

OMCs favouring grain-based ethanol: Sugar mills

Move to curb ethanol's over-dependence on sugarcane, say OMCs

SANJEEB MUKHERJEE & TWESH MISHRA

New Delhi, 22 December

Sugar companies have alleged that India's much talked about programme to blend 20 per cent ethanol with petrol by 2025 could be jeopardised by the 'discriminatory' attitude of oil marketing companies (OMCs) towards ethanol produced from sugarcane as against that produced from grains, in some recent purchase tenders.

However, senior officials at OMCs have said the balance is being shifted as the current supply of ethanol is heavily dependent on sugarcane.

"Currently, around 85 per cent of ethanol comes from sugarcane, while the rest comes predominantly from maize. There is an effort to bring more balance in the sources of ethanol supply to trim the over-dependence on sugarcane. This is the reason more preference is now being given to maize," an official overseeing the ethanol blending



LONG ROAD AHEAD

Capacity to produce ethanol from grain and corn is way behind target (billion litres)

Quantity required vis-à-vis ethanol production capacity	Requirement of ethanol for 20% blending by 2025	Installed capacity requirement	Current installed capacity (2021)
Total	10.50	12.00	6.00
From sugarcane and molasses	6-6.50	6.5-7.00	5.25
From grain and corn	4-4.50	5-5.50	0.75

Source: Indian Sugar Mills Association

programme for a public sector oil company told *Business Standard* on the condition of anonymity

Meanwhile, after writing a letter to the Prime Minister's Office, flagging their concerns, the sugar firms raised the issue again at the recently held annual general body meeting (AGM) of the Indian Sugar Mills Association (ISMA).

In his address at the AGM, ISMA president, Niraj Shirgaonkar, alleged that the expression of interest (EOI) floated by the OMCs on August 27 was highly discouraging for investments in ethanol production capacities in the sugarcane and sugar pro-

ducing regions of the country.

"If the disparity and the consequent discouragement is not rectified immediately, we fear that the ethanol blending programme, which has been developed so beautifully in the last 5-6 years, will get derailed and production capacities will not be set up for meeting the 20 per cent ethanol blending target set by the Honourable Prime Minister for 2025," Shirgaonkar said.

The sugar companies have alleged that while the food ministry has given in-principle approval to set up or expand 800-900 ethanol projects across the country, under

the ongoing interest subvention scheme, the OMCs have devised their own list, inviting a separate set of bidders to create ethanol production capacity and shortlisting around 135 ethanol projects, which are mostly grain-based.

However, the worry is that only half of these 135 projects are approved by the ministry of food.

The "Guidelines cum SOP" of banks for lending to ethanol projects requires the approval of the food ministry as well as shortlisting by the OMCs for long term bipartite agreements. Therefore, at present, there would not be more than 65-70

ethanol projects which have been approved by both, Shirgaonkar said.

He added that the problem will worsen if some projects from the newly pruned list of 65-70 projects are not found creditworthy and, hence, do not get bank loans. The sugar mills allege that this will seriously harm capacity creation for ethanol production in the country.

The sugar mills also allege that oil firms are not signing long-term bipartite contracts (of 10 years or more) with existing ethanol producers, and putting them on a lower priority vis-a-vis the new ethanol plants which have been shortlisted by the OMCs for long-term supply contracts.

Trade sources say that to achieve the 20 per cent blending target by 2025, India will need to produce 10-11 billion litres of ethanol, of which 6-6.5 billion litres will come from sugarcane, while the rest will have to be contributed by corn and grain-based sources.

At present, India's total ethanol production capacity is about 6 billion litres, of which that produced from sugarcane is 5.25 billion litres as against just 0.75 billion litres from corn-based distilleries.