

Cabinet approves Mechanism revision of ethanol price for supply to Public Sector Oil Marketing Companies for procurement of ethanol w.e.f. December'19 for one year period

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The Cabinet Committee on Economic Affairs, chaired by Prime Minister Shri Narendra Modi has given its approval for the following, including fixing higher ethanol price derived from different raw materials under the EBP Programme for the forthcoming sugar season 2019-20 during ethanol supply year from 1st December 2019 to 30th November 2020:

- (i) The price of ethanol from C heavy molasses route be increased from Rs.43.46 per lit to Rs.43.75 per litre,
- (ii) The price of ethanol from B heavy molasses route be increased from Rs.52.43 per lit to Rs.54.27 per litre,
- (iii) The price of ethanol from sugarcane juice/sugar/sugar syrup route be fixed at Rs.59.48 per litre,
- (iv) Additionally, GST and transportation charges will also be payable. OMCs have been advised to fix realistic transportation charges so that long distance transportation of ethanol is not disincentivised,
- (v) OMCs are advised to continue according priority of ethanol from 1) sugarcane juice/sugar/sugar syrup, 2) B heavy molasses 3) C heavy molasses and 4) Damaged Food grains/other sources, in that order,

All distilleries will be able to take benefit of the scheme and large number of them are expected to supply ethanol for the EBP programme. Remunerative price to ethanol suppliers will help in reduction of cane farmer's arrears, in the process contributing to minimizing difficulty of sugarcane farmers.

Ethanol availability for EBP Programme is expected to increase significantly due to higher price being offered for procurement of ethanol from all the sugarcane based routes, subsuming "partial sugarcane juice route" and "100% sugarcane juice route" under "sugarcane juice route" and for the first time allowing sugar and sugar syrup for ethanol production. 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.

Background:

Government has been implementing Ethanol Blended Petrol (EBP) Programme wherein OMCs sell petrol blended with ethanol up to 10%. This programme has been extended to whole of India except Union Territories of Andaman Nicobar and Lakshadweep islands with effect from 01st April, 2019 to promote the use of alternative and environment friendly fuels. This intervention also seeks to reduce import dependence for energy requirements and give boost to agriculture sector.

Government has notified administered price of ethanol since 2014. For the first time during 2018, differential price of ethanol based on raw material utilized for ethanol production was announced by the Government. These decisions have significantly improved the supply of ethanol thereby ethanol procurement by Public Sector OMCs has increased from 38 crore litre in ethanol supply year 2013-14 to estimated over 200 crore litre in 2018-19.

Consistent surplus of sugar production is depressing sugar price. Consequently, sugarcane farmer's dues have increased due to lower capability of sugar industry to pay the farmers. Government has taken many decisions for reduction of cane farmer's dues.

With a view to limit sugar production in the Country and to increase domestic production of ethanol, Government has taken multiple steps including, allowing diversion of B heavy molasses and sugarcane juice for ethanol production. As the ex-mill price of sugar and conversion cost have undergone changes, there is a need to revise the ex-mill price of ethanol derived from different sugarcane based raw materials. There is also a demand from the industry to include sugar and sugar syrup for ethanol production to help in solving the problem of inventory and liquidity with the sugar mills.