

Draft policy for promotion of greenfield investments in the steel sector

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Source: PRS India

The Ministry of Steel has published a draft policy for the promotion of new steel plants.

Need for greenfield steel plants

- The Ministry has estimated that an additional capacity of 25-30 million tonnes per annum of steel production will be required to meet the domestic steel consumption demand by 2024-25.
- Such capacity expansion will require setting up new plants (greenfield steel plants) with investments worth Rs 1-1.5 lakh crore.

Key challenges to be addressed by the draft policy

The draft policy attempts to address the key challenges in setting up new projects, such as:

- Availability of land
- Long term availability of iron ore at a competitive price
- Faster grant of statutory clearances, and
- Incentives for a large investment

Important features of the draft policy

Operating Models: The draft policy provides the following models for providing land and iron ore mines to the new projects:

- **Steel CPSEs driven:** Excess land available with central

public sector enterprises (CPSEs) in the steel sector and supply of iron ore from mines under such CPSEs can be leveraged for this purpose.

- **State government-driven:** State governments will be responsible to identify suitable land for the project.

Mines may be provided through the following options:

1. Direct auction of a mine
 2. A specified mine may be reserved for a CPSE/state PSE and then long-term linkage (for more than 15 years) to the specified mine may be provided to the project, or
 3. A specified mine may be reserved for a state government company and the project owner may be given 26% equity in the company. A joint auction will be conducted to transfer ownership of land and mines.
- **Role of the Ministry:** Key responsibilities of the Ministry of Steel under the draft policy include:
 1. Setting up a task-force for reviewing the projects and facilitating approval and infrastructural support for the projects
 2. Providing a single window for environmental and forest clearance
 3. Leveraging incentives under the state industrial policies and the central government schemes for these projects
 4. Setting up a project monitoring cell to drive completion of a greenfield project within the specified timeline, and
 5. Ensuring prioritization of projects for expansion of logistics infrastructure such as railways, roads and slurry pipelines.