Concerns in Biofuel Plans

What is the issue?

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The Union Government's plans and proposals on the production and use of biofuel have given rise to some concerns.

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What are the recent moves?

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- **Production** - The government has an ambitious plan to triple the production of biofuels in four years.
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- This is a positive move to reduce the excessive dependence on imports for meeting the energy needs.
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- **Policy** - The recently-approved National Biofuel Policy 2018 pushes for a new biofuel strategy.
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- It is aimed at raising ethanol doping of petrol to 10% by 2022 and 20% by 2030.
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- This will be a rise from the present national average of around 2%.
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- Also, biofuel blending of diesel, which is almost negligible now, is proposed to be stepped up to 5% by 2030.
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- This is estimated to help save Rs 120 billion in import bill.
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- The intended objective is to create Rs 1 trillion biofuel economy.
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- **Refineries** - Oil marketing companies are already in the process of setting up 12 biofuel refineries.
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- These units would deploy second-generation technology.
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- It can make biofuels from even solid municipal and industrial trash.
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- It also includes problematic agricultural wastes like paddy straw and crop stubbles.
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- Notably, these are generally burnt in the fields itself, causing pollution.
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- Government is offering subsidised credit, viability gap funding and relatively higher purchase prices for ethanol produced by these plants.
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- The GST has been trimmed from 18% to 5% on ethanol and from 18% to 12% on biodiesel.
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- **Sugar industry** - The sugar industry has already been permitted to produce ethanol.
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- The mills are incentivised to set up biofuel refineries with liberal government assistance.
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- The government has also fixed a higher procurement price for the ethanol drawn directly from cane juice.
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- This is more than the price for that manufactured from the byproducts like molasses.
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What are the concerns?

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- **Production** - It is proposed to use various kinds of farm produce and not just agricultural wastes for this purpose.
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- This can potentially distort the pattern of agricultural output in favour of energy crops.
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- This is a trend that even the land-rich countries are finding hard to sustain.
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- **Ethanol** - The liberties granted to ethanol manufacturers remain contentious.
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- They are allowed to choose their feedstock from a range of crops and other farm materials.
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- These include:
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i. sugarcane juice
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ii. sugar containing crops such as beetroot and sweet sorghum
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iii. starchy crops such as maize and cassava
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iv. damaged food grains such as wheat, broken rice and potato
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- Evidently, many of these are part of the human or animal food chains.
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- **Sugar industry** - Ethanol drawn directly from cane juice could amount to a complete bypassing of sugar production.
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- Also, farmers would be encouraged to produce more of this water-intensive crop.
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- This could be at the cost of other crops that can be grown on the prime irrigated lands.
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- Despite farmers' benefits, such moves may pose problems in the wider economic interests.
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- **Bio-diesel** - For biodiesel, the new plan envisages utilisation of non-edible oilseeds and short-gestation oil-bearing crops.
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- This disregards the fact these oils are used in the pharmaceutical, cosmetic and other industries.
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- Given these, the well-intentioned biofuel plan does need some judicious alterations to address the concerns.
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Source: Business Standard

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