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**Press Information Bureau
Government of India
Ministry of Chemicals and Fertilizers**

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Cabinet approves Revision of Energy Norms under New Urea Policy

The Cabinet Committee on Economic Affairs chaired by the Prime Minister Shri Narendra Modi, has accorded the following approval to the proposal of Department of Fertilizers:

- (a) The Target Energy Norms under New Urea Policy-2015(NUP-2015) for 11 urea units to be implemented w.e.f. 1st April, 2018.
- (b) The extension of present energy norms with token penalties, under the New Urea Policy-2015 for a further period of two years for 14 urea manufacturing units which failed to achieve the Target Energy Norms.
- (c) Three Naphtha based urea units are also allowed the existing energy norms for another two years/till gas pipeline connectivity.
- (d) The target energy norms as per NUP-2015 will be continued for 5 years w.e.f. 1st April, 2020.

The extension of present energy norms for further period of 2 years will ensure easy availability of urea to farmers throughout the country. It will also help to maximize the indigenous urea production and will lessen the import of urea.

The approval will also help to recover some part of the CAPEX invested by urea manufacturing units for making their units more energy efficient. Energy efficient urea manufacturing units shall reduce the carbon footprint and it will be more environment friendly.

Chemical Fertilizers have played an important role in making the country self-reliant in food grain production and provide a very vital input for the growth of Indian agriculture.

The energy efficiency norms notified by the Department for the year 2018-19 are capital intensive. The cost economics of the companies does not support the implementation of energy saving schemes as the simple pay back on investment is very long.

AKT/VBA/SH

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-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-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.

- 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) 25/05/2015

Joint Secretary to the Government of India

011-23388481

Copy to:
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Fertilizer Industry Coordination Committee,
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