Again, no ethanol lifeline for sugar mills

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The central government's hope that sugar mills would be able to sell far more of the cane they've bought to producers of ethanol, is likely to be belied. Sugarcane ethanol is an alcohol-based fuel, produced by the fermentation of sugarcane juice and molasses. A relatively cleaner and low-carbon biofuel, it is a leading renewable fuel for the transportation sector. The official target is 10 per cent of petrol to be blended with ethanol, for use as automobile fuel.

However, there is far too little capacity to produce ethanol in the quantity required for this, with companies unwilling to invest in doing so. There are, they say, far too little of incentives for them to invest in capacity building. As a result, goes a reliable estimate, only about half a million tonnes of sugar equivalent will go for producing ethanol this year. This is barely a quarter of the government estimate of two mt in this regard, at the time of announcing an incentive package a few months earlier.

And, this comes at a time of a glut in sugar, even before the current cane crushing season began (which it officially did from this month). To rid the market of this over-supply, a result of the fact that the state-set floor price for cane bought by mills is far higher than the market-clearing one), the government had announced several measures. One of these was to increase the price of ethanol to be bought by the three state-owned oil marketing companies (OMCs), by nearly a fourth. This would, went the official hope, take two mt off the market in the 2018-19 season.

"We expect only 500,000 tonnes of sugar-equivalent cane juice will be diverted to produce additional ethanol directly this year," says Atul Chaturvedi, vice-chairman, Shree Renuka Sugars. He was speaking on the sidelines of a seminar organised jointly by the All India Sugar Traders Association (AISTA) and the Maharashtra Rajya Sahakari Karkhana Sangh here on Monday.

There is an estimated 10.3 mt of carryover stock from the earlier season and a likely 32 mt of new-season output. Against this, the country's annual consumption is around 25 mt. To achieve the 10 per cent mandatory blending target for petrol, the OMCs have to procure 2.33 billion litres of ethanol from sugar mills. Till now, the largest amount supplied has been 1.33 billion litres.

"The biggest impediment in fresh investment on ethanol production is the short-term duration of policy. The subsidy offered (earlier) by the government was meant for one year only. Why, then, will any corporate invest so much on capacity addition? The minimum period of government subsidy should have been for three years. This would have helped investors plan a long-term policy," said Chaturvedi.

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IN NUMBERS

Quantity in million litre

Year	Required	Offered	Finalised	Lifted
2014-15	1,559	1,311	887	674
2015-16	2,656	1,473	1,316	1,110
2016-17	2,809	1,172	807	665
2017-18*	3,136	1,763	1,588	935

*As of August 13, 2018, compiled by BS Research Bureau

Source: ISMA

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