15

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2012-13)

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2012-13)

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

FIFTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2012/ Agrahayana,1934 (Saka)

FIFTEENTH REPORT

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2012-13)

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS DEMANDS FOR GRANTS (2012-13)

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

Presented to Lok Sabha on 12.12.2012

Laid in Rajya Sabha on 12.12.2012

LOK SABHA SECRETARIAT
NEW DELHI

December,2012/Agrahayana,1934 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2012-13)

LOK SABHA

Shri Aruna Kumar Vundavalli - Chairman

2 Shri Ramesh Bais
3 Shri Subhash Bapurao Wankhede
4 Dr. Mehboob Beg
5 Shri Sudarshan Bhagat
6 Shri Harish Chaudhary
7 Shri Ram Sundar Das
8 Shri Kalikesh N. Singh Deo
9 Shri Baliram Jadhav
10 Dr. Manda Jagannath
11 Shri Vikrambhai Arjanbhai Maadam
12 Shri Dilipkumar Mansukhlal Gandhi
13 Shri Somabhai Gandalal Koli Patel
14 Shri Rao Saheb Danve Patil
15 Shri P.L.Punia
16 Shri Takam Sanjoy
17 Shri Brijbhushan Sharan Singh
18 Shri Dhananjay Singh
19 Shri Manohar Tirkey
20 Shri Thol Thirumaavalavan
21 Shri A.K.S. Vijayan

RAJYA SABHA

22 Shri Sabir Ali
23 Dr. Akhilesh Das Gupta
24 Shri Mansukh L. Mandaviya
25 Shri Ahmed Patel
26 Dr. Ram Prakash
27 Smt. Kusum Rai
28 Shri Tapan Kumar Sen
29 Smt. Gundu Sudharani
30 Dr. Prabha Thakur
31 Prof. Ram Gopal Yadav

Secretariat

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

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report on Action Taken by the Government on the recommendations contained in the Eleventh Report (Fifteenth Lok Sabha) of the Committee on 'Demands for Grants (2012-13)' of Ministry of Petroleum and Natural Gas.

2. The Eleventh Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 27 April, 2012. The Action Taken Replies of the Government to all the recommendations contained in the Eleventh Report were received on 27th July 2012.

3. The Standing Committee on Petroleum & Natural Gas (2012-13) considered and adopted the Report at their sitting held on 6 November, 2012.

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

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

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

New Delhi;
6 December, 2012
Agrahayana,1934 (Saka)

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

CHAPTER I

REPORT

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the Recommendations contained in the Eleventh Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2011-2012) on 'Demands for Grants (2012-13)' of the Ministry of Petroleum and Natural Gas, which was presented to Lok Sabha on 27.4.2012.

2. Action Taken Notes have been received from the Government in respect of all the 24 Recommendations /Observations contained in the Report. These have been categorized as follows:-

(i) Recommendations/Observations that have been accepted by the Government:- SI.Nos. SI.Nos. 1, 3, 5, 8,18 and 21.

(Chapter- II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies SI. Nos.- 7,9,10 and 20

(Chapter-III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- SI.No. 2,4,6 and 15

(Chapter-IV)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited: - SI. Nos. 11,12, 13,14,16,17,19,22,23 and 24 .

(Chapter-V)

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

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

RECOMMENDATION NO. 2

LPG scheme for BPL families

5 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.

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

> "The revised Cabinet Committee on Economic Affairs (CCEA) Note relating to release of one time grant of Rs. 1400 to a BPL household for release of new LPG connection, is under consideration.
>
> However, in order to facilitate affordable access for BPL population in rural areas to LPG, Government 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 release of one time grant of Rs. 1400 to a BPL household for release of a new LPG connection.

As on 01.04.2012, OMCs, namely IOC, BPCL and HPCL have released 80,845 LPG connections to BPL families under their CSR scheme".

7. The Committee had deplored the inordinate delay of more than one year on the part of Ministry of Petroleum and Natural Gas in re-examination of the proposed LPG scheme for BPL families and submission of the revised note to Cabinet Committee on Economic Affair (CCEA). This Committee had recommended for taking requisite steps to get early approval for the scheme.

However, the Action Taken Reply of MOP&NG, mentions that the revised CCEA note is still under consideration of the Ministry. The Ministry had further stated that the Government had advised six major oil companies to utilize 20% of their CSR funds for release of one time grant of Rs. 1400 to BPL household for release of new LPG connection and as on 1.4.2012, the OMCs have released 80,845 LPG connections under CSR scheme.

The Committee are not satisfied with the reply of the Ministry and express their strong displeasure at the lethargic approach of Ministry in submitting the revised cabinet note, as it has been more than 20 months now after CCEA had asked for re-examination of the scheme. As regards the use of CSR funds for the release of LPG connections, the Committee wish to point out that the target set by the Ministry under the scheme is to cover 70 lakh BPL families and CSR funds are not adequate to implement the scheme on a full scale as till now only about 1% of target has been covered. Hence the Committee are of the view that this plan scheme can be properly implemented only if adequate budgetary funds are allotted. The Committee, therefore, reiterate their recommendation and strongly urge the Ministry to give due attention in right earnest for obtaining necessary approvals for the scheme by the earliest submission of revised note to CCEA.

RECOMMENDATION NO. 4

Commercial production from discoveries under NELP

8. 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.

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

"ONGC

As on 01.04.2012, ONGC has made a total of 26 discoveries (13 in deepwater, 5 in shallow water and 8 in Onland) in 15 NELP blocks. Out of these 26 discoveries, eight discoveries were made in the year 2011-12 and remaining 18 were made prior to 01.04.2011. Details of these 26 discoveries made in NELP blocks by ONGC are given below:

Status of discoveries made in the onland blocks

Sl. No.	Year of Discovery	Name of Block	Discovery	Type of Hydrocarbon	IOEIP MMt. (O+OEG) as on 01.04.2012	Ultimate MMt (O+OEG) as on 01.04.2012	Status
1	2008-09	CB-ONN-2002/1	West Patan-3	Oil+Gas	0.31	0.02	FDP submitted
2		AA-ONN-2001/1	Khubal-4	Gas	22.44	3.35	DoC submitted
3		CB-ONN-2001/1	Nadiad-1	Oil	1.51	0.08	DoC submitted
4	2010-11	CB-ONN-2004/1	Karan Nagar-1	Oil	0.92	0.04	Under Appraisal
5		CB-ONN-2004/2	Vadatal-1	Oil	3.11	0.26	DoC submitted
6		CB-ONN-2004/2	Vadatal-3	Oil+Gas	10.84	0.68	Under Assessment for commercial potential
7	2011-12	AA-ONN-2001/2	Hortoki-1	Gas	2.28		Under Assessment for commercial potential
8		CB-ONN-2004/3	Uber-2	Gas	0.12	0.03	Format B submitted (potential commercial interest)
Total Onland					**41.53**	**4.46**	

Status of discoveries made in the shallow water blocks

Sl. No.	Year of Discovery	Name of Block	Discovery	Oil/ Gas	IOEIP MMt. (O+OEG) as on 01.04.2012	Ultimate MMt (O+OEG) as on 01.04.2012	Status
1	2010-11	CB-OSN-2003/1	Aliabet-2	Gas+ Cond.	5.46	3.28	Format B submitted.
2	2011-12	CB-OSN-2003/1	Aliabet-3	Gas	1.86	1.12	
3		KG-OSN-2004/1	Chandrika South-1	Gas	7.66	1.54	
4		KG-OSN-2004/1	KGOSNO41N AAL-1 (Alankari-1)	Gas+Cond.	3.2	0.87	
5		GS-OSN-2004/1	GSSO4NAA-1	Gas	25.76	3.15	Under assessment for commercial potential
Total Shallow Water					**43.94**	**9.96**	

Status of discoveries made in the Deep Water blocks

Sl. No.	Year of Discovery	Name of Block	Discovery	Oil/ Gas	IOEIP MMt. (O+OEG) as on 01.04.2012	Ultimate MMt (O+OEG) as on 01.04.2012	Status
1	2005-06	KG-DWN-98/2	D-1	Gas	11.68	5.12	Proposals for DOC submitted
2		KG-DWN-98/2	A-1	Gas	21.33	2.41	
3		KG-DWN-98/2	U-1	Gas	12.58	1.69	
4		KG-DWN-98/2	W-1	Gas	2.09	0.16	
5		KG-DWN-98/2	E-1	Gas	5.37	1.97	
6	2006-07	KG-DWN-98/2	UD-1	Gas	127.07	..	
7		MN-OSN-2000/2	MDW-2A/B	Gas	56.91	3.8	Under appraisal.
8	2007-08	MN-DWN-98/3	MDW-4A/B	Gas	12.84	2.61	Under appraisal.
9		KG-DWN-98/2	KT-1	Gas	Not Assessed		DOC submitted
10		MN-DWN-98/3	MDW-5	Gas	Not Assessed		Under appraisal.
11	2010-11	MN-OSN-2000/2	MDW-10	Gas	1.28	0.26	Under appraisal
12	2011-12	AN-DWN-2002/1	ANDW-1	Gas	Not Assessed		Discovery not commercial.
13		NEC-DWN-2002/2	MDW-13	Gas	4.01	0.49	Appraisal program being firmed up
Total Deep Water					**255.16**	**18.51**	

OIL

As far as Oil India Limited (OIL) is concerned, OIL is at present continuing exploration work in a total of 33 NELP blocks and 2 Pre-NELP Blocks of which OIL is operating in 13 NELP Blocks and joint operator in one deepwater block with ONGC. Various stages of exploration work are going on in these blocks. Out of the currently held blocks, drilling completed in three blocks - one in Rajasthan and another two in Assam during 2011-12. However, OIL is yet to establish presence of hydrocarbon in any of the NELP blocks held so far.

DGH

Commencement of commercial production of oil/gas consequent upon hydrocarbon discoveries in NELP blocks is regularly monitored in Management Committee (MC) meetings as per time lines specified in Production Sharing Contracts (PSCs). Efforts are being made by the operators to bring the discoveries in to commercial production in a shortest possible manner.

The actual time taken for first oil/gas from any discovery depends upon the variations in the geographical location, geological and reservoir parameters, contractor's strategy and business model, availability of infrastructure, prevailing oil/gas prices etc. Hence there might be variation in the time taken for exploitation of the discoveries by the various operators.

It is pertinent to mention that varying hydrocarbon prospectivity across the awarded blocks is a naturally occurring phenomenon and may not be dependent upon the type of operator viz. private company or PSU".

10. The Committee in their report had desired that all activities pertaining to hydrocarbon discoveries in the blocks in development stage should be taken up in a time bound manner and all endeavour should be made to compress the time line further by PSUs to increase oil and gas production and to save precious resources of the country.

In its Action Taken Reply, the Ministry have informed that as on 1.4.2012, ONGC has made 26 hydrocarbon discoveries in 15 NELP Blocks of which 13 are in deep water, 5 in shallow water and 8 are on land discoveries. The Committee had also been apprised that the operators need an average period of 2 to 5 years for on land discoveries and 3 to 6.5 years for developing deep water discoveries. The Ministry's reply also mentions variety of factors like variation in geographical locations, geological and reservoir parameter etc. influencing long gestation periods for any particular discovery to commence commercial production.

The Committee, however, note that even though five discoveries in deep water blocks were made in 2005-06 by ONGC, it has reached only Declaration of Commerciality stage now. Similarly for discovery made in year 2006-07, the blocks are still under appraisal. The Committee are dismayed by the poor progress made as the development programme seems to be languishing in initial phases which essentially indicates the insipid approach of ONGC and also of MOP&NG/DGH. The Committee find Ministry's reply evasive and devoid of focus as Ministry has not furnished any concrete steps taken or contemplated regarding the compression of timeline for developing a hydrocarbon discovery into a commercial asset. The limiting circumstances stated by the Ministry are foreseeable constraints capable of being overcome with adequate planning and proper analysis.

The Committee, therefore, desire that Ministry should review the status of discoveries and reasons for delay in converting this in to commercially producing assets. The Ministry should also develop/devise appropriate monitoring mechanisms over PSUs including fixing the timelines for different steps in the development of any oil/gas discovery to check inordinate delays.

RECOMMENDATION NO. 6

Production of Gas

11. 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.

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

"During 2011-12, the natural gas production from the fields/blocks being operated by Pvt./JVs under PSC regime was 21.608 BCM as against 26.775 BCM in 2010-11. The main reason, is decline of gas production from block KG-DWN-98/3 (KG-D6) in KG Basin during this period.
The following steps have been taken by DGH/MoPNG to direct the operator, Reliance Industries Ltd. (RIL), for improving the gas production performance from KG-DWN-98/3 (KG-D6) in KG Basin:

- The operator has been advised to drill, complete and put on production more gas wells in D1 & D3 gas fields, in line with FDP, as well as to adopt appropriate remedial measures such as wells intervention in D1, D3 & MA fields in KG-DWN-98/3 (KG-D6) block to revive the sick wells in order to increase the gas production from the block.
- The Optimized Field Development Plan (OFDP) for 4 satellite gas discoveries (D-2, 6, 19 & 22) has been approved and Declaration of Commerciality (DoC) for another gas discovery (D-34) in KG-D6 block has been reviewed by the Management Committee (MC) comprising representatives of the Contractor(s) and GoI.
- The Contractor has submitted the revised FDP for MA field, as directed by MC, which is currently under examination.

Further, three gas discoveries in the offshore block KG-OSN-2001/3 block in KG Basin, operated by M/s GSPCL, are currently under development and the commercial gas production is likely to commence in mid 2013.

Every effort is made by DGH/MoPNG to impress upon the operators under PSC regime, to maintain and enhance the hydrocarbon production in their area of operations".

13. **The Committee had noted in their report about the decline in natural gas production levels during the year 2011-12 due to the cascading effect of dipping Natural Gas production from KG-DWN-98/3 in KG Basin. In this regard, the Committee had recommended that the Ministry/DGH to take adequate measures to check further decline and to increase the natural gas production from these fields.**

As per the Action Taken Reply of Ministry, during 2011-12 the natural gas production from the fields/blocks being operated by Pvt./JVs under PSC regime was 21.608 BCM as against 26.775 BCM in 2010-11. The replies have further informed that to mend the situation, a number of directions have been issued by DGH/MOPNG to the operator of KG-D6 basin namely Reliance Industries Ltd. for improving upon the performance and consolidating the production potential of KG-D6 Block. Some of the directions are putting more gas wells on production in D1 & D3 in line with FDP, remedial measures such as well intervention in D1 D3 & MA fields to revise the sick wells. Besides these, optimized field development plan (OFDP) for 4 satellite gas discoveries have been approved and declaration of commerciality is also underway for another gas block. Likewise three gas discovery in offshore block KG-OSN-2001/3 block in KG Basin operated by M/s. GSPCL are also to begin commercial production in mid 2013.

However, the Committee are disappointed that the reply of the Ministry does not indicate any penal action on the operator for shortfall in achieving the Field Development Plan (FDP) that will arrest the decline in natural gas production. The Committee therefore, desire that strict monitoring be accorded to the directions already issued to the operator RIL by DGH/MOP&NG to ensure desired outcomes and to reverse the trend of dipping natural gas production levels from KG Basin.

RECOMMENDATION NO. 11

Subsidy on LPG domestic cylinder based on Economic criteria

14. 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.

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

> The Ministry is taking efforts to reduce the subsidy burden through various initiatives. One of them is through direct transfer of cash subsidy. A pilot project in this regard in Mysore based on AADHAR number is underway and based on the experience, direct transfer of cash subsidy will be undertaken on a larger scale. LPG transparency portal has also been launched where the consumption data of all consumers is hosted for use of consumers and civil society with a view to reduce diversion and increase accountability.

16. The Committee has repeatedly recommended in their previous reports and again in their Report on DFG (2012-2013) for doing 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 Ministry in this regard had also been urged to device ways and means for better targeting of subsidies being provided by the Government for needy sections of society.

In the ATR of the Ministry, It has been stated that among the various initiatives taken in this direction and a pilot project for direct transfer of cash subsidy based on AADHAR Numbers is under way in city of Mysore, before getting implemented on a larger scale. Besides this an LPG transparency portal has also been launched to make the LPG consumption data, public to check diversion. Though the Committee note the action taken by the Ministry on issue of reducing subsidies, the Committee would like to wait for the outcome of these initiatives .

The Committee would like to observe that the Ministry have decided to cap the number of subsidized LPG cylinders to 6 per year for all domestic households. The Committee deplored the move of MoPNG to protect the decision of the Government universally capping the availability of LPG cylinder at subsidized price to 6 cylinder per annum without any income stipulation. The Committee desires the said decision of universal capping of availability of subsidized LPG cylinder to be urgently reviewed an amended appropriately in line with the recommendation made by this Committee.

RECOMMENDATION NO.12

Need to collect data on customers by OMC's.

17. 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 noted 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.

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

> “Public Sector Oil Marketing companies (OMCs) have recently finalized Know Your Customer (KYC) for LPG customers and same has been intimated to all LPG distributorships in the country for implementing the same with immediate effect for the new LPG connection as well as reactivation of the connections. At present, OMCs are serving about 13.5 crore LPG customers and collection of KYC from all customers will be a mammoth exercise. This will be undertaken in a phased manner, after finalization of the modalities”.

19. The Committee had noted that OMCs do not have any information about their customers except their name and address and suggested in their report that Ministry advise OMC's to start collection of information about their customers to facilitate data mining and for taking decisions regarding better targeting of subsidy for deserving sections of the society.

In the Action Taken reply, the Ministry have informed that Public Sector Oil Marketing Companies (OMCs) have recently finalized Know Your Customer (KYC) Programme for LPG customers and same has been intimated to all LPG distributorships in the country for implementing the same with immediate effect for the new LPG connection as well as reactivation of the connections. The Ministry have further informed that at present, OMCs are serving about 13.5 crore LPG customers and as collection of KYC from all customers will be a mammoth exercise, this will be undertaken in a phased manner, after finalization of the modalities.

The Committee are happy to note that the OMCs have started implementing the recommendation regarding collection of information about their customers. The Committee also, note that this exercise has been started for the first time and presently only new and reactivated LPG connections have been covered with immediate effect considering the large number of LPG customers i.e. 13.5 crore, catered to by OMCs and hence the process will be taken up in a phased manner after finalization of requisite modalities. The Committee would like to be informed about the plan formulated by OMCs to be implemented in phases with timeline to cover all the LPG customers.

RECOMMENDATION NO. 13

Levy of Cess/Tax on Diesel Car

20. 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.

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

> "The Ministry of Petroleum & Natural Gas has vide its letter dated 7th June, 2012 has again requested Ministry of Finance to consider the proposal of imposing additional Excise Duty on diesel vehicles to discourage dieselization of economy and also bring additional revenue which could be used for meeting the under-recoveries of the Oil Marketing Companies (OMCs)"

22. In order to discourage the growing tendency of switching over to diesel vehicles to take advantage of cheaper diesel which is subsidized as against the non subsidized petrol, the Committee had desired MoP&NG to take up the matter of levying cess on purchase of diesel cars used for private purpose with Ministry of Finance (MoF).

In Action taken replies furnished by the Ministry, the matter is reported to have been taken up with Ministry of Finance by MoPNG to reconsider the proposal of imposing additional excise duty on diesel vehicles to discourage dieselization of economy and also bring in additional revenue for meeting the under-recoveries of OMCs.

The Committee, however, are dissatisfied, as no progress has been made in implementation of their recommendation. The Committee desire

MOPNG to marshall facts and figures to substantiate their contention about the growing dieselization of economy which impacts the pollution levels in the cities to the Ministry of Finance and impress upon MoF to levy additional burden on purchase of diesel cars.

The Committee further observe that Telecom sector is also consuming diesel in a big way for operation of mobile towers through diesel generators. The Committee would like to point out that subsidized diesel is not meant for such commercial purposes and therefore the committee urges MOPNG to take serious note of this phenomenon and put in place an appropriate mechanism to charge these entities the actual cost of diesel.

RECOMMENDATION NO. 14

Cess on crude

23. 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.

24. In response, the Ministry of Petroleum & Natural Gas have submitted as below

"MOPNG has already taken up the issue with Ministry of Finance".

25. The Committee in its report had urged for removal of the increased cess proposed to be levied on domestically produced crude oil as proposed under budget 2012-13. The Committee had felt that the proposal would adversely impact the financial health of the upstream oil companies. Therefore, the Committee had asked MoPNG to impress upon the Ministry of Finance for reconsideration of the proposal.

In its action taken reply, MoPNG have informed that the matter for revision of the proposal has been taken up with MoF. However, the Committee find little consolation on the outcome so far on the issue, as they have not been informed about the response of MoF thereto.

The Committee feel that this measure would create a burden on the upstream oil companies which shares approximately one-third of the under recoveries. The Committee are afraid that this will increase the cost of production of crude oil which would also impact the profitability of downstream oil companies by way of higher input cost. The Committee therefore, strongly recommend in favour of cutting down the increased rate of cess on crude oil and desire Ministry to be proactive while pursuing the matter, keeping in view the far reaching impact of the proposal. The Committee would also like to be intimated about the developments in the matter.

RECOMMENDATION NO. 15

Directorate General of Hydrocarbon (DGH)

26. 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.

27. In their action taken reply furnished to the Committee, the Ministry of Petroleum & Natural Gas have submitted as under:-

> "Regarding manpower requirements of DGH, MOP&NG is fully seized of the matter and has been reviewing the status of manpower periodically through the Administrative Council of DGH. Ministry has already approved additional manpower strength of 49 on 21.12.2010 making the total sanctioned strength to 209, as compared to 160 approved earlier in December 2005. PSUs like ONGC & OIL have been advised to spare experienced manpower for deployment in DGH on deputation/tenure basis. As per directive of MoPNG, oil PSUs, mainly ONGC and OIL, can also recruit fresh staff for placing their services in DGH on long term basis.
>
> As a consequence, staff strength of deputationists in DGH has increased from 93 executives as on 1.4.2010 to 108 in 1.4.2011 and to 120 on 1.6.2012.
>
> Shortage in manpower is being met through trainee officers / consultants on contractual basis. Total manpower strength of DGH as on 1.6.2012, including trainee officers and consultants is 144".

28. Considering the importance of functions being carried out by DGH and proportionately smaller staff strength, the Committee had recommended in their report for granting statutory status to DGH and also its own permanent cadre of personnel inline with other established regulators in the country like RBI, CCI etc.

The action taken reply of Ministry has informed that DGH/MOP&NG are reviewing the matter and additional man power has been added to DGH taking the total sanctioned staff strength to 209 in comparison to 160 in December 2005. Additionally, the OMCs have also been advised to spare experienced man power for deployment in the DGH on deputation/tenure

basis. The Committee though appreciate the steps taken by the Ministry to strengthen their work force simultaneously expresses their concern that the majority of staff shortage in DGH is still being met through deputation from other PSUs and trainee officers/consultants on contractual basis.

In this regard, the Committee have recommended for creating DGH's own cadre to minimize dependence on oil PSUs for expertise and personnel requirements. Also, the ATR is altogether silent about granting statutory status to DGH. The Committee cannot but deplore the inaction on the part of MoP&NG towards this important recommendation of the Committee and therefore, reiterate its recommendation of conferring statutory status to DGH and take steps to have permanent cadre of employees to make it more autonomous and efficient.

RECOMMENDATION NO. 17

Ethanol Blended Petrol (EBP)

29. 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.

30. In this regard, the Ministry of Petroleum & Natural Gas have submitted the following action taken reply:-

> "Ministry of Petroleum & Natural Gas has written letters to Chief Secretaries of Ethanol Blended Petrol Programme implementing states on 12.05.2011 to simplify procedures followed by the State Governments in giving storage permissions to OMCs and issues of allotments and permissions for movement of ethanol required for EBP Programme.
> Governments of Gujarat and Delhi have imposed duties on ethanol imported from other states. These States have been requested on 15.11.2011 to consider withdrawal of the duties introduced by them considering the larger interest of the nation and specially to promote use of Bio- fuels.
> Recently, Sugar Industry has also brought to notice of the Ministry that Bihar based sugar mills are not able to get necessary NOCs from Excise Department, Government of Bihar. Therefore, Chief Secretary of Bihar has been requested on 23.04.2012 to look into the matter and have necessary instructions issued to ensure smooth supply of Ethanol to OMCs for successful implementation of EBP Programme".

31. The Committee in the report had desired the Ministry to take up with State Government to resolve issues pertaining to inter-State movement of ethanol so as to successfully implement the Ethanol Blended Petrol (EBP) programme. In the Action Taken reply, the Ministry has informed, that to tackle the issues pertaining to inter-state movement of ethanol, the MoP&NG have taken up the matter with State Governments of respective ethanol blended programme (EBP) implementing states to simplify the procedure followed by the Governments in giving various permissions related with free movement of ethanol.

The Ministry has further submitted that the Government of Gujarat and Delhi have also been requested to revoke the duties levied on ethanol coming from other States. Similarly State Government of Bihar has been requested to look in to the matter of NOCs from excise department and issue necessary instructions for ensuring smooth supply of ethanol to OMCs. However, the reply does not clearly indicate the current status of EBP in states other than Gujarat, Delhi and Bihar.

The Committee desire that the bottlenecks impeding smooth implementation of 5% ethanol blending programme in all the 13 States be

tackled at the earliest to gain foothold before increasing the blending ratio of ethanol from 5% to 10% as per Ministry's plan under this programme. The Committee, therefore, desire MoP&NG to put in all efforts for successful implementation of the Ethanol Blended Petrol Programme.

RECOMMENDATION NO. 19

Coal Bed Methane

32. 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 12^{th} Plan.

33. In this regard, the Ministry of Petroleum & Natural Gas have submitted the following action taken reply:-

"In order to achieve the targeted production of about 4 MMSCMD of CBM by the end of XIIth plan (i.e. 2016-17), the following actions have been taken:

- Till date, 5 Development Plans have been approved for the blocks, viz Raniganj (South) operated by GEECL, Sohagpur (East) and Sohagpur (West) operated by RIL, Raniganj (East) operated by Essar and Bokaro operated by ONGC.
- Frequent review meetings by DGH and field visits by DGH in order to expedite development of the block.

Further, DGH in consultation with MoC / CMPDI, is in the process of delineating the CBM areas for future offers, during the 12th Plan.

It may be mentioned that there are delays in development of CBM blocks due to following reasons:

- Delay due to land acquisition problem.

- Delay because of dispute due to allotment of coal mining blocks by MoC within the CBM block area (overlapping issues).
- Gas evacuation/sales issues".

34. The Committee had observed that the Ministry should intensify its CBM exploration efforts during the 12th Plan for achieving the targeted production of about 4 mmscm of CBM against the current production of 0.24 mmscm.

The Government in its ATR had informed that it is taking collective steps to improve upon the production potential of country by holding frequent review meetings and field visits by DGH for ensuring fast development of blocks. However the delay in development of CBM blocks has been attributed mostly to delay in land acquisition process, dispute in allotment of coal mining blocks by Ministry of Coal in the CBM block areas, unsettled gas sale issues, etc.

In this regard, the Committee would like to suggest that the MoP&NG should nominate nodal officers of the Ministry/DGH to coordinate with officials of central and state Governments/authorities in which CBM blocks are to be developed. The Committee further recommend that the dispute regarding the allotment of coal mining blocks by MoC in CBM block areas should be expeditiously resolved.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

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.

REPLY OF THE GOVERNMENT

The acquisition of additional land for RGIPT campus at Jais is pending with the Uttar Pradesh State Industrial Development Corporation (UPSIDC). Since then, the State Government re-organized the district jurisdiction of Jais which has been merged into a new district - Chatrapati Sahooji Maharaj Nagar. The new district came under the Divisional jurisdiction of Faijabad instead of Lucknow. The relevant papers relating to land records were re-submitted by UPSIDC to the Deputy Land Acquisition Officer (DLAO) at Faijabad. The scrutiny of papers took some more time and the revised details as required by DLAO were given for early start of land acquisition process.

The academic activities of RGIPT are being conducted from transit campus at Rae Bareli since year 2008. The following programmes are being currently conducting by RGIPT :-

1. B. Tech in Chemical Engineering,
2. B. Tech in Petroleum Engineering,
3. M. Tech in Petroleum Engineering and
4. MBA in Petroleum and Energy Management.

In so far as lower utilization of funds is concerned, due to various reasons like site related issues and slow mobilization of civil contractor at site, the expenditure level for the RGIPT campus project has been on the lower side. Due to lower utilization of funds, The amount of Rs 39 crores allocated for the year 2011-12 was not disbursed to RGIPT. An amount of Rs.160 crores has now been committed by RGIPT for civil construction and other works. There will be adequate utilization of funds during the year 2012-13, as EIL the Project Management Consultant, has projected expenditure of around Rs.200 crores during this period.

The delay in construction of the project has been taken up with the Contractor and EIL. After deliberations with Contractor and EIL, revised targets were set with a view to make up for the shortfall. The matter is being followed up to achieve the revised schedule. The observation of the Committee has been noted for due compliance and all efforts will be intensified by this Ministry for early settlement of all outstanding issues so that the project can take off and Institute becomes fully functional at the earliest.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

As far as ONGC is concerned, the targets (BE) set and achieved by the Oil and Natural Gas Corporation (ONGC) for 3D seismic surveys and exploratory drilling during the last three years, i.e. 2009-12 are as follows:

Type of input	Year	2009-10	2010-11	2011-12
3D Seismic (Sq. Km.)	Target	29366	21196	10479
	Actual	21742	19355	9820
Exploratory Wells (NOS)	Target	148	154	158
	Actual	128	125	135

As seen from above, major shortfall in the 3D seismic surveys was in the year 2009-10 and achievements in subsequent two years are above 90% of the target. One of the reasons for shortfall in 3D seismic surveys in 2009-10 is on account of the fact that a major part of data acquisition planned in NELP blocks falling in KG and Cauvery deep water basins had been acquired ahead of schedule in 2008-09 itself, leaving lesser quantum for 2009-10. During 2008-09, a total of 26784 Sq. Km. of 3D seismic data were acquired against a target of 22822 Sq. Km.

The main reasons for shortfall in the 3D seismic data acquisition in other sectors/ years are given below:

Onland :

- Suspension of activities in blocks falling in Nagaland by state Government.
- Poor performance of contractor providing shot hole drilling and seismic job services.
- Late start/ Pre-mature closure of operations due to continued rains/ early onset of monsoon in some cases

Offshore:

- Delay in mobilization of seismic vessel/ non finalization of contract because of court case
- Breakdown of vessel in some cases
- Disruptions due to cyclone activity on the east coast
- Non availability of permission from MoD in some blocks especially blocks falling in KG Shallow Water.

Exploratory Drilling

Shortfall in the exploratory drilling is mainly on account of the following:

- Down hole complications leading to frequent side tracks and loss of productive time especially in deep wells in Assam, KG and Cauvery basins
- Long time taken in drilling and testing of HP-HT zones in KG onland and offshore basins
- Delay in mobilization of charter hire rigs in some cases
- Shortage of deep water rigs

However, as suggested ONGC has been making its best efforts to achieve the targets set for different activities related to hydrocarbon exploration in the country including 3D seismic surveys and exploratory drilling. 135 wells drilled in the year 2011-12 are highest in last five years despite above mentioned constraining factors.

In case of seismic surveys, process for hiring of charter hire/ contract vessels has already been initiated for the year 2012-13 and ONGC is making its best efforts to finalize the contracts and mobilize offshore seismic vessels by October end in 2012 immediately after the monsoon. Similarly, integrated seismic job service and shot hole drilling contracts for onland departmental crews are planned to be finalized expeditiously to facilitate early deployment in respective areas.

To overcome problems related to shortfall in exploratory drilling, additional rig resources both for onland and offshore areas are being mobilized and efforts are being made to minimize the non productive time which will help in achievement of the targets set for 2012-13.

As far as Oil India Ltd (OIL) in concerned, targets vis-a vis Achievement in respect of Oil India limited during the last three years are as shown under:

Year	2D GLKM			3D Sq. Km.		
	Target	Achv.	%	Target	Achv.	%
2009-10	500	1625	325	1600	984	62
2010-11	200	1149	575	900	759	84
2011-12	200	1397	204	900	1838	204

While, OIL has met the 2D Seismic target during the previous three years, the 3D Seismic target achivement during 2009-10 and 2010-11 was on the lower side due to the following reasons:

2009-10:

- Considering the very high unit cost of acquisition compared to conventional 3D survey, OIL reviewed the plan of acquisition of 150 SQKM of 3D-3C survey and decided to pursue 2D-3C by in-house newly acquired equipment having similar capability.
- 400 Sq. Km. of 3D planned in NELP area in Rajasthan was not carried out due to relinquishment of three blocks.
- 400 Sq. Km. planned in KG basin waiting for Forest clearance.

2010-11:

- 1000 Sq. Km. planned in Rajasthan got delayed in finalizing the contract / finally was not carried out due to relinquishment of blocks.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

Directorate General of Hydrocarbons (DGH) is monitoring 21 Improved Oil Recovery (IOR)/ Enhanced Oil Recovery (EOR) projects in 15 major fields of ONGC under implementation since the year 2000. DGH interacts with officials of different Assets of ONGC on the performance of 21 major IOR/EOR projects. Different types of Geological, Production and Reservoir data for various fields is obtained / sought from ONGC. The recommendations are made for field implementation and improvement in oil recovery based on the data provided and mutual discussions carried out.

Further, detailed production performance monitoring of all the producing fields of ONGC and OIL, (totaling more than 235 producing fields and 8300 active wells) is in progress at DGH. Requirement of type of data from fields was worked out and the same is being obtained from the NOCs regularly, on monthly basis.

Based on the analysis of data received, half yearly reviews have been carried out with NOCs, and observations have been made and discussed with Asset / Field officers, to improve the production performance of the fields.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

The Project LPG Transfer pipeline from BPCL and HPCL refinery to Uran envisages laying of pipeline of 28 Km length (12 Km offshore and 16 Km Onshore) from BPCL and HPCL refineries at Mumbai to Uran LPG plant on equal cost sharing basis, for safe and economic evacuation of LPG from the refineries.

The onshore pipeline needs to cross railway tracks at two locations for which bridges have been constructed on which the pipeline is laid. The clearance from railways has been received and jobs connected with railway tracks crossing have been completed.

Approval has been obtained from JNPT for laying the pipeline in common ROU and land for Sectionalizing Valves (SV) stations. All related jobs in JNPT area have been completed consequent to receipt of approval from JNPT.

A 3 Km offshore stretch of the pipeline passes through mangroves (reserved forest) for which forest clearance from Government of Maharashtra is awaited. Rigorous follow-up is being maintained at the highest level for expediting the forest clearance. In this connection, the issue has been taken up with Secretary Forests, through Secretary, Food and Civil Supplies, Government of Maharashtra. MOP&NG have also taken up the matter with Ministry of Environment and Forests (MOE&F) and principal Secretary, Forests, Government of Maharashtra for expediting the forest clearance.

The project is being monitored by BPCL Board for expediting the completion of the project. The progress of major projects under implementation is also reviewed by MOP&NG during QPR meetings.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

As per Para 5.12 of National Policy on Bio-fuels, the purchase price of bio-diesel will be determined by the National Biofuel Steering Committee (NBSC) and decided by the National Bio-fuel Coordination Committee (NBCC) taking into account the entire value chain comprising production of oil seeds, extraction of bio-oil, its processing blending, distribution and marketing. The Minimum Purchase Price (MPP) for bio-diesel by the OMCs will be linked to the prevailing retail diesel price.

Accordingly, OMCs under MoPNG have devised a methodology for fixing the landed price of procurement of bio-diesel, which would be revised and notified upon any revision in the retail selling prices of diesel. NBSC has approved the same in its meeting held on 19.09.2011 under the Chairmanship of Cabinet Secretary. However, the final decision will be taken by NBCC in the matter.

During a meeting of NBSC held on 20.01.2012, Ministry of New & Renewable Energy has been directed to constitute a Working Group, including

Department of Agriculture & Cooperation, Ministry of Finance, Ministry of Environment & Forests, Planning Commission and Commission on Agriculture Costs & Prices (CACP) for determining the prices of Jatropha seeds in view of the benchmark price suggested by CACP.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

DGH/MoPNG is actively pursuing various alternate sources of energy including gas hydrates and shale gas.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

CHAPTER III

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

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 (15^{th} May to 15^{th} 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.

REPLY OF THE GOVERNMENT

The actual utilization of Plan Budget for FY 2011-12 is Rs. 29246.56 Crore against the BE target of 2011-12 of Rs. 30,040.02 Crore and RE target of Rs. 31,316 Crore. Thus, Plan budget utilization for 2011-12 against the BE target is 97.36%.

As regards suggestion of the Committee for even distribution of the expenditure throughout the year, it is stated that major portion of the ONGC Plan outlay is for offshore activities and during monsoon period (15th May to 15th October), survey, drilling and various constructions activities slow down in Offshore areas. These activities are in full operation after the monsoon. Besides, there are certain milestone payments against various schemes/projects which are not evenly distributed. Therefore considering the nature of E&P industry, even distribution of the expenditure throughout the year may not be feasible.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

CPCL has informed that they are continuously following up with all statutory authorities to get clearances at the earliest. The current status of the Resid Upgradation Project and 42" Crude oil Pipeline Project is given below:

Resid Upgradation Project:

Central Pollution Control Board (CPCB), in association with Indian Institute of Technology (IIT), Delhi carried out an environmental assessment of industrial clusters across the country based on which, a comprehensive Environmental Pollution Index (CEPI) was developed. This index captures the various dimensions of environment including air, water and land.

Industrial clusters having CEPI score of 70 and above were declared as critically polluted. 43 industrial clusters fell in this category and Manali where CPCL is located is one of them. As per Office Memorandum of Ministry of Environment & Forests (MoEF) dated 13th January, 2010 a review of the study was proposed during August 2010 and until such time of review, a temporary restriction on setting up of new industries / expansion or modernization of existing industries was invoked. The ban in Manali area by MoEF has led to Environmental clearance for the Resid Upgradation project being withheld. The respective State Pollution Control Boards were informed about this and were asked to report on the action plans to improve the environmental performance in the industrial clusters. CPCL along with other industries in the area had formulated a plan of action for reducing the CEPI index. Subsequently, CEPI index value was measured by Tamilnadu Pollution Control Board in Feb.'11 and the index value was found to be 67, which is within the threshold limit of 70. Even though the environmental performance of Manali industrial cluster has improved significantly, as evident from the TNPCB studies, there is a delay in the review to lift the temporary restriction imposed on Manali. MoEF has recently vide their letter dated 30.2.2012 has advised CPCB to assess the pollutant load at Manali Industrial cluster to take a view on the question of lifting of ban. Continuous follow up is being made with officials of MoEF to lift the ban and obtain environmental clearance for the project.

42” Crude oil Pipeline Project

The Tamilnadu State Coastal Management Authority had given the clearance for the Project in 2008 and subsequently in October, 2010. However, in view of the complaints received from Kasimedu Fishermen Association on the pipeline route, MoEF requested Tamil Nadu Government to examine the issue. Committees formed by Tamil Nadu Government and MoEF, Government of India examined this and concluded that the apprehension of Fishermen are not correct as the proposed pipeline is significantly away from their habitations.

However, MoEF deferred the proposal and suggested CPCL to find alternate route for pipeline and also have a Public Hearing as in two locations there are habitations at 3 to 10 Mts. Distance. CPCL has taken up the issue with MoEF and has also voluntarily undertaken to increase the depth of the pipeline by another 10 Mts. by using Horizontal Directional Drilling (HDD) technology to increase the distance from habitations. MoEF has now directed Tamilnadu Government to conduct Public Hearing for the project.

The inordinate delay in getting the environmental clearance for the above proposed projects have contributed to lower annual plan expenditure as compared to the budgetary estimates.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

The amount of under recovery depends on a variety of factors, such as, prices of crude oil and petroleum products in international market, domestic market conditions, etc. So, it is difficult to evolve a fixed policy to compensate the under-recoveries of OMCs. However, every effort is being made to compensate under-recoveries of OMCs through cash assistance by Government and discount on crude oil sale by upstream companies.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

ONGC has signed an MOU (Agreement of Collaboration, AOC) with Skochinsky Institute of Mining (SIM - NMRC), Moscow, Russia to develop Underground Coal Gasification (UCG) Technology in India which is valid till 25th November 2014.

Out of eleven sites studied for the suitability of underground coal gasification (UCG) one site - Vastan Mine block in South Gujarat was found to be suitable.

The detailed plan/scheme has been prepared for implementation of first UCG pilot at Vastan site. However, it is awaiting award of mining lease (ML) by Ministry of Coal (MoC).

As far as Oil India Limited (OIL) is concerned, OIL completed the R&D study on coal to liquid with different alternatives based on the quality and availability of Coal in the NE and the following possibilities established:

a) 44,000 Barrel Per Day (BPD) plant study indicates high CAPEX of approx. Rs. 16,000 Crore without considering contingency and overhead. The plant of such capacity appears economically viable with reasonably good returns subject to availability of suitable quality coal.

b) Feasibility Report study carried out by M/s. EIL on 10,000 BPD plant is not economically viable The CAPEX for establishment of such a plant would be in order of Rs. 7,073 Crore and the coal requirement would be 1.3 MMTPA.

In view of high CAPEX involved and uncertainty in sustained source of coal supply, OIL is not pursuing commercialization at present.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

CHAPTER IV

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

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.

REPLY OF GOVERNMENT

The revised Cabinet Committee on Economic Affairs (CCEA) Note relating to release of one time grant of Rs. 1400 to a BPL household for release of new LPG connection, is under consideration.

However, in order to facilitate affordable access for BPL population in rural areas to LPG, Government 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 release of one time grant of Rs. 1400 to a BPL household for release of a new LPG connection.

As on 01.04.2012, OMCs, namely IOC, BPCL and HPCL have released 80,845 LPG connections to BPL families under their CSR scheme.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee
(Please see Para No. 7 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

ONGC

As on 01.04.2012, ONGC has made a total of 26 discoveries (13 in deepwater, 5 in shallow water and 8 in Onland) in 15 NELP blocks. Out of these 26 discoveries, eight discoveries were made in the year 2011-12 and remaining 18 were made prior to 01.04.2011. Details of these 26 discoveries made in NELP blocks by ONGC are given below:

Status of discoveries made in the onland blocks

Sl. No.	Year of Discovery	Name of Block	Discovery	Type of Hydrocarbon	IOEIP MMt. (O+OEG) as on 01.04.2012	Ultimate MMt (O+OEG) as on 01.04.2012	Status
1	2008-09	CB-ONN-2002/1	West Patan-3	Oil+Gas	0.31	0.02	FDP submitted
2		AA-ONN-2001/1	Khubal-4	Gas	22.44	3.35	DoC submitted
3		CB-ONN-2001/1	Nadiad-1	Oil	1.51	0.08	DoC submitted
4	2010-11	CB-ONN-2004/1	Karan Nagar-1	Oil	0.92	0.04	Under Appraisal
5		CB-ONN-2004/2	Vadatal-1	Oil	3.11	0.26	DoC submitted
6		CB-ONN-2004/2	Vadatal-3	Oil+Gas	10.84	0.68	Under Assessment for commercial potential
7	2011-12	AA-ONN-2001/2	Hortoki-1	Gas	2.28		Under Assessment for commercial potential
8		CB-ONN-2004/3	Uber-2	Gas	0.12	0.03	Format B submitted (potential commercial interest)
Total Onland					**41.53**	**4.46**	

Status of discoveries made in the shallow water blocks

Sl. No.	Year of Discovery	Name of Block	Discovery	Oil/ Gas	IOEIP MMt. (O+OEG) as on 01.04.2012	Ultimate MMt (O+OEG) as on 01.04.2012	Status
1	2010-11	CB-OSN-2003/1	Aliabet-2	Gas+ Cond.	5.46	3.28	Format B submitted.
2	2011-12	CB-OSN-2003/1	Aliabet-3	Gas	1.86	1.12	
3		KG-OSN-2004/1	Chandrika South-1	Gas	7.66	1.54	
4		KG-OSN-2004/1	KGOSNO41 NAAL-1 (Alankari-1)	Gas+Cond.	3.2	0.87	
5		GS-OSN-2004/1	GSSO4NAA -1	Gas	25.76	3.15	Under assessment for commercial potential
Total Shallow Water					**43.94**	**9.96**	

Status of discoveries made in the Deep Water blocks

Sl. No.	Year of Discovery	Name of Block	Discovery	Oil/ Gas	IOEIP MMt. (O+OEG) as on 01.04.2012	Ultimate MMt (O+OEG) as on 01.04.2012	Status
1	2005-06	KG-DWN-98/2	D-1	Gas	11.68	5.12	Proposals for DOC submitted
2		KG-DWN-98/2	A-1	Gas	21.33	2.41	
3		KG-DWN-98/2	U-1	Gas	12.58	1.69	
4		KG-DWN-98/2	W-1	Gas	2.09	0.16	
5		KG-DWN-98/2	E-1	Gas	5.37	1.97	
6	2006-07	KG-DWN-98/2	UD-1	Gas	127.07	..	

7		MN-OSN-2000/2	MDW-2A/B	Gas	56.91	3.8	Under appraisal.
8	2007-08	MN-DWN-98/3	MDW-4A/B	Gas	12.84	2.61	Under appraisal.
9		KG-DWN-98/2	KT-1	Gas	Not Assessed		DOC submitted
10		MN-DWN-98/3	MDW-5	Gas	Not Assessed		Under appraisal.
11	2010-11	MN-OSN-2000/2	MDW-10	Gas	1.28	0.26	Under appraisal
12	2011-12	AN-DWN-2002/1	ANDW-1	Gas	Not Assessed		Discovery not commercial.
13		NEC-DWN-2002/2	MDW-13	Gas	4.01	0.49	Appraisal program being firmed up
Total Deep Water					**255.16**	**18.51**	

<u>OIL</u>

As far as Oil India Limited (OIL) is concerned, OIL is at present continuing exploration work in a total of 33 NELP blocks and 2 Pre-NELP Blocks of which OIL is operating in 13 NELP Blocks and joint operator in one deepwater block with ONGC. Various stages of exploration work are going on in these blocks. Out of the currently held blocks, drilling completed in three blocks - one in Rajasthan and another two in Assam during 2011-12. However, OIL is yet to establish presence of hydrocarbon in any of the NELP blocks held so far.

<u>DGH</u>

Commencement of commercial production of oil/gas consequent upon hydrocarbon discoveries in NELP blocks is regularly monitored in Management Committee (MC) meetings as per time lines specified in Production Sharing Contracts (PSCs). Efforts are being made by the operators to bring the discoveries in to commercial production in a shortest possible manner.

The actual time taken for first oil/gas from any discovery depends upon the variations in the geographical location, geological and reservoir parameters, contractor's strategy and business model, availability of infrastructure, prevailing oil/gas prices etc. Hence there might be variation in the time taken for exploitation of the discoveries by the various operators.

It is pertinent to mention that varying hydrocarbon prospectivity across the awarded blocks is a naturally occurring phenomenon and may not be dependent upon the type of operator viz. private company or PSU.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee

(Please see Para No. 10 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

During 2011-12, the natural gas production from the fields/blocks being operated by Pvt./JVs under PSC regime was 21.608 BCM as against 26.775 BCM in 2010-11. The main reason, is decline of gas production from block KG-DWN-98/3 (KG-D6) in KG Basin during this period.
The following steps have been taken by DGH/MoPNG to direct the operator, Reliance Industries Ltd. (RIL), for improving the gas production performance from KG-DWN-98/3 (KG-D6) in KG Basin:

- The operator has been advised to drill, complete and put on production more gas wells in D1 & D3 gas fields, in line with FDP, as well as to adopt appropriate remedial measures such as wells intervention in D1, D3 & MA fields in KG-DWN-98/3 (KG-D6) block to revive the sick wells in order to increase the gas production from the block.
- The Optimized Field Development Plan (OFDP) for 4 satellite gas discoveries (D-2, 6, 19 & 22) has been approved and Declaration of Commerciality (DoC) for another gas discovery (D-34) in KG-D6 block has been reviewed by the Management Committee (MC) comprising representatives of the Contractor(s) and GoI.
- The Contractor has submitted the revised FDP for MA field, as directed by MC, which is currently under examination.

Further, three gas discoveries in the offshore block KG-OSN-2001/3 block in KG Basin, operated by M/s GSPCL, are currently under development and the commercial gas production is likely to commence in mid 2013.

Every effort is made by DGH/MoPNG to impress upon the operators under PSC regime, to maintain and enhance the hydrocarbon production in their area of operations.

Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012

Comments of the Committee

(Please see Para No. 13 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

Regarding manpower requirements of DGH, MOP&NG is fully seized of the matter and has been reviewing the status of manpower periodically through the Administrative Council of DGH. Ministry has already approved additional manpower strength of 49 on 21.12.2010 making the total sanctioned strength to 209, as compared to 160 approved earlier in December 2005. PSUs like ONGC & OIL have been advised to spare experienced manpower for deployment in DGH on deputation/tenure basis. As per directive of MoPNG, oil PSUs, mainly ONGC and OIL, can also recruit fresh staff for placing their services in DGH on long term basis.

As a consequence, staff strength of deputationists in DGH has increased from 93 executives as on 1.4.2010 to 108 in 1.4.2011 and to 120 on 1.6.2012.

Shortage in manpower is being met through trainee officers / consultants on contractual basis. Total manpower strength of DGH as on 1.6.2012, including trainee officers and consultants is 144.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee

(Please see Para No. 28 of Chapter-I)

CHAPTER V

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

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.

REPLY OF THE GOVERNMENT

The Ministry is taking efforts to reduce the subsidy burden through various initiatives. One of them is through direct transfer of cash subsidy. A pilot project in this regard in Mysore based on AADHAR number is underway and based on the experience, direct transfer of cash subsidy will be undertaken on a larger scale. LPG transparency portal has also been launched where the consumption data of all consumers is hosted for use of consumers and civil society with a view to reduce diversion and increase accountability.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee

(Please see Para No. 16 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

Public Sector Oil Marketing companies (OMCs) have recently finalized Know Your Customer (KYC) for LPG customers and same has been intimated to all LPG distributorships in the country for implementing the same with immediate effect for the new LPG connection as well as reactivation of the connections. At present, OMCs are serving about 13.5 crore LPG customers and collection of KYC from all customers will be a mammoth exercise. This will be undertaken in a phased manner, after finalization of the modalities.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee

(Please see Para No. 19 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

The Ministry of Petroleum & Natural Gas has vide its letter dated 7th June, 2012 has again requested Ministry of Finance to consider the proposal of imposing additional Excise Duty on diesel vehicles to discourage dieselization of economy and also bring additional revenue which could be used for meeting the under-recoveries of the Oil Marketing Companies (OMCs).

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee

(Please see Para No. 22 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

MOPNG has already taken up the issue with Ministry of Finance.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 23rd July, 2012)

Comments of the Committee

(Please see Para No. 25 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

All sincere efforts are being made by DGH/MoPNG so that the Hon'ble Delhi High Court may decide on the litigation at the earliest. The process of establishing NDR would be taken up subsequently.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

Ministry of Petroleum & Natural Gas has written letters to Chief Secretaries of Ethanol Blended Petrol Programme implementing states on 12.05.2011 to simplify procedures followed by the State Governments in giving storage permissions to OMCs and issues of allotments and permissions for movement of ethanol required for EBP Programme.

Governments of Gujarat and Delhi have imposed duties on ethanol imported from other states. These States have been requested on 15.11.2011 to consider withdrawal of the duties introduced by them considering the larger interest of the nation and specially to promote use of Bio- fuels.

Recently, Sugar Industry has also brought to notice of the Ministry that Bihar based sugar mills are not able to get necessary NOCs from Excise Department, Government of Bihar. Therefore, Chief Secretary of Bihar has been requested on 23.04.2012 to look into the matter and have necessary instructions issued to ensure smooth supply of Ethanol to OMCs for successful implementation of EBP Programme.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee
(Please see Para No. 31 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

In order to achieve the targeted production of about 4 MMSCMD of CBM by the end of XIIth plan (i.e. 2016-17), the following actions have been taken:

- Till date, 5 Development Plans have been approved for the blocks, viz Raniganj (South) operated by GEECL, Sohagpur (East) and Sohagpur (West) operated by RIL, Raniganj (East) operated by Essar and Bokaro operated by ONGC.
- Frequent review meetings by DGH and field visits by DGH in order to expedite development of the block.

Further, DGH in consultation with MoC / CMPDI, is in the process of delineating the CBM areas for future offers, during the 12th Plan.

It may be mentioned that there are delays in development of CBM blocks due to following reasons:

- Delay due to land acquisition problem.
- Delay because of dispute due to allotment of coal mining blocks by MoC within the CBM block area (overlapping issues).
- Gas evacuation/sales issues.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

Comments of the Committee
(Please see Para No. 34 of Chapter-I)

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.

REPLY OF THE GOVERNMENT

The Government is pursuing transnational gas pipelines such as the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project and the Iran-Pakistan-India (IPI) Gas Pipeline.

On 11th December, 2010 the four countries involved in the TAPI Gas pipeline project, signed an Inter-Governmental Agreement along with a Gas Pipeline Framework Agreement in Ashgabat, Turkmenistan. To accelerate the project, parties have formed the Minister level Steering Committee and Technical Working Group (TWG).

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. On 23rd May, 2012 GAIL(India) Ltd. and Pakistan's Inter State Gas Systems signed their respective General Sales Purchase Agreements (GSPA) with Turkmenistan's state gas company Turkmen Gaz which envisage Turkmen gas being delivered to India and Pakistan via Afghanistan in 2018. Turkmenistan and Afghanistan have also singed a MoU for cooperation in the gas sector, leaving the signing of a bilateral GSPA till negotiations on gas prices are concluded. The next steps proposed are the holding of road shows globally by the Transaction Advisor and to scout for technically qualified and financially capable international companies to become the leader of TAPI consortium comprising the state entities / companies of the four participating countries.
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. In Phase-II 90 mmscmd of gas is envisaged to be supplied. Several rounds of discussions have taken place, involving the India-Pakistan-Iran Joint Working Group (JWG), India-Pakistan JWG and the India-Iran Special JWG. The matter has also been discussed at the Ministerial level. Several critical issues, viz., the delivery point of Iranian gas, the project structure including project finance, guarantees related to safety of the pipeline and security of supply, pricing of gas, location of international seat of arbitration, etc are yet to be resolved.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

Oil/Gas assets are always associated with risk pertaining principally to the subsurface. In order to address this, OVL takes all possible mitigation measures and precautions. Whenever an acquisition opportunity is shortlisted based upon preliminary screening, detailed due diligence is carried out by ONGC/OVL's in-house team of experts supplemented by external consultants of international repute who are empanelled after verifying their credentials, experience and track records.

These consultants include technical, financial, legal and tax & accounting are hired. The evaluation carried out by these consultants are corroborated by OVLs internal team and discussed with OVL before being put up to the Board for approvals.

However, the business development procedures and practices are under review and finalization so as to make them further rigorous.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

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.

REPLY OF THE GOVERNMENT

In a delicensed refinery sector, the setting up of a refinery and its operation is a commercial decision of a public/private sector enterprise based on techno-commercial considerations.

2. Pursuant to recommendation of the 'Tripathi Committee' to examine setting up 4.5 to 6.0 MMTPA capacity refinery at Barmer in April, 2010, Oil and Natural Gas Corporation Limited (ONGC) once again examined detailed feasibility for a 4.5 MMTPA capacity refinery through M/s EIL in December, 2010 and subsequently a financial appraisal by merchant banker M/s SBI Caps was done in March 2011. However, the refinery was not found to be financially viable on standalone basis and required an interest free loan of approximately Rs.1100 crore per annum for 15 years from Government of Rajasthan repayable from 16th year onwards in order to make the project bankable. In line with the recommendations of the 'Tripathi Committee', ONGC requested for a commitment from the Government of Rajasthan (GoR) in respect of bridging the viability gap and bankable marketing arrangement for products of the refinery.

3. While GoR conveyed its 'in-principle' approval for 26% equity stake in the project and to provide requisite fiscal incentives to ensure techno-commercial viability of the refinery project, it insisted that ONGC take up 69% equity as the main promoter. GoR also entered into an Agreement/MoU with Bharat Petroleum Corporation Limited (BPCL) for off-take of petro-products from the refinery.

4. As the quantum of fiscal support from the State Government was substantial and to be provided on sustained basis for a period of 15 years, before any investment decision is taken, GoR would need to provide firm commitment through requisite Cabinet approval to ensure bankability & viability of the project.

5. ONGC has conveyed to MoP&NG vide letter dated 1st June, 2011, and to the Government of Rajasthan vide letter dated 8th September, 2011, the company's willingness to participate in the refinery project but to restrict its equity exposure upto 26%. It has also suggested that an existing PSU OMC should be

a lead partner in implementing the refinery project. ONGC has indicated that the combined equity of ONGC & GoR could be 44%, with balance 56% from EIL(5%), a PSU OMC (26%) and 25% through an IPO.

6. GoR has formally conveyed to ONGC that M/s Engineers India Limited (EIL) has agreed to take 5% equity stake in the refinery project. Accordingly, ONGC has conveyed to GoR that a tripartite MoU be entered capturing the envisaged equity structure, salient features of the fiscal package offered by GoR, identification of another OMC as one of the promoters and roles and responsibilities of the parties. Response from Government of Rajasthan is awaited.

7. In a meeting taken by Secretary(P&NG) on 29.5.2012, C&MD of HPCL stated that there is already an existing pipeline for crude oil as well as petroleum products in the state of Rajasthan and HPCL is seriously interested in the project. He informed that a study is being carried by HPCL to ascertain the feasibility of setting up a 9 MMTPA capacity refinery cum petrochemical complex, which is likely to be completed by September 2012.

(Ministry of Petroleum & Natural Gas
O.M. No. G-25015/10/2012-Fin.I Dated 27th July, 2012)

New Delhi;
6 December, 2012
Agrahayana,1934 (Saka)

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

Annexure I

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2012-13)
SECOND SITTING
(6.11.2012)

The Committee sat on Tuesday the 6th November, 2012 from 1130 hrs. to 1430 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

Lok Sabha

2 Shri Harish Chaudhary
3 Shri Kalikesh N. Singh Deo
4 Shri Baliram Jadhav
5 Dr. Manda Jagannath
6 Shri Vikrambhai Arjanbhai Maadam
7 Shri Dilipkumar Mansukhlal Gandhi
8 Shri Somabhai Gandalal Koli Patel
9 Shri Rao Saheb Danve Patil
10 Shri P.L.Punia
11 Shri Dhananjay Singh
12 Shri Manohar Tirkey

RAJYA SABHA

13 Shri Sabir Ali
14 Shri Mansukh L. Mandaviya
15 Dr. Ram Prakash
16 Smt. Kusum Rai
17 Dr. Prabha Thakur

Secretariat

1.	Shri A.K.Singh	-	Joint Secretary
2.	Smt. Anita Jain	-	Director

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri G.C. Chaturvedi	-	Secretary
2.	Shri. Sudhir Bhargava	-	Addl. Secretary
3.	Dr. S.C.Khuntia	-	AS&FA
4.	Shri V.L.V.S.S Subba Rao	-	Advisor

Representatives of Public Sector Undertakings

1.	Shri R.S.Butola	-	Chairman, IOCL
2.	Shri R.K.Singh	-	CMD, BPCL
3.	Shri S.Roy Choudhury	-	CMD, HPCL
4.	Shri Augustine Peter	-	Director General, Petroleum Planning & Analysis Cell (PPAC)

2. ***** ***** ***** ***** ***** ***** ***** ***** ***** ***** *****

3. ***** ***** ***** ***** ***** ***** ***** ***** ***** ***** *****

4. The Committee then considered and adopted the draft Action Taken Report on the subject 'Demands for Grants 2012-13' with minor modification as suggested by the Members of the Committee. The Committee also authorized the Chairman to present the Report to both Houses of Parliament.

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

The Committee then adjourned.

Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE ELEVENTH REPORT (FIFTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2011-12) ON 'DEMANDS FOR GRANTS (2012-13) OF THE MINISTRY OF PETROLEUM AND NATURAL GAS'.

I	Total No. of Recommendations	24
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1, 3, 5, 8,18 and 21)	6
	Percentage to Total	25%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's Reply (Vide Recommendations at Sl. Nos. 7,9,10 and 20)	4
	Percentage of Total	16.5%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 2,4,6 and 15)	4
	Percentage of Total	16.5%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. Nos. 11,12, 13,14,16,17,19,22,23 and 24)	10
	Percentage of Total	42%