



# Ethanol blending in India

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# Government policies

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- 2002: Ethanol blending started in India
  - But not made mandatory
- 2007: Ethanol blending made mandatory at 5%
  - With a fixed procurement price
- 2013: Price decided through open tenders
  - Mandatory blending programme continued at 5%
- 2015: Back to fixed pricing mechanism
  - Offers invited by oil companies for 10% blending

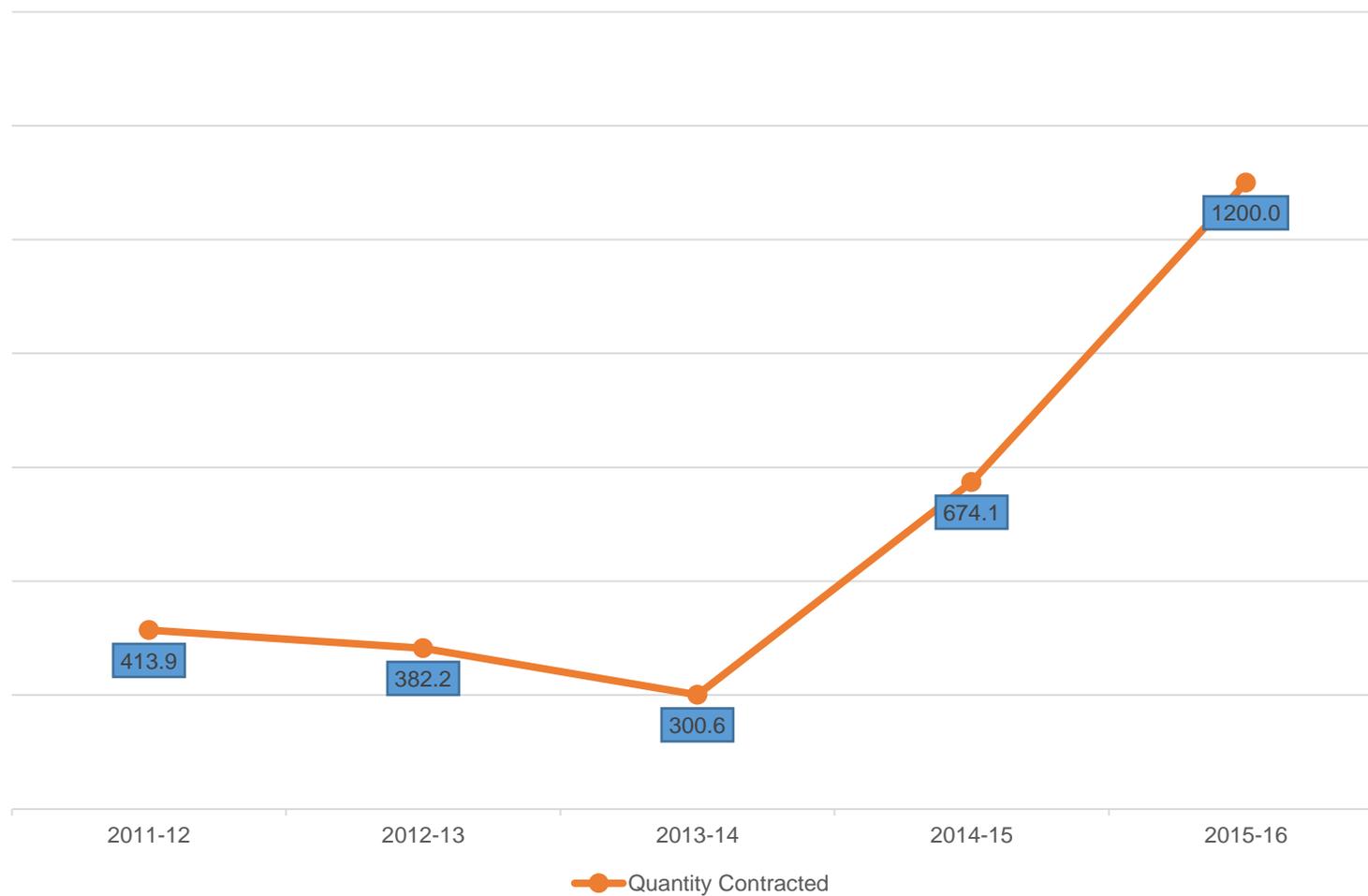
# Fixed pricing policy from Jan, 2015

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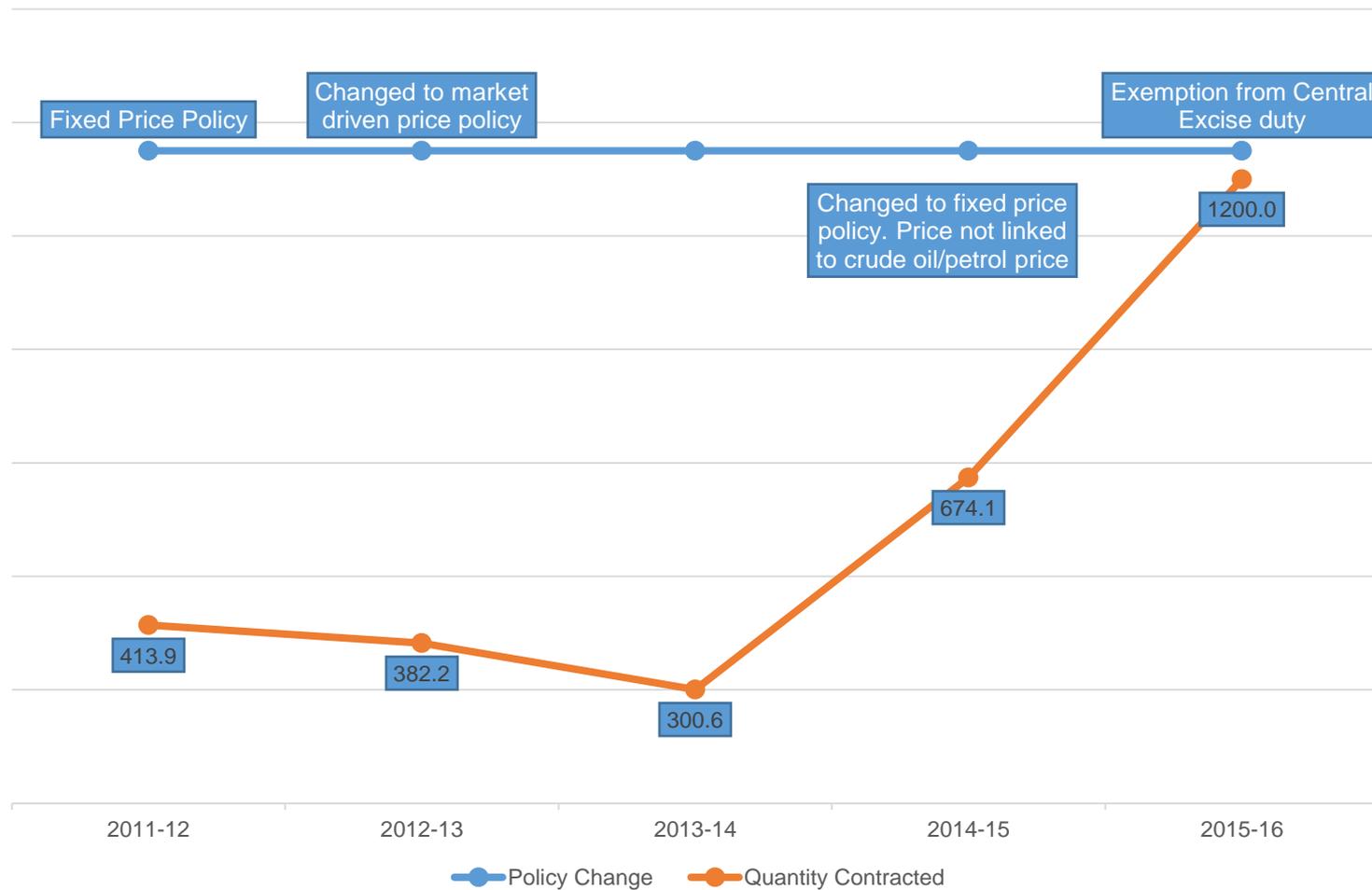
- Ethanol procurement price no longer linked to crude oil price
  - Ethanol being pursued as a renewable, environment friendly fuel
  - And with objective to improve returns to farmers
- Price fixed as delivered at oil depots
  - 3 price slabs, based on distance between distillery and oil depot
- Offer acceptance time reduced from 4-6 months to 15 days
- Ethanol exempted from excise duty of 12.5% from 15-16 SS
  - Above steps have increased ethanol offers in 14-15, and again in 15-16 sugar season, when we expect to blend 5% with petrol

# Supplies since 2011-12

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# Policy changes and supplies



Challenges which need to be overcome for a successful ethanol blending in future

# 1. Ethanol producing capacity

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- Capacity to produce 224 crore litres of ethanol
  - 200 crore litres capacity with 130 sugar mills
  - 24 crore litres capacity with stand-alone distilleries too
- Demand at 10% blending requires 266 crore litres
  - Need to increase distillation capacities
  - Which would also mean increase in storage capacities
- Challenges on funds for investment
  - Cheap funds/priority sector lending
  - OMCs could also participate by increasing their storage

## 2. Adequacy of cane molasses

- India is a surplus sugarcane producer for last 5 years and expected to remain so in next few years too
  - Surplus sugar has become a burden on sugar and sugarcane producers
- B-heavy molasses away from sugar to fuel ethanol
  - Can increase ethanol supplies to over 500 crore litres
  - Enough to go upto 15% ethanol blending
- If required, can be further supplemented by cane juice
  - 2<sup>nd</sup> generation feedstock including bagasse
- Need for right price to encourage alternate feedstock

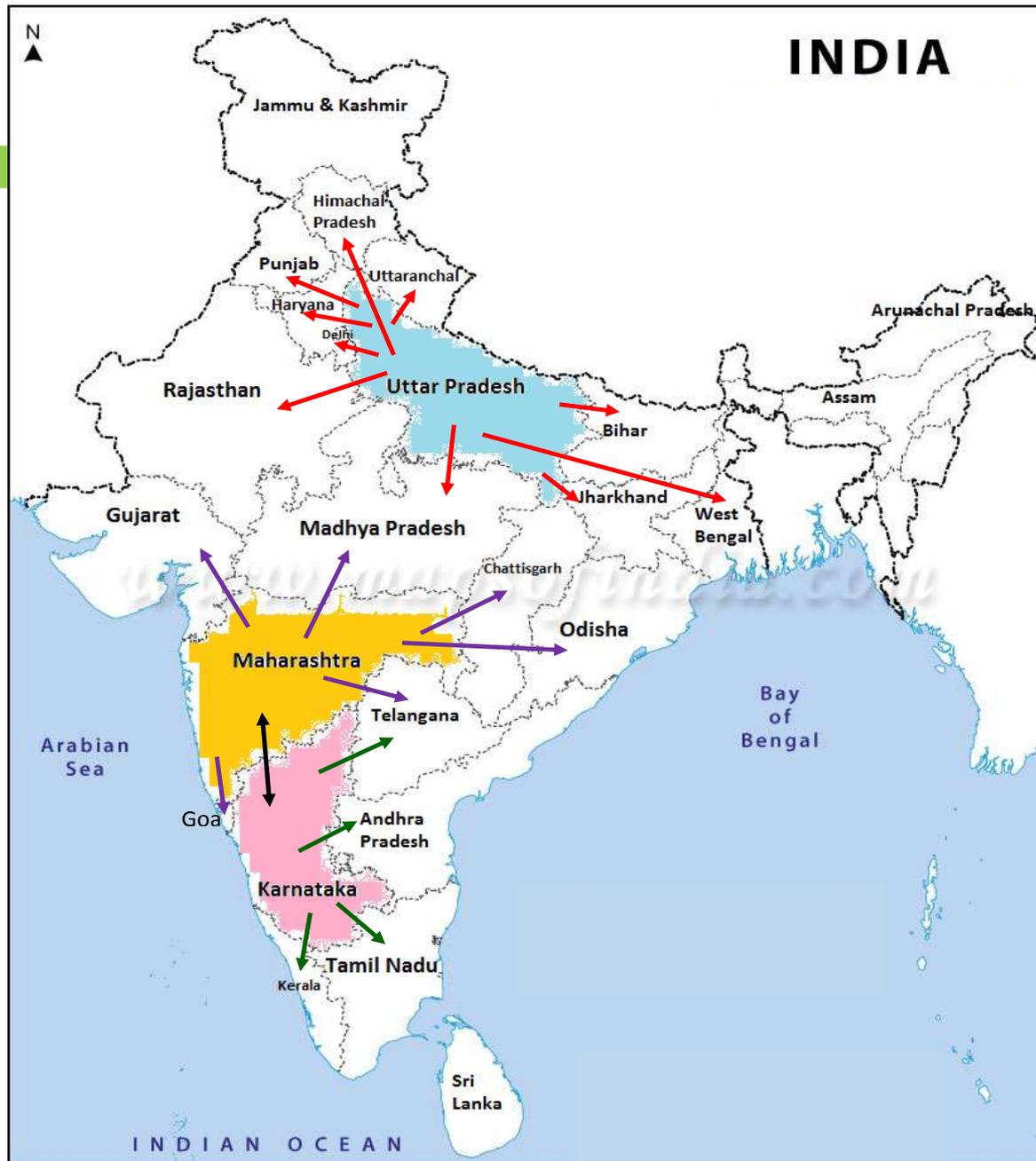
# 3. Movement of ethanol

- State Govt. permissions
  - To convert molasses into ethanol
  - Excise permissions
  - Inter-State NOCs from importing State
- Taxes/duties on ethanol
- Long distance transportation

# State-wise taxes & duties on ethanol

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State Govt.	Export Duty	Import Duty	VAT on intra-State movement
Andhra Pradesh	-	-	5.5%
Delhi	-	2.00	-
Gujarat	-	3.00	-
Karnataka	-	-	5.5%
Kerala	-	0.56	-
Madhya Pradesh	-	1.00	-
Maharashtra	1.50	1.50	5%
Punjab	-	2.00	-
Rajasthan	-	1.00	-
Tamil Nadu	-	-	8%
Uttar Pradesh	1.00	-	-
Uttarakhand	-	1.10	-



# Clarity on Union and State powers on ethanol

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- Schedule VII of Indian Constitution demarcates Union-State powers on alcohol and fuel ethanol
  - Supreme Court has held that State powers to legislate and levy taxes is restricted to “liquor for human consumption”
  - Judgement also says that the Central Govt. should issue a notification to this effect under Industrial Development & Regulation Act
- Amendment to IDR Act passed by Lok Sabha in Winter session

# GST on fuel/ bio-ethanol

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- Petroleum is proposed to be kept out of GST for 3 years
- No clarity on how fuel ethanol would be treated
- If ethanol kept out of GST:
  - Cenvat would not be available on GST paid on inputs like molasses etc.
  - GST paid on inputs would become a burden on the ethanol producers
  - It will increase cost of producing fuel ethanol
  - Plus States may then levy different taxes/duties on fuel ethanol
- Our request is that a separate category of bio-fuels or renewable energy be created and kept a part of GST

# Tax policy Thailand to incentivise ethanol

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Rates in Thai Bhat per litre

Blending %	Tax	Oil & Cons. Fund	VAT
Unblended	7.70	10.25	3.14
GSH95-E10	6.93	3.55	2.65
GSH91-E10	6.93	1.45	2.49
E-20	6.16	-1.05	2.33
E-85	1.16	-11.35	1.60

Thank You