Biofuel push: Ethanol purchase price for OMCs up 3-6%

Sugar mills welcome move, but say RoE is not enough

FE BUREAU
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THE CENTRE ON Wednesday increased the price at which state-run oil marketing companies (OMCs) buy sugarcane-based ethanol for blending by 3-6% effective the supply year beginning December 1, a move that is in sync with the policy to promote bio-fuels and curb imports of crude petroleum.

The Cabinet Committee on Economic Affairs (CCEA) raised the price of ethanol extracted from sugarcane juice by 3.4% to ₹65.61 per litre, for ethanol from the C-heavy molasses route by 5.9% to ₹49.41 per litre and that of ethanol from the B-heavy route by 2.8% to ₹60.73 per litre.

At present, 10% ethanol is blended in petrol and the government is looking to double this quantity by 2024-25.

"We have saved about ₹40,000 crore in forex outgo from 10% blending besides benefiting the farmers," petroleum minister Hardeep Singh Puri said.

He said that a pilot to start E-20 (petrol with 20% ethanol) will start from April 2023, at select petrol pumps. India currently meets 85% of crude oil requirement via imports as domestic production is stagnating.

Sonjoy Mohanty, director general, the Indian Sugar Mills' Association said: "The revised prices announced for ethanol manufactured from C-heavy molasses and B-heavy molasses will encourage sugar mills to divert more sugar towards ethanol production. However, the revision of price of ethanol manufactured from sugarcane juice/sugar syrup is not enough to drive additional investments in new capacity building. The industry has represented many times to the government that the price of ethanol produced from sugar juice/syrup should be based on return on equity with a payback period of 5 years. The derived price based upon ROE works to ₹69.85 / litre."

Ethanol procurement by the OMCs has increased from 380 million litre in Ethanol Supply Year 2013-14 (ESY) to contracts of over 4.52 billion litre in ongoing ESY 2021-22.

The Centre has advanced the target of 20% ethanol blending in petrol from earlier 2030 to ESY 2025-26 and a "Roadmap for ethanol blending in India 2020-25" has been put in public domain. Other recent enablers include: enhancement of ethanol distillation capacity to 9.23 billion litre per annum; Long Term Off-take Agreements to encourage setting up of 4.31 billion litre per annum capacity of Dedicated Ethanol Plants in ethanol deficit States by private players which is expected to bring in investments of ₹25,000-₹30,000 crore in coming years; multi-modal transportation of ethanol and ethanol blended petrol by railways and pipelines," the government said.

The government is hopeful that ethanol blending in petrol will reach 12% in 2023 at most places. Puri said from 2023, the supply year will change from November to October instead of the present practice of considering the ethanol supply year from December to November. This is to avoid sugar mills from holding ethanol stocks in anticipation of price revision. So, the government has set 5.4 billion litres of ethanol procurement target for 11 months (December 2022 to October 2023), the minister said.

The government has been notifying the administered price of ethanol since 2014. For the first time in 2018, the differential price of ethanol based on feedstock utilized for ethanol production was announced by the government.

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