

Chemical and Petrochemicals

Current Scenario:

The chemical industry is the energiser of economic development. Currently, the industry contributes about 6.5 to 7% to the GDP.

ONGC, oil India and Cairn India have sought a reduction in cess on crude oil following the slump in global prices. Oil companies have demanded to switch to an ad valorem rate from a fixed rate. However, this change might not be feasible as it would adversely impact the government's revenue collection.

At least 9 billion cubic metres of natural gas, worth about Rs 9,000 crore, belonging to ONGC Ltd in the Krishna-Godavari basin may have migrated to Reliance Industries. The production sharing contract, suggests a joint development of the field.

The Odisha government is planning to set up a committee to lay down a roadmap for a downstream petrochemical complex and review of fiscal incentives for the 15-million tonnes oil refinery project at Paradip. The state government had signed an MoU with IOCL in 2004 for establishment of a nine million tonnes oil refinery with the aim of enhancing the refinery capacity to 15 million tonnes. The delayed project commissioning now requires a paradigm shift in tax and regulatory regime in petroleum sector and discussions along the lines of setting up of a downstream petrochemical complex for investment and job opportunities before a fresh MoU is inked.

Future Scenario:

The country's GDP is grow at 7.5 to 8 percent over the next three years; the chemical industry typically grows one and half to two times of the GDP. Hence the rate at which the chemical industry is expected to grow is at a rate of 15 to 20 percent during the period.

The chemical industry in the country has the potential to grow at 9 per cent annum to touch USD 214 billion in next four years.

Policy update:

The Rajasthan Government signed a memorandum of understanding (MoU) with Hindustan Petroleum Corporation Ltd. (HPCL) for setting up a refinery-cum-petrochemical complex in the Barmer region.