

GOVERNMENT OF INDIA
MINISTRY OF CHEMICALS AND FERTILIZERS
DEPARTMENT OF FERTILIZERS

LOK SABHA

UNSTARRED QUESTION NO. 796
TO BE ANSWERED ON : 01.03.2016

New Urea Policy 2015

796: SHRI B. VINOD KUMAR:

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

- (a) whether the Government has announced the New Urea Policy 2015 with the aim of maximizing indigenous urea production, promoting energy efficiency in urea production, and rationalizing subsidy burden on the Government; and
- (b) if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS

(SHRI HANSRAJ GANGARAM AHIR)

(a) & (b) Yes, Madam. The Government has announced the New Urea Policy 2015 on 25th May, 2015 with the objectives of maximizing indigenous urea production; promoting energy efficiency in urea production; and rationalizing subsidy burden on the government. A copy of the said policy is **annexed**.

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

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

To,
CMD/MDs

RCF/MFL/BVFCL/NFL/KRIBHCO/IFFCO/GSFC/GNVFC/SFC/NFCL/CFCL/TCL
ZACL/INDO-GULF/SPIC/KSFCL/MCFL/FCIL/HFCL/FACT/IPL/MATIX/KFCL

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

I am directed to refer to this Department's letter No. 12012/3/2010-FPP dated 2nd 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 - Vijaipur-I & II, Kribhco - Hazira, Indo-Gulf - Jagdishpur, IFFCO- Aonla -I & II, KSFL-Shahjahanpur, CFCL Gadepan-I & II, TCL-Babrara, 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-Kanpur (Eight units).
- 2.2 MFL- Manali, MCFL-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 set energy norms of NPS-III, whichever is lower.
- 3.2 **Energy Norms for the year 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- Babrala, 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 the 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.

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- 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 and 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,


(Sham Lal Goyal) 25/05/2012

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.

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

Shastri Bhawan, New Delhi.
Dated 8th June, 2015.

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

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

Sir,

In continuation of this department's notification of even number dated 25th May 2015 on the above mentioned subject, I am directed to state the following:

- i. The provisions of above notification will be applicable to all gas based existing indigenous urea units excluding BVFCL II & III along with the policy notification L-12022 /3/2015-GP-II dated 20th May 2015 regarding guidelines for pooling of gas in fertilizers (urea) of Ministry of Petroleum and Natural Gas as amended on 29th May, 2015 to make it effective from 1st June, 2015.
- ii. For para 5 of New Urea Policy -2015 following clarification is being issued:
 - a. The variable cost referred in para 5 will be same as applicable up to re-assessed capacity.
 - b. The Import Parity Price (IPP) of urea will be calculated quarterly on the basis of weighted average CFR (Cost, Insurance and Freight) price during the quarter at Indian port on government account by designated urea importing agencies from international market.
 - c. This Department will quarterly notify the total incidental expenditure incurred during the quarter on imported urea in Rs. per Metric Tonne exclusive of Custom Duty.
 - d. The IPP and incidental expenditure incurred on imported urea in a quarter will be notified within one month from the end of the quarter. If there is no import during the quarter, then IPP and incidental

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expenditure incurred on imported urea during the previous quarter shall be applicable.

- e. RAC means Re-assessed Capacity of a urea unit.
- iii. The benefit on account of energy savings will be calculated based on monthly pooled price of gas excluding transportation and applicable taxes i.e. basic rate only.

Yours faithfully,

Vijay Ranjan Singh
(Vijay Ranjan Singh)
Director (F)
011-23386398

Copy to:

CMD/MDs

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ZACL/ INDO-GULF/SPIC/KSFL/MCFL/FCIL/HGCL/FACT/IPL/MATIX/KFCL

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)

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