

After Ethanol, Policy Support for Biogas

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New Delhi: The government is planning to replicate the success of ethanol in compressed biogas (CBG) by offering capital support for biomass aggregation, laying of gas pipelines, and mandating natural gas marketers to blend 5% biogas by 2027, according to people familiar with the matter.

India achieved an ethanol blending average of 10% in 2021-22 from 1.5% in 2013-14, riding a raft of policy interventions that encouraged investments in new supplies and ensured full offtake. The ethanol story has emboldened the government to plan a similar policy push for a wider adoption of CBG.

The oil ministry is preparing a cabinet proposal aimed at enhancing the supply of biogas, its assured offtake and easy evacuation to the customers, one of the people said. The proposed scheme will provide capital support for biomass aggregation, manure handling and laying of the pipeline used for evacuating biogas.

To ensure that all the biogas produced by

Policy Intervention

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Oil min preparing cabinet proposal to enhance biogas supply, assured offtake and easy evacuation to customers	Govt to mandate city gas players to blend at least 1% biogas by 2023, 3% by 2024 and 5% by 2027
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CBG plants is sold, the government will mandate city gas distributors to sell biogas equal to at least 5% of the total volumes they market. The mandate will be implemented in phases, with city gas players required to blend at least 1% by 2023, 3% by 2024 and 5% by 2027, the person said.

City gas companies or any other entity laying the pipeline from a CBG-producing facility to the natural gas grid or any customer will also be subsidised for the same, he said. There will be open access for CBG, which would allow a producer in one city gas area to sell its output to a customer in another area, he added. This would ensure CBG producers are able to sell all their supplies at remunerative rates.

At present, 37 CBG plants have begun operation and produce a small amount of gas. Indian Oil, HPCL, BPCL, and Gail have issued about 3,800 letters of intent (LoIs) to companies planning to set up CBG production plants, which means an assured offtake of biogas by oil & gas companies. About 25,000 tonnes per day of CBG will be produced if all the LoIs were to lead to production facilities.

Offtake guarantees by oil marketing companies, remunerative prices set by the central government, widening of the raw materials basket used in production and capital support for setting up production facilities were some of the key measures that helped boost the supply of ethanol.