

Bio-Fuel Policy for India

Formulation & its Implementation

A Letter to the Prime Minister of India

FGG Report

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Dear Hon'ble Prime Minister,

Sub: Formulation and Implementation of Bio-Fuel Policy in India- Proposal of Bharat Bio Fuels Growers and Manufactures Association

On 22nd February, 2002, I had the opportunity to address the Farmers Forum of MPs at Andhra Bhawan. Hon'ble Dr. Manmohan Singh and Hon'ble Shri Jaipal Reddy were also present at that meeting along with many more Hon'ble Members of Parliament belonging to various parties.

At that meeting, I made presentations on the need for introducing immediately biofuel, particularly ethanol to be mixed with petrol and diesel to reduce pollution, to save foreign exchange and more so for the benefit of sugar cane growers. I also made a passionate plea for implementing inter-linking of rivers for increased food production, for rural prosperity and more so for enabling farmers to have a better quality of life.

Replying on behalf of all the MPs, Dr. Manmohan Singh appreciated my taking interest in rural development and farmers welfare after a distinguished service in police service and the CBI. He was good enough to assure that he would support both my proposals at every forum.

When I congratulated him on his assuming the august office of the Prime Minister of India and reminded him of his assurances at Andhra Bhawan, Hon'ble Dr. Manmohan Singh assured me that his government would pursue vigorously both of my above proposals.

I am now sending this representation in my capacity as President of Bharat Biofuels Growers and Manufacturers Association and also as President of National Agriculturalists Awareness Movement. At the outset I take this opportunity to convey our thanks and

appreciation for the efforts being taken by the Government of India for formulating a bio- fuel policy to ensure energy security by way of developing domestically produced bio- fuel.

In this context we would like to state that we the "Bharat Bio- Fuel growers and Manufacturers Association" assure you our co- operation for success of the proposed National Bio-fuel Policy. In this connection we submit below our view points for your kind consideration and incorporation in the proposed bio- fuel policy.

In the prevailing import Crude oil scenario apart from escalating prices, a major threat is that of depletion and scarcity of fossil fuel sources, which are presently critical to the energy and transportation sector in India. Biofuel can also considerably reduce green house gas emissions, resulting in global warming with great potential to cause environmental disasters.

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It has been well proved and universally accepted that bio- fuel is better substitute for mineral petroleum products. A comprehensive National bio- fuel policy with clarity and without any ambiguity should be notified by Government of India at the earliest. The success of the bio- fuel policy/ programme purely depends on the full involvement/ co- operation of agrarian community. Attractive incentives/encouragement need to be announced so as to induce the farmers to take up Jatropha/Pongamia cultivation. The farmers need to be supported financially for preparation of the wasteland, and planting of Jatropha seed/ Plant. The farmers need to be supported during the time required for the crop to yield sufficient quantities of seeds, from which



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oil can be extracted and sold.

Unless this is done, once again we may have to face the sorry spectacle of thousands of farmers encouraged to go in for Jatropha cultivation being forced to commit suicide. Hence the need for the Government of India to announce definite and detailed biofuel policy in the Parliament. The Planning Commission should come out with a document supporting the policy. The state governments also should come out with specific policies. All these establishments should act in unison and commit sufficient funds so that, each do not blame the other for non-implementation of any of the commitments to the farmers.

PROBLEMS BEING ENCOUNTERED BY THE FARMERS AND REMEDIAL MEASURES TO BE TAKEN

In order to meet the agricultural operational expenses such as land preparation, seedlings, plantation, manure and maintenance of the plant till its yielding stage i.e 3 years, financial assistance is needed by the farmers. The banks and lending institutions are apprehensive, rather reluctant to provide crop loan to the farmers for raising the Jatropha Plantation.

New electric power connections to the motor pumps for irrigation are not easily available. The farmers have to wait for a year or 2 to get power connections. The electric power supply to the motor pump for Jatropha plantation is charged under commercial tariff rate which is very much higher than the normal agricultural tariff rate.

REMEDIAL MEASURES

The Jatropha/ Pongamia or any other tree borne oilseed crop which gives bio- fuel should be classified as agriculture crop. A proper notification has to be issued to this effect by the Government of India.

All the commercial banks and agricultural co-operative credit societies should be instructed to provide necessary crop loan assistance at the same interest rates as charged for other agricultural crops.

The National commission for agricultural products and Farmer's Commission, constituted by the Government of India under the chairmanship of Dr. M.S. Swaminathan has recommended that the interest rates for the agricultural crop loans should be reduced to 4%.

States like Karnataka and Andhra Pradesh have also announced the reduction of agricultural

crop loan interest rates to the level of 4%. As such the same 4% interest rate should be charged for bio- fuel crops like Jatropha.

The gestation period for the Jatropha plant to attain a commercially viable yielding stage is more than 3 years. Hence, the moratorium for the repayment of crop loan by the farmer to the bank ought to be fixed at 5 years. The electric power connection to Jatropha should be given on priority basis and the power tariff charges should be levied on par with other agricultural crops.

IRRIGATION DIFFICULTIES

Media reports and other types of dissemination of information on Jatropha cultivation, have created a wrong notion in the minds of farmers that Jatropha is a rain-fed forest crop and does not require irrigation etc.

On this wrong assumption, some farmers have planted Jatropha in fallow wastelands without providing even for minimum irrigation. Though the crop survives despite no irrigation, the yield tends to be very poor and totally uneconomical. This in turn tends to create a negative impression amongst farmers against Jatropha cultivation as such. Hence the need for proper dissemination of information about the need for atleast minimum irrigation for a profitable crop of Jatropha.

At the same time, Jatropha cultivation is not irrigation intensive. Even with limited supply of water, fallow wastelands can be utilized for Jatropha cultivation with drip irrigation system. To provide drip irrigation it will cost Rs.40000/- to Rs.45000/- per hectare. The farmer cannot afford to spend such a huge amount to convert wasteland into cultivable land.

Hence the Government should come forward to provide 90% subsidy towards the cost of drip irrigation systems without any ceiling on acreage.

The drip system of irrigation will also prevent uncontrolled exploitation of ground water resources. The drip irrigation subsidy is already being given by the state governments for other agricultural crops. We suggest that the same should be extended to the Jatropha plantation also.

CONVERSION OF PATTI WASTE LANDS FOR JATROPHA CULTIVATION

Fertile land with assured water sources should be discouraged from being diverted for Jatropha cultivation at the cost of food crops. Patti waste lands and lands in which wind mills are operated for power generation are available in large numbers and acreage. Such type of waste land/ presently kept fallow, can be utilized for Jatropha

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cultivation. Such lands need to be reclaimed to be made suitable for Jatropha plantation.

It would be best if waste land reclamation grants are made to the farmers by the government at the rate of Rs.10,000/- per hectare as one time subsidy without any ceiling on acreage. Such a policy decision will help to bring vast wastelands under biofuel tree cover, which can also be used for Carbon trading in the long run. The land reclamation subsidy can be released by the Government after Jatropha plantation is completed.

CROP INSURANCE & REMUNERATIVE PRICE

In the event of any natural calamities if the crop gets damaged, thereby affecting the yield/ income, the farmer will put to much hardship. Hence the insurance companies should be given clear direction to give insurance coverage for Jatropha crop by collecting minimum premium. Jatropha Plantation can provide economic yields only after 5th year to an extent of 4 to 5 tons per hectare. As such a fair and reasonable price of at least Rs.10/- per kg of Jatropha seed should be fixed as minimum support price.

BIO-FUEL PRODUCERS

The bio- fuel producers should be given due encouragement by extending liberal incentives, tax waivers etc. Otherwise the Jatropha seeds produced by the farmers will have no takers who can provide reasonable price. Capital goods/ machineries domestically manufactured as well as imported should be exempted from payment of duties, levies, taxes, etc., by both Union and State Governments.

Raw materials/ ingredients etc., required in connection with the production of bio- diesel should be exempted from levy of taxes, duties by central government, state government and local bodies. A tax holiday may be considered for a minimum period of atleast the first ten years of the commencement of production.

If sops like those extended in special economic zone are provided,, lots of small scale entrepreneur and even corporate companies will come forward to put up bio- diesel production plants, All necessary licenses/ statutory approvals (such as explosive license, methanol license etc.,) should be granted/ cleared expeditiously by the authorities of the central and state governments under the single window system, so as to facilitate the entrepreneurs to commission the plants without delay.

BIO-FUEL ETHANOL BLENDING WITH PETROL

India being the second largest sugarcane producing country next only to Brazil, has got enormous potential to produce ethanol to meet the demand of even up to 20% blending with petrol. The following measures need to be taken to meet the aforesaid goal.

For the ensuing 2006 – 07 sugar season, India is expected to produce the following quantities: Sugarcane (2474 lacs tonnes) ; Sugar (235 lacs tonnes) ; Molasses (105.15lacs tonnes) ; Alcohol (23.13 lacs kl)

Out of the expected aforesaid production of 23.13 lacs kilo liters of alcohol, after meeting other demands such as industrial, potable and other uses, there is still a surplus of 8.23 lacs kilo liters of Alcohol which is more than sufficient for 5% blending with petrol (6.25 lacs kilo liters required for 5% blending).

Although Brazil is blending up to 24% ethanol with petrol, without any modification in the engine for petrol vehicles, our oil company researchers have recommended/ cleared for the usage of 10% ethanol blending only. We can comfortably meet the 10% blending demand of 12.5 lacs kilo liters of ethanol provided the following measures are taken.

As in Brazil, sugar factories in India should be permitted to produce ethanol directly from cane juice. This will give leverage/ flexibility to the sugar industry to regulate the production of sugar and ethanol according to the market demand/ requirement. Necessary directive/ notification should be issued by the concerned ministry/ department to the sugar industry to strictly follow the instructions.

Denatured ethanol should be classified as a petroleum product, so that inter state movement/ transport of denatured ethanol for blending with gasoline is done smoothly.

Some state governments have imposed ban on inter state movement of ethanol which is detrimental to the bio- fuel policy. There are more than six or seven states which are surplus in sugarcane/ sugar/ molasses. They should permit the sugar industry to feed the surplus stock of ethanol to the deficit states. This should be rationalized.

Blending Biodiesel and bio-ethanol should be made mandatory so that production, processing, blending and consumption will continue without any interruption.

PRICING POLICY FOR BIO- FUEL

Even if adequate supply side interventions are made by farmers and the government, the final success of the national bio- fuel programme

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will hinge on the purchase pricing policy of oil marketing companies for the bio- fuel (ethanol and bio- diesel) .

The oil marketing companies are presently approaching the bio- fuel issue from a purely commercial angle, by ignoring all other benefits/ advantages derived from bio-fuel. It is important to realise than even if 10% bio- fuel blending is implemented there will be substantial savings in foreign exchange to the tune of Rs.12,000/- crores per annum.

As such the union government should prevail upon the oil marketing companies to fix the Price for bio- diesel/ ethanol equivalent to the mineral diesel and petrol price respectively. If required the oil marketing companies can be given tax concession for the sale of bio- fuel blended gasoline/ diesel.

In order to support biofuels and help it to compete with fossil fuels, many countries have given tax support to the tune of 20 %. Considering non-edible oil usage, support to farmers, reduced emission benefits, savings in foreign exchange and self sustenance, it is benevolent for lower tax on fuels containing bio-fuels at least by 15%.

MONITORING COMMITTEE

A Bio-fuel programme monitoring committee should be constituted at the National level with Honorable Prime Minister as chairman of the committee with other stake holders from bio- fuel producers, farmer's representatives, concerned ministers/ ministry officials, representatives from oil marketing companies, consumers and all other stakeholders as members. It should periodically review the progress of implementation of the bio- fuel policy and take necessary steps to correct deficiencies, if any.

**ENVIRONMENTAL AND LIFE
SUPPORT SYSTEM**

A separate Dedicated "Biodiesel Development Board" may be constituted at central and state levels in order to give fillip to the biofuel related activities similar to those available in developed countries which have been running successful biodiesel-mandatory programmes in many parts of the world.

The physical production and utilization of biofuels provide a quantitative measure of economic development for the country.

However apart from these quantitative benefits, there are qualitative environmental enhancement benefits across the globe cutting across the boundaries. Careless consumption of fossil fuel results in climate change and global warming through Green House Gas Emissions.

The use of biofuels may help to create opportunities for Clean Development Mechanism (CDM) and to achieve the Millennium Development Goals suggested by UN. Biodiesel reduces the release of anthropogenic emissions of Green House Gases such as carbon-dioxide, methane and Nitrogen oxides and can be credited and traded as carbon credits in terms of CER (Certified Emission Reductions) as per the Kyoto Protocol.

Hence crop cultivation, feed stock production, processing of biofuels, blending and consumption of bio-fuels should be treated as a holistic commodity for the society. We do hope that we have impressed upon you the genuine facts, so as to enable you to decisively and immediately take all necessary action for effective implementation of bio- fuel programme, thereby achieving self reliance in energy security and also to promote welfare of farmers, rural development and all-round economic, environmental and social benefit to the nation as a whole.

We shall be happy to furnish any additional details, if any, required in this regard. We also seek an opportunity to be heard in person of any further clarification/detail that may be required to formulate and implement the policies and proposals explained as above.

I am grateful for your valuable time and attention to go through this rather longish representation on a very vital subject concerning the nation as a whole, and the farming community in particular.

With Profound Regards,

Yours sincerely,

D. R. Kaarthikeyan