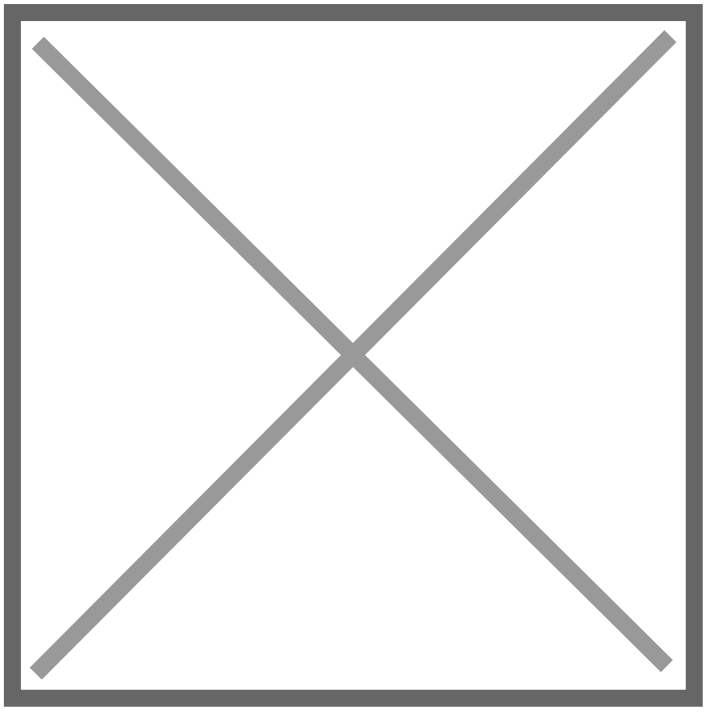
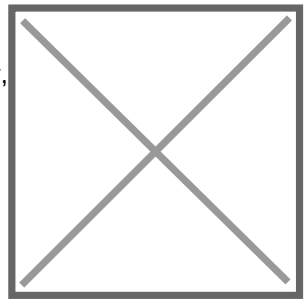
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Please fuel the policy

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26 September 2003. Most of them attributed the slow progress to lack of proper policy framework.



The issue of blending ethanol with petrol has been under discussion since the late 1970s. However, it gained momentum only in 1999-2000. Following an encouraging response to a pilot project spread over AP, Maharashtra, Punjab, and Uttar Pradesh, the Central Government made the use of petrol blended with five percent ethanol mandatory for nine states and four union territories with effect from 2003 in phase I. The fact that the mandate is yet to be carried out is another story. The ambitious phase II is to see the mandate extend to the whole country and the percentage of ethanol to be increased to 10 percent. But where is the surplus ethanol to meet even the five percent requirement of nine states and four union territories? The nine statesÃ¢â?¬â?¬AP, Goa, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and four union territories Chandigarh, Dadra and Nagar Haveli, Daman and Diu and Pondicherry put together consume about 460 crore litres (4.6 MT) of petrol. The estimated ethanol requirement for five percent blending comes to 23 crore litres and is rather difficult to meet.

"Of the total ethanol production, a major portion goes towards industrial use and the rest to potable alcohol. Barely one percent accounts for surplus, which does not meet the mandated requirement," explains Srinivasa Rao, managing director, APITCO, the technical consultancy organization, which organized the one-day conference. According to Rao, the major challenge lies in capacity building which again is interlinked with policy framework. "Right now, the production is meager with about four units in Maharashtra, another four in Tamil Nadu and some in AP and these are not fully commercialized yet," informed Rao. To the manufacturing woes add availability of raw material (sugarcane and its economics), control on alcohol by a number of departments right from excise to petroleum to commercial taxes and it is clear that we are far from maximizing the benefits offered by biofuels.

The fact that 14 licenses for distilling alcohol have been given to entrepreneurs in AP and a village Uthnoor in Adilabad district is of little consolation, as is the 20 percent reduction of sales tax on alcohol. What the sector needs is a comprehensive well-integrated policy. First and foremost, we need to reduce the dependency on sugarcane. According to N Seetharama, director of National Research Center for Sorghum, sugarcane alone cannot meet the demand for ethanol which will double when phase II comes into force.

However, APITCO managing director Rao believes that it is the biodiesel, which will gain acceptance faster than ethanol-mix petrol. Extracted from non-edible oil seeds such as Jatropha, Karanjia, and Pongamia this can be localized depending on the availability of the oil seeds. "Given India's biodiversity and the extent of wasteland where these oil seeds grow, the raw material can be made available readily," he said. Mixed in the ratio of 40 percent to regular diesel the biodiesel is already the power of many stationary pumps in the rural areas but the large-scale usage is again dependent on commercialization. The current manufacturing cost of Rs 15 per litre goes up to Rs 18 per litre after taxes, which the oil companies find unacceptable.

"The natural fuel needs government support especially in terms of alleviating taxes," said Rao.

A sustained political will to bring it all together in a comprehensive policy and adequate support to the industry is a must to make it viable. Once the policy is made supportive, there is no dearth of entrepreneurs who will be ready to take it up. In fact, entrepreneurs are already doing what they are best at. Praj Industries has recently taken up a turnkey project in Aurangabad for a 30 kl per day ethanol plant which will become operational from January 2004. Early this year, AP Paper Mills with an Austrian firm Energia announced a JV, Naturol Fuels to set up Rs 85 crore integrated biofuel plant at Kakinada . It's time for policy makers to boost the effort.

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