

F. No. 1(13)/2020-SP-I
Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution

Krishi Bhawan, New Delhi
Dated: 14th January, 2021

To,
(ISMA, NSCSF, AIDA, CII, FICCI, ASSOCHAM)

Subject: Implementation of Policy for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up distilleries for producing 1st Generation (1G) ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet etc. - Reg.

Madam/ Sir,

As you are aware that with the vision to boost agricultural economy, to reduce dependence on imported fossil fuel, to save foreign exchange on account of crude oil import bill & to reduce the air pollution, Government has fixed target of 10% blending of fuel grade ethanol with petrol by 2022 & 20% blending by 2030. It is expected that in current ethanol supply year 2020-21, about 325 cr ltrs ethanol is likely to be supplied to OMCs to achieve 8.5 % blending levels. It is likely that we will be achieving 10% blending target by 2022 with supply of 400 cr ltrs of ethanol.

2. With a view to support sugar sector and in the interest of sugarcane farmers, the Government has also allowed production of ethanol from B-Heavy Molasses, sugarcane juice, sugar syrup and sugar; and has been fixing the remunerative ex-mill price of ethanol derived from C-heavy molasses, B-heavy molasses and ethanol derived from sugarcane juice/ sugar/ sugar syrup for ethanol season. To increase production of fuel grade ethanol, Govt. is also encouraging distilleries to produce ethanol from maize; & rice available with FCI. Government has fixed remunerative price of ethanol from maize & rice for ethanol supply year 2020-21.

3. Now it has been proposed to prepone the 20% blending of ethanol with petrol by 2025. To achieve 20 % blending by 2025 & to meet the requirement of chemical & other sectors, about 1200 cr ltrs of alcohol / ethanol would be required; out of which 900 cr ltrs would be required to achieve 20% blending & 300 cr ltrs would be the requirement of chemical & other sectors. A statement of State-wise annual requirement of ethanol for 2024-25 is enclosed (**Annexure 1**). Out of total requirement of 1200 cr ltrs, 700 cr ltrs is required to be supplied by sugar industry & another 500 cr ltrs need to be supplied by grain based distilleries. To produce 700 cr ltrs of ethanol by sugar industry, about 60 Lakh Metric Tonne (LMT) of surplus sugar would be diverted to ethanol which would solve the problem of excess sugar, relieve sugar industry from the problem of storage of surplus sugar, & improve the revenue realization of sugar mills which will facilitate them in making timely payment of cane dues of sugarcane farmers. About 5 crore sugarcane farmers & their families & 5 lakh workers associated with sugar mills & other ancillary activities would be benefitted with this intervention. To produce 500 cr ltrs of ethanol/alcohol from food grains, about 125 LMT of food grains would be utilized; this extra consumption of surplus food grains would ultimately benefit the farmers as they will get better price for their produce and assured buyers; and thus will also increase the income of crores of farmers across the country.

4. However, the ethanol production capacity in the country is not sufficient at present to achieve 20% blending by 2025. Accordingly, to meet out the above mentioned requirement of ethanol, Government has modified earlier scheme & notified a modified scheme for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up

distilleries for producing 1st Generation (1G) ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet etc. vide notification dated 14-01-2021 (**Annexure 2**). For availing assistance under the scheme, the sugar mills/ distilleries / entrepreneurs would be required to submit an application in the prescribed proforma to Department of Food & Public Distribution (DFPD) within 30 days from the date of notification of the scheme online on the DFPD portal (<https://sugarethanol.nic.in>)

5. Under the scheme , Government would bear interest subvention for five years including one year moratorium against the loan availed by project proponents from banks @ 6% per annum or 50% of the rate of interest charged by banks whichever is lower for setting up of new distilleries or expansion of existing distilleries or converting molasses based distilleries to dual feedstock. This will bring an investment of about Rs. 40,000 crore . Due to upcoming investment in capacity addition / new distilleries, various new employment opportunities will be created in rural areas.

6. As you are aware that sugarcane and ethanol is produced mainly in three states viz Uttar Pradesh, Maharashtra and Karnataka. Transporting ethanol to far flung States from these three states involves huge transportation cost. By bringing new grain based distilleries in the entire country would result in distributed production of ethanol and would save a lot of transportation cost and thus prevent delays in meeting the blending target & would benefit the farmers across the country.

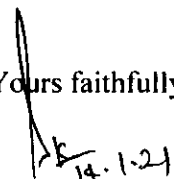
7. It is further intimated that the above said scheme would not only facilitate diversion of excess sugar to ethanol but would also encourage farmers to diversify their crops to cultivate particularly maize/corn which needs lesser water compared to sugarcane and rice. It would enhance production of ethanol from various feed stocks thereby, facilitate in achieving blending targets of ethanol with petrol and would reduce import dependency on crude oil , thereby, realizing the goal of Atmanirbhar Bharat. It will also enhance income of farmers as setting up of new distilleries would not only increase demand of their crops but would assure farmers of getting better price for their crops.

8. For production of ethanol, there is sufficient availability of feed stocks; & Govt. has also fixed remunerative prices of ethanol derived from various feed stocks. Moreover, OMCs being the assured buyer for ethanol has given comfort for purchase of ethanol from distilleries for next 10-15 years. As such the upcoming ethanol projects are viable.

9. In view of above, it is requested to promote the above said modified scheme and encourage your members to participate in the scheme so that the target set by the Government could be achieved well within the timeline. Chief Secretaries of all State Governments/ UTs have been requested to promote the scheme to the entrepreneurs of their state and encourage them to participate in the scheme so that the target set by the Government could be achieved well within the timeline. State Governments have also been requested to facilitate entrepreneurs in arranging land for the project, to get environment clearance at the earliest & in setting up of distilleries; for which State Government/ UTs have been requested to nominate a nodal department and a nodal officer. If any entrepreneur faces any difficulty, the same may be intimated to DFPD at email address ethanol.fpd@gov.in , so that those can be resolved in a time bound manner.

Encl: As above.

Yours faithfully,


(Subodh Kumar Singh)

Joint Secretary (Sugar & Admn.)

Tele: 01123382512

ANNUAL ETHANOL REQUIREMENT IN 2024-25 for Proposed 20% BLENDING			
Sr No	State/UT	Projected MS Sale (in Lakh Litres)	Projected Ethanol Requirement (in Lakh Litres)
1	Andaman & Nicobar	309	62
2	Andhra Pradesh	18896	3779
3	Arunachal Pradesh	767	153
4	Assam	6944	1389
5	Bihar	13585	2717
6	Chandigarh	2140	428
7	Chhattisgarh	9722	1944
8	Dadar & Nagar Haveli	289	58
9	Daman & Diu	275	55
10	Delhi	14712	2942
11	Goa	3104	621
12	Gujarat	25716	5143
13	Haryana	15649	3130
14	Himachal Pradesh	3843	769
15	Jammu & Kashmir	4756	951
16	Jharkhand	8071	1614
17	Karnataka	33022	6604
18	Kerala	24426	4885
19	Ladakh	19	4
20	Madhya Pradesh	21654	4331
21	Maharashtra	52969	10594
22	Manipur	1073	215
23	Meghalaya	1635	327
24	Mizoram	493	99
25	Nagaland	594	119
26	Odisha	12517	2503
27	Pondicherry	2105	421
28	Punjab	14167	2833
29	Rajasthan	23790	4758
30	Sikkim	339	68
31	Tamilnadu	41244	8249
32	Telengana	19366	3873
33	Tripura	927	185
34	Uttar Pradesh	50237	10047
35	Uttarakhand	5039	1008
36	West Bengal	15606	3121
	Total	450000	9000

[To be published in the Extraordinary Gazette of India PART II-Section 3-Sub-section (ii)]

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

(Department of Food and Public Distribution)

NOTIFICATION

New Delhi, the 14th January, 2021

S.O.The Central Government with a view to increase production of ethanol and its supply under Ethanol Blended with Petrol (EBP) Programme, especially in the surplus season and thereby to improve the liquidity position of the sugar mills enabling them to clear cane price arrears of the farmers notified the scheme namely "Scheme for extending financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity" vide notification No. S.O. 3523(E), dated 19.07.2018, which was subsequently amended vide notifications No. S.O. 3952(E), No. S.O. 5219(E), No. S.O.47 (E), No. S.O. 4104(E) and No. S.O. 1523(E) dated 09.08.2018, 11.10.2018, 04.01.2019, 14.11.2019 and 20.05.2020 respectively. Thereafter schemes for extending financial assistance to sugar mills & molasses based standalone distilleries for enhancement and augmentation of ethanol production capacity were notified on 08.03.2019 vide notifications No. S.O. 1227(E) & S.O. 1228(E). Further vide notifications No. S.O. 3135(E) & S.O. 3136(E) dated 15.09.2020, a small window was opened for 30 days for inviting applications under the scheme from molasses based stand alone distilleries and from sugar mills.

Now, the Central Government, hereby notifies the following modified scheme namely- "Scheme for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up distilleries for producing 1st Generation (1G) ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet etc." -

(1) Eligibility

Assistance under the scheme shall be available to the entrepreneurs for:

- (i) Setting up grain based distilleries/expansion of existing grain based distilleries to produce ethanol. However, benefits of interest subvention scheme is to be extended to only those distilleries which are using or will be using dry milling technique to produce Dry Distillers Grain Soluble (DDGS).
- (ii) Setting up new molasses based distilleries/expansion of existing distilleries (whether attached to sugar mills or standalone distilleries) to produce ethanol and for installing any method approved by Central Pollution Control Board for achieving Zero Liquid Discharge (ZLD).
- (iii) To set up new dual feed distilleries or to expand existing capacities of dual feed distilleries.
- (iv) To convert existing molasses based distilleries (whether attached to sugar mills or standalone distilleries) to dual feed (molasses and grain/ or any other feed stock producing 1G Ethanol); and also to convert grain based distilleries to dual feed.

- (v) To set up new distilleries / expansion of existing distilleries to produce ethanol from other feed stocks producing 1G ethanol such as sugar beet, sorghum, cereals etc.
- (vi) To install Molecular Sieve Dehydration (MSDH) column to convert rectified spirit to ethanol in the existing distilleries.

(2) Assistance under the Scheme

- (i) Interest subvention @ 6% per annum or 50% of rate of interest charged by banks/National Cooperative Development Corporation (NCDC)/ Indian Renewable Energy Development Agency Limited (IREDA)/ Non-Banking Financial Companies (NBFCs)/any other financial institutions which are eligible for re-finance from NABARD, whichever is lower, on the loans to be extended by banks/NCDC/IREDA/NBFCs/ any other financial institutions which are eligible for re-finance from NABARD, shall be borne by the Central Government for five years including one year moratorium against the loan availed by project proponents.
- (ii) Interest subvention under the scheme shall be provided on loan amount sanctioned and disbursed in respect of each project based on the proposed capacity, limited to the in principle approval by Department of Food and Public Distribution (DFPD).
- (iii) Interest subvention would be available to only those distilleries which will supply at least 75% of ethanol produced from the added distillation capacity to OMCs for blending with petrol.
- (iv) Assistance shall not be available to sugar mills and distilleries which have availed benefits under any other scheme of Central Government for the same project.
- (v) In case of grain based distilleries, interest subvention would be applicable only if they are using or will be using dry milling technique to produce DDGS.

(3) Submission of application

For availing assistance under the Scheme, the sugar mills/distilleries/entrepreneurs would be required to submit an application cum-proposal in the prescribed Proforma (**Annexure-I**) to the Director (Sugar), Directorate of Sugar and Vegetable Oils, Department of Food & Public Distribution (DFPD), Krishi Bhawan, New Delhi within 30 days from the date of notification of the scheme through online on the DFPD portal (<http://sugarethanol.nic.in/>) and in future, whenever a window is opened by DFPD from time to time to invite fresh applications to avail benefit under the scheme.

(4) Appraisal/Approval of applications

DFPD will constitute two Committees viz. Screening Committee and Approval Committee. The proposals received under the Scheme would be placed before Screening Committee and Approval Committee and thereafter in-principle approval would be accorded by DFPD to the eligible applicants. The said Committees shall scrutinize the applications keeping in view the parameters as deemed necessary. In case of sugar mills having Government dues namely SDF dues, in-principle approval would be accorded only after clearance of Government dues.

(5) Modalities of the Scheme

- (i) After scrutinizing the applications cum proposals, DFPD will accord in principle approval and recommend such approved proposals to the lending banks/financial institutions for considering sanction of loan. Banks/NCDC/IREDA/NBFCs/any other financial institutions which are eligible for re-finance from NABARD would be at liberty to sanction/release the loan as per their commercial norms/policies and in compliance with regulatory guidelines, including the restructuring guidelines, as notified by RBI from time to time.
- (ii) The applicant should get the loan disbursed from the bank/ NCDC /IREDA / NBFCs / any other financial institutions which are eligible for re-finance from NABARD, within 1 year from the date of in-principle approval of DFPD, failing which the in-principle approval for the project will stand cancelled. Further, the project should be completed within 2 years from the date of disbursement of 1st installment of loan from bank/ NCDC/IREDA/NBFCs/any other financial institutions which are eligible for re-finance from NABARD.
- (iii) The applicant should adhere to the time line as specified by DFPD for various activities viz. arrangement of land for the project, submission of application for seeking approval of environmental clearance in parivesh portal of Ministry of Environment, Forest & Climate Change (<http://parivesh.nic.in/>) and submission of loan application to the bank/ NCDC/IREDA/NBFCs/any other financial institutions which are eligible for re-finance from NABARD; updating progress on the DFPD portal (<http://sugarethanol.nic.in/>) every month, failing which the in-principle approval for the project may be cancelled by DFPD.
- (iv) While implementing their respective projects, the sugar mills/distilleries shall strive to seek convergence with the Make in India scheme of the Government for capacity addition/ up-gradation in ethanol production.
- (v) The disbursement of loan under the scheme shall be in a separate account so that the utilization of the money for the said purpose is easily monitored.
- (vi) The Department of Financial Services (DFS) will issue suitable instructions to the banks/NCDC/IREDA/NBFCs/any other financial institutions which are eligible for re-finance from NABARD to operationalize the scheme including appointment of NABARD as a nodal bank.

(6) Modalities for payment of interest subvention

- (i) Payment of interest subvention on loan amount under the scheme will be limited to only 5 years including one year moratorium period.
- (ii) The benefit of interest subvention will be provided by Government of India only if the account of applicant sugar mill/distillery is Standard and will not be available as long as account is NPA. The sugar mill/distillery will be responsible for repayment of interest including penal interest for the period of default along with the principal. Further, banks will be free to take necessary action against the defaulting borrowers as per banking norms and applicable regulatory guidelines.

- (iii) In the event of surplus cash flow with the sugar mills/distilleries, accelerated payments may be decided by the bank/NCDC/IREDA/NBFCs / any other financial institutions which are eligible for re-finance from NABARD and the interest subvention liability of DFPD towards loan account would accordingly get reduced.
- (iv) The Department of Food and Public Distribution (DFPD) will release the interest subvention amount on quarterly basis in advance to the nodal bank as appointed by DFS. The interest earned on the interest subvention paid in advance shall be adjusted in the next quarterly installment.
- (v) DFPD will work out the modalities of release of Interest Subvention in consultation with NABARD.

(7) Project Completion Certificate

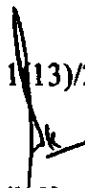
The concerned entrepreneur/sugar mill/distillery shall submit a certificate duly verified by the Central Pollution Control Board certifying that zero liquid discharge has been achieved through the method proposed at the time of submitting application for such purpose. Sugar mills/distilleries/entrepreneurs availing loan to establish new distilleries or expansion of the existing distilleries shall submit a certificate duly verified by the Excise Commissioner of the State concerned and the Chartered Engineer certifying respectively that the new distillery has commenced production and has been installed or expansion of the existing distillery has been completed and enhanced production of ethanol has commenced. Any failure to submit such certificates shall lead to non reimbursement of interest subvention by the Central Government.

(8) Utilization Certificate

The concerned sugar mills/distilleries/entrepreneurs shall submit utilization certificate for the sanctioned loan amount within three months of the completion of the project, duly verified by the respective Sugar/Cane Commissioners, Excise Commissioner or any other authority designated by the State Government certifying that the loan amount has been utilized for the purpose specified in the scheme. The said authorities shall also monitor the utilization of the loan. Any failure to submit the utilization certificate shall lead to non-reimbursement of interest subvention by the Central Government.

(9) Where the Central Government is of the opinion that it is necessary or expedient to do so, it may, by order and for reasons to be recorded in writing modify any of the provisions of this Scheme.

[F. No. 1(13)/2020-SP-I]



Subodh Kumar Singh,
Joint Secretary to the Govt. of India

APPLICATION FROM THE SUGAR FACTORY/DISTILLERY / ENTERPRENEURS FOR FINANCIAL ASSISTANCE FOR ENHANCEMENT OF THEIR ETHANOL DISTILLATION CAPACITY OR TO SET UP DISTILLERIES FOR PRODUCING 1ST GENERATION (1G) ETHANOL FROM FEED STOCKS SUCH AS CEREALS (RICE, WHEAT, BARLEY, CORN & SORGHUM), SUGARCANE, SUGAR BEET ETC.

A. Brief details of the project proponents

1	(a) Name of the sugar factory/distillery/undertaking / society/ company/individual	
	(b) Complete address:	
	(c) e-mail	
	(d) Mobile No.	
	(e) District	
	(f) State	
2	Short name & plant code of the sugar factory attached with distillery	
3	Date of commencement of ethanol production of the sugar mill/existing distillery (if any)	
4	(a) Production capacity of alcohol of the existing distillery	
	(b) Production capacity of ethanol of the existing distillery, if any	
	(c) Number of operating days/annum of existing distillery	
5	Status of SDF dues, if any (in case of sugar factory)	

B. Information relating to proposal for setting-up of new distillery/expansion of existing distillery/ installation Molecular Sieve Dehydration (MSDH) column

1	Proposal submitted for (specify the category under which application is submitted; refer Para 1 of the notification)	
2	Capacity of the proposed new distillery in KLPD	
3	Proposed expansion capacity for expansion of existing distillery in case of expansion project (fromKLPD toKLPD)	
4	Whether the new distillery / expansion of the existing distillery is proposed to be installed with zero liquid discharge system?	Yes/No
5	Financial assistance requested for new distillery / expansion of the existing distillery project including basic price and applicable taxes etc.	
6	Name of the lending bank/branch.	
7	Whether SDF assistance has been availed for similar project in case of sugar mills?	Yes/No

8	Proposed days of operation on setting up of new distillery / expansion of the existing distillery/ installation of Molecular Sieve Dehydration (MSDH) column.	
9	Proposed date of completion of new plant / expansion of existing plant/ installation of Molecular Sieve Dehydration (MSDH) column.	DD/Month/Year
10	Expected date of commencement of ethanol production for the proposed new distillery or expanded distillery as the case may be.	DD/Month/Year
11	Whether proposed new distillery / plants and machineries for expansion of the existing distillery are procured from indigenous source (if not, reasons for the same)?	Yes/ No

Signature.....
(Name.....)
Seal/Stamp.....