

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:702

ANSWERED ON:23.02.2006

STRATEGIC CRUDE OIL RESERVE

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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Government has cleared the proposal to construct strategic crude oil reserve to enhance the energy security of the country;
- (b) if so, the concept and objectives behind the construction of strategic crude reserve;
- (c) the details of the proposal and the site identified for the purpose; and
- (d) the expenditure likely to be incurred thereon and how the funds are proposed to be mobilized?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) to (d): Yes, Sir. In order to enhance the energy security of the country and to safeguard against short term supply disruptions, Government have approved setting up of 5 Million Metric Tonnes (MMT) strategic storage at three locations, viz. Vizag (1.0 MMT), Mangalore (1.5 MMT), Mangalore or nearby location (2.5 MMT). The release of crude oil will be in the event of any natural calamity or disruption in supplies or any unforeseen global event leading to scarcity of supplies / abnormal increase in prices. The proposal involves a capital cost of approximately Rs. 2,400 crore and crude oil cost of Rs. 8,870 crore (at an average crude oil cost of \$55/bbl) besides operation and maintenance cost of Rs. 90 crore per annum. The capital cost which will be required during the first 5 years would be met from the existing funds available with OIBD. Thereafter, in case funds are not available from the existing OIBD cess collection for the filling of the crude oil, an incremental cess of Rs. 1,000 would be adequate to generate about Rs. 3,000 crore per annum based on current volumes of domestic crude oil. Alternatively, based on the crude cost at \$55/bbl, 2% increase in customs duty would generate about Rs. 3,000 crores per annum. A combination of both these options could also be used to generate the required quantum for crude oil filling.