

#### **Advancement of Ethanol Blending Target**

#### Why in news?

The Union Cabinet has advanced the target for achieving 20% ethanol blending in petrol by five years.

# What is the biofuel policy?

- Biofuels are a class of renewable energy derived from living materials.
- The National Biofuel Policy, introduced in 2018 was aimed at reducing dependence on imports by encouraging fuel blending.
- The National Biofuel Coordination Committee (NBCC) headed by Union Minister for Petroleum and Natural Gas is the agency to coordinate the blending programme.
- Categorisation of biofuels- The policy categorises biofuels as
  - $\circ\,$  Basic Biofuels- First Generation (1G) bioethanol & biodiesel
  - $\circ\,$  Advanced Biofuels- Second Generation (2G) ethanol, municipal solid waste to drop-in fuels
  - Third Generation (3G) biofuels- Bio-CNG.
- **Scope of raw material** The policy expands the scope of raw material for ethanol production by allowing use of Sugarcane juice, sugar containing materials, starch containing materials, damaged food grains, etc.
- **Use of surplus food grains** The Policy allows use of surplus food grains for production of ethanol for blending with petrol with the approval of National Biofuel Coordination Committee.
- **Supply chain mechanism** The policy encourages setting up of supply chain mechanisms for biodiesel production from non-edible oilseeds, Used Cooking Oil, short gestation crops.



First Generation-Cereals, Starch, Sugar, Oil Crops



Second Generation-Industrial waste, Wood, Grass, Forest Residue



Third Generation - Algae



Fourth Generation – Genetically modified algae

## What amendments have been made?

- The most important amendment has been advancing the 20% blending date by five years from Ethanol Supply Year (ESY) 2030 to 2025-26.
- It provided for the introduction of more feedstock for production of biofuels.
- It has also proposed for the production of biofuels under the 'Make in India' programme in Special Economic Zones, Export Oriented Units.
- It also permits to export the biofuels in specific cases.
- Apart from addition of new members to the NBCC, the Committee has now been given the permission to change the policy which it earlier lacked.

## What does advancing the blending target mean?

India depends on imports for meeting 85% of its oil needs.

- India would require a consistent supply of 1,500 crores litres of ethanol annually.
- Import reduction- The blending programme will reduce the crude oil import bill.
- Eco-friendly- It provides scope to allow consumers access to environment friendly fuel
- **Diversification** It would help sugar mills diversify their portfolios faster from just sugar production and become self-reliant in paying cane-growers.
- **Self reliance** It has the potential to change the face of the sugar industry and make it self-reliant.
- **Employment and technology** The amendments will also attract and foster developments of indigenous technologies which will pave the way for the Make in India drive and thereby generate more employment.

#### What are the roadblocks ahead?

Currently, about 10% of ethanol is blended in petrol.

- Many cooperative sugar mills have complained about a fund crunch.
- Banks are reluctant to finance sugar mills given their weak balance-sheets.
- As a way out, mills have asked for tripartite agreements between OMCs, banks and cane suppliers to clear payments within 21 days.

#### References

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