

Govt opens 6-month window for sugar mills to submit ethanol proposals

Synopsis

The government is implementing a scheme since 2018 to offer soft loans to sugar mills and distilleries with an aim to increase ethanol output and its supply under Ethanol Blended with Petrol (EBP) Programme, especially during the surplus season and thereby improving the liquidity position of the sugar mills enabling them to clear cane price arrears of the farmers.



Agencies

The Centre on Friday said it has opened a six-month window till October for [sugar mills](#) to submit fresh proposals to avail loans at a subsidised interest rate for setting up new [distilleries](#) or expanding the existing facilities for augmenting first-generation [ethanol](#) capacity in the country. To ensure that only serious project proponents are issued in-principle approval by the Union Food Ministry, a window has been opened for fresh applications from those project proponents who have acquired land for projects and obtained environmental clearance, it said.

"The six months window has been opened from April 21 to October 22," an official spokesperson told PTI.

Ethanol capacity is being enhanced in order to reduce the country's dependence on imported fossil fuels, save foreign exchange on account of crude oil import bills and reduce air pollution.

According to the Food Ministry, the decision will facilitate sugar mills to set up new distilleries or expand their existing distilleries and thereby help in diverting excess sugarcane/sugar to ethanol.

"New grain-based distilleries would come up in deficit states like north-eastern states, southern states like Tamil Nadu, Andhra Pradesh, Telangana and states like Bihar, Madhya Pradesh etc. This would help in the distributed production of ethanol," the ministry said in a statement.

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Under this scheme, the government is extending financial assistance in the form of interest subvention at 6 per cent annum or 50 per cent of the rate of interest charged by banks, whichever is lower, on the loans to be extended by banks for five years including one-year moratorium.

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The government has fixed a target of 10 per cent blending of fuel-grade ethanol with petrol by 2022 and 20 per cent by 2025.

"...ethanol production capacities are required to be enhanced to about 1700 crore litre to achieve 20 per cent blending by 2025. Opening of window would help in augmentation of ethanol production capacities," the ministry said.

At present, the country has a total ethanol production capacity of 849 crore litre, which includes 569 crore litres of molasses-based distilleries and 280 crore litres of grain-based distilleries, it added.

There has been an eight-time increase in the production of fuel-grade ethanol and its supply to oil marketing companies (OMCs) from 2013-14 to 2020-21.

In 2020-21, it had touched a high of 302.30 crore litre, thereby achieving 8.10 per cent blending. In the current 2021-22 year, 158 crore litres of ethanol have been blended with petrol till April 17, thereby achieving 9.77 per cent blending.

It is expected that a 10 per cent blending target will be achieved in 2021-22, it added.