



## **PRODUCTION OF ETHANOL**

To realise Aatmanirbhar Bharat



Department of Food & Public Distribution,  
Ministry of Consumer Affairs, Food & Public Distribution,  
Government of India

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## INTRODUCTION

Ethanol Blended Petrol (EBP) programme was launched in year 2003. The programme sought to promote the use of alternative and environment friendly fuels and to reduce import dependency for energy requirements. **Due to unstable Government policies, the progress under the programme was negligible till 2015.** The program was finally extended to the entire country except Union Territories of Andaman Nicobar and Lakshadweep islands with effect from 01st April, 2019 by the present Government.

## UNSTABLE POLICIES TILL 2015

Prior to 2015, policies relating to blending of ethanol were not stable & encouraging.

- 2003: Blending started but not mandatory
- 2007: Mandatory 5% blending with Govt. fixed ethanol procurement price
- 2011: Fixed ethanol pricing policy reversed, and pricing through tender adopted
- Central Excise Duty @ 12%
- Multiple taxes by States too
- Too much State controls on movement

Due to unstable policies of Government, supply of ethanol to Oil Marketing Companies (OMCs) was very less; in ethanol supply year (ESY) 2013-14 (December- November), supply of ethanol to OMCs was less than 40 crore litres with blending levels of only 1.53%.

India's requirement of gasoline is around 3500 – 4000 crore litres per annum which is increasing year by year; of which 85% is being imported from other countries. This has resulted in increase in crude oil import bill. Therefore, it was an imperative need to produce maximum ethanol indigenously by diverting excess sugarcane and by utilizing surplus food-grains to reduce dependence on imported fossil fuel & to save foreign exchange on account of crude oil import bill. **This issue was never addressed by earlier Governments in holistic manner.**

## **APPROACH OF PRESENT GOVERNMENT – STABLE & ENCOURAGING POLICIES TO INCREASE ETHANOL PRODUCTION & BLENDING OF ETHANOL WITH PETROL**

With the vision to boost agricultural economy, to reduce dependence on imported fossil fuel, to save foreign exchange on account of crude oil import bill & to reduce the air pollution; [stable & encouraging policies to increase production](#) & blending of fuel grade ethanol with petrol have been framed by the present Government in past 6 years.

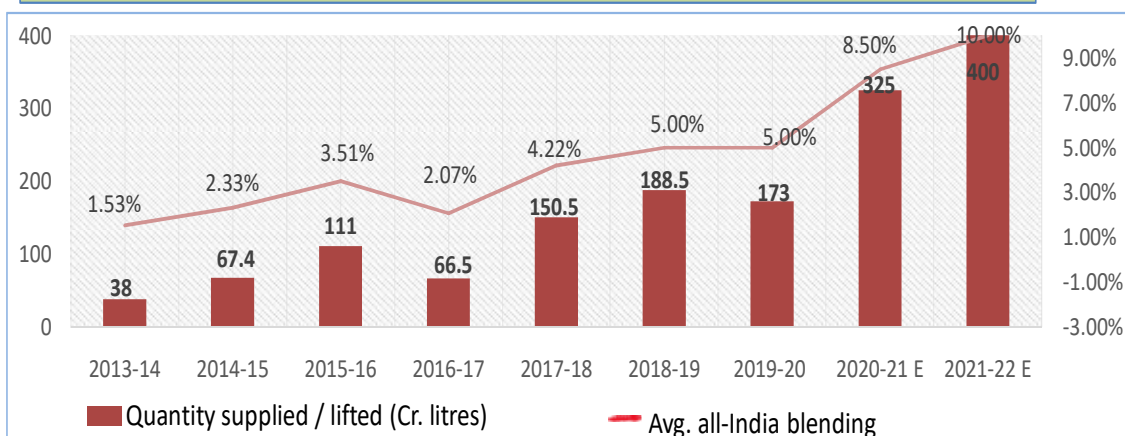
- 2015: Fixed ethanol procurement pricing again
- 2015: Central Excise Duty on ethanol waived
- 2016: Industries (Development and Regulation) Act, 1951 amended to facilitate easier movement of fuel grade ethanol across the country
- 2018: GST rate on ethanol reduced from 18% to 5% from July 2018
- 2018: New Bio fuel Policy notified which allowed use of cane juice, B-Heavy molasses, surplus & damaged food-grains, coarse grains like maize etc.
- 2018: To promote this bio-fuel, the Government of India has scaled up the blending targets from 5% to 10% under EBP by 2022 and 20% by 2030.
- 2018: Fixed multiple ethanol procurement prices, depending on raw material used
- 2018: Ethanol pricing formula linked to sugar price and sugarcane price
- 2018: Interest subvention scheme for ethanol projects based on cane and molasses
- 2018: Govt. is encouraging sugar mills to divert excess sugar /sugarcane to ethanol
- 2020: Registration for 5 year ethanol supplier list
- 2020: Opened fresh window for inviting applications under interest subvention scheme for ethanol projects based on cane and molasses
- 2020: Govt. is encouraging distilleries to produce ethanol from maize; & rice available with FCI ; & fixed remunerative price of ethanol from maize & rice; C-heavy molasses, B-heavy molasses, sugarcane juice/ sugar / sugar syrup
- 2020 : Pre-poned achievement of 20% blending target before 2025
- 2021: Notified modified interest subvention scheme to include grain based distilleries & distilleries producing 1 G ethanol from other feed stocks

## POSITIVE IMPACT OF GOVERNMENT POLICIES - INCREASE IN ETHANOL SUPPLIES & ETHANOL DISTILLATION CAPACITIES

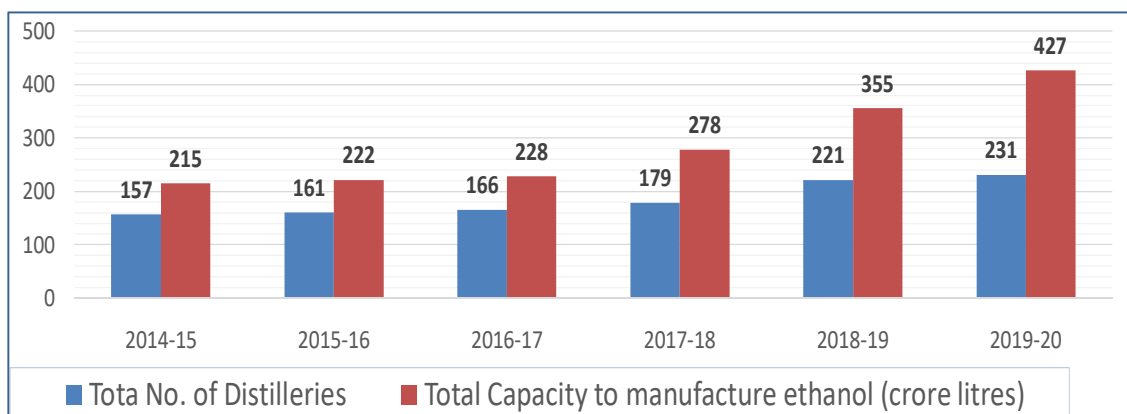
In ethanol supply year (ESY) 2013-14, supply of ethanol to OMCs was less than 40 crore litres with blending levels of only 1.53 %. However, due to concerted efforts of Central Government, production of fuel grade ethanol and its supply to OMCs has increased by 5 times from 2013-14 to 2018-19. It is expected that in current ethanol supply year 2020-21, about 325 cr ltrs ethanol is likely to be supplied to OMCs to achieve 8.5 % blending levels. It is likely that we will be achieving 10% blending target by 2022 with supply of 400 cr ltrs of ethanol.

### Impact of Govt. policies: increased ethanol supplies & capacities

Ethanol supplies have increased 5 times in 6 year



Ethanol production capacities doubled and distilleries increased by 40% in 5 years



## **FOCUS OF GOVERNMENT:**

### **TO PRODUCE 1G ETHANOL - INCREASING DISTILLATION CAPACITY OF GRAIN BASED DISTILLERIES & OTHER DISTILLERIES PRODUCING 1G ETHANOL**

Government is of the opinion that the blending targets cannot be achieved only by diverting sugarcane / sugar to ethanol; and 1<sup>st</sup> Generation (1G) ethanol is required to be produced from other feed stocks like grains, sugar beet etc for which the present distillation capacity is also not sufficient. [This will improve income of farmers & create employment opportunities in rural areas.](#)

Therefore, a modified scheme for extending interest subvention to augment ethanol production capacity has been notified on 14<sup>th</sup> January, 2021. Under the scheme distilleries/ sugar mills / entrepreneurs can avail loans from banks to set up/ expansion of grain based distilleries, molasses based distilleries, dual feed distilleries, to produce ethanol from any feed stock producing 1G ethanol. Under the scheme , Government would bear interest subvention for five years including one year moratorium against the loan availed by project proponents from banks @ 6% per annum or 50% of the rate of interest charged by banks whichever is lower for setting up of new distilleries or expansion of existing distilleries. This will bring an investment of about Rs. 40,000 crore.

### **DISTRIBUTED PRODUCTION OF ETHANOL**

Sugarcane and ethanol is produced mainly in three states viz Uttar Pradesh, Maharashtra and Karnataka. Transporting ethanol to far flung States from these three states involves huge transportation cost. By bringing new grain based distilleries in the entire country would result in distributed production of ethanol and would save a lot of transportation cost and thus prevent delays in meeting the blending target & would benefit the farmers across the country.

***“Sugarcane farmers will greatly benefit from increased production of ethanol. Earlier there was the option either to produce sugar or jaggery from cane. But with the priority given to ethanol production, farmers’ incomes will also rise and create employment”***

***-PM Narendra Modi***

“The new biofuel policy will help farmers increase their income. The use of bio-fuel is the bridge between economic Development and environment protection”.

- *PM Narendra Modi*



## **REALIZING THE GOAL OF ATMANIRBHAR BHARAT**

With increase in blending levels, dependence on imported fossil fuel will decrease thereby resulting in savings in foreign exchange on account of crude oil import bill; also due to upcoming investment in capacity addition / new distilleries, various new employment opportunities will be created in rural areas; thereby, realising the goal of Atmanirbhar Bharat.

It will help in extra consumption of farmers produce thereby increasing the income of farmers. By 2025 sugar mills will sell 270 lakh ton sugar and 700 crore ltrs ethanol & turnover of sugar industry would cross 1.40 lakh crore. In next 5 years about 1200 cr ltrs ethanol / alcohol would be required for ethanol blending; potable & chemical sectors which will make it a seventy thousand crore industry.

