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POLICY

SPECIAL REPORTS

Bumpy ride for green fuel

Without a biodiesel policy, the Jatropha dream wilts.

By Preeti Sharma



9 July 2007: Energy security demands that India reduce its dependence on imported fossil fuel, especially diesel, which makes up eighty per cent of the imports. One alternative is biodiesel, which can be blended up to twenty per cent in diesel, and bring reductions in greenhouse gases. But policy initiatives on biodiesel since 2002 have meandered without conclusion. Consequently, benefits to the agriculture sector from a thriving biodiesel economy have proved elusive.

Biodiesel can be produced from a variety of feedstock. In the West, food crops like soybean and corn are converted to biodiesel. Despite the

abundance of food, food security concerns have grown there because of global warming and fears about land scarcity. Keeping this in mind, and aware of the enormous food insecurities in the first two decades after Independence, the Indian government has discouraged a biofuel economy that parasites on the food economy.

Indian biodiesel feed stocks are typically neem, mahua, pongamia or karanj, and rapeseed, some of which were earlier used in soaps. The miracle feedstock, however, could be *Jatropha curcas* (ratanjyot), which has thirty-five to forty per cent oil content and grows on wasteland, resistant to drought and pests. It is non-edible like the others, and therefore poses no threat to food security.

Biodiesel pricing again shores up food security. In 2005, oil marketing companies (OMCs) like Indian Oil Corporation (IOC), Bharat Petroleum and Hindustan Petroleum set a purchase price of Rs twenty five per litre changeable half-yearly. Currently, this is Rs 26.50 per litre. At this price, it becomes uneconomic to use edible oils like soybean oil or palm oil to make biodiesel. And yet, even while food security is ensured through these factors, the biodiesel economy itself has floundered.

Since biodiesel is an additive to diesel, industry critically depends on purchases by OMCs. While the former petroleum and natural gas minister, Mani Shankar Aiyar, announced a biodiesel purchase policy, production itself lags in the absence of a biodiesel seed-to-oil programme. The industry barely manages one lakh tonnes of biodiesel while a base level five percent blending programme (B5) would require 2.5 million tonnes.

The seed-to-oil programme was first proposed in 2002. It was made into a National Mission on Biodiesel (NMoB) with the Ministry of Rural Development (MoRD) in charge. The mission set a target to plant four lakh hectares of wasteland and two lakh hectares of non-forest land with *Jatropha*. The entire supply chain from plantation to seed collection, oil extraction, transesterification and biodiesel manufacture was to be established with government funding.

In five years since that first proposal, NMoB has barely moved. Because the Ministry of Petroleum was disinterested in *Jatropha* cultivation, oil extraction and so on, MoRD was brought in to implement the Mission with the assistance of the Planning Commission. The Energy Research Institute (TERI) gave its Detailed Project Report (DPR) for the Mission within the stipulated three months. But the DPR has been tossed about since then among

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various stakeholders in the government.

Only recently, the cabinet forwarded the final DPR to a Group of Ministers and to the Department of Science and Technology and the Indian Council of Agricultural Research (ICAR). No one is sure when the seed-to-oil programme will finally get cabinet approval and funding. "Nothing much is happening," said a MoRD official. "A cabinet clearance may come at any time."

And then, it might not. Industry has given up hope. Biodiesel manufacturers, Jatropha planters and biofuel consultants are consensually pessimistic about the biodiesel economy. Mainly, the purchase price set by OMCs is unfeasibly low. O.P.Nambiar, Executive Director of the Delhi-based Chemical Constructions Limited, which is setting up a commercial biodiesel plant in Hyderabad, says, "The government has set a low price for biodiesel without taking into account its manufacturing cost. On the other hand, the Indian Railways is importing biodiesel at Rs sixty per litre."

If the NMoB had been in place with extensive Jatropha cultivation, manufacturing costs might have reduced. "Unless industry gets raw material at between Rs five to eight per kilogramme," says Deepak Desai, a Mumbai-based biofuels consultant, "the finished product can't sell at the price fixed by the government."

Glycerine is a by-product of biodiesel manufacture. It is in demand in pharmaceuticals and cosmetics. Selling glycerine enables biodiesel manufacturers to cross subsidize biodiesel at about Rs thirty, which is sold to small industry and generator users. But quantities are small. And it is literally a glycerine economy that is sustaining some biodiesel sales. It is a far cry from the biodiesel economy that the NMoB aims to establish.

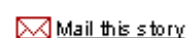
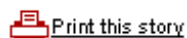
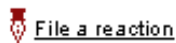
What has gone wrong? For starters, nobody trusts the NMoB to take off or deliver. Satish Lele, a Mumbai-based Jatropha/ biodiesel expert and advisor to FICCI, says, "I have given hopes from the government. IOC is not buying a single drop of biodiesel from us. We are selling it mainly to small businesses."

So what *has* gone wrong? While policy making is an excruciatingly slow process in India, what amazes is that few seem concerned about what the country is losing by not having a biodiesel policy. Tracking the movement of NMoB, it is clear that there was urgency with the NDA government in putting in place a biodiesel policy that is not the case with the present regime.

This is not to suggest that the RJD cabinet Minister for Rural Development, Raghuvansh Prasad Singh, is less serious about biodiesel than his predecessor. "He is in fact quite keen on biodiesel," said a MoRD official. Nevertheless, the policy on biodiesel has scarcely moved since the UPA came to power. While biodiesel confronts a strong crude oil import lobby which also opposes ethanol, at least the presence of strong ethanol lobbyists in the established and powerful sugar industry has grown the ethanol economy to an extent. Not so with biodiesel.

And yet, the way forward is with biodiesel. A recent CII-Rabobank report called "Bio-diesel: Global trends Indian opportunity" says that a B5 policy would assure the cultivation of 2.8 million hectares of wasteland, generate a yearly farm income of Rs forty two billion from the fourth year, and create 2.4 million jobs. For the government, this should be a strong incentive to bring out the long-delayed policy on biodiesel.

Preeti Sharma is *Newsinsight.net's* Energy Security Correspondent.



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