

National Investment Policy for Urea-2026 (NIPU-2026)

July 23, 2026 • vajiramandravi.com



The Cabinet Committee on Economic Affairs (CCEA) has approved the National Investment Policy for Urea-2026 (NIPU-2026), a new framework to boost domestic urea manufacturing under Atmanirbhar Bharat. Replacing the NIP-2012 policy that lapsed in 2019, NIPU-2026 aims to set up new gas-based urea plants, adding around 10 million tonnes of production capacity to bridge India's demand-supply gap.

About the National Investment Policy for Urea-2026 (NIPU-2026)

The **National Investment Policy for Urea-2026 for Atmanirbhar Bharat (NIPU-2026)** is a new policy framework approved by the **Cabinet Committee on Economic Affairs (CCEA)** to attract investment in the urea manufacturing sector. It provides a framework for setting up new gas-based urea manufacturing units in India and expanding domestic production.

National Investment Policy for Urea-2026 (NIPU-2026) Objectives

National Investment Policy for Urea-2026 (NIPU-2026) aims to:

- Increase domestic urea production by encouraging new manufacturing units.

- Bridge the gap between urea demand and domestic production.
- Reduce dependence on imported urea.
- Strengthen India's fertilizer security.
- Promote self-sufficiency in urea production under the vision of Atmanirbhar Bharat.
- Create a transparent and financially viable framework for new urea projects.

National Investment Policy for Urea-2026 (NIPU-2026)

Key Features

National Investment Policy for Urea-2026 (NIPU-2026) aims to attract investment in new gas-based urea plants by increasing production capacity, making the cost framework more transparent and reducing financial risks for investors.

- **New Gas-Based Urea Plants:** The policy focuses on setting up new gas-based urea manufacturing units. It is expected to facilitate 8-9 new plants, which could add around 10 million tonnes to India's domestic urea production capacity.
- **Separate Fixed and Variable Costs:** NIPU-2026 separates fixed costs such as capital-related expenses from variable costs, such as costs that change with production. This makes the pricing and cost calculation process more transparent.
- **Defined Return on Equity (RoE):** The policy provides a 12%-16% RoE band. This gives investors a reasonable and predictable return while keeping the return within a defined limit.
- **Protection Against Foreign Exchange Risk:** To reduce the impact of fluctuations in exchange rates, fixed costs will be converted into Indian rupees after four years based on the prevailing exchange rate.
- **Lower Cost Compared with NIP-2012:** The reforms are estimated to result in savings of more than ₹250 crore for each plant compared with projects established under the earlier NIP-2012 framework.
- **Equal Incentives for All Sectors:** Projects established by the private, government and cooperative sectors will receive identical incentives, allowing different types of investors to participate in expanding domestic urea production.

National Investment Policy for Urea-2026 (NIPU-2026) Need

National Investment Policy for Urea-2026 (NIPU-2026) is needed because India continues to face a gap between its urea demand and domestic production, while the earlier framework for attracting new investment is no longer operational.

- **Growing Demand for Urea:** India's annual urea demand is around 40 million tonnes, while domestic production is approximately 30 million tonnes.
- **Import Dependence:** The production shortfall of around 10 million tonnes is met through imports.
- **Need for New Capacity:** The proposed addition of around 10 million tonnes of new capacity can help bridge the existing production gap.
- **Expiry of NIP-2012:** The investment window under NIP-2012 ended in October 2019, leaving the need for a new framework to attract investment in new urea projects.

- **Fresh Investment Proposals:** The Department of Fertilizers received proposals for establishing new urea manufacturing units after the expiry of NIP-2012.
- **Global Supply Chain Risks:** Dependence on imported fertilizer and energy inputs exposes India to international price fluctuations, geopolitical tensions and disruptions in global supply chains.

National Investment Policy for Urea-2026 (NIPU-2026) Significance

National Investment Policy for Urea-2026 (NIPU-2026) is significant because it seeks to connect the expansion of fertilizer production with India's wider goals of agricultural security, economic resilience and self-reliance.

- **Strengthens Fertilizer Security:** More domestic urea production can ensure a more reliable supply of a critical agricultural input.
- **Reduces Import Dependence:** Higher indigenous production can reduce India's reliance on international markets to meet domestic urea demand.
- **Supports Food Security:** Urea supplies nitrogen, an essential nutrient for crop growth. A stable fertilizer supply supports agricultural productivity and food security.
- **Promotes Atmanirbhar Bharat:** The policy encourages domestic investment and manufacturing in a strategically important sector.
- **Improves Investment Viability:** The defined RoE band, separate cost structure and foreign exchange risk mitigation can provide greater certainty to investors.
- **Improves Supply Chain Resilience:** Increased domestic production can reduce the impact of international supply disruptions and price volatility.
- **Broadens Investment Participation:** Equal incentives for private, government and cooperative sector projects can encourage wider participation in the fertilizer industry.

National Investment Policy for Urea-2026 (NIPU-2026) Challenges

The success of the National Investment Policy for Urea-2026 (NIPU-2026) will depend not only on attracting investment but also on the timely completion and efficient operation of the new plants.

- **Natural Gas Availability:** Gas-based urea plants need a reliable and affordable supply of natural gas. Shortages or sharp increases in gas prices can raise production costs.
- **High Capital Requirements:** New urea plants require large investments, advanced technology and supporting infrastructure.
- **Global Energy Price Volatility:** Changes in international natural gas prices can affect the cost and financial viability of gas-based urea production.
- **Implementation Delays:** Delays in land acquisition, environmental clearances, construction and infrastructure development can postpone the creation of new capacity.
- **Subsidy Burden:** Since urea is heavily subsidised, expansion of domestic production must be balanced with the government's long-term fertilizer subsidy expenditure.
- **Excessive Urea Use:** India's fertilizer challenge is not limited to inadequate urea production. Excessive use of urea and imbalanced application of nutrients also affect soil health and agricultural sustainability.

- **Need for Balanced Fertilization:** Increasing urea availability must be accompanied by the balanced use of nitrogen, phosphorus, potassium and other essential nutrients, along with improved nitrogen-use efficiency.

India's Other Initiatives Related to Fertilizers

India has undertaken several initiatives to improve fertilizer availability, promote balanced nutrient use, improve soil health and reduce excessive dependence on conventional chemical fertilizers.

- **Nutrient-Based Subsidy (NBS) Scheme:** Introduced in 2010 for Phosphatic and Potassic (P&K) fertilizers, it provides subsidies to keep them affordable and promotes the balanced use of plant nutrients.
- **Neem-Coated Urea:** The government mandated 100% neem coating of urea in 2015. It slows the release of nitrogen, improves nitrogen-use efficiency and helps prevent the diversion of subsidised urea for non-agricultural purposes.
- **Soil Health Card Scheme:** Launched in 2015, it provides farmers with information on the nutrient status and physicochemical properties of their soil, helping them apply fertilizers according to soil and crop requirements.
- **Nano Fertilizers:** These use nanomaterials to deliver nutrients more efficiently, potentially reducing nutrient losses and improving nutrient absorption by crops. India aims to replace 10% of conventional DAP and urea consumption with nano substitutes within 3–4 years.
- **Urea Gold:** A sulfur-coated urea that supplies both nitrogen and sulfur, helping address sulfur deficiency in Indian soils.
- **Liquid Nano Urea:** Developed by IFFCO, it is a nanotechnology-based liquid fertilizer applied directly to plant leaves to improve nutrient-use efficiency and reduce the physical requirement for conventional urea.
- **PM PRANAM:** The Pradhan Mantri Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth encourages States and Union Territories to promote alternative fertilizers and the balanced use of chemical fertilizers.
- **One Nation One Fertilizer:** Under the Pradhan Mantri Bhartiya Jan Urvarak Pariyojana, subsidised fertilizers are sold under the single brand name “Bharat”, promoting uniform branding and improving the distribution of subsidised fertilizers.

Source: <https://vajiramandravi.com/current-affairs/national-investment-policy-for-urea-2026/>

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