

Ethanol production gets a leg-up

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What to study?

For Prelims: Ethanol blended petrol programme, National Policy on Bio- fuels.

For Mains: Ethanol blending- significance, potential, challenges and solutions.

Context: To boost sugar mills' ethanol-production capacity and help them pay off mounting arrears to cane farmers, the Union government has approved ₹3,355 crore in incentives.

- The CCEA has approved ₹2,790 crore for bank loan interest subvention to mills, and ₹565 crore for loan interest subvention to the molasses-based standalone distilleries.

Impact:

- **Banks will be able to extend soft loans worth ₹15,500 crore to mills and distilleries under the scheme.** This is likely to benefit 268 mills and create an additional 300-400 crore litres of ethanol capacity, according to industry estimates.
- **The decision to encourage ethanol production would have a longer term impact, with the creation of 300-400 crore litres of ethanol capacity** in addition to the existing 355 crore litres. This will help the sugar industry reduce surplus production by diverting the surplus sugarcane for ethanol.

Benefits of ethanol blending:

Increased ethanol blending in petrol has many benefits including reduction in import dependency, support to agricultural sector, more environmental friendly fuel, lesser pollution and additional income to farmers.

Ethanol Blended Petrol (EBP) Programme:

1. It was launched by the Government in 2003 on pilot basis which has been subsequently extended to the Notified 21 States and 4 Union Territories to promote the use of alternative and environmental friendly fuels.
2. It aims at blending ethanol with petrol, thereby bringing it under the category of biofuels and saving millions of dollars by cutting fuel imports.
3. Ethanol Blended Petrol Programme is being implemented by the Ministry or Oil Marketing Companies (OMCs).
4. This intervention also seeks to reduce import dependency for energy requirements and give boost to agriculture sector.

Demand:

- **India is the third largest consumer of energy in the world after China and the US.** Currently, the country is dependent on imports for about 82.1% of its crude oil requirement and to the extent of about 44.4% in case of natural gas.
- India is expected to need 10 billion litres of ethanol annually to meet the 20% blending target in 2030 if petrol consumption continues to grow at the current pace. At present, the capacity stands at 1.55 billion litres a year.

Concerns and challenges:

There has been a consistent shortfall in supply of ethanol in the past, mainly on account of the cyclical nature of the sugarcane harvests in the country. There is “lack of an integrated approach in the EBP across its value chain.”

Way ahead:

The National Policy on Bio-fuels has set a target of 20% blending of biofuels, both for bio-diesel and bio-ethanol. This will require an integrated approach in the Ethanol Blending Programme (EBP). The time is ripe for a cogent and consistent policy and administrative framework in the program implementation for the success of EBP.

- **Mains Question:** Critically examine the need for removal of restriction on direct sugar use as feedstock for ethanol production.

To be looked in UPSC Paper 2 Topic:

1. Government policies and interventions for development in various sectors and issues arising out of their design and implementation.