

## Govt plans blending of Methanol with LPG to cut subsidy bill by 30%

The government is considering a plan to sell LPG blended with methanol, which could help reduce its cooking gas subsidy by around a third at current prices.

Mixing 20 per cent methanol with LPG, as is done in several countries, is estimated to bring down the cost of cooking gas for household consumption by Rs 100 a cylinder.

The portion of methanol in the mix could be scaled up further as India enhances production of methane from coal. The financial benefits could be substantial, considering the country's LPG subsidy bill that is estimated at more than Rs 20,000 crore in the fiscal 2019 budget.

The government has allocated dedicated coal mines for production of methane &mdash; methanol is its liquid form &mdash; after the NITI Aayog laid out a roadmap for a methanol economy for the country, both in the automotive and household sectors to bring down India's rising fuel import bill.

A senior government official told ET that the project would be piloted by the NITI Aayog. The contours of the plan were discussed between the members of think tank and union minister Nitin Gadkari, who has been tasked to promote alternative fuels in the country.

Currently, all LPG consumers have to buy the fuel at market price. The government, however, subsidises 12 cylinders of 14.2-kg each per household a year, transferring the subsidy amount directly to the bank account of the user.

This subsidy amount varies from month to month depending on the changes in average international benchmark LPG rate and foreign exchange rate. When international rates move up, the government provides a higher subsidy. The subsidy per cylinder in August was Rs 291.48 per cylinder, compared with Rs 257.74 in July.

India's LPG consumption stands at nearly 2 mt a month, growing consistently in past 56 months on the back of the government's push towards increasing access of LPG under Pradhan Mantri Ujjwala Yojana (PMUY). More than half the country's demand is met with imports.

As per the NITI Aayog's 'methanol economy' roadmap, there can be an annual reduction of \$100 billion in crude imports by 2030 if the country moves to 15 per cent blended fuel, both for transportation and cooking. The plan is to produce methanol from abundantly available low-quality coal and other bio resources, and also manufacture it synthetically.

This will ensure that the rising demand for methanol could be met locally, going forward.