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**STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2015-16)**

SIXTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

'ETHANOL BLENDED PETROL AND BIO-DIESEL POLICY'

*[Action Taken by the Government on the recommendations contained in
the Seventh Report (Sixteenth Lok Sabha) of the Standing Committee on
Petroleum and Natural Gas (2014-15)]*

ELEVENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2016/Falguna, 1937 (Saka)

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Petroleum and Natural Gas (2014-15)]*

Presented to Lok Sabha on 15.03.2016

Laid in Rajya Sabha on 15.03.2016



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2016/Falguna, 1937 (Saka)

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(iii)
**COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL
GAS (2015-16)**

Sl. No. Name of Members

LOK SABHA

Shri Pralhad Joshi - Chairman

2	Dr. Ravindra Babu
3	Shri P. K. Biju
4	Shri Kalikesh N. Singh Deo
5	Shrimati Rama Devi
6	Shri Elumalai V.
7	Shri Naranbhai Kachhadiya
8	Dr. Thokchom Meinya
9	Shrimati Pratima Mondal
10	Shri Ashok Mahadeorao Nete
11	Shrimati Jayshreeben Patel
12	Shrimati Anupriya Patel
13	Shri Arvind Sawant
14	Shri Raju Shetty
15	Dr. Bhola Singh (Begusarai)
16	Shri Ravneet Singh
17	Shri Kamakhya Prasad Tasa
18	Shri Rajesh Verma
19	Shri Om Prakash Yadav
20	Shri Laxmi Narayan Yadav
21	Shri A.T. Nana Patil

RAJYA SABHA

22	Shri Mani Shankar Aiyar
23	Shri Ishwarlal Shankarlal Jain
24	Shri Prabhat Jha
25	Shri Bhubaneshwar Kalita
26	Shri Mansukh L. Mandaviya
27	Shri Ahmed Patel
28	Shrimati Gundu Sudharani
29	Chaudhary Munvvar Saleem
30	Shri Sharad Yadav
31	Shri Praful Patel

SECRETARIAT

1.	Shri A.K.Singh	Additional Secretary
2.	Dr. Ram Raj Rai	Director
3.	Shri H.Ram Prakash	Additional Director
4.	Ms. Sonia Khanna	Committee Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on Action Taken by the Government on the recommendations contained in the Seventh Report (Sixteenth Lok Sabha) of the Committee on the subject 'Ethanol Blended Petrol and Bio-Diesel Policy' of the Ministry of Petroleum and Natural Gas'.

2. The Seventh Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 13.08.2015. The Action Taken Replies of the Government to all the recommendations contained in the Seventh Report were received on 02.02.2016.

3. The Standing Committee on Petroleum & Natural Gas (2015-16) considered and adopted the Report at their sitting held on 10.03.2016.

4. An analysis of the action taken by the Government on the recommendations contained in the Seventh Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas is given in Annexure-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

6. The Committee place on record their appreciation for the valuable assistance rendered to them by the officers of the Lok Sabha Secretariat attached to the Committee.

New Delhi;
14 March, 2016
24 Falguna, 1937 (Saka)

PRALHAD JOSHI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum and Natural Gas deals with the action taken by the Government on the Recommendations contained in the Seventh Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2014-15) on 'Ethanol Blended Petrol and Bio-Diesel Policy', which was presented to Lok Sabha and laid in Rajya Sabha on 13.08.2015.

2. Action Taken Notes have been received from the Ministry in respect of all the 14 Recommendations/Observations contained in the Report. These have been categorized as per the following:-

- (i) Recommendations/Observations that have been accepted by the Government:- Reco. Nos. 2, 5, 7, 9, 10, 11, 12 and 13 (Total 8)
(Chapter- II)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- Reco. Nos. 6 (Total 1)
(Chapter-III)
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 1, 4, 8 and 14 (Total 4)
(Chapter-IV)
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Reco. Nos. 3 (Total 1)
(Chapter-V)

3. The Committee desire that the Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report and Final Replies in respect of the recommendations for which interim replies have been furnished by the Government (included in Chapter-V), should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

Recommendation No.1

Implementation of Ethanol Blended Petrol Programme

5. The Committee had recommended as under:-

"The Committee note that the Government of India decided to launch Ethanol Blended Petrol (EBP) programme in January, 2003 for sale of 5% ethanol blended petrol. The Ministry of Petroleum and Natural Gas vide its notification dated 20th September, 2006 directed the public sector OMCs to sell 5% Ethanol Blended Petrol subject to commercial viability as per BIS standards in the notified 20 States and 4 UTs of the country w.e.f. 1st November, 2006. Thereafter, the CCEA in its meeting held on 9th October, 2007 decided on 5% mandatory blending of ethanol with petrol and 10% optional blending w.e.f. October, 2007 and 10% mandatory blending from October, 2008.

The Committee note that despite the fact that CCEA had directed for mandatory blending of petrol with ethanol within a specified time frame, the programme was not implemented by the Ministry/OMCs until 2012 due to the various reasons including that of sugar mills not finding supply of ethanol remunerative at the offered prices of OMCs.

The Committee are of the view that with 5% Ethanol Blended Petrol and subsequently higher blending in future, the crude oil imports can come down saving significant amount of foreign exchange. Besides, studies have shown that use of Ethanol Blended Petrol leads to significant reduction of emissions into environment and can address the concerns of climate change and strengthen energy security. The Committee also observe that many countries in the world including USA and Brazil have successfully implemented bio-fuel programmes and feel that India being one of the largest producers of Sugar Cane in the world should also reap the benefits of this renewable bio-mass energy resource.

The Committee note that the Government has fixed the price of Ethanol in November, 2014 at Rs. 48.50/litre and the sugar mills have started to supply Ethanol at this price due to which 2% blending levels have been achieved. The Committee appreciate the recent initiatives by the Ministry taken for implementation of Ethanol Blended Petrol (EBP). The Committee desire that if the cost of Indian Crude oil basket goes up from the current levels due to increase in price of crude oil in the international market, the procurement price of Ethanol may also be increased suitably which will benefit the farmers as well as ethanol producers.

The Committee are of the opinion that the implementation of EBP Programme will provide new opportunities to Sugar Industry in general and Sugar farmers in particular. The Committee strongly desire that the Ministry should work seriously for EBP Programme and efforts should be made for removing the impediments being faced to achieve the specified blending targets across the country. The Committee, therefore, recommend that the Ministry should devise a

comprehensive action plan for effective implementation of the programme with a clear-cut roadmap for achieving different blending percentages within a stipulated timeframe throughout the country".

REPLY OF THE GOVERNMENT

6. The Ministry of Petroleum and Natural Gas has submitted the following reply in this reply in the regard:

"It has been noted".

7. **The Committee had observed that the Ethanol Blended Petrol (EBP) Programme was not being implemented by the Ministry/OMCs due to various reasons. The Committee had, therefore, recommended that Ministry should devise a comprehensive action plan for effective implementation of EBP Programme with a clear cut roadmap for achieving different blending percentages within a stipulated timeframe throughout the country. But the Ministry, in its Action Taken Reply has only stated that it has noted the Recommendation without giving any details of the action taken on the recommendation for an effective implementation of the programme. The Committee seriously deprecate such casual attitude of the Ministry in responding to the recommendation of the Committee.**

The Committee, therefore, express their displeasure at the lackadaisical approach of the Ministry on such an important initiative and expect that MoPNG should work out a comprehensive plan to achieve the blending percentage targets within a stipulated timeframe in the country and in this regard, a reply should be submitted by the Ministry within thirty days.

Recommendation No. 2

Production of Ethanol from various sources

8. The Committee had recommended as under:-

"The Committee observe that in response to the efforts made for procurement of Ethanol, OMCs have been able to receive only 54% of their total requirement for implementation of 5% EBP across the country. The Committee have been

informed that at present, the production of Ethanol is from molasses, which is a byproduct in sugarcane industry.

The Committee note that other than sugarcane, ethanol can be produced from corn, maize, wheat and food grains having high starch content and many countries in the world have successfully implemented bio-fuel programmes based on variety of crops such as USA is running their Ethanol fuel programme on corn based Ethanol. The Committee observe that in India diversity of vegetation is available and it can avail the advantage by speeding up R&D for producing Ethanol from different crops.

The Committee have also been informed that bio-ethanol can be produced from various food-grade and non- food grade feed stocks such as lingo-cellulosic bio-mass, agricultural waste, algae etc. and from bio-wastes and non-food grade cellulose such as rice husk and paddy straw and if a breakthrough is achieved, it will be a game changer and a solution to increasing energy needs of the country.

The Committee feel that OMC's sole dependence on molasses based Ethanol can limit the implementation of EBPP. The Committee therefore, desire that an Industry working group should be set up to look into the feasibility of production of Ethanol from variety of feed stocks based on edible/non-edible products and recommend that MoPNG should allocate more funds for research and development as the results of EBP will ultimately add to energy security and will be in national interest. The Committee also desire that MoPNG/OMCs should explore procurement of Ethanol from the standalone units in Maharashtra which produce Ethanol from denatured/rectified Spirit. The Committee further desire the MoPNG to conduct a cost benefit analysis regarding production of Ethanol from different feed stocks".

REPLY OF THE GOVERNMENT

9. The Ministry of Petroleum and Natural Gas has submitted the following reply in this reply in the regard:

"As per the National Policy on Bio-fuels, ethanol for use as bio-fuels can be produced from various agricultural wastes and residues besides sugarcane molasses. However, technologies for this purpose are still at research and development stage and no full scale projects have been set up in the country. The Policy endeavours to facilitate and bring about optimal development and utilization of indigenous biomass feed-stocks for production of bio-fuels. Beside this, the Research and Development in Bio-fuels, especially development of second and third generation bio-fuels, including bio-ethanol, from ligno-cellulosic biomass including other crops such as sweet sorghum is being supported by various Ministry and Departments in the Country.

2. In order to improve the availability of ethanol, the Government, on 10.12.2014 has decided that ethanol produced from other non-food feedstocks

besides molasses, like cellulosic and ligno cellulosic materials including petrochemical route, has also been allowed to be procured subject to meeting the relevant BIS Standards.

3. Also, pursuant to the recommendations of Committee of Secretaries in its meeting held on 1.10.2015 under the Chairmanship of Cabinet Secretary on "Exploring the possibility of commercial production of ethanol from ligno cellulose feedstock by Oil Marketing Companies", OMCs have been requested to take immediate steps to establish three pilot projects, each of reasonable scale, for producing ethanol from multi-feedstock lignocelluloses, covering different varieties of lignocelluloses feedstock available in large quantities, using indigenous technology including that being developed by Department of Biotechnology".

10. In view of the lesser production and availability of ethanol than the total requirement for implementation of EBP programme and possibility of production of bio-ethanol from a variety of crops, the Committee had recommended that an Industry Working Group must be set up to look into the feasibility of production of Ethanol from variety of edible and non-edible feed-stocks and more funds should be allocated by the Ministry for R&D in this field. The Committee had also desired for conducting a cost benefit analysis of production of ethanol from different feed-stocks.

In its reply, the Ministry has informed that research and development in Bio-fuels, especially development of second and third generation bio-fuels from ligno-cellulosic biomass including other crops such as sweet sorghum is being supported by various Ministry and Departments in the country. Further, to improve the availability of ethanol, the Government has decided that ethanol produced from other non-food feed-stocks besides molasses, like cellulosic and ligno-cellulosic materials has also been allowed to be procured subject to BIS Standards. The Ministry have further stated that OMCs have been requested to take immediate steps to establish three pilot projects, each of reasonable scale, for producing ethanol from multi-feedstock lignocelluloses, covering different varieties of lignocelluloses feedstock available in large quantities, using indigenous technology including that being developed by Department of Biotechnology.

The Committee, however, feel that such isolated efforts by MoP&NG like asking OMCs to establish three pilot projects for production of Ethanol from feed-stocks other than Sugarcane may not give the desired results in this case where participation of other Ministries/Departments is also required. Moreover, no specific allocation of fund has also been made by the Ministry for that purpose. The Committee, therefore, reiterate their recommendation and desire that Ministry should undertake the initiatives by forming an industry working group in cooperation with the concerned Ministries/Departments for encouraging the production of ethanol from other feed-stocks and sufficient funds for R&D should also be made with an objective to give a fillip to EBP programme. The Committee may be apprised about the timeframe and outcome in this regard.

Recommendation No. 3

Transportation cost of Ethanol

11. The Committee had recommended as under:-

"The Committee note that approximately 134 crore litres of ethanol is required to blend upto 5% level for implementation of ethanol blended Petrol programme across the country. The Committee have been informed that against the tenders floated for the total quantity of 297.90 crore litres of ethanol, the OMCs have received offer of 122.17 crore litres and could finalize 70.37 crore litres only and the percentage of finalized quantity to the required quantity in the different tenders ranges between 18.9% to 28.3%. Further, in certain States, such as Odisha, Chhattisgarh, Kerala and Jharkhand, no offers were received.

The Committee observe that one of the discouraging factors for sugar mills in supply of ethanol is the transportation cost included in its pricing mechanism. The Committee note that there are three slabs for price fixation for ethanol based on the differential distance of the destination from the sugar mills. It is seen that for a distance ranging between 101-300 Kms, Rs. 49/- are paid while for a distance of more than 300 Kms, Rs. 49.50 are paid by the OMCs. The Committee have been informed that if the delivery point is beyond 450 Kms, the cost realized by supply of ethanol becomes less for sugar mills due to higher transportation cost. The Committee, therefore, desire that the Ministry should review the issue of transportation cost of ethanol for distances beyond 450 Kms keeping the realistic cost in view".

REPLY OF THE GOVERNMENT

12. The Ministry of Petroleum and Natural Gas has submitted the following reply in this reply in the regard:

"The Ministry is examining the issue and has requested Department of Food & Public Distribution (DFPD) to send required information to take decision".

13. The Committee while noting that the supply of ethanol becomes less attractive for sugar mills due to higher transportation cost, had recommended that Ministry should review the issue of transportation cost for distances beyond 450 kms. The Ministry in its Action Taken Reply has informed that it is examining the issue by obtaining the required information from the Department of Food & Public Distribution. The Committee, therefore, desire that the MoP&NG should expedite the examination and a decision be taken at the earliest and the same may be apprised accordingly within thirty days.

Recommendation No.4

Simplification of procedure and reduction of taxes and duties

14. The Committee had recommended as under:-

"The Committee note with serious concern the procedural difficulties faced by OMCs and Sugar Mills in various States. The Committee have been informed that there are number of procedural formalities which need to be completed with different authorities for obtaining licenses. Further, in some States, quarterly permissions are required by excise departments. The Committee have also been informed that the OMCs face delay in issuance of import/export No-Objection Certificate and other permits by state excise departments for inter-state movement of ethanol which hampers the implementation of EBP programme. The Committee observe that there is no uniformity in the taxes/duties levied by different States. The Committee therefore, strongly recommend that this matter may be taken up by the Central Government with state governments for simplification of procedural difficulties and for bringing uniformity in the taxes and duties levied by various States.

Since Ethanol is not available in all the States, the Committee feel that there should be hassle free inter-state movement of Ethanol for blending purposes to give a fillip to EBP programme. Therefore, the Committee desire that the Government may take up the matter with State Governments to remove/ease the restrictions imposed on inter-state movement of Ethanol for blending purposes only.

The Committee have further been informed that the responsibility of obtaining excise permission have been put on sugar mills by OMCs and they face difficulties in obtaining the requisite clearances. Due to this, sometimes sugar mills are not able to supply ethanol quantities on time and have to pay penalties to OMCs for non-compliance of orders. The Committee take a serious note of this situation and recommend that OMCs should actively pursue for obtaining clearances from various State level agencies/Departments instead of putting the onus on sugar mills. It has further been noted that the NoCs are issued by movement of documents through posts which consumes a lot of time in transit between the two States. The Committee recommend that the Ministry should persuade the State Governments to carry out these processes through modern electronic systems in order to save time".

REPLY OF THE GOVERNMENT

15. The Ministry of Petroleum and Natural Gas has submitted the following reply in this reply in the regard:

"Pursuant to Government's decision dated 10.12.2014, Ministry of Petroleum and Natural Gas has been inter-alia requesting State Governments from time to time in relation to address State specific issues relating to taxation, excise permits, import/export permits, renewable storage license, etc, which hinder inter-State and intra-State movement of ethanol.

2. Recently, on 19th November, 2015, Ministry of Petroleum & Natural Gas has again inter-alia requested State Governments of 12 States, viz., Andhra Pradesh, Haryana, Karnataka, Maharashtra, Uttar Pradesh, Delhi, Punjab, Rajasthan, Uttarakhand, Tamil Nadu, West Bengal and Telangana, to address various issues relating inter-State and intra-State movement of ethanol.

3. In addition to it, Nodal Officers from OMC's have also been appointed for different States for coordination among OMCs, Sugar Mills and other stakeholders for effective implementation of EBP programme. The list of the Nodal officers is as follows:

Name of OMC	Responsible Officer	State
BPCL	Director (Marketing)	Maharashtra, Tamil Nadu, Gujarat
HPCL	Director (Marketing)	Karnataka, Andhra Pradesh, Telangana, Bihar
IOCL	Director (Marketing)	Uttar Pradesh, Delhi, Haryana, Punjab, Rajasthan, West Bengal

4. Apart from above, Minister for Consumer Affairs Food and Public Distribution has taken up the issue of transaction barriers which impede smooth supplies for ethanol blending with the Chief Ministers of major ethanol producing states. State Governments have been requested to initiate remedial steps to

ensure that such barriers in the form of procedural difficulties, varied structure of taxes and duties levied in the states and restrictions on inter-state movement of ethanol/molasses, which are impeding the implementation of EBP, are dismantled".

16. The Committee in their report had taken note of the difficulties faced by OMCs and sugar mills in obtaining excise permission and requisite clearance from different authorities and had recommended that the MoPNG should persuade state governments to carry out these processes through electronic system to save time and hassle-free inter-state movement of ethanol.

In its Action Taken Reply, the Ministry has stated that it is pursuing with various state governments to address specific issues relating to taxation, excise permission, import/export permit, renewable storage license etc. It has further stated that on 19 November, 2015, MoPNG has requested 12 States to address various issues relating to inter-state and intra-state movement of ethanol. It has also been stated that nodal officers have been appointed in 12 states. Apart from these above steps, Minister for Consumer Affairs, Food and Public Distribution has taken up the issue of transaction barriers which impede smooth supplies for ethanol blending with Chief Ministers of major ethanol producing states. State Governments have been requested to remove procedural difficulties and varied structure of taxes which are impeding the implementation of EBP.

The Committee, however, note that none of these measures has got any response from the state governments and neither the inter-state and intra-state movement of ethanol has smoothed nor there is any change in the procedural difficulties or the varied taxation structure. The Committee, therefore, desire that Ministry should closely monitor the developments and should hold a meeting with Chief Secretaries of States to persuade the concerned state governments towards simplification of procedural difficulties and also to remove other difficulties relating to taxes and duties which are creating hurdles in implementation of EBP programme

Recommendation No.13

Levying of taxes/duties on ethanol

17. The Committee had recommended as under:-

"The Committee note that the State Governments levy taxes/duties on fuel ethanol used for ethanol blended petrol programme. The Committee have been informed by the representatives of Indian Sugar Mills Association that as per Entry 97 of the Union List, any matter not enumerated in List II (State List) or List III (Concurrent List) shall be governed by the Union Government and Liquor fit for human consumption only has been mentioned in the State List. The Committee have been informed by ISMA that the rest of the alcohols viz. industrial alcohol and fuel grade ethanol do not find mention in the State List and hence taxes/duties imposed on fuel ethanol by State Governments should be stopped and instead should be levied by the Union Government which can reduce the procedural formalities.

The Committee are of the view that this matter needs to be clarified in the light of the proposed legislation on GST and therefore, recommend that the Ministry of Petroleum and Natural Gas should take up with the concerned Ministries as to whether the State Governments have the authority to levy taxes/duties on ethanol unfit for human consumption".

REPLY OF THE GOVERNMENT

18. The Ministry of Petroleum and Natural Gas has submitted the following reply in this reply in the regard:

"Indian Sugar Mills Association (ISMA), vide its letter dated 20th January, 2015, submitted a detailed note regarding the free movement of fuel ethanol for its blending with petrol, especially with reference to the various constitutional provisions and judgements of the Hon'ble Supreme Court in this regard. After due examination in Ministry of Petroleum and Natural Gas, the matter was referred to Ministry of Law & Justice, Department of Legal Affairs for their advice. Ministry of Law and Justice opined that since the position of law on the subject under reference has authoritatively been examined and clarified by the Hon'ble Supreme Court, Ministry of Petroleum and Natural Gas may like to deal with the matter accordingly. ISMA also represented to Department of Industrial Policy and Promotion (DIPP) about the need to issue a Statutory Order / Notification under Section 18 G of the Industries (Development and Regulation) Act, 1951, in order to make ethanol movement free of any hindrance. Ministry of Petroleum & Natural Gas apprised DIPP about the advice of Ministry of Law and requested them to take appropriate action in the matter.

2. Recently, Lok Sabha has passed a bill on 10th of December 2015 (Bill No. 266-C of 2015) amending "The Industries (Development and Regulation) Act,

1951 to transfer the authority to regulate 'potable alcohol' to States as recommended by the Law Commission in its 158th Report. The existing heading "26 Fermentation Industries" in the First Schedule of Industries (Development and Regulation) Act, 1951 shall be substituted with the heading "26 Fermentation Industries (other than potable alcohol)". The said Amendment will help in resolving a long standing confusion about jurisdiction of Central and State - Government on Alcohol - Potable Alcohol and Industrial Alcohol and ensure that industries engaged in manufacturing alcohol meant for Potable purposes shall be under the total and exclusive control of States in all respects".

19. The Committee in their report had recommended that MoPNG should take up with concerned Ministries to clarify as to whether the state governments have the authority to levy taxes/duty on ethanol unfit for human consumption. MoPNG in its reply has stated that Lok Sabha has passed a Bill amending "Industries (Development and Regulation) Act 1951" to transfer the authority to regulate 'potable alcohol' to States and the said Amendment will help in resolving a long standing confusion about jurisdiction of Central and State Governments. The Committee appreciate the action taken by the Ministry in pursuing the recommendation to its logical conclusion and bring an end to the long standing confusion that prevailed over jurisdiction of alcohol, potable alcohol and industrial alcohol and taxes/duties on fuel ethanol will be levied accordingly.

Recommendation No.14

Bio-Diesel Policy

20. The Committee had recommended as under:-

"The Committee note that the Bio-Diesel policy was announced by the Ministry of Petroleum and Natural Gas in 2005. The Indian strategy for implementation of Bio-Diesel Policy is based on production of Bio-Diesel from non-edible oil seeds like Jatropha and Pongamia plants only and conducive conditions for its growth have been found in the country. The Committee note that these plants can grow in wastelands or degraded forests in arid to semi-arid conditions. The Committee, therefore, desire that activities like identification of wastelands, suitable varieties of Jatropha/Pongamia be conducted in a time bound manner.

The Committee have been informed that the production of Bio-Diesel producing seeds is commercially insignificant in India and at the 20 identified purchase centers, no quantity of bio-diesel has been offered by the producers. The Committee feel that in case of bio-diesel policy, a lot of ground work needs to be completed before the policy could be implemented. In this regard, the

Committee further note that the Bharat Renewable Energy Limited (BREL) which is a joint venture of BPCL for promotion of Bio-Fuels has completed around 10,000 acres of plantations in last 3-4 years out of the 1,50,000 acres of waste lands offered by the Government of U.P. Since barely 6% of the total offered land has been covered by BREL, the Committee desire that the other OMCs should also come forward to participate in this project and expand the cultivation of Jatropha on the offered land. The Committee also desire that the MoPNG/OMCs should pursue other State Governments for allocation of wastelands for cultivation of seeds and to take up the work in identified areas.

The Committee observe that the Ministry of New & Renewable Energy (MNRE) has been made custodian of the National Policy on Bio-fuels and feel that different Ministries like MNRE, Ministry of Agriculture & Ministry of Petroleum and Natural Gas should coordinate among themselves in order to give an early start to National Bio-Diesel Policy. The Committee feel that the Bio-Diesel Policy is in its preliminary stage and therefore, desire that in order to realize the objectives specified in the Bio-Diesel Policy, a long term plan for its step-wise implementation should be devised and monitored properly".

REPLY OF THE GOVERNMENT

21. The Ministry of Petroleum and Natural Gas has submitted the following reply in this reply in the regard:

"MNRE has reported that the Biodiesel development is at nascent stage also. Ministry is supporting Research and Development (R&D) projects in the area of development of bio-diesel. Ministry is also coordinating various issues involved through Bio-fuels Steering Committee headed by Cabinet Secretary. This involves all the participating Ministries for activities related to both Biodiesel and bio-ethanol.

2. Under Bio-diesel Purchase policy, OMCs would purchase bio-diesel, meeting the prescribed BIS standard, at a uniform price, as may be decided by the OMCs from time to time, for blending with High Speed Diesel (HSD) to the extent of 5%, at identified 20 purchase centres across the country.

3. Government has issued notification on 10th August, 2015 to allow the sale of Bio-diesel (B100) by private manufacturers to bulk consumers like Railways, State Transport Corporations and other bulk consumers.

4. As per Department of Heavy Industries, the automotive industry has already agreed for 5% Ethanol Gasoline Blends and the vehicles produced are compatible with the same. They are already taking the necessary steps for making the same compatible with increased percentage of ethanol up to 10%. Further the impact of the same on in-use vehicles, particularly two wheelers, could be of concern on some models which do not have the material compatibility

with 10% ethanol blends. The two wheelers which are mostly using carburettors will be giving sub- optimal performance at 10% blends when optimized for 5% blends and could also give lower fuel consumption in terms of km/litre as ethanol has a lower calorific value in comparison to petrol.

5. They have further informed that to make optimum use of the blend, it is important that sustained availability of the blend fuel should be ensured across the country to enable the industry to optimize the vehicles for that particular blend. The development of flexi fuel vehicles would be taken up once blend of 20% - 85% is ensured across the country. They have also informed that Govt. of India has also issued notification enabling registration of vehicles operating on E85 and ED95 fuel. However it may not be possible for two wheelers as they are mostly operating on carburettor technologies. However operation of in-use vehicles on such blends will not be possible. Therefore, the oil industry has to ensure E5 at all retail outlets in addition to higher blends for in-use vehicles".

22. The Committee had recommended that in order to realise the objectives of Bio-Diesel Policy announced in 2005, a long term plan should be devised and monitored. The Ministry in its Action Taken Reply have stated that OMCs would purchase bio-diesel meeting the prescribed BIS standard at a uniform price as may be decided from time to time. The reply further adds that government has issued notification to allow the sale of bio-diesel by private manufacturers to bulk consumers like Railways, STCs and other bulk consumers.

The Committee, however, are not satisfied with the reply as it does not spell out any time frame by which the bio-diesel would be commercially available in major centres and how much blending will be achieved at various stages. The Committee while noting that the Ministry of New and Renewable Energy is the nodal Ministry for Bio-Diesel policy, it is the oil marketing companies which come under MoPNG that will procure and distribute Bio-Diesel. Therefore, the Committee reiterate their recommendation and desire that MoPNG/OMCs should take proactive steps to attract bio-diesel producers and also ensure quality of bio-diesel and work towards to make bio-diesel into a successful programme.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 2

Production of Ethanol from various sources

The Committee observe that in response to the efforts made for procurement of Ethanol, OMCs have been able to receive only 54% of their total requirement for implementation of 5% EBP across the country. The Committee have been informed that at present, the production of Ethanol is from molasses, which is a byproduct in sugarcane industry.

The Committee note that other than sugarcane, ethanol can be produced from corn, maize, wheat and food grains having high starch content and many countries in the world have successfully implemented bio-fuel programmes based on variety of crops such as USA is running their Ethanol fuel programme on corn based Ethanol. The Committee observe that in India diversity of vegetation is available and it can avail the advantage by speeding up R&D for producing Ethanol from different crops.

The Committee have also been informed that bio-ethanol can be produced from various food-grade and non- food grade feed stocks such as lingo-cellulosic bio-mass, agricultural waste, algae etc. and from bio-wastes and non-food grade cellulose such as rice husk and paddy straw and if a breakthrough is achieved, it will be a game changer and a solution to increasing energy needs of the country.

The Committee feel that OMC's sole dependence on molasses based Ethanol can limit the implementation of EBPP. The Committee therefore, desire that an Industry working group should be set up to look into the feasibility of production of Ethanol from variety of feed stocks based on edible/non-edible products and recommend that MoPNG should allocate more funds for research and development as the results of EBP will ultimately add to energy security and will be in national interest. The Committee also desire that MoPNG/OMCs should explore procurement of Ethanol from the standalone units in Maharashtra which produce Ethanol from denatured/rectified Spirit. The Committee further desire the MoPNG to conduct a cost benefit analysis regarding production of Ethanol from different feed stocks.

REPLY OF THE GOVERNMENT

As per the National Policy on Bio-fuels, ethanol for use as bio-fuels can be produced from various agricultural wastes and residues besides sugarcane molasses. However, technologies for this purpose are still at research and development stage and no full scale projects have been set up in the country. The Policy endeavours to facilitate and bring about optimal development and utilization of indigenous biomass feed-stocks for production of bio-fuels. Beside this, the Research and Development in Bio-fuels,

especially development of second and third generation bio-fuels, including bio-ethanol, from ligno-cellulosic biomass including other crops such as sweet sorghum is being supported by various Ministry and Departments in the Country.

2. In order to improve the availability of ethanol, the Government, on 10.12.2014 has decided that ethanol produced from other non-food feedstocks besides molasses, like cellulosic and ligno cellulosic materials including petrochemical route, has also been allowed to be procured subject to meeting the relevant BIS Standards.

3. Also, pursuant to the recommendations of Committee of Secretaries in its meeting held on 1.10.2015 under the Chairmanship of Cabinet Secretary on “Exploring the possibility of commercial production of ethanol from ligno cellulose feedstock by Oil Marketing Companies”, OMCs have been requested to take immediate steps to establish three pilot projects, each of reasonable scale, for producing ethanol from multi-feedstock lignocelluloses, covering different varieties of lignocelluloses feedstock available in large quantities, using indigenous technology including that being developed by Department of Biotechnology.

Ministry of Petroleum & Natural Gas
O.M. No. P-39018/2/2014-CC dated 2nd February, 2016

**Comments of the Committee
(Please see Para No. 10 of Chapter-I)**

Recommendation No.5

Priority to Ethanol for blending purposes

The Committee observe that the ethanol is mainly consumed by three sectors viz. potable liquor sector, chemical industry and by petroleum sector for blending purposes. The Committee have been informed that one of the main reasons behind inadequate supply of ethanol to OMCs is that the State Governments do not give priority to ethanol for blending purposes as they get more revenue from potable liquor sector and hence find it more remunerative.

The Committee are of the view that once the EBP programme is implemented successfully, the States and the country as a whole will be benefitted. Therefore, the Committee desire that MoPNG should take up the matter with the State governments for allocation of ethanol on priority basis to EBP programme apprising them of the benefits once it is implemented across the country.

REPLY OF THE GOVERNMENT

In the meeting held by Secretary, Food and Public Distribution with the state officials in charge of State Excise Departments on 24.8.2015; the State Governments have been asked to maximize their contribution towards supplies of ethanol for EBP. For this purpose States have been asked to ensure that all ethanol suppliers come on grid based micro plan devised in respect of ethanol logistics; existing alcohol units upgrade

to ethanol production and sugar mills create/expand capacities for ethanol/alcohol production, besides rationalizing trade barriers. In order to enhance ethanol production capacities, sugar mills can avail the concessional loans from SDF. It has also been impressed upon the states that the Government has fixed remunerative prices for ethanol supplies for EBP and therefore, it is more beneficial for the sugar mills if their ethanol production and supply it for EBP. Sugar mills are also free to produce ethanol from B-heavy molasses to optimize ethanol production which will take care of sectoral demands.

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Recommendation No.7

State-wise implementation of EBP Programme

The Committee note with concern that the availability of Ethanol is not uniform across the country. In response to the tenders floated by OMCs for procurement of Ethanol, comparatively higher quantities of Ethanol are available in some States, while in other, the response has not been upto the mark. The Committee observe that in sugarcane rich States such as Uttar Pradesh, Andhra Pradesh, Gujarat, Haryana, Tamil Nadu, higher quantities of Ethanol have been offered in comparison to the States of Bihar, Chhattisgarh, Jharkhand, Odisha, West Bengal where no offers have been received.

The Committee further observe that 5% mandatory blending with petrol still remains far from the target and at present Ethanol Blended Petrol programme (EBPP) is on only in 11 States. The Committee feel that instead of planning to implement the EBP programme across the country, the Ministry should consider to take up the State-wise implementation of the programme starting with the States where adequate quantity of Ethanol is available.

The Committee are of the view that continuous monitoring of the progress of EBP programme is crucial to its successful implementation. Therefore, the Committee desire that the Ministry/OMCs should set up State-level mechanism to monitor the procurement and blending of Ethanol with Petrol.

REPLY OF THE GOVERNMENT

For effective implementation of EBP programme, Nodal Officers from OMC's have been appointed by Ministry of Petroleum and Natural Gas for different States for coordination among OMCs, Sugar Mills and other stakeholders. The list of the Nodal officers is as follows:

Name of OMC	Responsible Officer	State
BPCL	Director (Marketing)	Maharashtra, Tamil Nadu, Gujarat
HPCL	Director (Marketing)	Karnataka, Andhra Pradesh, Telangana, Bihar
IOCL	Director (Marketing)	Uttar Pradesh, Delhi, Haryana, Punjab, Rajasthan, West Bengal

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Recommendation No. 9

Awareness regarding Ethanol Blended Petrol

The Committee note that EBP programme with 5% mandatory blending across the country is to be implemented and the OMCs are making efforts for procurement of requisite quantities of ethanol for this purpose. The Committee note that EBP is a new product for the users and the general public may have apprehension about the impacts of usage of Ethanol Blended Petrol in their vehicles. Further, the public may not be aware of the existence and availability of such a product at the retail outlets.

The Committee feel that the public at large may be educated about the benefits of the use of EBP so that they may not feel reluctant to use EBP. Further, the apprehension of certain sections with regard to the effect of ethanol based fuels on automobiles engines must be removed. The Committee, therefore, desire that the OMCs must strive for creating awareness among masses with regard to the use of ethanol as a safe fuel.

REPLY OF THE GOVERNMENT

To take forward the Bio-fuel Programme of the country, Ministry of Petroleum & Natural Gas has constituted a Working Group on 9th June, 2015. The composition of the Working Group include representatives of Public Sector and Private Sector Oil Marketing Companies (OMCs) and Petroleum Conservation Research Association (PCRA). The Working Group is inter-alia entrusted with the task of conducting road shows, workshops, seminars and other such awareness programmes to popularize and increase bio-fuel consumption in coordination with PCRA.

2. Pursuantly, paste-on stickers are put by Oil Marketing Companies (OMCs) upon the dispensing units of Ethanol Blended Petrol at their Retail outlets. Moreover, on 10th August, 2015, i.e., World Biofuel Day, banners were put up at various retail outlets informing the public at large about the implementation of bio-fuel programme.

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Recommendation No. 10

Storage capacity of OMCs

The Committee note that OMCs are floating quarterly tenders for procurement of ethanol from sugar mills. The Committee have been informed by the Indian Sugar Mills Association that Ethanol is not being lifted by the OMCs as per schedule due to inadequate storage capacity and the sugar mills have to bear demurrages due to waiting for delivery of the ethanol to OMCs. The Committee have further been informed that one of the major problems being faced by the sugar mills is that the OMCs accept only the required quantity at one particular depot and reject the remaining quantity. The Indian Sugar Mills Association have requested that instead of rejecting the remaining quantity, OMCs may regulate and receive it at their neighboring depots. OMCs have informed that at present they have a storage capacity for 15-35 days which takes care of current requirements. However, they have informed that there is a need to augment the storage capacity at few locations which have already been identified based on the consumption pattern at these locations.

The Committee note that EBP programme has 5% mandatory blending target to be implemented across the country and then increase it to 10% and higher in the coming years. Since the present storage capacity appears to be less and with the increasing blending percentages, more storage capacity will be required in future. The Committee therefore, recommend that the Ministry/OMCs should build adequate storage capacity and sort out issues of rejection due to depot restrictions for successful implementation of the EBP programme.

REPLY OF THE GOVERNMENT

Following steps have been taken by Ministry of Petroleum and Natural Gas in the direction of enhancing the present ethanol storage capacity:

- (i) Pursuant to the review meeting taken by Hon'ble Prime Minister on 01.08.2015 regarding 'Issues in Sugar Sector' OMC's were inter-alia requested by Ministry of Petroleum & Natural Gas to commence detailed planning in accordance with 10% blending target taking into account the locations of OMC depots and their storage capacity.
- (ii) Also, pursuant to the 5th Meeting of the Biofuel Steering Committee held on 24.8.2015, this Ministry has inter-alia requested to OMCs to take steps for creating additional storage facilities by OMCs depots as per requirement of ethanol storage.

2. As per Oil Marketing Companies (OMCs), they have earmarked substantial funds for augmentation of bio-fuel tankage for the storage of at least 15 days cover and same will be completed by March 2017.

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Recommendation No.11

Incentivizing farmers and Ethanol Producers

The Committee note that the Ethanol based fuels are environment friendly and at the same time lead to enhancement of energy security of the country. However, low availability of ethanol has hindered the progress of EBPP due to shortage of feedstock i.e. molasses (a by-product of sugarcane processing) and demand of ethanol from other sectors. The Committee observe that the sugar mills do not find it remunerative to supply Ethanol to OMCs. The Committee feel that there is a need to encourage farmers and Ethanol producers by providing suitable incentives such as sale of subsidized seeds, fertilizers and agricultural equipments to encourage them to grow bio-fuel crops.

The Committee also desire that MoPNG in coordination with Ministry of Agriculture should take up the cause of providing incentives to farmers/ethanol producers for cultivating/developing edible and non-edible feed stocks.

The Committee note that CCEA in December, 2013 had decided that the OMCs and Sugar Industry Associations may interact with each other on a regular basis to achieve the target. The Committee desire that the Ministry/OMCs should interact with sugar industry at regular intervals for resolving issues related to procurement of Ethanol.

REPLY OF THE GOVERNMENT

Department of Agriculture, Cooperation & Farmers welfare are already implementing a Centrally Sponsored Scheme National Food Security Mission-Commercial Crops (NFSM-CC)-Sugarcane in the States of Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Telangana, Tamil Nadu, Uttarakhand & Uttar Pradesh w.e.f 2014-15.

2. The scheme aims for enhancing production & productivity in sugarcane based cropping system through promotion of intercropping, supply of quality planting material, strengthening / Establishment of tissue culture and bio-agent laboratories, Breeder Seed Production & trainings. The components and Pattern of Assistance under NFSM-Commercial Crops (NFSM-CC)-Sugarcane is enclosed.

3. Also, pursuant to the recommendations of the Biofuel Steering Committee in its meeting dated 24.8.2015, Ministry of Petroleum & Natural Gas has requested OMCs to coordinate with sugar mills for streamlining transportation of ethanol to the depots.

4. Ministry of New and Renewable Energy (MNRE) also provides assistance only for R&D/ technology development and demonstration ethanol of ethanol based project using various non-food feed stocks.

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Recommendation No.12

Flexi Fuel Vehicles

The Committee note that steps have been initiated for implementation of 5% mandatory blending of ethanol across the country. Once this target is achieved, the blending percentage will be increased to 10% and more. The Committee have been informed that no change is required in the design of engines for use of 5% and 10% ethanol blended petrol except for some rubber components. Once the blending percentages go beyond 10% in the country, the automobiles should be compatible with the fuel. The Committee have further learnt that Brazil has developed flexi fuel vehicles which are running on different percentages of ethanol fuels (upto 100%). The Committee therefore, recommend that the MoPNG should initiate efforts in coordination with other concerned Ministries/ Automobile Research Association of India (ARAI) and IOC (R&D) for development of flexi-fuel engines and research in this direction may be speeded up.

REPLY OF THE GOVERNMENT

The Government has taken following steps to increase availability of ethanol so that blending percentage of ethanol can be increased to the desired level :

- (i) The Government on 10.12.2014, has fixed the delivered price of ethanol in the range of Rs.48.50 per litre to 49.50 per litre.
- (ii) Ethanol produced from other non-food feedstocks besides molasses, like cellulosic and ligno cellulosic materials including petrochemical route, has been allowed to be procured subject to meeting the relevant BIS Standards.

2. During the Sugar Year 2014-15, ten per cent blending of ethanol with Petrol was undertaken by OMCs in eight States. For the Sugar Year 2015-16, OMCs have floated tender, considering ten per cent blending of ethanol with Petrol across all the notified States and Union Territories. Besides, the Government has also issued notification enabling registration of vehicles operating on E85 and ED95 fuel.

3. Hence, by increasing the percentage of ethanol blending with Petrol will facilitate and encourage Automobile Industry to develop flexi-fuel engines.

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Recommendation No.13

Levyng of taxes/duties on ethanol

The Committee note that the State Governments levy taxes/duties on fuel ethanol used for ethanol blended petrol programme. The Committee have been informed by the representatives of Indian Sugar Mills Association that as per Entry 97 of the Union List, any matter not enumerated in List II (State List) or List III (Concurrent List) shall be

governed by the Union Government and Liquor fit for human consumption only has been mentioned in the State List. The Committee have been informed by ISMA that the rest of the alcohols viz. industrial alcohol and fuel grade ethanol do not find mention in the State List and hence taxes/duties imposed on fuel ethanol by State Governments should be stopped and instead should be levied by the Union Government which can reduce the procedural formalities.

The Committee are of the view that this matter needs to be clarified in the light of the proposed legislation on GST and therefore, recommend that the Ministry of Petroleum and Natural Gas should take up with the concerned Ministries as to whether the State Governments have the authority to levy taxes/duties on ethanol unfit for human consumption.

REPLY OF THE GOVERNMENT

Indian Sugar Mills Association (ISMA), vide its letter dated 20th January, 2015, submitted a detailed note regarding the free movement of fuel ethanol for its blending with petrol, especially with reference to the various constitutional provisions and judgements of the Hon'ble Supreme Court in this regard. After due examination in Ministry of Petroleum and Natural Gas, the matter was referred to Ministry of Law & Justice, Department of Legal Affairs for their advice. Ministry of Law and Justice opined that since the position of law on the subject under reference has authoritatively been examined and clarified by the Hon'ble Supreme Court, Ministry of Petroleum and Natural Gas may like to deal with the matter accordingly. ISMA also represented to Department of Industrial Policy and Promotion (DIPP) about the need to issue a Statutory Order / Notification under Section 18 G of the Industries (Development and Regulation) Act, 1951, in order to make ethanol movement free of any hindrance. Ministry of Petroleum & Natural Gas apprised DIPP about the advice of Ministry of Law and requested them to take appropriate action in the matter.

2. Recently, Lok Sabha has passed a bill on 10th of December 2015 (Bill No. 266-C of 2015) amending "The Industries (Development and Regulation) Act, 1951 to transfer the authority to regulate 'potable alcohol' to States as recommended by the Law Commission in its 158th Report. The existing heading "26 Fermentation Industries" in the First Schedule of Industries (Development and Regulation) Act, 1951 shall be substituted with the heading "26 Fermentation Industries (other than potable alcohol)". The said Amendment will help in resolving a long standing confusion about jurisdiction of Central and State - Government on Alcohol - Potable Alcohol and Industrial Alcohol and ensure that industries engaged in manufacturing alcohol meant for Potable purposes shall be under the total and exclusive control of States in all respects.

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**Comments of the Committee
(Please see Para No. 19 of Chapter-I)**

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE GOVERNMENT DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation No.6

Import of Ethanol

The Committee note that in pursuance to the CCEA's decision of November, 2012, which allowed OMCs to import Ethanol in case of shortfall in domestic supply, OMCs had floated tenders for procurement of Ethanol. However, the orders could not be finalized due to high landed price ranging between Rs. 69.45 to 91.98 per litre of Ethanol in comparison to the then benchmark price (Rs. 27 per litre) as procurement of Ethanol at this price could have affected the viability of EBP vis-à-vis petrol. In view of the results of this tender, CCEA decided that the Ethanol will be procured from Domestic sources only (produced from molasses).

The Committee are of the opinion that as the efforts for import of Ethanol were made more than two years ago, the Ministry should ascertain the prevailing price of Ethanol in the international market and apprise CCEA in this regard to allow import of Ethanol. The Committee also desire that till the time the supply from domestic sources improves, the Ministry should keep a track of the prevailing price of Ethanol in the international market and whenever it is advantageous to import, the Ministry and OMCs should avail the opportunity to import Ethanol. However, the Ministry may pursue a policy of giving first preference to procurement of Ethanol through domestic sources only and the shortfall may be met through imports if price advantage prevails after getting approval of CCEA.

REPLY OF THE GOVERNMENT

The suggestion of the Committee has been noted.

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CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No.1

Implementation of Ethanol Blended Petrol Programme

The Committee note that the Government of India decided to launch Ethanol Blended Petrol (EBP) programme in January, 2003 for sale of 5% ethanol blended petrol. The Ministry of Petroleum and Natural Gas vide its notification dated 20th September, 2006 directed the public sector OMCs to sell 5% Ethanol Blended Petrol subject to commercial viability as per BIS standards in the notified 20 States and 4 UTs of the country w.e.f. 1st November, 2006. Thereafter, the CCEA in its meeting held on 9th October, 2007 decided on 5% mandatory blending of ethanol with petrol and 10% optional blending w.e.f. October, 2007 and 10% mandatory blending from October, 2008.

The Committee note that despite the fact that CCEA had directed for mandatory blending of petrol with ethanol within a specified time frame, the programme was not implemented by the Ministry/OMCs until 2012 due to the various reasons including that of sugar mills not finding supply of ethanol remunerative at the offered prices of OMCs.

The Committee are of the view that with 5% Ethanol Blended Petrol and subsequently higher blending in future, the crude oil imports can come down saving significant amount of foreign exchange. Besides, studies have shown that use of Ethanol Blended Petrol leads to significant reduction of emissions into environment and can address the concerns of climate change and strengthen energy security. The Committee also observe that many countries in the world including USA and Brazil have successfully implemented bio-fuel programmes and feel that India being one of the largest producers of Sugar Cane in the world should also reap the benefits of this renewable bio-mass energy resource.

The Committee note that the Government has fixed the price of Ethanol in November, 2014 at Rs. 48.50/litre and the sugar mills have started to supply Ethanol at this price due to which 2% blending levels have been achieved. The Committee appreciate the recent initiatives by the Ministry taken for implementation of Ethanol Blended Petrol (EBP). The Committee desire that if the cost of Indian Crude oil basket goes up from the current levels due to increase in price of crude oil in the international market, the procurement price of Ethanol may also be increased suitably which will benefit the farmers as well as ethanol producers.

The Committee are of the opinion that the implementation of EBP Programme will provide new opportunities to Sugar Industry in general and Sugar farmers in particular. The Committee strongly desire that the Ministry should work seriously for

EBP Programme and efforts should be made for removing the impediments being faced to achieve the specified blending targets across the country. The Committee, therefore, recommend that the Ministry should devise a comprehensive action plan for effective implementation of the programme with a clear-cut roadmap for achieving different blending percentages within a stipulated timeframe throughout the country.

REPLY OF THE GOVERNMENT

It has been noted.

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Comments of the Committee (Please see Para No. 7 of Chapter-I)

Recommendation No.4

Simplification of procedure and reduction of taxes and duties

The Committee note with serious concern the procedural difficulties faced by OMCs and Sugar Mills in various States. The Committee have been informed that there are number of procedural formalities which need to be completed with different authorities for obtaining licenses. Further, in some States, quarterly permissions are required by excise departments. The Committee have also been informed that the OMCs face delay in issuance of import/export No-Objection Certificate and other permits by state excise departments for inter-state movement of ethanol which hampers the implementation of EBP programme. The Committee observe that there is no uniformity in the taxes/duties levied by different States. The Committee therefore, strongly recommend that this matter may be taken up by the Central Government with state governments for simplification of procedural difficulties and for bringing uniformity in the taxes and duties levied by various States.

Since Ethanol is not available in all the States, the Committee feel that there should be hassle free inter-state movement of Ethanol for blending purposes to give a fillip to EBP programme. Therefore, the Committee desire that the Government may take up the matter with State Governments to remove/ease the restrictions imposed on inter-state movement of Ethanol for blending purposes only.

The Committee have further been informed that the responsibility of obtaining excise permission have been put on sugar mills by OMCs and they face difficulties in obtaining the requisite clearances. Due to this, sometimes sugar mills are not able to supply ethanol quantities on time and have to pay penalties to OMCs for non-compliance of orders. The Committee take a serious note of this situation and recommend that OMCs should actively pursue for obtaining clearances from various State level agencies/Departments instead of putting the onus on sugar mills. It has

further been noted that the NoCs are issued by movement of documents through posts which consumes a lot of time in transit between the two States. The Committee recommend that the Ministry should persuade the State Governments to carry out these processes through modern electronic systems in order to save time.

REPLY OF THE GOVERNMENT

Pursuant to Government's decision dated 10.12.2014, Ministry of Petroleum and Natural Gas has been inter-alia requesting State Governments from time to time in relation to address State specific issues relating to taxation, excise permits, import/export permits, renewable storage license, etc, which hinder inter-State and intra-State movement of ethanol.

2. Recently, on 19th November, 2015, Ministry of Petroleum & Natural Gas has again inter-alia requested State Governments of 12 States, viz., Andhra Pradesh, Haryana, Karnataka, Maharashtra, Uttar Pradesh, Delhi, Punjab, Rajasthan, Uttarakhand, Tamil Nadu, West Bengal and Telangana, to address various issues relating inter-State and intra-State movement of ethanol.

3. In addition to it, Nodal Officers from OMC's have also been appointed for different States for coordination among OMCs, Sugar Mills and other stakeholders for effective implementation of EBP programme. The list of the Nodal officers is as follows:

Name of OMC	Responsible Officer	State
BPCL	Director (Marketing)	Maharashtra, Tamil Nadu, Gujarat
HPCL	Director (Marketing)	Karnataka, Andhra Pradesh, Telangana, Bihar
IOCL	Director (Marketing)	Uttar Pradesh, Delhi, Haryana, Punjab, Rajasthan, West Bengal

4. Apart from above, Minister for Consumer Affairs Food and Public Distribution has taken up the issue of transaction barriers which impede smooth supplies for ethanol blending with the Chief Ministers of major ethanol producing states. State Governments have been requested to initiate remedial steps to ensure that such barriers in the form of procedural difficulties, varied structure of taxes and duties levied in the states and restrictions on inter-state movement of ethanol/molasses, which are impeding the implementation of EBP, are dismantled.

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**Comments of the Committee
(Please see Para No. 16 of Chapter-I)**

Recommendation No.8

Increasing production of Sugarcane

The Committee note that Brazil's Bio-fuel Programme is primarily being run based solely on sugarcane crop since Brazil has surplus production of sugarcane. The Committee note that the Ethanol Blended Petrol programme in India is based on Ethanol produced from cane molasses which is a by-product of the sugar industry. Though India being one of the largest producers of sugarcane in the world, the Government has preferred to use sugarcane for food purposes mainly i.e. production of Sugar. The Committee feel that India should try to emulate Brazil's strategy for Ethanol Fuel programme and the Government must strive for introduction of high yield varieties of Sugarcane in the country which can bring favorable conditions for all the stake holders including farmers.

The Committee note that Brazil is one of the major Bio-ethanol (from sugarcane) producers and also an exporter. Facilities in Brazil are dedicated to produce exclusively Ethanol from sugar cane juice and its ethanol production is about 14 times of the Indian production. The Committee observe that the sugar mills in India also have been demanding that production of ethanol may be allowed directly from sugarcane juice during the period of surplus production of Sugarcane. However, CCEA allows production of ethanol from molasses only. The Committee recommend that the Ministry should consider the suggestion of sugar mills for production of Ethanol from sugarcane juice especially during the years of surplus production of sugarcane and the matter may be pursued in consultation with other Ministries to give a fillip to EBP programme.

REPLY OF THE GOVERNMENT

The recommendation of the Committee has been noted.

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Recommendation No.14

Bio-Diesel Policy

The Committee note that the Bio-Diesel policy was announced by the Ministry of Petroleum and Natural Gas in 2005. The Indian strategy for implementation of Bio-Diesel Policy is based on production of Bio-Diesel from non-edible oil seeds like Jatropha and Pongamia plants only and conducive conditions for its growth have been found in the country. The Committee note that these plants can grow in wastelands or degraded forests in arid to semi-arid conditions. The Committee, therefore, desire that

activities like identification of wastelands, suitable varieties of Jatropha/Pongamia be conducted in a time bound manner.

The Committee have been informed that the production of Bio-Diesel producing seeds is commercially insignificant in India and at the 20 identified purchase centers, no quantity of bio-diesel has been offered by the producers. The Committee feel that in case of bio-diesel policy, a lot of ground work needs to be completed before the policy could be implemented. In this regard, the Committee further note that the Bharat Renewable Energy Limited (BREL) which is a joint venture of BPCL for promotion of Bio-Fuels has completed around 10,000 acres of plantations in last 3-4 years out of the 1,50,000 acres of waste lands offered by the Government of U.P. Since barely 6% of the total offered land has been covered by BREL, the Committee desire that the other OMCs should also come forward to participate in this project and expand the cultivation of Jatropha on the offered land. The Committee also desire that the MoPNG/OMCs should pursue other State Governments for allocation of wastelands for cultivation of seeds and to take up the work in identified areas.

The Committee observe that the Ministry of New & Renewable Energy (MNRE) has been made custodian of the National Policy on Bio-fuels and feel that different Ministries like MNRE, Ministry of Agriculture & Ministry of Petroleum and Natural Gas should coordinate among themselves in order to give an early start to National Bio-Diesel Policy. The Committee feel that the Bio-Diesel Policy is in its preliminary stage and therefore, desire that in order to realize the objectives specified in the Bio-Diesel Policy, a long term plan for its step-wise implementation should be devised and monitored properly.

REPLY OF THE GOVERNMENT

MNRE has reported that the Biodiesel development is at nascent stage also. Ministry is supporting Research and Development (R&D) projects in the area of development of bio-diesel. Ministry is also coordinating various issues involved through Bio-fuels Steering Committee headed by Cabinet Secretary. This involves all the participating Ministries for activities related to both Biodiesel and bio-ethanol.

2. Under Bio-diesel Purchase policy, OMCs would purchase bio-diesel, meeting the prescribed BIS standard, at a uniform price, as may be decided by the OMCs from time to time, for blending with High Speed Diesel (HSD) to the extent of 5%, at identified 20 purchase centres across the country.

3. Government has issued notification on 10th August, 2015 to allow the sale of Bio-diesel (B100) by private manufacturers to bulk consumers like Railways, State Transport Corporations and other bulk consumers.

4. As per Department of Heavy Industries, the automotive industry has already agreed for 5% Ethanol Gasoline Blends and the vehicles produced are compatible with the same. They are already taking the necessary steps for making the same compatible with increased percentage of ethanol up to 10%. Further the impact of the same on in-

use vehicles, particularly two wheelers, could be of concern on some models which do not have the material compatibility with 10% ethanol blends. The two wheelers which are mostly using carburettors will be giving sub- optimal performance at 10% blends when optimized for 5% blends and could also give lower fuel consumption in terms of km/litre as ethanol has a lower calorific value in comparison to petrol.

5. They have further informed that to make optimum use of the blend, it is important that sustained availability of the blend fuel should be ensured across the country to enable the industry to optimize the vehicles for that particular blend. The development of flexi fuel vehicles would be taken up once blend of 20% - 85% is ensured across the country. They have also informed that Govt. of India has also issued notification enabling registration of vehicles operating on E85 and ED95 fuel. However it may not be possible for two wheelers as they are mostly operating on carburettor technologies. However operation of in-use vehicles on such blends will not be possible. Therefore, the oil industry has to ensure E5 at all retail outlets in addition to higher blends for in-use vehicles.

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**Comments of the Committee
(Please see Para No. 22 of Chapter-I)**

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES
OF THE GOVERNMENT ARE STILL AWAITED

Recommendation No.3

Transportation cost of Ethanol

The Committee note that approximately 134 crore litres of ethanol is required to blend upto 5% level for implementation of ethanol blended Petrol programme across the country. The Committee have been informed that against the tenders floated for the total quantity of 297.90 crore litres of ethanol, the OMCs have received offer of 122.17 crore litres and could finalize 70.37 crore litres only and the percentage of finalized quantity to the required quantity in the different tenders ranges between 18.9% to 28.3%. Further, in certain States, such as Odisha, Chhattisgarh, Kerala and Jharkhand, no offers were received.

The Committee observe that one of the discouraging factors for sugar mills in supply of ethanol is the transportation cost included in its pricing mechanism. The Committee note that there are three slabs for price fixation for ethanol based on the differential distance of the destination from the sugar mills. It is seen that for a distance ranging between 101-300 Kms, Rs. 49/- are paid while for a distance of more than 300 Kms, Rs. 49.50 are paid by the OMCs. The Committee have been informed that if the delivery point is beyond 450 Kms, the cost realized by supply of ethanol becomes less for sugar mills due to higher transportation cost. The Committee, therefore, desire that the Ministry should review the issue of transportation cost of ethanol for distances beyond 450 Kms keeping the realistic cost in view.

REPLY OF THE GOVERNMENT

The Ministry is examining the issue and has requested Department of Food & Public Distribution (DFPD) to send required information to take decision.

Ministry of Petroleum & Natural Gas
O.M. No. P-39018/2/2014-CC dated 2nd February, 2016

Comments of the Committee
(Please see Para No. 13 of Chapter-I)

New Delhi;
14 March, 2016
24 Falguna,1937 (Saka)

PRALHAD JOSHI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

MINUTES
STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS
(2015-16)
TENTH SITTING
(10.03.2016)

The Committee sat on Thursday, the 10 March, 2016 from 1000 hrs. to 1100 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Sh. Pralhad Joshi - Chairperson

MEMBERS

LOK SABHA

- 2 Shri Kalikesh N. Singh Deo
- 3 Shrimati Rama Devi
- 4 Shri Naranbhai Kachhadiya
- 5 Dr. Thokchom Meinya
- 6 Shrimati Pratima Mondal
- 7 Shrimati Jayshreeben Patel
- 8 Shri Arvind Sawant
- 9 Dr. Bholu Singh
- 10 Shri Rajesh Verma
- 11 Shri Om Prakash Yadav
- 12 Shri Laxmi Narayan Yadav

RAJYA SABHA

- 13 Shri Mani Shankar Aiyar
- 14 Shri Ishwarlal Shankarlal Jain
- 15 Shri Bhubaneshwar Kalita
- 16 Shri Mansukh L. Mandaviya

SECRETARIAT

1. Shri A.K.Singh - Additional Secretary
2. Dr. Ram Raj Rai - Director
3. Shri H.Ram Prakash - Additional Director
4. Shri Sujay Kumar - Under Secretary

2. xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx

3. the Committee took up for consideration the draft Action Taken Report on the 7th Report on 'Ethanol Blended Petrol and Bio-Diesel Policy' and adopted the same with minor modification.

4. The Committee authorised the Chairperson to finalize the report and present/lay in both the Houses of Parliament.

The Committee then adjourned.

xxx Matter not related to the subject.

Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTH REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2014-15) ON 'ETHANOL BLENDED PETROL AND BIO-DIESEL POLICY'.

I	<u>Total No. of Recommendations</u>	14
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 2, 5, 7, 9, 10, 11, 12 and 13)	8
	Percentage to Total	57.14%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's (Vide Recommendations at Sl. No. 6)	1
	Percentage of Total	7.14%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 1, 4, 8 and 14)	4
	Percentage of Total	28.58%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. No. 3)	1
	Percentage of Total	7.14%