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**STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS**

(2017-18)

SIXTEENTH LOK SABHA

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

IMPLEMENTATION OF NEW UREA POLICY -2015

FORTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

DECEMBER, 2017/ AGRAHAYANA, 1939 (Saka)

(i)

CC&F.No.40

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(SIXTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

IMPLEMENTATION OF NEW UREA POLICY - 2015

Presented to Lok Sabha on 19 December 2017

Laid in Rajya Sabha on 19 December 2017

LOK SABHA SECRETARIAT

NEW DELHI

December, 2017/ Agrahayana, 1939 (Saka)

(ii)

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2017-18)**

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Shri George Baker
3. Smt. Anju Bala
4. Shri B.N. Chandrappa
5. Shri Pankaj Chaudhary
6. Shri Sankar Prasad Datta
7. Dr. Ratna De Nag
8. Smt. Veena Devi
9. Shri R.Dhruvanarayana
10. Shri Innocent
11. Prof. A Seetaram Naik #
12. Shri K. Ashok Kumar
13. Shri Chhedi Paswan
14. Smt. Kamla Devi Patle
15. Shri Rajendran S.
16. Dr. Kulamani Samal
17. Dr. Uma Saren
18. Dr. Krishna Pratap Singh
19. Shri Kirti Vardhan Singh
20. Smt. Rekha Arun Verma
21. Vacant

RAJYA SABHA

22. Shri Biswajit Daimary
23. Shri Prem Chand Gupta
24. Shri B.K. Hariprasad
25. Dr. Bhushan Lal Jangde
26. Shri Ranvijay Singh Judev
27. Shri Sanjay Dattatraya Kakade
28. Shri K. Parasaran
29. Dr. Sanjay Sinh
30. Shri Abdul Wahab
31. Vacant

SECRETARIAT

- | | | |
|----|---------------------------|------------------|
| 1. | Shri Vinod Kumar Tripathi | Joint Secretary |
| 2. | Shri A. K. Srivastava | Director |
| 3. | Shri R. C. Sharma | Deputy Secretary |

Prof. A. Seetaram Naik MP, (LS) has been nominated as a Member of the Committee on Chemicals and Fertilizers w.e.f. 3.11.2017 vice Shri Kotha Prabhakar Reddy MP, (LS) who ceased to be a Member of the Committee on Chemicals and Fertilizers w.e.f. 3.11.2017

(iv)

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2017-18) having been authorised by the Committee to submit the Report on their behalf, present this Fortieth Report on the subject 'Implementation of New Urea Policy -2015' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The subject, 'Implementation of New Urea Policy -2015' is a carried forward subject which was selected by then erstwhile Committees constituted for the years 2015-16 and 2016-17 respectively. The Committee (2016-17) took oral evidence of the representatives of Department of Fertilizers (Ministry of Chemicals and Fertilizers) on the subject on 02.06.2017. The Committee (2016-17) had also undertaken study visits to Manali and Hyderabad on 09.06.2017 and 13.07.2017 respectively and discussed the issue with fertilizer companies of Public, Private and Corporate sector but the examination of the subject remained inconclusive due to paucity of time.

3. The Committee on Chemicals and Fertilizers (2017-18) have again selected this subject for examination and report and further took oral evidence of the representatives of Department of Fertilizers (Ministry of Chemicals and Fertilizers) on the subject at their sitting held on 23.08.2017.

4. The Report was considered and adopted by the Committee at their sitting held on 01.12.2017.

5. The Committee wish to express their thanks to the officers of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for furnishing the written replies and other material/ information and for placing their views on the subject before the Committee.

6. The Committee also place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, the observations / recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;

15 December, 2017

24 Agrahayana, 1939 (Saka)

**Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers**

Implementation of New Urea Policy, 2015

Chapter-I

Introductory

Agriculture remains the largest sector of the Indian economy. Successive five-year plans have laid emphasis on self-sufficiency and self reliant in food grain production and concerted effort in this direction have resulted in substantial increase in agricultural production and productivity. In meeting the domestic requirement of food grains and also generating exportable surpluses, the significant role played by chemical fertilizers is well recognized.

1.2 There are broadly two types of fertilizers viz (i) Urea and P&K Fertilizers. P&K fertilizers are mainly DAP, MAP, TSP, MOP, SSP and other NPKS fertilizers. Among all fertilizers urea is most commonly used fertilizers in India

1.3 As of now, the country has achieved 80% self-sufficiency in production capacity of Urea. As a result, the country could manage its substantial requirement of nitrogenous fertilizers through the indigenous industry besides imports. The rapid build-up of fertilizer production in the country has been achieved as a result of a favorable policy environment facilities investment in public, cooperative and private sectors.

1.4 The production of urea during the year 2015-16 was 244.75 lakh Metric Tonnes with contribution of Public Sector, cooperative Sector and private sector as 70.80, 69.36 and 104.59 Lakh Metric Tonnes respectively.

1.5 At present there are 30 Urea units in our country. Out of these thirty urea units, 27 urea units use Natural Gas (using either domestic gas/LNG or both) as feedstock and fuel and remaining three urea units viz (i) MCFL Managalore (ii) MFL, Manali and (iii) SPIC Turicorin use Naptha as feedstock and fuel.

1.6 To achieve self sufficiency in production of urea has been a long cherished goal for the nation. With a view to attain self sufficiency in indigenous production of urea, the New Urea Policy 2015 (NUP-2015) has been notified by Department of Fertilizers on 25th May, 2018 with the objective of maximizing indigenous urea production; promoting energy efficiency in urea production and rationalizing subsidy burden on the Government. NUP-2015 is effective from 1st June, 2015 to 31st March, 2019. It is expected to prepare the domestic urea sector to become globally competitive in terms of energy efficiency over a period of three years. On the basis of actual energy consumption and present norms, the units have been divided into three groups and revised energy consumption norms have been fixed for next three financial years and target energy

norm have been fixed. It will drive urea units to select better technology and different measures to reduce energy consumption. The higher energy efficiency due to aforesaid measures will reduce subsidy bills.

1.7 Out of 30 Urea units, 25 gas based existing urea units are covered under NUP-2015.5 units namely (i) MFL-Manali, (ii) MCFL-Mangalore (iii) SPIC-Tuticorin, (iv) BV FCL-Namrup-II and (v) BVFCL-Namrup-III are not covered under NUP-15 because first 3 units use Napatha based units and last 2 units are not connected to gas pipeline network in the country. A copy of the notification is placed at Annexure I. The Government has also issued revised energy norms under the New Urea Policy, 2015 for existing 25 gas based Urea Plants in the country. A copy of the notification is placed at Annexure II.

1.8 On being asked to explain unit wise details of progress, status and impact made by New Urea Policy, 2015 with regard to (a) maximizing indigenous urea production (b) promoting energy efficiency in the urea units (c) rationalizing the subsidy burden on the Government of India, the Department in their written replies stated as under:

"Production of urea during the year 2015-16 (244.75 LMT) and 2016-17 (242.01 LMT) was significantly higher than the production of urea during 2012-13 (225.75 LMT), 2013-14 (227.15 LMT) and 2014-15 (226 LMT). The details of the unit-wise production of 25 gas based urea manufacturing units under NUP – 2015 are as under:

NAME OF PLANTS	2014-15	2015-16	2016-17	2017-18 (upto July, 2017)
	Actual	Actual	Actual	Actual
PUBLIC SECTOR:				
NFL:Nangal-II	4.79	5.46	5.02	1.88
NFL:Bhatinda	5.61	5.48	5.68	1.73
NFL:Panipat	5.12	5.67	5.43	1.91
NFL:Vijaipur	9.51	9.90	10.58	3.29
NFL:Vijaipur Expn.	11.38	11.46	11.39	4.02
Total(NFL):	36.39	37.98	38.10	12.84
BVFCL:Namrup-II	0.98	0.66	0.60	0.13
BVFCL:Namrup-III	2.61	2.56	2.50	0.50
Total(BVFCL):	3.59	3.23	3.11	0.63
RCF:Trombay-V	4.24	4.52	4.08	1.46
RCF:Thal	21.78	20.98	21.44	7.23
Total(RCF):	26.02	25.50	25.52	8.69
MFL:Chennai	3.29	4.09	4.68	0.92
TOTAL PUBLIC SECTOR:	69.29	70.80	71.41	23.00
COOP. SECTOR:				
IFFCO:Kalol	5.97	6.01	6.02	1.67
IFFCO:Phulpur	5.78	7.58	6.32	2.47

IFFCO:Phulpur Expn.	8.84	10.54	9.92	2.04
IFFCO:Aonla	10.47	11.33	10.69	1.63
IFFCO:Aonla Expn.	10.21	11.23	10.34	2.99
Total(IFFCO):	41.27	46.68	43.27	10.80
KRIBHCO:Hazira	22.25	22.68	23.53	7.62
TOTAL COOP. SECTOR:	63.51	69.36	66.81	18.42
Total (Pub.+Coop.)	132.80	140.15	138.21	41.49
PRIVATE SECTOR:				
GSFC:Vadodara	3.52	3.61	3.59	0.67
SFC:Kota	3.97	4.01	3.94	1.28
KFCL (DIL):Kanpur	6.41	7.17	7.23	2.29
ZACL:Goa	3.63	4.00	4.65	1.37
SPIC:Tuticorin	4.92	6.20	5.63	2.48
MCF:Mangalore	2.51	3.80	3.80	1.12
GNFC:Bharuch	7.04	6.91	6.90	1.88
IGF:Jagdishpur	10.22	12.08	11.61	3.77
NFCL:Kakinada-I	3.48	6.31	7.88	2.79
NFCL:Kakinada-II	5.83	7.11	7.10	2.76
CFCL:Gadepan-I	9.76	10.91	9.66	3.79
CFCL:Gadepan-II	8.76	10.35	10.36	2.35
TCL:Babralla	12.50	12.31	12.14	4.35
KSFL:Shahjhanpur	10.50	9.83	9.32	3.17
TOTAL PRIVATE SECTOR:	93.05	104.60	103.79	34.06
TOTAL(PUB.+COOP.+PVT.):	225.85	244.75	242.01	75.55

The details with respect to energy norms for Group I units(i.e. units given target Energy Norms of 5.5 Gcal/MT of Urea)

Sl.No	Plants	Sector	Revised Energy As per NUP 2015, Gcal/MT		Actual energy, Gcal/MT (for year 2015-16) as per FICC data
			1 st June 2015 to 31 st March 2018	1 st April 2018 onward	
1	NFL Vijaipur-I	PSU	5.904	5.5	5.756
2	NFL Vijaipur-II	PSU	5.569	5.5	5.407
3	IFFCO Aonla-I	Cooperative	5.656	5.5	5.570
4	IFFCO Aonla-II	Cooperative	5.505	5.5	5.308
5	IFFCO Phulpur-II	Cooperative	5.744	5.5	5.569
6	KRIBHCO Hazira	Cooperative	5.952	5.5	5.644
7	CFCL Gadepan-I	Private	5.587	5.5	5.505
8	CFCL Gadepan-II	Private	5.533	5.5	5.351
9	IGF Jagdishpur	Private	5.501	5.5	5.243
10	KSFL Shahjahanpur	Private	5.643	5.5	5.598
11	NFCL Kakinada-I	Private	5.693	5.5	5.600
12	NFCL Kakinada-II	Private	5.672	5.5	5.600
13	TCL Babralla	Private	5.333	5.417	5.182

Group II : Target Energy Norms of 6.2 Gcal/MT of Urea

Sl. No	Plants	Sector	Revised Energy As per NUP 2015, Gcal/MT		Actual energy, Gcal/MT (for year 2015-16) as per FICC data
			1 st June 2015 to 31 st March 2018	1 st April 2018 onward	
1	RCF :Thal	PSU	6.598	6.2	5.942
2	IFFCO:Kalol	Cooperative	6.231	6.2	5.687
3	GNFC:Bharuch	State owned	6.301	6.2	6.771
4	GSFC:Vadodara	State owned	6.741	6.2	6.350

Group III : Target Energy Norms of 6.5 Gcal/MT of Urea

Sl. No	Plants	Sector	Revised energy As per NUP 2015, Gcal/MT		Actual energy, Gcal/MT (for year 2015-16) as per FICC data
			1 st June 2015 to 31 st March 2018	1 st April 2018 onward	
1	NFL:Bathinda	PSU	7.479	6.5	7.052
2	NFL:Nangal	PSU	7.095	6.5	7.060
3	NFL:Panipat	PSU	7.614	6.5	7.278
4	IFFCO:Phulpur-I	Cooperative	7.145	6.5	6.639
5	SFC Kota	Private	7.585	6.5	7.258
6	KFCL Kanpur	Private	7.847	6.5	7.082
7	RCF:Trombay	PSU	8.538	6.5	6.907
8	ZACL:Goa	Private	7.308	6.5	6.637

CHAPTER II

Incentivisation of Urea Production

For production upto 100% re-assessed capacity (RAC), units get total cost of production of urea i.e. Fixed Cost and variable cost. Fixed Cost: Includes (i) Conversion Cost viz. Salaries & wages, Contract Labour Cost, marketing cost, Repairs & Maintenance, Insurance, Catalysts, Administration expenses etc. and (ii) Capital related Cost viz. Depreciation, Interest on borrowed Capital, Return on Equity, Variable cost : Includes energy cost, Water cost, Bag cost and Electricity duty wherever applicable.

The details of the fixed cost and variable cost of 25 gas based urea units covered under NUP-2015 is as follows:-

Sl No	Name of the Unit	Fixed Cost	Variable Cost	Cost of Production under NUP 2015: Q2 2016-17	Remarks
		Rs/MT	Rs/MT	Rs/MT	
1	IFFCO-Aonla	2123	12265	14388	Fixed Cost: Includes (i) Conversion Cost viz. Salaries & Wages, Contract labour Cost, marketing Cost, Repairs & Maintenance, Insurance, Catalysts, Administration expenses etc. and (ii) Capital related Cost viz. Depreciation, Interest on borrowed Capital, Return on Equity.
2	INDOGULF-Jagdishpur	2062	11869	13931	
3	KRIBHCO-Hazira	1486	12939	14425	
4	NFL-V Pur	1285	12844	14129	
5	RCF -Trombay	2330	19153	21483	
6	NFCL-Kakinada	3067	12359	15426	
7	CFCL-Kota	2577	12230	14807	
8	TATA	3100	11509	14609	
9	KSFL	2536	12248	14784	
10	NFCL-Kakinada exp.	3125	12344	15469	
11	IFFCO-Aonla exp.	2541	11962	14503	
12	NFL-V Pur Exp.	2403	12111	14514	
13	IFFCO-P,PUR	3213	12922	16135	
14	KFCL-Kanpur	2826	18183	21009	
15	SFC-Kota	2964	14639	17603	Variable Cost :

Sl No	Name of the Unit	Fixed Cost	Variable Cost	Cost of Production under NUP 2015: Q2 2016-17	Remarks
16	IFFCO-P,PUR EXP.	3497	12445	15942	Includes Energy Cost, Water cost, Bag cost and Electricity Duty wherever applicable.
17	CFCL-II	3306	12073	15379	
18	GSFC-Baroda	3187	14666	17853	
19	IFFCO-Kalol	2432	13605	16037	
20	RCF-Thal	1727	14637	16364	
21	ZACL-Goa	2497	15742	18239	
22	GNFC-Bharuch	2129	12410	14539	
23	NFL-Nangal	2707	15340	18047	
24	NFL-Bhatinda	2609	14954	17563	
25	NFL-Panipat	2799	15450	18249	
	Grand Total	2449	13321	15770	

2.2 Prior to New Urea Policy (NUP)-2015 the production beyond RAC was governed by two policies i.e. New Pricing Scheme (NPS)-III notified on 8th March, 2007 and New Investment Policy (NIP) – 2008 notified on 4th September, 2008. The production above RAC was governed in the following manner:

- (i) Beyond 100% of RAC and upto 110% of RAC Gain Sharing between Government and unit in the ratio of 65:35 with respect to IPP subject to overall cap of its concession rate.
- (ii) Beyond 110% of RA and upto cut off level: At concession rate subject to overall cap of IPP.
- (iii) Beyond Cut-off level (fixed under NIP – 2008): At 85 % of IPP

2.3 With the implementation of New Urea Policy- 2015 dated 25th May, 2015, the calculation of subsidy for production beyond RAC has been simplified and rationalized. As per said policy, the units are entitled for their respective variable cost and a uniform per MT incentive equal to the lowest of the per MT fixed costs of all the indigenous urea units subject to sum of import parity price, other incidental charges and the weighted average of other incidental charges which the Government incurs on the import of urea.

2.4 On being asked whether there was decreasing trend in International Pricing Policy (IPP) which may render urea production beyond re-assessed capacity unviable and if there was need to delink urea subsidy from International pricing Policy, the Department in its written reply stated as under:

"As per NUP -2015, the production beyond RAC by 23 gas based urea units during 2015-16 was 40.41 LMT. In 2015-16, the production beyond RAC was viable for the urea units since benchmark of IPP plus incidental charges was at optimum level. However, during 2016-17, downward trend shown by weighted average price of urea imports from international market, the benchmark of IPP plus incidental charges came down and made the production beyond RAC economically unviable for some of the urea manufacturing units."

In order to ward off such a situation the Department of Fertilizers has decided to include para '8' in NUP-2015 which is as under:-

"8. In the event of any fluctuation in Import Parity Price that would have adverse impact on the production beyond RAC by urea units, Department of Fertilizers is authorized to take an appropriate decision in consultation with Department of Expenditure."

The inclusion of para '8' in NUP-2015 would take care of any fluctuation in IPP having adverse impact on the production beyond RAC. This brought the production beyond RAC at the level of 37.79 LMT during the year 2016-17.

2.5 On being asked to what was meant by import parity price and how much quantity of urea was still imported with total expenditure per tonne with weighted average of other incidental charges vis-a vis current total expenditure per tonne including all incidental charges by domestic production, the Department of Fertilizers in its written reply stated as under:

"As per notification dated 8th June, 2017 regarding New Urea Policy (NUP 2015) import parity price (IPP) of urea will be calculated quarterly on the basis of weighted average CFR (Insurance and Freight) price during the quarter at Indian port on government account by designated urea importing agencies from international market."

During the year 2016-17 and 2017-18 (upto date), 54 LMT and 22.23 LMT of urea has been imported. The provisional IPP, incidental expenditure including the Central Government Levies, for 1st, 2nd, 3rd quarter and 4th quarter of 2016-17 are as under:

2016-17	IPP (Rs./MT)	Incidental Expenditure (Rs./MT)	Weighted average of Central Government Levies (Rs/MT)
01.04. 2016 to 30.06.2016 (Q1)	15,069.78	983.31	-
01.07.2016 to 30.09.2016 (Q2)	13,925.06/-	981.42/-	-
01.10. 2016 to 31.12.2016 (Q3)	14078.74	1033.90	578.62
01.01. 2017 to 31.03.2017	14078.74	1033.90	590.96

2016-17	IPP (Rs./MT)	Incidental Expenditure (Rs./MT)	Weighted average of Central Government Levies (Rs/MT)
(Q4)			
2017-18			
01.04. 2016 to 30.06.2016 (Q1)	14776.79	975.09	-

2.6 The Committee during its study visit to Manali on 10.06.2017 were apprised by the representatives of National Fertilizers Limited about the incentive to additional production beyond Re-Assessed capacity and drawbacks thereto. These are as under:-

- (i) Current decreasing trend in International Pricing Policy (IPP) current (IPP) - USD211/MT of Urea) may render Urea production beyond Re-assessed Capacity (RAC) unviable. Therefore, urea subsidy should be delinked from IPP.
- ii) The reimbursement of subsidy not being paid in a routine way. The subsidy of the year 20015-16 reimbursed in October 2016 and subsidy for 2016-17 is yet to be released by Government of India.
- iii) Subsidy being released considering minimum fixed cost at Rs 1285 per MT instead of Rs 2300 per MT for Vijaipur -I.
- iv) Price notified at which bill is raised, often declared very late, leading to confusion.
- v) Delay in furnishing B1 & B2 certification on quality states leading to delay in reimbursement of freight subsidy.

2.7 In the same study visit of the Committee at Manali, when asked about incentive for production beyond Re-assessed capacity (RAC), the representative of Rashtriya Chemiclax and Fertilizers (RCF) submitted as under:-

- (i) Compensation for production beyond Re-assessed Capacity (RAC) not clear- since lowest of all units fixed cost under NPS -III or MNPS (Minimum Rs.2300/-) was to be allowed
- (ii) Impacts production beyond RAC where imported urea prices are falling
- (iii) One time increased compensation announced for 2016-17. How a unit will decide when presently such production is unviable
- (iv) Policy framed with subsidy reduction focus rather than encouraging new investments – Since energy reduction requires huge investments

(v) RCF will need to incur Rs 1800 crore capex to meet the new norms.

(vi) Will render sickness in Industry – if only one sided view is taken.

2.8 The Committee during its study visit to Hyderabad on 13.07.2017 interacted with various fertilizers companies of public sector, private sector and cooperative sector and asked them about the functioning of New Urea Policy 2015 and incentive for production beyond re assessed capacity. At this the representative of Indian Farmers Fertilizers Cooperative Limited (IFFCO) submitted as under:

"NUP provided for excess production beyond Reassessed (RA) Capacity linked to the minimum Fixed Cost of the Industry i.e. Rs. 2300 per MT. Industry produced 4 Million MT excess Urea in the year 2015-16 and in 2016-17. However, Government reimbursed only Rs. 1,285 per MT instead of Minimum Fixed Cost of Rs. 2,300 per MT for excess production despite policy notification dated 2nd April 2014 and verbal assurance by Department of Fertilizers officials".

2.9 During the same study visit, the representatives of Krishak Bharti Cooperative (KRIBHCO) submitted that:-

Cap of IPP on Urea production beyond RAC may be removed.

Chapter-III

Minimum fixed cost and additional fixed cost

As per NUP-2015, the compensation for other variable cost e.g. the cost of bag, water charges and electricity charges and fixed cost will be determined in accordance with existing provisions of NPS-III and modified NPS-III.

3.2 On being asked to elaborate fixed cost and variable cost under NUP-2015, the Department of Fertilizers in its written replies stated as under:

Modified NPS-III for existing urea units was notified on 2nd April, 2014, the main provisions of the said policy are as under:

“3.1 Additional Fixed cost

(a) The maximum additional fixed cost (towards increase in the four components, viz., salaries & wages, contract labour, selling expenses and repair & maintenance) of Rs. 350/MT to existing urea units or actual increase in above four components of fixed cost during the year 2012-13 compared to the year 2002-03, whichever is lower will be paid. This will be based on the certified cost data for above four components for the year 2012-13 to be provided by all urea Units.

(b) In respect of KFCL and BVFCL-II units, for which cost data of four components is not available either for the year 2002-03 or 2012-13, the actual increase in these four components as per the certified cost data for the latest year over and above Rs. 521/MT (weighted industry average during 2002-03) subject to maximum of Rs. 350/MT will be allowed.

3.2 Minimum Fixed Cost

The minimum fixed cost of Rs. 2300/MT or actual fixed cost prevailing during 2012-13, whichever is lower, after taking into account the compensation at 3.1 (a) and (b) above, will be paid. This will be based on certified fixed cost data for the year 2012-13, to be provided by all urea units.”

3.3 Special compensation to Urea Plants which have completed 30 Years and Converted to Gas.

The special compensation of Rs. 150/MT will be paid to gas based urea plants which have converted to gas and are more than 30 years old. This is in addition to para 3.1 and 3.2 para.”

Department of Fertilizers is unable to operationalize the policy due to implementation issues relating to para 3.2 above. The matter of issuance of clarification is under examination.

3.3 During study visit to Hyderabad on 13.07.2017, the representative of IFFCO in regard to under recovery in fixed cost stated as under:

'New Pricing Scheme' (NPS-III) Policy applicable from 01.10.2006 to 31.03.2010 was extended up to 01.04.2014. Unit-wise Fixed Cost under NPS-III was based on Fixed Cost data of the year 2002-03. Post 2002-03, Salaries & Wages on account of Pay- revision and Costs of other Components increased. No increase in Fixed Cost under NPS-III resulted in huge Under-recovery to the Industry. DoF organized a study for the period from 2002-03 to 2008-09 to analyze increase in Fixed Cost component. As per the Study, Additional Fixed Cost towards increase in the four components i.e. Salaries & Wages, Contract labour, Selling expenses, Repair & Maintenance was about Rs. 500 per MT. Data was again analyzed by DoF for the year 2012-13 before final approval.

Modified NPS-III Policy, approved by Cabinet was notified on 2nd April 2014. Modified NPS-III Policy allowed additional Fixed Cost of Rs. 350 per MT; Special compensation of Rs. 150 per MT to Vintage plants; Minimum Fixed Cost of Rs. 2300 per MT or actual Fixed Cost prevailing during 2012-13, whichever is lower. Despite Cabinet approval, Policy is not implemented till date. Weighted Average Fixed Cost of IFFCO Units estimated to be Rs. 4630 per MT in 2017-18 against FICC Cost of Rs.2750 per MT. IFFCO feared to incur losses of approx. Rs. 214 Crore towards Urea operations in 2017-18. Wage revision of Industry due from 1st Jan. 2017 will further increase Salaries & Wages besides hike in other Cost Components.

3.4 On being asked about fixed cost under NUP 2015, the representative of KRIBHCO stated as under:

"Revised fixed cost of Rs 2300 /MT approved w.e.f. 2.4.2014 is not given. Even revised fixed cost needs further upward revision as it is lower than KRIBHCO's actual fixed cost of Rs 4400 /MT. However KRIBHCO is still getting Rs 1484/ MT based on 2002-03 accounts. Under recovery of Rs.1511 Crore is pending for the last three financial year. KRIBHCO is also not getting special compensation of Rs 150/MT payable to 30 years old plants w.e.f. 1.3.2016. In-spite of being the largest single location Urea producer in the country, and saving GoI's subsidy burden, KRIBHCO have suffered heavy losses in Urea operations consistently".

3.5 *On being asked about the problems faced by NFL on implementation of NUP-2015, the company in its written reply with regard to fixed cost as under:*

"NFL is not being reimbursed the minimum fixed cost of Rs. 2300/- for Vijaypur-I unit against urea production including additional production beyond RAC as already notified under New Pricing Scheme (NPS-III). On this account, an amount of Rs. 579 crore (Rs. 192.52 crore for 2014-15, Rs. 193.11 crore for 2015-16 and Rs. 193.11 crore for April, 16, 2016 - March 2017) is receivable for the period from 02.04.2014 to 30.04.2017 on which corporate tax, dividend and dividend distribution tax is already being paid by NFL".

On being asked about the working of NUP-2015, the representative of Kanpur Fertilizers & comments Ltd during study visit of the committee to Manali on 10.06.2017 in regard to disbursement of fixed cost, as under:

"Revised Fixed cost based on actual, instead of Group Average (All other Urea Plants Fixed cost is based on actual).

On being asked about not payment of fixed cost and additional fixed cost etc to the fertilizers units, the Secretary, Department of Fertilizers during evidence before the Committee on 23rd August, 2017 stated as under:

" Sir, you have raised the issue of fixed cost and additional cost etc. As you are aware this actually was notified after approval of the Cabinet a couple of years ago. Then FICC which actually processes the Bill raised an interpretation issue. This was something to do with the language in which the notification had been issued. This raised so many interpretation issues that we are still grappling with it and it is under active consideration of the Ministry. We hope that we will be able to achieve some clarity on this very soon".

CHAPTER 4

PROMOTING ENERGY EFFICIENCY IN UREA UNITS

One of the prime objective of New Urea Policy-2015 is promoting energy efficiency in urea production and rationalizing subsidy burden on the Government because improvement in energy savings directly positively impacts cost of production (COP) by lowering it. Since subsidy paid to manufacturers is CoP minus MRP, any decrease in CoP means decrease in subsidy outgo as MRP of urea is statutorily fixed.

4.2 " As per the New Urea Policy-2015, the existing gas based urea units have been classified into following three groups based on pre-set energy norms:-

(i) Group I includes the urea units having pre-set energy norms between 5.0 G Cal/MT to 6.0 G Cal/MT.

(ii) Group II includes the urea units having pre-set energy norms between 6.0 G Cal/MT to 7.0 G Cal/MT.

(iii) Group III includes the urea units having pre-set energy norms more than 7.0 G Cal/MT.

The twenty five gas based urea units are eligible to get the concession rate on the basis of revised energy norms fixed for each group from 01st June, 2015 to 31st March, 2018.

Further, these urea units have been given the target energy consumption to be achieved in the year 2018-19. For Group-I target energy norms for the year 2018-19 is 5.5 G Cal/MT (except TCL-Babrala for which existing pre-set energy consumption norm of NPS-III i.e. 5.417 G Cal/MT will continue). For Group-III, the energy consumption norms for the year 2018-19 is 6.2 G Cal/MT and 6.5 G Cal/MT respectively.

For production upto 100% re-assessed capacity (RAC), the 25 gas based units are entitled to get total cost of roduction of urea, which includes fixed cost and variable cost as per provisions of New Urea Policy-2015 which is effective from 01st June, 2015.

4.3 On being asked about how urea units covered under NUP-2015 been able to achieve the energy consumption targets set for three groups by 2018-19 and whether any study has been conducted in order to ascertain the tune of investment required for achieving energy consumption targets under New Urea Policy-2015, the Department of Fertilizers in its written replies stated as under:

"PDIL was requested to conduct a study in respect of other gas based urea units regarding the investment required for acheiving the targets given under New Urea Policy and the necessity of extension of existing energy norms for the purpose of recovery of the investment made. Based on the information gathered from various urea units and the status of implementation of target energy norms, PDIL has classified into 6 categories i.e. Category 'A' to Category 'F' as under:-

Category-A: (8 units) {Units which are already operating as per Target Energy Norms of NUP-2015 (TCL, NFL-Vijaipur-II, IGF, CFCL-Gadepan-I & II, IFFCO-Aonla-II, RCF}.

Category-B: (3 units) Units which are actually implementing the energy saving schemes of NUP-2015 (IFFCO-Aonla-I, IFFCO-Phulpur-I & II).

Category-C (8 units) {Units which are under Pre-Project activities related to selection of Contractors for implementing the energy saving schemes of NUP-2015 (KSFL-Shahjahanpur, NFCL-Kakinanda-I & II, KRIBHCO, NFL-Nangal, Bathinda & Panipat, RCF-Trombay.

Category-D: (2 Units) Units which are under Pre-Project activities related to finalizing the studies for implementing the energy saving schemes (GNFC-Bharuch, GSFC-Vadodara).

Category-E: (3 Units) (Units which have identified the schemes to achieve the target energy norms but not able to take action (NFL-Vijaipur-I, SFC-Kota, KFCL-Kanpur).

Category-F: Unit which has done Pre-Project activities related to finalizing the studies for implementing the energy saving schemes accompanies with capacity increase (ZACL).

The final report submitted by PDIL is under examination.

4.4 During the study tour of the Committee at Hyderabad on 13 July, 2017, the Committee interacted with representatives of PDIL wherein they have given an analysis of the study regarding the effect of implementation of target energy norms on urea production from April 2018 which is as under:-

- a. Category A: These units viz. NFL Vijaipur-II, IFFCO Aonla-II, CFCL Gandepan-II, IGF Jagdishpur and TCL Babrala, etc., are already operating under Target energy norm, no financial impact on these units due to implementation of NUP-2015 from April 2018.
- b. Category B: These units viz, IFFCO Aonal-I and Phulpur-II, etc., will achieve the target energy norm before April 2018.
- c. Category C: These units viz. KSFL, NFCL, KRIBHCO Hazira, NFL, etc, will suffer much losses because the target energy norms will be achieved after April 2018.
- d. Category D: These units viz. GSFC Vadodara and GNFC Bharuch will suffer much losses than Category C because the target energy norm will be achieved after April 2018.
- e. Category E: These units viz. NFL Vijaipur-I, SFC Kota and KFCL Kanpur will suffer as losses as if they don't reduce their energy norms for operating below Target energy norms.
- f. Category F: These units viz. ZACL Goa unit's reduction in energy norm for achieving target energy norms is integrated with increase in capacity. Standalone energy saving scheme will not be able to reduce energy lesser than target energy norms.

4.5 During interaction with the representation of cooperative fertilizer companies regarding energy savings under NUP-2015, the representative of KRIBHCO stated as under:

"Revamping @ Rs. 1620 crore based on premise of NIP 2008 that energy savings will not be mopped up is a new challenge for KRIBHCO. KRIBHCO has hardly recovered Rs. 565 crore when policy has now been changed abruptly. Fixation of single energy norm for the units do not take into account their actual energy norms, vintage or capacity to achieve such norms."

4.6 The representative of KRIBHCO drawn the attention of the committee towards some anomalies. These are as follows:-

"(i) Some units are already running below target levels.

(ii) As per KBR (Technology Suppliers to KRIBHCO) certain conventional energy saving schemes cannot be implemented and are not practically viable for our vintage plants.

(iii) For marginal reduction in energy, an investment of more than 500 crore is required."

The representative of KRIBHCO also requested to place KRIBHCO in Group II with a target of 5.952 G Cal/MT instead of Group I due to following reasons:

(a) Vintage plant is more than 30 years old.

(b) Actual energy consumption for 2011-12 to 2013-14:>6.0 G Cal/MT.

(c) Peer company of same vintage & Technology placed in Group-II.

(d) Some companies having twin units-second unit set up later is already meeting the target norms.

(e) The energy norm of 5.952 G Cal/MT for KRIBHCO should continue for at least a period of six years.

4.7 During the same study visit of the committee as above, the representative of IFFCO regarding mopping up energy norms intimated as under:

"Policy for treatment for de-bottlenecking/Revamp/Modernization of existing Urea Units notified on 29th January 2004. Policy stated that "Units undertaking De-bottlenecking/Revamp/Modernization allowed to retain any Energy Efficiency gain therefrom and will not be mopped up for any revision in the Pre-set energy norms already notified under NPS". IFFCO implemented Energy Saving Project (ESP) at Aonla, Phulpur & Kalol Units in 2005/2006. Capacity Enhancement Project (CEP) implemented at Aonla & Phulpur Unit in 2008. Substantial Capex of approx. Rs. 800 Crore infused by IFFCO. Government tightened the Energy norms in NPS III Policy and deviated from the Policy of neither recognition of Capital investment nor change in energy consumption norms. Companies such as IFFCO investing substantially in Energy reduction measures were hurt on both sides since Capital related charges were also not recognized. Till formulation of Energy Consumption Norms in NUP Policy, the assets of ESP/CEP projects were not fully depreciated.

"Energy Savings prior to NUP 2015 should be retained by Industry. Alternatively, Capital related charges incurred for Energy Savings by Industry should be recognized".

4.8 NFL in its written replies to List of Points during the visit of the Committee to Manali with regard to energy norms, stated as under:

"The energy norms under NUP-2015 have been made more stringent & to be implemented in two phases:

Phase-I: Energy norms set for the period from 2015-16 to 2017-18 are based on simple average of pre-set energy norms of NPS-III and average actual energy consumption achieved during the year 2011-12 to 2013-14 or the pre-set energy norms of NPS-III whichever is lower.

As a result of the above, the energy norms of Vijaipur-I & II of NFL have been downwardly revised to 5.569 Gcal/MT of Urea against present norms of 5.952 Gcal/MT and 5.712 Gcal/MT of Urea respectively w.e.f 25.05.2015. This revision in energy norms for Vijaipur-I & II has impacted the company adversely by Rs 40 crore per annum.

Phase-II: For phase-II which is applicable for 2018-19, new stringent energy norms have been fixed under NUP-2015. The details of the new energy norms applicable for 2018-19 vis-a-vis actual energy consumption at NFL plants are as under:

Unit	Group	Energy Norms applicable w.e.f. 01.04.2018	Current Energy Norms under NUP-2015 Phase-I	Financial Implications (Rs. crore)
Vijaipur-I	Group-I	5.50	5.904	68
Vijaipur-II	Group-I	5.50	5.569	137
Nangal	Group-III	6.50	7.095	120
Panipat	Group-III	6.50	7.614	84
Bathinda	Group-III	6.50	7.479	15
Total				424

Such a larger reduction in energy consumption at NFL's plants at Nangal, Panipat, Bathinda and Vijaipur-I Units as indicated above cannot be achieved through consistent and optimum operation of the plants. Hence, it shall require a huge investment to the tune of around Rs. 1000 crore. This investment may not be economically viable until dispensation sought from the GOI is obtained. The dispensation sought by NFL from DoF/GOI, include the following:

- 1) Deferment of new energy norms applicable for 2018-19 under NUP-2015.
- 2) Retention of existing energy norms for at least 5 years from the date of implementation of the energy saving schemes.

It may be highlighted here that without obtaining adequate dispensation from the GOI as mentioned above, it would be extremely difficult for NFL to get the loan from the lenders for the implementation of these schemes.

Moreover, any further delay in getting the dispensation from GoI and non-deferment of new energy norms applicable for 2018-19, there would be an estimated loss of around Rs. 424 crore per annum to NFL which would have disastrous impact on financials of the company.

"The energy efficiency can't be achieved by merely tightening the energy norms for subsidy calculations. This may reduce the subsidy bill of DoF but render the Urea companies including NFL unviable and sick. Large investment with longer gestation period is required for such energy reduction. Further to make the investment for these energy, saving schemes viable, the saving so achieved should not be mopped up for at least 5 years from the date of implementation of these schemes".

4.9 During the study visit of the committee to Manali on 10th June, 2017, the representatives of Kanpur Fertilizers & Cement Limited in their presentation put forth their grievances in regard to New Urea Policy -2015 as under:

* Grouping of Urea units

(a) 5 units are excluded from the policy

(b) 25 units are placed in 3 groups:

(c) Arbitrary grouping ignoring feedstock/vintage

* Energy Mopping up & Present/Target Energy

(a) Violation of commitment in NPS, not to mop up energy efficiency

(b) Arbitrary Target Norms not based on any properly constituted Expert Committee Report

(c) Two stage mopping up of energy making many units unviable

Further in regard to energy norms KFCL stated as under:

"Continue the existing Energy Norms till the investments are recovered, being a BIFR company. Provision to be made for recovery of CAPEX for energy efficiency schemes. Permission for capacity expansion with extension of time line for investment under Amended New Investment Policy dated 7th October, 2014 for KFCL by at least 2 years".

4.10 On being asked as to why the companies are requesting that energy savings prior to NUP-2015 should be retained by Industry of the Department of Fertilizers in its written replies stated as under:

"Since huge investment is required to implement the energy saving schemes, the companies have requested the DoF for a regime that allows them to recover the investment cost incurred in improving the energy efficiency.

4.11 When being asked to furnish details regarding current energy consumption of the existing urea units of NFL and whether their urea units would be able to achieve energy consumption targets set for three groups by 2018-19, the NFL in their written replies stated as under:

The details regarding Energy norms applicable for 2018-19 under NUP-2015, current Energy norms under NUP-2015 and actual energy consumption during 2016-17 are given as under:-

Units	Group	Energy Norms applicable w.e.f. 01-04-2018 (Gcal/MT of Urea)	Current Energy Norms (Gcal/MT of Urea)	Actual Energy consumption (2016-17) (Gcal/MT of Urea)
Nangal	Group-III	6.50	7.095	7.01
Panipat	Group-III	6.50	7.614	7.11
Bathinda	Group-III	6.50	7.479	6.92
Vijaipur-I	Group-I	5.50	5.904	5.78
Vijaypur-II	Group-I	5.50	5.569	5.36

It was further submitted by NFL that manufacturing units of NFL would not be able to achieve the energy consumption targets fixed for 2018-19 under NUP-2015. The units has status of implementation of energy saving schemes is as under:-

Unit	Est. Cost (Rs crore)	Energy Norms applicable w.e.f. 01-04-2018 Gcal/MT of Urea	Present Energy Norms	Expected Energy level after implementation of Energy Schemes	Status
Nangal	260	6.50	7.095	6.357	Units may not be able to achieve the energy consumption targets applicable w.e.f. 01.04.2018 under NUP-2015. As an energy saving scheme a 20 MW Gas Turbine Generator (GTG) along with 100 MT/Hr. fresh steam plus 45 MT/Hour steam superheating along with one existing coal fired boiler is being installed. Global NIT has been issued and award of the job on LSTK basis is expected by August 2017. The

Unit	Est. Cost (Rs crore)	Energy Norms applicable w.e.f. 01-04- 2018 Gcal/MT of Urea	Present Energy Norms	Expected Energy level after implementation of Energy Schemes	Status
					gestation period of this project is around 22 months and therefore job is likely to be completed/commissioned by June 2019. GOI has been requested to defer the enjoy norms applicable w.e.f. 01.04.2018 and retention of existing energy norms for at least 5 years after implementation of the scheme to partially recover the investment.
Panipat	217	6.50	7.614	6.457	Unit may not be able to achieve the energy consumption targets applicable w.e.f. 01.04.2018 under UNP-2015. 20 MW Gas Turbine Generator (GTG) along with 70 MT/Hr. fresh steam along with one existing coal fired boiler is being installed. Global NIT has been issued and award of the job on LSTK basis is expected by August 2017. The gestation period of this project is around 22 months and therefore job is likely to be completed/commissioned by June 2019. GoI has been norms applicable w.e.f. 01.04.2018 and retention of existing energy norms for at least 5 years after implementation of the scheme to partially recover the investment.
Bathinda	217	6.50	7479	6413	Unit may not be able to achieve the energy consumption targets applicable w.e.f. 01.04.2018 under NUP-2015. As an energy saving scheme a 20 MW Gas Turbine Generator (GTW) along with 70 MT/Hr. fresh Steam along with one existing coal fired boiler is being installed. Global NIT has been issued and award of the job on LSTK basis is expected by august 2017. The gestation period of this project is around 22 months and therefore job is likely to be completed/commissioned by June 2019. GoI has been requested to defer the energy norms applicable w.e.f. 01.04.2018 and retention of existing energy norms for at least 5 years after implementation of the scheme to partially recover the investment.
Vijaipur-I	281	5.50	5.904	-	The expected investment on energy saving schemes is around Rs. 281 crore. However NFL Board

Unit	Est. Cost (Rs crore)	Energy Norms applicable w.e.f. 01-04- 2018 Gcal/MT of Urea	Present Energy Norms	Expected Energy level after implementation of Energy Schemes	Status
					has deferred the investment decision until dispensation sought by NFL from GoI as mentioned at 1(e) above is obtained.
Vijaipur-II	-	5.50	5.569	-	No further investment required as this unit would be able to achieve energy norm of 5.5 Gcal/MT of Urea fixed for 2018-19.

CHAPTER-V

Requirement and availability of gas to fertilizers (Urea) Sector

Ministry of Petroleum and Natural Gas has notified Pooling of Gas for Fertilizers (Urea) sector vide its notification dated 20th May, 2015 (read with 29th May, 2015) which, inter-alia, includes that the domestic gas will be pooled with Re-gasified Liquefied Natural Gas (RLNG) to provide natural gas at uniform delivered price to all Natural Gas Grid connected Urea manufacturing plants for the purpose of manufacturing of Urea. After gas pooling, all urea units get gas at uniform rate irrespective of all gas allocation to the unit. It ensures better utilization of available domestic gas to urea sector. The provision of gas pooling also ensures that Natural Gas will be supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy Calculation parameters under New Urea Policy (NUP)-2015, which was notified on 25th May, 2015 by the Department of Fertilizers which envisages the constitution of an Empowered Pool Management Committee (EPMC) to monitor implementation of gas pooling and procurement of RLNG through a competitive and transparent manner.

5.2 During study visit of the Committee to Manali on 10.06.2017, representative of NFL stated as under:

"Additional production beyond RAC under NUP-2015 could be economically viable for all the plants at NFL during 2015-16 & 2016-17 mainly due to lower gas price under uniform gas pooling system".

5.3 On being asked about the details of gas pooling policy the Department of Fertilizers in its written replies stated as under:

"Based on CCEA decision, Government has approved gas pooling for urea sector on 31st March, 2015. After gas pooling, all urea units get gas at uniform rate irrespective of the earlier gas allocation to the unit. This has ensured better utilization of available domestic gas to urea sector. The provisions of gas pooling have ensured that RLNG will be supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy calculation parameters under NUP-2015. Moreover, cost of gas is passed through in the form of urea subsidy. This policy is being implemented uniformly.

5.4 On being asked whether the fertilizer companies have to rely on RLNG for increasing output which affects the advantage of lower energy due to high gas cost, thus making additional production of the fertilizer unviable, the Department of Fertilizers in its written reply stated as under:

"The total requirement of daily gas requirement for urea manufacturing units is around 48-49 MMSC MD. However, the domestic gas allocation to fertilizer sector, as per CCEA decision dated 23.08.2013, has been capped at 31.5 mmscmd owing to limited to limited availability of domestic gas in the country. The supply of domestic gas is around 19-21 mmscmd. Therefore, the urea sector has to necessarily rely on Re-gasified Liquefied Natural Gas (RLNG) to meet their gas requirements.

5.5 On being asked whether Fertilizer companies were still feeling the difficulty even gas pooling for urea sector and supply of RLNG at competitive prices, the Department of Fertilizers stated as under:

"Department of Fertilizers regularly takes up the matter of allocation and regular supply of natural gas to the urea units with M/o P&NG. Since the gas pooling mechanism is monitored by an Empowered Pooled Management Committee (EPMC) headed by Additional Secretary M/O P & NG), any unit specific issue is taken by Department of Fertilizers during the EPMC meetings, as and when required".

5.6 On being asked by the Committee about the requirement of Gas to Fertilizer companies, whether there was shortage of gas or it was sufficient, the Secretary, Department of Fertilizers during evidence before the committee on 21.08.2017 stated as under:

"Sir, the requirement, as was explained by the Additional Secretary, is about 48-49 MMSCMD. We would have liked that maximum domestic gas should have been supplied because domestic gas is cheaper. That could have reduced the cost of production for the urea plants. But as against a promised allocation of 31 MMSCMD of domestic gas, the actual supply of domestic gas from domestic sources is only about 19-21-22 MMSCMD. If this proportion rises, then we would be able to reduce the bridge that we require for RLNG, which is a much higher priced gas. We would be able to reduce this and the weighted average price would come down even lower than what it is. Even the international prices are now fairly stable and the average price is working out to be about 7 dollars or 8 dollars.

5.7 During the study visit of the Committee to Hyderabad on 13.07.2017, BVFCL submitted as under:-

BVFCL Namrup-II and Namrup-III are gas based units and are not connected to the National Gas Grid. Presently, APM is being made available from Oil's captive wells. BVFCL is having a GSPA with M/s Oil for confirmed supply of 1.72 MMSCMD of associated gas. Frequent fluctuation in gas supply is experienced due to operational problem in the oil/gas field as well as on social disturbances. Fluctuation in gas supply is the cause of direct load reduction and at times shut down of units. However, such problems/ fluctuations can be eliminated if the local gas grid is connected with the national grid and shortfall in this region can be met from National Grid. This will also expedite the implementation of a new Ammonia Urea project at the existing location. PDIL was engaged by BVFCL to prepare Techno-Economic Feasibility Report (TEFR) for new Ammonia Urea Complex at the existing location. The proposed capacity of the project will be 12.70 LMTPA of urea with total project cost of Rs. 6500 crore and special energy of about 5.0 GCal/ MT. If the project is implemented, dependency on import will greatly reduce. However, to implement this project, the total requirement of gas go up to 2.347 MMSCMD against current M/s OIL's commitment of 1.72 MMSCMD. So additional 0.627 MMSCMD of gas will be required for which allocation is yet to be received. In case of connectivity to the National Grid, this shortfall can be easily met.

5.8 Department of Chemicals and Fertilizers during the evidence before the Committee on 23.08.2017 during presentation regarding gas connectivity and allocation to BVFCL submitted as under

" MoP&NG has vision to connect North East India with the National Gas Grid connecting Guwahati (Assam) with Barauni (Bihar) and subsequently spur lines proposed to connect with Arunachal Pradesh, Nagaland, Tripura, Meghalaya and the Barak Valley.

* GAIL has consented to supply natural gas to BVFCL and other consumers in North East India subsequent to establishment of connectivity and necessary commercial agreements.

* Vide OM dated 17.07.2017, MoP&NG informed that they will make efforts to provide requirement of 0.627 MMSCMD of gas which may be a combination of domestic gas and imported RLNG as the case may be on the best endeavour basis by 2021 for setting up a new urea plant of BVFCL.

(Recommendation No. 1)
Implementation of New Urea policy-2015

The Committee note that India has achieved 80 per cent self sufficiency in production capacity of Urea. As a result, the country could manage its substantial requirement of nitrogenous fertilizers through the indigenous industry besides import. There are 30 Urea units in the country. Out of these thirty urea units, 27 urea units use natural gas (using either domestic gas/LPG or both) as feedstock and fuel and remaining three urea units viz MCFL, Mangalore, MFL Manali, and SPIC Tuticorin use Naptha as feedstock and fuel. The New Urea Policy-2015 (NUP-2015) has been notified by the Department of Fertilizers on 20th May, 2015 with the objective of maximizing indigenous urea production, promoting energy efficiency in urea production and rationalizing subsidy burden on the Government NUP-2015 effective from 1st June, 2015 to 31st March, 2019. On the basis of actual energy consumption and pre-set norms, the units have been divided into three groups and revised energy consumption norms have been fixed for next three financial years and target energy norms have been fixed. It will drive urea units to select better technology and different measures to reduce energy consumption. The higher energy efficiency due to aforesaid measures will reduce subsidy bills. Out of 30 Urea units, 25 gas based existing Urea Units are covered under NUP-2015. 5 units namely MFL Manali, MCFL-Mangalore, SPIC-Tuticorin, BVFCL-Namrup-II and BVFCL-Namrup-III are not covered under NUP-2015 because these units are not either Naphtha based unit or not connected to gas pipeline network in the country.

Noting the above, the Committee appreciate the intention of the Government for bringing out New Urea Policy-2015 for augmenting the production of urea by fertilizer units and lowering the energy consumption thus making the fertilizers units self reliant in the production of urea as well as to make them energy efficient but the ground reality is not as encouraging as it should be. While appreciating that all the Fertilizers units are in the directions of achieving the revised energy norms but production wise data are not satisfactory. The Committee observe that overall production of urea increased to the tune of 18.90 LMT in the year 2015-16 i.e. after the implementation of NUP 2015 as compared to the year 2014-15 but in the subsequent year i.e. 2016-17 the production decreased to the tune of 2.74 LMT as compared to the year 2015-16. Apart from this production of urea in RCF has decreased after implementation of the scheme. While total production of 2 units of RCF in 2014-15 was 26.02 LMT which reduced to 25.50 LMT in the year 2015-16 and 25.32 in 2016-17. Similarly in case of other units namely TCL Babrala and KSFL Shahjahanpur, the production of urea decreased after implementation of the scheme. The Committee therefore

recommended that Department of Fertilizers should analyse these data and plug the loopholes in the implementation of the scheme by taking feedback from fertilizers companies and accordingly make amendment in the policy. The Committee, therefore, recommend that the Ministry should review the progress of the policy at regular intervals so as to remove difficulties being encountered by concerned stakeholders and effectively implemented the policy to achieve the targets set forth in a professional and transparent manner.

(Recommendation No. 2)
Incentivisation of Urea Production

Committee note that 25 urea units will be eligible to get concession rate on the basis of revised energy norms fixed for each group from 1 June, 2015 to 31 March, 2018. The revised energy norms would be the simple average of pre-set energy norms of NPS-III and actual energy consumption achieved during the year 2011-12, 2012-13 and 2013-14 or the pre-set energy norms of NPS _II, whichever is lower. For production beyond the Re-assessment capacity (RAC) the units will be entitled for their respective variable cost and a uniform per MT incentive equal to the lowest of the per MT fixed costs of all the indigenous urea units subject to import parity price plus weighted an average of other incidental charges which the Government incurs on the imposed urea. As per NUP-2015, the production beyond RAC by urea units during 2015-16 was viable since benchmark of IPP plus incidental charges was at optimum level resulting in excess production of 40.41 LMT. Due to downward trend shown by weighted average price of urea imports from international market, the bench mark of IPP plus incidental charges came down which resultantly made the production beyond RAC economically unviable for some of the urea manufacturing units resulting in reduced production by urea units. Due to intervention of the Government by way of an amendment to New Urea Policy 2015 by including para 8 vide notification dated 7th April, 2017 with the approval of CCEA, it was made possible to include Central levies in IPP for the year 2016-17 which made urea production beyond RAC economically viable. It also helped in reaching production beyond RAC at the level of 37.79 LMT during the year 2016-17, still being below the level of urea production in 2015-16.

However, during Study visit of the Committee to Manali on 10.06.2017 and Hyderabad on 13.07.2017, the representatives of National Fertilizers Limited (NFL) and KRIBHCO suggested that any confusion in regard to incentive for production of urea beyond RAC should be removed and IPP may be delinked to the reimbursement of subsidy for urea

production beyond RAC. Besides this RCF also opined that NUP-2015 impacts production beyond RAC when imported urea price falls. Similarly the representatives of IFFCO complained that inspite of fixing minimum cost to the industry i.e. Rs. 2300 per MT beyond RAC, they are provided only Rs. 1285 per MT. The Committee express its displeasure over such a sorry state of affairs.

The Committee are therefore of the view that in order to achieve the maximum production of urea and also to allay fears from the mind of participating urea production units in regard to fluctuating IPP, the cap of IPP may be delinked to the re-imbursement of subsidy for urea production beyond RAC under Make in India Initiative for certain period of time till we achieve self sufficiency in production of urea fertilizers.

Recommendation-3

Minimum fixed cost and additional fixed cost

The Committee note that as per NUP-2015 for production upto 100% re-assessed capacity (RAC) units get total cost of production of Urea i.e. fixed cost and variable cost. For production beyond RAC, the units get respective variable cost and a uniform per MT incentive equal to the lowest of the per MT fixed costs all the indigenous urea units subject to import parity price plus weighted average of other incidental charges which Government incurs on the imported urea. Government amended New Urea Policy-2015 on 7th April, 2017 in respect of the production beyond RAC for the year 2016-17 raising the ceiling of weighted average Central Government levies imposed on production beyond RAC during the year 2016-17. Modified New Pricing Scheme-III approved by the Cabinet was notified on 2nd April, 2014 which allowed minimum fixed cost of Rs. 2300 per MT, additional fixed cost of Rs. 350 per MT, special compensation of Rs. 150 per MT to vintage plants. However, the compensation could not be disbursed to entitled companies due to many interpretation issues relating to classification of notification issued in that regard. Fertilizers companies of public, cooperative and private sector demanded immediate release of the amount due which were increasing the under-recovery of financial resources of the companies. The Secretary of the Department of Fertilizers during evidence before the Committee on 23rd August, 2017 assured that the Ministry would sort out interpretation issue in the matter and clarify the position soon.

The Committee are unhappy to note that such a vital issue has remained unsettled for quite a long time endangering the financial health of the fertilizers companies on the one hand and uncertainty over maximizing the production of urea on the other. The Committee are of the view that the issue of disbursement of fixed cost, additional cost and special compensation to 30 years old plants be expedited without any further delay. The Committee would like to be apprised in this regard.

Recommendation-4

PROMOTING ENERGY EFFICIENCY IN UREA UNITS

The Committee note that for promoting energy efficiency in urea production, the existing 25 gas based urea units have been classified into three groups based on pre-set energy norms. These urea units are eligible to get the concession rate on the basis of revised energy norms fixed for each group from 1st June, 2015 to 31st March, 2018. Further, these urea units have been given the target energy consumption to be achieved in the year 2018-19. For Group 1, target energy norms for the year 2018-19 is 5.5 G Cal/MT (except TCL-Babrara for which existing pre-set energy consumption norm of NPS-III i.e. 5.417 G Cal/MT will continue). For Group II and Group III, the energy consumption norms for the year 2018-19 is 6.2 G Cal/MT and 6.5 G Cal/MT respectively. The Committee also note that the fertilizer units across the board are feeling difficulty as they visualize large investment with longer gestation period is required for such energy reduction. Further to make the investment for these energy saving schemes viable, the saving so achieved should not be mopped up for a longer period from the date of implementation of these schemes. The Committee also note that the Government had requested PDIL to conduct a study in respect of other gas based urea units regarding the investment required for achieving the target given under New Urea Policy-2015 and the necessity of extension of existing energy norms for the purpose of recovery of the investment made. The PDIL in their analysis stated barring units under category A and B all other units under categories viz C to F would either suffer losses or not achieve their avowed objective under NUP 2015. Further this report is pending with the Government for a long time. The Committee therefore, express its displeasure over the fact that a lot of time has elapsed since the final report of PDIL is pending with the Department of Fertilizers with the core issues relating to difficulties encountered by various fertilizers units of Pubic, cooperative and private sectors in achieving the target energy norms as stipulated under New Urea Policy, 2015. The Committee are afraid that if a swift decision is

not taken in the matter, it has potential to render many urea units sick and financially unviable and endangering the success efficacy of New Urea Policy-2015. In view of the foregoing, the Committee recommend that a holistic view is taken by the Department in arriving at the decision on the report submitted by PDIL for finding a solution to the difficulties faced by fertilizer units in meeting the target energy norms and the decision arrived at should be conveyed to the stakeholders soon without any further loss of time. The Committee would like to be apprised in this regard.

Recommendation-5

Requirement and availability of gas to fertilizers (Urea) Sector

The Committee note that Ministry of Petroleum and Natural Gas notified gas pooling mechanism on 20th May, 2015 to ensure supply of gas at uniform delivered price to all urea units connected to Natural Gas Grid. As per E-GOM decision dated 23.08.2013, the domestic gas allocation for urea sector is capped at 31.5 MMSCMD. The supply of domestic gas to fertilizer units is around 19-21 MMSCMD daily against the requirement of 48-49 MMSCMD. The gap is met through imported RLNG which is costlier compared to domestic gas. Department of Fertilizers takes up the matter with Ministry of Petroleum and Natural Gas to supply full allocation of 31.5 MMSCMD of domestic gas to reduce subsidy burden of Government.

The Committee are of the view that supply of gas to urea unit was key component for reduced cost of production of urea and thus reducing subsidy of the Government substantially.

Although as per CCEA decision dated 23.08.2013, a cap at 31.5 MMSCMD supply of gas to urea sector has been imposed owing to limited availability of domestic gas in the country, the Ministry of Petroleum & Natural Gas has not been able to supply even the quantity of gas committed. This has resulted in form of burden on urea producing unit to purchase RLNG which is costlier to domestic gas. The Committee, therefore, recommend that Ministry of Fertilizers should continue to impress on the Ministry of Petroleum and Natural Gas to supply at least 31.5 MMSCMD gas to urea units as committed and efforts should further be made to arrange cheaper gas as required to urea manufacturing units with a view to reduce subsidy burden on production of urea in the country.

Further, the Committee note that BVFCL Namrup-II and Namrup-III though gas based units and are not connected to the National Gas Grid. BVFCL is having confirmed supply of

1.72 MMSCMD of associated gas from M/S OIL which is not adequate and the fertilizers unit experiences frequent fluctuations in gas supply due to operational problem in the oil/gas field as well as on social disturbances which is the cause of direct load reduction and at times shut down of units. This problem of short supply of gas can be eliminated if the local gas grid is connected with the national grid. This arrangement will also expedite the implementation of a new Ammonia Urea Project at the existing location whose proposed capacity would be 12.70 LMTPA of urea with special energy of about 5.0 Gcal/MT. For implementation of this project, the total requirement of gas goes up to 2.347 MMSCMD against current supply of gas by M/S OIL's commitment of 1.72 MMSCMD, leaving shortage of additional 0.627 MMSCMD of gas which can be met through the connectivity to the national grid. While noting that MoP&NG would make efforts to provide requirement of 0.627 MMSCMD of gas which may be combination of domestic gas and imported RLNG by 2021 for setting up a new urea plant of BVFCL and also has a vision to connect North-East India into National Gas Grid, the Committee strongly recommend that all out effort should be made for supply of required gas to BVFCL within a fixed time frame for increasing the indigenous production of urea in north east region and it should be connected to National Grid as early as possible through concerted efforts. The Committee may also be apprised about the deadline by which the BVFCL would be connected to National grid.

New Delhi;
15 December, 2017
24 Agrahayana, 1939 (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

ANNEXURE- 10

No. 12012/1/2015-FPP
Government of India
Ministry of Chemicals & Fertilizers
(Department of Fertilizers)

Shastri Bhawan, New Delhi.
Dated 25th May, 2015.

To,
CMD/MDs

RCF/MFL/BVFCL/NFL/KRIBHCO/IFFCO/GSFC/GNVC/SFC/NFCL/CFCL/T
CL,
/ZACL/INDO-
GULF/SPIC/KSFC/MCFI/FCIL/HFCL/FMCT/IPL/MATIX/KFCL

Subject: New Urea Policy-2015 for existing gas based urea manufacturing units.

Sir,

I am directed to refer to this Department's letter No. 12012/3/2010 -FPP dated 20th April 2014, vide which the salient features of Modified New Pricing Scheme (NPS)-III was introduced w.e.f. 02.04.2014 for one year were communicated. It has been decided to implement New Urea Policy 2015 as contained in the succeeding paragraphs.

1. Duration

The New Urea Policy-2015 will be effective from 1st June 2015 to 31.3.2019. The provisions of existing Modified NPS-III and New Investment Policy 2008 shall continue till 31st May 2015.

2. Grouping of urea units

2.1 The existing gas based urea units will be classified into the following three groups.

i. **Group-I** includes the following urea units having pre-set energy norms between 5.0 G Cal/MT to 6.0 G Cal/ MT:

a. NFL - Vijapur-I & II, KRIBHCO - Hazira, Indo-Gulf - Jagdishpur, IFFCO - Aonla-I & II, KSFL - Shahjahanpur, CFCL - Gulepur-I & II, TCI - Babrala, NFCL - Kakinada - I & II and IFFCO - Phulpur-II (Thirteen units).

ii. **Group-II** includes the following urea units having pre-set energy norms between 6.0 G Cal/MT to 7.0 G Cal/ MT:

a. IFFCO-Kalol, GSFC -Baroda, RCF -Thal and GNVFC-Bharuch (Four Units)

iii. **Group-III** includes the following urea units having pre-set energy norms more than 7.0 G Cal/MT:

a. NFL-Nangal, NFL-Panipat, NFL-Bhatinda, ZACL-Goa, SFC-Kota, RCF-Trombay-V, IFFCO -Phulpur-I and KFCL -Kampur (Eight units).

2.2 MFL - Manali, MCFI - Mangalore, SPIC-Tuticorin, BVFCL - Namrup-II and BVFCL - Namrup-III will not be covered under this scheme because these units are not connected to gas pipeline network in the country.

2.3 BVFCL - Namrup-II and BVFCL - Namrup-III are proposed to be closed and to install a new high efficiency unit and will be dealt separately under their restructuring proposal. Till then, these two units will function under the provisions of Modified NPS-III.

2.4 The twenty five units in para 2.1 above will be eligible to get the concession rate on the basis of revised energy norms fixed for each group from 1st June, 2015 to 31st March, 2018.

3. Revised Energy Norms for three years (2015-16 to 2017-18)

3.1 For the year 2015-16 (from 1st June 2015 onwards), 2016-17 and 2017-18, the revised energy norms would be the simple average of pre-set energy norms of NPS-III and average actual energy consumption achieved during the years 2011-12, 2012-13 and 2013-14 or the pre-set energy norms of NPS-III, whichever is lower.

3.2 Energy Norms for 2018-19

a) For Group I

Energy consumption norm for this group for financial year 2018 -19 would be **5.5 G Cal/MT**, except for TCL - Babrala. For TCL - Bahrala, existing pre-set energy consumption norm of NPS-III i.e 5.417 G Cal/MT will continue.

b) For Group II

Energy consumption norm for this group for financial year 2018 -19 would be **6.2 G Cal/MT**.

c) For Group III

Energy consumption norm for this group for financial year 2018 -19 would be **6.5 G Cal/MT**.

3.3 The present provisions for conversion of FO/LSHS urea units to Natural Gas issued by the Department of Fertilizers for urea units at Bathinda, Nangal & Panipat of NFL and Gujarat Narmada Valley Fertilizer Corporation - Bharuch will continue.

3.4 The units which have converted to gas from Naphtha viz., ZACL and KFCL will continue to get saving on energy consumption over the pre-set norms of NPS-III to recover their investment for conversion from Naphtha to Natural Gas. The data from each such unit will be obtained and based on this data, the Department of Fertilizers, in consultation with Department of Expenditure, shall work out the period for which existing pre-set energy norms will be allowed, which shall not be more than five years from the date of conversion so that each unit may be in a position to recover the investment with interest thereon from energy savings.

- 4.** The compensation for other variable cost e.g. the cost of bag, water charges & electricity charges and fixed cost will be determined in accordance with existing provisions of NPS-III and Modified NPS-III.
- 5.** For production beyond the Re-Assessment Capacity (RAC), the units will be entitled for their respective variable cost and a uniform per MT incentive equal to the lowest of the per MT fixed costs of all the indigenous urea units subject to import parity price plus weighted average of other incidental charges which the government incurs on the imported urea.
- 6.** All other existing policy guidelines related to escalation/de-escalation of concession rate, Neem coated urea, distribution and movement, import of urea and taxes on inputs for urea production, freight reimbursement, issued by this department from time to time will continue.

- 7.** In case, any modification of the policy is required in relation to the operational issues, which does not alter the basic framework of the policy i.e. pooling of gas and energy efficiency target and is financially beneficial to the Government, the Department of Fertilizers is authorized to take a decision in the matter in consultation with Department of Expenditure.

Yours faithfully,

S/d-

(Sham Lal Goyal)

Joint Secretary to the Government of India

011-23388481

Copy to:

The Executive Director,

Fertilizer Industry Coordination Committee,

8th Floor, Sewa Bhawan, R.K. Puram, New Delhi.

Copy also to:

PPS to Secretary (MoP&NG)/ PPS to Secretary (Fertilizers)/PPS to SS&FA /PPS to JS (SLG)/PPS to JS (SKL)/ PPS to JS (HLS)

ANNEXURE- 11

No. 12012/1/2015-FPP
Government of India
Ministry of Chemicals & Fertilizers
(Department of Fertilizers)

Shastri Bhawan,
New Delhi, the 15th October, 2015.

To

The Executive Director
Fertilizer Industry Coordination Committee
8th Floor, Sewa Bhawan
R.K. Puram, New Delhi.

Subject: Revised energy norm under New Urea Policy -2015 for existing 25 gas based urea manufacturing units – reg

Sir,

I am directed to refer to this Department's policy notification of even number dated 25th May, 2015 communicating the salient features and modalities for implementation of New Urea Policy -2015 (NUP-2015) w.e.f. 1st June, 2015 and to notify the revised energy norms for the period 1st June 2015 to 31st March, 2018 and for the year 2018-19. As per para 3.1 of the aforesaid notification, the revised energy norms would be in force from 1st June, 2015 onwards.

Yours faithfully,

S/d-
(Rakesh Kumar)
Deputy Secretary (Adm.)
011-2338 4889

Copy to:

1. CMD/MDs
RCF/ NFL/ KRIBHCO/ IFFCO/ GSFC/ GNVF/ SFC/ NFCL/ CFCL/
TCL/INDO-GULF/ KSFL/ KFCL/ZACL

2. Director General, Fertilizer Association of India, 10 Shaheed Jit Singh Marg, New Delhi.

Energy Norms for Urea Units under New Urea Policy-2015

S. No	Name of Urea units	Reassessed Capacity (MT/year)	Energy Norm (G. Cal/MT)		
			NPS-III Pre-set Energy Norms	For the period 01 st June, 2015 to 31 st March, 2018	For the year 2018-19
Group-I					
1	NFL - Vijaipur-I	864600	5.952	5.904	5.500
2	Kribhco - Hazira	1729200	5.952	5.952	5.500
3	Indo-Gulf - Jagdishpur	864600	5.534	5.501	5.500
4	IFFCO - Aonla-I	864600	5.690	5.656	5.500
5	NFL-Vijaipur-II	864600	5.712	5.569	5.500
6	IFFCO-Aonla-II	864600	5.522	5.505	5.500
7	KSFL-Shahjahanpur	864600	5.712	5.643	5.500
8	CFCL-Gadepur-I	864600	5.621	5.587	5.500
9	TCL-Babrala	864600	5.417	5.333	5.417
10	NFCL-Kakinada-I	597300	5.712	5.693	5.500
11	NFCL-Kakinada-II	597300	5.712	5.672	5.500
12	CFCL-Gadepur-II	864600	5.678	5.533	5.500
13	IFFCO-Phulpur-II	864600	5.883	5.744	5.500
Group-II					
1	GNVFC, Bharuch*	636900	6.301	6.301	6.200
2	IFFCO-Kalol	544500	6.607	6.231	6.200
3	GSFC-Baroda	370590	6.935	6.741	6.200
4	RCF-Thal	1706760	6.938	6.598	6.200
Group-III					
1	IFFCO-Phulpur-I	551100	7.584	7.145	6.500
2	SFC-Kota	379500	7.847	7.585	6.500
3	RCF-Trombay-V	330000	9.569	8.538	6.500
4	ZACL-Goa**	399300	7.308	7.308	6.500
5	KFCL-Kanpur**	722700	7.847	7.847	6.500
6	NFL-Nangal *	478500	7.095	7.095	6.500
7	NFL-Panipat*	511500	7.614	7.614	6.500
8	NFL-Bhatinda*	511500	7.479	7.479	6.500

*NPS-III pre-set energy norms for units converted from FO/LSHS (NFL-Panipat, Bhatinda, Nangal and GNVFC-Bharuch) represent revised energy norms on conversion as per approved DFR and will continue for five years from the date of conversion subject to para 3.3 of New Urea Policy-2015 notified vide notification no. 12012/1/2015-FPP dated 25th May, 2015.

**The units converted from Naphtha will continue with same energy norms for five years from the date of conversion subject to para 3.4 of New Urea Policy-2015 notified vide notification no. 12012/1/2015-FPP dated 25th May, 2015.

**MINUTES OF THE SIXTEENTH SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS**

(2016-17)

The Committee sat on Friday, the 2nd June, 2017 from 1500 hrs. to 1600 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Shri George Baker
3. Smt. Anju Bala
4. Shri B. N. Chandrappa
5. Shri Sankar Prasad Datta
6. Shri Innocent
7. Shri K. Ashok Kumar
8. Smt. Kamla Devi Patle
9. Shri S. Rajendran
10. Dr. Kulamani Samal
11. Dr. Uma Saren
12. Dr. Krishna Pratap Singh
13. Shri Tasleemuddin
14. Shri Pankaj Chaudhary
15. Dr. (Smt.) Ratna De (Nag)

RAJYA SABHA

15. Shri Palvai govardhan Reddy
16. Dr. Sanjay Sinh

SECRETARIAT

1. Shri Vinod Kumar Tripathi - Joint Secretary

2. Shri A. K. Srivastava - Director
3. Shri Nishant Mehra - Under Secretary

List of Witnesses

I. *MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)*

1. Smt. Bharathi S. Sihag Secretary
2. Smt. Meenakshi gupta AS &FA
3. Shri Dharam Pal Joint Secretary
4. Smt. Alka Tiwari Joint Secretary
5. Shri Sushil K. Lohani Joint Secretary
6. Shri Kuntal Sensarma Economic Adviser

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) and other officials to the sitting. Their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

3. After the witnesses introduced themselves, the Joint Secretary, Department of Fertilizers made power point presentation on the subject "Implementation of New Urea Policy- 2015" During the discussion, the Hon'ble Chairperson and Members of the Committee inter-alia raised following issues regarding-:

- (i) Providing Gas pipeline connectivity to the Naphtha based urea units;
- (ii) Attaining self sufficiency in urea;
- (iii) Production and measures to boost urea productivity;
- (iv) Cross border smuggling of fertilizers;
- (v) Recent Amendment in New Urea Policy 2015.

4. Thereafter, the Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee. They were also asked to provide required information not readily available at the earliest.

5. A copy of the verbatim record of the proceedings of the sitting has been kept. The Committee then adjourned.

The Committee then adjourned.

**MINUTES OF THE NINETEENTH SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS**

(2016-17)

The Committee sat on Friday, the 23rd August, 2017 from 1500 hrs. to 1630 hrs. in Committee Room 'C' , Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Shri George Baker
3. Smt. Anju Bala
4. Shri Sankar Prasad Datta
5. Shri R. Dhruvanarayana
6. Shri Innocent
7. Shri K. Ashok Kumar
8. Shri S. Rajendran
9. Shri Kotha Prabhakar Reddy
10. Dr. Kulamani Samal
11. Dr. Uma Saren
12. Dr. Krishna Pratap Singh
13. Shri Pankaj Chaudhary
14. Dr. (Smt.) Ratna De (Nag)

RAJYA SABHA

15. Shri Narayan Lal Panchariya
16. Shri K. Parasaran
17. Dr. Sanjay Sinh
18. Smt. Roopa Ganguly

SECRETARIAT

1. Shri Vinod Kumar Tripathi - Joint Secretary
2. Shri A. K. Srivastava - Director
3. Shri R. C. Sharma - Deputy Secretary

List of Witnesses

I. *MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)*

1. Smt. Bharathi S. Sihag Secretary
2. Shri Dharam Pal Additional Secretary
3. Shri Sushil K. Lohani Joint Secretary

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) and other officials to the sitting. Their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

3. After the witnesses introduced themselves, the official from Department of Fertilizers made power point presentation on the subject "Implementation of New Urea Policy- 2015" During the discussion, the Hon'ble Chairperson and Members of the Committee *inter-alia* raised following issues namely:-

- (i) Providing Gas pipeline connectivity to the Naphtha based urea units;
- (ii) Attaining self sufficiency in urea;
- (iii) Different measures to be taken to boost urea productivity;
- (iv) Maintenance and upgradation of Fertilizers units;
- (v) Cross border smuggling of fertilizers;
- (vi) Recent Amendment in New Urea Policy 2015 including energy norms;
- (vii) Reduction in rate of GST on fertilizers; and
- (viii) Problem faced by fertilizer units in cooperative sector.

4. Thereafter, the Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee. They were also asked to provide required information which was not readily available with them to the Committee at the earliest.
5. A copy of the verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

**MINUTES OF THE THIRD SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS**

(2017-18)

The Committee sat on Friday, the 01 December, 2017 from 1500 hrs. to 1530 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Shri George Baker
3. Shri B. N. Chandrappa
4. Shri Pankaj Chaudhary
5. Shri Sankar Prasad Datta
6. Dr. (Smt) Ratna De (Nag)
7. Shri R. Dhruvanarayana
8. Shri Innocent
9. Dr. (Prof.) Azmeera Seetaram Naik
10. Shri K. Ashok Kumar
11. Shri S. Rajendran
12. Dr. Kulamani Samal
13. Dr. Krishna Pratap Singh

RAJYA SABHA

14. Shri Prem Chand Gupta
15. Shri B. K. Hariprasad
16. Shri Ranvijay Singh Judev
17. Shri K. Parasaran

SECRETARIAT

- | | | | |
|----|---------------------------|---|------------------|
| 1. | Shri Vinod Kumar Tripathi | - | Joint Secretary |
| 2. | Shri A. K. Srivastava | - | Director |
| 3. | Shri U. C. Bharadawaj | - | Deputy Secretary |

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee. He also introduced and welcomed Dr. (Prof.) Azmeera Seetaram Naik, MP (LS) who has been nominated as new Member to the Committee.

3. Thereafter, the Committee took up the Draft Report on the subject 'Implementation of New Urea Policy- 2015' of the Department of Fertilizers For consideration and adoption.

4. After deliberations the Draft Report was adopted by the Committee without any changes/amendments. The Chairperson made a special mention for putting in best efforts by the Secretariat for preparing the draft report. The Committee authorised the Chairperson to finalize and present the report to the House during the ensuing winter session of Parliament.

5. The Committee thereafter decided to hold its next meeting on 19th December, 2017.

The Committee then adjourned.