

GEMA/MoPNG/2024-25/214

Date: 11th November 2024

To,

Shri Hardeep Singh Puri Ji

Hon'ble Minister to the Govt. of India

Ministry of Petroleum & Natural Gas

Shastri Bhawan, New Delhi - 110001

Subject: Request for Support to Ensure the Survival of Grain Ethanol Plants Without Long-Term Offtake Agreements (LTOA).

Respected Sir,

At the outset we wish you a very happy and prosperous Diwali.

We are writing to bring to your attention the serious challenges faced by Grain Ethanol Plants that do not have long-term offtake agreements (LTOA) with oil marketing companies (OMCs).

During the Ethanol Supply Year 2024-25, these plants have received only 50-64% of the allocation they offered to OMCs. This significant reduction in sales jeopardizes the viability of our operations, putting us at risk of becoming non-performing assets (NPAs).

We established these Grain Ethanol units in alignment with the Government of India's Ethanol Blending Program (EBP), based on the understanding that there was a consistent demand for ethanol. The LTOA was introduced to provide assurances to banks for loan approvals. With the support of the Government of India, we received loans and interest subventions, but the responsibility for repaying these loans rests with us.

We would like to quote office memorandum No. 1(11)/2021 – (BP &E) (PART) of DFPD dated 02 May 2022:

“Point 3.

Since, many of the projects were not getting approval for loans from banks due to their weak financials/negative net worth or other

issues, to facilitate the advancing of loans to such projects with less equity, the concept of Tri-Partite Agreement (TPA) came into existence among the producers of ethanol (sugar mills/distilleries), buyers of ethanol (OMCs) and the lenders (banks) through an escrow account to the effect that all the revenue generated from supply of ethanol by sugar mills to OMCs goes to this escrow account of sugar mills/distilleries and can be utilized for payment of interest/principal amount to the banks; and there should be an assured Purchase of ethanol by OMCs which will give an additional comfort to the suppliers of ethanol as well as to the Banks.

“Point 8.

In view of the above, it is requested to kindly impress upon all the banks/financial institutions to also consider extending loans to those PPs who have been issued in principle approval by DFPD as per standard Industrial Financing norms but do not have LTOA with OMCs, after ascertaining their financial credibility, as there is enough demand of ethanol in the country. “

However, under the current allocation system, we are struggling to meet our financial obligations. Our plants are restricted to producing ethanol exclusively for the EBP, as per our environmental clearance (EC) under the B2 category. The OMCs remain our sole buyers, and we are unable to manufacture any other products to offset our financial burdens.

“A. Specific Condition:

- (i) As per the Notification S.O. 2339(E), dated 16th June, 2021, project falls in category B2 and the proposed capacity of 100 KLPD shall only be used for fuel ethanol manufacturing as per self-certification in the form of a notarized affidavit by the Project Proponent. Provided that subsequently if it is found that the ethanol, produced based on the EC granted as per this dispensation, is not being used completely for EBP Program, or if ethanol is not being produced, or if the said distillery is not fulfilling the requirements based on which the project has been appraised as category B2 project, the EC shall stand cancelled.”

In light of these challenges, we humbly request your kind intervention to support the survival of existing grain ethanol plants by considering the following:

1. Increase the blending percentages to ensure that the ethanol we produce can be fully accommodated.
2. Revise the allocation preferences, as the sugar industry, which lacks LTOAs, is currently given priority, leaving grain ethanol producers at a disadvantage, moreover the Ethanol Manufacturers manufacturing ethanol from sugarcane have the option of manufacturing sugar, whereas grain-based ethanol industries like us are left with the only option of producing ethanol to meet the requirement of the Government of India's ethanol blending program.
3. Devise a grading system where suppliers having impeccable track record of supplying and fulfilling their allocations and meeting their targets should be encouraged by giving preferential allocation as compared the other who have failed to honor their commitments and timelines.

We sincerely hope that you will consider our appeal and take the necessary steps to safeguard the future of the grain ethanol industry, which remains a critical component of India's clean energy transition.

Thank you for your time and consideration.

Yours sincerely



Dr. Chandra K. Jain

President

Cont. No. 9810095615

- CC to: 1) Secretary, MoPNG, Shastri Bhawan, New Delhi.
2) OMC Coordination Committee (BPCL, HPCL & IOCL)
i) Shri Anurag Saraogi, Chief General Manager- BPCL, Mumbai
ii) Shri Siddhartha Mitra, Chief General Manager- IOCL, Mumbai
iii) Shri K. K. Kishore, Chief General Manager-HPCL, Mumbai