Modified Scheme to Produce 1G Ethanol

Why in News

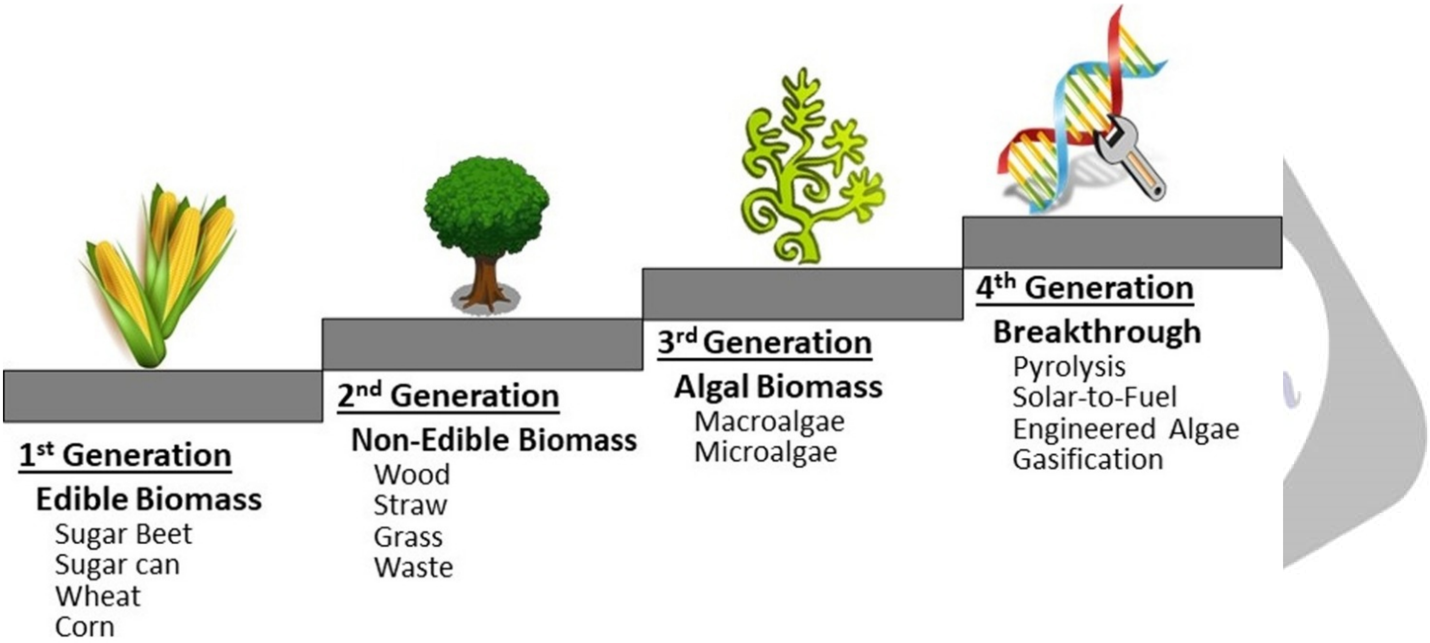
Recently, the **Department of Food & Public Distribution** has **notified a modified scheme** for **extending financial assistance for producing 1st Generation (1G) ethanol.**

- The aim is to achieve blending targets of ethanol with petrol **(Ethanol Blending Programme)**.

Key Points

- **Ethanol Blending Programme (EBP):**
    - **Aim:** It aims at **blending ethanol with petrol,** thereby bringing it under the category of **biofuels** and saving millions of dollars by **cutting fuel imports** and **decreasing carbon emissions.**
    - **Target:** The target is to **achieve 20% blending** of ethanol **by 2025.**
    - **Ethanol Extraction from Foodgrains:**
        - In **2018,** the Central Government **extended the ambit of the EBP programme** to extract the **fuel from surplus quantities of food grains** such as maize, jawar, bajra fruit and vegetable waste.
        - Earlier, **only excess sugarcane production** was allowed to be converted into ethanol for procurement under the programme.
- **Financial Assistance for Expansion of Ethanol Distillation Capacity:** The government will provide **interest subvention (on loans)** to encourage the funding in this sector.
    - **Aim:**
        - To set up distilleries for producing 1st Generation (1G) ethanol from feed stocks such as **cereals** (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet etc.
        - To convert molasses (a sugar byproduct) based distilleries to dual feedstock.
- **Expected Benefits:**
    - **Enhancing Farmers' Income:**
        - Facilitate **farmers to diversify their crops** to cultivate particularly maize/corn which needs less water compared to sugarcane and rice.
    - **Provide Employment:**
        - Investment **in capacity addition or establishment of new distilleries** shall provide new employment opportunities in rural areas.
    - **Promote Distributed Ethanol Production:**
        - Bringing **new grain based distilleries** in the entire country would result in **distributed production of ethanol** and would **save a lot of transportation cost** and thus prevent delays in meeting the blending target.
- **Related Initiatives:**

- **E20 Fuel:** Earlier, the Indian government had invited public comments for introducing adoption of **E20 fuel** (a blend of 20% ethanol with gasoline).
- **Pradhan Mantri JI-VAN Yojana, 2019:** The objective of the **scheme** is to create an ecosystem for setting up commercial projects and to boost research and development in the 2G Ethanol sector.
- **Reduction in GST:** The Government has also reduced **GST** on ethanol for blending in fuel from 18% to 5%.
- **National Biofuel Policy 2018:** The Policy **categorises biofuels** as "Basic Biofuels" viz. First Generation (1G) bioethanol & biodiesel and "Advanced Biofuels" - Second Generation (2G) ethanol, Municipal Solid Waste (MSW) to drop-in fuels, Third Generation (3G) biofuels, bio-CNG etc. to enable extension of appropriate financial and fiscal incentives under each category.



Way Forward

- Proper implementation of the biofuel policy and ethanol blending programme should ensure **fuel requirements should not compete with food requirements** and that only surplus food crops should be used for fuel production.
- Alternatives like 3rd generation (derived from algae) and 4th generation biofuels (derived from **genetically engineered plants** or biomass) should be encouraged.

Source: PIB

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