Zero sugar diversion to ethanol in ESY 2026–27 – cane juice, sugar syrup, B-heavy molasses excluded: Centre

Economy · 18 October 2026 · https://www.shanmugamiasacademy.in/current-affairs-english/2026/10/18



News

The Centre has directed that sugar diversion for ethanol be 'reduced to zero' in Ethanol Supply Year 2026–27 (ESY: 1 Nov 2026 – 31 Oct 2027). Accordingly, the tender for about 1,100 crore litres of ethanol issued by the public-sector oil marketing companies (IOCL, BPCL, HPCL) on 16 Oct 2026 sought no ethanol made from sugarcane juice, sugar, sugar syrup or B-heavy molasses. C-heavy molasses, maize, broken/damaged grains and surplus FCI rice are allowed. The incentive for maize ethanol was cut from ₹5.79 to ₹2.79 a litre. Reason – drought in Maharashtra and Karnataka has cut sugar output; the aim is to secure domestic sugar stocks and prices. The Government says the E20 target will not be affected.

Key facts

Directive	Sugar diversion in ESY 2026–27 = zero
Tender	OMCs (IOCL, BPCL, HPCL), 16 Oct 2026; ~1,100 crore litres
Excluded	Cane juice, sugar, sugar syrup, B-heavy molasses
Allowed	C-heavy molasses, maize, damaged grains, surplus FCI rice
Reason	Drought – lower sugar output (2025–26: 30.6 million t); 1 Oct stock 3.75 million t

Feedstock share	About three-fourths of ethanol now comes from grains

Background

- Policy: National Policy on Biofuels 2018 (Ministry of Petroleum & Natural Gas); the 2022 amendment advanced the E20 target from 2030 to ESY 2025–26. E20 (20% ethanol in petrol) is now the nationwide standard. Aims – cut crude imports and emissions, raise farm income.
- Science: ethanol (C_2H_5OH) is made by yeast (Saccharomyces cerevisiae) fermenting sugar/starch. 1G ethanol – cane, grain; 2G – straw, farm residue (cellulose). India's first 2G plant – Panipat (Haryana, IOCL), 2022. 'PM JI-VAN Yojana' (2019) supports 2G.
- Molasses: the syrup left after sugar is extracted. B-heavy still holds much sugar (using it cuts sugar output); C-heavy is final molasses from which no more sugar can be recovered. Cane-juice use was also curbed in Dec 2023 and relaxed for 2024–25.
- Economy: Fair and Remunerative Price (FRP) of cane is fixed by the Centre on CACP's advice (Sugarcane (Control) Order 1966, Essential Commodities Act 1955). Levy sugar was abolished in 2013 on the Rangarajan Committee's advice – partial decontrol. Top cane producer – Uttar Pradesh.

Tamil Nadu link: Tamil Nadu has cooperative, public-sector and private sugar mills, many with distilleries. The State announces a 'special incentive' over the Centre's FRP every year. With sugar-based ethanol barred, mills must turn to C-heavy molasses and grain ethanol.

Shanmugam IAS Academy – your next step

- **Courses:** TNPSC Group 1, 2 / 2A (Prelims + Mains), Group 4, UPSC / IAS – Coimbatore · Madurai · Online – https://www.shanmugamiasacademy.in/fees
- **Books (PDF):** TNPSC PYQ books, UPSC books – https://www.shanmugamiasacademy.in/study-materials
- **Free quiz + daily PDFs:** https://www.shanmugamiasacademy.in/free-pdf-download · All news of this day: https://www.shanmugamiasacademy.in/current-affairs-english/2026/10/18

Admissions – call / WhatsApp: 99941 46662 · 99944 27714 · www.shanmugamiasacademy.in