

GOVERNMENT OF INDIA
MINISTRY OF PETROLEUM AND NATURAL GAS

RAJYA SABHA
STARRED QUESTION NO-247
ANSWERED ON - 24/03/2025

FACTORS LEADING TO INCREASE OF PRICE OF ETHANOL

*247. SHRI DHANANJAY BHIMRAO MAHADIK:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) factors that have contributed to recent increase in price of ethanol in the country;
- (b) whether Government is planning to address rising prices of ethanol to ensure that it remains affordable for blending with petrol and diesel;
- (c) whether price increase of ethanol will impact the ethanol blending programme in terms of cost competitiveness for consumers;
- (d) whether Government has taken any steps to protect ethanol producers from price volatility, while maintaining the sustainability of the ethanol production sector; and
- (e) whether Government is supporting the farmers who are contributing raw materials (like sugarcane, corn, etc.) for ethanol production, particularly when prices fluctuate?

ANSWER

MINISTER OF PETROLEUM & NATURAL GAS

(SHRI HARDEEP SINGH PURI)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) IN RESPECT OF THE RAJYA SABHA STARRED QUESTION NO. 247 FOR REPLY ON 24.03.2025 REGARDING FACTORS LEADING TO INCREASE OF PRICE OF ETHANOL ASKED BY SHRI DHANANJAY BHIMRAO MAHADIK.

(a) to (d) Government have been promoting blending of ethanol in petrol under the Ethanol Blended Petrol (EBP) Programme with multiple objectives. As a green fuel, Ethanol supports the environmental sustainability efforts of the Government. It reduces import dependence on crude oil while saving foreign exchange and promotes domestic agriculture sector.

EBP Programme has resulted in expeditious payment to farmers of more than Rs.1,04,000 crore from Ethanol Supply Year (ESY) 2014-15 up to January 2025, besides savings of more than Rs.1,20,000 crore of foreign exchange, net CO₂ reduction of about 626 lakh metric tonne and substitution of more than 200 lakh metric tonnes of crude oil.

Interventions by the Government have led to increased ethanol blending with petrol from 38 crore litres in ESY 2013-14 to 707 crore litres in ESY 2023-24 with corresponding increase in blending percentage from 1.53% to 14.60%. During the ongoing ESY 2024-25, ethanol blending of 19.68% has been achieved in February, 2025 by Public Sector Oil Marketing Companies. The National Policy on Biofuels – 2018, as amended in 2022, *inter-alia*, advanced the target of 20% blending of ethanol in petrol to ESY 2025-26 from 2030. Currently, there is no blending of ethanol with Diesel.

Oil Marketing Companies (OMCs) procure ethanol for blending with Petrol at different ex-mill prices depending on the feedstock used for its production. Till 2017-18, ethanol production for EBP Programme was permitted from C-heavy molasses (CHM) only. Since ESY 2018-19, multiple feed stocks have been utilised for ethanol production. Further, to incentivize this sector differential price of ethanol based on feed stock utilized for ethanol production was approved by the Government in order to optimize the logistics and procurement of ethanol. The ex-mill price of ethanol from sugarcane-based feedstock is decided by the Government, whereas the price of ethanol from grain-based feedstock is decided by Public Sector OMCs. Government's continued endeavour seeks to ensure that ethanol prices remain competitive vis-à-vis prices of fossil fuels.

Prices of ethanol have remained stable from 01.12.2022 through the ongoing ESY 2024-25 except for a 3% increase in price of C-Heavy Molasses. As there is no diversion of sugar during production of ethanol from C-heavy molasses, this meets both the objectives of maintaining sufficient availability of sugar in the country and ethanol requirement for EBP Programme.

In addition, to optimize the availability of feedstock for ethanol production, incentives of Rs. 6.87 per litre on ethanol from C-Heavy Molasses (CHM), Rs. 15.51 per litre on maize ethanol and Rs. 8.46 per litre on ethanol from Damaged Food Grain (DFG) have been given during this period. As a result, weighted average procurement price (including incentives) of ethanol on ex-mill basis (excluding GST) has increased from Rs. 61.89 per litre in ESY 2022-23 to Rs. 67.73 per litre in ESY 2024-25 (February, 2025).

The price of petrol has been market determined with effect from 26.06.2010. Since then, OMCs take appropriate decision on pricing of petrol.

The Government have taken proactive measures to safeguard ethanol producers from price volatility while ensuring the sustainability of the ethanol production sector. There have been several interventions including Long Term Offtake Agreement (LTOA) by OMCs, issuance of multiple rounds of Expression of Interest for ethanol procurement by OMCs, review of transportation rates payable to the ethanol suppliers, ensuring sufficient availability of feedstock

for ethanol production through the imposition of export duty on CHM, permitting higher diversion of sugar for ethanol production during ESY 2024-25, and releasing surplus FCI rice in alignment with market conditions.

(e) National Food Security and Nutrition Mission (NFSNM) is implemented by Ministry of Agriculture and Farmers Welfare in 28 States & 2 Union Territories (J&K and Ladakh) to increase production and productivity of food grains and commercial crops including maize and sugarcane. The Government fixes Minimum Support Price (MSP) for maize and Fair & Remunerative Price (FRP) for sugarcane every year, to encourage farmers for cultivation and ensure remunerative price. The MSP of Maize has increased from Rs. 1850/quintal during 2020-21 to Rs. 2225/quintal during 2024-25. The FRP of Sugarcane has increased from Rs. 285/quintal during sugar season 2020-21 to Rs. 340/quintal during sugar season 2024-25.
