

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

STARRED QUESTION NO:11  
ANSWERED ON:02.07.2009  
CONVERSION OF UREA PLANTS INTO GAS BASED PLANTS  
Sule Supriya

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

- (a) whether the Government's new policy provides for a special fixed cost reimbursement to enable conversion of the existing urea plants running on furnace oil into gas-based units;
- (b) If so, whether some companies in the public sector propose to make sizeable investment over the next few years to change feedstock of their plants;
- (c) If so, the details thereof;
- (d) whether the fertilizer companies were given incentive for feedstock conversation for some specific period; and
- (e) if so, the details of those companies which have gained from these policies and the extent to which it has been beneficial?

**Answer**

THE MINISTER OF CHEMICALS AND FERTILIZERS(SHRI M.K. ALAGIRI )

(a)to (e) : A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of the Lok Sabha Starred Question No. 11 to be answered on 02-07-2009.

The Government has recently announced policy for encouraging conversion of urea units based on Fuel Oil/LSHS into Natural Gas. The policy provides for a special fixed cost reimbursement for 5 years after conversion of urea unit, to enable the unit recover the capital investment made towards the conversion project. M/s National Fertilizers Limited, a public sector undertaking under the administrative control of Department of Fertilizers, propose to convert its FO/LSHS based urea units at Nangal, Bhatinda and Panipat to Natural Gas by making investments of approximately Rs.4000 crore, over the next three years. The bids for the conversion projects has been received by the Company and the same is under finalization.

Under the New Pricing Scheme Stage-III for urea units, all non-gas based urea units have been mandated to convert to gas within 3 years i.e by March, 2010. To incentivise their conversion to gas, it has been provided that units will be allowed to retain the savings in energy for first five years of production after conversion. Further, for FO/LSHS based units, it was provided that a separate scheme to provide capital assistance for conversion of these units to gas will be notified by Department of Fertilizers in consultation with Department of Expenditure. Accordingly, the conversion scheme based on reimbursement of cost through a special fixed cost as mentioned above has been notified by the Government.

Till date M/s Sriram Fertilizers, Kota which was a naphtha based units have converted to gas during the period of New Pricing Scheme Stage-III. The unit is getting the advantage of energy savings in its production of urea so as to recover its cost of conversion.