11

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

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2012-13)

ELEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2012/ Vaisakha, 1934 (Saka)

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CP&NG No. 11

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

(FIFTEENTH LOK SABHA)

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DEMANDS FOR GRANTS (2012-13)

Presented to Lok Sabha on 27.4.2012

Laid in Rajya Sabha on 27.4.2012

LOK SABHA SECRETARIAT
NEW DELHI

April, 2012/ Vaisakha, 1934 (Saka)

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(2011-12)

Shri Aruna Kumar Vundavalli - Chairman

Members

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
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25 Dr. Prabha Thakur

26 Prof. Ram Gopal Yadav

$27 Shri Sabir Ali

#28 Shri Pankaj Bora

*29 Shri Kalraj Mishra

@30 Shri Tapan Kumar Sen

@31 Shri Vijay Kumar Rupani

SECRETARIAT

1.	Shri A.K.Singh	Joint Secretary
2.	Smt. Anita Jain	Director
3.	Shri H.Ram Prakash	Deputy Secretary

#Nominated to the Committee w.e.f. 3.1.2012
$ Re-nominated to the Committee w.e.f. 21.12.2011
*Ceased to be Member of the Committee consequent upon his resignation from Rajya Sabha w.e.f. 21.3.2012
@Ceased to be Member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 2.4.2012
and Shri Silvius Condpan ceased to be Member of the Committee consequent upon his demise w.e.f. 10.10.2011

(v)

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 Eleventh Report on 'Demands for Grants (2012-13) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2012-13) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 22nd March, 2012.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 3rd April, 2012. The Committee considered and adopted the Report at their sitting held on 25th April, 2012.

4. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants (2012-13) of the Ministry and for giving evidence before the Committee.

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

New Delhi;
26 April, 2012
6 Vaisakha, 1934 (Saka)

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

REPORT
PART I

INTRODUCTORY

Efficient and reliable energy supplies are a precondition for accelerating the growth of the Indian economy. While the energy needs of the country are going to increase at a rapid rate in the coming decades, the energy resources that are indigenously available are limited and may not be sufficient in the long run to sustain the process of economic development. The Ministry of Petroleum and Natural Gas is mandated to take measures for exploration and exploitation of petroleum resources including natural gas, coal bed methane and other alternate Energy sources and also distribution, marketing and pricing of petroleum products.

1.2 The Hydrocarbon sector plays a vital role in the economic growth of the country. It is necessary to have a long term policy framework for the development of the hydrocarbon sector in order to meet the future needs of the country. The Hydrocarbon Vision-2025, prepared by this Ministry lays down the framework, which guides the policies relating to the hydrocarbon sector.

1.3 The Vision Statement as envisaged in the Hydrocarbon Vision 2025 includes the following:

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

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

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

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

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

1.4 The following thrust areas have been identified in 12th Plan for overall development of E&P industry:

- "Shale Gas exploration
- National Data Repository & implementation of Open Acreage Licensing Policy
- Intensifying exploration in non-producing basins
- Level playing field to E&P companies
- Faster development of hydrocarbon discoveries
- Optimize recovery from ageing oil & gas fields
- R&D efforts and feasibility to understand the potential of Oil Shale"

1.5 The activities of the Ministry are carried out through the following 8 public sector undertakings, 8 subsidiaries and other companies and 7 other organizations.

Oil companies where Government of India has a shareholding

1.	Oil & Natural Gas Corporation Limited (ONGC)	74.14%
2.	Indian Oil Corporation Limited (IOCL)	78.92%
3.	Hindustan Petroleum Corporation Limited (HPCL)	51.11%
4.	Bharat Petroleum Corporation Limited (BPCL)	54.93%
5.	GAIL (India) Limited	57.93%
6.	Engineers India Limited	80.40%
7.	Oil India Limited (OIL)	78.43%
8.	Biecco Lawrie & Co. Limited	99.57%

Subsidiaries and other companies

1.	ONGC Videsh Limited (OVL)	Wholly owned by ONGC
2.	Mangalore Refinery & Petrochemicals Limited	Subsidiary of ONGC
3.	Bharat Petro resources Limited	Subsidiary of BPCL
4.	Chennai Petroleum Corporation Limited (CPCL)	Subsidiary of IOCL
5.	Numaligarh Refineries Limited (NRL)	Subsidiary of BPCL
6.	Certification Engineers International Limited	Wholly owned by EIL

7. EIL Asia Pacific Sdn. BHD — Wholly owned by EIL
8. GAIL Gas Limited — Wholly owned by GAIL

Other organizations

1. Oil Industry Development Board (OIDB)
2. Petroleum Conservation Research Association (PCRA)
3. Oil Industry Safety Directorate (OISD)
4. Centre for High Technology (CHT)
5. Petroleum India International (PII)
6. Directorate General of Hydrocarbons (DGH)
7. Rajiv Gandhi Institute of Petroleum Technology (RGIPT)

A. ANALYSIS OF DEMANDS FOR GRANTS (2012-13)

1.6 The budgetary allocations made in respect of the Ministry of Petroleum and Natural Gas for the fiscal year 2012-13 are as under:-

(in Rs. Crore)

	Plan	**Non-Plan**	**Total**
Revenue Section	42.00 (i) 41.00 crore for RGIPT (ii) 1.00 for one time assistance for LPG connections to BPL families	43716.85 Secretariat Economic Services (3451)- 21.79 Petroleum (2802)-43695.06	43758.85
Capital Section	1.00 For ISPRL for filling crude oil in the storage cravern.	-	-

(i) Plan allocations

1.7 The Plan Budget of the Ministry in 2012-13 comprises a sum of Rs. 41 crore as plan support towards setting up of Rajiv Gandhi Institute of Petroleum Technology (RGIPT) at Jais, Rae Bareilly; a token of Rs. 1 crore has been provided for the plan scheme under formulation, for providing one time assistance of Rs. 1400/- per connection to BPL families towards security deposit for the cylinder and regulator, proposing to cover as many as 70 lakh BPL families who have SKO ration card but are not using LPG at present and a token of Rs. 1 crore has been provided for Indian Strategic Petroleum Reserves Ltd. towards cost of filling the cavern storage with crude oil.

RGIPT

1.8 The funds allocated and utilization of the grant for the scheme as provided by the Ministry are as under:

'Scheme	**2009-10**			**2010-11**			**2011-12**		
	BE	**RE**	**Actual**	**BE**	**RE**	**Actual**	**BE**	**RE**	**Actual up to Dec., 2011**
Rajiv Gandhi Instt. of Petroleum Technology	25.00	25.00	25.00	36.00	36.00	19.38	39.00	39.00	0.00"

1.9 Observing the Nil utilization of Plan BE amount of Rs. 39 crores by RGIPT during 2011-12, the Committee enquired about the reasons thereof and reasons for requesting the enhanced grant of Rs. 41 crore in Budget 2012-13 the reply stated as under:

> "Due to various reasons, the progress of the project work was slow during 2011. With the increased site activities, the expenditure level has picked up and an amount of approx. Rs.28 crores has been spent during the year 2011-12. The utilization level during the first quarter of 2012-13 is expected to be higher.
>
> RGIPT's Project Management Consultant, EIL, has now projected partial completion of the campus by April 2013 and the overall completion by December 2013. Accordingly, several contract works have been lined up involving substantial amount of commitment. Accordingly, the project expenses during 2012-13 are expected to be high absorbing the plan assistance of Rs 41 crores to RGIPT.

1.10 When the Committee asked for the status update of the project, the Ministry submitted the following:

> "Commencing its academic activities from 2008 at Rae Bareli, RGIPT, it has successfully entered into the fourth year of operation. Apart from two B. Tech and one MBA programmes, RGIPT has also launched one M.

Tech programme. Two MBA batches have completed their programmes in 2010 & 2011 and most of the students have got job placement. The first B. Tech batch will pass out this year.

RGIPT needed approx 140 acres of land for construction of its own campus at Jais located about 25 km from Rae Bareli. 90 acres of land were planned to be procured through acquisition process by UP State Industrial Development Corporation. While the matter was under consideration of State Government, during 2011 the administrative jurisdiction of Jais was changed from Rae Bareli district to Chatrapati Shahooji Maharaj district and the process had to be started all over again. However, the acquisition process has not progressed despite regular follow up by RGIPT/MoP&NG.

RGIPT had purchased approx. 48 acres of land at Jais from Indian Oil Tanking Ltd and it was decided to start the phase 1 construction of the campus facilities at Jais. Accordingly, the Project Management Consultant, Engineers India Ltd after initial site survey has prepared the project plan and the major civil structural work was awarded. After the environment and pollution control clearances, the work actually started in August 2010. However, there were certain site related issues including agitation by the local villagers asking for a passage across the project site which delayed project. There were also resource mobilization problems faced by the Contractor. EIL has now projected partial completion of the campus by April 2013 and the overall completion by December 2013.

The project expenses have picked up and for the period from 1st April, 2012 to 31st March, 2013 EIL has projected substantial amount of cash flow (over Rs.200 crores) requirement to meet the fresh commitment as apart from the on-going major civil work, there are several other contract works for Finishing and Facade, Electrical etc being awarded in order to complete the campus project. Therefore, the budget provision during 2012-13 will be fully utilized".

LPG connections to BPL Families

1.11 In order to provide an incentive to the BPL population in rural areas to shift to LPG usage, Ministry under its scheme LPG for BPL families had advised six major oil companies namely, Oil & Natural Gas Corporation Limited (ONGC), Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Oil India Limited (OIL) and Gail India Limited (GAIL) to utilize 20% of their Corporate Social Responsibility (CSR) funds for two schemes i.e. (i) 15% for release of one time grant of ` 1400 to a BPL household for release of a new LPG connection and (ii) 5% for provision of Common LPG Kitchen facilities in villages.

1.12 However, as the off-take of expenditure on the Scheme relating to Community Kitchen was rather low, in partial modification, Ministry had advised these six major oil companies to utilize entire 20% CSR funds for the Scheme for release of one time grant of ` 1400 to a BPL household for release of a new LPG connection.

1.13 Under this scheme, the BPL card holder can register his request with the distributor for release of new LPG connections. The distributor prepares a list of BPL card holders who have registered for the release of security deposit free connections under the CSR scheme and sends it to the local administration for authentication. Intimation letters are dispatched to the list of beneficiaries by the distributor only after receipt of authenticated list of beneficiaries. The scheme has also been extended for the year 2012-13, 2013-14 and 2014-15". (Reply to Q. 32 (i) and (iv))

1.14 In this connection, the Committee enquired about the number of BPL families covered under this scheme since its inception, the Ministry furnished the following data:-

> "As on 01.01.2012, 73,213 BPL families have been covered under the CSR scheme, since its inception. The year-wise and State-wise details are as follows:

Sl. No.	State/UTs	Number of LPG connections released during 2009-10	Number of LPG connections released during 2009-10	Number of LPG connections released during April, 2011 to December, 2011
1.	Andhra Pradesh	0	0	1012
2.	Arunachal Pradesh	0	0	0
3.	Assam	0	0	0
4.	Bihar	0	333	2
5.	Chhattisgarh	0	0	29
6.	Gujarat	0	0	0
7.	Haryana	0	0	0
8.	Himachal Pradesh	0	0	0

9.	Jammu & Kashmir	0	0	0
10.	Jharkhand	0	5	4
11.	Karnataka	0	0	0
12.	Kerala	0	0	0
13.	Madhya Pradesh	0	150	2026
14.	Maharashtra	0	185	1741
15.	Manipur	0	0	0
16.	Meghalaya	0	0	0
17.	Mizoram	0	0	0
18.	Nagaland	0	0	0
19.	Odisha	0	0	0
20.	Punjab	0	0	0
21.	Rajasthan	0	3446	4237
22.	Sikkim	0	0	0
23.	Tamil Nadu	0	0	0
24.	Tripura	0	0	0
25.	Uttar Pradesh	0	54788	5255
26.	Uttarakhand	0	0	0
27.	West Bengal	0	0	0
28.	Andaman & Nicobar	0	0	0
29.	Puducherry	0	0	0
	TOTAL	**0**	**58,907**	**14306”**

1.15 Considering the meager allocation of token amount of only Rs. 1 crore in BE 2012-13, when asked about the allocation and utilization details of funds providing for one time assistance of Rs. 1400 per LPG connection to BPL families, the Ministry apprised the Committee as under:

> “The proposal regarding release of one time grant for BPL families for release of new LPG connection was submitted by the Ministry of Petroleum and Natural Gas vide Note dated 15.11.2010 and the same was considered by the Cabinet Committee on Economic Affairs (CCEA) in its meeting held 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, a revised Note is under process.
>
> However, as on 01.01.2012, Public Sector Oil Marketing Companies (OMCs) namely Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) have utilized 10.04 crores from their Corporate Social Responsibility (CSR) funds, for release of new LPG connection to BPL families”.

1.16 However, in this regard, Secretary, Ministry of Petroleum and Natural Gas has deposed before the Committee that internal consultation in this regard has been completed and they are hopeful for it being taken up in Cabinet soon.

(ii) <u>Non Plan allocations</u>

1.17 The Non Plan Budget (2012-13) of Rs.43716.85 crore of the Ministry comprises mainly of Rs. 21.79 crore for Secretariat Economic Services and Rs. 43695.06 crore for petroleum. The allocation under head petroleum 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, Society for Petroleum Laboratory & Incentive Scheme for direct transfer of subsidy in cash for PDS kerosene beneficiaries to States/UTs. This also includes provision of Rs. 40,000 crore for compensation to Oil Companies for under recoveries on account of sale of sensitive petroleum products.

1.18 The following statement shows the details of non plan expenditure incurred/proposed by the Ministry of Petroleum and Natural Gas for various items during 2010-11, 2011-12 and 2012-13:-

(Rs. in crore)

Heads	**Actual 2010-11**	**BE 2011-12**	**RE 2011-12**	**BE 2012-13**
Subsidies for PDS kerosene and domestic LPG	2904.25	3050.00	3000.00	3050.00
Freight Subsidy on PDS kerosene and domestic LPG for far flung areas	22.32	26.00	23.00	26.00
Subsidy to Oil Companies for supply of Natural gas to North Eastern Region	444.73	564.00	458.00	504.00
Petroleum and Natural Gas Regulatory Board	7.50	14.00	10.48	13.14
Society for Petroleum Laboratory	1.60	1.60	1.47	1.92
Payment to Oil marketing	35000.00	20000.0	65000.00	40000.00

companies as compensation for under recoveries on account of sale of sensitive petroleum products				
Incentive Scheme for Direct transfer of subsidy in cash for PDS kerosene beneficiaries to States/UTs	00	00	00	100
Total	**38380.4**	**23655.6**	**68492.95**	**43695.06**

B. EXPLORATION ACTIVITIES

1.19 Oil and Natural Gas Corporation Limited (ONGC) and Oil India Limited (OIL), the two National Oil Companies (NOCs), as well as private and joint venture (JV) companies are engaged in the exploration and production (E&P) of oil and natural gas in the country.

1.20 The committee have been informed that Directorate General of Hydrocarbons (DGH) has been carrying out various Geo-Scientific Surveys like Reconnaissance Survey, Joint Venture Speculative Survey Offshore, Speculative Surveys, Seismic Survey, Integrated Geophysical Survey and Gravity-Magnetic Survey and Other Geophysical Survey in different basins in onland and offshore area, including deepwater area.

1.21 The Ministry further informed that the data generated by the above surveys is being utilized by DGH for carving out of exploratory blocks to offer the same in NELP bidding rounds and so far, about 47.4 % of the total sedimentary area of about 3.14 Million Square Kilometer has been awarded through nine rounds of NELP bidding with the award of 248 exploration blocks.

1.22 When the committee wanted to know as to whether this progress is as per the Hydrocarbon vision of the Government, the Ministry stated as under:

> "India Hydrocarbon Vision (IHV) 2025 document envisages appraisal of the Indian sedimentary basins to the extent of 25% by 2005, 50% by 2010, 75% by 2015 and 100% by 2025.

Out of the total sedimentary area of about 3.14 Million Sq. Km, so far area awarded for exploration on Nomination basis as well as through various rounds of Pre-NELP and NELP bidding is about 2.217 Million Sq. Km (70.6%). Out of these, area awarded in nine rounds of NELP bidding held so far is about 47.4% of the total sedimentary area in the country.

During 12th Plan Period (2012-17), exploration area of the order of 0.396 million sq. km. is likely to be awarded through competitive bidding process, either through NELP or Open Acreage Licensing Policy (OALP) route. This will bring exploration coverage to about 83% of the total sedimentary area by the year end of 12th Five Year Plan i.e.2016-17. Hence, it may be seen that the progress made in this regard so far is more or less in line with the IHV 2025 document."

1.23 Asked about the details of targets and achievements of ONGC and OIL in respect of acquisition of 2D and 3D seismic data and drilling of exploratory and developmental wells during 2009-10, 2010-11 and 2011-12 and the reasons for shortfall. The Committee were apprised as under:-

"ONGC

The details of targets and actual performance of ONGC for 2D & 3D seismic data and drilling of exploratory & development wells vis-à-vis actual achievements for the last three years i.e. 2009-10 & 2010-11 and the current year 2011-12 (April, 2011-February, 2012) are as under:

Details	**2009-10**		**2010-11**		**2011-12**	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual (uptoFeb'12)**
2D (LKM)	28130	24993	6715	13117	4504	13446
3D (Sq. Km)	29366	21742	21196	19354	10479	9478
Expl. -Wells	148	128	154	125	158	113
Dev. wells	225	249	216	256	272	245

1.24 When the committee wanted to know the reasons for shortfall **in** achieving the targets in the areas of seismic surveys and exploratory and development drilling by ONGC , the Ministry in its written reply stated as under:

"Seismic Survey

2009-10 :The reasons for shortfall in 2D/ 3D seismic were - rough/bad sea conditions, intense fishing activities, hampering progress of work in Mumbai Offshore, non-clearance from the Ministry of Defence in KG-OSN-2005/1&2 blocks and cyclone and major engine break down in KG Offshore, non-mobilization of crew by Contractor due to local resistance in Assam, directive of Govt. of Nagaland to stop activities and withdrawal of security by the Government of Tripura in view of Parliament elections

2010-11: Shortfall was on account of late mobilization of vessel in the operational area and mechanical problem of the contractual vessel in KG Offshore.

2011-12: Early onset of monsoon, delay in harvesting of standing crops and poor performance of shot hole drilling. Delay in mobilization of seismic party and hampering of work because of heavy rains in Cauvery Basin.

Exploratory and Development Drilling

2009-10: The reasons for shortfall in exploratory drilling were - delay in land acquisition/civil works, delay in availability of hired rigs, drilling more deeper wells, flooding due to rains, drilling complications and side tracking and limited availability of deep water drilling rigs

2010-11: Prolonged drilling complications, mechanical repairs and prolonged rig upgradation, rig collapse, less-availability of deepwater rigs, drilling complications and side tracking.

2011-12: Premature abandonment, early onset of monsoon, complications, increase in target depth, tilting of rig due to scouring, down-hole complications, frequent side-tracking in KG and Assam & Arakan basins in deep wells and delay in arrival of charter hired rigs"

1.25 During the oral-evidence, the Committee wanted to know the reason for non achievement of 3D targets by ONGC. In reply, the CMD, ONGC expressed before the Committee as under:

"3D targets are slightly less than the achievement. We have given the reasons. Some times the sea conditions are bad, or we have problems of fishermen coming and stopping work. Some times there are issues of getting contracts delayed. So, it is marginally lesser. But in the 2D we have over achieved in the last three years consistently".

1.26 He further added:

> "Targets are dependent on the ground realities which we assume at the time of setting the targets. Today we have nominated blocks as well as the NELP. In anticipation of the NELP rounds getting awarded, if we plan some thing and if they do not come, then we have to change the targets. That is the condition in the nutshell.
>
> If you see the total exploratory drilling and developmental drilling, we have not been able to achieve the exploratory drilling targets and we have over achieved developmental drilling targets. So, the rigs have not been kept under utilised. We do not have the idea of lithology and other things. So, we land into problems which are altogether unforeseen. We also have problems of land acquisition, etc. The attempt is to allocate resources at the beginning of the year both for the exploration as well as for development. But depending upon how the situation unfolds during the year, we keep on changing that. We assume normal conditions. Neither it is prudent nor it is possible to consider what kinds of problems we will have. So, we consider ideal conditions. We assume that approvals will be given; and we will be able to drill so many wells. Again, drilling depends on past trends, etc. A well of so many thousand metres would take so much time. So, with those kinds of assumptions we make our plan. But assumptions some times go awry".

1.27 The reasons for shortfall in exploratory drilling and seismic survey by ONGC has been stated as under:

> "(i) drilling complications (ii) mechanical repairs (iii) rig collapse (iv) prolonged rig upgradation (v) less availability of deep water rigs (vi) early onset of monsoon (vii) delay in mobilization of seismic party".

1.28 When the committee wanted to know as to whether the management does not anticipate such problems while fixing the targets,the committee were informed of the following by the ministry in its written reply:

> "ONGC takes into account the relevant factors or constraints while finalizing annual drilling targets. However, drilling of exploratory locations, as the name suggests, is undertaken in unexplored basins, wherein unexpected geological parameters are encountered. This sometimes, leads to down-hole complications. The other factors affecting drilling performance are monsoon/flooding of drill sites and socio-environmental factors like Bandhs & Barricades having tangible and intangible effects which impede the drilling activities and performances.However, ONGC is making its efforts to achieve the drilling targets".

1.29 The Committee then pointed out the lowering down of the yearly activity targets itself, by the company, the CMD ONGC, submitted the following clarifications:

> "Targets are dependent on the ground realities which we assume at the time of setting the targets. Today we have nominated blocks as well as the NELP. In anticipation of the NELP rounds getting awarded, if we plan some thing and if they do not come, then we have to change the targets. That is the condition in the nutshell".

1.30 When the committee enquired about the performance by Oil India Limited, the Ministry in a written reply submitted the following:

OIL

"The details of targets and actual performance of OIL for 2D & 3D seismic data and drilling of exploratory & development wells vis-à-vis actual achievements for the last three years i.e. 2009-10 & 2010-11 and the current year 2011-12 (April, 2011-February, 2012) are as under:

	2009-10		**2010-11**		**2011-12**	
	Target (XI Plan)	**Actual**	**Target (XI Plan)**	**Actual**	**Target (XI Plan)**	**Achievement (upto Feb, 2012)**
Seismic Survey :						
2D GLKM	500	1,624.95	200	1,149.44	200	1,250.04
3D SQ KM	1,600	984.29	900	758.92	900	1,762.84
Exploratory Drilling :						
No. of wells	28	17	25	15	26	15
Development Drilling :						
No. of wells	51	30	56	24	68	21

Seismic Survey:

As against the firm XI Plan 2D and 3D target of 6,365 GLKM and 5,450 SQ.KM – OIL has exceeded both with actual achievement of 6,370 GLKM and 8,150 SQ.KM respectively upto February, 2012. Therefore, there is no shortfall in overall survey plan during the XI Plan period.

Exploratory and Development Drilling

1. Non-availability of charter hire drilling rigs in Assam as planned due to long litigation/default of contractors.
2. Environmental problems in OIL's operational areas in Assam.

The 3D acquisition target as per XI Plan was 1600 SQ.KM. As against this, OIL fixed a BE target of 2065 SQ.KM. However, at RE Stage plan for 3D-3C (150 SQ.KM.) has to be suspended for high cost of hiring the services. Similarly,600 Sq.km. planned in Rajasthan NELP Blocks was deferred due to relinquishment of 2 NELP Blocks. In KG Basin, 400 sq.km. delay in finalization of contract and delay in mobilization by the contractor".

(i) <u>New Exploration Licensing Policy (NELP)</u>

1.31 Consequent upon liberalization in the petroleum sector, Government of India is encouraging participation of foreign and Indian companies in exploration and development activities to supplement the efforts of NOCs to narrow the gap between supply and demand. A number of contracts have been signed with both, foreign and Indian companies for exploration and development of fields on a production sharing basis. Since 1991, Government of India has been inviting bids on a regular basis with several rounds of bidding carried out till operationalization of New Exploration Licensing Policy (NELP). In the Ninth round of NELP, Government of India has offered 34 exploration blocks, against which bids for 33 blocks were received. The exploration blocks are likely to be awarded in 2012.

1.32 When the Committee desired to know the progress made by the upstream oil companies in exploration of oil and gas, the Ministry apprised as under:

"80 deepwater blocks have been awarded under various NELP bidding rounds to RIL (24) , ONGC (43), ENI (1), BHP Billiton (7), Santos (2) , BP Exploration (Alpha) Ltd. (1) BG Exploration and Production India Limited (1) and Cairn Energy (1). So far, 10 blocks have been relinquished by the Contractors. During the last three years (2008-09 to 2010-11) following progress has been made by various companies in deepwater blocks.

Exploration activities carried out in last three years in deepwater

Company (Operator)	2D API (Line Kilo Meter)	3D API (Sq. Km)	Exploratory Wells	Discoveries made
RIL	24,424	1,9573	25	3 (gas)
ONGC	1,31,283	38,432	13	1 (gas)
ENI	1,006	-	-	-
BHP	15,162	-	-	-
BPEAL	1,148	-	-	-
Santos	2,202	-	-	-
Cairn	-	-	-	-
BGEPIL	-	-	-	-
Total	1,75,225	58,005	38	

First deepwater oil/gas production in the country commenced from D-26 (MA) Discovery in September ‘08 and gas production commenced from D1 & D3 discoveries in April ‘09 from KG-DWN-98/3 (KG-D6) block in East Coast and in 2011-12, RIL and ONGC made 2 natural gas discoveries each in deepwater blocks”.

1.33 Asked about the details of oil and gas production made since launch of NELP the Ministry informed the Committee that the commercial oil/gas production has commenced from 6 hydrocarbon discoveries in 3 blocks, which are as under:

“Sr. No.	Block Name	NELP Round	Discoveries	Location	Operator	On Production Since
1	CB-ONN-2000/2	NELP II	NS-A & Bheema-1	Gujarat Onland	NIKO	May,04 & October, 04
2	CB-ONN-2000/1	NELP II	Ingoli (PK # 2)	Gujarat Onland	GSPCL	July,07
3	KG-DWN-98/3	NELP I	D1, D3 & D-26 (MA)	East Coast Deepwater	RIL	Oil since Sept, 08 and Gas Since April, 09

The year-wise oil/gas production from NELP blocks are as under:

Year	Crude Oil (MMT)	Natural Gas (BCM)
2004-05	-	0.082
2005-06	-	0.105
2006-07	-	0.115
2007-08	0.021	0.102
2008-09	0.159	0.176
2009-10	0.533	15.195
2010-11	1.112	20.457
2011-12 (till February, 2012)	0.673	14.568’

1.34 It has been informed by the ministry that Under NELP, so far 107 hydrocarbon discoveries (37 oil and 70 gas) have been made in 36 blocks. 31 hydrocarbon discoveries have been declared commercial in-place oil reserves of 31.34 MMT and gas reserves of 658.76 BCM as on 01.04.2011. The remaining discoveries are under various stages of evaluation, appraisal, and commerciality.

1.35 When asked by the committee as to which are the Private / public sector companies operating in these 31 Hydrocarbons discoveries declared fit for commercial production, the ministry in a written reply furnished the following:

"Out of the total 107 hydrocarbon discoveries made in NELP blocks, the Declaration of Commerciality (DoC) has been reviewed by the Management Committee (MC) for 31 discoveries so far. The Company-wise break-up of these discoveries are as under:

1) Reliance Industries Ltd. – 19
2) NIKO Resources - 2
3) GSPCL - 8
4) ONGC - 2

1.36 When the committee desired to know as to when the commercial production is expected to commence from each of these blocks, the ministry replied the following:

"Commercial production of oil/gas has commenced from 6 NELP discoveries in following three blocks:

- KG-DWN-98/3 (RIL, BP and NIKO) – 3 discoveries
- CB-ONN-2000/2 (NIKO) – 2 discoveries
- CB-ONN-2000/1 (GSPCL) – 1 discovery

Further, as per the approved Field Development Plan(FDP)/ revised estimates by the Contractor the gas production is likely commence from the following blocks:

- KG-OSN-2001/3 (GSPCL) : From 3 discoveries in Mid, 2013
  KG-DWN-98/3 (RIL, BP and NIKO) : From 4 discoveries in Mid, 2016"

1.37 Asked to furnish the current status of remaining 76 hydrocarbons discoveries, the Ministry gave the following reply:

"The current status of remaining 76 NELP discoveries is as under:

1	Discoveries Relinquished	5
2	Discoveries Non-commercial	3
3	DoC under review by DGH/MC/MoP & NG	19
4	DoC could not be reviewed for various technical and contractual reasons	18

5	Discoveries under evaluation/appraisal by the Contractor (s)	31
Total		**76"**

1.38 When asked by the committee as to how long will it take for a hydrocarbon discovery to commence commercial production and Whether the time period is comparable with international norms,the ministry in its written reply stated as under:

"The Production Sharing Contracts (PSCs) are designed incorporating the best practices of similar contracts prevailing in other parts of the world. Under the PSC regime, so far commercial oil/gas production has commenced from 17 discoveries. The average time taken from discovery to commencement of oil/gas production for these discoveries is as under:

- Onland Discoveries - 2 to 5 years
- Shallow Water Discoveries - 3 to 4 years
- Deepwater Discoveries - 3 to 6.5 years"

1.39 In this regard the Ministry further informed as under:

"The above time periods compare well with the time taken for development of oil/gas discoveries in other countries. It is pertinent to mention that deepwater gas discoveries D1 & D3 were made in October, 2002 in KG- DWN-98/3 block and came under commercial gas production in April, 2009. The time taken for development was about 6.5 years which is less than the global average of 8 to 9 years for deepwater development".

1.40 As regards the factors which influences the timeline for development of oil and gas discoveries and production, the Ministry apprised as under:

The maximum timelines specified for crude oil and associated natural gas discoveries from notification of discovery to approval of Development Plan is about 54 months and 20 days, whereas in case of non associated natural gas the above timeline is about 74 months in NELP PSCs. There are several factors, such as geographical location, geological and reservoir parameters, Contractor's development strategy and business model, availability of infrastructure, prevailing prices of oil and gas etc. which influence the timeline for development of oil/gas discoveries and production thereafter.

1.41 In response to a specific query on the progress of ONGC in hydrocarbon discoveries NELP block, the Ministry informed as under:

> "ONGC has been carrying out exploration in Indian sedimentary basins for more than last five decades and exploration in offshore areas also dates back to more than forty years now. ONGC has made a total of 12 hydrocarbon discoveries in deepwater NELP blocks. However, there is no production from deepwater blocks by oil PSUs. And as of now only one deepwater block in Krishna Godavari basin operated by RIL is producing oil and natural gas in the country".

C. PRODUCTION OF OIL/GAS

1.42 As regards the targets and actuals of production of crude oil and natural gas in the country during 2009-10, 2010-11 and 2011-12 of both Public Sector and Private Companies are concerned, the Ministry furnished the following in written reply:-

> "Crude oil and natural gas production the last two years i.e. 2009-10 & 2010-11 and the current year 2011-12 (Apr 11-Feb12) are as under:

	2009-10	2010-11	2011-12 upto February, 2012
Crude oil Production (MMT)	33.505	37.685	34.868
Natural Gas Production (BCM)	47.509	52.221	43.7

The targets and actual oil and gas production for ONGC, OIL and Pvt/JV companies, during the last two years i.e. 2009-10 & 2010-11 and the current year 2011-12 (Apr 11-Feb12) are as under:

ONGC

	2009-10		**2010-11**		**2011-12**	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual (uptoFeb'12**
Oil (MMT)	25.764	24.671	24.948	24.419	23.735	21.755
Gas (BCM)	22.248	23.109	22.774	23.095	23.457	21.250

OIL

	2009-10		**2010-11**		**2011-12**	
	Target (BE)	**Actual**	**Target (BE)**	**Actual**	**Target (BE)**	**Actual (Upto Feb,2012)**
Crude Oil Production (MMT)	3.57	3.572	3.70	3.586	3.76	3.52
Natural Gas Production (BCM)	2.528	2.415	2.62	2.353	2.633	2.40"

Pvt/JV companies

Company Wise Oil & Gas Production Under The PSC Regime During The Last Three Years

	2009-10				**2010-11**				**2010-12 (April,11 to February,12)**			
	Target Oil (000 Tonnes)	**Actual Oil (000 Tonnes)**	**Target Gas (MMSCM)**	**Actual Gas (MMSCM)**	**Target Oil (000 Tonnes)**	**Actual Oil (000 Tonnes)**	**Target Gas (MMSCM)**	**Actual Gas (MMSCM)**	**Target Oil (000 Tonnes)**	**Actual Oil (000 Tonnes)**	**Target Gas (MMSCM)**	**Actual Gas (MMSCM)**
ONGC		1792.6		2480.9		2860.4		2219.6		2930.0		1998.9
Hardy Exploration & Production Ltd. (UK)		11.7		95.3		27.6		111.0		8.9		103.8
British Gas Exploration & Production (India) Ltd. (UK)		582.9		1578.9		408.8		1302.1		392.4		1187.3
Reliance Industries Ltd		1034.4		15174.3		1379.4		19662.6		962.5		14272.8
Tata Petrodyne Ltd		55.1		141.2		63.8		158.8		32.6		140.6
Hindustan Oil Exp Co		22.8		249.3		46.1		496.5		17.5		248.9
Cairn Energy India Pty Ltd.UK		839.0		137.6		4037.1		296.5		4513.2		263.2
NIKO Resources Canada		60.0		1725.0		115.9		2178.2		69.9		1535.1
GSPCL		54.6		262.9		44.9		174.5		41.6		110.4
Hydrocarbon Res.Dev.Co (P) Ltd.		0.1		0.1		0.1		0.1		0.0		0.1
Essar Oil Ltd.		0.3		0.0		0.5		0.0		0.2		8.3
GEO-ENPRO		9.8		1.8		9.3		2.7		0.0		0.0
Canoro Resources Ltd., Canada		6.9		28.8		6.2		25.8		8.4		2.0
Interlink Petroleum Ltd.		0.0		0.0		0.0		0.0		0.5		5.1
Joshi Tech. Inc., USA	**6624.4**	41.0	**25435.0**	11.7	**8829.8**	36.0	**28195.2**	11.6	**9784.6**	0.0	**23393.2**	0.0
Selan Expl.		35.7		10.4		27.5		10.0		33.2		8.2
Heramac, Bahamas		0.9		5.5		1.1		4.4		23.5		8.7
Prize Petroleum		0.1		0.1		0.1		0.1		0.9		3.9
Oilex NL Holdings (I) Ltd, Australia		4.2		0.0		0.9		0.0		0.0		0.1
OIL		39.2		7.3		37.1		10.8		0.5		0.0
Geoglobal Resources Inc. Canada/Barbados		1.7		0.4		0.9		0.5		33.5		7.9
Videocon Industries		400.1		4.3		340.6		10.2		0.6		0.3
Ravva Oil Pte Ltd.		200.1		2.2		170.3		5.1		309.3		3.4
Jubilant Oil & Gas Pvt. Ltd.		24.5		4.6		23.2		6.7		154.6		1.7
Geopetrol International Inc. Fance		24.5		4.6		23.2		6.7		20.9		4.9
GAIL		15.9		0.4		16.8		0.5		20.9		4.9
Assam Co Ltd.		4.6		19.2		4.1		17.2		20.2		0.4
L&T		0.0		0.0		0.0		0.0		0.3		3.4
GEECL		0.0		38.4		0.0		41.4		0.0		63.3
Focus Energy Ltd		0.0		0.0		0.0		2.1		0.0		5.8
ISIL		0.0		0.0		0.0		13.6		0.0		38.0
NOCL		0.0		0.0		0.0		5.2		0.0		14.6
Total	**6624.4**	**5262.5**	**25435.0**	**21985.1**	**8829.8**	**9681.8**	**28195.2**	**26774.5**	**9784.6**	**9596.4**	**23393.2**	**20046.1**

1.43 During the course of evidence, the Committee enquired about the cumulative progress in areas of exploration, development and production of crude oil and gas by ONGC, CMD, ONGC submitted the following reply:-

> "Production level in 2011-12 was of the order of 27 million tonnes which is inclusive of about 2.5 million tonnes from our share of joint ventures and the gas production is about 25.5 BCM. For the year 2012-13, we are going to increase our production by half a million tonne and the gas production by one BCM. For 2013-14, we will see a quantum jump in oil and gas production. And for 2014-15, 2016-17, we have other schemes lined up which will increase gas quantities to a significant level from about 65 million cubic metres per day to about 100 million cubic metres per day".

1.44 When the Committee asked ONGC about declining production levels, the CMD, ONGC during the oral evidence stated as under:

> "Since majority of production comes from ONGC; I will tell you from ONGC's perspective that 80 per cent of our production is coming from 15 fields. These fields are between 35 years to 50 years old. The oldest ones are Rudrasagar and Ankaleshwar which were started production in 1961. Bombay High is now 36 years old. So, maintaining production from this field is absolutely impossible.
> World around, the studies have been done by many agencies and the documents which are available says that the natural decline from these kind of fields is of the order of 6 to 8 per cent. We have taken this IOR and EOR efforts in all these fields and we have been able to maintain this decline to a very nominal level of one to two per cent. This is one component of production.
> Second this is this. In recent past, we have launched monetization of about 34 marginal fields. All these have started contribution this year and next year. That is how the production is increasing in 2013-14 and 2014-15. This being marginal and it is not possible to maintain and apply to a longer period. Although we will get about 110 million oil and oil equivalent, cumulatively from these 34 small fields but maintaining production at that level from marginal field is just not possible. Therefore, the peak is small and after that the production is falling. But this is not under the story. I mean, Bombay High phase-III development would probably be launched by this year. So, the production will again rise. Similarly, NELP and PLL wherever our discoveries are being made – there is also a gestation period between discovery and monetization – so in the 13^{th} Five Year Plan, we will again see some rise in production".

1.45 The Committee thereafter enquired about the measures proposed/taken to check further decline in production levels in the coming year, in this regard, the CMD, ONGC submitted the following:

> "Sir, it will not decrease. We will be able to maintain production at this level. Even in long-term profile of ONGC, we have seen the production will gradually go down; it is not that abruptly the production fall. It is only from the fields which are where the schemes are there, but yet to find oil it is not possible to indicate. From Ninth Plan onwards, we have been able to maintain this production without any knowledge. Discoveries are being made. If you see all the major oil producers, we are producing

with reserved production ratio of seven to eight years. If they are being doing this business for decades together, the key to the success is accretion which they are making and putting it monetization. We are very hopeful that we will make discoveries; we will monetize them as we go along".

(i) <u>IOR/EOR Projects</u>

1.46 ONGC is implementing IOR/EOR projects to improve upon their production levels of oil from ageing fields. In this connection, Ministry in the written reply stated as under:

"In ageing fields of oil and gas, when natural reservoir pressure is on decline, the efforts are made to enhance reservoir pressure through injection of water, gas and through drilling of additional in-fill wells in the field. This pressure is built up by emplying Improved Oil Recovery Schemes and Enhanced Oil Recovery Schemes. Improved Oil Recovery (IOR) Schemes IOR includes augmentation of production facilities, drilling of additional **in-fill wells** to reduce the well spacing, rehabilitation of old wells by approaching new/ extended area.

1.47 Enhanced Oil Recovery (EOR) Schemes include water and gas injection and artificial lifting of oil and gas in order to maintain optimum reservoir pressure, so that oil and gas can be produced from the ageing fields. Some of the operators also implement EOR schemes in the beginning of the oil and gas production in order to maintain optimal level of reservoir pressure. When the Committee desired to be apprised regarding the progress made on 21 IOR/EOR projects approved in the year 2011-12, the Ministry furnished as under:

- "21 schemes of IOR/EOR have been approved to increase recovery factor from 15 ageing oil & gas fields of ONGC in Gujarat, Assam and Offshore, which accounts for 80% of ONGC's oil and gas production.
- The estimated cost of 21schemes is about Rs. 34,055 crore. The expected gain in oil from 21 schemes will be around 157 MMT by 2029-30.
- 16 schemes have been completed western offshore and Gujarat.
- 5 schemes are under implementation i.e. 2 in Mumbai offshore and 3 in Assam.
- ONGC has drilled 773 wells against plan of 784 wells till September, 2011.
- The cumulative incremental oil gain was of the order of 68.544 MMT upto September, 2011 against plan of 94.112 MMT.

ONGC has made investment of Rs. 27663 crores upto September 2011".

1.48 The ministry informed the committee that the increase in oil production on progress of 21 IOR/EOR projects, has been cumulative incremental gain of 68.544 MMT against plan of 94.112 MMT**.**

1.49 When asked by the committee as to whether this incremental oil gain would achieve the planned target in future, the ministry in its written reply stated as under:

"The cumulative incremental oil gain from IOR/EOR schemes of both offshore and onshore fields of ONGC upto September 2011 was 68.544 MMT, which is 71.311 MMT upto December, 2011. The corresponding Plan Target upto December 2011 is 85.154 MMT and target upto March 2012 is 94.112 MMT. The details are as under:

Schemes	**Cumulative incremental Oil Gain (MMT) up to Dec'2011**		% Achievement
	Plan	Actual	
Offshore-IOR	55.24	51.891	94
Onshore-IOR	10.929	11.66	106
EOR	18.985	7.76	41
Total	85.154	71.311	83.74

Offshore Projects

The incremental oil gain from most of the offshore projects is more than plan. The overall performance was affected due to less cumulative incremental oil gain from Heera Part-I scheme (completed in 2003) as reservoir properties encountered are poorer than predicted and lower reservoir pressures.

The incremental oil gain from Redevelopment of Heera and south Heera which was initially affected but now incremental oil gain is more than plan. The other two projects i.e Mumbai High North Phase-II and Mumbai High South Phase II are under implementation and likely to perform as per plan once all the planned inputs are in place.

Onland Projects

The incremental oil gain from IOR schemes of onland fields is more than 100% against the plan upto December 2012. The cumulative achievement of EOR was affected because of reservoir complexity at Santhal & Balol fields.

The surface facility envisaged under IOR schemes of Lakwa-Lakhmani, Geleki and Rudrasagar fields have been completed. Drilling of more wells is planned after observing the reservoir properties encountered in completed wells".

(ii) Production from KG Basin

1.50 Natural Gas Production in 2011-12 up to December 2011 was about 36,197 Billion Cubic Metre (BCM) as against 39,681 BCM in the corresponding period of the previous year, showing a decline of about 8.8%. The contribution of private/JVs companies in natural gas production in 2011-2012 upto December,2011 is about 16.916 BCM during the corresponding period of previous year registering a decline of 17.7%. The decline in natural gas production was mainly on account of lower production from Krishna Godavri deepwater basin.

1.51 When the committee wanted to know as to what remedial measures have been adopted by the Government to check the decline of Natural Gas Production from KG-D6 Exploration block and to curb the tendency of showing exaggerated production potential of the reserves, the ministry in its written reply stated the following:

"In order to increase gas production from KG-DWN-98/3 (KG-D6) block, following steps have been taken:

- The Contractor has been advised by DGH to drill more gas producers in D1 & D3 gas fields as well as adopt appropriate remedial measures such as wells intervention in D1 & D3 and MA fields to revive the sick wells.
- The Contractor has drilled 4 more wells in D1 & D3 which are to be completed or connected.
- The Optimized Field Development Plan for 4 other gas discoveries (D-2, 6, 19 & 22) in this block has been approved by the MC and the Declaration of Commerciality (DoC) of another discovery (D-34) has also been reviewed by the MC.
- The Contractor has submitted the revised FDP of MA field. The same is under examination.

The estimates of reserves and projections of oil/gas production profile over a field life is the best possible estimates made by the Contractor based on all sorts of geological, geophysical, reservoir and well test data etc. available at the time of preparing the FDP. Once the field commences commercial oil/gas production, the real-time reservoir and production data is gathered and analyzed to compare with the FDP projections.

Depending on the geological and reservoir surprises, there may be deviations between the actual production and projected production rate, either upside or downside. Keeping in view this aspect, PSC has also provides for submission of revised FDP by the Contractor for approval by the Management Committee.

The procedures and norms for approval of Field Development Plan and Annual Work Programme and Budget are well defined in the PSCs. Further, it is reiterated that the reservoir and production performance of a field is monitored regularly and Contractors are asked by the Management Committee (MC) to take suitable remedial measures, in case there is a fall in production".

1.52 Keeping in view the depleting gas production levels from KG D-6 Exploration Block of RIL, the Committee asked about the Government efforts being made to boost the production, the Ministry submitted as under:

"The issue of falling gas production in KG-D6 block has been deliberated in various Technical Committee Meetings held between Operator and DGH including the field visit by DGH technical team to ascertain the reasons for less gas production. The Management Committee (comprising of representatives of Government/DGH and operator/consortium) has also examined the issue from time to time. The Operator has been advised by DGH to drill more gas producers in D1 & D3 gas fields as well as adopt appropriate remedial measures such as wells intervention in D1 & D3 and MA fields to revive the sick wells in order to achieve the gas production. The operator has drilled 4 more wells in D1 & D3 which are yet to be completed or connected. Further, the Optimized Field Development Plan for 4 other gas discoveries (D-2, 6, 19 & 22) in this block has been approved by the Management Committee in January, 2012".

1.53 As regards the targets and actual production of oil and gas in the KG basin during 2010-11 and 2011-12 by public/private/JV companies, Ministry furnished following information:-

"ONGC

The details of ONGC's actual crude oil and natural gas production from Rajahmundry Asset including KG offshore during 2010-11 and 2011-12 are as under:

Product	**2010-11**		**2011-12**	
	Target	**Actual**	**Target**	**Actual (upto Feb'12)**
Oil (MMT)	0.282	0.305	0.352	0.311
Gas (MMSCM)	1190	1384	1693	1265.9

Pvt/JV companies

Under the PSC regime, oil and gas in KG basin is currently being produced from Ravva Field (operated by Cairn Energy) and KG-DWN-98/3 (KG-D6) block (operated by RIL). The details of the targets and actual production of crude oil and natural gas from these fields during 2010-11 and 2011-12 are as under:

Year	**Field/Block**	**Crude Oil (MMT)**		**Natural Gas (BCM)**	
		Target	**Actual (upto February,12)**	**Target**	**Actual (upto February,12)**
2010-11	Ravva	1.382	1.362	0.464	0.617
	KG-DWN-98/3	0.876	1.078	21.684	20.401

Total		**2.258**	**2.440**	**22.148**	**21.018**
2011-12	Ravva	1.619	1.237	0.683	0.577
	KG-DWN-98/3	0.715	0.633	19.539	14.538
Total		**2.335**	**1.870**	**20.222**	**15.115”**

D. PROJECTED DEMAND AND PRODUCTION OF PETROLEUM PRODUCTS FOR 12^{TH} PLAN

1.54 As regards projections for demand and production of petroleum products for next five years, Ministry submitted the following information:-

“Demand of Petroleum products as given in the report of the Working group on Petroleum and Natural; Gas Sector for the 12^{th} Five Year Plan (2012-17) is given as under:

Demand Projections of Petroleum Products in MMT					
	2012-13	2013-14	2014-15	2015-16	2016-17
POL Demand	152.9	160.4	168.6	177.0	186.2
Source: Report of the Working Group on Petroleum and Natural Gas Sector for 12^{th} Five Year Plan (2012-17).					

To meet the above demand, production of petroleum products by Oil Companies as given in the report of the Working group on Petroleum and Natural Gas Sector for the 12^{th} Five Year Plan (2012-17) is given as under:

Projected Production of POL by Oil Companies during 12^{th} Plan (MMT)					
	2012-13	2013-14	2014-15	2015-16	2016-17
POL Production	221.6	229.9	231.8	246.8	269.6
Source: Report of the Working Group on Petroleum and Natural Gas Sector for 12^{th} Five Year Plan (2012-17).”					

1.55 The Committee then desired to be apprised about the prospective strategy of Government to achieve the projected targets, in this regard, the Ministry stated as under:-

“To produce the above, there will be requirement of crude oil. Quantity of crude oil is approximately 1.06 times of POL production. However, production of Crude Oil during 12^{th} Plan as given in the report of the Working group on Petroleum and Natural Gas Sector for the 12^{th} Five Year Plan (2012-17) is given as under:

Projected Production of Crude Oil during 12th Plan(MMT)					
	2012-13	2013-14	2014-15	2015-16	2016-17
Crude Oil Production	42.26	45.53	44.71	42.49	41.06
Source: Report of the Working Group on Petroleum and Natural Gas Sector for 12th Five Year Plan (2012-17).					

Balance requirement of crude oil will be met through import".

E. UTILISATION OF OUTLAYS BY PSUS

ONGC

1.56 The details of Year-wise Outlays and actual expenditure by ONGC are as follows:

Rs. in crore

"Year	**BE**	**RE**	**Actual**
2009-10	20867.58	24720.21	23559.05
2010-11	26523.02	29203.80	28275.54
2011-12	30040.02	31316.00	16770.59 (upto Dec., 2011)

Plan Outlay and actual expenditure under various activities for the year 2009-10, 2010-11 and 2011-12"

1.57 As regards the skewed utilization of funds by ONGG during the last quarter fiscal years the Committee desired to be apprised about the relevant reasons for the shortfalls, the Ministry informed that actual utilization of Plan Budget upto 3rd Quarter of 2011-12 is Rs. 19,261.80 Crore against the BE target of 2011-12 of Rs. 30,040.02 Crore and RE target of Rs. 31,316 Crore. The target for plan expenditure upto December, 2011 was Rs. 19,949.98 Crore. Thus, Plan budget utilization upto 3rd Quarter 2011-12 against the corresponding target is 96.55%. However, considering the total Plan Outlay of Rs. 30,040.02 Crore in BE 2011-12, the actual utilization upto 3rd Quarter of 2011-12 is 64.12%.

1.58 The Ministry further informed that out of the total Plan Outlays of ONGC, major portion of the same is for Offshore activities. The survey, drilling and various constructions activities in Offshore slow down during monsoon period (15th May to 15th October). These activities are in full operation after the monsoon. Therefore major portion of budget in offshore area kept for these activities is getting consumed during 4th quarter. The target of Plan outlay for the last quarter has been kept at Rs. 10,090.04 Crore which includes substantial milestone payment for various ongoing schemes, contractual payments towards survey, chartered hire of rigs etc.

Further, some of year-end provisions are fine-tuned at year-end resulting into higher plan expenditure during the last month of the financial year.

OIL

1.59 Details of plan outlay (Revised Estimate) and actual expenditure incurred by OIL during last three years are as follows:-

Rs. Crore

“Year	Revised Estimates (RE)	Actual Expenditure
2008-09	1718.80	1631.89
2009-10	2375.35	1556.86
2010-11	4212.98	1742.76

While the actual expenditure during 2008-09 is about 95% of revised estimate, during 2009-10 and 2010-11 the actual expenditure was significantly lower than RE target”.

1.60 Asked about the reasons behind the significant utilization shortfalls, the Ministry informed the Committee as under:

“(i) Acute land acquisition problems in Assam, environmental issues, down-hole problems, prolonged production testing of a few wells, expended drilling operation in a few deep exploratory wells etc., which took more time than planned. This was attributed also to shortfall in exploratory drilling in NELP non-operated blocks, which was beyond the control of OIL.

(ii) Non-materialization of the overseas acquisition plan during 2010-11 to the tune of Rs.2,000 crore by OIL during the year.

(iii) Actual exploratory drilling meterage during 2010-11 was lower mainly due to non-availability of chartered hire rigs, land acquisition problems, repeated local blockades & bandhs, unforeseen sub-surface complicacy in several deep drilling operations and unprecedented inclement weather conditions during the entire first half of the year.

Therefore while the RE Targets were realistically fixed, due to factors explained above, the actual expenditure was lower”.

(i) <u>Rig Availability</u>

1.61 One of the reasons given in the reply for non achievement of targets by OIL is non-availability of rigs. When asked by the committee to furnish information regarding the actual number of Rigs available with each of the oil/gas exploring companies and how many among them are actually owned and hired, the ministry replied the following :

"ONGC

Presently ONGC owns 77 drilling rigs (68 Onshore and 9 Offshore rigs) deployed at different work centers. Based on the approved annual work program additional drilling rig resources are also chartered hired. In addition, ONGC has 37 charter hired rigs comprising of 16 onland and 21 offshore rigs. Presently there is no shortage of drilling rigs in ONGC.

OIL is at present operating 10 in-house rigs and 5 Charter Hire drilling rigs in the North East and one in-house in Rajasthan".

1.62 Considering and observing the shortage of drilling rigs as common impediment in progress of a project, the Committee desired to be apprised that whether to curtail this shortage can upstream oil/gas PSU help each other by sharing or by utilizing such equipments, the Ministry in its written reply stated as number of rigs in ONGC is controlled by the already approved internal work program, hence rig resources, already scheduled cannot be offered for sharing.

Pvt/JV companies

1.63 Under the PSC regime, the Contractors usually do not own rigs and hire them on need basis from the service providers. At present, 22 exploratory drilling rigs are operating. The details are as under:

Companies (Operators)	Drilling Rigs Currently Available for Exploratory Drilling on Hired basis
GSPCL	3
Focus Energy	11
Cairn Energy	5
NaftoGaz	1
HOEC	1
Jubilant	1
TOTAL	22

1.64 The Committee further asked as to how the companies ensure availability of rigs at the required site.

"The deployment of drilling rigs are decided for a well site depending on the suitability of different drilling parameters, such as target depth, onland, offshore, etc. If during the planning of rig resources, the suitable rig is not available, companies initiate the rig hiring process, thus ensuring the timely availability of the suitable drilling rig".

BPCL

1.65 Details of the Plan Outlay (RE) and actual expenditure incurred by BPCL during last 3 years are as under:

"BPCL **Rs. in crore**

Year	BE	RE	Actual
2009-10	3348.70	3685.00	3090.47
2010-11	3022.00	2814.31	2283.15
2011-12	2865.15	2199.00	1083.97 (upto Dec.2011)

1.66 As regards the slow pace and under utilization of funds for the LPG Pipeline project of BPCL Mumbai refinery/HPCL refinery to Uran, the Ministry informed the Committee that the Physical progress at the end of Feb. 2012 was 74.2% and by end March 2012, it is anticipated to be 81%. The financial progress as on end March 2012 is anticipated to be Rs.175 Crs. against a total outlay of 246.3 Crs. i.e. 71%

1.67 The Ministry further informed about the reasons for slow pace and under utilization of funds which are given below:

"(a). Non- receipt of forest clearance for about 3.0 km out of 12.0 KM Off-shore portion of the Pipeline.

(b). Non-receipt of approvals from Railways & Jawaharlal Nehru Port Trust (JNPT) for laying of about 1.8 Km of Pipeline on On-shore portion along JNPT tank farm road.

(c). Delay in receipt of Jawaharlal Nehru Port Trust & Mumbai Port Trust (MbPT) approvals, which was received in June 2011 . Thereafter heavy monsoon in Mumbai adversely affected the progress till October 2011.

(d). Delayed allotment of land for Sectionalizing Valve station by Jawaharlal Nehru Port Trust (JNPT) which was received in November 2011. The progress is also adversely affected due to protests by the farmers / Land owners in JNPT area seeking additional compensation for Land.

(e). Delayed receipt of clearance of ROU from ONGC, which was received only in 2012".

1.68 Regarding the steps being taken to ensure strict adherence to the scheduled targets, the Ministry apprised the Committee of the following steps:

"The steps taken to ensure adherence to the scheduled target are as follows :

(a). Rigorous follow up has been / being done at highest level for expediting the forest clearance. In this connection, the issue has also been referred to Secretary, Forest through Secretary Food & Civil Supplies, Govt. of Maharashtra, besides regular follow up at Directorate of Forest Office & Chief Forest Officer levels by BPCL. With rigorous follow up, forest proposal related to Alibaug Area has been sent to Nodal officer, Nagpur. However, for Thane portion, proposal is in the scrutiny stage.

(b). Matter is also being pursued with Chairman, Jawaharlal Nehru Port Trust (JNPT) for early clearance for laying the pipeline along JNPT tank farm road. Dy. Chairman, JNPT has already made a site visit. The final approval is awaited.

(c). BPCL is making all out efforts by additional mobilization of resources / rigorous monitoring to catch up the schedule".

CPCL

1.69 The details of Year-wise Outlays and actual expenditure are as follows:

Rs. in crore

"Year	**BE**	**RE**	**ACTUAL**
2009-10	716.09	919.43	892.51
2010-11	1079.9	866.88	674.78
2011-12	1053.92	373	316.64 (upto December 2011)"

1.70 When asked by the committee to furnish the reasons for continuous under utilizations of revised estimates by CPCL in the year 2009-10 and 2010-11 and substantial lowering of RE for the year 2011-12 from Rs.1053.92 crore to Rs.373 crore, the following written reply was furnished to the committee:

"Reasons for continuous under utilization of Revised Estimates by CPCL during the following Financial Years

Rs Crore

Category	FY 2009-10			FY 2010-11			FY 2011-12		
	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual
PLAN	697.09	897.89	884.54	1039.90	866.88	673.34	1053.92	374.00	442.90

FY 2009-10:

- The actual expenditure for FY 2009-10 is substantially higher than BE and comparable to RE.

FY 2010-11:

- The actual expenditure for FY 2010-11 fell short of RE as

  a. There was a reduction in the OBE Plant and Machinery cost of Euro-IV project by about Rs 150 crores

  b. Levy of penalty on PMC and contractor for delayed deliveries to an extent of Rs. 50 crores and also

  c. Delay in completion of DHDT unit and hence the financial commitments spilled over to next financial year.

FY 2011-12

- The RE for FY 2011-12 was lowered due to

a. **Resid Upgradation Project:** Due to the Moratorium imposed by MoEF in the Manali Industrial Area, Resid up gradation project could not get Environmental Clearance and hence an amount of Rs 402 crores allocated towards this project could not be spent.

b. **42” Crude Oil Pipeline Project:** Expenditure on 42" crude oil pipeline works were put on hold due to non receipt of CRZ clearance for the project from MOE&F, which decreased the expenditure to an extent of Rs 80 crores.

c. **Refinery II CDU / VDU Revamp:** Due to changes in the process parameters, engineering for the equipments, the placement of orders for the equipment were delayed. The shutdown of Crude II was shifted to 2012-13. Hence, the expenditure scheduled in 2011-12 is shifted to FY 2012-13. Also, there is an anticipated reduction in the cost of crude-II revamp by about Rs 60 crores from its approved value”.

<u>HPCL</u>

1.71 The considerable lowering of revised estimates in the year 2011-12 by HPCL has been attributed to the shifting of drilling of some wells to 2012-13,deferment of Bhatinda-Bahadurgarh LPG pipeline project. When the committee wanted know as to what were the reasons for delays/deferment in the above mentioned projects, the committee have been informed as under**:**

“The reasons for deferment of drilling of some of the wells to 2012-13 are:

(i) For Rajasthan block RJ-ONN-2004/3, there was budget for 2 wells in FY 2011-12, drilling was deferred to analyse the remaining potential in the block by integrating the drilled well data with Seismic and all other relevant Dataset available.

(ii) In KG & CY blocks, an integrated interpretation of 2D and 3D seismic data was carried out and leads have been identified in blocks where drilling of a well is committed in Phase-I. The water depths of these leads are more than 3000 m and successful drilling is a key for future exploration and appraisal in such water depths. In order to convert the leads into drillable prospects; the de-risking by carrying out special studies (AVO analysis & Inversion) is presently under progress. Hence, the drilling of wells deferred in FY 2011-12 and the same is planned in FY 2012-13.

The Bhatinda-Bahadurgarh LPG Pipeline Project was deferred since the financial viability of the project was not established. It had been decided to review the project subsequently".

F. <u>SUBSIDY & UNDER-RECOVERIES ON PETROLEUM PRODUCTS</u>

1.72 The Ministry informed that OMCs are incurring huge under-recovery due to subsidy being given on sale of four sensitive petroleum products.

1.73 On being asked as to what were the product wise under-recoveries of OMCs during the running 5 years plan against the earned profit, the Ministry stated as under:

"The details of product wise under-recovery incurred and the net profit/loss reported by the OMCs during the period 2007-08 to 2011-12 (April – December, 2011) are given below:

Gross Under-recovery and Profit/Loss of OMCs

(` Rs in crore)

	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12 (Apr-Dec'11)**
A. Gross Under-recovery					
Petrol	7332	5181	5151	2227*	-
Diesel	35166	52286	9279	34706	56732
PDS Kerosene	19102	28225	17364	19484	20065
Domestic LPG	15523	17600	14257	21772	20516
Total	**77123**	**103292**	**46051**	**78190**	**97313**
B. Net Profit/ Loss of OMCs					
Indian Oil Corporation Limited (IOCL)	6963	2950	10221	7445	(-)8716
Hindustan Petroleum Corporation Limited (HPCL)	1135	575	1301	1539	(-)3720
Bharat Petroleum Corporation Limited (BPCL)	1581	736	1538	1547	(-)2652
Total	**9678**	**4260**	**13060**	**10531**	**(-)15088"**

***Only up to 25.6.2010**

1.74 As regards the under recoveries suffered by various oil/gas PSUs on account of sale of sensitive petroleum products and the extent they got compensated, the Committee were apprised as under:

"Company wise details of Under-Recovery and Burden Sharing

(Rs.in ` crore)

	2007-08	2008-09	2009-10	2010-11	2011-12 (April - Dec)
IOCL	42970	58446	25879	43109	53251
HPCL	16231	21311	10040	17118	21316
BPCL	17923	23535	10132	17962	22746
Total Under-recovery	77123	103292	46051	78190	97313
Less: Burden Sharing					
Oil bonds/ cash Assistance by Government	35290	71292	26000	41000	45000
Discount by Upstream companies					
ONGC	22001	27374	11554	24892	30296
OIL	2307	2932	1549	3293	4478
GAIL	1401	1694	1327	2111	2120
Total burden sharing by upstream companies	25708	32000	14430	30297	36894
Balance under-recovery absorbed by OMCs					
IOCL	9649	0	3159	3800	8437
HPCL	3118	0	1226	1509	3377
BPCL	3357	0	1237	1584	3604
Total	16125	0	5621	6893	15419"

1.75 When the Committee enquired about the total subsidy required for current year and the previous year, the Secretary informed the following:

So, the subsidy requirement for the year 2012-13 will definitely be much higher as compared to what we really required in 2011-12. This is not withstanding the reduction in excise duty made by the Ministry of Finance in June, 2011 where the Government has sacrificed almost Rs. 49,000 crore of revenue on an annualised basis. So, that concession is already there which is still with us. Over and above that, we would require almost Rs. 1,50,000 crore by way of subsidy in 2012-13.

> The basic problem that we are grappling with at present is the viability and solvency of our oil marketing companies. Oil marketing companies have already availed of approximately Rs. 1,30,000 crore worth of their cash credit limit with the banks. So, their credit limits are all choked. They are not getting more money from the banks for day to day operations. They have already lost around Rs. 5000 crore by way of under recoveries in petrol. There is a huge crunch of cash with the oil marketing companies and to that extent, some of their expansion and capital expenditure programmes have also suffered. When we discuss it in detail about the capital investment by some of these companies, these issues would also be discussed".

1.76 As seen from the table the maximum amount of under-recovery is on sale of diesel which is Rs. 56732 crore in the period from April to December 2011. The Committee in their 9th Report (15th Lok Sabha) had observed that 33% of diesel is being used for private cars, industrial and power generation and the Government should take steps to exclude exclude these sectors from the net of beneficiereis of the subsidised diesel. As regards 18% of diesel being used for industrial and power generation, they can be charged unsubsidised prices of diesel.

1.77 In regard to use of diesel by private car, the Committee suggested that Government to consider leving a cess/tax on diesel cars to be paid at the time of purchase of diesel cars and collection of same should go for compensating the under recoveries of OMCs.

1.78 When the Committee enquired about the steps taken by the Ministry to implement this recommendation, during oral evidence, the Secretary, MOPNG inter-alia replied the following:

> "As per your recommendation we had taken up the subject of having additional excise duty on diesel vehicles. Somehow, it could not find a place in the Budget. We are still pressing for it so that dieselisation of road traffic could be slowed down. Presently, the motor spirit is selling at around Rs. 66 in Delhi and diesel is selling around Rs. 41 and so, there is a clear difference of Rs. 25 per litre between the price of motor spirit and diesel. More and more people are encouraged to go in for diesel vehicles".

(i) Direct Cash Subsidy on Sale of Kerosene and LPG

1.79 Government has constituted a Task Force in February, 2011 under the Chairmanship of Shri Nandan Nilekani, Chairman, Unique Identification Authority of India (UIDAI) to recommend and implement a solution for direct transfer of subsidies on Public Distribution System (PDS) Kerosene, Domestic LPG and Fertilizers to the intended beneficiaries. As per the terms of reference of the Task Force, they will study the present mechanism of transfer of subsidies on Kerosene, LPG and Fertilizers, challenges and problems in the governance structures and delivery system. They would examine and suggest an implementable solution for direct transfer of subsidies on Kerosene, LPG and Fertilizers to intended beneficiaries with the use of Aadhaar numbers (Unique Identification numbers), Aadhaar enabled transactions and Aadhaar authentication infrastructure of the UIDAI.

1.80 The Chairman, UIDAI has submitted the Interim Report of the Task Force on Direct Transfer of Subsidies on Kerosene, LPG and Fertilizers to Hon'ble Finance Minister on 5th July, 2011. The Interim Report of the Task Force envisages phase-wise implementation for transfer of cash subsidy on Kerosene, LPG and Fertilizers. Ministry of Petroleum & Natural Gas is progressing in line with the recommendations of the Task Force in a phased manner. (Annual Report)

1.81 When the Committee desired to know about the implementation details of the project for direct cash assistance to consumers on kerosene and LPG, the Ministry submitted as under:-

> "The Empowered Group of Ministers (EGoM) on "under recovery of petroleum products by Oil Marketing Companies" in its meeting held on 8th August, 2011 accorded 'in principle' approval to the recommendations made in the Interim Report of the Task Force headed by Chairman, Unique Identification Authority of India (UIDAI) on direct transfer of subsidy for Kerosene and LPG in cash. The EGoM also approved the proposal of Ministry of Petroleum and Natural Gas regarding Direct Transfer of Cash subsidy on PDS Kerosene to be implemented in consultation with respective State/UT Governments. The proposal approved by the EGoM is annexed.
>
> In view of the EGoM'sapproval fordirect transfer of subsidy on Kerosene through State /UT Governments, the suggestions for initiating the process for implementing the scheme were invited. The State Governments /UTs were also requested to indicate the preparedness of the Public Distribution System (PDS) in their State to undertake this transfer and to propose methodology to be adopted for transferring cash equivalent of subsidy to the bonafide beneficiaries. Further, in order to test the procedure, the State /UT Governments were advised to run a pilot study in two districts/cities/blocks, to be identified by the respective States, before April, 2012, for scaling up to the entire State later on.
>
> Ministry of Petroleum & Natural Gas is progressing in line with the recommendations of the Task Force in a phased manner. The first Pilot Scheme for direct transfer of cash subsidy on PDS Kerosene has been launched in Kotkasim Tehsil of Alwar District (Rajasthan) w.e.f. 5th December, 2011.

1.82 When enquired about the subsidy being provided by Government against the sale of PDS kerosene and domestic LPG, the Ministry furnished the following information:

> "Subsidy on PDS Kerosene and Domestic LPG effective 1.4.2002 is met from the fiscal budget and has been fixed on a specified flat rate basis for each Depot/Bottling Plant based on the difference between the cost price and the issue price per selling unit. The average subsidy during 2002-03 on PDS Kerosene was Rs. 2.45 per litre & on domestic LPG at Rs. 67.75 per cylinder. The flat rate subsidy was reduced by 1/3rd each year during 2003-04 and 2004-05. Since then the subsidy rate for Domestic LPG and PDS Kerosene has been maintained at the 2004-05 level (i.e. 1/3rd of 2002-03 level), i.e. 82 paise per litre for PDS kerosene and Rs. 22.58 per cylinder for Domestic LPG. The subsidy scheme has been extended till 31.3.2014.
> The year wise subsidy on PDS Kerosene & Domestic LPG under Subsidy Scheme 2002 for XIth Five Year plan are as under:

Year	2007-08	2008-09	2009-10	2010-11	2011-12 (Apr-Dec)	Total up to Dec'2011
PDS Kerosene	978.0	974.0	955.6	930.6	633.3	4471.5
Domestic LPG	1663.0	1714.0	1814.4	1973.6	1519.0	8684
Total	2641.0	2688.0	2770.0	2904.3	2152.3	13155.6"

1.83 As seen from the above subsidy on domestic LPG is on continuous increase and is of the order of Rs. 1519 crores from April to December 2011. In this connection, the Committee in their Report on DFG (2011-12) have also recommended Government to consider the doing 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 and public representatives like MP/MLA/MLC.

1.84 On being asked as to whether Government have any proposal to reduce subsidy on LPG cylinders for income tax payers, the Ministry in a written reply submitted as under:

> "The Ministry is in the process of examining the proposal. Its operational feasibility is under evaluation. On every cylinder the current subsidy is 593.08 which could be saved if the subsidy is removed. The likely saving will depend upon the actual number of Income Tax payers having LPG connection and their consumption pattern"

1.85 When asked the Committee as to what will be the actual cost of cylinder to minimize the LPG subsidy burden the Secretary ,MOPNG replied the following:

> "The same is the difference between diesel and kerosene. There is a tendency among people to mix it with diesel. Presently, the subsidy of LPG which we are getting is in fact much less as compared as to what it should be. The price at which we are selling the LPG cylinder in Delhi is about Rs. 400 and the additional subsidy which we require is roughly Rs. 570. The price of LPG cylinder has to go up by this

amount to really make it breakeven. International price of LPG has shot up suddenly and the crude price is also ruling at around 125 dollars per barrel for a fairly long time now."

1.86 The Committee then asked the Ministry to furnish the actual cost of domestic LPG cylinder to know how much of this cost is being borne by the consumer and the Government. The Ministry submitted the following information in its written reply:

"Refining of crude oil is a process industry, where crude oil constitutes around 90% of the total cost. Crude oil is processed through several processing units. Each of these units produces intermediate products streams, which require further reprocessing and blending. As it is difficult to apportion the total cost amongst individual refined products, product-wise costs are not identified separately.

The OMCs pay Refinery Gate Price (RGP) based on Import Parity Price (IPP) for purchase Domestic LPG to refineries. The IPP is determined based on prices prevailing in the international market. The price build-up of Domestic LPG at Delhi based on 1st April 2012 RGP is given below:

Price Buildup of Domestic LPG effective 1.4.2012

(`Rs. per cylinder)

Refinery Gate Price (RGP)	867.07
Other cost elements	99.62
Total Desired Price	**966.69**
Less : Subsidy by Central Government (under the notified subsidy scheme)	-22.58
Less: Under-recovery to Oil Marketing Companies	-570.68
Price charged to Distributor	373.43
Distributor commission	25.83
Retail Selling Price at Delhi (Rounded)	**399.00**

Notes:-

1. Other cost elements includes freight/delivery charges, bottling charges, marketing cost etc.

2. Excise duty on Domestic LPG is Nil.

3. VAT on Domestic LPG at Delhi is Nil.

1.87 When the committee asked for details as to how much was the total subsidy outgo towards the domestic LPG cylinders in the last 5 years, the Ministry in its written reply stated as under:

"The details of subsidy provided on Domestic LPG under the "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002" and the under-recoveries incurred by Oil Marketing Companies (OMCs) during the last 5 years are given below:

Subsidy given and Under-Recovery incurred on Domestic LPG

(` Rs. in crore)

Year	Subsidy under the notified scheme	Under-recovery incurred by OMCs	Total subsidy to consumers
2007-08	1663	15523	17186
2008-09	1714	17600	19314
2009-10	1814	14257	16071
2010-11	1974	21772	23746
2011-12 (Apr-Dec'11)	1519	20516	22035”

1.88 When the committee wanted to know about the total number of commercial cylinders being sold by OMCs during the last three years, the committee were informed as under:

> “Public Sector Oil Marketing Companies (OMCs) have sold 2931.7 Thousand Metric Tonne (TMT) commercial LPG in the country during the last three years in cylinder of of 5 kg, 19 kg, 35 kg and 47 kg. capacity”

1.89 In this connection, Committee also desired to know whether there were any outstanding dues from Airline companies in respect of Aviation Turbine Fuel (ATF), the Ministry stated as under:

> “Airline-wise and Company-wise outstanding dues including interest as on 31.03.2012 against ATF supplied by Oil Marketing Companies to Airlines are as under:

Name of the OMC	Name of Airline	Total outstanding including interest (Rs. in crore)	Total over due including interest (Rs. in crore)
Indian Oil Corporation Ltd. (IOCL)	Air India	3008.84	2264.04
	Jet Airways	796.23	3.41
	Kingfisher Airlines	0.00	0.00
	Go Airlines	48.65	0.00
	Spice jet	90.03	0.00
Bharat Petroleum Corporation Ltd. (BPCL)	Air India	754.16	538.17
	Kingfisher Airlines	0.00	0.00
	Jet Airways	144.99	51.75
	Go Airlines	1.95	1.95
Hindustan Petroleum Corporation Ltd. (HPCL)	Air India	1013.18	482.28
	Jet Airways	0.00	0.00
	Kingfisher Airlines	505.53	306.44
	Paramount	19.28	19.28”

(ii) Supply of LPG

1.90 The Committee wanted to know whether OMCs are releasing any new LPG connections, the Ministry stated the following:

> "Public Sector Oil Marketing Companies (OMCs) namely Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) continue to enroll new LPG customers and release new LPG connections on demand, subject to the applicant residing within the area of operation of the distributorship and fulfilling requisite documentation for availing a new LPG connection and after due verification".

1.91 As regards the waiting list for distributing new LPG connections, the Ministry informed the Committee that HPCL and BPCL have reported no waiting list in the country, however, IOC has reported that there a waiting list of 1.9 lakh as on 01.03.2012 for release of new connections with their LPG distributors in the country and is expected to be liquidated by the end of April, 2012 whereas the waiting list is expected to be liquated by June, 2012, in the State of Kerala.

1.92 In this context when asked how does the Ministry ensure that the domestic LPG cylinders are not diverted for other purposes, the Ministry submitted that In order to stop blackmarketing/ diversion of domestic LPG cylinders, the Government has enacted "Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000" and formulated "Marketing Discipline Guidelines, 2001" which provides for penal action against LPG distributors indulging in diversion/ blackmarketing of LPG. MDG provide, inter-alia for following action against the distributor:-

(i) Fine of Rs. 20,000 plus the price of LPG diverted at commercial rates for 1st offence.
(ii) Fine of Rs. 50,000 plus the price of LPG diverted at commercial rates for 2nd offence.
(iii) Termination of the distributorship for 3rd offence.

1.93 The reply further mentioned that the officials of OMCs carry out regular and surprise inspection, refill audits, surprise checks at distributors' godowns, delivery points, as well as en-route surprise checking of delivery vehicles etc. to ensure that no diversion takes place. If LPG distributor(s) are found guilty, action is taken in accordance with the provisions of the MDG. OMCs have also introduced different colours for domestic and non-domestic LPG cylinders for controlling the diversion of domestic LPG for unauthorized use. Further Government has also issued advertisements cautioning the public that use of domestic LPG for non-domestic purposes is illegal, dangerous and against national interest. Through these advertisements, cooperation of the general public has also been sought to report any irregularity / malpractice to the OMCs.

1.94 The reply also mentioned that In addition to the action taken by the OMCs, State Governments are empowered under the LPG (Regulation of Supply & Distribution) Order, 2000 promulgated under the Essential Commodities Act, 1955 to take action against blackmarketing/diversion of domestic LPG.

(iii) <u>Cess on crude</u>

1.95 Crude petroleum oil produced in India attracts a cess of Rs. 2500 Per MT under the Oil Industries Development Act. This rate was last revised in Budget 2006-07.

1.96 The Government in its budget proposals presented to the Parliament has increased the cess on crude petroleum from Rs.2500 per MT to Rs.4500 per MT**.** The Committee wanted to know the impact of this measure on the oil companies. So when the Committee sought to know the impact of this move on ONGC and OIL, the Ministry in its written reply stated following:

> **ONGC**
>
> "Oil Industry Development Cess is levied on Crude Oil produced as a duty of excise under The Oil Industries (Development) Act 1974. In the Budget 2012 the rate of OID Cess leviable on Crude Oil has been increased from Rs. 2,500/MT to Rs. 4,500/MT i.e. a significant increase of 80%.
>
> Since, OID Cess incurred by ONGC is not recoverable from refineries, increase in OID Cess would directly increase ONGC's cost of production and thus adversely affect company's bottom line. The adverse impact on profit before tax (PBT) would be in excess of Rs. 4,500 crore annually by ONGC at current level of production of crude oil.
>
> **OIL**
>
> Government in the 2012 budget, revised the rate of Cess on Crude Petroleum Product from Rs. 2500 / MT to Rs 4500/MT w.e.f. 17.03.2011. Based on OIL's current crude oil production and sales, the additional outgo due to the above rate revision to Oil India is estimated about Rs. 810 crore annually. The above revision in the rate of Cess on Crude Petroleum Product will adversely affect the profitability of OIL".

G. <u>DIRECTORATE GENERAL OF HYDROCARBON (DGH)</u>

1.97 The Directorate General of Hydrocarbons (DGH) was established under the administrative control of Ministry of Petroleum and Natural Gas by Government of India Resolution in 1993. Objectives of DGH are to promote sound management of the oil and natural gas resources having a balanced regard for environment, safety, technological and economic aspects of the petroleum activity. DGH has been entrusted with certain responsibilities concerning the Production Sharing Contracts for discovered fields and exploration blocks, promotion of investment and monitoring of E&P activities including review of reservoir performance of major fields. In addition, DGH is also engaged in opening up of new unexplored areas for future exploration and development of non-conventional hydrocarbon energy sources.The main activities undertaken by DGH are as under:

> "1) Implementation of NELP
> 2) Monitoring of Production Sharing Contracts (PSCS)
> 3) Monitoring of the Petroleum Exploration Licenses Held by NOCS – on nomination basis
> 4) Monitoring the Production Performance of NOCS
> 5) Field Development, Reservoir and Production Monitoring of JV Fields
> 6. Coal Bed Methane (CBM)
> 7. National Gas Hydrate Programme (NGHP)
> 8. National Data Repository (NDR)
> 9. Shale Gas

1.98 The Committee wanted to know the manpower position in DGH as they have been entrusted with wide ranging activities that requires regular supervision and monitoring. The Committee had desired to be apprised about the present staff strength of DGH and mode of recruitment for personnel followed by the DGH. In this regard, the following information was provided by the Ministry in his written reply:

> "The Administrative Council of DGH, in the meeting held on 21.12.2005, had accorded approval for manpower strength of 160 in DGH, inclusive of trainee/consultant/contract appointments. The current manpower strength of DGH is as under:
>
> * Officials on deputation/tenure from various PSUs-114
> * Consultants – 8
> * Trainees - 16
>
> As DGH does not have any cadre of its own, the officials are drawn from PSUs on deputation/tenure basis. Hence, the question of mode of recruitment does not arise."

National Data Repository (NDR)

1.99 The Committee were informed that DGH plans to establish a National Data Repository (NDR) in the country. NDR is a Government sponsored data bank to preserve and disseminate oil and gas related information and data in order to promote and regulate exploration and development activities in India. The tenders have reportedly being invited to engage the services of an expert agency to build, populate and operate the NDR in India. The price bid was opened on 21.05.2010. MoP&NG advised DGH on 15 .05. 2011 to retender after noticing certain anomalies in one bid. New draft tender documents for re-tendering sent to MoP&NG for approval in October 2011. However, one of the bidders has approached the court on 21.11.2011 and the matter is reportedly sub-judice.

H. ONGC VIDESH LIMITED (OVL)

1.100 At present OVL has participation either directly or through wholly owned subsidiaries/joint venture company in 33 projects in 15 countries namely Vietnam (2 projects), Russia (2 projects), Sudan (2 projects), South Sudan (1 project), Iran (1 project), Iraq (1 project), Libya (1 project), Myanmar (2 projects), Syria (2 projects), Cuba (2 projects), Brazil (6 projects), Nigeria (2 projects), Colombia (6 projects), Venezuela (2 project), Kazakhstan (1 project) and is actively seeking more opportunities across the world. OVL had successfully completed 741 Km long pipeline project in Sudan in 2005. Out of 33 projects, OVL is operator in 11 projects and joint operator in 6 projects. In this context the Committee had desired to be informed regarding the producing assets of OVL abroad. The Ministry submitted the following:-

> "Currently, ONGC Videsh Limited has oil and gas production from 9 Assets, namely, Russia (Sakhalin-I and Imperial Energy), Syria (Al-Furat Petroleum Co.), Vietnam (Block 06.1), Colombia (MECL), Sudan (Greater Nile Oil Project), South Sudan (Block 5A & part of GNOP), Venezuela (San Cristobal) and Brazil (BC-10). Imperial Energy, Russia (100% PI) is operated by OVL and three producing assets namely GNOP, Sudan; MECL, Colombia and Sancristobal, Venezuela are jointly operated.
>
> From a meager production of just 0.253 MMTOE in 2002-03, it has registered a production of 9.448 MMTOE oil and oil equivalent gas in 2010-11. This records OVL's highest ever oil & gas production from its overseas assets so far and sets a milestone in its journey for the quest for oil and gas acreages abroad. OVL has achieved a sustained growth in last 10 years with cumulative Annual Growth Rate (CAGR) of 13.6%. OVL now has the distinction of operating in the harshest environments in the world that are as diverse as deep sea production in Brazil to the extremely cold climate in Russia. In this way OVL is contributing to the energy security of India".

1.101 In this connection, CMD ONGC during the course of oral evidence deposed before the Committee as under:

> "In fact, in the year 2011-12, we have had a setback of production of about .8 million tonnes because of geo political situation in Cyria and Sudan. We produced about 9.45 million tonnes last year and as compared to that had the situation remained the same, we would have touched the same level of about 9.4 or 9.5 but because of curtailment of production form Cyria and Sudan very significantly, there was a loss of production of about .8 million tonnes"

1.102 The Committee were further informed that OVL as part of its efforts to acquire oil and gas assets overseas examined opportunities in North America, Canada, Latin America, Europe, FSU countries including Russia, Middle east, Africa and Far East. OVL has taken a 25% participating interest from Kazmunaigaz in the Exploration and Production Contract for the Satpayev block in Caspian sea area of Kazaksthan in April 2011.

1.103 When pointed out by the committee that as against the RE of Rs. 6620.85 crore for the year 2010-11, the actual expenditure has only been pegged at Rs.5650 crore for which the Ministry furnished the following clarification in its written reply:-

> "OVL Budget largely consists of the outlay on ongoing projects and the provisions made towards new acquisitions. There are various work programmes and activities scheduled for the existing Producing, Development and Exploratory Assets. At present OVL is operating in 33 Projects in 15 countries, out of which 11 Projects are directly operated by OVL and in which 9 Projects are Exploratory in nature. Most of the Plan Outlay are 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 for which OVL has limited control.
>
> OVL had kept Budget provision in RE 2010-11 towards acquiring 25% stake in Satpayev Block in Kazakhstan. However the agreements for the said Asset could be signed only in April, 2011 (FY 2011-12), so the utilization would get reflected in the year 2011-12 against year 2010-11 as originally envisaged.
>
> The main reasons for under utilization of Projectwise outlay in 2010-11 w.r.t. RE are given below quantifying the amount.

Deferment of closing of the Acquisition Deal from 2010-11 to 2011-12 in Satpayev Project, Kazakhstan	Rs. 447 Crore
The planned Exploratory drilling of well was deferred from 2010-11 to 2011-12 in Block BM-SEAL-4, Brazil	Rs. 240 Crore
The Phase-2 of development was partly delayed and partly deferred due to operational reasons in deepwater block BC-10, Brazil	Rs. 208 Crore

Delay in award of works and EPC contracts in Myanmar Onshore-Midstream pipeline project	Rs. 130 Crore"

1.104 During the course of oral evidence the Committee desired to know about the status of Imperial Assets acquired by OVL in the year 2009, the ONGC representative deposed before the Committee as under:

> "This Imperial, first of all, this is property which we bought from the company in UK and this has got about 17 fields. The total reserves when we had estimated were about 900 billion barrels and 3 billion barrels. I have MD (OVL) with me. If I am wrong, please correct me. The total payment was about 2.1 billion dollars. What has happened is that this is a field where first of all the climatic conditions are very, very hostile. You can appreciate that the work can only be done in the winters as opposite other places when the ice is solid, at that time only we can take this equipment, etc. Otherwise, in the summers, you cannot just move anything. The reservoir is very tight. There are two factors which are important in any reservoir which is permeability and porosity. Here it is a very tight reservoir. The numbers of wells which are required to be drilled are more. We had anticipated that we will be requiring to drill so many numbers of wells. And because of all these logistics constraints, we have not been able to drill those many numbers of wells and the wells we have been able to drill had hydro fracture. Even they have not given the kind of results which we had anticipated. So, it is only a temporary set back. Today, it is not that the reserve is not there, the reserves are there which have been certified by third party reservoir engineering consultant. But since the production is not coming as we had envisaged, so in terms of NPV probably the value is eroded".

1.105 In this regard, Secretary MOPNG further added:

> "This block was evaluated, but it seems that as the Chairman, ONGC says the assessment about the production has not lived up to the expectation. So far as the reserves are concerned, they are there. There is no problem about the reserves. The reserves which they had anticipated at that point in time, I believe, they have got it verified by some external consultant also. The reserves are there. But the problem is arising in bringing those reserves out. It was a running company. It was producing crude and it is producing even today. But their expectation was that they would be able to produce much more than the company was producing earlier. That expectation has not come true. It requires much more investment. That is the preliminary estimate. So, they had done their due diligence. They had got it verified by external consultant. There is no problem about the reserves, but the actual problem is coming in the production because of the very tight reservoir. It requires a different technology as they say. The current technology which is available about simple drilling is not going to work. They hope to produce more, but it involves a lot of expenditure. In fact, there is another issue why it was not basically becoming viable. It is because there is differential taxation in Russia. On one side of the area, they have given many concessions and on this side those concessions are not available. But this is not the cause. I would agree with the hon. Member that this thing was known earlier. So, this is nothing new. The other thing is that taxation as such in Russia is very high and the Chairman, ONGC would testify that whatever we

get out of per barrel of oil being produced there, the amount which the ONGC or OVL gets, is very small. It is about 19 to 20 $ per barrel. Even after selling it at 120 $ a barrel, there is so much of taxation in that area that only 20$ per barrel is the net amount which they are getting. In such a condition making a very large investment into the area becomes questionable. So, we are just trying to find the right technology through which we can produce in bulk and maximise our returns. This is the position as it stands today".

1.106 The Committee in this context desired to be apprised regarding the details of pre and post acquisition survey, the Ministry furnished the following information:

"The reserves of Imperial Energy were assessed before and after acquisition of the asset. The assessment of reserves are subject to revisions from time to time, based on additional data generated during the course of exploration activities like seismic surveys, exploratory drilling, results obtained from production /testing of wells, acquisition of new data etc.

The table given below provides a comparative picture of the revisions in the 2P Reserves (in MMT of Oil + Oil Equivalent Gas) of Imperial Energy assets as a result of these assessments as done by M/s DeGolyer & MacNaughton (D&M), an independent US based reservoir firm:

	Pre Acquisition (As on 31.12.2007)	**Reserve Assessment done post acquisition**			
		As on 31.12.2008	**As on 31.12.2009**	**As on 31.12.2010**	**As on 01.04.2011**
2P Reserves in MMT of Oil + Oil Equivalent Gas	122.673	125.784	113.057	111.244	110.894

From the above table it may be observed that there has not been any significant reduction in reserves and that the variation is within acceptable norms in oil industry. It is an accepted principle in the E&P industry that reserves do undergo change from time to time based on availability of additional data generated. The reserves often undergo upward or downward revisions in any field, even in very old producing fields based on fresh inputs".

I. <u>DEVELOPMENT OF ALTERNATE FUEL SOURCES</u>

1.107 In order to accelerate explore activities of the alternate sources of hydrocarbons, Government/oil companies have taken various steps, which are as under:

"(i) Government implemented Coal Bed Methane (CBM) Policy in the year 2000 to harness the potential of CBM gas. Total 30 CBM blocks have been awarded so far under four rounds of CBM bidding, in addition to 3 blocks awarded earlier on Nomination basis and FIPB route. Current CBM production is about 0.24 MMSCMD.

The prognosticated CBM resource in the country is about 92 trillion cubic feet (TCF), out of which only 8.92 TCF has, so far, been established. The CBM production is likely to increase after completion of development activities in the above blocks. It is estimated that average CBM production in the country will be about 4 MMSCMD by the year 2016-17. Further, it is planned to offer more areas for CBM exploration and exploitation during 12th Five year Plan Period through future CBM rounds.

(ii) World over, gas hydrate activities are under R&D stage. Under National Gas Hydrate Programme (NGHP), "Expedition-01" was carried out in 2006 and presence of gas hydrate was found in Krishna-Godavari offshore and Andaman offshore area.

(iii) Bright prospects of Shale oil/gas emerge another source of energy in the country, the shale oil/gas resource estimation is in progress. The process of consultation of various stakeholders including Ministry of Environment & Forest has been initiated. The formulation of policy frame is being undertaken for optimal exploration and production of shale gas while taking due care of environment".

(i) <u>EBP programme</u>

1.108 Low availability and state-specific issues hindered the progress of the EBP Programme. Against the requirement of 180 crore litres of Ethanol for blending 5% Ethanol with Petrol during the year 2006-09. The oil marketing companies (OMCs) could contract for 146.6 crore litre of ethanol and the actual procurement was 58.70 crore litre only. In the year 2009-10, the shortfall was more pronounced at 85% of the prorated quantity.

1.109 During the year 2010-11 (from 1.11.2010 to 30.09.2011), against the requirement of 105 crore litres of Ethanol in the entire notified area, 55.87 crore litres was contracted and 36.19 crore litres was supplied by the ethanol suppliers for EBP Programme. Accordingly, the programme could be implemented in 13 States and 3 UTs. For the year 2011-12, OMCs have contracted 46.97 crore litres of ethanol in 12 States against the requirement of 100.8 crore litres for EBP Programme in the entire notified area. As on 31.01.2012, 5.68 crore litres of ethanol has been procured for blending with petrol.

1.110 To give fillip to the EBP programme, the Government on 16.8.2010 decided that the Oil Marketing Companies (OMCs) would purchase the entire quantity of Ethanol made available by domestic manufacturers of Ethanol at a price to be decided by the Government. In pursuance of this decision, OMCs are implementing the 5% EBP Programme by procuring the entire quantity of Ethanol made available by domestic suppliers at the adhoc ex-factory price of Rs.27/litre, as decided by the Government.

Accordingly, as per the availability of ethanol, presently 5% EBP Programme is under implementation in 13 States.

1.111 When enquired about the availability of EBP in market, the Ministry furnished the following information to the Committee:

> "During the year 2010-11 (from 1.11.2010 to 30.09.2011), against the requirement of 105 crore litres of Ethanol in the entire notified area i.e. 20 States and 4 UTs, 55.87 crore litres was contracted and 36.19 crore litres was supplied by the ethanol suppliers for EBP Programme. Accordingly, the programme was implemented in 13 States and 3 UTs.
>
> For the year 2011-12, OMCs have contracted 41.89 crore litres of ethanol in 12 States against the requirement of 101.66 crore litres for EBP Programme in the entire notified area. As on 15.03.2012, 9.69 crore litres of ethanol has been procured for blending with petrol and the programme is under implementation in 13 States.
>
> However, no offers were received in West Bengal, Orissa, Himachal Pradesh and Jharkhand. None of the offers received in Madhya Pradesh and Chhattisgarh qualified. There was very nominal offer of 0.1 crore litres for Rajasthan State and therefore, this 0.1 crore litres offer of Rajasthan was taken to Delhi State".

1.112 Asked about the other reasons affecting implementation of EBP programme, Ministry in a written reply submitted as under:-

> "Due to restrictions imposed by some State Governments on inter-state movement of Ethanol and/or refusal to issue storage and blending licences/other clearances and taxation issues, the programme has faced constraints in the field. The Government of Tamil Nadu has not permitted the use of ethanol for EBP Programme.
>
> In order to help OMCs achieve their targets under the EBP Programme, State Governments have been requested to simplify procedures and expedite clearances related to the roll out of the EBP Programme".

1.113 The Committee in this regard sought to be apprised regarding the step taken by the Government to effectively implement the ethanol blended programme. The Ministry apprised as under:

> "In order to help Oil Marketing Companies (OMCs) achieve their targets under the EBP Programme, State Governments have been requested to simplify procedures followed by them in giving Ethanol storage permissions to OMCs and expedite clearances related to the roll out of the EBP Programme.
> Recently, it has been brought to the notice of the Ministry that Governments of Gujarat and Delhi have imposed import duties for ethanol imported from other states. Therefore, these States have been requested to consider withdrawal of the

import duties introduced by them considering the larger interest of the nation and specially to promote use of Bio- fuels.

Further, as per the Government decision dated 16.8.2010, a 'Working Group of Officers for Allocation of Ethanol' has been constituted for monitoring of implementation issues of the programme on a regular basis till the time the programme stabilizes.

During a Meeting of Working Group held on 4.4.2012, it has been decided that OMCs may float a supplementary EOI to allow fresh supplies of Ethanol for the EBP Programme".

1.114 The Committee were further apprised that an Expert Committee on Pricing of Ethanol was constituted under the Chairmanship of Dr. Saumitra Chaudhury, Member Planning Commission. The Expert Committee has submitted the Report of the Committee on 15th March 2011, to MoPNG. The Report has been prepared in two parts. A summary of the major outcomes of the Report of the Expert Committee is given as follows:

"Part I

(i) The size of the EBP Programme will depend upon the availability of alcohol. For 2010-11, to begin with, it should be set at around 600 Million Litre, which may be revised in March 2011.

(ii) This procedure has to be done on a regular basis, so that domestic availability and demand is matched in a fair and equitable fashion.

(iii) In order for the EBP linkage to be a source of stability for the sugarcane/ the sugar sector, the EBP Programme itself must be stable. In order for it to be stable it must satisfy conditions of feasibility and fairness in resource allocation. It is felt that by calibrating the size of the EBP Programme to the availability of industrial alcohol, a large part of the stability would materialize.

Part II

(i) The calculations of Price of Ethanol has been derived from Motor Spirit (MS) and the Report recommended formula depending on the following factors :

(a) Price of Petrol before Excise Duty ex-blending point
(b) Inferred energy adjustment for price of alcohol
(c) Tax break and sharing
(d) Efficiency compensation to consumer
(e) Energy adjustment prices
(f) Recomputed inferred alcohol price
(g) Average of set of appropriate prices
(h) Impact on Retail Price of 5% EBP
(i) Rationale of the split of Tax Break

(ii) As per the suggested calculations for the quarter ending December 2010, the ex-factory price of ethanol is worked out to be Rs.26.67 per litre, applicable for all supplies of ethanol for the quarter ending March 2011.

(iii) In view of the small supplies of Ethanol during quarter ending December 2010 and entire supply made in the month of December 2010, the price of Rs.26.67 per litre recommended for the quarter ending March 2011, will also be applicable for supplies made in the quarter ending December 2010.

(iv) Deductions for benefit to the customer in order to compensate for the loss of mileage works out to be Rs.0.27 per litre of EBP before State VAT. In addition Rs.0.09 per litre of EBP would be consumer share of the tax break before State VAT. Total deductions to the consumer thus add up to Rs.0.36 per litre of EBP before State VAT".

1.115 On being asked about the time since when the Expert Committee's report was under consideration of the Government and the outcome thereof, the Ministry apprised the Committee as under:

"The Expert Committee on Pricing of Ethanol had submitted its Report on 15th March 2011 to MoPNG and the same was submitted to Cabinet Secretariat and MNRE on 27th June 2011 for consideration of National Bio-fuel Steering Committee (NBSC). Since then, NBSC has taken two meetings on 19.09.2011 and 20.01.2012 for consideration of the same. During the meeting of NBSC held on 19.09.2011, MNRE was directed to examine the report of the Expert Committee in accordance with the provisions of National Bio-fuel Policy. The recommendations of MNRE have been accepted by NBSC in its meeting held on 20.01.2012 and the same have been recommended for soliciting approval of National Bio-fuel Coordination Committee (NBCC) headed by Hon'ble PM. The final decision in the matter will be taken by NBCC".

(ii) Bio-diesel

1.116 The Ministry of Petroleum and Natural Gas has announced a Bio-diesel Purchase Policy effective from 1.1.2006. Under this scheme, Oil Marketing Companies would purchase Bio-diesel for blending with High Speed Diesel (HSD) to the extent of 5% at 20 purchase centres identified across the country. In terms of a National Policy on Bio-fuels, the procurement price of Bio-diesel is periodically being announced by the OMCs. However, suppliers have not come forward to offer Bio-diesel at these designated purchase centres at the declared price. As such, blending of Bio-diesel with HSD could not be set in motion.

1.117 The Government has notified the National Policy on Bio-fuels in December, 2009, which has laid down detailed guidelines for development of Bio-diesel. The National Bio-fuel Policy has superseded the Bio-diesel Policy of MoP&NG.

1.118 In this context, Committee desired to be apprised about the present procurement price of bio-diesel, the Ministry furnished as under:

"Oil Marketing Companies (OMCs) have reviewed the procurement price of bio-diesel at the various purchase centres and declared the same at Rs.33/litre w.e.f.

> midnight of 11th /12th August, 2011 based on the revision in the ex-storage point price of HSD w.e.f. midnight of 24th/25th June, 2011".

1.119 Asked about the reasons for supplier not agreeing to sell their products the Ministry stated that as per National Policy on Bio-fuel, the procurement price of bio-diesel is periodically announced by the OMCs. However, suppliers have not come forward to offer bio-diesel at the declared prices at the designated purchase centres. As such blending of bio-diesel with High Speed Diesel could not be set in motion.

1.120 Asked about the role of MOPNG and OMCs in national bio-fuel policy, the Ministry in a written reply informed as under:

> "As per allocation of business Rules as well as the National Policy on Bio-fuel, MoPNG is concerned with marketing, distribution and retailing of bio-fuels and its blended products.
> As per para 5.11 of National Bio-fuel Policy, the responsibility of storage, distribution and marketing of bio-fuels would rest with Oil Marketing Companies (OMCs). This shall be carried out through their existing storage and distribution infrastructure and marketing networks, which may be suitably modified or upgraded to meet the requirements for bio-fuels.
> In order to take care of fluctuations in the availability of bio-fuels, OMCs will be permitted to bank the surplus quantities left after blending of bio-diesel and bio-ethanol in a particular year, and to carry it forward to the subsequent year when there may be shortfall in their availability to meet the prescribed levels".

1.121 The reply further mentioned that apart from this, MNRE has been given the responsibility of Policy formulation and overall Coordination concerning biofuels and the responsibility to undertake R&D on various applications of biofuels. Responsibilities have also been allocated to other Ministries viz. Ministry of Environment & Forests, Ministry of Rural Development, Ministry of Science & Technology and Ministry of Agriculture to deal with the different aspects of bio-fuel development and promotion in the country.

(iii) <u>Coal Bed Methane (CBM)</u>

1.122 The Committee have been informed that Government of India introduced Coal Bed Methane (CBM) Policy in the year 1997. Total 30 CBM blocks have been awarded so far under four rounds of CBM bidding, in addition to 3 blocks awarded earlier on Nomination basis. Current CBM production is about 0.24 MMSCMD. Out of the total available coal bearing area of 26,000 sq. km for CBM exploration in the country, exploration for CBM has been initiated in about 17,000 sq. km. area. The prognosticated CBM resource in the country is about 92 trillion cubic feet (TCF), out of which only 8.92 TCF has, so far, been established. The CBM production is likely to increase after completion of development activities in the above blocks. It is estimated that average CBM production in the country will be about 4 MMSCMD by the year 2016-17. Further, it is planned to offer more areas for CBM exploration and exploitation during 12th Plan Period through future CBM rounds.

1.123 In this connection Committee when asked about the progress made by public sectors companies, in the awarded CBM blocks, the Ministry submitted the following:

> "Till date, 9 CBM blocks have been awarded to ONGC (as operator) for exploration and production of CBM. So far, 3 blocks have already been relinquished citing poor prospectivity in the blocks. ONGC has further applied for relinquishment of 2 more CBM blocks. Incidentally produced CBM @ 12,000 m3/day is currently been sold from Jharia block of ONGC Development Plan has been submitted for two blocks in Jharkhand (Bokaro and North Karanpura blocks), which are under examination. Further, OIL is a Consortium Partner in AS-CBM-2008/IV CBM block in Assam with Dart Energy as operator. The PEL is awaited from the State Government.

1.124 When further enquired regarding the details of commercially produced CBM from awarded blocks, the Committee were informed as under:

> "Currently CBM is commercially produced w.e.f July, 2007 from Raniganj (South) block in West Bengal. Subsequently, the incidentally produced CBM is being sold from Jharia block of ONGC in Jharkhand and Raniganj (East) block of ESSAR in West Bengal. The projection versus actual commercial production of CBM from Raniganj (South) block, since inception is as under:

Year	Projection (MMSCM)	Actual (MMSCM)
2007-08	-	14.250
2008-09	38.751	13.103
2009-10	57.730	38.402
2010-11	33.294	41.362
2011-12	77.892	63.327 (upto February,12)

1.125 On being further asked about the steps taken by the Government to improve the performance, the Ministry informed as under:

> "To improve upon the production of coal bed methane, the CBM Contractors are making all efforts to overcome various hindrances such as land acquisition and forest clearance problems, overlapping issues with coal mines, development of gas transportation pipelines etc. The latest technologies such as inclined/horizontal and Multilateral drilling, air drilling, cavity completion, in-seam drilling and multi-zone hydrofracturing etc. are being adopted by the Contractors to increase CBM production.

In view of above, it is felt that the CBM production from the current level of about 0.24 MMSCMD will increase further and the estimated CBM production target of 4 MMSCMD by the terminal year of the 12th Plan Period may likely to be achieved".

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

1.126 As regards the coal liquefaction projects presently being pursued by OIL, the Ministry apprised as under:

"OIL has completed pilot plant and techno-economical studies on Assam coal. The studies indicate that 10,000 barrel-per-day (BPD) commercial Coal-to-Liquid (CTL) plant is not commercially viable. However, CTL plant of capacity 20,000 bpd could be commercially viable but the coal requirement is about 2.5 million ton per year and the availability of this amount of coal is not assured. The state of Meghalaya has huge coal reserves, which are reported to be having similar properties as Assam coal. A collaborative study by R&D department, Oil India Limited and the Department of geological sciences, Guwahati University, Guwahati is in progress to assess coal availability and quality of coal for generation of data/information for future use".

(v) <u>Coal Gasification Project</u>

1.127 As regards the Coal Gasification Projects of oil/gas PSUs, following information was submitted:

"ONGC has taken up an R&D project to establish UCG technology to extract fuel like UCG. ONGC signed an AOC with Skochinsky Institute of Mining (SIM) on 25th November,' 2004 to implement UCG technology in India. Out of 11 sites studied, one site namely Vastan lignite block pertaining to GIPCL- a state PSU of Gujarat, has been found suitable. Surface facilities for the pilot have also been designed by Ukranian Design Institute OJSC Dongiproshakht. Draft contract for construction and commissioning of the pilot has been received from SIM. The contract can be signed after award of mining lease for the said lignite block by MoC, GoI which is still awaited".

(vi) <u>Gas Hydrate</u>

1.128 The Committee have been informed that certain Gas Hydrate Reserves were discovered in Krishna-Godavari basin under "National Gas Hydrate Programme Expedition-1". In the year 2006. When the Committee sought to know the progress made in developing the reserves, the Ministry submitted the following in a written reply:

"

The results of NGHP "Expedition – 01" conducted in 2006 are as under:

- Conducted comprehensive analyses of gas-hydrate-bearing marine sediments in both passive continental margin and marine accretionary wedge settings.

- Discovered gas hydrate in numerous complex geologic settings and collected an unprecedented number of gas hydrate cores (more than 2800 m from 21 sites and 39 holes).
- Delineated and sampled one of the richest marine gas hydrate accumulations yet discovered in the world (Krishna-Godavari basin).
- Discovered one of the thickest and deepest gas hydrate occurrences yet known (Andaman Islands) which revealed gas-hydrate-bearing volcanic ash layers as deep as 600 meters below the seafloor.
- Established the existence of a fully developed gas hydrate system in the Mahanadi basin of the Bay of Bengal.

It may be mentioned that currently, there is still no proven technology world over to exploit methane from Gas hydrate on a commercial scale. Moreover, since much of the gas hydrate reserves worldwide are found disseminated in sandstone whatever research being done on the extraction of gas from hydrates focus on disseminated deposits in sands. This is in contrast to our discovery of gas hydrates in KG offshore, which are massive in nature and found in fractured shale formation.

Gas hydrates are unconventional hydrocarbon deposits and much of the work being done world over is in research stage. Therefore an extremely close coordination and work association is required with leading scientists globally to be updated with the recent developments".

J. CROSS COUNTRY PIPELINE PROJECTS

1.129 Presently India is party in two international Pipeline Project of IPI and TAPI. The Committee wanted to know the present status of these projects, the Ministry submitted as under:-

"The status of Iran-Pakistan-India (IPI) and Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project is as under:-

Iran-Pakistan-India (IPL) Gas Pipeline Project

Iran-Pakistan-India (IPI) Gas Pipeline Project has been under discussion with the Governments of Iran and Pakistan 60 mmscmd of gas is proposed to be supplied in Phase-I, to be shared equally between India and Pakistan and 90 mmscmd of gas is envisaged to be supplied in Phase-II. Several rounds of discussions have taken place, involving the India-Pakistan-Iran Joint Working Group, India-Pakistan JWG and the India-Iran Special JWG. The matter has also been discussed at the Ministerial level; the last such meeting between India and Pakistan was held in Islamabad on 25.4.2008. Several critical issues, viz., the delivery point of Iranian gas, the project structure, guarantees related to safety of the pipeline and security of supply, besides pricing of gas are yet to be resolved.

Turkmenistan – Afghanistan – Pakistan - India (TAPI) Pipeline Project

To settle various issues related to the Gas Sale Purchase Agreement (GSPA), bilateral and multilateral meetings have been held among the four countries and their gas companies participating in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project. Regarding security & safety of the pipeline, suitable provisions have been made in the Inter-Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) signed by the Governments of Turkmenistan, Afghanistan, Pakistan and India in December 2010. During the various meetings of Technical Working Group and Bilateral Meetings held in 2011, all the outstanding Gas Sales and Purchase Agreement (GSPA) issues were resolved including the Base Price of the gas. A Note for the Cabinet has been prepared for apprising the Cabinet on the developments so far before the GSPA is signed".

1.130 In this context, a representative from MOPNG deposed before the Committee as under:

"As I said, once the consortium is formed, then they will take that cost. The basic risks are the security risks but the IGA has factored in it. Afghanistan and Pakistan have given a sovereign guarantee that they would see that the integrity of the pipeline is maintained but still there would be a risk and it is for the consortium to see how much risk premium they build in, in the transportation tariff.

The transit fee would be fixed but that transportation tariff would include components of the risk premium which would be required in that. So they will factor in that. But the discussion amongst all those countries, perhaps, indicates that once the pipeline is formed, the revenue that would be generated would ensure that the integrity of the pipeline is maintained. For example, the revenues that Afghanistan may get are close to a million dollar a day, which is expected. That is what they are looking at. Once it comes through, it would be in the interest of the people in those areas to see that the integrity of the pipeline is maintained because only then they can get revenue associated from it.

So, yes, there are political risks. There are other risks also. But I think given the benefit that people would see from it, apart from the downstream industries that come up, it may perhaps, mitigate the political risks that one foresees today".

K. REFINING CAPACITY

1.131 The present refining capacity is 193.386 Million Metric Tonnes Per Annum (MMTPA) comprising 116.886 MMTPA by PSUs, 6 MMTPA in Joint Ventures (JV) and 70.50 MMTPA in the private sector. At present, there are 21 refineries operating in the country, out of which 17 are in the public sector, 3 in the private sector and one is a JV. Out of the 17 public sector refineries, 8 are owned by Indian Oil Corporation Limited (IOC), 2 each by Chennai Petroleum Corporation Limited (CPCL), a subsidiary of IOC, Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and Oil and Natural Gas Corporation Limited (ONGC) and 1 by Numaligarh Refinery Limited (NRL), a subsidiary of BPCL. The private sector refineries belong to Reliance Industries Limited and Essar Oil Limited.

1.132 The Committee in this regard desired to be apprised about the utilization of this 'Refining Capacity during last five years the Ministry furnished following details:

"The overall capacity utilisation by refineries (both PSU and domestic Private Sector refineries) during the last five years is given in the following table :

Year	Installed Capacity (MMTPA)	Actual Crude Throughput (MMT)	Capacity Utilisation (%)
2006-07	142.956	146.435	102
2007-08	148.956	156.138	105
2008-09	177.956	192.775	108
2009-10	181.086	186.633	103
2010-11	187.386	196.195	105

As can be seen from the above table, the capacity utilisation has been consistently more than 100 %".

1.133 In this context, Secretary, MOPNG deposed before the Committee as under:-

"There is a huge surplus capacity of refining available in the country now. Our demand last year was approximately 141 million MT, which is supposed to go up to 147 million MT. Our refining capacity was 193 million MT, which on 31.3.2012, has gone up to 213 million MT. In the private sector, it is 78 million MT – 60 of Reliance and 18 increased capacity of ESSAR".

1.134 He further added:

"Approximately 35 to 40 per cent in private sector and remaining in public sector. Our refining capacity is increasing continuously and India has become a big refining hub of the world. So far as the refining part is concerned, we are very comfortable".

1.135 In this connection, the Committee desired to be apprised regarding the Gross Refining Margins earned by Indian Refineries vis-a-vis private sector refineries, the Ministry furnished the following written reply:

"The GRM of PSU and Private refineries in India are given below.

($ / Barrel)

Company	Refinery	2009-10	2010-11	2011-12 (Apr-Dec)
IOCL	Barauni	3.57	3.91	-0.58
	Gujarat	3.91	6.42	4.74
	Haldia	5.42	4.03	2.22
	Mathura	5.62	7.40	-0.27
	Panipat	3.35	5.68	4.57
	Guwahati*	7.44	10.04	13.68

	Digboi*	18.61	16.98	14.82
	Bongaigaon*	5.23	5.23	6.73
	Average	4.47	5.95	3.41
BPCL	Kochi	4.87	4.83	2.38
	Mumbai	1.78	4.23	3.06
	Average	2.97	4.47	2.78
HPCL	Mumbai	2.80	4.65	2.48
	Visakh	2.59	5.81	2.73
	Average	2.68	5.30	2.62
CPCL	Chennai/N'nam	4.75	5.02	2.05
MRPL	Mangalore	5.46	5.96	2.77
NRL	Numaligarh*	11.19	15.39	12.30
RIL	Jamnagar	6.60	8.40	9.00
Essar Oil	Vadinar	4.38	6.91	6.94

* GRM of North East Refineries are inclusive of Excise duty benefit allowed to NE refineries.

1.136 When the Committee wanted to know whether there was any proposal to set up oil refinery in Rajasthan, considering the presence of huge oil reserves, the Secretary, MOPNG replied that at present there is no such concrete proposal in pipeline.

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

Rajiv Gandhi Institute of Petroleum Technology

The Committee are unhappy at the slow progress in establishment of Rajiv Gandhi Institute of Petroleum Technology (RGIPT) at Jais, Chatrapathi Shahooji Maharaj district in Uttar Pradesh, an institute of national importance established under an Act of Parliament to cater to the educational and training requirements of the hydrocarbon industry. The Ministry has informed that for RGIPT campus, land measuring 148 acres was needed out of which 90 acres was to be procured through acquisition from U.P. State Industrial Development Corporation. However, despite efforts of RGIPT/MOPNG, land acquisition could not progress. RGIPT has purchased 48 acres of land from Indian Oil Tanking Ltd. and are executing the Phase-I construction of the campus. The Committee are further constrained to note though the academic activities were started in 2008, only a few courses (2 B.Tech and 1 MBA and 1 M.Tech) have since been started in the institute.

Keeping in view the significance of the institute, it was expected that due importance should have been given by State Government to actively facilitate the acquisition of required land and other clearances so that there was no delay in the establishment of the institute. The Committee, therefore, desire that the Ministry to take up the matter at highest political level for early settlement of all outstanding issues so that the project can take off and institute become fully functional.

Further the Committee note that the funds allocated under RE in the year 2010-11 for RGIPT campus in Jais were to the tune of Rs.36 crores whereas the utilization was only Rs.19.38 crores and during 2011-12 fund allocated was Rs.39 crores whereas the utilization of funds is expected to be approximately Rs.28 crores. The Ministry has stated that Phase-I is expected to be completed by December, 2013. The Committee would expect the Ministry to keep a close watch on the progress of the works relating thereto and ensure that the schedule is adhered to.

RECOMMENDATION NO. 2

LPG scheme for BPL families

The Committee note that a token provision of Rs. 1 crore has been provided in 2012-13 under the plan scheme to provide one time assistance of Rs. 1400/ per connection to BPL families towards security deposit for the cylinder and regulator and proposing to cover 70 lakh BPL families. The scheme was first proposed in the Budget 2010-11 and again in 2011-12 where similar provisions were made. During the examination of the last DFG (2011-12) the Committee were informed that a note for approval of the scheme was submitted to Cabinet Committee on Economic Affairs (CCEA) on 15.11.2010 and it directed that the scheme may be reexamined keeping in view the benefits and its financial cost. The Committee are constrained to note that the Ministry has yet to re-examine the scheme in light of directions of CCEA. The Committee have not been furnished with any reason for the delay of more than one year for the resubmission of note to CCEA. The Committee while expressing their displeasure at the inordinate delay , desire the Ministry to take required measures in right earnest to get early approval for the scheme at the earliest.

The Committee are surprised to note that even though the formal approval for the scheme was still awaited, the Ministry advised that major oil companies to utilize 20% of their Corporate Social Responsibility (CSR) funds for implementation of the scheme. The Committee have also noted that up to 1.1.2012, about 73,213 families have been covered by the oil PSUs under this CSR scheme, even though the target set by the Ministry under the scheme is to cover 70 lakh BPL families. The Committee while appreciating the efforts of the OMCs for implementing the scheme from their CSR funds, expect the Ministry to get early approval of the scheme.

RECOMMENDATION NO. 3

Seismic Survey Targets

The Committee note that seismic survey is an important activity which decides the future strategy/course of action for exploration and production.

The Committee note that the ONGC have consistently failed to meet the targets in 3D survey and drilling of exploratory wells during the last 3 years namely 2009-10, 2010-11 and 2011-12. As against the target of 23366 sqkm it has achieved only 21742 sqkm in 2009-10 and against the target of 21196 sqkm it achieved 19354 sqkm in 2010-11. During 2011-12 against the target of 10479 sqkm, it has achieved 9478 sqkm upto February, 2012. The reasons given by ONGC for non achievement of targets were onset of monsoon, delay in mobilization of seismic party, rig repairs etc. which appears to be of routine and standard reason. On the other hand, even though OIL had failed to meet the target in 3D survey in 2009-10 and 2010-11, it achieved its targets in 2011-12.

The Committee are of the view that both ONGC and Oil India Limited have been operating in the E&P business for sufficiently long enough to assess the bottlenecks and problems they may have to encounter in achieving the targets. The Committee, therefore, desire that being a leader in the business, ONGC should demonstrate its capabilities by improving planning and management of resources in achieving targets. The Committee recommend that ONGC and OIL should take their seismic survey activity seriously and make all out efforts to achieve 100% of their targets.

RECOMMENDATION NO. 4

Commercial Production from Discoveries under NELP

The Committee note that under NELP, so far 107 hydrocarbon discoveries (37 oil and 70 gas) has been made in 36 blocks. 31 hydrocarbon discoveries comprising oil reserves of 31.34 MMT and gas reserves of 658.76 BCM have been declared commercial as on 1.4.2011. The Committee further note that of the 31 hydrocarbon discoveries, 21 are owned by private companies and 8 by State PSUs and only 2 is with ONGC. The Committee would like the Ministry to analyse the reasons for the not so successful record of ONGC vis-à-vis private companies and apprise the same to the Committee.

The Committee further observed that commercial production has commenced from only 6 NELP discoveries.The Committee have been informed that time between hydrocarbon discoveries and start of commercial production varies from 2 to 5 years for onland discoveries and 3 to 6.5 years for deep water discoveries. The Committee desire that all activities pertaining to the blocks in development stage should be taken up in a time bound manner and all endeavor to compress the time line further should be made by the PSUs as any increase in crude oil and gas production will save precious resources to the country.

RECOMMENDATION NO. 5

Production of Oil

The Committee note that the demand of petroleum products as per the report of Working group on Petroleum and Natural Gas during the 12th Five year plan (2012-17) is projected to increase from 152.9 MMT in 2012- to 186.2 MMT in 2016-17. However, the projected production of Crude Oil within the country during the 12th plan is 42.26 MMT in 2012-13 and is expected to fall to 41.06 MMT in 2016-17. This will only increase the gap between demand and production resulting in increase of import of crude oil in the coming years.

The Committee have been informed that ONGC has been producing almost 60% of the Country Crude Oil production and 80 percent of their production comes from 15 fields which are 35 to 50 years old and maintaining production from these fields is becoming difficult. The CMD ONGC, however, expressed the hope that once Bombay High Phase-III development is launched this year and the ongoing IOR/EOR projects fructify the production levels of ONGC will be maintained. Keeping in view that any decline in production will only result in increased outgo of foreign exchange, the Committee desire that the PSUs to earnestly work towards maintaining and increasing the production of crude oil. The Committee would like the Ministry/DGH to keep a close watch on the progress of these IOR/EOR projects to achieve the desired result.

RECOMMENDATION NO. 6

Production of Gas

The Committee note that the Natural Gas Production in 2011-12 up to December 2011 is about 36.197 Billion Cubic Metre (BCM) as against 39.681 BCM in the corresponding period of the previous year, a decline of about 8.8%. The Committee understand that the contribution of private / JV companies in natural gas production in 2011-12 up to December 2011 is about 16.915 BCM, as compared to 20.559 BCM during the corresponding period of the previous year, registering a decline of 17.7%. The main reason for lower natural gas production by private / JV companies is decline in natural gas production from KG deepwater. The Committee understand that the Ministry and DGH are taking steps to increase the gas production from KG-DWN-98/3 (KG-D6) block.

The Committee are of the view that the country has to utilize its own natural resources like oil and gas to meet its requirements so that the need to import is reduced to minimum. in this context, the production of natural gas from KG-D6 basin is an important development and the natural gas production should be in line with the target set. Any decline in natural gas production from these basins should be supported by proper evaluation. The Committee understand that lot of planning and other investments have been made by many other sectors with certain assumptions of availability of natural gas from these fields.

The Committee would therefore urge that the Ministry/DGH should monitor these fields closely and take all steps that are required to maintain and increase the production of natural gas from these fields and make them available for the nation's requirements.

RECOMMENDATION NO. 7

Utilization of Outlays by ONGC

The Committee observe that against the approved BE of Rs. 30040.02 crore and RE of Rs. 31316 crore the ONGC's actual expenditure has been Rs. 16770.59 crore upto third quarter of current fiscal that is December 2011. Though the Committee have been informed that the ONGC have successfully achieved the plan budget target fix up to third quarter of 2011-12, by utilizing Rs. 19261 crore corresponding to 96.55% of plan budget target of Rs. 19949.9 crore, but the actual utilization of Rs. 19261.80 crore up to third quarter 2011-12 as against the plan budget estimate of Rs. 30040.02 crore is only 64.12%. The Committee have been informed that the major portion of the budget is expected to be utilized in the fourth quarter, the utilization of which was postponed on account of deferment of exploration activities in offshore areas due to commencement of monsoon period (15th May to 15th October) and by executing the milestone payment for ongoing schemes, contractual payments toward survey, charter hire rigs etc. The Committee in this regard desire that the remaining budget earmarked for the fourth quarter of 2011-12 be appropriated fully for meeting expenditure for the above-said activities/projects to avoid any under-utilization of the funds. The Committee also suggests that ONGC should try for even distribution of the expenditure throughout the year rather than keeping expenditure pending till last quarter.

RECOMMENDATION NO. 8

Utilization of outlays by BPCL

The Committee note that BPCL is considerably lagging behind in proportional utilization of the revised estimate of Rs. 2199 crore in the year 2011-12.It has only utilized a sum of Rs. 1083.97 crore up to third quarter that is December, 2011. The Committee further note the delayed laying of pipeline and under-utilization of fund in respect of the LPG pipeline project of BPCL Mumbai refinery/HPCL refinery to Uran, as against the total outlay of Rs. 246.3 crore anticipated expenditure is of the order of Rs. 175 crore which comes out to 71% only. There have been impediments in the progress of the project like non-receipt of forest clearance for a 3 km. offshore stretch of the pipeline, non-receipt of approval from railways and Jawahalal Nehru Post Trust and Mumbai Port Trust, delayed allotment of land for sectionalizing valve by JNPT etc. The Committee feel that these delays in progress of the above-mentioned project could be checked well in time and monitored in the quarterly review meetings of the companies for corrective action. The Committee suggests that Government/oil PSUs should regularly review the performance and progress of their ongoing projects for avoiding delays and under-utilization of earmarked fund. The Committee desire Government/oil PSUs to expedite their efforts to secure above-mentioned pending clearances from various departments without any further delay for the projects mentioned and Committee be apprised regarding the action taken.

RECOMMENDATION NO. 9

Utilization of outlays by CPCL

The Committee note that CPCL has not been able to expend its revised allocation in 2010-11. The committee have noted that in the year 2011-12, CPCL has lowered the RE to Rs.374 crores from BE of Rs.1053 crores. The changes at the RE stage for 2011-12 has been attributed to non-receipt of environmental clearance for its Resid Upgradation Projects and non receipt of CRZ clearance from MOE&F for 42" crude oil pipeline project. The Committee would expect CPCL to pursue and get all clearances well in time to execute the projects and avoid delay in time and also cost overruns. The Committee would advise CPCL management to be realistic in preparing budget and revised estimates and ensure that variations in them are not too wide.

RECOMMENDATION NO. 10

Under recoveries and Financial Position of OMC's

The Committee note that the total under-recovery for the year 2010-11 was Rs.78190 crore and the burden sharing by upstream oil companies was Rs.30297 crore and government assistance was to the tune of Rs.41000 crore leaving about Rs.6893 to be absorbed by three OMCs namely IOCL, BPCL and HPCL. In the year 2011-12, the total under-recoveries are expected to be Rs.1,40,000 crore, and the Government assistance is pegged at Rs.45,000 crore while burden sharing by upstream companies is likely to be Rs.53,000 crore with OMCs likely to absorb about Rs.42,000 crores. The Committee have been informed by the Ministry that the total under recovery is estimated to be Rs.1.5 lakh crore in 2012-13.

The Committee have been informed that but for the Government assistance and the burden sharing by upstream companies, these OMCs would be making huge losses. The Committee were further informed that the oil marketing companies have already availed of approx Rs.1,30,000 crore worth of cash credit limit from the banks. The Committee feels that continuance of this position would make these OMCs financially unviable.

Therefore, the Committee desire that the Ministry should look at these issues seriously from a long term perspective and evolve a strategy by which these OMCs are insulated from bearing the burden of under recoveries beyond a certain level. The Committee also recommend that the the Government should inform the amount of under–recovery that would be borne by each OMC at the beginning of the financial year so that each OMC can plan their finances better.

RECOMMENDATION NO. 11

Subsidy on LPG domestic cylinder based on Economic criteria

The committee note that Oil Marketing Companies(OMC's) incurred under recoveries of Rs 22035 crores upto April- December 2011 on account of subsidy on LPG Cylinders. As informed by the Ministry the retail price of LPG cylinders is Rs. 399/- against the full price of Rs. 966/- thereby incurring under recoveries of Rs. 570 per domestic LPG cylinder. The Committee however, observed that though the subsidy on domestic LPG cylinders may be a welfare measure of the State to the needy section of the society, this measure is being utilized by a section of people who need no such subsidy and can afford to pay the full cost of the cylinder.

The Committee in their 8th Report on DFG (2011-12), had, therefore, recommended that the Government may consider to do away with providing subsidized domestic LPG cylinders to rich and affluent section of population having an income of more than Rs. 6 lakh per annum including those holding constitutional posts, public representatives like MP's, MLA's/MLC's, Sr. Government Officials etc. The Committee have been informed that the matter is under consideration of the Government. The Government should also look at ways for targeting the subsidies only to deserving sections of the society and exclude rich and affluent from the net of subsidy beneficiaries. The Committee desire that early action be taken on their recommendation which will substantially reduce the under-recoveries of OMCs in this account.

RECOMMENDATION NO. 12

Need to collect data on customers by OMC's.

The committee strongly feel that the subsidy on LPG cylinders should be more targeted and would like to suggest that the Ministry should announce measures which permit individuals to pay the full cost of the cylinder and take them for use. The Ministry may also offer incentives to those who opt and come forward to pay full cost for cylinders.

The Committee note that OMCs do not have any information about their customers except their name and address. The Committee are surprised that being national level companies and having millions of customers who use some of their products , these OMCs do not have any information on their customer like economic status, family size, etc. The Committee would like to refer the example of banks and many other financial service companies which keep information about their customers to offer their services. Similarly, the Committee would expect that the Ministry should advise OMCs to start collection of information about their customers which will help in data mining and in also taking decisions relating to better targeting of subsidy for certain sections of the society.

RECOMMENDATION NO. 13

Levy of Cess/Tax on Diesel Car

The Committee in their 9th report (15th Lok Sabha) had recommended Government to consider levy of cess/tax on purchase of diesel car and the same should go for compensating the under-recoveries of OMCs. The Committee had been informed by the MOPNG that Ministry of Finance would examine this as part of proposals for the Budget 2012-13. However, the Committee are disappointed that the Budget proposals for 2012-13 do not contain the measure recommended by this Committee.

In order to discourage the tendency to buy or switch to diesel vehicles to take advantage of the lower prices due to lower taxation and subsidy element in the price of diesel, the Committee desire their the Ministry of Petroleum and Natural Gas should again impress upon Ministry of Finance to levy cess/tax on purchase of cars on diesel for private use and utilize them to fund the under recoveries of OMCs.

RECOMMENDATION NO. 14

Cess on crude

The Committee note that the Government in its Budget proposals have increased the rate of cess on crude petroleum oil produced in India from Rs. 2500 per metric tonne to Rs. 4500 per metric tonne. This measure of the Government will impact the upstream oil PSUs namely ONGC and OIL adversely by way of increase in outflow of resources from them. It is estimated that the increase in outflow of resources would be to the tune of Rs.4500 cr. annually for ONGC and Rs.810 crore for OIL as per the current crude oil production levels. The Committee would like to observe that already these upstream oil PSUs are sharing one third burden of under recoveries on petroleum products which amounted to Rs. 30296 crore in case of ONGC and Rs. 4478 crore in case of OIL for the period April to December during the year 2011-12. By this increase these oil companies will be deprived of resources for their own utilization and investment program/targets. Therefore, the Committee desire that the MOPNG should impress upon the Ministry of Finance to reconsider the revision in the increase of rate of cess on crude oil.

RECOMMENDATION NO. 15

Directorate General of Hydrocarbon (DGH)

The Committee note that the DGH has been established with the objective to promote sound management of the oil and natural gas resources, technical and economic aspects of the petroleum activities. The Committee have also noted that DGH has been entrusted with responsibilities concerning Production Sharing Contracts (PSC's) for exploration blocks and discovered field, monitoring of E&P activities and also in opening up of new/unexplored areas for future exploration.

The Committee have been informed that DGH monitors the contracts for 28 discovered fields, 33 CBM blocks, 28 exploration blocks under pre NELP and 235 blocks under NELP regime. DGH also monitors the 21 IOR/EOR Projects in 15 major fields of ONGC and the performance of major oil fields of Oil India Ltd. The Committee have noted that the DGH has a current manpower strength of 138 against the sanctioned manpower of 160 as approved by the administrative council of DGH. This includes 16 trainees and 8 consultants and 114 from deputation from PSUs.

The Committee would like to refer other regulators like SEBI, RBI and CCI which are autonomous and have statutory powers and a permanent cadre of staff and officers. The Committee desire that DGH being a regulator should be vested with autonomous and statutory powers along with its own cadre of personnel. The Committee note that since 2005, there have been an increase in the activities in oil and gas industry thereby expanding the area of activity of DGH to a great extent. Also in order to meet capacity building for the future the Committee recommend that, the Ministry may review the manpower requirements of DGH and strengthen it at the appropriate level.

RECOMMENDATION NO. 16

NDR- National Data Repository

The Committee note that DGH had plans to establish a National Data Repository in the Country which will act as data bank to preserve and disseminate oil and gas information. This will help to promote and regulate exploration and development activities in India. The Committee note that tenders were invited to engage the services of an expert agency on May, 2010 but were advised by MOPNG to retender due to certain anomalies. The new draft tender documents are pending with the Ministry since October, 2011 and the matter has now become sub-judice.

The Committee would like to state that it considers NDR as an important step in the hydrocarbon sector which will help in improving transparency and dissemination of data in this industry. The Committee, therefore, considering the need for NDR which has also been identified as a thrust area for E&P sector for the 12th Plan, would expect the Ministry to take steps to dispose of the litigation at the earliest and proceed with the process of establishing NDR.

RECOMMENDATION NO. 17

Ethanol Blended Petrol (EBP)

The Committee note that the OMCs have been implementing the 5% EBP programme and procuring the entire quantity of Ethanol from the domestic supplies at an adhoc ex-factory price of Rs.27/- ltr.. It has also been informed that the programme has been implemented in 13 states and 36.19 crore litres was supplied by ethanol suppliers for EBP programme in year 2010-11.

The Committee however are dismayed that during the year 2011-12, OMCs have procured 9.69 crore litres of ethanol for blending with petrol against a contracted quantity of 41.89 cr litres and requirement of 105 crore litres of ethanol in the entire notified area. The Committee have been informed by Ministry that the programme has faced constraints because of some state governments have imposed restrictions on inter-state movement of Ethanol and refused to issue various clearances.

While the Committee understands that EBP envisages increase in the blending ratio in future to 10%, desire the Ministry to take up the matter with State Governments to resolve issues pertaining to inter state movement of ethanol so that these policies are successfully implemented on the ground rather than remaining them on paper.

RECOMMENDATION NO. 18

Bio Diesel Policy

The Committee note that as per allocation of business rules, as well as National Policy on bio-fuel, MOPNG is concerned with marketing, distribution and retailing of bio-fuels and its blended products. The Committee also note that Ministry of New and Renewable Energy (MNRE) has also been given the responsibility of policy and overall Coordination concerning bio-fuels and to undertake R&D on various applications of bio-fuels.

The Committee have been informed that as per National Policy on bio-fuel, procurement price of bio-diesel is periodically announced by OMCs. The OMCs reviewed the procurement price of bio-diesel and declared the price as Rs. 33 per litre as on 1.8.2011. The Committee are however, disappointed that the Ministry's bio-diesel scheme for blending of diesel with 5% bio-diesel could not be implemented as suppliers have not come forward to offer bio-diesel at designated purchase centres at declared price. The Committee desire that the MOPNG should review the constraints including the declared price and resolve all the issues so that the policy is implemented as per the intent of the Government.

RECOMMENDATION NO. 19

Coal Bed Methane

The Committee note that the prognosticated CBM reserves in the country is 92 TCF and only 8.92 TCF has been established. The Committee further note a total of 30 CBM blocks have been awarded under four rounds of CBM bidding in addition to three blocks on nomination basis.

The Committee have noted that currently coal Bed Methane is commercially produced only from one block in Raniganj which is .24 MMSCMD. The Committee also note that during 2010-11, production was projected to be 33.294 MMSCM and the actual production was 41.362 MMSCM. For the current year 2011-12, the projection was 77.892 MMSCM but the actual production has been only 63.327 MMSCM until Feb 2012.The Committee are of the view that though the actual production has improved from last year level, it may not be able to achieve the targeted production.

The Committee have been informed by the Ministry that the average CBM production will be about 4 MMSCMD by 2016-17 from the current 0.24 MMSCMD. The Committee note that though this is an ambitious target but keeping in view the substantial CBM reserves in the country, recommend to the Ministry that CBM exploration be intensified during 12th Plan.

RECOMMENDATION NO. 20

Coal Gasification and Coal Liquefaction Project.

The Committee note that the Coal gasification project has been taken by ONGC which is collaborating with Skochinsky Institute of Mining to implement UCG Technology in India. The Committee note that Vastan lignite block pertaining to GIPCL has been found suitable for the pilot project and award of the said block for mining lease is awaited from Ministry of Coal. The Committee would urge the Ministry to take up the issue with Ministry of Coal to expedite the award of the mining lease for the block to ONGC. The Committee may be apprised of the development on this issue.

As regards Coal Liquefaction Project, the Committee have noted that OIL has completed pilot plant and techno economical studies on Assam Coal and had concluded that Coal to Liquid (CTL) Plant of capacity of 20000 bpd could be commercially viable. The Committee have been informed that a study by Oil India Limited (OIL) and Guwahati University is in progress to assess availability and quality of coal in Meghalaya.

The Committee would like the Ministry to review the studies of OIL regarding the site of CTL Plant to be commercially viable and explore the possibilities to further reduce the plant capacity. Also the Ministry may take up with Ministry of Coal for assured supply of coal for a reasonable period of time to operationalise such plant. The Committee may be apprised of the developments in this issue.

RECOMMENDATION NO. 21

National Gas Hydrate Programme and Exploration and Production of Shale Gas

The Committee note that DGH has been mandated for development of alternate energy sources like National Gas Hydrate programme and shale oil/gas exploration and production. The Committee note that these activities are in Research and Development (R&D) stage globally and hence would suggest that India should also actively associate and participate in these activities. Being a new activity, success in these efforts will help the nation to be in possession of latest technology and also will help in managing its energy requirements better. The Committee therefore emphasize that these activities should receive importance from the Ministry and should be earnestly pursued to meet the Nation's need.

RECOMMENDATION NO. 22

Transnational cooperation on Gas pipeline projects

The Committee note that the Government is pursuing two international projects namely Iran-Pakistan-India (IPI) Gas pipeline project and Turkmanistan-Afganistan-Pakistan-India (TAPI) pipeline project. The Committee have been informed that in case of TAPI pipeline all the outstanding GSPA issues were resolved. The Committee welcome this development and would urge the Ministry/Government to take this project to its logical conclusion so that the benefit from this project would start flowing to the country.

The Committee also note that on IPI project, several critical issues need to be resolved. The Committee advise the Ministry of Petroleum and Natural Gas to pursue the project in a manner which protects Indian interests and try to evolve a framework based on the experience of TAPI projects so that this project could also see agreements among the participating countries.

RECOMMENDATION NO. 23

ONGC Videsh Limited (OVL)

The Committee also understands the OVL has participation in 33 projects in 15 countries and operator in 11 projects. The Committee note that OVL has achieved its highest ever oil and gas production of 9.448 MTOE in 2010-11. The Committee have been informed that during the year 2011-12, OVL had a setback in production of about 0.8 million tonnes because of geo political situation in Syria and Sudan. The Committee would commend the progress made by OVL in its production of oil and gas overseas which will help to enhance the nation's energy security.

The Committee note that though the acquisition of Imperial Energy has been done by OVL, it has not been able to carry out production as per the expected level due to technological issues. The Committee have been assured by the OVL/Ministry that there are no problem regarding the reserves which have been certified. However, the Committee note that reserves have been showing a declining trend from 122 MTOE as on 21.12.2007 to 110.894 MTOE as on 1.4.2011.

The Committee have been informed that OVL has been operating in harshest environments in the world like deep sea production in Brazil and extremely cold climate in Russia. The Committee therefore recommend that OVL should build up its competence in assessment of oil and gas assets before acquisition and the need for technological requirements to commercially explore them.

RECOMMENDATION NO. 24

Refining Capacity

The Committee note that the present refining capacity of the country as on 1.4.2012 is 213.066 MMTPA. The Committee have been informed that during 2010-11, the installed capacity was 187.386 MMTPA and the actual crude through put was 196.195 MMT showing a capacity utilization of 105%. The Committee have also noted that the capacity utilization has constantly been more than 100% during the last 5 years.

The Committee note that even though the actual consumption of petroleum products during 2010-11 was 141.78 MMT the Refinery Crude throughput was 196.195 MMT indicating excess capacity in the country. The Committee have been informed that the refining cost in the country compares well with global cost and the gross refining margins are better. The new refineries have very competitive cost in India and the country is becoming a big refinery hub of the world. The Committee desire that the Ministry should formulate a policy on attracting investments in this sector after due evaluation of long term scenario.

The Committee also note that prospects of crude oil production has brightened recently in Rajasthan, would therefore, suggest that Ministry should consider setting up a refinery there by a PSU.

New Delhi;
April, 2012
Vaisakha, 1934 (Saka)

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

NOTE OF DISSENT

My note of dissent in the Report on Demands for Grants (2012-13) is being submitted as under:-

Page No.66, Recommendation No.10

The Committee Report uncritically accepts the concept of "under-recoveries" by the OMCs. These under recoveries are not actual but notional losses. The OMCs have been reporting positive net profits and paying dividends to its shareholders. IOCs profit after tax stood at Rs.7,445 crore in 2010-11. BPCL and HPCL also earned profit over Rs.1,500 crore last year.

The "under recoveries" are calculated on the basis of import parity prices. This was criticized by the 6th Report of the Committee on Petroleum and Natural Gas (2004-05) on pricing of petroleum products.

While discussing the financial burden being born by the OMCs there should be total transparency in the actual amount of per unit subsidy on each of the Petro products being provided by the OMCs and how much of it is being provided by the OMCs and how much of it is being compensated by the Central Government. Calculations based upon "under-recoveries" are inflated estimates and cannot form the basis of sound policy-making.

Page. No.67, Recommendation No.11

I do not agree with the recommendations of the Committee in its 8th Report on DFG (2011-12) in the matter of doing away with providing subsidized LPG Cylinder to those having an annual income of more than Rs.6 lakh. I had also submitted note of dissent to the 8th Report in this regard.

Page No.69, Recommendation No.13

In the second sentence, last line after word 'diesel' ***add*** "for private use"

At the end ***add*** the following sentence:

Also subsidy should not be given for the diesel used to power telecom mobile towers by the private telecom companies.

Page No.70, Recommendation No.14, at the end *add*:-

The Committee reiterate its earlier recommendation of setting up a price stabilization fund using the revenue collected as cess on crude produced indigenously in the country in order to insulate Public Sector OMCs and domestic consumers from the volatility of international prices.

Page 80, Recommendation No. 24

Second Para, before the last sentence **add** the following:-

The low cost of refining as compared to global costs should be taken into account in determining domestic prices of petroleum products instead of linking the prices with that prevailing in the international markets.

Sd/-
Shri M.B.Rajesh
25.4.2012

PART-II

Annexure-I

MINUTES

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

EIGHTH SITTING

(3.4.2012)

The Committee sat on Tuesday, April 3, 2012 from 1100 hrs. to 1330 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

Lok Sabha

2 Shri Ramesh Bais
3 Shri Sudarshan Bhagat
4 Smt. Santosh Chowdhary
5 Shri Kalikesh N. Singh Deo
6 Shri Mukeshkumar Bheravdanji Gadhvi
7 Shri Dilipkumar Mansukhlal Gandhi
8 Dr. Thokchom Meinya
9 Shri Mahabal Mishra
10 Shri M.B. Rajesh
11 Shri C.L. Ruala
12 Shri Brijbhushan Sharan Singh
13 Shri Thol Thirumaavalavan

Rajya Sabha

14 Smt. Gundu Sudharani
15 Dr. Prabha Thakur
16 Shri Sabir Ali
17 Shri Pankaj Bora

Secretariat

1.	Shri A.K.Singh	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri H.Ram Prakash	-	Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri G.C. Chaturvedi	-	Secretary
2.	Shri. Sudhir Bhargava	-	Addl. Secretary
3.	Dr. V.Rajagopalan	-	Addl. Secretary & Financial Adviser
4.	Shri L.N.Gupta	-	Joint Secretary
5.	Shri. Vivek Kumar	-	Joint Secretary

Representatives of Public Sector Undertakings and other Organizations

1.	Shri Sudhir Vasudeva	-	C&MD, ONGC
2.	Shri N.M. Borah	-	CMD, OIL
3.	Shri B.C.Tripathi	-	CMD, GAIL
4.	Shri S.Roychoudhury	-	CMD, HPCL
5.	Shri R.K.Singh	-	CMD, BPCL
6.	Shri A.K. Purwaha	-	CMD, EIL
7.	Shri R.S.Butola	-	Chairman, IOCL
8.	Shri Virendra Sinha	-	C&MD, Balmer Lawrie & Co.
9.	Shri S.K.Srivastava	-	DG, DGH
10.	Shri Arun Kumar	-	Secretary, OIDB
11.	Shri D.N. Reddy	-	President, RGIPT
12.	Shri Rajan K. Pillai	-	CEO, ISPRL

2. At the outset, Hon'ble Chairman welcomed the Members, representatives of the Ministry of Petroleum and Natural Gas and Public Sector Undertakings to the sitting.

3. Thereafter Secretary, Ministry of Petroleum and Natural Gas briefed the Committee regarding Plan and Non-Plan allocations of the Ministry's Demands for Grants

(2012-13). He also highlighted the huge under-recoveries incurred by OMCs due to subsidy given on petroleum products.

4. Hon'ble Members then sought clarifications on various issues that included achievement of exploratory and production targets by oil and gas PSUs, acquisition of overseas blocks by OVL, refining capacities of public and private sector refineries, opening of new retail outlets by OMCs and losses to farmers/land owners due to closing of retail outlets by private companies.

5. The clarifications sought by the Members on various points were provided by the representatives of the Ministry. On some of the points to which the Ministry's officials could not readily respond, the Chairman asked them to furnish written replies.

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

The Committee then adjourned.

Annexure-II

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2011-12)
TENTH SITTING
(25.04.2012)

The Committee sat on Wednesday the 25th April, 2012 from 1500 hrs. to 1530 hrs. in Room No '113', First Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Shri Ramesh Bais
3 Shri Sudarshan Bhagat
4 Smt. Santosh Chowdhary
5 Shri Kalikesh N. Singh Deo
6 Shri Dilipkumar Mansukhlal Gandhi
7 Dr. Thokchom Meinya
8 Shri Mahabal Mishra
9 Shri Kabindra Purkayastha
10 Shri M.B. Rajesh
11 Shri C.L. Ruala
12 Shri Uday Pratap Singh

Rajya Sabha

13 Shri Sabir Ali
14 Shri Pankaj Bora

Secretariat

1. Shri A.K.Singh - Joint Secretary
2. Shri H. Ram Prakash - Deputy Secretary

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the draft Report on 'Demands for Grants (2012-13)' of Ministry of Petroleum and Natural Gas.

3. The Committee then considered and adopted draft Report on Demands for Grants (2012-13) of Ministry of Petroleum and Natural Gas with minor modifications.

4. A note of dissent was given by a Member and the Chairman has directed the same to be appended to the Report as per Rules.

5. The Committee authorised the Chairman to finalise the Report in the light of consequential changes arising out of the suggestions made by the Committee Members in Report and to present/lay the same in the both Houses of Parliament.

The Committee then adjourned.