

Policy on biofuels: Green push?

At a time when rising oil prices are putting increasing pressure on the economy, even small steps to encourage the use of biofuels are welcome. The Cabinet this month [approved a National Policy on Biofuels](#), which encourages the generation and use of biofuels such as ethanol. It primarily tries to address supply-side issues that have discouraged the production of biofuels within the country. For one, it allows for a wider variety of raw materials to be used as inputs to produce ethanol that is blended with petrol. Until now, only ethanol produced from sugarcane was approved for this purpose. Under the new policy, feedstock for biofuels includes sugar beet, corn, damaged foodgrain, potatoes, even municipal solid waste. This will likely reduce the cost of producing biofuels and improve affordability for consumers, particularly during times when oil prices reach discomforting levels. In India, industrial-scale availability of ethanol so far has been only from sugar factories, which were free to divert it to other users such as alcohol producers, who would pay more. The oil companies have been floating tenders for ethanol supply, but availability lags behind their needs, because the price is often not attractive enough for the sugar industry. The Centre hopes the new policy will also benefit farmers, who will be able to sell various types of agricultural waste to industry at remunerative prices. But given the technology available, a large chunk of the biofuel will have to come from the sugar sector for now. Therefore, pricing is the key. The government estimates that ethanol supply of around 150 crore litres in 2017-18 could save foreign exchange worth over 4,000 crore. The production of biofuels from agricultural waste, it is hoped, will also help curb atmospheric pollution by giving farmers an incentive not to burn it, as is happening in large parts of northern India.

But policy should not get ahead of technological and financial feasibility — and options should be realistically laid out for farmers. There is also a need for caution in using surplus foodgrain to produce ethanol. And while removing the shackles on raw material supply can have definite benefits, it cannot make a significant difference to biofuel production as long as the supply-chain infrastructure that is required to deliver biofuels to the final consumer remains inadequate. To address this issue, the new policy envisages investment to the tune of 5,000 crore in building bio-refineries and offering other incentives over the next few years. The government should also take steps to remove policy barriers that have discouraged private investment in building supply chains. Until that happens, India's huge biofuel potential will continue to remain largely untapped.

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