

# Ethanol fuel is a priority for India



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**NEW DELHI:** India's much talked about National Bio-Fuel Policy seems to be yet another effort lost due to lack of focus. Aimed at ensuring 5% of ethanol is blended with petrol, the step was seen as a 'green' measure given the lower emission levels of ethanol. A by-product of sugar manufacturing, ethanol turns the black fumes that cars emit, into a whiter shade.

In India, ethanol's importance has to be viewed by its economics along with the ability to reduce carbon footprint. According to government sources, India requires around 1.05 billion litres of ethanol annually to meet the blending targets. Given cost differentials between petrol and ethanol and the foreign exchange rates, ethanol can potentially save up

to \$1.3 billion annually (₹8,580 crore). This is more than a drop in the ocean to meet the PM's wish to reduce the oil subsidy.

Internationally, ethanol has become an acceptable part of the fuel economy as well as fuel security with production reportedly crossing 90 billion litres in 2012 with the US being the largest producer followed by Brazil. Both nations have a strong policy that allows blending at at 25%. The US also sees the development of ethanol as a fuel as a means to reduce its import of energy clearly indicating the potential ethanol has.

In India, a decade has passed debating ethanol and its use despite the fact that the country is among the eight largest sugar producing nation. While 2003 was the first year that there was a public debate on ethanol, discussions died down for almost half a decade with an expert committee finally being set up under Saumitra Chaudhuri of the Planning Commission that drew up a road map. Even then, it was not until November

2012 that a Cabinet Committee on Economic Affairs (CCEA) determined the pricing formula, leaving it to the oil manufacturing companies (OMC) and suppliers while mandating 5% ethanol blending. Some states implemented a level of just 2%.

Lobbies such as the liquor industry have tried to scuttle the policy. They have made allegations of price fixing that some analysts believe is a misplaced notion given that sugar has been deregulated and that an OMC can fix the price with a supplier. These lobbies have moved the Competition Commission of India. The government has also not set a clear-cut date to kick-start the policy. The CCEA last year allowed import of ethanol that costs less than crude. So it is a wonder why when the PM, who wishes to shave off \$25 billion from the oil import bill, that the government itself does not seem ready or keen to push forward a policy that befriends the environment and economics.

(The author is editor of [indiabiznews.com](http://indiabiznews.com))

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