

Ethanol Blending

Why in news?

Recently steps are being initiated to accelerate India's ethanol blended petrol programme.

What is the current status of blending?

- In 2017, ethanol blending was less than 2% and has never exceeded 5% blending thus far.
- In the first four months of the current supply year (December 2020 to November 2021), about 80 crore litres of ethanol was supplied to the fuel pumps.
- This can translate to a blending ratio of 7% and if supplies continue at this pace, the blending ratio could reach 8.5% for the full year.

What are the benefits of this programme?

- This programme can reduce India's fossil fuel dependence and trim the large crude oil import bill.
- This can help in achieving the targets set in the National Bio fuels Policy - 10% ethanol blending by 2022 and 20% by 2025.
- But India's EBP programme has often come under some issues.

What is the problem with the programme now?

- The sugar industries and oil marketing companies (OMCs) are taking an opportunistic approach to the EBP which has proved to be undoing.
- Though sugar mills make strident demands for higher blending to get rid of excess cane, they are reluctant to stick to the fixed annual supplies.
- In deficit years, they prefer to divert more cane to sugar and alcohol to industrial or potable uses in the hunt for better margins.
- On the other hand OMCs have failed to take their contracted quantities of ethanol when imported crude oil becomes cheaper.

What are the steps taken to address this?

- The Centre has established some ground rules in the last three years —
 1. Setting annual supply obligations for sugar millers;

2. Fixing the selling prices for ethanol produced through different routes;
 3. Requiring OMCs to pay these prices with reasonable transportation costs;
- This has helped in rising the ethanol supplies from 38 crore litres in 2013-14 to a targeted 262 crore litres in 2020-21.
 - In the above targets, sugar industry alone owns the capacity for 300-350 crore litres.
 - The 20% blending ratio target will roughly require 1,000 crore litres of ethanol.
 - For this OMCs have to invest in distillery capacity and storage and blending infrastructure.

What can be done now?

- India's expanding sugarcane acreage is a big contributor to its acute water stress and poor crop diversification.
- The Centre must look at ways to reduce the programme's dependence on the sugarcane.
- Alternative feedstocks like agricultural waste, recycled cooking oil, provides for more environmentally friendly bio-fuels.
- Hence the policy should now focus on raising the non-cane contribution to the ethanol mix.
- This can be done by incentivising both public and private players to set up second-generation ethanol facilities.

Source: Business Line