

The Green and Gold Revolution: Decoding India's National Investment Policy for Urea-2026 (NIPU-2026)

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ABSTRACT

The National Investment Policy for Urea-2026 (NIPU-2026) is a strategic initiative aimed at strengthening India's fertilizer sector by promoting domestic urea production and reducing import dependence. The policy encourages the establishment of 8-9 new gas-based urea plants with an additional production capacity of 10 million tonnes. Key provisions include assured Return on Equity (12-16%), transparent cost mechanisms, foreign exchange risk mitigation, and improved investment incentives. NIPU-2026 is expected to enhance fertilizer availability, improve food security, generate employment, conserve foreign exchange, and support the vision of Aatma Nirbhar Bharat through a sustainable, efficient, and investor-friendly fertilizer manufacturing ecosystem.

INTRODUCTION: The Unseen Bedrock of India's Food Security

Millions of hectares of agricultural land from Punjab to Tamil Nadu undergo a stealthy metamorphosis every day. Digital algorithms or complex software are not used in this transformation.

Rather, it depends on urea, a simple, white, granular chemical substance. In India, urea is the most often used nitrogenous fertiliser. It ensures that the country's crops grow dense, green, and productive by acting as their main



life support system. Urea is more than just a crop input in a nation where more than half of the population makes their living from agriculture. It is a fundamental force behind the rural economy and the actual cornerstone of India's food security. However, a profound structural fragility has historically characterised India's relationship with this vital resource.

The nation has 33 highly developed, functioning domestic manufacturing facilities, yet there is still a persistent mismatch between supply and demand. India presently produces about 30 million tonnes of urea annually, but its starving soils require close to 40 million tonnes. The country is compelled to seek elsewhere in order to close this enormous 10 million tonne gap, paying priceless foreign coin to acquire fertiliser from overseas markets. Because of this dependence, India's agricultural ecology is vulnerable to the vagaries of unstable international supply chains, interruptions in shipping lanes, and abrupt changes in geopolitics. In order to overcome this reliance, Prime Minister Narendra Modi's Cabinet Committee on Economic Affairs (CCEA) established the National Investment Policy for Urea-2026 (NIPU-2026), a significant legislative framework. Formulated by the Department of Fertilizers, NIPU-2026 is a calculated, modern blueprint designed to fundamentally rewrite India's industrial landscape.

NIPU-2026 aims to increase production capacity by precisely 10 million tonnes by actively encouraging the establishment of 8 to 9 new domestic gas-based industrial facilities. In order to guarantee that India's agricultural future is fully self-sustaining, its ultimate objective is to attain complete self-reliance (Aatma Nirbhar Bharat) in the fertiliser sector. (PIB, 2026)

1. The True Significance of NIPU-2026: Putting Policy into Action

A national investment policy is fundamentally a statement of economic intent supported by financial and legal commitments. Building a chemical manufacturing facility is a risky, capital-intensive venture for investors. In addition to a lengthy gestation time before the first bag of urea is produced, greenfield fertiliser plants involve thousands of crores in upfront capital expenditure, complicated land acquisitions, and navigating stringent environmental permits. In order to turn this difficult environment into a desirable location for both local and foreign capital, NIPU-2026 serves as a comprehensive, state-backed de-risking tool. Establishing a highly organised and transparent fiscal environment is how the policy works.

Establishing a highly organised and transparent fiscal environment is how the policy works. Instead of forcing companies to navigate unpredictable market pricing, NIPU-2026 sets up a clear, predictable pricing and returns framework. Any new plant constructed in accordance with this policy will function within a safeguarded financial ecology, the government promises.

Additionally, the regulation requires any additional capacity to be gas-based. This means that new industries will use natural gas as their main chemical feedstock rather of outdated, dirtier, coal-intensive synthesis processes. By utilising India's quickly growing national natural gas grid, this strategy skilfully combines the growth of heavy industry with the nation's larger shift to greener, more effective energy sources.

2. The Convergence of Domestic and Global Crises: The Need for It Now

The timescale for NIPU-2026 is set by a confluence of urgent domestic problems and unpredictable global conditions. Why couldn't

India simply continue with its existing import agreements? The answer lies on three essential components:

- **Transitional Agrarian Dynamics**

India's domestic urea demand is rising steadily at a pace of 5% annually. The primary causes of this growth are a number of years of record-breaking crop yields, changes in the country's cropping patterns, and an increase in total sowing areas. As they employ intensive agricultural methods to feed an expanding population, farmers are more reliant than ever on a timely and consistent supply of nitrogen. From 225 LMT per annum during 2014-15, the current production from all these units has reached 314.07 LMT during 2023-24. "During 2025-26, 293.30 LMT of Urea was produced in the country," according to the government. (Jigeesh, 2026)

- **The Expiration of the NIP-2012 Window**

The government previously tried to address this issue with the New Investment Policy (NIP) of 2012. In October 2019, NIP-2012's active investment window was permanently closed, despite the fact that it was a successful catalyst for the development of six major new urea facilities. For many years, the Department of Fertilisers received fresh, extremely attractive commercial offers for new facilities, but it lacked the modern legislative framework required to accept or compensate them. NIPU-2026 effectively closes this regulatory gap. (PIB, 2026)

- **Geopolitical Supply Chain Fragility**

International trade is now in a more precarious situation. Trade restrictions, energy blockades, and regional crises frequently cause disruptions to international fertiliser shipping routes. Due to the close relationship between urea production and natural gas prices, global events have the potential to cause fertiliser prices to skyrocket overnight. (Jigeesh, 2026)

If India relies on foreign sources for 25% of its urea, it may see unexpected spikes in its import bill or, worse, sudden local shortages during important planting seasons. NIPU-2026 is being introduced now to protect the nation's autonomous agricultural supply lines before the next worldwide crisis occurs.

3. How It Differs from Past Policies: The Structural Evolution

NIPU-2026 is not a simple renewal of the old NIP-2012 framework; it represents a significant structural progression. By studying historical operational constraints, the government made four significant policy modifications targeted to enhance market efficiency and boost investor confidence:

- **Unbundling of Fixed and Variable Costs**

Under NIP-2012, fixed operational costs (such as plant maintenance, payroll, and administration) and variable costs (such as raw natural gas prices) were bundled together into a single pricing equation. This lack of clarity makes it difficult to detect inefficiencies. NIPU-2026 completely divides these cost centers. This unbundling gives both the government and industrial operators a clear view of spending, making it much easier to track and control expenses. (PIB, 2026)

- **The Return on Equity (RoE) Band**

To remove financial ambiguity, NIPU-2026 introduces designated, legally guaranteed Return on Equity (RoE) band. It establishes a hard floor of 12% and a ceiling of 16%. This system assures investors a highly steady, predictable profit corridor, safeguarding them against market failures while avoiding undue profiteering at public's expense.

- **Mitigation of Foreign Exchange (Forex) Risk**

Industrial fertilizer machinery and feedstock purchases are often priced in US Dollars,



exposing projects to abrupt currency changes. NIPU-2026 offers a novel solution: a plant's fixed expenses are automatically converted into Indian Rupees (INR) based on current exchange rates after the first four years of operation. This technique insulates operators from long-term currency volatility, making projects significantly more secure for both domestic and international lenders.

• Substantial Capital Savings

Thanks to these revised cost-accounting methodologies and focused risk mitigations, NIPU-2026 is estimated to save about ₹250 crore per plant in comparison to the NIP-2012 framework. Because of these reductions, the initial barrier to entry is lowered and domestic manufacturing is immediately competitive with imports from overseas. (PIB, 2026)

4. Practical Benefits: The Triple-Engine Advantages

India's agricultural, strategic, and economic sectors all gain from NIPU-2026:

The Economic Engine

- Local employment is increased by both public and private investment in rural manufacturing clusters.
- Production expenses are decreased by streamlined cost structures.
- Increases the competitiveness of domestic operations worldwide
- Reduces the long-term financial strain on the government

Engine of Strategy

- India is protected from limits on international exports by closing the 10 million tonne import imbalance.
- Lessens vulnerability to shipping constraints and pressure on global prices

- Transforms India from a dependent importer to a self-sufficient manufacturer.

Engine for Agriculture

- Farmers are protected from shocks to global prices by a timely and consistent supply of fertiliser.
- Allows for confident planning of the sowing season
- Maintains national food prices and agricultural yields.

5. Significance and Extent: Comprehending the Policy's Size

The enormous physical infrastructure that NIPU-2026 seeks to construct must be considered in order to fully appreciate its scope. We are considering a bold, concerted effort to build eight or nine top-notch industrial hubs at the same time. The policy covers far more than just manufacturing floors. In order to connect new manufacturing clusters directly into India's growing natural gas pipeline networks, it is necessary to establish strong connections with the country's infrastructure.

This enormous scope guarantees that the financial gains are dispersed throughout several states, boosting regional economies, improving regional transportation systems, and enhancing India's capacity for industrial manufacture.

This scale is reflected in current availability data: against a kharif season requirement of 370.84 LMT, the country had 432.44 LMT available, with 381.59 LMT distributed through the Direct Benefit Transfer (DBT) system via Point-of-Sale devices linked to Aadhaar and other beneficiary IDs (Jigeesh, 2026).

6. Significant Distinctions Between Agricultural and Industrial Urea (Yadav,2026)

Same chemical formula ($\text{CO}(\text{NH}_2)_2$), but completely different in application, regulation, and economics:

Aspect	Agricultural Urea	Industrial Urea
Use	Soil fertiliser containing nitrogen	Raw material for resins, dyes, plywood adhesives, textiles, and plastics
Pricing	Heavily subsidised and sold below cost	Completely market-priced with no subsidies
Coating	Neem-coated (required by law)	Uncoated (to ensure chemical purity)
Impact of Coating	Enhances crop absorption, slows nitrogen release, and makes it unsuitable for commercial use	Not relevant; industrial procedures require a high level of purity
Packaging	Unique yellow bags bearing official labels	Plain white sacks with industrial labelling
Regulatory Goals	Prevent diversion to industrial usage	Facilitate straightforward identification and prevent illegal entry into subsidised supply chains

7. Difficulties: Handling the Industrial Obstacle Course

- **Feedstock Security:** Heavy reliance on imported LNG due to limited domestic gas output, exposing plants to global price instability
- **Environmental Compliance:** Emissions and high-water use necessitate careful adherence to emerging requirements including zero-liquid-discharge standards

- Coordinating engineering, site acquisition, and permissions for eight to nine greenfield plants is capital and execution complex; delays could undermine cost reductions.
- Maintaining constant profitability for private actors while guaranteeing farmers reasonable prices is known as the "subsidy balancing act." The scale of this challenge is significant -the total fertiliser subsidy stood at ₹2,17,281.10 crore in 2025-26, with the urea subsidy alone accounting for ₹1,42,175.74 crore of that (Jigeesh, 2026)

CONCLUSION: Ensuring a Self-Sufficient Future

- NIPU-2026 marks a key milestone toward India's industrial and agricultural self-reliance
- Structural upgrades, unbundled cost tracking, protected return bands, and forex risk shields create a secure investment environment
- True self-reliance means building resilience against global shocks, not isolation
- By adding 10 million tonnes of domestic capacity, NIPU-2026 safeguards India's agricultural base and enables it to support farmers, feed its people, and drive growth on its own terms

8. The Way Forward: An Effective Strategic Plan

- **Long-Term Gas Contracts:** Fixed-price international gas agreements supported by the government that protect plants against price volatility
- **Single-Window Clearance:** NIPU-2026-specific gateway to expedite environmental, pipeline, and land approvals
- Research on green hydrogen and ammonia should be funded in order to progressively

separate the production of fertilisers from the use of fossil fuels.

- **Monitoring the Digital Supply Chain:** IoT/blockchain tracking from farm to factory to guarantee urea reaches Indian fields and avoid diversion.

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