Cabinet Committee on Economic Affairs (CCEA)

Cabinet approves on Fixation/Revision of ethanol price derived from B heavy molasses / partial sugarcane juice and 100% sugarcane juice under Ethanol Blended Petrol Programme for Ethanol Supply Year 2018-19

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi has given its approval to revise / fix the price of ethanol derived from B heavy molasses / partial sugarcane juice and fix a higher price for 100% sugarcane juice based ethanol for the forthcoming sugar season 2018-19 during ethanol supply year from 1st December 2018 to 30th November 2019 as under:

- To fix the ex-mill price of ethanol derived out of B heavy molasses / partial sugarcane juice to Rs.52.43 per litre (from prevailing price of Rs.47.13 per litre).
- To fix the ex-mill price of ethanol derived from 100% sugarcane juice at Rs.59.13 per litre (from prevailing price of Rs.47.13 per litre) for those mills who will divert 100% sugarcane juice for production of ethanol thereby not producing any sugar.
- Additionally, GST and transportation charges will also be payable. OMCs have been advised to fix realistic transportation charges so that long distance transportation of ethanol is not disincentivised.
- OMCs are advised to prioritise ethanol from 1) 100 % sugarcane juice, 2) B heavy molasses / partial sugarcane juice, 3) C heavy molasses and 4) Damaged Food grains/other sources, in that order.

Impact:

- The decision will serve multiple purposes of reducing excess sugar in the country, increasing liquidity with the sugar mills for settling cane farmer's dues and making higher ethanol available for Ethanol Blended Petrol (EBP) Programme.
- All distilleries will be able to take benefit of the scheme and large number of them are
All distilleries will be able to take benefit of the scheme and large number of them are expected to supply ethanol for the EBP programme. Remunerative price to ethanol suppliers will help in reduction of cane farmer's arrears, in the process contributing to minimizing difficulty of sugarcane farmers.

- Ethanol availability for EBP Programme is expected to increase significantly due to higher price being offered for procurement of ethanol from B heavy molasses / partial sugarcane juice and 100% sugarcane juice for first time.
- Increased ethanol blending in petrol has many benefits including reduction in import dependency, support to agricultural sector, more environmental friendly fuel, lesser pollution and additional income to farmers.

**Background:**

Ethanol Blended Petrol Programme was launched by the Government in 2003 on pilot basis which has been subsequently extended to the Notified 21 States and 4 Union-Territories to promote the use of alternative and environment friendly fuels. This intervention also seeks to reduce import dependence for energy requirements and give boost to agriculture sector.

Government has notified administered price of, ethanol since 2014. This decision has significantly improved the supply of ethanol during the past four years. The ethanol procured by Public Sector OMCs has increased from 38 crore litre in ethanol supply year 2013-14 to estimated 140 crore litre in 2017-18.

Consistent surplus of sugar production is depressing sugar price. Consequently, sugarcane farmer's dues have increased due to lower capability of sugar industry to pay the farmers. Government has taken many decisions for reduction of cane farmer's dues.

With a view to limit sugar production in the Country, Government has taken multiple steps including, allowing diversion of B heavy molasses / sugarcane juice for production of ethanol. As the ex-mill price of sugar has increased from the earlier estimated price, there is a need to revise price of B heavy molasses / partial sugarcane juice and 100% sugarcane juice for production of ethanol.

It is worth noting that as compared to ethanol derived from C heavy molasses route, diversion of B heavy molasses reduces the sugar by about 20% and increases ethanol availability by about 100%. On the other hand, diversion of sugarcane juice reduces sugar by 100% and increases ethanol availability by about 600%.