HIgh crude prices may spur blending of fuels with ethanol

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WITH THE PRICE of Brent crude surging past $113 per barrel on Wednesday amid concerns over supply disruptions after Russia's invasion of Ukraine, and a steep hike in domestic fuel prices looking imminent, the Centre's ambitious ethanol blending programme (EBP) may get a shot in the arm. The country is dependent on oil imports to meet more than 80% of its oil demands. In 2020-21, state-run oil marketing companies sold 3672 crore litres of ethanol-blended fuel, representing a foreign exchange saving of ₹9580 crore ($1.3 billion).

According to the Indian Sugar Mills Association (ISMA), the country has a capacity to make 722 crore litres a year of ethanol currently, which will reach 1,500 crore litres a year by 2025. India's ethanol blending has seen a sharp rise in the last five years, from 2.07% in 2016-17 to 8.10% in 2020-21. To help reduce its dependence on costly oil imports and provide farmers with an additional source of income, the Union government last year brought forward the target to achieve 20% ethanol blending with petrol from 2030 to 2025. "In 2020-21, the OMCs were supplied 302 crore litres of ethanol, from which the country achieved an average blending of 8.10%. We hope to see the country achieving 10% blending target by the end of FY2022 and 20% by 2025," ISMA DG Abinash Verma said, adding that to meet the target, both the production and demand sides need to work in tandem.

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According to the Niti Aayog's roadmap for ethanol blending, India's net import of petroleum in 2020-21 was 185 million tonnes at a cost of $55 billion. "A successful E20 programme can save the country $4 billion per annum (₹30,000 crore)," it said.

With a view to enhance ethanol production capacity in the country, the central government has notified two interest subvention schemes in 2018 and 2019 for molasses-based distilleries, under which interest subvention at the rate of 6% per annum or 50% of the rate of interest charged.