

TWELFTH REPORT
STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1994-95)

(TENTH LOK SABHA)

EXPLORATION, PRODUCTION,
DISTRIBUTION AND CONSERVATION OF
OIL & GAS

MINISTRY OF PETROLEUM & NATURAL GAS

*(Action taken by Government on the recommendations contained in the 4th
Report of the Standing Committee on Petroleum & Chemicals)*



Presented to Lok Sabha on.....

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LOK SABHA SECRETARIAT
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**COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (1994-95)**

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Shri Sriballav Panigrahi

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31. Shri Lakkhiram Agarwal
- *32. Shri E. Balanandan
33. Shri Mohd. Masud Khan

*Ceased to be Member of the Committee consequent upon retirement from Rajya Sabha w.e.f. 1st July, 1994. Renominated to the Committee w.e.f. 12th July, 1994.

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- \$\$46. Shri Suresh Pachouri

SECRETARIAT

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri G.R. Juneja — *Deputy Secretary*
3. Shri Brahm Dutt — *Under Secretary*

** Nominated to the Committee w.e.f. 21st April, 1994.

*** Nominated to the Committee w.e.f. 18th April, 1994. Expired on 21st September, 1994.

\$ Nominated to the Committee w.e.f. 11th April, 1994.

\$\$ Nominated to the Committee w.e.f. 16th November, 1994.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (1994-95) having been authorised by the Committee to submit the Report on their behalf, present this 12th Report on Action Taken by Government on the recommendations contained in the 4th Report of the Standing Committee on Petroleum and Chemicals (1993-94) (Tenth Lok Sabha) on Exploration, Production, Distribution and Conservation of Oil & Gas.

2. The Fourth Report of the Committee was presented to Lok Sabha on 23rd February, 1994. Replies of Government to all the recommendations contained in the Report were received on 7th October, 1994.

3. The replies of the Govt. were considered by the Committee on 25th January, 1995. The Committee considered and adopted the Report at their sitting held on 25th January, 1995.

4. An analysis of action taken by Government on the recommendations contained in the Fourth Report (1993-94) of the Committee is given in Appendix II.

SRIBALLAV PANIGRAHI
CHAIRMAN,
Standing Committee on
Petroleum & Chemicals.

NEW DELHI;
February 10, 1995

Magha 21, 1916 (Saka)

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fourth Report (Tenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (1993-94) on "Exploration, Production, Distribution and Conservation of Oil & Gas" which was presented to Lok Sabha on 23rd February, 1994.

2. Action Taken notes have been received from the Government in respect of all the 17 recommendations contained in the Report. These have been categorised as follows:—

(i) *Recommendations/observations which have been accepted by the Government:*

Sl. Nos. 1 to 8, 10 & 11 and 13 to 17.

(ii) *Recommendation/observation which the Committee do not desire to pursue in view of the Government replies:*

Nil

(iii) *Recommendation/observation in respect of which reply of the Government has not been accepted by the Committee:*

S. No. 12.

(iv) *Recommendation/observation in respect of which final reply of the Government is still awaited.*

Sl. No. 9.

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been given by the Government, should be furnished to the Committee expeditiously.

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

A. Hydrocarbon Resources and Exploratory Strategy

Recommendation (Sl. Nos. 1 and 2, Para Nos. 2 & 3)

5. The Committee had noted that self-sufficiency level in petroleum products in the country had come down from 67.8% in 1984-85 to 42.9% in 1992-93. The Committee had also expressed their concern over the fact that out of 26 sedimentary basins only 6 basins falling in first category had been extensively explored. Another 7 basins falling in categories 2 and 3 had also been taken up for exploration. The rest of 13 basins still remained

un-explored. To meet the growing need of petroleum products and to reduce the huge import bill on this account which was over Rs. 17,000 crores during the year 1992-93, the Committee had recommended that Government should adopt result-oriented strategy for accelerated exploration of all the basins with a view to locate and develop new oil and gas reserves in a time bound programme.

The Committee had also noted that as against the projection of about Rs. 36,000 crores by ONGCOIL and allocation of Rs. 25,000 crores recommended by Planning Commission for the 8th Five Year Plan, the final allocation for ONGCOIL projects was Rs. 18,575 crores only. In this context, the Committee had recommended that Govt. should give priority to oil sector and allocate required funds so that the country is able to raise the self-sufficiency level in the matter of petroleum products.

6. In reply given by the Ministry it has been stated that the Government has taken several steps to intensify their exploration efforts. To supplement the efforts of ONGC and Oil India Ltd. the Govt. has been offering exploration blocks in different sedimentary basins to private companies for exploration under production sharing contract on continuous round-the-year bidding. So far eight rounds of bidding have taken place and some of the blocks have been given to the private companies. The Govt. has also proposed to introduce an accelerated exploration programme during the last three years of the 8th Plan. This would help to discover more oil and gas reserves. It has also been stated that there is provision to carry-out national seismic programmes through-out the country by shooting regional seismic lines. This work will cover the basins which still remain un-explored or are poorly explored.

As regards the funds requirement, the Ministry has stated that the exploration programmes costing about Rs. 6,500 crores for the remaining 3 years of the 8th Plan have been approved by the Government and detailed work is being finalised by ONGCOIL.

7. The Committee note the steps proposed to be taken to accelerate exploration programmes during the remaining 3 years of the 8th Five Year Plan. The Committee, however, are dismayed to learn that as against the target of 1325 million tonnes of reserves accretion during the 8th Five Year Plan, the reserves accretion during the first two years i.e. 1992-93 and 1993-94 has been only about 125 million tonnes. The Committee once again emphasise the need to accelerate the exploration-programmes so that the targets of reserve accretion for the 8th plan are achieved fully. Various projects costing to the tune of about Rs. 6500 crores for the purpose should be closely monitored and implemented. Availability of funds for these programmes/projects should be ensured so that these are completed in time.

8. The Committee also recommend that since huge funds collected under the provisions of OIIB Act, 1974 are available with the Government the release of required quantum of funds should not be a problem for the on-going projects.

B. Plans for meeting the demand of LPG

Recommendation (Sl. No. 8, Para No. 9)

9. The Committee had expressed their concern over the huge waiting list consisting of 1.08 crores prospective LPG consumers. The Ministry had informed the Committee that they proposed to wipe off the waiting list by 2000 A.D. positively. In this context the Committee had recommended that the Ministry should adhere to their targets and also create necessary infrastructure facilities including appointment of requisite number of dealers so that popular cooking fuel reaches all parts of the country.

10. The Ministry in their reply has stated that the oil industry has planned to enroll 260 lakh LPG consumers between 1992-93 to 1999-2000 with a view to meet the potential demand of LPG in the country. The indigenous availability of LPG is expected to increase from 2.7 MMT during 1993-94 to 2.83 MMT in 1996-97 and further to 3.9 MMT during the year 1999-2000. As against this demand of LPG is expected to increase from 3.1 MMT during 1993-94 to 3.74 MMT 1996-97 and further 6.23 MMT during 1999-2000. The gap is being met through imports. For this purpose, plans have been drawn by the oil industry to augment the LPG import capacity through augmenting the existing import facility at Vizag and Bombay and commissioning of new LPG import facilities in the country.

The new LPG import facilities at Kandla and Mangalore, which are already under implementation are expected to be ready by the year 1996-97. Similarly the Oil Industry has drawn plans to augment LPG movement capacity and develop new LPG distributorship in existing and new markets for meeting the potential demands of LPG by the year 2000.

As regards the wiping out the waiting list by the year 2000, the Ministry has stated that they planned new enrolments of 220 lakhs customers between 1994-95 to 1999-2000 are subject to materialisation of planned LPG production from existing and proposed new indigenous sources, possible imports through upgradation of existing facilities at Vizag and Bombay and commissioning of planned new import facilities. However, even with all these efforts the waiting list for LPG connections through the public sector oil companies will become manageable, even as new areas would get covered under LPG marketing. The LPG availability is expected to improve further with the introduction of parallel marketing of LPG through involvement of private sector.

11. The Committee find that the Ministry has taken some steps to enhance the availability of LPG. They are, however, not happy with the present assessment of Ministry that waiting list for LPG connections with public sector oil companies will remain high although earlier during the course of examination the Ministry had informed the Committee that waiting list will be totally wiped out by 2000 A.D. The Committee would

like the Government to take effective measures to adhere to their earlier commitments in this regard.

12. The Committee find that the present distribution of LPG is confined to the urban areas/towns only. The Committee would like the Govt. to take effective steps for creating necessary infrastructure for making LPG available in the rural areas also.

C. Availability of Kerosene in rural areas

Recommendation (Sl. No. 9, Para No. 10)

13. The Committee were informed that the Ministry of Civil Supplies had appointed a Committee to suggest if some section of the people, particularly, the affluent one could be excluded from the public distribution system. That Committee was reported to have submitted its recommendations which were under examination by concerned Ministry. The Committee on Petroleum & Chemicals in their 4th Report had recommended that to augment supply of kerosene in rural areas, the supply of kerosene oil through PDS system should be reviewed expeditiously and people having higher income should be excluded.

14. The Ministry in their reply have stated that the Central Government has not taken any decision on the recommendation of the Committee of Ministers set up by Ministry of Civil Supplies, CA & PD and it is not possible to specify any time-frame by which a decision can be taken by the Government.

15. The Committee desire that Government should take a decision on the report of the Committee of Ministers and would also like to be apprised about the decision taken by the Government in this regard. They would also like to be informed about action taken on their recommendation for excluding the higher income group from supply of kerosene oil.

D. Parallel Marketing

Recommendation (Sl. No. 12, Para No. 13)

16. The Committee had noted that the Government had allowed private companies to import and market some of the petroleum products, like kerosene, LPG and LSHS at market prices, to augment the domestic availability of these products. The Companies which proposed to enter this activity were not required to get registered with the Ministry and the only requirement they were to fulfil was to inform the Ministry about their intention to enter in the parallel marketing. Admittedly fake companies had appeared in the market and were collecting huge money from the prospective dealers/consumers. To safeguard the interests of public at large, the Committee had recommended that Government should ask the companies entering in the parallel marketing to get registered with the administrative Ministry before starting the business or accepting deposits security from the prospective dealers/consumers.

17. In their reply the Ministry has stated as under:—

“The parallel marketing system of SKO, LPG and LSHS has been introduced as a part of the liberalisation policies of the Government wherein the private sector is allowed to undertake marketing of these products at market determined prices. There are several commercial trading and industrial activities similar to the marketing of these products where registration with the Central or State/ U.T. Governments is not required. Introduction of a registration system generally involved due verification which is time consuming causing delay. Such avoidable delay is not in line with the liberalised economic policies of the Government.

The reports about collection of deposits by some parallel marketeers have come to the notice of the Government. This Ministry does not have any information as to how much amount has been collected by the parallel marketeers, as such transactions are between two private parties. This Ministry has, however, requested all the State/UT Governments to verify the genuineness, antecedents and capabilities of the private agencies, who intend to take up activities under parallel marketing and to take action against such parallel marketeers who have been found indulging in fraudulent and unfair trade practices. The State/UT Governments have also been advised to prohibit collection of deposits from the prospective dealers/distributors and consumers, unless adequate arrangements have been made by them for undertaking marketing of LPG/kerosene. Through a Press Note this Ministry has also advised the parallel marketeers not to resort to collection of deposits without paying interest and not to give misleading advertisements without making adequate arrangements for import of LPG and its bottling etc. The public has also been cautioned not to fall prey to misleading and fraudulent advertisements and that they may enter into any transaction with parallel marketeers only after inquiring about their antecedents, genuineness and capabilities to import and distribute the products. The Ministry has also sent the list of parallel marketeers which have come to the notice of the Ministry to the MRTP for appropriate action. The MRTP Commission has initiated investigation and have issued notices against various parties.

As per the provisions of the amended LPG and Kerosene Control Orders, 1993, the Government of India have recently issued notifications authorising the Food/Civil Supplies Departments of the States/UTs to seek information and details about the parallel marketeers. The Government have also notified various categories of officers of the States/UTs/Oil Companies to take necessary action under the provisions of the amended Kerosene and LPG Control Order.

For any grievances, the customers can seek redress from any of the usual fora like MRTPC, State/District Consumer Grievances Committee and Consumer's fora etc. besides other avenues available under the law of the land like IPC and Indian Contract Act etc. These are deemed to provide adequate safeguards for the interests of the prospective consumers."

18. From the reply of the Ministry it seems that the Government has not appreciated the concern expressed by the Committee with regard to malpractices which have crept into the parallel marketing system since its inception in 1993 affecting the interests of larger section of consumers. It has simply put forth the same arguments which it had advanced during their evidence. In the opinion of the Committee issuance of instructions/advices, press releases etc. is not enough to plug all kinds of malpractices. Similarly directions issued to States/U.Ts. may not be implemented uniformly. The Committee, therefore reiterate their earlier recommendation for developing a system of making compulsory registration of entrepreneurs with the Ministry who intend to take activities under parallel marketing. Such centralized administrative machinery should also be equipped with suitable administrative powers to take action against the defaulters. The Committee would await the action taken by Government in this regard.

E. Customers Service and Complaints

Recommendation (Sl. No. 13, para no. 14)

19. While expressing their concern over the malpractices prevalent in the marketing of various petroleum products, the Committee had recommended that besides strengthening the marketing vigilance, the recommendations of the Committees appointed by the Government viz. Sudha Joshi Committee and Abrar Ahmed Committee should be implemented with a view to improve the customer services.

20. The Ministry in their reply has stated that various steps including surprise inspections of LPG distributors/retail outlets were being undertaken to prevent malpractices and to ensure better customer services. Almost all the recommendations of the Sudha Joshi Committee Report have been implemented and some are under implementation. A few recommendations could not be implemented due to operational constraints. The recommendations of the Abrar Ahmed Committee are under examination in consultation with the oil companies.

21. The Committee are happy to know that most of the recommendations of the Sudha Joshi Committee Report have been implemented and some are under implementation. The Committee desire that examination/implementation of the recommendations of the Abrar Ahmed Committee should be expedited with a view to improve the customer services further.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1, Para No. 2)

The Committee regret to note that out of 26 sedimentary basins, only 6 basins falling in the first category have been extensively explored, so far. Another 7 basins falling in categories two and three have also been taken up for exploration. The rest of the 13 basins still remain unexplored or are poorly explored. Thus, the exploratory thrust has been lent only to some selected basins where hydrocarbons had been identified and warranted intensive exploration. The Committee also find that self-sufficiency level which was 67.8% in 1984-85 came down to 42.9% in 1992-93. To meet the growing need of petroleum products and to reduce huge import bill on this account which was over Rs. 17,000 crores during the year 1992-93, the Committee recommended that Government should adopt result oriented strategy for accelerated exploration of all the basins with a view to locate and develop new oil and gas reserves in a time bound programme. This would ensure that each sedimentary basin is methodically fully examined/explored.

Reply of the Government

The Committee observed that out of 26 sedimentary basins, 6 basins category I are extensively explored, so far. Another 7 basins falling in category II and III have also been taken up for exploration. The remaining 13 basins still remain unexplored or poorly explored. Exploration in a given basin is guided by thickness and age of sediments, depositional environments, source rock availability, maturation level, entrapment conditions, direct/indirect evidences of hydrocarbons at surface and techno-economic evaluation. These 13 sedimentary basins of low/indeterminate prospectivity have been accorded low priority due to very high risk and possible low returns involved in such areas.

(a) Cuddapah, Bhima, Kaladgi, Bastar, Chattisgarh basins

These basins have been accorded very low priority for hydrocarbons exploration. The geological knowledge obtained through surface geological surveys have indicated very low prospectivity for generation, accumulation and preservation of hydrocarbons. So, no exploration work has been carried out in these basins.

(b) Deccan Syncline and Narmada Graben

It is a very vast area covered by thick flows of basaltic rocks. The sediments underneath are considered to be prospective only on analogy as sediments of similar age (Mesozoic) have indicated presence of hydrocarbons elsewhere. As on today, there is a technology constraint to decipher the exact thickness of overlying igneous basaltic rocks and map the structures beneath. The Deep Seismic Sounding (DSS) method has not yielded any reliable results. ONGC's efforts to explore pretrappean Mesozoic sediments in Cambay basins did not meet with any success. Therefore, hydrocarbon prospectivity of Deccan syncline and Narmada graben remains indeterminate.

(c) Pranhita-Godavari Basin

In Pranhita-Godavari basin to explore the hydrocarbon prospects of Gondwana sediments Geological Surveys, 2 D seismic surveys (1101 GLK) and drilling of one parametric well have been carried out by ONGC so far.

(d) Tectonised zone of Himalayas

The tectonised zone of Himalayas covering the areas of Jammu and Kashmir, Himachal Pradesh, Hilly terrain of Uttar Pradesh, Sikkim and Arunachal Pradesh with high degree of geological complexities due to tectonics and logistic problems, is not considered to be lucrative for exploration of hydrocarbons.

(e) Karewa basin

In Karewa basin, located in Kashmir valley of Jammu and Kashmir, exploratory efforts were expended by carrying out geophysical surveys amounting 1388 LK through departmental parties and 634 GLK by contractual parties. Based on the interpretation results, 3 prospects were probed by drilling 4 exploratory wells which were proved to be devoid of hydrocarbons. The technical data obtained from these wells indicate poor prospectivity of these sediments to generate commercial accumulation of hydrocarbons. Hence further exploratory efforts have been discontinued.

(f) Vindhyan basin

In Vindhyan basin as on 1.1.94, apart from the geological surveys, 2376 SLK seismic surveys have been acquired and drilling of one exploratory well has been completed. The non-commercial presence of gas observed during the testing of well is being further pursued by conducting additional seismic surveys to identify drillable prospects.

(g) Satpura-South Rewa, Son-Damodar basins

For hydrocarbon exploration of Gondwana sediments, apart from geological surveys, seismic surveys of the order of 121 LK 2 D in Satpura area and 3580 LK 2 D in South Rewa area have been conducted. One exploratory location Tihki-1 is being shortly taken up for drilling in Satpura-South Rewa area. Depending on the results of this well, exploration strategy will be reoriented for Son-Damodar basin which is in geological contiguity with Satpura-South Rewa basin.

To supplement the exploration efforts of ONGC, Government of India is offering exploration acreages for exploration to private companies since 1980. So far 8 rounds of exploration bidding has been announced.

Presently, the Government has decided to offer exploration blocks in different sedimentary basins to private companies for exploration under Production Sharing contract on continuous round-the-year bidding. Fifth, Sixth, Seventh and Eighth rounds of exploration bidding announced are a part of this policy.

Earlier, three rounds of exploration bidding were completed. Under fourth round a total of 72 blocks, 39 offshore and 33 onshore were offered. A total of 24 bids for 13 blocks in offshore and 8 onshore were received. Till date, two contracts one for block KG-OS-90/1 in KG offshore and another for block GN-ON-90/3 in Pranhita Godavari basin have been signed. Further Government of India has also approved the award of contracts for block RJ-ON-90/1 in Rajasthan, for block GK-ON-90/2 in Gujarat-Kutch and for block CY-OS-90/1 in Cauvery offshore basin subject to finalisation of production sharing contract.

Under the 5th round floated in January, 1993 a total of 45 blocks were offered for exploration of oil and gas. The last date for receipt of bids was 30th June, 1993. 15 bids were received for 10 blocks from 11 companies. The negotiations with the bidders have been completed and proposals are under consideration of the Government. In the sixth round of bidding 46 blocks were offered in August, 1993. 20 bids were received for 12 blocks, 7 onshore and 5 offshore. The evaluation of the bids has been completed and negotiations are in progress. In January, 1994 under the 7th round

45 blocks were offered. The last date for submission of bids was 30th June, 1994. 12 bids were received for 10 blocks. The bids are under evaluation. Under the 8th round floated in July, 1994, 34 blocks have been offered. Last date for receipt of bids is 30th December, 1994.

Government has also approved finalisation of the contracts for award of 13 small sized and 5 medium sized fields out of the fields offered for development under the 1st round in August, 1992. Negotiations with the bidders for signing of the contracts are in progress. Under the 2nd round, 8 medium sized and 33 small sized fields were again offered for development in October, 1993. The last date for receipt of bids was 31st March, 1994. 54 bids have been received from 30 companies, 11 foreign and 19 Indian for 7 medium sized and 14 small sized fields. The bids are under evaluation.

Government of India had also invited bids for carrying out speculative geophysical and other type of surveys in 35 blocks (21 offshore and 14 onshore) in 1993. Bids received have been evaluated and negotiations with the bidders is in progress.

Accelerated Exploration Programme

Government has also proposed to introduce an accelerated exploration programme during the last three years of the 8th Plan. This would help to discover more oil and gas reserves mainly in the sedimentary basins where oil and gas has already been discovered in commercial quantities, however, a very strong element of this exploration programme consists of work in new frontier areas, this will include work in some of the less explored basins in the country. Moreover, there is provision to carry out national seismic programme through-out the country by shooting regional seismic lines. This work will cover the basins which still remain unexplored or are poorly explored. The accelerated exploration programme will also cover surveys in deep waters in offshore areas.

(Ministry of Petroleum & Natural Gas No. J-14013/1/93-GEN. dated 7.10.1994)

Comments of the Committee

Please see para 7 of the Chapter I of the Report.

Recommendation (Sl. No. 2, Para No. 3)

The VIII Plan (1992-93) exploration strategy was devised in October, 1991 to envisage intensive exploration in Category I basins. It is a matter of concern to note that the achievements of Public Sector Undertakings engaged in exploratory activities of oil and gas viz. ONGC and OIL during the first two years of the VIII Plan have been considerably below the targets fixed both in terms of drilling (Meterage) as also number of wells drilled. This down trend has been attributed by the Ministry of Petroleum and Natural Gas as also by the oil companies lack of requisite funds. As against the projection of about Rs. 35,000 crores made by ONGC/OIL for survey exploration and production activities, the Planning Commission had recommended an allocation of about Rs. 25,000 crores. However, the final allocation has been of the order of Rs. 18,574 crores only which is just half of the projection. While communicating this allocation the oil companies have been asked not to lower their exploration/production targets and further funds could be released on year to year basis. In this context, Petroleum Secretary pleaded before the Committee that as the Oil Companies need a longer gestation period for planning their projects, the sanction of funds should be done in advance rather than on a year to year basis. It also came out during the examination that about 60% of the funds earmarked for the VIII Plan have already been spent in the first two years of the plan and only 40% remains for the exploration/production activities to be undertaken during the next three years. In view of the importance of the oil sector, the Committee urge upon the Government to give priority to this sector and allocate required funds so that the country is able to raise its self-sufficiency level in the matter of petroleum products which has come down to 42% during 1992-93 from the level of about 67% achieved in 1984-85.

Reply of the Government

On a recent review Government have observed that accretion to inplace reserves during first two years of 8th Plan *i.e.* 1992-93 and 1993-94 has been very small. As against the target of 1325 million tonnes of reserve accretion during the 8th Plan, the reserve accretion in the aforementioned two years has been only about 125 million tonnes. This low accretion of reserves was in spite of fact that the targets of physical work programmes were generally met. In order to rectify this situation so that production could be kept at an upward path beyond the current plan period, it has been decided to undertake an enhanced oil and gas exploration programme for the remaining three years of the 8th Plan *i.e.* 1994-95 to 1996-97. This programme is expected to entail an expenditure of additional Rs. 6,500 crores for explorations over and above the approved plan allocations. Government approval for this has been obtained. The detailed work programme is being finalised by ONGC and OIL.

(Ministry of Petroleum & Natural Gas No. J-14013/1/93-GEN. dated 7.10.1994)

Comments of the Committee

Please see para 7 of the Chapter I of the Report.

Recommendation (Sl. No. 3, Para No. 4)

The Committee regret to note that as against the production of crude oil of 34 million tonnes during the year 1989-90, its production has come down to about 27 million tonnes in 1992-93. The Committee also note that the demand of petroleum products in the country is increasing at a faster rate and by the end of VIII Five Year Plan *i.e.* 1996-97, the expected requirements of petroleum products would be about 79 million tonnes. As per the production estimates, the indigenous crude oil production will be about 44 million tonnes (39 million tonnes by ONGC and OIL and 5 million tonnes by private companies) by the end of 1996-97. The Committee feel concerned to note that inspite of expected substantial increase in crude oil production by 1996-97, the yawning gap between demand and indigenous availability of crude oil would further widen during the same period swelling the current import bill of about Rs. 17,000 crores to over Rs. 20,000 crores at the current price level. The Committee were informed that the decline in crude oil production was mainly on account of foreign exchange crunch during the years 1989-90 and 1990-91 and also due to some technical problems at Bombay High Oil field which is the major production centre. The Committee were also informed that the foreign exchange problem is no more today and steps have been taken to rectify the technical problems at Bombay High. From the year 1994-95 onwards, the production is expected to increase. To meet the growing demand of petroleum products, the Ministry has also informed that several measures have been taken which include short term, medium term and also intensification of exploration efforts. The Committee would like the Ministry to ensure that all measures/steps are taken effectively with a view

to increase the oil production which is crucial for growth of Indian economy as a whole.

Reply of the Government

The production of crude oil in the country fell from 1989-90 till 1992-93. Government initiated a number of short-term and medium term measures as a result of which the decline in production of crude oil was arrested during the year 1993-94 and a level of production of 27.015 MMT was reached compared to 26.95 MMT of 1992-93. As a result of the above and completion of ongoing development projects the production of crude oil from the current year 1994-95 onwards is earmarked to increase substantially. The following table indicate the production scenario for the remaining three years of the Eighth Five Year Plan:

(Figs. in MMT)

YEAR	ONGC/OIL	JV	TOTAL
1994-95	32.51	—	32.51
1995-96	38.17	0.20	38.37
1996-97	39.22	5.23	44.45

2. As would be seen from the above table, the indigenous production of crude oil is expected to increase by over 5.0 million tonnes over the actual production of 27.015 million tonnes achieved last year (1993-94). The production in 1995-96 and 1996-97 is also expected to register a quantum jump so as to reach a level of 44.45 million tonnes by the end of the current plan period *i.e.* 1996-97.

3. The aforementioned increase in the crude oil production will come through development of some new fields like South Heera, Gandhar Phase-II, as also through additional development of some existing fields like L-II and L-III in the Western offshore and the discovered fields, Heera and Panna which will be developed through joint venture between ONGC and private companies.

(Ministry of Petroleum & Natural Gas No. J-14013/1/93-GEN. dated 7.10.1994)

Recommendation (Sl. No. 4, Para No. 5)

Apart from resource constraints/foreign exchange crunch/technical problems at Bombay High, the Committee find that certain projects were also delayed beyond their stipulated date of commissioning. On account of this the desired level of production of crude oil could not be achieved. The Committee desire that the administrative Ministry as also the oil companies should improve the monitoring system for completion of the ongoing projects on a regular basis with a view to avoid cost and time over-runs. This will help not only avoiding the cost over-runs but it will also ensure enhancing the production capacity well in time.

Reply of the Government

To monitor the implementation of the projects of ONGC and other PSUs under the Ministry, a cell on behalf of the Ministry has been set up in the Engineers India Ltd. known as Ministry Monitoring Cell. This Cell reviews the progress of the projects monthly and highlight the areas of concern and suggests action points on which PSUs/Ministry take suitable action. ONGC also furnishes to this Ministry progress report on the on-going projects, on a monthly basis. These reports are examined and the critical points are identified. These points are taken up with the concerned Departments/Agencies. Regular meetings are held in the Ministry to monitor the progress of on-going projects and special meetings are held when required.

(Ministry of Petroleum & Natural Gas No. J-14013/1/93-GEN. dated
7.10.1994)

Recommendation (Sl. No. 5, Para No. 6)

With a view to increase the exploration/production activities the Government have allowed the private sector/multinational companies to enter in this field. So far six rounds of bidding have taken place. The results of first three rounds of bidding in 1980, 1982 and 1983 were not very encouraging as many of the foreign oil companies who signed contracts with the Government could not find oil and stopped the work. Subsequently, on revised terms and conditions, the 4th, 5th and 6th round of bidding where 72 blocks were offered for exploration, contracts have been signed in respect of two blocks only. The Committee find that under the 5th and 6th round of bidding some of the big multinational oil companies had participated in the bidding and response is quite good as compared to the earlier responses.

The Petroleum Secretary also informed the Committee that to attract foreign investment a number of modifications in the earlier conditions have been made to make the offers more attractive and the Government have also decided that they will be receiving offers round the year to attract more and more agencies to take up the exploration/production work. As per the Ministry's expectations by the end of 8th Five Year Plan *i.e.* 1996-97 about 5 million tonnes of crude oil will be available from such contracts. With a view to attract more responses/funds from the private/foreign sources, the Committee desire that the Government should constantly review the terms and conditions so that these can be made further attractive and are comparable to other countries.

Reply of the Government

The terms and conditions of the Production sharing contracts are being reviewed from time to time to make them more attractive as well as comparable to other countries.

(Ministry of Petroleum & Natural Gas No. J-14013/1/93-GEN. dated
7.10.1994)

Recommendation (Sl. No. 6, Para No. 7)

The Committee find that Government takes undue long time in finalising the bids/offers. For instance the bids under the 4th round which were offered in September, 1991 were finalised only in 1993 as the contracts with the concerned companies were signed only in February/March, 1993 and thereafter. Similarly, the offers received under 5th round of bidding for which the last date was 30th June, 1993 are still under processing. The Managing Director of a private company engaged in exploration work was candid in his submission before the Committee that 'Delay causes lack of interest. The longer it takes, people get discouraged'. The Committee would like the Government to expedite process of evaluation/finalisation of the bids received under 5th and 6th round of bidding. The Committee desire that some Centralised special cell should be created to look after this task. Concerted efforts are needed to streamline the functioning/procedures of this work.

Reply of the Government

Government of India has already completed the evaluation of bids received under the fifth round of bidding and negotiations have been held with the bidders. Necessary proposals for Government approval are under submission. As regards VIth Round of bidding, evaluation of bids has been completed and negotiations with bidders are in progress.

A special cell is already functioning in the Ministry, headed by a Deputy Secretary, to ensure that the evaluation of bids, negotiations with bidders and signing of the contracts etc. are carried out expeditiously.

(Ministry of Petroleum & Natural Gas No. J—14013/193—GEN dated 7.10.1994)

Recommendation (Sl. No. 7, Para No. 8)

Presently there are 12 public sector oil refineries in the country having a refining capacity of 53.25 MMT per annum. The demand of petroleum products during the current year *i.e.*, 1993-94 has reached about 60.76 MMT as against 58.7 MMT in 1992-93. It is further expected to rise to about 79.4 MMT per annum during the terminal year of Eighth Five Year Plan *i.e.*, 1996-97 and to about 102 MMT by 2001-2002. The Ministry of Petroleum & Natural Gas informed the Committee that they expect to get another 4.3 MMT through expansion of the existing refineries and 16.83 MMT from the new refineries being commissioned at Mangalore, Panipat and Assam. Some refineries are expected to come in joint sector as also in the private sector. Thus, the total refining capacity is expected to swell to about 70 MMT by the end of 1996-97 (terminal year Eighth Five Year Plan). The capacity would further increase to 111 MMT by the terminal year of Ninth Five Year Plan *i.e.*, 2001-2002. According to the Ministry the refining capacity of

this magnitude would be sufficient to meet the indigenous demand of petroleum products which would be of the order of about 102 million tonnes by the end of 2001-2002 p.a.

The Committee do appreciate the advance planning for creation of additional refining capacity to meet the growing demand of petroleum products. The Committee would however, like the Ministry to ensure that the expansion programmes/new projects are completed within stipulated time so that time and cost overruns could be avoided.

Reply of the Government

To ensure that expansion/installation of new refineries is completed within time and cost overrun, oil companies are monitoring the progress on monthly basis and the same is reported to the Ministry of Petroleum & Natural Gas. This is also being reviewed regularly by Ministry of Petroleum & Natural Gas through Engineers India Limited.

2. At present ongoing projects of Oil Companies are progressing as per schedule. During monitoring/review, if any delay noticed, necessary remedial steps will be taken to ensure for completion of project in time.

(Ministry of Petroleum & Natural Gas No. J—14013/1/93—GEN dated 7.10.1994)

Recommendation (Sl. No. 8, Para No. 9)

The marketing of petroleum products is recently being carried out by four public sector oil companies, viz., Indian Oil Corporation, Hindustan Petroleum Corporation, Bharat Petroleum Corporation and IBP Ltd. All these companies have a vast network of retail outlets throughout the country which are over 25000. Except for LPG and Kerosene, all other petroleum products are available abundantly. At present, there are 2 crores customers of LPG and there is also a waiting list consisting of 1.08 crores prospective consumers. The Ministry have informed the Committee that they propose to wipe off the waiting list by 2000 A.D. positively. The Committee would like the Ministry to adhere to the target fixed in this regard. Needless to emphasise, adequate steps should be taken by the Ministry to create necessary infrastructure/facilities including appointment of requisite number of dealers so that popular cooking fuel is reached to all parts of the country.

Reply of the Government

LPG is produced in refineries and gas fractionators and marketed by three public sector units namely, IOC, BPC and HPC. Some quantities are also imported. LPG is supplied to the major industrial establishments in bulk and to commercial, small industrial units and domestic customers in cylinders through LPG distributors.

The customer population and number of persons in the waiting list for LPG connections as on 1.1.94 were about 202 lakhs and 113 lakh

respectively. The LPG consumption was around 3.10 million tonnes during the year 1993-94. The LPG availability from indigenous sources during 1993-94 was about 2.7 MMT, and the import was 415 TMT.

The LPG supply demand balance for the period 1992-93 to 1999-2000 giving details of year-wise availability, enrolment plans, potential demand and import requirements is appended as *Appendix-I*.

A review of the above LPG supply demand balance indicates that the indigenous availability of LPG is expected to increase from 2.7 MMT during 1993-94 to 2.83 MMT in 1996-97 and further to 3.9 MMT during the year 1999-2000 and the LPG demand is expected to increase from 3107 TMT during 1993-94 to 3740 TMT in 1996-97 and further to 6230 TMT during 1999-2000.

Considering the demand potential, the Oil Industry has planned to enroll 260 lakh LPG customers between 1992-93 to 1999-2000 with a view to meet the potential demand of LPG in the country. About 22 lakh new customers were enrolled by the Industry during 1992-93 and 1993-94. It is proposed to enroll 20 lakh customers during 1994-95. In view of its high level of potential demand to the tune of 6.23 MMTPA by 1999-2000, it calls for imports of LPG of the order of about 2.6 MMTPA by 1999-2000. For this purpose, plans have been drawn by the Industry to augment the LPG import capacity through augmenting the existing import facility at Vizag and Bombay and commissioning of new LPG import facilities in the country. Two new LPG import facilities at Kandla and Mangalore, which are already under implementation are expected to be ready by the year 1996-97.

The Oil Industry has also drawn plans to undertake new enrolments and meeting the growing demand of LPG by augmenting LPG marketing infrastructure such as augmenting LPG bottling capacity and storage capacity. Similarly the Oil Industry has drawn plans to augment LPG movement capacity and develop new LPG distributorship in existing and new markets for meeting the potential demand of LPG by the year 2000.

The planned new enrolments of 220 lakhs customers between 1994-95 to 1999-2000 are subject to materialisation of planned LPG production from existing and proposed new indigenous sources, possible imports through upgradation of existing facilities at Vizag and Bombay and commissioning of planned new import facilities. However, even with all these efforts the waiting list for LPG connections through the public sector oil companies will remain high as new areas would get covered under LPG marketing.

The LPG availability is expected to improve further with the introduction of parallel marketing of LPG through involvement of private sector. (Ministry of Petroleum & Natural Gas No. J-14013/1/93-GEN dated 7.10.1994)

Comments of the Committee

Please see paras 11 and 12 of Chapter I of the Report.

Recommendation (Sl. No. 10, Para No.11)

The retail outlets/dealerships are awarded by the Ministry of Petroleum and Natural Gas. For this purpose, the Ministry have appointed Oil Selection Boards, which have been constituted for a State or a group of States. Presently, there are 18 such Boards working all over the country. The Committee were informed that the present Boards are working from the 1st January, 1993. It also came out during the examination that some serious complaints of corruption have been made involving Members of some of the Boards. In this connection, the Ministry informed the Committee that the Government have powers to reconstitute these Boards and Members against whom the complaints are received, could be replaced. The Committee desired that the functioning of Oil Selection Boards should be reviewed and wherever necessary, improvements may be made in the existing system.

Reply of the Government

At present 16 Oil Selection Boards are in position. Functioning of OSBs is constantly monitored. It is true that complaints had been received against the functioning of some of the Oil Selection Boards. As a corrective measure, tenures of Chairmen & Members of 7 Oil Selection Boards, viz. Karnataka, Kerala, Bihar, U.P., Punjab, Haryana and Maharashtra were terminated on 2.3.1994. Subsequently, 6 out of 7 OSBs have been reconstituted and made operative. The OSB for Kerala and Lakshadweep is still defunct, and will be made functional soon. Thus it would be appreciated that Government is fully seized of the seriousness of the issue and whenever & wherever need arises, Government would not hesitate to take suitable remedial measures.

(Ministry of Petroleum & Natural Gas No. J—14013/1/93—GEN dated 7.10.1994)

Recommendation (Sl. No. 11, Para No. 12)

According to the present policy of the Government, there are reservations for different categories, like SC, ST, Defence category, freedom fighters and physically handicapped people. The Committee were informed that requisite reservations were being made for all these categories including SC/ST. Incidentally, it came to the notice of the Committee that viable sites/good locations were not offered to SC/ST candidates. In this connection, the Ministry stated that several facilities including purchase of land, construction of godowns etc. were made available to SC/ST people. While appreciating the Ministry's commitment to fulfil the reservation requirements, the Committee would like the Ministry to ensure that no discrimination is made in regard to allotment of sites etc.

Reply of the Government

All locations which fall in the reserved Assembly/Parliamentary Constituencies are preferably allotted to SC/ST as the case may be. In the

event of a shortfall to achieve 25% quota for SC/ST on State-wise/ Industry-wise basis, locations are allotted based on 100 point roster approved by the Ministry at other locations. There is no discrimination against SC/ST in the allotment of sites for dealerships/distributorships.

Further it is submitted that only those locations which are found viable on the basis of market survey are included in the Marketing Plan.

(Ministry of Petroleum & Natural Gas No. J—14013/93—GEN dated 7.10.1994)

Recommendation (Sl. No. 13, Para No. 14)

Another area where the Committee would like to express its concern is the malpractice prevalent in the marketing of various petroleum products. The quantum and magnitude of such malpractices could be gauged by the fact that between April and November, 1992 as many as 530 cases were detected. These irregularities are in the nature of adulteration, shortly supply of products, etc. It also came out that there could be instances of malpractice at plant level as also while transporting the petroleum products. To check the prevailing malpractice, Oil Companies have taken several measures so that consumers get all the petroleum products in requisite quantity having standard quality. For this purpose, dealers are required to follow Marketing Discipline Guidelines in which strict penalties are leviable if dealers are found violating such guidelines and even their dealership could be terminated if the cause of complaint is grave. To avoid malpractices, Kerosene oil imported for PDS system is marketed after colouring it so that it does not reach the open market. This step will ensure distinction between the kerosene imported for PDS system and imports made by private companies under parallel marketing system. Two Committees appointed by the Government, viz., Sudha Joshi Committee and Abrar Ahmed Committee are also reported to have made certain recommendations which if implemented would improve the customer services. The Committee would like the Ministry to ensure implementation of the recommendations of these Committees. Needless to emphasise adequate steps should be taken to strengthen the marketing vigilance.

Reply of the Government

In order to prevent malpractices and to ensure better customer service regular/surprise inspections of LPG distributorships and retail outlets are carried out by the officials and joint inspection teams of oil companies to prevent adulteration at petrol and diesel retail outlets density checks and furfural checks (wherever applicable) are carried out as per the prescribe guidelines. In case of any malpractices/irregularities detected at the LPG distributorship and retail outlets dealers, punitive action is taken against the dealer/distributor as per the Marketing Discipline Guidelines.

2. Posters giving the name and address of the office/officer of the Oil companies to be contacted in case of a complaint are required to be

displayed at the showrooms of the LPG distributors and retail outlets. For attending to customer complaints for LPG, Oil companies have set up customer service cells at various area offices/divisional offices and field locations in different parts of the country.

3. Almost all the recommendations of the Sudha Joshi Committee Report have been implemented and some are under implementation. A few recommendations could not be implemented due to operational constraints. The recommendations of the Abrar Ahmed Committee, are under examination in consultation with the oil companies.

(Ministry of Petroleum & Natural Gas No. J—14013/93—GEN dated 7.10.1994)

Comments of the Committee

Please see para 21 of Chapter I of the Report.

Recommendation (Sl. No. 14, Para No. 15)

The representatives of the Ministry were candid in their admission before the Committee that the LPG dealers indulge in the malpractices to the extent that instead of giving connections to the genuine customers, who had booked the connections several years ago, are given to some other people at some consideration. The Committee desire that such loopholes in the present system should be removed by tightening the procedures and by checking the pending registration regularly.

Reply of the Government

Presently during the inspection of dealerships, oil company officers, amongst other things, cross-check release of new connections with the waiting list register and in case any irregularities are found and if established necessary action is taken in line with the marketing Discipline Guidelines. The Marketing Discipline Guidelines are also being revised to make them more effective and stringent. Besides a Vigilance Cell is also being set up to watch *inter-alia* the operations of the LPG distributors and to enquire into complaints of serious nature.

(Ministry of Petroleum & Natural Gas No. J—14013/93—GEN dated 7.10.1994)

Recommendation (Sl. No. 15, Para No. 16)

The representatives of the LPG/Petrol/Kerosene dealers submitted before the Committee that they were not getting the proper commission on sale of petroleum products. For instance, commission on LPG is reported to have come down from 25% to about 6% during the last 25 years. The representatives went to the extent saying that if they run their business on honest principles, they would certainly be incurring losses and they were forced to indulge in the malpractices. To substantiate their point of view, they state that some of the petrol pumps, run by oil companies were incurring heavy losses. When asked about the views of the Government to

mitigate the grievances of dealers, the Committee were informed by the Ministry that the recent increase in commission for various petroleum products has taken care of all these problems and all dealers are expected to be viable. Since, dealers are the middlemen between the producer and the consumer, the Committee would expect that there should be a proper machinery/forum so that revision of commission on all types of products is reviewed periodically.

Reply of the Government

On the recommendations of the Committee constituted by the Government, dealers commission on MS/HSD/LPG/SKO has been revised effective 1.9.1993. The current rates of commission are as under:—

MS/HSD

SLAB	VOLUME KL/ANNUM	RS/KL	
		MS	HSD
I	0-600	376	196
II	ABOVE 600	232	93

LPG

—UPTO 2500 REFILLS—Rs. 7.30/CYLINDER (14.2 Kg.)

—ABOVE 2500 REFILLS—RS. 6.50/CYLINDER (14.2 Kg.)

SKO

W.E.F. 1.9.1993	RS/KL	
	WHOLESELLER	RETAILER
	52.70	69.00

In addition, the impact of increase in All India Consumer Price Index (AICPI) over 1197 adopted on 1.4.1993 for increase in wages is allowed by way of increase in commission on 1st of every April on the basis of an inbuilt formula.

The present system on the dealers commission is considered adequate for reviewing dealers' commission.

[Ministry of Petroleum & Natural Gas No. J—14013/1/93—GEN dated 7.10.1994]

Recommendation (Sl. No. 16, Para No. 17)

In the context of huge import bill on account of petroleum products, there is urgent need to take steps to conserve the petroleum products to the maximum possible. For this purpose, Petroleum Conservation and Research Association has been set up under the supervision and guidance of the Ministry of Petroleum and Natural Gas. The PCRA has been envisaging various schemes in different sectors such as oil sector, agriculture sector and transport sector. Due to its efforts, the PCRA is reported to have effected a saving of Rs. 495 crores during the Seventh Five Year Plan. For instance, Oil Refineries are saving about 30-40 crores annually

on account of implementation of conservation schemes. The PCRA is also taking up various mass programmes to educate the public at large. The Committee however, regret to note that there is no Central agency to monitor the conservation programmes in various Government departments/PSUs/private sector. The Committee feel that there should be some Centralised agency to coordinate such work so that targets could be fixed for different sectors. Efforts are also needed to augment the mass awareness programmes by involving various voluntary organisations and State Government's suitable incentive schemes could be thought of to attract various users in this regard. These steps will go a long way in reducing the consumption of oil and gas.

Reply of the Government

The Petroleum Conservation Research Association (PCRA) is already functioning as a Central agency to coordinate and propagate oil conservation activities throughout the country. It is also undertaking a multi-media campaign for creating mass awareness for the conservation of petroleum products. The PCRA has been working in close coordination with the State Governments through the State Level Coordinators of the oil marketing companies, public sector undertakings and other organisations including voluntary agencies in the private sector. Further, the oil conservation activities are being promoted and monitored by the conservation cell which was created in the Ministry of Petroleum and Natural Gas in 1989. With the creation of the Conservation Cell, various oil conservation measures have received an added impetus recently. With a view to creating mass awareness on a large scale, Oil Conservation Weeks are being celebrated every year since 1991. It also monitors the results achieved by the efforts made for conservation of petroleum products in various sectors/organisations. Details of savings achieved as a result of these efforts during the last two years are given in *Appendix II*.

In view of the position explained above, it may be observed that a Centralised set up for coordinating and monitoring oil conservation activities is already operating. However, as recommended by the Committee the petroleum conservation activities including the spreading of mass awareness programme would be augmented further.

(Ministry of Petroleum & Natural Gas No. J—14013/1/93—GEN dated 7.10.1994)

Recommendation (Sl. No. 17, Para No. 18)

Incidentally, it came out during the examination that on the one hand, there was shortage of natural gas/LPG in the country and on the other hand, some gas was flared up at Bombay High and reportedly at some other oil installations. During the 7th Five Year Plan, as against the total production of natural gas of 59.56 billion Cu.M. The actual despatches of natural gas for sale to the consumers was 40.68 billion Cu.M. only. The rest was flared up. The Government is reported to have taken steps to

completely stop flaring of gas by 1996. Such gas could be diverted to fertilizer plants, where it is used as feed stock and its demand is not being fully met. Similarly, additional gas could be diverted to the proposed Southern Gas Grid. In view of the importance of natural gas, the Committee desire that concerted efforts should be made to achieve this goal.

Reply of the Government

The Committee has rightly noted that some gas is being flared at various fields in the country while there is a shortage of natural gas. The Committee has desired that concerted efforts be made to stop flaring of gas.

The flaring of gas in the country has gone down over the last few years as can be seen below:

Year	Quantity Flared (MMSCM)
1989-90	5733.60
1990-91	5161.40
1991-92	4119.66
1992-93	1854.20
1993-94	1923.55

Flaring of associated gas is mainly of four kinds. The first is technical flaring. The second is flaring of low pressure gas and gas from small and isolated fields which is uneconomical to compress and transport. The third kind is gas flared due to non-uptilment by consumers. The fourth kind is the gas flared due to the lack of the required facilities for compression and transportation. Approximately, 45% of the total gas flared is of the first two kinds. The efforts to reduce the flaring of gas in the various gas producing regions are outlined below:

Western Offshore:

The current level of flaring is 2.23 MMSCMD of which 1.30 MMSCMD is unavoidable and technical flaring. The balance of 0.93 MMSCMD is expected to be utilised by 1996-97 when the compression and transportation facilities at the Panna and Mukta fields are developed.

The Gas Flaring Reduction Project

With the projected rise in the production of crude oil from the Western Offshore fields, the production of associated gas will increase. The gas flaring reduction project of the ONGC is designed to take care of the additional gas to be available from the Bombay High field upto 1996-97 by the installation of compression facilities and trunk pipelines. The components of the project are at *Appendix III*. The project will be jointly assisted by the World Bank, the ADB and the Exim Bank of Japan. The project will be implemented by 1996-97.

Western Onshore (Gujarat)

The current levels of flaring in Gujarat is 0.69 MMSCMD of which 0.20 MMSCMD is unavoidable and technical flaring. In North Gujarat, commissioning of gas collection and compression system in Ahmedabad and Mehsana Projects would reduce gas flaring from these projects to practically technical flaring and flaring from isolated poles/installations (small quantity), subject to off-take by consumers. The gas compressors at Ahmedabad and Mehsana are presently under trial run. In South Gujarat, commissioning of compressors at Gandhar by April 1996, would reduce gas flaring to practically technical flaring and flaring from isolated installations (small quantity), subject to off-take by consumers.

The North-East

The current level of flaring in the North-East is:—

ONGC	0.70 MMSCMD
OIL	1.20 MMSCMD
Total	1.90 MMSCMD

0.12 MMSCMD out of the gas flared by ONGC is of unavoidable and technical nature. The balance 0.58 MMSCMD is proposed to be brought to Lakwa for feeding into the LPG extraction plant of GAIL. Compressors have been installed at Gelaki and Rudra sagar fields for this purpose. The LPG extraction plant is expected to be commissioned in 1996.

Flaring of OIL is partly of a technical nature and partly due to lack of demand from the consumers who have been allocated gas. OIL has taken up a scheme for the underground storage of unutilised gas. OIL proposed to build up the capacity of storing 0.80 MMSCMD. The cumulative storage so far made is of the order of 37.14 MMSCMD.

There is no flaring in Tripura as the gas field in Tripura is free gas fields.

Southern Region

The current level of flaring in the Southern Region is 0.20 MMSCMD out of which 0.08 MMSCMD is technical flaring. The flaring is mainly in the Cauvery Basin and partly in the KG Offshore. GAIL has taken up the project for collection of gas from isolated fields in the Cauvery Basin. The project is expected to be completed by the end of this year. With the completion of this project, flaring in the Cauvery Basin is expected to be limited to technical flaring.

(Ministry of Petroleum & Natural Gas No. J—14013/1/93—GEN dated 7.10.1994)

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

NIL

CHAPTER IV

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

Recommendation (SL. No. 12, Para No. 13)

Till recently, marketing of all petroleum products was in the monopolistic area of public sector oil companies. However, with the liberalisation in the industrial sector, the Government have allowed private companies to import and market some of the petroleum products, like Kerosene, LPG and LSHS at market prices. The Government do not propose to have any price control over such parallel marketing. The companies which propose to enter this activity are not required to get registered with the Ministry and only requirement they are to fulfil is to inform the Ministry. Admittedly, fake companies have appeared in the market which are collecting huge money from the prospective dealers/customers. The Committee are not convinced with argument given by the Ministry that registration was not legally justifiable and the law of land can take action against such fake companies. MRTP is also understood to have taken suo-moto action against some of such companies. To safeguard the interests of public at large, the Committee recommend that Government should ask the companies entering in the parallel marketing to get registered with the administrative Ministry before starting the business or accepting deposits/security from the prospective dealers/consumers. The Committee also desire that there should be constant vigil over the functioning of private companies. If necessary, some model code of conduct could be framed for these companies.

Reply of the Government

1. Under the parallel marketing system, private agencies have been allowed to import and market LPG/Kerosene/LSHS using/setting up their own infrastructural and distribution net-work at market determined prices under their terms. They will have to obtain the necessary approvals under the relevant Acts and Rules regarding safety, pollution control, etc. as applicable. No permission from the Ministry of Petroleum and Natural Gas is required. Under the LPG/Kerosene Control Orders the parallel marketeers are required to intimate their intention and capabilities to import, bottle/pack, distribute or sell LPG/Kerosene before commencement of such activities. Besides they are required to submit monthly reports giving details of product imported

by them. They are also required to furnish to the Government, all other relevant particulars and information as may be required.

2. The parallel marketing system of SKO, LPG and LSHS has been introduced as a part of the liberalisation policies of the Government wherein the private sector is allowed to undertake marketing of these products at market determined prices. There are several commercial trading and industrial activities similar to the marketing of these products where registration with the Central or State/U.T. Governments is not required. Introduction of a registration system generally involves due verification which is time consuming causing delay. Such avoidable delay is not in line with the liberalised economic policies of the Government.

2.2 The reports about collection of deposits by some parallel marketeers have come to the notice of the Government. This Ministry does not have any information as to how much amount has been collected by the parallel marketeers, as such transactions are between two private parties. This Ministry has, however, requested all the State/UT Governments to verify the genuineness, antecedents and capabilities of the private agencies, who intend to take up activities under parallel marketing and to take action against such parallel marketeers who have been found indulging in fraudulent and unfair trade practices. The State/UT Governments have also been advised to prohibit collection of deposits from the prospective dealers/distributors and consumers, unless adequate arrangements have been made by them for undertaking marketing of LPG/Kerosene. Through a Press Note this Ministry has also advised the parallel marketeers not to resort to collection of deposits without paying interest and not to give misleading advertisement without making adequate arrangements for import of LPG and its bottling etc. The public has also been cautioned not to fall prey to misleading and fraudulent advertisements and that they may enter into any transaction with parallel marketeers only after inquiring about their antecedents genuineness and capabilities to import and distribute the products. The Ministry has also sent the list of parallel marketeers which have come to the notice of the Ministry to the MRTP for appropriate action. The MRTP Commission has initiated investigation and have issued notices against various parties.

3. As per the provisions of the amended LPG and Kerosene Control Orders, 1993, the Government of India have recently issued notifications authorising the Food/Civil Supplies Departments of the States/UTs to seek information and details about the parallel marketeers. The Government have also notified various categories of officers of the States/UTs/Oil Companies to take necessary actions under the provisions of the amended Kerosene and LPG Control Order.

4. For any grievances, the customers can seek redress from any of the usual fora like MRTPC, State/District Consumer Grievances Committee and Consumer's Fora etc. besides other avenues available under the law of

the land like IPC and Indian Contract Act, etc. These are deemed to provide adequate safeguards for the interests of the prospective consumers. (Ministry of Petroleum & Natural Gas No. J—14013/1/93—GEN dated 7.10.1994)

Comments of the Committee

Please see para 18 of Chapter I of the Report.

CHAPTER V

RECOMMENDATION IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT IS STILL AWAITED

Recommendation (Sl. No. 9, Para No. 10)

Another petroleum product which is having bearing on the common people is kerosene. It came out during the course of examination that Ministry of Civil Supplies had appointed a Committee to suggest if some section of the people, particularly, the affluent one could be excluded from the public distribution system. That Committee is reported to have submitted its recommendations which are under examination by the concerned Ministry. The Committee recommend that to augment supply of kerosene in rural areas, the supply of kerosene oil supplied through PDS system should be reviewed expeditiously and people having higher income should be excluded.

Reply of the Government

The Central Government has not taken any decision on the recommendation of the Committee of Ministers set up by Ministry of Civil Supplies, CA & PD and it is not possible to specify any time frame by which a decision can be taken by the Government.

(Ministry of Petroleum & Natural Gas No. J-14013/1/93-GEN dated 7.10.1994)

Comments of the Committee

Please see para 15 of Chapter I of the Report.

NEW DELHI;
February 10, 1995

Magha 21, 1916 (Saka)

SRIBALLAV PANIGRAHI,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I
LPG Supply Demand Balance: 1992-93 to 1999-2000
(Vide Page 16)

(FIGS IN TMT)

	92-93 (ACT)	93-94 (ACT)	94-95	95-96	96-97	97-98	98-99	99-2000
LPG PRODUCTION								
REFINERIES	1248	1310	1305	1295	1322	1329	1329	1329
EXISTING								
NEW	—	3	15	47	196	357	379	477
SUB TOTAL	1248	1313	1320	1342	1518	1686	1708	1806
FRACTIONATORS								
EXISTING	1318	1343	1352	1373	1212	1212	1212	1212
NEW	5	43	43	45	102	586	879	879
SUB TOTAL	1323	1386	1395	1418	1314	1780	2091	2091
GRAND TOTAL								
EXISTING	2566	2653	2657	2668	2534	2541	2541	2541
NEW	5	46	58	92	298	925	1258	1358
SUB TOTAL	2571	2699	2715	2780	2832	3466	3799	3897
ENROLMENT								
(IN LACS)	8.7	13.6	20	10	40	60	60	50
RESULTANT								
DEMAND	2873	3107	3373	3593	3740	4477	5358	6230
(PACKED+BULK)								
POSSIBLE IMPORTS	328	415	660	830	900	1200	1600	2400
SURPLUS/DEFICIT	26	7	2	-3	-8	189	41	67

LPG production estimates for 1994-95 & 1995-96 are based on past experience.

Sources: The refinery production figures are as per the report based on revised 8th plan figures submitted by sub group in refineries in July-92 & the fractionator production figures are as per the information given by GAIL & ONGC in meeting held at MOP&NG on 1.9.93.

APPENDIX II

Savings due to conservation of petroleum products during 1992-93 and 1993-94 as a result of efforts made by or through the Ministry of Petroleum and Natural Gas, the Petroleum Conservation Reserch Association, and the oil companies

(Vide Page 21)

	(Rs./Crores)	
1. Savings by and through the PCRA's efforts	332.00*	416.80**
2. Savings by oil refineries in 'fuel and loss'	183.00	215.40
	(Pro)	
	(228.9 re-	
	vised)	
3. Savings in ocean loss of crude oil and product losses	31.00	49.20
4. Saving of kerosene due to replacement by synthetic thickeners in textile sector	17.00	17.00
5. Savings of ATF in civil aviation sector	3.50	3.50
6. Savings due to use of upgraded automotive lubricants	212.00	328.40
7. Savings due to conservation efforts in the upstream sector	126.00***	144.50
	(Received now)	
	-----	-----
	778.00	1174.80
	950.40	-----
	revised	

*This figure includes annual recurring savings of Rs. 262/- crores.

**This figure includes annual recurring savings of Rs.332/- crores.

***The figures of savings for the upstream sector could be worked up only recently and were therefore not included in the savings reported (Rs. 778 crores) for the year 1992-93.

NOTES:

1. All figures for 1993-94 are provisional figures.
2. The figures of savings do not include the savings achieved as a result of the upgradation (on a limited scale) of industrial lubes, replace-

ment of petrol by CNG and methanol during implementation of pilot projects, oil conservation efforts in the adopted States by the oil marketing companies and by the Action Groups in different States, oil conservation efforts by the defence sector and reduction in the consumption of fuels and lubricants for transporting lesser quantities of petroleum products (due to conservation) etc.

APPENDIX III

*Details of Cost and Completion Schedule of Components of Gas Flaring
Reduction Project
(Vide Page 22)*

Sl. No.	Component	Cost (Rs. in Crs.)	Completion schedule
1.	SHG PROCESS PLATFORM (along-with SHG-BPB Line, Compressor Coat & wrap)	2117.86	30.4.94
2.	NOP PROCESS PLATFORM (along-with Tie in Line from NQP to Bombay High Uran Pipeline)	949.53	28.4.94
3.	Bombay High Modifications	313.27	15.5.94
4.	Second Bassein Hazira Trunk Line and Expansion of Shore Terminal facilities at Hazira (including BE platform)	3271.03	July'96 (SBHT Line May' 95)
5.	ICP-Heera Trunkline	704.16	March' 95
TOTAL COST		7355.85	

APPENDIX IV
MINUTES
STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(1994-95)

Nineteenth Sitting
(25.1.1995)

The Committee sat from 1100 hrs. to 1200 hrs.

PRESENT

Shri Sriballav Panigrahi — Chairman

MEMBERS

Lok Sabha

2. Dr. Ravi Mallu
3. Shri Sant Ram Singla
4. Shri V.S. Vijayaraghavan
5. Shri Arvind Tulshiram Kamble
6. Smt. Suryakanta Patil
7. Shri M. Krishnaswamy
8. Dr. Laxminarain Pandey
9. Shri Kashiram Rana
10. Shri Rameshwar Patidar
11. Shri K. Ramamurthee Tindivanam
12. Shri Sombhai Patel
13. Shri Hari Kishore Singh
14. Shri Ramnihore Rai
15. Dr. Asim Bala
16. Shri Simon Marandi
17. Shri Muhiram Saikia
18. Dr. Jayanta Rongpi

Rajya Sabha

19. Shri Mohd. Musud Khan
20. Shri G.Y. Krishnan
21. Shri Jagdish Prasad Mathur

22. Shri V. Narayanasamy
23. Shri Yerra Narayanswamy
24. Shri Ramji Lal
25. Shri Balbir Singh
26. Shri S.S. Surjewala
27. Shri Dineshbhai Trivedi

SECRETARIAT

1. Shri G.R. Juneja — *Deputy Secretary*
2. Shri Brahm Dutt — *Under Secretary*

The Committee considered the draft report on action taken by the Government on the recommendations contained in the 4th Report of the Committee on "Exploration, Production, Distribution and Conservation of Oil and Gas." After some discussion the Committee adopted the report subject to modifications/amendments shown in annexure.

2. The Committee also authorised the Chairman to finalise the report after factual verification by the Ministry of Petroleum & Natural Gas and present the same to Parliament.

The Committee then adjourned.

**AMENDMENTS/MODIFICATIONS MADE IN THE ACTION
TAKEN REPORT**

<i>Page</i>	<i>Para</i>	<i>Line</i>	<i>Amendments / Modifications</i>
6	7	3-4	<p><i>For</i> "Arrangements should also be made to tie-up the availability of funds so that on-going projects do not suffer on account of shortage of funds".</p> <p><i>Read</i> "Availability of funds for these programmes/projects should be ensured so that these are completed in time.</p> <p>The Committee also recommend that since huge funds collected under the provisions of OI DB Act, 1974 are available with the Government the release of required quantum of funds should not be a problem for the on-going projects."</p>
7	10	10	<p><i>After</i> para 10 <i>add</i> the following sub-para:</p> <p>"The Committee find that the present distribution of LPG is confined to the urban areas/towns only. The Committee would like the Govt. to take effective steps for creating necessary infrastructure for making LPG available in the rural areas also."</p>

APPENDIX V

(Vide Para 4 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 4th Report of the Standing Committee on Petroleum & Chemicals (Tenth Lok Sabha) on "Exploration, Production, Distribution and Conservation of Oil and Gas"

I. Total number of recommendations	17
II. Recommendations that have been accepted by the Government (Vide recommendation at Sl. No. 1 to 8, 10, 11 and 13 to 17)	15
Percentage to total	88.23
III. Recommendations which the Committee do not desire to pursue in view of Government's reply	Nil
Percentage to total	—
IV. Recommendations in respect of which reply of Government has not been accepted by the Committee (Vide recommendation at Sl. No. 12)	1
Percentage to total	5.88
V. Recommendation in respect of which final reply of Government is still awaited (Vide recommendation at Sl. No. 9)	1
Percentage to total	5.88