

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

UNSTARRED QUESTION NO:1598
ANSWERED ON:02.12.2014
DISCONTINUANCE OF FERTILIZER SUBSIDY TO MCF
Karandlaje Km. Shobha

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

- (a) the expenditure and cost of preservation incurred so far on Mangalore Chemicals and Fertilizers (MCF) Ltd., Mangalore after discontinuance of subsidy;
- (b) whether naphtha based fertilizer plants can be kept under suspended animation;
- (c) if so, whether the Government has taken any steps to revive MCF by switching over from naphtha based to natural gas based for production of urea;
- (d) if so, whether the Government proposes to provide natural gas to the unit for continuance of urea production;
- (e) if so, whether it is a fact that use of natural gas is cheaper as compared to naphtha for urea production;
- (f) if so, whether the MCF Union has urged the Government to continue grant of subsidy to MCF and if so, the details of the plan to restart the operation of MCF; and
- (g) whether the Government had set deadline of September 30, 2014 for three chemical and fertilizer units in South India, including MCF, Madras Fertilizer Ltd. and Southern Petrochemical Industries Corporation Ltd., to switch over from naphtha based urea production unit to natural gas based units for production of urea?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI HANSRAJ GANGARAM AHIR)

(a): Consequent to plant shutdown from 01st October, 2014, the expenditure and the cost of preservation incurred by M/s Mangalore Chemicals & Fertilizers (MCF) is about Rs. 27 Crore for the months of October, 2014 and November, 2014 which includes wages and salaries paid to workers and employees to maintain continuity of employment of the workforce.

(b): Yes, Madam. As per the provision of para `4` of the Modified New Pricing Scheme (NPS)-III for existing urea units on 2nd April, 2014, `the production of the high cost naphtha based urea units namely Southern Petro-chemicals Industries Corporation-Tuticorin, Madras Fertilizers Limited (MFL)-Manali and MCFL-Mangalore was continue till the gas availability and connectivity is provided to these units or June, 2014 whichever is earlier, beyond which subsidy for naphtha based plants was not be paid.`

The conversion of Naphtha based urea units viz., MFL- Manali, MCFL-Mangalore and SPIC-Tuticorin are held up due to delay in commissioning of the gas pipeline connectivity & allocation of domestic gas. Therefore, Department of Fertilizers had finalized the Cabinet Committee on Economic Affairs (CCEA) Note for conti- nuation of production of urea from MFL, MCFL and SPIC upto September, 2014 by using existing feedstock Naphtha and the same has been approved by the CCEA in its meeting held on 27th August, 20-14. Department has finalized the CCEA Note for continuation of MCFL-Mangalore plant for a period of 6 months from the date of notification will be placed before CCEA shortly for approval.

(c) & (d): MCFL was supposed to get LNG from petronet LNG-terminal at Kochi through a gas pipeline planned by GAIL from Kochi to Mangalore. But the laying of pipeline is facing stiff resistance from farmers and may take 24 months or more to lay approximately 350 kms of the pipeline in Kerala. GAIL is also exploring the option of laying a spurline from Dabhol-Bengaluru pipeline connecting to Mangalore from Chitradurga as progress on Kochi-Mangalore pipeline is severely dented due to non-availability of Right of Way (RoW) for lands under State of Kerala.

(e): Yes, Madam.

(f): Yes, Madam. This Department has received the representation from MCF Mangala Workers Union. So far as restart the operation of MCFL plant is con- cerned, this Department has finalized the CCEA Note for continuation of MCFL-Mangalore plant for a period of 6 months from the date of notification will be placed before CCEA shortly for approval.

(g): Yes, Madam.