STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1998-99)

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TWELFTH LOK SABHA

MINISTRY OF PETROLEUM AND NATURAL GAS

DEMANDS FOR GRANTS (1998-99)

SEVENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 1999/Phalguna, 1920 (Saka)

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(TWELFTH LOK SABHA)

DEMANDS FOR GRANTS (1998-99)

MINISTRY OF PETROLEUM AND NATURAL GAS

[Action taken by Government on the recommendations contained in the 4th Report of Standing Committee on Petroleum and Chemicals (1998-99) on Demands for Grants (1998-99) of the Ministry of Petroleum and Natural Gas]

Presented to Lok Sabha on ....17.......
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सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 1999/Phalguna, 1920 (Saka)

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* Nominated w.e.f. 5.8.98 vice Prof. Naunihal Singh retired from the Membership of Rajya Sabha w.e.f. 4.7.98

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1998-99) having been authorised by the Committee to submit the Report on their behalf, present this Seventh Report on Action Taken by Government on the recommendations contained in the Fourth Report of the Standing Committee on Petroleum and Chemicals (1998-99) (Twelfth Lok Sabha) on 'Demands for Grants of the Ministry of Petroleum and Natural Gas for the year 1998-99.'

2. The Fourth Report of the Committee was presented to Lok Sabha on 10th July, 1998. Replies of Government to all the recommendations contained in the Fourth Report were received by 15th February, 1999.

3. The replies of the Government were considered by the Committee on 9th March, 1999. The Committee also considered and adopted the Report at their sitting held on 9th March, 1999.

4. An analysis of action taken by Government on the recommendations contained in the Fourth Report (1998-99) of the Committee is given in Appendix III.

NEW DELHI;
11 March, 1998
20 Phalguna, 1920 (Saka)

DR. BALRAM JAKHAR,
Chairman,
Standing Committee on
Petroleum & Chemicals.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fourth Report (Twelfth Lok Sabha) of the Standing Committee on Petroleum and Chemicals (1998-99) on 'Demands for Grants (1998-99) of the Ministry of Petroleum and Natural Gas' for the year which was presented to Lok Sabha on 10th July, 1998.

2. Action Taken notes have been received from the Government in respect of all the 19 recommendations contained in the Report. These have been categorised as follows:

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

Sl. Nos. 1, 3, 5, 6, 7, 8, 10, 11, 12, 13, 14, 16, 17 and 18.

(ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government replies: NIL

(iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:

Sl. Nos. 2, 4 and 9

(iv) Recommendations/observations in respect of which final replies of the Government are still awaited:

Sl. Nos. 15 and 19.

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. Deficit in Oil Pool Account

Recommendation (Sl. No. 2, Para No. 17)

5. The Committee found that the Govt. allowed to accumulate the oil pool deficit, thereby delaying the payment of huge amount (over Rs. 12000 crores) to oil sector PSUs. Admittedly, delay in payment to PSUs adversely affected their project implementation programmes. It was only last year that the Government took one time measure to issue bonds, which could be discounted by PSUs.

The Government had assured the Committee that now onwards deficit would not be allowed to occur. In this context the Committee recommended that the new concept of 'zero deficit' should be ensured through enhanced efficiency of the Oil Sector and not by increasing the prices of petroleum products every now and then.

6. In their reply the Ministry have stated that with a view to contain the deficit in the Oil Pool Account and to enable the Oil Companies to maintain uninterrupted supplies of petroleum products in the country the Government announced a comprehensive package on September 1, 1997 to end the oil pool deficit. Government in November, 1997 had decided the details of the phased programme for dismantling of Administered Price Mechanism (APM) starting from 1.4.98. With the implementation of this programme fully there is not likely to be any deficit in the Oil Pool Account.

7. The Committee note that the Govt. have finalised the phased programme for dismantling Administered Price Mechanism (APM) starting from 1st April, 1998. The Government have also assured that with the implementation of this Programme fully there is not likely to be any deficit in the Oil Pool Account. The Committee, however, regret to note that the Government have not replied to the specific recommendation of the Committee about controlling the deficit by enhancing the efficiency of the oil sector and not through increasing the price of petroleum products every now and then. The Committee, accordingly, would await necessary clarification from the Government about the steps taken for enhancing the efficiency of oil sector particularly the PSUs under the administrative control of the Ministry of Petroleum and Natural Gas.

B. Amendment of Oil Industry (Development) Act, 1974

Recommendation (Sl. No. 4, Para No. 19)

8. While referring to their earlier Reports, the Committee had recommended that with a view to getting all funds collected under OID Act for development of petroleum sector, the Ministry should take conclusive action. The Committee in their 3rd Report (11th Lok Sabha) had also recommended amendment in the provisions of Act which were coming in the way of achieving the objectives of OID Act, 1974.

9. The Ministry in their reply has stated:

> "The Standing Committee on Petroleum and Chemicals had earlier recommended that the issue relating to the release of Cess funds to the OIDB, in full, be re-examined and if wordings of Section 16 of OID Act, 1974 was in impediment to the spirit of the Act, Ministry should initiate the process for carrying necessary amendments in the OID Act, 1974. The Standing Committee in Para 10 of its Third Report on Demands for Grants 1997-98 reiterated that conclusive action in amending the OID Act, 1974 be expeditiously taken by the Ministry. And as per these recommendations, the proposal was made by the Ministry to make amendment in the OID Act, 1974. A draft Cabinet Note was circulated to the various agencies including Ministry of Finance. Ministry of Finance in their opinion, have stated that the proposal to amend OID Act is premature and have requested that in the first instance, the factual position as contained in D.O. letter No. 2 (36)-B(S)/97 dated the 14th September, 1997 from Shri P. Chidambaram, Former Finance Minister addressed to the then Minister for Petroleum and Natural Gas may be brought to the notice of the Standing Committee of Parliament on Ministry of Petroleum and Chemicals".

10. The Committee are not at all convinced with the reply furnished by the Ministry including the contents of Finance Minister's letter dated 14th September, 1997 placed before the Committee for consideration. After re-examination of the matter, the Committee are of the strong opinion that the matter may be placed before the Cabinet again highlighting the following points:

(i) In his legal opinion on the subject the then Attorney General of India had examined the matter and submitted his views in

January, 1995. The important points brought by him are:

(a) Statement of Objects and Reasons of the Bill and Preamble to the Bill/Act are important inputs for determining the objectives of an Act. The Statement of Objects and Reasons of the OID Bill, 1974 reads as under:

"It is essential that the programme for securing such self-reliance should be rapidly stepped up, and also that the necessary resources for the execution of such programmes must be assured. It is, therefore, proposed to levy by way of a cess duties of excise on crude oil and natural gas so as to create an Oil Industry Development Fund. This fund would be used exclusively to provide financial assistance to the organisations engaged in development programmes of the oil industry in all its aspects from the exploration for, and the production of, crude oil to its refining, further down-stream processing, distribution, marketing, etc. and the research and development. To begin with, it is proposed to recover by way of a cess in the form of a duty of excise of Rs. 60 per tonne on crude oil produced in the country and delivered to the refineries. This cess will be utilised for approved schemes in the fields of oil exploration and production and the refining, marketing and distribution of petroleum products."

(b) Similarly the Preamble to the Act reads:

"An Act to provide for the establishment of a Board for the development of oil industry and for that purpose to levy a duty of excise on crude oil and natural gas and for matters connected therewith."

(c) The Attorney General also opined that in cases where Act gives authority of discretion it should be exercised in, a reasonable manner. Out of Rs. 31,000 crores collected under the provisions of OID Act, 1974, only Rs. 902 crores has been released to OIDB, which certainly is not a reasonable discretion. Besides, since

1992-93 Ministry of Finance has not released any money to OIDB.

(ii) The concerned Minister at the time of passing of the Bill in Parliament had clarified that irrespective of the language of the provisions of the proposed Act, the entire amount will first be credited to Consolidated Fund of India and thereafter it will be transferred to OIDB.

(iii) The Committee are conscious of the fact that the petroleum sector as defined in the OID Act include Chemicals & Fertilisers sectors also. In fact, in some of the Reports on Fertiliser sector, the Committee had recommended that certain organisations should try to get loan from OIDB.

(iv) The Committee's view point was supported by C&AG in their Report which *inter-alia* stated:

"As the funds generated from the cess are largely not being applied for the purpose for which it is levied, the imposition of cess itself losses much of its justification."

(v) The Standing Committee on Finance also made the following observations/recommendations:

"While taking into consideration the recommendations made by Standing Committee on Petroleum and Chemicals and views expressed by the Ministry of Finance on the availability of these resources for budgetary and plan allocations, the Committee feel that cess receipts should be used for the purpose for which these are collected."

The Standing Committee on Finance further observed:

"A good part of collection of cess is in the nature of excise duty. Had it been regularised as such it would have come under the divisible pool and the resources of the States would have increased to that extent. The Committee feel that the Union Govt. should review the matter in this light."

(vi) The present Finance Secretary will appreciate the contention of the Committee as in pursuance of the Committee's recommendations made earlier, he as Petroleum Secretary had been pursuing the matter with Ministry of Finance for higher allocation of funds to OIDB.

(vii) The Ministry of Petroleum and Natural Gas, has placed the views of Ministry of Finance before the Committee. However, views/comments/opinion of the Ministry of Law, which is more appropriate Deptt. for interpretation of law has not been placed before the Committee.

The Committee feel that in the light of above factual position, Ministry of Finance/Cabinet will appreciate that funds collected under the provisions of OID Act are meant exclusively for petroleum sector including fertilisers and chemicals. The Committee would await final action taken by the Government in this regard.

C. Funds for Numaligarh Refinery Limited (NRL)

Recommendation (Sl. No. 7, Para No. 33)

11. In the context of funding of NRL, the Committee had noted that an amount of Rs. 354 crores had been planned each for public issue and issue of debenturer by December, 1998. The Committee had recommended that the Government should continue their support if money could not be arranged from the market as planned.

12. The Ministry in their reply have furnished details of the funds requirements of NRL. However, it is observed from the reply that Rs. 354 crores from public issue and Rs. 319 crores from other sources is yet to be mopped up.

13. Since the project has been completed to the extent of 91%, the Committee once again reiterate that Govt. should ensure that the scheduled completion of the project is not delayed on account of shortage of funds.

D. Supply of LPG in rural areas

Recommendation (Sl. No. 8, Para No. 45)

14. The Committee's examination had revealed that in the matter of supply of LPG, the rural population had been grossly discriminated so far. The increased population, dwindling resources of traditional

cowdung and firewood had added to their miseries. The Secretary, Petroleum was candid in his admission before the Committee that LPG enrolment really moved slowly from urban to rural areas. The Committee also found that for the first time, the Government through the marketing plan (1996—98) of oil sector PSUs had thought of rural areas where out of 1700 LPG outlets, they proposed to set up about 400 outlets in rural areas. Similarly for the IXth Plan, they had proposed to enrol and release 50 lakhs connections in rural areas out of the total 2 crore proposed new enrolments. Considering the very fact that rural areas were totally neglected hither to before, in Committee's view about 25% allocation was too less. For providing justice and equity, the Committee had strongly recommended that now onwards atleast 50% of the new connections should be earmarked to rural areas. The Committee had also desired that necessary modifications should be carried out in marketing plan.

15. The Ministry in their detailed reply have stated:—

"Due to limited availability of LPG from indigenous sources and possible imports, so far the existing marketing plans have been made mainly covering towns having a population of 20,000 and above. However, LPG has been introduced in certain environmentally fragile area and hilly area below 20,000 population to protect the environment and prevent deforestation. With the increasing non-availability of traditional fuels and increasing popularity of LPG as cooking fuel due to its convenience in use and to prevent further deforestation, the Government have decided to commence marketing of LPG in the rural areas also. Further, for the purpose of undertaking enrolment in the rural areas, Industry has formulated the revised 1996—98 marketing plan taking into account the following:—

(i) To cover all urban locations with a population of 10,000 and above by including potential of adjoining villages falling within the radius of 15 kms.

(ii) All urban locations having population of 5000 and above surveyed for setting up a distributorship and the viability ascertained by taking into account the potential of adjoining villages falling within 15 Kms. Radius.

(iii) Cluster of villages within 15 Kms. Radius of nucleus villages having a population of 10,000 (ten thousand) and above, surveyed for setting up rural distributorship and include in the plan depending upon the viability.

(iv) Villages within 15 Kms. Radius around towns having population of 1 lakh and above surveyed for opening of rural distributorships.

(v) All VIP references surveyed for development of LPG distributorships by including the potential of adjoining villages falling within the radius of 15 Kms.

Based on the above criteria, oil industry has identified 1285 urban/rural and 401 exclusive rural locations for servicing the rural areas under the revised 1996—98 marketing plan.

IX Plan Subgroup constituted for projecting the LPG demand for IX/X Plan period, recommended a coverage of 5% of the rural population by the end of IX Plan period and 10% by the end of X Plan. This coverage of the rural population is based on the income levels and since 90% of the rural population falls in the lower and lower middle income group, it was proposed by the IX Plan Subgroup to launch LPG marketing in the rural sector to cover initially only 5% of the rural population during the IX Plan period. Accordingly, 50 Lakhs new LPG connections are projected in the rural sector for each of the IX and X Plan period. The increasing popularity of LPG as domestic cooking gas has led to very high demand and creation of large waiting lists for new connections at the existing distributorships in the urban areas. The existing LPG waiting lists registered with the PSU oil companies in the country as on 1.4.98 was about 127 lakhs having an age span of 1.1.91 to 1.4.98. In order to liquidate the existing large waiting list and meet the growing demand for new LPG connections, the Industry has planned to release 210 Lakhs LPG connections during IX plan including 50 Lakh new LPG enrolment in the Rural Sector. In view of the existing large pending waiting list in the urban markets, it may be noted that higher new LPG enrolment during IX plan is necessitated in these areas.

It may be mentioned that Industry has yet to commence enrolment in the rural area as envisaged in the IX Plan as new distributorships under the Marketing Plan 1996-98 could not be commissioned on account of non-functioning of DSBs.

Therefore, it is felt that new LPG enrolment plan may be restricted to 50 Lakhs in the rural sector during IX plan due to :

* Existing large/old pending waiting list in the urban markets.
* Low income levels in the Rural areas.
* Lead time required for development of LPG distribution network for catering to rural area...".

16. The Committee find that though late, some steps have been envisaged to serve rural sector during 9th Five Year Plan. The Committee would like the Govt. to ensure that necessary infrastructure including commissioning of new dealerships is developed in rural areas so that 9th Plan target of 50 Lakh LPG connection in rural areas is achieved fully. With the availability of infrastructure in rural areas by the end of 9th Plan, it should be possible to release more connections in 10th Five Year Plan. The Committee therefore strongly recommend that Xth Plan marketing plan should cover more rural areas and LPG should also reach more than 50 lakh households.

E. Facilities in Hilly/Forest Tribal Areas

Recommendation (Sl. No. 9, Para No. 46)

17. The Committee noted that due to ecological reasons, LPG was available on demand in hilly areas. However, the Government was not extending this benefit to other areas of akin conditions like Rajasthan, tribal areas of Orissa. Andhra Pradesh, Maharashtra etc. The Committee had desired that this matter should be examined urgently so that benefits of convenient cooking medium reaches to the most needy people.

18. In their reply the Ministry have stated that priority release of LPG connections are made in hilly areas and Taj Trapezium area due

to ecological reasons as notified by MOP&NG. This benefit can be extended to the locations such as areas of akin conditions like Rajasthan, tribal areas of Orissa, Andhra Pradesh, Maharashtra etc. which are non-viable areas through the Cooperative Societies or State Agencies as against the present system of appointing a distributor.

19. The Committee are not happy with the reply of the Government wherein it has been stated that this benefit can be extended to locations such as areas like Rajasthan, tribal areas of Orissa, Andhra Pradesh, Maharashtra, etc. The Committee's recommendation was to take some specific action and not to solicit the advice of the Government. The Committee, therefore desire that a concrete decision should be taken by the Government and implemented in a time bound programme.

F. Uniformity in prices of Petroleum products

Recommendation (Sl. No. 15, Para No. 64)

20. The Committee had brought out that due to different rates of sales tax in different States, in some Sates petroleum products were priced lower than the neighbouring States. Due to this at times petroleum products meant for a particular area (particularly in border areas) are diverted to other areas creating shortages in needy areas. The Committee had asked the Ministry of Petroleum to take up this matter with the Ministry of Finance for declaring petroleum products as 'declared goods' so that petroleum products were priced uniformly all over the country.

21. In their reply the Ministry have stated the inclusion of 'bulk petroleum products in the list of declared goods' is being taken up with the Ministry of Finance.

22. The Committee are happy to note that the recommendation of the Committee for having a uniform sales tax for petroleum products all over the country has been taken up by the Ministry of Petroleum & Natural Gas with the Ministry of Finance. The Committee would like the Ministry to pursue this matter with the Ministry of Finance conclusively and Committee be informed of the final action taken in this regard.

G. Fire Accident at Vizag Refinery

Recommendation (Sl. No. 19, Para No. 85)

23. The Committee had noted that the Government had set up a Commission of Enquiry on 11th October, 1997 under the Commissions of Enquiry Act, 1952 to enquire into the fire accident occurred in Vizag Refinery of HPCL. The Commission was to submit its report within a period of three months. However, the Commission was allowed to cease to function from March, 1998. The Committee were apprised that the Commission could not function as the judge who was appointed for the Judicial Enquiry Commission fell very ill and a fresh Commission of Enquiry had been set up to complete the investigation within four months. The Committee had recommended that the Commission's findings about safety measures should be examined with a view to give directions to oil sector to adopt and upgrade necessary safety measures so that possibilities of recurring such accidents were minimised to the extent possible. The Committee also wanted to be apprised of the findings of the Commission and action taken by the Government at the earliest.

24. In their reply the Ministry have stated that the Commission of Inquiry, which had been set up on 11th October, 1997 to enquire into Visakh Refinery Fire, was to submit its report within a period of three months. However, the period was extended upto 10th March, 1998 on the request of the Commission. The Commission was asked to complete the report by 31st March, 1998. Since the Commission was not in a position to submit its report by 31st March, 1998, it was allowed to cease to function *w.e.f.* 11th March, 1998. Another Commission of Inquiry was set up on 13th June, 1998, which has submitted its report to the Government on 10th December, 1998. The report is under examination.

25. The Committee have been informed that the Commission appointed under the Commissions of Enquiry Act to inquire into the fire accident in Vizag Refinery of HPCL has since submitted its report to the Government. However, as recommended by them, the Committee have not been apprised of the recommendations of the inquiry commission and subsequent action taken by the Government on the findings of the Commission's report. The Committee, therefore, desire that necessary details *viz.* the important recommendations of the Commission alongwith the action taken by Government on them including standing instructions issued to the oil sector to strengthen the safety measures, if any, be furnished to them.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1, Para No. 5)

The Committee note that the Ministry of Petroleum & Natural Gas is a PSU based Ministry. They also find that PSUs directly get loans from various financial institutions/foreign sources and as such their financial needs are not reflected in the Government Budget/Demands and also because they partly finance their projects from their internal resources as well. The Demands for this Ministry for the year 1998-99 are placed at Rs. 5.44 crores which is mainly for salaries of the Ministry's officials and other expenses like wages, overtime allowances, domestic travel, foreign travel expenses and other administrative expenses etc. of the Ministry. The increase in expenditure under the 'Head' over the previous years is mainly due to the implementation of the Fifth Pay Commission recommendations. Since the demands for the Ministry are very low, the Committee approve of the same. However, a few 'Major Heads' of 1996-97 and 1997-98 and some other related issues are discussed in the Chapters to follow.

Reply of the Government

No gross Budgetary Support is made available to the Public Sector Undertakings under the administrative control of the Ministry of Petroleum and Natural Gas and the expenditure is fully met by these PSUs through their Internal and Extra Budgetary Resources.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin.-I dated the 8th January, 1999]

Recommendation (Sl. No. 3, Para No. 18)

The Committee are astonished to find that even though international prices of crude oil are falling since last year, Government has proposed a steep hike in prices of petrol in the country through this year's budget. The Commission would like the Government to pass on the benefits of low crude oil prices to the consumers. They, accordingly would await necessary clarification from the Ministry in this regard.

Reply of the Government

(A) Hike in Prices of Petrol

Consequent to presentation of Union Budget on 1.6.1998, an additional levy at the rate of Rupee one per litre on petrol was imposed. The amount generated by this levy is to be used for the development of roads and will entirely go towards augmentation the corpus of the National Highways Authority of India. As a result the retail selling prices of petrol in the metropolitan cities increased as under:

	Delhi	Calcutta	Mumbai	Chennai
Pre-revised RSP Rs./Ltr.	22.84	23.55	25.79	26.79
Revised RSP Rs./Ltr.	23.94	24.70	27.07	27.14

(B) Benefit of Low International Prices to Consumers

With a view to contain the deficit in the oil pool account and to enable the oil companies to maintain uninterrupted supplies of petroleum products in the country, the Government came out with a comprehensive package on September 1, 1997 to end the oil pool deficit.

On 1.9.1997, the Govt. have also decided that henceforth the prices of all grades of HSD would be fixed on import parity basis. In line with this decision the price of HSD has been revised effective

November 7, 97, December 25, 97, March 1, 98, April 4, 98 and May 20, 98 as follows:

W.E.F.	Ex-storage point Price (excluding Excise duty etc.) Rs. Per/Kl.
7.11.97	7918.04
25.12.97	7996.84
1.3.98	7839.24
4.4.98	7645.47
20.5.98	7536.89

As a result, the retail selling prices in the four metropolitan were revised as given below:

(Rs./Ltr.)

W.E.F.	Delhi	Calcutta	Mumbai	Chennai
2/9/97	10.34	10.63	11.53	11.39
7/11/97	10.29	10.58	11.47	11.34
25/12/97	10.39	10.68	11.58	11.45
1/3/98	10.25	10.55	11.43	11.30
4/4/98	10.01	10.30	11.16	11.04
20/5/98	9.87	10.16	11.01	10.89

The ex-storage point prices (excluding duty etc.) of major decontrolled products have also been revised from time to time by the oil companies as shown below:

Product	Unit	As on 31.3.98	As on 1.8.98	As on 1.10.98
Naphtha	Rs./MT	7443.79	6820.00	6820.00
FO	Rs./KL	5053.45	4670.00	5050.00
LSHS	Rs./MT	5452.18	5010.00	5410.00
LPG (Bulk)	Rs./MT	10928.00	9000.00	9000.00

As is evident from the above, the benefit of falling global prices has been passed on in the prices of HSD and other decontrolled products paid by the Indian consumers.

Gazette Notification No. 224 dated November 24, 1997 gives the details of phasing of dismantling programme of Administered Pricing Mechanism. As per the phased programme, the cross subsidy on MS and ATF is to be used for subsidising products consumed by vulnerable sections of society like Kerosene (PDS) and LPG (Domestic). Only on full deregulation in the year 2002 onwards, the subsidy on SKO (PDS) and LPG (Domestic) would be transferred to the fiscal budget of the Government. Therefore, during transition period, price of Petrol is not planned to be linked to global prices.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. dated the 8th January, 99]

Recommendation (Sl. No. 5, Para No. 24)

Another matter closely connected with the oil pool deficit and having far reaching consequences in the oil sector is dismantling of Administrative Pricing Mechanism (APM) under which during the next 4-5 years the prices of petroleum products will be solely determined by the market forces and not by the Government. The Committee would like the Government to ensure that oil sector PSUs start planning right now to work in the conditions where they would be having fierce competition with multinational companies. For this purpose, restructuring and re-orientation plans of the existing organisational structure and resources should be carefully planned and put to use.

Reply of the Government

Some of the strategies implemented/under implementation adopted by the oil companies involved in the marketing of petroleum products as informed by them to cope up with the market scenario are:

— Creation of strategic Business units (SBUs), each such unit catering to the needs of a particular class of customer.

— Understand the customer needs and thereafter emphasis on providing product/services that the customers value.

— Modernisation or retail network and improvement of levels of service at outlets.

— Review of prices on a weekly basis.

— Modernisation and expansion of the existing refining capacity.

— Development of value added and improved quality products.

— Laying of new product pipelines to ensure regular mobility of products.

— Development of marketing and infrastructure facilities and investment in joint ventures.

— Development of an action plan to reposition and strengthen lubricants business through introduction of new products.

— Improvement of skills of the personnel through regular training programmes.

— Benchmarking of Refineries and product terminals to accepted international standards for product specification, unplanned shutdowns and safety environment emissions.

— ISO certification for refineries, marketing, pipeline operation etc.

— More detailed budgeting and control systems to ensure physical and financial targets and reduction of costs.

— Framing of long term perspective plan keeping in view the global energy scenario and challenges thereof.

— Expansion of operation in other countries to become global players.

Besides the above, this Ministry has reviewed different kinds of expenditure made by the Oil PSUs and had directed them to resort to cost cutting measures in order to face the competition unfolded with the liberalisation in the Petroleum Sector. A list of measures adopted by the Oil PSUs to reduce the cost is enclosed.

It may be stated that most of the Oil PSUs are able to achieve savings following the measures suggested by this Ministry.

1. Inventory Management

* Reduction in Inventory Hold-up by ABC Analysis.
* Annual Contracts with Staggered deliveries for regular items.
* Annual rate contracts for proprietory items.
* Progressive indigenisation.
* XYZ Analysis for slow moving items.
* Identification and Disposal of surplus and obsolete material.
* Recycling of Lube Drums after reconditioning in Lube Plants.
* Establishment of Norms of Inventory.

2. Manpower

* Review and Rationalisation and Consequent Redeployment of Manpower.
* Savings in manpower and related costs through automation.
* Manpower studies for Optimisation.
* Control on Overtime.

3. Overheads

- Planned Arrangements with Hotels at Concessional Rates.
- Strict Restriction on use of STD/ISD facilities.
- Guest House Utilisation Maximised.

4. Sundry Debtors

- Setting up of Task Force for Liquidation of Overdue Debts.
- Review of Credit Facilities to Customers.
- Periodical Review of Outstandings by Top Management.

5. Financing Cost

- Restructuring of Foreign Loans and Debt Management.
- Prudent Cash and Bank Management.
- Project Appraisal Group for Evaluating all Projects costing more than Rs. 5 Crores.
- Budgets and Budgetary Control.
- Prepayment of High Cost Loans.
- Discontinuation of Public Deposit Scheme.

6. Electricity and Water

- Regular Electricity consumption orders to optimise Energy Consumption.
- Setting up of Sewage water treatment plants.

7. Repairs & Maintenance

- Reduction in Duration of Planned Shutdown.
- Preventive Maintenance.
- Routine Maintenance.

* Indigenisation.

* Reclamation of Equipments after In-House Modifications/ Repairs.

* Use of alternative materials.

* Strengthening of operating/testing procedures Resulting in Lower Generation of Defectives/Rejections.

8. Product Loss

* Modernisation of Facilities Resulting in Reduction in Leakages provision of Tank Lorry Caliberation Towers at storage points.

* Introduction of Quarterly/Ad-Hoc Checks of the Fittings on the Tank Lorries.

* Product Loss Seminars.

* Fixed Root Tanks with floating decks for Storing MS/HSD at Installations.

* Immediate action to control spillage and Reduce Break-down through House keeping and Maintenance Schedules.

9. Catalysts & Chemicals Consumption

* Optimum level of Auxiliary Chemicals/Catalysts in Main Process.

* Quality control checks, operating conditions and technical audit.

* Substitution of Chemicals/Catalysts by Development of Cheaper Indigenous Catalysts and Chemicals.

* R&D efforts for Optimising Chemicals & Catalysts.

* Central Procurement of Chemicals.

10. Fuel and Loss and Energy Conservation

* Energy Conservation Projects Like:

— Flare flow meters.

— Electric instead of Pneumatic soot Blowers.

— Single plate type Exchangers.

— Efficiency improvement of Furnages.

— Heat Recovery System.

* Introduction of Comprehensive Energy Audits.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/98/Fin. I, dated 15th February, 1999]

Recommendation (Sl. No. 6, Para No. 25)

The Committee have been informed by the Secretary, Petroleum that after completion of APM, Dismantling in 2002, a subsidy of 33% of kerosene and 15% of LPG sales would be provided through Budget and not through oil pool accounts. The Committee would like to be assured specifically, that this proposal has the approval of the Cabinet so as to ensure that common people (for whom kerosene/LPG subsidy is provided) are not left in the lurch overnight. The Committee would await necessary clarifications in this regard.

Reply of the Government

As per the phased programme of dismantling of APM, the Cabinet has approved, in November 1997, the transfer of subsidy on Kerosene (PDS) and LPG (Packed Domestic) at 33.33% and 15% respectively of import parity to the fiscal budget of the Government effective 1.4.2002.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Recommendation (Sl. No. 7, Para No. 33)

The Committee are glad to note that Numaligarh Refinery Project with a capacity of 3 MMTPA being set up in Assam is progressing well. They find that upto mid-June, 1998 the project has physically progressed upto a level of 87.8% *vis-a-vis* scheduled progress of 94% which seems to be reasonable one particularly when the project is being set up in a remote area with difficult working conditions. They hope that the project would be commissioned in time (April, 1999). However, the Committee find that the NRL has yet to mop up funds to the tune of over Rs. 1000 crores. Out of this, about Rs. 240 crores is assured from the promoters *viz.* BPCL, IBP and Assam Govt. as also Rs. 95 crores from OIDB. An amount of Rs. 354 crores has been planned each for public issue and issue of debentures. In Committee's view with the given market conditions, this may be an uphill task. Accordingly, the Committee recommend that Govt. should continue their support in getting the requisite funds for NRL, if the money cannot be arranged from the market as planned.

Reply of the Government

As on 15th August, 1998, the overall physical progress of Numaligarh Refinery Project stood at 91.7% *vis-a-vis* schedule progress of 95.9%.

Financing Plan of NRL:

The total project of Rs. 2724 crores (Refinery Rs. 2489 crores, Marketing Terminal Rs. 235 crores) would be financed at a debt equity ratio of 2 : 1. The proposed financing plan and fund received till 31.8.98 are as follows:

	As per financing plan	Present outlook	Received till date	Balance as compared to present outlook
	1	2	3	4
1. Equity				
Promoters				
BPCL	290	290	164	126
IBP	173	173	80	93
GOA	91	91	88	3
Public	354	354	—	354
Total Equity	908	908	332	576

	1	2	3	4
2. Debt				
Debenture/ FIs/Bank	354	319	—	319
OIDB/GOI	1434	1434	1339	95
Others (HUDCO)	28	63	40	23
Total Debt	1816	1816	1379	437
Total Fund	2724	2724	1711	1013

The position relating to the balance fund receivable is as under:

Equity

(a) **Promoters** So far promoters have contributed Rs. 332 crores and committed to contribute the balance Rs. 222 crores as per requirement.

(b) **Public** In respect of public equity of Rs. 354 crores, it is proposed to make public issue/private placement of equity shares around Dec'98* depending on the condition of the capital market.

*About the latest position of public issue of NRL, the Ministry stated on 19th February, 1999:—

"Numaligarh Refinery had earlier planned for its proposed public issue of 39% of its equity (Rs. 354 crores to be floated during the last quarter of 1997-98 or first quarter of 1998-99. Accordingly, all required actions have been taken including appointment of Lead Managers and Registrar, selection of Printers/Advertising agency, preparation of draft prospectus, audit of half yearly accounts etc.

However, the Capital Market continues to be depressed and there has been absolutely no improvement in the primary market of equity issues. Very few equity issues have hit the Capital Market in the last performing badly in the Capital Market. Considering all these, it was felt that NRL's public issue of Rs. 354 crores scheduled in the month of February, 1999 be deferred to a later date. The Lead Managers of the issue have also expressed their opinion on similar lines and have indicated around April/May, 1999 as the timing, by which time the impact of budget will also be known. Accordingly, NRL has decided to defer its public issue to the month of May, 1999 and the Board decision to this effect has been taken."

Debt

(A) OIDB/Govt. of India	Against the plan provision for the period 1992-93 to 1998-99, OIDB has budgeted an amount of Rs. 1434 crores to NRL. During 1996-97, OIDB could release only Rs. 277 crores and in order to ensure that the implementation of the project is not affected, shortfall was met through budget allocation of Rs. 100 crores by the Govt. of India. OIDB as released Rs. 1334 crores so far.
	Therefore, the total amount released by OIDB/ GOI so far works out to Rs. 1434 crores.
(b) Bank Term loan/HUDCO/ others	It was envisaged in the financing plan that NRL will raise Rs. 354 crores from public, by way of Partially Convertible Debentures and Rs. 28 crores from HUDCO as loan for Township. However, considering the capital market conditions and also the offers received from various Banks in providing Term loans at attractive terms, it is now proposed to approach the Banks for term loan instead of debentures from the public. Further NRL had applied to HUDCO for an additional loan assistance on infrastructure schemes, which was subsequently sanctioned thereby bringing HUDCO's loan to Rs. 63 crores. As a result of this, the amount to be raised from Banks would be only Rs. 319 crores vis-a-vis Rs. 354 crores as planned earlier.

As mentioned above, NRL has to raise Rs. 354 crores as equity from the public during the financial year 1998-99. While NRL has taken preliminary actions for the issue, it has not been able to approach the capital market due to present depressed capital market conditions. Govt. is committed to support the project.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/98-Fin. I, dated the 8th January, 1999]

Comments of the Committee

(Please *see* Paragraph 13 of the Chapter I of the Report).

Recommendation (Sl. No. 8, Para No. 45)

The Committee's examination has revealed that in the matter of supply of LPG, the rural population have been grossly discriminated so far. The increased population, dwindling resources of traditional cowdung and firewood has added to their miseries. The Secretary, Petroleum was candid in his admission before the Committee that LPG enrolment really moved slowly from urban to rural areas. The Committee are astonished to find that for the first time, the Government through the marketing plan (1996-98) of oil sector PSUs has thought of rural areas where out 1700 LPG outlets, they propose to set up about 400 outlets in rural areas. Similarly for the IXth Plan, they have proposed to enrol and release 50 lakhs connections in rural areas out of the total 2 crore proposed new enrolments. Considering the very fact that rural areas were totally neglected hither to before, in Committee's view about 25% allocation is too less. For providing justice and equity, the Committee strongly recommend that now onwards atleast 50% of the new connections should be earmarked to rural areas. Needless to point out that necessary modifications would be carried out in marketing plan.

Reply of the Government

Due to limited availability of LPG from indigenous sources and possible imports, so far the existing marketing plans have been made mainly covering towns having a population of 20000 and above. However, LPG has been introduced in certain environmentally fragile areas and hilly areas below 20000 population to protect the environment and prevent deforestation.

With the increasing non-availability of traditional fuels and increasing popularity of LPG as cooking fuel due to its convenience in use and to prevent further deforestation, the government has decided to commence marketing of LPG in the rural areas also. Further, for the purpose of undertaking enrolment in the rural areas, Industry has formulated the revised 1996-98 marketing plan taking into account the following:

(i) To cover all urban locations with a population of 10,000 and above by including potential of adjoining villages falling within the radius of 15 kms.

(ii) All urban locations having population of 5000 and above surveyed for setting up a distributorship and the viability ascertained by taking into account the potential of adjoining villages falling within 15 kms. Radius.

(iii) Cluster of villages within 15 kms. Radius of nucleus villages having a population of 10,000 (ten thousand) and above, surveyed for setting up rural distributorship and included in the plan depending upon the viability.

(iv) Villages within 15 kms. Radius around towns having population of 1 lakh and above surveyed for opening of rural distributorships.

(v) All VIP references surveyed for development of LPG distributorships by including the potential of adjoining villages falling within the radius of 15 kms.

Based on the above criteria, oil industry has identified 1285 urban/rural and 401 exclusive rural locations for servicing the rural areas under the revised 1996-98 marketing plan.

IX Plan Subgroup constituted for projecting the LPG demand for IX/X Plan period, recommended a coverage of 5% of the rural population by the end of IX Plan period and 10% by the end of X Plan. This coverage of the rural population is based on the income levels and since 90% of the rural population falls in the lower and lower middle income group, it was proposed by the IX Plan Subgroup to launch LPG marketing in the rural sector to cover initially only 5% of the rural population during the IX Plan period. Accordingly, 50 lakhs new LPG connections are projected in the rural sector for each of the IX and X Plan period.

The increasing popularity of LPG as domestic cooking gas has led to very high demand and creation of large waiting lists for new connections at the existing distributorships in the urban areas. The existing LPG waiting lists registered with the PSU oil companies in the country as on 1.4.98 was about 127 lakhs having an age span of 1.1.91 to 1.4.98. In order to liquidate the existing large waiting list and meet the growing demand for new LPG connections, the Industry has planned to release 210 lakh LPG connections during IX plan including 50 lakh new LPG enrolment in the Rural sector. In view of the existing large pending waiting list in the urban markets, it may be noted that higher new LPG enrolment during IX plan is necessitated in these areas.

It may be mentioned that Industry has yet to commence enrolment in the rural area as envisaged in the IX Plan as new distributorships under the Marketing Plan 1996-98 could not be commissioned on account of non-functioning of DSBs.

Therefore, it is felt that new LPG enrolment plan may be restricted to 50 Lakhs in the rural sector during IX plan due to:

* Existing large/old pending waiting list in the urban markets.

* Low income levels in the Rural areas.

* Lead time required for development of LPG distribution network for catering to rural areas.

Mobile LPG filling trucks:

To make LPG accessible in the rural areas, proto-type of "mobile LPG filling truck" mounted with a bullet and cabin, housing cylinder filling/correction facilities was developed by IOC and introduced in May'97 in some districts in the state of Tamil Nadu on an experimental basis.

M/s IOC has undertaken new LPG enrolment of 5042 customers in 10 rural markets in the state of Tamil Nadu as on 1.4.98 and their LPG requirement is being met through the rural marketing vehicle.

Similarly, BPC/HPC are in the advanced stage of introducing LPG marketing in the rural areas in the State of Punjab/Gujarat through Mobile LPG filling truck/Skid Mounted storage vehicle.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Comments of the Committee

(Please *see* paragraph 16 of Chapter I of the Report).

Recommendation (Sl. No. 10, Para No. 47)

The Committee are anguished over the fact that while lot of gas is being flared up in North-Eastern areas, people are waiting for LPG connections for long. The Committee urge upon the Govt. to ensure that the flaring is brought to the minimum (technical) and efforts should be made to optimize the resources so that national resources do not go waste.

Reply of the Government

In the North-Eastern Region, the Oil & Natural Gas Corpn. Ltd. (ONGC) has its oil and gas operations in the States of Assam, Nagaland (ERBC) and Tripura (CRBC), while Oil India Ltd. (OIL) is producing mainly associated gas along with crude oil in Assam and Arunachal Pradesh. Gas flaring occurs on account of either the minimum technical flaring required or because of lower utilisation of natural gas in the N.E. region. Both ONGC and OIL have made all out efforts to contain the flaring of natural gas. During the last three years, flaring has reduced as detailed below:

(In MMSCMD)

	North Eastern Region		
Year	Production	Flaring	%age
1995-96	5.58	1.10	19.71
1996-97	5.80	0.73	12.58
1997-98	6.08	0.74	12.17

However, to make optimum use of the natural gas, ONGC has executed major schemes of Low Pressure Compressors at Rudrasagar GGS-I; Geliki GGS-I & III and at Lakwa GGS-II with additional compressors of capacity between 0.015 and 0.030 MMSCMD.

OIL also have taken steps, such as (i) commissioning of gas storage scheme, (ii) installation of low pressure booster compressor (iii) connecting new fields to the gas pipeline network and (iv) installation of SCADA, system for effective control of gas utilisation etc. and these have resulted in considerable decrease in flaring of gas.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Recommendation (Sl. 11, Para No. 48)

Admittedly the rural population is being fleeced by private parallel marketeers. The lack of LPG outlets of oil sector/PSUs in these areas has made it more easy. The least the Committee expect from the Government is to issue advertisements in local dailies cautioning the poor people about it. The Government should also take strict action against the parties found practising malpractices.

Reply of the Government

Under Parallel Marketing Scheme (PMS), private parties are free to import and market LPG at market determined prices as per their own policies throughout the country including rural areas. However, in order to protect the interests of both the customers and the parallel marketeers, MOP&NG has taken the following steps:

Issued a press Notification through the Press Information Bureau, Govt. of India, by which public have been advised to ascertain the antecedents, genuineness and capability of such parties before entering into any transactions or business with them.

Requested the State Governments to take appropriate action to prevent collection of deposits for dealerships/distributorships by parallel marketeers before they make adequate arrangements for procurement, handling, storage and distribution of the products under PMS.

Vide notification dated May 13, 1994, authorised State Government authorities to seek such information and details about their business and antecedents etc. from the parallel marketeers as and when found necessary and to take necessary action as per the Provisions of the LPG Control Order.

From time to time, referred the parties who have indicated further interest in marketing LPG under the PMS to MRTPC for investigation.

Set up a vigilance cell in OCC to investigate specific complaints against parallel marketeers.

Obtaining of 'Rating' from the notified agencies and renewing it every year by the private parties before under taking any activity under PMS has been made mandatory vide Gazette Notification dated 19.06.95. As per the provisions of the amended Control Order, the notified agencies issue 'Rating' to the private parties as per the following rating scale:

Rating	Description
1	Good
2	Satisfactory
3	Low Risk
4	High Risk

It has further been made mandatory for the parallel marketeers to indicate the 'Rating' alongwith the name of rating agency and the date of issue on all the letter heads/correspondence and in the advertisements.

It is now proposed to issue a press release to be published in English and a vernacular daily newspapers, through the Press Information Bureau, Govt. of India, advising the public to ascertain the rating, antecedents, genuineness and capability of parallel marketeers before entering into any transactions or business with them. In the press release, public will be informed of the rating scale also for ascertaining the capability of the parallel marketeers.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Recommendation (Sl. No. 12, Para No. 61)

The Committee observe that adulteration of petroleum products is one of the widespread irregularity and malpractice prevalent in the Petroleum Sector. They are concerned to note that the adulteration of diesel destroy the machines and other equipment of poor farmers/ deserving persons which is their source of production/livelihood and are therefore deceived. They also apprehend that only 10 to 20 percent of the kerosene from the Public Distribution System actually reaches the needy people. They find that in the market economy due to the price difference between the diesel and kerosene, there is a tendency for adulteration by mixing of kerosene. Despite number of measures adopted by the Government and other related agencies to reduce this menace, wide price differences between kerosene and diesel encourage the profiteers to go for adulteration. The Committee were apprised by the Government that in about 600 such cases punishment have been awarded. The Committee would, however, like to know in how many cases licences were cancelled and in how many cases the responsibilities has been fixed for diversion of kerosene allocated from the Public Distribution System and adulterated with diesel. The Committee are of the opinion that stringent action should be taken so that there is a semblance of discipline.

Reply of the Government

In addition to special drives, regular and surprise inspections are conducted from time to time by Oil Companies and officials of the State Governments to check adulteration and other malpractices at the retail outlets and SKO dealerships and action is taken against the defaulters under the Marketing Discipline Guidelines and Motor Spirit and High Speed Diesel (Supply, Distribution and Prevention of Malpractices) Control Order.

The Regional Level Coordinators of Oil Companies have been advised to meet the Chief Secretaries and Secretaries (Food & Civil Supplies) of all States in person to plug the loopholes leading to diversion of Kerosene.

The Ministry has introduced Delivered Supply System in the States to prevent diversion of Kerosene by Wholesalers and transporters enroute.

To prevent adulteration of petroleum products and other malpractices by the dealers/distributors of Retail Outlets, LPG, SKO/ LDO, Oil Marketing Companies issued Marketing Discipline Guidelines (MDG) for the dealers/distributors in 1982. These were subsequently revised in 1994/95 to make it stringent to achieve the above objectives. However, even the revised guidelines of 1994/95 did not have enough teeth to combat the menace of adulteration and malpractices by the dealers/distributors. Therefore, these guidelines have further been revised in May, 1998 to make them more stringent to achieve the goal. However, the Federation/Associations of dealers/distributors have filed writ petitions in the High Courts of Delhi, Gauhati, Madras, Bombay (Nagpur Bench), Karnataka, Kerala and Orissa against MDG 1998. Only Delhi High Court and Bombay High Court (Nagpur Bench) have given the stay orders. The Federation of All India Petroleum Traders have also challenged the Marketing Discipline Guidelines, 1995 in the Delhi High Court. The Delhi High Court has not granted stay against MDG 1995 though prayed by the petitioners.

3 licences of dealerships have been cancelled during the current year on account of adulteration. During the special vigilance drive conducted from 29.10.1998 to 2.11.1998, a total number of 1364 retail outlets were inspected and sales and supplies to 98 outlets were suspended for suspected adulteration.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I, dated the 8th January, 1999]

Recommendation (Sl. No. 13, Para No. 62)

It also came out during evidence that in some states distribution of kerosene was being done through cooperatives and the people were by and large satisfied. The Committee recommend that Government should encourage retailerships of kerosene through Cooperatives particularly in rural areas. For this purpose there is need to create awareness amongst the people through local newspapers and by other means of sales promotion.

Reply of the Government

Wholesale Kerosene Dealers are appointed by the public sector oil companies through advertisement and through the process of selection by Dealer Selection Board headed by retired High Court/District Judges. Cooperatives are free to apply alongwith others and the selection is made by the Boards on merits.

The responsibility of retail and public distribution of Kerosene under PDS is the responsibility of State Governments. The retailers are also appointed by the State Governments. In the Central Government, this subject is the responsibility of Ministry of Food and Civil Supplies. However, keeping in view the fact large amount of subsidy being given by the oil companies on Kerosene (PDS), this Ministry has asked the Public Sector Oil Companies to launch a publicity compaign to enlighten the customers on their monthly entitlements correct chargeable prices subsidy given etc. through electronic media and display hoardings at prominent places.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I, dated the 8th January, 1999]

Recommendation (Sl. No. 14, Para No. 63)

The Committee are astonished to find that the Government took pride in declaring before the Committee that oil sector had 23 mobile laboratories for checking the adulteration in petroleum products in the country. Not to speak of size of the country even per state one mobile has not been arranged. The Committee certainly feel that oil sector PSUs have grossly neglected this vital area. Accordingly the Committee would like the Government to strengthen this area which could go a long way in restricting the ongoing malpractices in marketing of petroleum products.

Reply of the Government

The Oil Companies have been directed recently to increase the number of Mobile Labs to 50 from the existing number of 23.

In addition to Mobile Labs there are about 80 regular labs to test samples of MS and HSD.

All Forensic Labs of all the State Governments are also authorized to test the samples of MS & HSD.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I, dated the 8th January, 1999]

Recommendation (Sl. Nos. 16 & 17, Para Nos. 80 & 81)

The Committee regret to note that even though the plan outlay expenditure during 8th Plan rose to Rs. 42,000 crore as against the approved outlay of Rs. 26,000 crore, the achievements in regard to crude oil production, hydrocarbon reserves, natural gas, refining capacity and restricting import bill have been much below the targets. Corrective measures could not be taken even after mid-term appraisal of 8th Plan. The Committee are not fully convinced with reasons advanced for shortfall in production of oil, accretion of reserves etc. as they feel that Government should ought to have to know such eventualities. At this stage, the Committee only can wish that oil sector should take lessons for the set back suffered during 8th Plan for taking corrective measures for the future.

The Committee observe that the estimated production of crude oil during the 9th Five Year Plan would not be sufficient to meet/ fulfil the growing demand over the same period. Admittedly the level of self-sufficiency would significantly decreased during the current plan thereby propelling the annual import bill which would be around Rs. 47,000 crores as compared to present import bill of about Rs. 26,000 crores. As stated by the representatives of the Ministry the Committee would urge upon the Government to implement the declared aggressive exploration strategy so that maximum possible demand of crude oil is met indigenously.

Reply of the Government

The crude oil production during the VIIIth Plan was 154.281 MMT against the targets of 197.216 MMT. The crude oil production during the IXth Plan has been projected to be 180.814 MMT which is 17.21% higher than the achievements of the VIIIth Plan. Taking into account the experiences of the VIIIth Plan, the Exploration & Development strategies being followed in the IX Plan are as under:

(i) Recast IX Plan Exploration Programme

As the reserve accretion targets could not be achieved in the 8th Plan as well as during the first one and a half years of the IX Plan, therefore, MOP&NG has asked NOCs to recast the IX Plan to ensure that the higher reserve accretion targets planned are achieved.

Accordingly, both ONGC and OIL have revised their IX PLan targets for 2D and 3D seismic data acquisition and for exploratory drilling. Substantial increase has been made mainly in 3-D data acquisition. This is crucial for finding more reserves in the remaining 3 and 1/2 years of the IX plan period as it would result in better understanding of sub-surface structures of oil & gas.

(ii) Improving Quality of Exploration by National Oil Companies (NOCs) for better results

ONGC have planned to acquire more seismic acquisition equipment (60% increase), more seismic data processing capacity (338% increase) and substantial increase in the number of interpretation work-stations (110% increase).

This high quality data acquisition, processing and interpretation will result in substantial saving of costs due to drilling of lesser number of dry wells with higher confidence level. As a result exploratory drilling targets of ONGC and OIL in terms of wells during IX Plan have been reduced by 21% as compared to VIII Plan but the reserve accretion target has been increased by 26% even for the original IX Plan targets. The reserve accretion target for the IXth Plan are estimated to be 762.5 MMT by National Oil Companies. (median value).

(iii) New Initiatives for Frontier Areas Exploration

In order to open up new areas for exploration, Satellite Gravity Survey have been completed by DGH in all the offshore areas of the country along East and West cost and Andaman Sea covering 1.64 million sq. km. area. Thus, about 1.0 million sq. km. deeper water areas have been covered by reconnaissance surveys.

Deepwater Speculative Survey work has also been carried out by DGH in East Coast and Andaman Sea. 11,035 Line Kms. data collected. West Coast and Southern tip to be covered by DGH in 1998-99. Some 38 new structures/geological plays have been mapped.

NOCs have planned to take up exploration in Deep Water, Ganga Valley, North Brahamaputra & Central India basins during 9th Plan. ONGC has already initiated deep water exploration along the West and East cost of India.

(iv) Private Participation in Exploration

With a view to supplement the exploration efforts of the national oil companies, the Government has been awarding exploration blocks to the private companies, both Indian and foreign, since early eighties. A total of 12 exploration blocks were given for private participation before 1991. All the blocks were relinquished without discovery of oil or gas.

After 1991, bids for private participation in exploration were invited through 6 different rounds in which a total of 35 blocks were awarded by the Government. Of these, contracts for 22 blocks have been signed.

(v) New Exploration Licensing Policy (NELP)

NELP was approved by the Government in February, 1997. This provides a level playing field between the national oil companies and private companies. The main features that make it attractive to the national oil companies and the private companies are as follows:

Advantages to National Oil Companies

— International prices

— No Cess

— No customs duty on project imports

— Tax holiday for seven years

— 50% concession in royalty for deep water for first 7 years

Advantages to private oil companies

— No carried interest by national oil companies

— Blocks not reserved for national oil companies

— Open acreage system in future rounds

— Tax holiday for seven years

— 50% concession in royalty for deep water for first 7 years

Actions completed for operationalising NELP

— 48 blocks have been finalised for offer under the first round of NELP (10 onshore blocks, 26 blocks in water depth up to

400 meters and 12 blocks beyond 400 meters of water depth along the East Coast of India). Ref. Table-III.

— Data packages for all the blocks have been prepared. Basin dockets for each of the basin, in which the blocks fall have also been prepared.

(vi) Improvement of Recovery Factor of Producing Fields of ONGC and OIL

— Current life cycle recovery factor of oil fields is about 25% which is far below the international average;

— Programmes for increasing the same to 30% are being planned to be in place by the end of 9th Plan. Thereafter, steps would be taken to further increase the recovery factor.

(vii) Private Participation in Production

Two rounds of offers were held for encouraging private participation in the development of discovered fields. The present status of the same is as under:

Round	Field Offered	Fields for which bids received	Fields awarded	Contracts signed	Contracts not yet signed
First Offer (Aug.' 1992-March' 1993)					
Medium-Sized	12	7	5	5	—
Small Sized	31	24	15	13	2
Second Officer (Sept.' 1993-March, 1994)					
Medium-Sized	8	7	1	—	1
Small Sized	33	14	9	—	9
Total			30	18	12

(viii) Better long-term reservoir management of the Bombay High Oil fields through closure of high Gas Oil Ratio (GOR) and high water cut wells, implementation of specialised technologies such as extended reach drilling, horizontal and drain hole drilling, infill drilling, re-distribution of water injection, possible application of air injection and Water Alternating Gas process (WAG). A workover plan have been chalked out for repair of high GOR and high water cut wells through conventional workover and also by short and long side tracking of wells.

(ix) **Acquiring Equity Oil Abroad—Projects in hand/being pursued**

Vietnam

The concession is held by ONGC-Videsh Ltd. (55%) and British Petroleum and State Oil (45%). Gas discovery has been made.

Kazakhastan

ONGC-Videsh Ltd. has got an exploration concession for pavlodar exploration block. Seismic data analysis is in progress. Application has also been submitted by ONGC-VL for Alibecmola-discovered field.

Azerbaijan

Cabinet approved acquisition of 10% interest by ONGC-VL in AGIP block located in the Azeri sector of Caspian Sea. The concession could not be obtained. Efforts are on to acquire interest in some other block.

Iraq

Opportunities for Tuba discovered field and one exploration block (Block No. 8) are being pursued.

Russia

Negotiations are in progress for a discovered field in Udmurt Republic to farm-in 40% interest from Samson International USA.

Oman

Oil India Ltd. is going to acquire upto 20% interest in an Exploration Block in Oman held by TOTAL of France. Cabinet has approved the proposal.

(x) **Coal bed Methane (CBM)**

(i) Cabinet has approved the policy framework for CBM exploration and exploitation.

(ii) CBM exploration work has been initiated by ONGC as an R&D project in Jharia block in Bihar. CBM gas has been successfully test produced by ONGC in August, 1997.

(iii) CBM blocks are to be offered for the first time. Preparatory work has been completed by MOPNG with the help of DGH.

(iv) 8 blocks have been identified in consultation with Ministry of Coal. They fall within the States of West Bengal, Bihar and M.P.

(v) Data packages have been prepared for the identified blocks by DGH.

(vi) Clearance of all the concerned Ministries for working in the identified blocks have been obtained.

(xi) **Production, Demand and Supply of Natural Gas and Imports**

The present production, supply and demand of Natural Gas and projections for the year 2001-02 are as follows:

(Million standard cubic metres per day)

	1997-98	2001-2002
Production	72.3	83.5
Supply	57.6	63.7
Demand	95.5	148.0
Allocations	72.2	85.5
Deficit between demand and supply	37.9	84.3
Deficit between allocations and supply	14.6	21.8

The natural gas production of 142.23 BCM during the IX Plan would be 41% higher than the VIII Plan achievement of 101.7 BCM.

To bridge the gap between demand and supply of natural gas, a Joint Venture Company of 4 Government oil companies (ONGC+IOC+GAIL+BPCL) has been formed by the name Patronet LNG. It has been registered in April'98. Dahej and Cochin locations have been reserved for the JVC. Bids for the supply of Liquified Natural Gas through imports have been invited from the 7 short-listed parties and the same are being evaluated. It is proposed to award the contract by the middle of 1999 and to bring LNG in the country by 2002.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Recommendation (Sl. No. 18, Para No. 82)

The Committee find that very modest target of 180 MMT of crude oil production has been set for the 9th Plan which is even lower than target of 197 MMT set for 8th Five Year Plan. Admittedly as against the demand of 112 MMT, crude oil, indigenous production of 37 MMT would be available by the end of terminal year of 9th Plan thus leaving huge deficit of about 75 MMT crude oil to be imported resulting in outgo of scarce foreign exchange. The Committee hardly need to stress for making sincere efforts to develop the oil sector to meet growing gigantic needs of Indian economy. In this context, the Committee would like the Government to take a review of all energy sources for making an integrated-energy policy for the country so that natural resources of the country are put to optimal use and at the same time increasing import bill on petroleum products is kept at bare minimum.

Reply of the Government

The Planning Commission has initiated action and a national energy policy is under preparation by a Committee under the chairmanship of Member (Energy). Separately, a study on Energy resources was carried out by the Central Electricity Authority. In accordance with this study, liquid fuel based generation plants can only serve as a short term measure on account of the problems involved in import. It was also suggested therein that a few combustion turbine based combined cycle plants using liquid/gas fuels may be considered in the areas where transportation of coal is either costly or infeasible. In the areas with proven potential gas reserves, natural gas based combined cycle plants with multi-fuel option should be set up. These could initially be planned and operated on liquid fuel basis if economical recovery of gas is likely to take a few more years.

The study also noted that energy resources in the form of water, fossil fuels (coal, gas, lignite, oil and natural gas) and nuclear fuel would continue to serve as major sources for power generation in the coming years. While a co-ordinated development of these resources is necessary, high priority should be given for accelerated development of hydro power. The study also noted that in order to make the best use of unevenly dispersed primary energy resources as well as to utilise the diversities in demand pattern in various regions, the spatial unit for power planning needs to be re-examined from time to time.

It may be observed from the above that a preliminary review of all energy sources for making an integrated energy policy for the country has already been made and that efforts are on to see that import bill on petroleum products is kept at bare minimum in so far as the power sector is concerned.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/9-Fin. I, dated the 8th January, 1999]

CHAPTER III

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

—NIL—

CHAPTER IV

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

Recommendation (Sl. No. 2, Para No. 17)

The Committee regret to note that the Government allowed to accumulate the oil pool deficit, thereby delaying the payment of huge amount (over Rs. 12000 crores) to oil sector PSUs. Admittedly, delay in payment to PSUs adversely affected their project implementation programmes. It was only last year that the Government took one time measure to issue bonds, which can be discounted by PSUs. The Government has assured the Committee that now onwards deficit would not be allowed to occur. The Committee recommend that the new concept of 'zero deficit' should be ensured through enhanced efficiency of the Oil Sector and not by increasing the prices of petroleum products every now and then.

Reply of the Government

With a view to contain the deficit in the Oil Pool Account and to enable the Oil Companies to maintain uninterrupted supplies of petroleum products in the country, the Government announced a comprehensive package on September 1, 1997 to end the oil pool deficit.

It was decided by the Government that part of the liabilities of the Oil Coordination Committee to the Oil Companies under the Administered Pricing Mechanism will be cleared by the Government by making payment to the Oil companies. The Oil Companies will be required to simultaneously invest the money so received, from the Government in Special Government Bonds.

Government in November, 1997 has decided the details of the phased programme for dismantling of Administered Price Mechanism (APM) starting from 1.4.98. With the implementation of this programme fully there is not likely to be any deficit in the Oil Pool Account.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I, dated the 8th January, 1999]

Comments of the Committee

Please *see* Para No. 7 of Chapter I of the Report.

Recommendation (Sl. No. 4, Para No. 19)

As recommended by the Committee in their earlier Reports, they once again reiterate that the Ministry should take conclusive action with a view to getting all funds collected under OID Act for the development of the Petroleum Sector. The Committee would also await Government reply to their specific recommendations made in their 3rd Report (12th Lok Sabha) within 3 months of presentation of this Report in Parliament.

Reply of the Government

The Standing Committee on Petroleum and Chemicals had earlier recommended that the issue relating to the release of Cess funds to the OIDB in full, be re-examined and if the wordings of Section 16 of the OID Act, 1974 was an impediment to the spirit of the Act, the Ministry should initiate the process for carrying necessary amendments in the OID Act, 1974. The Standing Committee in Para 10 of its Third Report on Demands for Grants 1997-98 reiterated that conclusive action in amending the OID Act, 1974 be expeditiously taken by the Ministry. And as per these recommendations, the proposal was made by the Ministry to make amendment in the OID Act, 1974. A draft Cabinet Note was circulated to the various agencies including Ministry of Finance. Ministry of Finance in their opinion, have stated that the proposal to amend OID Act is premature and have requested that in the first instance, the factual position as contained in D.O. letter No. 2(36)-B(S)/97 dated the 14th September, 1997 (Appendix II-A) from Shri P. Chidambaram, Former Finance Minister addressed to the then Minister for Petroleum and Natural Gas may be brought to the notice of the Standing Committee of Parliament on Ministry of Petroleum and Chemicals. Accordingly, this Ministry *vide.* O.M. No. G-36011/2/96-Fin. II dated the 13th August, 1998 (Appendix II-B) has informed the Standing Committee of the position for appropriate direction. Further action in this regard *i.e.* amending to the OID Act, 1974 will be initiated by the Ministry on receipt of opinion/direction from the Standing Committee.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Recommendation (Sl. No. 9, Para No. 46)

It came out during evidence that due to ecological reasons, LPG is available on demand in hilly areas. However, the Government is not extending this benefit to other areas of akin conditions like Rajasthan, tribal areas of Orissa, Andhra Pradesh, Maharashtra etc. As agreed to by the Secretary, Petroleum, the Committee desire that this matter should be examined urgently so that benefits of convenient cooking medium reaches to the most needy people. The Committee would like to be apprised of the concrete action taken by the Government/oil sector in this regard.

Reply of the Government

Priority release of LPG connections are made in hilly areas and Taj Trapezium area due to ecological reasons as notified by MOP&NG. This benefit can be extended to the locations such as areas of akin conditions like Rajasthan, tribal areas of Orissa, Andhra Pradesh, Maharashtra etc. which are non-viable areas through the Cooperative Societies or State Agencies as against the present system of appointing a distributor.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/98-Fin. I, dated the 8th January, 1999]

Comments of the Committee

Please *see* Para No. 19 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 15, Para No. 64)

Another area where the Committee would like to pin point is different rates of sales tax in different States. This is the sole reason on account of which in some States petroleum products are priced below than the neighbouring States. At times petroleum products meant for a particular area (particularly in border areas) are diverted to other areas creating shortages in needy areas. The Committee desire that the Ministry of Petroleum should take up this matter with the Ministry of Finance for declaring petroleum products as 'declared goods' so that petroleum products are priced uniformly all over the country.

Reply of the Government

Inclusion of 'bulk petroleum products' in the list of "declared goods" is being taken up with the Ministry of Finance.

[Ministry of Petroleum and Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Comments of the Committee

Please *see* Para No. 22 of Chapter I of the Report.

Recommendation (Sl. No. 19, Para No. 85)

The Commission note that the Government had set up a Commission of Enquiry on 11th October, 1997 under the Commission of Enquiry Act, 1952 to enquire into the fire accident occurred in Vizag Refinery of HPCL. The Commission was to submit its report within a period of three months. However, the Commission was allowed to cease to function from March, 1998. The Committee fail to understand as to why the Commission was allowed to wait upto March, 1998, when its initial term was over in January, 1998. The Committee have now been apprised that the Commission could not function as the judge who was appointed for the Judicial Enquiry Commission fell very ill. They have been informed that a fresh Commission of Inquiry has been set up to complete the investigation within four months. Since the matter has already been considerably delayed, Commission may be asked to submit their report within the given time. Needless to point out that Government could fix the responsibility for such grave negligence thereby causing devastating damage to human life and property. They also recommend that the Commission's findings about safety measures should be examined with a view to give directions to oil sector to adopt and upgrade necessary safety measures so that possibilities of recurring such accidents is minimised to the extent possible. The Committee would like to be apprised of the findings of the Commission and action taken by the Government at the earliest.

Reply of the Government

A Commission of Inquiry, which had been set up on 11th October, 1997 to enquire into Vizag Refinery Fire, was to submit its report within a period of three months. However, the period was extended upto 10th March, 1998 on the request of the Commission. The Commission was asked to complete the report by 31st March, 1998. Since the Commission was not in a position to submit its report by 31st March, 1998, it was allowed to cease to function w.e.f. 11th March, 1998. Another Commission of Inquiry was set up on 13th June, 1998, which has submitted its report to the Government on 10th December, 1998. The report is under examination.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/98-Fin. I dated the 8th January, 1999]

Comments of the Committee

Please *see* Para No. 25 of Chapter I of the Report.

NEW DELHI;
11 *March*, 1999
20 *Phalguna*, 1920 (*Saka*)

DR. BALRAM JAKHAR
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS
1998-99

Twenty-First Sitting
(9.3.1999)

The Committee sat from 1500 hrs. to 1600 hrs.

PRESENT

Dr. Balram Jakhar — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Vallabhbhai Katheria
3. Shri Ganga Charan Rajput
4. Dr. Ravi Mallu
5. Shri Paban Singh Ghatowar
6. Shri Gurudas Kamat
7. Dr. Asim Bala
8. Shri Raja Paramasivam
9. Shri M. Selvarasu
10. Shri Ambreesh
11. Shri C. Kuppusami
12. Smt. Kailasho Devi

Rajya Sabha

13. Shri Radhakishan Malaviya
14. Shri Anantha Sethi
15. Shri Kanak Mal Katara

16. Shri Dipankar Mukherjee
17. Shri Mukesh R. Patel
18. Shri Parag Chaliha

SECRETARIAT

1. Dr. A.K. Pandey	—	*Additional Secretary*
2. Shri Harnam Singh	—	*Joint Secretary*
3. Shri Brahm Dutt	—	*Deputy Secretary*
4. Shri J.N. Oberoi	—	*Under Secretary*
5. Smt. Abha Singh	—	*Asstt. Director*

** ** ** ** **

** ** ** ** **

2. The Committee thereafter consiered and adopted the following Reports:—

(i) Draft Report on action taken by Got. on the recommendations contained in 4th Report of the Committee on Demands for Grants 1998-99 of Ministry of Petroleum and Natural Gas;

** ** ** ** **

** ** ** ** **

** ** ** ** **

3. The Committee also authorised the Chairman to finalise the Reports after factual verification by the concerned Ministries and present them to Parliament.

The Committee then adjourned.

APPENDIX II-A

(ENCLOSURES TO REPLY TO THE RECOMMENDATION AT SL. NO. 4)

No. 2(36)-B(5)/97

September 14, 1997

Dear

Kindly refer to your D.O. Letter No. G-768/FA/97 dated 28th July, 1997 forwarding a copy of a letter dated 17th June, 1997 from Agriculture Minister regarding funding of oil sector.

Regarding levy and utilisation of cess, we have explained the position to the Parliamentary Standing Committee (M/O Finance). A copy of our reply is enclosed (Annexure-I). In brief, we have clarified that the cess is meant for funding the "oil industry" under the Oil Industry Development Act, 1974 and Section 2(k) of the Act defines this term to include all activities by way of prospecting or exploring or production of mineral oil, refining, processing, transportation, storage, handling and marketing of mineral oil, production and marketing of all products downstream of an oil refinery and the production of fertilisers and petrochemicals and all activities directly or indirectly connected therewith. Thus, the term "oil industry" includes fertilisers and petro-chemicals also for the purpose of the Act. A statement showing sector-wise, Ministry-wise expenditure on areas covered by the OID Act is enclosed (Annexure-II). The expenditure is in excess of the cess collection.

Further, you may be aware that the cost of production of indigenous crude has been less than the price being paid to domestic oil producers. This is reflected in the position of Reserves & Surpluses of ONGC & OIL. The financial assets held by these companies belie any inference that paucity of funds has been responsible for decline in the domestic crude production. Reasons for the decline have to be found elsewhere. We hope that the New Oil Exploration Policy will be able to reverse this trend.

With regards,

Yours sincerely,

[P. Chidambaram]

Shri Janeshwar Mishra
Minister of Petroleum & Natural Gas
New Delhi

Para 62 of the recommendations of the Standing Committee on the Demands for Grants of the Ministry of Finance in their Second Report (1996-97).

Text of the Committee's recommendation

According to the Ministry of Finance cess receipts under 'indigenous crude oil' were always treated as revenue receipts as per provisions of the OID Act, 1974. They were directly credited to the Consolidated Fund of India and were used for normal expenditure of the Government. In this connection the Committee note that the Standing Committee on Petroleum and Chemicals have also considered the matter in greater details in their 9th and 20th Report and had recommended that Cess collected under the OIDB Act should be made available to the designated authority *i.e.* OIDB for making these funds available to the Oil Companies for projects in the field of exploration, production, refining and marketing of oil and gas. While taking into consideration the recommendation made by the Standing Committee on Petroleum and Chemicals and the views expressed by the Ministry of Finance on the availability of these resources for budgetary and plan allocations. The Committee feel that the cess receipts should be used for the purpose for which these are collected. A good part of the collection of cess is in the nature of excise duty. Had it been regarded as such it would have come under the divisible pool and the resources of the States would have increased to that extent. The Committee feel that the Union Government should review the matter in this light.

Comments of the Ministry of Finance

We respectfully accept the views of the Committee that the cess receipts should be used for the purpose for which these are collected and wish to submit that the cess receipts have indeed been used for the purpose for which these are collected, partly directly and partly indirectly. It is clarified that placing funds at the disposal of the Oil Industries Development Board is not the only way of developing the Oil sector. Section 15 of the Oil Industry Development Act, 1974 provides for the levy of a cess for the purposes of the Act. The purpose of the Act is development of oil industry. Under Section 2(k) of the Act, the term oil industry" includes all activities by way of prospecting or exploring for or production of mineral oil, refining, processing, transportation, storage, handling and marketing of mineral oil, production and marketing of all products, downstream of an oil refinery and the production of fertilisers and petro-chemicals and all activities directly or indirectly connected therewith. Thus, the term "oil industry" includes fertilisers and petrochemicals also for the purpose of the Act. Section 16 of the Act provides that the cess is to be credited into the Consolidated Fund of India and the Central Government may, if Parliament, by appropriation made by law, so provides, pay to the Oil Industries Development Board such sums of money out of the proceeds of cess, as it may think fit for being utilised exclusively for the purposes of the Act. It would, therefore, be seen from the legislative provisions that the cess is credited into the Consolidated Fund of India and such amounts as deemed fit may be paid to the Oil Industry Development Board. To the extent the cess collection exceeds the sums directly paid to OIDB. It becomes a resource for financing Government expenditure in the Oil and Natural Gas, Petro-Chemicals and Fertilisers sectors including direct and indirect budgetary support to the Central Public Sector Undertakings in these sectors.

Due to the resource availability from the cess receipts, the Government had allowed the Oil sector, Public Sector Undertakings to retain profits instead of distributing a larger share of the profits in the form of dividends to the Government, which was until recently the sole shareholder in these companies. The extent of accumulated retained profits of the Oil sector Public Sector Undertakings may be gauged from the level of their free reserves and surpluses, which are shareholders funds and which are of the same order as the cumulative cess receipts.

ANNEXURE II

A	B	C	D	E	F	G	H	I	J	K	L	M
1. Statement												
2.												
3. Showing Total Funds provided under Petroleum, Chemicals and Fertilizers Sectors from 1974-75 to 1996-97												
4. (In crores of Rupees)												
5.												
6.	74-75	75-76	76-77	77-78	78-79	79-80	80-81	81-82	82-83	83-84	84-85	85-86
7.												
8.												
9.												
10.												
11. I. Net Collection of Cess	30	49	52	63	68	69	60	138	266	805	844	892
12.												
13. II. Payment to OIDB	16	62	48	50	20	140	25	143	100	0	0	0
14.												
15. III. Revenue Expenditure												

A	B	C	D	E	F	G	H	I	J	K	L	M
16. (Including payment to OIDB)												
17. 320—Industries												
18. Petroleum, Chemicals & Fertilizers	16	75	48	77	111	444	233	449	561	915	1275	1660
19.												
20. 2802—Petroleum												
21.												
22. 2852—Fertilizers												
23.												
24. 2852—Petro-Chemicals												
25.												
26. 2852—Chemicals & Pesticides												
27.												
28. Total : Revenue Expenditure	16	75	48	77	111	444	233	449	661	915	1275	1660
29.												
30. IV. Capital Expenditure												
31.												

A	B	C	D	E	F	G	H	I	J	K	L	M
32. Capital Outlay on Petroleum	0	47	107	87	20	11	10	26	10	30	86	187
33.												
34.												
35. Capital Outlay on Chemicals	48	85	54	28	36	9	4	3	7	6	63	64
36.												
37.												
38. Capital Outlay on Fertilizer Industries	149	194	211	135	77	58	95	131	184	291	165	135
39.												
40.												
41. Loans for Petroleum	8	0	69	74	8	36	98	162	58	159	69	74
42. (Net of repayment)												
43.												
44. Loans for Chemical Industries	0	7	56	50	11	5	21	-24	-15	-24	-27	6
45. (Net of repayment)												
46.												
47. Loans for Fertilizer Industries	59	130	233	187	100	180	94	-28	-65	-157	260	218

A	B	C	D	E	F	G	H	I	J	K	L	M
48. (Net of repayment)												
49.												
50. Total: Capital Expenditure	248	463	780	561	252	299	322	270	179	305	616	684
51.												
52. Total: Expenditure (III+IV)	264	538	828	638	363	743	555	719	840	1220	1891	2344
53.												
54. Upto 86-87 included under M.H. 320-Industries												
55.												
56.												

57. Figures under Chemical Industries upto 1986-87 include entire chemicals and not only petro-chemicals. Figures from 1.4.87 show petro-chemicals separately.

58. According to Finance Accounts, 1992-93 and adding R.E. 93-94. The total expenditure from 74-75 to 93-94 comes to Rs. 8283 crores excluding chemicals other than petro-chemicals.

59. The difference may be due to certain adjustments regarding chemicals made when the outstanding figures were reallocated among the new Major Heads in 87-88.

60.

A	B	C	D	E	F	G	H	I	J	K	L	M
61. Total Funds provided for Ministry/Deptt. of (i) Petroleum & Natural Gas, (ii) Chemicals & Petro-chemicals and (iii) Fertilizers Sectors from 1974-75 to 1996-97												
62.												
63.	74-75	75-76	76-77	77-78	78-79	79-80	80-81	81-82	82-83	83-84	84-85	85-86
64.												
65. Total Exp. of Ministry of Petroleum & Natural Gas and Deptt. of Fertilisers	317	677	929	771	740	949	711	812	1014	1477	1991	4602
66.												
67. (i) Petroleum & Natural Gas	70	264	356	324	133	240	200	408	216	241	250	387
68.												
69. (ii) Deptt. of Chem. & Petro-Chem.												
70.												
71. (iii) Deptt. of Fertilizers	247	413	573	447	607	709	511	404	798	1236	1741	4215
72.												
73. (Of which Subsidy)						63	72	118	121	206	1200	1000

ANNEXURE II-Cont.

A	N	O	P	Q	R	S	T	U	V	W	X	Y
1. Statement												
2.												
3. Showing Total Funds provided under Petroleum, Chemicals and Fertilizers Sectors from 1974-75 to 1996-97												
4. (In crores of Rupees)												
5.												
6.	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	Total
7.											RE	from
8.												74.75
9.												to RE
10.												96-97
11. I. Net Collection of CESS	975	1795	2000	2895	2767	2484	2193	2351	2610	2820	2599	28883
12.												
13. II. Payment to OIDB	0	0	63	50	90	95	0	0	0	0	0	902
14.												
15. III. Revenue Expenditure												

A	N	O	P	Q	R	S	T	U	V	W	X	Y
16. (Including payment to OIDB)												
17. 320-Industries												
18. Petroleum, Chemicals & Fertilizers	1755											
19.												
20. 2802—Petroleum		42	106	112	95	99	4	0	0	0	0	458
21.												
22. 2852—Fertilizers		2062	3014	3789	3744	3532	4816	3812	4084	4307	4744	37905
23.												
24. 2852—Petro-Chemicals		3	3	4	3	4	3	21	12	24	4	81
25.												
26. 2852-Chemicals & Pesticides		4	1	320	1	2	27	16	-12	86	214	559
27.												
28. Total : Revenue Expenditure	1755	2112	3125	4225	3843	3638	4849	3849	4083	4418	4962	39102
29.												
30. IV Capital Expenditure												
31.												

A	N	O	P	Q	R	S	T	U	V	W	X	Y
32. Capital Outlay on Petroleum	437	225	41	11	0	0	26	26	529	1035	75	3026
33.												
34.												
35. Capital Outlay on Chemicals	3				0	0	0	1	2	2	6	421
36.												
37.												
38. Capital Outlay on Fertilizer Industries	206	214	115	103	26	15	47	67	54	56	62	2820
39.												
40.												
41. Loans for Petroleum	239	138	46	40	150	40	145	-83	-243	-315	-123	833
42. (Net of repayments)												
43.												
44. Loans for Chemical Industries	25	91	53	56	0	0	0	-2	-13	-25	14	265
45. (Net of repayments)												
46.												
47. Loans for Fertilizer Industries	224	145	85	64	128	37	-76	-30	210	548	651	3307

A	N	O	P	Q	R	S	T	U	V	W	X	Y
48. (Net of repayments)												
49.												
50. Total: Capital Expenditure	1134	813	340	274	304	92	142	39	509	1301	686	10673
51.												
52. Total: Expenditure (III+IV)	2889	2925	3465	4499	4147	3730	4991	3888	4652	5719	5648	9775
53.												
54. Upto 86-87 included under M.H. 320-industries												
55.												
56.												

57. Figures under Chemical Industries upto 1986-87 include entire chemicals and not only petro-chemicals. Figures from 1-4.87 show petro-chemicals separately.

58. According to Finance Accounts, 1992-93 and adding R.E. 93-94. The total expenditure from 74.75 to 93-94 comes to Rs. 8283 crores excluding chemicals other than petro-chemicals.

59. The difference may be due to certain adjustments regarding chemicals made when the outstanding figures were reallocated amount the new Major Head in 87-88.

60.

A	N	O	P	Q	R	S	T	U	V	W	X	Y
61. Total Funds provided for Ministry/Deptt. of (i) Petroleum & Natural Gas, (ii) Chemicals & Petro-chemicals and (iii) Fertilizers Sectors from 1974-75 to 1996-97												
62.												
63.	86-87	87-88	88-89	89-90	90-91	91-92	92-93•	93-94	94-95	95-96	96-97	Total
64.												
65. Total Exp. of Ministry of—	4263	3601	4586	6748	5813	6537	8252	5975	7277	9324	8153	85584
66.												
67. (i) Petroleum & Natural Gas	-750	483	278	289	247	281	333	189	533	1041	182	7697
68.												
69. (ii) Deptt. of Chem. & Petro-Chem.			130	413	16	39	86	126	150	296	287	1542
70.												
71. (iii) Deptt. of Fertilizers	3513	3118	4178	6046	5550	6217	7833	5660	6594	7987	7684	76345
72.												
73. (Of which Subsidy)	1700	2060	3000	3771	3729	3500	4800	3100	4075	4300	4743	42147

APPENDIX II-B

(ENCLOSURE TO REPLY TO RECOMMENDATION AT SL. NO. 4)

No. G-36011/2/96-Fin. II
Government of India
Ministry of Petroleum and Natural Gas

August 13, 1998

OFFICE MEMORANDUM

Sub : Follow-up action on Para 10 of the 3rd Report of the Standing Committee on Petroleum and Chemicals (1998-99).

The undersigned is directed to refer to Para 10 of the 3rd Report of the Standing Committee on Petroleum & Chemicals and to say that in the context of the proposal to get more funds for OIDB from out of the cess collected under the Oil Industry (Development) Act, 1974, the Committee directed this Ministry to take conclusive action in the matter and bring a Bill on the subject in the Budget Session itself to appropriately amend the Act.

2. Ministry of Finance, to whom a draft Cabinet Note was circulated for comments, have opined that the proposal to amend the OIDB Act is premature and have requested that in the first instance, the factual position as contained in the D.O. letter No. 2(36)-B(S)/97 dated September 14, 1997 from Shri P. Chidambaram, Former Finance Minister addressed to the then Minister for Petroleum and Natural Gas may be brought to the notice of the Standing Committee of Parliament on Ministry of Petroleum and Chemicals.

3. A copy of the D.O. letter No. 2(36)-B(S)/97 dated September 14, 1997 received from Shri P. Chidambaram, Former Finance Minister addressed to the then Minister for Petroleum and Natural Gas, alongwith relevant enclosures is, therefore, enclosed with the request that the same may be brought to the kind notice of the Committee for appropriate directions.

Sd/-

(Mohit Sinha)
Deputy Secretary (Finance)
Tele : 3386965

CC : CA(PNG)

APPENDIX III

(*vide* Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FOURTH REPORT OF THE STANDING COMMITTEE ON PETROLEUM AND CHEMICALS (TWELFTH LOK SABHA) ON 'DEMANDS FOR GRANTS 1998-99' OF THE MINISTRY OF PETROLEUM AND NATURAL GAS

I.	Total number of recommendations	19
II.	Recommendations that have been accepted by the Government (*Vide* Recommendation at Sl. Nos. 1, 3, 5, 6, 7, 8, 10, 11, 12, 13, 14, 16, 17 and 18)	14
	Percentage to Total	73.68
III.	Recommendation which the Committee do not desire to pursue in view of Government's reply	NIL
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* Recommendation at Sl. Nos. 2, 4 and 9)	3
	Percentage to total	15.79
V.	Recommendations in respect of which final replies of Government are still awaited (*Vide* Recommendation at Sl. Nos. 15 & 19)	2
	Percentage to Total	10.53