20

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2007-08)

FOURTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2008-09)

TWENTIETH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2008/ Vaisakha, 1930 (Saka)

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<u>CP&NG No. 30</u>

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(FOURTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2008-09)

Presented to Lok Sabha on <u>23.4.2008</u>

Laid in Rajya Sabha on <u>23.4.2008</u>

LOK SABHA SECRETARIAT
NEW DELHI

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Price :

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2007-08)

Dr. N. Janardhana Reddy - Chairman

Members

Lok Sabha

2 Shri M.Appadurai
3 Shri R. Dhanuskodi Athithan
4 Shri Ramesh Bais
5 Shri Kirip Chaliha
6 Dr. Tushar A. Chaudhary
7 Shri Lal Muni Choubey
8 Dr. M. Jagannath
9 Shri Jai Prakash (Hissar)
10 Adv. Suresh Kurup
11 Shri Sudam Marandi
12 Shri P. Mohan
13 Shri Sukdeo Paswan
14 Shri Nakul Das Rai
15 Shri Lakshman Singh
16 Shri Rajiv Ranjan 'Lalan' Singh
17 Shri Ramjilal Suman
18 Shri Ratilal Kalidas Varma
19 Shri A.K.S. Vijayan
20 Shri Ram Kripal Yadav
*21 Vacant

Rajya Sabha

22 Shri Ahmed Patel
23 Ms. Mabel Rebello
24 Shri Rajeev Shukla
25 Shri Ramdas Agarwal
26 Shri Amir Alam Khan
27 Shri Tapan Kumar Sen
28 Shri Subhash Prasad Yadav
29 Shri Satish Chandra Misra
#30 Vacant
$31 Vacant

Secretariat

1. Shri J.P.Sharma - Joint *Secretary*
2. Smt. Anita Jain - *Director*
3. Shri P.C.Tripathy - *Deputy Secretary*

*Shri Ravinder Naik Dharavath ceased to be a Member of the Committee consequent upon his resignation from the Membership of Lok Sabha w.e.f 03.03.2008.

#Shri Suresh Bhardwaj ceased to be a Member of the Committee consequent upon his resignation from the Membership of Rajya Sabha w.e.f 09.01.2008.

$Shri C.Perumal ceased to be a Member of the Committee consequent upon his retirement from the Membership of Rajya Sabha w.e.f 02.04.2008.

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 Twentieth Report on 'Demands for Grants (2008-09) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2008-09) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 13 March, 2008.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 4 April, 2008.

4. The Committee considered and adopted the Report at their sitting held on 17 April, 2008.

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 (2008-09) 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;
<u>22 April, 2008</u>
2 Vaisakha, 1930 (Saka)

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

REPORT

PART I

The Ministry of Petroleum & Natural Gas is concerned with exploration and production of oil and natural gas (including import of Liquefied Natural Gas), refining, distribution & marketing, import, export and conservation of petroleum products.

ANALYSIS OF DEMANDS FOR GRANTS (2008-09)

1.2 The budgetary allocations in respect of the Ministry of Petroleum and Natural Gas for the year 2008-09 are as under:-

(Rs. In lakhs)

	Plan	Non-Plan	Total
Revenue Section	RGIPT – 2500.00	Secretariat - Economic Services – 1192.00 Petroleum – 290108.00	293800.00
Capital Section	-	-	-

1.3 From the above, it may be seen that a budgetary allocation of Rs. 2938.00 crore has been made for the Ministry in the year 2008-09 out of which the Plan allocation is Rs. 25.00 crore and the Non-Plan allocation is Rs. 2913.00 crore. The Plan allocation of Rs. 25.00 crore has been made in respect of the Rajiv Gandhi Institute of Petroleum Technology. The Non-Plan allocation of Rs. 2,913.00 crore comprises subsidy on domestic LPG and PDS kerosene, freight subsidy on retail products for far-flung areas, subsidy to oil companies for supply of natural gas to the North-Eastern Region, Petroleum Regulatory Board, Society for Petroleum Laboratory and Secretariat - Economic Services.

1.4 The Committee desired to know as to whether the proposals for grant of ‘Infrastructure’ status to the Exploration and Production (E&P) Sector and inclusion of ethanol in the ‘Declared Goods’ category were sent to the Ministry of Finance in the Budget (2008-09). They also desired to know the other proposals which were sent by the Ministry of Petroleum & Natural Gas to the Ministry of Finance for inclusion in the Budget (2008-09), the proposals which were accepted and those which were rejected along with the reasons for rejection.

The Ministry of Petroleum & Natural Gas submitted the following in a written reply:-

"The Ministry of Petroleum & Natural Gas had made various proposals relating to petroleum industry including the above proposals to Ministry of Finance for inclusion in the Budget 2008-09. Ministry of Finance has informed that the proposals of this Ministry were examined as part of the exercise for General Budget 2008-09 and the following changes have been effected:

Customs:

- The duty on Project Imports in general, has been reduced from 7.5% to 5%.

Excise:

- The excise duty of ad valorem + specific on petrol and diesel has been converted to pure specific rate for unbranded petrol and diesel as below:

S. No.	Item	From	To
1.	Petrol	6% + Rs.13 per litre	Rs.14.35 per litre
2.	Diesel	6% + Rs.3.25 per litre	Rs.4.60 per litre

Branded Petrol and Diesel would continue to attract present ad-valorem cum specific duty rates as under:

Petrol : 6% + Rs.13 per litre
Diesel : 6% + Rs.3.25 per litre

- No change has been effected on excise duty concessions to North East Refineries

Details of other proposals referred by Ministry of Petroleum and Natural Gas to Ministry of Finance are given below:-

MAIN BUDGET PROPOSALS FOR CUSTOMS, EXCISE, SERVICE TAX AND INCOME TAX

1. Customs

1.1 **Nil Custom Duty on Capital Goods imported for setting up new Petroleum Refinery, Pipelines or Green Fuel Projects**

1.2 **Expansion of duty free list of items required for exploration of oil & gas**

1.3 **Removal of National Calamity Contingent Duty on Crude Oil levied @Rs.50/MT**

2. Excise

2.1 Duty on Petroleum Products – Petrol and Diesel to be made Specific"

2.2 **Continue Excise Duty Concession to North East Refineries**

3. Central Sales Tax

3.1 **'Declared Goods' Status to Natural Gas/LNG under the Central Sales Tax Act 1956**

3.2 **Declared Goods status to Ethanol used for blending with petrol and Bio Diesel**

4. Service Tax

4.1 Eliminating service tax on services rendered in relation to Oil & Gas Exploration & Exploitation activities (E&P activities)

5. Income Tax

5.1 Extension of Infrastructure Status to Crude Oil and Petroleum Products Pipelines for the purpose of 10-year Income Tax Holiday Section 80-IA

5.2 Tax Holiday under Section 80IB

5.3 Amendment to Section 42 of the Income Tax Act

5.4 100% Depreciation on Fuel quality upgradation projects

6. SIMPLIFY TAX PROCEDURES, ELIMINATE INFRUCTUOUS LITIGATION

6.1 Excise

6.1.1 **Valuation of Petroleum Products for payment of Excise duty**

6.1.2 **Applicability of CENVAT Credit Rule 6 to refineries in respect of use of common inputs for manufacture of final products which are chargeable to duty as well as exempted from duty**

6.2 Income Tax

6.2.1 Exemption for the oil industry from the applicability of interest provisions u/s 234-B & C of the Income Tax Act for disproportionate payment of advance tax on due dates."

HEAD-WISE ANALYSIS OF DEMANDS FOR GRANTS (2008-09)

Major Head '2802'

Petroleum

1.5 The following statement shows the details of allocations/expenditure in respect of various items during 2006-07, 2007-08 and 2008-09 under this Head:-

(Rs. In Lakhs)

Item	BE 2006-07	RE 2006-07	Actuals 2006-07	BE 2007-08	RE 2007-08	BE 2008-09
Subsidy on domestic LPG and kerosene PDS	290000	259943	252375.76	265000	270000	270000
Freight subsidy on retail products for far flung areas	3000	2600	2526.68	3000	3000	3200
Subsidy to oil companies for supply of natural gas to North Eastern Region.	15000	15000	14986.33	16000	15200	15243
Petroleum Regulatory Board	1500	200	1.93	1500	250	1500
Society for Petroleum Laboratory	-	-	-	200	136	165

1.6 It may be seen from the above data that budgetary allocations of Rs. 2938.00 crore in respect of the Ministry of Petroleum & Natural Gas have been made in 2008-09. Out of the said B.E. amount, subsidy on domestic LPG and PDS kerosene has been fixed at Rs. 2700.00 crore. As regards Freight subsidy on retail products for far flung areas, the B.E. 2008-09 has been pegged at Rs. 32.00 crore. A provision for subsidy to oil companies for supply of natural gas to North-Eastern Region amounting to Rs. 152.43 crore has also been included in B.E. 2008-09. Besides, a provision of Rs. 15.00 crore for Petroleum Regulatory Board and another provision of Rs. 1.65 crore in respect of Society for Petroleum Laboratory have also been made in B.E. 2008-09.

SUBSIDY SCHEMES

1.7 Ministry of Petroleum & Natural Gas is administering the PDS kerosene and Domestic LPG Subsidy Scheme, 2002 through which the Public Sector Oil

Marketing Companies (OMCs) are being paid subsidy at 1/3rd level of 2002-03 at a flat rate from the Union Budget. This translates to subsidy at the rate of Rs. 22.58 per 14.2 kg domestic LPG cylinder and Rs. 0.82 per litre on PDS Kerosene.

1.8 Under the Freight Subsidy (For Far Flung Areas) Scheme, 2002, the Public Sector Oil Marketing Companies (OMCs) are being compensated on the freight being incurred to distribute the subsidised products in the far flung remote areas.

1.9 On 11th October, 2007, the Government has approved further continuation of "PDS Kerosene & Domestic LPG Subsidy Scheme 2002" and "Freight Subsidy (For Far Flung Areas) Scheme, 2002" for a period of three more years from 1.4.2007 to 31.3.2010 at the same rates as followed from 2004-05 onwards i.e. at one-third level of the rate of subsidy of 2002-03.

1.10 Through a query, the Committee desired to be apprised of the subsidy being provided presently per cylinder of LPG and per litre of PDS Kerosene, the under recovery being borne by the OMCs and the amount being contributed from the Government Budget per cylinder of LPG and per litre of PDS Kerosene. In response, the Government stated the following:-

> "The Government has decided that subsidy at 1/3rd of the level of 2002-03 would be allowed from 2004-05 onwards, till 31.3.2010. The fiscal subsidy rate on PDS Kerosene is 82 paise per litre and that on domestic LPG is Rs.22.58 per cylinder.
>
> The subsidy from Government Budget and borne by oil companies on PDS Kerosene and domestic LPG during the year 2007-08 (April-December, 2007) (Provisional) is given below:

PDS Kerosene

	Per Unit Subsidy (Rs./Litre)		
	From Govt. Budget	By Oil Companies	Total
2007-08 April-Dec'07 (Prov.)	0.82	15.20	16.02

Domestic LPG

	Per Unit Subsidy (Rs./Cyl.)		
	From Govt. Budget	By Oil Companies	Total
2007-08 April-Dec'07 (Prov.)	22.58	179.09	201.67"

1.11 When the Committee further desired to know the under recoveries incurred by the Oil Marketing Companies during 2005-06, 2006-07 and 2007-08 on the sale of subsidised petroleum products and the extent to which these under recoveries were shared by the upstream companies, the Ministry submitted the following details in a written reply:-

> "The under recoveries of the Oil Marketing Companies during 2005-06, 2006-07 and April-Dec'07 on the sale of subsidised petroleum products are as under:

Rs./Crores

Under-Recovery	2005-06	2006-07 (Prov.)	April-Dec'2007
PDS Kerosene	14,384	17,883	13,441
Domestic LPG	10,246	10,701	9,459
Total on PDS Kerosene and Domestic LPG	24,630	28,584	22,900
Petrol	2,723	2,027	4,564
Diesel	12,647	18,776	20,155
Total on petrol and diesel	15,370	20,803	24,719
Grand Total	40,000	49,387	47,619

> The share of under recoveries borne by upstream oil companies is as under:

Rs. Crore

	2005-06	**2006-07**	**Apr-Dec'07 (Prov.)**
Upstream Assistance	14000	20507	15873"

Major Head '3451'

Secretariat – Economic Services

1.12 The following table shows the details of actual expenditure during 2006-07, BE and RE for 2007-08 and BE for 2008-09 under the Secretariat-Economic Services Head :-

(Rs. In Lakhs)

Items	Actuals 2006-07	BE 2007-08	RE 2007-08	BE 2008-09
1	2	3	4	*5*
Salaries	590.09	708.09	736.25	*790.00*
Wages	0.37	0.75	0.25	*0.25*
Overtime Allowance	8.80	8.80	8.80	*9.65*
Domestic Travel Expenses	25.86	32.00	32.00	*32.00*
Foreign Travel Expenses	71.30	75.00	75.00	*80.00*
Office Expenses	190.57	149.63	149.60	*165.00*
Professional Services	188.19	38.18	50.00	*50.00*
Publication	3.22	3.00	3.00	*2.00*
Other Admn. Expenses	9.08	18.00	17.00	*18.00*
Medical Treatment	7.85	14.75	10.75	10.75
Information Technology	39.70	32.10	31.35	34.35
Sub Total	1135.02	1081.00	1114.00	1192.00

1.13 It is seen from the above data that a provision for Rs. 1081.00 lakhs was made in BE 2007-08 under the Major Head '3451' which was enhanced to Rs. 1114.00 lakhs in RE 2007-08. The actual expenditure during 2006-07 under this Head was Rs. 1135.02 lakhs. The BE for 2008-09 has been kept at the level of Rs. 1192.00 lakhs.

OUTLAYS FOR OIL PSUs

1.14 The approved 11th Plan outlay for the Oil PSUs is Rs.229071.59 crores, while the BE (2007-08) in respect of these Companies amounts to Rs.38902.06 crores. The following table gives details of the BE (2007-08), actual expenditure (April- December), percentage of spending and the amount remaining for utilisation during the last quarter of 2007-08) in respect of each Oil PSU:-

(Rs. in crore)

Company	BE 2007-08	Actual 2007-08 (April-Dec)	%age of spending	Remaining amount for the last quarter of 2007-08
ONGC-OVL	5287.87	3147.88	59.53	2139.99
ONGC	17887.06	10770.38	60.21	7116.68
OIL	1705.68	843.45	49.44	862.23
GAIL	2743.83	1099.26	40.06	1644.57
IOC	4818.34	3089.60	64.12	1728.74
HPCL	3050.00	909.67	29.82	2140.33
BPCL	1565.90	460.37	29.39	1105.53
CPCL	289.00	96.48	33.38	192.52
BRPL	526.36	105.24	19.99	421.12
NRL	188.00	34.25	18.21	153.75
MRPL	810.02	28.60	3.53	781.42
Balmer Lawrie	25.00	6.32	25.28	18.68
Biecco Lawrie	5.00	0.00	0.00	5.00
Total	38902.06	20591.50	52.93	18310.56

1.15 From the above table, it may be seen that out of the 2007-08 BE amount of Rs.38902.06 crores, an amount of Rs.20591.50 crores has been spent by the Oil PSUs during the first three quarters of 2007-08 which amounts to about 53% of the allocation. Thus, an amount of Rs.18310.56 crores (about 47% of allocation) remains to be spent in the last quarter of 2007-08.

1.16 The Committee wanted to know the reasons for leaving a substantial amount for utilisation during the last quarter of the year 2007-08. The Ministry attempted to justify in the following manner:-

> “The Eleventh Five year Plan document was approved by the Planning Commission in December 2007 and the year 2007-08 is

the first year of the XI Plan. Generally in case of Oil PSUs, the past experience has been that the expenditure picks up during the 2nd half of the year and the fund utilization is maximum during the last quarter.

Some of the reasons for a substantial amount of fund utilization taking place during the last quarter of the year are as follows:

(a) The initial months are characterized by preparatory work, mobilization, tendering processes, etc., and the actual payments based on the progress of work take place towards the end of the financial year.

(b) Exploration & Production activities account for the bulk of expenditure. As far as exploration is concerned, geological & Geophysical Surveys (G&G Surveys), take place only after the monsoon, i.e. from September onwards. Consequently, the payments relating to such works are made only from November onwards. Similarly, major contractual payments relating to Charter hire of rigs/Charter hire of Offshore Supply Vessels (OSVs), are normally made in the last quarter. Various construction activities also gear up after the monsoon. Therefore, major milestone payments fall due during the last quarter.

(c) Deferment of Plan expenditure is sometimes a conscious decision on the part of the Company to take advantage of the competitive situation prevailing in the market with a view to maximizing returns.

(d) In case of organizations like OVL, fund utilization cannot be linear to time and therefore its utilization is not amenable to quarterly allocations."

R&D ACTIVITIES OF OIL COMPANIES

1.17 In view of the significance of the Research and Development (R&D) activities, the Committee desired to be informed of the allocation and expenditure on R&D activities in respect of ONGC, OIL, IOCL, HPCL and BPCL during the last 5 years and the amount earmarked for the 11th Plan for R&D activities of these companies. The Ministry furnished the following details, company-wise:-

"ONGC

Details of allocation and actual expenditure by ONGC on R&D activities during last five years, is given below:-

Year	Allocation (Rs. Crores)	Actual Expenditure (Rs. Crores)
2006-07	254.86	86.35
2005-06	228.84	155.08
2004-05	307.05	171.80
2003-04	181.29	155.05
2002-03	132.27	120.53

Details of allocation by ONGC on R&D activities during 11th Plan period is given below:-

Year	Allocation (Rs. Crores)
2007-08 BE	148.15
2008-09 BE	193.68
2009-10 STP	170.30
2010-11 STP	171.68
2011-12 STP	188.73

OIL

The actual expenditure incurred by OIL on R&D during the last five years is as under:

Year	Actual Expenditure (Rs. Crores)
2006-07	11.50
2005-06	12.58
2004-05	11.68
2003-04	11.12
2002-03	12.85

The amount earmarked by OIL for the Eleventh Five Year Plan is as under:

Rs. in crores

2007-08	2008-09	2009-10	2010-2011	2011-2012
35.63	38.67	42.71	46.85	53.13

Indian Oil Corporation Ltd. (IOCL)

(Rs. in crore)

Year	Allocation for R&D	Actual R&D Expenditure
2002-03	**151**	**89**

2003-04	**97**	**83**
2004-05	**114**	**108**
2005-06	**111**	**90**
2006-07	**92**	**81**

IOCL's 11th Plan outlay for R&D is Rs.300 crores.

Hindustan Petroleum Corporation Limited (HPCL)

The details of allocations made for R&D activities by HPCL is given below:

CORPORATE R&D - Expenditure Profile					
Expenditure Head	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**
Expenditure Amount (Rs. in crores)	3.10	7.36	3.30	6.77	2.88
Allocation under 11th Plan	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
(2007-2012) (Rs. in crores)	10	10	10	10	15
Expenditure Amount (Rs. in crores)	7.53	-	-	-	-

Bharat Petroleum Corporation Limited (BPCL)

The details of outlays and expenditure incurred on R&D activities during the past five years are as follows:

Rs. in crores

Year	**Outlays**	**Expenditure**
2002-03	15.00	18.98
2003-04	21.10	13.83
2004-05	14.27	27.45
2005-06	13.72	18.87
2006-07	6.85	18.42

Considering the current trend in the expenditure incurred on R&D activities an outlay of Rs. 100 crore has been provided for in the XI Plan outlays for R&D activities."

1.18 Through a supplementary question, the Committee again desired to know the allocations on R&D in respect of OIL and HPCL during the years 2002-03 to 2006-07 as the said data were not furnished in response to the earlier question. The Ministry furnished the following reply:-

“OIL

The allocation made by Oil India Limited for R&D activities during the year 2002-03 to 2006-07 were as under:

(Rs. crore)

2002-03	2003-04	2004-05	2005-06	2006-07
14.21	14.39	14.40	16.48	16.65

HPCL

Allocation for R&D for 2006-07 is Rs 7 crores. No allocation from 2002-03 to 2005-06 has been made.”

SURVERY AND EXPLORATION

1.19 The ONGC and OIL are the two national upstream oil companies which are engaged in the business of exploration and production of oil and natural gas.

1.20 As seismic surveys and drilling are extremely important activities, the Committee desired to know the details of targets and achievements of ONGC and OIL in respect of acquisition of 2D and 3D seismic data and drilling of exploratory and developmental wells during 2005-06, 2006-07 and 2007-08 and the reasons for shortfalls, if any. The Ministry of Petroleum & Natural Gas submitted the following details in a written reply:-

“ONGC

Details of Seismic Survey, Exploratory and Development drilling in respect of ONGC, for the years 2005-06, 2006-07 and first three quarters of the current year 2007-08, are given below:-

		2005-06		**2006-07**		**2007-08**		
		BE	**Actual**	**BE**	**Actual**	**BE**	**(Apr.-Dec.’07)**	
							Target	**Actual**
Seismic Surveys	**2D GLK**	4510	6197	5380	9751	6425	5815	1771
	3D SKM	26371	19866	25795	24163	22357	11897	8979

Expl Drilling	**Meterage K.M.**	353.36	294.07	387.61	220.62	402.81	300.45	175.55
	Wells Nos.	130	106	138	87	139	84	69
Dev Drilling	**Meterage K.M.**	348.84	381.19	456.585	406.23	492.46	387.11	372.26
	Wells Nos.	165	164	214	178	231	162	166

A. <u>Reasons for shortfall in Seismic Survey</u>

2005-06

Seismic Survey

Seismic data acquisition is 6196.6 LKM of 2D seismic and 19865.6 SKM of 3D survey which is achievement of 137.4% and 75.3% respectively of the annual target.

Offshore : The shortfall in 3D survey is due to delay in finalization & distribution of contract.

Onshore: Shortfall in 3D survey is due to late finalization of contract leading to delay in deployment of field parties. 2 Field parties deployed in South Nambar NELP Block could not operate due to local environmental reasons and one field party diverted to KG Basin to carry out 2D survey acquisition.

2006-07

Seismic Survey:

Seismic data acquisition is 9750.9 LKM of 2D and 24162.5 SKM of 3D survey which is achievement of 181.2% and 93.7% respectively of the Annual target.

Offshore : Shortfall is due to intense fishing activities in Bassein area in fourth quarter. Contracts could not be awarded for 3D-OBC (Ocean Bottom Cable) work in Gulf of Cambay area & 3D Streamer mode data in Krishna-Godavari Deepwater Block (KD-GKH/139) areas and contractor did not mobilize vessel in awarded block in west of Mukta/B-125 areas.

3D Survey acquisition in Western Offshore (DW) shortfall is due to 3D vessels closing operations in May'06 due to early onset of monsoon & bad weather conditions, unscheduled deployment of S/Sandhani for 2D Survey in priority areas of KG Basin and delay in deployment of contract vessel for field season 2006-07.

In Andaman(DW) Kaveri(DW) (*Deep Water*), Mahanadi(DW) shortfall is due to bad weather conditions & delay in mobilization of contract vessel for field season 2006-07.

Onshore: 2D and 3D Survey targets for the year 2006-07 in all areas overachieved except in Rajasthan. The achievement of 2D survey acquisition in Rajasthan is 62.6% of the target as it was planned for R & D project which is completed.

Total 2D & 3D survey achievement in Onshore areas is 1238 LKM & 3392 SKM or 257.9% and 158.4% respectively of annual target.

B. <u>Reasons for shortfall in Drilling</u>

2005-06

During the year 2005-06, the reasons for shortfall in exploratory drilling are given below:

Exploratory Drilling:

Offshore:

Well complications in 6 wells and four rigs were out of cycle for 225 days due to waiting on weather conditions and major repairs.

One rig in KG-Offshore was under capital repair and prolonged well complication at GS-15AM.

In Cauvery Offshore, drilling rig could not be deployed due to non-availability of priority locations and rig was deployed at another area.

Prolonged well complication at WB-OS-AB in Bengal offshore due to well activity, followed by complications in jacking down rig NORDIC.

Onshore:

Diversion of rigs to development drilling from exploratory sites

Operational activities suffered in 2Q due to heavy rain leading to water logging and damaged approach roads in Cambay basin.

Complication at well PSAR & loss of rig due to blow out in KG onshore.

Land acquisition problem led to delay in taking up work in AAFB (Assam Arakan Fold Belt) basin. Prolonged well complications led to side tracking in two wells.

2006-07

During the year 2006-07, the reasons for shortfall in development drilling and exploratory drilling are given below:

Offshore:

Non-availability of charter hire rigs and prolonged capital repair/ dry dock of 3 own rigs.

Onshore:

Operational activities affected in 2 Q due to extended monsoon in western region.

Prolonged complications in 3 wells each at Ankleshwar and Assam Asset led to side tracking.

Diversion of rigs for work over operations.

Delay in upgradation & refurbishment of 1 rig each in Cauvery & Jorhat.

Exploratory Drilling:

Offshore:

Settling of rig Matdrill led to premature abandonment and remained out of operations for more than 6 months, dehiring of rig Badrinath earlier than planned and prolonged well complications in 4 wells.

One rig deployed for work over in KG Offshore and delayed deployment of Sagar Vijay after dry dock.

Onshore:

Operational activities affected in second quarter due to extended monsoon in western region.

Prolonged capital repair of 2 rigs at KG Onshore

Three rigs waited for completion of civil work in Cauvery Onshore.

One rig at Tripura was under shut down for more than six months due to damage by lightning.

OIL

	2005-06		2006-07		2007-08	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Anticipated**
Seismic Survey						
2D Seismic (GLKM)	1,500	1,143.75	3,050	1,185.77	4,830	3,480
3D Seismic (SQ KM)	600	889.90	650	720	1,150	1,414
Exploratory Drilling						
Wells	19	12	23	9	22	11
Development Drilling						
Wells	23	23	23	23	35	35

Reasons for Shortfall:

Seismic Survey, 2D:

(i) OIL planned to carryout 1,700 GLKM of 2D seismic survey in Brahmaputra River Bed for which award of contract was issued in May, 2006. However, works are yet to commence due to non-receipt of environmental clearance.

(ii) 600 GLKM of 2D survey planned in Gabon in 2007-08 is deferred to 2008-09.

(iii) 2D survey targeted in NELP – IV block No. AA-ONN-2002/3 in Karbi-Anglong area in Assam could not be completed due to severe environmental problems in the area.

Drilling (Exploratory):

(i) Non-availability of charter hire drilling rigs in Assam as planned due to long litigation/default of contractors.

(ii) Severe environmental problems in OIL's operational areas in Assam.

(iii) In view of pre-drilling prospect evaluation study, one exploratory well planned in Ganga Valley Project has been deferred to 2008-09.

(iv) In view of extremely difficult logistics, non-availability of land (being forest area) and extensive civil preparatory works, 7,000 metres exploratory drilling planned in North-East Frontier area is deferred to 2008-09."

DEEP WATER EXPLORATION

1.21 The Committee desired to know the success achieved by the upstream companies in deep water exploration during the last three years and the measures proposed by these companies to intensify their efforts on such exploration. The Ministry furnished the following reply in this connection:-

> "In Production sharing regime, ONGC, RIL, ENI and SANTOS are presently operating in deep water areas. Exploratory work carried out by these companies in last three years i.e. 2004-05, 2005-06 and 2006-07 and discoveries made thereof is as under.

Company	Blocks	Exploratory Work			Success	
		2D (LKM)	3D (Sq. Km.)	Exploratory Wells (Nos.)	Discoveries made	Success rate (%)
RIL	24	8875	26973	20	9	45
ONGC	34	12308	26672	22	4	18
ENI*	1	–	–	–	–	–
SANTOS*	2	–	–	–	–	–

> * Companies have not drilled exploratory wells till 2006-07 as the blocks were awarded in NELP V and NELP VI on 23.09.2005 and 02.03.2007 respectively to ENI and SANTOS.
>
> ONGC is also operating in nomination blocks in addition to NELP exploration blocks. During last three years (2004-07), ONGC has drilled 37 exploratory wells in deepwater areas including nomination areas. Of these wells, 13 wells were found to be hydrocarbon bearing with 9 new discoveries. Thus success ratio of about 1 well out of 3 wells was achieved."

1.22 When the Committee wanted to know the reasons for low success rate of ONGC, the Ministry gave the following details:-

> "ONGC is operating in nomination blocks in addition to NELP exploration blocks. During last three years ONGC has drilled 36 exploratory wells in deepwater areas including nomination areas. Out of these wells 13 wells were found to be hydrocarbon bearing. The break-up of nomination and NELP blocks is given below:

	Exploratory Wells Drilled	Hydrocarbon Bearing Wells
NELP Regime	18	5
Nomination Regime	18	8
Total	36	13

Thus success ratio of about one well out of three wells was achieved. The success rate for ONGC in deepwater exploration is comparable with other E&P companies.

In exploration business, inputs in terms of seismic survey, exploratory drilling, etc are deterministic in nature; however, results in terms of discoveries or commercial production thereafter are uncertain and depends upon multiple variable parameters. Thus, the exploration business has inherent risks of capital investments."

1.23 In a later reply, the Ministry informed that ONGC has reported 7 discoveries for 18 NELP blocks out of which 5 have been vetted by DGH and 2 are under examination.

PRODUCTION OF CRUDE OIL AND NATURAL GAS

1.24 During the 11th Plan period, crude oil production is likely to increase 24% as against the actual crude oil production during the 10th Plan. With exploration and development efforts made under the New Exploration Licensing Policy (NELP), natural gas production in the country is likely to be doubled from the present level of gas production of about 90 MMSCMD by the end of the 11th Plan.

1.25 The Committee sought details about the targets and actual production of crude oil and natural gas in the country during 2005-06, 2006-07 and 2007-08 and the contribution of ONGC, OIL and Private Companies to the said production. The Ministry furnished the following details in a written reply:-

"Crude oil production and natural gas production during last three years (2005-08) by ONGC, OIL and Private/JV companies is as under:

	2005-06		**2006-07**		**2007-08**	
	Target/ Projection	**Actual**	**Target/ Projection**	**Actual**	**Target/ Projection**	**Actual upto February 2008**
Crude Oil Production (MMT)						
ONGC	26.614	24.404	27.35	26.051	27.16	23.75
OIL	3.3	3.235	3.5	3.107	3.5	2.81
Pvt/JV	4.65	4.552	4.69	4.83	5.15	4.65
Total	34.564	32.191	35.54	33.988	35.81	31.21

Natural Gas Production (BCM)						
ONGC	21.406	22.576	21.966	22.442	22.098	20.54
OIL	2.076	2.272	2.365	2.265	2.976	2.14
Pvt/JV	7.44	7.358	7.31	7.039	7.65	6.97
Total	30.922	32.206	31.641	31.746	32.724	29.65

Contribution of ONGC, OIL and Private/JV companies in Crude oil production

Percentage share of contribution in crude oil production by ONGC, OIL and Private/JV companies during last three years is as under:

	2005-06	2006-07	2007-08(**upto 02/08)**
ONGC	76%	77%	76%
OIL	10%	9%	9%
Pvt/JV	14%	14%	15%
Total	100%	100%	100%

Contribution of ONGC, OIL and Private/JV companies in natural gas production

Percentage share of contribution in natural gas production by ONGC, OIL and Private/JV companies during last three years is as under:

	2005-06	2006-07	2007-08(**upto 02/08)**
ONGC	70%	71%	69%
OIL	7%	7%	7%
Pvt/JV	23%	22%	24%
Total	100%	100%	100%”

1.26 When asked about the targets fixed for production of crude oil and natural gas during the 11th Plan, the Ministry furnished the following details in a written reply:-

“Based on the established reserves, present status of different fields, implementation schedules and health of reservoirs, the estimated crude oil and gas production profiles for XI Plan is as given below:

Crude Oil and Natural Gas production during XI Plan						
Crude Oil Production (MMT)						
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Total**
ONGC	27.16	28.00	29.00	28.53	27.37	140.06
OIL	3.50	3.55	3.73	3.91	4.30	18.99
Pvt./JV	10.57	10.78	9.76	8.75	7.85	47.71
Total	41.23	42.33	42.49	41.19	39.51	206.76
Natural Gas Production (BCM)						
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Total**
ONGC	22.10	22.53	22.77	22.99	22.00	112.39
OIL	3.13	3.21	3.25	3.28	3.56	16.43
Pvt./JV	8.55	22.55	29.41	28.77	37.61	126.45
Total	33.78	48.29	55.43	55.03	63.23	255.76

Natural Gas Production during XI Five year plan is likely to increase further with enhanced gas production from KG basin, which was confirmed after finalization of XI plan period."

OIL AND GAS DISCOVERIES

1.27 The Ministry was asked to furnish the details of oil and gas discoveries made by various companies during 2006,2007 and 2008 so far. In response, the following data were furnished to the Committee:-

"Discoveries made by ONGC, OIL and Private/JV companies during 2005-06, 2006-07 and 2007-08 are as under:

Discoveries by ONGC in 2007-08 upto February 2008

Sl. No.	State/Basin	Prospect/Location	Operator	Type of HC
1	Assam	Disangmukh DS-3 (DSAA)	ONGC	Oil
2		Panidihing	ONGC	Oil
3	Gujarat	Dabka 57	ONGC	Gas
4		Ankleswar 317	ONGC	Gas
5		Chaklasi 8	ONGC	Oil
6		Kosamba 41	ONGC	Gas
7		Ankleshwar 320	ONGC	Oil
8	Tripura	Kunjaban KU-2 (KUAC)	ONGC	Gas

9		Sundalbari-2 SD-2 (SDAA)	ONGC	Gas
10	Andhra Pradesh	Uppidi-1 (UPAA)	ONGC	Gas
11		East Rangapuram	ONGC	Gas
12		Pasarlapudi-40	ONGC	Gas
13	Mahanadi Offshore	MN-DWN-98/3-A1 (MDW-4A)	ONGC	Gas
14		MDW-5	ONGC	Gas
15	KG Offshore	GS-48-AA (GS-48-1)	ONGC	Gas
16		KT-1	ONGC	Gas
17		GS-KW-5	ONGC	Oil & Gas
18	Mumbai Offshore	B-55-5 (Well No. B-55-B)	ONGC	Gas
19		D-1-14	ONGC	Oil
20	Rajasthan	Chinnewala Tibba	ONGC	Gas
21	Tamil Nadu	Kali-7	ONGC	Oil & Gas

Discoveries by OIL in 2007-08 upto February 2008

1	Assam	South Chandmari-2	OIL	Oil & Gas
2	Assam	Sapkaint-1	OIL	Oil & Gas
3	Assam	Moran-112	OIL	Gas
4	Assam	Hapjan	OIL	Oil & Gas
5	Assam	Makum	OIL	Oil & Gas
6	Rajasthan	Dandewala	OIL	Gas

Discoveries by Private/JV Companies in 2007-08 upto January 2008

S.No.	Block	NELP round	Operator	Discovery Name	Type	Month
1	MN-DWN-98/3	NELP-1	ONGC	MDW-4A	GAS	Apr-07
2	GS-OSN-2000/1	NELP-II	RIL	Dhirubhai - 33	Gas	May-07

3	KG-DWN-98/3	NELP-1	RIL	Dhirubhai - 34	Gas	May-07
4	CB-ON/7	Pre NELP	HOEC	SPD-1	Oil	Apr-07
5	CY-DWN-2001/2	NELP-III	RIL	Dhirubhai - 35	Oil/Gas	July,07
6	CB-ON/3	Pre NELP	Essar	ENM-1	Oil	July,07
7	KG-OSN-2001/3	NELP-III	GSPC	KG-15	Gas	Aug,07
8	CB-ONN-2002/3	NELP-IV	GSPC	Miroli-1	Oil	June,07
9	Ravva field	Field	Cairn	RX 8 Z	Oil/Gas	Sep, 07
10	KG-DWN-98/1	NELP-1	RIL	Dhirubhai-36	Oil	Sep,07
11	KG-OSN-2001/3	NELP-III	GSPC	KG#16	Gas	Sep,07
12	CB-ONN-2002/2	NELP-IV	Jubillant	CB-3A	Oil	Oct,07
13	CB-ON/3	Pre NELP	Essar Oil Limited	EEU-1	Oil	Oct,07
14	KG-OSN-2001/1	NELP-III	RIL	Dhirubhai-37	Gas	Nov, 07
15	CB-ONN-2002/3	NELP-IV	GSPC	SE # 4	Oil	Dec,07
16	CB-ONN-2002/3	NELP-IV	GSPC	SE # 2	Oil	Dec,07
17	MN-DWN-98/3	NELP-I	ONGC	MDW-5	Gas	Dec,07
18	KG-OSN-2001/1	NELP-III	RIL	Dhirubhai-38	Gas	January, 08
19	CY-ONN-2002/1	NELP-IV	Jubillant	CY-1	Gas	January, 08
20	AAP-ON-94/1	Pre NELP	HOEC	Diork #1	Gas	January, 08
21	KG-DWN-2003/1	NELP-V	RIL	Dhirubhai-39	Gas	January, 08

Discoveries by ONGC and OIL in 2006-07

	Name of discoveries	Operator	State / Area / Block	Type
ONGC				
1	Deloli	ONGC	Gujarat	Gas
2	Mehelaj	ONGC	Gujarat	Oil
3	Wadsar	ONGC	Gujarat	Oil
4	Adichapuram	ONGC	Tamil Nadu	Gas

5	KG-DW-S-1	ONGC	KG Deepwater	Gas
6	KG-DWN-98/2-UD-1	ONGC	KG Deep water	Gas
7	MN-OSN-2000/2	ONGC	Mahanadi	Gas
8	Kalyanpur-1	ONGC	Assam	Oil
9	SB-14	ONGC	Mumbai Offshore	Oil & Gas
OIL				
1	Santi	OIL	Upper Assam	Oil & Gas
2	Barkuri	OIL	Upper Assam	Oil & Gas
3	Baghajan -4	OIL	Upper Assam	Oil & Gas
4	Baghajan -5	OIL	Upper Assam	Gas

2. Discoveries by Private/JV Companies in 2006-07

S. No.	Block/Field	Bidding Round	Operator	Name of Discovery	Oil/Gas	Date of Discovery
1	Panna-Mukta	Field	BGEPIL	SWP-1	Oil/Gas	May, 06
2	RJ-ON-90/6	Pre NELP	FOCUS	SGL#1	Gas	May, 06
3	KG-OSN-2001/3	NELP II	GSPC	KG-17	Oil/Gas	June 06
4	KG-DWN-98/3	NELP I	RIL	Dhirubhai-26	Oil	June, 06
5	CB-ON/2	Pre NELP	GSPC	Tarapur-G	Gas	July,06
6	CB-ONN-2000/1	NELP II	GSPC	Sanand East (1)	Oil & gas	July'06
7	SR-OS-94/1	Pre NELP	RIL	Dhirubhai-27	Gas	Aug 06
8	KG-OSN-2001/1	NELP-III	RIL	Dhirubhai-28	Gas	Sept , 06
9	CY-OS/2	Pre NELP	HARDY	FAN A-1	Gas	Jan 07
10	KG-DWN-98/3	NELP-1	RIL	Dhirubhai- 31	Gas	Mar-07
11	NEC-OSN-97/2	NELP 1	RIL	Dhirubhai-32	Gas	Mar-07

<u>Hydrocarbon Discoveries in 2005-06</u>

	Name of discoveries	Operator	State / Area / Block	Type
ONGC				
1	Turputallu	ONGC	Andhra Pradesh	Gas
2	GS-15-East	ONGC	KG Deepwater	Gas
3	KG-DWN-98/2-D	ONGC	KG Deepwater	Gas
4	KG-DWN-98/2-A	ONGC	KG Deepwater	Gas

5	KG-DWN-98/2-U	ONGC	KG Deepwater	Gas
6	KG-DWN-98/2-W	ONGC	KG Deepwater	Gas
7	KG-DWN-98/2-E	ONGC	KG Deepwater	Gas
8	RV	ONGC	Western Offshore	Oil & Gas
9	B-9	ONGC	Western Offshore	Gas
10	Mekeypore	ONGC	Assam	Oil
OIL				
11	North Moran Encene	OIL	Upper Assam	
12	Bazaloni	OIL	Upper Assam	Oil & Gas
13	North Chandmari	OIL	Upper Assam	Oil & Gas
14	Baghjan	OIL	Upper Assam	Oil & Gas
15	South Moran	OIL	Upper Assam	Oil & Gas
Pvt/JV				
16	Dhirubhai-18	RIL	KG-DWN-98/3	Gas
17	Dhirubhai-19	RIL	KG-DWN-98/3	Gas
18	Dhirubhai-22	RIL	KG-DWN-98/3	Gas
19	Dhirubhai-23	RIL	KG-DWN-98/3	Gas
20	Dhirubhai-20	RIL	NEC-OSN-97/2	Gas
21	Dhirubhai-21	RIL	NEC-OSN-97/2	Gas
22	KG-8	GSPC	KG-OSN-2001/3	Gas
23	Dhirubhai-24	RIL	KG-OSN-2001/2	Oil & Gas
24	Dhirubhai-25	RIL	KG-OSN-2001/2	Oil & Gas
25	NL#2	Cairn	RJ-ON-90/1	Oil
26	GS-V-1	Cairn	RJ-ON-90/1	Gas
27	NC-West-1	Cairn	RJ-ON-90/1	Oil
28	Tarapur-1	GSPC	CB-ON-2	Oil
29	ESU-1	Essar Oil Ltd.	CB-ON-3	Oil
30	NE-1	CEIL	RJ-ON-90/1	Oil”

MARGINAL FIELDS OF ONGC

1.28 When asked about the present status of the marginal fields of ONGC and the number of such fields which have been put on production, the Ministry submitted the following reply:-

> “At present, ONGC is having 165 marginal fields, of which 79 are in Offshore and 86 in Onland areas. The present Status of the marginal fields is as under:

Category	Offshore	Onshore	Total
Monetized	4	35	39
Under monetization	48	19	67
On service contract	3	17 + 5*	20 + 5*
Considered for offer under proposed new Marginal Field policy	8	14	22

New discovery / NELP	16	1	17
Total	**79**	**86**	**165**

*- Service contract for 5 onshore fields are proposed to be terminated due to non compliance of terms & conditions of contract by the contractor. The notice for 2 fields has already been issued. These 5 fields have been considered for offer under proposed new Marginal Field Policy (MFP) being framed by MOPNG.

Thirty five onshore and four offshore fields have been put on production through in-house efforts."

1.29 When the Committee wanted to know the details of the present status of the new Marginal Field Policy, the Ministry submitted the following details:-

"The draft new Marginal Field Policy has been prepared in consultation with the stake holders. After due examination in the Ministry new Marginal Field Policy would be finalised."

1.30 As regards the viability of marginal fields, the Secretary, Ministry of Petroleum & Natural Gas stated during oral evidence as under:-

"………. marginal fields were appearing uneconomical and unviable until about three-four years ago and hence did not find may takers because they did not find the terms very attractive comparing the crude price. Today crude price having already crossed 110 dollars, marginal fields have become suddenly viable. So we are putting together marginal field policy in order to encourage development of these fields so that they could augment our oil and gas production. This will be offered to private as well as foreign players."

1.31 The Economic Survery (2007-08) provides the following Policy Reform option pertaining to the Oil Sector:-

"Oil: Sell old oil fields to private sector for application of Improved/Enhanced Oil Recovery Techniques."

1.32 In this connection, the Committee desired to know the reasons for bringing out the above Policy Reform option when the Public Sector Companies are capable of using Improved/Enhanced Oil Recovery Techniques and whether the Ministry of Petroleum & Natural Gas and Oil PSUs were consulted prior to bringing out the Policy Reform. In response, the Ministry of Petroleum & Natural Gas submitted as under:-

> "Ministry of Petroleum & Natural Gas (MOPNG) and Oil PSUs have not been consulted for above mentioned policy reform option as published in Economic Survey 2007-08. However, the draft new Marginal Field Policy has been prepared in consultation with the stake holder. After due examination in the Ministry, new Marginal Field Policy would be finalised.
>
> Public Sector Companies have been implementing IOR/EOR schemes. As regards any specific job requirement related to IOR/EOR, services of experienced companies including foreign companies are hired."

1.33 When the Committee desired to know the reasons for proposed sale of old oil fields to the private sector when the PSUs are technologically competent to exploit these fields, the Ministry gave the following details in a post-evidence reply:-

> "No proposal is in hand with the Government to sell old oil fields to private sector companies.
>
> ONGC has been in the business of exploration and production of oil & gas over the last five decades and is responsible for putting six of the seven sedimentary basins in the producing hydrocarbon map of this country. During this period, ONGC has made a significant number of discoveries, the production from which has, over the years, played a pivotal role in the economic development of the country as a whole and ONGC as a company. Thus, ONGC occupies a unique position in maintaining the pace of exploration for reserve accretion (reserve replenishment) and simultaneously maintain/augment the level of production. The exploration strategy of ONGC invokes a suitable mix of intensive exploration in and around the matured fields and extensive exploration into the newer areas. As a result of its sustained exploratory efforts over the years, ONGC has made 352 new prospect discoveries and contributed more than 750 MMT of oil and 440 BCM of gas. Its achievement over the years in E&P business has been more than satisfactory. ONGC is quite capable of exploiting the fields discovered by it and possesses the necessary technical capabilities in this regard.

ONGC has also undertaken IOR projects of old mature fields as well as fast track development of new and marginal fields with induction of new state-of-the-art-technology including horizontal drilling, side tracking, dual completion of wells etc.”

<u>ECO-FRIENDLY/ALTERNATIVE FUELS</u>

1.34 With the increasing dependence on petroleum imports owing to relatively stagnant domestic production and growth in demand, the development of alternative sources of hydrocarbons has assumed added significance. In this connection, ethanol, bio-diesel, coal gasification and coal liquefaction have the potential to prove to be important alternatives.

(a) <u>Ethanol</u>

1.35 Ministry of Petroleum & Natural Gas vide its notification dated 20th September, 2006 has directed the Oil Marketing Companies (OMCs) to sell 5% Ethanol Blended Petrol (EBP) subject to commercial viability as per Bureau of Indian Standards specifications in the entire country except North-Eastern States, Jammu & Kashmir, Andaman & Nicobar Islands and Lakshadweep with effect from 1st November, 2006.

1.36 The purchase price of ethanol is discovered and finalised by the OMCs through open tender system as per CVC guidelines. At present 5% programme is being implemented in 17 States and OMCs have finalised tenders for ethanol in all these States and 4 Union Territories.

1.37 The Committee sought details about the present status of implementation of the ethanol blended petrol programme in the country, availability of quantum of ethanol for blending in petrol and the future programme regarding the implementation of the programme. The Ministry gave the following data in this connection:-

“1. **Uttar Pradesh, Uttarakhand, Delhi, Haryana, Punjab, Himachal Pradesh, Rajasthan and Bihar (Coordinated**

by IOC): Tender finalized and quantities tied up for three years period up to Oct 09 except Punjab and Uttarakhand which are up to Nov 09 and Mar 10 respectively. EBP is being released from all locations.

2. **Jharkhand (Coordinated by IOC):** Tenders finalized and quantities tied up for period up to Oct 09. EBP releases had commenced at Nankum. However, State Excise has imposed import fee @ Rs1/ liter for imports of ethanol, after finalisation of tender making further procurement commercially unviable. Thus ethanol procurement has stopped in the state. The issue is being followed up with State Excise for removal of import fee.

3. **West Bengal (Coordinated by IOC):** The State Govt has released excise Notification dated 11.01.08 that stipulates an import fee of Rs 0.25 per liter on procurement of ethanol. However various issues like issue of license, taking custody of ethanol TT at the state border as the TT enters the state of West Bengal, dual locking of the ethanol tank jointly by excise officer and operation officer etc are yet to be resolved with the state excise authorities. On resolving these issues, Industry is expected to float tender for three-year period.

4. **Orissa (Coordinated by IOC):** The tender has been cancelled due to technical reasons and fresh tender floated on 14.02.08. 15 parties had submitted their bids. All technical bids of all 15 parties consisting of 6 parties from UP, 4 parties from Maharashtra, 2 Parties from Delhi, and 1 party each from Bihar, Karnataka and Kolkatta have been opened and are under evaluation. Follow up is maintained with State Excise for revoking the import fees @ Rs 2/liter by Orissa Govt.

5. **Maharashtra (Coordinated by HPC):** Tender for Mumbai & Pune locations and tender for other than Mumbai and Pune locations are finalized and quantities tied up for the period up to Oct 09 and March 10 respectively. Full quantities have been tied up for all other locations for first two years. However for last year there is shortfall for Miraj, Dhule, Gaigaon, Chandrapur,Panewadi & Pakni locations for which TCC to take further action.

6. **Gujarat & Goa (Coordinated by HPC):** Tender finalized and quantities tied up for the period up to Oct 09. EBP releases have commenced from all locations. However for supplies in Gujarat, suppliers from Maharashtra Heera Chemicals Industries and Shreeram Ethanol Products have

not been making supplies as per Industry requirements and the issue is being taken up with the parties by the Industry.

7. **Madhya Pradesh (Coordinated by HPC):** Tender finalized and quantities tied up for the period up to Oct 09. EBP releases have commenced at Sagar, Bhopal, Jabalpur and Jayant depots. Ethanol has been received at Gwalior and Ratlam depots. On completion of excise formalities, ethanol supplies will commence at the remaining locations.

8. **Chhatisgarh (Coordinated by HPC):** Fresh Industry Tender has been floated on 28.01.08 for three-year period period from 01.04.08 to 31.03.11. 18 parties had submitted their bids. Technical bids were opened on 20.02.08 and the offers are under evaluation by TCC.

9. **Andhra Pradesh (Coordinated by BPC):** Tender finalized and quantities tied up for Hyderabad, Guntakal, Gokavaram, Kondapalli, Ongole and Tada Industry locations for the period up to Oct 09 and for remaining Industry locations Kadappa, Ramagundam, Suryapeth, Vizag & Warangal, for period up to July 10. EBP is being released from all locations.

10. **Karnataka (Coordinated by BPC):** Tender finalized and quantities tied up for the period up to Oct 09. EBP is being released from all locations.

11. **Kerala (Coordinated by BPC):** Tender finalized for period up to Oct 09 and LOI placed. While full quantities were available for 07-08, only around 57% quantities could be tied up for 08-09 & 09-10. Fresh tender floated for shortfall quantities are under evaluation by TCC. However State Excise had issued NOCs as ‘Denatured Spirit’ which now needs to be amended as ‘Denatured anhydrous ethanol’ as advised by Karnataka State Excise and the NOC needs revalidation. Accordingly, on completion of the excise formalities, ethanol receipts are expected to commence.

12. **Tamil Nadu (Coordinated by BPC):** Tender finalized and quantities tied up for the period up to Oct 09. Accordingly, EBP releases had commenced ex all locations except Chennai for which quantities up to Mar 07 were not available. Subsequently, all the parties had stopped ethanol supplies for EBP program as advised by State Excise that they are not in a position to spare spirit for ethanol blending programme. Now Secretary to the Govt. of TN has written vide letter dated 30.01.08 that all nine distilleries in TN has been advised to enhance their production and on achieving

this, permission will be given to Oil Industry for resuming EBP programme. In view of this message, Industry is of the view that the present tender be cancelled and fresh tender floated after obtaining permission from State Govt.

At present 5% EBP programme is being implemented in 17 States and OMCs have finalised tenders for ethanol in all these States. The EBP releases have since commenced at all locations in 15 States and 4 Union Territories. With this, about 70% of the identified States have been covered. The requirement of ethanol for the three year period is 180 crore litres. The OMCs have been able to contract 140.4 crore litres. They have so far procured only 24.2 crore litres under the programme (as on 25.02.2008).

CCEA has taken following decisions on 9th October, 2007 regarding EBP Programme:

(i) 5% blending of ethanol will be mandatory and 10% blending will be optional from October 2007 and thereafter mandatory from October, 2008.

(ii) Purchase price of ethanol has been fixed at Rs. 21.50 per/ltr. ex-factory on uniform basis for next three years.

The modalities for implementing these decisions are being worked out in consultation with stakeholders."

1.38 When the Committee desired to know as to whether IOCL, HPCL and BPCL have made efforts to acquire sugarcane acreages in Brazil and other prospective countries in order to increase the availability of ethanol, the Ministry gave the following data:-

"A) A team of BPCL visited Brazil in September 2006 to explore the possibilities of acquiring sugarcane acreage and putting up ethanol manufacturing units in Brazil. The team's report was discussed during the meeting of Monitoring Committee of Ethanol on 15.11.2006 chaired by Secretary, P&NG, when it was decided that following action be taken by the Industry with BPCL as the coordinator:

i. Feasibility study for Ethanol operations in/from Brazil: the experience of private companies including Reliance Industries may be shared.

ii. Industry task force comprising of all three Oil PSUs VIZ BPC/IOC/HPC to be constituted to finalized the various related modalities.

iii. The Ethanol project in Brazil may be implemented by forming a joint venture with public sector oil marketing companies, viz, IOC, BPCL and HPCL (with equal shares) and a local partner engaged in the sugar/ethanol industry.

Based on the above, an industry task force comprising of the three PSU OMCs i.e. BPC, IOC & HPC was formed in December, 2006 and a feasibility study for ethanol investment in Brazil was commissioned in January 2007 for which report was finalized in May 2007. The consultant concluded in their feasibility report that Ethanol investments in Brazil are feasible, attractive, and highly strategic for Indian Oil Industry. The major findings of the Feasibility Study interalia are as under:

i. Brazil is highly suited for ethanol investments due to its leadership in ethanol production driven by structural advantages like ideal weather, soil & water conditions for sugar cane growing, abundant availability of arable land, improved productivity & technology in ethanol/sugar industry and also the high domestic demand for fuel ethanol.

ii. The recommended investment strategy comprising of a mix of Greenfield & Acquisition investments delivers most attractive financial pay offs.

The Oil Industry team subsequently carried out a partner Search Study in November 2007 to identify suitable local partners in Brazil. Following the discussions held with top partnership candidates as identified in the study, broad MOUs were signed subject to due diligence, valuation and definite agreements to be agreed later.

Indian Oil Industry is presently considering the possibility of acquiring a Sugar mill and setting up a Greenfield distillery along with a Brazilian partner for Ethanol production in Brazil. This is subject to necessary approval.

B) Additionally an MOU with Brazil's National Company, Petroleo Brasileiro S.A- Petrobras was also signed by BPCL on 30.8.2007 at the HQ of M/s. Petrobras in Rio-de-Janeiro. Under the objects of MOU both the parties endeavor jointly undertake studies in matters related to-:

- The use and trading of fuel Ethanol globally.

- Cooperation in areas of ethanol plant investments in Brazil in order to meet global demand of fuel ethanol.
- Extending cooperation to biodiesel production and manufacturing process as well as R&D technology, including transfer of technology for ethanol.

Conduct joint studies on efficient means of transportation and joint investment in

Logistics Infrastructure for ethanol in Brazil."

1.39 When the Committee desired to know the reasons for making efforts to procure ethanol from Brazil when the prospects in the country are good in terms of sugarcane production, the Ministry submitted the following details in a post-evidence reply:-

"OMCs are exploring the possibility of investments in Brazil as Brazil is highly suited for ethanol investments due to its leadership in ethanol production aided by advantages like ideal weather, soil & water conditions for sugar cane growing, abundant availability of arable land, improved productivity & technology in ethanol/sugar industry. The proposed investment strategy comprises of a mix of Greenfield & Acquisition investments which have the potential to result in attractive financial pay offs.

Keeping in view the interest of Indian Farmers, the Oil Industry is not looking at overseas investment with a view to import ethanol into India. This would be for sale in Brazil and export to third countries."

(b) <u>Bio-diesel</u>

1.40 When asked as to whether the Government proposed to provide incentives to encourage and enhance Bio-diesel/Jatropha seeds production in the country, the Ministry submitted the following in a detailed reply:-

"At present, there is no coordinated programme for development of bio-diesel plantations like Jatropha in the country and therefore no proposal to provide incentives to encourage and enhance Jatropha seeds/bio-diesel production. However, recognizing the need of developing quality seed material for taking up model bio-diesel production plantations, the Central Government has taken steps for launching a coordinated programme, called "National Mission on

Bio-Diesel", with Ministry of Rural Development as the nodal Ministry, under which large-scale plantations of bio-diesel producing oil-seeds e.g. Jatropha are proposed. This coordinated programme also envisages development of quality seed/seedlings, and coordinated of research and development (R&D) activities relating to various aspects of bio-diesel production and utilization. The programme is proposed to be implemented in two phases. Phase – I of the Mission entails demonstration of Jatropha/pongamia plantations in forest and non-forest wastelands, as a Centrally Sponsored Scheme in all potential States over a period of 5 years. Phase- II of the Mission that follows the demonstration phase, would be a self –sustaining commercial programme, driven primarily by the private entrepreneurs, under which adequate quantity of bio-diesel is expected to be produced for meeting the 20% replacement target of bio-diesel.

2. In this connection, initiatives taken/incentives provided by various State governments, on their own, for promotion of Jatropha/pongamia plantations and bio-diesel production are summarized below:

- **Andhra Pradesh** set up a separate "Rain Shadow Area Development" unit for thrust on bio-diesel plantations (emphasis on pongamia).
- SHGs trained in social forestry encouraged to raise Jatropha nurseries.
- 5.8 lakh identified for plantation in 13 Employment Guarantee Scheme (EGS) districts.
- Promoting public private partnership model.
- Minimum support price (MSP) of Rs. 10/kg for Jatropha/pongamia seed announced.
- AP Oil Federation identified as nodal agency for procurement of seed.
- In tribal areas Girijan Cooperative Cooperation identified as nodal agency for procurement of seed.
- **Tamil Nadu** declared comprehensive practice for Jatropha cultivation including support for drip irrigation, technology support, and tax incentives under industrial policy statement of Tamil Nadu.
- 4000 ha. is under contract farming.
- NGOs/Private Sector, through Self Help Groups (SHGs), encouraged in Jatropha cultivation in 35,000 acres.
- **In Chhattisgarh,** autonomous Bio-fuel Authority set up.
- 10 lakh ha. watelands proposed under Jatropha.
- Quality seeds production (46-48% oil) is being focused.
- IEC activities with "rural shows" organized for farmers.

- Wasteland lease policy for joint ventures with private investors.
- One TPD processing facility set up by Bio-fuel Authority.
- In **Uttrakhand,** 2 lakh ha. degraded govt./forest land earmarked for Jatropha plantation.
- Van panchyats identified as implementing agencies.
- Bio-diesel declared as zero vat commodities.
- No excise duty on processing units setup before 2010**.**
- **Rajasthan** is in the process framing "wasteland allotment policy" to involve private entrepreneurs in Jatropha cultivation.
- Emphasis given to quality seed development.
- A separate State Bio-diesel Authority established.
- In **In Asssam**, joint ventures with corporates explored.
- Farmers encouraged to plant Jatropha on non-agricultural lands (like tea gardens).
- In **Tripura,** about 4000 ha. Wasteland earmarked for Jatropha.
- Joint Forest Management Committees (JFMCs/SHGs/Panchyati Raj Institutions (PRIs)/private companies are involved for this purpose.
- In **Madhya Pradesh,** activities related to Jatropha plantations and bio-diesel productions are being coordinated by the Rajiv Gandhi Mission for Watershed Management. The State government has enforced a policy for utilization of wastelands through leasing to private individuals/companies for productive purposes including plantation of bio-fuel crops."

1.41 Giving details of the progress made in the bio-diesel blended diesel programme and the initiatives proposed to intensify the programme, the Ministry submitted as under:-

> "To encourage production of bio-diesel in the country, the Ministry of Petroleum and Natural Gas announced a Bio-diesel Purchase Policy, in October 2005, which became effective from 1.1.2006. The Policy has identified 20 purchase Centres of the public sector Oil Marketing Companies (OMCs) all over the country. The OMCs would purchase bio-diesel meeting the standards prescribed by the Bureau of Indian Standards (BIS), from those bio-diesel manufacturers who register with them after satisfying the technical specifications, at a specified delivered price. Depending upon felt need and preparedness, the OMCs could also open more purchase Centres.
>
> Public Sector Oil Marketing Companies have not been able to purchase bio-diesel at the identified purchase Centres so far, as the parties who have expressed interest are not willing to supply at the

declared price. Facilities are not yet ready with other parties who have expressed their interest."

1.42 The Ministry have submitted that the following initiatives have been taken by the Oil Marketing Companies on Jatropha plantation:-

"IOCL

During last one and half years, following initiatives have been taken by IOC:

(a) MoU was signed with Chhattisgarh Government on 19.11.2007 for forming JV. This JV will be allotted available revenue wasteland in the state. This JV will take up bio-crop plantation with in the state of Chhattisgarh. At present the JV is under formation.

(b) IOC has been allotted 2,000 hectares of wasteland by Government of Madhya Pradesh in Jhabua district for Jatropha plantation. Identification of land is under progress.

BPCL

Bharat Petroleum Corporation Ltd. has taken up the Jatropha Plantation in the vacant land at its existing storage locations across the country. An area of around 600 acres of Jatropha plantation has since been completed and another 400 acres of land plantation is expected to be completed in the next few months.

BPCL is in discussion with various State Governments for setting up of Bio-diesel Value Chain, in the respective States. They have held several rounds of meetings with the State Govts. of UP and their consent is awaited. They are also in discussion with State Govt. of Chhattisgarh for executing an MoU with them for allotment of 1 lakh acre of land for Jatropha plantation.

HPCL

HPCL signed MOU with G.B. Pant University of Agriculture & Technology, Pantnagar, Uttranchal for the plantation of 10 lakh Jatropha, installation of Transesterification unit and Research on the development of Tissue Culture Technology for micropropogation of best variety of Jatropha. The collaborative project work is in progress and plantation of 4.5. lakh Jatropha has been done by the University.

> HPCL has also made a feasibility study of Bio-diesel initiatives in Chhattisgarh & Rajasthan and has planned to sign shortly MOU with Government of Chhattisgarh & Chhattisgarh Renewable Energy Development Authority (CREDA) for plantation of Jatropha over 15000 hectares of land."

1.43 When the Committee desired to know the steps taken and success achieved by the Petroleum Conservation Research Association for promotion of bio-diesel in the country, the Ministry submitted as under:-

> "The activities of Petroleum Conservation Research Association in the field of Bio diesel are as follows:
>
> 1. On 14.01.05, PCRA has opened a National Biofuel Centre at its corporate office in New Delhi. It was inaugurated by the Secretary, Petroleum and Natural Gas. A 10 litre & 100 litre per day transesterification plant are kept at our National Bio fuel Centre for demonstration. Large number of National & International delegations have visited it.
> 2. PCRA launched a new website on Bio-fuels: www.pcra-biofuels.org, on which information on biodiesel is available.
> 3. PCRA sponsored & provided faculty support for seminars & workshops for dissemination of information on Biodiesel across the country.
> 4. PCRA has prepared five numbers of films on biodiesel. These films are being shown by PCRA in workshops and seminars for the benefit of masses. In addition, PCRA has also prepared three numbers of brochures on Bio-diesel (Two in Hindi & one in English) for dissemination of information on Biodiesel.
> 5. MOP&NG announced the biodiesel purchase policy on 9.10.05. Twenty purchase centers of OMCs were identified under the policy. The biodiesel manufacturers can sell biodiesel so produced (meeting the BIS specifications as laid down under the policy) to these oil terminal centers. Currently biodiesel purchase price is Rs 26.50 per litre."

(c) <u>Coal Gasification Projects</u>

1.44 In view of the adverse demand-supply position of gas and availability of abundant coal resources in the country, the implementation of Coal Gasification Projects is the need of the hour.

1.45 When asked about the progress made in the Coal Gasification Projects of ONGC and GAIL, the Ministry furnished the following details:-

<u>"ONGC</u>

The Vastan Mine Block in Gujarat is found suitable for UCG. In the second stage "Detailed Geological, Geo-mechanical and Hydro-geological studies of the coal seams" were carried out. Acquisition of High Resolution Shallow Seismic (HRSS) data over the entire site is under progress. Environmental and Subsidence issues are taken up with the appropriate authorities.

In order to achieve the envisaged pilot production from Vastan site, contracts are under finalization with SIM. In addition to the above, four more short listed sites were sent to SIM, Russia for evaluation, out of which, two sites viz. each one at Gujarat & Rajasthan found suitable for UCG station and the remaining two sites are under evaluation. It is important to note that ONGC has entered into an exclusivity agreement with SIM, Russia where-in it is agreed by both that they will work exclusively with each other for implementation of UCG technology in India.

<u>GAIL</u>

A. <u>Surface Coal Gasification Project at Talcher, Orissa</u>

GAIL (India) Limited has carried out feasibility study on coal gasification project at Talcher in Orissa, which is based on Shell coal gasification process.

GAIL has signed an MoU with Coal India Limited for the project. GAIL has also signed an MoU with RCF for utilization of synthesis gas in their proposed fertilizer plant at Talcher. GAIL has applied for coal linkage to the Ministry of Coal in December, 2006 and discussed the matter in a meeting with Secretary (Coal) on 17.10.2007. GAIL will be in position to prepare a road map including commissioning schedule of the project after receiving coal linkage from the Ministry of Coal.

B. <u>Under ground Coal Gasification Project</u>

GAIL made substantial progress in the process of concluding General License Agreement (GLA) with M/s. Ergo Exergy Technologies Inc. for underground coal gasification technology. Detailed negotiations have been held with the technology provider on 5th December, 2007 in regard to inclusion of new term and conditions in the draft GLA and higher price quoted for site selection and pre-feasibility study.

It was observed that M/s Ergo Exergy took a very rigid position on the various issues. Prospectively of the project vis-a-vis financial impact on GAIL till the process comes to a logical end is being examined based on the negotiated position of the licensor."

1.46 The Committee desired to know the time by which the coal linkage is expected to be awarded by the Ministry of Coal and since when the surface coal gasification project is pending with Ministry of Coal. The Ministry submitted the following reply in this regard:-

"Time frame can not be indicated as the matter is pending with Ministry of Coal since December, 2006. Last discussion held between GAIL and Secretary, Coal was in March 2008."

(d) <u>Coal Liquefaction Project</u>

1.47 As regards Coal Liquefaction Project, the Committee sought details about the initiatives taken by the OIL on this project during the last one year, implementation of similar projects in other countries and plans of companies like ONGC, if any, to execute such projects in future. The Ministry submitted the following details in this regard:-

"Speedy implementation of the project in technical collaboration with M/s. Headwaters CTL (HTCL), USA has been drawn up. As per programme, capital investment for the project is estimated as US$ 2 to 2.50 billion with requirement of 3.50 to 4 Million tonnes per annum of North East coal. Feasibility Study by M/s. HTCL, is likely to be completed by December 2008. A joint task force between Coal India Limited and OIL is currently reviewing the availability and supply of 3.5 MMTPA of coal.

It is understood that China is currently implementing a 4.0 million tones per annum (MTPA) capacity coal liquefaction plant in Inner Mongolia, based on DCL technology of M/s. Headwaters CTL, USA. The construction of the plant with one train out of three is almost complete and commissioning is under progress.

As on date, ONGC is not implementing any such project in other countries, however ONGC is looking for the feasibility and opportunity for such projects."

(e) <u>Piped Natural Gas</u>

1.48 Piped Natural Gas (PNG) is the natural gas which is being supplied at the domestic user point from 4 bars to 21 millibars. PNG is cheaper than Liquefied Petroleum Gas (LPG), user friendly, safe to operate and convenient to handle.

1.49 The Committee desired to know the States/Union Territories where Piped Natural Gas (PNG) is being supplied at present and the action plan chalked out to expand the supply of PNG to different parts of the country. The Ministry furnished the following in a written reply:-

> "Piped Natural Gas (PNG) is presently being supplied in Delhi, Maharashtra, Tripura, Gujarat and Assam.
>
> The expansion of PNG infrastructure in different cities in the country is being taken up in a phased manner. In order to promote investment from public as well as private sector for laying trunk natural gas pipelines and city/local natural gas distribution networks throughout the country, the Government of India has enacted 'The Petroleum and Natural Gas Regulatory Board Act, 2006' and notified the 'Policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks'. Providing of PNG facilities depends upon availability of gas, setting up of necessary infrastructure and economic viability."

(f) <u>Liquefied Natural Gas</u>

1.50 Liquefied Natural Gas (LNG) is natural gas which is liquefied at (-)160 degree Centigrade in atmospheric pressure. This is done for easy storage and transportation since it reduces the volume occupied by gas by a factor of 600. This is because most of the heavier hydrocarbons are removed during liquefaction. LNG is transported in specially built ships with cryogenic tanks. It is received at the LNG receiving terminals and is regasified to be supplied as natural gas to the consumers.

1.51 The Committee desired to know the LNG terminals which are operating in the country at present and the locations of the on-going/proposed LNG terminals. The Ministry gave the following details in this connection:-

> "In order to handle increased LNG import, additional infrastructure is being created in the country. PLL's Dahej LNG terminal is being expanded from the current 5 MMTPA capacity to 10 MMTPA capacity. The expanded facility is scheduled to be completed by December 2008. Hazira LNG Pvt. Ltd. (HLPL)'s LNG terminal is being expanded from 2.5 MMTPA to 5 MMTPA. Dabhol LNG terminal is expected to be completed by end of December 2008. The terminal will, however, become fully operational only after completion of breakwater facilities in June 2011. Apart from these, the status regarding other LNG terminals being planned is as follows:-
>
> a) PLL is setting up a LNG terminal at Kochi. All pre-project activities have been completed. Various statutory approvals have been obtained. Site leveling work has been completed and construction of boundary wall of LNG terminal is almost complete. Work on non-plant buildings, viz., administrative building, warehouse, workshop and occupational health centre, has started. EPC contract for construction of LNG storage tanks has been awarded. LNG terminal side grading work has already started. Co-developer agreement for Puthuvypeen SEZ has been executed between PLL and Cochin Port Trust (CPT); and it has been approved by the Department of Commerce. The project is targeted to be completed and commissioned by the third quarter of 2011.
>
> b) IOC proposes to set up an LNG terminal at Ennore. Some pre-project activities were initiated by IOC for the same. Techno-commercial feasibility study has been completed. Heads of agreement have been signed with potential customers. Draft MoU regarding fiscal incentives for the project and gas transmission pipelines has been discussed with Government of Tamil Nadu. Draft MoU for allotment of land and other facilities has been discussed with Ennore Port Limited and TIDCO. A suitable land adjacent to Ennore Port has also been identified. IOC has been pursuing with various suppliers for sourcing of LNG for the project. However, the same is yet to be tied up.

c) With regard to setting up of LNG terminal at Mangalore by ONGC, the Company has initiated some pre-project activities. Construction of the terminal depends upon long-term LNG tie up, which is yet to be accomplished.”

1.52 The Committee further desired to be apprised of the number of LNG terminals that are expected to be in operation in the country by the end of the 11th Plan and the quantum of LNG expected to be imported by that time. The Ministry submitted the following in a written reply:-

> “In addition to the existing LNG terminals at Dahej and Hazira, LNG terminals at Dabhol and Kochi are expected to be operational by the end of the Eleventh Five Year Plan. Together these terminals will have the capacity to regasify about 22.5 Million Metric Tonnes Per Annum (MMTPA) LNG, which translates to about 80 MMSCMD of Regasified LNG (RLNG).”

1.53 When the Committee wanted to know the success achieved in sourcing LNG from various countries, the Ministry submitted as under:-

> “Petronet LNG Limited (PLL) signed a contract with RasGas, Qatar in July 1999 for import of 7.5 Million Metric Tonnes per Annum (MMTPA) LNG for a period of 25 years. As per the contract, supply of 5 MMTPA LNG commenced in 2004 and the supply of balance 2.5 MMTPA LNG would commence in 2009. Further, PLL has signed a contract with RasGas, Qatar in July 2007 for supply of 1.25 MMT LNG to meet the requirement of Ratnagiri Gas and Power Private Limited (RGPPL). As per the contract, the duration of supply is one year starting from July 2007. In addition to the above term-contracts, LNG is also being sourced from spot market by PLL and Hazira LNG Private Limited (HLPL).
>
> During 2006-07, about 6.87 MMT LNG was imported, which is equivalent to about 23 MMSCMD of RLNG. Out of total LNG import of 6.87 MMT during 2006-07, the share of HLPL is about 1.09 MMT. During 2007-08, about 5.75 MMT and about 1.6 MMT LNG has been imported by PLL and HLPL respectively upto February 2008.
>
> Concerted efforts are being made to augment the supply of LNG to the country. PLL is at advanced stage of discussion with Gorgon, Australia for import of 2.5 MMTPA LNG for Kochi LNG Terminal.

GAIL and PLL are exploring possibility of import of LNG from various other potential suppliers."

PERFORMANCE OF OIL MARKETING COMPANIES

1.54 Net profit earned by Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) during financial years 2005-06, 2006-07 and for the period April-December 2007 is as given below:-

Company	**Net Profit (Profit After Tax) (Rs. in crores)**		
	2005-06	**2006-07**	**2007-08 (Apr-Dec 2007)**
IOC	4915.12	7499.47	7376.85
BPCL	291.6	1805.5	1327.0
HPCL	405.63	1571.17	750.37

1.55 When asked about the measures being taken to increase the profitability of the Oil Marketing Companies, the Ministry furnished the following details:-

"Initiatives undertaken by oil marketing companies to improve their profitability:

IOC: The major initiatives undertaken by IOC to increase its profitability are optimizing the landed cost of products at various markets/destinations, upgradation of existing refineries, improving the crude mix for refining of products, reduction of the incidence of freight on crude oil by deploying VLCC tankers.

BPCL: The steps taken by BPCL to increase profitability are implementation of supply chain management to optimize freight cost of crude oil and products, reduction of system inventory costs and improve service levels to the customers, improving the crude mix at the refineries for better yields, value addition through production of value added goods and services, diversification into Exploration and Production activities, marketing of re-gasified LNG, entry into city gas distribution business. Further, BPCL's Kochi refinery has commissioned the project 'Crude receipt facilities at

Kochi' in December 2007 that will enable receipt of crude oil through larger vessels and thereby reduce the landed cost of crude.

<u>HPCL:</u> The steps taken by HPCL to improve profitability include utilization of refineries beyond installed capacity leading to improved Gross Refining Margins (GRM)."

1.56 When the Committee desired to know the impact on the OMCs of the abolition of the ad valorem component in the excise duty on unbranded petrol and diesel, the Ministry submitted as under:-

"Pre 01.03.2008 the excise duty on petrol and diesel was combination of ad-valorem and specific rates. The Government has abolished the ad-valorem component of excise duty on unbranded petrol and diesel w.e.f. 01.03.08, and replaced it with and equivalent specific duty of Rs 1.35 per litre for petrol and diesel. Impact on the OMC due to change in excise duty from ad-valorem to specific is marginal. Variation in excise duty pre 01.03.2008 and effective 01.03.2008 in four metros is as follows:

Rs/ltr

	Petrol		**Diesel**	
	Pre-Budget	Post-Budget	Pre-Budget	Post-Budget
Delhi	14.76	14.78	4.74	4.74
Mumbai	14.81	14.78	4.76	4.74
Kolkata	14.79	14.78	4.76	4.74
Chennai	14.78	14.78	4.74	4.74

Earlier, whenever prices of petrol and diesel were increased, due to the ad-valorem rates of excise duty, it had a cascading effect on retail selling prices. Further shift from ad-valorem to a specific rate will help Government in achieving greater stability in revenue collection and containing cascading impact on final retail prices due to volatility in international prices."

1.57 The Committee also desired to know the impact of reduction in freight rate of petrol and diesel announced in the Railway Budget (2008-09) on the profitability of OMCs. The Ministry gave the following details in this regard:-

"In the Railway Budget for 2008-09, it has been announced that there will be 5% reduction in rail freight for petrol and diesel and accordingly, freight liability is expected to come down by Re. 0.03

> per litre. The impact of reduction in rail freight on the profitability of OMC's will vary from company to company, depending upon the volumes of petrol and diesel moved by rail."

E&P ACTIVITIES OF OMCs

1.58 The Oil Marketing Companies have ventured into the Exploration & Production (E&P) activities.

1.59 IOC has made successful forays in exploration & production and, with the passage of time, its capability to successfully establish itself in this new area of business is slowly but surely strengthening. To enhance the upstream integration, IOC has been pursuing E&P activities both within and outside the country in collaboration with consortia partners.

1.60 HPCL, in partnership with ICICI and HDFC, has formed a Joint Venture E&P Company viz Prize Petroleum Company Ltd. for participating in exploration and production of hydrocarbons. Prize Petroleum Company Ltd. is also providing consultancy services related to E&P.

1.61 In the year 2007-08, BPCL moved forward in its endeavour to consolidate its presence in the upstream oil and gas sector. Considering the need for a focused approach for E&P activities and implementation of the investment plans of BPCL at a quicker pace, a wholly owned subsidiary company of BPCL, by the name Bharat PetroResources Limited (BRPL) with an authorized share capital of Rs. 1000 crore was incorporated in October 2006, with the objective of carrying out Exploration and Production activities.

1.62 On being asked about the success achieved by OMCs in their venture into the E&P activities, the difficulties being faced by them in carrying out such activities and intensification of efforts in E&P activities, the Ministry of Petroleum & Natural Gas submitted the following details in a written reply:-

> "Oil Marketing Companies (OMCs) are participating in NELP exploration blocks as well as in overseas exploration blocks.

OMCs are not the operator in the exploration blocks but having participating interest in the blocks. This participation in exploration will be beneficial to OMCs to the extent of participating share of the companies. As OMCs have entered in exploration recently, the results in terms of production from a block normally takes 5 to 15 years depending upon location of the block, availability of infrastructure, size of reservoir, etc.

In overseas blocks, joint participation of E&P Companies and OMCs provides synergy as well as better opportunity for winning an exploration block."

TAXES/DUTIES ON CRUDE OIL AND PETROLEUM PRODUCTS

1.63 The rates of customs and excise duty on crude oil, petrol and diesel for the last three years are tabulated below:

Excise Duty Rates

Product	As on 1/3/05	As on 1/3/06	As on 1/3/07	As on 1/3/08
Crude (cess) (Rupees/MT)	1800	2500	2500	2500
Petrol –Ad-valorem Specific **(Rs/Ltr) at Delhi**	8.00% Rs. 13/ltr **14.59**	8.00% Rs. 13/ltr **14.59**	6.00% Rs. 13/ltr **14.66**	Nil* Rs. 14.35/ltr **14.78**
Diesel –Ad-valorem Specific **(Rs/Ltr) at Delhi**	8.00% Rs 3.25/Ltr **4.80**	8.00% Rs 3.25/Ltr **4.80**	6.00% Rs 3.25/Ltr **4.69**	Nil* Rs 4.60/Ltr **4.74**

* on unbranded Petrol and Diesel

Customs Duty Rates

(Percentage)

Product	1/3/2005	14/06/2006
Crude	5	5
Petrol	10	7.50
Diesel	10	7.50

1.64 The customs duty rates since 14th June'2006 have not been revised on above items.

1.65 The details of taxes and duties in retail selling price of petrol and diesel at Delhi are detailed below:

Share of duties and taxes in Retail Selling Price of Petrol

S. No.	Particulars	Rs./Litre
1	Price without Customs Duty, Excise duty and Sales tax components	21.25
2	Custom Duty (Based on 1st Fortnight Of March'08)	1.90 (4%)
3	Excise Duty (levied @ Rs. 14.35/ litre plus 3% education cess)	14.78 (32%)
4	Sales Tax	7.59 (17%)
5	Total of Customs Duty, Excise Duty and Sales tax components (2+3+4)	24.27 (53%)
6	Retail Selling Price at Delhi (1+5)	45.52

* 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

S. No.	Particulars	Rs./Litre
1	Price without Customs Duty, Excise duty and Sales tax components	21.15
2	Custom Duty (Based on 1st Fortnight Of March'08)	2.09 (7%)
3	Excise Duty (levied Rs. 4.60/ litre plus 3% education cess)	4.74 (15%)
4	Sales Tax (incl. Pollution Cess of Rs.0.25 per litre)	3.78 (12%)
5	Total of Customs Duty, Excise Duty and Sales tax components (2+3+4)	10.61 (33%)
6	Retail Selling Price at Delhi (1+5)	31.76

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

<u>REVENUE FROM THE PETROLEUM SECTOR</u>

1.66 The Ministry was asked to furnish the details of revenue collected by the Government from the Petroleum Sector during the last three years, the amount provided by the Government towards subsidy on PDS Kerosene and domestic LPG and in oil bonds and the share (in percentage terms) of such subsidy and oil bond amounts in the total revenue collections from the Sector. The Ministry gave the following reply in this connection:-

"The details in this regard have been tabulated as under:

Rs./Crores

	2004-05	2005-06	2006-07
Revenue from customs and Excise	**54738**	**61221**	**68864**
(i) Fiscal subsidy from PDS kerosene and domestic LPG *	2956.34	2682.96	2606.17
(ii) Oil Bonds	----	11500.00	24121.00
Total (i +ii)	**2956.34**	**14182.96**	**26727.17**
% of fiscal subsidy on PDS Kerosene, Domestic LPG and oil bonds/Customs and Excise Revenue	5%	23%	39%

*Including freight subsidy for far flung areas on PDS Kerosene and Domestic LPG."

1.67 When asked as to whether there is any proposal to grant SLR status to the oil bonds issued to OMCs, the Ministry of Petroleum and Natural Gas submitted as under:-

"Ministry of Finance has informed that there is no proposal to grant SLR status to the oil bonds issued to the OMCs."

<u>CESS ON CRUDE OIL</u>

1.68 The Oil Industry (Development) Act, 1974 provides for collection of cess as a duty of excise on indigenous crude oil and natural gas for the development of Oil Industry.

1.69 The Oil Industry Development Board was established on 13th January, 1975 under this Act to render financial assistance by way of grant of loans for projects, disbursement of grants for Research and Development programmes and funding expenditure of Scientific Advisory Committee, Study Groups and task Forces etc.

1.70 When asked about the total amount collected by the Government from the cess levied on indigenous crude so far, the amount disbursed to OIDB out of the said amount, the steps being taken to ensure the utilization of the cess collections for the development of the Oil Industry and the present status of the creation of a Price Stabilisation Fund to protect the consumer from the volatility in the international market the Ministry submitted the following in a written reply:-

> "(i) An amount of Rs.73,250 crore approximately has been collected by the Government from the cess levied on indigenous crude since inception of the Act till 31.12.2007, out of which an amount of Rs.902.40 crore has been disbursed to Oil Industry Development Board(OIDB).
>
> (ii) As per Oil Industry (Development) Act, 1974, the amount collected by levying cess on indigenous crude is to be utilized for the development of 'Oil Industry' and Section 2(k) of the said Act defines the term 'Oil industry' to include all activities by way of prospecting or exploring for or production of mineral oil, production and marketing of all products downstream of an oil refinery and the production of fertilizers and petrochemicals and all activities directly or indirectly connected therewith. Further, all expenditures, whether classified as capital or revenue, are covered within the provisions of the said Act. Viewed in this light, the expenditure on 'Oil Industry' has been in excess of the cess collection. Besides, it may also be mentioned that during the last 3 years i.e. 2005-06, 2006-07 and 2007-08 (upto December 2007), Oil Bonds to the extent of Rs.11,500 crore, Rs.24,121 crore and Rs.11,256.92 crore, respectively (totaling to Rs.46,877.92 crore) were issued to Public Sector Oil Marketing Companies as part compensation for the under recoveries on the domestic sale of sensitive petroleum products against the total collection of cess of Rs.16,855.59 crore during the same period.
>
> (iii) Regarding the creation of a Price Stabilization Fund, the Ministry of Finance is of the view that such a fund may not be essential in view of the existing arrangements."

BUDGET ALLOCATIONS FOR THE CENTRE FOR HIGH TECHNOLOGY (CHT)

1.71 The Centre for High Technology (CHT) was established by the Ministry of Petroleum & Natural Gas (MoP&NG) in 1987 as a specialised agency of oil industry to assess futuristic requirements, acquire, develop and adopt technologies in the field of refinery processes, petroleum products, additives, storage and handling of crude oil, products and gas. The source of generating of funds of CHT is Oil Industry Development Board.

1.72 CHT acts as the Technical Wing of MoP&NG for implementing the scientific and technological programmes of the Government of India. It also pursues the programmes of "Scientific Advisory Committee on Hydrocarbons" of MoP&NG. The budget outlays/expenditure in respect of CHT for 2006-07, 2007-08 and 2008-09 are as under:-

(Rupees in Lakhs)

Attributes	**2006-07**			**2007-08**			**2008-09**
	BE	**RBE**	**Actual**	**BE**	**RBE**	**Actual (April-Dec.2007)**	**BE**
Revenue	374.00	470.30	374.78	440.00	763.30	398.80	599.80
Capital	10.00	8.00	2.04	9.00	11.00	01.49	11.00
Projects	523.10	1825.70	1138.18	622.23	931.45	120.91	511.42
Total	**907.10**	**2304.00**	**1515.00**	**1071.23**	**1705.75**	**521.20**	**1122.22**

The source of generation of funds: Oil Industry Development Board

1.73 It may be seen from the above that the expenditure by CHT in most of the categories has fallen short of the Budget Estimates/Revised Budget Estimates.

LIQUEFIED PETROLEUM GAS

1.74 When asked about the shortage of liquefied petroleum gas (LPG) in various parts of the country in the recent months and the corrective measures taken in this regard, the Ministry submitted the following in a written reply:-

"Public Sector Oil Marketing Companies (OMCs) have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors. OMCs have further reported that they have supplied 9394 TMT (Thousand Metric Tonnes) of domestic LPG in the country during the period – April, 2007 – February, 2008 as against 8861 TMT during the corresponding period of last year, showing a growth of 6%.

However, OMCs had reported backlog in LPG supplies in certain States in the country due to a combination of factors viz., reduction in supply of bulk LPG by Reliance Industries Limited (RIL) and Essar Oil Limited in January and February 2008, delay in movement of bulk LPG by rail from Jamnagar to the Northern Region, increased demand in the States due to severe cold which resulted in panic booking by the customers, strikes by contract labour, agitational activities, delays in berthing of vessels at Haldia Port due to reduced draft, bandhs etc.

Government has advised OMCs to liquidate the backlog in the States by operating the bottling plants on holidays and during extended hours. Increased bottling is also being done during the working days for early clearance of backlog."

1.75 To a specific query as to whether new LPG connections are not being given to a number of genuine persons in various parts of the country, the Ministry gave the following reply:-

"Public Sector Oil Marketing Companies (OMCs) have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors.

The enrolment of new LPG customers and release of new LPG connections is a continuous process. OMCs have reported that at present, new LPG connections are available across the counter for genuine domestic customers on verification of documents as per laid down procedure.

OMCs have reported that they have released 57.4 lakh new LPG connections in the country during the period April, 2007 – February, 2008 as against 47.8 lakh connections released during the

> corresponding period of the year 2006-07. Indian Oil Corporation Limited (IOC) has reported a waiting list of 0.47 lakh as on 01.03.2008 for release of new LPG connections with their distributors in the country. The waiting list is expected to be liquidated shortly."

1.76 When asked as to whether the OMCs have undertaken an exercise to identify the households with multiple connections, the Ministry replied as under:-

> "Public Sector Oil Marketing Companies (OMCs) have reported that as on 01.03.2008, OMCs were serving 999.7 lakh LPG customers through their 9360 LPG distributors in the country as against 942.6 lakh customers in the country as on 01.04.2007.
>
> Public Sector Oil Marketing Companies (OMCs) are working on modalities for undertaking inter-company customer data rationalization exercise to identify the households with multiple LPG connections.
>
> Domestic LPG is a subsidized product. While OMCs are making all efforts to meet the genuine demand of the customers, there is a need to keep a check to prevent diversion of domestic LPG cylinders for unauthorized use."

1.77 During oral evidence, the Committee sought details about households with multiple LPG connections and the plan of the Government to proceed in the matter. The Secretary of the nodal Ministry stated:-

> "Today, LPG is the most preferred cooking fuel in the country. There is no doubt that India has the second largest domestic LPG customer population in the world, that is, 9.997 crore of customers. It is 3 per cent less than the total LPG customer population in China. More than 50 per cent of the households are being supplied LPG in this country. Unfortunately, the subsidy per cylinder is Rs. 330. We are charging Rs. 294, whereas it should be Rs. 630 per cylinder. It is being sold at $830 per tonne, whereas we are charging $275 per tonne. A lot of diversions are taking place as a result. We have asked oil companies to maintain an integrated database. Once it is complete, we will be able to identify the person who is having more than one connection."

1.78 On this issue, the CMD of IOCL stated during evidence as under:-

> "We had started this exercise one year ago to identify persons with multiple connections. We have been propagating the idea among customers with multiple connections to voluntarily surrender one of the connections. Naturally there is a lot of resistance. Even if 20-30 per cent of such customers make surrenders, the performance would be satisfactory. As the figures are very low, I would not quote them. But there are 10-11 per cent multiple connections in this country."

1.79 The CMD, IOCL also added the following;-

> "We may have to amend the LPG Cylinder Rule or Act to be harsher on this issue. That will be done as a second step."

PROCESSING OF HIGH SULPHUR CRUDE IN OIL REFINERIES

1.80 The Committee desired to know the details of high sulphur crude processed in the various Public Sector Refineries during 2005-06, 2006-07 and 2007-08 and the projections regarding the processing of such crude in these refineries in the terminal year of the 11th Plan. The Ministry, in a written reply, submitted as under:-

> **"**Company-wise details of high sulphur crude process in various refineries during 2005-06, 2006-07 and 3rd quarter of 2007-08 (April-Dec., 2007) are given below :

Indian Oil Corporation Ltd. (IOCL)

	2005-06	**2006-07**	**2007-08 (Apr.-Dec.,07) #**
Crude Throughput, MMT	**38.52**	**44.00**	**35.13**
Indigenous crude, MMT	**10.09**	**10.31**	**7.90**
Imported Low Sulphur, MMT	**13.54**	**14.46**	**10.12**
Imported High Sulphur, MMT	**14.89**	**19.23**	**17.11**
Total Imported Crude, MMT	**28.43**	**33.69**	**27.23**
High Sulphur % wt. (on total)	**38.7**	**43.7**	**48.7**
High Sulphur % wt. (on imports)	**52.4**	**57.1**	**62.9**

 # Provisional

In the terminal year of 11th Plan (2011-12), crude processing capacity of IOCL refineries will increase to 51.85 MMTPA and high sulphur crude processing is expected to increase from 43.7%

(57.1% on imported crude), 2006-07 to a level of 63% (76% on imported crude) in the year 2011-12 (excluding Paradip Refinery). With 15 MMTPA Paradip Refinery operation, the same will increase to a level of 74% (85% on imported crude).

Chennai Petroleum Corporation Ltd. (CPCL)

The details of high sulphur crude processed by CPCL are as below :

	2005-06	2006-07	2007-08
High sulphur crude, TMT	8285 (85.6%)	7777 (79.5%)	7187 (73.3%)

The projection for processing high sulphur crude in the terminal year of 11^{th} Plan is 85%.

NRL and BRPL refineries have been designed to process low sulphur crude. Therefore, high sulphur crude is not processed during the years 2005-06, 2006-07 and 2007-08. Processing of high sulphur crude at BRPL and NRL is not envisaged during the terminal year of 11^{th} Plan.

Hindustan Petroleum Corporation Limited (HPCL)

HPCL has two refineries at Mumbai and Visakhapatnam with an installed capacity of 5500 TMT and 7500 TMT respectively. HS crude processing during 2005-06, 2006-07, 2007-08 and estimated HS crude processing during terminal year of 11th plan is as follows:

Mumbai Refinery

TMT

	2005-06	2006-07	2007-08-Estimated	Projection for Terminal year of 11^{th} Plan
AXL	493	549	-	Note-1
AL	1534	595	122	
UZ	54	54	-	
Murban	159	-	-	
Dubai	47	23	-	
Kuwait	69	980	1157	
Basrah	1951	2629	3265	
Total HS Crude	4307	4830	4544	
Total HS crude %	68.9	65.1	61.9	
Yearly Crude throughput	6249	7419	7360	

Visakh Refinery

TMT

	2005-06	2006-07	2007-08-Estimated	Projection for Terminal year of 11th Plan
Dubai	280	-	-	Note-1
AXL	298	1234	1864	
AL	168	127	975	
Arab Mix	95	-	-	
Arab High	-	-	155	
Basrah	-	139	54	
Iran Mix	-	1001	1377	
Murban	1217	1360	133	
Masila	613	272	-	
UZ	518	1041	1318	
Suez Mix	86	-	-	
Oman	274	-	-	
Total HS Crude	3549	5174	5876	
Total HS Crude %	46.9	56.0	62.9	
Yearly Crude throughput	7574	9245	9361	

Note-1

Mumbai Refinery as well as Visakh Refinery crude mix during terminal year of 11th plan is expected to be inline with current year performance.

Bharat Petroleum Corporation Limited (BPCL)

The details of high Sulphur crude processed by BPCL refineries is given below

Figs in percentage

Year	Mumbai	Kochi
2005-06	39.4	59.1
2006-07	53.0	58.6
2007-08 (April – Dec.07)	50.6	55.8

Efforts are on to increase the quantities of high sulphur crude processed at BPCL refineries. However, based on the present facilities and the extant environmental norms on emissions, the high sulphur processing at Mumbai refinery would be in line with the current trend. At Kochi refinery it is estimated that about 63% of high sulphur crude oil would be processed by the terminal year.

Mangalore Refinery and Petrochemicals Limited(MRPL)

The details of Sour crude processing for last 3 years is given in the table given below:

Year	High Sulphur Crude processed	As % throughput
2007-08	10 MMT	80% of throughput*
2006-07	8.77 MMT	70% of throughput
2005-06	8.72 MMT	72% of throughput

*Estimated based on April 07 to February 08 data.

In the terminal year of 11th Plan the refinery is expected to process about 80% of the throughput with high sulphur crudes i.e. about 12 MMT."

TAX HOLIDAY FOR REFINERIES AND PRODUCING COMPANIES

1.81 In the Finance Bill, 2008, changes are sought to be effected in Section 80 – IB of the Income Tax Act whereunder no deduction shall be allowed to an undertaking engaged in refining of mineral oil, if it begins refining on or after the 1st day of April, 2009.

1.82 In this connection, the Secretary, Ministry of Petroleum & Natural Gas submitted the following during oral evidence:-

> "The Budget for the year 2008-09 has really given us a slight jolt. A seven year tax holiday for the green field refineries was earlier introduced as a conscious policy and also a seven-year tax holiday for all the companies producing oil from the date of commencement of commercial production of oil and gas. This was introduced by the Government in order to encourage more and more investment from foreign countries as well as from the private sector of India's own economy. Now, this is being sought to be withdrawn from the 1st April next year. This is, in our opinion a very strong reversal of the policy dispensation announced by the Government. These are likely to send a very strong negative message to the investing community abroad and to our own private sector which is now gaining more strength in exploration investment and production. I think, this is likely to affect the sentiment and it would also cause a serious reversal to our own domestic production enhancement efforts. So, we have taken up at the highest level for consideration."

SUPPLY OF KEROSENE

1.83 The Committee desired to know the current position regarding supply of kerosene to various parts of the country and the steps being taken to augment its supply to the deficient States. The Ministry of Petroleum & Natural Gas furnished the following information in a written reply:-

> "Government of India allocates Kerosene to the States/Union Territories (UTs) under the Public Distribution System (PDS) on historical basis for the purpose of cooking and illumination only. In accordance with the policy adopted by the Government of India in 2000, SKO allocation for distribution under the PDS was reduced every year beginning 2001-02 till 2003-04, taking into account the number of LPG connections released in each State/Union Territory. There has been no reduction in the PDS SKO to States/UTs after the financial year 2004-05. For the years 2005-06 to 2007-08, allocations have been maintained at the level of 2004-05, including additional allocations made during that year. Allocations for 1st quarters of 2008-09 have also been maintained at the same level.
>
> In view of requests received from various State Governments/UTs for increasing the SKO allocation, the Government of India commissioned the detailed study of Kerosene demand in the country, through the National Council of Applied Economic Research (NCAER) in December 2004. NCAER submitted its report in October 2005. NCAER has inter alia recommended restricting the subsidy on kerosene to BPL families only.
>
> Further, in order to formulate a long-term pricing policy, the government had constituted an Inter-Ministerial Committee under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister to examine different aspects of pricing and taxation of petroleum products with a view to stabilizing/rationalizing their prices. The Committee submitted its report on 17.2.2006. The Committee has inter alia recommended restricting the subsidy on kerosene to BPL families only. The Government has accepted the recommendations of Dr. Rangarajan Committee Report and has decided 'in principle' that subsidy on PDS kerosene be limited to BPL families only. The proposal to work out the modalities to implement this decision and for rationalizing the allocation of PDS kerosene among States/UTs is under the consideration of the Government."

1.84 During oral evidence, the Committee pointed out that the intended beneficiaries are not getting PDS kerosene at subsidised rates and desired to know the steps being taken to check the diversion of the subsidised product. The Ministry, in a post-evidence reply, submitted as under:-

> "Public Distribution System (PDS) is operated under the joint responsibility of the Central Government and State Govts/UTs. PDS kerosene is an allocated and subsidized product. Ministry of Petroleum and Natural Gas makes quarterly allocation of PDS kerosene on historical basis to States/Union Territories for the purpose of cooking and illumination only. Further distribution within the States/UTs through their PDS network is the responsibility of the concerned States/UTs. The quantity of PDS SKO for distribution per card holder is decided by concerned State Govt/UT and the same varies from State to State.
>
> The possibility of diversion of PDS Kerosene by some unscrupulous elements cannot be ruled out due to huge price difference between PDS Kerosene and petrol/diesel and the easy miscibility of these products with petrol/diesel. The Oil Marketing Companies (OMCs) undertake regular and surprise inspections of their SKO dealers and take action against the defaulters under Marketing Discipline Guidelines.
>
> With a view to assessing the genuine demand of kerosene in different States/UTs, the Government commissioned the study through the National Council for Applied Economic Research (NCAER) in December 2004. NCAER, in their report submitted in October 2005, have estimated Kerosene demand in 22 States and one UT. They have estimated the total leakage of PDS Kerosene at 38.6% of total sale of PDS Kerosene. The extent of diversion was found to be more than 50% in six States, between 40-50% in four States, between 20-40% in nine States and less than 20% in four States. NCAER also made certain recommendations with regard to rationalizing the allocation of PDS Kerosene among States and also to restrict allocation of PDS Kerosene to BPL card holders only.
>
> Checking diversion of PDS Kerosene is a continuous process and the Ministry of Petroleum & Natural Gas has been reviewing steps taken to curb adulteration from time to time. With a view to distribute the subsidized PDS kerosene to the targeted beneficiaries, the Government has taken the following steps:

In order to check the black marketing of Public Distribution System (PDS) kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, according to which the dealers cannot sell PDS kerosene at a price higher than the price fixed by the Government or OMCs and that the PDS kerosene dealers should prominently display stock-cum-price board at the place of business including the place of store at a conspicuous place.

Under the Control Orders issued by the Government to prevent diversion and black-marketing of kerosene under the Essential Commodities Act, 1955, State Governments are empowered to take action against those indulging in black-marketing and other irregularities.

Government have also approved a pilot project – ‘Jan Kerosene Pariyojana’ (JKP) for radically revamping the PDS kerosene distribution network with the primary objective of ensuring that this heavily subsidized product is actually made available in the required quantities at subsidized prices to the intended beneficiaries; and secondly, to thus cap, reverse and eventually eliminate the diversion of PDS kerosene for adulteration. One of the salient features of this scheme is that supplies to the sub-wholesale points will be made under the direct supervision and responsibility of the public sector OMCs. The scheme had been launched on a pilot basis in 414 blocks in the country from 2nd October, 2005. The pilot scheme at present stands extended upto 30.06.2008.

With a view to checking diversion of subsidized kerosene and in order to monitor the movement of Tank Trucks transporting petroleum products, the Government have advised the public sector OMCs for installing Global Positioning System (GPS) based vehicle tracking system on all the tank trucks. The essential features of the system is that the vehicle carrying PDS SKO is fitted with a device and can be tracked on real time basis from the time it leaves the supply location till it reaches the destination.

To check adulteration in auto fuels, and also to check diversion of subsidized kerosene, Government have also advised OMCs to introduce “Marker” in adulterants. Public sector OMCs have commenced introduction of “Marker” in kerosene on all India basis with effect from 1.10.2006. Under this 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 asked to introduce "Marker" in Kerosene as is being done by Public Sector OMCs."

PART II

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE FOURTEENTH REPORT OF THE COMMITTEE ON DEMANDS FOR GRANTS (2007-08) OF MINISTRY OF PETROLEUM & NATURAL GAS

The Fourteenth Report of the Standing committee on Petroleum & Natural Gas on 'Demands for Grants (2007-08) of the Ministry of Petroleum & Natural Gas' was presented to Lok Sabha on 26.04.2007.

2.2 There were 20 recommendations in this Report apart from 1 recommendation relating to status of implementation of recommendations contained in the earlier Report of the Committee. These recommendations were on increase in E&P accretion and putting on production marginal fields of ONGC, attracting investment and more renowned players to the E&P Sector, assessment of regulatory practices prevailing in other countries in E&P sector and adopting the most efficacious procedure, fast track implementation of coal gasification/liquefaction projects, procurement of gas from Myanmar, unresolved issues pertaining to the Iran-Pakistan-India Gas Pipeline Project, fuel upgradation projects of oil refineries, shortage of Kerosene and LPG in various states, automation of retail outlets, non-fuel activities at retail outlets of OMCs, reform in taxation of petroleum products, cess on indigenous crude, containing expenditure within the sanctioned Budget, continuation of subsidy on domestic LPG and PDS kerosene, infrastructure status for E&P sector, utilization of R&D expenditure by ONGC and OIL, drilling rigs of oil PSUs, flight of critical manpower from ONGC and OIL, on-going projects of IOCL and revival of Biecco Lawrie Limited.

2.3 The statement of the Hon'ble Minister for Petroleum and Natural Gas regarding implementation of recommendations contained in the Fourteenth Report was laid in Lok Sabha on 29.11.2007 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 the 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 As analysis of the data furnished by the Government reveals that three of the recommendations contained in the Fourteenth Report have been fully/substantially implemented by the Government. These recommendations pertain to non-fuel activities at retail outlets of OMCs, reform in taxation on petroleum products including abolition of the ad valorem component in the duties on products and continuation of subsidy on domestic LPG and PDS kerosene. Besides, 12 other recommendations contained in the Report are in the process of being implemented. These recommendations pertain to increase in E&P accretion and putting on production the marginal fields of ONGC, attracting investment and more renowned players to the E&P Sector, assessment of regulatory practices prevailing in other countries in E&P Sector, fast track implementation of coal gasification/liquefaction projects, unresolved issues pertaining to the Iran-Pakistan-India Gas Pipeline Project, fuel upgradation projects of oil refineries, automation of retail outlets, containing expenditure within the sanctioned Budget, drilling rigs of oil PSUs, flight of critical manpower from ONGC and OIL, on-going projects of IOCL and revival of Biecco Lawrie Limited. 5 recommendations of the Committee relating to procurement of gas from Myanmar, shortage of kerosene and LPG in various States, utilisation of cess on crude oil/creation of a Price Stabilisation Fund out of cess proceeds, infrastructure status to the E&P Sector and utilisation of R&D expenditure by ONGC and OIL 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 Oil Public Sector Undertakings which are under the administrative control of the Ministry of Petroleum & Natural Gas implement all their projects from out of their internal resources and loans. The Government does not provide any Budgetary support to the Ministry on the Plan side. However, in 2008-09, a sum of Rs. 25.00 crore has been allocated as Plan support to meet the expenditure towards setting up of the Rajiv Gandhi Institute of Petroleum Technology (RGIPT). The Non-Plan Budget of the Ministry for the year 2008-09 amounts to Rs. 2,913.00 crore. The items for which these allocations have been made include subsidy on domestic LPG and PDS Kerosene (Rs. 2,700.00 crore), freight subsidy on retail products for far flung areas (Rs. 32.00 crore), subsidy to oil companies for supply of natural gas to the North-Eastern Region (Rs. 152.43 crore), Petroleum Regulatory Board (Rs. 15.00 crore), Society for Petroleum Laboratory (Rs. 1.65 crore) and Secretariat – Economic Services (Rs. 11.92 lakh). Since the Demands of the Ministry appear to be in order, the Committee endorse the same. However, they desire the Ministry to contain the expenditure during the year within the Budgetary allocations.

As mentioned above, an amount of Rs. 25.00 crore has been allocated on the Plan side in the Demands for Grants (2008-09) of the Ministry for the Rajiv Gandhi Institute of Petroleum Technology (RGIPT). The Committee understand that the immediate priority of the Government is to set up the RGIPT and make it functional from the academic year 2008-09 for which the process of faculty recruitment is currently going on. They desire the Government to act fast in the matter and complete the process expeditiously. The Committee further recommend that after the Institute is made functional, the Government should assist the RGIPT in setting up campuses/academic centres at various locations of the country having rich hydrocarbon reserves/potentials. The Committee should be apprised of the progress made in this regard at periodic intervals.

3.2 In the General Budget (2008-09), the ad valorem component in the excise duty on unbranded petrol and diesel has been done away with. The Committee welcome the move of the Government which would help in containing the cascading impact on retail prices of these products. However, the Committee are unhappy to note that a number of other proposals sent by the Ministry of Petroleum & Natural Gas to the Ministry of Finance for inclusion in the Budget (2008-09) have not been incorporated in this year's Budget. Two vital proposals which could not be included in the Budget relate to grant of infrastructure status to the Exploration and Production (E&P) Sector and inclusion of ethanol in the 'Declared Goods' category. The Committee, in their Fourteenth Report (14th Lok Sabha), had recommended that infrastructure status should be accorded to E&P activities in order to attract investments to the sector. However, the recommendation has not yet been implemented apparently because it has not found favour with the Ministry of Finance. Similarly, the inclusion of ethanol in the 'Declared Goods' category is also the need of the hour as it would lead to a uniform sales tax rate across the country, thereby facilitating the hassle-free movement of this vital item. The Committee, therefore, recommend/reiterate that ethanol should be included in the 'Declared Goods' category and infrastructure status accorded to the E&P Sector.

3.3 The Committee note that the Scheme for subsidy on PDS Kerosene and domestic LPG has been extended upto 31 March 2010. They have been informed that the subsidy on each litre of PDS Kerosene during the year 2007-08 (April – December, 2007) was Rs. 16.02 out of which the oil companies bore Rs. 15.20 and the contribution from Government Budget was 82 paise. Similarly, in case of domestic LPG, the per cylinder subsidy amounted to Rs. 201.67 during the said period, out of which the contribution from the Government Budget was Rs. 22.58 and the amount borne by oil companies, Rs. 179.09. Thus, the Committee find that only a negligible amount is being released from the Government Budget while the oil companies are being burdened heavily. The Committee, therefore, desire that the fiscal subsidy rate on PDS Kerosene and domestic LPG should be hiked substantially.

3.4 The Budget Estimates (BE) in respect of Oil Public Sector Undertakings for the year 2007-08 amount to Rs. 38,902.06 crore out of which an amount of Rs. 20,591.50 crore has been spent by these Companies during the first three quarters of the year. Thus, about 53% of the allocation has been utilised by the PSUs, leaving the remaining 47% to be utilised in the last quarter of 2007-08. While 5 Companies, viz. ONGC, OVL, OIL, GAIL and IOC have utilised between 40 and 65 per cent of the allocations, the remaining 8 Companies, viz. HPCL, BPCL, CPCL, BRPL, NRL, MRPL, Balmer Lawrie and Biecco Lawrie have managed to spend less than 35 per cent only in the first three quarters of the year. This is indicative of the fact that the PSU Companies have not devised a systematic project implementation strategy. Since these Companies are undertaking vital projects, the timely implementation of which can have a significant bearing on their bottomlines, the Committee desire these Companies to pull up their socks and ensure proper and timely utilisation of the allocations so as to avoid time and cost overruns on their important projects.

3.5 The Committee are displeased to note that the expenditure on R&D activities by most of the Oil PSUs has been short of the allocations during the 10th Plan period. ONGC and IOCL have failed to utilise the R&D allocations in all the five years of the Plan. Against an allocation of Rs. 1,104.31 crore, ONGC spent Rs. 688.81 crore on R&D during the 10th Plan. Similarly, IOCL incurred an expenditure of Rs. 451 crore against the allocation of Rs. 565 crore during the Plan. HPCL's R&D expenditure has been a meagre Rs. 23.41 crore during the 10th Plan. OIL, an upstream company, could utilise only Rs. 59.73 crore against an allocation of Rs. 76.13 crore. The Committee are not satisfied with the performance of these Companies on this count. They also find that the R&D allocations for the 11th Plan in respect of ONGC and IOCL have been drastically reduced to Rs. 872.54 crore and Rs. 300 crore, respectively. The Committee feel that the reduction in the 11th Plan allocations might have been influenced by the poor trend in the expenditure during the 10th Plan. However, in their view, instead of reducing the R&D allocations, efforts should have been made to intensify such activities and effect improvements in R&D spending. The Committee desire that the reasons for shortfall in R&D expenditure by these Companies should be analysed in detail and effective steps taken to bring in the requisite improvements.

3.6 The Committee find that the performance of ONGC on seismic surveys and drilling during the last three years has not been satisfactory. The Company has failed to achieve the BE targets in respect of 3D seismic survey, exploratory drilling meterage and exploratory well drilling during 2005-06, 2006-07 and the first three quarters of 2007-08. Besides, it has also not succeeded in meeting the BE targets in 2006-07 and 2007-08 (April – December) in respect of developmental drilling meterage. The achievements on 2D seismic survey in 2007-08 (April – December) and developmental well drilling in 2006-07 have also not matched the BE targets. As regards OIL, the Committee find that the targets in respect of 2D seismic survey and exploratory well drilling have not been achieved by the Company during 2005-06, 2006-07 and 2007-08. The major reasons cited by these Companies for shortfalls include non-availability of rigs and delay in finalisation of contracts, environmental problems, bad weather conditions, problems in land acquisition, etc. In the opinion of the Committee, some of these difficulties like non-availability of rigs and delay in finalisation of contracts can be well taken care of by these Companies by initiating advance/timely action. Other issues like bad weather conditions and environmental problems are often regular occurrences which need to be taken into account while fixing the targets. The Committee desire each of these Companies to assess their respective performance relating to seismic surveys and drilling and effect the much needed improvement in future.

3.7 Apart from some private Companies, ONGC is engaged in the exploration of deep water areas of the country. The Committee are unhappy to note that the performance of the Company in deepwater areas has not been very encouraging. The Committee have been informed that during the last three years, the Company drilled 37 exploratory wells in deepwater areas out of which 13 wells were found to be hydrocarbon bearing, i.e. a success rate of merely 33%. In case of NELP deepwater blocks, the Company drilled 18 exploratory blocks and made 7 discoveries out of which 5 have been vetted by the DGH. In view of the huge hydrocarbon potential in the deepwater areas of the country, the Committee desire the Company to intensify its efforts by inducting modern technology and making appropriate investments. The Committee further desire that the OIL should also attempt at exploration in deepwater areas.

3.8 The Committee find that the production of crude oil has been in the range of 32-33 MMT and that of natural gas, around 31-32 BCM during the last three years. The contribution of ONGC, OIL and Private/Joint Venture Companies in the production of crude oil and gas has remained more or less stagnant. A glance at the 11th Plan production targets reveals that the targets fixed in respect of ONGC and OIL are marginally higher than the previous few years' targets. On the other hand, the 11th Plan crude oil and natural gas targets fixed for Private/JV Companies are significantly higher in most of the cases. The Committee would have been more happy to see such enhanced projections in respect of ONGC and OIL too. The Committee would like these Companies to assess the situation and bring in improvement through innovation, superior technology, optimal deployment of manpower in key areas, enhanced efforts in the NELP and CBM blocks, etc. which would help enhance their production and reduce the import dependence to some extent.

3.9 The Economic Survey (2007-08) provides for a Policy Reform option pertaining to the oil sector which states 'Sell old oil fields to private sector for application of Improved/Enhanced Oil Recovery Techniques'. The Committee have been informed that the Ministry of Petroleum & Natural Gas and oil PSUs were not even consulted in connection with the said Policy Reform option. In the opinion of the Committee, bringing out such a vital Reform option without consulting the nodal Ministry/PSUs is unjustified. They are at a loss to understand the rationale behind bringing out the said Policy Reform option when our national upstream companies like ONGC and OIL are capable of employing the Improved and Enhanced Oil Recovery Techniques. As a matter of fact, these companies have been using such techniques in some of their depleted fields for quite some time. The Committee, therefore, desire that the Government should reconsider the issue and withdraw the said Policy Reform option at the earliest.

3.10 At present, 5% ethanol blended petrol (EBP) programme is being implemented in 17 States and 4 Union territories for which OMCs have finalised tenders for ethanol. The Committee have been informed that the requirement of ethanol for the three-year period is 180 crore litres against which the OMCs have succeeded in contracting for 140.4 crore litres and procuring a meagre 24.2 crore litres. The purchase price of ethanol has been fixed at Rs. 21.50 per litre ex-factory on uniform basis for the next three years. The Committee feel that the low procurement of ethanol is resulting from the fixation of its price for a relatively longer duration of three years. They, therefore, recommend that the price of ethanol should be fixed on yearly basis taking into account the relevant factors prevailing at the time of rate fixation. Besides, the Government should also consider the feasibility of enhancing the ethanol procurement price from the present level of Rs. 21.50 in order to augment the supply/procurement of the product. The increase in procurement price, leading to possible increase in supply/procurement of ethanol, is all the more relevant in the context of the CCEA decision regarding 10% compulsory blending of ethanol w.e.f. October 2008. Since less than six months are now left for introduction of the 10% EBP programme, the Committee desire the Government to act fast on this recommendation.

3.11 The Oil Marketing Companies are exploring the possibility of investments in Brazil for acquiring sugarcane acreages. The Committee have been informed that feasibility study for ethanol investment in Brazil has been carried out by a consultant and as per its finding, Brazil is highly suited for ethanol investments due to its leadership in ethanol production, abundant availability of arable land, ideal weather, soil and water conditions for growing sugarcane, etc. As the proposed ethanol investments have the potential to result in attractive financial pay offs for the OMCs, the Committee recommend that the Government should ask these companies to speed up the activities on the venture and finalise the pending issues at the earliest. At the same time, the Committee also recommend that while executing such overseas projects, efforts should be made to ensure that the interests of the Indian farmers/small manufacturers, engaged in ethanol production, are not jeopardised.

3.12 The Committee are unhappy to note that at present, there is no co-ordinated programme for development of bio-diesel plantations like Jatropha in the country and hence, there is no proposal to provide incentives to encourage Jatropha seeds/bio-diesel production. They are of the firm view that some incentives need to be provided to the State Governments/farmers, at least in the initial phase, to enhance the bio-diesel production which would enable the country to march towards energy security. The Committee, therefore, recommend that concrete incentive proposals should be incorporated in the National Biofuel Policy and that the said Policy should be finalised and put in place soon. They have been informed that a number of States such as Andhra Pradesh, Tamil Nadu, Chhatisgarh, Uttarakhand, Rajasthan, Assam, Tripura and Madhya Pradesh have taken initiatives for promotion of bio-diesel/Jatropha plantation. The Committee appreciate the efforts made by these State Governments which would render immense benefits to these States and also the country as a whole in the coming years. The Committee desire the Government to impress upon other potential States to go in for such activities in their States.

3.13 A number of initiatives have been taken by the Oil Marketing Companies viz. IOCL, BPCL and HPCL for plantation of bio-crops like Jatropha. The Committee appreciate the efforts made by these companies for promotion of bio-diesel in the country and desire them to accelerate their pace in this direction. Besides the OMCs, the Petroleum Conservation Research Association (PCRA) has also taken initiatives on promotion of bio-diesel. However, its activities have been primarily confined to sponsoring of seminars/workshops, preparation of films/brochures and launching of a new website for dissemination of data on bio-diesel. The Committee desire the organisation to play a pro-active role in bio-diesel promotion by initiating measures for plantation of bio-crops.

3.14 The Vastan site in Gujarat has been found suitable for Underground Coal Gasification Project of ONGC. The Committee have been informed that to achieve pilot production from this site, contracts are under finalisation with the Skonchisky Institute of Mining (SIM). Besides, some items of work like acquisition of seismic data and resolution of environmental and subsidence issues are also being undertaken. The Committee desire that these pending issues should be sorted out quickly and a road map for execution of various activities under the project be drawn up at the earliest. The Committee also desire that other potential sites in various States should be identified for execution of this kind of project.

As regards the Surface Coal Gasification Project of GAIL at Talcher in Orissa, the Committee have been informed that the Company has discussed the matter of coal linkages with the Coal Secretary in October 2007 and March 2008. As no success seems to have been achieved in the matter, the Committee desire that the Petroleum Secretary should urgently take up the matter with his counterpart in the Coal Ministry and finalise the issue expeditiously.

Keeping in view the vast potential of coal gasification and coal liquefaction projects in meeting the long-term energy requirements, the Committee in their earlier Reports, have been recommending fast tracking of these projects. The Committee, however, are not satisfied with the pace of the implementation of the projects. In this connection, they note that the Planning Commission has, in its report on Integrated Energy Policy, recommended for setting up of National Technology Missions to give impetus to the implementation of these projects. The Committee endorse the views of the Planning Commission and desire that the National Technology Missions for these projects be set up urgently involving all the concerned Ministries, technical institutions, etc. so that a co-ordinated approach could be adopted which will surely fast track the programme.

3.15 Piped Natural Gas (PNG) is at present being supplied only in four States viz. Maharashtra, Tripura, Gujarat and Assam apart from Delhi. The Government has informed the Committee that the expansion of PNG infrastructure to different cities is being taken up in a phased manner. It appears that no concrete action plan has been chalked out by the Government to expand the PNG supply to different parts of the country. The Committee strongly believe that with a number of gas discoveries made from the NELP blocks in the last few years and the possibility of finding more gas from such blocks in the coming years, the availability of gas in the country would substantially go up in the next few years. Therefore, the lack of availability of gas, which often acts as a major roadblock in expansion of PNG network, would no longer be a key issue/constraint in the coming years. The Committee, therefore, desire that a road map should be prepared for systematic expansion of the PNG network in the country. The said road map should include the specific activities to be undertaken by the implementing agencies on a yearly basis and the cities where such activities are to be carried out.

3.16 The Committee note that the capacity of the Dahej and Hazira LNG terminals of Petronet LNG Limited and the Hazira LNG Private Limited is being doubled from the current 5 MMTPA and 2.5 MMTPA to 10 MMTPA and 5 MMTPA, respectively. They have been informed that apart from these two terminals, LNG terminals at Dabhol and Kochi are expected to be operational by the end of the 11th Plan and that these terminals will have a combined capacity to regasify about 22.5 MMTPA LNG. However, the Committee are unhappy to learn that there has not been any significant improvement in the import of LNG in the recent years. As against 6.87 MMT LNG imported during 2006-07, 7.35 MMT LNG has been imported during 2007-08 upto February 2008. In the opinion of the Committee, the import of LNG needs to be enhanced substantially to cater to the increasing requirements of the various sectors/consumers. They have been informed that GAIL and PLL are exploring the possibility of importing LNG from various potential suppliers. The Committee desire these Companies to intensify their efforts to secure long-term contracts of LNG import. They also recommend that other Companies like ONGC, OIL and IOCL should look for opportunities to set up/implement oil/gas related projects in the gas-rich countries and procure LNG on a <u>quid pro quo</u> basis.

3.17 The Committee note that the Oil Marketing Companies viz. IOCL, HPCL and BPCL have made profits during the last three years. However, their profitability seems to have been adversely impacted because of the under recoveries incurred by them on the sale of sensitive petroleum products, even though some of these under recoveries are being compensated by the upstream oil companies. Besides, oil bonds are also being issued by the Government to the OMCs which is helping them to improve their bottom lines to some extent. However, the Committee find that SLR status has not been accorded to these bonds as a result of which the OMCs are facing the liquidity problem. The Committee recommend that SLR status should be granted to the oil bonds already issued and proposed to be issued to the OMCs. As the OMCs need to spend more to meet the growing needs of the economy for which they have to be left with substantial investible surpluses, the Committee desire that these companies should go in for innovative and profitable business activities, away from their core competence, such as intensification of E&P activities, execution of renewable energy projects, manufacture of rigs, etc.

3.18 The current share of taxes and duties in the retail selling prices of petrol and diesel in Delhi is 53% and 33%, respectively. The sales tax component in the retail selling prices in Delhi accounts for 17% and 12%, respectively for petrol and diesel. In the opinion of the Committee, the taxes and duties being levied on petroleum products are too high which need to be moderated. Besides, the Committee also desire that the varied rates of sales tax on such products prevailing in various parts of the country, should be made uniform across the country. The Committee would like the Ministry of Petroleum & Natural Gas to expeditiously take up these issues with the appropriate authorities. Besides, the Committee also recommend that the customs duty on crude oil should be scrapped in order to reduce the burden on the OMCs caused by the phenomenal increase in the crude oil prices.

3.19 An amount of about Rs. 73,250 crore has been collected by the Government from the cess levied on indigenous crude since inception of the Oil Industry (Development) Act, 1974 till 31 December 2007 out of which a paltry amount of Rs. 902.40 crore has been disbursed to the Oil Industry Development Board (OIDB). The Committee are indeed perturbed that due amounts are not being released to the OIDB out of the cess proceeds. The Committee have raised this issue in their earlier Reports from time to time. They are indeed unhappy to observe that the Government has done nothing on their vital recommendations on this issue except for giving stock replies that the expenditure on 'Oil Industry' has been in excess of the cess collection. The Committee would like to point out that apart from the cess proceeds, the Government is also collecting substantial revenue from the Petroleum Sector. The revenue collected from the Sector in terms of customs and excise duties during 2004-05, 2005-06 and 2006-07 has been as much as Rs. 54,738 crore, Rs. 61,221 crore and Rs. 68,864 crore, respectively. As against this, the total amounts released by the Government through oil bonds and fiscal subsidy on domestic LPG and PDS kerosene have been to the tune of Rs. 2,956.34 crore, Rs. 14,182.96 crore and Rs. 26,727.17 crore during the said period. Thus, the Government has paid back only a small portion of the revenue collections from the Sector. The Committee strongly recommend that the entire issue of deployment/utilisation of cess levied on crude oil/revenues collected from the Petroleum Sector <u>vis-à-vis</u> the amounts released to the Sector, should be referred to a Group of Ministers comprising the Union Ministers for Petroleum & Natural Gas, Finance, Law and Chemicals & Fertilizers and an early decision taken thereon.

3.20 The Committee are unhappy to note that the Centre for High Technology (CHT) has not been able to fully utilize the scarce budgetary allocations in the recent years. As against the Budget Estimates of Rs. 1,071.23 lakh in 2007-08, which was enhanced to Rs. 1,705.75 lakh at the Revised Estimates stage, the organisation could only spend an amount of Rs. 521.20 lakh only during April – December, 2007. Out of the Capital BE of Rs. 9 lakh, which was enhanced to Rs. 11 lakh at RE stage, the organisation could manage to spend a paltry amount of 1.49 lakh during the first three quarters of the year. Similarly, against the BE amount of Rs. 622.23 lakh for 'Projects', - increased to Rs. 931.45 lakh at RE stage, an amount of Rs. 120.91 lakh only could be spent during the first three quarters of the year. Shortfalls in the utilisation of allocations were also noticed in the year 2006-07. Against the Capital BE of Rs. 10 lakh in 2006-07, which was reduced to Rs. 8 lakh at RE stage, the actual expenditure was only Rs. 2.04 lakh. Similarly, on 'Projects', an expenditure of Rs. 1,138.18 lakh was incurred by the organisation in 2006-07 against the BE and RE of Rs. 523.10 lakh and Rs. 1,825.70 lakh, respectively. The Committee, while expressing their displeasure over the erratic utilisation of allocations by the CHT, desire the organisation to constantly monitor the utilisation of funds and effect the desired improvements in future.

3.21 The Committee, in their 14th and 19th Reports (14th Lok Sabha) had expressed concern over the shortage of LPG in a number of States and advised the Government to increase LPG supply to these States through enhanced production/import. The Government has admitted that there was backlog in LPG supplies in certain States which was caused by reduction in supply of bulk LPG by the Reliance Industries Limited and Essar Oil Limited in January and February 2008, delay in movement of bulk LPG by rail from Jamnagar to the Northern Region, increased demand in the States due to severe cold, strikes by the contract labour, agitations, etc. The Committee have been informed that the Government has advised the OMCs to liquidate the backlog in the States by operating the bottling plants on holidays and during extended hours. The Committee recommend that the OMCs should maintain a permanent reserve/stock of LPG, especially for the winter months, to effectively deal with this sort of crisis situations. The Committee note that the OMCs have reported that there is no shortage of LPG and new connections are being given to the genuine persons. It has, however, come to the notice of Committee that people, especially living in rural and remote areas are facing difficulties in getting new LPG connections and refills. The Committee desire the Ministry to assess the situation in these areas and release more LPG connections and strengthen the distribution network in these areas so that they can also have an access to cleaner fuel at affordable rates. The Committee further recommend that the OMCs should make a thorough survey of households having multiple LPG connections and cancel the extra connections which would ease the situation to some extent. The Committee also recommend that the OMCs should strengthen their delivery mechanism so as to reduce the gap between the booking and delivery of cylinders to 2 days in all eligible cases.

3.22 The processing of high sulphur crude in the Public Sector Oil Refineries has shown a mixed trend in the recent years. While the IOCL refineries, HPCL's Visakh refinery and BPCL's Mumbai refinery have registered improvements in the processing of such crude in the year 2006-07 vis-à-vis 2005-06, the CPCL refineries, HPCL's Mumbai refinery, BPCL's Kochi refinery and MRPL refinery have registered decline in percentage terms during the said period. The Committee recommend that these refineries should make concerted efforts to increase their high sulphur crude processing capability in the years to come so as to optimise their input costs.

3.23 The Committee are unhappy to learn that certain changes have been sought to be effected in Section 80-IB of the Income Tax Act whereunder no deduction in Income Tax shall be allowed to an undertaking engaged in refining of mineral oil if it begins refining on or after 1 April 2009. The provision for seven-year tax holiday, which is at present being enjoyed by the green field refineries and the companies producing oil and gas, is sought to be discontinued. In the opinion of the Committee, this is a retrograde step taken by the Government which would adversely affect the refinery projects of Public Sector Undertakings/Joint Ventures under implementation at Paradeep, Bina and Bhatinda which are slated to be operationalised after April 2009. Besides, it would also prompt these companies to re-think their plans about setting up new refineries, thereby constraining the addition to the refining capacity in the years to come. Moreover, the move might also have a tendency to dissuade the reputed companies from making substantial investments in the E&P Sector. The Committee, therefore, strongly recommend that this contentious provision/proposal should be withdrawn.

3.24 The Committee note with concern that huge quantities of subsidised kerosene is being diverted for adulteration purpose in many parts of the country, thus depriving the intended and needy beneficiaries. According to a study conducted by the National Council of Applied Economic Research (NCAER), the extent of diversion is more than 50% in six States, between 40-50% in four States, between 20-40% in nine States and less than 20% in four States. The Committee have been informed about the number of steps taken by the Government to check this diversion, which include implementation of Jan Kerosene Pariyojna, introduction of marker system and installation of Global Positioning System. Besides, under the Essential Commodities Act, 1955, the State Governments have also been empowered to take action against those indulging in black marketing and other irregularities. In spite of all this, the act of diversion is still taking place with more or less the same magnitude. The Committee strongly believe that the measures to put a check on diversion are not being implemented in the right earnest. They, therefore, desire the Ministry to set up an exclusive cell to monitor the implementation of anti-diversion measures by various agencies, especially the State Governments. The Committee further desire that the frequency of surprise inspections by the OMCs of their dealers should be increased substantially and the officials displaying exemplary courage/commendable performance during such inspections, be rewarded suitably.

3.25 As regards the status of implementation of the recommendations contained in the Fourteenth Report (14th Lok Sabha) of the Committee on Demands for Grants (2007-08) of the Ministry of Petroleum & Natural Gas, it has been observed that the Government has accepted 19 out of the 21 recommendations made in the Report as per the Statement of the Hon'ble Minister for Petroleum & Natural Gas, laid in Lok Sabha on 29.11.2007 under Direction 73A of the Directions by the Speaker. The two recommendations which were not categorised as 'Accepted' in the Minister's Statement relate to utilisation of cess on crude oil/creation of a Price Stabilisation Fund out of cess proceeds and grant of infrastructure status to the Exploration & Production (E&P) Sector.

One of the 21 recommendations contained in the Fourteenth Report pertained to the status of implementation of recommendations contained in the earlier year's Report on Demands for Grants of the Ministry (9th Report, 14th Lok Sabha). The Committee are displeased to note that five out of the remaining 20 recommendations have not been implemented by the Government. These recommendations relate to procurement of gas from Myanmar, shortage of kerosene and LPG in various States, utilisation of cess on crude oil/creation of a Price Stabilisation Fund out of cess proceeds, infrastructure status to the E&P Sector and utilisation of R&D expenditure by ONGC and OIL. The Committee have already reiterated these recommendations in the relevant Action Taken Report (19th Report, 14th Lok Sabha). They have also dealt with most of these issues in this Report and given their suggestions/recommendations thereon. The Committee desire the Government to act on these issues/recommendations with all sincerity and seriousness.

The Committee are pleased to note that the Government has fully/substantially implemented 3 recommendations regarding non-fuel activities at retail outlets of OMCs, reform in taxation on petroleum products including abolition of the <u>ad</u> <u>valorem</u> component in the duties on

products and continuation of subsidy on domestic LPG and PDS kerosene. The Committee also find that the remaining 12 recommendations contained in the Fourteenth Report are in the process of being implemented. These recommendations pertain to increase in E&P accretion and putting on production the marginal fields of ONGC, attracting investment and more renowned players to the E&P Sector, assessment of regulatory practices prevailing in other countries in E&P Sector, fast track implementation of coal gasification/liquefaction projects, unresolved issues pertaining to the Iran-Pakistan-India Gas Pipeline Project, fuel upgradation projects of oil refineries, automation of retail outlets, containing expenditure within the sanctioned Budget, drilling rigs of oil PSUs, flight of critical manpower from ONGC and OIL, on-going projects of IOCL and revival of Biecco Lawrie Limited. Though these recommendations have not been fully implemented, the Government has taken several measures to implement the same. The Committee appreciate the efforts made by the Government in the direction of implementation of these recommendations and desire the Government to take further initiatives to ensure their speedy implementation.

New Delhi;
22 April, 2008
2 Vaisakha, 1930 (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 FOURTEENTH REPORT OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS ON DEMANDS FOR GRANTS (2007-08) OF MINISTRY OF PETROLEUM & NATURAL GAS

S.No.	**Gist of operational portion of recommendation**	**Position as indicated in Minister's statement**	**Latest status of implementation of the recommendation**
1	2	3	4
1.	The Committee had recommended that the Government should make concerted efforts to increase the E&P accretion by using modern technologies with emphasis on deep water drilling. They had also recommended that ONGC should make efforts to put on production the reserves in all its marginal fields by the end of the 11th Plan.	Domestic crude oil production during 10th Five Year Plan period (2002-07) was about 166.57 MMT, of which share of ONGC was 129 MMT (77.4%), OIL about 15.49 MMT (9.3%) and private/Joint Venture operators, about 22.08 MMT (13.3%). Domestic crude oil production during X Plan was 2.2% higher as compared to production of 162.94 MMT IX Plan. During XI Plan (2007-12), domestic crude oil production has been projected at 206.76 MMT, which is 24% higher than the crude oil production during X Plan. Thrust areas identified by the Ministry of Petroleum & Natural Gas for XI Plan period, inter	Adoption of new technologies is a dynamic and ongoing process . Public Sector oil companies have been using modern and advanced technology for exploration of oil and gas in seismic survey, horizontal drilling, logging while drilling (LWD) and processing and interpretation of seismic data. In order to enhance exploration in deep water areas, exploration blocks are being offered on continuous basis under NELP. Out of total 165 marginal fields, ONGC has already monetized 56 fields (production started in 39 fields) and out of remaining 109 fields 67 are being monetized in-house by ONGC, 20 fields through service contracts and 22 fields will be offered under new Marginal Field Policy. During XI Plan period, a total incremental production of about 14 MMT of oil + condensate and 16 BCM of gas is envisaged from marginal fields of ONGC.

		alia, include increasing crude oil and natural gas production especially for ONGC.	
2	The committee had recommended that the Government might further intensify its efforts to attract larger investment and more renowned players with geological ideas and technologies in E&P sector. The committee had also recommended that the MOPNG should play the proactive role in expediting commercial production from the blocks where discoveries have been made.	Under the Production Sharing Contract regime, a total 70 Oil & Gas discoveries have been made so far out of which 42 discoveries are in NELP blocks. These discoveries include major gas finds in the East Coast of India. About 2.53 billion US$ have been invested so far in NELP blocks for E&P activities. Commercial gas production from one NELP block namely CB-ONN-2000/2 has commenced at the rate of 3 lakh cubic metres per day. The gas production from another discovery, namely, KG-DWN-98/3 in deepwater area is likely to commence in June 2008 with initial production at the rate of 40 million standard cubic metres per day (MMSCMD) and peak production at the rate of 80 MMSCMD. Oil production from new discovery PK-2 in the block CB-ONN-2001/1 is	Under PSC regime, a total of 90 Oil and Gas discoveries have been made so far out of which 58 discoveries are in NELP blocks. These discoveries include major gas find in East Coast. About **2.53 Billion US $** have been invested so far in NELP blocks for E&P activities Commercial gas production from one NELP block namely CB-ONN-2000/2 has commenced at the rate of 3 lakh cubic meter per day. The gas production from another discovery, namely, KG-DWN-98/3 in deep water area is likely to commence in June 2008 with initial production rate of 40 MMSCMD and peak production of 80 MMSCMD. Oil production from new discovery PK#2 in the block CB-ONN-2001/1 commenced in July 2007 and flowing presently @ 600 BOPD. Rest of the discoveries under NELP is under various phases of appraisal.

		likely to commence in 2008 at the rate of 350 barrels of oil per day (BOPD). The rest of the discoveries made under NELP are at various stages of appraisal.	
3	The Committee had desired 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 the E&P sector.	The Government is the owner of sub-surface hydrocarbon resources and has the responsibility of ensuring that the natural resources are optimally exploited in an environmentally safe manner for the benefit of the country. Oil Fields (Regulation and Development) Act, 1948 and Petroleum & Natural Gas Rules, 1959 made thereunder are the governing legislations for regulating the upstream sector. These provide for grant of petroleum exploration licenses and petroleum mining leases and determine the regulations governing the upstream sector. DGH, at present, is discharging these functions on behalf of the Government and also coordinates with the concerned Ministries i.e.	Same as in previous column

		Ministry of Environment & Forests and Ministry of Labour (DGMS) on environment and safety aspects respectively.	
4	The Committee had recommended that coal gasification and liquefaction 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 Committee had also desired that the details of progress made by GAIL, ONGC and OIL on their respective projects may be conveyed to them.	ONGC has signed an MOU (Agreement of Collaboration, AOC) with Skochinsky Institute of Mining (SIM - NMRC), Moscow, Russia to develop Underground Coal Gasification (UCG) Technology in India. In order to select the best suitable technology for North East coal for liquefaction, OIL also carried out a pre – feasibility Study for conversion of North East coal by HTI's DCL technology through bench scale tests at HTI's premises in USA in the year 2006. OIL now plans to set up a commercial coal liquefaction plant with HTI's DCL technology, OIL has now undertaken actions to carry out a feasibility study to confirm liquid product yield and quality, predicted in the pre-	The Vastan Mine Block of Gujarat Industry Power Corporation Limited (GIPCL) is found suitable for UCG. In the second stage "Detailed Geological, Geo-mechanical and Hydro-geological studies of the coal seams" were carried out. Acquisition of High Resolution Shallow Seismic (HRSS) data over the entire site is under progress. Environmental and Subsidence issues are taken up with the appropriate authorities. In order to achieve the envisaged pilot production from Vastan site, contracts are under finalization with SIM. In addition to the above, four more short listed sites were sent to SIM, Russia for evaluation, out of which, two sites viz. each one at Gujarat & Rajasthan found suitable for UCG station and the remaining two sites are under evaluation. It is important to note that ONGC has entered into an exclusivity agreement with SIM, Russia where-in it is agreed by both that they will work exclusively with each other for implementation of UCG technology in India. OIL is presently carrying out a feasibility study of liquefaction of Assam coal by adopting Direct Coal Liquefaction technology of M/s. Headwaters CTL, USA. In addition, coal and resid gasification studies for production of hydrogen gas and snycrude stabilization studies for blending with Assam crude oil for processing in refineries located in North-East are in progress. OIL plans to complete these studies by December, 2008.

		feasibility studies.	
5.	The Committee desired that the Government may vigorously pursue the matter relating to procurement of gas with the Government of Myanmar and clinch the issue in its favour. The Committee desired to know the progress in the matter.	In a meeting held in February 2007 between Myanmar Government and PetroChina, Myanmar Government decided that the gas from A1 and A3 blocks would be sold to China through pipeline route. This development was conveyed to the consortium partners by Myanmar Government during a meeting held at Nay Pyi Taw (NPT) on March 16, 2007. During this meeting, GAIL impressed upon the other partners and Myanmar Government that GAIL's pipeline offer was still the most competitive and offered optimum value for them due to proximity of India to these fields. Government of India has been pursuing the matter vigorously. However, Myanmar Government has stuck to its decision to sell the gas to China.	Myanmar Government's decision to sell the gas from A1 and A3 Blocks to China through the pipeline route, remains as of now. If the Myanmar Government changes its decision GAIL would reaffirm its earlier pipeline offer.
6.	The Committee desired that the unresolved issues pertaining to Iran-Pakistan-India Gas	During the 4th tripartite meeting held in Tehran on January 24 & 25, 2007, a gas pricing	Subsequent to the sixth Tripartite meeting held in New Delhi on June 28-29, 2007, Iran proposed to hold trilateral talks on IPI Gas Pipeline Project. Government examined the

	Pipeline Project should be sorted out quickly. The progress made/success achieved on the project may also be conveyed to the Committee.	formula regarding pricing of gas at Iran-Pakistan border was agreed between Iran and Pakistan side, subject to approval from the respective Governments. India conveyed to the Iranian side, vide letter dated 28.2.2007, that total price payable at India-Pakistan Border would also depend on transportation cost and transit fees payable by India to Pakistan for passage of gas through Pakistan. As there was no clarity on these issues, it was not possible for India to decide regarding the total price implication. Subsequently, Iran demanded introduction of provision for price revision in the 5th Tripartite JWG meeting held at Tehran during May 27-30, 2007 to which both India and Pakistan disagreed. Sixth Tripartite meeting was held in New Delhi on June 28-29, 2007 where issues relating to gas price review clause, gas availability from dedicated fields and development	issue and it was decided that it would be necessary to have a bilateral meeting between India and Pakistan before having a trilateral meeting, as there are bilateral issues concerning the project which need to be discussed and resolved between India and Pakistan. Accordingly, an official level meeting between India and Pakistan is proposed to be held shortly.

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<td>plan, delivery point for gas supply to India, Governing Law, GSPA related issues, etc. were discussed amongst the participating countries. It was decided to carry forward the discussions for resolution of some of the contentious issues.</td>
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<td>7.</td>
<td>The Committee recommended that due attention be given to the fuel quality upgradation projects so as to ensure that there is no time and cost over run.</td>
<td>PSU Oil Companies have envisaged various transport fuel up-gradation projects for implementation by the year 2010 to increase the supply of Euro compliant Petrol (MS) and Diesel (HSD) in the country. Implementation of such capital projects are centrally monitored by M/s. Engineers India Ltd. (EIL), New Delhi under the Ministry Monitoring Cell of MoP&NG. In addition, MoP&NG also conducts performance review meetings with individual PSU Oil Companies in which the status of the projects under implementation is monitored regularly.</td>
<td>Company wise position is as under :

<u>IOCL</u>

<table>
<tr><th>S N</th><th>Refinery</th><th>Project</th><th>Status</th></tr>
<tr><td>1.</td><td>Panipat</td><td>MS Quality Upgradation</td><td>Construction activities of ISOM unit are in progress at site. Agency for execution of FCC GDS lined up on 22.01.08. Overall progress is 18.46%, which is as per plan.</td></tr>
<tr><td></td><td></td><td>HSD Quality Upgradation</td><td>Reactors, the major equipment required for the project ordered and the delivery are expected by Mar'08. Depending upon the opportunity of shutdown in refinery, erection of reactor will be done by 3rd quarter of 2009-10. Overall progress is as per plan.</td></tr>
<tr><td>2.</td><td>Mathura</td><td>MS Quality Upgradation</td><td>Major equipment ordered. Enabling jobs at site are in progress. Overall progress is 12.35%, which is as per plan.</td></tr>
<tr><td>3.</td><td>Barauni</td><td>MS Quality Upgradation</td><td>Process packages received. PMC lined up in Dec'07. Front End Engineering & Design work is in progress. Enabling jobs at site are in progress. Lining up of contractors targeted by Apr'08.</td></tr>
<tr><td></td><td></td><td>HSD Quality Upgradation</td><td>Reactor, the major equipment required for the project ordered and the delivery is expected by Mar'08. Depending upon the opportunity of shutdown in refinery, erection of reactor will be done by 3rd quarter of 2009-10.</td></tr>
<tr><td>4.</td><td>Guwahati</td><td>MS Quality Upgradation</td><td>Process packages received. PMC lined up in Dec'07. Front End Engineering & Design work is in progress. Enabling jobs at site are in progress. Lining up of contractors targeted by Apr'08.</td></tr>
<tr><td>5.</td><td>Digboi</td><td>MS Quality Upgradation</td><td>Process packages received. PMC lined up in Dec'07. Front End Engineering & Design work is in progress. Enabling jobs at site are in progress. Lining up of contractors targeted by Apr'08.</td></tr>
<tr><td>6.</td><td>Gujarat</td><td>MS & HSD Quality Upgradation</td><td>Being implemented as a part of Residue Upgradation project. Overall progress of Residue Upgradation project is 16.00%, which is as per plan w.r.t. approved completion schedule.</td></tr>
<tr><td>7.</td><td>Haldia</td><td>HSD Quality Upgradation</td><td>Being implemented as a part of Hydrocracker project. Overall progress of Hydrocracker project is 38.62%, which is as per plan w.r.t. approved completion schedule.</td></tr>
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			BRPL BRPL is implementing a Diesel Hydrotreatment (DHDT) project to produce Euro-III/IV compliant HSD. As on Feb., 08 the actual physical progress is 44.67% against a schedule of 44.17%. Financial commitment is Rs.1402.49 crores while the actual expenditure is Rs.283.16 crores against approved cost of Rs.1431.91 crores. CPCL For meeting Euro-IV specifications for MS and HSD, CPCL has taken up projects like Installation of a new Diesel Hydro Treating Unit (DHDT) and Installation of a new Isomerisation Unit (ISOM). CPCL have initiated activities towards Licenser Selection and have completed the process packages for DHDT and ISOM Units. Engineering and Ordering activities are currently in progress. The commissioning of ISOM Unit and DHDT Unit is expected in December,2009 and June,2010 respectively. NRL NRL has initiated Diesel Quality Upgradation project for production of Euro compliant MS and HSD. A project for revamping the Hydrocracker and Hydrogen Units has been formulated for production of Euro-III HSD at 100% capacity utilization to meet requirements of the 'Auto Fuel Policy' from April, 2010. A provision of Rs. 299 crores has been kept in the 'XIth Five Year Plan' outlay for completion of the Project within the Five Year Plan period. HPCL Mumbai and Visakh Refineries Green

			Fuels & Emission Control Project and Clean Fuels Project respectively are in advanced stage of completion and are expected to be commissioned in the second quarter of 2008-09. There after both refineries will be producing Euro III/ IV grade MS. With regards to regular HSD production of Euro IV, both refineries are implementing new Diesel Hydro Treater (DHT) units and mechanical completion is expected by last quarter of 2010-11. However, both refineries are capable to convert entire HSD production to Euro III grade and limited production of Euro IV with the existing facilities by change in units parameters, blend management and crude mix etc. <u>BPCL</u> As per the road map of Auto fuel policy, Mumbai Refinery is required to produce Euro-IV (50 ppm Sulphur) & Euro-III equivalent Auto fuels for supply to Mumbai Region and rest of the country respectively by April 2010. The project for “Short term low cost modifications to produce Euro IV Auto fuels from Mumbai Refinery” at an estimated capital cost of Rs 390 crore is under implementation. The cumulative physical progress as on 1.3.2008 is 10.9% and is scheduled for completion by January 2010. To meet the Euro-III equivalent fuel specifications by 2010 as mandated by Auto fuel policy, BPCL-Kochi refinery is implementing the Capacity Expansion cum Modernization Project (CEMP) Ph-II. This project envisages implementing facilities to produce auto-fuels conforming to Euro-III equivalent specifications and increasing the refinery capacity from present 7.5 MMTPA to 9.5 MMTPA. The approved project cost is Rs. 2591.8 crore. The cumulative physical progress is 20% and is scheduled

			for completion in September 2009. MRPL MRPL completed the clean fuels project – Isomerization Unit construction in October 2006 for production of Euro III and Euro IV grade MS without any cost overrun. By virtue of the catalyst change in GOHDS during April 2006 combined with the capability of its two Hydrocracker units to produce ultra low sulfur HSD, the refinery is capable to meet demand of Euro-III & Euro IV grade HSD as well. Engineers India Limited (EIL) Implementation of such projects is centrally monitored by Engineers India Ltd.(EIL) in the Ministry Monitoring Cell of MOP&NG. In addition, MOP&NG conducts regular performance review meetings. Monitoring mechanism as desired by the Standing Committee is in place.
8.	The Committee recommended to assess the shortage of Kerosene and LPG in various States and take effective step to check diversion of these products.	The possibility of diversion of PDS Kerosene by some unscrupulous elements cannot be ruled out due to huge price difference between PDS Kerosene and petrol/diesel and easy mix-ability of these products with petrol/diesel. Checking diversion of PDS Kerosene is a continuous process and the Ministry of Petroleum & Natural Gas has been taking effective steps from time to time to curb adulteration.	The possibility of diversion of PDS Kerosene by some unscrupulous elements cannot be ruled out due to huge price difference between PDS Kerosene and petrol/diesel and the easy miscibility of these products with petrol/diesel. Checking diversion of PDS Kerosene is a continuous process and the Ministry of Petroleum & Natural Gas has been reviewing steps taken to curb adulteration from time to time. With a view to distribute the subsidized PDS kerosene to the targeted beneficiaries, the Government has taken the following steps : **Kerosene:** In order to check the black marketing of Public Distribution System (PDS) kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and

			Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, according to which the dealers cannot sell PDS kerosene at a price higher than the price fixed by the Government or OMCs and that the PDS kerosene dealers should prominently display stock-cum-price board at the place of business including the place of store at a conspicuous place. Under the Control Orders issued by the Government to prevent diversion and black-marketing of kerosene under the Essential Commodities Act, 1955, State Governments are empowered to take action against those indulging in black-marketing and other irregularities. Government have also approved a pilot project – 'Jan Kerosene Pariyojana' (JKP) for radically revamping the PDS kerosene distribution network with the primary objective of ensuring that this heavily subsidized product is actually made available in the required quantities at subsidized prices to the intended beneficiaries; and secondly, to thus cap, reverse and eventually eliminate the diversion of PDS kerosene for adulteration. One of the salient features of this scheme is that supplies to the sub-wholesale points will be made under the direct supervision and responsibility of the public sector OMCs. The scheme has been launched on a pilot basis in 414 blocks in the country from 2nd October, 2005. The pilot scheme has been further extended upto 31.03.2008. With a view to checking diversion of subsidized kerosene and in order to monitor the movement of Tank Trucks transporting petroleum products, the Government have advised the public sector OMCs for installing Global Positioning System (GPS) based

			vehicle tracking system on all the tank trucks. The essential features of the system is that the vehicle carrying PDS SKO is fitted with a device and can be tracked on real time basis from the time it leaves the supply location and till it reaches the destination. To check adulteration in auto fuels, and also to check diversion of subsidized kerosene, Government have also advised OMCs to introduce marker in adulterants. Public sector OMCs have commenced introduction of marker in kerosene on all India basis with effect from 1.10.2006. Under this 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 asked to introduce marker in Kerosene as is being done by Public Sector OMCs. **<u>LPG:</u>** The following measures have been taken to prevent the diversion/black marketing of domestic LPG cylinders for commercial purposes: (i) Under the LPG (Regulation of Supply and Distribution) Order, 2000 promulgated under the Essential Commodities Act, 1955 the diversion/black marketing of domestic

			LPG cylinders for commercial purposes by the distributors of public sector OMCs is prohibited. The State Governments are empowered to take action against erring distributors under the provisions of this Order. The State Governments have been alerted from time to time to take steps against the diversion of domestic cylinders for unauthorized usage. (ii) The officials of public sector OMCs carry out random checks at distributor's godown, delivery point, as well as en-route to ensure that no diversion/black marketing takes place. As per the MDG, in established cases of diversion/black marketing of domestic LPG cylinder for commercial purposes, the following action is taken against the distributor. (a) Fine of Rs 20,000 plus the price of LPG diverted at commercial rates for 1st offence. (b) Fine of Rs 50,000 plus the price of LPG diverted at commercial rates for 2nd offence, and (c) Termination of the distributorship for 3rd offence.
9.	The Committee recommended that the Ministry should take adequate steps to ensure that 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 under intimation to the Committee.	Oil Marketing Companies (OMCs) have been advised to expeditiously complete the Automation of Retail Outlets selling more than 200 KL per month, installation of GPS system in Tank Trucks, and third party certification of ROs selling more than 100 KL per month. They have also been directed to forward monthly progress reports to the Ministry till completion of the	Latest progress of the Automation of Retail Outlets, Monitoring of movement of tank trucks through Global Positioning System and Third party certification are as under: - **<u>Automation of Retail Outlets</u>**: In order to monitor the activities at retail outlets by adopting the latest technological improvements, automation of retail outlets is being implemented. IOCL (including IBP Division) have informed that out of 2357 Retail Outlets (ROs) 1021 ROs have already been automated. The balance 1336 RO will be automated by September 2008. Out of 1135 ROs, HPCL have completed 885 retail outlets with automation. The remaining 250 ROs are planned to be completed by March 2008. BPCL have completed 1304 ROs and

		project.	propose to complete remaining 296 ROs by March 2008. As on 29.02.2008, Public Sector Oil Marketing Companies (OMCs) have completed approx 63% automation of the Retail Outlets (ROs) selling more than 200 KL per month. **<u>Monitoring of movement of Tank Trucks through Global Positioning System(GPS)</u>:** In order to prevent adulteration during transportation, OMCs have been directed to install GPS for complete monitoring of the movement of all the company owned/dealer owned/contractor owned tank trucks. IOCL (including IBP Division) informed that out of 19,600 Tank Trucks (TTs) (Co. owned/dealer/contractor TTs), they have been completed the GPS system in 9876 TTs. The balance 9724 TTs would be covered with GPS by March 2008 as contracts have already been placed for all TTs. HPCL informed that out of 5782 TTs (Co. owned/dealer/contractor TTs), they have completed the GPS system in 4260 TTs. The balance 1522 TTs would be covered with GPS by March 2008. BPCL informed that out of 4800 TTs (Co. owned/dealer/contractor TTs), they have installed the GPS system in 4133 TTs. The balance 667 TT would be covered with GPS by March 2008. As on 29.02.2008, Public Sector Oil Marketing Companies (OMCs) have completed the GPS system approx 65% of the TTs. GPS system of balance 35% TTs is scheduled to be completed by March 2008. **<u>Third Party Certification of Retail Outlets</u>**: IOCL has informed that out of 6554 ROs selling more than 100

			KL per month, third party certification of 6498 Ros have been completed. Remaining 56 ROs will be certified by March 2008. BPCL has informed that they have around 4614 retail outlets selling more than 100 KLs per month and third party certifications have been completed 5070 ROs. HPCL have informed that they have 3400 outlets selling more than 100 KL per month. Third party certifications have been completed in 3424 ROs. As can be seen from the above actual coverage under third party certification on overall basis is more than 100%. However, minor shortfall in case of IOC is expected to be covered by 31.03.2008.
10.	The Committee desired that tie up with IRCTC for offering e-ticketing services should be extended at a fast pace. The Committee also recommends that OMCs should take initiatives to extend such facilities at their outlets.	Indian Oil Corporation Limited (IOC) has been actively introducing non-fuel activities at retail outlets for earning additional revenue through available infra-structure in the retail outlet premises. This includes installation of ATMs, fast food, kiosks, convenience stores, etc. Hindustan Petroleum Corporation Limited (HPCL) has entered into an agreement with IRCTC to sell Railway Tickets from its retail outlets and the Corporation is in the process of	IOC has issued a policy aimed at optimum utilization of RO built up and forecourt space through various non-fuel measures. This has resulted in the doubling of non-fuel revenues during the current financial year (2007-08) w.r.t. 2006-07. IOC is also sharing certain portion of the revenue with the concerned retail outlet dealers to augment their overall income. Further, IOC has signed MoU with IRCTC in May 2007 for the sale of e-tickets by IOC retail outlet dealers and LPG distributors. Currently, over 500 IOC resellers (including 450 retail outlets dealers) have obtained IRCTC authorization and the average booking of railway tickets by them is over 250 per day. HPCL has been actively introducing several non- fuel activities at various retail outlets across the country. During the year 2007-08, HPCL have put up over 300 ATMs and also commissioned over 50 take away food counters which will result in non-fuel revenue of Rs.18 to 20 crores during 2007-08. HPCL have also tied up with IRCTC e-ticketing services on pilot basis in few cities of Madhya

		rolling it out through kiosks at fuel stations and plan to cover 500 outlets during the financial year 2007-08. Bharat Petroleum Corporation Limited (BPCL) has also reported that it has already undertaken non-fuel initiatives as suggested by the Committee for implementation by OMCs.	Pradesh including Bhopal Bina and Khajuraho and are planning to expand this to other cities during the coming year. BPCL has created an Assurance Network consisting of Company Operated OSTSs supported by dealer operated highway Star outlets. These outlets have differentiated propositions for truckers and motorists. These new format OSTSs with their “positive segregation” design, pack a host of amenities ranging from hygienic restrooms for both the segments, laundry, kirana, hauda (a favorite bathing place for truckers), an amphitheater and fully equipped multi-cuisine Dhaba and restaurant with separate dining areas for truckers and motorists. The “Ghar Dhaba” represents BPCL’s foray into food and concept development covering theme designing, kitchen layout, menu planning and drawing up the standards operating process havbe been done in house. BPCL’s Allied Retail Business (ARB) is not only the largest non-fuel revenue generator in the industry, but also amongst the leading retail networks in the country, offering a basket of ranging from C-stores, Quick Service Restaurants to financial and travel related services. BPCL has launched ‘In & Out eTraveller”, a one stop facility for all travel and hospitality needs.
11.	The Committee recommended that Government should go for a comprehensive reform in the taxation of petroleum products including abolition of *ad valorem* component in the taxes/duties on petroleum products.	Government has reduced the ad valorem portion of excise duty from the level of 32% and 16% on petrol and diesel respectively to the present level of 6%. Further, efforts are being made to ensure that State Governments adopts uniform floor sales tax	The excise duty of ad valorem + specific on petrol and diesel has been converted to pure specific rate of unbranded petrol and diesel w.e.f. 1.3.2008. there is, however, no change in the position with regard to the uniform floor sales tax rates for petroleum products in the States.

		rates for petroleum products	
12.	The Committee recommended that the whole issue of deployment/utilization of cess levied on crude oil be referred to C&AG for a comprehensive examination. The Committee also re-iterated that a Price Stabilization Fund be created by using the money collected from cess on indigenous crude to bring stability in the prices of products and insulate the consumers from volatility in the international oil market.	This recommendation of the Committee was once again taken up with Ministry of Finance who have reiterated their earlier stand that amount collected by levying cess on indigenous crude was utilized as per the statutory provisions contained in Section 2(k) of the Oil Industry (Development) Act, 1974 and allocations made out of the receipts from the oil cess, whether classified as Capital or Revenue, are within the provision of the said Act. Utilization of funds allocated to Oil Industry Development Board (OIDB) is already being annually audited by the C&AG. Expenditure out of the Consolidated Fund of India, to which accruals from cess on crude oil is credited, is also regularly audited by the C&AG. Regarding the creation of a Price Stabilization Fund, the Ministry of Finance have reiterated that such a Fund may not be	No change in the status.

		essential in view of the existing arrangements.	
13.	The Committee desired that the Ministry should contain expenditure during the year within the Budget sanctioned for it.	Observations of the Committee have been noted and the Government would take steps to contain the expenditure within the Budget sanctioned during 2007-08.	An amount of Rs. 2867.81 crore was provided for in BE 2007-08, which has marginally been increased to Rs. 2897 crore in RE 2007-08. The reasons for increase are as under: (i) In BE 2007-08, Rs 2650 crore was provided for in respect of subsidy on PDS Kerosene and Domestic LPG. However, based on the actual claims upto the period April to August, 2007 and the estimated requirement for the balance period, an amount of Rs. 2700 crore was proposed to the Ministry of Finance in RE 2007-08, which has been agreed to. (ii) Provisions for some other Heads, namely, subsidy to Oil Companies for supply of Natural Gas to North Eastern Region; Petroleum & Natural Gas Regulatory Board; and Society for Petroleum Laboratory have, in fact, been reduced at the RE stage. (iii) The expenditure during 2007-08 shall be contained within the sanctioned amount of Rs. 2897 crore in RE 2007-08.
14.	The Committee desired that the subsidy on PDS kerosene and domestic LPG should be continued and the share of fiscal subsidy increased substantially.	The Government has decided to extend the PDS Kerosene and Domestic LPG Subsidy Scheme, 2002 and Freight Subsidy (For Far Flung Areas) Scheme, 2002 for a period of three more years i.e. from 1.4.2007 to 31.3.2010.	No change in status.
15.	The Committee recommended that infrastructure status be accorded to exploration and production activities also as the highly capital intensive	Proposal relating to grant of infrastructure status to E&P activities was referred to the Ministry of Finance for consideration in	Proposal relating to grant of infrastructure status to E&P activities was referred to the Ministry of Finance for consideration in the Budget 2008-09. The proposal, however, could not be incorporated in the same.

	E&P sector needs more incentive to attract further investments.	Budget for 2007-08. The proposal, however, could not be incorporated in the same.	
16.	The Committee desired that the coverage of the R&D expenditure in oil & gas sector be extended to the entire gamut of scientific and technical research in the area. The Committee further recommended that an organization like the Directorate General of Hydrocarbons or Centre for High Technology be appointed as an apex agency with a mandate to effectively review/monitor the R&D projects of various companies. Besides, an exclusive cell should also be created in the Ministry to continuously review and monitor the R&D activities.	Due to steep hike in oil prices, the percentage of the turnover of upstream companies being spent on R&D may not show an increasing trend. Moreover, both ONGC and Oil India limited receive funds for R&D projects from OIDB as well. As regards nominating an apex agency, DGH has been assisting the Ministry in coordinating R&D initiatives of upstream companies in India with assistance from institutions of excellence abroad. DGH has signed MOUs with Alberta Research Council, NPD Norway, Imperial College, London and Aberdeen University, Scotland for R&D tie-ups with Indian upstream companies. Centre for High Technology (CHT) is already coordinating the activities of R&D programmes recommended by Scientific Advisory	Due to steep hike in oil prices, the percentage of the turnover of upstream companies being spent on R&D may not show an increasing trend. Moreover, both ONGC and Oil India limited receive funds for R&D projects from OIDB as well. As regards nominating an apex agency, DGH has been assisting the Ministry in coordinating R&D initiatives of upstream companies in India with assistance from institutions of excellence abroad. DGH has signed MOUs with Alberta Research Council, NPD Norway, Imperial College, London and Aberdeen University, Scotland for R&D tie-ups with Indian upstream companies. Centre for High Technology (CHT) is already coordinating the activities of R&D programmes recommended by Scientific Advisory Committee (SAC) on Hydrocarbons constituted under the Ministry of Petroleum & Natural Gas.

		Committee (SAC) on Hydrocarbons constituted under the Ministry of Petroleum & Natural Gas.	
17.	The Committee recommended that the possibility of forming a common drilling rig pool for Oil PSUs be explored	Director General of Hydrocarbons has been coordinating the formation of a common pool of drilling rigs by Central Public Sector Undertakings engaged in exploration and production activities.	DGH is pursuing the idea of pooling the rig resources among E&P companies operating in India, particularly in deep water areas. However, no common consensus reached.
18.	The Committee recommended that the Government should explore ways and means to ensure better package to the technical experts in companies like ONGC and OIL to arrest flight of such critical talents.	ONGC and OIL have taken several measures/initiatives for retention of their employees	Oil PSUs have made comprehensive presentation to the 6th Pay Commission Committee on need to bridge the compensation package disparity with the Pvt. sector and improve the PSU package to arrest the talent flight.
19.	The Committee desired IOCL to ensure that the project schedules are adhered to without fail by taking remedial measures to remove the impediments coming in the way of their implementation.	IOCL has taken various steps for removing impediments coming in the way of implementation of their projects.	With the adoption of various steps for project implementation, physical & financial progress of all ongoing projects of IOCL is as per schedule, except for the following two projects. The latest status of implementation is: **Paradip-Haldia Pipeline Project** The Paradip-Haldia crude oil pipeline system is now expected to be commissioned by the end of March 2008. **Koyali-Ratlam Pipeline Project & Ratlam Terminal** The pipeline is nearing completion. In order to resolve legal issue related to Rasta land at Ratlam terminal, alternate road has been provided and opened for villagers use in December

			2007. The case is being pursued in the Lower Court for vacation of stay. The pipeline system is expected to be commissioned by October 2008.
20.	The Committee desired that an early decision on the revival of Biecco Lawrie Limited (BLL) should be taken. The management of the Company should attempt measures aimed at reduction of operating cost, diversification of business, etc.	A proposal for revival of BLL has been submitted for consideration of Bureau of Reconstruction of Public Sector Enterprises	BRPSE has since given their recommendations which are under consideration of the Government.

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ANNEXURE II

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2007-08)

EIGHTH SITTING
(04.04.2008)

The Committee sat on Friday, the 04 April 2008 from 1100 hrs. to 1330 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Dr. N. Janardhana Reddy - Chairman

MEMBERS

Lok Sabha

2 Shri M. Appadurai
3 Shri R. Dhanuskodi Athithan
4 Shri Kirip Chaliha
5 Shri Lal Muni Choubey
6 Dr. M. Jagannath
7 Shri Sukdeo Paswan
8 Shri Rajiv Ranjan 'Lalan' Singh
9 Shri Ratilal Kalidas Varma
10 Shri Ram Kripal Yadav

Rajya Sabha

11 Ms. Mabel Rebello
12 Shri Rajeev Shukla
13 Shri Ramdas Agarwal
14 Shri Tapan Kumar Sen
15 Shri Subash Prasad Yadav

Secretariat

1.	Shri S.K. Sharma	-	Additional Secretary
2.	Shri N.K. Sapra	-	Joint Secretary
3.	Smt. Anita Jain	-	Director
4.	Shri P.C. Tripathy	-	Deputy Secretary
5.	Shri Ram Kishan	-	Under Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri M.S.Srinivasan	-	Secretary
2.	Shri S.Sundareshan	-	Additional Secretary
3.	Shri P.K.Sinha	-	Additional Secretary & FA
4.	Shri A.K.Jain	-	Joint Secretary (E)
5.	Shri D.N. Narsimha Raju	-	Joint Secretary (M)
6.	Shri S.K.Jain	-	Joint Secretary (IC)

Representatives of Public Sector Undertakings and other organisations

1.	Shri R.S.Sharma	-	C&MD, ONGC
2.	Shri M.R.Pasricha	-	C&MD, OIL
3.	Shri S. Behuria	-	Chairman, IOC Ltd.
4.	Shri U.D.Choubey		C&MD, GAIL
5.	Shri V.K.Sibal	-	Director General (Hydrocarbon)
6.	Shri S.Roy Choudhury	-	Director (Marketing), HPCL
7.	Shri Ashok Sinha	-	C&MD, BPCL
8.	Shri M.K.Joshi	-	Director (Technical), EIL
9.	Shri D. Basu	-	MD, Biecco Lawrie Co. Ltd.
10.	Shri S.K. Mukherjee	-	MD, Balmer Lawrie & Co. Ltd.
11.	Shri Basudev Mohanty	-	Director, PPAC
12.	Shri R.S.Butola	-	MD, OVL
13.	Shri S.P.Goel	-	Director, PCRA
14.	Shri Rajan K. Pillai	-	CEO, Indian Strategic Petroleum Reserves Ltd.

2. At the outset, Hon'ble Chairman welcomed the Secretary of the Ministry of Petroleum and Natural Gas and accompanying officials to the sitting of the Committee and explained the purpose of holding the sitting, i.e. oral evidence of the representatives of the Ministry and PSUs on Demands for Grants (2008-09).

3. Then, the Secretary, Ministry of Petroleum and Natural Gas gave opening remarks highlighting the various activities and achievements of the Ministry and the companies under its purview, with special reference to Demands for Grants (2008-09) of the Ministry and Plan outlays of the oil PSUs.

4. Thereafter, the Members raised a number of queries on the subject under examination.

5. During the course of evidence, the main issues which came up for discussion, included acquisition of oil and gas assets through ONGC Videsh Limited, allocation of CBM blocks to foreign, public and private sector players, need to check multiple connections of LPG to maintain balance between demand and supply, setting up of RGIPT campus in Assam, meagre LPG connections vis-à-vis the population of Jharkhand, Bihar, West Bengal, Orissa and Chhattisgarh, progress of NELP VII, low R&D expenditure by oil PSUs, increasing crude oil prices in the international market, withdrawal of tax holiday to the new refineries, renovation of Barauni refinery at Bihar, Iran-Pakistan-India gas pipeline project, need to ensure quality and quantity of petroleum products, activities on marginal/old oil fields, outlays of oil PSUs, etc.

6. Due to paucity of time, only a few of the queries/issues raised in the meeting could be responded to by the representatives of the Ministry/PSUs. The Hon'ble Chairman directed the Secretary to furnish written replies to the remaining queries to the Secretariat by 7.4.2008.

7. 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

(2007-08)

NINTH SITTING

(17.4.2008)

The Committee sat on Thursday, the 17th April, 2008 from 1530 hrs. to 1600 hrs. in Committee Room No. 139, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Jagannath - In the Chair

MEMBERS

Lok Sabha

2 Shri M.Appadurai
3 Shri R. Dhanuskodi Athithan
4 Shri Kirip Chaliha
5 Dr. Tushar A. Chaudhary
6 Shri Lal Muni Choubey
7 Shri Jai Prakash (Hissar)
8 Adv. Suresh Kurup
9 Shri Sukdeo Paswan
10 Shri Lakshman Singh
11 Shri Ratilal Kalidas Varma

Rajya Sabha

12 Shri Ahmed Patel

Secretariat

1.	Shri J.P.Sharma	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri P.C.Tripathy	-	Deputy Secretary
4.	Shri Ram Kishan	-	Under Secretary

2. In the absence of the Chairman, the Committee chose Dr. M. Jagannath, M.P. to act as Chairman of the Committee under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha. The acting Chairman then welcomed the Members to the sitting of the Committee.

3. The Committee then took up for consideration the draft Report on Demands for Grants (2008-09) of the Ministry of Petroleum and Natural Gas.

4. After some discussions, the draft Report was adopted by the Committee without any 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.