



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

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