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

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2013-14)

SIXTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2013/ Vaisakha, 1935 (Saka)

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Presented to Lok Sabha on 23.04.2013

Laid in Rajya Sabha on 23.04.2013

LOK SABHA SECRETARIAT
NEW DELHI

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

Sl. No.	Name of Members
	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
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10	Dr. Manda Jagannath
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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
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24	Shri Mansukh L. Mandaviya
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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
4.	Ms. Sonia Kapoor	Committee Officer

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INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf present this Sixteenth Report on 'Demands for Grants (2013-14) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2013-14) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 15th March, 2013.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sittings held on 12th, 19th and 25th March, 2013. The Committee considered and adopted the Report at their sitting held on 16th April, 2013.

4. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants (2013-14) of the Ministry and for giving evidence before the Committee.

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

New Delhi;
<u>22 April, 2013</u>
02 Vaisakha, 1935 (Saka)

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

REPORT

PART-I

Introductory

Energy is a pre-condition for the economic growth of any country. The availability of safe and adequate energy resources not only influences the pace of growth but also the quality of life of citizens. Hydrocarbon energy resources i.e. oil and gas hold a major share in the primary energy consumption basket in India and are vital to its growth and development. Since, the indigenous production of oil and gas is inadequate to meet the growing demand; India has to import about 80 % of its crude oil requirement. Therefore, in order to enhance the energy security of the country, the Oil & Gas Companies need to actively participate in the intensification of exploratory efforts, search for new fields of oil and gas, acquisitions of overseas oil and gas assets and the research and development of newer hydrocarbons such as Shale Gas, Gas Hydrates, Coal Bed Methane and other techniques like Underground Coal Gasification.

The development of infrastructure for refining, transportation (ports and pipelines) and storage is also a crucial factor to fasten the expansion of oil and gas sector in India. Natural Gas being cleaner as well as economical is emerging as an alternative to liquid hydrocarbons. Due to the gap in demand and supply Natural Gas is also being imported in the form of LNG. Therefore LNG terminals should be set up in various parts of the country from where regasified natural gas can be supplied to consumers.

In view of the highly volatile crude oil prices, it becomes the imperative of the Government to have equitable distribution of energy resources even to remotest corner of the country and also to various sections of society at reasonable costs.

1.2 The Ministry of Petroleum and Natural gas is entrusted with the role of developing hydrocarbon sector in India. The mandate of this Ministry in terms of allocation of work includes :-

(i) exploration and production of liquid and gaseous hydrocarbons
(ii) production, supply, distribution, marketing, conservation and pricing of petroleum products
(iii) to promote long term engagement of Indian oil companies in the hydrocarbon sector abroad

(iv) strengthening energy security by acquiring oil and gas equity abroad and participation in transnational oil and gas pipeline projects
(v) creation and administration of strategic petroleum reserve through Indian strategic petroleum reserves ltd. (ISPRL)
(vi) Planning, development and regulation of oil field services
(vii) Administration of various acts on the subject allocated to the Ministry and rules made therein.

1.3 The Hydrocarbon Vision-2025, prepared by this Ministry lays down the framework, which guides the policies relating to the hydrocarbon sector. The Vision Statement as envisaged in the Hydrocarbon Vision 2025 includes the following:

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

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

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

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

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

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

Oil companies where Government of India has a shareholding (as on 31.12.2011)

1.	Oil & Natural Gas Corporation Limited (ONGC)	69.23%
2.	Indian Oil Corporation Limited (IOCL)	78.92%
3.	Hindustan Petroleum Corporation Limited (HPCL)	51.11%
4.	Bharat Petroleum Corporation Limited (BPCL)	54.93%
5.	GAIL (India) Limited	57.93%
6.	Engineers India Limited	80.40%

7. Oil India Limited (OIL) 78.43%
8. Biecco Lawrie& Co. Limited 99.56%
9. Balmer Lawrie Investments Ltd. 59.57%

Subsidiaries and other companies

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

Other organizations

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

A. <u>ANALYSIS OF DEMANDS FOR GRANTS (2013-14)</u>

1.5 The budgetary allocations made in respect of Ministry of Petroleum and Natural Gas for the fiscal year 2013-14 are as under :-

(Rs. in Crore)

Plan		Non- Plan	Total
Revenue Section	42.00 (i) 41.00 crore for RGIPT (ii) 1.00 crore for one time assistance for LPG connections to BPL Families	65145.41 (i) Secretariat Economic services-22.81 (ii) Petroleum-65012.60 (iii) Assistance to States-90.00 (iv) Assistance to U.T.s-20.00 (for establishment of institutional mechanism for direct transfer of	65187.41

		subsidy in cash for PDS Kerosene beneficiaries)	
Capital Section	1.00 For ISPRL for filling crude oil in the storage cavern	-	-

(i) ***Plan Allocations***

1.6 The Plan budget of the Ministry for 2013-14 comprise of;

(i) a sum of Rs. 41 crore for setting up of Rajiv Gandhi Institute of Petroleum Technology (RGIPT) at Jais, Rae Bareilly;

(ii) a token provision of Rs. 1 crore has been provided for the plan scheme for providing one time assistance of Rs. 1400/- per connection to BPL families towards security deposit for the cylinder and regulator and

(iii) a token provision of Rs. 1 crore has been provided for the Indian Strategic Petroleum Reserves Ltd. towards cost of filling the cavern storage with crude oil.

The Plan schemes of the Ministry are discussed in the following paragraphs:

(a) ***Rajiv Gandhi institute of Petroleum Technology (RGIPT)***

1.7 Rajiv Gandhi Institute of Petroleum Technology is being set up at Jais, U.P. with the objective of creating an institute of excellence in the Petroleum sector to cater to the educational and training requirements in India and globally. The total estimated cost of the project is Rs. 695.58 crores out of which Rs. 435 crores will be on account of capital expenditure and the remaining Rs. 260.58 crores on account of recurring expenditure. The academic activities of the Institute commenced in 2008 from a temporary campus at Rae Bareli. The construction work for the main campus at Jais, Rae Barelli in U.P. on the 47.8 acres of land already in possession of RGIPT, started in August 2010. In view of the slow progress, the target date for the completion has been revised to June 2014 and onwards.

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

(Rs. In Crore)

Scheme	**2010-11**			**2011-12**			**2012-13**		
	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual
Rajiv Gandhi Institute of Petroleum Technology	36	36	36	39	39	0	41	10	0

1.8 When asked about the reasons for the downward revision of BE of Rs. 41 crore to the RE of Rs. 10 crore and further nil utilization of the RE of year (2012-13), the Ministry in a written reply, furnished the following information

> "The progress of major civil structural work has been delayed mainly due to poor performance of the Contractor and despite pursuing catch-up plans the work did not progress as per the revised project schedule. As only about 42% of civil work was completed, the allocated fund in BE 2012-13 could not be released".

1.9 When the Committee enquired as to whether any time frame has been fixed for completion of the buildings, the representatives of the Ministry stated as under:-

> ".......Yes, Sir. Now he has been given only six building. If he fails to do that, the entire project will be bunched along with this and it will be re-tendered. Parallel steps have also been initiated to re-tender the whole project if he fails to complete even these six priority buildings in a definite time frame. There is a degree of finality in the approach of the Ministry and the EIL towards the contract."

1.10 Asked as to whether the project has faced any shortage of funds during past years, the Ministry in a written reply stated as under:

> "RGIPT has been released Rs. 86 crore as Budgetary support in the years 2008-09, 2009-10 and 2010-11. In addition Rs. 36.48 crore has also been released by Oil Industry Development Board (OIDB) for meeting capital expenditure. Releases are made based on utilization by RGIPT and funds are not a constraint. Further, a sum of Rs. 250 crore was provided by the Oil PSUs towards an Endowment Fund for meeting recurring expenditure. Therefore, there is no scarcity of funds for the project".

1.11 On enquiring about the present status of the project, the Ministry submitted as given under:-

> "Phase-I of the campus construction activity was taken up in the available plot of land of 48acres at Jais, which was purchased from Indian Oil Tanking Limited. Additional 92 acres are under process of acquisition. M/s Engineers India Limited (EIL) was engaged as Project Management Consultant for construction of the buildings in the campus. The facilities planned in the campus include construction of 13.5 lakh Sq.ft. area consisting of the following :
>
> a) Academic buildings comprising of faculty blocks, lecture halls, etc.
> b) Student hostel.
> c) Residential blocks for faculty and staff.

d) Visitors hostel, Medical unit and commercial centre.

The major contract for civil structure work was awarded in May 2010, As per the initial work schedule, completion was due in 24 months from May 2010. After getting U. P. Pollution Control Board's clearance, the work at the site stated only in the month of August 2010. However, due to initial site related issues (permission for tree cutting and obstruction by some people claiming path-way across the site) and subsequently in view of the inadequate resource mobilization by the Contractor, the work did not progress as per the schedule. Despite several catch-up plans and revised project schedule submitted by contractor and EIL, the situation did not improve and about 42% of civil work could be completed. It has been now decided to offload substantial part of the work from contractor's scope and float a composite tender inclusive of civil structural, interior and all service, utility related work with the target of partial completion of the campus by mid-2014. Action has been taken to close out 13 buildings from the work of the civil contractor and let the contractor complete six priority buildings in a timeframe by June 2014, so that activity can shift out of the temporary campus to the new campus.

So far an amount of Rs. 86 crore has been released to RGIPT from the Budget in the years 2008-09, 2009-10 and 2010-11 of which Rs. 78 crore has so far been utilized".

1.12 When the Committee asked as to whether RGIPT is planned in any other States of the country also, the Ministry in its written reply furnished the following:

"Currently, RGIPT is setting up a Centre in Sivasagar, Assam with the objective of catering to the need of skilled manpower in the upstream petroleum sector. The academic courses will include education and training of skill technical manpower at the certificate, diploma and advanced diploma levels. Also, there will be Integrated Dual Degree (B.Sc.-M.Sc.).

There is no Budgetary support required for Assam Centre of RGIPT and funding is being arranged by Oil PSUs. A self-contained campus has been planned at the Sivasagar site allotted by Government of Assam. M/s Engineers India Limited (EIL) has been engaged as Project Management Consultant for construction of the campus for Assam centre. In view of the low lying condition of the land, there will be requirement for substantial earth filling and pile foundation work. The following progress of the campus construction work has been achieved:

- Site Survey and the Geotechnical investigation work have been completed.
- Permission from local authorities and Environment clearance from Central Ministry has been obtained.
- The land grading work awarded for 30 acres area. There is slow progress work due to prolonged monsoon in 2012 and delay in arranging adequate borrow area for earth filling work.

- Piling work has been awarded in January 2013 and finalization of the Civil and Structural works tender by EIL is in progress".

(b) LPG Connections To BPL Families

1.13 A token provision of Rs. 1 crore has been provided in the budget estimates (2013-14) for the scheme of LPG connections to BPL families. When asked about the reasons for such meager allocation of funds for this scheme, the Ministry furnished as given below: -

> "In order to provide grant of one time financial assistance to BPL families for release of new LPG connection to meet cost of Security Deposit for a cylinder and one Pressure Regulator which is currently Rs.1600 a scheme namely CSR scheme is already in operation. The scheme was implemented to issue new LPG connection to BPL families under Rajiv Gandhi Garmin LPG Vitaran Yojana (RGGLVY) and IOC is the main co-coordinator in the matter. Under this scheme a fund has been created from the contribution of 6 oil companies out of their CSR fund to provide assistance to BPL household in RGGLV area. The estimated commitment from 6 Oil Companies towards CSR fund Scheme till 6.2.13 is Rs.509.173 Crore. As against this the utilization of fund under the scheme is Rs.16.35 Crore. Thus approximately more than Rs.490 Crore is still left unutilized. Thus there is sufficient fund available under the CSR scheme which can provide one time assistance to BPL household in RGGLV area".

1.14 The Ministry have informed that at present only 56% of India's population has been covered with LPG and it has planned to increase the LPG coverage up to 75% by 2016-17. As on 01.02.2013, 1,69,220 connections have been released by the industry to BPL families for which Rs. 23.42 crores have been utilized from the fund including Delhi.

1.15 When asked about the constraints being faced by Ministry/PSUs in implementation of the scheme and the reasons for lesser utilization of funds allocated to this scheme, the Ministry in a written reply furnished following information:

> "Delay in receipt of authenticated list from the local administration - Under this scheme, the BPL card holder can register his request with the distributor for release of new LPG connections. The distributor prepares a list of BPL card holders who have registered for the release of Security deposit free connections under the CSR scheme and sends it to the local administration for authentication. Intimation letters are dispatched to the list of beneficiaries by the distributor after receipt of authenticated list of beneficiaries.

In many cases there is delay on part of the local administration in authenticating the lists submitted by the distributor. In some States, the lists submitted have not been authenticated.

This delays the process of release of connection to BPL families. OMCs are being asked to monitor this effectively.

RGGLVs are already under instructions to distribute leaflets, display posters etc. and put up notice board at the distributorships to spread awareness regarding the facility.

Advertisement at local level to popularize the scheme among BPL cardholders will be an endeavour of OMCs to improve the reach of the scheme.

Release of connections is linked to actual commissioning of RGGLVs – However, release of connection under the subject scheme is gradually gaining pace with commissioning of more nos. of RGGLVs by the Industry in various parts of the country".

1.16 Since the scheme proposes to issue new LPG connections to BPL families through RGGLVY distributorship, the Committee wanted to be apprised about the present status of RGGLVY distributorship network in the country and whether lack of RGGLVY distributors in any part of the country will affect the implementation of the scheme, the Ministry stated as under:

"Upto January, 2013, OMCs have released advertisement for appointing 5578 RGGLVs in the country. Out of these, 1740 RGGLVs have already been commissioned. For the balance RGGLVs, selection is in progress.

The scheme is operative through RGGLVs, except in Delhi where regular distributors in urban areas are also issuing connection under the Scheme. Release of connections under the scheme is gradually gaining pace with commissioning of more numbers of RGGLVs in various parts of the country".

1.17 On enquiring about the methodology by which the scheme proposes to cover the BPL people living in urban areas or cities where LPG is distributed through normal distributorships, the Ministry stated following information:

"Recently, a scheme "Kerosene free Delhi" has been launched by Govt. of Delhi. Under the scheme, 50% of the expenditure on Security Deposit and Cost of Pressure Regulator is borne by OMCs and remaining 50% by Delhi Government. Under the scheme Delhi Government also covers cost of certain other items such as rubber pipe and hot plate.

> The scheme is linked with RGGLV and is primarily meant for BPL families of rural areas where LPG coverage is very poor. However, a proposal to provide LPG connections to BPL families in urban area (Delhi) was also covered as a special case in lieu of making Delhi Kerosene free".

1.18 When the Committee enquired as to whether the scheme has been widely publicised among the BPL families so as to create awareness among them to avail the scheme, the representative of the Ministry during oral evidence stated the following:

> "The point is well taken. We need to publicise the scheme. We will publicise this scheme. Wherever they have announced these distributorships, we will publicise that. We will also publicise the fact that for BPL this facility is available."

(c) <u>Indian Strategic Petroleum Reserve Ltd. (ISPRL)</u>

1.19 Taking into account the need to address concerns on energy security and to manage geo political disturbances which can lead to disruption of supply of crude oil for the country, the Government has decided to set up a Strategic crude oil Storage of 5 million metric tons at three locations in the country viz. Vishakhapatnam(1.0MMT) , Mangalore(1.5 MMT) and Padur (2.5 MMT). Crude oil from the Reserves will be released by an empowered Committee constituted by the Government, in the event of any supply disruptions from Middle east, a natural calamity or any unforeseen global event leading to abnormal increase in prices.

1.20 A special purpose vehicle, namely, Indian Strategic Petroleum Reserves Ltd. (ISPRL) , as subsidiary of OIDB has been created for implementation and management of strategic storage of crude oil. The project at Vishakhapatnam is at completion and Rs. 1 crore has been allocated as a token provision in 2013-2014 for meeting the cost of crude oil for filling the caverns after completion. As per CCEA approval OIDB will provide funds for the entire capital cost of setting up the storage caverns at Vizag, Mangalore and Padur.. The original estimate for the project was Rs 2397 crore and the revised cost of the project is likely to be around Rs 4000 crore. OIDB has so far released Rs 2263 crore to ISPRL. Funds for filling of crude oil in these caverns will be received from the budget. About Rs 23500 crore would be needed ultimately but the requirement in 2013-14 would be about Rs 2500 crore.

1.21 Asked about the reasons for revision of cost of the ISPRL project , the CEO, ISPRL during the course of oral evidence informed as given below:-

> "The cost of Rs.2397 crore was based on September-2005 prices. When we placed all the orders for the Vishakapatnam facility, we went to the CCEA for approval of increase in cost. That was approved at Rs.1038 crore from Rs.672 crore because of various reasons like escalation, statutory variation, etc."

(ii) Non-Plan Allocations

1.22 The Non-Plan budget (2013-14) of Rs. 65145.41 crore of the Ministry comprises of Rs. 22.81 crore for Secretariat Economic Services, Rs. 65012.60 crore for Petroleum and Rs. 110 crore as the assistance to States & U.T.s for establishment of institutional mechanism for direct transfer of subsidy in cash for PDS Kerosene beneficiaries. The allocation under the head Petroleum mainly comprises of subsidy for PDS Kerosene and Domestic LPG, Freight subsidy on PDS Kerosene & Domestic LPG for far flung areas, subsidy to OMCs for supply of Natural Gas to North- Eastern region, for functioning of Petroleum and Natural Gas Regulatory board, payments to OMCs for direct transfer of cash subsidy of LPG scheme. This also includes provision of Rs. 61772 crore for compensation to oil companies for under-recoveries incurred on account of sale of sensitive Petroleum products.

1.23 The following statement shows the details of Non-Plan expenditure incurred or proposed by the Ministry of Petroleum and Natural gas for various items under the head 'Petroleum' during 2011-12, 2012-13, 2013-14.

(Rs. in crore)

Heads	**Actual 2011-12**	**BE 2012-13**	**RE 2012-13**	**BE 2013-14**
Subsidies for PDS kerosene and domestic LPG	2999.61	3050.00	2730.00	2580.00
Freight Subsidy on PDS kerosene and domestic LPG for far flung areas	23.39	26.00	23.00	21.00
Subsidy to Oil Companies for supply of Natural gas to North Eastern Region	458.00	504.00	626.87	625.00
Petroleum and Natural Gas Regulatory Board(Non-Salary)	7.60	7.84	7.056	7.47

PNGRB (Salary)	0.00	5.3	2.758	3.39
Society for Petroleum Laboratory (Non-Salary)	1.47	1.848	1.663	1.67
SPL (Salary)	0.00	0.072	0.072	0.072
Compensation to OMCs for under recoveries on account of sale of sensitive petroleum products.	65000.00	40000.00	93500.00	61772.00
Payment to OMCs for direct Transfer of Cash Subsidy of LPG Scheme	00	00	00	1.00
Payment to OMCs for Project Management Expenditure for implementation of Direct Transfer of subsidy of LPG scheme	00	00	00	1.00
Total(MH 2802)	**68513.98**	**43595.06**	**96891.419**	**65012.602**

(a) ***Subsidies & Under-Recoveries***

1.24 The Government has made the price of Petrol market-determined both at the refinery gate and the retail level with effect from 26th June , 2010. Since then , the Public Sector Oil Marketing Companies have been revising the price of Petrol, in line with the international oil prices and market conditions. However , in order to insulate common man from the impact of rise in the international oil prices and domestic inflationary conditions, the Government has been modulating the retail selling prices (RSPs) of Diesel , PDS Kerosene and domestic LPG. The RSPs of these products are below the market price resulting in incidence of under-recoveries to the OMCs on the sale of these petroleum Products.

1.25 The current product –wise under-recoveries on diesel, PDS Kerosene and Domestic LPG as furnished by the Ministry are as under :- (PPT slide no. 11)

Product	Diesel (Rs. /litre)	PDS Kerosene (Rs. /litre)	Domestic LPG (subsidized) (Rs./cylinder)
Current Retail Selling Price at Delhi	48.16	14.96	410.50
Required RSP at Delhi	57.89	50.06	849.57
Desired Increase	9.73	35.10	439.07
Current Under Recovery	8.64	33.43	439.07

1.26 When asked about the details of total under-recoveries of OMCs during 2010-11, 2011-12, 2012-13 on the sale of PDS kerosene, LPG, diesel and petrol , the Ministry submitted following information :-

(Rs. In crore)

Year	Petrol	Diesel	PDS Kerosene	Domestic LPG	Total Under-recoveries
2010-11	2,227*	34,706	19,484	21,772	78,190
2011-12	NA	81,192	27,352	29,997	138,541
Apr-Dec' 12	NA	73,815	21,891	29,148	1,24,854

*Up to 25.06.2010."

1.27 The details of the percentage of under-recoveries being shared by Government, upstream oil companies and OMCs as provided by the Ministry are given under:-

(Rs.in Crore)

Year	**Total Under Recovery**	**Government**		**Upstream Oil companies**		**OMCs**	
		Cash Assistance	**%**	**Amount**	**%**	**Amount**	**%**
2009-10	46051	26000	57%	14430	31%	5621	12%
2010-11	78190	41000	52%	30297	39%	6893	9%
2011-12	138541	83500	60%	55000	39.7%	41	0.3%
Apr-Dec'12	124854	55000	44%	45251	36%	24603*	20%*

* Unmet gap, to be finalized at the end of the year in consultation with Ministry of Finance."

1.28 Regarding the mechanism by which these under-recoveries are shared by Government, upstream oil companies and OMCs, the Ministry further informed as under:-

> "The Government has evolved a Burden Sharing Mechanism since 2003-04 to ensure that the burden of under-recoveries incurred by the Public Sector Oil Marketing Companies (OMCs) is shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers in the following manner:
>
> - Government through issue of Oil Bonds/Cash Assistance;
> - Domestic upstream oil companies through price discounts to OMCs;
> - OMCs to bear a portion of the under recoveries; and
> - Consumers to bear minimal price increases.
>
> Accordingly, the upstream companies provide discount on crude oil to the OMCs to partially compensate the under-recovery incurred by them. Currently as advised by the Ministry of Finance, the upstream oil companies are providing discount of $ 56/ barrel on crude oil produced by them. As per the prevailing mechanism, at the beginning of the quarter this Ministry approves provisional discount for the quarter, which is passed on by upstream oil companies to OMCs on the supplies of Crude oil made during the quarter. At the end of the quarter, final discount rates are approved by the Ministry on the basis of audited under recovery and the settlement of differential amount is done between the upstream companies and OMCs". (PE LOP Q.5)

1.29 Asked by the Committee about the estimated basket price of crude oil at which the under-recoveries are calculated by OMCs for 2013-2014, the Ministry in a written reply furnished as follow:

> "Basing on the Indian basket price of crude oil at $110/bbl and an exchange rate of Rs. 55/US $, the total under recoveries of the OMCs on sale of sensitive petroleum products viz. Diesel (to retail customers), PDS Kerosene and Subsidized Domestic LPG for the year 2013-14 has been projected at Rs. 1,57,000 crore".

1.30 Asked about the amount of subsidy that will be saved if the cost of crude oil of domestic production is worked out on cost of production plus reasonable return basis, the Ministry informed following information:

"ONGC's cost of production of crude oil from its nominated blocks during 2011-12 was **US$ 38.36/bbl**. Effective from 17 Mar'12, OID Cess has been increased from Rs. 2,500/MT to Rs. 4,500/MT. This significant increase of 80% in Cess resulted into increase in cost of production of crude oil by more than **US$ 5/bbl** from 2012-13 onwards.

During Dec'12, ONGC was asked by Ministry of Petroleum & Natural Gas(MoP&NG)/Ministry of Finance (MoF) [while doing a cost-based analysis of under-recoveries of Oil marketing Companies (OMCs)], to submit detail of ONGC's cost of production plus return as per APM principles. As per the APM principle, the PSU oil producing companies were allowed cost and 15% post tax return on capital employed.
The Cost of production and Return on capital employed per unit of crude oil from Nominated blocks of ONGC during 2010-11 and 2011-12 submitted to MoP&NG/ MoF earlier is given hereunder:

(US$/bbl)

Cost and Return on Capital employed per unit of crude oil from Nominated blocks of ONGC		
Particulars	**2010-11**	**2011-12**
Operating cost	12.89	12.22
Recouped cost	10.43	11.35
Statutory levies	14.02	14.78
Total cost	**37.35**	**38.36**
Return on Capital Employed (@ 15% post-tax)	**12.03**	**12.64**
Total cost including return	**49.38**	**51.01**
Note: OID Cess has been increased from Rs. 2,500/MT to Rs. 4,500/MT. This significant increase of 80% would result into increase in cost of production of crude oil by more than **US$ 5/bbl from 2012-13** onwards making the total cost of production of crude oil including return to more than **US$ 56.01/bbl**.		

It is pertinent to mention that during 2012-13 (9months), actual net realization of ONGC's crude i.e. US$ 46.90/bbl is much less than the cost including return as per APM principles of US$ 56.01/bbl.

OIL:

The cost of production, including return, of crude oil for the year 2011-12 for Oil India Limited (OIL), based on parameters followed in APM, was estimated at around USD 48/bbl. Effective 17th March, 2012, the OID cess on crude oil has been increased by the govt from Rs.2,500/ MT to Rs.4,500/ MT. This has resulted in increase in cost of production of crude oil by about USD 5.2/bbl. Considering the increased Cess burden of USD 5.2/bbl and the normal inflationary impacts, the cost of production of crude oil for OIL will be around USD 55/bbl during the current year.

Based on the cost of production of USD 55/bbl and average price of the Indian Basket of crude oil during 2012-13 at around USD 108/bbl, the subsidy contribution by OIL would work out to about USD 53/bbl. As against this, OIL is currently paying subsidy of USD 56/bbl".

1.31 The Ministry was asked to furnish a status note regarding the suggestion of Ministry of Finance to go for export parity pricing of petroleum products and the impact of this move on the OMCs as well as under-recoveries. In this regard following information was submitted by Ministry:

"At the time of dismantling of Administrative Pricing Methodology (APM) in April 2002, the Refinery Trade Price (RTP) for sensitive petroleum products continued to be fixed based on the Import Parity Prices (IPP). This methodology was modified in June, 2006 with the introduction of Trade Parity Prices (TPP) as per the recommendations of the Dr. Rangarajan Committee for the pricing of Diesel & Petrol. Since then, the pricing of Diesel & Petrol continued on TPP basis (80% IPP and 20% EPP) and for PDS Kerosene & Domestic LPG on IPP basis.

Recently, Ministry of Finance (MoF) vide their OM dated 23rd January, 2013 has suggested to compute the pricing of Diesel and PDS Kerosene on the basis of Export Parity Price (EPP) and the pricing of Domestic LPG on the basis of a mixture of 40% of Import Parity Price (IPP) and 60% of Export Parity Price (EPP).

Ministry of Petroleum & Natural Gas in consultation with the public sector oil companies have examined the methodology suggested by MoF for pricing of sensitive petroleum products in details and has not found it suitable for the long term viability of the public sector refineries.

Since more than 90% of the cost of a Refining Company is based on imports with linkage to the price for crude oil in the international oil market, the price for the finished products at the Refinery Gate is also required to be determined on the basis of import parity with linkage to the price for the respective product in the international oil market (including all elements which would be incurred during actual import of products.). Further, since various costs are incurred on import of crude oil, which is ultimately refined and sold as petroleum products, there is rationale for including the similar levies in the Refinery Gate Price of these products.

Refineries pay Import Parity Price for the crude oil imported and Indigenous crude oil is also priced on Import Party basis. When the primary raw material itself is charged on Import Parity basis, export parity pricing for the products would not be fair to the refineries. Any pricing methodology that does not factor in freight cost of crude oil / POL products would become wholly unsuitable to the country, especially since more than 75-80% of the country's crude oil requirement is imported.

Further, the current price build-up does not recognize several other costs being incurred by public sector refining and marketing companies which are adversely impacting the profitability of both refining and marketing businesses of these companies. Various costs incurred by the refineries are illustrated hereunder:

Infrastructure investments on quality improvements (EURO grades) and dilution losses
Foreign exchange fluctuation losses
Demurrage / Operating losses
Higher requirement of crude inventory due to high dependence on imports increasing inventory costs.

The refinery gate price based on EPP, as suggested by MoF would not cover the above costs incurred by the public sector oil companies.

In case the methodology suggested by Ministry of Finance **(MoF)** is considered, the estimated under recoveries for the year 2012-13 would be reduced from Rs. 1,61,260 crore to Rs. 1,43,694 crore.

It is also mentioned that the financial health of the OMCs have been deteriorating over the years. During 2011-12, the OMCs incurred a total under-recovery of Rs.1,38,451 crore. While the upstream oil PSUs contributed Rs.55,000 crore under the burden sharing mechanism, the Government provided cash assistance of Rs.83,500 crore to OMCs. Only thereafter, the OMCs could report a meagre combined profit after tax (PAT) of Rs.6,177 crore, which was only 0.7% of their combined turnover of Rs.8,22,828 crore. It may be mentioned here that if the computation of price of sensitive products were made by the method suggested by the MoF, the OMCs may declare losses".

1.32 On being asked as to whether the Ministry has devised any plan to reduce subsidy burden incurred due to the petroleum products, the Committee were apprised as under :-

"In order to reduce the subsidy burden on account of the sale of sensitive petroleum products at prices below the desired prices, the Government have taken the following reform measures:

The price of Petrol has been made market determined with effect from 26.06.2010;
OMCs have been authorized to

(a) increase the retail selling price of Diesel in the range of 40 paisa to 50 paisa per litre per month (excluding VAT as applicable in different State/Union Territories) until further orders; and
(b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price since 18.01.2013; and
(c) Supply of subsidized domestic LPG cylinders to each consumer has been restricted to 9 cylinders (of 14.2 kg) per annum.
Besides, the Government has also taken a number of other steps to reduce the impact of high oil prices in international markets on domestic consumers.

The measures taken in the recent past include:

-shift to specific rate of excise duty from ad valorem rate on petroleum products w.e.f. 01.03.2008 to protect consumers from incremental taxes due to continuous increase in prices of petroleum products;
-reduction in specific rate of duty on Motor Spirit (Petrol) from Rs. 14.35 perlitre to Rs. 9.20 per litre w.e.f. 14.09.2012.
-full exemption of Customs duty on the import of crude oil w.e.f. 25.06.2011.
-concessional rate of Customs duty @ 2.5% on the import of Petrol and Diesel; w.e.f. 25.06.2011and
-full exemption from Customs and Excise duty on sale of Domestic LPG and PDS Kerosene w.e.f. 01.03.2005".
-Also, all the State Governments have been requested from time to time by the Central Government to reduce the State taxes on sensitive Petroleum products."

1.33 The Committee in their 8th and 11th report had recommended that the Ministry should do away with providing subsidized LPG cylinders to higher income group. Asked as to whether the Ministry has devised any means to do away with providing subsidized domestic LPG Cylinders to the affluent sections of the population having an income of more than Rs.6 Lakh per annum and the constraints faced by the Ministry in this regard, if any , the Ministry, in a written reply submitted the following:-

"All domestic LPG consumers including affluent sections can only get 9 subsidized cylinders per annum now w.e.f 17/18 January, 2013. As regards completely doing away with providing subsidized domestic LPG cylinders to the affluent sections, the following operational problems are likely:

The income wise database is not available with OMCs. Even if it is made available by IT department, it would be nearly impossible to match with the LPG customer database. LPG connection is per household and income is for individual. Hence mapping individual to a household and then further mapping to LPG connection would be very difficult. Further, income data is dynamic and it will be impossible to track it.

1.34 When the Committee enquired about the amount of subsidy that will be saved due to capping the limit of subsidized domestic LPG cylinders to 9 per household during 2013-14, the Ministry furnished the following in a written reply:

> "Based on previous year consumption pattern, 10 % of 92.6 crore cylinders are expected to be sold at non-subsidized rates annually implying an imputed savings of subsidy of Rs. 4274 crore per annum at current rate of subsidy of Rs. 461.58 per cylinder".

1.35 The Ministry has informed that as on 01.02.2013, 11,10,895 LPG connections which have been issued PNG connections have been blocked by Oil Marketing Companies (OMCs), of which 2,63,150 LPG connections have been surrendered. Asked about the mechanism devised by the Government for ensuring that the LPG connections have been surrendered by the consumers who have been provided with PNG connection, the Ministry furnished following information:

> "Advertisements were released in all PNG markets urging LPG customers with PNG facility to surrender the LPG connections. Apart from scrolling messages on OMCs websites, advertisement on Radio/FM channels and cable TV was also done in Delhi.
>
> Further, as per the amended control order, piped natural gas connection to an existing consumer of domestic LPG of Govt. oil companies will not be provided without obtaining an undertaking to surrender or to keep in safe custody the LPG connection within 60 days from the date of obtaining PNG connection".

(b) ***Direct Transfer of Cash Subsidy***

Direct Benefit Transfer Scheme of Kerosene

1.36 One of the major initiatives taken by the Government is to launch a scheme by which the beneficiaries of subsidy for kerosene will be paid cash into their bank accounts directly and they will have to purchase the kerosene at market price. This scheme is expected to reduce leakages in the system and beneficiaries will get the subsidy directly.

1.37 Consequent to the recommendations of the task force constituted by the Government under the Chairmanship of the Chairman , UIDAI on the issue of Direct Transfer of Cash subsidy on PDS Kerosene and 'in principle' approval of EGOM thereon, process for implementation of the scheme has been started. Ministry of

Finance decided to fix a lump sum one time grant of Rs. 100 crore for each state, joining the scheme prior to 31.03.2012, State Government/ UTs were accordingly requested to consider for joining the scheme for implementing Direct Transfer of Cash subsidy for PDS Kerosene. 11 States/ U.T.s (Rajasthan, Madhya Pradesh, Sikkim, Maharashtra, Andaman & Nicobar Islands, Jharkhand, Himachal Pradesh, Puducherry, Kerala, Goa& Andhra Pradesh) confirmed their participation in the scheme within the stipulated period. A pilot project for direct transfer of cash subsidy is being conducted at the Kotkasim Tehsil of Alwar district in Rajasthan from December 2011. The pilot study shows that against the cumulative quota of 900 KL for 13 months from December 2011 to December 2012, quantities lifted by card holders is only 125.9 KL. The 11 states /U.T.s have been requested to intimate the present status of the implementation of scheme and the progress made on modalities of transferring the cash subsidies, opening of bank account of beneficiaries, linking of offtake with subsidy utilized on etc. The methodology adopted by the scheme provides quarterly advance subsidy payments into bank accounts of the beneficiaries and subsequently based on actual off take.

Direct Benefit Transfer Scheme of LPG (DBTL)

1.38 With a view to tackle the increasing under-recoveries of OMCs and diversion of domestic subsidized cylinder to commercial users direct benefit transfer scheme of LPG has been devised. When the domestic LPG cylinder is provided to the consumer at market price and subsidy is transferred to his bank account, the incentive for the diversion of the subsidized LPG cylinder is reduced drastically. Once the scheme is fully implemented across the country, the subsidy burden of the Government will reduce to the extent of reduction in diversion. For the commencement of DBTL, the beneficiaries must have AADHAR card as well as AADHAR enabled Bank Account.(outcome budget). The direct benefit transfer scheme will be implemented in three phases. In the first phase it is proposed that 51 districts will be covered where the penetration of AADHAR is more than 80 percent. In the second phase there is proposal to cover 18 districts and in third phase rest of the districts will be covered. A pilot project in this regard is undertaken in Mysore based on AADHAR number before getting implemented on a larger scale.

1.39 Asked to outline the modalities of the Direct Cash Transfer Scheme for LPG, the representative of the Ministry during oral evidence stated the following:

> "The Direct Cash Transfer Scheme for LPG is proposed to be launched in 2013-14. We will cover 20 districts in Phase I and in Phase II we will cover 31 districts. Now, the exact date and time of launch is yet to be decided. But what is important to understand is that the consumer will have to have an Aadhaar card. So, every consumer, who wants to get subsidy, will have to have an Aadhaar card. It would be mandatory and it would be compulsory. Therefore, we can launch the Scheme only in those districts where Aadhaar cards have been issued to a large number of people. As of now, we are looking at districts where Aadhaar penetration is at least 80 per cent. Not only it is necessary for the consumer to have an Aadhaar Card, he must give his Aadhaar card number to the LPG distributor and he must give his Aadhaar card number to the bank. Then, the LPG distributor will give the Aadhaar numbers to the Oil Companies and the Oil Companies will transfer the money based on the Aadhaar numbers into the bank accounts. Where the Aadhaar number and the bank account are not linked, the money cannot be transferred. So, right now what we are facing the problem is this. We have got Aadhaar penetration of 80 per cent and nearly 70 per cent of our consumers have been able to give their Aadhaar number to the LPG distributors. But the LPG consumers have not given their Aadhaar number to their bank. So, the linkage between Aadhaar number and bank account is only about 20 per cent. When we launch this Scheme, we have to transfer the subsidy directly to the bank account. As of now, in our pilot districts – Mysore, Wardha and Pondicherry – only about 20 to 25 per cent of the consumers are ready to receive the money directly through bank transfer. That is too low. So, we are a bit worried about this and we are trying to see how best we can increase the link between the Aadhaar number and the bank account. Otherwise, what will happen is that you launch the Scheme and only about 20 per cent of the people will be getting the first advance and the remaining 80 per cent of the people will not be getting any advance. They will have to go to their distributor and buy the cylinder at Rs.900 without getting any advance and then there will be a bit of a problem. So, this is the reason why this Scheme is at the moment under discussion. We have to find a solution to this problem of about linking of the Aadhaar with the bank account. The LPG consumer is not willing to give his bank account number to the LPG distributor. He says: "How is the distributor concerned with my bank account number? Why should I give it to him?" So, we cannot collect the bank account number and give it to the bank. The consumer will have to go to the bank. The banks shall have to come out, launch a campaign and get the Aadhaar numbers and link them with the bank accounts, and then the Scheme can work".

1.40 When asked about the experience of the Ministry in the implementation of direct transfer of cash subsidy and the plan devised by the Ministry to overcome these practical difficulties for an effective implementation of the scheme, the Ministry furnished following information:-

> "OMCs have successfully conducted a pilot on direct subsidy transfer in three distributors in Mysore. Based on the experience on the pilot, the modalities of Direct Benefit Transfer of LPG(DBTL) has been formed up. It envisages that LPG cylinders will be sold at non subsidised price and the subsidy will be credited to the bank account of the customer, after he/she draws cylinder, using Adhar Number. Oil marketing companies will seed the Aadhaar number in their data base and parallelly Aadhaar is also seeded in the customer's bank data base by banks and then, Aadhaar will act as the financial address to which the subsidy can be credited. The detailed scheme is under consideration."

Dual Pricing of Diesel

1.41 When asked as to whether the decision of the OMCs to enforce dual pricing of diesel, has produced the desired effect in the market place as a subsidy reduction measure and the constraints being faced in its implementation, the Ministry submitted following information:

> "Out of 64.7 Million Metric Tonnes (MMT) of Diesel sold during 2011-12 in the country, 82.2% of Diesel was sold through retail outlets. As per Industry Performance Review of March 2012 [released by Indian Oil Corporation Limited (IOCL)], it was observed that around 17.8% of the Diesel was sold directly to large consumer segments like Defence, Railways, State Transport Undertakings, Power, Coal, Marine, Cement manufacturers etc. by the Public Sector Oil Marketing Companies (OMCs).
>
> In order to reduce under recovery, the Government, on 17.01.2013, has authorized the OMCs to (a) increase the retail selling price of Diesel in the range of 40 paisa to 50 paisa per litre per month (excluding VAT as applicable in different State/Union Territories) until further orders; and (b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price. Accordingly, OMCs have increased the price of Diesel for retail consumers in the range of 43 paisa to 45 paisa per litre (excluding VAT) on 18th January, 2013 and in the range of 45 paisa to 47 paisa per litre (excluding VAT) on 16th February, 2013. OMCs have also implemented the decision to sell Diesel to bulk consumers at non-subsidized market determined price effective 18.01.2013.
>
> After considering the several representations highlighting the hardships being faced by fishermen, the Government has, however, decided with effect from 7th February, 2013 to supply Diesel to Fisherman Consumer Pumps at the price applicable for retail outlets of OMCs.

As informed by OMCs, after the above decision, there has been a drop in the share of bulk sales of Diesel from around 17% in the previous month to 15.3% for the month of January 2013".

1.42 On a further query regarding the estimated amount of subsidy on diesel that will be saved by implementation of the dual pricing of diesel, the Ministry furnished following information:

"As per the Industry Performance Review of March 2012 (as released by Indian Oil Corporation Ltd.), it was observed that around 17.77% of the total Diesel sale in the country was directly made to the bulk consumers including Railways and State Transport Undertakings (STUs) , as detailed below:

	2011-12	
Sector	Volume (TMT)	% of Total
Defense	267	0.41%
Railways	2,428	3.75%
STUs	2,192	3.39%
Others-Government	581	0.90%
Sub Total	5,468	8.45%
Power	105	0.16%
Auto manufacturers	67	0.10%
Steel	179	0.28%
Cement	202	0.31%
Sugar	69	0.11%
Mining	301	0.46%
Textiles	99	0.15%
Fisheries	268	0.42%
Coal	457	0.71%
Marine	846	1.31%
Others-Private	3,431	5.31%
Sub Total	6,026	9.32%
Total direct Sales to bulk Consumers	11,495	17.77%
Total Diesel Sales	64,680	

Hence, in order to reduce under-recovery of OMCs, the Government on 17.01.2013, inter-alia, decided to allow OMCs to sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price.
As per the prevailing under recovery of Rs. 9.03 on 17.01.2013, it was estimated that if the proposal for selling of Diesel to bulk consumers at non-subsidized market determined rate is implemented, it will reduce the under-recovery of OMCs by about Rs. 12,559 crore annually.

However, as per the Industry Performance Review of February, 2013 (as released by Indian Oil Corporation Ltd.), the bulk sale of Diesel has come down to 10.2%.

However, since only two months have completed since implementation of the decision to sell Diesel to bulk customers on non-subsidized market determined rate, it is early to estimate the actual amount of saving of subsidy, at present:".

LPG Production from Natural Gas

1.43 When the Committee asked to furnish the cost of production of LPG from natural gas and from crude oil, the Ministry in its written reply stated as under:-

"In a refinery, crude is distilled and converted into various finished products such as MS, HSD, LPG, ATF, Kerosene, etc. Almost all the costs are common to the products produced. This is a continuous process industry and principle of joint-product costing is followed. All the products in the refinery are produced together from single raw material i.e. crude oil which constitutes approx. 95% of the total cost of production. Therefore, the computation of cost for each product is not separately ascertainable.

As reported by Gail (India) Ltd., per unit cost of production of LPG up to 3rd quarter of Financial Year 2012-13 is Rs. 19,886 per Metric Tonne (MT). The details are as under:

Particulars	(Provisional) Per Unit Cost of Production (Rs/MT)
Raw Material Consumed	14,834
Consumption of Gas for Fuel	2,148
Sub Total - Raw Material & Fuel Cost	***16,983***
Consumption of Stores and Spares	225
Repairs and Maintenance	226
Consumption of Power	342
Salaries & Allowances	876
Depreciation	574
Others	659
Total - Cost of Production	**19,886**

Basis

1. Raw Material & Fuel Cost is based on Gas prices as given below:

a. APM @ $ 5.25/MMBTU

b. APM for North East - LPG Lakwa Unit @ 4.2/MMBTU *c. RIL @ $ 4.2/MMBTU*

d. RLNG @$ 11.8141/MMBTU"

1.44 Asked about the cost of production of LPG by use of imported LNG as the raw material, the Ministry furnished the following information:

The cost of production of LPG is given below :

(Amount in Rs./MT)

Particulars	Estimated Cost of production of LPG (Internal Consumption upto December, 2012 assumed @100% of Long Term LNG)	Estimated LPG Cost of production (Internal Consumption upto December, 2012 assumed @100% of Spot LNG)
Consumption of Gas for Raw Material	38,070	58,130
Consumption of Gas for Fuel	5,300	8,090
Sub Total - Raw Material & Fuel Cost	43,370	66,220
Other Costs	2,900	2,900
Total - Cost of Production	46,270	69,120

Notes :

Assumption:

a) Price of Imported Long Term LNG = $12/MMBTU

b) Price of Imported SPOT LNG = $19/MMBTU

The above prices are excluding Regasification charges, tariffs and taxes, but include Customs Duty.

1.45 Percentage of APM and other gases used as raw material in the LPG Plants of GAIL, during the FY 2012-13 [Till February, 2013) (based on Energy in Net million kilo calories (MKcal)] is as under :

Sl. No.	GAS TYPE	PERCENTAGE
1	Administered Price Mechanism (APM) Gas	47.04 %
2	Other Natural Gases (RIL, PMT, RLNG)	52.96 %
3	Total	100%

1.46 The total capacity of LPG production from Natural Gas for GAIL's LPG plants along with the capacity utilization is given below :

Sl. No.	Details	2012 – 13
1.	Existing capacity in ('000 tons per annum)	1112.38
2.	Production in ('000 tons)- Till Feb 2013	976.67
3.	Prorated Capacity Utilisation (%)-Till Feb 2013	95.95%

ONGC has informed that the total installed capacity of different LPG plants is 1158000 metric tonnes and capacity utilization during the year 2012-13 is 87%.

(c) <u>KYC Norms</u>

1.47 In response to the Committee recommendation on KYC programme, the Ministry have stated that data about the LPG customers is being collected and it will be taken up in a phased manner after finalization of requisite modalities. When asked about the progress made in implementing KYC norms and the impact of this measure, the Committee were apprised as under:-

> "For any new connection customers need to provide their Proof of Identity (PoI) & Proof of Address documents (PoA) along with bare minimum information such as their full name, date of birth, name of Father, Mother and Spouse, Address, Telephone Number and e-mail id if any, in a specific form generally considered as Know Your Customer (KYC). The KYC information is digitized to find out multiple connections.
>
> Currently, KYC is collected from New, De-activated, Transferred and suspected Multiple connection customers. It is expected that duplicate connection will reduce due to KYC norms implemented by OMCs."

1.48 On being asked about the measures adopted by the Ministry to reduce hardship to genuine customers, following information was submitted:-

> "As of now existing customers other than New, De-activated, Transferred and Multiple connection customers are not being advised to provide KYC. KYC forms are hosted on the web for downloading to enable easy access. To ease the burden on consumer Direct Benefit Transfer in LPG (DBTL) is being planned where Aadhar would be the preferred document for KYC.
>
> The procedure has following advantages:
>
> a. KYC submission process will get further simplified
> b. Customer will have convenience and need not fill in forms which are currently being done in different languages.
> c. The data submitted by customers can be verified with Aadhaar data online and forgery or false document submission will be eliminated.
> d. Customers need not visit the distributor/submit Aadhaar letter but can also provide their Aadhaar numbers through SMS, IVRS, Call centre or through web.
> e. As distributors deal with one document it is easy to educate them to collect and verify a standard document.
> f. Suspected connection are being regularized on submission of KYC and due verification."

B. EXPLORATION & PRODUCTION

(a) Seismic Surveys & Exploratory Efforts

1.49 Oil and Natural Gas Corporation Ltd.(ONGC) and Oil India Ltd. are the two major National Oil Companies engaged in the exploration and production of oil and natural gas in the country. In addition some private and joint venture companies are also participating in intensifying exploration and faster development of hydrocarbon reserves. The Annual Plan outlay of ONGC for 2013-14 stands at Rs. 35049.23 Crore the major portion of which is on account of exploration, survey & development drilling. The Annual plan outlay of OIL is Rs. 3580.99 crore which is mainly on account of proposed expenditure on survey & geological exploratory drilling, development drilling, capital equipment & facilities, NELP projects, overseas ventures etc.

1.50 When asked about the details of targets and achievements of ONGC and OIL in respects of acquisition of 2D and 3D seismic data and drilling of exploratory and development wells during the last three years along with the reasons for shortfall for cases of non-achievement of set targets, the Ministry in a written reply submitted as given under:

"The details of targets and achievements of ONGC in respect of exploratory efforts during 2009-10, 2010-11 and 2011-12 are as under:

ONGC: 2D and 3D seismic data acquisition from 2009-12 and 2012-13

Year	Sector	2D LKM		3D SKM	
		Target	Actual	Target	Actual
2009-10	Onland/offshore	28130	24993	29366	21742
2010-11	Onland/offshore	6715	13116	21196	19355
2011-12	Onland/offshore	4504	13606	10479	9821

2009-2010 Reasons of shortfall:-

- Non finalization of contract in Western onshore, Non-signing of MOU with Govt. of Nagaland and Non-mobilization of crew by contractor due to local resistance in Assam.
- Environmental problems in Mumbai Offshore.
- Non-clearance from the Ministry of Defence in KG-OSN- 2005 /1 & 2 blocks as well as Cyclone 'Bijili' in KG Offshore

2010-2011 Reasons of shortfall:-

- Late mobilization of vessel in the operational area and mechanical problem of the contractual vessel in KG Offshore.

2011-2012 Reasons of shortfall:-

- Early onset of monsoon, delay in harvesting of standing crops in North East & poor performance of shot hole drilling in KG and Cauvery Basin
- Delayed mobilization of Party in HF-GVK. Area
- Due to shallow bathymetry and expiry of acquisition contract in Kutch Offshore

ONGC: Exploratory drilling during 2009-12 and 2012-13

Year	Sector	Exploratory Wells	
		Target	Actual
2009-10	Onland/offshore	**148**	**128**
2010-11	Onland/offshore	**154**	**125**
2011-12	Onland/offshore	**158**	**135**

Note: LKM= Line Kilometre; SKM = Square Kilometre;

2009-2010 Reasons of shortfall:-

- Drilling complications, less allocation of rig for exploratory drilling, flooding of operational areas due to rain. Non-availability of deepwater rigs,

2010-2011 Reasons of shortfall:-

- Drilling complications, Equipment failure, Less-availability of deepwater rigs

2011-2012 Reasons of shortfall:-

- Drilling complications, less allocation of rig resources for exploration, delay in arrival of charter hired rigs and early onset of monsoon,

ONGC: Development drilling during 2009-12 and 2012-13

Year	Sector	Development Wells		Reasons of shortfall
		Target	Actual	
2009-10	Onland/offshore	225	249	Targets achieved
2010-11	Onland/offshore	216	256	Targets achieved
2011-12	Onland/offshore	272	280	Targets achieved

OIL

OIL's performance in respect of 2D and 3D Seismic data acquired and drilling of exploratory and development wells completed during the last three years are as follows:

	Unit	2009-10		2010-11		2011-12	
		Target	Actual	Target	Actual	Target	Actual
Seismic Survey							
2D	LKM	2,875	1,624.95	1,260	1,149.44	2090	1396.91
3D	SKM	2,065	984.29	1,798	758.92	1767	1837.69
							Drilling
Exploratory Wells	'000 Mtr	78.82	60.786	52.20	49.547	104.90	56.568
	Nos.	25	17	33	15	34	16
Development Wells	'000 Mtr	121.68	84.076	117.00	71.253	92.60	71.426
	Nos.	44	30	46	24	34	22

Reasons for Shortfall :

2009-10

Seismic Survey

- Slow progress due to logistically difficult areas of Kharsang-Shongking in Arunachal Pradesh and mobilization delay by contractor in South Manabhum.
- The 3D-3C acquisition plan through contract was found to be exceptionally high and plan suspended.
- 2D Seismic data acquisition planned in Rajasthan NELP Blocks during the year was deferred due to priority 3D survey work executed in these blocks and relinquishment of 2 NELP blocks.

Drilling :

- Acute land acquisition problem, repeated local blockade, bandhs etc. affected well preparatory works, unforeseen sub-surface complicacy in several deep drilling operations, delay in receipt of statutory clearances.

2010-11

Seismic Survey

In Rajasthan, three NELP blocks were relinquished.

- In KG Basin, initial delay in finalization of the contract for survey and also mobilization delay by the contractor as well as delay in obtaining EC clearance.

- Prolonged monsoon period during the year caused delay in commencement of the post monsoon work in the marshy and forest land.

Drilling

- Shortfall in 1 no. chartered hired rig against 6 nos. planned.
- Consequential effect of prolonged inclement weather/rain during the year.
- Surface problems like bandh, blockades call by various organizations at frequent intervals.
- Land acquisition problems in Assam.

2011-12

Seismic Survey

- In Rajasthan , most of the areas were already covered by 3D and decided not to pursue 2D activities in 2011-12

Drilling:

- Land acquisition problem, repeated local blockade &bandhs affected well preparatory works and drilling operation.
- Sub-surface complicacy in several deep drilling operations arising out of frequent local Bandh& blockade which have not only affected the advance preparatory work but down hole problem in a number of wells."

1.51 In certain blocks the exploration activities have not been started or under suspension due to awaited clearances at various levels. When asked about the details of blocks where exploration activities are not taking off due to clearances awaited from other Ministries, the following information was submitted by the Ministry:-

"Ministry of Defence **(MoD)** had placed restrictions on exploration and development activities in respect of 39 exploration blocks in offshore areas including Krishna-Godavari and Mahanadi basins, subsequent to the grant of Petroleum Exploration License **(PEL).** Out of these 39 blocks, 8 are completely restricted "No Go" blocks while conditional clearance are give in rest of 31 blocks. These blocks were awarded to different companies under various bidding rounds of Exploration Licensing Policy **(NELP)**. The area-wise details of the affected blocks are as under:

Basin Name	**Location**	**No. of Blocks Affected**
Krishna-Godavari	Eastern Offshore	22
Mahanadi- North-East Coast	Eastern Offshore	9
Cauvery	Eastern Offshore	3

Pranhita- Godavari	Eastern Offshore	2
Gujarat-Saurashtra	Western Offshore	2
Andaman	Andaman Offshore	1
Total		**39**

In addition to above, the exploration activities have been restricted /stopped by the State Governments in other 10 NELP blocks awarded, in onland areas:

State	Affected NELP Blocks	Reasons
Nagaland	3	Nagaland Government has not allowed exploration activities in these blocks.
Assam	4	Environmental Clearance/Forest Clearance not granted by MoEF /Government of Assam
Manipur	2	Environmental Clearance /Forest Clearance not granted by MoEF /Government of Manipur
Maharashtra	1	Environmental Clearance/ Forest Clearance not granted by MoEF/ Government of Maharashtra
Total	**10**	

The matter in respect of clearances of NELP blocks affected by the restrictions of MoD, has been taken up by the Ministry of Petroleum and Natural Gas (MoP&NG) with Ministry of Defence (MoD) and other concerned agencies, at various levels. Further, the same was discussed by the Cabinet Committee on Investments **(CCI)** in its meeting held on 30.01.2013. The CCI has directed to the Principal Secretary to Hon'ble Prime Minister and National Security Advisor to further discuss the issue with MoP&NG and MoD and progress of the same is to be apprised to **CCI** in a month's time. As per the directives of CCI, meetings are being held to resolve the issue".

Exploratory efforts in Northern States

1.52 Asked about the steps taken so far by the Ministry for finding the prospects of Oil/Gas reserves in the Northern States like Punjab, Himachal Pradesh, Jammu & Kashmir etc. and in other Himalayan regions, the Committee was apprised as given under:-

" In Northern States like Punjab, Himachal Pradesh, Jammu & Kashmir etc. and also in Himalayan region, so far one block, namely, HF-ONN-2001/1, has been awarded under the New Exploration Licensing Policy **(NELP)** bidding rounds. The block is being operated by ONGC in the State of Himachal Pradesh. So far, a total of 465 Line Kilo Meter **(LKM)** of 2D seismic data has been acquired by

ONGC apart from carrying out geochemical surveys. One exploratory well was drilled without any success. Further, in order to ascertain hydrocarbon prospectivity in the above areas, various geo-scientific surveys have been conducted by DGH as under:-

GEO-SCIENTIF SURVEYS CARRIED OUT BY DGH IN NORTHERN STATES & HIMALAYN REGION				
Sl. No.	Area/Block	Survey Type	Survey Carried Out	Year
I. SEISMIC AND GRAVITY MAGNETIC SURVEYS				
1	Himalayan Foreland	Aero-Magnetic	11,958 LKM	2003-05
2	Punjab and Foot Hills of Himalayas	Aero-Magnetic	12,765 LKM	2005-06
3	Ganga Valley (Uttar Pradesh)	2D seismic	634 LKM	1997-98
4	Ganga Valley (Bihar)	2D seismic	1135 LKM	2002-03
II. GEOCHEMICAL SURVEYS				
1	Spiti-Zanskar-Karewa (Jammu & Kashmir) / Himachal Pradesh	Geo-Chemical Survey	1014 Samples	2012-13

In addition to above, exploration activities have been carried out the Northern States of Jammu & Kashmir, Himachal Pradesh, Uttarakhand and Punjab by the National Oil Company **(NOC)** Oil & Natural Gas Corporation Limited **(ONGC)** under the Nomination regime as under:

<u>Punjab</u>

Aeromagnetic surveys were carried out over Punjab plains in 1957 followed by gravity-magnetic surveys. Outcrops in the northern part have been fully covered by geological mapping. Based on the geo-scientific surveys carried out in the state, 4 exploratory and 2 structural wells have been drilled in the state without any exploratory success in terms of discovery of hydrocarbon.

Since inception, as on 01.01.2013, 4078 GLK of 2D seismic data has been acquired and 4 exploratory wells drilled in the state. At present, no exploration activity is in the state of Punjab.

Himachal Pradesh

Hydrocarbon exploration was initiated in the Himachal Himalayan Foothills soon after the inception of ONGC in 1956. The entire area of foothills have remained under active exploration because of known surface oil shows at Choumukha (near Sundernagar) and the historical gas show near the Jwalaji temple, Jwalamukhi.

The entire foothills have been mapped geologically and large areas have been covered by aeromagnetic and ground magnetic surveys. Based on these surveys exploratory drilling has been carried out in three phases spanning over a period from 1957 to 1992. The first well, Jwalamukhi-1, drilled in 1957, encountered two shallow low pressure gas pools in the Lower Siwalik section, which were non-commercial. The gas was mostly methane with traces of higher hydrocarbons. Since then 12 more exploratory wells and 5 structural wells have been drilled in the basin without any success.

Since inception, as on 01.01.2013, 4250 GLK of 2D seismic data has been acquired and 15 exploratory wells have been drilled in the state without any exploratory success in terms of discovery of hydrocarbon.

During XII- Plan period, ONGC has planned to acquire 500 GLK 2D Seismic data along with drilling of one exploratory wells in the Himalayan Foothills PEL areas falling in the state of Himachal Pradesh. During 2012-13, as on 01.01.2013, one well JMI-9 (RBH-B) in Kangra Mandi PEL was drilled in and proved to be dry.

Jammu & Kashmir

ONGC has been carrying out geological and geophysical surveys in phases in the state of Jammu and Kashmir since 1957. From the hydrocarbon perspective, exploration has been carried out in Himalayan Foothills and the Karewa Basins. A number of structures were mapped and Surin-Mastgarh structure was probed by drilling twice in early seventies (SNS-1) and late eighties (SNS-2). The geological information obtained from these two drilled wells, viz., Surinsar-1 & 2 revealed poor hydrocarbon prospectivity of the drilled stratigraphic sections.

Based on the surveys and several biogenic shows in the Karewa Basin, two wells, namely, Chhattergam-2 and Narbal-1 were drilled in the Jhelum River valley area in 1975-76 without any encouraging results. Drilling of these wells established the inadequacies of suitable sedimentary thickness and maturation in the basin, as a consequence of which the exploratory efforts were called off. Since inception, as on 01.01.2013, 2563 GLK of 2D seismic data has been acquired and 4 exploratory wells have been drilled in the state.

No commercial hydrocarbon discoveries have been made in the state of J & K so far. However, several biogenic shows have been observed in the Karewa Basin, and an oil show has been reported from the Asphaltic limestone at Satranala area in the Himalayan Foothill Basin. At present, no exploration activity is in the state of J&K.

Haryana

Aeromagnetic surveys over the alluvial plains were carried out in 1956 and gravity-magnetic surveys were commenced in 1961. Since inception, as on 01.01.2013, 1038 GLK of 2D seismic data has been acquired in the state. At present, no exploration activity is in the state of Haryana.

Uttarakhand

Exploration for oil and gas in the state started as early as 1957 in the form of the gravity-magnetic surveys followed by geological mapping of the outcrop areas in the Himalayan Foothills. 2D seismic surveys (single fold & refraction and multifold) have been carried out in phases in the Himalayan Foothills in the Mohand Sector and adjoining plains of the Ganga Basin, falling in the southwestern part of the state.

Since inception, as on 01.01.2013, 1522 GLK of 2D seismic data has been acquired in the state. At present, no exploration activity is in the state of Uttarakhand. "

1.53 Asked to furnish details with regard to the exploration activities that have been undertaken in the Northern States including Jammu and Kashmir, during last 10 years, the Ministry in its written reply submitted the following information:

"As far as ONGC is concerned, during last 10 years (2002-2012), the state wise exploratory efforts made are given below. Success in terms of Oil & Gas discovery could not be made in these states.

STATES	**2002-2012**		
	Seismic Acquisition		**Exploratory wells**
	2D (LKM)	3D (SKM)	
Himachal Pradesh	717.99	-	4 (Sundernagar-1, Hamirpur-1, Kasauli-1, Jwalamukhi-8)
Haryana	-	-	-
Jammu & Kashmir	-	-	
Uttar Pradesh	2073.38	210.83	2 (Tisua-1 & Banda-1)
Uttrakhand	-	-	0

As on 01.03.2013, ONGC is holding one nomination PEL, Kangra Mandi, in Himachal Pradesh and one NELP block GV-ONN-2004/1 in Uttar Pradesh. During the current year (2012-13) as on 01.03.2013, one well Jwalamukhi-9 was drilled in Himachal Pradesh and was proved to be devoid of hydrocarbons.

Block/ Area	Phase	M W P (2D: GLK/LK, 3D: SKM)			Actual as on 01.01.2013 (2D: GLK/LK, 3D: SKM)			Remarks
		2D	3D	Wells	2D	3D	Wells	
GV-ONN-2004/1 8354 sq km	I	1285	200	1	1310.66	21 1		Seismic data acquisition & processing completed. One Location R-JAG-A1 is available for drilling"

1.54 When the Committee pointed out that since Jammu and Kashmir lies in the same geographical belt of various petroleum rich nations i.e. Afghanistan, Iran etc., whether any initial survey has been carried out in the state of Jammu and Kashmir for any prospects of finding oil/gas reserves, the Ministry in a written reply submitted the following:

"The state of Jammu & Kashmir encompasses three sedimentary basins: Spiti-Zanskar, Karewa in Kashmir Valley and part of Himalayan Foothills in the Frontal Fold Thrust Belt. These basins are perceived potentially prospective from hydrocarbon point of view. This area being tectonically very active & complex, it involves high level of uncertainty & risk. Therefore, exploration is very challenging in such areas. Several biogenic shows have been observed in the Karewa Basin. Oil show has been reported from the Asphaltic limestone at Satranala area in the Himalayan Foothill Basin.

ONGC had initiated exploratory work in the state of Jammu and Kashmir as early as 1957. Since inception, as on 01.01.2013, it has carried out Geological surveys of 31970 Sq Km area, 9426 stations of Gravity Magnetic surveys, in addition to acquisition of 2563 GLK of 2D seismic data in the state and based on geo-scientific surveys; four exploratory wells have been drilled. However, exploratory drilling so far has not given encouraging results".

1.55 Regarding the the exploratory efforts made in Kerala Konkan basin and Cauvery Basin, the Ministry furnished following information.

"Kerala Konkan Basin

ONGC

ONGC, as on 01.03.2013, holds two exploratory blocks (deepwater offshore) in the Kerala-Konkan offshore awarded under NELP rounds, namely KK-DWN-2002/2, KK-DWN-2005/2.

As on 01.03.2013, ONGC has acquired 127134 LKM of 2D (49183 LK in shallow and 77951 LK in deep waters) and 8799 sq km of 3D (1422 sq km in shallow and 7377 sq km in deep waters) seismic data in Kerala-Konkan offshore. 14 exploratory wells have been drilled in this Basin, 9 in shallow waters and 5 in deep waters (excluding 3 wells drilled by MNCs in shallow waters). So far presence of hydrocarbons has not been established in the basin.

During XI Plan (2007-12) drilling of two exploratory wells were planned in Kerala-Konkan shallow water areas of NELP blocks KK-OSN-2001/2 & KK-OSN-2001/3. Against these two wells were drilled and both the wells were proved to be dry.

In the deepwater, acquisition of 3500 LK of 2D, 500 sq km of 3D and drilling of 2 exploratory wells were planned for XI plan period. Against this, as on 01.04.2012, 13126 LKM of long offset 2D and 1168 sq km 3D seismic data has been acquired in deep water areas, and 2 wells have been drilled.

During XII plan (2012-17), 3000 LK of 2D seismic data acquisition in shallow water and 3180 LK of 2D data acquisition & drilling of 5 exploratory wells (including indicative plan) in deep water acreages are planned.

During the year (2012-13), as on 01.03.2013, 3041 LKM of 2D Seismic/SBN data has been acquired in deep water block KK-DWN-2002/2 and 299 SKM of 3D seismic data was acquired in KK-DWN-2005/2.

Private/JV companies

Under the Production Sharing Contract (PSC), a total of 19 Blocks have been awarded in the Kerala Konkan Basin to various companies viz. BHP Billiton Petroleum International Exploration Pty. Ltd. [1], Oil and Natural Gas Corporation Ltd. [11] and Reliance Industries Ltd. [7].

II. Cauvery Basin

ONGC

As on 01.03.2013, ONGC operates in 4 NELP blocks falling in the onland part of the Cauvery basin. ONGC is also having 29 PML blocks.

Since inception, as on 01.03.2013, ONGC has acquired 42533 GLK 2D and 8896 sq km of 3D seismic data and drilled 499 exploratory wells in the state. As a result of these efforts total 156 wells were found to be hydrocarbon bearing wells including 43 (32 new prospect and 11 new pool) discoveries in the state.

During the XI-Plan period, ONGC planned acquisition of 1979 sq km of 3D seismic surveys and drilling of 65 exploratory wells in the state against which it has acquired 1710 GLK 2D data and 4236 sq km of 3D seismic data and drilled 48 exploratory wells as on 01.04.2012. Total 9 wells were hydrocarbon wells including 8 (3 new prospect and 5 new pool) discoveries.

During the XII-Plan period, ONGC planned acquisition of 1240 sq km of 3D seismic data and drilling of 53 exploratory wells in the state against which it has acquired 163.29sq km of 3D seismic data, and drilled 6 exploratory wells. As an outcome of these exploratory efforts, 3 New Prospect discoveries were made and another three wells were under testing as on 01.03.2013.

Offshore Cauvery Basin extends into the Palk Strait and the Gulf of Mannar. The area up to 200 m. bathymetry within Indian waters is 30,000 sq km of which 17,700 sq km is considered prospective for hydrocarbon exploration.

ONGC currently operates in 6 deep water NELP blocks (NELP-VI). ONGC is also having 1 PML blocks.

Since inception as on 01.03.2013 ONGC has acquired 97392 LKM (32671 LKM in SW & 64721 LKM in DW) of 2D and 16931 SKM (1822 SKM in W & 15109 SKM in

DW) of 3D seismic data and drilled 65 exploratory wells in the Cauvery offshore basin.

During the XII-Plan period, ONGC has planned acquisition of 800 sq km of 3D seismic surveys & drilling of 4 exploratory wells in shallow water and drilling of 8exploratory wells in the deep water areas. No exploratory physical input has been made during 2012-13 as on 01.03.2013.

Private/JV Companies

Under the Production Sharing Contract (PSC), a total of 22 blocks have been awarded in the Cauvery and Cauvery-Palar Basin to various companies as Operators viz. Bengal Energy International Inc. [1], GAIL (India) Limited. [1], Hardy Exploration & Production (India) Inc. [1], Hindustan Oil Exploration Company Limited. [1], Jubilant Oil & Gas Private Limited. [1], Niko Resources Limited. [1], Oil and Natural Gas Corporation Ltd. [12], Oil India Ltd. [1] and Reliance Industries Ltd. [3].

Till date, the above exploratory efforts have yielded a total of 6 discoveries (3 oil + 3 gas) in Cauvery basin which are currently under various stages of evaluation / appraisal / commerciality and commercial production of oil/gas is yet to commence. However, there has been no hydrocarbon discovery in Kerala Konkan basin, so far."

(b) <u>Availability of rigs</u>

1.56 ONGC is exploring hydrocarbons in its geologically diversified Basins. Different work centers undertake the drilling operations of Oil/Gas wells. These wells vary in drilling depths as per interest pay zones. This necessitates rigs of different capacities in terms of ability to drill different depths. In offshore, types of rigs to be deployed are also determined by the water depth.

<u>Types and number of Rigs available with ONGC as on 28.02.2013</u>

Onland	Mobil 1500-3000 M	Type-I Upto 3600 M	Type-II Upto 5000 M	Type-III Upto 6100 M	Type-IV Upto 9000 M
Owned Rigs	14	17	21	24	1
Charter Hired Rigs	6	0	3	3	1
Total Rigs	20	17	24	18	2

OFFSHORE	Floater	Jack-Up
Owned Rigs	2	7
Charter Hired Rigs	9	22
Total Rigs	**11**	**29**

OIL

As far as Oil India Limited (OIL) is concerned, the present status of drilling rigs (owned & hired) deployed by OIL is as under:

No. of Onland Rigs with OIL		Total No. of Rigs
Owned	Hired	
11	5	16

1.57 Drilling Rigs are being deployed based on the approved work program. Additional Rig resources are hired and deployed on 'as and when required' basis by oil companies. At present, there is no shortage of rigs reported by the oil companies.

1.58 When asked about the reasons for deployment of more number of owned rigs for onland than offshore by ONGC, the Ministry furnish the following information:

> "ONGC started drilling operations in onland by deploying one own rig in the year 1957. With the increase in drilling activities, ONGC continued acquiring more rigs and increased to maximum number of 95 rigs in the year 1991-92. Later on ONGC started inducting charter hired rigs in onland area against lay off of some of ONGC old rigs and work requirement. At present, ONGC is operating a mix of 83% owned rigs (68 rigs) and 17% charter hired rigs (13 rigs) in onland area.
>
> ONGC started drilling operations in offshore area by deploying one own jack-up rigs in the year 1973-74. Further, due to increase in drilling activities the rig resources were increased with a mix of owned and charter hired rigs. Post Mumbai High discovery, there were sudden increase in requirement of rig resources and the same was met largely through charter hired rigs.
>
> At present ONGC is operating a mix of 23% owned rigs (9 rigs) and 77% charter hired rigs (31 rigs) in offshore area".

1.59 Asked about the details of procedure for hiring of rigs by ONGC along with the data of number of rigs hired or owned, the Ministry submitted following information;-

> "Rigs are being hired based on approved work program through International Competitive Bidding (ICB) tenders as reported by ONGC. While doing so, ONGC follows the laid down procedures/ guidelines. The details of owned and charter hired rigs available with ONGC as on 28.02.2013 are as follows:

	No. of Rigs		
	Owned	Charter Hired	Total Rigs
Onland	68	13	81
Offshore	9	31	40
Total	77	44	121

1.60 On a query regarding the expenditure incurred for hiring rigs during last 5 years along with the details of the companies from which the rigs have been hired during 2012-13 and the rental charges per day on the rigs, the Ministry furnished following information.

"The amount spent by ONGC on Hiring & Leasing of Rigs during last five years is as under:

(Rs. in crore)

Description	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Hiring of Drilling rigs(offshore)	3,551	6,243	8,494	7,828	7,619
Hiring of Drilling rigs(onshore)	5	141	438	676	756
Hiring & Leasing - Work Over Rigs (Onshore)	54	**70**	101	100	106
Hiring & Leasing - Work Over Rigs (Offshore)	94	107	98	78	152
Total	**3,703**	**6,561**	**9,130**	**8,682**	**8,633**

Details of companies from which rigs have been hired during 2012-13 along with day rates are as under:

Sl.No.	**Type of Rig**	**Name of Company**	**Operating Day Rates per Day**
OFFSHORE			
1.	600 ‘ Floater (Aban Ice)	M/s Aban Offshore Ltd., Chennai.	Rs.61,85,700/-
ONSHORE			
2.	1000HP	M/s John Energy Limited	Rs.4,45,000/-

	Mobile Rig		
3.	200T Rig	M/s GTC Oil Field Services Pvt Ltd	Rs.2,41,200/-
4.	1000 HP Drilling Rig	M/s Shiv-vani Oil & Gas Exploration Services Ltd.	Rs.4,45,000/-
5.	2 Nos Type-II rigs	M/s Shiv-vani Oil & Gas Exploration Services Ltd.	Rs.8,79,300/-

OIL

The details of the expenditure incurred on the hiring of the rigs during last five years by OIL are as under.

Year	Expenditure on rig hiring (RsCrore)
2011-12	111.83
2010-11	147.43
2009-10	144.51
2008-09	79.36
2007-08	35.47

The Details of the companies from which drilling rigs were hired by OIL and the per day rig hire charges for 2012-13 are as under;

Name of the Contractor	Unit	Operating Day Rate
Jaybee Energy Pvt. Ltd.	USD	14,000
Shiv-vani Oil & Gas Explo	USD	14,000
SimplexInfrastructures limited	USD	14,000

1.61 In view of high expenditure incurred on hiring of rigs in the last five years, the Committee wanted to know as to whether the Ministry/National Oil Companies are considering to buy the rigs. In this regard, the Ministry informed as given under:

"Drilling operations in onland area were being carried out mainly by ONGC owned rigs till 1985. Later on ONGC started inducting charter hired rigs in onland area against increased work requirement. At present ONGC is operating a mix of 83% owned rigs (68 rigs) and 17% charter hired rigs (13 rigs) in onland area.

ONGC is already in the process of acquiring six numbers of rigs for which order has been placed and also has a plan to acquire more number of rigs against replacement.

Drilling operations in offshore were taken up by deploying a mix of ONGC own and charter hired rigs. Maintaining a mix of ONGC own and charter hired rigs in offshore since beginning was a strategic decision in view of the following:

i) to develop in-house skill for operating owned rigs and contract management of charter hired rigs
ii) To cope up with volatility of rig market and demand supply situation in the global market
iii) To provide rig resources for the variable work load in an optimal manner

ONGC was maintaining owned rigs ratio of 30% to 50% till 2007-08. Thereafter due to increase in work load, the additional rig requirement was met through charter hiring which has reduced the ratio of owned rigs below 30%. At present ONGC is operating a mix of 23% owned rigs (9 rigs) and 77% charter hired rigs (31 rigs) in offshore area.

ONGC is working to acquire new rigs for offshore operation against replacement and to increase the ratio of owned rigs. Financial analysis in this regard is under process".

1.62 When the Committee asked about the permissible limit of rig down time as per contracts, the Ministry informed as given under:-

"As per contractual provision for hiring of rigs in ONGC, the rigs are allowed 32 hours of repair time per calendar month during which the breakdown rates are payable. After the permissible limit of 32 hours of repair time, the rig is put on 'zero' rate."

1.63 When asked about the efforts being taken by the Government/ONGC to minimize the idle time of rigs, the Committee was apprised as given below :-

"Un-planned Capital Repair is the single most pre-dominant factor leading to idling of CH rigs both in Onsland and Offshore. The rig contractors have been strictly instructed to comply with laid down preventive maintenance schedule to avoid any shut down due to equipment failure. Contractors are also instructed to maintain adequate spares inventory of critical equipments. To discourage rig idling time, provision of penalizing beyond a permissible limit of rig down time is incorporated in the contracts.

<u>Miscellaneous reasons</u> like waiting for men/ material is the second biggest factor for rig idling time in Onland. The provision of penalizing the contractor to discourage such rig idling time is incorporated in contracts."

(c) <u>ONGC Videsh Limited (OVL)</u>

1.64 ONGC Videsh Ltd. has produced about 8.753 MMT of oil and equivalent gas during the year 2011-12 from its assets abroad in Sudan, Vietnam, Venezuela, Russia ,Syria, Brazil &Columbia. The estimated crude and Natural Gas production in 2012-13 is about 6.865 MMT. Lower overseas production in 2012-13 is due to geopolitical problems in South Sudan and Syria.

1.65 When asked about the details of oil and gas assets acquired overseas in 2012-13 by OVL, the Committee were apprised as under:-

> **"**Number of overseas business opportunities in various basins (Shale Gas, Oil Sand & Conventional oil &gas) are being pursued by OVL and these are at the various stages of technical and commercial evaluations/due diligence by OVL team and /or its consultants. OVL is regularly pursuing various opportunities for global acquisitions in E&P business towards energy security of the country. At any point of time, there are many proposals in pipeline for consideration to acquire the producing, discovered/development and exploration assets.
>
> OVL is in the final stages of consummating two deals, i.e.(a) acquiring Hess Corporation's 2.72% stake in Azeri-Chirag-Guneshli(ACG) fields, offshore Azerbaijan along with 2.36% stake in Baku-Tbilisi-Ceyhan (BTC) pipeline and (b) acquisition of Conocophillip's 8.40% stake in North Caspian Sea Production Sharing Agreement (NCSPSA) (i.e. Kashagan) in Kazakhstan.
>
> These two deals will not only augment India's equity oil but also diversify our geographical risks. These deals will give us first time in history the ownership access to hydrocarbon produced in Caspian region.
>
> OVL was also awarded two exploratory blocks in Colombia, Latin America. First is GUA OFF 2 in Caribbean offshore in December 2012 following successful bidding in Ronda Colombia 2012.The block GUA off 2 comprising 9268.46 Sq.Km in offshore at water depth 1500-2600 m where OVL is operator with 100% participating interest.Second is exploratory onshore block, LLA 69, with participating interest of 50% in JV MECL, Colombia."

1.66 On being enquired about the present status of the huge investments made in Sudan last year, the Ministry informed that the total plan expenditure in various projects of OVL in undivided Sudan till September 2012 is USD 2,562 Million (equivalent Rs. 11,639 Crore). In fact, an investment of USD 2,538.44 Million (Rs. 11,512 Crore) was made by OVL in Sudan during March, 2003. All subsequent investments were made in Sudan out of the earnings of the aforesaid initial investment. The overall investments in Sudan have already been paid back. Since acquisition in March 2003, till September 2012, OVL's share of oil production works out to 26.165 MMT. Still OVL's share of oil reserves in Sudan and South Sudan amounts to 40.045 MMT as on 01.04.2012.

1.67 Ministry was asked to furnish a status note on the Imperial Gas Asset acquired by OVL, which is given under:-

> "The interests of Imperial Energy comprise in 8 blocks in the Tomsk region of Western Siberia (Russia) i.e Block 69, 70-1, 70-2, 70-3, 77, 80, 85-1 and 86 with 100% ownership covering approx. 12700 sq km with 13 licenses. The company is currently operating through two subsidiaries i.e. Alliance neftogaz and Nord Imperial. Imperial Energy also has a 100% owned drilling subsidiary with three drilling rigs, three work over rigs and a 50% owned frac service company providing hydraulic fracture services to exploit tight reservoirs.
>
> Oil processing facilities are available at Maiskoye, Snezhnoye, Festivalnoye, Dvoinoye and Kiev-Eganskoye. The oil from these fields is evacuated through a network of three pipelines (with total length of approx. 350 kms) to two custody transfer stations i.e. Luginetskoye and Zavyalovo before being pumped to the pipeline system of Transneft. Oil is marketed through Transneft system with a variable mix of both exports and domestic sales to local refineries.
>
> As on 1st April 2012, OVL's share of the proved and probable reserves of these eight blocks together have been estimated as 110.122 MMT of oil and oil equivalent gas. The reserves of Imperial Energy are spread across 19 fields, of which only 6 fields are currently on production. The average production during the current FY 2012-13 is approx. 12000 bopd (YTD)
>
> The post-acquisition exploration/development activities of Imperial Energy includes drilling of 28 exploratory/ appraisal wells, 72 development wells and acquisition, processing and interpretation of 270 sq.km of 3D seismic and 2536 Lkm of 2D seismic data with some construction facilities. The post-acquisition exploration/development efforts have resulted in discovery of three new fields, delineation of additional areas around two of its producing fields and also discovery of new pools in two of its oilfields. Out of the three new fields discovered, two fields and the new pools discovered in two other fields have been put on production.
>
> As a result of the exploratory and developmental activities carried out by Imperial Energy during the last 3 years, the company has developed a better understanding and insight on the asset through acquisition of a host of Geological, Geophysical, Reservoir and Production data by application of the advanced tools and techniques. Using this incremental data set, Imperial Energy is currently engaged in carrying out a comprehensive analysis through its in

house team of experts and external domain experts for identification of sweet spots as well as finding right technology for exploitation of the tight sandstone reservoirs which holds majority of Imperial's reserves. IEC is also targeting to produce oil from an oil rich shale, which holds significant potential in major part of its acreage. IEC has short listed some firms with specialized proprietary technologies and having practical experience with similar reservoirs in Bakken Oilfield of USA, for carrying out pilot studies in its oilfields. It is envisaged that on identification of the suitable technology, the same shall be further experimented through pilot schemes before its application for full scale development of the reservoirs."

1.68 The Ministry has further informed that as per the provisions of Accounting Standard (AS-28) issued by The Institute of Chartered Accountants of India (ICAI), a provision for impairment of Rs. 1,953 Crore was made for Imperial Energy, Russia as the asset was performing lower as compared to the estimates and the 'value in use' computed for the asset as on 31st March, 2012 was lower than its carrying value.

1.69 When the Committee enquired as to what plans have been chalked out by the Government to manage the oil imports situation arising due to imposition of US Sanctions on Iran, the Ministry in a written reply submitted the following:

"Crude oil is imported by Public Sector Oil Companies by way of Term Contracts with National Oil Companies (NOC) of oil producing countries which have exportable surplus of crude oil based on techno-economics and from energy security point of view. The balance requirement is organized through Tenders. The oil companies in India are continuously engaged in diversifying their crude basket in order to eliminate dependence on any particular country or region. There is no problem faced by the oil companies in sourcing crude from abroad.

To strengthen the country's energy security, India's oil companies are being encouraged to adopt a global vision in their pursuit of raw materials and raw materials-producing assets abroad, and to vigorously pursue acquisition of oil & gas assets overseas.

To strengthen the country's energy security, following steps are being taken:

(i) Ministry of Petroleum & Natural Gas keeps in close touch with oil and gas producing countries, and imports crude oil from more than 30 countries spread over different continents.

(ii) To reduce / minimize the effect of various uncertainties our PSUs endeavour to procure crude oil and gas on long-term supply contracts.

(iii) Oil PSUs are being encouraged to adopt a global vision in their pursuit of raw materials and raw material-producing assets abroad. Currently, Indian PSUs have oil and gas assets in 22 countries.

(iv) To boost the domestic production of oil & gas, India is intensifying the exploratory efforts in the Indian sedimentary basin through the New Exploration License Policy which provides for a stable fiscal and contract framework for exploration & production of hydrocarbons.

(v) The Government has also initiated steps for development of alternate sources of hydrocarbons in the unconventional areas like Shale Gas, Coal Bed Methane, Gas Hydrates etc.

(vi) The Government is pursuing transnational pipeline project such as Turkmenistan-Afghanistan-Pakistan-India pipeline project, which envisages transporting gas from Turkmenistan to India.

(vii) The country is building strategic crude oil reserves of 5.5 million metric tonnes capacity".

(d) New Exploration and Licensing Policy (NELP)

1.70 The NELP was adopted in 1999. India has an estimated sedimentary area of 3.14 million sq. km, comprising 26 sedimentary basins. Prior to adoption of the NELP, only 11 per cent of Indian sedimentary basins were under exploration. Since the operationalization of the NELP in 1999, the government has awarded an area of 47.3 per cent of Indian sedimentary basin for exploration. So far, 117 oil and gas discoveries have been made in 39 NELP blocks. In the ninth round of NELP **(NELP-IX)**, 34 exploration blocks were offered and bids were received for 33 blocks.Production Sharing Contracts **(PSCs)** have been signed for 19 blocks till date. PSCs of another 2 blocks awarded under NELP IX, are yet to be signed. The details of 19 blocks are as under:-

Sl.No.	Awardees	Block Name	Contract signed on
Deep water			
1	BG-BHP Billiton	MB-DWN-2010/1	10.09.12.
Shallow water			
2	ONGC- OIL-GAIL	GK-OSN-2010/1	28.03.12
3	ONGC & GAIL	GK-OSN-2010/2	28.03.12
4	OIL-HPCL-BPRL	MB-OSN-2010/2	30.08.12
Onland			
5	PRIZE PETROLEUM-ABG ENERGY	AA-ONN-2010/1	30.08.12.
6	OIL- ONGC-GAIL & EWP	AA-ONN-2010/2	28.03.12
7	OIL, ONGC & BPRL	AA-ONN-2010/3	28.03.12
8	Deep Energy, LLC & KGN Industries Limited	VN-ONN-2010/1	28.03.12
9	DEEP ENERGY LLC - DEEP NATURAL RESOURCES LIMITED & SAFAL WSB ENERGY PRIVATE LIMITED	VN-ONN-2010/2	28.03.12
10	ONGC	CB-ONN-2010/1	28.03.12
11	DEEP ENERGY LLC & KGN OIL & GAS PRIVATE LIMITED	CB-ONN-2010/3	28.03.12
12	FOCUS ENERGY LIMITED & BIRKBECK INVESTMENTS LIMITED	RJ-ONN-2010/2	28.03.12
Onland Type S (Block area upto 200 Sq. Km)			
13	PRATIBHA OIL AND NATURAL GAS PVT. LTD.	CB-ONN-2010/4	28.03.12
14	PAN INDIA CONSULTANTS & FROST INTERNATIONAL LTD	CB-ONN-2010/5	28.03.12
15	ONGC- IOC	CB-ONN-2010/6	28.03.12
16	GAI , BHARAT PETRO RESOURCES LTD. , ENGENIEERS INDIA LTD , BF INFRASTRUCTURE LTD. & MONNET ISPAT & ENERGY LTD.	CB-ONN-2010/11	28.03.12
17	SANKALP OIL & NATURAL RESOURCES LTD.	CB-ONN-2010/10	27.06.12
18	GAIL- BPRL-EIL-BFIL & MIEL	CB-ONN-2010/8	30.08.12.
19	ONGC	CB-ONN-2010/9	30.08.12.

Note:

In addition to above 19 blocks, the bids of the bidder M/s Ishar Gas Oil Pvt. Ltd. for 3 onland blocks namely CB-ONN-2010/2, RJ-ONN-2010/1 and GV-ONN-2010/1 have been rejected by Cabinet Committee on economic Affairs **(CCEA).** The bidder has approached the court and the matter is sub-judice.

The bids for remaining 11 blocks have been rejected by CCEA.

1.71 When asked about the reasons given by CCEA for rejection of these blocks, the Ministry informed as under:-

"The reasons for rejection of bids for 11 blocks are as under:

(i) For ten (10) blocks, the bidders offered a poor fiscal package in respect of percentage share of profit petroleum with Government of India.
(ii) For one (1) block, the bidder did not fulfil the Notice Inviting Offer (NIO) condition in respect of net worth sufficiency."

(e) <u>DGH and new discoveries of oil and gas</u>

1.72 DGH promotes sound management of oil and natural gas resources while applying a balanced approach to environmental, technical and economic aspects of petroleum sector activities. DGH is also engaged in opening up of new/unexplored areas for future exploration and development of new conventional hydrocarbon energy sources.

1.73 Asked about the details of oil and gas discoveries made by various National Oil Companies and Private companies in the country during the last 5 years, the Ministry in their written reply informed as under:-

"ONGC

As a practice whenever a discovery is made, it is notified to DGH. During the last five years, 2007-12, ONGC has made 133 oil and gas discoveries in its operational acreages. Of these, 69 are oil and 64 are gas discoveries. Besides, during the current year, 2012-13, 16 oil and gas discoveries (11 oil and 5 gas) have been made by ONGC, as on 01.01.2013.

Year	No. of hydrocarbon Discoveries by ONGC
2007-08	38
2008-09	27
2009-10	21
2010-11	24
2011-12	23
2012-13 (upto Q3)	16

OIL

As far as Oil India Limited (OIL) is concerned, during the last 5 years (2007-12) and current year upto Q3, 2012-13, OIL has made 35 hydrocarbon discoveries. The details are is as under:

Year	No. of hydrocarbon Discoveries by OIL
2007-08	05
2008-09	04
2009-10	06
2010-11	06
2011-12	07
2012-13 (upto Q3)	07

Private/JV companies

During the last 5 years (2007-08 to 2011-12) and current year 2012-13 (till January, 2013), a total of 98 discoveries (54 oil and 44 gas) have been made by different companies, operating in India under the PSC regime. Out of these, 53 discoveries (29 oil and 24 gas) are made by Central /State PSUs and 45 (25 oil and 20 gas) by Private/Foreign companies under the PSC regime.

The details of oil and gas discoveries made by National Oil Companies **(NOCs)** and Private Companies during the last 5 years and current year under the Production Sharing Contract **(PSC)** regime are as under:-

NUMBER OF DISCOVERY UNDER THE PRODUCTION SHARING CONTRACT (PSC) REGIME IN THE LAST 5 YEARS AND THE CURRENT YEAR

	2007-08		2008-09		2009-10		2010-11		2011-12		2012-13 till, January,2013)		Grand Total	
Operator	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**
PSU														
Gujarat State Petroleum Corporation Ltd.	3	3	10	1	3	2	3	2	1	0	0	0	20	8
Oil and Natural Gas Corporation Ltd.	0	3	1	1	1	0	3	2	0	8	3	2	8	16

Oil India Ltd.	0	0	0	0	0	0	0	0	0	0	1	0	1	0
PSU Total	**3**	**6**	**11**	**2**	**4**	**2**	**6**	**4**	**1**	**8**	**4**	**2**	**29**	**24**
Private														
Essar Oil Ltd.	2	0	0	0	2	0	0	0	0	0	0	0	4	0
Focus Energy Ltd.	0	1	0	2	0	0	0	0	0	0	0	0	0	3
Hindustan Oil Exploration Company Limited.	1	1	0	0	0	0	0	0	0	0	0	0	1	1
INTERLINK PETROLEUM LTD.	0	0	0	0	0	0	1	0	0	0	0	0	1	0
Jubilant Oil & Gas Private Limited.	1	1	0	0	0	2	1	0	0	0	0	0	2	3
Reliance Industries Ltd.	2	6	0	2	3	1	6	0	0	2	0	0	11	11
Private Total	**6**	**9**	**0**	**4**	**5**	**3**	**8**	**0**	**0**	**2**	**0**	**0**	**19**	**18**
Foreign														
Cairn Energy India Pty Ltd.	**2**	**2**	**1**	**0**	**0**	**0**	**1**	**0**	**1**	**0**	**0**	**0**	**5**	**2**
Naftogaz, Russia	0	0	0	0	0	0	1	0	0	0	0	0	1	0
Foreign Total	**2**	**2**	**1**	**0**	**0**	**0**	**2**	**0**	**1**	**0**	**0**	**0**	**6**	**2**
Grand Total	**11**	**17**	**12**	**6**	**9**	**5**	**16**	**4**	**2**	**10**	**4**	**2**	**54**	**44**

1.74 When asked about the reviews held by DGH during the last 5 years to monitor the progress of exploration activities in respect of Petroleum Exploration Licenses held by NOC on nomination basis, the Ministry in a written reply submitted following information:-

"Exploration activities carried out by ONGC & OIL in nomination blocks are reviewed by DGH on a half yearly basis. Final review is made at the end of each financial year, wherein exploration activities carried by the NOCs and their future plans are reviewed. New discoveries, if any, are also presented and discussed during the review meetings. Conversions of Petroleum Exploration Licenses (PEL) to Petroleum Mining Lease (PML), extension of PEL periods, re-grant of Mining Lease and relinquishment of PEL area cases are also discussed. During the last five years, DGH has reviewed the progress of exploration activities in respect of PEL held by NOCs on nomination basis. The details of PEL held by ONGC and OIL under nomination regime are as under:

Year	**ONGC Nomination Blocks**	**OIL Nomination Blocks**
2008-09	91	16
2009-10	79	16
2010-11	61	13
2011-12	40	11
2012-13 (upto 30.09.12)	29	8

1.75 The Committee in their Eighth and Tenth report had recommended that Ministry/DGH should seriously view the underachievement of targets by oil companies and suitable periodical corrective action should be taken to prevent shortfalls. In case of repeated shortfall, some penal action may be taken against the defaulter company.

1.76 On a further query regarding the mechanism available with the Government/DGH to ensure the achievement of projected production levels provision in Production Sharing Contracts, the Ministry has submitted as given below:-

" Under the PSC regime**,** DGH attempts to ensure the achievement of projected production levels provision approved in the Field Development Plans **(FDPs)** of hydrocarbon discoveries and CBM production through technical surveillance and monitoring of the reservoir and production performance of the fields.

DGH periodically reviews the progress of field development and production works under PSC regime in Technical Committee Meetings **(TCMs),** site visits and advises for mid-course corrections, if any. Further, the overall progress is also reported from time to time by the Operators in the Management Committee

Meetings **(MCMs),** and actions, if any, is directed by the Management Committee of the respective blocks. Similar practices are also followed in CBM contracts, wherein TCMs and Steering Committee Meetings **(SCMs)** are held periodically and review of field development and production activities are done."

1.77 On a further query regarding the reasons for non-completion of minimum work programme by ONGC, RIL, OIL, the Ministry informed as given under:-

"Under the Production Sharing Regime(PSC) regime, the blocks are awarded through competitive bidding process. The bids received are evaluated based on several parameters, including biddable Minimum Work Program (MWP). The contractors are required to complete the MWP in the awarded blocks within the timelines specified in the PSC and in accordance with extant Government policies/guidelines on extension.

- Non-completion of MWP is entirely a decision of the contractors.
- In case of non-fulfillment of MWP, the Production Sharing Contracts (PSCs) signed by the Government with the contractors, itself provide for penalty provision i.e. payments of unfinished minimum work program cost by the Contractors (NOCs or Private companies)
- Further it may be noted that the Government does not incur any investment in the PSC blocks."

1.78 When asked as to whether DGH has imposed any penalty for non-completion of the Minimum Work Programme by any company during 2012-2013, following information was submitted by the Ministry:-

"The Production Sharing Contracts **(PSCs)/** Coal Bed Methane **(CBM)** Contracts signed by the Government with the contractors, itself provide for penalty provisions under several conditions like Liquidated Damage **(LD)** payments for unfinished minimum work program, phase extension etc. by the Contractors.

The details of penalties received from several operators under PSC / Coal Bed Methane **(CBM)** contracts during 2012-13 are as under:

Details of Penalty Paid to GoI by the Contractors during 2012-13 under PSC/ CBM Contract Regime		
Sr. No.	**Company Name**	**Amount Paid as Penalty (RsCrore.)**
1	ONGC	92.48
2	OIL	31.03

3	HPCL	5.84
4	BPCL	0.26
5	GAIL	0.86
6	GSPC	0.34
7	RIL	286.46
8	BP Explorations	14.99
9	DART Energy	0.86
10	GeoGlobal Resources	6.42
Total		**439.54**

(f) <u>National Data Repository</u>

1.79 DGH had initiated the process of establishing a National Data Repository which is meant for storing and maintaining the hydrocarbon exploration and production data in a safe and reusable manner for providing access to all the stakeholders.

1.80 Asked by the Committee to give a note on the present status regarding establishment of National Data Repository (NDR) alongwith progress made in 2012-13, the Ministry in its written reply furnished the following:-

> "The re-tendering process of National Data Repository (NDR) project entered into litigation when one of the bidders, M/s Geoleader India filed a writ petition on 21.11.2011. Subsequent to disposal of writ petition by the Honourable High Court of Delhi on 05.07.2012, the NDR Tender Document was re-drafted by DGH so that task of setting up NDR can be entrusted to a competent, technically superior organization with sufficient experience. In addition, vide OIDB's letters dated 25.04.2012, DGH is advised to take over the 5th and 6th floor of OIDB Bhawan and to execute the NDR site preparation works on these floors, on its own.
>
> DGH had also organized Pre-Tender Meetings on 12.10.2012 and on 05.11.2012 with prospective NDR vendors, equipment suppliers and service providers to get feedbacks on the re-drafted tender. Useful suggestions obtained during interactions had been incorporated in the revised draft tender.
>
> A meeting was held under the chairmanship of the Secretary (Petroleum & Natural Gas) on 19.12.2012, where the issues and options relating to appointment of a Project Management Consultant **(PMC)** for the Site Preparation component of National Data Repository (NDR), were discussed and deliberated.

The process of appointment of PMC is in under progress. A proposal to appoint Engineers India Limited **(EIL)** as PMC for NDR Site Preparation Work on nomination basis has been sent by DGH, which is under examination.

Site requirement for NDR

NDR is proposed to be set up on the 5th and 6th floors of OIDB Bhawan over an area of approximately 31,000 square feet (sq. ft.). Site Preparation of 5th floor (16,000 sq. ft.), which essentially includes NDR Data Centre, Work-Stations, a Conference Hall, Data Rooms and Cabins for NDR and DGH staff, is to be undertaken by the selected NDR Contractor. For site preparation of 6th floor (15,000 sq.ft.) which comprises mainly of Physical Asset Libraries, Data Storage Areas, Data View Areas and a Training Centre, a separate open tender will simultaneously be floated for domestic bidders. The decision to include the site preparation of only 5th floor in the main NDR tender has been taken in line with the requirement of NDR Project, as suggested by the prospective bidder in the Pre-tender Meeting, so as to ensure there is no mismatch between the sophisticated requirements of NDR and the actual site preparation.

Present Status

Tender for the NDR project will be floated as soon as the scope of work for Site preparation component of NDR Data Centre is finalized by PMC, after due approval from the competent authority”. Reply to Q11 of pre LOP

(g) ***<u>Production of crude oil & natural gas</u>***

1.81 As regards the targets and actuals of production of crude oil and natural gas in the Country by Public Sector and Private Companies during last three years, the Ministry furnished following in a written reply:-

“ONGC

Year	**Crude Oil Production (MMT)**		**Natural Gas Production (BCM)**	
	Target	**Actual**	**Target**	**Actual**
2009-10	25.76	24.67	22.25	23.11
2010-11	24.95	24.42	22.77	23.09
2011-12	23.74	23.71	23.46	23.32

<u>Note</u> : Above figures are exclusive of production from fields being operated through JVs.

OIL

	2009-10		2010-11		2011-12	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Crude Oil Production (MMT)	3.570	3.572	3.70	3.586	3.76	3.847
Natural Gas Production (BCM)	2.528	2.416	2.621	2.353	2.633	2.633

Private/JV Companies

	2009-10		2010-11		2011-12	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Crude oil production (MMT)	6.624	5.263	8.830	9.682	10.699	10.527
Natural Gas Production(MMSCM)	25.435	21.985	28.195	26.774	25.589	21.609”

(h) ***<u>Production KG-Basin</u>***

1.82 The Ministry was asked to furnish the targets and actual production of oil and gas in the KG basin during last three years by various companies which is given below:-

ONGC

“The details of the target and actual production of crude oil and natural gas in ONGC’s onland area of KG basin (Rajahmundry Asset, Andhra Pradesh) during last three yearsi.e. 2009-10 to 2011-12 are as under:-

Year	Crude Oil Production (MMT)		Natural Gas Production (MMSCM)	
	Target	**Actual**	**Target**	**Actual**
2009-10	0.238	0.303	1400	1479
2010-11	0.282	0.305	1356	1384
2011-12	0.249	0.305	1270	1364

Note : Above figures are exclusive of production from fields being operated through JVs.

Private/JV companies

Under the PSC regime, oil and gas production in Krishna-Godavari basin is currently being realized from Ravva field, operated by M/s Cairn Energy and D1, D3 and MA field in KG-DWN-98/3 (KG-D6) block, operated by M/s Reliance Industries Ltd. The targets and actual production of oil and gas from these fields/blocks during last three years and the current year is as under

(A) Crude Oil Production

Fields/Blocks in KG Basin under PSC regime	2009-10		2010-11		2011-12		2012-13 (till January, 2013)	
	Oil in ('000 tonnes)							
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Ravva (Cairn Energy India Pty Ltd.)	1420.95	1600.43	1381.77	1362.45	1619.92	1340.35	938.17	906.13
KG-DWN-98/3 (KG-D6) (Reliance Industries Ltd.)	776.07	501.70	876.45	1078.49	714.77	681.35	415.22	343.19
Total KG Basin	2197.02	2102.13	2258.23	2440.94	2334.69	2021.70	1353.40	1249.32

(B) Natural Gas Production

Fields / Blocks in KG Basin under PSC regime	**2009-10**		**2010-11**		**2011-12**		**2012-13 (till January, 2013)**	
	Gas InMillion Standard Cubic Meters (MMSCM)							
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Ravva (Cairn Energy India Pty Ltd.)	583	530	464	617	683	633	380	440
KG-DWN-98/3 **(KG-D6)** (Reliance Industries Ltd.)	18234	15106	21684	20400	19539	15611	8475	8453
Total KG Basin	**18816**	**15636**	**22148**	**21017**	**20222**	**16245**	**8855**	**8893**

Note: The above targets are as per the yearly Revised Estimates **(RE)** targets. In case of KG- D6 blcok, if the actual production of oil and gas from D1, D3 and MA fields are compared vis-à-vis the targets approved by the Management Committee **(MC)** in Field Development Plans **(FDPs) ,** there is considerable shortfall , especially in case of gas production from D1 & D3 fields. The details are as under:

D1&D3 Gas Field		
MC Approved Production Profile		**Actual Production**
Time/Date	**Average Gas Production as per AIDP (MMSCMD)**	**Actual Average Gas Produced (MMSCMD)**
Year 1 (2009-10)	27.62	39.31
Year 2 (2010-11)	53.40	48.13
Year 3 (2011-12)	61.88	35.33
Year 4 (2012-13)	80.00	22.27 (up to January, 2013) *13.06 Present production

D26 (MA Field)				
MC Approved Production Profile			**Actual Production**	
Year	Oil rate (BOPD)	Gas rate (MMSCMD)	Oil + Condensate Production (BOPD)	Gas rate (MMSCMD)
Year 1 (2008-09)	20097.7	2.52	5171.01	0.405
Year 2 (2009-10)	34041	6.21	10926.72	2.067
Year 3 (2010-11)	28684.5	8.7	23927.5	7.76
Year 4 (2011-12)	20890	8.5	15481.6	7.325
Year 5 (2012-13)	13562.2	6.73	9418.8 (Till Jan,2013)	5.36 (Till Jan,2013)”

1.83 On being asked about the efforts made by the Government to improve production of gas from KG- Basin D6 block of Reliance Industries, the Ministry submitted following information :-

"Following steps have been taken to increase the gas production from KG-DWN-98/3 (KG-D6) block:

i. The Contractor has been asked to drill, complete and connect more producer wells and undertake appropriate remedial measures to revive the sick wells in D1, D3 and MA fields in this block.
ii. The Contractor's proposal to install compressor at Onshore Terminal to increase gas recovery from D1 & D3 fields has been approved by the Management Committee (MC).
iii. Revised Field Development Plan **(RFDP)** of MA field has been approved by the MC.
iv. The Optimized Field Development Plan (OFDP) of another 4 gas discoveries (D-2,6,19& 22) has been approved by MC.
v. The Declaration of Commerciality (DoC) of gas discovery D-34 has also been approved by MC.

The Contractor has undertaken development activities related to 4 satellite gas discoveries (D2, 6, 19 & 22) and drilling of one gas well in MA field as approved above by the MC. Further, the FDP of D-34 gas discovery has been submitted by the Contractor. Once the above activities are completed, the outcome in terms of increase in gas production will be known."

1.84 When the Committee pointed out that the earlier estimated reserves of natural gas in KG-D-6 field is very substantial and the present operator had achieved the significant higher production of natural gas in the past and the steps taken by the Ministry to rectify the situation, the representative of the Ministry stated as under:

"The position is that as the gas production started going down, we have a technical body, which is called the Director General of Hydrocarbons (DGH), which has technical experts from ONGC, oil companies, etc. So, when the gas production started going down, this matter was looked into and certain suggestions were made for stepping up the gas production. It is under continuous discussion between the Government and the operator. As he was not able to live up to the full commitment of production of gas certain costs were disallowed in the cost recovery formula, and he has gone in arbitration against that decision of the Government and that matter is in arbitration".

1.85 When the Committee asked as to whether British Petroleum (BP) has plans to make investments in KG-D6 field which is presently being operated by Reliance Industries by buying some stakes, the representative of the Ministry replied as under:

"When the British Prime Minister was here, the Chairman of BP was also here when they had made an announcement that they would be considering investment up to US $ 5 billion subject to certain approvals being given to them. What they are saying is that this gas is available, but it is available at deeper

> waters. So, an ultra deep water exploration will have to be done and that is very highly capital intensive. So, it is not that gas is not available. According to them, gas is available, but it is available at ultra deep waters, that is, about four trillion cubic feet of gas. They will invest US $ 5 billion to exploit that four trillion cubic feet of gas which is available at deeper waters for which very sophisticated technology is required which is not easily available in the world. BP claims to have that technology. This is what they have said".

1.86 When the Committee pointed out that when there is already a failure on the part of operator as they could not come up to the expectations and there have been arbitration process, how is the investment in the field justified, the representative of the Ministry stated as under:

> "That is not the case, Sir. The arbitration will carry on simultaneously, while the exploration and the production will carry on. It is not that exploration and production will stop because of the arbitration. Whatever is the final result of the arbitration, it will be applicable to both the parties. But in the meanwhile, the production and development of the fields will continue".

1.87 When the Committee enquired whether the terms and condition of Production Sharing Contract has been met, the representative of the Ministry replied as under:

> "That is not for me to say anything on that. The contract is in black and white. The contract is sacrosanct and both parties have to proceed further as per the terms of the contract. There can be no scope for any deviation from that. The contract between the Government of India and the operator is always sacrosanct. Whoever violates that is subject to penalties and subject to any liabilities that may arise".

1.88 When asked by the Committee to comment on the investment being planned by BP in KG-D6 field as there has been drastic reduction in production of natural gas during the last couple of years, the representative of the Ministry replied as under:

> "Actually, BP has experience in the Gulf of Mexico in producing gas from say, 2000 metres to 3000 metres below the sea level. But they say that their experience in geology and geophysics will help in finding out and appraisal of the gas available there. It is not as if we do not have it. The ONGC is also doing similar work in the adjoining block, but BP is claiming when they are meeting the Ministry's officers and the Prime Minister's Office that they will bring in their technology from Gulf of Mexico experience to be used in the Krishna-Godavari Basin". (pro 19 page 5-8)

C. LIQUEFIED NATURAL GAS

1.89 To meet the demand – supply gap for natural gas , LNG is being imported from various suppliers across the globe. Ex-terminal long-term price of LNG is $11.61/mmbtu (Rs. 30.96/kg) and short-term price of LNG is $16.32/mmbtu (Rs.43.52/kg).

1.90 When asked about the policy for procurement of LNG and the details of various agreements signed for LNG imports, the Ministry, in a written reply submitted the following information:-

> "LNG is being procured under Open General License (OGL) Policy of Government of India. Any entity can import LNG into the country and LNG terminals are required to be set up for import, storage and regasification of LNG. These terminals can be set up by any entity after registration with PNGRB.
>
> As on date, PLL has two long term LNG import agreements – one with RasGas, Qatar for 25 years (2004 to 2028) for 7.5 MMTPA and second with Mobil Australia Resources Limited from Gorgon, Australia for 20 years for 1.44 MMTPA. The supply from Gorgon is likely to commence by early 2015.
>
> PLL has also executed MoU with Gazprom, Russia for sourcing 2.5 MMTPA LNG for their upcoming projects.
>
> PLL has informed that its LNG terminal at Dahej started with an investment of Rs.1900 crores in 2009 and when its capacity was expanded from 5 MMTPA to 10 MMTPA an additional investment of about Rs.1600 crores was done. PLL's terminal at Kochi with 5 MMTPA capacity is mechanically completed at a cost of around Rs.4300 crores. Further, PLL is also planning to set up its third terminal at Gangavaram in the State of Andhra Pradesh with an approximate investment of Rs.5000 crore.
>
> Hazira LNG Private Ltd. (HLPL) procures LNG on spot/short term basis on demand indicated by the end consumers. In the recent past, HLPL has not signed any new long term international agreements/MoUs for procurement of LNG. Total investment made by HLPL (Terminal + port) is Rs.2935 crores.
>
> GAIL has executed two long-term supply agreements with (a) Sabine Pass Liquefaction LLC for supply of 3.5 MMTPA for 20 years from US and (b) Gazprom Marketing and Trading Singapore Pvt. Ltd. for supply of 2.5 MMTPA for 20 years from Russia. The supplies from these projects are expected during the 13th Five Year Plan. Further GAIL has executed three Short/Medium-term agreements with (a) Marubeni Corporation, Japan for supply of 0.25 MMTPA from 2011-2013; (b) GDF Suez LNG for supply of 0.36 MMTPA from 2013-2014; and (c) Gas Natural Fenosa, Spain for supply up to 0.75 MMTPA from 2013-2015."

1.91 When the Committee wanted to know the feasibility of importing LNG in comparison to the import of Natural Gas through pipelines, the Ministry stated as given under:-

> **"**Trading of gas through LNG mode is resorted to when the feasibility for laying pipelines between the supply source and importing country is not feasible for reasons such as geo-political, geographical difficulties etc.
>
> As per report of Economic Commission of Europe, the transportation costs between producer and consumer countries are an important aspect of competitiveness of gas supplies; typical breakeven distances are between 1000 and 2000 nautical miles ie LNG becomes an economic option provided the distance exceeds 2500 Kms. However, the laying of pipeline is justified in case there is no water body between the originating and destination country. However, where there is interconnection between the originating and destination country through water bodies, it is better to resort to LNG mode in view of the geo-political issues related to transnational pipelines.

1.92 On enquiring about the details of proposed LNG terminals in the country including the details of the investments made in these projects and the present status of commissioning of Kochi terminal of LNG:-

> "Details of proposed terminals in India as per 12th -13th Five Year Plan are as under:-

LNG terminal	2012-13	2013-14	2014-15	2015-16	2016-17	13th Plan
Dahej	10.0	12.5	12.5	15	15	15
HLPL Hazira	3.6	5.0	5.0	7.50	10	10
Dabhol	1.2	5	5	5	5	5
Kochi	5.0	5	5	5	5	10
Ennore	0	0	0	5	5	5
Mundra	0	0	0	5	5	10
East Coast	-	-	-	-	5	15
Total Capacity (MMTPA)	19.8	27.5	27.5	42.5	50	70
Total Capacity (MMSCMD)	73	101	101	156	184	258

> PLL has informed that its LNG terminal at Dahej started with an investment of Rs.1900 crores in 2009 and when its capacity was expanded from 5 MMTPA to 10 MMTPA an additional investment of about Rs.1600 crores was done. PLL's terminal at Kochi with 5 MMTPA capacity is mechanically completed at a cost of

around Rs.4300 crores. Further, PLL is also planning to set up its third terminal at Gangavaram in the State of Andhra Pradesh with an approximate investment of Rs.5000 crore.

PLL's Kochi terminal is mechanically completed and PLL is planning to commission it shortly. The reasons for delay include local labour issues and delay by contractors. However, the Kochi terminal was expected to be connected to demand centres at Kayamkulam, Bangalore and Mangalore. GAIL(India) Ltd. is laying Kochi-Kottanad-Mangalore-Banglaore pipeline and phase-I has been completed in November 2012.

Details of total investment made by GSPC LNG Ltd. a subsidiary of GSPCL, for setting up 5 MMTPA terminal at Mundra in Gujarat is as given below:

Year	**Investment in LNG terminal (Rs. Crores)**
2009-10	33.43
2010-11	25.75
2011-12	10.45
Total	69.63

1.93 The Ministry has informed that PLL has signed an agreement for supply of 1.44 MMTPA of LNG from Gorgon project in Australia for supplies to Kochi LNG Terminal. The Gorgon liquefaction plant is under construction and likely to commission by 2015. The price under Gorgon LNG agreement is linked to JCC with a slope in the range of 14% -15% FOB for a period of 20 years. The price of LNG is linked to JCC and the entire quantity has been sold by PLL to its Offtakers i.e. GAIL, IOCL, BPCL on back to back basis.

1.94 Regarding the LNG terminal at Kochi, the Committee enquired as to whether the forward linkages such as the prospective buyers, infrastructure for transportation of the Gas are ready for the supply of regasified LNG from Kochi project in the country, the Ministry submitted following information:-

"PLL is working on a model where the gas infrastructure and sales to prospective end consumers from its Kochi terminal will be done by its Offtakers viz., GAIL(India) Limited, IOCL and BPCL. GAIL laying the Kochi-Kottanad-Mangalore-Bangalore pipeline of gas pipeline. The phase-I project has been completed by GAIL in November 2012. The gas will be supplied to the customers in and around Kochi as and when terminal is commissioned. The phase-II of pipeline is under execution.

The details of the potential customers on Kochi-koottanad-Mangalore-Bangalore Pipeline (KKMBPL) considered for Phase-I and Phase-II. Details of the customers with whom the Gas Transmission Agreements have been executed are as under:

Sl. No.	Customer	Volume (MMSCMD)	Phase
1	Tata Ceramics Limited, Kochi	0.01	Phase-I
2	NITTA GELATIN , Kochi	0.01	Phase-I
3	HOCL, Kochi	0.07	Phase-I
4	Mangalore Chemicals &Fertilisers Ltd., Mangalore	0.75	phase-II
5	Sud Chemie (India) Pvt. Ltd., Kochi	0.01	phase-I
6	Roca Bathroom Products Pvt. Ltd., Erode	0.02	Phase-II
7	BPCL, Kochi	0.60	Phase-I
8	KIOCL, Mangalore	0.14	Phase-II
9	WFB Baird & Company, Kochi	0.00	Phase-I
10	Malaya Rub-Tech Industries Ltd, Kochi	0.00	Phase-I
	Total	1.60	

Further it is to inform by GAIL that it had mechanically completed KKMBPL pipeline (Phase-I) of approx. 40 Km for supply and transport of gas in and around Kochi awaiting commissioning in synchronization with PLL Regas terminal. Phase-II of the KKMBPL pipeline from FACT to Mangalore and Bangalore is getting delayed due to RoUhindrances .”

D. GAS PIPELINE INFRASTRUCTURE

1.95 The projected demands of Natural Gas along with the demand supply gap is as under:-

(in MMSCMD)

YEAR	2012-13	2013-14
Demand	293	371
Dom. Prod. Projection	118	114
Dom. Availability	98	94
GAP1	195	277

1.96 At present, the supply of regasified LNG stands at 53 MMSCMD only. The shortage of availability of Natural Gas has led to the incomplete utilization of available capacity of Gas Pipelines infrastructure in the country.

1.97 When asked about the capacity utilization of various Gas Pipelines that are available in the country and the reasons for under utilization, the Ministry furnished the following reply:-

<u>As per information furnished by PNGRB the pipeline wise capacity utilization of various existing pipelines in the country are as under:</u>

S. No.	Name of the Natural Gas Pipeline	% Capacity Utilization*
1	Hazira-Vijaipur-Jagdishpur -GREP-Dahej-Vijaipur	54.27%
2	Dahej-Vijaipur (DVPL)-Vijaipur-Dadri (GREP) Upgradation	
3	Uran-Trombay	64.67%
4	Dahej-Uran-Panvel-Dhabhol	72.66%
5	Agartala regional network	69.00%
6	Mumbai regional network	86.84%
7	Assam regional network	27.20%
8	K.G. Basin network	55.14%
9	Gujarat regional network	17.57%
10	Cauvery Basin network	33.83%
11	EWPL (Kakinada-Hyderabad-Uran-Ahmedabad)	42.35%
12	GSPL's High Pressure Gujarat Gas Grid network	66.51%
13	GSPL's Low Pressure Gujarat Gas Grid network	
14	Hazira-Ankleshwar#	37% (#)
15	Dadri-Panipat	28.25%
16	AGCL's Assam regional network	23.13%
17	Uran-Taloja#	38% (#)
18	Dadri-Bawana-Nangal	3.61%
19	Chhainsa-Jhajjar-Hissar	1.91%

Note:
* Information as for July-September 2012
# Information as for FY-2011-2012
Due to the following reasons the full capacity of these pipelines are not utilized:
1. Non availability of gas.

2. Delay in commissioning of plants which have been considered as anchor load customers while designing the pipeline.

1.98 Asked as to whether the operators of the gas pipelines can levy charges even if the gas is not used or drawn by the consumers, the Ministry submitted following information:-

> "The levy charges by transporter (operator of the gas pipelines) even if the gas is not used or drawn by the shipper (consumer) is governed by respective Gas Transmission Agreement (GTA) executed between transporter and shipper for booking of capacity on natural gas pipeline system. GAIL has a 95% ship or pay provision."

1.99 When asked as to whether the assessment of availability of natural gas required for operations of a project is done prior to commissioning, the CMD GAIL informed as under:-

> "As regards the first question about the shortage of gas, as per the legal assessment, when these pipelines are conceived and the ground is selected, we see the projection for the next five to ten years. Depending upon the projection, the pipeline route is selected and the capacity is decided. They are highly capital intensive. So, a futuristic view has to be taken once the site of the pipeline is decided. As far as domestic gas is concerned, when the Reliance Gas was discovered, the gas was allocated up to 80 million standard cubic metres. It has come down to 16 million cubic metres. Practically it has dropped down from 80 to 16. The Panna-Mukta-Tapti which was 70 million has come down to seven million. This is just an example that I am giving to show that this is how the gas production domestically has reduced. It is a joint venture of Reliance, ONGC and British Gas which was producing 70 million and it has come down to seven million. This put together has reduced the gas supply from the domestic market and almost 70 million gas has dropped. That is the major reason for shortage of gas. "

1.100 On being asked as to whether GAIL has initiated any efforts to expand the Piped Gas Network in the Southern and North-Eastern regions of the country, The Ministry apprised as given below:-

> "Piped Natural Gas (PNG) forms part of the City Gas Distribution (CGD) network. PNGRB has envisaged a phased roll out plan of CGD network development in several Geographical Areas (GAs) covering more than 300 cities/towns in various States, including Southern and North-Eastern States. As requested by various State Governments, PNGRB has been considering the entire districts as GAs for inclusion in the bidding rounds for grant of authorization to develop CGD

networks. Depending on the natural gas pipeline connectivity/natural gas availability, PNGRB includes these GAs in a phased manner in the bidding rounds for grant of authorization to develop CGD networks. In view of the representations received from various entities regarding irrational bidding during 3rd round of CGD bidding, PNGRB has undertaken the process of review of bidding criteria before proceeding ahead with further rounds of bidding for grant of authorization to develop CGD networks. This process is at the final stages of completion and the Board is expected to notify the amendment Regulations and commence CGD bidding process soon. The authorized entities would then supply PNG in the respective authorized areas as part of CGD network development.'

E. <u>DIVERSION OF APM GAS</u>

1.101 As per the gas allocation priority domestic gas allocation to various sectors based on priority is to fertilizers (urea), LPG plants, power sectors, CGD and then to others. When asked as to whether any APM gas has been used by the fertilizer companies to manufacture non-fertilizer products leading to the under-recoveries in the gas pool account, The Ministry informed as given under:-

"On the directions of the Ministry of Petroleum and Natural Gas vide its letter dated 20.10.2009, GAIL had raised debit notes on the concerned fertilizer units viz., GNFC, RCF and Deepak Fertilizers for recovery of market price on the quantity of APM gas used for non-fertilizer purpose based on self-certified quantities provided by the said units and has also been able to recover the dues for the period post 1.1.2009.

GAIL has also taken up the matter with Deptt. of Fertilizers vide letters dated 17.10.2011, 03.02.2012 and 21.02.2013 *inter-alia* requesting DoF for confirming that the quantities for the period 01.01.2009 onwards as self-certified by the concerned fertilizer units are final. In this regard, it may please be noted that information as requested through aforesaid GAIL's letter is still pending. Recently in a meeting held at Secretary level between MoPNG & Department of Fertilizers, the Deptt of Fertilizer has informed that they shall be providing the necessary details based on which further recoveries shall be made, if required."

1.102 Asked as to whether any APM gas being supplied by GAIL has been used by customers who generated and supplied electricity to their consumers at commercial rates and whether such customers have been asked to compensate from the subsidies received by them through APM gas supply, the Ministry provided following information:-

"GAIL supplies APM gas to the consumers who are generating Power as per allocations made by GLC/MoPNG. Due to an interpretation issue of Govt. order between GAIL & MoP&NG, Seven Power consumers namely M/s MMS Steel, M/s Sai regency, M/s Arkay Energy (Rameswarm) Ltd, M/s Coromandel Electric Co. Ltd, M/s OPG Energy Pvt. Ltd, M/s Saheli Exports Pvt. Ltd. and M/s Kaveri gas Power Ltd in Tamil Nadu &two Power consumers namely /s Andhra Pradesh Gas Power Corpn. Ltd (APGPCL) and M/s Andhra Fuels Private Limited (AFL) in Andhra Pradesh were getting gas at APM rate and the power produced is sold at market rate/captive power/own shareholders etc. However, since 16.11.2011, once clarity was reached, gas is being charged at market price and debit notes for the price differential for the past have also been raised.

MoP&NG vide letter No.L-12015/2/05-GP dated 27.6.2006 clarified the following:

APM gas price would be applicable for only those quantities of gas which are used for generating electricity which is supplied to the grid for distribution to the consumers through the public utilities / licensed companies"

In this regard, GAIL from time to time conveyed to MoPNG regarding the grouping of power sector APM gas consumers in Cauvery Basin into the following categories:

A. State Electricity Boards & Govt. Company generating power for supply to Grid for distribution to consumers.

B. Private Companies generating power and selling to State Board as IPP

C. Consumers generating electricity for captive consumption without supplying to the Grid

D. Consumers who are generating electricity and supplying to various consumers using wheeling arrangement with state electricity board.

Through various letters, it was also brought out that consumers under Category 'D' are supplying power either through cable or through grid to other consumers at tariffs commercially agreed between them by paying applicable wheeling charges to concerned transmission entities and MoPNG was accordingly requested to clarify the applicability of APM price.

MoPNG vide letter no. L-12015/6/2011-GP dated 14.09.2011 has only intimated that the conditions mentioned in the MoPNG letter dated 27.06.2006 for supply of APM Gas to Power consumers is unambiguous and GAIL needs to follow the same. Subsequently, GAIL vide its letter dated 28.09.2011 has again sought the clarification from MoPNG on the matter. Subsequently, MoPNG vide its letter no L-1313/5/2011-GP dated 17.11.2011 has asked to confirm the recovery of dues from the relevant customers.

Subsequent to MoPNG letter dated 17.11.2011, GAIL w.e.f 16.11.2011 is invoicing at applicable market price to the relevant 7 Cauvery Basin Power consumers (Tamil Nadu) for which consumers are paying the same. GAIL has also raised debit notes for the difference of Gas price for the period 01.07.2005 to 15.11.2011. However, consumers have approached court and simultaneously have invoked arbitration against the action taken by GAIL and the matter is now sub-judice.

With Regard to M/S APGPCL a debit note for the difference of Gas price for the past period from 01.07.2005 to 31.12.2012 was raised. Subsequently M/s APGPCL has approached Hon'ble Delhi High court against the action taken by GAIL. The Hon'ble Court has granted stay on the GAIL's communication till next date of hearing. Accordingly, at present the gas price is being charged at APM rate based on the interim court order. The next date of hearing fixed in the matter is 08.05.2013.

Further a debit note for the difference of Gas price was raised on AFL for the past period from 01.07.2005 to 15.02.2013. AFL has also approached Hon'ble Delhi High against the action taken by GAIL. Consequently, the matter was heard on 06.03.2013 and operation GAIL's letter was stayed till next date of hearing. In view of above, at present Gas price is being charged at APM rate till further Court orders.

GAIL is taking all required action to recover the dues from concerned power producer. It is pertinent to note that CAG in its report has appreciated the corrective action taken by Ministry/GAIL."

F. UTILISATION OF BUDGET BY VARIOUS OIL PSUS

1.103 The quarterly expenditure of the budget outlay for the year 2012-13 by various oil PSUs as furnished by th Ministry is given under: (

Plan Outlay for 2012-13 and Quarterly expenditure by Oil PSUs during 2012-13

(Rs. in crore)

Companies	**2012-13**		**Quarter-wise Expenditure during 2012-13**			
	2012-13 Budget Estimate	2012-13 Revised Estimate	1st Quarter (April-June'12)	2nd Quarter (July to Sept.'12)	3rd Quarter (Oct. to Dec.'12)	Total (April-Dec.'12)
1	2	3	4	5	6	7
OVL	7909.90	13140.00	1703.11	1282.98	1480.55	4466.64
ONGC	33065.31	33577.00	6691.38	6066.02	8007.48	20764.88
OIL	3378.29	3069.52	477.10	582.59	696.23	1755.92

GAIL	9447.27	6738.77	1369.14	1403.68	1412.30	4185.12
IOCL	10000.00	10000.00	2197.62	2346.19	2206.97	6750.78
HPCL	3467.43	3354.00	926.62	368.78	291.31	1586.71
BPCL	4479.00	3546.00	500.93	869.81	984.34	2355.08
MRPL	6817.00	2847.47	459.04	543.64	514.63	1517.31
CPCL	785.68	279.38	53.28	89.71	59.97	202.96
NRL	272.00	225.00	36.14	25.12	35.34	96.60
BALMER LAWRIE	55.00	55.00	9.45	4.87	23.73	38.05
BIECCO LAWRIE	8.00	8.00	0.00	0.00	0.00	0.00
TOTAL (IE&BR)	**79684.88**	**76840.14**	**14423.81**	**13583.39**	**15712.85**	**43720.05**

BPCL

1.104 The details of the year-wise outlays and actual expenditure by BPCL are as follows:

Rs. in crore

Year	BE	RE	Actual
2010-11	3022.00	2814.31	2283.15
2011-12	2865.15	2199.00	1565.97
2012-13	4479.00	3546.00	2426.33 (upto Dec.2012)
2013-14	4747.74 (proposed)		

1.105 Asked about the reasons for the under utilization of Budget Estimates of current year and for proposal of high budget estimates for 2013-14, the Ministry furnished following information:

> "BPCL has reported that against a revised estimate (RE) 2012-13 on plan allocations, the expenditure incurred up to Feb. 2013 (provisional) is Rs. 2836.39 crores. The lower expenditure is mainly due to new pipeline projects that could not take off due to delay in PNGRB clearance, and also due to delay in land acquisition on account of litigations filed by land owners. The environment clearance for major

project 'Integrated Refinery Expansion Project' (IREP) at Kochi refinery with an approved project cost of Rs. 14225 crores was received in November 2012".

1.106 On a further query regarding proposal of high budget estimates for 2013-14 in comparison to the revised estimates and actual expenditure of 2012-13, the Ministry furnished following information:

"During the year 2013-2014, the budget estimates proposed by the BPCL was Rs.4501.00 crores. However, in order to enhance investments and growth of the Indian economy, the Planning Commission decided to raise the budget estimate to Rs.4747.74 crores. It is expected that the PSU will increase their work programme suitably to achieve the budget estimate of 2013-2014. It is anticipated that higher expenditure during 2013-14 would be incurred on major projects under refinery & marketing viz., IREP at Kochi refinery as environment clearance has been received and other pipeline line projects".

HPCL

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

Rs. in crore

Year	BE	RE	Actual
2010-11	3924.00	4685.00	3099.93
2011-12	4003.00	2828.35	2584.88
2012-13	3467.43	3354.00	1659.04 (upto Dec.'12)
2013-14	4081.44		

1.107 The actual expenditure of HPCL for 2012-13 is only 49.46% of revised estimates (RE) and 47.84% of base estimates (BE) up to the end of the last quarter of FY 2012-13. Asked about the reasons for under-utilization of the budget outlay, the Ministry submitted following information:

"The main reason for non-utilsation in plan expenditure upto Dec.2012 by HPCL are:

(a) Slow progress of Diesel Hydro Treater Projects at both Mumbai & Visakhapatnam Refineries vis a vis Revised Project Schedule;

(b) Payment against cash calls on E&P Blocks and equity contribution to our JVC, HPCL Mittal Energy Ltd. (HMEL) due in last quarter;

(c) Liquidity crunch due to delayed compensation towards under-recoveries"

GAIL

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

Rs. in crore

Year	BE	RE	Actual
2010-11	5510.00	5765.00	3892.78
2011-12	5150.00	6878.96	6752.84
2012-13	9447.27	6738.77	4185.14 (upto Dec'12)
2013-14	7511.50		

1.108 Asked about the reasons for downward revision of BE of Rs.9447 crore to RE of Rs. 4185 crore for 2012-2013, the Ministry furnished following information:

"GAIL has reported that some pipelines have been deferred to future years so as to ensure that the assets created are not Non-Performing Asset (NPA). Further, GAIL is phasing the pipeline construction with the customer readiness and gas availability. However, in some cases GAIL is facing major delays in getting Right of Use (RoU) and permanent land acquisition. This has severely affected the progress of Kochi-Bangalore pipeline in the State of Kerala and Tamil Nadu.

The reduction in Petrochemical Capex is primarily due to the fact that the payment are being made in line with the actual delivery of the equipment without affecting overall project completion schedule.

Capex for Business Development (BD)-Merger & Acquisition (M&A) projects has been kept low since there is no concrete proposal at this stage. However, in case an attractive opportunity is available, the required funds will be mobilized".

G. COST ESCALATION IN VARIOUS PROJECTS

1.109 The Committee was concerned about the Cost Escalation in different projects undertaken by various PSUs. It has been informed by the Ministry that there are 10 projects costing above Rs.1000 crore where cost escalation has occurred including 8 projects of ONGC and one each of BPCL & IOCL. Some of the projects including the 'Mumbai high South redevelopment project of ONGC, development of cluster-7 field at Mumbai offshore (ONGC), Integrated Development of G-1 and GS-15 (ONGC), Hydrocracker Revamp and Setting up new continuous Catalytic Regeneration Reformer (BPCL) have undergone cost escalation of more than 30% .

1.110 Asked about the reasons for escalation in projects cost while being executed, the representative of the Ministry during the course of oral evidence replied the following:

> "Normally, when we make an estimate for a project and sanction it, at the time of sanction, the cost is calculated at the current prices which are prevailing at that point in time. There is also a cost which is known as the completion cost, the cost when the project is completed. The estimate at the time of sanction is the estimate which is costed on current prices. The escalation that is going to take place during the course of implementation of the project is not built into that sanctioned cost. There is a completion cost when the project is completed. If the project is completed on time, then the problem does not arise. If the project is delayed, then because of inflation the completion cost keeps going up and there will be cost escalation.
>
> The point is very pertinent and valid that the cost escalation should not be tolerated and the responsibility should be fixed on cost escalation and wherever there is any cost escalation, which is unacceptable, when somebody must be held accountable. One of the reasons is, inflation takes place during the course of implementation. That is why when the prices increase, the cost also increases. But the question is, why is the time for implementation is increasing because of the delays? That is why the implementation machinery faces a problem. Sometime there is environment clearance delay, sometimes there is local resistance because some land belonging to the local people has been acquired. Those are the kinds of factors that come into play". (pro-25 page 13)

1.111 When asked to explain causes for delay in execution of strategic storage caverns which has led to cost escalation of the project, the MD, ISPRL replied as under during the oral evidence:

> "There are three projects about which I will explain the main reasons for the delay. Vizag project was going on very beautifully until April, 2011 when we had a major rock-slide. It was a geological problem because of which we had to take up major repairs in the cavern and that has delayed the project at Visakhapatnam. Normally, these cavern projects take about seven to eight years. Although we were given six years in the beginning, we did national record in excavation and despite that, it has taken us time.
>
> In the case of Mangalore project, the land was given to us only in 2009 whereas we should have had the land with us somewhere in 2006. If we had land in 2006, we could have completed the project by 2012, but that did not happen.
>
> At Padur also, we got the land in May, 2010. We started the actual physical work in May, 2010. Despite that, today we have achieved a progress of almost 75 per cent, which is creditable by even international standards, not just national. Nationally, we did not have a project like this".

1.112 Asked as to whether any approval is being taken for revision of cost of the project in case the cost escalation happens, the Secretary MoPNG stated as given below:-

> "In the course of implementation of a project, if normal inflation of 5-6 per cent is taking place, that is approved automatically and no separate approval is required. Similarly, during the course of implementation of a project, if there is any change in taxes, statutory duties and levies, no separate approval is required because there could be escalation on account of increase in taxes. Thirdly, if there is an imported content in the project, because of exchange rate fluctuations, there could be change in the cost of the project and no separate approval is required. The Ministry is competent to approve it.
>
> It is only any escalation, which happens after taking into account these three factors, which is considered to be cost escalation. Whenever there is an escalation up to 10 per cent, the Minister in the Ministry can approve, but beyond that, it has to go to the Cabinet Committee on Economic Affairs. Prior to going to CCEA, there is a Standing Committee which is chaired by the AS&FA which has to give report about the reasons for time and cost over-runs and who is responsible. A detailed report is prepared and then, it is placed in the CCEA. All efforts are made to fix accountability and to understand the reasons why this is happening. So, it is not that it is automatically being passed.
>
> ......there is a system of scrutiny and due diligence and cost escalation is treated quite seriously. Sometimes, strictures are passed and sometimes, adverse reports are given and sometimes, action is taken. It is not something that is accepted easily, especially when we are going right up to the CCEA or whichever Cabinet Committee is involved".

H. <u>CSR INITIATIVES BY OIL PSUs</u>

1.113 When asked about the minimum percentage of profitability that needs to be spent on social welfare activities by the various PSUs under the corporate social responsibility and the details of the money spent on CSR activities by various oil PSUs during last three years the Ministry furnished following information :-

> **"ONGC**
>
> As per existing guidelines of DPE provision of 0.5 % to 2 % of PAT (Profit After Tax) of previous year is to be kept for CSR budget. ONGC kept budget for CSR as 2 % of it's PAT for previous year since 2009-10.
>
> Money spent during past three years on CSR activity is as under:
>
> 2010-11: Rs 219.03 Crores
> 2011-12: Rs 121.08 Crores
> 2012-13: Rs 59.85 Crores (up to 31st January '13)

OIL

The details of the CSR expenditure by Oil India Limited during the last three years are as under:

Year	CSR Expenditure (Rs/ rores)	% age of PAT
2009-10	24.12	0.92%
2010-11	29.40	1.01%
2011-12	50.19	1.45%

OVL

OVL, being operating overseas, understands its responsibility to contribute to the communities and economies of the countries in which it operates. CSR Guidelines of OVL have been approved by OVL board in its 358th meeting held on 20.05.2011. OVL works in most of the ventures with partners abroad and the CSR activities are generally carried out by the operators / consortium partners according to relevant agreements and prevailing practices in the host country.

Keeping in view the CSR guidelines issued by DPE, OVL has framed CSR Policy for achieving the CSR objectives in all its overseas Projects / Assets. A budget of 0.5% of previous year's Profit After Tax (PAT) or target as per MOU with ONGC, whichever is higher is allocated towards CSR every year. OVL's expenditure on CSR for the last three years is given as under:

DETAILS OF CSR EXPENDITURE BY OVL				
SR. NO	PARTICULAR	FINANCIAL YEARS		
		2009-10	2010-11	2011-12
1	CSR Expenditure (in US$ Million)	5.11	3.56	5.00
2	Average Exchange Rate for the year	47.4433	45.5525	47.8842
3	CSR Expenditure (in Rs. Crore)	24.258	16.221	23.942
4	Profit After Tax (PAT) for previous year (in Rs. Crore)	2,806.701	2,089.576	2,690.545
5	Percentage of CSR over PAT of Previous Year	0.86%	0.78%	0.89%

Balmer Lawrie& Company Limited (BL)

2009-10 - 100.99 lakhs
2010-11 - 131.21 lakhs
2011-12 - 300.00 lakhs

Biecco Lawrie Limited (BLL):- Due to company's poor financial health, the company could spend only Rs.1.11 Lakhs in 2010-11. In 2011-12 the company did not provide for any CSR budget and the company was exempted by MOU Task Force to set any target on CSR.

GAIL

2009-10	Rs.46.97 crores
2010-11	Rs.51.35 crores
2011-12	Rs.54.52 crores

Hindustan Petroleum Corporation Limited (HPCL)

As per the DPE guidelines, 2% of Profit After Tax of the previous year needs to be spent on CSR. HPCL's CSR expenditure during last 3 years is as given below:-

Year	2009-10	2010-11	2011-12
CSR Expenditure (Rs. Crores)	13.84	20.11	26.54

Bharat Petroleum Corporation Limited (BPCL)

In line with DPE guidelines, BPCL has been incurring an expenditure of 0.5% of the profit in the previous year on Corporate Social Responsibility (CSR) activities. The details of expenditure incurred on CSR activities during the past three years are as follows:-

Year	2009-10	2010-11	2011-12
CSR Expenditure (Rs. Crores)	14.12	18.23	7.76

Indian Oil Corporation Limited (IOCL):

IOCL has an avowed policy to allocate up to 2.0% of its retained profits of previous year towards Corporate Social Responsibility activities. IOCL's CSR allocation and expenditure during the last 3 years are as under:

Year	2009-10	2010-11	2011-12
CSR Expenditure (Rs. Crores)	46.8	128.4	82.7

I. ONGC PETRO ADDITIONS LTD. (OPAL)

1.114 ONGC Petro additions Limited (OPaL) is a Joint Venture Company of ONGC, GAIL and GSPC. OPaL is implementing a grass root integrated petrochemical complex located in Special Economic Zone (SEZ) at Dahej, Gujarat to produce maximum polymer grade Ethylene and Propylene as Petrochemical Feedstock to its downstream basic polymer units. The complex with Offsite & Utilities, Captive Power Plant and other infrastructure facilities and 1.1 MMTPA Ethylene cracker would be one of the largest in its kind in the country.

1.115 The current promoters of OPaL are ONGC, GAIL, GSPC and balance stake is to be raised from Strategic / Financial investors and through IPO. Total investment in the project till 28.02.13 is Rs. 13,015.53 crore and has been funded out of Equity contribution of Rs. 1,633.79 crore and Debt of Rs. 11,381.74 crore.

1.116 The scheduled completion, as per the Board approval of OPaL and main promoters - ONGC and GAIL, is January 2014. Presently the progress is 76% and OPaL is rigorously monitoring the progress to achieve the target commissioning date of January 2014."

1.117 When asked about the present status of ONGC Petro additions ltd. (OPal) and the reasons for delay in the commissioning of the projects, the Ministry furnished following information:-

> "**Approved Project Cost and Completion**: Project cost approved by OPaL Board in March 2012 and subsequently by ONGC and GAIL Boards is Rs 21,396 crore as with scheduled commissioning in January, 2014.
>
> **Status of the Project:**

- Overall progress: 76 % of the project work completed as on 28.02.13
- Land for the project (503 Ha) already acquired. All project related clearances/ approvals and environmental clearance obtained. Project is in advanced stage of implementation;
- All the work packages for the Project have been already awarded and are under execution.
- **Project Debt**: Debt closure achieved for Rupee term loan of Rs 15,000 crore, and loan agreement executed with a consortium of Indian Banks.
- **Equity closure**: As on date about 42 % of equity is tied. SBI, the lead banker for the project, has shown interest to pick up upto 5 % equity in the project. About 25% of the equity shall be through Strategic Partners/ Investors for which OPaL has engaged Consultant - Ernst & Young as advisor cum arranger of equity though Strategic partner/ Investors. The balance equity shall be through IPO.

1.118 Asked as to whether the delay in project has caused other connected units to suffer, the Secretary, MoPNG informed as under:-

"There are two establishments which are being set up by ONGC in Dahej based on the gas which they are getting at the terminal. One is C2-C3 plant. Another is OPAL, ONGC Petro Additions Limited. That OPAL is being set up and it is a big project running into more than Rs. 20,000 crore. It is going to produce petrochemicals. C2-C3 is the plant which will be providing the feedstock to OPAL. It will be separating higher fractions and giving it to OPAL and returning the gas back to the pipeline. C2-C3 is ready while OPAL has somehow been delayed. So, it has been mothballed and kept filled with an inert gas so that when the time comes,we should be able to operate it.

The plant is ready. It can be run with a notice of three to four months. OPAL is getting ready. Hopefully, the whole thing will come into full operation in October, 2013. ONGC has spent and has kept the plant in that position. ONGC is setting up OPAL also. In case of OPAL, in fact, there has been some delay, time and cost overrun, but according to the revised plan, it is October, 2013."

1.119 When the Committee wanted to know that since the PSUs have invested Rs. 21,000 crore on this project, whether gas has been allocated by the Government as a part of priority over fertilizer, power and steel, the representative of the Ministry replied the following:-

" It is not part of the priority. That is the problem. If we need to give them gas allocation, then we have to go beyond the priority because the first priority is the fertilizer, the second is LPG and the third is power. Petrochemicals come lower down. Now, the fact is that there is a problem of gas linkage for this project and without gas, this investment really becomes unviable investment. If it is based on LNG, then again it becomes unviable because the price of LNG is much higher.

So, this is a serious problem that we are facing Presently we are trying to see how to solve this problem. There may be some solution available because they also have C2C3 plants adjacent to the OPaL plant.

......The ONGC has got it. The transfer of the gas, there is shrinkage. So, we are working on that. We are trying to figure out what best solution we can find.

........When this plant was conceived there was long term Ras gas available and there were some higher fractions which were part of that, which were supposed to be from the trains. That is still there but higher fractions are not available.

J. <u>OIL INDUSTRY DEVELOPMENT BOARD</u>

1.120 Oil Industry Development Board was established in 1975 under the Oil Industry (Development) act 1974 for development of oil industry when the need of progressive self-reliance in the petroleum and petroleum based raw materials assumed greater importance. The functions of the board involve rendering financial assistance to the promotion of all such activities as are, in its opinion conducive to the development of the oil industry. The financial assistance is extended by way of loans and grants for activities such as prospecting, refining, processing, transportation, storage, handling and marketing of mineral oil, production and marketing of oil products and production of fertilizers and chemicals.

1.121 The funds required by the board are made available by the Central Government after due appropriation by the Parliament from the proceeds of the cess levied and collected on indigenous crude oil. Since inception and upto 31st December 2012, the Central Government has collected more than Rs. 1,14,986 rore (provisional) as cess. Out of this , OIDB has received only an amount of Rs. 902 crores only since inception and only upto 1991-92. Expected annual cess collection in 2012-13 is Rs. 14600 crore, as compared to the actual collection of Rs. 8065 crore in 2011-12 due to increase in the rate of cess from Rs. 2500/ton to Rs. 4500/ ton of crude oil effected on 17th March 2012. OIDB funds the requirements of DGH, OISD, PPAC, CHT and PCRA through grants in aid, apart from RGIPT and equity investments in ISPRL.

1.122 The main source of revenue for OIDB is in the form of interest earned on loans given to oil companies, repayment of principal by oil companies and sale of data by DGH (occasionally). OIDB has not received any grant from Central Government since 1991-92 and the OIDB corpus has been built up on above basis. The demands for financial assistance raised by oil sector companies have far exceeded the availability of funds with OIDB. The following chart indicates the demand raised by oil industry and the amount sanctioned by OIDB:

Rs. in crore (approx.)

Sl. No.	Financial Year	Demand raised by oil industry	Loan sanctioned by Board of OIDB
1.	2011-12	14552	1888
2.	2012-13	11469	2817
3.	2013-14	12319	2000

1.123 The future requirements of OIDB include the ISPRL's requirement of additional Rs. 1500 crore based on the revised cost estimates. Recurring O& M costs for these cavern would be about Rs. 138 crore per annum.Annual differential royalty payments of about Rs. 100 crore-140 crore a year. Rs. 300 crorehave been earmarked for National Gas Hydrate Programme for 2013-14. Rs. 1000 crore may be needed for contribution to the India Energy pool for reinsurance needs of the refineries, as per Government decision.

K. REFINING

1.124 The total refining capacity of the country is 215.06 MMT out of which 120.06 is in public sector, 15 MMT in joint ventures and the remaining 80 MMT is with private sector.The details of Gross Refinery Margins and Fuel Loss suffered by various public sector refineries for the last three years as furnished by the Ministry of Petroleum and Natural Gas isas under:-

Table:5 Gross Refining Margins (GRM) of Refineries

						$/bbl.
Company	Refinery	2008-09	2009-10	2010-11	2011-12	Upto Q3, 2012-13
PSU Refineries						
IOC	Barauni	0.83	3.57	3.91	0.39	1.38
	Gujarat	5.22	3.91	6.42	5.07	5.36
	Haldia	0.24	5.42	4.03	2.38	-1.00
	Mathura	5.19	5.62	7.40	0.59	-2.20
	Panipat	2.31	3.35	5.68	4.39	2.54
	Guwahati	18.23	7.44	10.01	11.94	7.56
	Digboi	26.46	18.61	16.98	14.85	19.47
	Bongaigaon	4.70	5.23	5.23	6.25	3.55
	Average	3.69	4.47	5.95	3.63	2.22
BPC	Kochi	6.27	4.87	4.83	3.20	5.28
	Mumbai	4.48	1.78	4.23	3.12	4.13
	Average	5.17	2.97	4.47	3.16	4.63
HPC	Mumbai	6.11	2.80	4.65	2.82	0.79
	Visakh	2.42	2.59	5.81	2.95	2.13
	Average	3.97	2.68	5.30	2.89	1.46
CPCL	Chennai	1.22	4.75	5.02	4.16	1.07
MRPL	Mangalore	5.33	5.46	5.96	5.60	2.60
NRL	Numaligarh	14.43	11.19	15.39	11.97	7.05

Indian Refineries - Published results/ information provided by the Oil companies

Fuel & Loss during 2009-10 to 2012-13(P)(Apr-Nov)

Sr. No.	COMPANY	REFINERY	2009-10			2010-11			2011-12			2012-13(P) (Apr-Nov)		
			T'put (Million tonne)	Fuel & Loss Qty (Million tonne)	Fuel & Loss %	T'put (Million tonne)	Fuel & Loss Qty (Million tonne)	Fuel & Loss %	T'put (Million tonne)	Fuel & Loss Qty (Million tonne)	Fuel & Loss %	T'put (Million tonne)	Fuel & Loss Qty (Million tonne)	Fuel & Loss %
1	IOCL	BARAUNI	6.2	0.5		6.2	0.5	8.8	5.7	0.5	9.4	4.3	0.4	9.1
2		GUJARAT	13.2	0.9	7.1	13.6	1.1	8.4	14.3	1.4	9.8	8.9	0.9	9.7
3		HALDIA	5.7	0.5	9.6	6.9	0.7	10.0	8.1	0.8	9.4	4.8	0.5	9.5
4		MATHURA	8.1	0.7	9.0	8.9	0.7	7.8	8.2	0.7	8.8	5.7	0.5	8.8
5		PANIPAT	13.6	1.6	11.5	13.7	1.6	11.4	15.5	1.6	10.6	9.8	1.0	10.6
6		GUWAHATI	1.1	0.1	11.3	1.1	0.1	11.2	1.1	0.1	12.2	0.6	0.1	12.9
7		DIGBOI	0.6	0.1	10.6	0.7	0.1	11.0	0.6	0.1	10.3	0.4	0.0	10.1
8		BONGAIGAON	2.2	0.1	5.3	2.0	0.1	7.1	2.2	0.2	9.6	1.6	0.2	10.4
		IOCL TOTAL	**44.5**	**4.1**	**9.2**	**46.8**	**4.4**	**9.4**	**55.6**	**5.5**	**9.8**	**36.1**	**3.5**	9.8
9	HPCL	MUMBAI	7.0	0.5	7.6	6.6	0.5	7.7	7.5	0.6	7.7	5.1	0.3	6.4
10		VISAKH	8.8	0.6	6.7	8.2	0.6	7.3	8.7	0.6	7.4	4.8	0.4	7.9
		HPCL-TOTAL	**15.8**	**1.1**	**7.1**	**14.7**	**1.1**	**7.5**	**16.2**	**1.2**	**7.5**	**9.9**	**0.7**	**7.2**
11	BPCL	MUMBAI	12.5	0.7	5.7	12.7	0.6	4.8	13.0	0.6	4.8	8.5	0.4	5.0
12		KOCHI	7.9	0.5	6.4	8.7	0.6	7.2	9.5	0.8	8.0	7.0	0.5	7.1
13		BORL-BINA							2.0	0.3	13.8	3.6	0.4	10.2
14		NRL	2.6	0.3	10.5	2.3	0.3	12.5	2.8	0.2	7.6	1.6	0.2	10.6
		BPCL-TOTAL	**23.0**	**1.5**	**6.4**	**23.6**	**1.5**	**6.4**	**27.3**	**1.9**	**6.9**	**20.6**	**1.5**	**7.0**
15	CPCL	MANALI	9.6	0.9	9.2	10.4	1.0	9.6	10.0	1.0	10.0	5.6	0.6	10.5
16		CBR	0.5	0.0	5.7	0.7	0.0	4.5	0.6	0.0	4.7	0.4	0.0	4.1
		CPCL-TOTAL	**10.1**	**0.9**	**9.0**	**11.1**	**1.0**	**9.3**	**10.6**	**1.0**	**9.6**	**6.0**	**0.6**	10.0
17	ONGC	TATIPAKA	0.1	0.0	1.6	0.1	0.0	1.2	0.1	0.0	1.4	0.0	0.0	0.7
18		MRPL-MANGALORE	12.5	0.8	6.5	12.7	0.9	6.8	12.8	0.9	6.8	9.1	0.7	7.2
		ONGC TOTAL	**12.6**	**0.8**	**6.5**	**12.7**	**0.9**	**6.8**	**12.9**	**0.9**	**6.7**	**9.1**	**0.7**	**7.1**
19	RIL	JAMNAGAR (DTA)	31.4	2.3	7.3	31.0	2.5	8.0	32.5	2.7	8.2	22.0	1.7	7.9
20		JAMNAGAR (SEZ)	29.6	0.8	2.8	35.6	3.3	9.1	35.2	3.2	9.2	24.7	2.3	9.3
21	EOL	VADINAR	13.5	0.8	6.0	14.6	0.9	5.9	13.5	0.9	6.3	13.0	0.8	6.4
		TOTAL	**180.4**	**12.3**	**6.8**	**190.1**	**15.5**	**8.2**	**203.8**	**17.2**	**8.4**	**141.5**	**11.8**	**8.3**

- Source: Oil Companies

**HMEL figures not included above for 2012-13.*

1.125 As per the report of the Working Group on Petroleum and Natural Gas sector for the 12th five year plan (2012-17), refining capacity of Public Sector Refineries and their joint ventures is projected to go up to 194.366 MMTPA at the end of 12th Plan. Company wise capacity addition are given below:

(Capacity in MMTPA)

Sl. No.	Name of the company	Location of the Refinery	Present Capacity	Capacity projected 2016-17	Increase in capacity
	(A) Public Sector				
3.	IOCL	Koyali	13.70	18.00	4.30
4.	IOCL	Haldia	7.50	8.00	0.50
5.	IOCL	Mathura	8.00	11.00	3.00
9.	IOCL	Paradip	--	15.00	15.00
10.	Hindustan Petroleum Corporation Limited	Mumbai	6.50	8.20	1.70
11.	Hindustan Petroleum Corporation Limited	Visakhapatnam	8.30	15.00	6.70
12.	Hindustan Petroleum Corporation Limited	Maharashtra	--	9.00	9.00
13.	Bharat Petroleum Corporation Limited	Mumbai	12.00	13.50	1.50
14.	Bharat Petroleum Corporation Limited	Kochi	9.50	15.50	6.00
15.	Chennai Petroleum Corporation Limited	Manali	10.50	11.10	0.60
17.	NumaligarhRefinery Ltd	Numaligarh	3.00	8.00	5.00
18.	Mangalore Refinery & Petrochemicals Limited	Mangalore	15.00	18.00	3.00
	(B) Joint Venture				
20.	Bharat Petroleum Corporation Limited &Oman Oil Company, a joint venture	Bina	6.00	9.00	3.00

Source: Working Group on Petroleum and Natural Gas sector for the 12thfive year plan (2012-17)

1.126 Since the country is already surplus in refining capacity,the Committee wanted to know as to whether it will be in the long term interest of the country to invest more and more in refinery expansion plans . In this regard Ministry submitted its views as given below:-

a) In a delicensed refinery sector, the setting up of a refinery is a commercial decision of a public/private sector enterprise based on techno-commercial viability.

b) The refining capacity in the public sector and their JVs stand at 135.066 MMTPA as on 1.4.2013 as against the domestic consumption of 148 MMTPA in 2011-12. There still exists a shortfall of approximately 12 MMTPA against the existing domestic consumption of petroleum products, which has been increasing at an annual rate of 3-5%. The new refinery being set up by IOCL in the public sector would add refining capacity of 15 MMTPA by November,2013.

c) Surplus refining capacity also provides significant exportable surplus of petroleum products earning valuable foreign exchange for the country. During 2011-12 India exported 60 MMT of products earning foreign exchange of above $ 58 billion.

d) Additional refining capacity not only adds to industrialization of the country, providing more jobs; it also adds to the effort of India emerging as a refining hub in the Asian region.

1.127 When asked about the policy and criteria adopted by the Government for allocation of indigenously produced crude oil to various refineries, the Committee were apprised as follows:-

"The following criteria were followed in the allocation of domestic crude oil to the PSU refineries during 2012-13:

(i) The allocation of domestic crude oil to the Public Sector Refineries was made in the following ratio:

Refineries of Indian Oil Corporation Limited (IOCL) and subsidiaries	47%
Refineries of Bharat Petroleum Corporation Limited (BPCL) and subsidiaries	32.7%
Hindustan Petroleum Corporation Limited (HPCL)	13.7%
Mangalore Refinery and Petrochemicals Limited (MRPL)/Oil & Natural Gas Corporation (ONGC)	6.6%

(ii) Domestic crude oil, except in case of Mumbai High, was allocated to the closest refinery;

(iii) Domestic crude oil being produced in the North East was allocated to the North East Refineries in the ratio of their refining capacity. In case of increase/reduction in actual production of North-East crudes, the allocation to North-East refineries was adjusted proportionately.

(iv) The balance allocations were then made from Mumbai High (MH) crude oil to ensure overall allocation of crude oil in the ratio stated in para (i) above.

For Mumbai High crude, allocation was made on the basis of 90% of the projected availability. Any shortfall/surplus production of MH crude oil, compared to the quantity allocated, was distributed among the nominees as per the percentages mentioned above, so that the overall ratio remains the same."

1.128 When asked as to whether there are any delays in expansion and upgradation projects of various refineries due to pending clearances, the Ministry submitted following information:-

"(i) IOCL's Paradip Refinery

IOCL is setting up a new Modern grassroots refinery of 15 MMTPA capacity at Paradip, Odisha with state-of-the-art technologies from various technology licensors across the world. The project was originally scheduled for completion in November, 2012. Project has been delayed on account of various reasons including clearance by Government Departments and is expected to be completed by November,2013. As of now, following clearance is still pending.

Forest Clearance for South Jetty (25 Hectares): Proposal cleared by Special Secretary, Ministry of Environment and Forest, Government of Odisha on 2.1.2013 and forwarded to Regional Chief Conservator of Forest (RCCF) (Central) for hearing by State Expert Appraisal Committee (EAC). After completion of hearing, the proposal shall be moved to Ministry of Environment and forest, Delhi for Stage-1 approval.

(ii) Chennai Petroleum Corporation Ltd. (CPCL)

Two projects are awaiting clearance from Ministry of Environment and Forest, Govt. of India. The details are as under:

Resid up-gradation Project

To improve the distillate yield of Manali refinery, Resid Upgradation Project has been conceived. The estimated project cost is 3110.36 Cr and the anticipated completion of the project would be 32 months. The project was approved in February,2011.

The Environmental clearance for the project is held up due to Moratorium imposed in June, 2010 in Manali area, by Ministry of Environment and Forests, on expansion/ new projects based on a Comprehensive Environment Pollution Index (CEPI). Moreover, the Comprehensive Environment Pollution Index (CEPI) which was at a level of 76.32 in January 2010, based on which the Moratorium was imposed, has gradually come down to a level of about 67 in August 2011 as appraised by a committee constituted by the Tamilnadu Pollution Control Board (TNPCB) and again confirmed by a Committee of Central Pollution Control Board (CPCB) Scientists in October, 2012 that the pollution level has further improved. However, the Moratorium has not been lifted so far.

This project is of National importance as it will improve the quality of fuels and therefore, contributes to reduction in Pollution levels. Moreover, this project will result in additional production of LPG, Diesel and MS / Naphtha. Therefore, CPCL approached MOE&F to accord Environmental Clearance for this project irrespective of the Moratorium considering it as a project of National importance.

The Expert Appraisal Committee (EAC) Committee, which considered CPCL proposal, after acknowledging the fact that it is a “Green Project” due to its potential in reducing the overall emission level, has recommended the project for Environmental Clearance at its meeting held on 9.1.2013. We are awaiting final Environmental Clearance for the project.

b) New 42” Crude Oil Pipeline

Presently, the Crude Oil for Manali Refinery is being pumped to Chennai Port to Manali Refinery through a 7.5 Kms long 30 inch pipeline laid about 43 years ago when the Manali Refinery was commissioned. CPCL has proposed to lay a new pipeline of a higher diameter of 42 inch beneath the service lane of a new 100 feet road being laid by NHAI connecting Chennai Port and Ennore Port passing via Manali Refinery. The length of the proposed new pipeline is 17.5 Kms and will have all modern safety features. The project cost is Rs.126 crore. As already explained in answer to Question No. 28, above, Coastal Regulatory Zone(CRZ) clearance is awaited for this project.

MoE&F has directed Tamilnadu Coastal Zone Management Authoity (TNCZMA) to conduct Public Hearing on this project and the same was completed in August/ September, 2012. The Minutes of the Public Hearing was forwarded to ENCZMA to Central Coastal Zone management Authority is awaited. Necessary follow up is being made.

(iii) HPCL

Presently, there are two HPCL Refinery mega projects which are affected by the Environmental Moratorium applicable at the respective project sites. One is grass-root Refinery project viz. Maharashtra Refinery Project (MRP) planned in Dist. Ratnagiri, Maharashtra and the other is brown-field project Visakh Refinery Modernization Project (VRMP) planned at Visakhapatnam.

MRP is 18 MMTPA grass-root Refinery Project for which the Detailed Feasibility Report has been prepared and the draft Terms of Reference (ToR) application has been submitted to MoE&F for approval. However, as per the MoE&F circular dtd 31.12.2012 (as attached), moratorium is applicable in Ratnagiri district till 31.03.2013. HPCL is continuously making efforts to obtain ToR approval from MoE&F. In this regard, Government of Maharashtra (GOM) and HPCL have requested MoE&F for categorization of the Project under 'Projects of National Importance' category for granting ToR approval to enable HPCL carry out the EIA studies for the grass root refinery project and further seek Environmental Clearance.

HPCL owns and operates 8.3 MMTPA refinery at Visakhapatnam. Under Visakh Refinery Modernization Project, it is proposed to expand the refinery from 8.3 to 15

MMTPA with bottoms upgrade facility. A Detailed Feasibility Report is prepared and submitted by EIL. During January 2013, Form 1 and draft ToR have been submitted to MoE&F for ToR approval. At present, Visakhapatnam region is under environmental embargo based on Comprehensive Environmental Pollution Index (CEPI).

(iv) MRPL

As far as MRPL is concerned, the required clearances have been received though the environmental clearance for polypropylene project was delayed. However, the phase-III refinery up-gradation & expansion project is delayed due to delay by BHEL in delivering co-generation plant (CPP) scheduled for delivery in October – 2011 till date. Also, necessary approval from State Pollution Control Board is still pending for the operation of the Refinery."

L. ALTERNATE SOURCES OF ENERGY

1.129 With the relatively stagnated domestic production of petroleum products and growth in demand, the need is felt to enhance the usage of alternate fuels which are available in plenty and at the same time environment friendly. When asked about the steps taken by the Government to develop alternative source of hydrocarbon such as Shale gas, gas hydrate etc., the Ministry replied as given below:-

"Government has taken several steps to enhance availability of hydrocarbons by way of unconventional hydrocarbons like Coal Bed Methane **(CBM),** Shale Oil and Gas, Gas hydrates etc.

Shale Gas

1.130 Shale Gas can emerge as an important new source of energy in the country. India has several Shale formations which seem to hold Shale gas. The Shale Gas formulations are spread over several sedimentary basins of the country such as Cambay, Gondwana, Krishna-Godavery onland and Cauvery.

1.131 The status and initiatives taken for exploration and exploitation of Shale Oil and Gas as furnished by the Ministry are as under:

"A Multi Organizational Team (MOT) of DGH, ONGC, OIL, GAIL has been formed by MOPNG to analyze the existing data set and suggest methodology for Shale Gas development in India.

MOT has identified six basins under Phase-1. The resource estimation has been taken in the first phase for the sedimentary basins viz., Cambay Basin, Gondwana Basin, KG Basin, Cauvery Basin, Indo-Gangetic Basin, Assam Arakan Basin.

Goverment has granted permission to ONGC for an R&D project in Gondwana Basin in the existing two CBM Blocks for exploration of Shale Gas. ONGC has drilled 4 Pilot wells to gather data relevant to Shale Gas. All the 4 wells have been drilled and presence of Shale Gas has been established.

Two projects have been identified for Shale Oil & Gas studies

a. "Identification of prospective area in six sub-basins of Damodar Valley &Sohagpur Basins by CMPDI". The draft report for 6 sub-basins has been submitted and is under examination.
b. "Identification of prospective area in 11 Basins/Sub-basins of India by KDMIPE, ONGC". The draft report for 3 Basins has been submitted.

An MOU between Department of State, USA and Ministry of Petroleum & Natural Gas has
been signed on 06.10.2010 for the following

a. Shale gas Resource Assessment,
b. Technical studies,
c. Regulatory framework consultations and
d. Investment promotion through exchange of experiences and best practices and through study tour.

As per MOU, three Technical Workshops have been held in January, 2011, May 2011 and Aug 2012 on Resource assessment between USGS and DGH & MOT members (ONGC, GAIL and OIL). USGS has submitted results on resource Assessment in January 2012 for 3 basins. Studies for Resource assessment of Shale Oil is in progress. On regulatory issues, Video Conferencing meetings have been held with representatives of USA alongwith visits of India delegation to USA and US delegation to India.

Draft Policy on Exploration and exploitation of Shale Oil & Gas was put on MoPNG/DGH website for comments of all stakeholders. The comments have been received and policy is under formulation.

A study (April 2011) by Energy Information Administration (EIA), USA indicates that there is a significant potential for Shale Gas. This study has assessed risked gas-in-place of 290 TCF with technically recoverable resource of 63 TCF for 4 out of 26 sedimentary basins in India. In a study conducted by the USGS in 2011-12, technically recoverable resource of 6.1 TCF has been estimated in 3 out of 26 sedimentary basins in India. USGS has also indicated that Indian Basins have huge Shale Oil Potential."

1.132 The Committee noted that GAIL has plans to import Shale Gas for two decades from 2017-2018 onwards. On enquiring about the price at which the Shale Gas will be imported by GAIL, the Committee were apprised as given below:-

"As on date, GAIL has signed contract with M/s. Sabine Pass Liquefaction, LLC for import of LNG from US. The price of LNG under this contract is on FOB basis as per formula, which includes gas price, liquefaction cost and pipeline transportation cost. The gas price is linked to US Henry Hub index and shall vary from time to time. In addition to the FOB price, shipping cost from US to India shall also be applicable separately."

1.133 When asked as to whether any National Shale Gas Policy has been drafted by the Government, the Ministry furnished as given below:-

"Draft Policy on Exploration and exploitation of Shale Oil & Gas was put on MoPNG/DGH website for comments of all stakeholders. The comments have been received and policy is under formulation.

Gas Hydrate

1.134 Gas Hydrates which are methane molecules trapped in ice, generally are found in the deep sea. The gas hydrates technology is at the research and development stage all over the world. In accordance with the roadmap for the "National Gas Hydrates Programme" India has already acquired core samples with the help of the drill ship, 'JOIDES resolution', USA.

1.135 When asked about the present status of the National Gas Hydrate Programme (NGHP) being conducted in the country so far, the Ministry submitted following information:-

"The Government of India formulated the National Gas Hydrate Programme**(NGHP)** in 1997 for exploration and development of Gas Hydrate resources of the country.

The NGHP is a consortium of National E&P companies (Oil and Natural Gas Corporation Ltd 'ONGC', Gas Authority of India Limited, 'GAIL' & Oil India Ltd 'OIL') and National Research Institutions (National Institute of Oceanography, National Geophysical Research Institute and National Institute of Ocean Technology). Steered by the Ministry of Petroleum & Natural Gas and technically coordinated by Directorate General of Hydrocarbons (DGH), NGHP is given the responsibility to explore the Gas Hydrates in India.

Current Status:

The NGHP is presently concentrating its efforts to identify locations for NGHP Exp-02. During the 23rd Technical Committee Meeting it was decided that Krishna Godavari Basin be targeted primarily. It was also decided that the NGHP Expedition – 02 would consist of two legs. Leg-1 would be Logging while drilling and the Leg-02 would consist of coring the favorable locations identified from Leg-01.

Results of the geological studies carried out by KDMIPE in consultation with USGS Scientists were reviewed. KDMIPE, ONGC has been carrying out geo-scientific studies for the identification of locations for gas hydrates for Expedition-02. Based on discussions amongst NGHP Technical Committee Members and consultations with US Scientists (under MoU) the following emerge:

1. The areal extent of the areas under investigation in KG Basin has been expanded to a total of ~5620 km².
2. Generated +42 locations and prospects in the KG Basin and more locations are expected through ongoing studies.
3. MoU with GFZ-Potsdam (Germany) for collaborative projects on gas hydrate laboratory research has been signed in 2012.

Future program:

1. The identified locations will now be prioritized with the help of US Experts and in May 2013.
2. Four new R & D Projects aimed characterizing, simulation designing and understanding of gas hydrates have been accepted by the Technical Committee of NGHP.
3. Publication of a Scientific Research Volume encompassing all the results of NGHP Expedition-01 is being initiated under NIO.
4. The planning of Expedition-02 and the new R&D Projects will be put forth to the Steering Committee for approval."

Ethanol Blended Petrol

1.136 Ministry of Petroleum and Natural Gas , vide its notification dated 20th September, 2006 directed the OMCs to sell 5% Ethanol Blended Petrol subject to commercial viability. Low availability and state specific issues hindered the progress of the EBP programme.

1.137 When asked about the progress achieved by the Government in implementation of EBP Programme, the Ministry submitted following information:-

"The Ethanol Blended Petrol (EBP) Programme was extended throughout the country except the North-Eastern States, Jammu & Kashmir, Andaman & Nicobar Islands and Lakshadweep, with effect from 1st November, 2006.

The Cabinet Committee on Economic Affairs (CCEA) in its Meeting held on 22.11.2012 on MNRE's Note/ proposal on pricing of ethanol has taken the decisions as follows :

(i) The 5% mandatory ethanol blending with petrol as already decided by the CCEA in the past, should be implemented across the country, for which the Ministry of Petroleum & Natural Gas will immediately issue a gazette notification, for the Oil Marketing Companies (OMCs) to implement from the 2012-13 sugar season, effective from 1st December 2012.

(ii) Procurement price of ethanol will be decided henceforth between OMCs and suppliers of ethanol.
(iii) In case of any shortfall in domestic supply, the OMCs and Chemical companies are free to import ethanol.
(iv) The 5% mandatory blending will be reckoned for the country as a whole and it be achieved by 30.06.2013.

A Gazette Notification, to this effect, has been issued on 02.01.2013, directing OMCs to sell Ethanol blended petrol with percentage of ethanol upto 10% as per BIS Specification to achieve 5% ethanol blending across the country as a whole.
In pursuance of above, OMCs have floated tenders for procurement of ethanol for implementation of the EBP Programme and the offers received are under process."

1.138 When asked about the details of the price at which Ethanol is being procured from sugar industry, the Ministry submitted as under;-

"Present Price for Ethanol
The Government had decided an adhoc ex-factory price of Rs.27/litre for procurement of ethanol on 16.8.2010, which is still valid, as the EOI issued by OMCs in July 2012 has not yet been closed, in which the procurement price of ethanol was Rs.27/litre.
However, as per the Government directions dated 22.11.2012, Oil Marketing Companies have floated fresh e-tenders for procurement of ethanol for the EBP Programme and the finalisation of the same is in progress. The next procurement price and quantity available for ethanol blending will be known only after finalisation of the same.

As regards margin being received by sugar companies on selling ethanol for EBP Programme in concerned, no official data is available with this Ministry.

Availability of Ethanol
As regards availability of ethanol for EBP Programme, Oil Industry has been able to receive only the following percentage of ethanol during the period mentioned below:

Period	Ethanol Qty. requirement (in crore litres)	Ethanol Qty finalised (in crorelitres)	Actual Qty. received (in crore litre)	Percentage of contracted Qty.
Nov'06-Oct'09	181.54	146.66	58.70	40%
Nov'09 – Sept'10	68.90	27.56	5.60	20%
Oct'10 – Sept'11	105.10	55.87	36.25	65%
Oct'11 – Sept'12	101.70	41.22	30.57	74%

However for future, the Government has decided on 22.11.2012 that in case of any shortfall in domestic supply, the OMCs are free to import ethanol."

Coal Bed Methane

1.139 Coal Bed Methane is a Natural gas (Methane) absorbed in coal and lignite seams and is an eco friendly source of energy. To harness CBM, the Government has approved a comprehensive CBM policy for exploration and production of CBM Gas.

1.140 When asked about the details of the blocks awarded so far for exploration and production of Coal Bed Methane (CBM) in different coalfields of the country and their present status, the Ministry submitted following information:-

"33 CBM blocks have been awarded by the Government covering an area of about 17,200 Sq Km to national oil companies and private companies for exploration and production of CBM in the country. These blocks are located in the states of Jharkhand, West Bengal, Chhattisgarh, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, Andhra Pradesh, Tamil Nadu and Odisha & Assam.

Total prognosticated CBM resources for these awarded 33 CBM blocks, is about 63.85 TCF, of which, so far only 9.12 TCF reserves have been established as Gas-in-Place (GIP). Commercial CBM production has started from one block namely Raniganj (South) since 14th July 2007, which now contributes about 0.28 MMSCMD of CBM production. Seven more blocks are expected to start commercial production in near future. The total CBM production is expected to be around 4 MMSCMD by end of 12th five year plan i.e. 2016-17.

1.141 On enquiring about the progress made by the Public Sector Companies in the CBM blocks awarded to them, the Committee were apprised as given below:-

ONGC was awarded 9 blocks out of 33 cbm blocks including 2 blocks on nomination basis. Apart from this, OIL was awarded one CBM block under CBM IV round in Assam as a consortium partner with M/s Dart Energy, which is under exploration.

ONGC has been relinquished 5 Blocks viz. Satpura, Wardha, Barmer-Sanchor, North Karanpura (West) and South Karanpura due to poor CBM potential,. ONGC is presently operating in remaining four CBM acreages, viz. Jharia, Bokaro and North Karanpura, in Jharkhand and Raniganj in West Bengal. These CBM blocks are at various stages of explorations. The Status of CBM blocks operated by ONGC is as under:

Bokaro: This block in development phase. The Steering Committee has accorded approval for the development plan.

Jharia: Block has entered into Development Phase. Field Development Plan has been submitted by ONGC, which is under examination by DGH.

North Karanpura: This block in development phase. Steering Committee has accorded approval for the development plan.

Raniganj: Block has entered into Development Phase. Field Development Plan has been submitted by ONGC, which is under examination by DGH.

CBM production by ONGC

The Commercial CBM production in ONGC blocks is yet to start. ONGC started to sell the incidentally produced CBM gas during exploration phase from already drilled wells at Parbatpur of Jharia Block at an approved price of $5.1 per MMBTU i.e. Rs. 9.75 per cubic metre. The cumulative gas sale as on 01.01.2013 was 7.37 MMSCM."

Underground Coal Gasification

1.142 When asked about the progress achieved in developing Improved methods to extract alternate fuel like "Underground Coal Gasification" available in huge quantity domestically, the Ministry in a written reply, submitted the following information.

"With a vast proven reserve of coal, India has the potential to use Underground coal gasification (UCG) technology to utilize coal effectively. UCG offers many advantages over the conventional mining and gasification process. UCG is a newer-well proven technology of coal extraction that is being investigated and implemented around the world and that avoids most of the problems of mining coal. UCG involves gasification of coal seams without mining and synthetic gas (syngas) is produced for use in power generation or as chemical feedstock.

ONGC have signed a Memorandum of Understanding (MoU) with the Skochinsky Institute of Mining (SIM) of Russia for an UCG pilot study. The pilot projects are being carried out as per the recommendations of the consultant from the SIM of Russia to establish UCG technology to extract fuel like UCG. Once the technology is established in India, UCG will emerge as a major clean coal utilization technology capable of providing significant impact in our country in the near future. "

1.143 Asked to furnish the details of progress made in the Coal Gasification Projects of various oil PSUs, the Ministry replied as under:-

"ONGC has taken up **Vastan Mine block site** belonging to GIPCL in Surat district, Gujarat as an R&D project to establish UCG technology in collaboration with M/s Skochinsky Institute of Mining (SIM), Russia. The exhaustive data generated by ONGC was analyzed by SIM, Russia and layout of UCG Pilot was finalized in July 2007. The engineering design has been completed. The Environmental clearance from MoEF has been obtained for the project.

After obtaining the detailed Engineering design, the proposal for contract for the Construction of UCG Pilot along with budgetary quote has already been received from SIM, Russia which is based on the design prepared by OJSC Dongiproshakht. The contract is awaited to be signed pending the award of Mining Lease for the block, which is to be issued by the Ministry of Coal.

Meanwhile, the spade work for execution of pilot module in terms of land acquisition, electric supply, water connection, soil survey etc. have already been initiated and will be dovetailedonce the mining lease is obtained.

Status of other UCG Sites:

Additional four sites namely Surkha, Tarkeshwar in Gujarat, Hodu Sindari and Kurla in Rajasthan have also been studied for suitability and all four are found suitable. Other UCG sites/projects will be taken up on the basis of learning curve from Vastan project".

M. TRANSNATIONAL GAS PIPELINES

1.144 On enquiring about the present status of Iran-Pakistan-India (IPI) and Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project, the Ministry in a written reply, stated as under:-

"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 envisages 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 TAPI Road shows were held at Singapore, New York and London, 14 companies (7

International Oil Companies and 7 financers) participated in the Road shows. No International Pipeline Company participated in the event. International Oil Companies expressed their desire to associate in the integrated project including equity investment in the upstream gas fields, bringing their own equity gas through TAPI pipeline. Financers expressed their willingness to finance the project with or without the participation of International Oil Companies.

In view of no international oil company enhancing interest in the TAPI project without an upstream stake in Turkmenistan, the Steering Committee meeting held after the road shows recommended formation of a Special Purpose Vehicle, i.e., TAPI Limited with participation of one company from each of the four countries. The Special Purpose Vehicle was envisaged to carry forward pre-project activities and to find an appropriate consortium lead for the project.

The Government has since approved the proposal "Formation of SPV (TAPI Limited) for the TAPI Pipeline Project and to permit GAIL India Ltd. to join the SPV".

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."

PART-II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

Recommendation No.1

Plan and Non-Plan Schemes of MoP&NG

The Committee note that the Demands for Grants of Ministry of Petroleum and Natural Gas contains funds for plan schemes at Rs.42 crores and Non-Plan Scheme at Rs. 65145.41 crore. The plan scheme are three namely (i) Establishment of RGIPT (ii) Scheme for LPG connections to BPL families and (iii) Indian Strategic Petroleum Reserves Ltd. (ISPRL). The Committee note further that the funds under non-plan schemes are mostly reimbursement of subsidy and the major component is compensation to OMCs for under recoveries, subsidies for PDS Kerosene and domestic LPG, subsidy to oil companies for supply of Natural Gas to N – E region etc. and the non-plan expenditure during 2013-14 has been budgeted at Rs.65145.41 crore.

The Committee note that the though the Ministry has plan schemes namely RGIPT, ISPRL and the scheme for LPG connections to BPL families, they are shocked to observe that they have not seen any fund outgo last year. It appears that the MoPNG does not have any interest in implementation of plan schemes. The Committee recommend that the plan schemes needs to be implemented by the Ministry with due seriousness coupled with regular monitoring at higher levels.

The Committee are of the view that energy mix is still predominantly in favour of oil and hence conservation of oil and gas, increased use of ethanol blended petrol, bio-diesel, PNG coverage to lower strata of society are some of the issues which need to be promoted. Therefore, the Committee recommend that MoP&NG should take the initiative to launch more plan schemes and seek funds to execute them.

Recommendation No.2

Rajiv Gandhi Institute of Petroleum Technology

The Committee note that RGIPT is being set up at Jais, U.P. with the objective of creating an Institute of Excellance in the petroleum sector to cater to the educational and training requirements in India and globally. The Committee are however, constrained to note that the Institute which was scheduled for completion during the 11th Plan has faced considerable delay and has now spilled over to 12th Plan. The academic activities of the Institute which commenced in 2008 is currently functioning from a temporary campus.

The Committee note that land acquisition process for RGIPT has been considerably delayed for various reasons. Phase-I of the construction activity for the main campus of the Institute on 47.8 acres of land, already in possession of RGIPT, started in August 2010 with completion target of two years. The Committee are constrained to note that the work did not progress as per schedule due to poor performance of the contractor and therefore, the completion schedule has been revised to June 2014 with downsized commitments of contractor for completion of only six buildings out of 19 buildings on priority. This has resulted in surrender of total allocated funds of Rs. 39 crores during 2011-12 and Rs. 41 crores in 2012-13.

The Committee are unhappy at the delay in execution of such a prestigious project which reflects poor monitoring on the part of the Ministry as well as the consultant of the project, Engineers India Limited (EIL), which has expertise of executing large projects of international standards. The Committee would like to advice the Ministry to look into the causes for delay and fix responsibility accordingly. Penalty may also be imposed on contractor if provided in the contract. Since the project has already been much delayed, the Committee recommend that the Ministry and consultant EIL should ensure that June, 2014 deadline is strictly adhered to. In the meantime, action be taken to complete the remaining buildings also in a definite time frame.

<u>Recommendation No.3</u>

<u>LPG Scheme for BPL Families</u>

The Committee note that a token provision of Rs. 1 crore has been provided in 2013-14 under the plan scheme 'LPG Scheme for BPL Families' to provide one time assistance of Rs. 1600/- per connection to BPL families towards security deposit for the LPG cylinder and regulator. It is proposed to cover 70 lakh BPL families under the scheme. Though the scheme is envisaged as a plan scheme, it is being implemented as a CSR initiative by PSU oil companies and funds amounting to Rs. 509.17 crore has been created from the contribution of these oil companies out of their CSR commitments. However, the Committee are constrained to note that only Rs. 16.35 crores has since been utilized and only 169200 connections has been released so far.

The Committee have been informed that release of lesser LPG connections under the scheme has been due to delay in authentication of the lists of BPL applicants submitted by the distributors to the local authorities. While expressing dissatisfaction at the slow progress of the scheme, the Committee desires that the Ministry should be pro-active with State Governments/local authorities in creating awareness about the scheme and sensitize them to give timely authentication of BPL list. The Committee fear that failing to do so may result in the scheme languishing without achieving the objectives.

The Committee also note that the implementation of the scheme is dependent upon the actual commissioning of RGGLVY distributorship. So far against a target of 5578 RGGLVYs, only 1740 have been commissioned and selection is in progress for the rest. The Committee express dismay over the lack of initiative for progress of scheme and henceforth desire that the Ministry should pursue the implementation of the scheme in a time bound manner and fix responsibility in case of delays. While emphasizing the early commissioning of remaining RGGLVYs, the Committee would recommend the implementation of the

scheme through existing distributors as well so that the scheme take off smoothly in areas wherever the RGGLVs commissioning has not taken place.

The Committee also note that the scheme has not been widely publicized either by the Ministry or OMCs and so eligible persons are not aware of the scheme. The Committee feel that the scheme is well intentioned and to cover 70 lakh connections it needs proper publicity to create awareness among the eligible section of population. The Committee therefore, recommend that the Ministry should give wide publicity about the details of this Scheme through popular mass media including newspapers, television etc. so that the eligible applicants can come forward for availing the benefits of this scheme.

<u>Recommendation No.4</u>

<u>Direct Transfer of Cash Subsidies</u>

The Committee note that the Government has launched two schemes namely the "Direct Benefit Transfer of LPG Scheme (DBTL)" and "Direct Transfer of Cash Subsidy on PDS kerosene (DTCK)" for which pilot projects are being conducted at Mysore and Kotkasim Tahsil, Alwar district (Rajasthan) respectively. The scheme envisages that amount of subsidy is transferred to consumer's bank account and he can buy the products at market price. The Ministry has launched these initiatives in order to reform the current system of delivery of subsidized products. The Committee welcome these schemes and hope that it will substantially reduce the diversion of subsidized LPG domestic cylinder and PDS kerosene and the resultant subsidy burden of the Government.

The Committee note that to benefit from the above schemes, a consumer must have an AADHAR card linked with bank account. The Committee have been informed that the scheme can be launched only in those districts where AADHAR cards have been issued to at least 80% of the people. However, in the districts where the schemes have been launched on a pilot basis, it has been found that the linkage between AADHAR number & bank account is only about 20% and only about 20 to 25 percent of the consumers are ready to receive the money directly through bank transfers.

The Committee observe that a majority of population in India reside in rural areas where proper access to financial services is not available. The first step towards the implementation of this scheme requires financial inclusion of this rural population. Therefore, the Committee are of the view that the Ministry should impress upon Ministry of Finance & Reserve Bank of India for extension of financial services to the rural areas. Post offices and co-operative banks may also be included for providing direct benefit of subsidy in cash to the public at large._ The Committee also desire that the Government should organize financial literacy campaigns to familiarize public at large. The Committee recommend that the Ministry should give wide publicity about the direct benefit transfer scheme to create awareness so that people come forward to actively participate in the schemes by understanding the long-term benefits. Therefore, the Committee is of the firm opinion that without attaining complete financial inclusion of the entire population by banking services as well as AADHAR cards, any move by the Government to

implement Direct Cash Transfer of Subsidies scheme should not exclude genuinely entitled population from the subsidy.

<u>Recommendation No.5</u>

<u>Under-recoveries of Petroleum Products</u>

The Committee note that one of the most important issue faced by the MoPNG and the Government as well is the issue of under-recoveries incurred by OMCs on the sale of sensitive petroleum products. The products for which Government provides subsidies are PDS kerosene, subsidized domestic LPG cylinders and Diesel for retail customers. The total amount of the under-recoveries during the years 2010-11, 2011-12 and 2012-13 are Rs. 78190, Rs. 138541 and Rs. 124854 crore respectively, The figure for 2013-14 is projected at Rs. 1,57,000 crores.

The under recoveries is met by burden sharing mechanism amongst upstream companies, Government and OMCs. The upstream companies shared 35 to 40% of under-recoveries during 2010-11, 2011-12 and has shared 36.8% (up to January, 2013). The Committee further note that ONGC and OIL are producing 20% of the crude oil requirement from the nominated blocks where cost of production is $50 to $55 per barrel (including 15% returns) which is much less than the international crude oil prices of $100 to $105 per barrel. The upstream oil companies offer discounts in purchase of crude oil by OMCs, which is of the order of $56 per barrel. The Committee are of the view that discounts are provided in lieu of low cost of the production from the nominated blocks and hence terming the discounts as burden sharing by upstream companies is not justified. The Committee, therefore, desire that the discounts given by upstream companies for indigenous oil production should not be shown in the calculation of under recoveries which would substantially bring down the under recoveries figure of the OMCs.

The Committee in their 9th Report (15th Lok Sabha) had recommended that refinery gate prices of petroleum products should be based on FOB price instead of import parity price. In this connection, the Committee note that the Ministry of Finance has also recently suggested to compute the pricing of diesel and PDS kerosene on the basis of Export Parity Price (EPP) and the pricing of domestic LPG on the basis of a mixture of 40% Import Parity Price (IPP) and 60% of Export Parity

Price (EPP). If this methodology is adopted, the estimated under-recoveries for the year 2012-13 would be reduced from Rs. 1,61,260 crore to Rs. 1,43,694 crore. The Committee desire the Government to take a considered view on Ministry of Finance's suggestion and also this Committee's recommendation to determine the refinery gate prices of petroleum products.

The Committee have been informed by the Ministry/OMCs that due to problem of under-recoveries and the compensation paid by the Government as subsidy at the later part of the year affects the financial health thereby indirectly the investments of the companies. The Committee agree with this view and therefore, recommend that in order to reduce the hardships faced by OMCs due to under-recoveries, MoP&NG should seek ¼ of the estimated amount of annual subsidy to be paid every quarter to the OMCs.

The Committee further note that a huge subsidy burden of Rs.29,997 crore in 2011-12 due to sale of subsidized LPG is being incurred. The Committee note that out of 15350 MT of domestic consumption, about 7335 MT is being produced out of crude oil and 2213 MT is produced from natural gas. The balance 5084 MT is being imported. The Committee further find that against the FOB price of LPG of around Rs. 50,000/MT, the cost of production of LPG from natural gas has been only around Rs.20,000/MT based on 47% of APM gas and 53% of other sources. Since around 15% of the LPG consumption is produced from low cost APM and other gases, the Committee recommend that this factor should be taken into account while calculating under-recoveries due to sale of domestic LPG cylinder which will bring down the total under-recoveries to some extent.

The Committee note that dual pricing of diesel has been introduced by OMCs to bulk consumers. This will entitle OMCs to sell diesel to bulk consumers at a non-subsidized market determined price. The Committee further note that 17.8% of the diesel was sold directly to large consumer segments like defence, railways, State transport undertaking, power, cement manufacturers etc. The Committee are of the view that the decision to sell higher priced diesel to railways & STUs will have adverse effect on these agencies and consumers. Therefore, the Committee recommend that these two segments may be exempted from dual pricing of diesel.

The Committee feel that the following steps can go a long way in reducing/controlling the subsidy burden on kerosene, diesel and domestic LPG.

(i) Direct Benefit Transfer of LPG Scheme (DBTL)" and "Direct Transfer of Cash Subsidy on PDS kerosene (DTCK)
(ii) More CGD projects in cities where LPG customers are high.
(iii) Ethanol Blended Petrol and Bio-diesel
(iv) Know your customer (KYC) implementation

Each of the above measures can contribute the reduction of subsidy on its own way and hence, the Committee recommend that all the above schemes should be rolled out effectively from the angle of savings on subsidy burden.

Recommendation No.6

Supply of subsidized domestic LPG cylinders

The Committee note that a significant portion of the subsidy is incurred in supply of subsidized LPG cylinders to domestic consumers. The Committee also note that in order to reduce the subsidy burden on this account, the Government has taken a decision in September 2012 to limit the number of subsidized LPG cylinders to 9 per households in a year. In this regard, the Ministry has informed that this measure would result in a saving of Rs. 4274 crore per annum in the subsidy burden at current rate of subsidy of Rs. 461.58 per cylinder.

To target the subsidized LPG cylinders to bonafide customers, the Committee note that OMCs have started implementation of Know Your Customer (KYC) norms to collect details about their customers. The Committee have been informed that only new, deactivated, transfer connections are being subjected to KYC norm and existing customers have not been covered so far. The Committee wish to point out that removal of fake/ghost customers, elimination of customers with multiple connections is a must and for such issues, OMCs should create a robust and update customer database. Hence the Committee recommend that the Ministry/OMCs should ensure that the KYC norms are implemented for the existing customers as well within the next one year and the database should be purified so as to reflect the real customers accurately.

The Committee further desire that the customer should be asked to fill in more information such as AADHAR number, bank account details and their income data under KYC norms since this will help in early implementation of the direct benefit transfer scheme.

Recommendation No.7

Exclusion of higher income group from subsidy domain

The Committee in their 8th and 11th report had recommended that the Ministry should do away with providing the subsidized LPG to the higher income group. However, it is seen that the Ministry has not made any progress in this direction. It has been informed by the Ministry that the major constraint being faced in implementation of this move is that the income wise data is not available with the Ministry. The Committee have been further stated that it will be difficult to match the income data of IT department with the customer database as LPG connections are provided per household and the Income data is for an individual. The Committee are not satisfied with the contentions of the Ministry and feel that the Ministry instead of equivocating over the issue should work towards devising a mechanism for implementation of this measure.

In this regard, the Committee would like to point out that a few years back the Income Tax Department has brought out 1/6 scheme where anybody who falls under even on one of the criteria need to file an IT return. The Committee want the Ministry/OMCs should devise some criteria to determine families/households whose income is above Rs. 6 lakh per annum. In view of the above, the Committee reiterate its earlier recommendation to devise schemes so that the subsidy on LPG connections to the customers earning more than Rs. 6 Lac per annum will be done away with.

Despite the fact that such income details will be of individual and not of the complete household, it will help to eliminate large number of households where a family or individual is earning more than Rs. 6 lakh per annum, out of the domain of subsidy provision, thereby resulting in reduction in the subsidy burden on the Government.

Recommendation No.8

Exploration in the Northern Area

The Committee note that the exploration activities in the Northern India have not been carried out to the extent it has taken place in other parts of the country. In the states of Punjab, Himachal Pradesh and Jammu & Kashmir only 4078 GLK, 4250 GLK and 2563 GLK of 2D seismic data has been acquired since 1957 which has not established any presence of hydrocarbons.

The Committee have observed that Ministry has not pursued the exploration activity seriously in the Northern states as major part of work was carried out almost two decades back. At present no exploration activity is proposed to be undertaken in the 12^{th} Plan except in the state of Himachal Pradesh. Since these states lie in the hydrocarbon rich geographical belt of the world, the Committee recommend that the Ministry should intensify the exploratory efforts in the Northern states more seriously with the application of latest technologies like 3D surveys in order to explore the presence of Hydrocarbons.

<u>Recommendation No.9</u>

<u>Exploration in Kerala-Konkan Basin</u>

The Committee note that ONGC holds two exploratory blocks (deep-water offshore) in the Kerala-Konkan offshore awarded under NELP rounds. As on 01.03.2013, ONGC has acquired 127134 LKM of 2D and 8799 sq km of 3D (1422 sq km in shallow and 7377 sq km in deep waters) seismic data in Kerala-Konkan offshore. 14 exploratory wells have been drilled in this Basin, 9 in shallow waters and 5 in deep-water. However, so far presence of hydrocarbons has not been established in the basin. The Committee observe that in spite of intensive exploratory efforts in the Kerala-Konkan basin for the last 35 years, discoveries of Oil and Gas have not been made. During the XI plan (2007-12), the two exploratory wells were drilled both of which were proved to be dry. The private players carrying out exploratory activities in the Kerala-Konkan basin have also not achieved any success so far.

Since the investments made by ONGC in the Kerala-Konkan basin has not produced any return so far and the presence of hydrocarbons has not yet been established in the basin, the Committee are of the view that the Ministry/DGH should seriously review the rationale of exploration activities for more than 3 decades in the basin vis-à-vis investments made and take a considered view on continuation of the exploration activities.

<u>Recommendation No.10</u>

<u>Allocation of blocks rejected by CCEA</u>

The Committee note that during the ninth round of NELP, 33 blocks were offered out of which the production sharing contracts have already been signed for 19 block and another two blocks are yet to be signed. It has been informed to the Committee that the Bids for the remaining 11 blocks have been rejected by the CCEA due to poor fiscal package offered by the bidders in respect of the percentage share of the profit petroleum. The Committee are of the view that the decision of CCEA is almost 2 years after the bids are invited which is invaluable time lost. Instead of rejecting the bids at later stage due to lesser revenue share offered to the Government, the Committee desire that MoP&NG should include in the offer documents about details specifying the minimum revenue which needs to be shared with the Government under the Production Sharing Contract.

The Committee further observe that the offering of blocks under tenth NELP round has also been delayed. As the 11 blocks for which the bids have been rejected are also pending, the Committee are of the view that the Government should speed up the process of offering of exploration blocks under the next round of NELP including these 11 blocks so as to give an early start to the exploration activity.

Recommendation No.11

Shortfall in drilling targets

The Committee are concerned to note the under-achievements in the drilling targets of ONGC and Oil India Ltd (OIL). The Committee observe that though ONGC has performed well in developmental drilling, it has not been able to achieve its targets in exploratory drilling. ONGC has drilled only 135 exploratory wells as against the target of 158 wells during the year 2011-12. As far as, the performance of OIL in 2011-12 is concerned, against a set target of 34 exploratory wells, only 16 wells have been drilled whereas in case of developmental drilling only 22 wells have been drilled against a target of 34 wells.

In view of the need to explore more domestic hydrocarbon resources, the Committee feel that shortfalls in the exploratory and developing drilling targets will seriously impact the programme. Therefore, the Committee are of the view that the Ministry/ DGH should take necessary steps to ensure that the upstream companies abide by their exploration targets and make sincere efforts towards completing at least the minimum work programme (MWP) assigned to them.

Recommendation No.12

Rigs availability

The Committee note that ONGC has a total of 81 rigs for onshore operations and 40 rigs for offshore operations. Out of the offshore rigs 31 are charter hired rigs and only 9 are owned rigs of ONGC. The on land rigs of ONGC comprise of 68 owned rigs and 13 charter hired rigs. Oil India Ltd. (OIL) in total has 16 rigs out of which 11 are owned and 5 are hired rigs. The Committee take a serious note that in the offshore operations, ONGC is fulfilling its 77% of the rig requirement by hiring. The Committee observe that the amount spent by ONGC on hiring and leasing of Rigs during 2010-11 and 2011-12 is Rs. 8682 crore and Rs. 8633 crore respectively which is around 31% and 30% of the actual expenditure out of annual budget outlay of the ONGC.

It is seen that ONGC and OIL are always making consistent efforts for acquiring new blocks in various rounds of NELP and consequently the need for drilling activities increase, the Committee desire that NOCs should analyze as to go for purchase of rigs instead of hiring rigs at high costs and by this initiative, major expenditure can be saved which can be utilized for exploratory activities of the company. Therefore, the Committee recommend that ONGC and OIL can explore forming a consortium for acquire and utilization of rigs through purchase instead of hiring charter rigs.

The Committee further note with serious concern that the Idle time is high for the chartered hired rigs of ONGC and the main reason for the idling of rigs is the unplanned capital repair (both onshore and offshore), waiting time for men and material, etc. The Committee note that penalties beyond a permissible limit of rig down time is incorporated in the contracts and would like the penal provisions should be strictly enforced as it not only causes financial loss but delays the exploration activities. Besides, penalizing contractors for idling of rigs, the officers of the company should also be held accountable for any lethargy on their part.

The Committee recommend that the NOCs take suitable corrective measures for efficient utilization of rigs in order to minimize the idle time of rigs and consequent wasteful financial expenditure.

Recommendation No.13

New Discoveries

The Committee note that under NELP regime, a total of 53 discoveries (29 oil & 24 Gas) have been made by oil PSUs. The Committee note with serious concern that the discoveries made by ONGC in the Nomination blocks have reduced over the last five years whereas the demand for Oil & gas has risen. As the country looks upon NOC's for achieving success in meeting the country's hydrocarbon requirement, the NOC's should show greater commitment and achieve creditable results and fulfill the expectations placed on them. The Committee therefore recommend that the Ministry/DGH should monitor the progress in various exploration blocks to check the timely achievement of the targets for different activities.

Recommendation No.14

National Data Repository

The Committee note that the DGH/MoP&NG had initiated the process of establishing a National Data Repository which was meant for storing and maintaining exploration and production data in a safe and reusable manner for providing access to all stakeholders. The Committee are happy to note that the legal hurdles in the tendering process of the project has now been resolved and DGH is continuously pursuing the matter for the timely completion of the repository. The Committee have been informed that the site requirement has been already completed and the selection of project management consultant is under discussion.

Since the National Data Repository will provide all the exploration and production related data at a single place, the Committee desire that the Ministry/DGH should complete the tendering process for the site preparation in a time bound manner and should earnestly pursue the National Data Repository for ensuring its timely completion.

Recommendation No.15

Production of crude oil and natural gas

The Committee note that the domestic production of crude oil is 37.68 MMT in 2010-11 and 38.09 MMT in 2011-12 while the production of natural gas is placed at 52219 MMSCM in 2010-11 and 47559 MMSCM in 2011-12 during which has shown stagnant or declining trend and the projected target for next few years does not show any significant increase. The Committee note that most of the producing fields are from nominated blocks and very little from NELP fields even though blocks have been awarded under NELP more than 10 years ago. Similarly the lower gas production has been attributed due to decline in natural gas output from Panna-Mukta-Tapti (PMT) fields, KG-D6 basin etc.

The Committee however, note that the PSUs like ONGC have been claiming new discoveries and adding reserves. The Committee also understand that IOR/EOR programmes have been undertaken during the last many years at significant investments to boost the crude oil production. The Committee find that even though Ministry/oil PSUs have claimed success in exploration and production activities, the actual production data does not justify this. Therefore, the Committee recommend that the MoP&NG should critically review the E&P strategy afresh and take corrective steps to increase the crude oil and natural gas production.

Recommendation No.16

Reduction of output By KG D6 Block

The Committee are concerned to note that the actual production of Natural Gas by private/joint venture companies from KG D6 block has been declining for the past three years i.e. 2010-11, 2011-12 and 2012-13 at 21017MMSCM, 16245 MMSCM and 8893MMSCM (upto Jan. 2013) respectively. From a peak of 80 MMSCMD, the gas production form KG D6 has gone down to 16 MMSCMD. The Committee have not been informed of any valid reason by the Ministry for lower production of gas in KG-D6 block by the operator M/s Reliance Industries Ltd. In this regard, the Committee have also taken note of the fact that M/s Reliance Industries is seeking higher price for natural gas before the expiry of the term of the current pricing regime.

The Committee have been informed that as part of corrective measures, the Contractor has been asked by DGH to drill more wells, install a compressor to increase the gas recovery and the revision of the field development plan. The Committee would be keen to know the progress achieved through these measures by the company to increase production.

The Committee have however, also been informed that there are estimations of availability of gas at ultra deep levels in KG-D6 basin and for the extraction of this gas, requisite technology is not available with the Indian Companies and a global oil giant namely BP is planning to invest US$5bn in KG D6 basin by buying stakes from M/s Reliance Industries.

The Committee would strongly urge the Ministry to adequately satisfy itself and convince the nation that the fall in the production of natural gas in KG D6 block is not due to commercial consideration or price at which the gas is to be sold. The Committee, therefore, recommend that the Ministry should seriously look at the fall in production of natural gas in KG D6 basin and take urgent step to increase the projected production in coordination with DGH. The Committee also expect the Ministry to apply the provisions of PSC with the contractor strictly in letter and spirit in respect of later's failure to deliver committed production of natural gas from KG D6.

Recommendation No.17

ONGC Videsh Ltd. (OVL)

The Committee note that OVL is acquiring Oil and Gas blocks abroad in order to augment India's equity oil for enhancing the energy security of the country. The Committee have further been informed that OVL has produced about 8.753 MMT of Oil and oil equivalent Gas during the year 2011-12 from its assets in Sudan, Vietnam, Venezuela, Russia, Syria, Brazil and Columbia. OVL has also entered into one of the world's largest estimated Oilfield in Kazakhstan which will add 1.0 MMT/annum to the Crude Oil production of OVL. However, the estimated Oil & Gas production for the year 2012-13 has declined to about 6.865 MMT due to the geopolitical problems in South Sudan and Syria.

The Committee would like to observe that the increase in the price of crude oil has made the acquisition of oil and gas assets very expensive. Since OVL is making huge investments to get access to equity oil and gas abroad, the Committee would suggest that while making such investments, MoP&NG/ONGC/OVL should accord due weightage to the political stability of a country, as the recent political problems in Syria and Sudan, have resulted in indirect losses to the nation.

The Committee are further constrained to note that the returns from Imperial Energy Corporation (IEC) Russia have not been commensurate with the investment made and OVL had to make a provision for impairment of Rs. 1953 crore for IEC due to lower performance of the asset against the estimate and reduction in 'value in use'. The Committee desire that the Ministry should look into the entire gamut of events leading to the acquisition of IEC._ Since such huge investments are neither adding significant oil reserves nor providing any returns on the investment, the Committee, therefore, recommend that in the wake of IEL experience, the Ministry should tighten its own due diligence before making such huge investments so that the country is able to reap the benefits out of overseas assets.

Recommendation No.18

LNG Terminals in India

The Committee note that the Ministry is establishing LNG terminals in various parts of the country and the present capacity of the LNG terminals in the country stand at 19.8 MMSCMD which is further planned to increase to 50 MMSCMD by the end of 12th plan. The LNG terminal at Kochi promoted by Petronet LNG Ltd. with a capacity of 5 MMSCMD is also progressing towards mechanical completion. The Committee are however, constrained to note that due consideration has not been given to the readiness of forward linkages and transportation of re-gasified LNG to the consumers. The Committee feel that the laying of infrastructure and supply related works should go hand in hand to avoid idling of the infrastructure. The Committee feel that the Ministry should ensure that various forward linkages such as prospective buyers, transportation pipelines and other infrastructure etc. are progressing in tandem to the progress of the main project plant.

The Committee have also noted that the PLL has entered into an agreement with the Australian Natural Gas Company GORGON for supply of 1.44 MMTPA at a rate of 14 to15 % of the FOB price of crude oil for the next 20 years.

The Committee would like to point out that there is a view that since gas discoveries have increased all around the globe, the gas prices are likely to remain under pressure due to large discoveries whereas crude oil prices are likely to harden. Hence, the Committee are not sure whether it is prudent to link the gas prices to crude oil prices in long term agreements. Therefore, the Committee desire that PSU companies should have options open to bargain for lower prices in case of decrease in gas prices in future while negotiating long term supply agreements.

Recommendation No.19

Capacity Utilization of Gas Pipelines

The Committee note that the Government/GAIL is committed to increase the network of natural gas pipelines in the country. The Committee also note that the capacity utilization for various gas pipelines ranges from 1.91% in case of Chhainsa-Jhajjar-Hissar pipeline to 86% in case of Mumbai regional network. In this regard, the Committee have been informed that the main reason for non-utilization of the full capacity is due to non-availability of Natural Gas for supplying these pipelines as the domestic production is decreasing.

The Committee note with serious concern that the objective of laying gas pipelines is not fulfilled when the pipeline infrastructure is lying idle due to shortage of gas. Therefore, the Committee are of the view that while planning and laying gas pipelines , the Ministry / GAIL should endeavor to tie up for supply of natural gas for a particular pipeline or else investments of funds in these projects will not bring in favorable results. The Committee would suggest GAIL to explore the possibility of supplying natural gas by import of LNG whenever the Capacity Utilization is low and future does not seem to be promising.

Recommendation No.20

Diversion of APM Gas

The Committee are however, constrained to note the increasing occurrences of the diversion of APM gas to non-deserving participants. It has been found that the APM gas used by the fertilizer companies for manufacture of urea has also produced various non-fertilizer products and profited from it. The Committee have been informed that there is no mechanism with Ministry/GAIL to ensure the purpose for which the APM gas has been utilized. Similarly the Committee has also been informed that power generated with the use of APM gas was sold to consumers at commercial rates.

The Committee understand that the priority for gas allocation has been arrived at after considering the need for the various competing sectors for the low cost natural gas since these sectors are directly or indirectly fulfilling the requirements of production of essential agricultural inputs namely fertilizer. As the domestic production of natural gas has been very low and many industries are lying idle or working at lower capacity due to lack of allocation of APM gas, the Committee take serious note of such lapses of the use of domestically produced natural gas for commercial and profit making motives. Therefore, the Committee recommend that the Ministry should seriously monitor the diversion of APM gas by inspection of production records or such suitable measures and penal action may be initiated against the entities which are found guilty in this regard.

As per the gas allocation policy, gas is allocated to various sectors on priority basis to urea based fertilizers plants followed by LPG, Power, CGD sector and then to others. Considering the fact that fertilizers can be imported whereas power has to be produced locally, the Committee recommend that the Ministry should reconsider the gas allocation policy of the Government and give power at least the same priority as fertilizer which will speed up the industrialization and thus the economic growth of the country.

Recommendation No.21

Utilization of Budget Outlays by PSUs

The Committee not that there is skewed utilization of budget outlays by various oil PSUs during the previous financial years. In some of the PSUs, there is huge variation in the budget estimates and the revised estimates and it is further observed that there is under-utilization of the revised budget estimates too.

On perusal of the expenditure made by BPCL it is observed that BE in 2010-11 for fuel quality upgradation at Mumbai refinery was Rs. 33 crores and RE was proposed at Rs. 20 crores whereas the actual expenditure was Rs. 5.32 crore. Similarly, the Committee have observed that in capacity expansion cum modernization programme- Kochi refinery, the BE during 2010-11 was Rs. 1200 crores and the RE was Rs. 750 crores whereas the actual was Rs. 650.98 crores and the project has been commissioned. The Committee note that HPCL during 2011-12 had an BE of Rs. 4003 crores and RE of Rs. 2828 crores whereas actual expenditure was Rs. 2584 crores. The BE of 2012-13 was fixed at Rs. 3467.43 crores. The Committee would like to observe that the BE and the actual have wide variance and even the RE which is generally arrived at during the course of the year has also seen significant variation with the actual figure in most of the years in the case of PSUs. The Committee, therefore, would like to conclude that the PSUs are not taking their budgetary preparations with seriousness it deserves.

To have realistic budget estimates, the Committee desire that while planning the budget estimates for a financial year, the revised estimates of the previous year should be taken into consideration. Possible measures should also be adopted for speeding up the projects undertaken by various oil PSUs so that the budget earmarked for a project within a year is fully utilized. The Committee also desire that while assessing the fund requirement for a particular project, proper analysis should be made in order to avoid downward revision as happened in case of fuel quality upgradation at Mumbai refinery of BPCL.

<u>Recommendation No.22</u>

<u>Cost Escalation of various projects</u>

The Committee note with serious concern the upward revision occurring in the cost estimations of various projects of the Ministry of Petroleum and Natural Gas. As informed by the Ministry, there are 10 projects costing above Rs. 1000 crore where cost escalation has occurred which include 8 projects of ONGC and one project each of BPCL and IOCL. The Committee understand that the delays occur mainly due to awaited clearances from Ministry of Environment& Forests, Local bandhs, natural calamities such as rock slide etc.

However, the cost escalation is even 30% of the approved costs of the projects as observed in the cases of Mumbai High South redevelopment project (ONGC), development of cluster-VII field at Mumbai Offshore (ONGC), integrated development of G-1 and GS-15 (ONGC), hydrocracker revamp and setting up new continuous catalytic regeneration reformer (BPCL). Though, the approvals for revising the cost of the project are sought from the competent authorities, the Committee feel that the cost escalations are imposing undue burden on the Government.

Therefore, the Committee recommend that the Ministry should take proactive measures so as to ensure that there should be no cost escalation and the projects are completed at the approved cost only.

Recommendation No.23

Delay In ONGC Petro Additions Ltd. (OPaL)

The Committee note that the commissioning of ONGC Petro Additions Ltd (OPaL), a joint venture company of ONGC, GAIL and GSPC project for setting up of a grass root integrated petrochemical complex at Dahej, Gujarat with an investment of Rs. 21000 crore has been delayed considerably and is expected to be completed in January 2014. The delay has resulted in non-utilization of C2-C3 plant of ONGC Ltd. which has been completed on schedule. C2-C3 plant which has to provide feedstock to OPaL project plant is being filled with inert gas thus entailing additional expenditure. Another major issue noted by the Committee is that even when the OPaL project gets completed as per revised schedule, there is no availability of natural gas to the project.

The Committee take a serious view of the lack of foresight on the part of Ministry/ONGC/GAIL that such huge investment has been made without proper planning, causing loss to the exchequer. The Committee, therefore, strongly recommend that the Ministry should closely monitor the progress of the project for its completion and use the time available to ensure gas to facilitate commissioning of the project.

Recommendation No.24

Capacity Utilization of Refineries

The Committee note that the present refining capacity of the country stands at 215.06 MMT out of which 120.06 MMTPA is in public sector. Also various public sector refineries are planning capacity expansion during the Twelfth Plan which will increase the refinery capacity from 120.06 MMTPA to 194.366 MMTPA. The Committee however, note that there is an under-utilization of existing capacity due to non-availability of the requisite grade of crude for processing in the refineries.

The Committee understand that the refineries are producing various petroleum products which are exported thereby earning foreign exchange and the refinery expansion plans will also help India emerge as a refining hub in Asia. The Committee, however, desire that while going in for refinery expansion plans, the Ministry should ensure the availability of requisite grade of crude oil for its PSU refineries in order to achieve full capacity utilization. The Committee further desire that Ministry/OMCs should do a study before making huge investments in refinery expansion plans taking into account the returns that are expected to accrue therefrom.

Recommendation No.25

Fuel loss suffered by refineries

The Committee are unhappy to note that the fuel loss suffered by various public sector refineries has increased substantially over the past few years which is affecting the gross refinery margins and ultimately the efficiencies of the refineries. The Committee wish to point out that in some of the refineries, fuel loss is as high as 10 % of the total crude throughput. In IOCL's Guwahati refinery the situation is more serious as the fuel loss is of the order of 12.9 %. The Committee understand that some of refineries in India were designed in the 1970's and energy efficiency measures have not been carried out in these refineries. The Committee further note that the various improvement techniques to minimize the hydrocarbon losses adopted by some refineries have given positive results.

The Committee are of the opinion that fuel loss in a refinery is an avoidable loss and all efforts to reduce it should be pursued by OMCs/Ministry. Such efforts will save large amounts and will add to the earnings of the refineries. Therefore, the Committee desire that the Ministry/PSUs should monitor the implementation of measures taken in order to reduce the fuel loss of refineries. The Committee also desire that the Ministry should study the methods adopted globally by refineries and adopt required techniques for reduction of fuel loss.

Recommendation No.26

Ethanol Blended Petrol

The Committee note that the Cabinet Committee on Economic Affairs have made it mandatory on part of OMCs to blend 5% ethanol with petrol. The Committee have also been informed that the OMCs have been allowed to import ethanol in case of non-availability in domestic market, thereby removing any ambiguity arising out of the supply related issues of Ethanol. The Committee welcome this move as it will put the EBP programme in firm footing. It will possibly reduce the fuel import bill and lower nation's dependence on fossil fuels which will also help in promotion of cleaner environment. The Committee desire that the Government should monitor the progress of 5% mandatory blending with ethanol in the whole country and take all steps that are required so that the within the specified timeframe i.e. 30.06.2013, the 5% ethanol blended petrol should be available in the country.

The Committee are aware that the next step in the EBP programme will be to increase the usage of 10% Ethanol Blended Petrol. Therefore, the Committee desire that the Ministry should make sincere efforts towards making the programme of 5% blending of Ethanol with petrol successful.

Recommendation No.27

Coal Bed Methane

The Committee note that India, having 3rd largest proven coal reserves and being the 4th largest coal producer in the world, holds significant prospects for commercial recovery of Coal Bed Methane (CBM). The prognosticated CBM reserves in the country have been estimated to be around 4.6 TCM. The Committee further observe that though 33 CBM blocks have been awarded by the Government so far, the Commercial production has started from only one block namely, Raniganj which now contributes 0.28 MMSCMD of CBM production.

The Committee are given to understand that seven more blocks are expected to start commercial production in the near future and the total CBM production by the end of Twelfth Plan is expected to be around 4 MMSCMD. The Committee note that the increase in CBM production during the current year is only 0.04 MMSCMD. The Committee are skeptical about the target to be achieved by the end of 12th plan, with such meager annual increase in production of CBM during the past years.

The Committee desire that the Ministry should intensify the exploration and production of Coal Bed Methane for timely achievement of the set targets of production in view of the growing demand of hydrocarbon resources.

Recommendation No.28

Shale Gas Exploration

The Committee note that India is known to hold significant deposits of Shale gas. The Committee note that the major basins in India such as Cambey (Gujarat), Assam-Arakan in North-east and Krishna-Godavari in Andhra Pradesh, Cauvery onshore and the Indo-Gangetic basin etc. hold potential prospects of shale gas reserves. The Committee have observed that in some countries including US and Canada, the large discoveries of shale gas have been made which has transformed the energy landscape. Since the availability of shale gas reserves in the country will boost the diversification of fuel resources, India should also look forward to search new avenues in the exploration of shale gas.

The Committee have been informed that the Ministry is also formulating a National Policy on Shale gas. Therefore, the Committee are of the view that the Ministry should finalize and notify the National Policy on Shale gas without delay and offering of blocks may be done at a faster pace in coordination with DGH. The Committee also recommend that the Ministry may consider collaboration with foreign countries which have a robust programme in shale gas exploration for technology transfer.

Recommendation No.29

Gas Hydrates

The Committee note that India is known to have massive deposits of gas hydrates. In view of this, the Ministry of Petroleum & Natural Gas formulated the National Gas Hydrate Programme (NGHP) in 1997 which is being coordinated by DGH. Reconnaissance surveys carried out by DGH in the East Coast and Andaman Deep-water areas in 1997 has established the presence of Gas Hydrates in numerous complex geological settings including Krishna-Godavari basin, Mahanadi basin of the Bay of Bengal and Andaman Islands and collected a number of gas hydrate cores from 21 sites and 39 holes. The total prognosticated gas resource from the gas hydrates in the country is placed at 1894 TCM. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee that technology for extraction of gas hydrates is at R& D stage all over the world and U.S. and Japan are the two pioneer countries in this field.

The Committee are not satisfied with the progress of the programme due to the fact that since the inception of the National Gas Hydrate programme in 1997, no substantial progress has been achieved in exploration, extraction and commercial production of gas hydrates. The Committee also note that the Government do not seem to have a clear-cut roadmap with a stipulated time frame to achieve progress in this field. Since India is endeavoring to attain self-sufficiency in energy resources, the Committee feel that commercial exploitation of Gas Hydrates can prove to be a boon in the growing demand scenario of hydrocarbons.

Therefore, the Committee recommend that the Government should speed up the National Gas Hydrate Programme and efforts should be made to step up the R&D activities. A National R&D center should be set up in India with facilities for testing of samples obtained from various sites. The Committee desire that the Ministry should endeavor to train human resources and participate in various international collaborations to get acquainted with new technologies in this field.

Recommendation No.30

Under utilization of CSR Funds

The Committee have learnt that as per the existing guidelines of Department of Public Enterprises (DPE), a mandatory provision of 0.5% to 2% of PAT (Profit After Tax) of previous year is to be spent on social welfare activities by the Central Public Sector Undertakings (PSUs) under the Corporate Social Responsibility (CSR). However, the Committee are unhappy to note that major oil companies such as IOCL BPCL and ONGC has spent only 51.41%, 22.24% and 26.52% respectively of their earmarked CSR funds thus not meeting the statutory provisions during the financial year 2011-12.

The Committee opine that CSR is a noble initiative on the part of PSUs and therefore its funds must be utilized for welfare and community development activities without fail. Accordingly, the Committee recommend the Ministry to prevail upon the oil companies to ensure the full utilization of the earmarked funds.

Recommendation No.31

Release of Funds to OIDB

The Committee note that OIDB was established under an Act of Parliament for promotion of activities related to the development of oil sector in the country such as prospecting, refining, transportation and storage by rendering financial assistance to various projects and as per provision, the board was to be funded through cess levied on crude oil and Natural Gas. A part of this cess is given to OIDB for funding its project requirements after due appropriation by the parliament. The Committee are given to understand that the total cess that has been collected by Central Government upto 31/12/2012 is of the order of Rs. 1,14,986 crore, out of which OIDB has received only Rs. 902 crore.

The Committee have observed that OIDB is funding annual requirements of various projects of DGH, OISD, PPAC, CHT and PCRA apart from funding various plan schemes such as RGIPT and ISPRL. Since OIDB is also working on number of important projects including the National Gas Hydrates Programme, ISPRL, etc., the Committee feel that OIDB should be supported with more funds to prevent delays. Therefore, the Committee recommend that the MoP&NG should take up the matter with Ministry of Finance with all seriousness and pursue for increased allocation of funds to OIDB out of the cess collected by the Central Government.

New Delhi;
22 April, 2013
02 Vaisakha, 1935 (Saka)

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

Annexure-I

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2012-13)
SEVENTH SITTING
(12.3.2013)

The Committee sat on Tuesday the 12th March, 2013 from 1515 hrs. to 1700 hrs. in Committee Room No. 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

LOK SABHA

2 Shri Ramesh Bais
3 Shri Sudarshan Bhagat
4 Shri Ram Sundar Das
5 Shri Kalikesh N. Singh Deo
6 Shri Baliram Jadhav
7 Dr. Manda Jagannath
8 Shri Dilipkumar Mansukhlal Gandhi
9 Shri Somabhai Gandalal Koli Patel
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 Shri Tapan Sen
16 Dr. Ram Prakash
17 Smt. Gundu Sudharani
18 Dr. Prabha Thakur

SECRETARIAT

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

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri Vivek Rae	-	Secretary
2.	Shri Sudhir Bhargava	-	Special Secretary
3.	Shri Giridhar Armane	-	Joint Secretary
4.	Dr. Neeraj Mittal	-	Joint Secretary

Representatives of Gas Authority of India Limited (GAIL)

1.	Shri B.C.Tripathi	-	C&MD, GAIL
2.	Shri Prabhat Singh	-	Director, GAIL
3.	Shri S. Venkatraman	-	Director, GAIL

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

3 The Chairman then welcomed the representatives of Ministry of Petroleum and Natural Gas and GAIL to the sitting. Thereafter, a brief power point presentation was made by C&MD GAIL on the production and pricing of natural gas, pipelines projects being operated and undertaken by GAIL, acquisitions and investments made abroad and status of transnational pipelines etc. The Committee then deliberated upon the various aspects related to the subject such as the present Gas pricing formula , the proposed gas pricing formula given by Rangarajan committee, feasibility of its implementation and impact thereof on prices of Natural gas , a comparative overview of the prices at which Natural Gas is imported through spot and contract purchases, reasons for delay in commissioning of Kochi terminal and reasons for under-utilization of present capacity of gas pipelines etc.

4. The Members also sought clarifications on issues such as investments made by GAIL in overseas City Gas Distribution projects, acquisition of overseas assets by GAIL, diversion of APM gas for production of non-subsidised products, delay in commissioning of ONGC Petro Additions Ltd. (OPaL) project and reasons for reduction of Gas output in KG-D6 block and the actions taken by the Ministry in this regard.

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

6. A verbatim of the proceedings of the sitting has been kept in records.

The Committee then adjourned.

***** Matter not related to the subject**

<u>Annexure-II</u>

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2012-13)
EIGHTH SITTING
(19.3.2013)

The Committee sat on Tuesday the 19th March, 2013 from 1500 hrs. to 1720 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

LOK SABHA

2 Shri Sudarshan Bhagat
3 Shri Kalikesh N. Singh Deo
4 Shri Baliram Jadhav
5 Dr. Manda Jagannath
6 Shri Dilipkumar Mansukhlal Gandhi
7 Shri Somabhai Gandalal Koli Patel
8 Shri P.L.Punia
9 Shri Dhananjay Singh
10 Shri Manohar Tirkey
11 Shri Thol Thirumaavalavan
12 Shri A.K.S. Vijayan

RAJYA SABHA

13 Shri Sabir Ali
14 Shri Mansukh L. Mandaviya
15 Smt. Kusum Rai
16 Smt. Gundu Sudharani
17 Dr. Prabha Thakur
18 Prof. Ram Gopal Yadav

SECRETARIAT

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

-

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri Vivek Rae	-	Secretary
2.	Shri Sudhir Bhargava	-	Special Secretary
3.	Shri Giridhar Armane	-	Joint Secretary
4.	Dr. Neeraj Mittal	-	Joint Secretary

Representatives of Gas Authority of India Limited (GAIL)

1.	Shri B.C.Tripathi	-	C&MD, GAIL
2.	Shri Prabhat Singh	-	Director, GAIL
3.	Shri S. Venkataraman	-	Director, GAIL

2. At the outset, Hon'ble Chairman welcomed the Members, representatives of the Ministry of Petroleum and Natural Gas and GAIL to the sitting. The Committee then took the oral evidence of the representatives of Ministry of Petroleum and Natural Gas and GAIL on Production and Pricing of Natural Gas, Delays in implementation of Gas Pipeline Projects with particular reference to TAPI and IPI Projects, acquisition of overseas assets investments & returns earned thereon and Joint Ventures & subsidiary companies of GAIL.

3. The Committee then deliberated upon the various aspects related to the subject such as the reduction in production from KG D-6 Block, reasons for under capacity utilization of gas pipelines, progress made by various City Gas Distribution (CGD) projects, delay in commissioning of Kochi-Mangalore Pipeline, levying of charges to operators for gas pipelines where no gas is being supplied, status of implementation of Rangarajan Committee recommendations, profits earned by various gas production companies, delay in commissioning of the OPAL project and cost escalation thereon, efforts made by Ministry/GAIL for increasing the coverage of PNG network in the country and other related issues.

4. The clarifications sought by the Members on various points related to the subject were provided by the representatives of the Ministry/GAIL. However, on some of the points to which the Ministry's officials could not readily respond, the Chairman asked them to furnish written information to the Secretariat.

5. A verbatim of the proceedings of the sitting has been kept in records.

The Committee then adjourned.

Annexure-III

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2012-13)
NINTH SITTING
(25.3.2013)

The Committee sat on Monday the 25th March, 2013 from 1100 hrs. to 1315 hrs. in Committee Room No. 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

LOK SABHA

2 Shri Ramesh Bais
3 Shri Baliram Jadhav
4 Dr. Manda Jagannath
5 Shri Somabhai Gandalal Koli Patel
6 Shri P.L.Punia
7 Shri Brijbhushan Sharan Singh
8 Shri Dhananjay Singh
9 Shri Thol Thirumaavalavan

RAJYA SABHA

10 Shri Sabir Ali
11 Shri Mansukh L. Mandaviya
12 Dr. Ram Prakash
13 Shri Tapan Kumar Sen
14 Smt. Gundu Sudharani

SECRETARIAT

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

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri Vivek Rae	-	Secretary
2.	Shri Sudhir Bhargava	-	Special Secretary
3.	Shri S.C.Khuntia	-	Additional Secretary & Financial Advisor
4.	Shri L.N.Gupta	-	Joint Secretary (Refinery)
5.	Shri Giridhar Aramane	-	Joint Secretary
6.	Shri P.K.Singh	-	Joint Secretary
7.	Shri P.Kalyansundaram	-	Joint Secretary

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 Sudhir Vasudeva	-	CMD, ONGC
5.	Shri A. K. Purwaha	-	CMD, EIL
6.	Shri S.K.Srivastava	-	CMD, OIL
7.	Shri B.C.Tripathi	-	CMD, GAIL
8.	Shri Augustine Peter	-	DG, PPAC
9.	Shri D.N.Reddy	-	President, RGIPT
10.	Shri Rajan K. Pillai	-	CEO, ISPRL
11.	Shri D.K.Sarraf	-	MD, OVL

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

3. Thereafter Secretary, Ministry of Petroleum and Natural Gas briefed the Committee regarding Plan and Non-Plan allocations of the Ministry's Demands for Grants (2013-14). He also highlighted the huge under-recoveries incurred by OMCs due to subsidy given on petroleum products. A brief power point presentation was made by the representative of MoP&NG on the salient features of budget including plan and non-plan allocations of the Ministry, budget outlays of various oil PSUs, financial

constraints being faced by OIDB, need for augmentation of OIDB funds and the burden sharing mechanism of under-recoveries.

4. Hon'ble Members, then sought clarifications on various issues related to the budget such as delay in establishment of Rajiv Gandhi Institute of Petroleum technology, reasons for slow progress in issuance of LPG connections to BPL families, implementation of direct transfer of Cash subsidies scheme, reasons for revision of cost of ISPRL project, allocation of blocks to PSUs in various rounds of NELP, cost escalation in projects of oil PSUs, success ratio of exploration companies, exploratory efforts in Kerala-Konkan Basin, availability of rigs, the expenditure incurred on acquiring rented rigs, Ministry's view on switching over to Export Parity Pricing and expected savings on under-recoveries by applying Export Parity Pricing mechanism, allocation of funds to OIDB out of the cess collected by Central Government, prospects & availability of coal bed methane, issuance of fake connections and other irregularities by distributorships etc.

5. The Ministry officials reply to the queries raised by Members. On some of the issues for which the information was not readily available, Hon'ble Chairman asked them to furnish written replies in a week's time.

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

The Committee then adjourned.

Annexure-IV

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2012-13)
TENTH SITTING
(16.04.2013)

The Committee sat on Tuesday the 16th April, 2013 from 1100 hrs. to 1130 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS
Lok Sabha

2 Shri Sudarshan Bhagat
3 Shri Ram Sundar Das
4 Dr. Manda Jagannath
5 Shri Dilipkumar Mansukhlal Gandhi
6 Shri Somabhai Gandalal Koli Patel
7 Shri Rao Saheb Danve Patil
8 Shri P.L.Punia
9 Shri Brijbhushan Sharan Singh
10 Shri Dhananjay Singh
11 Shri Manohar Tirkey

RAJYA SABHA

12 Shri Sabir Ali
13 Shri Mansukh L. Mandaviya
14 Dr. Ram Prakash
15 Shri Tapan Kumar Sen
16 Smt. Gundu Sudharani
17 Dr. Prabha Thakur
18 Prof. Ram Gopal Yadav

Secretariat

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

2. At the outset, Hon’ble Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the draft Report on ‘Demands for Grants (2013-14)’ of Ministry of Petroleum and Natural Gas.

3. The Committee then considered and adopted draft Report on Demands for Grants (2013-14) of Ministry of Petroleum and Natural Gas.

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

The Committee then adjourned.