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. FICCI Chemical Committee suggests three countries for exploring the Reverse SEZ opportunity, namely –

a. Mozambique
b. Iran
c. Myanmar

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