21

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2022-23)

(SEVENTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Eighteenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2022-23) on Demands for Grants (2023-24)]

TWENTY FIRST REPORT

LOK SABHA SECRETARIAT
NEW DELHI

August, 2023/Shravana, 1945 (Saka)

CP&NG NO.

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PETROLEUM & NATURAL GAS
(2022 - 23)

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[Action Taken by the Government on the recommendations contained in the Eighteenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2022-23) on Demands for Grants (2023-24)]

Presented to Lok Sabha on 08.08.2023

Laid in Rajya Sabha on 08.08.2023

LOK SABHA SECRETARIAT
NEW DELHI

August, 2023/Shravana, 1945 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2022-23)

Sl. No. **Names of Members**

LOK SABHA

Shri Ramesh Bidhuri – Chairperson

2	Dr. Ramesh Chand Bind
3	Shri Pradyut Bordoloi
4	Shri Girish Chandra
5	Smt. Chinta Anuradha
6	Shri Dilip Saikia
7	Shri Topon Kumar Gogoi
8	Shri Naranbhai Bhikhabhai Kachhadiya
9	Dr. Kalanidhi Veeraswamy
10	Shri Santosh Kumar
11	Shri Rodmal Nagar
12	Shri Mitesh Rameshbhai Patel
13	Shri Unmesh Bhaiyyasaheb Patil
14	Shri M.K. Raghavan
15	Shri Chandra Sekhar Sahu
16	Shri Gajanan Chandrakant Kirtikar
17	Dr. Bharatiben Dhirubhai Shiyal
18	Shri Janardan Singh Sigriwal
19	Shri Lallu Singh
20	Shri Vinod Kumar Sonkar
21	Shri Ajay Tamta

RAJYA SABHA

22	Shri Shaktisinh Gohil
23	Smt. Kanta Kardam
24	Shri Mithlesh Kumar
25	Shri Pabitra Margherita
26	Shri Rambhai Harjibhai Mokariya
27	Shri Surendra Singh Nagar
28	Dr. Sasmit Patra
29	Shri Subhas Chandra Bose Pilli
30	Dr. V. Sivadasan
31	Shri Ravichandra Vaddiraju

SECRETARIAT

1	Shri Y.M. Kandpal	Joint Secretary
2	Shri H. Ram Prakash	Director
3	Shri Brajesh Kumar Singh	Deputy Secretary
4	Shri Gurpreet Singh	Committee Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Twenty-First Report on Action Taken by the Government on the recommendations contained in the Eighteenth Report (Seventeenth Lok Sabha) of the Committee on 'Demands for Grants (2023-24)'.

2. The Eighteenth Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha/ laid on the table of Rajya Sabha on 23.03.2023. The Action Taken Replies of the Government to all the recommendations contained in the Eighteenth Report were received on 22.06.2023.

3. The Standing Committee on Petroleum & Natural Gas (2022-23) considered and adopted the Report at their sitting held on 04.08.2023.

4. An analysis of the action taken by the Government on the recommendations contained in the Eighteenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas is given in Annexure-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

6. The Committee place on record their appreciation for the valuable assistance rendered to them by the officers of the Lok Sabha Secretariat attached to the Committee.

New Delhi;
***04 August*, 2023**
13 Shravana, 1945 (Saka)

RAMESH BIDHURI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum and Natural Gas deals with the action taken by the Government on the recommendations contained in the Eighteenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2022-23) on "Demands for Grants (2023-24) of the Ministry of Petroleum and Natural Gas'', which was presented to Lok Sabha and laid in Rajya Sabha on 23.03.2023.

2. Action Taken Notes have been received from the Ministry on 22.06.2023 in respect of all the 20 recommendations/observations contained in the report. These have been categorized as per the following:

(i) Recommendations/Observations that have been accepted by the Government:- Reco. Nos. 1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 14, 16, 17, 18, 19 and 20 (Total - 16)

(Chapter- II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- Nil

(Chapter- III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 4, 5 and 15 (Total - 3)

(Chapter- IV)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Reco. No. 13 (Total - 1)

(Chapter- V)

3. The Committee desire that the Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report and Final Replies in respect of the recommendations for which interim replies have been furnished by the Government (included in Chapter-V), should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

Recommendation No. 4

Construction of ISPRL Phase-II Projects

5. The Committee had recommended as under:

"The Committee note that an allocation of Rs 508 Cr has been made in the BE 2023-24 for construction of ISPRL Phase-II projects at Chandikhol (Odisha) and Padur (Karnataka) with storage capacity of 4.0 MMT and 2.5 MMT respectively using underground unlined rock caverns storage technology in PPP mode. Besides, provision of rs 202.81 Cr has been made for payment to ISPRL regarding O&M Expenditure for Mangalore (Padur) and Vishakhapatnam Projects. The Committee are also given to understand that the additional caverns in phase II, envisaged to be constructed shall be close to existing refineries respectively and the increase in capacity will add to increase in 12 days of crude oil requirement. In addition, 1.5-2 MMT capacity is proposed to be constructed adjacent to existing caverns at Mangalore. Feasibility of constructing above ground storage at Mangalore and Padur on the existing land is also being looked into. ISPRL is also examining storages in other locations in the country. It is also noted that since land allotment at both the locations is pending with respective State Governments in Odisha and Karnataka, the projects could not be started and consequently allocation of the outlays of Rs 600 Cr in BE 2022-23 could not be utilized. The Committee find that there has been inordinate delays in land acquisitions in respect of both the projects in the two states and the progress seems to be minimal. Taking note of the fact that the strategic petroleum reserves are projects of national importance to enhance energy security of the country, the Committee, therefore, desire the Ministry to take up the issue of land acquisition at the highest level in coordination with the two State Governments keeping in view interests of all stake holders. and also desire that the Ministry should explore possibility of building more strategic petroleum reserves across the country particularly mini or small caverns wherever geological conditions are favourable for constructing such caverns. The Committee further desire that the Ministry should also explore the option of giving responsibility to OMCs/refineries to operate and maintain strategic petroleum reserves caverns while the Ministry bears the capital cost for construction".

6. In this regard, the Ministry has submitted the following reply:

"Cabinet had approved development of Commercial cum Strategic reserves under Phase II at Chandikhol (4MMT) and Padur (2.5 MMT) on Public-Private Partnership (PPP) mode along with dedicated Single Point Mooring (SPM) and associated pipelines during cabinet meeting held on 08th July 2021.
Land Acquisition is under process and discussions with the respective State Governments for expeditious completion of land acquisition are going on".

Ministry of Petroleum & Natural Gas
No.G-38011/14/2022-Fin.I dated 19th July, 2022

Comments of the Committee

7. The Committee in their original report while pointing out the inordinate delay being experienced in land acquisition in respect of both the ISPRL projects at Chandikhol (Odisha) and Padur (Karnataka) had desired the Ministry to take up the issue of land acquisition at the highest level in coordination with the two State Governments. The Committee had recommended that these projects should be taken to their logical conclusion and also to explore possibility of building more strategic petroleum reserves particularly mini or small caverns. Moreover, the Committee had also desired that the Ministry should explore the option of giving responsibility to OMCs/refineries to operate and maintain strategic petroleum reserves caverns while the Ministry bears the capital cost for construction.

In this regard, the Committee note that the Ministry have stated that land acquisition is under process and discussions with the respective State Governments for expeditious completion of land acquisition are going on and that the Cabinet had approved development of Commercial cum Strategic reserves under Phase II at Chandikhol (4MMT) and Padur (2.5 MMT) on Public-Private Partnership (PPP) along with dedicated single point mooring and associated pipelines. The Ministry has neither furnished details of steps taken towards solving vexatious issue of land acquisition nor it has furnished any road map or plan to construct strategic storage facilities for crude oil in association with Oil Marketing Companies (OMCs)/Refineries. The Committee are not satisfied with the reply of the Ministry and reiterate their earlier recommendation for expediting the process for completion of land acquisition in respect of both the projects. The Committee further desire the Ministry to explore feasibility of building

mini or small caverns by engaging OMCs/Refineries to operate and maintain strategic petroleum reserves caverns while the Ministry bears the capital cost for construction.

<u>Recommendation No. 5</u>

<u>LPG Connections to Poor Households (Pradhan Mantri Ujjwala Yojana)</u>

8. The Committee had recommended as under:

"The Committee note that in BE 2023-24, only a token amount of Rs. 1 Lakh has been made in respect of PMUY scheme for providing LPG connections to poor households as against Rs. 800 cr provided in BE 2022-23 which was increased to Rs. 8010 Cr at RE stage in 2022-23. The Committee also note that the target of release of additional 60 lakh connections in addition to 9 crore already issued under PMUY was achieved by December, 2022. The Committee are also given to understand that as on closing of January 2023, OMCs have received 7.8 lakh cleared applications under Ujjwala 2.0 scheme which are pending for release of the connection. The Committee have been apprised that a proposal to provide PMUY connections to remaining applicants is under progress for due approvals. Besides, on perusal of the state-wise details regarding release of 60 Lakh connections under Ujjwala 2.0, the Committee observe that more efforts are needed to enhance LPG coverage. The Committee have been assured that funds would not come in the way of releasing pending applications under PMUY and that OMCs are fully capable of undertaking expenditure from their own sources for implementing the scheme and claim reimbursement later on. In this regard, the Committee while being satisfied with the achievement of the scheme, sincerely appreciate the efforts of the Ministry and OIVICs for the successful implementation of the scheme and also their readiness to further enhance coverage of the scheme keeping in view emergence of new households seeking connections under PMUY. The Committee recommend the Ministry/OMCs to strive for clearing pending 7.8 lakh applications under Ujjawala 2.0 and devise the required modalities at the earliest so that the scheme will be implemented for the new beneficiaries within the stipulated deadline. Further, the Committee also desire the Ministry to provide LPG connections on demand and include beneficiaries of poor households living in urban/rurban areas so as to make the PMUY benefit all stratums of the society and help build gas based economy across the country".

9. In this regard, the Ministry has submitted the following reply:

"Hon'ble Finance Minister during her Budget Speech for FY 2021-22 on 01.02.2021 had announced that Ujjwala Scheme which has benefited 8 crores households will be extended to cover 1 crore more beneficiaries. Accordingly, Ujjwala 2.0 was launched in the esteemed presence of the Hon'ble Prime Minister from Mahoba District of Uttar Pradesh on 10th August, 2021 on pan India basis to provide additional one crore LPG connections along with free first refill and stove to cover the left-out poor households. Subsequently, the Government decided to release 60 lakh more LPG connections under Ujjwala 2.0 and as on 01.01.2023, the target of 1.60 crore Ujjwala 2.0 connections has already been achieved. OMCs have received 8.4 lakh cleared applications under Ujjwala 2.0 scheme which are pending for release the connection. A proposal to provide PMUY connections to remaining applicants is under progress. Once the proposal is approved by competent authorities, necessary action to seek additional budget for the additional PMUY connections will be initiated".

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<u>**Comments of the Committee**</u>

10. The Committee in their original Report had recommended the Ministry/OMCs to strive for clearing pending 7.8 lakh applications under Ujjawala 2.0 within the stipulated deadline. Further, the Committee had also desired the Ministry to provide LPG connections on demand and include beneficiaries of poor households living in urban/rurban areas so as to ensure that the PMUY benefit all stratums of the society. The Ministry in their action taken reply have stated that OMCs have received 8.4 lakh applications under Ujjwala 2.0 scheme which are pending for release the connections and a proposal to provide PMUY connections to remaining applicants is under progress. Once the proposal is approved by competent authorities, necessary action to seek additional budget for the additional PMUY connections will be initiated.

The Committee are not satisfied with the reply of the Ministry as the aspect related to identification of new beneficiaries belonging to poor households living in urban/rurban areas under PMUY scheme has not been touched upon in the reply. Moreover, no mention about the likely time frame by

which the pending applications will be cleared for release of connection points towards a non-serious attitude of the Ministry as well as OMCs towards clearing pending applications. The Committee, therefore, reiterate their earlier recommendation and exhort the Ministry for expediting the approval process for clearing the pending 8.4 lakhs applications under Ujjawala 2.0 and also desire that OMCs should make proactive efforts in getting in additional budget once the requisite approvals are obtained.

Recommendation No. 6

Indian Institute of Petroleum Energy (IIPE), Visakhapatnam

11. The Committee had recommended as under:

"The Committee note that the Government has made a provision of Rs 168 Cr in respect of IIPE during the financial year 2023-24. The Committee further note that while Rs 150 Cr allocation was made in BE 2022-23 which was reduced to Rs 100 Cr during RE 2022-23, the actual expenditure upto 1.1.2023 has been shown as 'nil'. The Committee have been informed that since its inception, the Institute is operating from temporary campus situated at Andhra University College of Engineering, Visakhapatnam as the land allocated for the construction of a permanent campus of IIPE was under litigation. Further, it has been learnt that consequent upon the order passed by Hon'ble High Court of Andhra Pradesh on 15.12.2022 preventing any sort of interference, hindrance or obstruction in the construction activities by IIPE, APIIC has now resumed the construction activities of the boundary wall in the alienated land and the conceptual drawings for the buildings have been facing time and cost overrun as the original outlay for construction of permanent campus and infrastructure development was pegged at Rs 655.47 Crore and was to be completed in two phases by financial year 2020-21 has now been revised to be estimated to Rs 928.66 Crore due to GST and inflation and is now proposed to be completed by financial year 2026-27.

In this regard, the Committee while welcoming the adjudication by the Hon'ble High Court, recommend the Ministry to fast track the construction activities on the allocated land for IIPE by undertaking proper coordination with implementing agencies like APIIC and CPWD to avoid any further cost and time over run. The Committee may be kept abreast of the progress".

12. In this regard, the Ministry has submitted the following reply:

"The MoP&NG has released the amount of Rs. 29,24,90,810/- on 31.03.2023 for the financial year 2022-23. The expenditure incurred by the Institute during the financial year 2022-23 towards construction of permanent campus and infrastructure development was Rs. 17.781 crore.

The original outlay for setting up of IIPE was pegged at Rs. 655.47crore which includes for construction of buildings, infrastructure, purchase, of machinery, equipment, software/Hardware, Furniture & Fixtures etc. However, due to pending Court cases litigated by the farmers and as land could not be handed over to the Institute till mid of March, 2023, the Institute could not start the construction activities within the time frame. Further, as per the Detailed Project Report (DPR) which was prepared by M/s KPMG, the construction estimates per unit rates were bases on CPWD plinth area rates (PAR) 2012 and Cost Index 2014. The estimated rates as provided in the DPA are of 10 years old which will not match with the latest construction cost due to time lag, inflation, introduction of GST regime, etc. and hence it has been revised to be estimated to Rs. 928.66 crore for construction activities, excluding land cost.

However, in this regard, based on the recommendations of the Finance Committee of the Institute, the Board of Governors, IIPE during the 16th meeting held on 17.03.20023 approved for entrusting M/s Education Consultant of India Ltd. {EdCIL), a Central PSU, under Ministry of Education, for carrying out the study and preparing a Revised DPR to enable the Nodal Ministry to revise the total project cost and timeline of completion of project. The same is under process at the Institute level. On submission of the revised DPR by the proposed firm, the final estimates for setting of the permanent campus of IIPE will be confirmed.

Consequent, upon the order passed by the Hon'ble High Court of Andhra Pradesh on 15.12.2022, the Andhra Pradesh Industrial Infrastructure Corporation (APIIC) has resumed the construction activities of the boundary wall.

Based on the finalized drawings of buildings of the permanent campus, CPWD has submitted the Preliminary Estimates for Rs. 383 crore of Phase-1 construction on 13.03.2023 and the same was approved by the Board of Governors, IIPE during its meeting held on 17.03.2023. The Institute has accorded the AA & ES for the preliminary estimates and communicated the same to the CPWD on 22.03.2023. The Institute has released a total amount of Rs. 38.3 crore being advance 10% of AA&ES (Rs. 25.7 crore released in FY 2021-22 & Rs. 12.6 crore released in FY 2022-23 on 29.03.2023), to the CPWD, as per agreement terms and conditions.

The CPWD is in process of hiring the Consultant for development of Bulk Services which consists of design and schematic drawings for road network, water supply, sewerage system, capacity calculations for WTP, STP etc/ in the permanent campus of the Institute. The report is expected to be submitted by the CPWD by end May, 2023. Subsequently, the CPWD will initiate the tendering process for construction activities".

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Comments of the Committee

13. The Committee in their original report had recommended the Ministry to fast track the construction activities on the allocated land for IIPE by undertaking proper coordination with implementing agencies like APIIC and CPWD to avoid any further cost and time over run.

The Ministry in their action taken reply have *interalia* submitted that the amount of Rs. 29,24,90,810/- has been released as on 31.03.2023 for the financial year 2022-23. The expenditure incurred by the Institute during the financial year 2022-23 towards construction of permanent campus and infrastructure development was Rs. 17.781 crore. Further, it has been stated in the reply that based on the recommendations of the Finance Committee of the Institute, the Board of Governors, IIPE during the 16th meeting held on 17.03.20023 approved for entrusting M/s Education Consultant of India Ltd. (EdCIL), a Central PSU, under Ministry of Education, for carrying out the study and preparing a Revised DPR to enable the Nodal Ministry to revise the total project cost and timeline of completion of project. The same is under process at the Institute level. On submission of the revised DPR by the proposed firm, the final estimates for setting of the permanent campus of IIPE will be confirmed. The Ministry have further stated in their reply that CPWD is in process of hiring the Consultant for development of Bulk Services in the permanent campus of the Institute. The report is expected to be submitted by the CPWD by end May, 2023. Subsequently, the CPWD will initiate the tendering process for construction activities.

The Committee while accepting the reply of the Ministry opine that there has been considerable delay in operationalisation of the Institute which has

resulted in both time and cost overrun. The Committee, therefore, reiterate their earlier recommendation to fast track the construction activities by undertaking proper coordination with implementing agencies like APIIC and CPWD and also with M/s Education Consultant of India Ltd. (EdCIL) which has been entrusted with preparing a revised Detailed Project Report (DPR) to enable the Nodal Ministry to revise the total project cost and timeline of completion of project. The Ministry may also apprise the Committee about the action taken in the matter within six months of presentation of this report.

Recommendation No. 11

Numaligarh Refinery Expansion Project

14. The Committee had recommended as under:

"The Committee note that outlays of Rs 245 Cr and Rs 500 Cr have been made in RE 2022-23 and BE 2023-24 respectively for Numaligarh Refinery Expansion Project. The Committee further note that the Numaligarh Refinery Limited (NRL) was established in 1993 in accordance with historic Assam accord signed on 15th August, 1985 as an economic package which led to setting up of Numaligarh Refinery. The NRL was dedicated to the nation by the former Prime Minister late Atal Bihari Vajpayee on the 9th of July, 1999 and the 3 MMTPA capacity refinery was commissioned on the 1st October, 2000. The Committee further note that the refinery has embarked on a major integrated expansion project to treble its capacity from 3 MMTPA to 9 MMTPA at an estimated investment of more than Rs 28000 Cr. Out of this amount, the Central Government has committed Rs 1020 Cr as Viability Gap Funding (VGF). The remaining cost of the project is being funded through addition equity from Promoters (Rs 3165 Cr), internal accruals (Rs 4937 Cr) and commercial borrowings (Rs 18904 Cr). The Committee also observe that the target date of completion of the project is January, 2025. However, as on 31st January, 2023 the physical and financial progress of the project is only 28.8% and 28.3% respectively. The Committee, therefore, recommend to Ministry of petroleum & Natural Gas and Numaligarh Refinery Limited to take all necessary steps to complete the project as per schedule and obviate any possibility of cost escalation due to time overrun".

15. In this regard, the Ministry has submitted the following reply:

"As on 31st May, 2023, physical and financial progress of the project is 39.43% and 39.05% respectively. All efforts are being made to expedite the project".

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Comments of the Committee

16. The Committee in their original report while observing that the target date of completion of the Integrated expansion project of Numaligarh Refinery Limited (NRL) is January, 2025, had recommended the Ministry and NRL to take all necessary steps to complete the project as per schedule and obviate any possibility of cost escalation due to time overrun.

The Ministry in their action taken reply have submitted that as on 31st May, 2023, physical and financial progress of the project is 39.43% and 39.05% respectively and that all efforts are being made to expedite the project.

The Committee while accepting the reply of the Ministry are concerned to note that there is no clarity in the reply as to whether the target date of completion of the project i.e. January 2025 will be achieved or not. The Committee, therefore, reiterate their earlier recommendation and exhort the Ministry to closely monitor the progress of the project and to make all out efforts to complete the project as per schedule without any time and cost overrun.

Recommendation No. 15

Rajiv Gandhi Institute of Petroleum and Technology (RGIPT) Centre

17. The Committee had recommended as under:

"The Committee note that in respect of RGIPT, Sivasagar, Assam, no budgetary allocation has been made in BE 2022-23 and BE 2023-24 whereas expenses of the Institute are metthrough budgetary support from Government, OIDB and funding from Oil PSUs. The Committee have been apprised that the sanctionedstrength of Teaching Staff is 36 whereas the actual strength is 23. In respect of Non-Teaching Staff the strength is 40 and the actual strength is 11. Presently, RGIPT Sivasagar offers Diploma courses and PhD whereas in RGIPT, Amethi offers courses in B.Tech, M.Tech, PhD and MBA in the domain of

Petroleum and Energy.

The Committee observe that the prime objective behind setting up of RGIPT at Amethi and at Sivasagar is to provide excellent education, training and research to generate efficient human resources to meet growing requirement in petroleum and energy sector. In this regard, the Committee are of the view that both the centres of RGIPT should have similarity in offered courses as the institution has been accorded the status of being an institution of National Importance. The Committee, therefore, recommend the Ministry to ensure offering of B.Tech and M.Tech courses apart from undertaking revision of sanctioned strength and filling vacant posts in RGIPT, Sivasagar in view of the fact that Assam is a oil and gas hub where extensive oil field activities are being carried out in its vicinity. The Committee also desire that the Ministry should facilitate the Institute to emerge as premier Skill Development Centre for hydrocarbon industry with introduction of courses like high-tech welder, x-ray technicians, Robotics, Artificial Intelligence, etc".

18. In this regard, the Ministry has submitted the following reply:

"Rajiv Gandhi Institute of Petroleum Technology, Shiv Sagar Assam is being developed with the help of funds made available by Oil PSUs & OIDB and a grant of Rs. 100.00 crore received by Government of India in 2021-22.
The Centre (AEI) is at present offering five 3-year Diploma Courses and after its campus becomes fully functional, B.Tech. and other programmes may also start in subsequent years to fulfil human resource needs of hydrocarbon and energy sectors.
The Assam Energy Institute (AEI), Sivasagar has been established with the objective to cater to the skilled and trained human resource need of oil and gas industries. To cater this need, AEI commenced its academic programmes from Academic Session 2017-18 by offering 3-year Diploma Courses.

Institute is currently offering 5 Nos. of Diploma level courses and Ph.D programmes in relevant discipline from AEI, Sivasagar and there is a plan to offer undergraduate programmes also considering the manpower requirements of energy industries.

The AEI has an Endowment Fund of Rs. 249.50 crore. These funds have been contributed by Oil PSUs. The Assam centre meet out its recurring expenses from the interest earned on the investment of Endowment Fund.

The courses offered at Assam Energy Institute (AEI), Sivasagar are not same and are complementary nature to that of courses offered at RGIPT, Jais, Amethi. Currently, AEI offers 3-years Diploma programmes in the domain areas of Petroleum and Natural Gas. Whereas at RGIPT, Jais B. Tech., M. Tech. and MBA courses are offered in the domain of Petroleum and Energy. Further to that there is a lateral entry scheme for the Diploma pass out students of AEI to acquire B. Tech. degree at Rajiv Gandhi Institute of Petroleum Technology (RGIPT), Jais, Amethi".

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Comments of the Committee

19. The Committee in their original report had recommended the Ministry to ensure offering of B.Tech and M.Tech courses on the lines of RGIPT, Amethi which offers courses in B.Tech, M.Tech, PhD and MBA in the domain of Petroleum and Energy and also to undertake revision of sanctioned strength and filling vacant posts in RGIPT, Sivasagar. Besides, the Committee had also desired the Ministry to facilitate the Institute to emerge as premier Skill Development Centre for hydrocarbon industry in the North-East with the introduction of courses like high-tech welder, X-ray technicians, Robotics, Artificial Intelligence, etc.

The Ministry in their action taken reply have *inter-alia* stated that the Institute is currently offering 5 nos. of Diploma level courses and Ph.D programmes in relevant disciplines and there is a plan to offer undergraduate programmes also considering the manpower requirements of energy industries. Further, the reply states that the courses offered at Assam Energy Institute (AEI), Sivasagar are not same and are complementary in nature to that of courses offered at RGIPT, Jais, Amethi.

In this regard, the Committee observe that the reply of the Ministry is vague as there is no commitment for developing the RGIPT (AEI) Sivasagar as premier Skill Development Centre in North-East for petroleum and energy studies within a stipulated time period. Moreover, it can not be discerned from the reply as to whether presently there is lack of demand for undergraduate courses at RGIPT, Sivasagar or it is the lack of will power on the part of the RGIPT to offer similar courses. The Committee,

therefore, reiterate their earlier recommendation and desire that the Ministry should help the Institute in emerging as premier Skill Development Centre for hydrocarbon industry with introduction of new courses B.Tech courses and also by provide sufficient grants of money under the union budget for the purpose.

Recommendation No. 19

City Gas Distribution Network

20. The Committee had recommended as under:

"The Committee note from the information provided by the Ministry that the target dates of completion of Piped Natural Gas (PNG) connections in 31 geographical areas of the country were upto 30 September 2022. In this regard, the Committee observe that the implementation of City Gas Distribution Network Programme is behind the schedule. The Committee further note that PNGRB has so far authorized 297 Geographical Areas (Gas) for development of CGD network which cover 98% of the country's population and 88% of its geographical area. The last concluded 11th and 11 A CGD Bidding rounds, wherein authorization for 67 Gas has been awarded for the development of CGD network, which covers 28.47% of the country's population and 34.66% of its geographical area. The projects need to be completed as per schedule same is part of the vision of the Hon'ble Prime Minister of India to make the country a gas based economy by 2030 by increasing the share of natural gas in India's Energy Mix from present 6.3% to 15%. In view of the above, the Committee recommend the Ministry of petroleum and Natural Gas to review the progress of CGD network projects with CGD entities and so as to ensure the progress of the programme as per schedule".

21. In this regard the Ministry, have submitted the following reply:

"Upto 28.2.2023, a total 107.56 lakh PNG domestic connections and a total 5283 CNG Stations have been commissioned across the country by the various entities, authorized by the Petroleum and Natural Gas Regulatory Board (PNGRB). The work of laying and expanding CGD networks in all the Geographical Areas (GAs) is being carried out by the entities, authorized by Petroleum & Natural Gas Regulatory Board (PNGRB). PNGRB carries out monitoring and progress review of the Minimum Work Programme on periodic basis. In line with the regulations, the entities failing to meet the target have been issued notices and remedial time period has been given to achieve their targets. The cases of entities who have failed to meet their target will be dealt in accordance with the provisions of the PNGRB Act and the extant regulations. Moreover, MoP&NG also takes periodic review on the progress made by CGD entities from time to time".

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No.G-38011/14/2022-Fin.I dated 19th July, 2022

Comments of the Committee

22. The Committee in their original report had observed that the implementation of City Gas Distribution Network in the country is **behind the schedule and that PNGRB has so far authorized 297 Geographical Areas (Gas) for development of CGD network which cover 98% of the country's population and 88% of its geographical area. The Committee had recommended the Ministry of petroleum and Natural Gas to review the progress of CGD network projects with CGD entities so as to ensure the progress of the programme as per schedule.**

The Ministry in their action taken reply have submitted that upto 28.2.2023, a total 107.56 lakh PNG domestic connections and a total 5283 CNG Stations have been commissioned across the country by the various entities, authorized by the Petroleum and Natural Gas Regulatory Board (PNGRB). The work of laying and expanding CGD networks in all the Geographical Areas (GAs) is being carried out by the entities, authorized by Petroleum & Natural Gas Regulatory Board (PNGRB). PNGRB carries out monitoring and progress review of the Minimum Work Programme on periodic basis. In line with the regulations, the entities failing to meet the target have been issued notices and remedial time period has been given to achieve their targets. The reply also states that the cases of entities who have failed to meet their target will be dealt in accordance with the provisions of the PNGRB Act and the extant regulations and Ministry also takes periodic review on the progress made by CGD entities from time to time.

The Committee while accepting the reply expect the Ministry to closely monitor the progress of the CGD projects and also take proactive steps for addressing the challenges/difficulties being faced by the CGD entities in obtaining various statutory clearances from various State and district level authorities and complete the projects as per schedule.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 1

Budgetary Allocations

The Committee note that the total allocation of the Ministry of Petroleum and Natural Gas for BE 2023-24 has been Rs 41007.72 Cr as against Rs 8939.86 Cr of the BE 2022-23 and of Rs 33883.55 Cr of the RE 2022-23. The Committee also note that provision of Rs 35000 Cr has been made in the BE 2023-24 which comprises Rs 30000 Cr as capital support to Oil Marketing Companies (OMCs) towards energy transition and net zero objectives and Rs 5000 Cr towards payment to Indian Strategic Petroleum Reserve Limited. Besides, one time grant of Rs 22000 Crore to OMCs has been made as compensation for under recoveries in their domestic LPG operations in the RE 2022-23. For Numaligarh Refinery expansion project, an outlay of rs 245 Cr in RE 2022-23 and Rs 500 Cr in BE 2023-24 has been proposed towards Viability Gap Funding. Further, the Committee note that under DBT for LPG scheme an allocation of Rs 180 Cr has been made whereas for LPG connection to Poor Households (PMUY), only a token amount Rs 1 Lakh has been provided in the BE 2023-24. For Indradhanush Gas Grid Limited (IGGL) and Other subsidy payable including NE Region (Domestic Natural Gas), an allocation of Rs 1800 Cr and Rs 1633.02 Cr respectively has been made in BE 2023-24. Similarly, under the Capital Heads, the Committee finds that Rs 508 Cr has been allocated to ISPRL under Phase-II of construction of strategic crude storage caverns. In respect of IIPE, Visakhapatnam, a provision of rs 168 Cr has been made whereas under PM-JIVAN Yojana Rs 227.26 Cr has been allocated in the BE 2023-24. Similarly, Rs 290.44 Cr has been allocated under Scheme for Flagging of Merchant Ships (Shipping Subsidy). However, the Committee are dismayed to note that the Centre for Excellence for Energy, Bangalore, Rajiv Gandhi Institute of Petroleum Technology, Assam, Phulpur-Dharma-Haldia Pipeline Project and National Seismic Programme have not been allocated any funds during the BE 2023-24. Similarly, funds have not been allocated under the Head “Payment of Differential royalty to State Governments” in BE 2023-24.

The Committee also observe that the budgetary allocations of the Ministry of Petroleum & Natural Gas during the last three financial years have been Rs 15943 Cr for BE 2021-22, Rs 8939.86 Cr for BE 2022-23 and Rs 41007.72 Cr for BE 2023-24 thereby showing stark variations which reflects poor planning in making budgetary projections.

The Committee also note that the Government has also made some new announcements in the budget such as support to OMCs for priority capital investments towards energy transition and net zero objectives and establishing 500 new ‘waste to wealth’ plants under GOBARDhan (Galvanizing Organic Bio-Agro Resources Dhan) for promoting circular economy.

The Committee while welcoming the new budgetary announcements of the Government for the BE 2023-24, desire that the Ministry must ensure full utilization of the allocations made for existing schemes and new programmes/schemes in a timely manner and without escalation of cost. A road map for utilization of Rs 30000 Cr allocated to OMCs for the said purpose may be prepared by the ministry under intimation to the Committee.

The Committee recommend that the Ministry should fully utilize the funds allocated for the different programmes and schemes and if need for additional funds arise, they may approach the Government during Revised Budget Estimate exercise.

REPLY OF THE GOVERNMENT

Allocation of funds are done keeping in mind full utilization of funds in different programmes and schemes.

2. Reasons for non-allocation of funds in BE 2023-24 in some of the schemes as pointed out by the Committee are as follows:

i) Centre for Excellence for Energy, Bangalore : The Committee on Establishment Expenditure during their meeting dated 13.8.2021 had decided one time Govt. Budgetary Support of Rs 100 Crore would be provided.
ii) Rajiv Gandhi Institute of Petroleum Technology, Assam:
iii) Phulpur-Dhamra-Haldia Pipeline Project:The sunset date for the scheme was 2019-20 as per the CCEA approval. However, it was extended upto 2021-22. Funding for the scheme was completed by GoI in 2021-22 thus no funds were allocated in 2022-23 and 2023-24.
iv) National Seismic Programme: 2-D survey under the scheme has been completed. The next advanced leg of 3-D survey is being incorporated in Mission Anveshan which is under process.
v) Payment of Differential Royalty to State Government: Rs 27.12 Cr were sought in BE 2023-24, however no funds were allocated after RE-BE discussions by Ministry of Finance

3. Further, with regard to the variations in Budgetary Allocations of MoPNG in past three years, it is submitted that the decrease in BE 2022-23 is due to

projections made by OMCs in view of the pending bills for under recovery in DBTL schemes which are duly vetted by PPAC. As for the increase in BE 2023-24, it is mainly due to Capital Expenditure of Rs 30000 Cr allocated as Capital Support to OMC and Rs 5000 Cr allocated for purchase of crude oil for filling the caverns.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 2

Transfer of Petrochemicals division from the Ministry of Chemicals and Fertilizers to the Ministry of Petroleum and Natural Gas

The Committee note that the Petrochemicals Industry is one of the fastest growing industries in India with demand increasing at a CAGR of more than 8% in the last five years. The Committee further note that the Petrochemicals market in India is dominated by basic petrochemicals (about 45%) in which upstream and downstream petroleum companies of the country has a large presence. Recently, ONGC commissioned largest Petrochemical plant of the country i.e ONGC Petro increases ltd. Plant at Bharuch, Gujarat. IOCL is also executing several Petrochemical projects to increase its present Petrochemical Industry Index (PTI) of about 5% to 15% by 2030. The Oil PSU Refineries under Ministry of Petroleum and Natural Gas has considerable budget in their IEBR every year under the head ‘Petrochemicals’. The Committee also note that the department of Chemicals and Petrochemicals was transferred from the Ministry of Petroleum and Chemicals to the Ministry of Chemicals and Fertilizers on 5 June, 1991. In this regard, the Committee observe that the Petrochemicals industry of the country has tremendously expanded since then and presently on the course of becoming a major Petrochemicals hub of the world. The OMCs of the country have also become large, diversified and integrated. Here, the Committee feel that transfer of Petrochemicals division from the Ministry of Chemicals & Fertilizers to the Ministry of Petroleum & Natural Gas will benefit both the petroleum & petrochemicals sectors through better policy formulation and implementation and also utilizing the synergies between two sectors. As the Refineries need various sanctions, approvals, clearances, etc, it will be better if the departments are under the same Ministry. The Committee recommend to the Ministry of Petroleum & Natural Gas to examine the expediency of transfer of petrochemicals divisions from the Ministry of Chemicals & Fertilizers to Ministry of Petroleum & Natural Gas and in case the same is found beneficial to take up the issue with the Cabinet Secretariat for amendment of Allocation of Business Rules of the Government of India.

REPLY OF THE GOVERNMENT

The recommendation of the committee is noted. Ministry of Petroleum and Natural Gas acknowledges the importance of synergy between Petroleum & Petrochemicals sectors. However, on the issue of transfer of Petrochemicals division from the Ministry of Chemicals & Fertilizers to Ministry of Petroleum & Natural Gas, detailed deliberations amongst all the stakeholders are need."

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 3

INDIA STRATEGIC PETROLEUM RESERVES LIMITED (ISPRL)

The Committee note that an allocation of Rs 5000 Cr has been made in the BE 2023-24 to ISPRL for meeting the cost of filling up of crude oil caverns. The Committee have also been apprised that crude oil stored in some of the SPRs was released to be sold in open market in 2021 keeping in view then prevailing high global prices thereby making substantial saving to the Govt. of India. The Committee while appreciating this financially prudent decision of the Government, recommend that the Ministry must take proactive steps to ensure full utilization of earmarked funds during the net financial year for filling up caverns and explore the possibilities of arranging cheaper crude oil for strategic storage in the country in the light of current geopolitical situation. In this regard, the Ministry should not hesitate in seeking enhanced budgetary allocations from the Government and it should also rope in OMCs/refineries for filling these strategic reserves keeping in view overall energy security of the country.

REPLY OF THE GOVERNMENT

In the Union Budget of 2023-24 presented on 01.02.2023 under MoPNG Demand no 76, an amount of INR 5000 Crore has been allocated for purchase of crude oil by ISPRL.

ISPRL shall be purchasing the crude oil through OMCs in the international market to fill these strategic reserves. MoPNG is in process of taking the necessary approvals for utilizing this grant.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 6

Indian Institute of Petroleum Energy (IIPE), Visakhapatnam

The Committee note that the Government has made a provision of Rs 168 Cr in respect of IIPE during the financial year 2023-24. The Committee further note that while Rs 150 Cr allocation was made in BE 2022-23 which was reduced to Rs 100 Cr during RE 2022-23, the actual expenditure upto 1.1.2023 has been shown as ‘nil’. The Committee have been informed that since its inception, the Institute is operating from temporary campus situated at Andhra University College of Engineering, Visakhapatnam as the land allocated for the construction of a permanent campus of IIPE was under litigation. Further, it has been learnt that consequent upon the order passed by Hon’ble High Court of Andhra Pradhesh on 15.12.2022 preventing any sort of interference, hindrance or obstruction in the construction activities by IIPE, APIIC has now resumed the construction activities of the boundary wall in the alienated land and the conceptual drawings for the buildings have been facing time and cost overrun as the original outlay for construction of permanent campus and infrastructure development was pegged at Rs 655.47 Crore and was to be completed in two phases by financial year 2020-21 has now been revised to be estimated to Rs 928.66 Crore due to GST and inflation and is now proposed to be completed by financial year 2026-27.
In this regard, the Committee while welcoming the adjudication by the Hon’ble High Court, recommend the Ministry to fast track the construction activities on the allocated land for IIPE by undertaking proper coordination with implementing agencies like APIIC and CPWD to avoid any further cost and time over run. The Committee may be kept abreast of the progress.

REPLY OF THE GOVERNMENT

The MoP&NG has released the amount of Rs. 29,24,90,810/- on 31.03.2023 for the financial year 2022-23. The expenditure incurred by the Institute during the financial year 2022-23 towards construction of permanent campus and infrastructure development was Rs. 17.781 crores.

The original outlay for setting up of IIPE was pegged at Rs. 655.47crores which includes for construction of buildings, infrastructure, purchase, of machinery, equipment, software/Hardware, Furniture & Fixtures etc. However, due to pending Court cases litigated by the farmers and as land could not be handed over to the Institute till mid of March, 2023, the Institute could not start the construction activities within the time frame. Further, as per the Detailed Project Report (DPR) which was prepared by M/s KPMG, the construction estimates per unit rates were bases on CPWD plinth area rates (PAR) 2012 and Cost Index 2014. The estimated rates as provided in the DPA are of 10 years old which will not match with the latest construction cost due to time lag, inflation, introduction of GST regime, etc. and hence it has been revised to be estimated to Rs. 928.66 crores for construction activities, excluding land cost.

However, in this regard, based on the recommendations of the Finance Committee of the Institute, the Board of Governors, IIPE during the 16th meeting held on 17.03.20023 approved for entrusting M/s Education Consultant of India Ltd. {EdCIL), a Central PSU, under Ministry of Education, for carrying out the study and preparing a Revised DPR to enable the Nodal Ministry to revise the total project cost and timeline of completion of project. The same is under process at the Institute level. On submission of the revised DPR by the proposed firm, the final estimates for setting of the permanent campus of IIPE will be confirmed.

Consequent, upon the order passed by the Hon'ble High Court of Andhra Pradesh on 15.12.2022, the Andhra Pradesh Industrial Infrastructure Corporation (APIIC) has resumed the construction activities of the boundary wall.

Based on the finalized drawings of buildings of the permanent campus, CPWD has submitted the Preliminary Estimates for Rs. 383 crores of Phase-1 construction on 13.03.2023 and the same was approved by the Board of Governors, IIPE during its meeting held on 17.03.2023. The Institute has accorded the AA & ES for the preliminary estimates and communicated the same to the CPWD on 22.03.2023. The Institute has released a total amount of Rs. 38.3 crores being advance 10% of AA&ES (Rs. 25.7 crores released in FY 2021-22 & Rs. 12.6 crores released in FY 2022-23 on 29.03.2023), to the CPWD, as per agreement terms and conditions.

The CPWD is in process of hiring the Consultant for development of Bulk Services which consists of design and schematic drawings for road network, water supply, sewerage system, capacity calculations for WTP, STP etc/ in the permanent campus of the Institute. The report is expected to be submitted by the CPWD by end May, 2023. Subsequently, the CPWD will initiate the tendering process for construction activities.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023
Comments of the Committee
(Please see Para No.13 of Chapter-I)

Recommendation No. 7

Centre for Excellence of Energy, Bangalore

The Committee note that no budgetary provision has been made for the establishment of Centre for Excellence of Energy, Bangalore during in BE 2022-23 and 2023-24. The Committee have been apprised that the issue related to land acquisition for the Institute has been resolved now and the Government of Karnataka through M/s Nirmithi Kendra has completed the construction of boundary wall and land is now in possession of the Institute. Further, the Committee have learnt that the construction of Academic Block and Students' Hostel are underway from the fund received from the Government of India, and it will be completed by 2024. With regard to non-availability of budgetary support to the Institute for the last two financial years, the Committee have been informed that as per the decision of the Committee on Establishment Expenditure (CEE) which was held under the Chairmanship of Finance Secretary and Secretary (Expenditure) on 13.8.2021, there would be no Government Budgetary support for recurring operational expenditure of the Institute after providing support of Rs 100 Cr in financial year 2021-22. In this regard, while appreciating the Ministry for successfully resolving the land dispute, the Committee wonder as to how the Centre of Excellence will undertake construction activities related to permanent campus without allocation of budgetary support from the Government. The Committee, therefore recommend the Ministry to look into this matter and approach the Ministry of Finance with fresh proposal for ensuring budgetary support to the institute or it may arrange funds from OIDB on loan basis till Government funds become available so that infrastructural development of the Institute is not hampered due to lack of funding.

REPLY OF THE GOVERNMENT

The centre has been named as "Energy Institute, Bengaluru (EIB)" on the recommendation of Board of Governors and General Council of RGIPT.

The construction of Academic Block and Students' Hostel are underway from the fund of Rs. 100.00 crore being received from the Ministry, and it will be completed by 2024. There is a plan to shift the academic activities to permanent campus in late 2024.

Funding requirement to set up Bangalore Energy Institute was deliberated in a meeting of Committee on Establishment Expenditure (CEE) held on 13.08.2021 under the Chairmanship of Finance Secretary and Secretary (Expenditure) wherein it was recommended to grant one time Government Budgetary Support (GBS) of Rs. 100 crore to Bangalore Energy Institute to develop infrastructure. There would be no GBS for recurring operational expenditure.

OIDB has released an advance of Rs. 50 crore to meet out the immediate requirement for setting up a Energy Institute Bengaluru

With regard to the budgetary support to the Energy Institute Bengaluru the matter is under consideration of this Ministry whether to arrange the funds from OIDB or from other PSUs or GBS.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 8

National Bio-Fuel Fund

The Committee note that the National Bio-fuel Fund (NBF} was envisaged under National Policy on Biofuels-2018 for extending financial incentives including Viability Gap Funding, subsidies and grants for biofuels. In this regard, the Committee, further, note that while Rs. I Cr allocation was made during BE 2022-23 which was reduced to Rs. 1 Lakh at RE 2022-23 stage and the actual expenditure as on O 1.01.2023 has been shown as 'nil'. The BE 2023-24 under the Head is also 'nil'. In this regard, while furnishing reasons for lack of budgetary support to NBF in BE 2023-24, the Committee have been informed by the MoPNG that the Ministry of Finance has not agreed to the proposal for setting up National Biofuel Fund. In view of this, the Committee recommend the Ministry to explore possibility of synchronizing the objectives of NBF with PM-JI-VAN Yojana or other such schemes which are being implemented by the MoPNG for bio fuel sector.

REPLY OF THE GOVERNMENT

The objective of the National Biofuel Fund (NBF) was to consider extending financial incentives including viability gap funding, subsidies and grant for biofuels including "Advanced Biofuels". However, the Ministry of Finance has not agreed to the proposal for setting up of NBF.

In the National Policy on Bio fuels - 2018 amended in June, 2022, the scope of "Advanced Biofuels" has been widened. The Ministry is also proposing amendment in Pradhan Mantri JI¬VAN Yojana including changing the objective of the existing scheme from "establish commercially viable projects for 2G Ethanol production" to "enhance commercial viability of projects for Advanced biofuels production" thereby synchronising the objectives of NBF with PM JI-VAN Yojana.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 9

Payment of Compensation to OMCs for under recoveries

The Committee note that a fresh allocation of Rs. 22000 Cr has been made in RE 2022-23 as one time grant to PSU OMCs for under recoveries on sale of domestic LPG. In this regard, the Committee were informed that the purpose of the grant is to partially compensate PSU OMCs for losses incurred by them on sale of domestic LPG since April, 2020. The Committee were further informed that the global prices of LPG rose from $236 per metric tonne in April, 2020 to a peak of $950 per metric tonne and was still near $790 per metric tonne in February, 2023. There is also likelihood of its increase during the months of March-April this year. Since a significant chunk of LPG is imported in the country, the steep rise in international prices of LPG severaly impacted the financial position of the PSU OMCs. However, PSU OMCs passed on only a part of the increased cost of LPG to consumers. During the period i.e. April, 2020 to January, 2023, the price of LPG in domestic market has increased by about 72 per cent. Due to such forbearance from passing on the full cost to consumers, the PSU OMCs sustained losses on account of under recoveries on domestic sale of LPG and their total under recoveries amounted to Rs. 28000 to 29000 Cr during the period. The Committee were also informed that the remaining losses will be either recovered from consumers slowly in future or compensated by other ways. The Committee appreciate the wise decision of the PSU OMCs to protect the domestic LPG consumers of the country from sudden impact of steep rise in prices of LPG cylinder and contributing to rein in the inflation in the country. The Committee also appreciate the decision of the Ministry of Petroleum and Natural Gas to fund under recoveries from general exchequer. The Committee further recommend the Ministry and PSU OMCs to demonstrate such good gesture in future too to protect/safeguard the people of the country from financial hardships caused by steep price increase of LPG cylinder and fund the under- recoveries of OMC's from general budget of the Government.

REPLY OF THE GOVERNMENT

The recommendations of the committee have been noted.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 10

Feed stock subsidy to BCPL/Assam Gas Cracker Complex

The Committee note that an outlay of Rs. 137.50 Cr was made in BE 2022-23 as Feed stock subsidy to BCPL/Assam Gas Cracker Complex. The outlay has remained unchanged in RE 2022-23. However, the same has been increased steeply to Rs. 392.06 Cr in BE 2023-24. The Committee further note that the feedstock subsidy to BCPL is a central sector scheme to provide subsidy to the complex for a period of 15 years from the date of commission of the complex i.e. 02.01.2016 due to sub-optimal capacity of petrochemical complex. The yearly subsidy is a function of polymer price, gas price and naptha price while maintaining minimum post tax IRR of 10%. The Committee further note that the amount of yearly subsidy is decided by the Ministry of Petroleum and Natural Gas in accordance with the approved methodology of the Cabinet Committee on Economic Affairs (CCEA). The Committee also note that the Feedstock subsidy has provided this sub-optional capacity plant a level playing platform for competing in domestic market and thereby improved its viability which is reflected in its improving physical and financial performance. However, the Committee observed that the capacity utilization of this plant is continuously falling from the peak of 108% achieved in 2019-20. The targeted production for 2023- 24 as per boards’s approved plan is 94%. The Committee further apprehend that the falling capacity utilization may deteriorate its financial performance and impact its economic viability. Accordingly, the Committee recommend the Ministry of Petroleum and natural Gas and BCPL to look into the causes of falling capacity utilization of the complex and take appropriate steps to increase the same with a view to strengthen the viability of this ambitious project and making it capable of competing in an era when subsidy scheme will no longer be available to lend its protective arms.

REPLY OF THE GOVERNMENT

The feedstock subsidy is computed on yearly basis to maintain post tax IRR of 10%. The feedstock subsidy is a function of polymer, gas and naphtha prices to maintain 10% IRR. As per the approved methodology, the subsidy for a year is linked to actual production or 94% of installed capacity. Since the commissioning of BCPL in 2016, the production had gradually increased achieving 108% capacity utilization in 2019-2020. From a peak of 108% capacity, though the capacity utilization had fallen in subsequent years, the capacity utilization was maintained at more than 100% in FY 2020-21 & FY 2021-22. The plant requires a major planned shutdown for proper repair & maintenance/overhauling so that the unit functions without interruptions. The annual maintenance shutdown of the BCPL complex was planned in March-April 2021 which could not be materialized due to Covid-19 situation. The shutdown was postponed to April 2022. However, due to non-availability of vendors/ OEM representatives of some of the critical equipment due to prevailing COVID 19 situation whose presence were required during the maintenance shutdown period, the major plant shutdown had to be deferred. Instead, a short shut down of the plant for maintenance activities of a few equipment were executed in April 2022 with in-house resources. After completion of this planned shutdown, some technical problems were observed during start-up & stabilization of the plant leading to extended shutdown of the plant and subsequent production loss. This affected the production performance in the FY 2022-23. The impendingmajor annual shutdown of the plant is planned in May 2023 for carrying out the maintenance activities. It is expected that the overhauling of major equipment during this shutdown will enhance the plant performance. This year i.e. FY 2023-24 the production target is 103 % which may further increase from 2024-25 onwards. Further, to strengthen the viability of the plant and making it capable of competing in an era when subsidy will no longer be available, BCPL has already initiated actions to increase the plant capacity by 40% through de-bottle necking & expansion of the plant by next 4-5 years. Feasibility study towards the same is in progress.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 11

Numaligarh Refinery Expansion Project

The Committee note that outlays of Rs 245 Cr and Rs 500 Cr have been made in RE 2022-23 and BE 2023-24 respectively for Numaligarh Refinery Expansion Project. The Committee further note that the Numaligarh Refinery Limited (NRL) was established in 1993 in accordance with historic Assam accord signed on 15^{th} August, 1985 as an economic package which led to setting up of Numaligarh Refinery. The NRL was dedicated to the nation by the former Prime Minister late Atal Bihari Vajpayee on the 9^{th} of July, 1999 and the 3 MMTPA capacity refinery was commissioned on the 1^{st} October, 2000. The Committee further note that the refinery has embarked on a major integrated expansion project to treble its capacity from 3 MMTPA to 9 MMTPA at an estimated investment of more than Rs 28000 Cr. Out of this amount, the Central Government has committed Rs 1020 Cr as Viability Gap Funding (VGF). The remaining cost of the project is being funded through addition equity from Promoters (Rs 3165 Cr), internal accruals (Rs 4937 Cr) and commercial borrowings (Rs 18904 Cr). The Committee also observe that the target date of completion of the project is January, 2025. However, as on 31^{st} January, 2023 the physical and financial progress of the project is only 28.8% and 28.3% respectively. The Committee, therefore, recommend to Ministry of petroleum & Natural Gas and Numaligarh Refinery Limited to take all necessary steps to complete the project as per schedule and obviate any possibility of cost escalation due to time overrun.

REPLY OF THE GOVERNMENT

As on 31^{st} May, 2023, physical and financial progress of the project is 39.43% and 39.05% respectively. All efforts are being made to expedite the project.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023
Comments of the Committee
(Please see Para No.16 of Chapter-I)

Recommendation No. 12

PM-JIVAN YOJANA

The Committee note that the allocation for Pradhan Mantri Ji-van Yojana has been reduced from Rs. 314.36 Cr in BE 2022-23 to Rs. 83.34 Cr in RE 2022-23. The actual expenditure as on 01.01.2023 was 'nil'. However, the outlay has been increased to Rs. 227 .26 Cr in BE 2023- 24. The Committee further note that Government of India launched "Pradhan Mantri JI-VAN (Jaiv Indhan- Vatavaran Anukool fasal awashesh Nivaran) Yojana" for providing financial assistance with total financial outlay of Rs. 1969.50 crore for the period 2018-19 to 2023-24 to provide initial thrust to create 2G Ethanol capacity in the country and attract investments in this sector. Under the PM JI-VAN Yojana, financial assistance of

Rs. 1 ~0 crore each to commercial projects of IOCL at Panipat (Haryana), HPCL at Bhatinda (Punjab), BPCL at Bargarh (Odisha), NRL at Numaligarh (Assam), Shell India Markets Pvt Ltd. in Maharashtra/Karnataka, Rs. 100 crore to MRPL at Davangere (Karnataka) and Rs. 15 crore each to demonstration projects at Haryana (IOCL), Bihar (HPCL) and Punjab (Chempolis) amounting to Rs. 895 crore has been approved. Out of the above projects, the project located at Panipat has been commissioned. The projects located at Numaligarh and Bargarh are expected to be commissioned during 2023. Further, the projects located at Bhatinda and Davangere are expected to be commissioned in 2024 and 2025 respectively. As regards reduction in outlay for the scheme in RE, the Committee were informed by the Ministry of Petroleum and Natural Gas that since the project developers could not achieve the milestones due to various reasons including COVID pandemic effect; delay in receipt of statutory clearances; low vendor participation in few equipment/packages; delayed delivery and abnormal fluctuations of various materials/equipment, international crisis between Ukraine and Russia, the amount under BE 2022-23 has been revised to f 83.31 crore.

In view of the above, the Committee recommend the Ministry to set up a coordination mechanism to deal with various state Governments /PSUs/Companies and other stakeholders with a view to identify the problems affecting the smooth implementation of the project and take appropriate steps through policy decisions or otherwise to expedite the implementation of the projects.

<u>REPLY OF THE GOVERNMENT</u>

Under the PM JI-VAN Yojana, Centre for High Technology (CHT) has been made the nodal agency for effective implementation of the scheme. In order to provide overall coordination, effective end-to-end implementation and monitoring of biofuel programmes, a National Biofuel Coordination Committee headed by the Minister, Petroleum and Natural Gas and representatives of concerned Ministries has been constituted Further, in order to monitor the implementation of biofuel programme, Working Group has been formed.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

<u>Recommendation No. 14</u>

<u>Domestic Production of Crude Oil and Natural Gas</u>

The Committee note that the domestic production of crude oil in the country has been continuously falling since 2013-14 and it has plummeted from about 38

Million Metric Tonnes (MMT) to 29.69 MMT in 2021-22. The domestic production of natural gas has also fallen marginally during the period from 35.40 BCM to 34.02 BCM in 2021-22. The Committee further note that the Government has taken major policy decisions, like gas pricing reforms, OALP, discovered small field (DSF) policy, Hydrocarbon Exploration and Licensing Policy (HELP), National Data Repository, National Seismic Programme for un-appraised areas, policy framework to incentivize enhanced recovery methods for oil and gas, etc. The Committee have been informed that recently large area lying in deep sea waters of the country has been offered for exploration under open area licensing Policy. The Committee also note that exploration and production of hydrocarbons is a capital and technology intensive activity and the gestation period of projects in the sector is usually long. The committee further observe that large oil and gas companies of the world are shy off Indian oil and gas sector. The Committee feel that these large companies possess large capital and state of the art technology and their involvement in the domestic oil and gas exploration and production will substantially boost up production of crude oil and gas in the country. Therefore, the Committee recommend the Ministry to formulate appropriate packages for the oil and gas exploration and production in the country with a view to attract large companies of the world working in oil and gas exploration and production and also consider providing financial/tax benefits to ONGC and Oil India Ltd. (OIL) for their CAPEX projects as they contribute about 71% and 81% of the domestic production of crude oil and natural gas respectively. The Committee also recommend ONGC and OIL to take steps to bring state-of-the-art technology and expertise in the field, including in the deep sea exploration and extraction, in India so that the exploration and extraction efforts of the country may be taken to a substantially higher level.

REPLY OF THE GOVERNMENT

Blocks awarded under OALP regime are under exploration stage and majority of exploratory wells are yet to be drilled. As on date, five hydrocarbon discoveries have already made and much more discoveries are expected. Further, the Policy reforms were promulgated by the Government in Feb 2019 with a view to encourage Exploration and Production activities in sedimentary basins. The Government is committed to encourage exploration and production activities in Indian sedimentary basins and continuously working on resolving the concerns and feedbacks of prospective and existing investors. The Government is working upon following initiatives to make a complete globally competitive package for the existing and prospective investors in E&P sector of India:

i. Existing maximum limits for acreage bidding has been doubled to encourage play based exploration.

ii. Modification in modalities for carving out open acreage blocks with partial 1'x1' unit.

iii. Clarifications on Target Depth of exploratory well to avoid any dispute in future.

iv. Modifications in Operatorship Experience for Deep/ Ultra-deep blocks bidding to maximize the participation.

v. Modifications in Bidding Parameters, Evaluation Criteria ,Exploration timelines and Work Programme Flexibility in Category-II and III Basins.

vi. Modifications in 'Excusable Delay' provisions for imposing LD, Penalty etc.

vii. Removal of Dual Liquidated Damage for commencement of Development and Production Operations

viii. Modifications in 'Effective date' and introduction of 'Commencement date' for Exploration Timelines.

ix. Modified provisions for deduction of taxes and Reference rate of conversion for Statutory and Contractual payments.

x. Enhanced Stabilization Period for incentivizing early monetization of Discoveries.

xi. Addition of Retention Period for submission of Field Development Plan (FDP) in specific cases.

xii. Modified definition of Arm's Length Sale as per GOI notifications dated 25.10.2020.

xiii. Modified provisions for change in Consortium during EOI and bidding stage.

xiv. Enhanced Scope of Force Majeure

xv. Modifications in provisions to streamline EoI and Bidding processes- Change in Net Worth definition, Basic Data Package cost and rationalized Tender/ application Fee and Bid/ Participation Bond.

Recently, Government of India has released around 99% of the ‘No-Go’ Areas in the Indian Exclusive Economic Zone (EEZ) for E&P operations covering an area of 1 million Sq. Km offshore areas in West Coast, East Coast & Andaman & Nicobar Island areas to provide major boost to the oil & gas exploration. Oil India Limited (OIL) is currently evaluating to submit offers under “Mega Offshore OALP Bid Round-IX”, where-in about 26 blocks covering an area of approximately 2.23 lakh Sq. Km are under offer.

OIL has already reached out to select International Oil Companies for collaboration in the upstream segment of the hydrocarbon value chain in India. Discussions are underway for farm-in opportunities and submission of joint offer in OALP IX bidding round primarily for offshore blocks so as to ensure synergy gains through adoption of advance technological interventions and joint exploration campaigns. Concurrently, OIL is also in the process of securing exploratory drilling service providers to undertake offshore drilling activities.

ONGC, being the major national E&P player in India, is making all efforts and taking new initiatives towards augmenting crude oil and natural gas production. ONGC is giving major thrust to develop discoveries made in the Krishna Godavari basin in Eastern offshore. Field development project of Cluster-II fields of NELP Block KG-DWN-98/2 is under implementation in Eastern Offshore and Gas production has commenced on 5th March 2020 from U field. Other discoveries in KG offshore which will contribute natural gas production enhancement is under various stages of appraisal/ development.

Coal Bed Methane (CBM) gas was discovered by ONGC in its four active blocks viz., Jharia, Bokaro, North Karanpura blocks in the State of Jharkhand and Raniganj block in the State of West Bengal. Development plan of CBM, Bokaro & Jharia blocks are under implementation.

Action has been initiated for enhancement of recovery factor of matured fields by inducting IOR and EOR Technologies. ONGC has aggressively planned and implemented number of EOR schemes to enhance recovery and production from its mature fields

In ONGC induction/ adoption / absorption of new technologies is being done regularly. Based on the technical requirements, new technology is continuously inducted to minimize cost of new wells, better placement of wells, improve productivity and monitoring of existing and new wells, revive old/closed wells etc.; so that production possibilities from the fields are maximized.

Few of the major steps to bring state of the art technology and the efforts made towards deep sea exploration are as follows:

a) Induction of State-of-art Technology:

- In order to address geological/geographical challenges like imaging issues, logistic issues, subsurface risk mitigation, obtaining outputs on fast track basis and enhancing geoscientific understanding of subsurface to facilitate hydrocarbon exploration, ONGC, in the recent past, has introduced state-of-art exploration techniques like Low Frequency Passive Seismic Method (LFPS), Air-borne Hydrocarbon Sensing Survey (AHSS), Passive Seismic Tomography (PST), AI based simulation, XRD studies and well activation through fish bone technology etc.

- In addition to induction of above techniques, AI/ML based approach and IOR/EOR techniques for enhanced oil recovery from brown fields, are being implemented in the operation area/Fields of ONGC.

- Continuing its efforts towards induction of state of the art technology, ONGC is always scouting the market to tap the opportunity of inducting Industry Ready Technology within the permissible way of New Technology induction

b) Deep sea exploration and extraction in India:

To chase deep sea Hydrocarbon potential and to take exploration and extraction efforts of the country to a substantially higher level, ONGC is actively pursuing collaboration with global oil majors. The participation of global oil majors shall not only infuse state of art technologies but also contribute towards knowledge sharing, skill enhancement (expertise) of the workforce of ONGC. In this regard, ONGC has already inked MoU with the Exxon Mobil, Total Energies and Chevron.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 16

Central Sales Tax (CST) applicable to standalone refineries

The Committee note that the issue of levy of Central Sales Tax (CST) on standalone refineries like CPCL, MRPL and NRL for inter-state sale of MS, HSD and ATF is plaguing the standalone refineries for quite a long time. The CST paid by the standalone refineries, in respect of products transferred to OMCs, in other states, are not reimbursed by them, as this element of cost is not included in the Retail Sales Price of fuel products. Thus, these levy of CST, inherently disincentivizes the investment and Capacity creation by the Standalone Refining Industry. It may be noted that the Levy of CST affects Gross Refining margin by (GRM) around 0.8$/bbls, impacting profitability. However, before dismantling of administered pricing mechanism on 1 April 2002, irrecoverable taxes like CST on inter-state sales were reimbursed from the Oil pool account of the Government of India, to the OMCs. In this regard, the Committee were informed by the Ministry that when State value Added tax Act was implemented in 2006-2007, the empowered committee of State Finance ministers had recommended that CST be phased out. Thereafter, the CST was gradually reduced from 4% on 31 March 2007 to 2% on 1 April 2008. The Ministry has also informed the Committee that phasing out of CST would largely benefit standalone refineries and the industrial and economic growth besides bringing about significant efficiencies in the product supply chain. The Committee also note that the three companies have paid an amount of Rs 609 Cr during Financial Year 2021-22 and Rs 607 Cr during first 9 months of Financial Year 2022-23 towards CST. The Committee also feel that the financial gain accruing to the three standalone refineries after phasing out of CST will substantially boost their capacity to fund CAPEX requirement. Accordingly, the Committee recommend to Ministry of Petroleum and Natural Gas to take up the issue of consideration of phasing out of CST by GST council with Ministry of Finance.

REPLY OF THE GOVERNMENT

The matter of phasing out Central Sales Tax (CST) is being persued by MoPNG with concerned authorities.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 17

Indradhanush Gas Grid Limited (IGGL)

The Committee observe that a provision of Rs 1800 Crore has been made in respect of Indradhanush Gas Grid Limited (IGGL) scheme as a part of North East Natural Gas Pipeline Grid in the BE 2023-24 which is critical for extending natural gas pipeline coverage in far flung areas of North-East. The Committee have been informed that the project execution for the scheme is on track and is expected to be operational by 2024. While appreciating that there has been no time and cost over run so far in implementing the scheme, the Committee desire that any extraneous factors which hamper the completion process should be taken up with appropriate authorities so that the project is completed as per the schedule without any time and cost overruns. The Committee recommend the Ministry to ensure the availability of sufficient budgetary allocation for the scheme and they

should not hesitate in seeking enhanced allocations if required at any stage.
The Committee also desire that the proposed expansion of Natural Gas Pipeline Grid to Gurdaspur-Jammu-Srinagar should be formalized at the earliest by the Ministry/concerned PSUs so that execution work commences without any delay.

REPLY OF THE GOVERNMENT

NEGG has achieved a physical progress of 70.01% out of scheduled 70.16% as of 31st March 2023. Construction activities of all the sections of all three phases are in progress with total 723 Km welding and 591 Km lowering as of 31st March 2023. The project is on schedule without any time or cost overrun. PNGRB has invited expression of Interest for laying Gurdaspur-Jammu gas pipeline in January, 2023. The last date for submission of bid is 8.5.2023. Jammu Srinagar pipeline would be taken thereafter.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 18

New Auction Policy to Sell Domestic Crude Oil Production

The Committee note that Government has notified new auction policy on 11.07.2022 for allocation of domestically produced crude oil which inter-alia states that the condition in Production sharing Contracts (PSCs) to sell crude oil to Government or Government Nominee or Government Companies, shall be waived off, if such a condition is mentioned in any PSC and the contract shall stand amended accordingly. The Committee are also given to understand that the broad objectives of this new auction policy are to creating a level playing field, promoting competition and incentivizing investment in entire Oil and Gas value chain with a focus on ease of doing business and more freedom to operators/industry. The Committee further note that in pursuance of these guidelines, ONGC has adopted competitive & transparent bidding through e-auction platform of independent service provider for crude oil produced from fields of ONGC in Mumbai Offshore, where infrastructure is available to supply crude oil to number of refineries through coastal or pipeline mode. Till now, six-auctions have been completed for sale of crude oil during the period from November 2022 to February 2023. Besides, the Committee have also been apprised that to ensure the stability in supply-chain and pricing, term contracts at negotiated pricing are also being considered by ONGC. In this regard, while appreciating the efforts of the Government for ushering in reforms in the sector, the Committee feel that interests of standalone refineries also need to be protected while implementing this policy as they will be in disadvantageous position to get requisite type of crude to cater to downstream industries. The Committee expect the factual information from the Ministry regarding allocation of domestic crude to standalone refineries. The committee, therefore, recommend the Ministry to impress upon the ONGC/OIL to incorporate term contracts in new policy of crude oil allocation for standalone refineries and also take up the matter at the highest level for necessary course correction in the new policy keeping not of the fact that bulk of global trade of crude oil happens through term contracts finalized through one to one negotiations for stability of supply chain.

REPLY OF THE GOVERNMENT

The Cabinet Committee on Economic Affairs approved 'Deregulation of Sale of Domestically Produced Crude Oil' on 29 June, 2022. Through this policy decision, Government shall cease to allocate crude oil and condensate with effect from 01.10.2022. The condition in the Production Sharing Contracts (PSCs) to sell crude oil to the government, or its nominee, or government companies shall be waived off and all exploration and production operators will be free to sell crude oil produced from their fields in domestic market. However, as earlier, export of crude oil will not be permissible. The government revenues like Royalty, Cess, and Contractual Payments, etc. shall be calculated based on the sales price or the price of Indian Basket of Crude Oil, as calculated by Government nominated Agency, whichever is higher.

As far as OIL is concerned, OIL's major production is from North East Region. OIL supplies crude oil to 4 refineries in the region and has in placed long term Crude Oil Sale Agreements (COSA). Since North East Region is land locked area and transportation to other area is a challenge, OIL has not yet resorted to auction for sale of crude oil.

ONGC has already commenced discussions/negotiations with PSU refineries (including standalone refineries like CPCL/NRL/MRPL) for sale of crude oil from fields in Mumbai Offshore, on Term Contract basis for the period March 2023 to March 2024. All the PSU refineries including standalone refineries have agreed for Term Contract. Supply has also commenced w.e.f. 01/03/2023. Further discussions/negotiations are on for finalizing pricing and other terms.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Recommendation No. 19

City Gas Distribution Network

The Committee note from the information provided by the Ministry that the target dates of completion of Piped Natural Gas (PNG) connections in 31 geographical areas of the country were upto 30 September 2022. In this regard, the Committee observe that the implementation of City Gas Distribution Network Programme is behind the schedule. The Committee further note that PNGRB has so far authorized 297 Geographical Areas (Gas) for development of CGD network which cover 98% of the country’s population and 88% of its geographical area. The last concluded 11th and 11 A CGD Bidding rounds, wherein authorization for 67 Gas has been awarded for the development of CGD network, which covers 28.47% of the country’s population and 34.66% of its geographical area. The projects need to be completed as per schedule same is part of the vision of the Hon’ble Prime Minister of India to make the country a gas based economy by 2030 by increasing the share of natural gas in India’s Energy Mix from present 6.3% to 15%. In view of the above, the Committee recommend the Ministry of petroleum and Natural Gas to review the progress of CGD network projects with CGD entities and so as to ensure the progress of the programme as per schedule.

REPLY OF THE GOVERNMENT

Upto 28.2.2023, a total 107.56 lakh PNG domestic connections and a total 5283 CNG Stations have been commissioned across the country by the various entities, authorized by the Petroleum and Natural Gas Regulatory Board (PNGRB). The work of laying and expanding CGD networks in all the Geographical Areas (GAs) is being carried out by the entities, authorized by Petroleum & Natural Gas Regulatory Board (PNGRB). PNGRB carries out monitoring and progress review of the Minimum Work Programme on periodic basis. In line with the regulations, the entities failing to meet the target have been issued notices and remedial time period has been given to achieve their targets. The cases of entities who have failed to meet their target will be dealt in accordance with the provisions of the PNGRB Act and the extant regulations. Moreover, MoP&NG also takes periodic review on the progress made by CGD entities from time to time.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Comments of the Committee
(Please see Para No. 22 of Chapter-I)

Recommendation No. 20

Internal and Extra Budgetary Resources (IEBR) of oil PSUs

The Committee note that the IEBR of oil PSUs for BE 2023-24 has been targeted at Rs 108190.72 Cr as compared to Rs 111354 Cr of the BE 2022-23. In the exploration and production (E&P) sector the allocation in BE 2023-24 is Rs 60491.03 Cr as against Rs 50536 Cr in the BE 2022-23. However, the actual expenditure for the E&P sector was Rs 31612.34 Cr as on 31st December, 2022. Further, in respect of the refinery and marketing sector, a provision of Rs 14183.10 Cr has been made in BE 2022-23 as against Rs 53876.35 Cr in the previous years's BE and the actuals in this sector upto 31st December, 2022 is shown as Rs 39737.46 Cr. With regard to the petrochemicals sector, an amount of Rs 10772.66 Cr has been provided in BE 2023-24 as against Rs 6741.68 Cr in the previous financial year. The actuals for the same by the end of the year 2022 is shown as Rs 6211.46 Cr. In addition, the Engineering sector has been provided with an allocation of Rs 22743.92 Cr in BE 2023-24 as against Rs 200 Cr in the FY 2022-23 and the actuals for the same is shown as Rs 70.12 Cr only.
The Committee also observe several variations in BE, RE and actual expenditure of individual oil PSUs of the Ministry. For instance, the actual expenditure of ONGC upto December, 2022 was shown as Rs 19,153 Cr as against Rs 29,950 Cr. In case of OVL also, Rs 1970 Cr was shown as actuals when compared to Rs 8,180 Cr of the BE 2022-23. In respect of HPCL there is a variation against its actual shown as Rs 8,849 Cr upto December, 2022 as against Rs 14,500 Cr in the BE 2022-23. The downstream company MRPL has also registered a low actual at Rs 339 Cr as against Rs 815 Cr in the BE 2022-23. The actual expenditure of NRL upto December, 2022 was shown as Rs 4,273 Cr as against Rs 6,774 Cr.
While analyzing the utilization of IEBR funds, the Committee are dismayed to observe that oil PSUs including upstream majors ONGC/OVL, GAIL and OIL have not fully utilized the allocations of the current financial year as only three months are left and good amount of funds are lying with PSU's. Further, OMCs like HPCL, IOCL, BPCL and MRPL and PSUs like EIL have also made lesser utilization of their BE allocations as seen from their actuals. The RE of 2022-23 is pegged at Rs 83766 Cr which shows stark reduction in the IEBR expenditure.

Taking note of the fact that one of the factors in the economic growth of the country is IEBR by PSUs, the Committee wonder as to why the companies which are having paramount responsibilities in ensuring energy security and transition to green energy initiatives are not able to utilize the earmarked funds. The Committee, therefore, recommend that the IEBR exercise of the CPSEs may be prepared in a more realistic manner to avoid large gaps between the estimates and the expenditure so that the allocated funds are gainfully utilized.

REPLY OF THE GOVERNMENT

During FY 2022-23, against BE of ₹ 1,11,354 crore and RE of ₹ 83766 crore, ₹ 1,13,853 crore was utilised for implementation of ongoing and new projects which is 102% of BE and 136% of RE for the respective year. BE for FY 2023-24 has been targeted at ₹1,06,401 crore. CPSE-wise Internal and Extra Budgetary Resources (I&EBR)-BE, RE & Actual for FY 2022-23 and BE 2023-24 is given below:

(In ₹ Crore)

CPSE	**FY: 2022-23**			**Actual % Achievement over**		**FY: 2023-24**
	BE	**RE**	**Actual ***	**BE**	**RE**	**BE**
ONGC	29950	29950	29209	98	98	30125
OVL	8180	2907	2723	33	94	3229
OIL	4302	4389	5057	118	115	4896
GAIL	7500	7918	8313	111	105	7750
IOCL	28549	17130	35205	123	206	30395
BPCL	10000	6000	11527	115	192	10000
HPCL	14500	7163	13847	95	193	10210
MRPL	815	815	641	79	79	820
CPCL	584	584	609	104	104	548
NRL	6774	6800	6615	98	97	8290
Balmer& Lawrie	40	40	46	116	116	40
EIL	160	70	60	38	86	98
Total	**111354**	**83766**	**113853**	**102**	**136**	**106401**

*: Provisional

Sector-wise expenditure incurred by oil and gas CPSEs is as follows: -

(In ₹ Crore)

Sector	**FY: 2022-23**			**Actual % Achievement over**		**FY: 2023-24**
	BE	**RE**	**Actual***	**BE**	**RE**	**BE**
Exploration & Production Sector	50536	46140	46092	91	100	46757
Refining & Marketing Sector	53876	33224	57967	108	174	52749
Petro-Chemicals Sector	6742	4292	9688	144	226	6756
Engineering Sector	200	110	106	53	97	138
Total	**111354**	**83766**	**113853**	**102**	**136**	**106401**

*: Provisional

The explorations activities generally remain slow during first half of the financial year (FY) mainly due to monsoon and pick up only from November onwards. Therefore, the actual capex generally remains low during first half of the financial year. However, actual expenditure achievement for FY 2022-23 has been higher than BE/RE target.

ONGC has almost achieved its Capex target for FY 2022-23 with no significant under achievement. CPSE-wise major reasons for less achievement are as below:

1. OVL: In the BE of ₹ 8180 crore, two major projects, allocated about 53% of the total budget were:
(i). 32% (₹ 2614 cr.): Area-1, Mozambique and
(ii) 21% (₹ 1729 cr.): Sakhalin-1, Russia

However, both the projects suffered Force Majeure due to Geopolitical and security reasons.

a) Sakhalin-1, Russia: Force Majeure declared with effect from 21st April 2022 owing to US/ UK/EU sanctions post Russia-Ukraine conflict. Consequently, all drilling & further activities in Development Drilling/Facility works /RFE LNG suspended by the then Operator ExxonMobil. Subsequently, under a Russian Govt. Decree on 7th October, 2022, the project operations were handed over to a

Rosneft subsidiary, SMNG-Shelf. Accordingly, actual capex is ₹ 125 crore against BE of ₹ 1729 crore.

b) Area-1, Mozambique: Project continues to be under Force Majeure (FM) since 11th May 2021. Operator suspended all major Onshore and Offshore contracts in order to reduce the capital expenditure until the security situation is fully restored. The actual capex is ₹ 281 crore against BE of ₹ 2614 crore.

c) Other Russian Assets, Vankorneft and Imperial: ₹ 616 crore reduced because of deferment of capex due to deferment of drilling plans and delay in capital construction. Also, there has been some reduction in capex in Myanmar exploratory projects because of security situation and delay in approvals subsequent to regime change (₹ 530 crore)

d) Capex reduction (₹ 214 cr) done in two Bangladesh blocks SS-04 & 09 as drilling tender for Titli-1X & Maitri-1X wells could not be awarded due to lack of competition, rate reasonability and mobilization period risks etc.

2. HPCL: Reason for under achievement was mainly due to financial and other complexities faced by many of the contracts involved in high CAPEX projects like HRRL, VRMP, 2G Ethanol plant at Bathinda etc. during COVID which made them very weak and hence they were not able to normalise and deliver the expected progress. In addition to above, current level of unprecedented borrowings together with continued under-recoveries on sale of petroleum products and long term repayments has severely constrained finances of HPCL.

3. MRPL: MRPL had deposited value of land (for Phase-4 expansion) with Karnataka Industrial Area Development Board (KIADB). In addition to this land payment, there is delay in finalizing the R&R package by state government and compensation amount to be paid towards malkies, building, horticulture etc. An amount of ₹ 100 crore was budgeted towards horticulture, structure and malki payment. However, during review with KIADB, it was seen that the payment towards horticulture, structure and malki was not being released as survey was yet to be completed.

MRPL had kept budget of ₹ 40 crore towards payment to consultant (for one of our projects) which is presently under litigation. This payment was not realized in the FY 2022-23.

4. NRL: IEBR was lower mainly due to shifting of current year's capex to the previous year to front load capex related line pipe procurement for the Paradip-Numaligarh Crude Oil Pipeline Project”.

5. EIL: The IEBR of the EIL primarily pertains to their routine Capex/IEBR items such as buildings, office equipment, Furniture & Fixtures and IT assets etc. and includes equity participation in Subsidiary/ Joint Venture.

One of the major Capex expenditure is renovation of Building at head office of EIL situated in New Delhi. EIL had kept budget of ₹ 50 crore during 2022-23 for the renovation of Building. The tender for execution of renovation work is being finalized based on the report of Architect/ consultant appointed in this regard and the work is expected to commence from April- May 2023.

Another major component of Capex for FY 2022-23 was Expenditure on Implementation of ERP in the Company. The Final report from consultant appointed in this regard has been received and the tender for appointment of agency for ERP software application & implementation is floated.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE GOVERNMENT DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

- Nil -

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 4

Construction of ISPRL Phase-II Projects

The Committee note that an allocation of Rs 508 Cr has been made in the BE 2023-24 for construction of ISPRL Phase-II projects at Chandikhol (Orissa) and Padur (Karnataka) with storage capacity of 4.0 MMT and 2.5 MMT respectively using underground unlined rock caverns storage technology in PPP mode. Besides, provision of rs 202.81 Cr has been made for payment to ISPRL regarding O&M Expenditure for Mangalore (Padur) and Vishakhapatnam Projects. The Committee are also given to understand that the additional caverns in phase II, envisaged to be constructed shall be close to existing refineries respectively and the increase in capacity will add to increase in 12 days of crude oil requirement. In addition, 1.5-2 MMT capacity is proposed to be constructed adjacent to existing caverns at Mangalore. Feasibility of constructing above ground storage at Mangalore and Padur on the existing land is also being looked into. ISPRL is also examining storages in other locations in the country. It is also noted that since land allotment at both the locations is pending with respective State Governments in Odisha and Karnataka, the projects could not be started and consequently allocation of the outlays of Rs 600 Cr in BE 2022-23 could not be utilized. The Committee find that there has been inordinate delays in land acquisitions in respect of both the projects in the two states and the progress seems to be minimal. Taking note of the fact that the strategic petroleum reserves are projects of national importance to enhance energy security of the country, the Committee, therefore, desire the Ministry to take up the issue of land acquisition at the highest level in coordination with the two State Governments keeping in view interests of all stake holders. The Committee, therefore, recommend that these projects should be taken to their logical conclusion in a time bound manner and also desire that the Ministry should explore possibility of building more strategic petroleum reserves across the country particularly mini or small caverns wherever geological conditions are favourable for constructing such caverns. The Committee further desire that the Ministry should also explore the option of giving responsibility to OMCs/refineries to operate and maintain strategic petroleum reserves caverns while the Ministry bears the capital cost for construction.

REPLY OF THE GOVERNMENT

Cabinet had approved development of Commercial cum Strategic reserves under Phase II at Chandikhol (4MMT) and Padur (2.5 MMT) on Public-Private Partnership (PPP) mode along with dedicated Single Point Mooring (SPM) and associated pipelines during cabinet meeting held on 08th July 2021.
Land Acquisition is under process and discussions with the respective State Governments for expeditious completion of land acquisition are going on.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023
Comments of the Committee
(Please see Para No. 7 of Chapter-I)

Recommendation No. 5

LPG Connections to Poor Households (Pradhan Mantri Ujjwla Yojana)

The Committee note that in BE 2023-24, only a token amount of Rs. 1 Lakh has been made in respect of PMUY scheme for providing LPG connections to poor households as against Rs. 800 cr provided in BE 2022-23 which was increased to Rs. 8010 Cr at RE stage in 2022-23. The Committee also note that the target of release of additional 60 lakh connections in addition to 9 crore already issued under PMUY was achieved by December, 2022. The Committee are also given to understand that as on closing of January 2023, OMCs have received 7.8 lakh cleared applications under Ujjwala 2.0 scheme which are pending for release of the connection. The Committee have been apprised that a proposal to provide PMUY connections to remaining applicants is under progress for due approvals. Besides, on perusal of the state-wise details regarding release of 60 Lakh connections under Ujjwala 2.0, the Committee observe that more efforts are needed to enhance LPG coverage. The Committee have been assured that funds would not come in the way of releasing pending applications under PMUY and that OMCs are fully capable of undertaking expenditure from their own sources for implementing the scheme and claim reimbursement later on. In this regard, the Committee while being satisfied with the achievement of the scheme, sincerely appreciate the efforts of the Ministry and OIVICs for the successful implementation of the scheme and also their readiness to further enhance coverage of the scheme keeping in view emergence of new households seeking connections under PMUY. The Committee recommend the Ministry/OMCs to strive for clearing pending 7.8 lakh applications under Ujjawala 2.0 and devise the required modalities at the earliest so that the scheme will be implemented for the new beneficiaries within the stipulated deadline. Further, the Committee also desire the Ministry to provide LPG connections on demand and include beneficiaries of poor households living in urban/rurban areas so as to make the PMUY benefit all stratums of the society and help build gas based economy across the country.

<u>REPLY OF THE GOVERNMENT</u>

Hon'ble Finance Minister during her Budget Speech for FY 2021-22 on 01.02.2021 had announced that Ujjwala Scheme which has benefited 8 crores households will be extended to cover 1 crores more beneficiaries. Accordingly, Ujjwala 2.0 was launched in the esteemed presence of the Hon'ble Prime Minister from Mahoba District of Uttar Pradesh on 10th August, 2021 on pan India basis to provide additional one crore LPG connections along with free first refill and stove to cover the left-out poor households. Subsequently, the Government decided to release 60 lakh more LPG connections under Ujjwala 2.0 and as on 01.01.2023, the target of 1.60 crore Ujjwala 2.0 connections has already been achieved. OMCs have received 8.4 lakh cleared applications under Ujjwala 2.0 scheme which are pending for release the connection. A proposal to provide PMUY connections to remaining applicants is under progress. Once the proposal is approved by competent authorities, necessary action to seek additional budget for the additional PMUY connections will be initiated.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Comments of the Committee
(Please see Para No. 10 of Chapter-I)

<u>Recommendation No. 15</u>

<u>Rajiv Gandhi Institute of Petroleum and Technology (RGIPT) Centre</u>

The Committee note that in respect of RGIPT, Sivasagar, Assam, no budgetary allocation has been made in BE 2022-23 and BE 2023-24 whereas expenses of the Institute are metthrough budgetary support from Government, OIDB and funding from Oil PSUs. The Committee have been apprised that the sanctionedstrength of Teaching Staff is 36 whereas the actual strength is 23. In respect of Non-Teaching Staff the strength is 40 and the actual strength is 11. Presently, RGIPT Sivasagar offers Diploma courses and PhD whereas in RGIPT, Amethi offers courses in B.Tech, M.Tech, PhD and MBA in the domain of Petroleum and Energy.

The Committee observe that the prime objective behind setting up of RGIPT at Amethi and at Sivasagar is to provide excellent education, training and research to generate efficient human resources to meet growing requirement in petroleum and energy sector. In this regard, the Committee are of the view that both the centres of RGIPT should have similarity in offered courses as the institution has been accorded the status of being an institution of National Importance. The Committee, therefore, recommend the Ministry to ensure offering of B.Tech and M.Tech courses apart from undertaking revision of sanctioned strength and filling vacant posts in RGIPT, Sivasagar in view of the fact that Assam is a oil and gas hub where extensive oil field activities are being carried out in its vicinity. The Committee also desire that the Ministry should facilitate the Institute to emerge as premier Skill Development Centre for hydrocarbon industry with introduction of courses like high-tech welder, x-ray technicians, Robotics, Artificial Intelligence, etc.

REPLY OF THE GOVERNMENT

Rajiv Gandhi Institute of Petroleum Technology, Shiv Sagar Assam is being developed with the help of funds made available by Oil PSUs & OIDB and a grant of Rs. 100.00 crore received by Government of India in 2021-22.

The Centre (AEI) is at present offering five 3-year Diploma Courses and after its campus becomes fully functional, B.Tech. and other programmes may also start in subsequent years to fulfil human resource needs of hydrocarbon and energy sectors.

The Assam Energy Institute (AEI), Sivasagar has been established with the objective to cater to the skilled and trained human resource need of oil and gas industries. To cater this need, AEI commenced its academic programmes from Academic Session 2017-18 by offering 3-year Diploma Courses.

Institute is currently offering 5 Nos of Diploma level courses and Ph.D programmes in relevant discipline from AEI, Sivasagar and there is a plan to offer undergraduate programmes also considering the manpower requirements of energy industries.

The AEI has an Endowment Fund of Rs. 249.50 crore. These funds have been contributed by Oil PSUs. The Assam centre meet out its recurring expenses from the interest earned on the investment of Endowment Fund.

The courses offered at Assam Energy Institute (AEI), Sivasagar are not same and are complementary nature to that of courses offered at RGIPT, Jais, Amethi. Currently, AEI offers 3-years Diploma programmes in the domain areas of Petroleum and Natural Gas. Whereas at RGIPT, Jais B. Tech., M. Tech. and MBA courses are offered in the domain of Petroleum and Energy. Further to that there is a lateral entry scheme for the Diploma pass out students of AEI to acquire B. Tech. degree at Rajiv Gandhi Institute of Petroleum Technology (RGIPT), Jais, Amethi.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

Comments of the Committee

(Please see Para No. 19 of Chapter-I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation No. 13

Capital Support to OMCs

The Committee note that an outlay of Rs 30000 Cr has been made in BE 2023-24 as capital support to Oil Marketing Companies. The Committee further note that the Ministry of Petroleum and Natural Gas would support the Capital expenditure of three Public Sector Oil Marketing Companies viz IOCL, HPCL and BPCL, to the tune of rs 30,000 Crore as available in the budget 2023-24, in their endeavor for energy transition, meeting net zero objectives and the energy security of the country. The OMC wise allocation would be made depending on the requirement, availability of IEBR, financial position, etc, of these OMCs for the various Capex projects. In this regard, the Committee observe that the details of the CAPEX projects of the OMCs and methodology of distribution of funds to them are yet to be finalized. Accordingly, the Committee recommend the OMCs and the Ministry to finalise details of the CAPEX projects and methodology of distribution of fund at the earliest so that the fund earmarked in BE 2023-24 for above purpose may be fully utilized. The Committee also recommend the Ministry to constantly monitor the proper utilization of the same.

REPLY OF THE GOVERNMENT

The outlay of Rs 30000 Crore has been made in the BE 2023-24 for capital support to the PSU OMCs for capital investment towards net zero objectives, energy transition and energy security. The details of the allocation for capital support to the OMCs is being worked out.

Ministry of Petroleum and Natural Gas
No.G-38011/02/2023-Fin.I dated 22.06.2023

New Delhi;
***04 August*, 2023**
13 Shravana,1945 (Saka)

RAMESH BIDHURI,

Chairperson,
Standing Committee on
Petroleum & Natural Gas.

<u>Annexure I</u>

MINUTES
STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS
(2022-23)

SIXTEENTH SITTING
(04.08.2023)

The Committee sat on Friday, the 04th August, 2023 from 1500 hrs. to 1640 hrs. in Main Committee Room, Parliament House Annexe (PHA), New Delhi.

PRESENT

Shri Ramesh Bidhuri - Chairperson

MEMBERS

LOK SABHA

Shri Ramesh Bidhuri- Chairperson

2	Shri Ramesh Chand Bind
3	Shri Pradyut Bordoloi
4	Smt. Chinta Anuradha
5	Shri Dilip Saikia
6	Dr. Kalanidhi Veeraswamy
7	Shri Chandra Sekhar Sahu
8	Dr. Bharatiben Dhirubhai Shiyal
9	Shri Lallu Singh
10	Shri Vinod Kumar Sonkar
11	Shri Ajay Tamta
	RAJYA SABHA
12	Shri Shaktisinh Gohil
13	Smt. Kanta Kardam
14	Shri Mithlesh Kumar
15	Shri Rambhai Harjibhai Mokariya
16	Dr. Sasmit Patra
17	Dr. V. Sivadasan
18	Shri Ravichandra Vaddiraju

SECRETARIAT

1. Shri Y. M. Kandpal - Joint Secretary
2. Shri H. Ram Prakash - Director
3. Shri Brajesh Kumar Singh - Deputy Secretary

2. At the outset, the Hon'ble Chairperson welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the draft Action Taken Report on the recommendations contained in the Eighteenth Report (17th Lok Sabha) on **‘Demands For Grants 2023-24’.** The Committee adopted the Report without any modification.

3. XXXX XXXX XXXX XXXX XXXX

The Committee then authorised the Chairperson to present/lay the reports in both the Houses of Parliament.

The Committee then adjourned

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Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTEENTH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2022-23) ON DEMANDS FOR GRANTS (2023-24).

I	Total No. of Recommendations	20
II	Recommendations/Observations which have been accepted by the Government (*Vide* Recommendations Nos. 1, 2, 3, 6, 7, 8, 9, 10,11,12, 14, 16, 17, 18, 19 and 20)	16
	Percentage to Total	80.00%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's (*Vide* Recommendations No. Nil)	00
	Percentage of Total	00
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (*Vide* Recommendations Nos. 4, 5 and 15)	03
	Percentage of Total	15.00%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (*Vide* Recommendation No. 13)	01
	Percentage of Total	5.00%