

## TRANSPORT FUEL

# Government restriction on sale of biodiesel disrupts production

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The cry for cleaner fuels is growing louder globally, but in India, the Union government's latest restrictions on biodiesel sales has forced several manufacturers, already squeezed by a pricing subsidy, to halt production.

Sandeep Chaturvedi, director of **Gujarat Oleo Chem Ltd** and president of the Biodiesel Association of India, said nearly all manufacturers, with combined capacity for some 3,000 tonnes of biodiesel a day, have suspended production.

"We produced biodiesel for three days a month ago, and we still have stocks left that we

can sell for three more months," said Aditya Agarwal, a director at **Emami Biotech Ltd**, which has a 300-tonne-a-day production facility in Halodia, West Bengal.

The petroleum ministry issued a directive in March asking state governments to ensure that biodiesel is not sold as transport fuel directly to consumers.

In a letter issued on 6 March to the chief secretary of Andhra Pradesh, the ministry has stated that under the Essential Commodities Act, "No person shall sell...any petroleum product or its mixture other than motor spirit or high speed diesel authorized by the Central Government." A copy of the letter was reviewed by

*Mint.*

"(The) marketing right for transport fuel has to be secured from the government through a process...anybody and everybody cannot start selling transport fuel without obtaining permission from the government," said Apurva Chandra, joint secretary in the Union petroleum ministry. "Otherwise you can't keep a tab on what is being sold."

This directive is in addition to the pricing restrictions in force, which allows biodiesel manufacturers to charge state-owned oil marketing companies such as **Indian Oil Corp. Ltd**, **Bharat Petroleum Corp. Ltd** and **Hindustan Petroleum Corp. Ltd** a maximum of Rs26.50 a litre, which is lower

than the cost of the feedstock.

Biodiesel is considered a clean alternative to fuels such as petrol and diesel as it biodegrades fast, results in lower emissions, and is made of renewable resources such as vegetable oil, animal fat or jatropha—a key feedstock for biodiesel production in India. It can be blended with petrodiesel or used alone in vehicles powered by diesel engines, though some may require minor modifications.

The use of biofuels such as ethanol and biodiesel is encouraged globally. For instance, the European Union issued a directive in 2003 that its member countries are required to ensure that transport fuels contain at least 5.75% biofuels by 31 December 2010.

India has about a dozen biodiesel producers.

Many of these were selling the fuel to state-run transport corporations for blending with petrodiesel, charging Rs30-32 a litre.

Some years ago, the Union

government created hype about biodiesel as an alternative fuel, after which several state governments announced incentives for jatropha cultivation, said Chaturvedi of Gujarat Oleo, which claims to be the first commercial producer of biodiesel in India.

"These encouraged a lot of entrepreneurs to start manufacturing biodiesel, but we still don't have a clear policy framework under which we can produce and sell biodiesel," he said.

Biodiesel manufacturers in India had invested about Rs1,200 crore to instal capacity and have brought at least 700,000 ha of land under jatropha cultivation.

"The government needs to intervene at a policy level... World over, fossil fuels are currently cheaper than biofuels...so somebody has to pay—either the consumer or the government," said joint secretary Chandra.

The petroleum ministry's directive has also put a spanner

on the plans of biodiesel manufacturers to launch their own dispensing stations.

Emami Biotech had secured land to set up five biodiesel pumps in West Bengal and Orissa, but it cannot operate these until it obtains clearances from the Union government, director Agarwal said.

To minimize its dependence on biodiesel sales, Emami has adapted its plant to refine edible oil. "We were fortunate that we created 1,000 tonnes (per day) refining capacity for edible oil as well. Otherwise it would have been difficult to meet interest and other costs," Agarwal said.

Currently, there are only two markets open to biodiesel manufacturers—users of generator sets, who consume a very small amount, and the railways.

"Railways, too, aren't consuming a big amount just now...but eventually we expect them to be a big consumer," said S.K. Mondal, another director at Emami.