
New Delhi: **Ethanol** production is likely to double to at least 360 crore litres in the season from December 2020 and until November next year.

This will help the government achieve 7.5-8% **ethanol blending in petrol**, up from the current 5.1%.

“We expect mills to divert **excess sugar** for ethanol production. The government may increase ethanol price that oil companies pay to for buying ethanol extracted from molasses by at least 5% to encourage them. We also expect millers to utilise 85% of the total ethanol production capacity of 426 crore litres available on the country,” a senior food ministry official said.

Currently oil companies pay Rs 43.75 to Rs 59.48 per litre for ethanol depending on the quality of molasses from which it is extracted.

The government is keen on diverting excess sugar to ethanol also because the new season has started with carry forward stocks of over 10 million tonnes. This will put pressure on sugar prices as the industry is expecting sugar production to be in excess of 31 million tonnes as against the domestic consumption of 26 million tonnes.

“If industry doesn’t divert excess sugar to ethanol, it will face liquidity crunch, which in turn will accrue cane arrears. We want millers better realisation for their purchase,” the official said.

The government is also targeting increasing ethanol production capacity from existing 426 crore litres to 590 crore litres in next two years which will help it to achieve 10% blending target for mixing ethanol with petrol by 2022.

“We have received 362 projects from millers for enhancement and augmentation of ethanol production capacity by 600 crore litres. These projects need Rs. 18,600 crores, for government will give an interest subvention of about Rs 4,045 crore for five years. So far loans have been sanctioned to 64 project which would increase ethanol distillation capacity by 165 crore litres in next two years,” the official said.
