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Biofuel sector gears up for growth

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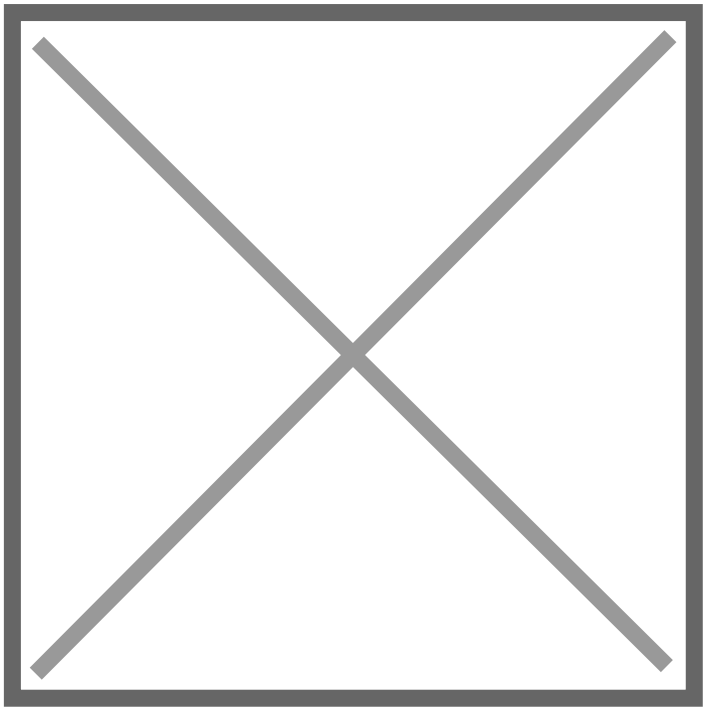

Biofuel sector gears up for growth

Understanding the need for an alternative fuel, the Government of India and the state governments have promoted the production and consumption of biodiesel since the year 2000.

Proponents of biodiesel emphasize that the oilseeds are an effective alternative to nonrenewable fuels and it possesses an ability to reduce the energy dependency and greenhouse gas emission. They also highlight the opportunities it hold for greening the countryside along with providing rural employment.

Growing demand for biofuel

According to an estimate in 2008, the current global biofuel usage is around 1.66 percent of total petroleum production. It is expected to increase multi-fold in the next decade. In the first generation technologies, sugar and grain crops are used as feed stocks to make bioethanol, while seed oils, fats and greases are used to make biodiesel. The second generation technology attempts to bring in different alternate processes with wider range of feed stocks including feed stock development.

Biotechnology is expected to play a crucial role in developing second generation technology. It would be complemented by conventional chemical processes in making a better biofuel. Developing renewable biomaterials like jatropha brings wide-ranging benefits in social context: improve land use pattern, reduce green house gas emissions and more importantly uplift the marginal farmers with better livelihood.

Budget incentives

Policy initiatives by the Government of India to encourage the biofuel industry came out in the form of National Biofuels Policy in September 2008. The policy sets an indicative target of blending 20 percent of biofuels—bioethanol and biodiesel by 2017. The policy also lay emphasis on facilitating the cultivation of non-edible oil seeds in waste and marginal lands for biodiesel production; restricting the import of free fatty acid (FFA); allowing unrestricted movement of biofuels within and outside the states; encouraging biodiesel plantations on community, government and forest waste lands; and the policy also has provisions of periodic revision for biodiesel oil seeds to provide fair price to the growers.

Finance Minister of India, Pranab Mukherjee, has raised his concern over the unprecedented hike in the global prices of oil and petroleum products in 2008-09. He also asserted that the government will set up an expert committee to advice on a viable and sustainable system of pricing petroleum products. He proposed to reduce the basic customs duty on biodiesel from 7.5 percent to 2.5 percent at par with petro-diesel. “With these proposals I hope to see a smile on the faces of the green brigade!” he said.

The Union budget 2009-10 proposes to fully exempt petro-diesel blended with biodiesel from excise duty. This initiative is a continuation of the National Biofuels Policy.

Biofuel sector in India

India is the sixth largest and one of the fastest growing energy consumers in the world. Due to limited domestic crude oil reserves, India meets about 72 percent of its crude oil and petroleum products (diesel and aviation fuel) requirement through imports, which are expected to expand further in coming years. In the last three years, India's oil import expenditure has nearly doubled due to the escalation in global oil prices.

Understanding the real potential of the biofuel sector, several companies have shifted their focus towards biofuel manufacturing—Reliance Industries, Tata Chemicals, ONGC, BPCL, HPCL, Godrej Agrovet, and Emami group are a few to name. The state governments are also not far behind. Leading by example is the state of Chattisgarh, where the Chief Minister's car itself has been running on biodiesel. Additionally, a large number of centrally-sponsored schemes are used to promote biodiesel plantations.

The budget incentives for biofuel industries put forth by the Finance Minister of India is a positive step towards substituting biofuels partially for imported oil, boosting biofuel industries, contributing to equitable economic development, getting energy self-reliance and reducing carbon emissions. By streamlining the National Biofuels Policy in sync with the needs of the industry and farmers, India can reach the ambitious target of blending 20 percent of biofuels well before the set deadline of 2017. ?

Pradeep Kumar