



**STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS
(2007-08)**

FOURTEENTH LOK SABHA

**MINISTRY OF CHEMICALS & FERTILIZERS
(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)**

DEMAND AND AVAILABILITY OF PETROCHEMICALS

[Action Taken by the Government on the recommendations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2006-07) on 'Demand and Availability of Petrochemicals']

TWENTY THIRD REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 2007/Kartika, 1929 (Saka)

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STANDING COMMITTEE ON
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(2007-08)

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Presented to Lok Sabha on 20.11.2007

Laid in Rajya Sabha on 20.11.2007



LOK SABHA SECRETARIAT
NEW DELHI
November, 2007/Kartika, 1929 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2007-08)**

Shri Anant Gangaram Geete - Chairman

***Members
Lok Sabha***

2. Shri Ajit Singh
3. Shri Afzal Ansari
4. Shri Jaiprakash (Mohanlal Ganj)
5. Shri Sunil Khan
6. Shri Shrichand Kripalani
7. Shri Subhash Maharia
8. Shri Punnu Lal Mohale
9. Shri A. Narendra
10. Shri Prasanta Pradhan
11. Shri Ramswaroop Prasad
12. Shri P. Chalapathi Rao
13. Shri Ashok Kumar Rawat
14. Shri Anantha Venkata Rami Reddy
15. Shri Devwrat Singh
- \$16. Shri Subhash Sureshchandra Deshmukh
17. Shri Narsingrao H. Suryawanshi
18. Shri Mansukhbhai Dhanjibhai Vasava
19. Shri D. Venugopal
20. Shri Bhanu Pratap Singh Verma
- *21. Vacant

Rajya Sabha

22. Shri Debabrata Biswas
23. Shri B.S. Gnanadesikan
24. Shri Gireesh Kumar Sanghi
- #25. Shri Surendra Lath
26. Shri V. Hanumantha Rao
27. Shri Mahendra Sahni
28. Shri Dilip Singh Judev
29. Shri R. Shunmugasundaram
30. Shri Raj Mohinder Singh Majitha
31. Shri T.R. Zeliang

Secretariat

- | | | | |
|----|---------------------------|---|-----------------------------------|
| 1. | Shri M. Rajagopalan Nair | - | <i>Additional Secretary</i> |
| 2. | Shri A.K. Singh | - | <i>Joint Secretary</i> |
| 3. | Shri A.S. Chera | - | <i>Director</i> |
| 4. | Shri A.K. Srivastava | - | <i>Deputy Secretary-II</i> |
| 5. | Smt. Balwant Kaur Saimbhi | - | <i>Under Secretary</i> |
| 6. | Shri Prem Ranjan | - | <i>Senior Executive Assistant</i> |

* Consequent upon nomination to the Committee on Food, Consumer Affairs and Public Distribution, Shri Suresh Angadi, MP (LS) ceased to be Member of the Committee w.e.f. 30.08.2007.

Nominated w.e.f. 06.09.2007 vice Shri Devdas Apte, MP (RS).

\$ nominated w.e.f. 05.10.2007

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2007-08) having been authorised by the Committee to submit the Report on their behalf, present this Twenty Third Report on Action Taken by the Government on the recommendations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2006-07) on 'Demand and Availability of Petrochemicals'.

2. The Eighteenth Report of the Committee was presented to Lok Sabha on 17th May, 2007. The replies of Government to all the recommendations contained in the Eighteenth Report were received on 16th August, 2007. The Standing Committee on Chemicals and Fertilizers (2007-08) considered the Action Taken Replies received from the Government and adopted the Draft Action Taken Report at their sitting held on 31st October, 2007.

3. An analysis of the Action Taken by the Government on the recommendations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Committee is given in **Appendix-II**.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI
November 7, 2007
Kartika 16, 1929 (Saka)

ANANT GANGARAM GEETE,
Chairman,
Standing Committee on
Chemicals and Fertilizers.

REPORT

CHAPTER – I

This Report of the Committee deals with the action taken by the Government on the recommendations/observations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2006-07) on 'Demand and Availability of Petrochemicals' pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals), which was presented to Lok Sabha on 17th May, 2007.

2. The Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) were requested to furnish replies to the recommendations/observations contained in the Eighteenth Report of the Committee within three months from the presentation of the Report i.e. by 17th August, 2007. The Action Taken Replies of the Government in respect of all the 10 recommendations/observations contained in the Report were received on 16th August, 2007. These have been categorised as follows:-

- | | | |
|-------|---|-----------|
| (i) | Recommendations/observations which have been accepted by the Government:
Sl. Nos. 1, 2, 3, 4, 6, 8, 9 and 10 | Total - 8 |
| (ii) | Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies: | Nil |
| (iii) | Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee: | Nil |
| (iv) | Recommendations/observations in respect of which final replies of the Government are still awaited:
Sl. Nos. 5 and 7 | Total-2 |

3. The Committee hope that utmost importance would be given to the implementation of the recommendations/observations accepted by the Government. In cases, where it is not possible for the Ministry to implement the recommendations/observations in their letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desire that the Action Taken Notes on the recommendations/observations contained in Chapter-I of this Report and the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations in the ensuing paragraphs:

A. Implementation of the Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) Policy

(Recommendation SI.No.3)

5. The Committee had recommended as under:-

“The Committee note that a Task Force on Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) was constituted in the Prime Minister’s Office on 20th January, 2006, in order to enable quick and coordinated decision with an appropriate policy framework for the development of investment regions of requisite scale and level of facilities, with the involvement of world class developers and investors in the petroleum, chemicals and petrochemicals. While appreciating the fact that the PCPIR Policy has been launched, the Committee hope that the Government would strive to implement the PCPIR Policy to achieve the desired objectives. The Committee also recommend that State Governments should be impressed upon for facilitating land transfer and providing other infrastructural facilities so as to make the PCPIR Policy a big success.”

6. The Ministry, in their Action Taken Reply, have stated as follows:-

“As per the policy, the initiatives to be taken by the State Government as well as by the Central Government have been clearly elaborated. Also the details of the process of project formulation (including acquisition of land), appraisal and approval have been spelt out. Further, to impress upon the States, at the level of Secretary letters have been written to all Chief Secretaries informing them of the Policy. Also during the launch of the policy by the Minister of Chemicals and Fertilizers and Steel, where all State Governments were invited, some of the States like Andhra Pradesh, Gujarat, Tamil Nadu, Orissa made presentations about their preparedness for hosting a PCPIR. Applications are expected from some states in the format prescribed in the Policy for setting up PCPIRs.”

7. The Department of Chemicals and Petrochemicals has stated that as per the Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) Policy, the initiatives to be taken by the State Government as well as by the Central Government have been clearly elaborated and the details of the process of project formulation (including acquisition of land), appraisal and approval have been spelt out. Also during the launch of the policy by the Minister of Chemicals and Fertilizers and steel, where all state Governments were invited, some of the states like Andhra Pradesh, Gujarat, Tamil Nadu, Orissa made presentations about their preparedness for hosting a PCPIR. As evident from the reply furnished by the Department that applications are expected from some States for setting up PCPIRs in their States, the Committee desire that all-out efforts should be made to impress upon all the States so that they come forward for setting up PCPIRs in their States and accordingly furnish applications in the prescribed format without any delay. The Committee would also like to be apprised about the latest developments in this regard.

B. Allocation of requisite natural gas supply to petrochemicals sector

(Recommendation Sl. No.5)

8. The Committee had recommended as under:-

“The Committee note that Naphtha and Natural Gas are the main feedstocks for the Petrochemical Industry. The Committee were informed that there is surplus availability of Naphtha in the country, However, availability of Natural Gas is not sufficient to meet the demand of Petrochemical Industry whereas power and fertilizer sectors receive priority in terms of gas supply. Besides, even within the available gas the obtainable fractions for use in petrochemicals are low. At the same time, production of petrochemicals from Natural gas is cheaper in comparison to Naphtha. The Committee, therefore, desire that the Department should take adequate steps to allocate requisite gas supply to petrochemicals sector.”

9. The Ministry, in their Action Taken Reply, have stated as follows:-

“A Standing Committee on Feedstock as envisaged in the National Policy on Petrochemicals is being constituted with representatives from Department of Chemicals & Petrochemicals, Ministry of Petroleum & Natural Gas, Ministry of Power, Department of Fertilizers and Ministry of Textiles to suggest a policy framework for full utilization of available feedstock at internationally competitive prices, to suggest measures for expanding the availability of feedstock, ensuring availability to different consuming sectors and future cracker complexes and to suggest a petrochemical sector specific feedstock policy initiatives with a long term perspective for promotion of investment in Petrochemicals sector.”

10. The Committee have been informed that a Standing Committee on Feedstock as envisaged in the National Policy on Petrochemicals is being constituted with representatives from concerned Departments to suggest a policy framework for full utilization of available feedstock at internationally competitive prices, to suggest measures for expanding the availability of feedstock, ensuring availability to different consuming sectors and future cracker complexes and to suggest a petrochemical sector specific feedstock policy initiatives with a long

term perspective for promotion of investment in Petrochemicals sector. The Committee, therefore, desire that the Standing Committee on feedstock as envisaged in the National Policy on Petrochemicals be constituted as early as possible to avoid uncertainty and streamline the availability and utilization of feedstock. The Committee also reiterate that the Department should take steps to augment the gas supply to petrochemicals sector in view of the lower obtainable fractions used in the petrochemicals from the available gas.

C. Rationalisation of the duty and tax structure in the Indian Petrochemical Industry

(Recommendation Sl.No.7)

11. The Committee had recommended as under:-

“The Committee have been informed that the Indian Petrochemical Industry has been witnessing continuous reduction in the level of protection due to accelerated customs duty reduction. The Committee note that there are also anomalies in the duty structure across the value addition chain resulting in instances of inverted duty structure. The petrochemical industry is also seriously affected by the levy of high rates of Sales Tax on both inputs and products and this problem is further compounded by wide variations from State to State and a host of State levies like turnover tax, entry tax, etc. Considering these aspects, the Committee desire that the Union Government should take necessary steps to rationalize the duty and tax structure.”

12. The Ministry, in their Action Taken Reply, have stated as follows:-

“The National Policy on Petrochemicals envisages the need to remove anomalies in duty structure all across the value addition chain. Subject to macro economic consideration and overall revenue targets, the Government would strive to rationalize the duty and tax structure and remove the duty inversions in the petrochemical value addition chain to promote growth and development in the sector. Department of Chemicals & Petrochemicals through a consultation process with the stakeholder industry association recommends corrections in the duty/tax structure to Ministry of Finance during the pre-budget/post-budget exercise on an annual basis.”

13. The Department of Chemicals and Petrochemicals has stated that the National Policy on Petrochemicals envisages the need to remove anomalies in duty structure all across the value addition chain. The Department through a consultation process with the stakeholder industry association recommends corrections in the duty/ tax structure to Ministry of Finance during the pre-budget/ post-budget exercise on an annual basis. However, no details have been given about the steps taken to rationalize the duty and tax structure in petrochemical industry. The Committee would, therefore, like to be apprised of the specific action taken by the Government in this regard.

D. Strengthening of the Institutions like CIPET, IITs, ITIs, Indian Institute of Chemical Technology, National Chemical Laboratory, Regional Research Laboratories etc., and setting up a new scheme of Petrochemical Research and Development Fund (PRDF)

(Recommendation Sl. No.8)

14. The Committee had recommended as under:-

“The Committee are of the opinion that trained manpower and advanced technology are essential for any industry to grow. The Committee were informed that Petrochemicals Industry in India has been set up based on the imported technical know-how. While appreciating the fact that several Institutions like CIPET, IITs, ITIs, Engineering Colleges etc. are providing training and skill and institutions like Indian Institute of Chemical Technology (IICT), Hyderabad, National Chemical Laboratory, Pune, Regional Research Laboratories etc. are conducting R&D activities in the petrochemicals sector, the Committee desire that these institutions should be strengthened to ensure that skill and trained manpower availability should not be constraints to the petrochemicals sector. The Committee also recommend that the proposal of the Government to set up a new scheme of Petrochemical Research and Development Fund should be finalized to cater to the requirements of petrochemicals sector.”

15. The Ministry, in their Action Taken Reply, have stated as follows:-

“The National Policy on Petrochemicals envisages the setting up of Centres of Excellence in existing educational and research institutions working in the field of polymers like National Chemical Laboratory, Indian Institute of Chemical Technology, Indian Institutes of Technology, National Institutes of Technology and others. It also envisages formulation of a new scheme of Petrochemical Research and Development Fund (PRDF) which would cater to the projects of R&D, in the field of polymers/plastics.”

16. The Committee have been informed that the National Policy on Petrochemicals envisages the setting up of Centres of Excellence in existing educational and research institutions working in the field of polymers like National Chemical Laboratory, Indian Institutes of Chemical Technology, Indian Institutes of Technology, National Institutes of Technology and others. It also envisages formulation of a new scheme of Petrochemical Research and Development Fund (PRDF) which would cater to the projects of R&D, in the field of polymers/ plastics. However, the Committee note that no details have been given about the steps taken to strengthen these institutions and set up a new scheme of Petrochemical Research and Development Fund. The Committee, therefore, would like to be apprised of the concrete action taken by the Government in this regard.

E. Setting up a Recycling Waste Management Centre in Guwahati and Promotion of R&D activities for production of cost effective bio-degradable plastics

(Recommendation SI.No.10)

17. The Committee had recommended as under:-

“The Committee were informed that plastic per-se is not hazardous. It is non-management or mismanagement of the waste which is creating problems. Also, production level of bio-degradable plastics is 50 KTA vis-à-vis 160 MMT total plastics production (less than 0.1 per cent). The Committee were also informed that the Planning Commission has recently sanctioned a project worth Rs. 750 lakhs for setting up a Recycling Waste

Management Centre in Guwahati. Considering these aspects, the Committee hope that Recycling Waste Management Centre in Guwahati would be set up at the earliest. The Committee also recommend that efforts should be made by the Department to promote research and development activities for production of cost effective bio-degradable plastics.”

18. The Ministry, in their Action Taken Reply, have stated as follows:-

“The estimated cost of the Plastic Recycling and Waste Management Centre at Guwahati is Rs.7.95 crores. Land from the State Government is awaited. The National Policy on Petrochemicals envisages that to address the growing environmental concerns arising due to the non-degradability of plastics, particularly carry bags, there is a need to reuse and recycle the plastics as also to develop biodegradable polymers. Biodegradable polymers have also been identified as one of the core research areas under the New Millennium Initiative Technology Leadership India (NMITLI), in the Ministry of Science and Technology.”

19. The Committee have been informed that the estimated cost of the Plastic Recycling and Waste Management Centre at Guwahati is Rs.7.95 crores. Acquisition of land from the State Government is awaited. The Committee, therefore, desire that Government should take up the issue with the state Government at the highest level to impress upon the state of Assam to provide land at the earliest in view of the utmost need of plastic waste management for conservation of the eco-system.

In case of promotion of R&D activities for production of cost effective bio-degradable plastics, the Department has merely stated that bio-degradable polymers have also been identified as one of the core research areas under the New Millennium Initiative Technology Leadership India (NMITLI), in the Ministry of Science and Technology. The Committee, therefore, would like to reiterate that efforts should be made to promote R&D activities for production of cost effective bio-degradable plastics.

CHAPTER – II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

(Recommendation Sl. No. 1)

The Committee note that the Indian Petrochemicals Industry registered rapid growth in the 1980s and 1990s, however, between 2000-2006, the growth had virtually stagnated. The Committee also note that the Indian Petrochemicals Industry is small by international standards with only 2-3 % of the global ethylene capacity. The Committee therefore, strongly recommend that the Government should create conducive environment for rapid growth of the Indian Petrochemicals Industry so that it can reap the optimum benefit offered by the present global scenario.

Reply of the Government

Petrochemicals Industry is delicensed and deregulated. The role of the Government is as a facilitator. To create conducive environment for achieving rapid growth and new investments, Department of Chemicals & Petrochemicals has formulated a National Policy on Petrochemicals. Further to enable the country to be a global hub in chemicals/petrochemicals a Petroleum, Chemicals and Petrochemicals Investment Region Policy has been formulated.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

(Recommendation Sl. No 2)

The Committee note that the Government of India constituted a Task Force on Petrochemicals in order to strengthen the petrochemicals industry and the Task Force had submitted its Report. In order to give concrete shape to the recommendations of the Task Force, a draft National Policy on Petrochemicals has been evolved which was considered by the Committee of secretaries on 29th November, 2006. The Committee, therefore, recommend that all necessary formalities should be completed as early as possible so that National Policy on Petrochemicals is finalized at the earliest.

Reply of the Government

The National Policy on Petrochemicals was approved by the Cabinet on its meeting held on 12.4.2007. The Policy Resolution for Petrochemicals has been published in the Gazette of India (Extraordinary) Part – I – Section –I dated 30th April, 2007 vide No 116. (Copy enclosed).

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

(Recommendation Sl. No 3)

The Committee note that a Task Force on Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) was constituted in the Prime Minister's Office on 20th January, 2006, in order to enable quick and coordinated decision with an appropriate policy framework for the development of investment regions of requisite scale and level of facilities, with the involvement of world class developers and investors in the petroleum, chemicals and petrochemicals. While appreciating the fact that the PCPIR Policy has been launched, the Committee hope that the Government would strive to implement the PCPIR Policy to achieve the desired objectives. The Committee also recommend that State Governments should be impressed upon for facilitating land transfer and providing other infrastructural facilities so as to make the PCPIR Policy a big success.

Reply of the Government

As per the policy, the initiatives to be taken by the State Government as well as by the Central Government have been clearly elaborated. Also the details of the process of project formulation (including acquisition of land), appraisal and approval have been spelt out. Further, to impress upon the States, at the level of Secretary letters have been written to all Chief Secretaries informing them of the Policy. Also during the launch of the policy by the Minister of Chemicals and Fertilizers and Steel, where all State Governments were invited, some of the States like Andhra Pradesh, Gujarat, Tamil Nadu, Orissa made presentations about their preparedness for hosting a PCPIR. Applications are expected from some states in the format prescribed in the Policy for setting up PCPIRs.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

Comments of the Committee

(Please see Para No. 7 of Chapter-I of the Report)

(Recommendation Sl. No 4)

The Committee have been informed that the Gas Authority of India Limited (GAIL) has been identified as lead promoter with 70% equity participation to implement the Assam Gas Cracker Project with Oil India Limited, Numaligarh Refinery Limited and Assam Industrial Development Corporation each having 10 per cent equity participation in the project. Subsequently, Monitoring Committee and Project Steering Committee have been constituted and a Joint Venture Company, namely, 'M/s. Brahmaputra Crackers and Polymers Limited (BCPL)' has been formed and registered for implementing this project. The Committee express their satisfaction that foundation stone laying ceremony of the Brahmaputra Cracker and Polymer Limited has been held on 9th April, 2007. The Committee now desire that all out efforts should be made to make the project

complete and functional within the stipulated time period as it would lead to setting up of about 500 plastic processing industries and yield socio-economic benefits to the North-Eastern Region especially the State of Assam.

Reply of the Government

A Monitoring Committee has been constituted in the Department of Chemicals & Petrochemicals to monitor the progress of implementation of Assam Gas Cracker Project. This Committee monitors and reviews the progress regularly. All necessary steps are being undertaken by the Joint Venture Company, i.e. M/s Brahmaputra Crackers and Polymers Limited, to implement the project in the stipulated time-frame.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

(Recommendation Sl. No 6)

The Committee observe that infrastructure facilities like ports, roads power, water, telecommunication, storage and transportation etc. are inadequate to meet the growing demand of the petrochemicals industry. The Committee, therefore, recommend that necessary steps should be taken by the Department to provide these infrastructure facilities to petrochemical sector.

Reply of the Government

Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) Policy has been approved for promoting investment in this sector to make the country an important hub for both domestic and international markets. Government of India will ensure the availability of external physical infrastructure linkages to the PCPIR including Rail, Road (National Highways), Ports, Airports, and Telecom, in a time bound manner. This infrastructure will be created/upgraded through Public Private Partnerships to the extent possible. Wherever necessary, requisite budgetary provisions for creation of these linkages through the public sector will also be made.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

(Recommendation Sl. No. 8)

The Committee are of the opinion that trained manpower and advanced technology are essential for any industry to grow. The Committee were informed that Petrochemicals Industry in India has been set up based on the imported technical know-how. While appreciating the fact that several Institutions like CIPET, IITs, ITIs, Engineering Colleges etc. are providing training and skill and institutions like Indian Institute of Chemical Technology (IICT), Hyderabad, National Chemical Laboratory, Pune, Regional Research Laboratories etc. are conducting R&D activities in the petrochemicals sector, the Committee desire that these institutions should be strengthened to ensure that skill and trained manpower availability should not be constraints to the petrochemicals sector. The Committee also recommend that the proposal of the Government to set up a new scheme of Petrochemical Research and Development Fund should be finalized to cater to the requirements of petrochemicals sector.

Reply of the Government

The National Policy on Petrochemicals envisages the setting up of Centres of Excellence in existing educational and research institutions working in the field of polymers like National Chemical Laboratory, Indian Institute of Chemical Technology, Indian Institutes of Technology, National Institutes of Technology and others. It also envisages formulation of a new scheme of Petrochemical Research and Development Fund (PRDF) which would cater to the projects of R&D, in the field of polymers/plastics.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

Comments of the Committee

(Please see Para No. 16 of Chapter-I of the Report)

(Recommendation Sl. No. 9)

The Committee have been informed that per capita consumption of Polymers in India is 4.0 kgs. as against the global average of about 25 kgs. The Committee have been further informed that Department of Chemicals and Petrochemicals is considering to set up an Inter Ministerial Expert Committee to look into the requirement of making the use of plastics in the thrust areas like plastics in agriculture, water management like plastic pipes, construction applications like door/window frame and insulation panels, electronics, electrical and telecommunication, consumer durable and non durable products and automobile. Considering the cost effectiveness and more energy efficiency of plastic products, the Committee desire that all formalities regarding setting up of an Inter-Ministerial Expert Committee to look into the requirement of making the use of plastics in thrust areas be completed expeditiously and steps should be taken to increase the consumption of plastics in order to save other vital resources.

Reply of the Government

The National Policy on Petrochemicals envisages setting up of an Inter-Ministerial Expert Committee under the Department of Chemicals and Petrochemicals, which will look into the requirement of making the use of plastics in thrust areas and make recommendations to the concerned Ministries. The Department of Chemicals and Petrochemicals has constituted an Inter Ministerial Expert Committee for Development of Plastics Application in Thrust Areas. This will comprise of representatives from concerned Ministries/departments (copy enclosed)

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

(Recommendation SI. No. 10)

The Committee were informed that plastic per-se is not hazardous. It is non-management or mismanagement of the waste which is creating problems. Also, production level of bio-degradable plastics is 50 KTA vis-à-vis 160 MMT total plastics production (less than 0.1 per cent). The Committee were also informed that the Planning Commission has recently sanctioned a project worth Rs. 750 lakhs for setting up a Recycling Waste Management Centre in Guwahati. Considering these aspects, the Committee hope that Recycling Waste Management Centre in Guwahati would be set up at the earliest. The Committee also recommend that efforts should be made by the Department to promote research and development activities for production of cost effective bio-degradable plastics.

Reply of the Government

The estimated cost of the Plastic Recycling and Waste Management Centre at Guwahati is Rs.7.95 crores. Land from the State Government is awaited. The National Policy on Petrochemicals envisages that to address the growing environmental concerns arising due to the non-degradability of plastics, particularly carry bags, there is a need to reuse and recycle the plastics as also to develop biodegradable polymers. Biodegradable polymers have also been identified as one of the core research areas under the New Millennium Initiative Technology Leadership India (NMITLI), in the Ministry of Science and Technology.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

Comments of the Committee

(Please see Para No. 19 of Chapter-I of the Report)

CHAPTER – III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

NIL

CHAPTER – IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF
THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

_____ NIL _____

CHAPTER-V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

(Recommendation Sl. No 5)

The Committee note that Naphtha and Natural Gas are the main feedstocks for the Petrochemicals Industry. The Committee were informed that there is surplus availability of Naphtha in the country, However, availability of Natural Gas is not sufficient to meet the demand of Petrochemicals Industry whereas power and fertilizer sectors receive priority in terms of gas supply. Besides, even within the available gas the obtainable fractions for use in petrochemicals are low. At the same time, production of petrochemicals from Natural gas is cheaper in comparison to Naphtha. The Committee, therefore, desire that the Department should take adequate steps to allocate requisite gas supply to petrochemicals sector.

Reply of the Government

A Standing Committee on Feedstock as envisaged in the National Policy on Petrochemicals is being constituted with representatives from Department of Chemicals & Petrochemicals, Ministry of Petroleum & Natural Gas, Ministry of Power, Department of Fertilizers and Ministry of Textiles to suggest a policy framework for full utilization of available feedstock at internationally competitive prices, to suggest measures for expanding the availability of feedstock, ensuring availability to different consuming sectors and future cracker complexes and to suggest a petrochemical sector specific feedstock policy initiatives with a long term perspective for promotion of investment in Petrochemicals sector.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

Comments of the Committee

(Please see Para No. 10 of Chapter-I of the Report)

(Recommendation Sl. No 7)

The Committee have been informed that the Indian Petrochemical Industry has been witnessing continuous reduction in the level of protection due to accelerated customs duty reduction. The Committee note that there are also anomalies in the duty structure across the value addition chain resulting in instances of inverted duty structure. The petrochemical industry is also seriously affected by the levy of high rates of Sales Tax on both inputs and products and this problem is further compounded by wide variations from State to State and a host of State levies like turnover tax, entry tax, etc. Considering these aspects, the Committee desire that the Union Government should take necessary steps to rationalize the duty and tax structure.

Reply of the Government

The National Policy on Petrochemicals envisages the need to remove anomalies in duty structure all across the value addition chain. Subject to macro economic consideration and overall revenue targets, the Government would strive to rationalize the duty and tax structure and remove the duty inversions in the petrochemical value addition chain to promote growth and development in the sector. Department of Chemicals & Petrochemicals through a consultation process with the stakeholder industry association recommends corrections in the duty/tax structure to Ministry of Finance during the pre-budget/post-budget exercise on an annual basis.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)
O.M. No. 40014/2/2007-PC-II dated 14.08.2007]

Comments of the Committee

(Please see Para No. 13 of Chapter-I of the Report)

NEW DELHI
November 7, 2007
Kartika 16, 1929 (Saka)

ANANT GANGARAM GEETE,
Chairman,
Standing Committee on
Chemicals and Fertilizers.

MINUTES

**STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2007-08)**

**THIRD SITTING
(31.10.2007)**

The Committee sat from 1400 hrs. to 1500 hrs.

Present

Shri Anant Gangaram Geete - Chairman

***Members
Lok Sabha***

2. Shri Sunil Khan
3. Shri Shrichand Kripalani
4. Shri Ramswaroop Prasad
5. Shri P. Chalapathi Rao
6. Shri Ashok Kumar Rawat
7. Shri Devwrat Singh
8. Shri Narsingrao H. Suryawanshi
9. Shri D. Venugopal
10. Shri Bhanu Pratap Singh Verma

Rajya Sabha

11. Shri Gireesh Kumar Sanghi
12. Shri Mahendra Sahni
13. Shri Raj Mohinder Singh Majitha

Secretariat

1. Shri A.K. Singh - *Joint Secretary*
2. Shri A.K. Srivastava - *Deputy Secretary-II*
3. Smt. Balwant Kaur Saimbhi- *Under Secretary*

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. Thereafter, the Committee considered the draft Report on Action Taken by the Government on the recommendations contained in the Eighteenth Report of the Committee on 'Demand and Availability of Petrochemicals'. The draft Report was adopted by the Committee with slight modifications.

4. ** ** ** ** ** ** ** ** ** ** **
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5. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Reports by the Ministry of Chemicals and Fertilizers (Department of Chemicals & Petrochemicals and **
 ** ** **) and present the same to both the Houses of Parliament in the next Session.

6. ** ** ** ** ** ** ** ** ** ** **
 **

The Committee, then, adjourned.

** *Matters not related to this Report*

(Vide Para 3 of the Introduction)

Analysis of Action Taken by the Government on the recommendations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2006-07) on 'Demand and Availability of Petrochemicals'.

I	Total No. of Recommendations	10
II	Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1, 2, 3, 4, 6, 8, 9, and 10)	8
	Percentage to Total	80%
III	Recommendations/observations which the Committee do not desire to pursue in view of Government's Replies	Nil
	Percentage of Total	Nil
IV	Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee	Nil
	Percentage of Total	Nil
V	Recommendations/observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. Nos. 5 and 7)	2
	Percentage of Total	20%