

# Standing Committee Report Summary

## Implementation of New Urea Policy 2015

- The Standing Committee on Chemicals and Fertilizers (Chair: Mr. Anandrao Adsul) submitted a report on the ‘Implementation of New Urea Policy 2015’ on December 19, 2017. The New Urea Policy 2015 was released in May 2015. The Policy seeks to: (i) increase indigenous urea production, (ii) promote energy efficiency in urea production, and (iii) reduce subsidy burden on the central government.
- **Urea production:** The production of urea decreased in 2016-17 as compared to urea production in 2015-16 as shown in Table 1. The Committee stated that this production data of urea was not satisfactory. It further noted that urea production in certain urea manufacturing plants decreased after the implementation of the Policy. The Committee recommended that the Department of Fertilisers should review the progress of the policy at regular intervals to ensure effective implementation of the Policy.

**Table 1: Production of urea (2014-17) (in lakh metric tonnes)**

	2014-15	2015-16	2016-17
Public	69.3	70.8	71.4
Cooperatives	63.5	69.4	66.8
Private	93.1	104.6	103.8
<b>Total</b>	<b>225.9</b>	<b>244.8</b>	<b>242.0</b>

Source: Report No. 40, Standing Committee on Chemicals and Fertilizers, December 2017; PRS.

- **Incentivisation of urea production:** Under the Policy, subsidy on production costs is provided to 25 urea units when their production is beyond a certain production capacity as notified. The calculation of this subsidy is based on International Pricing Policy (IPP). The Committee observed that changes in the IPP made production beyond a certain production capacity are unviable for some urea manufacturing units. With regard to fluctuating the IPP, it recommended that IPP should be delinked to the re-imburement of

subsidy for urea production beyond a certain production capacity as notified for a certain period.

- **Disbursement of subsidy on production costs:** The Committee noted that subsidy on production costs was not paid to the entitled companies. In this context, it recommended that the disbursement of such subsidy, and special compensation to vintage plants (older than 30 years) should be paid without any delay.
- **Energy efficiency:** Currently, 25 gas based urea plants are classified into three categories based on certain energy norms. These units are eligible for concession based on energy norms fixed for each group. The Committee noted that such fertilizer units are facing difficulty as higher investment is required to achieve target energy norms. A report submitted by the Projects and Development India Limited (PDIL) observed that certain fertiliser units will either suffer losses or not achieve the energy targets under the Policy. The Committee recommended that the central government should find a solution to the difficulties faced by such fertilizer units considering the report submitted by the PDIL in this regard.
- **Supply of gas to urea units:** Urea units are connected to a national grid to ensure supply of gas at a uniform price. The Committee observed that the total daily requirement of urea manufacturing units is 48-49 MMSCMD (Million metric standard cubic metres per day). However, the domestic gas allocation to fertilizer sector has an upper limit of 31.5 MMSCMD due to limited availability of domestic gas in the country. Further, less than 50% of the requirement (19-21 MMSCMD) was being supplied daily to the units. That gap is met through import of re-gasified liquified natural gas, which is costlier as compared to natural gas. The Committee recommended that at least 31.5 MMSCMD (the current national limit set for gas allocation) should be supplied to the urea units.

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