National Bio-fuel Policy - 2018

What is the issue?

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- The new biofuels policy was released by the Union Government recently.
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- While it is high on ambition, its success will depend on how it is executed.
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What is the current scenario?

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- The government estimates that ethanol supply of around 150 crore litres in 2017-18 could save foreign exchange worth over Rs. 4,000 crore.
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- Sugar industry is the key ethanol supplier for fuel blending at present, but prices offered to them for ethanol isn’t attractive.
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- Hence, they’ve preferred to sell off their stock to better remunerative alcohol and other industries, which has been constraining supply for blending.
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- Currently, rising oil prices are putting increasing pressure on the economy.
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- In this backdrop, the government has mooted the new “National Biofuel policy” for encouraging Ethanol use, which gives some solace.
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- The policy’s focus has been in addressing the supply side issues involving bio-fuels, which has long been a constraint in domain.
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What does the new policy envision?

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- The new policy explores a wider variety of raw materials to be used as inputs to produce ethanol (which is to be blended with petrol).
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- Apart from sugarcane – government plans to include corn, damaged food grains, potato and even municipal solid waste as ethanol sources.
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- These changes are likely to reduce the cost of producing bio-fuels and improve affordability for consumers, particularly during oil price hikes.
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- The Centre hopes the new policy will also benefit farmers, who will be able to sell various types of agricultural waste to industry at remunerative prices.
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- It will also serve as an incentive for farmers to not burn their stubble and other farmland waste, which has become a menace in the regions around Delhi.
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- The policy also envisions a budget of 5,000 crores for supply chain infrastructure enhancement in the bio-fuel sector.
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What is the way ahead?

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- Any bio-fuel policy must be strongly backed by sufficient technology and production scale in order to be financially feasible and implementable.
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- Given the current market dynamics, sugar industry’s share in the bio-fuel mix is unrivalled – thereby underscoring the need for better pricing for ethanol.
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- The consideration for using food grains is a tricky one as food supply chains might get affected if there aren’t proper checks.
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- While source diversification is indeed a positive, proper enhancement of supply-chain infrastructure to reach the final consumer will prove vital.
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- The government should also take steps to remove policy barriers that have discouraged private investment in building supply chains.
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Source: The Hindu

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