a renewable fuel made from various plant materials collectively known as “biomass.”
- Ethanol has the same chemical formula regardless of whether it is produced from starch- and sugar-based feedstocks, such as corn grain (as it primarily is in the United States), sugar cane (as it primarily is in Brazil), or from cellulosic feedstocks (such as wood chips or crop residues).
- There are several steps involved in making ethanol available as a vehicle fuel:



- Biomass feedstocks are grown, collected and transported to an ethanol production facility.
- Feedstocks are converted to ethanol at a production facility and then transported to a fuel terminal or end-user by rail, truck, or barge.
- Ethanol is blended with gasoline at the fuel terminal to make fuel and then distributed by truck to fueling stations.

Ethanol blending Programme of 2003

- Ethanol Blended Petrol (EBP) programme was launched in January, 2003.
- The programme sought to promote the use of alternative and environmentally friendly fuels and to reduce import dependency for energy requirements.
- 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 EBP programme in 2003 for supply of 5% ethanol blended Petrol.
- Subsequent to this, EBP programme was launched in 9 States i.e. Maharashtra, Gujarat, Goa, Uttar Pradesh, Haryana, Punjab, Karnataka, Andhra Pradesh, Tamil Nadu and 4 Union Territories.
- The Ministry of Petroleum & Natural Gas (MoP&NG) in 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.
- At present, this programme has been extended to the 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%.
- According to the new bio-fuel policy, government aims to achieve a target of 20 per cent ethanol blending with petrol by 2030, and to have 10 per cent blending with petrol by 2022.

Newly proposed Ethanol Blending Policy

- The proposed ethanol policy will focus on the key features of manufacturing, sale, utilization and blending.
- The policy has proposed a roadmap, which would “increase blending by states from 5 percent to 12-15 percent by

2026, and then increase to 20 percent by 2030.”

- Under the proposed policy, the government is likely to allow use of grain for ethanol and is likely to allow use of maize to supplement ethanol supplies from cane/molasses in the next two-three months.
- The government would fix ethanol prices by next quarter for maize and is likely to fix realistic transport rates at par with petrol to address the price issue.
- To fix transportation challenges the policy will enable creation of pipeline infrastructure for ethanol movement.