

Ethanol Blending Boosts Farmers' Income and Rural Economy: Petroleum Minister Hardeep S. Puri

Posted On: 21 AUG 2025 7:19PM by PIB Delhi

The Government has achieved remarkable progress in promoting biofuels as a sustainable alternative to petroleum products, stated Union Minister of Petroleum and Natural Gas, Shri Hardeep Singh Puri, in a written reply to a starred question in Lok Sabha today.

The promotion of use of biofuels has been undertaken through the National Policy on Biofuels. Government has been promoting the blending of ethanol in petrol under the Ethanol Blended Petrol (EBP) Programme with multiple objectives. As a green fuel, ethanol supports environmental sustainability efforts of the Government, reduces dependence on crude oil imports while saving foreign exchange, and promotes the domestic agriculture sector.

The EBP Programme has resulted in expeditious payment to farmers of more than Rs.1,25,000 crore from Ethanol Supply Year (ESY) 2014-15 up to July 2025, besides savings of more than Rs.1,44,000 crore of foreign exchange, net CO2 reduction of about 736 lakh metric tonnes and substitution of more than 244 lakh metric tonnes of crude oil.

Under the EBP Programme, Public Sector Oil Marketing Companies (OMCs) achieved the target of 10% Ethanol blending in petrol in June 2022, i.e. five months ahead of the target during ESY 2021-22. The blending levels further increased to 12.06% in ESY 2022-23, 14.60% in ESY 2023-24, and 19.05% as on 31st July 2025 during the ongoing ESY 2024-25. During July 2025 alone, Ethanol blending of 19.93% was achieved.

To support ethanol production across the country, the Government has taken several steps including expansion of feedstock for ethanol production, administered price mechanism for ethanol procurement, lowered GST rate to 5% for ethanol used in the EBP Programme, introduction of various Ethanol Interest Subvention Schemes (EISS) during 2018-22, and a dedicated subvention scheme for Cooperative Sugar Mills to convert existing sugarcane-based distilleries into multi-feedstock plants for ethanol production from molasses as well as grains. Additionally, Long Term Offtake Agreements (LTOAs) between OMCs and Dedicated Ethanol Plants, multimodal transportation of ethanol to enhance availability, and increasing ethanol storage capacity along with allied infrastructure have been put in place.

Further, to facilitate advanced biofuel production, the Government has notified the 'Pradhan Mantri JI-VAN (Jaiv Indhan- Vatavaran Anukool Fasal Awashesh Nivaran) Yojana' in 2019, amended in 2024, informed Shri Puri. The scheme aims to establish advanced biofuels projects in the country using lignocellulosic biomass and other renewable feedstocks including crop residue. It also provides remunerative income to farmers for their otherwise waste agriculture residues, creates rural and urban employment opportunities, addresses environmental pollution caused by biomass burning, and contributes to the Swachh Bharat Mission. The scheme has a total financial outlay of Rs. 1,969.50 crore, of which Rs. 1,800 crore is allocated for commercial-scale advanced biofuel projects and Rs. 150 crore for demonstration-scale projects.

Government has also taken several measures to promote the use of biodiesel. These include prescribing indicative target of blending of biodiesel in diesel/direct sale of biodiesel under the National Policy on Biofuels, notifying the 'Guidelines for Sale of Biodiesel for Blending with High Speed Diesel for Transportation Purposes-2019', and reduction of GST rate for procurement of biodiesel for blending programme from 12% to 5%.

Shri Puri reiterated that the Government is fully committed towards strengthening the biofuel ecosystem in the country to ensure energy security, reduce crude oil imports, support farmers, and promote environmental

sustainability.

MN

(Release ID: 2159409)