

Plan & Roadmap for 15% Blending in ESY 2023-24



MoPNG's Committee - 14th March, 2024

15% Ethanol Blending Target in ESY 2023-24



MoPNG has invited suggestions/ recommendations to achieve 15% ethanol blending in ESY 2023-24.

Grain Ethanol Manufacturers Association (GEMA) is presenting its submissions in order to achieve the same.

Policy Matters



GRAIN / FEEDSTOCK AVAILABILITY:

1. Resume supplies for FCI surplus rice:

Industry is facing issue of limited availability of broken rice, at the same time it is available at unviable costs. By resuming supplies of FCI surplus rice, availability of feedstock will increase and rate/price of damaged food grain will be corrected, which will enable units to supply ethanol against SFCI and DFG allocations as per existing commitment.

If only, 25% SFCI, of total contracted volume of a unit, is allotted, then additional 100 crore liter could be available in remaining 7 months.

Policy Matters



2. Improve immediate availability of maize:

On temporary basis, ease imports of maize for other industry such as starch and poultry, who are currently the major consumers of maize. At present, maize import invites 50% import duty, whereas, other agriculture crops such as pulses etc. are allowed either duty free or @ 5% duty.

Similarly, maize should be allowed duty-free import by other major consumers, such as starch and poultry temporarily.

Policy Matters



DYNAMIC PRICING OF ETHANOL FROM GRAIN:

At current fixed purchase price model, units are not operating at viable margins. Since, grain ethanol is dependent on 3 dynamic variables;

Grain, DDGS and Fuel - We strongly propose to apply dynamic pricing model on grain ethanol, so that industry can continue their viable operations and prevent the industry from sickness.

Operational Policy Matters



1. Ease out Decantation issues:

Units are facing issues in decanting ethanol due to various reasons, such as:

- i. Delay/ mismatch in PO/ Indent issuance and supplies of ethanol
- ii. Pro-rata-based allocation disable feedstock flexibility
- iii. Delay in transferring allocation from depot to depot
- iv. Decantation facility at individual depots

Such issues should be resolved ASAP.

Operational Policy Matters



2. Ease out payments:

a. Bring down payment cycle to 7-10 days:

Initially payment cycle was 14 days, which was increased to 21 days and effectively it is now about 30 days. At the same time, earlier, ethanol units were buying feedstock at 30-45 days credit, which has now come down to cash and carry basis. This has greatly increased the requirement of working capital for a unit.

OMC's to take prompt action.

Operational Policy Matters



b. Release payments, pending JRC:

The payments of units are held up because of incompleteness of JRC, which has greatly impacted the working capital of the unit.

It is requested to release payments pending JRC.

c. Waiver of PRC:

Since entire 2022-23 was greatly impacted in availability of grain feedstock due to sudden stoppage of SFCI, so compliance of the contracted volume supplies could not be done by the units, thus same should be considered to be waived. This will also ease out working capital.

Other Suggestions



1. Correct assessment of ongoing short supplies by grain DEPs:

Evaluate why there is ongoing shortfall in supply of grain ethanol in Q1 & Q2
- were the units incapable of supplying ethanol due to unviable pricing or unavailability of feedstock or anything other problems?

Some solutions can be identified by answering these questions realistically.

Other Suggestions



2. Transparency of data:

- i. Cost calculation of grain ethanol procurement price arrived by OMCs to buy, should be partnered with associations.
- ii. As per initial practice, monthly ethanol supply data with state and feedstock break-up was provided and should be continued to share with associations for mutual participation in decision/ suggestion making.
- iii. Resume open interactions with ethanol supplying units, as done previously.

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