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**Sugar #stocks have been rallying heavily over the past few weeks. And it seems like this has a whole lot to do with a chemical compound that's been all over the news lately.**

**We're talking about ethanol.**

**(thread...)**

■Ethanol is a complex derivative that can be extracted while processing sugarcane. It can be extracted from sugarcane juice and even from the likes of corn, bamboo, & rotten potatoes.

■But what is really unique about #Ethanol is- it has high levels of oxygen, it burns cleaner than your everyday fuels like petrol or diesel. And thankfully for us, India has consistently had a surplus sugar production.

However, the surplus sugar also had its downside in that it sometimes caused the prices to dip. This forced the govt to provide export subsidies to help the farmers & sugar cos.

■But now the government hopes to kill three birds using one stone. They see an opportunity in using ethanol and to make cleaner fuel, reduce oil imports as well as help our sugar industry.

■The plan is to create ethanol-blended #petrol as part of its 'E20' policy, wherein by 2025 as much as 20% ethanol could be in petrol.

But to meet the target, we need to ramp up the current capacity of ethanol & set up new plants.

■Also, a report by Expert Committee On Roadmap for Ethanol Blending in #India pointed to the fact that main ethanol-producing crops like sugarcane & paddy use up ~70% of irrigation water, leaving little water for other crops. This accentuates the need to look at other sources.

■Then there's another problem. Ethanol comes under the purview of GST which works out to between Rs 2.28–3.13/L, while petrol doesn't.

And the central excise duty on petrol is approximately Rs 33/L. Blending will lead to losses of ~Rs. 10,000 Cr for the govt, because less petrol will be used.

So there's still a long way to go but it seems like we're on the right track. Let us know your thoughts.