

- (c) whether there is any objection to it; and
- (d) if so, how it is proposed to overcome?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI B.K. HANDIQUE): (a) to (d) A Group of Ministers (GOM) constituted to look into sustainable use of fertilizers and pertinent subsidy and pricing issues has looked into various issues relating to fertilizer sector including the option of direct fertilizer subsidy to farmers. The same has not been recommended by the GOM in its final recommendations.

#### Abhijit Sen Committee

1292. SHRI RAMDAS AGARWAL:

SHRI DARA SINGH:

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

- (a) whether it is a fact that there has not been much investment in fertilizers sector during the last 10 year, because the potential investors wanted Government to decontrol the sector and direct subsidy payment to the farmers;
- (b) if so, whether industry's demand has been fully examined by the Abhijit Sen Committee which is looking into all the option for attracting investment in urea business;
- (c) whether Government has reportedly taken any decision on 7th August, 2008 regarding New Fertilizers Investment Policy; and
- (d) if so, what are the salient features thereof?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI B.K. HANDIQUE): (a) to (d) The Government had announced in January 2004 a policy based on cost plus approach with urea price derived on the principle of Long Run Average Cost (LRAC) for expansion of a unit and setting up of a Greenfield project. This policy was not successful in attracting investment in this sector. In view of the imminent need of a New Investment Policy for urea sector, a proposal based on IPP benchmark was placed before the GOM constituted to look into sustainable use of fertilizers and pertinent subsidy and pricing issue. The GOM constituted a Committee under the Chairmanship of Prof. Abhijit Sen. The Committee examined all the options and based on the recommendations of Committee, the Government has announced a policy for new investments in urea sector on 4th September 2008. The New Investment Policy aims at revamp, expansion, revival of existing urea units and setting up of Greenfield projects. The policy aims at bridging the gap in next five years between the consumption and domestic production subject to confirmed and adequate availability of gas at reasonable prices. The salient features of the new investment policy are as under :-

1. The policy is based on Import Parity Price (IPP) benchmark with suitable floor and ceiling prices.
2. **Floor & Ceiling prices:** The floor for urea price is kept at USD 250 per MT and the ceiling for urea price is fixed at USD 425 per MT.
3. **Revamp project:** Any improvement in capacity of existing plants through investment upto Rs. 1000 crore, in the existing train of ammonia-urea production will be treated as revamp of existing units. The additional urea from the revamp of existing units will be recognized at 85% of Import

Parity Price with the floor and ceiling price as indicated above.

4. **Expansion projects:** Setting up of a new ammonia-urea plant (a separate new ammonia-urea train) in the premises of the existing fertilizer plants, utilizing some of the common utilities will qualify for being treated as expansion project. The investment should exceed a minimum limit of Rs.3000 crore. The urea from the expansion of existing units will be recognized at 90% of IPP, with the floor and ceiling price as indicated above.
5. **Revival/Brownfield projects:** The urea from the revived units of Hindustan Fertilizer Corporation Limited(HFCL) and Fertilizer Corporation of India Limited (FCIL) will be recognized at 95% of IPP with prescribed floor & ceiling price, if the revival of closed units takes place in public sector.
6. **Greenfield projects:** The pricing of Greenfield projects will be decided based on a bidding process which will be for a discount over IPP, after firming up of the location (States) of the proposed new plants.
7. **Gas transportation charges:** An additional gas transportation cost will be paid to units undertaking expansion and revival on the basis of actuals (upto 5.2 Gcal per MT of urea) as decided by the Regulator(Gas) subject to a maximum ceiling of USD 25 per MT of urea.
8. **Allocation of Gas:** Only non-APM gas will be considered for the new investment in urea sector.
9. **Coal gasification based Urea Projects:** The Coal gasification based urea projects will also be treated on par with a revival or a Greenfield project as the case may be. In addition, any other incentives or tax benefits as provided by Government for encouraging coal gasification technology will also be extended to these projects.
10. **Joint Ventures abroad:** The Joint Venture projects abroad in gas rich countries are also proposed to be encouraged through firm offtake contracts with pricing decided on the basis of prevailing market conditions and in mutual consultation with the joint venture company. However, the principle for deciding upon the maximum price will be the price achieved under Greenfield projects or 95% of IPP as proposed for revival projects (in absence of any Greenfield projects) with a cap of USD 405 CIF India per MT and a floor of USD 225 CIF India per MT (inclusive of handling and bagging costs).
11. **Time period for proposed investment policy:** Only those revamp projects which start production of additional capacities within four years of notification of the new policy would qualify for the dispensation recommended above. Similarly production from expansion and revival (brownfield) units that come about within five years of notification of the new policy would qualify for dispensation provided in the policy. If the production does not come through within the stipulated time period, such brownfield projects will be treated similar to a Greenfield projects wherein price will be decided through limited bidding options. The time period for setting up of new Joint Ventures would also be five years under the new investment policy.

#### **Shortage of foodgrains in PDS**

1293. SHRIMATI BRINDA KARAT: Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state: