India records highest ethanol blending of 5% with petrol

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India, which relies on imported fuel for bulk of its consumption demand, managed to achieve a record ethanol blending of 5 per cent with petrol in the 12 months ended November 2018.

This happened in a year marked by a sharp rise in crude oil prices and a weakening rupee that makes import expensive.

A record 1.5 billion litres of ethanol worth over ₹61 billion was lifted by oil marketing companies (OMCs) — IndianOil, Bharat Petroleum, and Hindustan Petroleum — in the 2017-18 ethanol supply year ended on November 30, according to information compiled by the Indian Sugar Mills Association.

OMCs had entered into contracts with sugar mills to procure 1.6 billion litres of ethanol during the last ethanol year.

They ultimately managed to lift a record 1.5 billion litres during the year, surpassing the previous record of 1.11 billion litres in 2015-16. Of the total supplied quantity, more than 600 million litres ethanol have been supplied by Uttar Pradesh (UP) sugar industry and the rest by Maharashtra, Karnataka, Bihar, Andhra Pradesh, and Gujarat.

While the national level blending is 5 per cent, the rate of blending is higher in states engaged in production of ethanol.

FUELLING CHANGE

- OMCs blend record 1.5 billion litres of ethanol with petrol in 2017-18 procurement year
- The quantity of ethanol blended is valued at over ₹61 billion
- OMCs have signed agreements to procure 2.6-billion litre ethanol in 2018-19
- Blending percentage set to move up further

In UP, for instance, the rate of blending is said to be as high as 10 per cent.

"Ethanol blending is now a tremendous success story. The government's policy of encouraging the blending with multiple initiatives is yielding results. We need to see how the blending can be further enhanced. India will need to do more than 10 per cent of blending since the industry has taken steps to expand supply," said Tarun Sawhney, vice-chairman and managing director at Triveni Engineering and Industries, which owns seven sugar mills in UP.

In June this year, the Centre, for the first time, fixed a separate price for ethanol produced from B-heavy molasses and C-heavy molasses.

The former, along with ethanol produced from sugarcane juice, commands a higher price than ethanol produced from C-heavy molasses.

The C-heavy molasses ethanol yields a price of ₹43.70 a litre, while B-heavy ethanol is commanding a price of ₹52.43. The government allowed mills to convert entire sugarcane juice into ethanol, fixing a price of ₹59.13 for the same.

The facility of direct conversion of juice into ethanol helps in regulating sugar output in years when there is a glut in supply of the sweetener. Besides offering attractive prices, the Union government is also allowing mills to borrow soft loans to expand ethanol capacity.

"These prices make good business sense. In the near future, we will more than double our production of ethanol and get bigger revenue from ethanol," said Sawhney. For the OMCs, ethanol blending has multiple implications. It leads to lower reliance on imported oil and partly protects them from the impact of forex fluctuation.

Sugar industry executives are confident that when the next tender is floated by OMCs for the 2019-20 ethanol year, the country may well move to a blending as high as 10 per cent.

For the new ethanol supply year that started from December 2018, a quantity of 2.6 billion litres has been finalised by the OMCs. "If these quantities are supplied, the national blending in the 2018-19 year could go up to 8 per cent," said an industry executive.

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