10

STANDING COMMITTEE ON

PETROLEUM & NATURAL GAS

(2011-12)

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2011-12)

[Action Taken by the Government on the recommendations contained in the Eighth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2011-12)]

TENTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

December, 2011/ Agrahayana,1933 (Saka)

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Presented to Lok Sabha on 22.12.2011

Laid in Rajya Sabha on 22.12.2011

LOK SABHA SECRETARIAT
NEW DELHI

December, 2011/ Agrahayana,1933 (Saka)

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2011-12)

Shri Aruna Kumar Vundavalli - Chairman

Lok Sabha

2 Shri Vikrambhai Arjanbhai Madam Ahir
3 Shri Badruddin Ajmal
4 Shri Ramesh Bais
5 Shri Sudarshan Bhagat
6 Shri Sanjay Singh Chauhan
7 Smt. Santosh Chowdhary
8 Shri Raosaheb Dadarao Danve
9 Shri Kalikesh N. Singh Deo
10 Shri Mukeshkumar Bheravdanji Gadhvi
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21 Shri Thol Thirumaavalavan

Rajya Sabha

22 Dr. Akhilesh Das Gupta
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28 Dr. Prabha Thakur
29 Prof. Ram Gopal Yadav
30 Vacant
31 Vacant

Secretariat

1. Shri A.K.Singh - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri Sanjeev Kumar Mishra - Deputy Secretary

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 Tenth Report on Action Taken by the Government on the recommendations contained in the Eighth Report (Fifteenth Lok Sabha) of the Committee on 'Demands for Grants (2011-12)' of Ministry of Petroleum and Natural Gas.

2. The Eighth Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 3 August, 2011. The Action Taken Replies of the Government to all the recommendations contained in the Eighth Report were received on 24th November, 2011.

3. The Standing Committee on Petroleum & Natural Gas (2011-12) considered and adopted the Report at their sitting held on 20 December, 2011.

4. An analysis of the action taken by the Government on the recommendations contained in the Eighth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas is given in Annexure-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

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

New Delhi;
December, 2011
Agrahayana,1933 (Saka)

ARUNA KUMAR VUNDAVALLI,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

CHAPTER I

REPORT

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the Recommendations contained in the Eighth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2011-2012) on 'Demands for Grants (2011-2012)', which was presented to Lok Sabha on 03.08.2011.

2. Action Taken Notes have been received from the Government in respect of all the 28 Recommendations /Observations contained in the Report. These have been categorised as follows:-

(i) Recommendations/Observations that have been accepted by the Government:- SI.Nos. 1, 3, 5, 7, 10, 11, 12, 14, 15, 17, 18, 21, 22 and 24 (Total 14)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies SI. Nos.- NIL

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- SI.Nos. 2, 6, 8, 9, 13, 16, 20, 23, 25, 26, 27 and 28 (Total 12)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited : - SI.Nos.4 and19 (Total 2)

3. The Committee desire that the Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report and Final Replies in respect of the recommendations for which interim replies have been furnished by the Government (included in Chapter-V), should be furnished expeditiously.

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

Recommendation (Sl. No. 2, Para No.1.15)

5. The Committee noted that a token provision of Rs 1.00 crore each was provided in the Budget of 2010-11 and 2011-12 for the proposed plan scheme of providing free LPG connections to all eligible BPL families. While the details and modalities of the scheme were still under consideration of the Government, it was expected to release 35 lakh LPG connection to BPL families every year. The Ministry had informed the Committee that for the time being, the proposed scheme will be for one year (i.e. remaining year of the XI Five Year Plan Period) and its further extension for the XII plan period will be considered at appropriate state. Considering the importance of the scheme, the Committee recommended the Ministry to earnestly pursue with Government for early clearance of the scheme so that it was implemented at the earliest in the current year. The Committee further desired the scheme be extended for the next Five Year Plan till all eligible BPL families were covered under the scheme.

6. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee as under:

> "The Corporate Social Responsibility (CSR) scheme has since been approved. It has been decided to utilize 20% of CSR funds of six major Oil PSUs namely Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Oil and Natural Gas Corporation Limited (ONGC), GAIL (India) Limited and Oil India Limited (OIL) for extending one time financial assistance of `1400 to cover the security deposit for one LPG cylinder and one Pressure Regulator to Below Poverty Line (BPL) families for acquiring a new LPG connection.
>
> The Cabinet Committee on Economic Affairs (CCEA) considered MoP&NG's proposal in the matter on 01.12.2010. The CCEA directed that the scheme may be re-examined keeping in view the feasibility of its implementation and the financial cost thereof, in the medium and long term. Accordingly, the Scheme is under re-examination and the proposal is being finalized in light of comments received through Inter-Ministerial consultation, as directed by CCEA".

7. The Committee are unhappy to note that an important scheme for providing free LPG connections to eligible BPL families which was first mooted in Budget 2010-11 and again in 2011-12 has been further delayed as the Ministry has been asked by CCEA to re-examine the scheme keeping in view the feasibility of its implementation and financial cost thereof in the medium and long term. The Committee feel that this important aspect pertaining to its implementation and financial cost should have been clearly laid in the initial proposal itself. The Committee desire that the Ministry to expeditiously finalize the re-examination and submit proposal complete in all aspects so that the scheme can get expeditious clearance from the Government.

Recommendation (Sl. No. 4, Para No.1.20)

8. The Committee noted that in the year 2009-10, the Government had incurred an expenditure of Rs.2770 crore under the "PDS Kerosene on Domestic LPG Subsidy Scheme 2002" whereby the Government was providing a subsidy of Rs.0.82 per litre on PDS Kerosene to Rs.22.58 per cylinder on Domestic LPG (at1/3rd level of the rate for 2002-03) to OMCs. However, the total under-recovery on domestic LPG alone during the year 2009-10 was Rs.14,257crore. As regards a proposal under consideration of the Government to restrict four cylinders during a year that can be given at subsidized rate to all consumers, the Committee strongly felt that to offset the huge losses made on account of subsidized domestic LPG cylinders, the Government may consider to do away with providing subsidized LPG to rich and affluent people having an income of more than Rs.6 lakh per annum including those holding constitutional posts, public representatives like MPs, MLAs/MLCs. The Committee were of the firm opinion that such an initiative by the Government will help to expand its subsidized LPG distribution to the rural people who were more in the need of this clean fuel. The Committee desired to be apprised of concrete action taken in this regard within a period of 3 months.

9. In their action taken reply, the Ministry of Petroleum & Natural Gas have informed the Committee as under:-

"Ministry of Petroleum and Natural Gas has submitted a proposal to Cabinet Secretariat for placing before the EGoM for consideration/approval.

The proposal is still under consideration of the Government.

10. In view to offset huge losses made on account of domestic LPGs cylinder and expand subsidized distribution to rural people, the Committee had recommended that the Government may consider to do away with providing subsidized LPG to rich and affluent people having an income of more than Rs.6 lakh per annum including those holding constitutional posts, public representatives like MPs, MLAs/MLCs. The Ministry has informed in their Action Taken Reply that the proposal is under consideration of the Government. As with each passing day the burden of subsidy is mounting, causing loss to the exchequer and the under-recovery of OMCs is also piling up, the Committee desire that the matter must be accorded top priority and a decision be taken without further delay.

Recommendation (Sl. No. 6, Para No.1.20)

11. The Committee further noted the significant shortfall in achievement of production target of gas by private/joint venture companies due to less number of producer wells drilled in D1 and D3 fields in KG D6 block in East coast against the approved field development plan resulting in less production. The Committee viewed it with serious concern and felt that DGH had not effectively monitored and took timely corrective action to ensure that approved targets were adhered to by the private companies. The Committee, therefore, desired DGH to be more proactive in monitoring implementation of various targets by private companies. The Committee would also like to know the penalty imposed on these companies for their failure to achieve the approved drilling targets.

12. In response, the Ministry of Petroleum & Natural Gas has submitted as below:-

"Under the Production Sharing Contract (PSC) regime, Operating Committee (OC) approved Annual Production Targets are being reviewed technically by DGH and subsequently being deliberated, reviewed and approved in Management Committee Meetings. Further, Production

Performances are being monitored through review of daily, monthly production reports, conducting Technical Committee Meetings etc., wherein planned versus actual production status are discussed and remedial actions required, if any, are advised to the operator.

There are no specific penalty stipulations in Production Sharing Contract (PSC) in case of shortfall in achieving the production targets envisaged in either the approved Field Development Plan (FDP) or Annual Work Programme and Budget, except termination of the Contract. However, as a matter of project economics, operators will be interested in early realization of the investments made on development of oil and gas discoveries.

DGH has taken actions in case of D1 & D3 fields of KG-DWN-98/3 (KG-D6) block by asking the Operator to expeditiously drill wells in line with approved Field Development Plan (FDP) during the year 2011-12, which may help to revive the falling gas production from these fields. The issue has been deliberated at depth in various Technical Committee Meetings (TCM) and Management Committee Meetings (MCM). Further, well-wise performance analysis was also carried out by DGH to ascertain the reasons of decline in gas production from existing wells. The Operator has been asked to expeditiously drill, complete and connect required number of wells during 2011-12 in line with approved FDP to ensure that 31 producer wells are put on stream by April, 2012 as envisaged in the approved FDP and the FDP approved gas production rate of 80 MMSCMD is achieved. The Operator has since drilled 4 more development wells in D1 & D3 fields, which are yet to be completed and connected. These wells are in addition to the existing 18 producers (currently 15 on production and 3 shut-in due to water ingress/other problems) in these fields. The results of these newly drilled wells are being currently analyzed by the Operator".

13. The Committee are surprised to note that there are no specific penalty stipulations in Production Sharing Contract (PSC) in case of shortfall in achieving the production targets envisaged in either the approved Field Development Plan (FDP) or Annual Work Programme and Budget, thereby giving the operators an escape route. The Committee would like to know how this important aspect was overlooked while framing PSC by the Ministry/DGH. Keeping in view the large scale dependence on natural gas as fuel, the unscheduled cut in its production has adversely affected the plans of various important sectors of economy including the priority sector. The Committee, therefore, desire the Government/DGH to review PSC Contracts entered with various operators

and incorporate stringent provisions therein for any breach in approved plan by the operating companies. The Committee would further like to know the findings of DGH relating to the well-wise performance analysis to ascertain the reasons of decline in gas production from existing wells. The Committee may be apprised of the same at the earliest.

Recommendation (Sl. No. 8, Para No.1.37)

14. The Committee was concerned to note the unsatisfactory performance of public/private companies in respect of Minimum Work Programme (MWP) and consistent delay in achieving drilling targets in 3D Acquisition, Processing and Interpretation. The yearly review of exploration activities of ONGC and OIL by DGH showed that there had been significant shortfall during last 5 years (2006-11) in achieving MWP by both ONGC and OIL. The Committee noted the major reason for the shortfall was due to delay in drilling programme in various blocks owned by ONGC&OIL. The Committee observed that although DGH, a technical arm of the Ministry of Petroleum and Natural Gas had a strong monitoring mechanism involving relevant flow of information including periodical progress reports concerning fiscal, operational and related matters and carried out inspections and also held review meetings with the Contractors and management from time to time, the upstream companies had failed to achieve MWP during the last 5 years. While expressing their displeasure, the Committee desired that Government/DGH should take necessary steps to ensure that these upstream companies expedite their exploration work and make sincere efforts towards at least completing the Minimum Work Programme assigned to them.

15. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee as under:

> "The provisions of the Production Sharing Contract (PSC) signed under NELP, adequately provide for strict implementation of the terms and conditions of the contract. The performance of Exploration & Production activities are monitored as per the provisions of the PSC.
>
> In so far as the exploration blocks operated by NOCs/Private Companies are concerned, under the Production Sharing Contract (PSC) regime, Government/DGH monitor and periodically reviews the progress of various

exploration activities through the Management Committee (MC). If Contractor fails to complete the committed MWP within the stipulated time, they are required to pay the cost of unfinished work programme as per the relevant PSC provisions and the prevailing Policy Guidelines in this regard. There is also a provision of availing extensions of the exploration phases as per Extension Policy formulated by Government after the payment of Liquidated Damages (LD) to complete the MWP as per PSC provisions.

In case of Petroleum Exploration Licenses (PELs) for nomination areas under ONGC and OIL, half yearly review for all the areas are carried out by DGH, wherein, the performance on annual work programme for seismic data, drilling of exploratory wells and conversion / relinquishment of PEL areas, are also reviewed".

16. While expressing displeasure on unsatisfactory performance of public/private companies in respect of minimum work programme, the Committee had desired the Government/DGH should take necessary steps to ensure that these upstream companies expedite their exploration work and make sincere efforts towards at least completing the Minimum Work Programme assigned to them. The Ministry in their Action Taken Reply had stated that the Government/DGH monitor and periodically review the progress of various exploration activities through the Management Committee (MC). If Contractor fails to complete the committed MWP within the stipulated time, they are required to pay the cost of unfinished work programme as per the relevant Production Sharing Contract (PSC) provisions and the prevailing Policy Guidelines in this regard. The Committee are of the view that the penalty amount that the contractor is required to pay if he/she fails to complete the committed MWP is very less and does not act as a deterrent for not achieving the approved targets. Therefore, the Committee desire that failure to complete MWP should be seriously viewed and higher penalty be imposed in case of shortfall. Moreover, extension of time to the contractor may not be given in normal course, rather it should be granted only in exceptional circumstances.

Recommendation (Sl. No 9, Para No. 1.42)

17. The Committee observed that during 2009-10 against the Budget Estimates of Rs.2375.35 crore, the actual expenditure by OIL was Rs.1556.86 crore. Further, the actual expenditure by OIL during 2010-11 was only Rs.

1241.17 crore up to December, 2010 against the Budget Estimates of Rs. 4464.98 crore and the revised Estimates of Rs.4212.98 crore which came to 27.8% utilization during the first three quarters. The reasons for downward revision of Plan outlays in 2010-11 by OIL had been attributed to deferment of 2D seismic survey in Rajasthan on account of prioritization of area for 3D seismic survey and prolonged rainy season and also due to cyclonic storming KG on-land block. Revision in drilling targets due to non-availability of chartered rigs, land acquisition problem, delayed movement of projects, and capital investments therein, etc. The Committee failed to understand as to why the reasons now cited by the Government could not be foreseen at Revised Estimate stage. The huge mismatch between the plan outlay and utilization by OIL during 2010-11, pointed towards systematic flaws in the planning and execution of work. The Committee also noted from the outcome Budget document of Ministry that their Monitoring Cell independently monitored major projects being implemented by oil PSUs, covering all aspects from process design/ basic engineering right up to completion stage. It generated a monthly report which brought out the current status of implementation of various projects along with the reasons for delay, if any. Critical areas which can impact the progress were also analysed. The Committee are constrained to note that despite the strict monitoring by the Ministry there had been large under utilization of funds. The Committee, therefore, recommended that the Government/DGH strengthen their monitoring mechanism to make it more effective and take all necessary steps to ensure the Budget estimates of Rs.3180 crore for the year 2011-12 were fully utilized to achieve the set targets.

18. In response, the Ministry of Petroleum & Natural Gas has submitted as below:-

> "During the year 2009-10, 150 GLKM of 2D survey in Karbi-Anglong could not be completed due to difficult logistics and poor law & order situation. 615 GLKM of 2D survey in Sadiya could not be completed as Seismic Contractor, M/s GT, Poland declared Force Majeure due to insurgency problem.
>
> In Assam there was acute land acquisition problem, repeated environmental problem, down-hole problems, prolonged production testing of a few wells etc, extended drilling operation in a few deep exploratory wells etc., consumed more time than the planned, resulting the shortfall in Drilling targets. Drilling target could not be achieved due to unforeseen

deep drilling (sub-surface) complication in several locations and prolonged production testing.

The target of Natural Gas Production and Sale could not be achieved due to prolonged & unplanned shut-down of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), Namrup in Assam, less withdrawal of gas by Lakwa Thermal Power Station (LTPS), Indian Oil Corporation- Assam Oil Division (IOC-AOD), Assam Petrochemicals Limited (APL) and Less withdrawal by Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRUVNL) during the year 2009-10.

During the year 2010-11**,** in view of relinquishment of three NELP Blocks in Rajasthan and consequential delay in finalization of the contract for both 2D (560 GLKM) and 3D (1000 SQKM) could not be pursued. In KG Basin, delay in obtaining EC Clearance had left little dry weather window for pre monsoon work. Therefore prolonged monsoon caused delay in pursuing survey work in marshy and forest land. As a result planned target of 250 GLKM could not be met.

In order to supplement in-house drilling resources, 6 nos. charter hire drilling rigs were planned for deployment in Assam and Arunachal Pradesh throughout the year 2009-10, whereas 5 charter hire drilling rigs were available up to 4th Qtr. 2009-10 due to reasons beyond the control of the Company. Thus the planned drilling programme could not be fulfilled during the quarter. Surface and sub-surface problems like unprecedented rain caused flood in low lying areas, non availability of quarry material for plinth preparation, difficulties in movement of heavy oilfield vehicles coupled frequent bandh and blockades has disrupted the planned target of drilling. OIL could achieve only 120,800 meter against the target of 225450 meter.

NRL failed to uplift gas during the year 2010-11 as planned. The necessary infrastructure required for the same was ready by a third party namely M/s Assam Gas Corporation Ltd. (AGCL) only in March, 2011 and gas supply was commenced w.e.f. 15.3.2011. Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRUVNL*)* was defaulted in uplifting the committed quantity of gas of 278 Million Standard Cubic Metres Per Day (MMSCMD) during the July and August 2010-11. As a result actual withdrawal was 151 MMSCMD only, the shortfall being about 127 MMSCMD.

OIL made aggressive efforts for acquisition of an overseas exploration/discovered/producing acreages in order to realize early gains in equity oil and gas for the country. Accordingly, the company scouted and evaluated a number of discovered/producing properties during 2010-11 and pursued acquisition of some prospective assets. However, OIL faced difficulty in acquiring potential overseas assets due to aggressive competition and high premium on discovered and producing properties due to increase in international crude oil prices. Additionally, increased risks were perceived due to regional political conflicts and economic downturns in middle-east and African countries by the end quarter of the year. Despite best efforts of OIL, certain Merger and Acquisition/asset farm-in opportunities could not be materialized due to rejection of OIL's offer by the seller. Since the situation was beyond the control of the company, the projected outlay of Rs.2000 Crores earmarked for overseas acquisition at the time of finalization of Annual Plan 2010-11 could not be spent for the aforesaid reason.

As regards monitoring, OIL regularly monitors the physical and financial progress of Plan. In the 3rd week of every month OIL reviews through Video Conferencing with field headquarters, Assam where the major cost centers are located and decides remedial action for future.

DGH is regularly reviewing the work programme and progress of exploration activities of Petroleum Exploration Licenses (PEL) held by OIL awarded on nomination basis, on a half yearly basis vis-à-vis committed work programme. Presently, there are 11 active nomination PELs operated by OIL. Technical meetings are taken by DGH regularly to analysis the exploration activities of the nomination PELs, based on the data provided by OIL, and discuss ways to resolve various technical issues. In case of non fulfillment of committed work programme, appropriate actions are taken in line with the provisions laid down in PSCs.

Technical Committee Meetings (TCM) are also held, as and when required, to deliberate on technical issues related to the activities being undertaken in the respective blocks".

19. The Committee are not convinced with the reply of Government in regard to shortfall in utilization of funds by OIL during 2009-2010 and 2010-11. The Committee feel that most of reasons given for shortfall viz. land acquisition problem, delay in obtaining various clearances from concerned departments, non-availability of drilling rigs, failure to uplift gas by NRL due to necessary infrastructure not in place etc. were avoidable and could have been timely addressed with proper planning by the company. The Committee therefore desire the OIL to make all out efforts for 100% utilization of funds in the current financial year and also would like DGH to effectively monitor to ensure that there is no underutilization of funds by oil companies.

Recommendation (Sl. No 13, Para No. 1.78)

20. The Committee noted that in view of global shortage of drilling rigs and associated services, the Government announced a drilling moratorium of 3 years starting from 01.01.2008 to 31.12.2010 for 30 deep water blocks under the Production Sharing Contracts (PSC) regime signed up to NELP-V where drilling commitments (except for development drilling) were existing. Out of the 30 blocks for which moratorium was granted, 16 blocks belonged to ONGC, 13 to RIL and 1 to ENI. The Committee noted with dismay that even after expiry of the rig moratorium policy on 31.12.2010, the ONGC had completed drilling

commitment only in 6 blocks out of the 16 blocks and sought extension of time for 9 blocks. In the remaining 1 block the ONGC could not complete 5 appraisal wells and requested the Ministry/ DGH that the number of appraisal wells should be 1 instead of 6. The position in the case of RIL was equally dismal as it could complete drilling commitment only in 6 blocks out of 13 blocks and sought extension for 6 blocks. In the remaining block, RIL could not complete 1 appraisal well and represented to the Government that appraisal wells should be 1 instead of 2 as provided in the moratorium policy. Without going into the technicalities of the rig holiday policy and extension policy, the Committee felt that companies which enter into PSC for exploration activities should plan the requirement of rigs and their availability in advance instead of explaining such problems in terms of demand and supply for rigs due to volatility of international oil market. It was a fact that international oil market was subject to frequent volatility due to increasing gap between demand and supply besides other unforeseen circumstances leading to disruption. The companies which were required to complete minimum work programme under PSC should be made to comply with the set parameters in a timely manner instead of granting rig holiday or extensions on one ground or other. The role of the Government and DGH acquired great significance in this area. The Committee felt that policy of exploration should not allow the companies to drag on the exploration commitments unless there were exceptional and justified circumstances. The Committee, therefore, urged the Government to make an in-depth analysis of the policy framework in this regard to prevent such delays in order to achieve the objectives of NELP.

21. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee as under:

> "Production Sharing Contracts have provisions for payment of cost of minimum committed work programme(MWP) by the contractors. The extensions are granted only on justified and exceptional situations such as – Rig moratorium for non availability of deepwater drilling rigs, excusable delays for delay in getting Statutory Clearances, Force Majeures, etc. In order to have uniform treatment to all operators, an extension Policy has been framed by the Government. There are provisions for granting extensions on payment of liquidated damages as per the Policy and

Contractors are panelized for delays in completing the committed exploration MWP.

22. While expressing their displeasure on non-completion of drilling commitment by the companies even after expiry of rig moratorium policy on 31.12.2010, the Committee had felt that the companies who had entered PSC for exploration activities should have planned the requirement of rigs and their availability in advance. In their Action Taken Reply, the Ministry instead of replying to the specific recommendations, has given a general reply that there are provisions for granting extension on payment of liquidated damages as per the policy and contractors are penalized for delays in completing the committed exploration of MWP. The Committee express their displeasure on the lack of seriousness on the part of the Ministry in taking action against the companies which drag on exploration commitments on various pretexts. The Committee, therefore, reiterate their earlier recommendation and urge the Government to ensure an effective policy framework to prevent such delays to achieve the objectives of NELP.

Recommendation (Sl. No 16, Para No. 1.91)

23. The Committee appreciated the progress made by the ONGC Videsh Limited (OVL) from a meager production of just 0.253 Million Metric Tonne oil equivalent (MMTOE) in 2002-03, as OVL had come a long way and registered the highest ever production of 8.870 MMTOE oil and oil equivalent gas in 2009-10. The Committee found that C&AG in its report on purchase of Imperial Energy Corporation, Russia by OVL had revealed that all the wells drilled by OVL to produce oil were turning out to be dry and the company had reported to be running up a huge loss of Rs. 1182 crores due to unrealistic estimation of oil reserves. The Committee had noted that with reference to C&AG observation OVL has indicated that conclusion drawn by C&AG regarding OVL not being successful as an operator was not based on facts as 23 projects were still under exploration and exploration effort was 42% against the world wide average of about 36%. The Government had also stated that the exploration expenditure involved risk capital and cost of dry wells should not be considered as unfruitful expenditure as it proved or disproved the existence of hydrocarbons, therefore,

expenditure incurred in survey and dry holes were investments for future. The Committee strongly felt that not only estimation of oil reserves was properly done but even the production potential and profile were not analysed which required to be investigated. The committee desired that all those blocks owned by the OVL should be analyzed with latest technologies so that the production potential of these hydrocarbon reserves can be assessed properly and investment made in these blocks will not go in vain.

24. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee as under:

> "OVL, as a standard practice, carries out in-house/ independent assessment of potential of the opportunity. Even when the seller provides its estimates, these are evaluated / revalidated by OVL either through in-house team and/or through independent technical experts before taking the decision on the acquisition of the asset/block.
>
> OVL has deployed latest technologies such as multistage fracturing in long horizontal holes, in one or more layers in the tight formations, multilateral well in one of the field etc. for obtaining optimum production level. Efforts are continuing to identify sweet spots through seismic attribute analysis for placement of the wells.
>
> OVL has noted the recommendations of Standing Committee and affirms that multi layer and more stringent evaluation procedure would be continuously followed".

25. In view of reported huge loss Rs.1182 crores by OVL in purchase of Imperial Energy Corporation, Russia due to unrealistic estimates of oil reserves the Committee had felt that not only estimation of oil reserves was properly done but even the production potential and profile were not analysed which required to be investigated. The Ministry had not replied if any such investigation as recommended by Committee had been done and would like to be apprised of the findings thereof. The Committee would like to be apprised of action taken by Government in this regard and also desire that the blocks owned by OVL should be analysed with latest technologies so as to assess the hydro carban reserves.

Recommendation (Sl. No 20, Para No. 1.106)

26. The Committee observed that the findings of the audit and inspection conducted by OISD indicate non-compliance of safety norms by oil installations which were of common nature and not specific to any oil company. In respect of refineries and gas processing plants, the deficiencies were related to lay out, fire fighting facilities and a few process hardware not conforming to norms in case of Oil Refineries, incomplete updation of Standard Operating Procedures, non-compliance of Risk Mitigation Measures as identified in the risk analysis. As regards the pipelines network, the Committee noted that non-compliance was limited to a few Statutory Norms, standards/guidelines prescribed by OISD in case of old pipelines mainly in the areas of intelligent pigging, coating survey, work permit system etc., Incomplete updation of Standard Operating Procedures were generally found at oil installation which are not complied by the companies. The Committee also noted with concern that there were deficiencies in maintenance and operation of fire-fighting system at marketing installations and onshore and offshore (exploration and production) wells of ONGC and OIL.In view of the recent accident which had taken place at Oil Installation like Jaipur and Mumbai, the committee recommended that Government should take necessary steps to strictly deal with non-compliance of safety norms by oil companies by fixing responsibility on service officers for all acts of omission and commission.

27. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee as under:

> "Reports containing observations and recommendations of various periodic Safety Audits and inspection carried out by OISD for the oil installations are forwarded to Chairmen / Managing Director of the Oil companies for compliance. These recommendations of periodic Safety Audits and inspection carried out in OISD are complied by the industry in a time bound manner on priority. OISD also monitors implementations of these recommendations and follows up with industry closely".

28. Concerned over deficiency in maintenance and operation of fire fighting system at marketing installations and onshore and offshore wells of oil companies the Committee had recommended that Government should take necessary steps to strictly deal with non-compliance of safety

norms of oil companies. The Ministry in their Action Taken Reply have stated that reports containing observations and recommendations of various periodic Safety Audits and inspection carried out by OISD for the oil installations are forwarded to Chairmen/Managing Director of the Oil companies for compliance. The Committee however have not been informed as to what extent of the implementation of recommendations of OISD has been done. The Committee would like to know the present status and the manner in which OISD follows for their implementation with the industry.

Recommendation (Sl. No 23, Para No. 1.129)

29. The Committee observed that so far CBM reserves of about 8.92 trillion cubic feet had been established in 5 CBM blocks and according to the Ministry of Petroleum and Natural Gas, the likely time requirement for full development to reach peak production level was generally 5 to 6 years from the start of development activities. The Committee, however, noted with concern that while 16 blocks were awarded to different companies by the end of 2nd round of CBM held in 2004, the commercial production of CBM had started only from one block i.e. Raniganj (South) in West Bengal operated by M/s GEECL in July 2007 and there was no additional production from any block during the last 4 year. The Committee further observed that cumulative production of CBM gas in 2010-11 was 36.19 MMSCM from April 2010 to February 2011, which was very insignificant in comparison to established reserves. The Committee were dismayed to not that even the minimum work programme for blocks like Raniganj East (West Bengal) entrusted to Essar Oil in 2002 was not completed. Similarly, Sohagpur (Chattisgarh), SP(E)CBM-2001 and SP(W) CBM-2001 were still at developmental stage even after total expenditure of Rs. 177.83 Crore with committed investment of Rs. 55.80 crore. The Committee also viewed with serious concern that as regards BK-CBM-2001/1 (Bokaro) awarded to ONGC in 2002, against the committed investment of Rs. 65.70 crore, the actual are Rs. 43.02 crore and the field development plan of the block was still under examination by DGH. The Committee further observed that ONGC had incurred a cumulative investment of Rs.591.27 crore in 9 CBM blocks awarded to it and only one block i.e. Jharia had witnessed incidental test production since 2002.

While expressing their dissatisfaction over the very low CBM production in the country since the awarding of blocks in 2001, the Committee cannot but deplored the way the Government/DGH was monitoring the exploitation of CBM reserves in the Country. The Committee desired that Government/Oil PSUs to make an in-depth analysis of the reasons for scanty production from these reservoirs and take concrete and corrective action including application and import of new advanced exploration technologies and technical knowhow, if necessary.

30. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee as under:

> "Currently, Raniganj South block in the state of West Bengal is on commercial production and other 4 blocks are at advance stages for production. By the end of 12th plan period, CBM production is projected at 4 MMSCMD in 2016-17 from the present level of about 0.23 MMSCMD in October 2011.
>
> The operators have imported the equipment and hired the consultancy of foreign CBM experts on the need basis. Government has not put any restriction on import of new technology for CBM operations in the country".

31. Expressing dissatisfaction over the very low CBM production since awarding of blocks in 2001, the Committee had desired the Government to make an indepth analysis to find out reasons for the same. Though the Ministry in their reply have informed that by the end of 12th plan period CBM production is projected at 4MMSCMD in 2016-17 from the present level of about 0.23mmscmd in October 2011, the reply is, however, silent if any analysis has been done on scanty production of CBM till now and the monitoring of Government/DGH in this regard. In view of the past record the Committee are not convinced if the projected target for 12th Plan can be reached unless effective steps are taken to boost present CBM production including through application and import of new technology. The Committee, therefore, reiterate their recommendation and desire the Government/Oil PSUs to make an in-depth analysis of the reasons for scanty production from CBM reservoirs and take concrete and corrective

action including application and import of new advanced exploration technologies and technical knowhow, if necessary.

Recommendations (Sl. No.25, 26, 27 and 28 Para Nos.1.138, 1.145, 1.150 and 1.156)

32. The Committee in recommendations No.25,26,27 and 28 on development of alternate sources of oil and gas had made the following recommendations:-

1. The Government should complete the technical evaluation and make efforts to bring required technologies to extract methane from gas hydrates through collaboration with advance countries like USA & Japan.

2. The Government should make all out efforts to develop shale gas as source of alternate fuel and the areas or concern related to production of shale gas, i.e. environment impact of production of shale gas and need of huge quantity of water for fractionation of rocks should be addressed at the earliest.

3. The Government should fix a realistic time schedule for every stage of the Underground Coal Gasification (UCG) projects and monitor them regularly to prevent delays and consequent cost overrun in implementation of such important projects as UCG.

4. The Government should make sincere efforts to bring the technology of promoting hydrogen and transport fuel already developed in world and further R&D activities should not only be restricted to the trial of these technologies.

33. In their Action Taken Reply on the above recommendations the Ministry of Petroleum & Natural Gas have informed the Committee as under:-

1.The Resource assessment of gas hydrates in the KG and Mahanadi basins deep water areas by National Geophysical Research Institute (NGRI) and NIO (National Institute of Oceanography) are ongoing. The major challenge is gas hydrate programme is to develop technologies for production of methane from gas hydrate.

2. The MOPNG in consultation with MOEF and other agencies would decide on the best practices which can mitigate possible environmental issues like water management treatment and ensure water availability for usage in Shale gas

exploitation. The environmental regulations for shale gas field development and production would be put in place in consultation with MOE&F.

3. ONGC has signed an Agreement of Collaboration (AOC) with Skochinsky Institute of Mining, Russia on 25th November, 2004 for implementation of Underground Coal Gasification (UCG) project in India. Vastan Mine block in Surat district, Gujarat has been selected for UCG Pilot project. The Environmental clearance from Ministry of Environment & Forest has been obtained by ONGC. However, ONGC is awaiting the mining lease. Land acquisition process is in progress.

4. Planning Commission initiated Hydrogren Energy programme in 2003 to suggest policy initiatives, fiscal/regulatory and other measures for promotion of hydrogren as clean fuel with an aim to assist in developing specific projects with public-private partnership. Accordingly, National Hydrogen Energy Board (NHEB) under the Ministry of Non-conventional Energy Sources (MNES) with the involvement of TATA, Mahindra & Mahindra and Indian Oil Corporation, academia and research institutions with Secretary P&NG and Chairman, IOC as members, was set up.

34. Having carefully considered the Action Taken Replies of the Ministry on the recommendations of the Committee on development of gas hydrate, shale gas, UGC and hydrogen as alternate sources of oil and gas, the Committee feel that the various programmes are not progressing at the desired pace. Keeping in view the large potential of these resources in meeting the energy security of the country, the Committee desire the Government to make concerted efforts in a time bound manner to develop these resources. The Committee would like to be apprised of the concrete action taken by the Government in this regard.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No 1, Para No. 1.14)

The Committee observe that the Non-Plan Budget (2011-12) of Rs. 23676.20 crore of the Ministry of Petroleum and Natural Gas comprises mainly of subsidy for domestic LPG and PDS Kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North East Region and the setting up of Petroleum and Natural Gas Regulatory Board. This also includes provision of Rs. 20000 crore for compensation to Oil Companies for under recoveries on account of sale of sensitive petroleum products. The Committee are of the view that these Non-Plan demands of the Ministry of Petroleum and Natural Gas are in order and expect the Ministry to keep expenditure within the sanctioned Budget of the Ministry and they should follow all the instructions of the Ministry of Finance to effect economy in non plan expenditure.

REPLY OF THE GOVERNMENT

In so far as the Subsidy and Freight subsidy on Domestic LPG and PDS Kerosene are concerned, the expenditure is being incurred on these products as per provisions of the 'PDS Kerosene and Domestic LPG Subsidy Scheme, 2002' and 'Freight Subsidy (For Far-Flung Areas) Scheme, 2002'. The payment under these Schemes is made to the Public Sector Oil Marketing Companies (OMCs) namely, Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) on the basis of their subsidy claims. Under these Schemes, provisions of ` 3,050 crore and ` 26 crore have been made respectively for the year 2011-12.

Further, OMCs are incurring under-recoveries on the sale of sensitive petroleum products. Under the burden sharing mechanism, Government is partly compensating the under-recoveries through budgetary support. During the year 2010-11, the OMCs have incurred under-recoveries of ` 78,190 crore on the sale of sensitive petroleum products. To partly compensate these under-recoveries, Government has finally released ` 41,000 crore from budgetary support towards under-recoveries for the year 2010-11 including ` 20,000 crore from the Non-Plan budget sanction of the year 2011-12. The balance under-recoveries were met by upstream PSUs and downstream OMCs.

A subsidy at the rate of 40% of the price of Administered Price Mechanism (APM) gas is being provided for sale of APM gas in North East (NE) Region. The present price of APM gas, effective from June, 2010, is US$ 4.2/mmbtu less royalty. For N.E., subsidized rate is US$ 2.52/mmbtu. The difference would be paid to ONGC & OIL through Government budget.

A provision of Rs.461 crore was made for RE 2010-11. For BE 2011-12, Rs.564 crore has been made for grant of subsidy to OIL and ONGC.

The expenditure on account of subsidy does not exceed the sanctioned budgetary provisions.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 3, Para No. 1.16)

The Committee note that as per Economic Survey (2010-11), the budgetary support for the proposed scheme has been restricted to the extent of 50% of the total funds required and rest of the 50% would be drawn for the CSR funds of six major oil companies and OMCs namely ONGC, IOCL, BPCL, HPCL, OIL and GAIL. However, on this issues, Ministry of Petroleum and Natural Gas in their reply have informed that OMCs had advised that 20% of the CSR fund is to be contributed by them towards the scheme for release of new LPG connection to BPL families. The Committee hope that the remaining 30% will be contributed by other oil companies so that there will be no financial constraints in the implementation of the scheme.

REPLY OF THE GOVERNMENT

20% of Corporate Social Responsibility (CSR) funds would be borne by of six major Oil PSUs namely Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Oil and Natural Gas Corporation Limited (ONGC), GAIL (India) Limited and Oil India Limited (OIL) for extending one time financial assistance of `1400 to cover the security deposit for one LPG cylinder and one Pressure Regulator to Below Poverty Line (BPL) families for acquiring a new LPG connection. The remaining will be borne by the three oil marketing companies namely, IOC, BPCL and HPCL in the ratio of LPG connections released to BPL families by each company.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 5, Para No. 1.28)

The Committee are constrained to note that ONGC has failed to achieve oil production targets third time in a row with production declining from 25.37 MMT in 2008-09 and 24.67 MMT in 2009-10 to 24.42 MMT in 2010-11. While OIL which could achieve oil production targets in 2008-09 and 2009-10, it could achieve only 97% of production target in 2010-11. The main reason cited by ONGC is natural decline in base production as most producing fields of ONGC are aged and have surpassed their plateau production phase and are in natural decline phase. The rate of production decline from these old and matured fields is about 7-8% of production and in case of OIL the production was less mainly due to prolonged Shut down of Numaligarh Refinery Ltd. during its half of the year. The Committee have been informed that action taken by ONGC to offset decline from the matured fields by implementing of various IOR/EOR schemes and induction of State of Art technology in production enhancement and services taken of internationally renowned domain experts in this regard. Taking note of the initiatives taken by ONGC, the Committee desire that increased focus thereto be given so as to arrest the decline of oil production. The Committee are also unhappy at the loss of production due to prolonged shut down of Numaligarh Refinery Limited and desire that in future the company take timely action to prevent prolonged shutdown.

REPLY OF THE GOVERNMENT

ONGC

In order to arrest the decline of oil production and increasing the oil production, ONGC has taken several steps which inter-alia includes the following:

i. Improved oil recovery/enhance oil recovery schemes – under these projects, augmenting of production facility, drilling of additional infill wells, water injection, artificial lift optimization, etc., are undertaken.
ii. Technology induction in ONGC – installation of high volume lift pumps, tracer survey for water surveillance in water injection wells, use of cased hole, neutron logs, etc., have been implemented.
iii. New infrastructure projects – creation of surface facilities, laying of pipelines, revamping/upgradation of existing facilities are being undertaken.
iv. Implementation of marginal fields projects – ONGC has taken development of marginal fields in offshore areas which were not economical in the low crude oil price scenario earlier.

OIL

OIL has already taken action to enhance its crude oil storage capacity in the North East. The following projects are in progress in the district of Dibrugarh and Tinsukia in upper Assam to facilitate enhanced storage capacity of crude oil by OIL in future:

i. Construction of one Secondary Tank Farm (40,000 Kiloliters)
ii. Construction of 2(two) new Oil Collecting Stations - one at Barekuri (1800 Kiloliters) and other at Bhogpara (2700 Kiloliters).
iii. Creation of new facility at Intermediate Tank Farm, Tengakhat (40,000 Kiloliters)

Meanwhile, the Bongaigaon Refinery has also commissioned their Diesel Hydro Treater Unit in July, 2011. In the post commissioning scenario, it is expected that BRPL's crude storage and processing capability of Assam crude alone may be enhanced in case of necessity during unforeseen long shutdown of any Refinery in the North East.

<u>Numaligarh Refinery Limited</u>

In order to meet requirement of Auto Fuel policy, there was a need for Numaligarh Refinery Limited (NRL) to implement diesel quality upgradation project due to which NRL was shutdown. In view of the same, crude oil processing during the 1st quarter of 2010-11 was lower than expected. At present, normal crude oil processing is being carried out in Numaligarh Refinery.

Following representations from other oil companies and in view of anticipated crude containment problem in the North East region, NRL was advised to defer refinery shutdown by 15 days.

Thus, implementation of NRL's Diesel Quality Upgradation Project was re-scheduled. In addition to the above constraint, deferment of NRL's refinery shutdown led to shifting of project implementation into a period of unprecedented heavy rainfall resulting in a loss of additional 23 working days. Notwithstanding such compelling adversities, NRL succeeded in commissioning its primary Crude/Vacuum Distillation Unit (CDU/VDU) unit by 23rd May, 2010. The secondary processing Delayed Coker Unit (DCU) was brought on-stream on 10th June, 2010. The complex Hydrocracker Unit was commissioned on 21st June, 2010.

In view of foregoing, NRL's crude processing during the first quarter of 2010-11 was lower than expected for reasons beyond control of the Company.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 7, Para No. 1.30)

The Committee note that the various targets set for oil PSUs are finalized by a task force consisting of experts, representatives from Ministries and oil companies taking all relevant factors into account. After finalization of targets, MOUs are signed between oil PSUs and the Ministry. The Committee are however, constrained to observe that these targets which are fixed with great deal of exercise are not taken seriously by the companies and most of the targets set during the last 3 years are not fulfilled with reasons cited which are often repetitive in nature. The Committee are of the view that with signing of MOUs between companies and Ministry, it become a commitment on part of companies to adhere to the targets. Therefore, any underachievement should be viewed seriously by the Ministry and suitable periodical corrective action should be taken to prevent shortfalls.

The Committee, therefore, recommend the Ministry to impress on oil companies both NOC and private, the absolute necessity to achieve the targets set for them with all seriousness and undertake indepth analysis for the shortfall and corrective action taken thereto. In case of repeated shortfall, some penal action may be considered against the defaulter companies.

REPLY OF THE GOVERNMENT

The performance of NOCs is monitored through quarterly performance review meetings, Planning Commission and Department of Public Enterprises. In addition, Committee on Public Sector Undertakings (COPU) also monitors the performance of NOCs. The performance of Private/JV companies is monitored as per the provisions of the production sharing contracts.

Normally targets for crude oil and natural gas are set by NOCs and private/jv companies based on the optimal production potential of the reservoir, while adopting good reservoir practices suitable for the fields. The reservoir production behavior is dynamic in nature unlike the production from a manufacturing unit, where inputs, process and output are fairly controlled. Therefore, projection made for crude oil and natural gas production by E&P companies are the best possible estimates based on various technical parameters of reservoir. The achievement of targets is possible only when assumed conditions for reservoirs are fully met. In the situation when most of the producing fields are mature and at the stage of natural decline, the uncertainty in production projections also rises sharply. In the ageing oil & gas fields, maintaining crude oil & natural gas production is the challenge for the E&P companies. In addition, variation in demand of natural gas also affects the gas production, especially in Assam. The introduction of penal provisions for shortfall in the targets may result in making conservative projections rather than the ambitious and realistic targets by E&P companies.

The MOU parameters and targets in respect of Numaligarh Refinery Ltd. (NRL) (a subsidiary of BPCL), Chennai Petroleum Corporation Ltd. (CPCL) (a subsidiary of IOCL) and Mangalore Refinery & Petrochemicals Ltd. (MRPL) (a subsidiary of ONGC) are being finalized by the MOU Task Force constituted by the Department of Public Enterprises (DPE).

Oil & Natural Gas PSUs, including GAIL accord the highest priority to the MoUs signed with MoPNG. The top Management of the Oil & Natural Gas PSUs including, GAIL reviews MoU parameters on a monthly basis. The performance against the MoU parameters is also presented to MoPNG during the Quarterly Performance Reviews (QPR) meeting.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 10, Para No. 1.52)

The Committee note that during NELP IX round, 34 exploration blocks were offered out of which 8 blocks were in deepwater, 7 blocks in shallow water and 11 blocks in onland, 8 type S-onland blocks. In all 74 bids were received for 33 blocks against 34 blocks offered. Out of 74 bids so received, there were single bids for 14 blocks and double bids for 10 blocks. In so far as the single bids are concerned, ONGC, OIL, HPCL, GAIL, BRPL bid for 11 blocks and the remaining 3 were bid by other companies. The Committee are informed that ONGC and OIL together or individually put in bids for 29 blocks in all and 8 foreign companies participated in the bids. In all out of the 33 blocks for which bids were received, 20 have gone to the private sector and 13 to the public sector. In comparison during NELP VIII round, out of 41 blocks for which Production Sharing Contracts were signed, 27 went to the Public Sector Companies and 14 went to the Private Sector Companies. Thus, the Committee feels that as compared to 7th round, the bidding of Private Companies in ninth round of NELP has certainly improved. The Committee feels that though a level playing field is assured to all companies participating in NELP rounds, yet one of the main objectives of NELP is to attract investment from the foreign and private players to increase exploration and production activity. The Committee, therefore, desire that the Government, while striving for attracting investment in exploration through successive rounds of NELP, should also remain vigilant in stringently monitoring the implementation of the terms and conditions of contract for exploration work, capital expenditure pattern being undertaken by the contractor so that the vital national asset like crude oil and natural gas is explored, produced and delivered in the best interests of the nation.

REPLY OF THE GOVERNMENT

Under the Production Sharing Contract (PSC) regime, Government/DGH monitors and periodically reviews the progress of various exploration, development and production activities through Management Committee (MC). If Contractor fails to complete committed exploration MWP within the stipulated time, they are required to pay the cost of unfinished work programme as per the relevant PSC provisions and the prevailing Policy Guidelines in this regard. DGH also monitors the production performance of E&P companies as per provisions of PSCs.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 11, Para No. 1.53)

As regards blocks left out under NELP VIII, the Committee note that 24 deep water blocks were offered out of which bids were received for 8 blocks and were awarded. Explaining the reasons for not offering the remaining 16 blocks during NELP IX round, the Government has informed that these block fall in Kerala-Konkan and Andaman basins and these basins are frontier basins and there is less availability of data especially in Western part of Andaman basin. The Committee failed to understand as to why these blocks were offered in the first place when the required data were not available. While expressing their displeasure, the Committee recommends that the DGH should take more proactive role and develop-adequate data in respect of every basin by using the latest survey technology before carving out the blocks for offer Under NELP.

REPLY OF THE GOVERNMENT

It was ensured by DGH that all blocks offered under NELP-IX, had adequate data. Further, efforts are being made by DGH to acquire more data prior to offering blocks under bidding rounds.

**(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)**

Recommendation (Sl. No 12, Para No. 1.54)

The Committee have observed that a company with rig resources gets no extra weightage in awarding the blocks in deepwater and under the Technical Capability of Bid Evaluation Criteria for NELP-VIII and NELP-IX, maximum 2 points are earmarked for drilling of deepwater exploratory wells during last 5 years and is one of the seven Technical Capability parameters which assess the Technical Capability of the Operator for award of deepwater blocks. In view of the scarcity of rig resources particularly in deep water areas and its consequent impact on drilling operations of companies, the Committee would like the Government to include the availability of rig resources, owned or chartered, with a company during the past 5 years as an important criterion in awarding of blocks in accordance with the best practices followed in other Countries.

REPLY OF THE GOVERNMENT

Prior to the launch of each round of New Exploration Licensing Policy (NELP) bidding, various terms and conditions for bidding as well as PSC provisions are reviewed and fine tuned in consultation with all stakeholders. The criteria of availability of rig resources, as advised by the Committee, would also be examined and deliberated prior to firming up terms for future rounds of bidding.

**(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)**

Recommendation (Sl. No 14, Para No. 1.79)

The Committee note that ONGC has total of 88 rigs for onshore operations and 30 rigs for offshore operations. Out of the 36 offshore rigs, 27 are charter hired 9 are owned by ONGC. OIL have 10 in house and 5 charter hire drilling rigs for its operation in North East and one rig in Rajasthan and most of these rigs are operating for more than 20 o 30 years.

The Committee are given to understand that ONGC has plans to acquire 10 onshore and 4 offshore jack up rigs to augment its rig resources while OIL has initiated action for purchase f 3 drilling rigs for its in house operations. The

Committee note that the amounts spent on hiring drilling rigs for offshore operation by ONGC in 2007-08, 2008-09 and 2009-10 were Rs. 3550.59 crores, Rs. 6,243.39 crores and Rs. 8,493.68 crores respectively. While the charges spent on hiring of rigs for onshore operations for the said three years was Rs. 54.25 crore, Rs. 69.84 crore and Rs. 100.69 crores respectively. On the other hand, the proposed purchase price of 6 rigs in onshore and 4 rigs in offshore by ONGC was estimated at Rs.795.72 crores and Rs. 3539 crore respectively. In this regard OIL has not indicated the amount spent on hiring of rigs during the said three year period but indicated the budget estimate for 2 drilling rigs of 2000 1 Hp capacity as Rs. 270 crores and for 1 drilling rig of 700 HP capacity as Rs. 70 crores respectively. In view of the increasing participation of ONGC and OIL in various rounds of NELP and consequent need for increased drilling activity and also the frequent volatility of International oil market resulting in abnormal variation in charges for hired rigs, the Committee feel that it would be prudent for the National oil Companies (NOCs) participating in exploration of oil and gas to acquire as many rigs as possible as it would facilitate induction of new State of the art rigs, lessen the dependency on hired rigs and also enhance the hands on experience. The Committee, therefore, recommends that the NOCs should workout a perspective plan in this regard at the earliest to acquire self sufficiency of rig resources.

REPLY OF THE GOVERNMENT

ONGC

ONGC has plan of acquiring 10 land rigs (6 rigs for higher depth drilling capability and 4 mobile rigs for shallow depth drilling) to replace aging drilling rigs as well to augment the existing fleet of 68 ONGC owned land drilling rigs. In addition, construction of 4 Jack- up offshore rigs is also planned to maintain /augment existing 7 offshore jack-up rig fleet for meeting the exploration / development plan activities.

OIL

OIL has taken action for purchase of three Drilling Rigs as replacement for its three in-house rigs which have been written off from service. In addition to the existing 5 (five) Charter hire (CH) drilling rigs in operation, OIL has taken action to hire another rig to maintain the fleet of 6 (six) CH rigs in the north east. For NELP operation, OIL has initiated actions for hiring the services of two drilling rigs for its KG-basin block. Actions are also on hand for hiring of drilling rig for Mizoram and Karbi Anglong blocks in Assam. Oil has a firm drilling plan on three year cycle and same is monitored closely to avoid any idle rig time.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 15, Para No. 1.80)

The Committee note that idle rig months in respect of ONGC during the last three years i.e. 2007-08 to 2009-10 for ONGC was 55 months, 72.4 months and 94.3 months and amount lost consequently was Rs. 106 crores, Rs. 527

crore and Rs. 478 crore respectively. The reasons for such loss were waiting on weather/natural calamity, waiting on location/site which was mainly due to delay in land acquisition for the locations falling under ea garden. In the case of OIL, loss was explained in terms of idle rig days for he said three years for three categories of reasons such as environmental suffering of locational preparatory work for environmental reasons and non availability of charter hire rigs. The consequential financial loss was said to be Rs. 10.37 crore, Rs. 7.40 crore and Rs. 14.12 crore respectively for the years 2008-09, 2009-10 and 2010-11. The Committee are not convinced with the reasons such as waiting on locations/ ready site due to delay in land acquisition, bandhs etc. because they could be factored in advance in any plan for deployment of rigs for drilling operations. Advancing the same reasons year after year for idle rigs months/ days indicate absence of any systematic planning for enforcement of corrective measures to minimize such losses. The Committee, therefore, recommends that the NOCs take suitable corrective steps for efficient deployment of rigs in order to arrest the increasing trend of idle rig months / days and consequent financial losses in the years ahead.

REPLY OF THE GOVERNMENT

ONGC

Drilling rigs deployment plan is prepared by each work center based on the firm drilling location availability/likely availability. Land acquisition and subsequent preparation of approach road and civil works are taken up for all the planned locations for making the site ready for deployment of rigs. Generally, sufficient time window is kept for all the activities such as land acquisition and civil works, however, in some cases even after planning the locations well in time, the land acquisition process takes longer time than envisaged due to local and environmental factors which ultimately affect the availability of ready sites. In such situations, rig waits for deployment till completion of planned site or readiness of alternate drill-site. All out efforts are made to deploy the rigs for productive operations such as work over/ side tracking etc. to avoid waiting/idling.

OIL

OIL is following a long term perspective drilling plan and has set up regular monitoring system and up-gradation of the same based on the additional information, interpretation and analysis of acquired data. OIL is adopting the following steps to improve future drilling performance.

a) Drilling of High displacement Directional wells to overcome problems of delay in land acquisition and waiting for locations to the extent possible.
b) Continuation of horizontal well drilling to minimise land foot print on surface.
c) Reinforcement of constant monitoring and reviewing system of rig-deployment.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 17, Para No. 1.92)

The Committee also note with serious concern that utilization of plan outlay by OVL during 2009-10 was very less in different projects acquired by the company. Against the revised estimates of Rs.6620.85 crore in 2010-11, the actual utilization was only Rs.3259.70 crore up to 31.12.2010. The Committee are not convinced with the various reasons cited by the OVL such as less utilization in new project, drilling of less number of wells against the plan in Russia and delay in clearance from Environmental Authority of Colombia etc. for under utilization. The Committee recommends that Government /OVL should take all necessary steps to utilize the fund earmarked for the particular year and adopt prudent measures before finalization of plan outlay by taking into account all the possible factors so that funds earmarked for the purpose are fully utilized. The Committee would like to be apprised of action taken by the Government in this regard.

REPLY OF THE GOVERNMENT

At present OVL is operating in 33 Projects in 14 countries, out of which 11 Projects are directly operated by OVL and in which 10 Projects are exploratory in nature. Most of the Plan Outlay (more than 80%) is spent in producing assets and there is only one producing asset operated by OVL i.e. Imperial Energy, Russia. Sometimes, the Operators change the work programme and defer it at the fag end of the year due to various reasons over which OVL has limited control.

OVL Budget largely consists of the outlay on ongoing projects and a provision is made towards new acquisitions. There is fair degree of certainty about the outlays on the existing projects but utilization of budget on new acquisitions depends on so many factors including geo-political environment, level of competition, strategic importance of the assets to competitors, country risk perception and cost of capital etc. which are very unique to each investor and are equally difficult to predict. OVL acquired Imperial Energy and Carabobo 1 Venezuela projects during the year 2009 and 2010. However, OVL had been pursuing so may other opportunities during this period and at least one of them involving multi-billion Dollar investment was almost clinched but fell through largely because of geo political developments witnessed in Africa and Asia during the past few months. Similarly OVL had kept Budget provision in RE 2010-11 towards acquiring 25% stake in Satpaev block in Kazakhstan. However, the agreements for the said Asset could be signed in only 2011-12, so the utilization would get reflected in the year 2011-12 against year 2010-11 as originally envisaged.

In view of the preceding, it may be seen that budget utilization gets smoothened when viewed over medium to longer time horizons and as such OVL's utilization over medium term may be considered a more representative figure of OVL achievements. It may be mentioned that against the plan provision of Rs.36276 crore for first four years of 11th Five Year Plan, the funds utilised to the tune of Rs.31,276 crore. (86% of plan outlays).

Budget utilization is periodically reviewed at highest level within the company, to ensure better projection of budgetary requirements and improved utilization through closer monitoring of the performance and improvement of communication and coordination with Operators. It is hoped to further improve the position of Budget utilization in OVL.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 18, Para No. 1.97)

The Committee note that the PNGRB was set up by the Government on 1.10.2007 under the provision of PNGRB Act, 2006 with powers to regulate inter alia refining, processing, transportation, marketing and sale of petroleum and petroleum products in the downstream oil and gas sector. These powers of the Board don't extend to production of crude oil and natural gas. The Committee note with concern that the Board has not become fully functional as it is still trying to overcome the difficulties in the way of its establishment and stabilization. According to the Board, the main difficulties being faced in this process are the delayed notification of Section 16 of the Act which enable it to grant authorization for transportation of pipelines and CGD networks. The matter regarding notification of the Section is presently pending in the Supreme Court. Another problem is of getting required manpower with appropriate background and experience since the Board has not been given any flexibility to decide the number and nature of the manpower and their compensation packages. Therefore, the Board could not fill up 12 officer level posts out of the total 44 posts sanctioned by the Government. The third area of concern in the functioning of the PNGRB is about utilization of revenue generated by the Board by way of fee for grant of authorization for pipelines/CGD projects other charges etc. The Committee were informed that during the year 2008-09, 2009-10 and 2010-11, the PNGRB has received about ` 11.85 crore, ` 2.47 crore and ` 6.0 crore respectively towards application fee for grant of authorization etc. The Board has requested the Government to clarify whether it can utilize such revenue for its expenditure but there appears to be no confirmation on this point to the Board. Meanwhile, the Board is meeting its requirement of funds from grant-in-aid received from the Government. The Committee cannot but come to the inescapable conclusion that the above facts presently affecting the functioning of PNGRB present a sorry state of affairs for a Board entrusted with very significant regulatory duties in the down stream oil and gas sector. Besides, the Government is also considering amendment to the PNGRB Act to take away its safety related functions as the Board is thought to be saddled with too many functions. After giving careful consideration to all these aspects and the need for making the Board fully functional without further loss of time, the Committee recommend that the Government in consultation with PNGRB and other stake holders should resolve all the aforesaid problems and also make necessary amendment to the PNGRB Act, 2006 wherever required in a time bound manner to enable the Board to function effectively as an Independent statutory regulator.

REPLY OF THE GOVERNMENT

The Petroleum and Natural Gas Regulatory Board Act, 2006, notified by the Government on 03.04.2006 provides for setting up of a Petroleum and

Natural Gas Regulatory Board. The Act, inter-alia, provides for a legal framework for downstream gas sector regulation, as also for development of natural gas pipelines and city/local distribution network.

The Act (except Section 16) was brought into force w.e.f. 01.10.2007. Section 16 has also been brought into force w.e.f. 15.07.2010. The Board is in place and is functional.

Government sanctioned 44 posts including 4 posts of Advisors in PNGRB for smooth functioning of the Board. These posts and their pay scales were decided and requested to get them sanctioned by PNGRB.

Under the provisions of the relevant Regulations of PNGRB Act 2006, the Board is empowered to levy fee and other charges at such rates and in respect of such services as may be determined by Regulations. PNGRB has notified the Petroleum and Natural Gas Regulatory Board (Levy of Fee and other charges) Regulations, 2007 vide notifications dated 26.11.2007 and 07.06.2010. During the year 2008-09, 2009-10 and 2010-11, PNGRB received ` 11.85 crore, ` 2.47 crore and `6.0 crore respectively towards application fee for grant of authorization for pipelines/City Gas Distribution projects, other charges, sale of tender documents etc. As far as utilisation of revenue generation is concerned, it is being examined in consultation with Ministry of Finance.

The amendments being processed under the Act concern relevant rules in respect of Salaires, Allowances and other conditions of service of Chairperson, Members and Secretary, Annual Report, Payment of Compensation and Procedure for appointment of a person or Constitution of an Authority for conducting inquiry against Chairperson and Members. These amendments have no relation to safety related functioning of PNGRB.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 21, Para No. 1.117)

The Committee observe that in order to ensure effective & efficient operation & control of gas pipelines and uninterrupted supply of natural gas, dedicated captive telecom network has been implemented for providing voice & real time data communication facilities at all manned & unmanned remote pipeline locations of GAIL and with technological advancement from time to time, Optical Fibre Cable network was built along pipelines. The Committee were given to understand that GAIL having the advantage of right of way (RoW) and significant optic fibre assets along gas pipelines, was identified as one of the utility public sector companies as a potential infrastructure provider under the National Telecom Policy. The Committee further noted that GAIL has a reach of around 13027 km of OFC network along GAIL's reliable cross Country pipeline (5681 km) and state/national highway routes (7346 km), connecting around 150 town/cities. Additionally, implementation of new OFC network (totaling about 5200 km) has been envisaged along upcoming cross-Country pipeline networks. The Committee note that for profitability and diversifying their business, GAILTEL has started to lease out OFC infrastructure to various public/private telecom operators. However, the Committee noted that GAILTEL has leased out OGC infrastructure on short-term contracts to various customers so far sand no long term contract was given to any company. The Committee strongly feel that GAILTEL should not be seen as a mere leasing out entity rather it should try to take up the task by its own and complete it. Even if GAILTEL is required to go for leasing out, it should always try to go for the long term contracts, rather than opting for the short ones as duration of the contract is also a criteria for offering discounts by telecom vendors.

REPLY OF THE GOVERNMENT

The performance of GAILTEL business is being reviewed on regular basis by the management. Based on the deliberations & discussions, the actions for way forward are being decided and implemented. In the recent past GAILTEL has inked a couple of long term (10-15 years) infrastructure lease agreements with different telecom operators.

The Primary responsibility of GAILTEL is to provide reliable & adequate telecom facilities for real-time applications related to SCADA, ERP, office communications across GAIL's pipeline & plant locations (102 manned & 280 unmanned locations). Further, utilizing GAIL's telecom assets and manpower, GAILTEL is putting its best efforts for increasing the business, having focus on long term leasing of bandwidth & infrastructure. With the ongoing efforts, once the telecom business becomes self sustainable, the segregation of GAILTEL as a standalone subsidiary will be evaluated for consideration.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation Sl. No 22, Para No. 1.118

The Committee also feel that the revenue earned by GAILTEL during the last five years is not more than Rs. 28.60 crore and even the target set for financial year 2011-12 i.e. Rs. 8.25 crore is not very encouraging. The Committee are given to understand that the revenue generation form GAILTEL business has gone done due to intense competition as other companies have kept the rate below the rates approved by TRAI. The Committee also note that all the service providers are now creating their own infrastructure laying their own optical fibre cable. With the 3G licenses coming up GAIL hope that demand of optical fibre cable will increase as they need larger bandwidths with corresponding increase in revenue in future. Therefore, the Committee desires that since GAIL has entered into telecom business as infrastructure provider (IP-II) license, it should try to establish GAILTEL as a standalone subsidiary and enter into the telecom business with the advantage of Right of Way and significant optic fibers as an independent telecom operator. It would be not only competitive from market point of view but also increase revenue from its telecom business.

REPLY OF THE GOVERNMENT

The performance of GAILTEL business is being reviewed on regular basis by the management. Based on the deliberations & discussions, the actions for way forward are being decided and implemented. In the recent past GAILTEL has inked a couple of long term (10-15 years) infrastructure lease agreements with different telecom operators.

The Primary responsibility of GAILTEL is to provide reliable & adequate telecom facilities for real-time applications related to SCADA, ERP, office communications across GAIL's pipeline & plant locations (102 manned & 280 unmanned locations). Further, utilizing the GAIL's telecom assets and manpower, GAILTEL is putting its best efforts for increasing the business, having focus on long term leasing of bandwidth & infrastructure. With the ongoing efforts, once the telecom business becomes self sustainable, the segregation of GAILTEL as a standalone subsidiary will be evaluated for consideration.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 24, Para No. 1.130)

The Committee further observe that out of 33 blocks, Government has not yet issued Petroleum Exploration License (PEL) in 9 blocks viz RM(E)-CBM-2008/IV, ST-CBM-2008/IV, SP(NE)-CBM-2008/IV blocks, KG-CBM-2005/III operated by Geo Petrol, GV(N)-CBM-2005/III owned by coal gas in Jharkhand , Madhya Pradesh, Chhattisgarh and Andhra Pradesh respectively. The Committee recommend that the Ministry of Petroleum and Natural Gas and DGH should take proactive steps in consultation with State Governments concerned to ensure issue of Petroleum exploration Licenses expeditiously. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

For onland blocks, the final PEL is to be issued by the State Governments only. The recommendations for issuing of Petroleum Exploration License (PEL) for CBM blocks have already been sent by the Union Government to the respective State Governments.

(M/o Petroleum and Natural Gas
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CHAPTER III

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

NIL

CHAPTER IV

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

Recommendation (Sl. No 2, Para No.1.15)

The Committee note that a token provision of ` 1.00 crore each was provided in the Budget of 2010-11 and 2011-12 for the proposed plan scheme of providing free LPG connections to all eligible BPL families. While the details and modalities of the scheme are still under consideration of the Government, it is expected to release 35 lakh LPG connection to BPL families every year. The Ministry have informed the Committee that for the time being, the proposed scheme will be for one year (i.e. remaining year of the XI Five Year Plan Period) and its further extension for the XII plan period will be considered at appropriate state. Considering the importance of the scheme, the Committee recommend the Ministry to earnestly pursue with Government for early clearance of the scheme so that it is implemented at the earliest in the current year. The Committee further desire the scheme be extended for the next Five Year Plan till all eligible BPL families are covered under the scheme.

REPLY OF THE GOVERNMENT

The Corporate Social Responsibility (CSR) scheme has since been approved. It has been decided to utilize 20% of CSR funds of six major Oil PSUs namely Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Oil and Natural Gas Corporation Limited (ONGC), GAIL (India) Limited and Oil India Limited (OIL) for extending one time financial assistance of `1400 to cover the security deposit for one LPG cylinder and one Pressure Regulator to Below Poverty Line (BPL) families for acquiring a new LPG connection.

The Cabinet Committee on Economic Affairs (CCEA) considered MoP&NG's proposal in the matter on 01.12.2010. The CCEA directed that the scheme may be re-examined keeping in view the feasibility of its implementation and the financial cost thereof, in the medium and long term. Accordingly, the Scheme is under re-examination and the proposal is being finalized in light of comments received through Inter-Ministerial consultation, as directed by CCEA.

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Comments of the Committee

(Please see para 7 of Chapter-I)

Recommendation (Sl. No 6, Para No.1.29)

The Committee further note the significant shortfall in achievement of production target of gas by private/joint venture companies due to less number of producer wells drilled in D1 and D3 fields in KG D6 block in East coast against the approved field development plan resulting in less production. The Committee views it with serious concern and feels that DGH has not effectively monitored and took timely corrective action to ensure that approved targets are adhered to by the private companies. The Committee, therefore, desire DGH to be more proactive in monitoring implementation of various targets by private companies. The Committee would also like to know the penalty imposed on these companies for their failure to achieve the approved drilling targets.

REPLY OF THE GOVERNMENT

Under the Production Sharing Contract (PSC) regime, Operating Committee (OC) approved Annual Production Targets are being reviewed technically by DGH and subsequently being deliberated, reviewed and approved in Management Committee Meetings. Further, Production Performances are being monitored through review of daily, monthly production reports, conducting Technical Committee Meetings etc., wherein planned versus actual production status are discussed and remedial actions required, if any, are advised to the operator.

There are no specific penalty stipulations in Production Sharing Contract (PSC) in case of shortfall in achieving the production targets envisaged in either the approved Field Development Plan (FDP) or Annual Work Programme and Budget, except termination of the Contract. However, as a matter of project economics, operators will be interested in early realization of the investments made on development of oil and gas discoveries.

DGH has taken actions in case of D1 & D3 fields of KG-DWN-98/3 (KG-D6) block by asking the Operator to expeditiously drill wells in line with approved Field Development Plan (FDP) during the year 2011-12, which may help to revive the falling gas production from these fields. The issue has been deliberated at depth in various Technical Committee Meetings (TCM) and Management Committee Meetings (MCM). Further, well-wise performance analysis was also carried out by DGH to ascertain the reasons of decline in gas production from existing wells. The Operator has been asked to expeditiously drill, complete and connect required number of wells during 2011-12 in line with approved FDP to ensure that 31 producer wells are put on stream by April, 2012 as envisaged in the approved FDP and the FDP approved gas production rate of 80 MMSCMD is achieved. The Operator has since drilled 4 more development wells in D1 & D3 fields, which are yet to be completed and connected. These wells are in addition to the existing 18 producers (currently 15 on production and 3 shut-in due to water ingress/other problems) in these fields. The results of these newly drilled wells are being currently analyzed by the Operator.

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Comments of the Committee

(Please see para 14 of Chapter-I)

Recommendation (Sl. No 8, Para No. 1.37)

The Committee is concerned to note the unsatisfactory performance of public/private companies in respect of Minimum Work Programme (MWP) and consistent delay in achieving drilling targets in 3D Acquisition, Processing and Interpretation. The yearly review of exploration activities of ONGC and OIL by DGH shows that there has been significant shortfall during last 5 years (2006-11) in achieving MWP by both ONGC and OIL. The Committee notes the major reason for the shortfall was due to delay in drilling programme in various blocks owned by ONGC&OIL. The Committee observes that although DGH, a technical arm of the Ministry of Petroleum and Natural Gas have a strong monitoring mechanism involving relevant flow of information including periodical progress reports concerning fiscal, operational and related matters and carries out inspections and also holds review meetings with the Contractors and management from time to time, the upstream companies have failed to achieve MWP during the last 5 years. While expressing their displeasure, the Committee desires that Government/DGH should take necessary steps to ensure that these upstream companies expedite their exploration work and make sincere efforts towards at least completing the Minimum Work Programme assigned to them.

<u>REPLY OF THE GOVERNMENT</u>

The provisions of the Production Sharing Contract (PSC) signed under NELP, adequately provide for strict implementation of the terms and conditions of the contract. The performance of Exploration & Production activities are monitored as per the provisions of the PSC.

In so far as the exploration blocks operated by NOCs/Private Companies are concerned, under the Production Sharing Contract (PSC) regime, Government/DGH monitor and periodically reviews the progress of various exploration activities through the Management Committee (MC). If Contractor fails to complete the committed MWP within the stipulated time, they are required to pay the cost of unfinished work programme as per the relevant PSC provisions and the prevailing Policy Guidelines in this regard. There is also a provision of availing extensions of the exploration phases as per Extension Policy formulated by Government after the payment of Liquidated Damages (LD) to complete the MWP as per PSC provisions.

In case of Petroleum Exploration Licenses (PELs) for nomination areas under ONGC and OIL, half yearly review for all the areas are carried out by DGH, wherein, the performance on annual work programme for seismic data, drilling of exploratory wells and conversion / relinquishment of PEL areas, are also reviewed.

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Comments of the Committee

(Please see para 17 of Chapter-I)

Recommendation (Sl. No 9, Para No. 1.42)

The Committee observes that during 2009-10 against the Budget Estimates of Rs.2375.35 crore, the actual expenditure by OIL was Rs.1556.86 crore. Further, the actual expenditure by OIL during 2010-11 was only Rs. 1241.17 crore up to December, 2010 against the Budget Estimates of Rs. 4464.98 crore and the revised Estimates of Rs.4212.98 crore which comes to 27.8% utilization during the first three quarters. The reasons for downward revision of Plan outlays in 2010-11 by OIL have been attributed to deferment of 2D seismic survey in Rajasthan on account of prioritization of area for 3D seismic survey and prolonged rainy season and also due to cyclonic storming KG on-land block. Revision in drilling targets due to non-availability of chartered rigs, land acquisition problem, delayed movement of projects, and capital investments therein, etc. The Committee fail to understand as to why the reasons now cited by the Government could not be foreseen at Revised Estimate stage. The huge mismatch between the plan outlay and utilization by OIL during 2010-11, points towards systematic flaws in the planning and execution of work. The Committee also note from the outcome Budget document of Ministry that their Monitoring Cell independently monitors major projects being implemented by oil PSUs, covering all aspects from process design/ basic engineering right up to completion stage. It generates a monthly report which brings out the current status of implementation of various projects along with the reasons for delay, if any. Critical areas which can impact the progress are also analysed. The Committee are constrained to note that despite the strict monitoring by the Ministry there has been large under utilization of funds. The Committee, therefore, recommend that the Government/DGH strengthen their monitoring mechanism to make it more effective and take all necessary steps to ensure the Budget estimates of Rs.3180 crore for the year 2011-12 are fully utilized to achieve the set targets.

<u>REPLY OF THE GOVERNMENT</u>

During the year 2009-10, 150 GLKM of 2D survey in Karbi-Anglong could not be completed due to difficult logistics and poor law & order situation. 615 GLKM of 2D survey in Sadiya could not be completed as Seismic Contractor, M/s GT, Poland declared Force Majeure due to insurgency problem.

In Assam there was acute land acquisition problem, repeated environmental problem, down-hole problems, prolonged production testing of a few wells etc, extended drilling operation in a few deep exploratory wells etc., consumed more time than the planned, resulting the shortfall in Drilling targets. Drilling target could not be achieved due to unforeseen deep drilling (sub-surface) complication in several locations and prolonged production testing.

The target of Natural Gas Production and Sale could not be achieved due to prolonged & unplanned shut-down of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), Namrup in Assam, less withdrawal of gas by Lakwa Thermal Power Station (LTPS), Indian Oil Corporation- Assam Oil

Division (IOC-AOD), Assam Petrochemicals Limited (APL) and Less withdrawal by Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRUVNL) during the year 2009-10.

During the year 2010-11, in view of relinquishment of three NELP Blocks in Rajasthan and consequential delay in finalization of the contract for both 2D (560 GLKM) and 3D (1000 SQKM) could not be pursued. In KG Basin, delay in obtaining EC Clearance had left little dry weather window for pre monsoon work. Therefore prolonged monsoon caused delay in pursuing survey work in marshy and forest land. As a result planned target of 250 GLKM could not be met.

In order to supplement in-house drilling resources, 6 nos. charter hire drilling rigs were planned for deployment in Assam and Arunachal Pradesh throughout the year 2009-10, whereas 5 charter hire drilling rigs were available up to 4th Qtr. 2009-10 due to reasons beyond the control of the Company. Thus the planned drilling programme could not be fulfilled during the quarter. Surface and sub-surface problems like unprecedented rain caused flood in low lying areas, non availability of quarry material for plinth preparation, difficulties in movement of heavy oilfield vehicles coupled frequent bandh and blockades has disrupted the planned target of drilling. OIL could achieve only 120,800 meter against the target of 225450 meter.

NRL failed to uplift gas during the year 2010-11 as planned. The necessary infrastructure required for the same was ready by a third party namely M/s Assam Gas Corporation Ltd. (AGCL) only in March, 2011 and gas supply was commenced w.e.f. 15.3.2011. Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRUVNL*)* was defaulted in uplifting the committed quantity of gas of 278 Million Standard Cubic Metres Per Day (MMSCMD) during the July and August 2010-11. As a result actual withdrawal was 151 MMSCMD only, the shortfall being about 127 MMSCMD.

OIL made aggressive efforts for acquisition of an overseas exploration/discovered/producing acreages in order to realize early gains in equity oil and gas for the country. Accordingly, the company scouted and evaluated a number of discovered/producing properties during 2010-11 and pursued acquisition of some prospective assets. However, OIL faced difficulty in acquiring potential overseas assets due to aggressive competition and high premium on discovered and producing properties due to increase in international crude oil prices. Additionally, increased risks were perceived due to regional political conflicts and economic downturns in middle-east and African countries by the end quarter of the year. Despite best efforts of OIL, certain Merger and Acquisition/asset farm-in opportunities could not be materialized due to rejection of OIL's offer by the seller. Since the situation was beyond the control of the company, the projected outlay of Rs.2000 Crores earmarked for overseas acquisition at the time of finalization of Annual Plan 2010-11 could not be spent for the aforesaid reason.

As regards monitoring, OIL regularly monitors the physical and financial progress of Plan. In the 3rd week of every month OIL reviews through Video Conferencing with field headquarters, Assam where the major cost centers are located and decides remedial action for future.

DGH is regularly reviewing the work programme and progress of exploration activities of Petroleum Exploration Licenses (PEL) held by OIL awarded on nomination basis, on a half yearly basis vis-à-vis committed work programme. Presently, there are 11 active nomination PELs operated by OIL. Technical meetings are taken by DGH regularly to analysis the exploration activities of the nomination PELs, based on the data provided by OIL, and discuss ways to resolve various technical issues. In case of non fulfillment of committed work programme, appropriate actions are taken in line with the provisions laid down in PSCs.

Technical Committee Meetings (TCM) are also held, as and when required, to deliberate on technical issues related to the activities being undertaken in the respective blocks.

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Comments of the Committee

(Please see para 20 of Chapter-I)

Recommendation (Sl. No 13, Para No. 1.78)

The Committee note that in view of global shortage of drilling rigs and associated services, the Government announced a drilling moratorium of 3 years starting from 01.01.2008 to 31.12.2010 for 30 deep water blocks under the Production Sharing Contracts (PSC) regime signed up to NELP-V where drilling commitments (except for development drilling) were existing. Out of the 30 blocks for which moratorium was granted, 16 blocks belonged to ONGC, 13 to RIL and 1 to ENI. The Committee note with dismay that even after expiry of the rig moratorium policy on 31.12.2010, the ONGC has completed drilling commitment only in 6 blocks out of the 16 blocks and sought extension of time for 9 blocks. In the remaining 1 block the ONGC could not complete 5 appraisal wells and requested the Ministry/ DGH that the number of appraisal wells should be 1 instead of 6. The position in the case of RIL is equally dismal as it could complete drilling commitment only in 6 blocks out of 13 blocks and sought extension for 6 blocks. In the remaining block, RIL could not complete 1 appraisal well and represented to the Government that appraisal wells should be 1 instead of 2 as provided in the moratorium policy. Without going into the technicalities of the rig holiday policy and extension policy, the Committee feels that companies which enter into PSC for exploration activities should plan the requirement of rigs and their availability in advance instead of explaining such problems in terms of demand and supply for rigs due to volatility of international oil market. It is a fact that international oil market is subject to frequent volatility due to increasing gap between demand and supply besides other unforeseen circumstances leading to disruption. The companies which are required to complete minimum work programme under PSC should be made to comply with the set parameters in a timely manner instead of granting rig holiday or extensions on one ground or other. The role of the Government and DGH acquire great significance in this area. The Committee feel that policy of exploration should not allow the companies to drag on the exploration commitments unless there are exceptional and justified circumstances. The Committee, therefore, urges the Government to make an in-depth analysis of the policy framework in this regard to prevent such delays in order to achieve the objectives of NELP.

REPLY OF THE GOVERNMENT

Production Sharing Contracts have provisions for payment of cost of minimum committed work programme(MWP) by the contractors. The extensions are granted only on justified and exceptional situations such as – Rig moratorium for non availability of deepwater drilling rigs, excusable delays for delay in getting Statutory Clearances, Force Majeures, etc. In order to have uniform treatment to all operators, an extension Policy has been framed by the Government. There are provisions for granting extensions on payment of liquidated damages as per the Policy and Contractors are panelized for delays in completing the committed exploration MWP.

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Comments of the Committee

(Please see para 23 of Chapter-I)

Recommendation (Sl. No 16, Para No. 1.91)

The Committee appreciate the progress made by the ONGC Videsh Limited (OVL) from a meager production of just 0.253 Million Metric Tonne oil equivalent (MMTOE) in 2002-03, as OVL has come a long way and registered the highest ever production of 8.870 MMTOE oil and oil equivalent gas in 2009-10. The Committee find that C&AG in its report on purchase of Imperial Energy Corporation, Russia by OVL has revealed that all the wells drilled by OVL to produce oil are turning out to be dry and the company has reported to be running up a huge loss of Rs. 1182 crores due o unrealistic estimation of oil reserves. The Committee have noted that with reference to C&AG observation OVL has indicated that conclusion drawn by C&AG regarding OVL not being successful as an operator is not based on facts as 23 projects are still under exploration and exploration effort is 42% against the world wide average of about 36%. The Government have also stated that the exploration expenditure involves risk capital and cost of dry wells should not be considered as unfruitful expenditure as it proves or disproves the existence of hydrocarbons, therefore, expenditure incurred in survey and dry holes are investments for future. The Committee strongly feel that not only estimation of oil reserves was properly done but even the production potential and profile were not analysed which requires to be investigated. The committee desire that all those blocks owned by the OVL should be analyzed with latest technologies so that the production potential of these hydrocarbon reserves can be assessed properly and investment made in these blocks will not go in vain.

REPLY OF THE GOVERNMENT

OVL, as a standard practice, carries out in-house/ independent assessment of potential of the opportunity. Even when the seller provides its estimates, these are evaluated / revalidated by OVL either through in-house team and/or through independent technical experts before taking the decision on the acquisition of the asset/block.

OVL has deployed latest technologies such as multistage fracturing in long horizontal holes, in one or more layers in the tight formations, multilateral well in one of the field etc. for obtaining optimum production level. Efforts are continuing to identify sweet spots through seismic attribute analysis for placement of the wells.

OVL has noted the recommendations of Standing Committee and affirms that multi layer and more stringent evaluation procedure would be continuously followed.

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Comments of the Committee

(Please see para 26 of Chapter-I)

Recommendation (Sl. No 20, Para No. 1.106)

The Committee observe that the findings of the audit and inspection conducted by OISD indicate non-compliance of safety norms by oil installations which are of common nature and not specific to any oil company. In respect of refineries and gas processing plants, the deficiencies are related to lay out, fire fighting facilities and a few process hardware not conforming to norms in case of Oil Refineries, incomplete updation of Standard Operating Procedures, non-compliance of Risk Mitigation Measures as identified in the risk analysis. As regards the pipelines network, the Committee note that non-compliance was limited to a few Statutory Norms, standards/guidelines prescribed by OISD in case of old pipelines mainly in the areas of intelligent pigging, coating survey, work permit system etc., Incomplete updation of Standard Operating Procedures are generally found at oil installation which are not complied by the companies. The Committee also note with concern that there are deficiencies in maintenance and operation of fire-fighting system at marketing installations and onshore and offshore (exploration and production) wells of ONGC and OIL.In view of the recent accident which have taken place at Oil Installation like Jaipur and Mumbai, the committee recommend that Government should take necessary steps to strictly deal with non-compliance of safety norms by oil companies by fixing responsibility on service officers for all acts of omission and commission.

<u>REPLY OF THE GOVERNMENT</u>

Reports containing observations and recommendations of various periodic Safety Audits and inspection carried out by OISD for the oil installations are forwarded to Chairmen / Managing Director of the Oil companies for compliance. These recommendations of periodic Safety Audits and inspection carried out in OISD are complied by the industry in a time bound manner on priority. OISD also monitors implementations of these recommendations and follows up with industry closely.

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Comments of the Committee

(Please see para 29 of Chapter-I)

Recommendation (Sl. No 23, Para No. 1.129)

The Committee observes that so far CBM reserves of about 8.92 trillion cubic feet has been established in 5 CBM blocks and according to the Ministry of Petroleum and Natural Gas, the likely time requirement for full development to reach peak production level is generally 5 to 6 years from the start of development activities. The Committee, however, noted with concern that while 16 blocks were awarded to different companies by the end of 2nd round of CBM held in 2004, the commercial production of CBM has started only from one block i.e. Raniganj (South) in West Bengal operated by M/s GEECL in July 2007 and there is no additional production from any block during the last 4 year. The Committee further observes that cumulative production of CBM gas in 2010-11 was 36.19 MMSCM from April 2010 to February 2011, which is very insignificant in comparison to established reserves. The Committee are dismayed to not that even the minimum work programme for blocks like Raniganj East (West Bengal) entrusted to Essar Oil in 2002 is not completed. Similarly, Sohagpur (Chattisgarh), SP(E)CBM-2001 and SP(W) CBM-2001 are still at developmental stage even after total expenditure of Rs. 177.83 Crore with committed investment of Rs. 55.80 crore. The Committee also view with serious concern that as regards BK-CBM-2001/1 (Bokaro) awarded to ONGC in 2002, against the committed investment of Rs. 65.70 crore, the actual are Rs. 43.02 crore and the field development plan of the block is still under examination by DGH. The Committee further observes that ONGC has incurred a cumulative investment of Rs.591.27 crore in 9 CBM blocks awarded to it and only one block i.e. Jharia had witnessed incidental test production since 2002. While expressing their dissatisfaction over the very low CBM production in the country since the awarding of blocks in 2001, the Committee cannot but deplore the way the Government/DGH is monitoring the exploitation of CBM reserves in the Country. The Committee desires that Government/Oil PSUs to make an in-depth analysis of the reasons for scanty production from these reservoirs and take concrete and corrective action including application and import of new advanced exploration technologies and technical knowhow, if necessary.

REPLY OF THE GOVERNMENT

Currently, Raniganj South block in the state of West Bengal is on commercial production and other 4 blocks are at advance stages for production. By the end of 12th plan period, CBM production is projected at 4 MMSCMD in 2016-17 from the present level of about 0.23 MMSCMD in October 2011.

The operators have imported the equipment and hired the consultancy of foreign CBM experts on the need basis. Government has not put any restriction on import of new technology for CBM operations in the country.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Comments of the Committee

(Please see para 32 of Chapter-I)

Recommendation (Sl. No 25, Para No. 1.138)

The Committee are given to understand that there are huge prospects of reservoirs of gas hydrate in the Country and the total prognosticated gas resource from the gas hydrates is placed at 1894 TCM. The Committee notes that Government of India formulated a National Gas Hydrate Programme (NGHP) in 1997 for exploration and development of gas hydrates resources of the Country. The Committee further note that reconnaissance surveys which were carried out by DGH in the East Coast and Andaman Deepwater areas in 1997 deciphered the most promising areas for gas Hydrates and after establishing the presence of gas hydrate in the KG, Mahanadi & Andaman offshore deepwater areas of the Indian offshore and seeing the commercial nature of interest in the exploration & exploitation of Methane from Gas hydrates, the NGHP has adopted a strategy to concentrate on the KG deep water area of the Indian Offshore and to emphasize in the R&D of development of technology for the commercial exploitation of methane from gas hydrate. The Gas Hydrate have huge energy resource of gas i.e. one cubic metre of gas hydrates contains 164 cubic meter of methane.

In view of above, the Committee feels that Gas Hydrates as an alternate energy resource has great potential and research and development programme in this area should be intensified. Accordingly, the Committee understands that from 1997 to 2001, Government has already made an expenditure of about Rs. 212.94 Crores on delineation and resource estimation studies for the Gas hydrates. The Committee feel that there should have been a road map or time bound plan to at least evaluate gas hydrates both for its quantum and technical recovery in commercial quantity before going in for commercial production. The Committee desires that Government should complete the technical evaluation and make efforts to bring required technologies to extract methane from gas hydrates through collaboration with advance Countries like USA & Japan who are also into these research areas in time bound manner and investment should also be made on evolving or bringing required technologies to extract methane from gas hydrates reservoirs already identified in the Country.

REPLY OF THE GOVERNMENT

The production of methane gas from gas hydrate is at R&D stage world over. Even USA and Japan are not able to produce methane gas from gas hydrate on commercial scale. The national gas hydrate programme in the country is progressing in collaboration with foreign scientist and laboratories engaged in gas hydrate programme. DGH has already collaborated with the expert agencies like USGS, USDOE & USMMS (USA), SUGAR (IFM-GEOMAR, Germany) & JOGMEC (Japan).

Currently, the Resource assessment of gas hydrates in the KG and Mahanadi basins deep water areas by National Geophysical Research Institute (NGRI) and NIO (National Institute of Oceanography) are ongoing. The major challenge in gas hydrate programme is to develop technologies for production of methane from gas hydrate.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 26, Para No. 1.145)

The Committee has observed that currently shale gas is being commercially produced in USA constituting about 17% of total gas production of US and Canada and a few European countries have taken up Shale gas resource assessment/exploration activities. The Committee notes that the Government has initiated the process of Shale gas resource assessment and identification of prospective area for Shale gas exploration /exploitation such as drilling of horizontal wells, multi-stage hydro fracturing etc are available in the Country. The committee appreciates the fact that Government is making efforts to identify prospective reserves of shale gas in the Country and as part of the R&D Project ONGC has drilled a shale gas well in Ichapur area in Raniganj North CBM blocks in West Bengal. In view of this development, the Committee desires that the Government should make all out efforts to develop this native source of alternate fuel and the areas or concern related to production of shale gas, i.e. environment impact of production of shale gas and need of huge quantity of water for fractionation of rocks should be addressed at the earliest so that after making huge investments in term of money and efforts in the project would not go in vain due to these problems.

REPLY OF THE GOVERNMENT

Current status of Shale Gas activities in India are as under:

1. As per MOU between MOPNG & DOS, USA, resources assessment study is in progress. Two technical meetings have been held in January 2011 & May 2011 and third meeting is being planned in September 2011 wherein results of the studies will be deliberated.

2. Integration and identification of prospective area in Damodar valley is under progress by CMPDI.

3. Discussion on Shale Gas Policy is under way between MoPNG & DGH and views from ONGC, OIL & GAIL has also been taken.

4. DGH is in discussion with ONGC for analysis of data for identification of prospective area for 11 sedimentary basins for which processing of required approvals is underway.

5. DGH has collaborated in arranging a Conference/Workshop on Technology & Regulatory issues related to Shale Gas.

The MOPNG in consultation with MOEF and other agencies would decide on the best practices which can mitigate possible environmental issues like water management treatment and ensure water availability for usage in Shale gas exploitation. The environmental regulations for shale gas field development and production would be put in place in consultation with MOE&F.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 27, Para No. 1.150)

The Committee note that ONGC has signed an Agreement of collaboration (AOC) with Skochinsky Institute of Mining, Russia on 25th November 2004 for underground coal gasification which is valid till 24h November, 2011 and also signed MOUs with major coal/lignite companies of India viz. Coal India Ld. (CIL), Nayveli Lignie Corporation Ltd. (NLC), Gujara Mineral Development Corporation Ltd. (GMDC), Gujarat Industries Power Company Ltd. (GIPCL) etc. for Underground Coal Gasification (UCG) projects. The Committee understand that the project implementation envisages different stages from site selection to construction of UCG pilot o complete he project. In regard to statutory clearance the Committee are surprised to note that application for Mining lease which was filed by GIPCL (Gujarat Industries Power Company Limited) on November 16, 2006 to Ministry of Coal is still pending even after $4^{1/2}$ years and environmental clearance from the Ministry of Environment and Forest has been obtained only in the month of February, 2010. The Committee express their grave concern over poor implementation of the UCG projects and recommended that Government should fix a realistic time schedule for every stage of the UCG projects and monitor them regularly to prevent delays and consequent cost overrun in implementation of such important projects as UCG. The Committee would also like to be apprised of the action plans chalked out by the Government/NOC in this regard to put the pending UCG project on the fast track to achieve the projected targets.

REPLY OF THE GOVERNMENT

ONGC has signed an Agreement of Collaboration (AOC) with Skochinsky Institute of Mining, Russia on 25th November, 2004 for implementation of Underground Coal Gasification (UCG) project in India. Vastan Mine block in Surat district, Gujarat has been selected for UCG Pilot project. The Environmental clearance from Ministry of Environment & Forest has been obtained by ONGC. However, ONGC is awaiting the mining lease. Land acquisition process is in progress.

A number of sites were jointly identified by ONGC & Neyveli Lignite Corporation (NLC) for studying their suitability to UCG. These are Tadkeshwar in Gujarat and Hodu - Sindhari & East Kurla in Rajasthan. One more site was jointly identified by ONGC & Gujarat Mineral Development Corporation (GMDC) viz. Surkha in Bhavnagar Distt. , Gujarat. The data of all the fields have already been analysed for evaluating the suitability of these sites for UCG and all the sites have been found suitable for UCG. The projects will be taken up on the basis of learning curve from Vastan project.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 28, Para No. 1.156)

The Committee note that Ministry of Petroleum & Natural Gas has set up a Hydrogen Corpus Find (HCF) in 2004 for promoting hydrogen as transport fuel to accelerate the development and utilization of hydrogen energy. However not much headway has been made in production, storage and distribution of hydrogen except setting up of a dispensing station in New Delhi by IOC R&D in collaboration with Ministry of New and Renewable Energy and the demonstration project on use of Hydrogen CNG blends in Automotive vehicles after 7 years of initiation of the project. The Committee express their unhappiness that even after lapse of 8 years, no tangible progress has been made and, therefore, recommend that the Government should chalk out a plan to ensure that all the identified R&D projects are initiated and completed in a given time frame.

The Committee strongly urge the Government to make sincere efforts to bring the technology already developed in the world and further R&D activities should only be restricted to the trial of these technologies. Although the Government have stated that commercial utilization of Hydrogen and HCNG will depend upon the cost economics of hydrogen production, the Committee would also like to be apprised of the likely cost of production of hydrogen and at the same time desire that development of large scale photocatalystic processing modular reactors for Hydrogen production which are under progress by IOC R&D centre and Banaras Hindu University should be expedited at the earliest.

REPLY OF THE GOVERNMENT

Planning Commission initiated Hydrogen Energy programme in 2003 to suggest policy initiatives, fiscal / regulatory and other measures for promotion of hydrogen as clean fuel with an aim to assist in developing specific projects with public-private partnership. Accordingly, National Hydrogen Energy Board (NHEB) under the Ministry of Non-conventional Energy Sources (MNES) with the involvement of TATA, Mahindra & Mahindra and Indian Oil Corporation, academia and research institutions with Secretary P&NG and Chairman, IOC as members, was set up.

Steering Committee constituted by NHEB prepared a National Hydrogen Energy Roadmap for 2020 for the country and the same was approved by the NHEB. As per the road map, one million vehicles on Hydrogen will be plying on Indian road by 2020 besides generation of 1000 MW electricity through hydrogen fuel cell.In the light of the ongoing quest for use of clean energy and heightened interest taking place across the world on the use of hydrogen as future clean energy, the Ministry of Petroleum & Natural Gas (MOP&NG), Government of India created a Hydrogen Corpus Fund of Rs.100 crore in 2004 to facility the oil industry to work synergistically and in continuous coordination with reputed technology institutions to make headway in this frontier area. The break-up of contribution to the HCF was Rs.16 crore each by IOC, ONGC and GAIL, Rs. 6 crore each by BPCL and HPCL and Rs.40 crore by OIDB.

2.0 Prior to the formulation of new guidelines in June, 2009, the overall co-ordination of HCF was entrusted with IOC (R&D). While the HCF was managed by OIDB, two bodies were created, viz. a Technical Committee and the Steering Committee for reviewing and approving the R&D projects for funding under HCF. The Technical Committee comprised all the contributors to the fund as members. IOC (R&D) was the nodal body for receiving the project proposals for funding and through the Technical Committee identify the projects to be taken up. The recommendations of the Technical Committee was put up to the Steering Committee for approval.

3.0 In June, 2009, new guidelines were formulated by MOP&NG for projects to be taken up under HCF. Under this new guidelines, the existing Scientific Advisory Committee (SAC) on Hydrocarbons of MOP&NG will function as the Technical Committee. The procedure under the new guidelines is as under :

- Centre for High Technology (CHT), under MOP&NG, being the nodal agency, will receive and scrutinise all project proposals and put the same for review/approval by SAC. SAC will consider and recommend the proposals to the Steering Committee.

- CHT will obtain financial concurrence from OIDB for projects recommended by SAC.

- Proposals recommended by SAC and concurred by OIDB will be put up to the Steering Committee for approval.

- After approval by Steering Committee, CHT will sign MOU with the proposing company and OIDB shall disburse funds as per sanction issued by CHT.

- Steering Committee, under the Chairmanship of Secretary (P&NG), will review the progress of all on-going projects and other related activities from time to time.

4.0 Since the formulation of new guidelines, Hydrogen project proposals have been received from ONGC, HPCL, BPCL and GAIL also in addition to the two projects of IOC which were taken up under the old HCF guidelines. So far, 7 new projects related to production and storage of hydrogen have been approved for taking up under HCF since the formulation of new guidelines in June, 2009. The status of these projects are given below :

a. Hydrogen Generation by Thermo-Chemical Process by ONGC

The estimated cost of the project was Rs.1240 Lakhs with completion schedule of 60 months. The project was approved in July, 2009.

This project has been started in May, 2010 and expected to be completed by April, 2015.

b. Setting up of Hydrogen Dispensing Station and Demonstration of Hydrogen Vehicles during Common Wealth Games by IOC

The estimated cost of the project was Rs.800 Lakhs with completion schedule of 30 months. The project was approved in July, 2009.However, due to non-availability of land by DDA, this project could not be taken up and has been dropped.

c. Hydrogen Production from Natural Gas (Methane) by Catalytic Decomposition by HPCL and IIT-Delhi

The estimated cost of the project was Rs.51 Lakhs with completion schedule of 36 months. The project was approved in July, 2009.MOU of this project has been signed and project activities started in February, 2010. Expected completion by January, 2013.

d. Development of Large Scale Photo-catalytic Process using Modular *Re*actors for Hydrogen Production by Dissociation of Water / H_2S utilising Solar Energy by IOC (R&D) & BHU

The estimated cost of the project was Rs.70.62 Lakhs with completion schedule of 36 months. The project was approved in October, 2010. MOU has been signed on 20th Sept., 2011 and the expected completion is by Aug., 2014.

e. Hybrid-sorption Enhanced Steam Reforming for the Production of Hydrogen from Natural Gas by BPCL (R&D):

The estimated cost of the project is Rs.415 Lakhs with completion schedule of 36 months. The project was approved in October, 2010. MOU has been signed and project started in April, 2011. Expected completion by March, 2014.

f. Design and Construction of Metal-Organic Framework Materials with Tuneable Physical Properties for Storage of Hydrogen by HPCL &GitamUniv.,Visakhapatnam:

The estimated cost of the project is Rs.77.95 Lakhs with completion schedule of 24 months. The project was approved in October, 2010. MOU has been signed and project activities started in February, 2011. Expected completion by January, 2013.

g. An integrated approach for bio hydrogen production through combined dark and photo fermentative process by HPCL & TERI:

The estimated cost of the project is Rs.141.63 Lakhs with completion schedule of 24 months. The project was approved in October, 2010. MOU has been signed and project activities has been started in March, 2011.Expected completion by February, 2013.

5.0 As regards the cost of production of hydrogen, it will be possible to estimate the same only after the completion and outcome of the R&D projects referred under para 4.0 above. The typical cost of hydrogen production from refineries (through naphtha steam reforming) is around Rs.140/kg and through bio-route (from molasses/corn syrup/distillery waste) is between Rs.65-140 /kg.

6.0 As regards the development of photo-catalytic processing modular reactors by IOC (R&D) and BHU, all efforts are being taken to expedite the project and is expected to be completed within next 36 months.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Comments of the Committee

(Please see para 35 of Chapter-I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINALREPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No 4, Para No. 1.20)

The Committee noted that in the year 2009-10, the Government have incurred an expenditure of Rs.2770 crore under the "PDS Kerosene on Domestic LPG Subsidy Scheme 2002" whereby the Government is providing a subsidy of Rs.0.82 per litre on PDS Kerosene to Rs.22.58 per cylinder on Domestic LPG (at1/3rd level of the rate for 2002-03) to OMCs. However, the total under-recovery on domestic LPG alone during the year 2009-10 was Rs.14,257crore. As regards a proposal under consideration of the Government to restrict four cylinders during a year that can be given at subsidized rate to all consumers, the Committee strongly feel that to offset the huge losses made on account of subsidized domestic LPG cylinders, the Government may consider to do away with providing subsidized LPG to rich and affluent people having an income of more than Rs.6 lakh per annum including those holding constitutional posts, public representatives like MPs, MLAs/MLCs. The Committee are of the firm opinion that such an initiative by the Government will help to expand its subsidized LPG distribution to the rural people who are more in the need of this clean fuel. The Committee desired to be apprised of concrete action taken in this regard within a period of 3 months.

REPLY OF THE GOVERNMENT

Ministry of Petroleum and Natural Gas has submitted a proposal to Cabinet Secretariat for placing before the EGoM for consideration/approval.

The proposal is still under consideration of the Government.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

Recommendation (Sl. No 19, Para No. 1.105)

The Committee note that there is a serious overlap between OISD and PNGRB in so far as laying down of safety norms and standards are concerned. OISD which was set up by the Ministry of Petroleum and Natural Gas through a resolution in 1986 looks after safety in the entire hydrocarbon chain in upstream and downstream sector viz oil exploration and production, petroleum refining, petroleum marketing and distribution, pipelines and gas processing plants. On the other hand, the PNGRB which is a statutory body was set up on 01.10.2007 under the provision of PNGRB Act, 2006 and is empowered to lay down by regulations the technical standards and specification including safety standards relating to petroleum, petroleum products and natural gas, construction and operation of pipeline and infrastructure projects related to downstream sector. The Committee are also informed by the Ministry of Petroleum and Natural Gas that the PNGRB is saddled with too many functions and it would be prudent to strengthen OISD by granting statutory status. The proposal would enable the OISD to comprehensively address safety and technical standards and specifications for entire oil and gas sector. The Committee note with concern that the Government has not been able to visualize and sort out the issues of jurisdictional overlap between OISD and PNGRB when the Bill for setting up of the PNGRB was brought before Parliament. The Committee feel that it is not desirable to have two sets of bodies for regulating safety standards etc in the downstream sector. At the same time, the Committee are of the opinion that it is imperative to give OISD statutory status to enable the OISD to work effectively and independently in the area of safety standards and their enforcement in the entire oil and gas sectors because the OISD in its present form as an arm of the Ministry of Petroleum and Natural Gas with no statutory powers can't be expected to enforce the safety standards as vigorously as is desirable. Though more than $3^{1/2}$ years have elapsed from the date of setting up PNGRB, the Government is still in the process of consultation or consideration on giving statutory status to OISD and making necessary amendments to the PNGRB Act, 2006. Considering the need and urgency for maintenance of uniform and effective standards in oil and gas sector in India, the Committee recommend that the Government should bring suitable legislation to give statutory status to OISD without further delay.

REPLY OF THE GOVERNMENT

With respect to giving Statutory Status to OISD, following are mentioned :

(i) To enforce Safety in offshore – Exploration and Production activities, Government has already designated Oil Industry Safety Directorate (OISD) as the Competent Authority to exercise the power and functions as stipulated in the Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008 which were notified in June'2008.

(ii) Empowerment of OISD with statutory status is already under active consideration of MoP&NG. In the meantime the proposal from Ministry of Commerce and Industry – DIPP (Department of Industrial Policy & Promotion) regarding transfer of work from PESO (Petroleum and Explosive Safety Organisation) was received by MoP&NG. Considering all aspect, it has been decided in principle to transfer work related to Petroleum Act / Rule from PESO to OISD. In this regard a Committee has been constituted with members from MoP&NG, DIPP, PESO, OISD and Oil Marketing Companies. The Committee is going through the details in consultation with PESO with regard to precise tasks that need to be transferred, legal aspects, identification of functions that are redundant and list of amendments required in various Acts & Rules and adequate strengthening of OISD in view of new responsibilities.

(M/o Petroleum and Natural Gas
OM. No. G-25015/6/2011 Fin-1 dated 16.11.2011)

New Delhi;
December, 2011
Agrahayana, 1933 (Saka)

ARUNA KUMAR VUNDAVALLI,
Chairman,
Standing Committee on Petroleum and Natural Gas

Annexure-I

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2011-12)

FOURTH SITTING
(20.12.2011)

The Committee sat on Tuesday, the 20th December, 2011 from 1500 hrs. to 1700 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2. Shri Vikrambhai Arjanbhai Madam Ahir
3. Shri Badruddin Ajmal
4. Shri Ramesh Bais
5. Shri Sudarshan Bhagat
6. Shri Sanjay Singh Chauhan
7. Smt. Santosh Chowdhary
8. Shri Mukeshkumar Bheravdanji Gadhvi
9. Shri Dilipkumar Mansukhlal Gandhi
10. Dr. Thokchom Meinya
11. Shri Mahabal Mishra
12. Shri Kabindra Purkayastha
13. Shri M.B. Rajesh
14. Shri C.L. Ruala
15. Shri Uday Pratap Singh
16. Shri Thol Thirumaavalavan

Rajya Sabha

17. Smt. Gundu Sudharani
18. Dr. Prabha Thakur

Secretariat

1. Shri A.K.Singh - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri Sanjeev Kumar Mishra- - Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri G.C. Chaturvedi	-	Secretary
2.	Shri. Sudhir Bhargava	-	Addl. Secretary
3.	Shri. Vivek Kumar	-	Joint Secretary (M)
4.	Shri. Neeraj Mittal	-	Director

Representatives of Public Sector Undertakings and other organisations

1.	Shri B.C. Tripathi	-	CMD,GAIL
2.	Shri R.K. Singh	-	CMD, BPCL
3.	Shri N.M. Bora	-	CMD, OIL
4.	Shri R.P. Watal	-	Secretary PNGRB
5.	Ms. Nishi Vasudeva	-	Director (Mkt.), HPCL
6.	Shri K.S. Jamestin	-	Director (HR), ONGC
7.	Shri M. Ravindran	-	MD, IGL
8.	Shri V.C. Chittoda	-	MD, MGL
9.	Shri A.K. Balyan	-	MD, PLL
10.	Shri V.K. Kaul	-	GM (Gas), IOC

2. At the outset, the Committee took up for consideration the following Report and adopted the same without any modification:

(i) *** **** **** **** **** **** ***** ****

(ii) Action Taken by the Government on the recommendations contained in the 8th Report (15th Lok Sabha) on Demands for Grants (2011-12) of Ministry of Petroleum and Natural Gas.

3. The Committee also authorised the Chairman to finalise the Report after making 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.

4. *** **** **** **** **** **** ***** ****

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

The Committee then adjourned.

***Matter not related to the subject**

Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SECOND REPORT (FIFTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2011-12) ON 'DEMANDS FOR GRANTS (2011-12) OF THE MINISTRY OF PETROLEUM AND NATURAL GAS'.

I	Total No. of Recommendations	28
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1, 3, 5, 7, 10, 11, 12, 14, 15, 17, 18, 21, 22 and 24)	14
	Percentage to Total	50%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's Reply (Vide Recommendations at Sl. Nos. NIL)	NIL
	Percentage of Total	Nil
IV	**Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee** (Vide Recommendations at Sl. Nos. 2, 6, 8, 9, 13, 16, 20, 23, 25, 26, 27 and 28)	12
	Percentage of Total	43%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. Nos. 4 and 19)	2
	Percentage of Total	7%