14

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2006-07)

FOURTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2007-08)

FOURTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2007/ Vaisakha, 1929 (Saka)

FOURTEENTH REPORT

CP&NG No. 21

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Presented to Lok Sabha on 26.4.07

Laid in Rajya Sabha on 26.4.07

LOK SABHA SECRETARIAT
NEW DELHI

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(2006-07)

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INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf present this Fourteenth Report on 'Demands for Grants (2007-08) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2007-08) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 15th March, 2007.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 9th April, 2007.

4. The Committee considered and adopted the Report at their sitting held on 24th April, 2007.

5. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants (2007-08) of the Ministry and for giving evidence before the Committee.

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

New Delhi;
25 April, 2007
5 Vaisakha, 1929 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas

REPORT

PART I

The Ministry of Petroleum and Natural Gas (MOP & NG) is concerned with exploration & production of oil and natural gas (including import of Liquefied Natural Gas), refining, distribution & marketing, import, export and conservation of petroleum products. The activities of the Ministry are carried through 9 public sector undertakings, 11 subsidiaries and other companies and 6 other organisations.

HYDROCARBON VISION 2025

1.2 The Hydrocarbon sector plays an important role in meeting the energy requirements of the country. As per the Tenth Plan document, against a 63 per cent contribution of Hydrocarbon to primary commercial energy for the world as a whole, in India its contribution is 44.9 per cent. The consumption of petroleum products in the country was about 112 MMT in 2005-06 and is estimated to reach about 114 MMT by the terminal year of the Tenth Plan against the consumption of about 104.12 MMT in 2002-03.

1.3 As the hydrocarbon sector also plays a vital role in the economic growth of the country, it is necessary to have a long-term policy framework for the development of the sector in order to meet the future needs of the country.

1.4 The Hydrocarbon Vision-2025, prepared by the Ministry of Petroleum and Natural Gas lays down the framework, which is guiding the policies relating to the hydrocarbon sector. The vision statement as envisaged in the Hydrocarbon Vision 2025 includes the following:-

(a) To ensure energy security by achieving self-reliance not only through increased indigenous production but also through acquisition of equity oil and gas abroad.

(b) To enhance the quality of life by progressively improving the product standards to ensure a cleaner and greener India.

(c) To develop the domestic hydrocarbon sector as a globally competitive industry which could be benchmarked against the best in the world through technology upgradation and capacity building in all facets of the industry.

(d) To strive towards a free market and promote healthy competition among players and improve the customer service.

(e) To ensure oil security for the country keeping in view the strategic and defence considerations.

1.5 To translate the above vision into a reality, achieving the objectives, especially in exploration and production, oil security, refining and marketing and tariff/pricing is a necessity.

Exploration and Production of Oil and Gas

1.6 Oil and Natural Gas Corporation Limited (ONGC) and Oil India Ltd. (OIL), the two National Oil Companies (NOCs) and private and joint-venture companies are engaged in the exploration and production (E&P) of oil and natural gas in the country. Crude oil production by the NOCs during 2006-07 is expected to be about 30.42 MMT as against the production of 27.64 MMT of crude oil during 2005-06. In addition, there will be production of 4.69 MMT from the private and JV companies during 2006-07. Thus, total crude oil production in 2006-07 is expected to be about 35.11 MMT. Gas production during the year 2006-07 is expected to be about 31.097 BCM from ONGC, OIL and private/JV companies. The contribution of private/JV companies in gas production will be about 7.10 BCM in 2006-07.

a) *<u>Plan targets of oil and gas production by PSUs</u>*

1.7 India is heavily import dependant for its oil and gas requirements. Our total imports of crude oil and petroleum products in the year 2005-06 were of the order of about 111 Million Metric Tonnes (MMT), worth about Rs. 200,000 crore. The demand of crude oil met from indigenous production out of the total crude requirements for processing by domestic refineries in the year 2005-06 and 2006-07 (April-December) was 22.3% and 21.5%, respectively.

1.8 Against the projected demand of 179.17 MMSCMD of natural gas for 2007-08, the average supply (during 3rd quarter of 2006-07) was around 96.5 MMSCMD which is 43% of the projected demand. Out of this, indigenous supply is around 72.5 MMSCMD and RLNG supplied is around 24 MMSCMD. In 2008-09, additional natural gas production expected from KG basin is @ 40 MMSCMD, which will increase to 80MMSCMD in 2011-12.

1.9 Indicative petroleum product demand in 2016-17 is envisaged 160.21 MMT for base case and 179.21 MM for upper case. Indicative demand in the terminal year of XIII Plan (2021-22) is estimated at 190.3 MMT for Base Case and 212.9 MMT under Upper Case.

1.10 The Committee wanted to know the targets and actual production of crude oil and natural gas by ONGC and OIL during the 9th &10th Plan period. The Ministry of Petroleum and natural Gas furnished the following data:-

"ONGC

Year	10th Plan Production			
	Crude oil (MMT)		Natural Gas (BCM)	
	Target (BE)	Actual	Target (BE)	Actual
2002-03	25.9	26.005	23.700	24.244
2003-04	26.387	26.057	23.317	23.583
2004-05	26.174	26.484	22.127	22.970
2005-06	26.614	24.404	21.406	22.574
2006-07	27.35	27.221*	21.966	21.632
Total	132.425	131.171	112.516	115.003

Year	9th Plan Production			
	Crude oil (MMT)		Natural Gas (BCM)	
	Target (BE)	Actual	Target (BE)	Actual
1997-98	27.73	28.251	22.870	23.049
1998-99	28.101	26.386	23.265	22.841
1999-2000	25.8	24.648	22.710	23.252
2000-01	24.602	25.057	23.073	24.020
2001-02	25.001	24.708	23.996	24.042
Total	131.234	129.05	115.914	117.204

OIL

Year	10th Plan Production			
	Crude oil (MMT)		Natural Gas (BCM)	
	Target (BE)	Actual	Target (BE)	Actual
2002-03	3.40	2.95	1.85	1.743
2003-04	3.20	3.002	1.955	1.887
2004-05	3.21	3.196	2.059	2.009
2005-06	3.30	3.233	2.076	2.27
2006-07	3.50	3.20	2.365	2.365
Total	16.61	15.581	10.305	10.274

Year	9th Plan Production			
	Crude oil (MMT)		Natural Gas (BCM)	
	Target (BE)	Actual	Target (BE)	Actual
1997-98	3.05	3.089	1.68	1.672
1998-99	3.20	3.277	1.70	1.713
1999-2000	3.30	3.261	1.74	1.729
2001-02	3.45	3.183	1.78	1.619
Total	16.39	16.096	8.64	8.594

b) *New Exploration Licensing Policy (NELP)*

1.11 Government of India approved the NELP in 1997 and it became effective in February, 1999. Since then, licenses for exploration are being awarded only through a competitive bidding system and National Oil Companies (NOCs) are required to compete on an equal footing with Indian and foreign companies to secure Petroleum Exploration Licences (PELs). Six rounds of bids have so far been invited under NELP, in which, 162 exploration blocks have been awarded. In addition, 28 exploration blocks were signed prior to NELP. Under NELP, 39 discoveries have already been made in Cambay onland, North East Coast and Krishna-Godavari deepwater areas, for which, development plans by the operators, viz., Cairn, RIL and Niko are in progress.

1.12 Government made the highest ever offer of 55 Exploration blocks under sixth round of New Exploration Licensing Policy (NELP-VI) in February, 2006 for bidding. The aggressive and effective projection of these investment opportunities resulted in best ever response from both Indian (public & private) and foreign companies with a total of 165 bids for NELP-VI blocks. In all, 68 companies including 36 foreign companies made bids under NELP-VI. Production sharing contracts for these 52 exploration blocks were signed on 2nd March, 2007. In NELP, committed investment on exploration in first six rounds of NELP is envisaged to be about US$ 7.2 billion including an investment of US$ 2.1 billion in recently concluded sixth round of NELP. Exploration companies, viz. Indian and foreign have already made an investment of US$ 2.2 billion in exploration.

1.13 When asked about the data regarding the private/international and domestic E&P players who had bid in the last three rounds of NELP, the Ministry, inter-alia, furnished the following data in a written reply:-

> "Percentage wise data with respect to third, fourth, fifth and sixth round of NELP are as under:

	Private				PSUs	
	Domestic		Foreign			
	No. of company	% Share	No. Of company	% share	No. Of company	% share
NELP-III	4	34	4	34	4	34
NELP-IV	5	36	6	43	3	21
NELP-V	11	25	26	59	7	16
NELP-VI	25	37	36	53	7	10"

1.14 The Committee desired to know whether DGH had recommended that ONGC should not be awarded deep water blocks in NELP-VI round. The Ministry, in a written reply, stated the position as follows:-

> "As per Notice Inviting Offer (NIO) of NELP VI, the past performance of the companies was to be kept in view while evaluating the bids. Keeping in view, it was recommended by DGH not to award 8 deepwater blocks to ONGC during the evaluation of NELP bids.
>
> The details of past performance of ONGC as on 1.10.2006 in 47 NELP blocks awarded in the past are as under.
>
> i. Total number of blocks awarded – 46

ii. Total acreage held in NELP: 4, 45,596 sq. km.
iii. Number of blocks where minimum work programme could not be completed/behind schedule : 9
iv. No of committed wells : 93
v. No of wells actually drilled : 40
vi. 2D seismic acquired 58154 LKM, 3 D seismic acquired 38,622 SKM
vii. No of discoveries made : 5”

1.15 The Committee have also been informed that no past performance was considered in NELP – VI bidding rounds for evaluation of the bids. However, preparation for NELP-VII is in progress including consultation with stake-holders on various issues including past performance.

1.16 Regarding the outcome of the exploration efforts in the NELP blocks awarded in the initial rounds, the Ministry of Petroleum & Natural Gas stated as under:-

> “39 oil & gas discoveries have been made in blocks awarded under NELP, out of which 11 discoveries have been declared as commercial. Inplace reserves discovered in NELP blocks are estimated at 28 Million Metric Tonnes (MMT) of oil and 398 Billion Cubic Metres (BCM) of gas as per approved development plan. Commercial gas production from two discoveries in CB-ONN-2000/2 blocks awarded under second round of NELP commenced in 2004 @ 0.3 MMSCMD. Development plan for three other discoveries have been approved in the block, CB-ONN-2000/2. Production from D1-& D3 discoveries in the block KG-DWN-89/3 is likely to commence in June 2008 with peak production @ 80 MMSCMD of gas and oil production from the discovery PK2 in the block CB-ONN-2000/1 is likely to commence from 2007-08 @ 350 Barrels of oil per day.”

1.17 When asked as to whether the claims of ONGC regarding their gas discovery in KG-DWN-98/2 was accepted by DGH, the Ministry furnished the following reply:

> “ONGC has recently notified a gas discovery in the well UD-1 in the NELP-I block KG-DWN-98/2.The discovery has been notified by the operator in the depth range of 5305.5m – 5283.5 m, 5254m – 5243.5 m & 5262 m – 5263 m.

> The preliminary evaluation of this find was done by carrying out Straddle Packer MDT in the interval of 5302.9 m – 5303.9 m.
>
> The claim of ONGC pertaining to gas discovery has been accepted by DGH. However, claim of potential commerciality has not been accepted as conventional testing has not been carried out."

1.18 During the course of evidence, Members expressed their concern over the confusion generated by some media reports regarding rejection of ONGC's gas discovery/commerciality claims in Krishna Godavari Basin and ONGC's complaint about discrimination vis-à-vis private players.

1.19 Responding to the concerns shown by the Committee, DG, Directorate General of Hydrocarbons, stated during evidence as under:-

> "We are regulating the E&P industry through a contract. It is a contract between ONGC or GSPCL or Reliance and a premier company or any multinational. There is a contract between the two parties and both the parties are expected to do what is written in the contract. As per the contract, when you say discovery, it means the gas or oil has flown from sub-surface to surface. If any company is announcing that, DGH representative has to be on the site. He has to see that really the gas or oil has come to the surface. We are taking care of the interest of the Government of India so that tomorrow it does not happen that we have so many reserves but production is not there. So, we are basically going by the production sharing contract where everything is defined – what is the contractor's responsibility and what the Government of India's responsibility is. I on behalf of the government do that with the technical staff."

c) *Coal gasification/liquefaction*

1.20 Underground Coal Gasification (UCG) is a process by which coal is converted into combustible gas that can be used as a fuel or chemical feedstock. Knowledge of the process of gasification of coal has existed for many years. UCG involves injecting steam and air or oxygen (O_2) into coal seams through wells. The injected gas reacts with coal to form a combustible gas (product gas) which is brought to the surface through production wells cleaned and used as a fuel or chemical feedstock.

1.21 In view of the large potential of UCG as a gas source, the Committee have been seeking information on the progress of this project. During the examination of Demands for Grants (2004-05), the Committee were told about an MoU between GAIL and Coal India Ltd. for Coal Gasification. Similarly, during the examination of Demands for the Grants (2005-06) of the Ministry, the Committee were informed that ONGC had taken up a Research and Development pilot project for establishing the commercial feasibility of Underground Coal Gasification process, the first of its kind in India.

1.22 The Committee were further informed about the action initiated by OIL to carry out feasibility studies on Coal Liquefaction Process and the agreement by GAIL (India) Ltd. with Shell for setting up Coal Gasification project in Eastern India. In the Action Taken Reply to the recommendation in the above Report of the Committee, it was stated that ONGC had entered into an MOU (Agreement of Collaboration – AOC) with Skonchinsky Institute of Mining (SIM)-NMRC, Russia.

1.23 As regards Coal liquefaction, the Committee were informed that in order to develop alternate source of energy, a R&D project on conversion of low grade high sulphur coal and refinery vacuum residuum of North East region to hydrocarbon was undertaken by Oil India Limited (OIL). In the final Action Taken Reply furnished to the Committee, it was submitted as under:-

> "In the year 1999, a Pilot plant was setup at OIL's R&D Centre at Duliajan, Assam under technical assistant from M/s. Axens, USA based on Coal-Oil Co-processing Technology of M/s. Hydrocarbon Research Inc. (HRI), USA. In this Pilot plant, studies on co-processing of coal and refinery residuum were successfully carried out. It was found that the coal conversion was 95% and liquid yield was 75%.

> Considering the constraint in getting refinery residuum with changed refinery process configuration, OIL took up another study for Coal-Only-Processing in the same plant with certain modifications to adopt CTSL (Catalytic Two Stage Liquefaction) technology with the help of M/s. Axena, NA, USA. Test run was successfully completed and result found to be very encouraging – coal conversion is 99% and liquid yield is 78%. Feasibility study report on such Coal-Only-Processing is also received from M/s. Axens.
>
> To study the long term availability of coal, a Joint Task Force between Coal India Ltd. and OIL India Ltd. has been formed. The Joint Task force is currently reviewing the availability of coal from North Eastern coal fields (NEC) of Coal India Ltd. (CIL) and Meghalaya."

1.24 On being asked whether the Government is considering a proposal to award Coal Blocks for liquefaction and gasification on the lines of NELP, the Committee have been informed by the Ministry that in India, both coal liquefaction and gasification of coal is at an R&D stage and that at present, no such proposal is under consideration in the Ministry of Petroleum & Natural Gas.

Oil Security and Transnational Gas Pipelines

1.25 With Increasing import dependence in the field of hydrocarbons, particularly that of crude oil along with higher prices and volatility in the international markets, the issue of oil security has assumed vital importance. The objective of oil security policy is to ensure availability of oil and gas at all times including enhancing domestic hydrocarbon availability, supplementing shortfalls from stable, assured and cost effective hydrocarbon energy from abroad and mitigating short term supply disruptions.

1.26 Transnational Pipelines are one such option India has been exploring in view of its rising energy needs. Moreover, India is strategically located to meet its natural gas requirements through transnational pipelines as it is flanked by large gas reserves to its East, North-West and West. These sources include the world's leading supply sources in terms of proven gas reserves in Central Asia, West Asia including Iran and Myanmar and Bangladesh on Eastern side. At present, India has before it three specific pipelines proposals, the Myanmar-Bangladesh-India pipeline, the Iran-Pakistan-India pipeline and the Turkmenistan-Afghanistan-Pakistan-India pipeline.

1.27 Giving the current status of the Myanmar-Bangladesh-India Gas Pipeline Project, the Ministry of Petroleum & Natural Gas, in a written reply, furnished as under:-

> "GAIL and OVL have 30% participating interest in the project in A1 & A3 blocks in Myanmar. The then Minister (P&NG) participated in a trilateral Ministerial meeting between the Oil Ministers of Bangladesh, Myanmar and India in January 2005 at Yangon, Myanmar. In pursuance of the trilateral Joint Press Statement released after that meeting, a Techno-Commercial Working Committee (TCWC) of representatives of the three countries was constituted. The first meeting of the TCWC was held in Yangon on 24th – 25th February, 2005. The TCWC prepared a draft MoU to be signed by the three oil Ministers after the approval of their respective Governments. However, the MoU could not be approved on account of differences between India and Bangladesh, as Bangladesh intended to raise certain bilateral issues in the trilateral MoU.
>
> 2. In view of the above, India is pursuing the alternative option of a pipeline from Myanmar through North-Eastern States of India. GAIL have completed a Detailed Feasibility Report for this pipeline, for evacuating Myanmar gas to India through the north-eastern States. The pipeline is projected to be routed through Mizoram, Assam, West Bengal and Bihar, with pipeline length of 1575 km within the Indian territory till Gaya in Bihar.
>
> 3. GAIL had submitted its bid in response to an Invitation of Bid by the Ministry of Energy, Government of the Union of Myanmar for purchase of gas from Shwe & Shwe Phyu fields in A-1 block and Mya field in A-3 block in September 2006. Government of Myanmar has subsequently intimated to GAIL that they are reviewing their decision to sell this gas through the pipeline route. Myanmar is exploring other options of selling the gas and has asked for a bid for 3.5 MMTPA of Liquefied Natural Gas (LNG). GAIL has submitted its bid in December 2006 to Myanmar in response to the same. A delegation led by Joint Secretary

(MoPNG) visited Myanmar during January 9-11, 2007. During the visit, the issue of import of natural gas from Myanmar through transnational pipeline was discussed with Ministry of Energy, Myanmar. The Myanmar side indicated that out of the presently available gas of 4.8 trillion cubic feet (tcf), their Government would like to earmark a portion of this gas for their domestic requirement; the balance gas would not be sufficient for export. Myanmar has taken up drilling in A3 block and, based on the result of drilling and quantity of gas available, would take a decision on selling the gas through available options. Issue has been further discussed by the GAIL officers in the meeting held in Myanmar on March 15-16, 2007."

1.28 As regards sale of gas by Myanmar, benefits that would accrue to GAIL and OVL for their stakes in A-1 & A-3 blocks and the plans of Government to supply gas to the eastern zone, the Ministry, in a post-evidence reply, inter-alia, stated as under:-

"GAIL & OVL farmed into Block A1 in Myanmar on January 28, 2002. The combine also farmed into A3 Block on October 3, 2005. OVL and GAIL have participating interest of 20% and 10% respectively in both the blocks. Daewoo, with 60% interest, is the operator in these blocks. Remaining 10% interest is owned by KOGAS of South Korea. The blocks have shown reserves up to 4.794 TCF during exploration phase. Further exploration in block A3 is in progress.

However, Daewoo, the operator of the blocks, informed in March 2007 of the interest of the Myanmar Government to export gas from these blocks to China. To discuss this issue, a meeting was again organized at NPT on 16th March 2007. During this meeting, GAIL impressed upon the other partners and Myanmar Government that GAIL's pipeline offer is still the most competitive and offers optimum value for them due to proximity of India to these fields. On this basis, GAIL continues to oppose any move to export gas to China. Further discussion on this issue is continuing between Myanmar Government and the Operator.

As regards the benefits accruing to OVL and GAIL, the Production Sharing Contracts (PSC) for these blocks have provisions for revenue sharing and safeguarding the interests of the investing partners. Income from the export of gas to any country/company would be shared, as per the mechanism laid out in the PSCs.

Significant gas discoveries have been made in the off-shore blocks on the eastern coast in the last few years. Director General of Hydrocarbons (DGH) has confirmed production of 80 MMSCMD of natural gas from Reliance Industries Limited (RIL)'s block in KG-D6. Gujarat State Petroleum Corporation Ltd.(GSPCL) and ONGC are also exploring in the eastern offshore.

Both Reliance Gas Transportation Infrastructure Ltd. (RGTIL) and GAIL have proposals to lay natural gas pipelines to meet the demand of the eastern states. Notification inviting Expressions of Interest (EOI) has been issued for RGTIL laying 1100 km. long Kakinada-Basudebpur-Howrah pipeline. The pipeline will pass through the states of Andhra Pradesh, Orissa and West Bengal. Similarly, notification has also been issued for GAIL laying 876 km. long Jagdishpur-Haldia pipeline. The source of gas for GAIL's pipeline will be JV gas and LNG. Jagdishpur-Haldia pipeline will pass through the states of Uttar Pradesh, Bihar, Jharkhand and West Bengal."

1.29 In this connection, Secretary, Ministry of Petroleum & Natural Gas stated during oral evidence as under:-

"… if you take the Myanmar Block again, the OVL has 20 per cent and Gas Authority has ten per cent. The total is only 30 per cent. In fact this is one of the reasons why Myanmar Government did not give it to Indian companies. They said, you are a minor partner. But the company which is really disappointed is Daewoo, which has 60 per cent in that same block, in both A1 and A3. Even though we are not given the share by the Myanmar Government, in fact, they are worried more. Now we are approaching the Myanmar Government together. Our expectation is that the last word has not been said. The agreement has not been signed and sealed. So, we are still in discussion."

1.30 With regard to the Iran-Pakistan-India (IPI) and Turkmenistan-Afghanistan-Pakistan (TAP) Pipeline Projects, the Ministry has furnished the following details:-

"1. Iran-Pakistan-India (IPI) Gas Pipeline Project

India has been discussing Iran-Pakistan-India (IPI) Gas Pipeline Project with the Governments of Iran and Pakistan.

A tripartite Joint Working Group (JWG) of Iran, Pakistan and India has been formed. Four meetings of the trilateral JWG have been held; the last meeting being held in Tehran on January 24 & 25, 2007.

Two separate Secretary level Joint Working Groups (JWGs), viz., India Pakistan JWG and India Iran Special JWG, have been constituted. Three meetings of India-Iran SJWG have been held; the last meeting being held on 28 and 29 December, 2005. Four meetings of India-Pakistan JWG have been held; the last meeting being held in Islamabad on February 22 & 23, 2007.

In the fourth trilateral JWG meeting held in Tehran on January 24 & 25, 2007, Iran and Pakistan sides agreed to a pricing formula, subject to the approval by their authorities. India conveyed that it would respond to the pricing formula within four weeks.

Fourth India-Pakistan JWG was held on February 22 & 23, 2007 in Islamabad. Iran attended the meeting as an observer. Details regarding transportation tariff and transit fee for passage of pipeline through Pakistan were discussed. It was decided therein to have a Technical sub-Group meeting on Pipeline Hydraulic System Design & Project Cost Assumptions for IPI Project. This meeting has been held in Delhi on March 22 and 23, 2007.

2. Turkmenistan-Afghanistan-Pakistan (TAP) Gas Pipeline Project

Daulatabad area of Turkmenistan is reported to have abundant gas reserves. The Governments of Turkmenistan, Afghanistan and Pakistan proposed the transnational gas pipeline to exploit the available gas reserves in Turkmenistan. They designated ADB as the lead development partner. ADB had carried out the study and approached India for participating in the project. An Indian delegation led by Hon'ble Shri Dinsha Patel, Minister of State for Petroleum and Natural Gas visited Ashgabat, Turkmenistan to participate in the 9th Steering Committee Meeting of the countries participating in Turkmenistan-Afghanistan-Pakistan (TAP) Gas Pipeline Project held on February 14-15, 2006 as an 'Observer'. The Steering Committee invited India to become an official member of the project.

The Ministry of Petroleum & Natural Gas brought the matter before the Cabinet in May 2006 after inter-Ministerial discussions. The Cabinet in the meeting held on 18th May 2006, accorded 'in principle' approval to the proposal for India joining the TAP project. Decision of the Government of India to join Turkmenistan-Afghanistan-Pakistan Gas Pipeline Project as an official member

> was conveyed to ADB in June 2006. ADB has been requested to appropriately take up India's request for joining the project with the Governments of Afghanistan, Pakistan and Turkmenistan."

1.31 When asked about the issue of 'gas pricing' relating to the Iran-Pakistan-India Pipeline Project, the Ministry of Petroleum & Natural Gas in a post-evidence reply submitted the following details:-

> "During the 4th Trilateral Joint Working Group Meeting held at Tehran on January 24-25, 2007, a formula for gas price at Iran-Pakistan border was agreed by Iran and Pakistan, subject to approval from their respective governments. India agreed to respond to pricing formula shortly. The price of natural gas at Iran-Pakistan border is linked to the Japanese Custom Cleared (JCC) crude oil price. The agreed formula is covered under confidentiality agreement."

1.32 During the course of the evidence, the Secretary of the Ministry of Petroleum & Natural Gas gave the following details regarding transportation tariff and transit fee:-

> "On India-Pakistan-Iran pipeline, I am very happy to report the progress has been very good. Five days ago, the Pakistani Prime Minister was here. We had a late night, detailed, exhaustive, comprehensive meeting on two issues – transportation tariff and transit fee. On transportation tariff, if I may just say so, we posed to the Pakistan side a transportation tariff of say 50 cents to 55 cents. In the first technical meeting in February in Islamabad they expected a transportation tariff of 1.57 dollars. Today it has already narrowed down to about 70 cents to 75 cents. So, they are coming nearer. On the transit fee, their expectation is about 49.3 cents and our expectation is not more than 20 cents. I am sure we will be able to bring it down because the technical teams are already meeting now. Over the next 15 days, we are going to meet at the Secretaries level. We will be able to narrow down the difference. Our objective is that by June, at the highest political level we will be able to forge a joint agreement at the level of the three countries. After that, I think, work should start any time."

Refining & Marketing

1.33 The development of refining and marketing activities is crucial for achieving self sufficiency in petroleum products and in moving towards a consumer oriented competitive market.

1.34 At present, there are 19 refineries operating in the country, out of which 17 are in public sector and two in private sector. The domestic refining capacity as on 1.4.2006 was 132.47 Million Metric Tonnes Per Annum (MMTPA). The present refining capacity is 148.97 MMTPA comprising of 105.47 MMTPA by PSUs and 43.50 MMTPA by private sector. The increase in refining capacity has been through the 6.00 MMTPA capacity expansion of IOCL's Panipat Refinery and the commissioning of 10.5 MMTPA ESSAR Oil Limited Refinery at Vadinar, Gujarat. Availability of petroleum products during 2005-06 from domestic refineries and non-refineries was more than the domestic demand on overall basis demand except for Liquefied Petroleum Gas (LPG). In fact, the country is net exporter of petroleum products and products like Naphtha, Petrol, Diesel and Aviation Turbine Fuel (ATF) etc. were also exported during the year. However, MS/HSD of Euro-III grade had to be imported during the year in view of implementation of Auto Fuel Policy for upgraded fuels.

a) *Euro Compliant Fuels*

1.35 As per the road map laid down in Auto Fuel Policy, Euro III equivalent fuel has been introduced in metros and identified cities by April, 2005. Euro III equivalent norms are proposed to be introduced in the entire country from 1.4.2010. However, in view of the shortfall from domestic supplies, a combination of imports and additives to the extent required and available has been resorted to by the industry.

1.36 The Committee sought the details of the Euro compliant Petrol (MS) and Diesel (HSD) which had to be imported during 2005-06 and 2006-07 for implementing Auto Fuel Policy for upgraded fuel. In this connection, the Ministry furnished the following data:-

> "Details of Petrol (MS) and Diesel (HSD) imported during 2005-06 and 2006-07 (Provisional during April –December 2006) are given below :

Products	2005-06			2006-07 (Apr-Dec'06) Prov.		
	Qty	Value		Qty	Value	
	TMT	Rs. Crore	US$ Million	TMT	Rs. Crore	US$ Million
Petrol	486	1286	293	381	1222	266
Diesel (HSD)	801	1902	435	763	2169	475"

1.37 When the Committee wanted to know the present status of our refineries with regard to upgraded/ extended facilities for producing Euro compliant fuels, the Ministry, in a written reply, submitted as under:-

"Status of various product quality improvement projects Refinery-wise is given below:

Motor Spirit (MS) Quality Upgradation Projects:

Name of Company	Refinery	Project/ Facilities	Status/ Schedule of commissioning
Indian Oil Corporation Limited (IOCL)	Guwahati	- Isomerisation Unit, NHT and Indmax gasoline splitter and allied facilities	Q3 2009-10
IOCL	Barauni	- CRU Revamp, Isomerisation Unit and Hydrotreatment Facilities	Q3 2009-10
IOCL	Gujarat	- CCRU - Isomerisation Unit	Commissioned in October, 2006 Q3 2009-10
IOCL	Haldia	- MSQU (Isomerisation Unit+FCCU Gasoline HDT)	Commissioned in October,2005
IOCL	Mathura	- MSQU (Isomerisation Unit+ FCCU Gasoline splitter) - FCCU Gasoline Desulphurisation Unit	Commissioned in June, 2005. Q3 2009-10
IOCL	Panipat	- Isomerisation Unit and FCCU Gasoline Desulphurisation Unit	Q3 2009-10
IOCL	Digboi	- Isomerisation Unit, NHT, Reformate splitter and allied facilities	Q3 2009-10
Numaligarh Refinery Limited (NRL)	Numaligarh	Naphtha Hydrotreating Unit and Catalytic Reforming Unit Isormerisation Unit	Commissioned in July, 2006 Expected in March. 2007
Bongaigaon Refinery and Petrochemicals Limited (BRPL)	BRPL	MS quality upgradation	Finalisation of Milestones and physical, financial schedules are in progress.

High Speed Diesel (HSD) Quality Improvement Projects:

Name of Company	Refinery	Project/ Facilities	Status/ Schedule of commissioning
Indian Oil Corporation Limited (IOCL)	Barauni	Installation of 3rd Reactor in DHDT	Q1 2008-09
IOCL	Gujarat	DHDT, Hydrogen Unit and allied facilities *	Q3 2009-10
IOCL	Haldia	Distillate Yield Improvement and Diesel Quality Upgradation	Q3 2009-10
IOCL	Mathura	DHDT	Commissioned in May, 2005
IOCL	Panipat	DHDT@ Additional Reactors in DHDT#	Commissioned in December, 2005 Q1 2008-09
Numaligarh Refinery Limited	NRL	Revamp of Hydrocracker and Hydrogen Unit	Detailed Feasibility Report is expected to be completed by August, 2007
Bongaigaon Refinery and Patrochemicals Limited	BRPL	Diesel Hydro- treatment Project (DHDT) for treatment of HSD	To be completed by October, 2009
Chennai Petroleum Corporation Limited	Manali	Diesel Hydro treating Project (DHDT) for treatment of HSD	To be completed by February, 2010. Secretariat for Industrial Approval has approved the Foreign Technology Collaboration with M/s. Axens on 14.3.2007. Environmental Clearance is being sought from Ministry of Environmental and Forests.

* Part of Residue Up gradation Project
@ Part of Panipat Refinery Expansion Project (12 MMTPA)
\# Part of Panipat Refinery Additional Expansion Project (15 MMTPA)"

b) *Demand and Availability of Petroleum Products*

1.38 Regarding the demand and availability of major petroleum products viz. petrol, diesel, LPG and kerosene in the country during the last three years from domestic refineries, the Ministry of Petroleum & Natural Gas has, inter-alia, submitted as under:-

“Availability

(Qty. in TMT)

Sr No.	Products	Year		
		2003-04	2004-05	2005-06
1.	LPG	7651	7817	7717
2.	Petrol (MS)	11211	11058	10508
3.	Kerosene (SKO)	10148	9207	9026
4.	Diesel (HSD)	43129	46081	47730

Demand

(Qty. in TMT)

Sr No.	Products	Year		
		2003-04	2004-05	2005-06
1.	LPG	9305	10245	10456
2.	Petrol (MS)	7897	8251	8647
3.	Kerosene (SKO)	10230	9395	9541
4.	Diesel (HSD)	37074	39650	40191”

1.39 During evidence, Members of the Committee voiced their deep concern over the shortage of Kerosene and LPG and difficulties in getting new LPG connections in different parts of the country, especially in Bihar, Chhattisgarh, Jharkhand, Kerala and Tamil Nadu.

1.40 Responding to the concerns of the Members, Chairman, IOC deposed before the committee as under:-

> “Sir, today the LPG growth is four to five per cent. If we are able to control diversion, which we have been able to, to some extent, the genuine customers will not suffer. That is one. We also felt that a lot of customers are having more than one company’s connections and they were diverting that second connection to commercial purpose etc. So, that was the other reason why we felt that we should not be indiscriminately giving new connections.”

1.41 On the same issue, Secretary, Petroleum & Natural Gas added the following during oral evidence:-

> "Six years ago, we had only 4.7 crore LPG customers and today, the figure is 9.5 crore. The total LPG consumption six years ago was hardly 6.5 million tones while today, domestic LPG consumption is 11.8 million tones. Either all the people in the country must be cooking double of what they were cooking six years ago or the LPG is finding its way somewhere else. I think, this is what is really ailing us."

1.42 Regarding regional scarcity of PDS kerosene, the representative of the Ministry of Petroleum & Natural Gas stated that the situation is due to the diversion of PDS kerosene into alternatives and black marketing. About the steps being taken to prevent this, it was submitted before the Committee during the evidence as under:-

> "One is preventing the retail outlet from getting it. One of the schemes is markers which would detect any kind of kerosene mixing into diesel. There is another issue that kerosene is being sold, bought by the vehicle owners from the roadside not only from the retail outlets. Kerosene is being sold in black. Genuine kerosene customers are not getting at Rs. 9 but Rs. 20 or Rs. 30."

1.43 In this connection, the Secretary, Petroleum & Natural Gas also added the following during oral evidence:-

> "All over the world, kerosene, petrol and diesel are priced very close to one another in terms of energy content. When it comes out of the refinery, diesel cost about Rs. 23.75; petrol Rs. 23.60; and kerosene Rs. 23.40. Because of tax, it gets distorted so much that the price of kerosene ends up at Rs. 9; diesel Rs. 34; and petrol Rs. 46 or Rs. 47. This distortion is leading to all this."

1.44 The Committee were also informed that the Ministry of Petroleum & Natural Gas has been reviewing steps taken to curb adulteration from time to time. In the process, several technological and Institutional measures have been taken to contain adulteration viz. Automation of retail outlets, third party certification of retail outlets, Monitoring of movement of Tank Trucks through Global Positioning System (GPS), Marker System in Kerosene, etc.

c) *Retail Outlets*

1.45 To make available petroleum products other than kerosene to customers, the PSU Oil Marketing Companies viz. IOC, BPC, HPC and IBP have set up countrywide network of retail sales points either operated by the company or through dealers. IOC operates the largest and widest network of retail outlets (petrol/diesel stations) in the country. BPCL and HPCL too have all India presence through their extensive marketing network. The number of retail outlet (RO) dealerships (petrol pumps) set up by OMC during the year 2006-07 (April-December) were 1,597.

1.46 When the Committee desired to know the status of computerization of retail outlets of each Oil Marketing Company, the Ministry submitted as under:-

> "OMCs were asked to complete automation of all their retail outlets selling more than 200 KL per month by March 2007. The achievements made by OMCs in this regard have been reviewed from time to time. IOC has planned to complete 180 ROs by 31.03.2007 and propose to complete remaining 1748 ROs by March 2008. HPC has planned to complete 655 ROs by 31.03.2007 and propose to complete remaining 480 ROs by July 2007. BPC has planned to complete 454 ROs by 31.03.2007 and propose to complete remaining 1146 ROs by December 2007. IBP has planned to complete 18 ROs by 31.03.2007 and propose to complete remaining 411 ROs by March 2008."

1.47 The Committee were also informed that various customer friendly/profit enhancing measures are being taken up at retail outlets by Oil Marketing Companies. The details of such activities, as furnished by the Ministry, are as under:-

> "The various customer-friendly measures taken by OMCs at its Retails outlets (RO) are towards ensuring quality and quantity of products dispensed, prompt and friendly forecourt service and making available premium fuels for meeting the requirements of the

new generation automobiles. These measures are put in place through the following initiatives: -

(i) Third party certification of retail outlets through professional audit agencies.
(ii) Provision of electronic Dispensing Units (DUs) and Multi Product Dispenser (MPDs) with pre-set facility for dispensing by value and volume of product. This ensures faster turn around and efficient service to the customers.
(iii) Availability of premium Fuels like Xtra-premium, Speed, Power etc. in petrol and Xtramile, Turbojet in Diesel.
(iv) Acceptance of credit and debit cards for facilitating cashless transaction for the customers.
(v) New Retail Visual Identity (RVI) for giving an attractive appearance to the Retail Outlets.
(vi) Improved forecourt service through pump attendants trained by professional training agencies.
(vii) Clean public convenience facilities.
(viii) Facilities like ATM, fast food kiosks and convenience stores at select locations.
(ix) Loyalty programmes like XtraPower and XtraRewards for rewarding loyal customers whereby points are earned with every purchase."

1.48 The Ministry also informed the Committee that with regard to profit enhancing measures, various non-fuel activities for earning additional revenue through the available infrastructure in the RO premises have also been introduced. These activities entail setting up of Bank ATMs, quick service restaurants, vehicle service facilities and convenience stores.

1.49 The Committee were also informed in a written reply that BPCL has tied up with Indian Railway Catering & Tourism Corporation (IRCTC) for offering e-ticketing services of Indian Railways and is being launched in phases. In the first phase, this facility is available in Mumbai, Delhi, Chennai, Kolkata, Bangalore, Pune, Hyderabad.

Pricing/Taxation

1.50 A rational tariff and pricing policy is vital to ensure healthy growth of the hydrocarbon sector and to protect the consumers as well.

1.51 With a view to looking into the various issues relating to the pricing and taxation of petroleum products, an Inter-Ministerial Committee was set up in October 2005 under the Chairmanship of Dr. C. Rangarajan. Based on the recommendations made by this Committee, the Government has changed the pricing formula for petrol and diesel to trade parity basis which would be the weighted average of the import parity and export parity prices in the ratio of 80:20. In line with the recommendations of the Committee, the customs duty on petrol and diesel has been reduced to 7.5% from 10%. The Government has decided, in principle, to restrict the supply of PDS kerosene to BPL households. In addition, the under-recoveries of the Oil Marketing Companies (OMCs) have been partially met by issuing Oil Bonds by the Government as well as through sharing by the upstream companies.

a) *<u>Taxes and duties on Petrol and Diesel</u>*

1.52 The Committee desired to know the details of the various taxes and duties currently being levied on petrol and diesel and the share of each one of them in the market price of such products. In a written reply, the Ministry submitted the following data:-

> "The break-ups of price components of petrol and diesel at Delhi are detailed below:
>
> Share of duties and taxes in Retail Selling Price of Petrol

Sl. No.	Particulars	Rs./Litre
1	Price without Customs Duty, Excise duty and Sales tax components	20.29
2	Custom Duty (Based on 1st FN of March'07)	1.30 (3%)
3	Excise Duty (levied @ 6% + Rs. 13.00/ litre plus 3% education cess)	14.67 (34%)
4	Sales Tax (including irrecoverable taxes)	6.59 (15%)
5	Total of Customs Duty, Excise Duty and Sales tax components (2+3+4)	22.56 (53%)
6	Retail Selling Price (1+5)	42.85

* Figures in bracket give the components of customs duty, excise duty and sales tax as a % of S.No.6

Share of duties and taxes in retail selling price of Diesel

Sl. No.	Particulars	Rs./Litre
1	Price without Customs Duty, Excise duty and Sales tax components	21.01
2	Custom Duty (Based on 1st FN of March'07)	1.38 (5%)
3	Excise Duty (levied @ 6% + Rs. 3.25/litre plus 3% education cess)	4.70 (16%)
4	Sales Tax (including irrecoverable taxes)	3.16 (10%)
5	Total of Customs Duty, Excise Duty and Sales tax components (2+3+4)	9.24 (31%)
6	Retail Selling Price (1+5)	30.25

* Figures in bracket give the components of customs duty, excise duty and sales tax as a % of S.No.6"

1.53 The current effective rates of sales tax/VAT on petrol and diesel as on 1st March, 2007 in various States/UTs as follows:-

(Percentage)

	Petrol	**Diesel**
"ANDHRA PRADESH	**33.00**	22.25
ARUNACHAL PRADESH	20.00	12.50
ASSAM	25.75	15.50
BIHAR	27.00	20.00
CHHATISGARH	25.00	25.00
CHANDIGARH	22.03	12.54
DELHI	18.16	11.68
GOA	22.00	21.00
GUJARAT	26.00	24.00
HARYANA	18.16	11.21
HIMACHAL PRADESH	25.00	14.00
JAMMU & KASHMIR	22.71	12.00
JHARKHAND	20.00	20.00
KARNATAKA	28.00	20.00
KERALA	29.01	24.69
MAHARASTRA		
1-MUMBAI, THANE AND NAVI MUMBAI	30.75	28.00
2-OTHERS	29.67	25.00
MADHYA PRADESH	28.75	28.75
MANIPUR	18.09	11.66
MEGHALAYA	20.40	12.75
MIZORAM	20.00	12.00
NAGALAND	21.00	12.60
ORISSA	20.00	20.00
PUNJAB	28.48	8.23
RAJASTHAN	29.42	21.87

SIKKIM	20.02	12.74
TAMIL NADU	30.00	23.43
TRIPURA	20.00	12.50
UTTARANCHAL	22.80	19.59
UTTAR PRADESH	26.00	22.00
WEST BENGAL	27.77	20.73
High	33.00 (Andhra Pradesh)	28.75 (Madhya Pradesh)
Low	18.09 Manipur	8.23 Punjab

NOTE

Excludes Entry Tax wherever applicable"

b) *Cess on crude*

1.54 The Oil Industry (Development) Act, 1974 provides for collection of cess as a duty of excise on indigenous crude oil and natural gas. The cess has been levied on crude oil, from time to time. The current rate of cess on crude oil produced in the country is Rs. 2,500 per tonne with effect from 1st March, 2006.

1.55 The Central Government has, in the public interest, restricted the duty of excise on crude oil production from the fields under the Production Sharing Contracts to Rs. 900 per tonne.

1.56 Out of such proceeds, the funds, as Central Government thinks fit, are made available to the Oil Industry Development Board after due appropriation by the Parliament for utilization towards various activities envisaged under the Act. OIDB has been entrusted with the responsibility to render, in such manner, to such an extent and on such terms and conditions, financial and other assistance, as it may deem fit, for the promotion of all such measures as are, in its opinion, conducive to the development of Oil Industry. Since inception and up to 30th September 2006, the Central Government has collected more than Rs. 64,000 crore as cess. Out of this, OIDB has received an amount of Rs. 902 crore till date, which constitute 1.41% approximately of total cess collection.

1.57 As regards the amount of cess levied and collected on indigenous crude during 2004-05, 2005-06 and 2006-07, the Ministry has furnished the following data:-

> "The desired information, as obtained from Oil Industry Development Board, is tabulated below:

Year	Rs./Crore
2004-05	5033.97*
2005-06	4857.58*
2006-07 (From Apr'06 to Dec'06)	5156.15*

> * The figures are based on information received from ONGC, OIL and DGH."

1.58 The Committee in their 9th Report on Demands for Grants (2006-07) have recommended that they should be apprised of the various activities on which cess amount was utilised and the extent to which the Oil Industry benefited from such utilisation. In the Action Taken Reply of the Government to the recommendation of the Committee contained in their 9th Report on this issue, the details of the receipt from Oil cess and the expenditure incurred from it were furnished to the Committee. The said data from the Ministry of Finance, to whom the recommendation of the Committee on the utilisation of cess was forwarded by the Ministry of Petroleum & Natural Gas for comments, contain the details of Capital and Revenue expenditure incurred on Petroleum, Petrochemical and Fertiliser Industries. The Ministry of Finance attempted to substantiate that the expenditure on Oil Industry is in excess of the cess collection. The said data show that the Capital expenditure incurred on Petroleum Industry during 2005-06 was nil and the Revenue expenditure during the year was Rs. 20196.22 crore.

1.59 The Committee, during the course of evidence, expressed their concern over the adjustment of cess fund for meeting the expenses on oil bonds, fertilizer industries, petrochemical industries, etc. To this, a representative of the Ministry of Petroleum & Natural Gas responded during the evidence as under:-

> "What that refers to actually, as the Ministry's reply also contain, is that the definition of oil industry, as per the OID Act which the Ministry of Finance takes recourse to, also covers the fertilizer

> industry, and the figures that they have given cover the fertilizer subsidy also. That is the figure that they have given."

1.60 The Secretary, Ministry of Petroleum & Natural Gas also added the following in this regard:-

> "Fertilizer is categorized under Petroleum Ministry, unfortunately. It is a historical legacy we have inherited."

ANALYSIS OF DEMANDS FOR GRANTS (2007-08)

1.61 The budgetary allocations made in respect of the Ministry are as under:-

(Rs. in lakhs)

	Plan	**Non-Plan**	**Total**
Revenue Section	--	Secretariat Economic Services - 1081 Petroleum - 285700	286781
Capital Section	--	--	--

1.62 The Non-Plan Budget (2007-08) of Rs. 2867.81 crore of the Ministry, comprises mainly subsidy for domestic LPG and PDS Kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North – East region, Society for Petroleum Laboratory, the setting up of Petroleum Regulatory Board and the Secretariat Economic Services.

1.63 In the Budget (2007-08) infrastructure Status has been granted to Gas Pipelines. In this connection, the Ministry has stated as under:-

> "Gas Pipelines have been granted infrastructure status in the Union Budget 2007-08 under section 801A of the Income Tax Act. Accordingly, tax benefits u/s 801A will be available for 10 years for 'cross country natural gas distribution networks' commissioned on or after 1.4.2007, subject to certain conditions. However, infrastructure status has not been granted to Oil and Gas Exploration and Production."

1.64 In the Budget (2007-08), the *ad valorem* component of excise duty on petrol and diesel was reduced from 8 to 6 per cent.

HEAD-WISE ANALYSIS OF DEMANDS FOR GRANTS (2007-08)

Major Head `2802'

Petroleum

1.65 The following statement shows the details of expenditure made for various items during 2005-06, 2006-07 and 2007-08 under this Head:-

(Rs. In Lakhs)

Item	BE 2005-06	RE 2005-06	Actuals 2005-06	BE 2006-07	RE 2006-07	BE 2007-08
Subsidy on domestic LPG and kerosene PDS	360000	290000	266199.46	290000	259943	265000
Freight subsidy on retail products for far flung areas	4400	3000	2096.79	3000	2600	3000
Subsidy to oil companies for supply of natural gas to North Eastern Region.	-	-	-	15000	15000	16000
Petroleum Regulatory Board	1497	200	0.00	1500	200	1500
Anti Adulteration Cell		137	60		57	-
Society for Petroleum Laboratory	-	-	-	-	-	200
Compensation to oil companies for under recoveries on account of sale of sensitive petroleum products.	-	-	1150000	-	1915000	-
Less deposits by oil companies	-	-	-1726285	-	-1915000	-

1.66 It may be seen from the above data that in B.E of 2007-08, subsidy on domestic LPG and PDS kerosene has been fixed at Rs. 2650.00 crore. As regards Freight subsidies on retail products for far flung areas, the B.E. 2007-08 has been pegged at Rs. 30.00 crore. A provision for subsidy to oil companies for supply of natural gas to North Eastern region amounting to Rs. 160 crore is also included in B.E. 2007-08. A provision of Rs. 15.00 crore for Petroleum

Regulatory Board and another provision of Rs. 2.00 crore for Society for Petroleum Laboratory has been made in B.E. 2007-08.

1.67 The scheme of Subsidy on Domestic LPG and PDS Kerosene has been devised to make available PDS kerosene and domestic LPG to households at subsidized and affordable prices. During 2007-08, it is expected that 110 Lakhs Kilo Litres (KL) PDS kerosene and 72.76 crore domestic LPG cylinders would be provided to households at subsidized price under this scheme. Similarly, the objective of the scheme of “Freight subsidy on retail products for far flung areas” is to provide PDS kerosene and domestic LPG at the same price in the remote and inaccessible areas as in rest of the country. Non Plan Outlay of Rs. 30 crores has been kept under this scheme during 2007-08. Under the freight subsidy scheme, 6 lakhs KL of PDS kerosene and 2.6 crore LPG cylinders for domestic use would be made available in the far flung areas of the country at the same price during 2007-08.

1.68 Asked about the present subsidy per cylinder of LPG and per litre of PDS Kerosene, the share of oil companies as under-recoveries per LPG cylinder and per litre of PDS Kerosene, the total under-recoveries borne by oil marketing companies during 2005-06 and the first three quarters of 2006-07, the Ministry of Petroleum & Natural Gas provided the following details:-

> “The Government has decided that subsidy at 1/3rd of the level of 2002-03 would be allowed from 2004-05 onwards, till 31/03/2007. The fiscal subsidy rate on PDS Kerosene is 82 paise per litre and that on domestic LPG is Rs.22.58 per cylinder.
>
> The year-wise subsidy on Domestic LPG and on PDS Kerosene for the years 2005-06 (provisional) and 2006-07 (Apr-Dec’06) (estimated) provided by the Government and the subsidy share of Oil Companies expressed as under recoveries per domestic LPG cylinder and per litre of PDS Kerosene is tabulated below:

LPG (Domestic)

	Per Unit Subsidy (Rs./Cyl.)		
	From Govt. Budget	By Oil Companies	Total
2005-06 (Provisional)	22.58	152.46	175.04
2006-07 (Apr-Dec’06) (Estimated)	22.58	154.51	177.09

SKO (PDS)

	Per Unit Subsidy (Rs./Litre)		
	From Govt. Budget	By Oil Companies	Total
2005-06 (Provisional)	0.82	12.10	12.92
2006-07 (Apr-Dec'06) (Estimated)	0.82	15.95	16.77

Gross and Net Under recoveries on sensitive petroleum products

The Gross and net under recoveries borne by Oil Marketing Companies during 2005-06 and the first three quarters of 2006-07 on sensitive petroleum products are given as under:

Rs./Crores

Product	2005-06 (Provisional)	April-Dec'06 (Estimated)
PDS Kerosene	14384	14104
Domestic LPG	10246	7738
Sub Total	24630	21842
Petrol and Diesel	15370	19406
Total of Gross Under-Recovery	40000	41248
Less		
- Upstream Sharing	14000	14777
- Issue of Oil Bonds	11500	19150
Net Under Recovery borne by PSU oil marketing companies	14500	7321

Sharing of losses/under-recoveries by Oil PSUs: The details of amounts contributed by upstream oil companies towards under recoveries suffered by PSU oil marketing companies and their distribution among the oil marketing companies are tabulated below:

Rs. Crore

	2005-06	Apr-Dec'06 (Provisional)
Upstream oil companies		
ONGC	11958	12356
GAIL	1064	986
OIL	978	1435
Total	14000	14777
Oil marketing companies		
IOC (including IBP)	7197	8479
HPCL	3221	3020
BPCL	3582	3278
Total	14000	14777"

1.69 When the Committee specifically desired to know about the percentage of petroleum subsidy to the total revenues earned by the Government from the hydrocarbon sector during the last three years, the Ministry informed as under:-

		2003-04	2004-05	2005-06
"(A)	Contribution of Petroleum Sector to Central Government Exchequer (Based on Figures submitted by the Oil Companies) (Rs. Crore)	69195	77692	83314
(B)	(a) Fiscal subsidy – On domestic LPG and PDS Kerosene			
	(i) Total Amount (Rs. Crore)	6292	2930	2662
	(ii) Percentage share in the sectoral revenue earned by the Government (%)	9.09	3.77	3.20
	(b) Bonds issued by the Government			
	(i) Total Amount (Rs. Crore)	--	--	11500
	(ii) Percentage share in the sectoral revenue earned by the Government (%)	--	--	13.80

Notes: For the purpose of contribution of petroleum sector to Central Government Exchequer, the following oil companies have been included:

ONGC, OIL INDIA, IOC, HPC, BPC, IBP, CPCL, KRL (up to 2004-05), BRPL, MRPL, GAIL, NRL, EIL and RIL (Petroleum Sector)"

1.70 The Committee further wanted to know the losses per litre of diesel and petrol that were being suffered by marketing companies immediately before the reduction in price by Re.1/- and Rs.2/ respectively w.e.f. 16/2/07 and whether an exercise has been carried out to ascertain the reduction in the losses/under-recoveries of oil marketing companies per litre of petrol and diesel after the reduction of excise duty on these items announced in Budget (2007-08). The Ministry of Petroleum & Natural Gas, in its written replies, submitted the following details:-

"The retail selling price of petrol and diesel at Delhi was reduced by Rs.2/- and Re.1/- per litre respectively w.e.f. 16th February 2007.

Based on Refinery Transfer Price (RTP) applicable for 2nd fortnight of February 2007, the under recovery of PSU oil companies amounted to Rs.1.86 per litre on diesel and a marginal over recovery of 13 paise per litre on petrol, after considering reduction in prices. The current under recovery based on RTPs applicable for 2nd fortnight of March 2007, comes to Rs.2.97 per litre on petrol and Rs.2.10 per litre on diesel.

> The Government has announced in the Budget 2007-08, the reduction in the ad valorem component of excise duty on petrol and diesel from 8% to 6% w.e.f. 1st March 2007. There is a reduction in excise duty component at Delhi by 39 paise per litre on petrol and 44 paise per litre on diesel. This is based on price build up of Delhi before price reduction effected on 16/2/07 and reduction in excise duty w.e.f. 1/3/07."

1.71 Informing the Committee about the future programme of the Government in regard to extension of subsidy on domestic LPG and PDS Kerosene, it was stated as under:-

> "Government is administering the PDS Kerosene and Domestic LPG Subsidy Scheme, 2002 through which the public sector oil marketing companies (OMCs) are being paid subsidy currently at 1/3rd level of 2002-03 at a flat rate from the Union Budget. The subsidy from Government has been frozen at the current level and is to be phased out in 2006-07. The issue of further continuation of the Scheme is under the consideration of the Government."

Major Head '3451'

Secretariat – Economic Services

1.72 The following table shows the details of actual expenditure made during 2005-2006, BE and RE for 2006-07 and BE for 2007-08 under the Secretariat-Economic Services Head:-

(Rs. in lakhs)

Items	Actuals 2005-06	BE 2006-07	RE 2006-07	BE 2007-08
Salaries	550.67	621.61	656.29	708.79
Wages	0.69	0.82	0.72	0.75
Overtime Allowance	8.80	8.80	8.80	8.80
Domestic Travel Expenses	15.35	15.00	32.00	32.00
Foreign Travel Expenses	58.52	75.00	75.00	75.00
Office Expenses	149.05	150.00	175.40	149.63
Professional Services	325.98	223.32	210.94	38.18
Publication	0.89	2.60	4.00	3.00
Other Admn. Expenses	15.65	18.00	18.00	18.00
Medical Treatment	11.55	14.75	14.75	14.75
Information Technology	43.40	32.10	32.10	32.10
Total	1180.55	1162.00	1228.00	1081.00

1.73 It may be seen from the above data that a provision for Rs. 1162.00 crore was made in B.E. 2006-07 under the Major Head `3451' which was increased to Rs. 1228.00 crore in R.E. 2006-07. The actual expenditure during 2005-06 was Rs. 1180.55 crore. The BE for 2007-08 has been kept at a lower level of Rs. 1081.00 crore. Explaining about the steps taken to contain expenditure the Secretary, during oral evidence, stated as under:-

> "For the year 2006-07 we have reduced the outlay from about Rs. 3106 crore at B.E. to Rs. 2800.28 crore at R.E. stage for which the final expenditure figures will be available before the end of this month. I am very happy to report that we contained our expenditure within the reduced outlay."

Research and Development Activities

1.74 The Committee have been informed that promotion of research and development activities in the Petroleum & Natural Gas sector has been identified as one of the thrust areas of the XI^{th} Plan.

1.75 Giving details of the R&D centres of the Public Sector oil companies and the areas of research identified for the 11^{th} Plan, the Ministry has submitted the following in a written reply:-

> "R&D activities requires close interaction between industry and research organisations. ONGC has institutionalized Research and Development in exploration & production and established seven separate R&D institutions to undertake specific activities in key areas of exploration, drilling, reservoir management, production technology, ocean engineering, safety and environment protection. Further, regional laboratories established at various Assets and Basins of the ONGC support these institutes. In the light of the expected growth in the natural gas sector during the XI Plan, R&D and technology development & transfer in the natural gas sector has also assumed an important dimension which will be pursued. Technologies in deep sea exploration, gas transportation by sea, on-board re-gasification are some of the major technologies which need active pursuit in these areas.
>
> The need for self reliance in the downstream petroleum sector has led to the creation of engineering, design and R&D institutions like

EIL and National laboratories such as Indian Institute of Petroleum, National Chemical Laboratory and Indian Institute of Chemical Technology. R&D centres have also been created in major downstream oil companies like IOCL, BPCL, EIL and CPCL to enhance the technological knowledge base. Other institutions like Oil Industry Development Board (OIDB), Centre for High Technology (CHT) have been created to ensure effective coordination and planning in the field of R&D.

Keeping in view the future concerns of the downstream petroleum sector, the areas of research identified for the XI Five Year Plan also include Coal to Clean Fuels, New Heavy Oil Upgrading Process, Hydrogen Fuel, R&D in Petrochemicals and Polymers and in future fuels, lubricants, Bio-mass etc."

1.76 As regards ONGC, the Committee have been informed that against the 10th Plan allocation of Rs. 1323.85 Crore for R&D and Institutes, the likely expenditure would be Rs. 815.88 Crore i.e. 62%. Furnishing the reasons for shortfall in expenditure, it was stated as under:-

"R&D expenditure by ONGC was less due to less capital expenditure. The technology induction has also been through Domain experts leading to lesser expenditure on R&D. The reasons for less capital expenditure are:

- Upgradation of EPINET system, procurement of IIWS system got delayed due to procedural arrangements.
- Computer upgradation and procurement of PC cluster got delayed due to procedural arrangements.
- Also during 2005-06 expenditure was less due to innovative approach, cost saving measures and competitive pricing.
- High value items like Micro CT scan system & HPAI system planned during X plan period delayed due to procedural arrangements."

1.77 On being asked about the status of Research and Development in OIL, and the percentage share for R&D activities in the total annual budget of OIL during the last five years, the Ministry, inter-alia, furnished the following reply:-

"R & D Centre in Oil India Ltd. was created in the year 1985 to provide techno-economically feasible solution of the problems encountered by Oil India Limited in its exploration and production activities and to introduce latest technologies in the fields of exploration, drilling, production, transportation and pollution control.

The department is currently recognised by the Department of Science and Technology (DST), Government of India. R&D Center at Duliajan, Assam have Seventeen state-of-the-art laboratories and Pilot plant for Coal Liquefaction Project.

Total R&D expenditure as a percentage of total turnover:

Serial No.	Year	% Share of R&D
1.	2005-2006	0.23%
2.	2004-2005	0.30%
3.	2003-2004	0.32%
4.	2002-2003	0.44%
5.	2001-2002	0.47%”

Drilling rigs of ONGC

1.78 The Committee wanted to know whether exploration activities of ONGC have been affected/delayed in the recent past because of non-availability of adequate number of rigs. Furnishing the details, the Ministry, has submitted as under:-

“Rig resources are planned based on the exploration work program and in-house availability of rigs. To meet the additional requirement, if any, rigs are hired. However, due to increased demand of offshore rigs worldwide, the availability constraints have been experienced by ONGC both in shallow water and deep water areas. To supplement these requirements, Drilling Services have been making regular efforts to hire required number of rigs for meeting the rig resource requirement for the exploration plan.

During 2006-07, ONGC has a plan to drill 138 exploratory wells (BE target), out of which 88 wells has been drilled. Details are given below.

Basin	Target	Actual
Western Onshore	40	33
A&AA	23	6
KG	28	20
Cauvery	19	12
Western Offshore	17	13
MBP	8	3
Frontier Basin	3	1
Total	138	88”

1.79 The Committee have further been informed that as on 01.03.2007, ONGC is operating 25 offshore drilling rigs (9 own + 16 hired). In addition, 70 ONGC owned drilling rigs are also deployed in onshore areas.

1.80 It has also been informed that the demand for the rig resources is variable. The cost of rig and its operating cost are quite high as compared to the rig hiring rates. Therefore, variable requirements are being met by charter hiring of rigs on prevailing market rates which are governed by demand & supply situation.

1.81 ONGC till now has been hiring various types of rigs (Jackup, Semi submersible & Floaters) for meeting the additional requirement of offshore operations. ONGC has also initiated process for acquisition of drilling rigs both for onshore & offshore.

1.82 During the course of the evidence, when the Committee desired to know whether there has been a decision to share the rigs of ONGC with other companies, the DG, Directorate General of Hydrocarbons (DGH) submitted before the Committee as under:-

> "First of all, I would like to clarify that this sharing of rigs is not which is understood that ONGC rigs have to be shared. It is not so. The idea of sharing of rigs is that there is scarcity of resources. Each company wants one, two or three rigs for one year for one or two wells that they have committed. It is not available. So, what we have suggested is that 'why you people not make a consortium – one in the East Coast, one in the West Coast, one in the North-East and one in the South-West – so that when you hire, you hire together so that the cost is less'. One rig is available for long term in the market, but not for one year. The cost of the deepwater rig is about $ 700,000 to $ 800, 000 per day. So, we have said that they should make a consortium and get the rigs for four or five years. Then, the demobilisation cost and mobilisation cost will be divided. It will be a win-win situation. In a resource constraint era, it is always good to share the rig."

Exodus of ONGC Employees

1.83 Furnishing the data regarding the number of employees of various categories who have quit ONGC during the last five years, the major reasons for such an exodus and the efforts taken by ONGC in bringing these ex-employees back to the company, it was stated, in a written reply, as follows:-

"Number of Employees who have quit ONGC during the last 5 years

DISCIPLINES	2002	2003	2004	2005	2006	2007	Grand Total
EXPLORATION	10	19	9	41	68	4	151
DRILLING	7	7	9	27	94	4	148
PRODUCTION	10	8	9	15	53	5	100
TECHNICAL	17	18	16	21	54	5	131
FINANCE & ACCOUNTS	3	2	4	14	32		55
HR & ALLIED	7	2	4	10	14	2	39
	54	56	51	128	315	20	624

Possible reasons for ONGCians Resigning

1) Attractive Salary package elsewhere
2) Better Career and Growth prospects

Actions taken by ONGC for Retaining / Re-Employment

ONGC had recently put up an advertisement for ex-ONGCians in certain critical disciplines of Geo-science, Engineering and Finance disciplines who have acquired enhanced professional skills and experience to join ONGC. A number of applications have been received which are being processed. In addition, the following steps have been taken to retain the talent:-

1. Recognition of employees through awards/rewards for their Performance, Innovation, Professionalism in work and managerial & Technical ability.
2. Providing opportunity for involvement in decision-making, empowerment and proper positioning.
3. Fast track career growth opportunities for the talented go-getters
4. Development of business leaders through specialized training programme and management courses in collaboration with reputed well-known institutions in the country and abroad.

5. Counseling, mentoring and nurturing of performing executives, developing new competencies and capabilities."

On-going Projects of IOCL

1.84 Indian Oil Corporation Ltd. (IOCL), country's largest oil marketing company, has undertaken various projects relating to refining, pipelines, etc. When the Committee desired to know the present status of various on-going projects of IOCL and the details of time and cost overruns, if any, the following details were furnished in a written reply:-

"Present status of various major ongoing projects of IOCL is as under:

S. No.	Name of Ongoing projects	Cost (Rs/ Cr.) Approved / Anticipated	Commission-ing Schedule Approved / Anticipated	Overall Cum. Physical Progress (%) (as on 28.02.2007)	Remarks / Reason
1.	Installment of Facilities for Improvement in Diesel Quality and Distillate Yield (Hydrocracker) Project at Haldia	2869 / 2869	Dec 2009 / *Dec 2009*	10.24	Cost Overrun: NIL Time Overrun: NIL
2.	Naphtha Cracker Project, Panipat	14439 / 14439	Nov 2009 / Nov 2009	22.10	Cost Overrun: NIL Time Overrun: NIL
3.	Residue Upgradation and MS/ HSD Quality Improvement Project at Gujarat	5693 / 5693	Jan 2010 / Jan 2010	5.99	Cost Overrun: NIL Time Overrun: NIL
4.	Expansion of Panipat Refinery from 12 MMTPA to 15 MMTPA	806 / 806	Mar 2008 / Dec 2008	31.50	Cost Overrun: NIL Time Overrun: 9 months*
*	Time overrun is mainly due to Consequential effect of delay in engineering / ordering / tendering and manufacturing / delivery by PMC (EIL)				
5.	Paradip-Haldia Crude Oil Pipeline	1178 / 1131	Mar 2006 / May 2007	92.40	Cost Overrun: NIL Time Overrun: 14 months**
**	Delays in installation of offshore facilities and HDD crossing of Mahanadi River by the contractors are the primary reasons. Prolonged spells of heavy rains and choppy sea conditions during Monsoon imposed further limitations on smooth execution of construction activities.				

S. No.	Name of Ongoing projects	Cost (Rs/ Cr.) Approved / Anticipated	Commission-ing Schedule Approved / Anticipated	Overall Cum. Physical Progress (%) (as on 28.02.2007)	Remarks / Reason
6.	Koyali-Ratlam Product Pipeline	225 / 182	Dec 2006 / Nov 2007	64.63	Cost Overrun: NIL Time Overrun: 11 months***
***	Delay in getting forest clearance (Final forest clearance received in January 2007) and legal dispute with villagers regarding a cart track through the acquired land are primary reasons for delay in project completion.				
7.	Augmentation of Mundra-Panipat crude oil Pipeline	205 / 205	Mar 2008 / Dec 2008 #	28.48	Cost Overrun: NIL Time Overrun: NIL#
#	To synchronise with Panipat Refinery Expansion to 15 MMTPA Project				
8.	Dadri-Panipat R-LNG spur pipeline	251 / 251	Oct 2007 / Jan 2009 ##	12.31	Cost Overrun: NIL Time Overrun: NIL ##
##	To synchronise with 1st phase of power plant commissioning under Panipat Naphtha cracker project				
9.	Panipat-Jalandhar LPG Pipeline	187 / 187	Aug 2008 / Aug 2008 $	12.92	Cost Overrun: NIL Time Overrun: NIL
$	24 months from investment approval or 18 months from MoE&F clearance, whichever is later. Environmental clearance received in February, 2007.				
10.	New Terminal at Chittaurgarh (Rajasthan)	55 / 56	Feb 2006 / Mar 2007	97.06	Cost Overrun: Rs. 1.5 cr. Time Overrun: 13 months *
*	Retendering of Combined Station Works due to high rates quoted by the bidders is the main reason for time overrun				
11.	New Terminal at Ratlam (MP)	96 / 148	Dec 2006 / June 2008	47.84 %	Cost Overrun: Rs. 52 cr. Time Overrun: 18 months **
**	Time overrun of 18 months is due to legal dispute with villagers regarding a passageway through the acquired land. Cost estimate has been revised keeping in view the actual site condition and additional features for safety of the installation				

1.85 Regarding the delays in the on-going 11 projects of Indian Oil, the Chairman of the Company submitted during the oral evidence as under:-

> "Basically there has been a lot of work going on in India, China and in the Middle-East countries both for refinery upgradation and

petrochemical projects and the vendors/suppliers are common. We are having tremendous delay in equipment basically relating to compressor pumps. We also have very, very high fluctuation in some of the metal prices like copper, nickel reactors which used to take about 14 months for delivery. Now, they are taking over 30 months.

We are committed to market Euro-IV in the metro and other cities, and Euro-III in the entire country by 2010. Most of our projects have been delayed because of this reason. The Expansion of Panipat Refinery from 12 to 15 has also been delayed. But we are deliberately going a bit slow because we are assessing the overall demand there but we will complete the project relating to upgradation of Haldia or the project relating to the MS Quality Upgradation at Barauni, etc. In terms of actual delay, there is one project in which we have been a bit unfortunate, and that is, the Paradip Haldia Crude Oil Pipeline. There was some dispute. The contractor went away. We had to try and get him back and we could not. In the meantime, the monsoon came. So, we have now found somebody else. We have terminated his contract although we know that we will go through a legal problem. We may be spending about Rs. 10 crore more. But we had taken this hard decision.

The other reason why some of our pipeline projects are getting delayed is that we are not allowed to start work unless we get the full forest clearance, and there has been some land dispute. Earlier, on the basis of the in principle approval, we could proceed it. The Ministry of Environment and Forests is also getting a little stricter in terms of their rules. So, the projects which were taking two-and-a-half years, are now taking a little longer. But I can assure you that these projects would get completed on schedule at least to meet the deadline of 2010."

Revival of Biecco-Lawrie

1.86 Biecco Lawrie Limited (BLL), a Kolkata based Government of India Enterprise, under the administrative control of the Ministry of Petroleum & Natural Gas (MOP&NG), was incorporated on 23rd December 1919. This is a medium sized engineering unit with diversified activities having two factories located at Kolkata. BLL came under the purview of BRPSE due to its accumulated losses of

Rs. 61.9 crores and subsequent negative net worth of Rs. 19.59 crores as on 31st March 2006, although the Company is making profit for the last 2 years.

1.87 BLL has a total of 4,20,04,700 fully paid up equity shares of Rs. 10/- each out of which the Shareholding of President of India and the Oil Industry Development Board (OIDB) is 57.37% and 41.85% respectively. Other Shareholders are Balmer Lawrie & Company Ltd. (00.47%), Foreign / NRI holdings (00.04%), Banks / Financial Institutions (00.01%) and others (00.26%).

1.88 Giving details of the revival package for BLL, the Ministry of Petroleum & Natural Gas, in a written reply, has, inter-alia, submitted, inter-alia, as under:-

> "Due to negative net worth, BLL has to be referred to Board for Restructuring of Public Sector Enterprises (BRPSE) for strengthening, modernizing, reviving and restructuring and accordingly, BLL in its proposed revival plan, has suggested the following two models:-
>
> (i) Model – I
>
> Conversion of entire existing OIDB loan of Rs. 32.76 crore into equity and waiver of accumulated unpaid OIDB interest of Rs. 4.8 crore (till 31.3.2005). Under this option, OIDB becomes the majority shareholder of the Company (67.44%).
>
> (ii) Model - II
>
> Writing off OIDB loan of Rs. 20.03 crore, conversion of balance Rs. 5.22 crore into equity, continuance of Rs. 7.5 crore loan and waiver of accumulated unpaid OIDB interest of Rs. 4.8 crore (till 31.3.2005). Under this option, Government of India would retain 51% shareholding.
>
> The Company has also proposed capital reduction to match its equity capital with the Net Worth after conversion of loans. This would enable the Company to get working capital and other loans from banks and financial institutions, if required, for growth in future.
>
> In order to infuse working capital and to shift its Electrical Repair Workshop, the Company has also proposed to sell its loss making lube blending plant and adjoining land. Company has also sought infusion of following funds:-

(i) Rs. 15 crores as Government loan for investment in plant and machinery and for technology tie-ups.

(ii) Rs. 7.53 crores of Government grant towards arrears of salary and wages and arrears of rent payable to Kolkata Port Trust.

The Company proposes to concentrate on electrical industry for its future growth plan and change in organization structure along with recruitment of key personnel have also been proposed. The proposal submitted to the Ministry of Petroleum & Natural Gas (MOP&NG) in August 2005 after due approval of the Company's Board of Directors, was considered by MOP&NG. OIDB's opinion was also sought since it involved their interest.

The proposal for revival of BLL has been submitted for consideration of BRPSE."

PART II

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE NINTH REPORT OF THE COMMITTEE ON DEMANDS FOR GRANTS (2006-07) OF MINISTRY OF PETROLEUM & NATURAL GAS

The Ninth Report of the Standing Committee on Petroleum & Natural Gas on 'Demands for Grants (2006-07) of the Ministry of Petroleum & Natural Gas' was presented to Lok Sabha on 15.5.2006.

2.2 There were 13 recommendations in this Report apart from 2 other recommendations relating to status of implementation of recommendations contained in earlier Reports. These recommendations were on utilisation of Plan outlay by PSUs, seismic survey & drilling activities of OIL, city gas projects of GAIL, piped natural gas supply in Delhi, IBP-IOC merger, business secured by Engineers India Limited, austerity in Non-Plan spending, upgradation of refineries, delay in completion of mega projects of IOCL, opening of retail outlets by OMCs, adulteration of petroleum products, cess on crude oil and LNG terminals on the east coast.

2.3 The statement of the Hon'ble Minister of State for Petroleum and Natural Gas regarding implementation of recommendations contained in the Ninth Report was laid in Lok Sabha on 18.12.2006 under Direction 73A of the Directions by the Speaker, Lok Sabha.

2.4 The Ministry of Petroleum & Natural Gas was requested to indicate the latest status of implementation of recommendations contained in this Report. The various steps taken by the Ministry to implement these recommendations have been furnished to the Committee (column 4 of Annexure – I).

2.5 An analysis of the data furnished by the Government reveals that three of the recommendations contained in the Report have been fully/substantially implemented by the Government. These recommendations include utilisation of plan outlay by PSUs, business secured by Engineers India Limited and austerity in Non-Plan spending. Eight recommendations contained in this Report are in the process of being implemented. These recommendations relate to seismic survey & drilling activities of OIL, city gas projects of GAIL, IBP-IOC merger, upgradation of Refineries, delay in completion of mega projects of IOC, opening of retail outlets by OMCs, adulteration of Petroleum Products and LNG terminals on the east coast. The recommendations of the Committee to make available the proceeds of cess levied and collected from indigenous crude to the Oil Industry Development Board (OIDB) and preparation of a comprehensive road map to cover the entire city of Delhi with PNG have not been implemented by the Government.

2.6 A statement containing the gist of operational portion of the recommendations contained in this Report, position indicated in Minister's Statement and the latest status of implementation of the recommendations is given in Annexure – I.

PART III

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

3.1 The Committee note with concern that the production of crude oil by the two National Oil Companies engaged in exploration and production activities viz. ONGC and OIL have remained more or less stagnant in the last 10 years. Besides, these companies have also not been able to meet the crude oil production targets during the 10th Plan, though ONGC has done well to meet the natural gas production target during the said Plan. The Committee are constrained to note that OIL has failed to meet crude oil production targets in all five years of the 10th Plan and natural gas production targets in the first three years of the Plan. They find that the 10th Plan crude oil production targets for the two companies were only slightly more than the 9th Plan targets and yet these moderate targets could not be met by the Companies. The stagnation in the production of crude oil by ONGC and OIL is indeed a cause for concern. The Committee further find that demand of crude oil met from indigenous production in the year 2005-06 was just 22.3 per cent. They apprehend that unless result-oriented measures are taken by the Government, the gap between demand and indigenous availability of crude oil would substantially increase in future. The Committee, therefore, recommend that the Government should make an in-depth analysis of the situation and take concerted efforts to increase the E&P accretion by using modern technologies with emphasis on deep water drilling. They also recommend that ONGC should make efforts to put on production the reserves in all its marginal fields by the end of the 11th Plan which would go a long way in enhancing oil and gas production.

3.2 The Committee note that in the six rounds of bidding under New Exploration Licencing Policy, 162 exploration blocks have been awarded to various companies. They are happy to note that as many as 39 oil and gas discoveries have already been made in these blocks, out of which 11

discoveries have been declared commercial. The Committee further note that the sixth round of NELP held in February 2006, has been the highest ever offer made by the Government, with 55 exploration blocks. The aggressive and effective projection of investment opportunities during this round has resulted in the best ever response from Indian and foreign companies and the number of private/domestic and foreign companies which participated in the 6th round has gone up to 25 and 36, respectively from 4 each in the 3rd round. As regards PSU oil companies, 7 such companies have bid in the 6th round against 4 in the 3rd round. The Committee strongly believe that the significant discoveries made in the recent years have greatly altered the perception regarding the prospectivity of the Indian basins and is the main reason for the renewed interest of multinationals in our E&P offers. The Committee, while appreciating the efforts made under NELP, desire the government to further intensify its efforts to attract larger investment and more renowned players with geological ideas and technologies in E&P business. Towards this end, the Government should explore the possibility of further improving the terms/conditions of our offer and bringing in more transparency in the bid evaluation criteria. The Committee also recommend that the Ministry of Petroleum & Natural Gas should play a proactive role in expediting commercial production from the blocks where discoveries have been made.

3.3 The Committee note that ONGC recently notified a gas discovery in block KG-DWN-98/2 after making a preliminary evaluation of the find by carrying out Straddle Packer Mud Drill Test. However, though DGH accepted the gas discovery claim of ONGC, the claim of potential commerciality was not accepted on the ground that conventional testing was not carried out. The Committee find it unfortunate that DGH, the designated regulator for Exploration and Production (E&P) and ONGC, India's premier E&P company, have come out in the open with their

differences on a number of issues in the recent past. As such things often have a negative bearing on the share price/market capitalization of the company, the Committee desire that disagreements, if any, over procedural matters should be taken care of internally without going public and advise them to exercise restraint on their part in future. The Committee further desire the Government to make an assessment of the regulatory practices prevailing in other countries in the E&P sector and adopt the best and most efficacious procedure in our E&P sector, leaving no scope for bias or opacity.

3.4 During the examination of the previous years' Demands for Grants of the Ministry, the Committee were informed about the initiatives taken by GAIL, ONGC and OIL in the areas of coal gasification, underground coal gasification and coal liquefaction, respectively. They had been enlightened that while GAIL had undertaken feasibility studies for coal gasification projects, ONGC had entered into an agreement with a Russian firm 'Skonchisky Institute of Mining' to develop underground coal gasification technology to tap our coal reserves which are not suitable or economical for conventional mining. As regards coal liquefaction, the Committee were informed that OIL had initiated action to carry out a feasibility study on coal liquefaction process and after its completion, the Company would be in a position to evaluate and ascertain the most suitable technology to utilise the coal available in the North-East Region and convert the same to oil. The Committee have now been informed that in India, both coal gasification and liquefaction are at R&D stages. It appears that not much headway has been made by these Companies in the areas of coal gasification and liquefaction. Considering the vast coal reserves and scarcity of conventional hydrocarbon resources in our country, the Committee desire that such projects should be given top-most attention and implemented on a fast – track basis which would go a long way in reducing our import

dependence. The details of progress made by GAIL, ONGC and OIL on their respective projects may be conveyed to the Committee.

3.5 India has been contemplating to procure gas from Myanmar through a pipeline of which GAIL has completed the Detailed Feasibility Report. The Committee have been informed that the Government of Myanmar has subsequently intimated to GAIL that it is reviewing its decision to sell this gas through the pipeline route. The Myanmar side has indicated that a portion of the available gas would be earmarked for its domestic requirement and the balance gas would not be sufficient for export. The Committee have also been informed that Myanmar has taken up drilling in A-3 block and, based on the result of drilling and quantity of gas available, it would take a decision on selling the gas through available options. The Committee have now been informed that the operator of the A1 & A3 blocks has conveyed the interest of the Myanmar Government to export gas from these blocks to China. However, during oral evidence, the Secretary of the Ministry has stated that the last word has not yet been said by Myanmar and that India is still in discussion on this issue. The Committee would like the Government to vigorously pursue the matter with the Government of Myanmar and clinch the issue in our favour. The progress made in the matter may be conveyed to the Committee.

3.6 India has been pursuing the Iran-Pakistan-India (IPI) Gas Pipeline Project with the Governments of Iran and Pakistan. The Committee have been informed that in the fourth trilateral Joint Working Group meeting held in January, 2007, Iran and Pakistan sides agreed to a pricing formula, subject to the approval by their authorities. The Indian side agreed to respond to the pricing formula shortly. The Committee have also been informed that discussions have been held between India and Pakistan regarding transportation tariff and transit fee and that the differences between the two countries relating to such tariff/fee have been narrowed

down. During oral evidence, the Secretary of the Ministry of Petroleum & Natural gas expressed the hope that such differences would narrow down further and that by June, the Government aims to forge a joint agreement on the project among the three countries at the highest political level. The Committee desire that the unresolved issues pertaining to the project should be sorted out quickly. The progress made/success achieved on the project may be conveyed to the Committee.

3.7 The country is now a net exporter of petroleum products and products like Naphtha, Petrol, Diesel and Aviation Fuel, etc. were exported during 2005-06 and 2006-07. However, for implementing Auto Fuel Policy for upgraded fuel, Euro-compliant Petrol (MS) and Diesel (HSD) had to be imported during 2005-06 and 2006-07. The Committee find that in 2005-06, 486 TMT of Petrol worth Rs. 1286 crore and 801 TMT of diesel worth Rs. 1902 crore had to be imported. Similarly, from April to December 2006, Euro-compliant Petrol and Diesel to the tune of Rs. 1222 crore and Rs. 2169 crore respectively were also imported. The Committee observe that though some of the fuel quality upgradation projects by our PSU oil refineries have already been commissioned, most of them are scheduled for completion by 2009 and 2010. The Committee recommend that due attention should be given to these upgradation projects so as to ensure that there is no time and cost overruns. Timely completion of these projects would lead to self-sufficiency in upgraded fuels and would enable the country to save valuable foreign exchange.

3.8 The Committee note with concern that there is an acute shortage of Kerosene/LPG in a number of States, especially in Bihar, Jharkhand, Chhattisgarh, Kerala and Tamil Nadu. The main reason behind this shortage is stated to be the diversion of these products for adulteration/commercial use. The Committee find that the availability of Kerosene and LPG in the country from the domestic refineries has also

fallen short of demand during the last three years. In 2005-06, against an LPG demand of 10456 TMT, the availability from domestic refineries was just 7717 TMT. As regards Kerosene, the availability from domestic refineries during the same year was 9026 TMT against a demand of 9541 TMT. In view of the above, the Committee recommend that the Government should assess the whole situation and in coordination with State Governments take effective steps to check the diversion. At the same time, the Government should also increase the production of Kerosene and LPG.

3.9 The Committee are unhappy to note that the Oil Marketing Companies in the country are lagging behind in automation of their Retail Outlets. In the first phase, the Oil Marketing Companies were asked to complete the automation of retail outlets selling more than 200 KL per month by March, 2007. However, the Committee find that most of the OMCs have been unable to carry out the major chunk of the work within the deadline stipulated by the Ministry. The Committee do not approve of this lackadaisical approach on the part of the OMCs. They strongly believe that automation of outlets is a pre-requisite for minimising adulteration of petroleum products and building the customer confidence about the authenticity of activities carried out in the outlet. The Committee, therefore, recommend that the Ministry should take adequate steps to ensure that the automation of all retail outlets selling more than 200 KL is completed at the earliest. OMCs may be asked to keep quarterly targets in this regard and the Ministry should monitor and review such targets with intimation to this Committee.

3.10 The Committee note that various customer-friendly measures are taken by the Oil Marketing Companies at their Retail Outlets which include third party certification of retail outlets through professional audit agencies, provision of electronic Dispensing Units, availability of premium fuels, acceptance of credit and debit cards, clean public convenience

facilities, availability of ATM, fast food kiosks, reward points for fuel purchase, etc. It is laudable that various non-fuel activities have been introduced for earning additional revenue through the available infrastructure in the RO premises. They hope that introduction of such measures in the retail outlets would give a fillip to the customer attraction, satisfaction and base, besides generating additional revenues for the companies. The Committee advise the OMCs to introduce such and similar other measures in the retail outlets where the outlet premises have not been used to the optimum. The Committee have been informed that BPCL has tied up with the Indian Railway Catering and Tourism Corporation for offering e-ticketing services of Indian Railways in its outlets in phases and that in the first phase, this facility is available in Mumbai, Delhi, Chennai, Kolkata, Bangalore, Pune and Hyderabad. The Committee, while appreciating the initiative of BPCL, desire that this programme should be extended to other areas at a fast pace. The Committee also recommend that other OMCs should also take initiatives to extend such facility at their outlets.

3.11 The Government has reduced the *ad valorem* component of excise duty on petrol and diesel from 8 to 6 per cent through the Union Budget (2007-08). The Committee welcome this move of the Government. However, they find that even after this reduction, the tax component in the retail selling price of petrol and diesel in Delhi is 53 per cent and 31 per cent, respectively. In the opinion of the Committee, the taxes and duties being levied on petroleum products are too steep which are resulting in higher retail prices of these products. More pinching is the *ad valorem* component in the excise duty which is putting additional burden on the consumer. Another cause for concern is the high and varied rates of sales tax/VAT prevailing in various States, leading to varied selling prices of such products across the country. The Committee strongly feel that there is an urgent need to effect a substantial reduction in the rates of duties and

taxes on petroleum products. They have already recommended in their 5th and 6th Reports (14th Lok Sabha) for rationalization of such duties/taxes and abolition of the *ad valorem* component in the excise duty. However, the Committee regret to note that these recommendations have not been fully implemented by the Government. They, therefore, once again recommend that the Government should go in for a comprehensive reform in the taxation on petroleum products including the abolition of the *ad valorem* component in the taxes/duties on petroleum products.

3.12 The Committee find that the annual collection by the Central Government from the cess levied on indigenous crude has been to the tune of Rs. 5000 crore and that since inception and up to 30th September, 2006, the Central Government has collected more than Rs. 64,000 crore as cess on crude oil out of which a paltry amount of Rs. 902 crore (1.41%) has been made available to the Oil Industry Development Board (OIDB). The Committee, in their previous year's Report on Demands for Grants (9th Report, 14th Lok Sabha), had expressed their concern over the non-availability of adequate amounts to OIDB from the proceeds of the cess and desired to know the various activities on which the cess amount was utilised. The Ministry of Finance, to whom the recommendation was forwarded by the Ministry of Petroleum & Natural Gas for comments, had attempted to substantiate that the expenditure on oil industry was in excess of cess collection by furnishing data on Capital and Revenue expenditure incurred on Petroleum, Petrochemical and Fertiliser Industries. In the relevant Action Taken Report (13th Report, 14th Lok Sabha), the committee have already rejected the contention of the Ministry of Finance and categorically recommended that the expenditure on activities pertaining to production of Fertiliser/Petrochemical should not be adjusted from cess collection. The Committee note from the Ministry of Finance's data on Capital and Revenue expenditure that the Capital expenditure incurred on Petroleum Industry during 2005-06 was nil and the Revenue

expenditure during the year on this Industry was Rs. 20196.22 crore. In the opinion of the Committee, the adjustment of accruals from cess against Revenue expenditure is not justified. They, therefore, recommend that the whole issue of deployment/utilisation of cess levied on crude oil should be referred to C&AG for a comprehensive examination. The Committee also reiterate their earlier recommendation that a Price Stabilisation Fund should be created by using the money collected from cess on indigenous crude to bring in stability in the prices of petroleum products and insulate the consumers from the volatility in the international oil market.

3.13 The Committee note that the Ministry of Petroleum and Natural Gas, being a PSU based Ministry, receives no Budgetary support on the Plan side. Oil PSUs implement their projects from out of their internal resources and loans. The Non-Plan Budget of the Ministry for 2007-08 amounts to Rs. 2867.81 crore. This comprises mainly Rs. 2650.00 crore on subsidy on domestic LPG and PDS kerosene, Rs. 30.00 crore towards freight subsidy on retail products for far flung areas and an amount of Rs. 160.00 crore for subsidy to oil companies for supply of natural gas to the North-Eastern Region. Besides these subsidy provisions, allocations have also been made for Secretariat-Economic Services (Rs. 10.81 crore), Petroleum Regulatory Board (Rs. 15.00 crore) and Society for Petroleum Laboratory (Rs. 2.00 crore). Since the demands of the Ministry appear to be justified, the Committee endorse the same. However, they desire that the Ministry should contain the expenditure during the year within the Budget sanctioned for it.

3.14 In the Budget (2007-08), subsidy on domestic LPG and PDS Kerosene has been fixed at Rs. 2650.00 crore. Under the Scheme of Subsidy on Domestic LPG and PDS Kerosene, targets have been fixed to provide 110 lakhs kilolitres PDS kerosene and 72.76 crore domestic LPG cylinders to households at subsidized rates during 2007-08. The

Committee have been informed that the subsidy from Government for this scheme was to be phased out in 2006-07 and that the matter of continuation of the scheme is under the consideration of the Government. They have also been informed that out of a total subsidy of Rs. 175.04 per cylinder on Domestic LPG in 2005-06, the fiscal subsidy was just Rs. 22.58 and the oil companies bore Rs. 152.46 (87.1%) as underrecoveries. Similarly, in case of kerosene, when the Government Budget provided 82 paise per litre (6.4%) as subsidy, OMCs shouldered Rs. 12.10 (93.6%) per litre in 2005-06. The gross under-recoveries of OMCs are being shared by upstream oil companies, OMCs themselves and through issue of Oil Bonds. The Committee further find that the percentage share of fiscal subsidy given on domestic LPG and PDS kerosene was a meagre 3.2% of the contribution of Petroleum Sector to the Central Exchequer during 2005-06. Thus, the Government is giving back only a paltry sum as subsidy from the huge revenues it is collecting from the sector. In view of the above and also to make the availability of these products to the consumer at affordable prices, the Committee desire that the subsidy on PDS kerosene and domestic LPG should be continued and the share of fiscal subsidy increased substantially.

3.15 The Committee are happy to find that Gas Pipelines have been granted infrastructure status in the Union Budget 2007-08. Such a status would entitle tax benefits u/s 80 1A of Income Tax Act for 10 years for cross country natural gas distribution networks commissioned on or after 1.4.2007. As pipelines require huge capital investments, the tax holiday will definitely increase the return on investment and the Committee hope that the tax foregone by the Government would actually be passed on to the consumers in the form of lower tariffs. The Committee also hope that this decision would benefit the power and fertiliser sectors and thereby contribute to general economic growth. The Committee, while welcoming the Government's prudent and thoughtful decision taken in respect of gas

pipelines, recommend that similar status should be accorded to exploration and production (E&P) activities also as the highly capital intensive E&P sector needs more incentives to attract further investments.

3.16 Promotion of research and development activities has been identified as one of the thrust areas of the 11th Plan. The Committee have been informed that the areas of research identified for the 11th Plan include Coal to Clean Fuels, New Heavy Oil Upgrading Process, Hydrogen Fuel, etc. They find that various centres/institutions/laboratories have been set up by upstream and downstream oil companies to promote R&D activities. However, the Committee are perturbed to note that the likely R&D expenditure by ONGC during 10th Plan is short of the allocation by 38% and OIL's average R&D share to its total turnover during the last five years(from 2001-02 to 2005-06) was just 0.35%. What pinches the Committee more is that even this paltry R&D share has gone down gradually from 0.47% in 2001-02 to 0.23% in 2005-06. The Committee do not approve of this declining trend in R&D expenditure/non-utilisation of the earmarked expenditure on the part of OIL/ONGC. They desire that the R&D expenditure in oil & gas sector should increase to cover the entire gamut of scientific and technical research in the area. The Committee further recommend that an organisation like Directorate General of Hydrocarbons or Centre for High Technology should be appointed as an apex agency with a mandate to effectively review/monitor the R&D projects of various companies in the oil and gas sector. Besides, an exclusive cell should also be created in the Ministry to continuously review and monitor the R&D activities of such companies.

3.17 The Committee find that as on March 1, 2007, ONGC is operating 25 offshore drilling rigs (9 owned+16 hired). Besides, 70 ONGC owned drilling rigs are also deployed in onshore areas. The Committee have been informed that due to increased demand of offshore rigs across the globe,

availability constraints have been experienced by ONGC, both in shallow water and deep water areas. They also find that out of 138 exploratory wells targeted to be drilled by ONGC during 2006-07, the company could drill only 88 wells. This, the Committee feel, is primarily due to availability of lesser number of rigs than required. The Committee further note that some downstream PSU companies like the Indian Oil Corporation Limited have ventured into Exploration and Production business. The Committee recommend that the possibility of forming a common rig pool for PSU oil companies should be explored. Under this pool, adequate number of rigs could be considered for purchase with contribution from ONGC, OIL and downstream PSU companies engaged in E&P activities. This would serve the purpose of all PSU oil companies and reduce the financial burden of individually owning the rigs. Moreover, in view of the rising cost of even chartering offshore rigs, these companies can also think of commonly chartering rigs at cheaper rates on long-term basis and share the same among themselves as per a pre-determined work programme.

3.18 The Committee find that as many as 604 employees of ONGC have left the company in the last five years out of which 315 have quit in 2006 alone. It is further seen that this exodus has been proportionately high from the strategic and technical areas like exploration, production and drilling. With the advent of the New Exploration Licensing Policy regime and the consequent entry of foreign and private players in exploration, exodus of highly skilled and competent manpower of PSU Oil Companies has become a regular feature because of attractive salary package and better career and growth prospects elsewhere. The exodus of executives with competence in core areas of E&P activity is a great loss for the PSUs as these persons are the ones who have been nurtured by the PSUs for years and are in possession of critical and sensitive data. The Committee, therefore, recommend that the Government should explore ways and means to ensure better package to the technical experts in companies like

ONGC and OIL to arrest the flight of such critical talent. Performance based incentives, merit-oriented faster career progression for specialists, imaginative HR practices to motivate employees, etc. should be resorted to by the Government to minimise the flight of such personnel.

3.19 The Committee find that out of the 11 major on-going projects of the Indian Oil Corporation Limited (IOCL), there has been delay in case of 5 projects, viz. Expansion of Panipat Refinery, Paradeep- Haldia Crude Pipeline, Koyali- Ratlam Product Pipeline, New Terminal at Chittaurgarh and New Terminal at Ratlam. Such time overrun in projects under execution not only upsets Plan targets but also leads to cost overrun in many cases. In case of IOCL, there has been a cost overrun of Rs.1.5 crore in case of Chittaurgarh terminal and Rs. 52 crore in case of Ratlam terminal. The major reasons cited for time overrun include delay in supply of equipments, contractual problems, delay in obtaining forest and environmental clearances, land disputes, etc. As the analysis of the overall physical progress of most of the ongoing projects vis-à-vis the corresponding anticipated completion schedules does not project a happy picture, the Committee apprehend delays in other on-going projects of the Company too. They, therefore, desire IOCL to pull up its socks and see to it that the project schedules are adhered to without fail by taking remedial measures to remove the impediments coming in the way of their implementation.

3.20 The Committee find that the Biecco Lawrie Ltd. (BLL) has been referred to the Board for Restructuring of Public Sector Enterprises (BRPSE) due to its accumulated losses of Rs. 61.9 crore and subsequent negative net worth of Rs. 19.59 crore as on 31st March, 2006, although the Company is making profit for the last 2 years. The revival package proposed for strengthening, modernizing and restructuring the Company has two models . One is the conversion of the entire existing OIDB loan

into equity and waiver of accumulated unpaid OIDB interest. Under this option, OIDB becomes the majority shareholder of the Company. In the second model, it is proposed for writing off of a part of OIDB loan, conversion of another part of OIDB loan into equity and continuation of the remaining portion of OIDB loan, besides waiver of accumulated unpaid OIDB interest. Under this option, the Government of India would retain 51% shareholding. In the opinion of the Committee, the second option appears to be more realistic/justified. However, they would like to leave this matter to be decided by BRPSE. The Committee desire that an early and favourable decision on the revival proposal in respect of BLL should be taken. Besides, they also desire that the management of the Company should attempt measures aimed at reduction of operating cost, diversification of business, etc. to improve the bottomlines of the Company.

3.21 As regards the status of implementation of the recommendations contained in the Ninth Report (14th Lok Sabha) of the Committee on Demands for Grants (2006-07) of the Ministry of Petroleum & Natural Gas, it is observed that the Government has accepted all the 15 recommendations made in this Report as per the Statement of the Hon'ble Minister of State for Petroleum & Natural Gas, laid in Lok Sabha on 18.12.2006 under Direction 73 A of the Directions by the Speaker.

Two of the 15 recommendations contained in the Ninth Report pertained to the status of implementation of recommendations contained in the previous years' Reports on Demands for Grants of the Ministry (First and Fifth Reports, 14th Lok Sabha). The Committee are unhappy to note that two out of the remaining 13 recommendations relating to preparation of comprehensive road map to cover the entire city of Delhi with Piped Natural Gas and availability of adequate amounts from the cess levied on crude oil to OIDB, have not been implemented by the Government. Though

the Government has informed the Committee about the progress of work done relating to supply of PNG in some parts Delhi, it has not acted on the specific recommendation of the Committee that a comprehensive road map should be prepared to cover the entire Delhi with PNG within a period of 5 years. The Committee reiterate that such a road map should be prepared on priority basis. Similarly, as regards the proceeds of the cess levied and collected from indigenous crude, the Committee would once again like to reiterate that adequate amount should be released to OIDB out of the cess proceeds. A detailed recommendation on this issue has been included in this Report at para no. 3.12

The Committee are happy to note that the Government has fully/substantially implemented 3 recommendations relating to utilization of Plan outlay by PSUs, business secured by Engineers India Limited and austerity in Non-Plan spending. The Committee further find that the remaining 8 recommendations contained in the Ninth Report are in the process of being implemented. These recommendations relate to seismic survey & drilling activities of OIL, city gas projects of GAIL, IBP-IOC merger, upgradation of refineries, delay in completion of mega projects of IOCL, opening of retail outlets by OMCs, adulteration of petroleum products and LNG terminals on the east coast. Though not fully implemented, the Committee find that the Government has taken a number of measures in the direction of implementation of these recommendations. The Committee, while appreciating the initiatives of the Government, desire it to make further efforts to ensure the early implementation of these recommendations.

New Delhi;
25 April, 2007
5 Vaisakha, 1929 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas

ANNEXURE I

STATEMENT CONTAINING THE GIST OF OPERATIONAL PORTION OF THE RECOMMENDATIONS, POSITION INDICATED IN MINISTER'S STATEMENT AND THE LATEST STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE NINTH REPORT OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS ON DEMANDS FOR GRANTS (2006-07) OF MINISTRY OF PETROLEUM & NATURAL GAS

Sl. No.	**Gist of operational portion of the recommendation**	**Position as indicated in Minister's Statement**	**Latest status of implementation of the recommendation**
1	**2**	**3**	**4**
1	The Oil companies should make concerted efforts to fully utilize the Plan Outlays so that important projects are completed without any time and cost over run.	Based on the economic, industrial and commercial factors governing the Oil Sector and the market projections for future business growth available at the time of formulation of the Plan, Oil Sector PSUs had finalized the physical and financial targets for the 10th Five Year Plan. The oil company themselves push for early implementation of projects where the market is ready and, similarly, the oil companies go slow on projects where commercial factors and market situations demand so. Taking into account the present trend of expenditure, the oil companies are expected to fully utilize the X Plan allocation.	As against 10th Plan allocation of Rs.103656.00 crores, an amount of Rs. 108252.01 crores has already been spent by the Oil PSUs up to end February, 2007.
2	Oil India Ltd should strive hard to achieve its targets in future with	Oil India Ltd. (OIL) has chalked out a strategy to enhance seismic survey and drilling activities in its	Oil India Limited has undertaken the following initiatives to enhance seismic survey and

	regard to seismic survey and drilling activities.	operational areas. The details of which are as under: a) In order to avoid delay in acquisition in land, OIL has decided to compensate the land owners at significantly enhanced rates. b) To further supplement drilling capabilities, OIL has procured one 1000 HP mobile drilling rig. Two additional charter hired drilling rigs are also planned for deployment from the year 2006-07 onwards. c) Constant liaison is being maintained at the district level, state government level as well as at the Ministry level to resolve the environmental issues.	drilling activities in its operational areas: <u>Seismic Survey</u> : i) Contract was awarded in May, 2006 for acquisition of 1,700 GLKM of 2D seismic data in Brahmaputra River Bed (BRB). On receipt of final report on pre-seismic Environment Impact Assessment (EIA) study carried out by Guwahati University, Assam, Pollution Control Board of Assam (PCBA) conducted Public Hearings in October and November, 2006. Several NGOs and Public Organizations raised strong objection to BRB survey, apprehending threat to environment. The acquisition of seismic data is presently kept in abeyance, pending formal approval of Pollution Control Board and receipt of expert opinion on the issue. ii) OIL plans to carryout 2D and 3D seismic survey as per work programme in the NELP blocks, awarded to OIL as operator under various rounds of bidding. iii) OIL has undertaken the acquisition of 2D seismic

			data in Libya. OIL plans to acquire 1,000 GLKM of 2D seismic data in the current year of 2006-07 and 2,150 GLKM in the year 2007-08. iv) OIL plans to acquire 600 GLKM of 2D seismic data in Gabon in the year 2007-08. <u>Drilling</u> : i) To further supplement the drilling capabilities, OIL procured 1 no. 1000 HP mobile drilling rig in the year 2005, which is currently deployed in Rajasthan. In addition, actions are in hand for purchase of 1 mobile drilling rig for drilling in shallow depth. ii) 4. Additional charter hired drilling rigs are planned for deployment from the year 2007-08 onwards. iii) Significant enhancement in the value of land acquired for drilling locations to suitably compensate the land owners. iv) Constant liaison is being maintained at the district level, state government level as well as Ministry level to resolve the

			environmental issues prevailing in the North East.
3.	Committee desired that projects for supply of Piped Natural Gas (PNG) to domestic, commercial and industrial consumers and Compressed Natural Gas (CNG) in automobiles in cities of Agra, Lucknow, Kanpur, Pune, Kerala, Karnataka etc. should be completed expeditiously without any time and cost over run.	M/s Green Gas Limited (GGL), a joint venture of GAIL and IOCL has commissioned first CNG station in Lucknow on 1.4.2006. The JV plans to open few more CNG stations in Lucknow. In Kanpur M/s Central U.P. Gas Limited, a Joint Venture of GAIL and BPCL, has commissioned first CNG station on 07.04.2006. The JV plans to open more CNG stations in Kanpur. In Agra, M/s Green Gas Limited (GGL) a Joint Venture of GAIL and IOC has set up one CNG station in June, 2006. The City Gas project in Pune city will be implemented by M/s. Maharashtra Natural Gas Limited, a Joint Venture of GAIL and BPCL. Anticipated date of CNG supply in Pune is likely to be the second half of June, 2007.	As of March 1, 2007, GGL has commissioned 4 CNG Stations in Lucknow and 1 CNG Station in Agra. M/s GGL plans to open total 9 CNG Stations in Lucknow and 10 CNG Stations in Agra. Pipeline laying permissions for Lucknow issued earlier have been withdrawn by UP Government. As of March 1, 2007, M/s Central U.P. Gas Limited has commissioned 4 (four) CNG Stations in Kanpur. In Pune, M/s. Maharashtra Natural Gas Limited, a Joint Venture of GAIL and BPCL, is implementing City Gas distribution. The 1st CNG Station in Pune is likely to be commissioned by January 2008. In Indore, M/s Aavantika Gas Limited, a joint venture company of GAIL and HPCL is implementing City Gas distribution project. The 1st CNG Station is likely to be commissioned by 2007-08. M/s Tripura Natural Gas Company Limited, a joint venture company of GAIL, Tripura Industrial Development

			Corporation and Assam Gas Company Limited, has commissioned the 1st CNG Station in Agartala on 21.11.2006.
4.	A comprehensive road map be prepared to cover entire City of Delhi with Piped Natural Gas within a period of five years.	As of March 31, 2006, Indraprastha Gas Limited (IGL) has connected 55,475 houses for Piped Natural Gas (PNG) which are spread over 40 colonies in Delhi. Apart from the coverage in South Delhi, where IGL is supplying PNG to 15205 houses, IGL has laid infrastructure in colonies of East Delhi, like Patparganj, Mayur Vihar Phase-I & II and Vasundhra Enclave. IGL; is-supplying PNG to various localities in North Delhi. In Central Delhi, PNG is being supplied to various houses which cover colonies, like Kaka Nagar , Bapa Nagar, Chankya Puri, Netaji Nagar, Sarojini Nagar, Kidwai Nagar and Kali Bari. IGL is also laying network in various colonies of West Delhi like Pitampura, Paschim Vihar, Vikas Puri, Dwarka and Naseer Pur. The work of expanding PNG network is a continuous process. The expansion of PNG infrastructure depends upon many factors like availability of natural gas, permission of the Land Owning Agencies and other Statutory Bodies for	City gas distribution project in Delhi is being implemented by M/s Indraprastha Gas Ltd (IGL), a JV between GAIL & BPCL. As of March 1, 2007, Indraprastha Gas Limited (IGL) has connected 70819 houses for Piped Natural Gas (PNG), which are spread over 57 colonies in Delhi. IGL is providing PNG supply in 17 colonies of South Delhi, 4 colonies in East Delhi, 4 colonies in West Delhi, 23 in Central Delhi & 9 colonies in South East Delhi. Work is in progress in Paschim Vihar, Vikas Puri, Rohini Sector 18 and CPWD colonies of Andrews Ganj, Sadiq Nagar, North West Moti Bagh, and South West Moti Bagh, Sriniwaspuri & DIZ area. The work of expanding PNG network is a continuous process. A PNG pipeline of 2 km has already been laid upto Naseerpur for expanding the network into Naseerpur & Dwarka. The work on laying PNG network inside the societies of

		laying Gas Pipelines, technical feasibility and the terrain of area, availability of space in the narrow lanes, response of the Resident Welfare Associations etc.	Dwarka is expected to commence in the 1st quarter of 2007. IGL plans to cover the National Capital Territory of Delhi with PNG supply in a phased manner. The expansion of PNG infrastructure depends upon many factors, like availability of natural gas, permission of land owning agencies and other statutory bodies for laying gas pipelines, technical feasibility, terrain of area, availability of space in the narrow lanes, response of the Resident Welfare Associations, etc.
5	The committee desires that steps should be taken for merger of IBP with IOC and process of amalgamation be completed without delay.	Merger of IBP with IOC is in final stages and it is expected that the merger would be completed within 2006-07	The merger of IBP with Indian Oil is at an advance stage with the shareholders of both the companies approving the Scheme of Amalgamation with a share exchange ratio of 110 equity shares of Indian Oil for every 100 equity shares of IBP. The matter is now awaiting final approval from the Ministry of Company Affairs.
6	Committee is unhappy to know that value of business secured by Engineers India Ltd. (EIL) during last two years	EIL has made concerted efforts in past, as a result of which the company has secured highest ever volume of Rs.770 crore business in Services Sector during 2005-06.	EIL made concerted efforts during 2006-07 which enabled secure higher volumes of business as compared with 2005-06. As of end February 2007 (for the

	shows a very discouraging trend. Committee desire that EIL should make an in-depth study of factors responsible for such a scenario and take corrective measures urgently.	This also includes highest ever volume of business secured from Overseas Sector at Rs.330 crore. Efforts are being made to further increase the total volumes of business in coming year. Analysis has shown that for successful completion of Lump Sum Turnkey Projects (LSTK), pre bid tie ups are essential and efforts are being made to establish these tie ups at the earliest. For domestic market, customer satisfaction survey done in 2005-06 by an independent consultant showed that overall customer satisfaction with EIL is 7.09 on a scale of 0 to 10.	financial year 2006-07), EIL had secured total business worth Rs.1902 crore which comprised consultancy business worth Rs. 984 crore and LSTK business worth Rs.918 crore. These achievements are significantly higher when compared to the achievements of Rs 771 crore and Rs 30 crore for consultancy and LSTK business respectively in 2005-06. To further strengthen the LSTK business segment, EIL has signed an agreement with M/s Tecnimont, Italy for formation of a JV for LSTK business in UAE and is also in the process of identifying partners for forming a JV in India for execution of LSTK projects. Further, EIL is in the process of identifying contractors for partnering LSTK project execution.
7	Ministry should contain the expenditure during the year 2006-07 within the budget sanctioned for it and observe austerity in Non Plan expenditure.	Ministry shall endeavour to curtail the expenditure within the Budget sanctioned for it and observe austerity in the Non Plan expenditure during 2006-07.	Non Plan RE provision for 2006-07 has been reduced to Rs.2788 crore against BE 2006-07 of Rs.3095 crore. The Non Plan expenditure during 2007-08 would be contained within the RE for the year.
8	The refineries should develop	During the previous year, a series of meetings were	The Company-wise position is as under:

	ability to process more and more sour/heavy crude thereby reducing input cost. These measures should be implemented at the earliest.	taken by Secretary (MOP&NG) with PSUs and they have been directed to switch over to high sulphur crude by carrying out improvement in the configuration of their refineries. Based on studies undertaken by EIL, following initiatives have been taken towards residue upgradation and improvement of the bottom lines of refineries: a. While coastal refineries would focus on export markets, the inland refineries would concentrate on domestic markets. b. The refineries of HPCL and BPCL at Mumbai instead of working independent of each other would now work in synergy. c. A work plan has been prepared for BPCL refinery at Kochi CPCL refinery at Chennai and HPCL refinery at Vishakh for capacity expansion, setting up a Desulphurisation Cocker Unit (DCU) and decongesting the existing Units so as to improve their efficiency. d. Integrated Gap Reduction	**<u>Hindustan Petroleum Corporation Limited (HPCL)</u>** Crude selection at HPCL refineries is considered based upon units configuration, Economic consideration, product demand etc. HPCL's Mumbai Refinery is a Lube base refinery and crude selection is done among Lube bearing crudes. During the current year i.e. 2006-07 Mumbai Refinery's HS crude processing is expected to be around 66 % of total crude. With regards to Visakh Refinery, it has improved HS crude processing considerably during the current year to 58 % against 47 % during 2005-06. **Bharat Petroleum Corporation Limited (BPCL)** Detailed Feasibility Report (DFR) is being prepared by EIL for setting up a Delayed Coker Unit and associated facilities at BPCL-KR. This study also includes the feasibility of transporting and processing residue

		programme is being implemented for CPCL refinery at Manali, MRPL refinery at Mangalore and BPCL refinery at Kochi to improve overall refinery performance.	from Mumbai Refinery. When implemented, this project would facilitate processing of more high sulfur/ heavy crudes at KR. The assessment phase of Integrated refinery business improvement program for BPCL(Kochi Refinery) being conducted by Shell Global Solutions International is in progress. The assessment phase of the program started on 12.02.2007 as scheduled. **Mangalore Refinery and Petrochemicals Limited (MRPL)** Company is implementing Refinery upgradation and expansion project at a cost of Rs. 7943 crore which once implemented (likely to be completed in the second quarter of 2010) will result in the following benefits:- i) Increase the distillate yield by about 10%. ii) Lead to increased capabilities to process cheaper high sulphur and high TAN crude oils, even while producing the transportation fuels of EURO III/IV standards.

			iii) Increase the refining capacity to 15 MMTPA from existing 9.69 MMTPA. iv) Enable MRPL entry into Lube Oil Base Stock (LOBS) market with 250,000 tonnes per annum capacity. v) Lead to production of High Value added products like Propelene. Further, to add significant incremental value to the surplus Naptha available presently which will be further augmented by new refining capacity, an Aromatic Complex is being set up to produce paraxylene at Mangalore SEZ by a SPV company of ONGC group.
9	Committee is unhappy over the delay in completion of two mega projects of Panipat Refinery of IOC viz. Integrated Paraxylene/ Purified Terephthalic Acid Project and Panipat Refinery Expansion Project. Committee desire that responsibility for time and cost	During the course of execution there was an unprecedented price rise of major raw material viz. steel and copper and non-availability of steel from approved manufacturers, such as Steel Authority of India Limited, Tata Iron & Steel Co., Rashtriya Ispat Nigam Limited and Indian Iron Steel Co. on continuous basis. This resulted in delay in the supply of equipment and bulk materials leading to slow down in construction	Integrated Paraxylene / Purified Terephthalic Acid (PX-PTA) Project has been commissioned in Aug'2006 at an anticipated cost of Rs. 4500 crore, which is within the approved cost of Rs. 5104 crore. Panipat Refinery Expansion Project has been commissioned in phases with the last unit being commissioned on 12.8.2006. at an anticipated cost of Rs. 4300 crore. Cost

	overruns should be fixed and suitable action taken against those held responsible.	activities. As IOCL contracts are awarded on fixed-price basis and no escalation is allowed, some agencies did not execute the contract in view of impact of the steep price rise in steel / copper. Consequently job had to be offloaded. Price reduction clause is a standard clause incorporated in all purchase orders / contracts and is invoked in cases wherever delay are attributed to contractors / suppliers. Closure of mega projects of such magnitude takes about 6-12 months time when performance of each contract will be reviewed in detail & reasons for delay analyzed jointly with PMCs. Based on analysis, in case of Contractors / Suppliers who could not meet the delivery targets as stipulated in the contract for the reasons solely attributable to them, price reduction clause will be invoked. The cost overrun in respect of IOCL Project has been on account of inclusion of Captive Power Plant (CPP) and also due to foreign exchange escalation, and variations in wholesale price index /	increase is within accuracy level of 10% of the approved cost of Rs. 4165 crore. Panipat Refinery Expansion Project has been dedicated to the nation by the Hon'ble Finance Minister; Govt. of India on 12.01.2007 and the plant is fully operational now. In the above projects, amount towards Price Reduction Clause (PRC) for LSTK / conventional contracts, where the job could not be completed in time, has already been deducted from the party's bills and kept under hold. Detailed delay analysis / applicability of time extension is under review by Project Management Consultant / IOCL.

		consumer price index.	
10	The Committee should constitute an Expert Team independent of Ministry and Oil PSUs to look into issues regarding indiscriminate opening of retail outlets by IOC, BPCL, HPCL and IBP.	Indian Institute of Management, Ahmedabad have been entrusted the study of retail outlets of IOC, HPCL, BPCL and IBP. The study was totally independent of Ministry of Petroleum and Natural Gas and Oil PSUs and the Reports has been sent to Lok Sabha Secretariat.	To be implemented by OMCs.
11	The Committee desired that technological applications should be introduced by oil PSUs including setting up of a centralized monitoring system to track down movement of their fuel vehicles, opening/closing of locking system etc. to check the menace of adulteration of petroleum products. Incentive scheme should also be introduced for Oil Companies officials displaying extraordinary performance in the direction of checking this menace of adulteration. The committee also desired that performance of "Jan Kerosene	With a view to taking effective measures for preventing this menace of adulteration of petroleum products, Oil Market Companies (OMCs) have been asked to take the follow steps: a) Monitor the movement of all Tank Trucks viz. Company owned/ Dealer owned/ Contractor tank trucks through Global Positioning System (GPS) based vehicle tracking system to ensure that TTs don't get diverted en route. b) OMCs to undertake automation of all their retail outlets selling more than 200 KL per month on a priority. c) OMCs have been asked to more away from the routine nature of inspection/	1. **Monitoring of movement of Tank Trucks through Global Positioning System(GPS):** This Ministry reviewed the progress of implementation of various measures by OMCs to curb adulteration, the progress on providing GPS on MS/HSD/SKO tank trucks. The status is as under: (i) IOC informed that out of the total number of about 17,000 TTs (Co. owned/dealer/contractor TTs), they would complete providing GPS system on about 20 Company-owned TTs, about 200 dealer-owned TTs and about 460 contractor-owned TTs by March, 2007. The balance 16300 TTs would be covered with GPS by Sept., 2007 as

	Pariyojana" should be evaluated and based on its success it should be extended to other parts which would help in preventing diversion of PDS kerosene for adulteration purposes.	sampling. Instead, the surprise element in conducting inspections and drawing samples must be emphasized. d) OMCs to undertake third party certification of all their retail outlets selling more than 100 KL per month. e) OMCs to introduce marking of potential adulterants. f) With a view to containing black marketing of kerosene and also its diversion for adulteration, the beneficiaries of below poverty line (BPL) families are being issued Smart Cards initially on experimental basis in three districts- Latur in Maharashtra, Nalanda in Bihar and Nainital in Uttrakhand in 2007. The pilot project under the name "Jan Kerosene Pariyojana (JKP) was launched with effect from 2.10.2005 initially for a period of six months to ensure that heavily subsidized kerosene is available to intended beneficiaries. Based on the Diagnostic Study	contracts have already been placed for all TTs. (ii) HPCL informed that out of the total number of 5780 TTs (Co. owned/dealer/contractor TTs), they have completed providing GPS system on all the 160 Company TTs as well as 90 TTs engaged under the JKP. Further, out of 2520 dealer-owned TTs, 1240 TTs are expected to be provided with GPS by March, 2007 and balance dealer-owned TTs would be covered by June, 2007. Simultaneously, work on 3100 contractor-owned TTs is also in progress and it is also expected to be completed by June, 2007. (iii) BPCL informed that out of the total number of about 6000 TTs (Co. owned/dealer/contractor TTs), it is expected that about 2500 TTs would be provided with GPS by March, 2007 and balance TTs would be covered by Sept., 2007 as the contract for covering all the TTs has already been finalized. **2. Automation of Retail Outlets**: OMCs

		conducted by National Council of Applied Economic Research and reviews taken by Government from time to time, the pilot scheme has last been extended upto 30.6.2007.	were asked to complete automation of all their retail outlets selling more than 200 KL per month by March 2007. The achievements made by OMCs in this regard have been reviewed from time to time. IOC has planned to complete 180 ROs by 31.03.2007 and propose to complete remaining 1748 ROs by March 2008. HPC has planned to complete 655 ROs by 31.03.2007 and propose to complete remaining 480 ROs by July 2007. BPC has planned to complete 454 ROs by 31.03.2007 and propose to complete remaining 1146 ROs by December 2007. IBP has planned to complete 18 ROs by 31.03.2007 and propose to complete remaining 411 ROs by March 2008. 3. **Third Party Certification of Retail Outlets**: OMCs have been directed to complete third party certification of all the retail outlets selling more than 100 KL per month by March 2007. 4. **Marker System in Kerosene**: To check adulteration in auto fuels, Government has asked public sector Oil Marketing Companies

			(OMCs) to take various steps, including introduction of marker in adulterants. OMCs have commenced introduction of marker in kerosene on all India basis with effect from 1.10.2006. Under the new system, Marker is being put in kerosene in all depots. This system heralds the introduction of world class technology to curb and eventually eliminate the menace of adulteration of transportation fuels along the supply chain. With the marker's presence, adulteration even with very low levels of kerosene can be detected. MS/HSD Control Order, 2005, SKO Control Order, 1993 and MDG 2005 have been amended for making provision regarding introduction of marker system in Kerosene to check adulteration. A committee has been set up in the Ministry to monitor the progress of the marker system. Oil Marketing Companies in the private sector have also been simultaneously introduced marker in Kerosene as is being done by Public Sector OMCs.

			5. **Revising the Marketing Discipline Guidelines**: The Marketing Discipline Guidelines(MDG) under which the oil marketing companies take penal actions against the erring dealers have been revised during August 2005 making the penal actions more stringent. As per MDG, 2005, a dealership would be terminated in the first instance of adulteration itself. 6. **Jan Kerosene Pariyojna**: To streamline the PDS Kerosene distribution system and contain diversion of kerosene for adulteration and other unauthorized usages, Jan Kerosene Pariyojna(JKP) had been launched initially for a period of 6 months on a pilot basis in 414 blocks with effect from 2.10.2005. The Pilot scheme has been further extended upto 30.6.2007.
12	Committee express their concern over the fact that although central govt. collected about Rs.55900 crore as cess on crude oil upto 31.3.2005. OIDB	The process of cess are credited to the Consolidated Fund of India. Therefore, the comments of Ministry of Finance (MOF) were sought in respect of this recommendation. MOF have furnished their	No change in the position.

	received a paltry sum of Rs.902 crore only. Committee desired to know various activities on which cess was being utilized and the extent to which oil industry benefited from this utilization.	comments which are as follows: "The Cess on crude oil levied under the Oil Industry Development Act, 1974 is meant for funding the "Oil Industry" and Section 2(k) of the Act defines this term to include all activities by way of prospecting or exploring for or production of mineral oil, production and marketing of all products down steam of an oil refinery and the production of fertilizers and petrochemicals and all activities directly or indirectly connected therewith. Thus, the term "Oil Industry" includes production of fertilizers and petrochemicals also and all activities directly or indirectly connected there with for the purpose of the Act".	
13	Committee desired that as and when a decision is taken about setting up of LNG Terminal on Eastern Coast, the merits of Krishnapatnam should not be overlooked.	The observation of the committee has been brought to the notice of Oil and Gas PSUs	No further comments.

ANNEXURE II

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2006-07)

EIGHTH SITTING

(9.4.2007)

The Committee sat on Monday, April 9, 2007 from 1100 hrs. to 1330 hrs. in Committee Room No. 53, Parliament House, New Delhi.

PRESENT

Shri N. Janardhana Reddy - Chairman

MEMBERS

Lok Sabha

2 Shri M.Appadurai
3 Shri Ramesh Bais
4 Shri Kirip Chaliha
5 Shri Lal Muni Choubey
6 Dr. M. Jagannath
7 Adv. Suresh Kurup
8 Shri P Mohan
9 Shri Sukdeo Paswan
10 Shri Nakul Das Rai
11 Shri Lakshman Singh
12 Shri Ratilal Kalidas Varma
13 Shri Ram Kripal Yadav

Rajya Sabha

14 Ms. Mabel Rebello
15 Shri Rajeev Shukla
16 Shri Ramdas Agarwal
17 Shri Tapan Kumar Sen
18 Shri C. Perumal
19 Shri Subhash Prasad Yadav

Secretariat

1	Shri S.K.Sharma	-	Additional Secretary
2	Shri P.K.Misra	-	Joint Secretary
3	Smt. Anita Jain	-	Director
4	Shri P.C. Tripathy	-	Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri M.S.Srinivasan	-	Secretary
2.	Shri P.K.Sinha	-	Joint Secretary & Financial Advisor
3.	Shri Prabh Das	-	Joint Secretary
4.	Shri Narsinha Raju	-	Joint Secretary

Representatives of Public Sector Undertakings and other organisations

1.	Shri S. Behuria	-	CMD, IOCL
2.	Shri Arun Balakrishnan	-	CMD, HPCL
3.	Shri Ashok Sinha	-	CMD, BPCL
4.	Shri M.Rohtagi	-	CMD, EIL
5.	Shri V.K.Sibal	-	DG,DGH
6.	Shri N.K. Mitra	-	Director (Offshore), ONGC
7.	Shri S.K.Patra	-	Director (Exp. & Dev.), OIL
8.	Shri R.K.Goel	-	Director (Finance), GAIL
9.	Shri S.K.Bajpai	-	Director (Project), GAIL
10.	Shri D. Basu	-	M D, Biecco Lawrie Co. Ltd.
11.	Shri K.Subramanian	-	Director (Finance), Balmer Lawrie & Co. Ltd.
12.	Shri Basudev Mohanty	-	Director, PPAC

2. At the outset, the Chairman welcomed the Secretary of the Ministry of Petroleum and Natural Gas and accompanying officials to the sitting of the Committee.

3. Then the Secretary, Ministry of Petroleum and Natural Gas briefed the Committee about the various issues pertaining to the petroleum and natural gas sector with an emphasis on the outlays for the sector.

4. The Committee then took oral evidence of the representatives of the Ministry of Petroleum and Natural Gas in connection with the examination of Demands for Grants of the Ministry for the year 2007-08.

5. During the course of evidence, the main issues which came up for discussion included oil and gas production targets, evaluation of New Exploration Licensing Policy (NELP) bids, assessment of commerciality of discoveries, transnational gas pipelines, shortage of kerosene and LPG, automation of retail outlets, taxes and duties on petroleum products and diesel, subsidy on domestic LPG & PDS kerosene, drilling rigs of ONGC, coal gasification/liquefaction, cess on indigenous crude, exodus of ONGC employees, on-going projects of IOCL, revival of Biecco-Lawrie, etc.

6. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

ANNEXURE III

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS

(2006-07)

NINTH SITTING

(24.4.2007)

The Committee sat on Tuesday, the 24th April, 2007 from 1530 hrs. to 1600 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri N. Janardhana Reddy - Chairman

MEMBERS

Lok Sabha

2 Shri M.Appadurai

3 Shri Kirip Chaliha

4 Shri Jai Prakash (Hissar)

5 Adv. Suresh Kurup

6 Shri P. Mohan

7 Shri Ramjilal Suman

Rajya Sabha

8 Ms. Mabel Rebello

9 Shri Rajeev Shukla

10 Shri Amir Alam Khan

11 Shri Tapan Kumar Sen

12 Shri C. Perumal

13 Shri Subhash Prasad Yadav

Secretariat

1. Shri P.K.Misra - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri P.C.Tripathy - Deputy Secretary

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. The Committee then took up for consideration the draft Report on Demands for Grants (2007-08) of the Ministry of Petroleum and Natural Gas.

4. After some discussions, the draft Report was adopted by the Committee with some modifications.

5. The Committee authorised the Chairman to finalise the Report in the light of modifications and make consequential changes, if any, arising out of the factual verification of the Report by the Ministry and present the same to both the Houses of Parliament during the current Budget Session.

The Committee then adjourned.