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STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2021-22)

SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)

[Action Taken by the Government on the Observations / Recommendations of the Committee contained in their Sixteenth Report (Seventeenth Lok Sabha) on 'Demand and Availability of Petrochemicals including Imports and Exports' of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)]

TWENTY SEVENTH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

DECEMBER 2021 / AGRAHAYANA, 1943 (SAKA)

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(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

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Presented to Lok Sabha on 02.12.2021

Laid in Rajya Sabha on 02.12.2021



**LOK SABHA SECRETARIAT
NEW DELHI**

DECEMBER, 2021 / AGRAHAYANA 1943 (SAKA)

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2020-21)**

Smt. Kanimozhi Karunanidhi - Chairperson

**MEMBERS
LOK SABHA**

2	Shri Maulana Badruddin Ajmal
3	Shri Deepak Baij
4	Shri Ramakant Bhargava
5	Shri Prataprao Govindrao Patil Chikhalikar
6	Shri Rajeshbhai Naranbhai Chudasama,
7	Shri Ramesh Chandappa Jigajinagi
8	Shri Pakauri Lal
9	Shri Kripanath Mallah
10	Shri Satyadev Pachauri
11	Smt Aparupa Poddar
12	Dr. M.K.Vishnu Prasad
13	Shri Atul Kumar Singh alias Atul Rai
14	Shri Arun Kumar Sagar
15	Shri M. Selvaraj
16	Shri Pradeep Kumar Singh
17	Shri Uday Pratap Singh
18	Shri Indra Hang Subba
19	Shri Prabhubhai Nagarbhai Vasava
20	Dr. Sanjeev Kumar Singari#
21	Vacant*

RAJYA SABHA

22	Shri G.C.Chandrashekhar
23	Dr. Anil Jain
24	Shri Ahmad Ashfaque Karim
25	Shri M.V. Shreyams Kumar
26	Shri Jaiprakash Nishad
27	Shri Anthiyur P. Selvarasu
28	Shri Arun Singh\$
29	Shri A.D. Singh
30.	Shri Vijay Pal Singh Tomar
31.	Shri K. Vanlalvena

SECRETARIAT

1.	Shri Manoj Kumar Arora	- Officer on Special Duty(LSS)
2.	Shri Nabin Kumar Jha	- Director
3.	Shri C. Kalyanasundaram	- Additional Director
4.	Shri Kulvinder Singh	- Deputy Secretary

\$Re-nominated to the Committee w.e.f. 23.12.2020.

#Nominated to the Committee w.e.f 28.12.2020 vice Shri Nandigam Suresh.

**Vacant vice Shri Er. Bishweswar Tudu nominated MoS on 07.07.2021.*

**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2021-22)**

Smt. Kanimozhi Karunanidhi - Chairperson

**MEMBERS
LOK SABHA**

2. Shri Dibyendu Adhikari
3. Maulana Badruddin Ajmal
4. Shri Deepak Baij
5. Shri Ramakant Bhargava
6. Shri Prataprao Patil Chikhlikar
7. Shri Rajeshbhai Naranbhai Chudasama
8. Shri Sanjay Shamrao Dhotre
9. Shri Ramesh Chandappa Jigajinagi
10. Shri Kripanath Mallah
11. Shri Vasava Prabhubhai Nagarbai
12. Shri Satyadev Pachauri
13. Smt Aparupa Poddar (Afrin Ali)
14. Dr. M.K.Vishnu Prasad
15. Shri Arun Kumar Sagar
16. Shri M. Selvaraj
17. Dr. Sanjeev Kumar Singari
18. Shri Atul Kumar Singh
19. Shri Pradeep Kumar Singh
20. Shri Uday Pratap Singh
21. Shri Indra Hang Subba

RAJYA SABHA

22. Shri Ayodhya Rami Reddy Alla
23. Shri G.C.Chandrashekhar
24. Dr. Anil Jain
25. Shri M.V. Shreyams Kumar
26. Shri Jaiprakash Nishad
27. Shri Anthiyur P. Selvarasu
28. Shri Arun Singh
29. Shri Vijay Pal Singh Tomar
30. Shri K. Vanlalvena
31. Vacant

SECRETARIAT

1. Shri Nabin Kumar Jha - Director
 2. Shri C. Kalyanasundaram - Additional Director
 3. Shri Kulvinder Singh - Deputy Secretary
-

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2021-22) having been authorized by the Committee, do present on their behalf this Twenty Seventh Report on Action taken by the Government on the Observations/ Recommendations of the Committee contained in their Sixteenth Report (Seventeenth Lok Sabha) on 'Demand and Availability of Petrochemicals including Import and Exports', pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).

2. The Sixteenth Report was presented to Lok Sabha and also laid in Rajya Sabha on 17th March, 2021. The Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) furnished their replies on 17th June, 2021 indicating action taken on the recommendations contained in that Report. The Committee at their sitting held on 16th November 2021 considered and adopted the Draft Report.

3. An analysis of the action taken by Government on the Observations/ Recommendations contained in the Sixteenth Report (Seventeenth Lok Sabha) of the Committee is given in Appendix-II.

4. For the facility of reference and convenience Recommendations/ Observations/further comments of the Committee have been printed in bold letters in the body of the Report.

**New Delhi;
16 November, 2021
25 Kartika, 1943 (Saka)**

**KANIMOZHI KARUNANIDHI
Chairperson,
Standing Committee on
Chemicals and Fertilizers**

REPORT

CHAPTER-I

1.1 This Report deals with the action taken by the Government on the Observations/Recommendations contained in the **Sixteenth Report (17th Lok Sabha)** of the Committee on '**Demand and Availability of Petrochemicals including Import and Exports**' pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).

1.2 The Sixteenth Report was presented to Lok Sabha and laid in Rajya Sabha on 17.03.2021. It contains 12 Observations / Recommendations. Replies of Government in respect of all the recommendations have been received are categorized as follows:-

- (i) Recommendations/ Observations that have been accepted by the Government :-

Sl. Nos. 2, 4, 7, 9, 10 and 12.

Total = 06

(Percentage: 50%)

These are included in **Chapter II** of the Report.

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply :-

Nil

Total = 00

(Percentage: 00)

These are included in **Chapter-III** of the Report

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and require reiteration :-

Sl. Nos. 3, 6, 8 and 11

Total = 04

(Percentage: 33%)

These are included in **Chapter IV** of the Report.

- (iv) Recommendations/Observations in respect of which final replies of the Government are interim in nature:-

Sl. Nos. 1 and 5

Total=02

(Percentage:16%)

These are included in **Chapter V** of the Report.

1.3 The Committee desire that Action Taken Notes on the Recommendations/Observations contained in **Chapter-I** of this Report should be furnished expeditiously and not later than three months from the date of presentation of this Report.

1.4 The Committee will now deal with action taken by the Government on the Recommendations/Observations which still require reiteration or merit further comments.

Recommendation Sl. No. 3

DEMAND AND AVAILABILITY OF PETROCHEMICALS

1.5 In regard to the demand and availability of petrochemicals, the Committee had recommended as follows:-

“The Committee note that the demand and supply forecast for 2025 is almost balanced in respect of Polypropylene (PP) and Purified Terephthalic Acid (PTA). However, the demand and supply forecast for 2025 is in deficit in respect of host of other petrochemicals viz. Polyethylene(PE), Poly Vinyl Chloride(PVC), Mono Ethylene Glycol (MEG), elastomers etc. Moreover, Styrene and Polycarbonates are being entirely imported as there is no domestic production capacity for these two petrochemicals in the country. Petrochemicals, whose production capacity is less than the demand, are imported to meet the domestic demand. Since it is necessary that various petrochemicals are produced in the country in requisite quantity so as to meet the domestic demand, the Committee recommend that the Demand and availability of each of the petrochemicals should be studied separately and appropriate steps should be taken to augment their production in the country so as to meet the demand domestically. Wherever necessary, augmentation of customs duty should be considered to safeguard the interests of domestic producers and to discourage the tendency of imports of petrochemicals which are produced in the country. As far as Styrene and Polycarbonates are concerned, domestic producers are exploring options of setting-up of Styrene and Polycarbonate plants in the country. In this regard, the Department should render the necessary assistance as a facilitator to set up industries to manufacture such petrochemicals which are presently imported wholly or substantially”.

Reply of the Government

1.6 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:

“In order to curb imports, for creation of new capacity and to promote investment; DCPC has recommended for change in custom duty on various petrochemicals.

Import duty on PVC was recommended to be raised from 10% to 11% during budget recommendation year 2021-22 along with other recommendations. The Major highlights of the budget 2021-22 are as under:

Custom duty on Naphtha Duty has been reduced from 4% to 2.5%. The decreased custom duty on naphtha is likely to further improve the utilization of crackers resulting in availability of cost competitive olefins and aromatics. Low cost naphtha will also pave a way into the availability of ethylene and propylene for petrochemical intermediates in value chain.”

Custom duty on Polycarbonates Duty has been increased from 5 to 7.5%; to attract new investment in the technology intensive polycarbonate market.

Further Comments of the Committee

1.7 The Committee note that the action taken reply furnished by the Department has not addressed to the specific recommendation of the Committee regarding a separate

study of demand and availability of each of the petrochemicals, appropriate steps to be taken to augment their domestic production and to render necessary assistance as a facilitator to set up industries to manufacture such petrochemicals which are presently imported wholly or substantially. The Department in its action taken reply has provided information only on steps taken for the rationalization of customs duty structure in respect of certain petrochemicals. The Committee are of the view that a strong petrochemicals industry offers immense possibilities and cater to the need of the economy including textiles, agriculture, packaging, infrastructure, healthcare, furniture, automobiles, information technology, power, electronics and telecommunication, irrigation, drinking water etc. Hence, it is very much essential to develop a strong base of petrochemical industry in the country to meet the huge domestic requirements without resorting to import. **The Committee, therefore, while reiterating original recommendation, strongly recommend that the Ministry should come out with concrete measures to create a strong base for the holistic development of petrochemicals industry in the country. Specific replies should be given to the above recommendation of the Committee within three months.**

Recommendation Sl. No. 6

VISION 2024 PLAN

1.8 In regard to achieving the objectives of Vision 2024 Plan, the Committee had recommended the following:-

“The Committee are concerned to note that the overall Petrochemicals imports during 2018-19 stands at around Rs. 1,28,000 crore approximately, which was 3.56% of the total national imports. The overall Petrochemicals exports during 2018-19 were to the tune of around Rs. 78,000 crore approximately which was 3.73% of the total National Exports. Although percentage of share of import of petrochemicals is less than the export of petrochemicals, there is a trade imbalance in actual value terms which is to the tune of Rs. 50,236 crore for the year 2018-19. In this regard, the Committee note the reply given by the Department that there is free trade of Petrochemicals which includes building blocks, intermediates and final products due to open global economy unless and until specifically mentioned trade barriers for individual products. In order to meet the domestic demand, investment in the sector for new capacity creation, import substitution and to promote exports with employment generation, Department of Chemicals and Petrochemicals has prepared a Vision 2024 Plan. To achieve the objectives of this plan, certain initiatives are being taken by the Department viz. strengthening of PCPIRs, incentives for mega investment, Ensuring quality by formulating new standards and making those standards mandatory, Skilling & Employment generation, technology support services to SMEs, better trade intelligence (new HS codes) and Advisory Forum as a permanent platform for interaction with industry. In this regard, the Committee are of the view that the lofty goals of Vision 2024 plan

can be achieved only if the above mentioned initiatives are continued with full vigour and continuous monitoring. Hence, the Committee recommend that yearly targets should be set and concrete steps should be taken to achieve those targets. The progress made should be reviewed at the end of every year so that the objectives of the Vision 2024 plan be achieved within the stipulated period.

Reply of the Government

1.9 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:

“Under Vision 2024 yearly targets have been set up. The details of the progress made yearly may be seen as under:-

Scheme	Parameter	For the year 2019-20		For the year 2020-21	
		Target 2019-20	Outcome up to March 2020	Target 2020-21	Outcome up to March 2021
Empower PCPIRs with full time experts	Empowered management boards	0	1 (The sub-committee constituted for suggesting amendments in PCPIR policy to make it more effective. The committee has requested for time extension due to COVID-19 for submitting its report.)	1	0 (Comments on draft CCEA note have been received from Ministries and Departments which are being examined)
Fiscal incentives for mega investments	Mega projects approved / announced	0	1 (The sub-committee constituted for suggesting amendments in PCPIR policy to make it more effective. The Committee has requested for time extension due to COVID-19 for submitting its report.)	1	0 (The proposal pertaining to providing fiscal incentives for mega investment is under consideration)
Advisory Forum, Development Committee and Industry	Meetings	6	6	6	1

Interaction					
Notify mandatory standards	Chemicals / Petrochemicals	9	7	35	0
Skilling and Employment Generation	Long Term and Short Term Courses	80,000	63,162	65,000	42,762
Technology support service to plastic and allied industry	Services provided	90,000	6,221	90,000	16,082
Recommend new HS Codes	New Codes	75	8	50	0

Source: Dashboard DCPC- <http://dashboard.chemicals.gov.in/index.php>

Further Comments of the Committee

1.10 The Committee note that the Department of Chemicals and Petrochemicals had fixed yearly targets for various schemes under vision 2024. However, perusal of the progress made by the Department in achieving these targets reveals that either the targets were not fixed or the fixed targets were not achieved. For instance, under the Scheme “Empower PCPIRs with full time experts” the target for the year 2019-20 was not fixed and the one target fixed for 2020-21 remained inconclusive by the end of the financial year. Under the other initiative “Fiscal incentives for mega investments”, the target was not fixed for 2019-20 and eventhough one target was fixed for 2020-21 the proposal for the same remained under consideration till the end of the year. Further, the target fixed for notifying 35 Mandatory standards during 2020-21 was not achieved. Similarly the targets fixed for “Skilling and Employment Generation” were not achieved during both the years 2019-20 and 2020-21. Target for providing technology support services to 90,000 units was not achieved during both the years of 2019-20 and 2020-21. Furthermore, very less progress has been made to recommend new HS codes during 2019-20 and 2020-21. Particularly nil progress was made to recommend 50 HS Codes for the financial year 2020-21. **Having perturbed to note such shortfalls/failures in achieving the yearly targets, the Committee are of the view that such shortfalls/failures cast serious doubts in the ability of the Department to achieve the lofty goals of Vision 2024 plan. In this regard, the Committee strongly recommend that the yearly targets under various schemes be invariably fixed and once the target is fixed it must be vigorously pursued and achieved during the year.**

Recommendation SI. No. 8

HARMONIZED SYSTEM (HS) CODES

1.12 The Committee made the following recommendation in regard to creation of new Harmonised System (HS) codes chemicals and petrochemicals falling under other category:-

“The Committee note that the chemicals and petrochemicals appearing in “others” category” need identification to facilitate and monitor international trade, as the non-availability of specified codes in the customs tariff has resulted in huge undesirable EXIM trade under “others” category. In this regard, the Committee were informed that the Department of Chemicals and Petrochemicals has proposed new Harmonized System (HS) codes for products falling under "other" category. Based on the recommendations of the Department, 53 HS codes have been notified by Department of Revenue during 2018-19. Further, during 2019-20, new HS codes for 80 chemicals and petrochemicals were proposed by the Department of Chemicals and Petrochemicals. Out of this, the Department of Revenue notified new HS Codes of 49 chemicals and 4 petrochemicals. Since the classification of petrochemicals are of prime importance from the point of health, safety & environment including national security along with prevention of unfair trade practices, the Committee recommend that the Department may continue this exercise of assigning HS codes for chemicals and petrochemicals which are falling under other category and ensure that all such chemicals and petrochemical products are duly classified to prevent unfair trade practices, etc.

Reply of the Government

1.13 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:

“Creation of new HS code is an on-going exercise. DCPC in consultation with Department of Commerce has continued this process.”

Further Comments of the Committee

1.14 The Committee note the above reply given by the Department of Chemicals and Petrochemicals that creation of new HS code is an on-going exercise. However, performance of the Department during the last two years in this regard is not appreciable. A target of 75 new HS codes was fixed for 2019-20 but only 8 new HS codes were created. Against the target of 50 new HS codes, not even a single code was created during 2020-21. Merely giving assurance is not adequate. Concrete steps should also be taken by the Department to create new HS codes for the chemicals and petrochemicals falling under the “other” category so as to ensure that all such Chemicals and Petrochemicals products are duly classified to prevent unfair trade practices etc. In

view of the above, **the Committee recommend that the Department should chalk out a definite time frame for creating/assigning new HS Codes for chemicals and petrochemicals falling under the “other” category and initiate concrete measures in consultation with other concerned Departments for creating new HS codes well within the time frame.**

Recommendation SI. No. 11

PETROLEUM, CHEMICALS AND PETROCHEMICALS INVESTMENT REGIONS

1.15 Regarding Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIRs), the Committee had recommended the following:-

“The Committee note that the Government of India had formulated PCPIR Policy in April 2007 and the four PCPIRs viz. in the States of Andhra Pradesh, Gujarat, Odisha and Tamil Nadu are being established since then in a cluster approach for promotion of Petroleum, Chemical & Petrochemical Sectors in an integrated & environment friendly manner on a large scale. Once fully established, these four PCPIRs are expected to attract investment of around Rs. 7.63 lakh crore. As per data available from State Governments, investments worth Rs. 2.12 lakh crore approximately have been made / committed in these regions. The four PCPIRs are expected to generate employment for around 33.83 lakh persons. Around 3.50 lakh persons have been employed in direct and indirect activities related to PCPIRs. However, in Committees’ view, the progress made so far in establishing these PCPIRs is not upto the mark because thirteen years have already passed but not a single PCPIR has been fully established so far. Anchor Tenents have been appointed and anchor projects have been commissioned for Gujarat and Odhisha PCPIRs but the same are yet to done in respect of Andhra Pradesh and Tamil Nadu PCPIRs. Environment clearance has been obtained only in respect of Gujarat PCPIR. Since such inordinate delays will defeat the very purpose for which these PCPIRs are being established, the Committee strongly recommend that the Department of Chemicals and Petrochemicals should monitor the progress made in establishment of these PCPIRs on monthly basis and the matter should be pursued at the highest level with the concerned State Government particularly with the Governments of Tamil Nadu and Andhra Pradesh where the progress is very slow. The Department should provide the necessary monetary and technical assistance to the State Governments so as to achieve the goal in a time bound manner. Moreover, the Department has set a target to strengthen these PCPIRs under Vision 2024 Plan and the Committee hope that the Department would initiate concrete measures to fully establish all the four PCPIRs in a time bound manner. The progress made in this regard may be intimated to the Committee”.

Reply of the Government

1.16 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

- Department has noted the suggestions of Hon'ble Committee and the Department has been taking up the matter with State Governments to speed up the process of establishing PCPIRs in a time bound manner. For this purpose, this Department reviews the implementation of PCPIRs from time to time.
- To overcome the challenges being faced by the Government in effective implementation of PCPIR Policy such as non-availability of building blocks/intermediate feedstock for downstream industry, inadequate funding for common utility infrastructure, delay in master planning etc, the Government has also initiated process to amend the existing PCPIR Policy with an objective to attract more investments and faster implementation.
- A Sub-committee was constituted in November, 2019 under the chairmanship of Principal Secretary (Industries) Govt. of Andhra Pradesh with the members of Govt. of Odisha, Govt. of Gujarat, Govt. of Tamil Nadu and representatives from FICCI, CII, ICC, AIPMA and CIPET to recommend the amendments in PCPIR Policy, 2007 to make it more effective. A review meeting was also held on 27.05.2020 under the chairmanship of the then Secretary, DCPC to discuss the report submitted by the committee of State Secretaries of Industries for recommending amendments to the PCPIR Policy.
- With the approval of Minister (C&F), a CoS note was circulated on 26.06.2020 for inter-ministerial consultation for proposed amendments in existing PCPIR Policy of 2007 which, inter alia, included corporate tax incentives to partially offset the higher cost of production and match incentives given by competing countries. Approval of the Committee of Secretaries (CoS) was sought to amend the provisions of PCPIR Policy, 2007.
- Further detailed discussions were held by Secretary (C&PC) with CEO NITI Aayog on 30th July 2020 and also with Secretary DEA, Secretary Revenue. Based on their comments and discussions, it was decided to replace fiscal incentives with Production Linked Incentives (PLI), include a Phased Manufacturing Plan and directly move a CCEA Note for approval of the amended PCPIR Policy. Accordingly, Draft CCEA note has been circulated on 24.08.2020 for inter-ministerial consultation after obtaining approval of Hon'ble Minister (C&F).
- Subsequently, the draft CoS note on PCPIR was sent to Cabinet Secretariat on 17/12/2020 with a request to conduct the meeting to discuss issues pertaining to proposed amendments in PCPIR Policy. The proposed meeting is yet to be convened and the future course of the action in this regard will be taken on the basis of the decisions taken by the Committee of Secretaries.

Further Comments of the Committee

1.17 The Committee note with concern the above action taken reply furnished by the Department of Chemicals and Petrochemicals. The Committee specifically recommended that the Department of Chemicals and Petrochemicals should monitor the progress made in establishment of these PCPIRs on monthly basis. In this regard, the Department has replied that it reviews the implementation of PCPIRs from time to time. Steps taken during the last one year to Implement PCPIR Policy clearly shows that continuous monitoring is necessary for realizing the goals for which PCPIRs were envisaged to be set up way back in 2007. A draft Cabinet Committee on Economic

Affairs(CCEA) Note for approval of the amended PCPIR Policy was circulated on 24.08.2020 for inter-ministerial consultation and thereafter its fate is not clear from the Action Taken Reply. Moreover, draft Committee of Secretaries(CoS) note on PCPIR was sent to Cabinet Secretariat on 17/12/2020 with the request to conduct meeting to discuss issues pertaining to proposed amendments in PCPIR Policy. As per the action taken reply, the proposed meeting is yet to be convened. The Committee deplore the way in which the Department has handled the PCPIR policy as well as the establishment of four PCPIRs in the States of Andhra Pradesh, Gujarat, Odisha and Tamil Nadu. Even after the lapse of 14 years, these PCPIRs have not yet realized their full potential. Since it is very much necessary to review regularly the progress made in implementation of PCPIR Policy, **the Committee reiterate the earlier recommendation that Department of Chemicals and Petrochemicals should monitor the progress made in establishment of these PCPIRs on monthly basis with all stake holders including the concerned State Governments. In case of difficulties in holding meetings in person, video conferencing method should be adopted to monitor and review the progress. Immediate steps should also be taken for the approval of amended PCPIR Policy. A copy of this recommendation should also be sent to Cabinet Secretariat for swift action for the approval of the amended policy.**

CHAPTER – II

OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 2

SETTING UP OF ETHYLENE CRACKERS

2.1 The Committee note that there are eleven Ethylene crackers presently in the country with the combined capacity of 7277 Kilo Tonnes Per Annum (KTPA) and two more Ethylene Crackers are under construction with the capacity of 2200 KTPA. As per the projection made by the Department of Chemicals and Petrochemicals, by the year 2025, four more Crackers are required each with Ethylene capacity of 1500 KTPA at an approximate investment of Rs.1,60,000 Crore. Ethylene is an important building block for producing various intermediary petrochemicals and their derivatives. So, it is very much necessary to have requisite number of Ethylene crackers in the country. In this regard, the Committee recommend that the Department should monitor the two under construction joint venture projects by HPCL-Mittal Energy Limited (HMEL) at Bathinda, Punjab and HPCL-Rajasthan Refinery Limited (HRRL) at Barmer, Rajasthan and render all possible assistance for timely completion and commissioning of these projects. The Committee also note that three more mega projects with the combined Ethylene capacity of about 9600 KTPA at the combined investment of about Rs.3,50,000 Crore are in the pipeline stage. These crackers are proposed to be set at Raigad in Maharashtra, Vadinar in Gujarat and at Balasore in Odisha. In this regard, the Committee expect that the Department of Chemicals and Petrochemicals should play the role of facilitator in getting environmental, legal and other clearances in coordination with the State Governments concerned so as to set up these crackers in a time bound manner. The Committee may be apprised of the progress made in regard to the undergoing and proposed projects for setting up Ethylene Crackers.

Reply of the Government

2.2 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

“ HPCL-Mittal Energy Limited (HMEL) at Bathinda, Punjab is likely to start their commercial production from November 2021. HPCL-Rajasthan Refinery Limited (HRRL) at Barmer, Rajasthan has been progressing well, however due to COVID19 pandemic, the work has been delayed. The project is to come in stream during 2024-25.

In so far as three more mega projects of Raigad in Maharashtra, Vadinar in Gujarat and at Balasore in Odisha are concerned; the proposed project at Raigad in Maharashtra is in the process of making decision about its location. The project of Vadinar in Gujarat is being erected and under project stage. Currently the work of Propylene Recovery Unit (PRU) and setting up of the new Polypropylene Plant is going on. The decision on the Ethylene Cracker Project proposal for Balasore in Odisha needs to be taken by the Board of Directors.”

Recommendation no. 4

CAPACITY UTILIZATION

2.3 The Committee note that the percentage of capacity utilization in the production of Basic Major Petrochemicals rose from 79.9% to 87% during the period from 2015-16 to 2018-19. However, none of the Basic Major Petrochemicals has achieved 100% capacity utilization except Synthetic Detergent Intermediates. Capacity utilization for production of Performance Plastics and Synthetic Rubber are particularly less when compared to other petrochemicals. As per the reasons quoted by the Department, factors such as cost of feed stock, scale of production etc. encourage the cheaper imports of petrochemicals. In order to improve capacity utilization of polymers, synthetic rubbers and performance plastics, and to make them globally cost competitive, the Department of Chemicals and Petrochemicals had recommended to Department of Revenue to increase import duty on these products. Some of these recommendations were accepted by the Department of Revenue and some were not. Since it is very much necessary to fully utilize the capacity for the production of various petrochemicals so as to reduce the dependence on imports, the Committee recommend that apart from increasing import duty which the Department may take up again with the Department of Revenue with the fresh proposals, the Department should conduct a study in coordination with the industry associations to find out the exact reasons for non-achieving 100% capacity utilization in production of various petrochemicals and appropriate steps should be taken to assist the manufacturers in attaining 100% capacity utilization.

Reply of the Government

2.4 In its action taken reply, the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) have stated as under:-

“DCPC annually makes budget recommendation to Department of Revenue after consultation with chemical and petrochemical sector stakeholders. One of the major announcements during the budget year 2021-22 is as under:

Chemical and Petrochemical industry has been demanding since long back for reduction in import duty on feedstock such as ‘Naphtha’ to become globally cost competitive for production of Chemicals and Petrochemicals. This long standing demand has been taken care of by the Government in the budget 2021-22. Custom duty on Naphtha Duty has been reduced from 4% to 2.5%. The decreased custom duty on naphtha is likely to further improve the utilization of crackers resulting in availability of cost competitive olefins and aromatics. Low cost naphtha will also make a way into the availability of ethylene and propylene for petrochemical intermediates in value chain. Further boost to the production of major basic petrochemicals.

The proposal of conducting study in coordination with the industry associations to find out the exact reasons for non-achieving 100% capacity utilization in production of various petrochemicals to attain 100% capacity utilization will be considered once the normalcy restores in the industry which has been hit hard by COVID-19 pandemic. However, the any capacity utilisation above 85% is considered in the industry to be an optimum level.”

Recommendation no. 7

RATIONALISATION OF CUSTOMS DUTY STRUCTURE

2.5 The Committee note that the Department of Chemicals and Petrochemicals has recommended reduction of customs duty on imported feedstock and increase in customs tariff on products, as a long term planning for new capacity creation and to provide adequate protection to the domestic manufacturers where there is sufficient domestic capacity and also the gap between capacity and demand is high. The Department informed the Committee that the increase in custom duty will help to reduce imports and encourage establishing domestic capacities and sparing for production of downstream chemicals other than polymers. The Committee note that the Department has proposed reduction of Customs Duty on Naphtha from the present 4% to zero and on Natural Gases from the present 2.5% to zero based on the consultations with the industry associations. The Department also recommended to the Department of Revenue to increase the import duty on finished goods (Plastics and articles thereof) from 10% and 15% to 20% to promote Make in India initiative. The Department had also made a presentation to the Department of Revenue on rationalization of customs duty structure. While the Department of Revenue has notified increase of import duty to 25% for some of the finished products like plastic furniture etc., it has not decreased the customs duty on feed stocks stating the reason that the proposals were examined in detail including stakeholders' consultation and action as appropriate has been taken on all such references. They further requested the Department to send fresh proposal with latest information and data if it wishes to pursue any proposal further. In this regard, the Committee are of the view that the manufacturing of end products should be promoted in the country instead of importing them so that it can create downstream employment in the country. Moreover, the reduction of customs duty on import of feed stocks and increase in custom duty on end-products will help in expanding domestic capacity creation as the Petrochemical industry has huge value addition potential. The Committee, therefore, recommend that the Department of Chemicals and Petrochemicals should prepare and submit a fresh proposal for reduction of customs duty on import of Naphtha and Natural Gas to zero alongwith the other proposals for rationalization of Customs Duty Structure of petrochemicals for the consideration of the Department of Revenue at the earliest. This recommendation of the Committee may also be sent to that Department for its compliance.

Reply of the Government

2.6 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:

“Chemical and Petrochemical industry has been demanding since long back for reduction in import duty on feedstock such as ‘Naphtha’ to become globally cost competitive for production of Chemicals and Petrochemicals. This long standing demand has been taken care of by the Government in the budget 2021-22. Custom duty on Naphtha Duty has been reduced from 4% to 2.5%. The decreased custom duty on naphtha is likely to further improve the utilization of crackers resulting in availability of cost competitive olefins and aromatics. Low cost naphtha will also make a way into the availability of ethylene and propylene for petrochemical intermediates in value chain. Further boost to the production of major basic petrochemicals.

Various other recommendations were made for following groups of petrochemicals:

- i. Precursor to Intermediate
- ii. Polymers and Polyols
- iii. Finished Plastic Articles

of the above recommendation import duty on Polycarbonates Duty has been increased from 5 to 7.5%.

Recommendation No. 9

FREE TRADE AGREEMENTS

2.7 The Committee are concerned to note that the Imports from Free Trade Agreement partners into India increased at a higher rate than India's exports to partner countries and also observe that trade deficit in chemical and petrochemical sector with FTA countries seems to worsen post signing of trade agreements. These Free Trade Agreements were signed with ASEAN, Japan, Korea and Malaysia during the period 2009-11. The Committee note from the submissions made by the Department of Chemicals and Petrochemicals that India's international trade routed through the preferential route/ FTAs is small with not much growth in exports to FTA nations indicating low utilization rate of trade agreements by India. Complex rules of origin criteria, lack of information on FTAs, higher compliance costs and administrative delays dissuade exporters from using preferential routes. Given higher margin of preference (MFN- preferential duty) offered by India under the FTAs, the surge in imports is much higher compared to surge in exports for India. Since these Free Trade Agreements have caused adverse impact on the petrochemical sector in the country, the Committee recommend that the Government may carry out a study on impact of FTAs signed with various countries on the trade of chemicals and petrochemicals with those countries and should take appropriate steps to safeguard the interests of domestic chemical and petrochemical industry. The Department of Chemicals and Petrochemicals should also take up this matter with the Ministry of Commerce and Industry for the resolution of the same. If necessary, the Government may consider renegotiation of these agreements and due care should be taken while negotiating such Free Trade Agreements in future to protect the domestic industry.

Reply of the Government

2.8 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

“The Department has conducted a study on Impact of Free Trade Agreements (FTAs) on Chemical and Petrochemicals Sector. The main objective of the study was to understand the impact of FTAs on import and export of chemicals and measures to increase competitiveness of the Indian chemical industry.

The report submitted by IIFT has concluded that India is a net exporter and net importer of certain chemicals & petrochemicals. As far as imports of

both chemicals and petrochemicals are concerned, it has increased substantially for several products, Imports from both FTA and Non-FTA partners increased in many cases and it is not yet conclusive that imports have increased due to duty reduction only. India's rising demand and lack of competitiveness of domestic products may have also contributed for huge imports. The prominent competitor that India faced throughout major chemicals and petrochemicals has been China.

IIFT has recommended in the study report that imports need to be managed both from Free Trade Agreement (FTA) and non-FTA partners of the country. Further, effective trade protection for the sector needs to be increased in line with WTO guidelines. Non-Tariff Barriers need to be erected and make BIS Standards mandatory to reduce imports and protect the chemical sector.

Department of Commerce seek comments of DCPC on on-going various trade agreements from time to time. DCPC will take further due care while recommending for negotiation with such Free Trade Agreements in future to protect the domestic industry.”

Recommendation No. 10

ANTI-DUMPING DUTY

2.9 The Committee are concerned to note the reply furnished by the Department to the query of the Committee whether any demands/requests for imposing anti-dumping duty were made by the Department to Directorate General of Trade Remedies (DGTR) and the present position of those demands/ requests. In this regard, the Department neither provided the details of recommendations made by it nor the present position of those demands/requests except the submission that it does not intervene after making recommendations as the safeguard duty and anti-dumping duty is being dealt by DGTR which is an independent quasi-judicial body. The Committee would not like to dispute the judicial status of DGTR but expect that the genuine anti-dumping cases should be disposed of in a time bound manner so as to protect the domestic industry from the undue advantage being enjoyed by foreign players through dumping of goods in the country in the garb of cheap imports. In this regard, the Committee recommend that the Department of Chemicals and Petrochemicals would pursue vigorously all cases filed by it before DGTR for imposition of anti- dumping duties in a time bound manner.

Reply of the Government

2.10 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

“DCPC have not directly recommended for ADD to DGTR. However, this department receives representations from industry on which it makes its recommendations. Details in this regard may be seen as under:

- The matter with respect to Association of Synthetic Fiber Industry was taken up for review on 4th December 2020; about non-issue of notifications for levy of

antidumping duty on Nylon Filament Yarn and on Nylon Tyre Cord Fabric was discussed as recommended by the Director General of Trade Remedies (DGTR) after its investigations.

- A review meeting was taken by Secretary on 7th October 2020, to discuss trade remedial measures and promotion of manufacturing of intermediates/bulk chemicals for specialty chemicals and specialty polymers.”

Recommendation No. 12

RESEARCH AND DEVELOPMENT IN PETROCHEMICAL SECTOR

2.11 The Committee note that the closely guarded technology for specialty Petrochemical Products is one of the challenges being faced by Indian Petrochemical Industry. The Committee were informed that spending on Research and Development (R&D) in the country is very low. In order to encourage R&D activities in the country, consultations with industry associations are being conducted from time to time in the Department of Chemicals and Petrochemicals. In this regard, the Committee are of the firm view that Research and Development is critical and of paramount importance for the growth and development of Petrochemicals sector and the same is possible only through the wholehearted and combined initiatives of the Department of Chemicals and Petrochemicals, research institutions, industry associations and the individual industries. R&D efforts in the field of petrochemicals should aim at improving quality standards, obtaining higher yields resulting in reduction in cost of production and to earn competitive edge in the International Market. India has a number of scientific institutions and the country's strength lies in its large pool of highly trained scientific manpower. The Committee, therefore, recommend that the Department of Chemicals and Petrochemicals should motivate and coordinate the efforts of the Research Institutions, Industry Associations and individual industries in creation of cutting edge technologies and specialty products in the field of petrochemicals so as to make the country competitive with the leading countries in the world.

2.12 The Committee note that the Department of Chemicals & Petrochemicals has a scheme for setting up of Centres of Excellence (CoE) for Research and Development in the field of plastics, engineering polymers and specialty plastics. Under this Scheme, grant-in-aid up to Rs 5 crore each, is being provided to educational and research institutes to improve the existing Petrochemical technology and to promote development of new applications of polymers & plastics. The focus of the scheme involves modernization and up-gradation of the existing manufacturing processes, improved quality of existing products and makes it safe for environment and human health along with the research and development in the field of Bio-degradable Plastics. The Department has established five CoEs so far and three CoEs are under progress. Three new CoEs are also planned to be set up. Since this Government's initiative to promote research in the field of petrochemicals has to be strengthened further, the Committee recommend that the Department should examine whether the Grant-in-Aid of Rs.5 crore is adequate to carry out research in the fields of modernization and upgradation of existing manufacturing processes and improving the quality of existing products. If the amount is inadequate the same should be enhanced suitably. The Committee further recommend that R&D activities in the field should also be promoted in collaboration with premium educational and research institutions of the country such as IITs, CIPET and other Institutes of national importance so that transformative technology and products can be developed which would give the domestic industries a competitive edge in global market.

Reply of the Government

2.13 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

“The Department ensures coordination and collaboration between the Industry, Academia, associations and various other stakeholders in the scheme for setting up of Centres of Excellence. It put in its best efforts in enhanced cooperation among the Institute and the Industry for creation of cutting edge technologies and specialty products in the field of petrochemicals so as to make the country competitive with the leading countries in the world.

The Grant-in-aid of Rs. 5 crore is adequate to carry out research in the fields of modernization and up gradation of existing manufacturing processes and improving the quality of existing products as total cost of the project is shared by DCPC, Institute and their Industry partners in some cases.

The R&D activities in the field are already being promoted in collaboration with premium educational and research institutions of the country such as IITs, CIPET and other Institutes of national importance. The Department has approved setting up of Centres of Excellence in institutes such as IITs, CIPET, CSIR institutes so that transformative technology and products can be developed which would give the domestic industries a competitive edge in global market.”

CHAPTER – III

**OBSERVATION / RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE
TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY**

Nil

CHAPTER – IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation No. 3

DEMAND AND AVAILABILITY OF PETROCHEMICALS

4.1 The Committee note that the demand and supply forecast for 2025 is almost balanced in respect of Polypropylene (PP) and Purified Terephthalic Acid (PTA). However, the demand and supply forecast for 2025 is in deficit in respect of host of other petrochemicals viz. Polyethylene(PE), Poly Vinyl Chloride(PVC), Mono Ethylene Glycol (MEG), elastomers etc. Moreover, Styrene and Polycarbonates are being entirely imported as there is no domestic production capacity for these two petrochemicals in the country. Petrochemicals, whose production capacity is less than the demand, are imported to meet the domestic demand. Since it is necessary that various petrochemicals are produced in the country in requisite quantity so as to meet the domestic demand, the Committee recommend that the Demand and availability of each of the petrochemicals should be studied separately and appropriate steps should be taken to augment their production in the country so as to meet the demand domestically. Wherever necessary, augmentation of customs duty should be considered to safeguard the interests of domestic producers and to discourage the tendency of imports of petrochemicals which are produced in the country. As far as Styrene and Polycarbonates are concerned, domestic producers are exploring options of setting-up of Styrene and Polycarbonate plants in the country. In this regard, the Department should render the necessary assistance as a facilitator to set up industries to manufacture such petrochemicals which are presently imported wholly or substantially.

Reply of the Government

4.2 In its action taken reply, the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) have stated as under:-

“In order to curb imports, for creation of new capacity and to promote investment; DCPC has recommended for change in custom duty on various petrochemicals.

Import duty on PVC was recommended to be raised from 10% to 11% during budget recommendation year 2021-22 along with other recommendations. The Major highlights of the budget 2021-22 are as under:

Custom duty on Naphtha Duty has been reduced from 4% to 2.5%. The decreased custom duty on naphtha is likely to further improve the utilization of crackers resulting in availability of cost competitive olefins and aromatics. Low cost naphtha will also pave a way into the availability of ethylene and propylene for petrochemical intermediates in value chain.

Custom duty on Polycarbonates Duty has been increased from 5 to 7.5%; to attract new investment in the technology intensive polycarbonate market.”

Comments of the Committee

(Please see Para No. 7 of Chapter – I of the Report)

Recommendation no. 6

VISION 2024 PLAN

4.3 The Committee are concerned to note that the overall Petrochemicals imports during 2018-19 stands at around Rs. 1,28,000 crore approximately, which was 3.56% of the total national imports. The overall Petrochemicals exports during 2018-19 were to the tune of around Rs. 78,000 crore approximately which was 3.73% of the total National Exports. Although percentage of share of import of petrochemicals is less than the export of petrochemicals, there is a trade imbalance in actual value terms which is to the tune of Rs. 50,236 crore for the year 2018-19. In this regard, the Committee note the reply given by the Department that there is free trade of Petrochemicals which includes building blocks, intermediates and final products due to open global economy unless and until specifically mentioned trade barriers for individual products. In order to meet the domestic demand, investment in the sector for new capacity creation, import substitution and to promote exports with employment generation, Department of Chemicals and Petrochemicals has prepared a Vision 2024 Plan. To achieve the objectives of this plan, certain initiatives are being taken by the Department viz. strengthening of PCPIRs, incentives for mega investment, Ensuring quality by formulating new standards and making those standards mandatory, Skilling & Employment generation, technology support services to SMEs, better trade intelligence (new HS codes) and Advisory Forum as a permanent platform for interaction with industry. In this regard, the Committee are of the view that the lofty goals of Vision 2024 plan can be achieved only if the above mentioned initiatives are continued with full vigour and continuous monitoring. Hence, the Committee recommend that yearly targets should be set and concrete steps should be taken to achieve those targets. The progress made should be reviewed at the end of every year so that the objectives of the Vision 2024 plan be achieved within the stipulated period.

Reply of the Government

4.4 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

Under Vision 2024 yearly targets have been set up. The details of the progress made yearly may be seen as under:

Scheme	Parameter	For the year 2019-20		For the year 2020-21	
		Target 2019-20	Outcome up to March 2020	Target 2020-21	Outcome up to March 2021
Empower PCPIRs with full time experts	Empowered management boards	0	1 (The sub-committee constituted for	1	0 (Comments on draft CCEA note have been

Scheme	Parameter	For the year 2019-20		For the year 2020-21	
		Target 2019-20	Outcome up to March 2020	Target 2020-21	Outcome up to March 2021
			suggesting amendments in PCPIR policy to make it more effective. The committee has requested for time extension due to COVID-19 for submitting its report.)		received from Ministries and Departments which are being examined)
Fiscal incentives for mega investments	Mega projects approved / announced	0	1 (The sub-committee constituted for suggesting amendments in PCPIR policy to make it more effective. The committee has requested for time extension due to COVID-19 for submitting its report.)	1	0 (The proposal pertaining to providing fiscal incentives for mega investment is under consideration)
Advisory Forum, Development Committee and Industry Interaction	Meetings	6	6	6	1
Notify mandatory standards	Chemicals / Petrochemicals	9	7	35	0
Skilling and Employment Generation	Long Term and Short Term Courses	80,000	63,162	65,000	42,762
Technology support service to plastic and allied industry	Services provided	90,000	6,221	90,000	16,082
Recommend new HS Codes	New Codes	75	8	50	0

Source: Dashboard DCPC- <http://dashboard.chemicals.gov.in/index.php>

Comments of the Committee

(Please see Para No. 10 of Chapter – I of the Report)

Recommendation no. 8

HARMONIZED SYSTEM (HS) CODES

4.5 The Committee note that the chemicals and petrochemicals appearing in “others” category need identification to facilitate and monitor international trade, as the non-availability of specified codes in the customs tariff has resulted in huge undesirable EXIM trade under “others” category. In this regard, the Committee were informed that the Department of Chemicals and Petrochemicals has proposed new Harmonized System (HS) codes for products falling under "other" category. Based on the recommendations of the Department, 53 HS codes have been notified by Department of Revenue during 2018-19. Further, during 2019-20, new HS codes for 80 chemicals and petrochemicals were proposed by the Department of Chemicals and Petrochemicals. Out of this, the Department of Revenue notified new HS Codes of 49 chemicals and 4 petrochemicals. Since the classification of petrochemicals are of prime importance from the point of health, safety & environment including national security along with prevention of unfair trade practices, the Committee recommend that the Department may continue this exercise of assigning HS codes for chemicals and petrochemicals which are falling under other category and ensure that all such chemicals and petrochemical products are duly classified to prevent unfair trade practices, etc.

Reply of the Government

4.6 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

Creation of new HS code is an on-going exercise. DCPC in consultation with Department of Commerce has continued this process.

Comments of the Committee

(Please see Para No.13 of Chapter – I of the Report)

Recommendation No. 11

PETROLEUM, CHEMICALS AND PETROCHEMICALS INVESTMENT REGIONS

4.7 The Committee note that the Government of India had formulated PCPIR Policy in April 2007 and the four PCPIRs viz. in the States of Andhra Pradesh, Gujarat, Odisha and Tamil Nadu are being established since then in a cluster approach for promotion of Petroleum, Chemical & Petrochemical Sectors in an integrated & environment friendly manner on a large scale. Once fully established, these four PCPIRs are expected to attract investment of around Rs. 7.63 lakh crore. As per data available from State Governments, investments worth Rs. 2.12 lakh crore approximately have been made / committed in these regions. The four PCPIRs are expected to generate employment for around 33.83 lakh persons.

Around 3.50 lakh persons have been employed in direct and indirect activities related to PCPIRs. However, in Committees' view, the progress made so far in establishing these PCPIRs is not upto the mark because thirteen years have already passed but not a single PCPIR has been fully established so far. Anchor Tenents have been appointed and anchor projects have been commissioned for Gujarat and Odhisha PCPIRs but the same are yet to done in respect of Andhra Pradesh and Tamil Nadu PCPIRs. Environment clearance has been obtained only in respect of Gujarat PCPIR. Since such inordinate delays will defeat the very purpose for which these PCPIRs are being established, the Committee strongly recommend that the Department of Chemicals and Petrochemicals should monitor the progress made in establishment of these PCPIRs on monthly basis and the matter should be pursued at the highest level with the concerned State Government particularly with the Governments of Tamil Nadu and Andhra Pradesh where the progress is very slow. The Department should provide the necessary monetary and technical assistance to the State Governments so as to achieve the goal in a time bound manner. Moreover, the Department has set a target to strengthen these PCPIRs under Vision 2024 Plan and the Committee hope that the Department would initiate concrete measures to fully establish all the four PCPIRs in a time bound manner. The progress made in this regard may be intimated to the Committee.

Reply of the Government

4.8 In its action taken reply, the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) have stated as under:-

- Department has noted the suggestions of Hon'ble Committee and the Department has been taking up the matter with State Governments to speed up the process of establishing PCPIRs in a time bound manner. For this purpose, this Department reviews the implementation of PCPIRs from time to time.
- To overcome the challenges being faced by the Government in effective implementation of PCPIR Policy such as non-availability of building blocks/intermediate feedstock for downstream industry, inadequate funding for common utility infrastructure, delay in master planning etc, the Government has also initiated process to amend the existing PCPIR Policy with an objective to attract more investments and faster implementation.
- A Sub-committee was constituted in November, 2019 under the chairmanship of Principal Secretary (Industries) Govt. of Andhra Pradesh with the members of Govt. of Odisha, Govt. of Gujarat, Govt. of Tamil Nadu and representatives from FICCI, CII, ICC, AIPMA and CIPET to recommend the amendments in PCPIR Policy, 2007 to make it more effective. A review meeting was also held on 27.05.2020 under the chairmanship of the then Secretary, DCPC to discuss the report submitted by the committee of State Secretaries of Industries for recommending amendments to the PCPIR Policy.
- With the approval of Minister (C&F), a CoS note was circulated on 26.06.2020 for inter-ministerial consultation for proposed amendments in existing PCPIR Policy of 2007 which, inter alia, included corporate tax incentives to partially offset the higher cost of production and match incentives given by competing countries. Approval of the Committee of Secretaries (CoS) was sought to amend the provisions of PCPIR Policy, 2007.
- Further detailed discussions were held by Secretary (C&PC) with CEO NITI Aayog on 30th July 2020 and also with Secretary DEA, Secretary Revenue. Based on their comments and discussions, it was decided to replace fiscal

incentives with Production Linked Incentives (PLI), include a Phased Manufacturing Plan and directly move a CCEA Note for approval of the amended PCPIR Policy. Accordingly, Draft CCEA note has been circulated on 24.08.2020 for inter-ministerial consultation after obtaining approval of Hon'ble Minister (C&F).

- Subsequently, the draft CoS note on PCPIR was sent to Cabinet Secretariat on 17/12/2020 with a request to conduct the meeting to discuss issues pertaining to proposed amendments in PCPIR Policy. The proposed meeting is yet to be convened and the future course of the action in this regard will be taken on the basis of the decisions taken by the Committee of Secretaries.

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Comments of the Committee

(Please see Para No. 16 of Chapter – I of the Report)

CHAPTER – V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation No. 1

JOINT COMMITTEE FOR EXAMINING ALL ASPECTS RELATING TO DEMAND AND SUPPLY OF PETROCHEMICALS IN THE COUNTY.

5.1 The Committee note that the gap between demand and capacity to produce major petrochemicals in the country will increase from 1124 Kilo Tonnes per Annum (KTPA) in 2018-19 to 7112 KTPA by 2025. So it is very much essential to look into the Demand and Supply Position of petrochemicals in a holistic manner in the country particularly in view of the prevailing Covid 19 situation and to initiate appropriate measure to meet the growing petrochemicals need of this huge country. In this regard, the Committee note that a few steps have been taken by the Department of Chemicals and Petrochemicals in coordination with the other stake holders in the field. Firstly, a Committee has been constituted jointly by the Ministry of Petroleum and Natural Gas (MoP&NG) and the Department of Chemicals & Petrochemicals (DCPC) with expert members from PSUs and others to examine petrochemicals demand and supply scenario. Secondly, a draft Petrochemicals Perspective plan has been prepared by DCPC in consultation with MoP&NG, Engineers India Limited (EIL), Indian Oil Corporation (IOC) and other stakeholders and thirdly, DCPC has asked EIL to prepare a perspective plan based on the projected Supply & Demand of Petrochemicals with possible Refinery & Petrochemicals complex configurations involving various feed-stock routes and expected investment & return in each configuration. The Committee further note that the Joint Committee's Report and the draft Reports on Perspective Plan are being revisited in view of the global pandemic due to COVID19 which has changed and disrupted the scenario of world economy. The Committee also note that in view of the recent developments in US-China trade relations, the opportunities got further enhanced and many multinational companies are looking towards India to set up their production facilities. Moreover, Pandemic Covid19 created a situation where the entire world is aiming to reduce their dependence on China for supply of essential raw materials and key products. This gives an opportunity to India to become a global supplier, particularly of Petrochemicals. In this regard, the Committee feel that there should be synergetic approach in handling this very crucial matter of attaining self-sufficiency in meeting the domestic demand for petrochemicals and to become a global leader in the field. The Committee, therefore, recommend that the Joint Committee comprising senior representatives of MoP&NG, DCPC, EIL, Petroleum PSUs and the private sector and the experts in the field should be declared as the nodal entity for examining all aspects relating to 'Demand and Supply of Petrochemicals in the country and to make the country a global supplier of petrochemicals by grabbing the opportunities created due to the present situation in the world. The perspective plans which have already prepared for the sector should be studied by this Committee in the light of the prevailing world economic scenario and a concrete road map for achieving complete self-reliance in the field of petrochemicals and to make the country a major hub for production of petrochemicals should be chalked out along with a definite time schedule. Based on the road map, necessary steps should be taken to achieve the goal in a time bound manner. The

Committee may be apprised of the action taken on the above recommendation within three months.

Reply of the Government

5.2 In its action taken reply, the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) have stated as under:-

“The recommendation of constituting a Joint Committee comprising senior representatives of MoP&NG, DCPC, EIL, Petroleum PSUs and the private sector and the experts in the field for examining all aspects relating to ‘Demand and Supply of Petrochemicals in the country’ and to make the country a global supplier of petrochemicals has been discussed with MoP&NG and framework is being prepared for the same.”

Recommendation no. 5 **SETTING UP OF WORLD SCALE PLANTS**

5.3 The Committee note that the Department of Chemicals and Petrochemicals has recommended to increase import duty to make petrochemical products globally cost competitive and economically viable so as to promote investment for building world scale petrochemical plants. In Committee’s view, increasing import duty may be one of the factors which may help setting up of World Scale Plants in the country but there are many other factors which are equally essential to attract entrepreneurs to set up world scale plants in the country for the production of Petrochemicals viz. faster and hassle free clearances, lowering of capital cost, incentives for setting up of world scale plants, tax holidays etc. The countries like China, Vietnam, etc. are the competitors in this field and it is necessary to study the incentives being offered by them to attract Foreign Direct Investment in the field of petrochemicals. The Committee, therefore, recommend that the Department of Chemicals and Petrochemicals to study the incentives and the ease of doing business methods viz. grant of faster environmental clearances, single window clearance for statutory/ legal requirements, provision of export incentives, lower cost of capital, tax holidays, etc. being adopted by leading countries to attract entrepreneurs to set up large scale petrochemical plants in their countries and to take concrete steps to attract Foreign Direct Investment for setting up World Scale Petrochemical Complexes in the country based on the outcome of that study.

Reply of the Government

5.4 In its action taken reply, the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) have stated as under:-

“The Committee suggested for undertaking Study on Petrochemicals for providing incentives to industry and also the ease of doing business methods to attract investment.

The Department of Chemicals and Petrochemicals is exploring the possibilities.”

New Delhi;
16 November, 2021
25 Kartika 1943 (Saka)

Kanimozhi Karunanidhi
Chairperson,
Standing Committee on
Chemicals and Fertilizers

**MINUTES OF THE FIRST SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2021-22)**

The Committee sat on Tuesday, the 16th November, 2021 from 1500 hrs. to 1700.hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

**K. KANIMOZHI - CHAIRPERSON
MEMBERS**

LOK SABHA

2. Shri Dibyendu Adhikari
3. Shri Prataprao Patil Chikhlikar
4. Shri Kripanath Mallah
5. Shri Parbhubhai Nagarbhai Vasava
6. Shri Satyadev Pachauri
7. Shri Arun Kumar Sagar
8. Shri Pradeep Kumar Singh
9. Shri Uday Pratap Singh

RAJYA SABHA

- 10 Shri Ayodhya Rami Reddy Alla
- 11 Shri G.C.Chandrashekhar
- 12 Dr. Anil Jain
- 13 Shri Anthiyur P. Selvarasu
- 14 Shri Arun Singh

SECRETARIAT

- | | | | |
|----|-------------------------|---|---------------------|
| 1. | Shri N. K. Jha | - | Director |
| 2. | Shri C. Kalyanasundaram | - | Additional Director |
| 3. | Shri Kulvinder Singh | - | Deputy Secretary |
| 4. | Shri Panna Lal | - | Under Secretary |

2. At the outset, the Chairperson welcomed the Members to the newly constituted Committee and apprised them that the sitting has been convened to consider Memorandum No.1 regarding selection of subjects for examination during the year (2021-22) and also to discuss the future course of action of the Committee during the tenure.

3. The Committee then considered Memorandum No. 1 and after discussion selected the following subjects pertaining to the Ministry of Chemicals and Fertilizers for detailed examination during 2021-22:-

**I. MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

1. Nano-fertilizers for sustainable crop production and maintaining soil health.

2. Tax structure on fertilizers sector in terms of GST and import duties – analysis of the tax structure of raw material and final products and its impact on self-sufficiency and use of fertilizers.
3. Prices, Availability and distribution of fertilizers.

**II. MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

4. Vision 2024 - To establish India as a leading manufacturer of chemicals and petrochemicals.
5. Insecticides – promotion and development including safe usage - licensing regime for insecticides.
6. Disposal of toxic waste from Bhopal Gas Leak site.
7. Environmental Impact of Petrochemical products.

**III. MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF PHARMACEUTICALS)**

8. Promotion of Medical Device Industry.
9. Availability of Medicines and Medical devices for COVID Management.
10. Self sufficiency of key starting Material and intermediates.

4. The Committee then considered and adopted the following draft Action Taken Reports unanimously without any amendment/change:-

- | | | | |
|------|---|-----|-----|
| i. | XXX | XXX | XXX |
| ii. | XXX | XXX | XXX |
| iii. | XXX | XXX | XXX |
| iv. | ATR on the recommendations/observations of the Committee contained in the Sixteenth Report on 'Demand and Availability of Petrochemicals including Imports and Exports' (Department of Chemicals and Petrochemicals). | | |
| v. | XXX | XXX | XXX |
| vi. | XXX | XXX | XXX |
| vii. | XXX | XXX | XXX |

5 The Committee also authorised the Chairperson to finalize and present the Action Taken Reports to the Parliament in the ensuing session.

The Committee then adjourned.

(Vide Para-3 of Introduction to Report)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SIXTEENTH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS ON THE SUBJECT 'DEMAND AND AVAILABILITY OF PETROCHEMICALS INCLUDING IMPORT AND EXPORTS ' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)

I	Total No. of Recommendations	12
II	Observations / Recommendations which have been accepted by the Government: (Vide Recommendation Nos. 2, 4, 7, 9, 10 and 12)	6
Percentage of Total		50%
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply:- (Vide Recommendation No. Nil)	0
Percentage of Total		0%
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:- (Vide Recommendation No. 3, 6, 8 and 11)	4
Percentage of Total		33.3%
V	Observations / Recommendations in respect of which final replies of the Government are still awaited: (Vide Recommendation No. 1 and 5)	2
Percentage of Total		16.7%