

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

UNSTARRED QUESTION NO:5571
ANSWERED ON:28.04.2015
IMPACT OF GAS PRICES ON UREA
Kumar Shri Kaushalendra

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

- (a) whether the fluctuation in the prices of domestic cooking gas affects the price of urea also:
- (b) if so, the details thereof:
- (c) whether in view of the recent down fall in the prices of gas, the prices of urea are likely to be decreased in order to provide relief to the farmers:
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

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

(a) & (b): No, Madam, The fluctuation in the prices of domestic cooking gas does not affect the price of urea. However, the rise in price of natural gas will increase the subsidy burden on the exchequer as there is a direct impact of rise in gas price on the prices of fertilizers since increase in the price of gas by Rs.1,00 per MMBTU results in the increase of the cost of production of urea by Rs. 25.99 (6.499x4= 25.99) (The weighted average energy norm for all 27 gas based urea units in the country is 6.499 Gcal/MT and 1 Gcal = 3.96 MMBTU-4MMBTU) . Therefore, the additional liability of subsidy towards domestic urea would be Rs.25.99/MT of urea approximately. On an average in India around 25.99 MMBTU of natural gas is required to produce one MT urea. If gas price increases by \$1/MMBTU, per MT increase in production cost of urea will be 25.99x1x60=Rs.1559/MT. Therefore, an increase of USD 1/MMBTU translates to enhanced cost of production of about (60x25,99=1559) RS.1559/MT of urea. The entire impact of increase in gas price would be on subsidy outgo as the MRP of urea is statutorily controlled.

(c): No, Madam.

(d): In view of (c) above, question does not arise.

(e): MRP of urea is statutorily fixed by the Government, At present, the Maximum Retail Price (MRP) is Rs. 5360 per MT (exclusive of 1% central excise duty, central sales tax, countervailing duty, the sales tax and other local taxes wherever levied) w.e.f. 01st November, 2012.

Further, the Government of Uttar Pradesh and Gujarat have levied Additional VAT on natural gas used by urea plants situated in these states. Impact of this additional VAT is calculated per MT of urea on the quantity of urea sold in these states, separately for each state and is recovered from the farmers of these respective states by charging Rs.94G7- per MT and Rs. 300/- respectively.