FICCI Concept – Reverse SEZ

The country is deficit in cheap energy source particularly natural gas and needs to depend more and more on fuels such as LNG. The local availability of gas which is priced around $ 4.5/mmbtu is very limited and unable to meet total needs and the country needs to depend on imported LNG which is available upwards at $15/mmbtu. On the international scenario with new discovery of shale gas in the USA and recent discoveries in Africa, the local gas prices in these countries are now between $2 to 3/mmbtu.

The total gas consumption in India for energy is largely for power, for fertilizer production and for petrochemicals. Due to the very high cost gas / LNG the country ends up with subsidizing output, thereby creating huge subsidies running into tens of thousands of crores every year.

Learning from other countries, such as China where energy and mineral needs have pushed the country to source these inputs in far flung regions, such as Brazil, Africa etc., India needs to similarly progress in order to secure its needs in energy and building blocks.

The closest energy/gas availability in abundance in countries around India is as those in Africa, Middle East and on the eastern boarder of India. However, since these countries are politically unstable, it is always a high risk for an individual Company to set up gas based manufacture of basic building blocks in these countries. It is therefore, proposed that the Indian Government help create a Special Economic Zone (SEZ) in these countries and maintain a politically stable relationship with the local Government. Various Indian Companies would be interested to invest into such an SEZ to use the cheap gas available to make chemical building blocks and bring them to India for the country's needs. One could term these SEZ as Reverse SEZ. The Reverse SEZ would be blessed with political stability due to the Indian Government and economic attractiveness due to cheap availability of gas in these countries.

The biggest beneficiary would first be the Fertilizer industry who would be able to get gas, its major input at a price which would be 1/4th of its current price. It is expected that every fertilizer plant with an individual capacity of 1500 tons/day would be able to save about a thousand crores every year, thereby contributing to reduce subsidies permanently.

The Petrochemical industry could look at making basic building blocks along with the Fertilizer industries in these Reverse SEZ areas such as Ammonia, Methanol and other C1 chemistry products. Cheap availability of C1 building blocks from the Reverse SEZ area will help assure large investments on downstream products in India (home market). Thus besides securing competitive inputs the Reverse SEZ would assure rapid investment in the downstream projects in India thereby creating large employment in the country.

India could also explore opportunities to make power based on crude/cheap Methanol being imported instead of LNG.

Following three countries have been shortlisted for exploring the Reverse SEZ opportunity, namely –

a. Mozambique
b. Iran
c. Myanmar

India can have a mutually beneficial business relationship with these countries. They are resource rich and Lack technical know-how, capital or both to build their own industry. They are low on priority for other countries due to their macroeconomic insecurity. Indian companies can

help these to develop their chemical/petrochemical industry by providing capital/technical know-how and in return obtain favorable business deals. The result will be mutually beneficial. Investment and employment will get created in these countries. At the same time, feed stock constraints of Indian Chemical and Petrochemical industry will get addressed. These will also have potential of developing into manufacturing base for supply to Africa/central Asia and facilitate closer bonding with the region.

Necessary action on the above can be done for which cooperation/ joint commitment of the Ministry of External Affairs, Ministry of Commerce along with Ministry of Chemicals and Fertlizers will be essential. FICCI will actively participate in carrying forward the concept of Reverse SEZ.

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