

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:3229
ANSWERED ON:15.04.2010
INVESTMENT IN FERTILIZER SECTOR
Adsul Shri Anandrao Vithoba

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether for more than a decade there has been no fresh investment in the fertilizer sector;
- (b) if so, the reasons therefor;
- (c) whether various anomalies in the existing investment policy resulted in decline in fresh investments in the fertilizer sector; and
- (d) if so, the steps taken by the Government to address these anomalies and to make the investment policy fully recognized transportation costs and provide for full gas price compensation instead of artificially fixing floor and ceiling prices based on assumed capital cost figures?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) to (d):- A pricing policy was announced on 29.1.2004 for setting up new urea projects and expansion of existing urea projects for augmenting the domestic production capacity of urea to meet the growing demand for enhancing the agricultural production in the country. The policy was based on the principle of Long Run Average Cost (LRAC). This policy was not successful in attracting investment in this sector.

The non-availability of natural gas, which is the critical feedstock for production of urea, has also been one of the major constraints in further addition of indigenous capacity for production of urea. The Government has notified New Investment Policy on 4th September 2008. The fertilizer industry has responded positively to the new investment policy by initiating investment decision for revamp of existing capacities. Most of the existing units have either completed their revamp or are currently implementing revamp projects in their units contributing around 1.5 million tonnes increase in existing urea capacity. Further six fertilizer companies viz. IFFCO-Kalol, KRIBHCO-Hazira, RCF-Thal, IGFL-Jagdishpur, CFCL-Gadepan and TCL-Babrula have also indicated their intention for expansion of their existing units by setting up a 1.15 Million Tonne per annum Ammonia/Urea plants in their existing premises. The creation of additional capacities by revival of closed plants of HFCL and FCIL is also under consideration of Government. M/s Matix Group Company, Mumbai has informed to set up a Greenfield Gas Based Ammonia-Urea project in BURDWAN District, West Bengal of one million metric tonne per annum (1 Mn MTPA), based on Coal Bed Methane (CBM) Gas which will be supplied to them by Essar Oil Limited's Raniganj CBM block. The companies have been regularly requesting the Government for either firm allocation of gas at predetermined fixed prices from domestic gas sources or insulate industry from any additional liability arising due to increase in delivered price of gas by correspondingly increasing the floor prices in the absence of any commitment on allocation of natural gas at fixed prices. The constraints indicated are under examination and a proposal for amendments in the New Investment Policy notified on 4th September 2008 is under consideration of Department of Fertilizers to facilitate the investments in urea sector.