Subsidy Policy for Urea Produced from Coal Gasification

Why in News

The Cabinet has **approved an exclusive subsidy policy for urea produced through coal gasification by Talcher Fertilizers Limited (TFL).**

Urea is a **widely used fertiliser in India.**

Key Points

- **About the TFL Urea Project:**
  - **Capacity and Location:** TFL is **setting up the 1.27 million tonne per annum capacity urea plant based on coal gasification technology in Odisha** with an estimated investment of Rs. 13,277 crore.
    - This **will be the only plant to produce the nitrogenous soil nutrient (urea) through coal gasification route.**
    - **Talcher Fertilizers Ltd. (TFL) is a Joint Venture Company of four PSUs (Public Sector Undertakings)** namely Rashtriya Chemicals & Fertilizers (RCF), GAIL (India) Ltd. (GAIL), Coal India Ltd. (CIL) and Fertilizer Corporation of India Ltd. (FCIL).
  - **Expected Benefits:**
    - The project will **improve availability of fertilizer to farmers** thereby boosting development of eastern region and will save transport subsidy for supply of urea in eastern part of the country.
    - It would **assist in reducing Urea imports** to the tune of 12.7 LMT (Lakh Metric Tonnes) per annum leading to savings in foreign exchange.
    - It will also give a boost to the **'Make in India' initiative** and **'Atmanirbhar Bharat' campaign** and would help development of infrastructure like roads, railways etc.
    - It will also **provide new business opportunities** in the form of ancillary industries in the catchment area of the project.

- **Coal Gasification:**
  - Coal gasification is the **process of converting coal into synthesis gas** (also called syngas), which is a mixture of hydrogen (H_2), carbon monoxide (CO) and carbon dioxide (CO_2).
    - The syngas **can be used in a variety of applications** such as in the production of electricity and making chemical products, such as fertilisers.
    - The **hydrogen** obtained from coal gasification can be used for various purposes such as making **ammonia**, powering a hydrogen economy.
  - The **ammonia is reacted with the carbon dioxide** to produce **urea melt.**
  - **In-situ gasification of coal**–or **Underground Coal Gasification (UCG)**–is the technique of converting coal into gas while it is still in the seam and then extracting it through wells.
  - **India has set the target** that by 2030 it will gasify 100 million tonne of coal under four major projects with an overall investment of Rs. 20,000 crore.
- **Fertilizer Consumption in India:**
  - **India's fertiliser consumption in FY20** was about 61 million tonne — of which **55% was urea**—and is estimated to have increased by 5 million tonne in FY21.
    - Since **non-urea (MoP, DAP, complex) varieties cost higher**, many **farmers prefer to use more urea** than actually needed.
    - The government has taken a number of **measures to reduce urea consumption**. It introduced **neem-coated urea** to reduce illegal diversion of urea for non-agricultural uses. It also stepped up the **promotion of organic and zero-budget farming.**
  - **Subsidy on Urea:** The Centre **pays subsidy on urea to fertiliser manufacturers on the basis of cost of production at each plant** and the units are required to sell the fertiliser at the government-set Maximum Retail Price (MRP).
  - **Subsidy on Non-Urea Fertilisers:** The **MRPs of non-urea fertilisers are decontrolled** or fixed by the companies. The Centre, however, pays **a flat per-tonne subsidy** on these nutrients to ensure they are priced at "reasonable levels".

    Examples of non-urea fertilisers: Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP)

Source: PIB