

# India Inc bets big on biodiesel

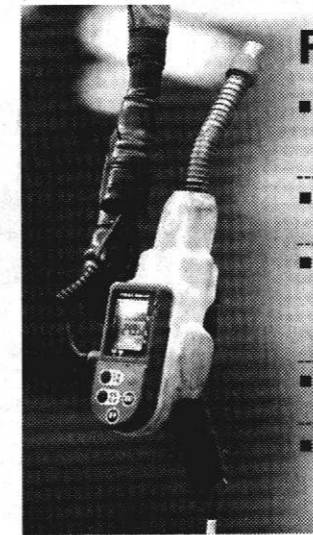
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Mumbai, 24 September

**A**round 150 companies, led by state-owned oil marketing companies and Reliance Industries (RIL), the country's largest private company, have evinced interest in production of biodiesel. The move comes on the back of the government's plan to introduce a 20 per cent blending of the non-fossil fuel with diesel.

The number of firms interested in the non-fossil fuel has increased manifold, up from just 25 entities some two years ago. Apart from the increase in the number of players entering the sector, the scale of operations has also increased substantially, with 30 companies planning large-scale operations, experts said.

The capacity of biodiesel plants set up by these companies will range between 30 tonnes per day and 300 tonnes per day. Based on the capacity, it will cost between Rs 30 crore and Rs 300 crore to set up these plants. Cumulative investment and projected output figures could not be obtained.

"We see the number of companies going up in the future, with every district in the country having over one production unit," said Kalpesh Jani, managing trustee, Agricultural Diversification Centre, a Gujarat-based NGO, which tracks biodiesel ventures in the country. "There is a lot of wasteland in villages and these companies are taking up these lands for cultivation," he added.



## FRESH FUEL

- Oil extracted from seeds of **jatropha plant** is blended with diesel to manufacture bio-diesel
- Bio-diesel is also produced with **vegetable oils**
- India envisages blending of **biodiesel** with diesel as a measure to cut import dependence on **fossil fuel**
- The country imports **70%** of its **oil consumption**
- Nearly, **150 companies** have shown interest in production of biodiesel

Oil extracted from seeds of the jatropha plant, which can grow in wasteland across the country, is blended with diesel to manufacture biodiesel. Biodiesel is also produced with vegetable oils, the primary feedstock for the fuel, which is scarce.

India, which has around 40 million hectares of wasteland available for jatropha cultivation, could replace a tenth of diesel consumption by 2012, if only a fourth of the wasteland was grown, said an Indian Oil Corporation (IOC) executive, who is involved in the project.

India, which imports 70 per cent of its oil consumption, envisaged blending of biodiesel with diesel as a measure to cut the import dependence on fossil fuel, enabling it to reduce the oil import bill.

At present, the ministry of new and renewable ener-

gy has set up a committee, which is looking into the costing factor of biofuels to determine the price that will spur investment into this sector.

Even as pricing is not yet determined, the government has taken other steps like giving 'declared goods' status for biodiesel. The declared goods status gives uniform treatment across different states with a value-added tax (VAT) of 4 per cent.

### Production plans

The three state-owned oil marketing companies — IOC, HPCL and BPCL — are planning to take up cultivation of jatropha across more than 1,80,000 acres in two states.

IOC and HPCL are forming a joint venture with the Chhattisgarh government to take up large-scale jatropha farming across 74,100 acres and 37,000

acres, respectively. Sources said Reliance Industries is also in talks with the Chhattisgarh government for a similar venture. RIL's arm, Reliance Life Sciences, has taken up a 50-acre jatropha plant pilot project in Kakinada, the landfall point of the gas from its blocks in the Krishna-Godavari basin.

BPCL too has formed a company called Bharat Renewable Energy in association with Hyderabad-based Nandan Biomatrix — an R&D company — and Shapoorji Pallonji Company, for producing biodiesel from jatropha in Uttar Pradesh across 70,000 acres. The company will be investing Rs 2,200 crore in the next seven years to produce 1 million tonnes of biodiesel from jatropha plantations.

Despite the mega projects, availability of biodiesel to match 20 per cent of diesel consumption remains uncertain. "Availability of biodiesel is a concern in India. Thus the government has mandated that 20 per cent blending will be introduced in a staggered manner till 2017," the analyst added.

With car ownership (currently 8 per 1,000) slated to go up considerably over the next two decades, diesel demand will rise from 52 million tonnes in 2006-07 to about 67 million tonnes by 2011-12.

While the total global biodiesel production was 7.2 million tonnes in 2006 and could go up to 32 million tonnes in 2012, India's biodiesel production is less than 10,000 tonnes a year.

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