

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

STARRED QUESTION NO:595
ANSWERED ON:17.05.2012
SALE OF SURPLUS AMMONIA
Mirdha Dr. Jyoti

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

- (a) the details of the manufacturers of urea having surplus capacity of ammonia;
- (b) whether the Government has formulated any policy to regulate the sale of surplus ammonia; and
- (c) if so, the details thereof

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (c) OF LOK SABHA STARRED QUESTION NO. 595 TO BE ANSWERED ON 17-05-2012 REGARDING SALE OF SURPLUS AMMONIA

(a) : Surplus ammonia is generated in some urea manufacturing units due to various technical reasons viz supply of lean gas, unplanned stoppage of one or both Urea streams and mismatch production of carbon dioxide (CO₂) and requirement of carbon dioxide (CO₂) for full conversion of ammonia into Urea etc. There is no surplus capacity to produce ammonia by Urea producing units.

(b) & (c): Yes, Madam. The Government has formulated a policy relating to surplus ammonia from urea units and notified on 19th August 2008 (Copy enclosed)

Annexure Pertain to Lok Sabha Starred Question No. 595 for 17th May, 2012.

No.12012/4/2008-FPP Government of India Ministry of Chemicals & Fertilizers

(Department of Fertilizers)

Shastri Bhawan, New Delhi. Dated the 19 August 2008.

To,

CMD/MDs RCF/MFL/BVFCL/NFL/KRIBHCO/IFFCO/GSFC/GNVFC/SFC/NFCL/ CFCL/TCL/ZIL/INDO-
GULF/SPIC/KSFL/MCFL/FACT/FCIL/HFCL/IPL

Subject: Policy relating to surplus ammonia from existing urea units. Sir,

I am directed to convey the approval of the Government for ammonia policy which deals with surplus ammonia generated

(and or sold/ transferred) by way of achieving/ not achieving or exceeding reassessed level of urea production required for agricultural purpose by the Government. This surplus generation is mainly on account of leanness of gas, technical reasons, etc.

2. Basic Tenets

2.1 This policy of sale of ammonia shall be applicable to all urea producing units under the New Pricing Scheme (NPS). Sale shall also include inter-unit or intra-unit transfer of ammonia, out of the ammonia capacity earmarked for urea and also out of any surplus capacity created by de-bottlenecking/revamp/modernization of urea/ammonia plant.

2.2 The policy will not be applicable to multi products/integrated fertilizer units where APM gas will be allocated on priority for production of urea and other subsidized fertilizers, and actual mix excluding APM gas will be allowed towards energy for remaining urea (for agricultural purpose) and surplus ammonia.

2.3 The quantum of energy consumption for producing surplus ammonia would be taken on actual basis as furnished by the units in

their annual escalation/ de-escalation claims.

2.4 The Import Parity Price (IPP) of ammonia will be an annual price calculated as below: Import Parity Price (IPP): The import parity price (IPP) for a particular year will be the lower of

- (i) the actual weighted average CIF price of Ammonia imported in India during the period of 12 months starting from the last month of the preceding year and including the first 11 months of the current year and
- (ii) the average IPP (CIF) reported in the fertilizer magazines for the similar period, as detailed below:

(a) Fertiliser Market Bulletin, UK;

(b) Fertiliser Week by British Sulphur, UK; and

(c) Fertecon Weekly Nitrogen Fax, UK.

The exchange rate will be considered for the similar period as in case of average reported price of ammonia for arriving at the price in INR.

2.4 The realization (on account of sale/transfer) of surplus ammonia would be notionally taken at annualized IPP so notified for surplus ammonia sold during the year. The net gain to the company on the sale of surplus ammonia with respect to the notional IPP will be shared between the Government and the company in various proportions under different circumstances irrespective of the actual realisation by the company which may be below IPP due to cost of internal transportation, limited storage capacity of the seller company leading to distress sale and marketing/ logistics cost.

2.5 The surplus ammonia will be sold for consumption within the country and no export will be allowed.

2.6 The formula of allocation of feedstock/ fuel and sharing of net gain on sale of surplus Ammonia under various situations of Ammonia / Urea production is proposed as under:

2.6.1 Urea production less than 100% and surplus ammonia due to technical reasons (including force majeure):

a) The loss of any urea production due to force majeure conditions would also be reckoned to consider the capacity utilization achieved by the unit. However, inadequate fuel/feedstock availability would not be considered as force majeure.

b) Production of surplus ammonia due to design surplus where cost has been recognised under urea pricing regime, installation of purge gas recovery unit or lean gas supply.

(c) Department of Fertilizers and FICC to be intimated by the units regarding above including the likely period and quantum of such surplus ammonia.

(d) The actual energy input mix of energy used for the entire production of urea and ammonia, including surplus ammonia, would be considered.

(e) Net gain from sale of such surplus ammonia (i.e. net sales realization at import parity price minus the variable cost of ammonia, as per FICC) shall be shared between the Government and the unit in the ratio of 65:35 respectively.

2.6.2 Surplus ammonia due to non-technical or commercial reasons:

a) Production of surplus ammonia due to any reasons, other than the reasons stated in 2.6.1(b) above, included in this category. b) Department of Fertilizers and FICC to be intimated by the unit regarding the above, including likely period and quantum of such surplus ammonia. c) The actual input mix of energy used for the entire production of urea and ammonia, including surplus ammonia, would be considered. d) Net gain from sale of such surplus ammonia (i.e. net sales realization at import parity price minus the variable cost of ammonia, as per FICC) shall be shared between the Government and the unit in the ratio of 90:10 respectively.

2.6.3 Urea production 100% of re-assessed capacity and beyond and surplus ammonia due to technical reasons: The actual energy input mix of energy for the entire production of urea and ammonia, including the surplus ammonia, would be considered. Net gain from sale of such surplus ammonia (i.e. net sales realization at import parity price minus the variable cost of ammonia, as per FICC) shall be shared between the Government and the unit in the ratio of 35:65 respectively.

3. The above policy is effective from 1st August 2007. For the period between 8th March 2007 to 31st July 2007, the existing provisions of NPS-III under notification No. 12012/3/2006-FPP, dated 8th March 2007 will apply. The provisions under NPS-III regarding surplus ammonia will stand amended as above.

Yours faithfully,

Sd/-

(Rajesh Agrawal) Deputy Secretary to the Government of India Tel No. 23381294