

## 2021 NITI Aayog Report Indicates Ethanol Blending May Lower Petrol Prices



A 2021 report from NITI Aayog, the Indian government's policy think tank, has recently resurfaced, highlighting a key recommendation that the retail price of ethanol-blended petrol should be lower than conventional petrol. The report, titled "Roadmap for Ethanol Blending in India 2020-25," suggested this pricing strategy to compensate consumers for a potential reduction in fuel efficiency and to encourage nationwide adoption of the new fuel.

The report's findings emerged as the government's ethanol blending program, which aims to achieve a 20% blend (E20) by 2025, faces public scrutiny over its impact on vehicle performance and fuel costs. The NITI Aayog study noted that while the production cost of ethanol is significantly lower than petrol, the final retail price remains high due to various taxes and subsidies. The report proposed that a price reduction would "compensate for the reduction in calorific value" of the blended fuel, making it more appealing to the public.

Furthermore, the 2021 report also urged the government to consider tax breaks on ethanol as a fuel. It cited international precedents where countries provide such incentives to boost the use of higher ethanol blends. According to the report, a successful E20 program could save India approximately ₹30,000 crore annually by reducing its reliance on crude oil imports. This would be a significant step toward enhancing India's energy security and reducing its carbon footprint.

The Ministry of Petroleum and Natural Gas, in response to recent public concerns, acknowledged that a marginal drop in mileage is possible with E20 fuel. It clarified that this reduction is minor, ranging from 1-2% for newer vehicles and 3-6% for older models. The ministry also noted that most claims of a drastic drop in efficiency were unfounded and that engine modifications and tuning could minimize the impact.

This renewed discussion about the 2021 report shows the ongoing public conversation about the economic and logistical implications of the ethanol blending program. The government's push for E20 is a strategic move to benefit the rural economy, reduce foreign exchange spending on oil imports, and address climate change goals. The NITI Aayog's recommendations offer a clear pathway to making this transition more palatable for the average consumer by ensuring that the lower cost of production is passed on at the pump.