



सैयद शाहनवाज़ हुसैन
माननीय मंत्री
उद्योग विभाग, बिहार सरकार



श्री नीतीश कुमार
माननीय मुख्यमंत्री, बिहार

इथेनॉल उत्पादन प्रोत्साहन नीति, 2021

Ethanol Production Promotion Policy, 2021



उद्योग
विभाग





बिहार सरकार

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1. Preamble

Bihar is progressively adopting practices to create an investor-friendly environment in the state, so as to facilitate investments. The state has adopted best practices for making a conducive environment in the state to facilitate investments, employment generation and welfare of the people. Measures like State Investment Promotion Board, Single Window Clearance, online payments, online verification, self- certification, time-bound approval of licences/clearances, availability of information online, standard operating procedures for approvals, deemed approvals, etc. are being adopted by various departments and government agencies.

The overall objective is to maximize the value addition to state's natural resources by setting up industries across the state, generating revenue and creating employment. Bihar Government is also keenly working towards skill development, improving exports, Agriculture and Processed Food products, Tourism, Renewable Energy to ensure increased industrial development across the State.

In view of the above, this policy has been introduced after extensive deliberation with industries experts, industry associations, investors, subject experts etc. This policy is proposed to make Ethanol manufacturing in the State more attractive for potential investors. This Policy is aimed at defining the broad contours of the government's mission towards augmenting the development of Ethanol manufacturing Industries.

2. Background

In order to encourage sustainable and alternate fuels and also to cut India's dependence on imports of fossil fuel oils, Government of India has taken multiple interventions including administered price mechanism, opening alternate route for Ethanol production, amendment to Industries (Development & Regulation) Act, 1951 which legislates exclusive control of denatured Ethanol by the Government of India, reduction in applicable Goods & Service Tax (GST) from 18% to 5%, notification of National Policy on Biofuels – 2018, increasing scope of raw material for Ethanol procurement, extension of Ethanol Blended Petrol (EBP) Programme to whole of India except islands of Andaman Nicobar & Lakshadweep w.e.f. 01st of April, 2019, et al.

The National Policy on Biofuels, 2018 approved in May, 2018 is aimed at achieving multiple outcomes such as; addressing environmental concerns, reducing import dependency and providing boost to agriculture sector.

The National Policy on Biofuels, 2018 allowed production of Ethanol from B-heavy



Molasses, Sugarcane Juice, and Damaged food grains like wheat, broken rice etc which are unfit for human consumption. Regarding food-grains, the National Biofuel Coordination Committee (NBCC) was empowered to allow specific raw materials based on the projected supply for the forthcoming year. The NBCC has subsequently allowed production of Ethanol from Surplus Rice with Food Corporation of India (FCI) and Maize.

Traditionally, Bihar has been leader in the Sugarcane production in India and is also home to large number of Molasses based Distillery units. Ethanol manufacturing in the State using Sugarcane Juice, Maize and Broken Rice as feed-stock has significant potential for growth. The National Policy on Biofuels, 2018 and subsequent pronouncements by the Government of India offer a very conducive regulatory and institutional eco-system for sustainable growth of Ethanol manufacturing in States such as Bihar which is endowed with large number of feed-stocks such as Sugarcane, Maize, Rice, etc.

This policy has been introduced with an aim to leverage the opportunities in Ethanol manufacturing which offers a sustainable source of income for farmers, entrepreneurs and workers who will be employed in the Ethanol units.

3. Objective

This policy aims to achieve the following objectives for the overall growth and development of green-field new 100% Ethanol manufacturing industries in the State with a goal of providing remunerative returns to investors, farmers and all other stakeholders:

- To allow production of Ethanol from all feedstocks permitted under National Policy on Biofuels, 2018 and by the National Biofuel Coordination Committee
- To promote, facilitate and financially incentivize investment in fuel-grade standalone new/green-field Ethanol manufacturing units in Bihar through instituting an enabling environment and offering fiscal incentive
- To increase incomes of farmers producing feed-stock/ raw material which may be used for Ethanol manufacturing
- To create local employment opportunities through promotion of new Ethanol industries

4. Coverage and Scope

4.1. Eligibility for type of Units

Only standalone distilleries (single feed or dual feed) producing 100% fuel-grade Ethanol which will be developed as Greenfield project shall be eligible for incentive under this Policy.

4.2. Eligibility for type of feedstocks

Ethanol production from all feedstocks permitted under National Policy on Biofuels, 2018 and by the National Biofuel Coordination Committee shall be allowed in the State of Bihar. Subsequent permission of any additional feedstock for Ethanol production by National Biofuel Coordination Committee will be automatically allowed for Ethanol production in the State of Bihar.



Notes:

- a) Other eligibility conditions and incentives mentioned under Bihar Industrial Investment Promotion Policy, 2016 shall also be considered for eligibility under this policy.
- b) Only those Green-field standalone Ethanol manufacturing units shall be eligible for financial assistance under this Policy which are producing fuel-grade Ethanol and are supplying 100% of their Ethanol to Oil Manufacturing Companies (OMCs) under Ethanol Blending Programme (EBP) of Government of India. For this purpose, at the time of Financial Clearance, the Units will submit either (i) a copy of Tripartite agreement entered into among the Unit, their Bankers and Oil Marketing Companies (OMCs), or (ii) purchase order from Oil Marketing Companies (OMCs) for sourcing of Ethanol manufactured by the Unit.

5. Incentives to Ethanol Manufacturing Units

The Policy recognizes the need of additional incentive to eligible Units to further improve the investment prospects in the Ethanol manufacturing sector in the state.

5.1 Guiding Principles

- 5.1.1 These provisions / principles shall be applicable to all eligible projects / units under this policy.
- 5.1.2 This policy shall come into force from the date of its notification. The said date shall be considered as effective date of this policy from which its provisions shall come into force and will be applicable till 31st March 2025.
- 5.1.3 Incentive under this Policy shall be offered after commencement of commercial production by the Unit.
- 5.1.4 Incentive under this Policy to the eligible Units covered under the clause 4 will be in addition to the wide range of benefits eligible under the Bihar Industrial Investment Promotion Policy, 2016. However, the maximum limit of incentive under this Policy shall be subject to capping as per Clause 5.2 of this Policy.
- 5.1.5 For the purpose of calculation of capital subsidy under this policy, the value of Plant and Machinery shall be that considered as part of Approved project cost under Bihar Industrial Investment Promotion Policy, 2016.
- 5.1.6 Only those green-field standalone Ethanol Units which are set-up on ZLD (Zero Liquid Discharge) basis shall be considered under this Policy. The cost of setting-up Effluent Treatment Plant (ETP) shall be included within the Approved project Cost as mentioned in Clause 6.1.(xxii) of Bihar Industrial Investment Promotion Policy, 2016.
- 5.1.7 Cost incurred in setting-up Captive power plant by eligible green-field standalone Ethanol units shall be included within the Approved project cost.
- 5.1.8 Special Class Investors: In case of Scheduled Castes (SC), Scheduled Tribes (ST), Extremely Backward Castes (EBC), Women, Differently-abled, War-widows, Acid attack victims and Third gender entrepreneurs, the maximum limit of incentive under this Policy shall be increased by additional 5%.



5.2 Capping of incentives

5.2.1 The incentive under this Policy is in addition to the incentives under Bihar Industrial Investment Promotion Policy, 2016. However, the capping of sum total of Interest Subvention Incentive under Bihar Industrial Investment Promotion Policy, 2016 and Capital subsidy under this Policy shall be at 50% of the Approved project cost under Bihar Industrial Investment Promotion Policy, 2016.

5.2.2 For Special Class Investors as referred to in Clause 5.1.8 of this Policy, the capping will be 52.5% of the Approved project cost under Bihar Industrial Investment Promotion Policy, 2016

5.3 Incentives under this policy

The quantum of capital subsidy under this Policy shall be 15% of the Cost of Plant and Machinery or Rs. 5.00 crs, whichever is lower.

In case of Special class investors referred to under Clause 5.1.8, the quantum of capital subsidy under this Policy shall be 15.75% of the Cost of Plant and Machinery or Rs. 5.25 crs, whichever is lower.

5.4 Dovetailing with Central and State Government policies and schemes

- (a) Dovetailing with Central Government policies and schemes would be allowed under the Policy. Investors shall have to submit declaration of types and quantum of incentives availed/ to be availed by them under Central Government policies.
- (b) Dovetailing with Bihar Industrial Investment Promotion Policy, 2016 would be allowed under the policy. Dovetailing with State Government policies and schemes other than Bihar Industrial Investment Promotion Policy, 2016 would be allowed under the policy subject to the condition that the unit shall not avail subsidy against the same asset under this policy and such other policy.
- (c) In case Investors avail any subsidy under Central Government schemes, the amount of subsidy so availed/ to be availed by them will be deducted from the corresponding subsidy admissible under Bihar Industrial Investment Promotion Policy, 2016 or this Policy. For example – If an Investor avails 6% interest subvention subsidy under a Central Government Scheme and the applicable interest rate on term loan availed by them is 10%, then balance 4% would be admissible under Bihar Industrial Investment Promotion Policy, 2016 subject to the upper limit specified in the Policy.

5.5 Special incentive package for Special class entrepreneurs

In order to promote Scheduled Castes (SC), Scheduled Tribes (ST), Extremely Backward Castes (EBC), Women, Differently-abled, War-widows, Acid attack victims and Third gender entrepreneurs in the State, they shall be entitled for additional subsidy under the policy subject to the condition that entrepreneurs under these categories shall hold 100% stake in the Company/ Firm promoting the Unit.

5.6 Submission of application under this Policy

For availing incentive under this Policy, the eligible units would be required to submit Stage-



1 application latest by 30.06.2021. Every application for Stage-1 clearance submitted by an Entrepreneur for setting up Ethanol manufacturing unit will be processed in next seven (07) working days. Applications which are complete in all respects will be accorded Stage-1 clearance and the same will be communicated to the concerned Entrepreneur.

Eligible units which have availed Stage-1 clearance prior to the date of notification of this Policy will also be covered under this Policy provided they have not availed Financial Clearance.

5.7 Incentives on first-come-first-serve basis

Incentive under this scheme shall be offered on first-come-first-serve basis. All units having applied for Stage-1 clearance latest by 30.06.2021 shall be eligible to avail incentive under this Policy provided they also submit application for Financial Clearance on or before 30.06.2022.

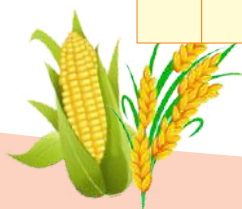
5.8 Total financial assistance to 100% green-field standalone Ethanol units

After the notification of this Policy, the eligible green-field standalone Ethanol Manufacturing Units in Bihar will be entitled to avail Incentives under the following policies of the Bihar Government-

1. Bihar Industrial Investment Promotion Policy, 2016
2. This Policy

Thus, eligible Ethanol units would be entitled to the following financial assistance:-

Sl.	Type of incentive	Quantum of incentive	Policy
1.	Stamp duty and registration fees	100% Exemption of Stamp duty and registration fees (100% Reimbursement in case of Priority Sectors)	Bihar Industrial Investment Promotion Policy, 2016
2.	Land conversion fees	100% Exemption of Land conversion fees (100% Reimbursement in case of Priority Sectors)	
3.	Interest subvention incentive	Interest Subvention Incentive at 10% of Term loan for a period of five years, upper limit being 50% of Project Cost, maximum Rs. 20 crs (In case of Priority Sectors, upper limit being 30% of Project Cost, maximum Rs. 10 crs)	
4.	Tax related incentives	Tax related incentives (100% SGST reimbursement and 100% Electricity Duty reimbursement) for a period of five years, upper limit being 100% of Project Cost {In case of Priority Sectors, 80% SGST reimbursement and 100% Electricity Duty Reimbursement, upper limit being 100% of Project Cost}	



Sl.	Type of incentive	Quantum of incentive	Policy
5.	Employment cost subsidy	50% reimbursement (in case of male workers) and 100% reimbursement (in case of female workers) of expenditure on account of contribution toward ESI and EPF scheme for a period of 5 years for new units for those employees who are domicile of Bihar. Maximum limit for reimbursement will be Rs.1000/- per month for SC/ST and women employee and Rs. 500/- per month for general employee.	Bihar Industrial Investment Promotion Policy, 2016
6.	Skill development subsidy	Skill development subsidy of Rs 20,000 per employee/ Bihar Skill Development Mission (BSDM) rates whichever is lower. This incentive will be applicable for training of employees/ staffs who are domicile of Bihar	
7.	Capital subsidy	Capital subsidy at 15% of the cost of Plant and Machinery, maximum Rs. 5 crs	This Policy

Note:

1. In case of Micro and Small units, following additional incentives are given- (i) Rate of interest subvention is 12% instead of 10%; and (ii) The upper limit of Tax related incentives is increased by additional 30% of the Approved project cost.
2. In case of Special Class Entrepreneurs referred to in Clause 5.1.8 of this Policy, following additional incentives are given- (i) Rate of interest subvention and upper limit of interest subvention incentive both is raised by additional 15% of the limit; (ii) The upper limit of Tax related incentives is raised by additional 15% of the limit. (iii) The upper limit of capital subsidy is raised by additional 5% of the limit.
3. This Clause 5.8. is merely for presentation purposes. For terms and conditions related to incentives under Bihar Industrial Investment Promotion Policy, 2016, the policy document should be referred to. In case of any inconsistency between the information presented in this Clause and provisions of the said policy, the latter will apply and prevail.

5.9 Timeline to be followed by Entrepreneurs and Department of Industries

- **Stage-1 Clearance:** Entrepreneurs should submit application for Stage-1 clearance latest by 30th June, 2021 on Single Window Clearance portal (swc.bihar.gov.in) of Department of Industries. Department of Industries will issue Stage-1 clearance within next seven (07) working days to applications which are complete in all respects.



- **Land allotment by BIADA:** Entrepreneurs should submit application for land allotment on BIADA portal which will be disposed by BIADA within next seven (07) working days.
- **Financial Clearance:** Entrepreneurs should submit application for Financial Clearance latest by 30th June, 2022 on Single Window Clearance portal (swc.bihar.gov.in) of Department of Industries.

6. Policy implementation, monitoring and grievance redressal

6.1. Policy Implementation

- Department of Industries, Government of Bihar shall be the nodal agency responsible for implementation of this policy in the State. Director of Industries shall be the nodal officer for this policy.
- Incentives under this policy shall be processed as per the provisions of Bihar Industrial Investment Promotion Act, 2016 and Bihar Industrial Investment Promotion Rules, 2016.
- Units applying for incentive under this policy shall apply on the Single Window Clearance (SWC) portal (<https://swc.bihar.gov.in>) of the Department of Industries, Government of Bihar.
- Government of Bihar will promote fuel-grade Ethanol manufacturing in the State. For this purpose, the State Investment Promotion Board (SIPB) constituted as per Section 4 of the Bihar Industrial Investment Promotion Act, 2016 shall be empowered to issue directions to concerned Departments/ Agencies of the State Government. All NOCs, permissions and clearances required by Ethanol Manufacturing units from Prohibition Excise & Registration Department and other Departments/ Agencies of Bihar Government will be provided through Single Window Clearance (SWC) portal (<https://swc.bihar.gov.in>) of the Department of Industries, Government of Bihar.
- Department of Industries shall extend hand-holding support to the Investors setting up Ethanol manufacturing units in land allotment from Bihar Industrial Area Development Authority (BIADA), land registration for private land and land use conversion and other applicable clearances/ licences/ NOCs.
- BIADA land shall be allotted to standalone Ethanol manufacturing units on priority. Every application for land allotment submitted by an Entrepreneur for setting up Ethanol manufacturing unit will be processed in next seven (07) working days. For this purpose, a weekly meeting of the Project Clearance Committee (PCC) of BIADA will be held to clear all applications for High-priority sector units received within a week. Units proposing to set-up standalone Ethanol manufacturing plant shall be given preference in land allotment over other high-priority sector proposals.



6.2. Policy monitoring and grievance redressal

- (i). The implementation of the policy will be reviewed from time to time and necessary facilitation and course correction shall be undertaken as found necessary to achieve the objectives of this policy.
- (ii). Department of Industries will develop web-based interaction mechanism where suggestions and complaints can be directly addressed to the Department of Industries.

6.3 Program awareness and Capacity Building

- (i). Programs for creation of various levels of awareness /capacity building for self-reliance in the field of domestic energy will be run. With this, the rural economy will be strengthened as well as the role and importance of the bio-fuels sector will be established for self employment opportunities.
- (ii). Emphasis will be given on human resource development, training and capacity building. For this, government and other institutions will be encouraged for various level training, to ensure the availability of trained manpower at all levels in the bio-energy sector.

7. General conditions

- (i). As per the National Policy on Biofuels, 2018, the Bureau of Indian Standards (BIS) has already evolved standards for bio-ethanol, biodiesel for standalone and blended form applications. The Bureau of Indian Standards (BIS) has developed a standard (E.S. 15607) for Bio-diesel, which has been taken from the American standard ASTM-D-6751 and the European standard E.N. 14-14214. Apart from this, the Bureau of Indian Standards has developed standard I.S. -2796: 2001, including 5% and 10% Bio-ethanol Blend. Compliance will be ensured in each condition of standards set by the Bureau of Indian Standards in the production of bio-ethanol, biodiesel, drop-in-fuel, methanol and other bio-fuels.
- (ii). If any false declaration is given for the purpose of availing incentives or if incentives are availed for a unit that was not eligible or any violation of the condition of this policy, the amount of incentive is liable to be recovered from the date of availing such benefit along with the interest compounded annually @ 18% per annum. In case of non-payment within the stipulated time, the State Government may recover such amounts including interest as arrears of land revenue.
- (iii). If a Unit after availing incentive under this Policy diverts the production facility to produce any product other than fuel-grade Ethanol to be supplied to Oil Marketing Companies under Ethanol Blending Programme of Government of India, the amount of incentive is liable to be recovered from the date of availing such benefit along with the interest compounded annually @ 18% per annum. In case of non-payment within the stipulated time, the State Government may recover such amounts including interest as arrears of land revenue.



8. Words used in this Policy shall have the same meaning as assigned to them under Bihar Industrial Investment Promotion Policy, 2016 or National Policy on Biofuels, 2018, as the context may require. All matters of interpretation/disputes shall be decided by the Industrial Development Commissioner/ Principal Secretary, Department of Industries. Such interpretation/decision shall be final.
9. Industries mentioned in the negative list of Bihar Industrial Investment Promotion Policy, 2016 would not be eligible for any incentive under this policy.
10. In case of any discrepancy in the meaning and interpretation of the translated version of this policy, the English language version shall be binding in all respect and shall prevail.
11. This policy will come into effect from the date of issue of this notification and will remain in operation till 31st March 2025.

By the order of the Governor of Bihar

B. Mehrotra
17/3/21

(Brijesh Mehrotra)

Additional Chief Secretary,
Department of Industries, Bihar, Patna.
Dated- 17/03/2021

Memo No- 757 /Patna,
File No- 4/Tech./Ethanol Policy /09 / 2021





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