2

STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2009-10)

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS
(2010-11)

SECOND REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2010/ Vaisakha, 1932 (Saka)

SECOND REPORT

STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2009-10)

(FIFTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS
(2010-11)

Presented to Lok Sabha on 22.4.2010

Laid in Rajya Sabha on 22.4.2010

LOK SABHA SECRETARIAT
NEW DELHI

April, 2010 / Vaisakha, 1932 (Saka)

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2009-10)

Shri Aruna Kumar Vundavalli - Chairman

Members

Lok Sabha

2 Shri Anandrao Adsul
3 Shri Ramesh Bais
4 Shri Sameer Bhujbal
5 Smt. Santosh Chowdhary
6 Dr. Ratna De
7 Shri Mukesh B. Gadhvi
8 Shri Dilipkumar Mansukhlal Gandhi
9 Shri Maheshwar Hazari
10 Shri Gorakh Prasad Jaiswal
11 Shri Virendra Kumar
12 Shri Vikrambhai A. Madam
13 Dr. Thokchom Meinya
14 Shri Mahabal Mishra
15 Shri Danve Raosaheb Patil
16 Shri Kabindra Purkayastha
17 Shri K. Narayan Rao
18 Shri C.L. Ruala
19 Shri Uday Pratap Singh (Hoshangabad)
20 Shri A.K.S. Vijayan
21 Shri Om Prakash Yadav

Rajya Sabha

22 Dr. Prabha Thakur
23 Shri Ahmed Patel
24 Shri B.K. Hariprasad
25 Shri Kalraj Mishra
26 Shri Tapan Kumar Sen
27 Shri Kamal Akhtar
28 Shri Satish Chandra Misra
29 Shri Subhash Prasad Yadav
30 Shri Sabir Ali
31 Vacant

Secretariat

1. Shri J.P.Sharma - Joint *Secretary*
2. Smt. Anita Jain - *Director*
3. Shri J.V.G. Reddy - *Additional Director*
4. *Shri Arvind Sharma - Deputy Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf present this Second Report on 'Demands for Grants (2010-11) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2010-11) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 11th March, 2010.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 25 March, 2010.

4. The Committee considered and adopted the Report at their sitting held on 20 April, 2010.

5. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants (2010-11) of the Ministry and for giving evidence before the Committee.

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

New Delhi;
21 April, 2010
1 Vaisakha, 1932 (Saka)

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

REPORT

PART I

INTRODUCTORY

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

1.2 The long term vision for the development of the hydrocarbon sector focuses on attaining energy security through increased indigenous production as well as acquisition of equity oil and gas abroad. In a deregulated exploration and production business environment, the Government is making all efforts to accelerate domestic exploration and production through its New Exploration Licensing Policy (NELP) initiative, under which seven rounds have already been completed. In Refining and Marketing sectors, the endeavour of the Government is not only to achieve self-sufficiency in the production of all petroleum products but also to develop export capability so that the refining industry becomes globally competitive.

1.3. The activities of the Ministry are carried out through the following 9 public sector undertakings, 11 subsidiaries and other companies and 6 other organizations.

Oil companies where Government of India has a shareholding

1. Oil & Natural Gas Corporation Limited (ONGC)
2. Indian Oil Corporation Limited (IOCL)
3. Hindustan Petroleum Corporation Limited (HPCL)
4. Bharat Petroleum Corporation Limited (BPCL)
5. GAIL (India) Limited
6. Engineers Indian Limited
7. Oil India Limited (OIL)
8. Balmer Lawrie & Co. Limited
9. Biecco Lawrie & Co. Limited

Subsidiaries and other companies

1. ONGC Videsh Limited (OVL)	Wholly owned by ONGC
2. Mangalore Refinery & Petrochemicals Limited	Subsidiary of ONGC
3. Indian Oil Blending Limited	Wholly owned by IOCL
4. Certification Engineers International Limited	Wholly owned by EIL
5. EIL Asia Pacific Sdn. BHD	Wholly owned by EIL
6. Numaligarh Refineries Limited (NRL)	Subsidiary of BPCL
7. Kochi Refineries Limited (KRL)	Subsidiary of BPCL
8. Bongaigaon Refinery and Petrochemical Ltd. (BRPL)	Subsidiary of IOCl
9. IBP Co. Ltd.	Subsidiary of IOCL
10. Chennai Petroleum Corporation Limited (CPCL)	Subsidiary of IOCL
11. Indian Oil Mauritius Limited	Subsidiary of IOCL

Other organizations

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

A. ANALYSIS OF DEMANDS FOR GRANTS (2010-11)

1.4 The budgetary allocations made in respect of the Ministry of Petroleum and Natural Gas for the fiscal year 2010-11 are as under:-

(Rs. In crore)

	Plan	Non-Plan	Total
Revenue Section	37.00 (i) 36.00 crore for RGIPT (ii) 1.00 for one time assistance for LPG connections to BPL families	Secretariat - Economic Services – (3451)-17.40 Petroleum – (2802)-3124.60	3179.00
Capital Section	-	-	-

Plan

1.5 Gross Budgetary Support (Plan) amounting to Rs. 37 crore has been provided in 2010-11 to meet (i) the initial capital expenditure for setting up of Rajiv Gandhi Institute of Petroleum Technology in Uttar Pradesh and (ii) the Plan Scheme formulated for providing one time assistance of Rs. 1400/- per LPG connection to BPL families towards security deposit for the cylinder and regulator. Under this scheme it is proposed to cover as many as 70 lakh BPL families who have SKO ration card but are not using LPG at present during the remaining period of the ongoing Eleventh Five Year Plan.

1.6 The Committee have been apprised that the autonomous organization namely Centre for High Technology (CHT), Oil Industry Safety Directorate (OISD), PCRA, OIDB and DGH which have been entrusted with the responsibility to perform some specific functions are funded through Grants from crude oil cess.

Rajiv Gandhi Institute for Petroleum Technology (RGIPT)

1.7 The year-wise requirement of Budgetary support during 11th Plan and 12th Plan for Rajiv Gandhi Institute of Petroleum Technology (RGIPT) is as under:-

(Rs. In Crores)

Year	**Original phasing of Government Budgetary Support (GBS)**	**As approved in Annual Plan**
2007-08	24.00	Nil
2008-09	81.00	25.00
2009-10	69.00	25.00
2010-11	60.00	36.00
2011-12	51.00	
11th Plan total	285.00	
12th Plan	Nil	
Total	285.00	

1.8 On plan side a provision of Rs. 36 crore i.e. 44% more than the BE 2009-10 of Rs. 25 crore has been made for RGIPT project at Jais, Rae Bareilly and Uttar Pradesh.

1.9 The Committee have desired to know the item-wise targets set for infrastructure plan for the Institute and the actual achieved thereon. In this connection the item-wise infrastructure targets and achievements furnished by the Ministry of Petroleum and Natural Gas are as under:

Item	Targets	Achievement
Procurement of land during	2007-08	Partial land admeasuring 47.8 acres was procured in 2007-08. Proposal for acquisition of additional land admeasuring about 95 acres submitted to Uttar Pradesh State Industrial Development Corporation (UPSIDC) in August 2007 which is still under process. Regular follow up at state government level is continuing.
Infrastructure Development – Academic and administrative complex, faculty residence, student' Hostel, utilities etc.	Phase – I completion by 2011-12	Construction plan for phase – I activities in the 47.8acre land has been finalized. Contract for construction of boundary wall awarded in December 2009 and the work will be completed by mid

		2010. Major civil work package has been finalized with 24 months time schedule and award of the contract is expected by the end of March 2010.
Balance Infrastructure relating to Housing, Games and sports facilities, satellite shopping complex, open air theatre etc.	Phase – II completion by 2015-16	The phase – II activities have now been proposed to be taken up on possession of the additional land under acquisition process by UPSIDC. Concept plan has been worked out. Detailed planning and work schedule will be finalized later.

1.10 Asked about the status of land acquisition process for the RGIPT, the Ministry of Petroleum and Natural Gas apprised the Committee as under:-

> "RGIPT has already in its possession 47.8 acres of land. The balance land is under acquisition by Uttar Pradesh Industrial Development Corporation (UPSIDC) for which RGIPT had approached them in August 2007. Land admeasuring 95 acres contiguous to the available land at Jais have been identified. Acquisition process did not progress well despite regular follow-up by RGIPT / MoP&NG at various levels of the State Government/UPSIDC. Recently, with the MoP&NG's intervention and continuous follow up by RGIPT at District Magistrate level and UPSIDC, the process has got momentum and the first meeting of the State level "Land Use Committee" was held in the month of December 2009. After considering certain objections raised by land owners, RGIPT / UPSIDC were advised to revise the proposal. Action has since been taken and the district level Land Use Committee has recommended the Revised Proposal for submission to the State Government. After the State level Committee's approval the required notifications will be issued by DM for commencing the process of acquisition/ handling objections/ determining compensation etc".

LPG connections to BPL Families

1.11 Asked about the total investment required to implement the Scheme and the time frame to cover the estimated 70 lakh BPL families, the Ministry of Petroleum and Natural Gas have informed the Committee that under the Central Scheme for release of one time grant to BPL families for release of new LPG connection, it is proposed to release 35 lakh LPG connections per year to the BPL families and convert them to clean LPG consumers at a cost of Rs. 490 crores per year. Thus, a total investment of Rs. 980 crores is required to cover 70 lakh BPL families. The target of 70 lakh BPL families is proposed to be reached in two years viz., 2010-11 & 2011-12.

1.12 However, it is observed that only a token provision of Rs. one crore has been made for this plan scheme under formulation for providing one time assistance of Rs. 1400 per LPG connection to BPL families towards security deposit for the cylinder and regulator.

<u>Non-Plan</u>

1.13 The following statement shows the details of non-plan expenditure incurred/proposed by the Ministry of Petroleum and Natural Gas for various items during 2008-09, 2009-10 and 2010-11:-

(Rs. in crore)

Heads Revenue	**Actual 2008-09**	**BE 2009-10**	**RE 2009-10**	**BE 2010-11**
Payment to Oil companies in settlement of their claims under APM	9.30	0.00	0.00	0.00
Subsidy for PDS kerosene and domestic LPG	2688.42	2840.00	2765.00	2900.00
Freight Subsidy on PDS kerosene and domestic LPG for far flung areas	22.22	26.00	24.00	25.00
Subsidy for supply of Natural gas to North Eastern Region	141.64	243.00	165.00	183.00
Petroleum and Natural Gas Regulatory Board	3.00	15.00	14.25	15.00

Society for Petroleum Laboratory	1.57	1.65	0.96	1.60
Payment to Oil marketing companies as compensation for under recoveries in their domestic LPG and PDS kerosene	75942.00*	10306.33*	22306.33**	0.00
Secretariat economic services	14.73	18.35	17.79	17.40

* There was no cash out go.

** There was cash out go of Rs. 12000 crore.

1.14 The Non Plan Budget of the Ministry for 2010-11 is Rs.3142 crore, which mainly comprises subsidy for domestic LPG and PDS kerosene; Freight subsidy on retail products for far flung areas; and Subsidy for the supply of natural gas to the North Eastern Region.

1.15 It may be seen from the above data that on BE 2010-11, Subsidy on PDS Kerosene and domestic LPG has been fixed at 2900 crore and the freight subsidy on PDS Kerosene and domestic LPG for far flung areas has been pegged at Rs. 25.00 crore. As regards the subsidy for supply of natural gas to North Eastern Region it stands at Rs. 183.00 crore. Besides a sum of Rs. 15.00 crore has been earmarked for Petroleum and Natural Gas Regulatory Board and a provision of Rs. 1.60 crore has been made for Society for Petroleum Laboratory in the Budget year 2010-11.

1.16 As regards the payment to Oil Marketing Companies as compensation for under recoveries in their domestic LPG and PDS Kerosene, no allocation has been made in the current Budget as against the amount of Rs. 22306.33 crore provided for the year 2009-10 in RE.

1.17 The Committee note that the Non Plan Budget of Rs. 3142 crore of the Ministry of Petroleum and Natural Gas for 2010-11 mainly comprises of subsidies for PDS kerosene and domestic LPG (Rs. 2900 crore), freight subsidy on PDS kerosene and domestic LPG for far-flung areas (Rs. 25 crore), Rs. 183 crore as subsidy for supply of natural gas to North-Eastern Region and a provision of Rs. 15 crore and Rs. 1.60 crore for Petroleum and Natural Gas Regulatory Board (PNGRB) and Society for Petroleum Regulatory respectively. Apart from this, an allocation of Rs. 17.40 crore has been kept for Secretariat

and economic services. On the Plan side, the Committee note that an allocation of Rs. 36 crore has been made towards Rajiv Gandhi Institute for Petroleum Technology (RGIPT) project, Jais, Rai Barelli and a token provision of Rs. 1 crore has been made for a new scheme for providing LPG connection to BPL families as onetime assistance of Rs. 1400/LPG connection. While considering various allocations made in the DFG for 2010-11, the Committee observe that although Rs. 490 crore are stated to be required to cover 35 lakh BPL families, only one crore token grant was earmarked for one time assistance to BPL families @ Rs.1400 per LPG cylinder. In this regard, the Committee want to emphasise that a flagship scheme of LPG connection to BPL families should not face any financial crunch. The Committee would like to be apprised of the detailed steps taken by the Government and the strategy planned in this regard to achieve the targets. At the same time, the Committee would also like to be apprised of State-wise figures of BPL families likely to be covered under the scheme during 2010-11 and 2011-12.

1.18 The Committee are constrained to note that acquisition of land for RGIPT targeted to be completed by 2007-08, is running behind the schedule. Only land admeasuring 47.8 acres could be acquired by 2007-08 and proposal for acquisition of balance land admeasuring 95 acres is still pending with Uttar Pradesh State Industrial Development Corporation since August 2007. The Committee further note that with the persistent efforts of the Ministry and follow up with UPSIDC, the process has now gained momentum. Since the acquisition of land has been badly delayed, the Committee desire the matter be constantly pursued with the State Government authorities.

1.19 The Committee are also constrained to note that although the land measuring 47.8 acres was acquired by 2007-08 for RGIPT, no construction work at site was started till December, 2009. Taking note of the fact that the construction work of boundary wall at the acquired land has been awarded in December, 2009 and the award for major civil work is reported to be awarded by March, 2010, the Committee desire the Government to take all necessary

steps to ensure that the infrastructure work of Phase-I relating to academic and administrative complex, faculty residence, student hostel, utilities etc. at the available land is completed by 2011-12 as initially targeted.

B. Centre for High Technology (CHT)

1.20 The Centre for High Technology (CHT) was established by Ministry of Petroleum and Natural Gas (MOP&NG) in 1987 as a specialized agency of the oil industry to assess futuristic technology requirements for acquisition, development and adoption in the field of refinery processes, petroleum products, additives, storage and handling of crude oil, products and gas.

1.21 CHT acts as the Technical Wing of MOP&NG for implementation of scientific and technological programmes of the Government of India. Major functions of CHT include assessment of technology requirement as also operation performance improvement of the refineries. CHT acts as a focal point of oil industry for coordinating and funding of research work in refining and marketing areas, exchange of information and experience, co-ordinate and pursue the programme of “Scientific Advisory Committee on Hydrocarbons” of MOP&NG.

1.22 The Budget Outlays of CHT for 2008-09, 2009-10 and 2010-11 are as under:-

(Rs. In lakh)

	2008-09			2009-10			2010-11
	BE	RBE	Actual	BE	RBE	Actual Apr.-Jan2010	BE
Revenue Expenditure	599.80	680.50	560.28	687.55	730.60	375.46	654.60
Capital Expenditure	11.00	13.00	4.62	8.00	6.55	13.00	7.00
Projects: (a) R&D Projects	211.42	462.93	214.07	136.99	131.10	500.00	269.99

(b) Special Studies	300.00	1625.00	--	330.00	1325.00	--	--
Total	1122.22.	2781.43	778.97	1162.54	2568.60	513.11	931.59

The funds to CHT are provided by Oil Industry Development Board (OIDB).

1.23 The Committee note that Centre for High Technology (CHT) is a specialized agency established by the Ministry of Petroleum and Natural Gas in 1987 and it acts as the technical wing of the Ministry for implementation of scientific and technological programme of the Government. The Committee observe that the Budget outlays for 2008-09 for Centre for High Technology (CHT) were increased from Rs. 11.22 crore to Rs. 27.83 crore and for the year 2009-10, against the Budget Estimates of Rs. 11.62 crore, the Revised Estimates were enhanced to Rs. 25.68 crore. The Committee, are surprised over variation in figures of revised estimates and the actuals as Budget Estimates (BE) for capital expenditure, R&D project and special studies by CHT during 2009-10 were substantially increased at RE stage and the actuals are far higher than the Revised Estimates for these activities. The Committee, therefore, feel that the principles of prudent financial management were not followed in the case of CHT while preparing Budget Estimates (BE) and Revised Estimates (RE) and recommend that Government should ensure that the Budget Estimates (BE) and Revised Estimates (RE) are consistent with the actual requirement of funds to carry out the identified project/studies by CHT.

C. Taxes, Duties on Petrol and Diesel

1.24 International prices of crude oil and petroleum products have remained highly volatile in the recent past. The average price of Indian basket of crude oil for 2008-09 was $83.57/bbl. The Indian Basket of crude oil which was at $40.61/bbl in December 2008 increased by about 70% to $69.12/bbl in June 2009. In view of the increase in crude prices, Government was constrained to increase the price of petrol by Rs.4/litre and diesel by Rs. 2/litre, with effect from 2.7.2009. The average price of Indian basket of crude oil for 2009-10 was $68.61 per barrel (upto 8th February, 2010).

1.25 The Committee have desired to know the details of the various taxes and duties currently being levied on petrol and diesel and their share in the market prices of Petroleum products. In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee in a written note as under:

"The details of taxes presently levied on Petrol and Diesel

Sr. No.	Particulars	Petrol	Diesel
1	Customs Duty	7.5% (Plus 3% Education Cess)	7.5% (Plus 3% Education Cess)
2	Excise Duty	Rs.14.35/Litre (Plus 3% Education Cess)	Rs.4.60/Litre (Plus 3% Education Cess)
3	VAT at Delhi*	20%	12.50%

*VAT/Sales Tax varies from State to State.

1.26 The share of taxes on Petrol and Diesel for the first fortnight of March 2010 as percentage of Retail selling price (at Delhi) was as under:

(Rs./Litre)

Sr. No.	Particulars	Petrol	Diesel
1	Price without Customs Duty, Excise duty and Sales tax components	23.02	24.74
2	Customs Duty	1.73 (3.65%)	1.80 (5.07%)
3	Excise Duty	14.78 (31.16%)	4.74 (13.36%)
4	Sales Tax / VAT	7.90 (16.66%)	4.19** (11.81%)
5	Total Taxes	24.41	10.73

	(2+3+4)	(51.47%)	(30.24%)
6	Retail Selling Price (1+5)	47.43 (100%)	35.47 (100%)

* Figures in parentheses give the components of Customs Duty, Excise Duty and Sales Tax as a % of RSP
** Sales Tax on Diesel is inclusive of Pollution Cess of Re.0.25/Litre".

1.27 The details of contribution of petroleum sector to Central Government Exchequer, subsidy on PDS Kerosene and Domestic LPG, Oil Bonds and the share (in percentage terms) of such subsidy/Oil Bonds amounts in the total revenue collections from the petroleum sector, are given below:

(Rs. Crore)

Sr. No.	Particulars	2006-07	2007-08	2008-09	April-December, 2009(Prov.)
(i)	Contribution to Central Government Exchequer by Petroleum Sector	**97264**	**108286**	**93513**	**56365**
(ii)	Subsidy provided by Government				
	Subsidy on PDS Kerosene & Domestic LPG	2524	2641	2688	2040
	Freight Subsidy (For Far Flung Areas) on PDS Kerosene & Domestic LPG	25	28	22	18
	Oil Bonds Issued by Government	24121	35290	71292	12000 *
(iii)	**Total**	**26670**	**37959**	**74002**	**14058**
(iv)	Subsidy by the Government as % of Petroleum sector's contribution to the Central Government Exchequer	**27%**	**35%**	**79%**	**25%**

Note: Excludes contribution to the State Exchequer in terms of VAT/Sales Tax, Entry Tax, Octroi etc.

*Under the burden sharing mechanism, there was Budgetary support of Rs.12,000 crore as the share of the Government towards meeting the under-recoveries for the year 2009-10.

1.28 The current effective rates of sales tax/VAT on Petrol and Diesel as on 1st March 2010 in various States/Union Territories are as under :

(in percentage)

"States	Petrol	Diesel
Andhra Pradesh	33.00	22.25

Assam	27.50	16.50
Bihar	24.50	18.36
Chandigarh	20.03	12.54
Chhattisgarh	25.00	25.00
Delhi	20.00	12.50
Goa	22.00	20.00
Gujarat	25.46	24.63
Haryana	20.00	8.80
Himachal Pradesh	25.00	14.00
J&K	27.92	15.33
Jharkhand	20.00	14.50
Karnataka	25.00	18.00
Kerala	29.30	24.94
Maharashtra	28.70	26.00
Madhya Pradesh	28.75	23.00
Orissa	18.00	18.00
Rajasthan	29.39	19.76
Tamil Nadu	30.00	21.43
Uttar Pradesh	26.55	17.23
Uttaranchal	25.00	21.00
West Bengal	27.71	19.47

Note: 1. Include Cess, Additional tax & VAT Concession".

1.29 As regards the main recommendations of the Expert Group under the chairmanship of Dr. Kirit Parikh constituted by the Government on "A Viable and Sustainable System of Pricing of Petroleum Products", the Committee have been informed in a written reply as under:-.

(i) "Prices of Petrol and Diesel should be market determined, both at the refinery gate and at the retail level.

(ii) PDS Kerosene allocation across states should be rationalized, which will bring down all-India allocation by at least 20%. Further reduction in PDS Kerosene allocation can be done on the basis of progress of rural electrification, LPG and piped gas availability.

(iii) The price of PDS Kerosene needs to be increased by at least Rs.6 per litre. Thereafter, price can be raised every year in step with the growth in per capita agricultural Gross Domestic Product (GDP) at nominal price.

(iv) Price of Domestic LPG can be increased by at least Rs.100 per cylinder. Thereafter, the price of Domestic LPG should be periodically revised based on increase in paying capacity as reflected in the rising per capita income. The subsidy on Domestic LPG should be discontinued for all others except the BPL households, once an effective targeting system is in place.

(v) A transparent and effective distribution system for PDS Kerosene and Domestic LPG can be ensured through UID/Smartcards framework.

(vi) The Public Sector Oil Marketing Companies (OMCs) marketing PDS Kerosene and Domestic LPG should be compensated fully for their under-recoveries. The mechanism for financing under-recoveries on PDS Kerosene and Domestic LPG would involve the following:

(a) Periodic reduction in PDS Kerosene allocation,

(b) Increase in prices of PDS Kerosene and Domestic LPG from time to time,

(c) Mopping up a portion of the incremental revenue accruing to ONGC/OIL from production in those blocks, which were given by the Government on nomination basis.

(d) Providing cash subsidy from the Budget to meet the remaining gap.

The Government has not taken a decision on the implementation of the Expert Group's recommendations".

1.30 According to the Government, the hike in the prices of petrol and diesel would impact the Wholesale Price Index (WPI) to some extent, any increase in the rate of inflation will depend on the trend of prices of other commodities considered in the WPI basket.

1.31 The Committee note with concern that as on first fortnight of March, 2010, the share of custom duty, excise duty and Sales/VAT taxes on petrol and diesel in Delhi are 51.47% and 30.24% respectively. Further, the contribution to Central Government exchequer by petroleum sector during 2008-09 was Rs. 93,513 crore and a subsidy of Rs. 74,002 crore was provided by the Government which was 79% of petroleum sectors contribution to the Central Government exchequer. The Committee further note that this subsidy amount was 27% and 35% during 2006-07 and 2007-08 respectively and for the year 2009-10 (April-December) it is reported to be only 25% (prov). Given the fact that a part of the revenue generated from the petroleum sector is being given back as subsidy by the Government to control the price of petroleum products, the Committee are of the opinion that the Government should consider to moderate/rationalize the Central taxes to give relief to the common man who is already facing relentless price rise. The Committee also note that the prices of

petroleum products vary in different parts of the country due to variation in Sale Tax/Vat imposed by different State Governments which are in the range of 18% (Orissa) to 33% (Andhra Pradesh). The Committee recommend that the Government should impress upon all the State Governments to moderate the Sales Tax/Vat to a uniform rate on the petroleum products to mitigate the burden on the consumers of petroleum products.

1.32 The Committee note that the Expert Group headed by Dr. Kirit Parekh Committee has made several recommendations on 'viable and sustainable pricing of petroleum products'. In this regard, the Committee urge the Government not to consider the expert group recommendations in isolation but to give due weightage to the recommendations made by the Committee on Petroleum and Natural Gas in their 6th and 10th Reports (14th Lok Sabha) on 'Pricing of Petroleum Products'.

D. Availability of rigs

1.33 The Ministry of Petroleum and Natural Gas has informed the Committee that based on the work programme, internal rig resources are mobilized. Additional rig resources are charter hired to supplement the rig resource requirement. The drilling rigs are deployed based on the annual work program formulated by ONGC. The total rig requirement is met by ONGC owned rigs and additional requirement, if any, is met through charter hiring.

1.34 Asked about whether exploration by ONGC and OIL have been affected/delayed in the recent past because of non-availability of adequate number of rigs, the Committee were informed by the Ministry as under:-

> "Non-availability of adequate number of drilling rigs is one of the reasons for non fulfillment of drilling targets during the last three years, both in onland and offshore areas. However, this has been more pronounced in deepwater offshore. Basin wise details of targets and achievements by ONGC for the last three years are as under:

Basin	**Target** (XI Plan for 2007-10)	**Exploratory Wells 2007-10,** (as on 01.01.2010)
Assam & Assam-Arakan	86	52
Cambay	94	92
Cauvery	43	29
GVK-Frontier	6	1
Krishna-Godavari	41	23
Jaisalmer	3	4
MBA	1	
Total Onland	**274**	**201**
Mumbai Offshore (SW)	38	40
Mumbai Offshore (DW)	4	
Kerala-Konkan (SW)	2	2
Kerala-Konkan (DW)		1
Kutch – Saurashtra (SW)	10	7
Gulf Of Cambay (SW)	6	2
Krishna-Godavari (SW)	16	15
Krishna-Godavari (DW)	12	4

Cauvery (SW)		1
Cauvery (DW)	4	2
MBA offshore (SW)	5	4
MBA offshore (DW)	12	4
Total Offshore	**109**	**82**
Total ONGC	**383**	**283**

ONGC has taken initiatives to overcome this problem and has acquired few contractual rigs and few more rigs are also expected. To overcome the problem of non availability of rigs in deepwater, ONGC has taken initiative to induct 3 more rigs".

1.35 As far as Oil India Limited (OIL) is concerned, the Committee have been informed that non-availability of drilling rigs severely affected OIL's drilling programme. OIL, at present, has 10 in-house drilling rigs in operation in Assam, vintages varying from 20 to 30 years. In addition, one in-house drilling rig is deployed in Rajasthan. Due to old vintage, the performance of the rigs in Assam has deteriorated to a large extent, leading to frequent failures and operational downtime. Currently, refurbishment of 8 drilling rigs is in progress. In order to supplement the shortages of drilling rigs, 5 charter hired drilling are currently deployed by OIL in Assam. Additionally, actions are in hand to procure 3 additional drilling rigs.

Details of exploratory wells drilled by OIL during the last three years are as under:

	2006-07		**2007-08**		**2008-09**	
	Metreage	**Wells**	**Metreage**	**Wells**	**Metreage**	**Wells**
Assam	34,326	6	39,390	10	42,599	12
Rajasthan	7,740	3	1,650	1	-	-
Mahanadi	-	-	-	-	2,010	1
Total	**42,066**	**9**	**41,580**	**11**	**44,609**	**13**

1.36 Asked about the year-wise physical loss of rig time in Rig Months (RM) by ONGC and OIL in the last three years the Committee have been informed as under:

“Year wise Rig Months lost due to Idling of rigs

ONGC

Year	**Time Lost Rig Months**	**Remarks**	
2007-08	55.0	Waiting on Ready site/Location	27.88 RM
		Bandhs & Barricades	9.20 RM,
		Others*	19.80 RM
2008-09	72.4	Waiting on Ready site/Location	35.57 RM
		Bandhs & Barricades	12.92 RM
		Others	22.90 RM.
2009-10 (Up to 28th Feb)	32.67	Waiting on Ready site/Location	10.19 RM
		Bandhs & Barricades	6.22 RM
		Others	16.26 RM

* Idle time under head ‘others’ includes waiting on weather, Logistics etc.

OIL

As far as Oil India Limited (OIL) is concerned, no drilling rig was kept idle by OIL during the last three years and OIL’s drilling rigs, both in-house as well as charter hired, were effectively put into operation without any idling time period”.

1.37 Asked about the estimated loss for ONGC in terms of money on account of total rig time lost during the last three years, the Committee have been informed in a post evidence reply that the idle rig months along with estimated cost charged in accounts in respect of idling of rigs (including waiting on ready site/location, bandhs & barricades, others etc.) during last three years is as under:

“Year	Amount (Rs. in crore)
2007-08	106.00
2008-09	527.90
2009-10(upto 28.02.10)	176 (appox.)”

1.38 As regards the reasons for rigs that could not be hired and provided for exploration during 2007-2010, the Committee have been informed that based on annual work programme of exploration and development drilling, drilling rigs are being charter hired in Onshore as well as Offshore including deepwater to supplement departmental rig resources. For a brief period, due to tight international market, rigs, especially in deep water, were either not available or scarcely available at exorbitant price. However, with improved situation, rigs have now been charter hired for deepwater to meet annual work program.

1.39 Regarding non-availability of rigs on the exploratory drilling work of oil companies, the Secretary, Ministry of Petroleum and Natural Gas, submitted the following during oral evidence:-

> "In so far as rig availability is concerned, particularly in the case of ONGC, there were some problems in getting rigs particularly in respect of the ultra deep water because rigs were just not available in the world. If we were to go through a tendering process, it would have taken years. Actually, they were delayed by a couple of years in acquiring the ultra deep rigs. These issues have been resolved now. Oil India has also the same problems in regard to rigs in respect of some of the contractual issues".

1.40 The Committee note that the drilling targets of ONGC & OIL have been underachieved in the past due to non-availability of drilling rigs both in onland and offshore areas. In case of ONGC, against the overall planned target of 383 wells during first three years of XI Plan, only 283 exploratory wells had been drilled till 1.1.2010. As against the target of 274 onland wells to be explored by ONGC during the first 3 years of the 11th Plan, only 201 wells could be explored as on 1.1.2010 and against the offshore exploratory targets of 109 wells the actuals are reported to 82. Similarly, OIL has drilled only 33 wells during the first three years of XI Plan. The Committee find that non-availability of drilling rigs had also adversely affected OIL's drilling programme as out of a total of 10 inhouse drilling rigs with OIL, refurbishment of 8 drilling rigs is reported to be in progress. The Committee appreciate the fact that ONGC and OIL have strived hard to overcome the shortage by deploying contractual rigs at the needed locations, but still they observe there has been a considerable Rig Months lost by ONGC due to idle time of rigs. The Rig Months lost due to waiting on ready site/location and other reasons are reported to be 55.0 RM, 72.4 RM and 32.62 RM during 2007-08, 2008-09 and 2009-10 respectively. The estimated cost charged in respect of idle time of rigs was stated to be Rs. 809.90 crores for the said 3 years. Given the global shortage of drilling rigs, the Committee strongly recommend the Government/Oil exploration companies

to make a proper assessment of the requirement of in-house/charted rigs in conformity with the physical targets set for exploration and development drilling. The Committee further desire that ONGC/OIL should not only increase the number of inhouse drilling rigs to reduce dependence on contractual rigs from the international market but also work out a proper strategy to ensure optimum utilization of the rigs and prevent loss of rig months due to their idle time on the locations.

E. Production of crude oil and natural gas

1.41 As regards the targets and actuals of production of crude oil and natural gas in the country during the period 2007-2010 and the contribution of ONGC, OIL and private companies to the production, the Ministry of Petroleum and Natural Gas apprised the Committee as under:-

"ONGC

The details of targets achieved by ONGC in respect of production of crude oil and natural gas during 2007-08, 2008-09 and 2009-10:

		2007-08		**2008-09**		**2009-10**		
		BE	**Actual**	**BE**	**Actual**	**BE**	**RE**	**April-Dec'09**
Crude Oil	MMT	27.160	25.944	27.054	25.367	26.950	25.764	18.639
Natural Gas	MMSCM	22098	22334	21668	22486	22248	22294	17467

Note: The above figures are excluding of production from fields being operated through Joint Ventures.

OIL

Details in respect of Oil India Limited are as under:

	2007-08		**2008-09**		**2009-10**	
	Target (BE)	**Actual**	**Target (BE)**	**Actual**	**Target (BE)**	**Anticipated**
Crude Oil Production (MMT)	3.50	3.101	3.42	3.468	3.50	3.57
Natural Gas Production BCM	2.976	2.34	2.504	2.268	2.528	2.514

DGH

The crude oil and natural gas production by Private/JV companies as against the projection during the last three years are as under

	2007-08		**2008-09**		**2009-10**	
	Target (BE)	**Actual**	**Target (BE)**	**Actual**	**Target (BE)**	**Actual Upto Feb 2010**
Crude Oil	5.15	5.08	5.26	4.67	6.62	4.76

Production (MMT)						
Natural Gas Production (BCM)	7.65	7.72	12.59	8.09	25.43	19.35”

1.42 The Ministry was asked to furnish the targets fixed for production of crude oil and natural gas for the coming 3 years. In reply, the Ministry stated as under:-

“Crude oil production and natural gas production target for XI plan were finalized upto 2011-12. The details of production by ONGC, OIL and Private/JV companies are as under:

<u>ONGC</u>

		2010-11	**2011-12**
		BE	**Indicative**
Crude Oil	MMT	25.425	26.582
Natural Gas	MMSCM	21483	25159

<u>OIL</u>

	2009-10 (BE Target)	**2010-11 (BE Target)**	**2011-12 (Indicative)**
Crude Oil Production (MMT) (In-Country)	3.57	3.65	4.30
Natural Gas Production (BCM)	2.528	2.621	3.56

<u>DGH</u>

	2010-11 (BE)	**2011-12 (Projected)**
Oil Target (MMT)	11.32	12.00
Gas Target (BCM)	35.92	39.30

1.43 The Committee are concerned to note the consistent shortfall in achieving the oil production targets by major upstream PSU ONGC and the Pvt./JV companies in the last 3 years. Against the production targets (MMT) of

27.160, 27.054 and 26.950, the achievement by ONGC has been only 25.944, 25.367 and 25.764 respectively during the years 2007-08, 2008-09 and 2009-10. In case of private companies the shortfall is more significant as against production target (MMT) of 5.15, 5.26 and 6.62 during the last 3 years, the achievement has been 5.08, 4.67 and 4.76 (upto Feb., 2010) only. While expressing displeasure at the shortfall in targets by ONGC and private companies, the Committee desire the companies to find out the reasons for the shortfall and take necessary steps to augment oil production through improved technology. The Committee, further note that for remaining years of Xi Plan for 2010-11 and 2012, the targets for private companies have been significantly enhanced to 11.32 MMT and 12.00 MMT. In view of their enhanced target the Committee desire that DGH to do close monitoring of the private companies to ensure that there is no slippage in their achievement.

As regards, gas production the Committee find that though ONGC and OIL have been more or less able to achieve the targets, there is a significant shortfall in achieving targets by private companies. Against a target of 12.59 BCM the actual achievement has been 8.09 BCM and the target for the year 2009-10 is unlikely to be achieved with 19.35 BCM of natural gas produced upto February 2010 against the target of 25.43 BCM. While expressing concern on large scale shortfalls on achievement of targets, the Committee, recommend the Ministry of Petroleum and Natural Gas/DGH to take concrete steps and impress upon the need to adhere to the targets both by public and private companies.

F. Oil Refineries

1.44 The Committee desired to know the present status of Paradip Refinery, Bina Refinery Project, Madhya Pradesh (BPCL), Kochi Refinery capacity cum modernization project (BPCL), Bhatinda Refinery Project (HPCL (i) Bina Refinery Project, Madhya Pradesh (BPCL). In this regard, the Ministry of Petroleum and Natural Gas has informed the Committee in a written reply:-

"Paradip Refinery Project

Board of Directors of Indian Oil Corporation Limited (IOCL) approved Final investment Plan of Rs.29,777 crore on 28.2.2009. The project is scheduled to be commissioned as under:

Atmospheric & Vacuum Distillation Units (First Units)	: March, 2012
Alkylation Unit (Last Unit)	: July, 2012
Integrated stabilized operation	: November, 2012

Present Status of the Project

Land: 3,344 acre land has been acquired for the Project. About 2,366 acres of land needs reclamation by sand filling through dredging. Approx. 1,440 acre of land has already been developed through dredging & reclamation. Work for development of balance 926 acre is in progress through an ongoing contract of dredging & reclamation, which is required for offsite facilities and space for prefabrication work of refinery.

Infrastructure Development: Bridges over Santra Creek, approximately 7 KM long approach road (including railway over-bridge) connecting NH-5A to refinery site, Green Belt Development, Construction of Township (phase-1), CISF Colony, Site Office, Construction Water, Raw Water Reservoir, Construction Power (phase-1) and Construction job for Roll on Roll Off (RO-RO) Jetty (deposit work) through Paradip Port Trust (PPT) have been completed.

Clearance: Environmental clearance, State Pollution Control Board clearance and CCE clearance have been received".

1.45 The Committee have been further informed that the process technology selection has been completed for all process units. Basic Design Engineering has also been completed for all process units, utilities & offsite including open art processes. Major critical equipments have been ordered. As on 28.2.2010, overall physical progress of 14.82% has been achieved and expenditure of approximately Rs.2,703 crore has been incurred against a cost commitment of approximately Rs.10,920 crore.

1.46 To ensure the commissioning and stabilization of the project in line with the approved schedule, the project is being closely monitored by IOCL's top management. The Ministry is also regularly monitoring the progress of this project through Ministry Monitoring Cell and also in the Quarterly Performance Review meetings.

Bina Refinery Project, Madhya Pradesh

1.47 When the Committee desired to be apprised about the current status of Bina Refinery Project, the Ministry in a written reply submitted as under:-

"**PROJECT APPROVAL**

In December, 1995 Government had approved the proposal of Bharat Petroleum Corporation Limited (BPCL) for setting up 6 million metric tonnes per annum grassroots refinery at Bina (Madhya Pradesh) along with related crude import / transportation facilities, through a joint venture company, namely, Bharat Oman Refineries Limited (BORL).

The revised schedule of the project is as under:-

Date of Commissioning	:	September, 2010
Estimated cost	:	Rs. 11,397 crores.

PROJECT DESCRIPTION

Bina refinery project consists setting up of following facilities:

- A 6 Million Metric Tonnes Per Annum (MMTPA) Refinery complex, including Captive Co-generation Power Plant of 96 MW based on Pet coke and infrastructural facilities such as power, water, township, etc. located at Bina in Sagar District, Madhya Pradesh.
- The crude receipt facilities comprising Single Point Mooring (SPM) system and Crude Oil Terminal (COT) at Vadinar, Gujarat, including the offshore and onshore pipeline connecting the two.
- 935 kms long Cross-country Vadinar-Bina Crude Pipeline of 24" dia.

Current status

a) Crude receipt facilities (Single point mooring and Crude oil terminal) at Vadinar have been commissioned after receipt of first crude oil parcel in Dec 2009.

b) Vadinar – Bina pipeline is mechanically completed and commissioned.

c) All utility plants except Effluent treatment plant have been commissioned.

d) Pre-commissioning activities are in progress for effluent treatment plant.

e) The overall physical progress as on 1.3.2010 is 98.7% against a schedule of 100%. The project is now anticipated to be mechanically complete in June 2010 due to delay in completion of works related to captive power plant by BHEL.

Kochi Refinery cum modernization Project (BPCL)

1.48 The Ministry have submitted the following progress report of the Kochi Refinery-cum- modernization project

"The project envisages setting up facilities at Kochi refinery for improving the quality of MS&HSD to meet Euro III / IV equivalent norms and low cost expansion of the refinery from 7.5 to 9.5 MMTPA.

The facilities envisaged to meet the above objectives are:

- CDU II unit revamp - 3.0 to 5.0 MMTPA
- VGO Hydro De-sulphurisation Unit (VGO HDS) - 1.7 MMTPA
- Naphtha Hydro-treater (NHT)/Continuous Catalytic Regeneration (CCR) Reformer Unit - 0.85 MMTPA
- Sulphur Recovery Unit (SRU) - 80 TPD
- Gas Turbine - 32 MW
- Utilities & Offsites

Current status

The capacity expansion of the refinery from 7.5 to 9.5 MMTPA has been completed and commissioned in August 2009

The overall progress of the project is 91.8 % as on 15.2.2010 against a schedule of 100%. The shortfall in progress is due to delay in receipt of VGO HDS compressor and NHT / CCR gas compressor from BHEL and consequent delay in downstream activities. The project is now anticipated to be completed in June 2010".

Bhatinda Refinery Project (HPCL)

1.49 The Government approved the formation of the Joint Venture of Hindustan Petroleum Corporation Limited (HPCL) and Mittal Energy Investments Pte Ltd. in HPCL-Mittal Energy Limited (HMEL), with 49% equity participation from each. The balance 2% Equity is allotted to the Indian Financial Institutions, namely, IFCI and SBI. The approved 'as-built' cost of the Refinery is estimated at Rs. 18,919 Crore.

- The Project is progressing as per schedule of 42 months with mechanical completion by May, 2011. The refinery has state of art safety and environmental features with world class technology. It has the flexibility to process wide variety of crude including heavy, sour and other opportunity crude. EIL has been appointed as project management consultant.

- All process packages have been awarded & basic engineering has been completed. Detailed engineering including that of utility and off site has been 96% completed. The process licensors engaged include ABB Lumus, US, Axens, France, Stone and Webster, US, Novolene, Germany and Halder Topsoe, Denmark.

- PO placed for all major items including key long lead items. 98% procurement activity completed.

- Architect has been appointed for township, plan conceptualized and finalized and construction of township has commenced.

- Construction activity has commenced at the refinery & crude oil terminal. Pipeline is also being laid. Following units are under construction at refinery site:

- ▪ CDU/VDU Process Units – Heater, Civil & Structural, U/G Piping & Pavement and Composite works,

- ▪ Other Process Units – HGU, CCR Regeneration package, Civil & Structural Works for balance units, Coke Drum System Package and Sulphur Block; and

- ▪ Utilities & Offsites - Crude Storage Tanks, LPG Mounded Bullets, Captive Power Plant, 220kv Switchyard, Cooling Towers, Intermediate & Product Tanks, Raw Water Treatment Plant, DM(RO) Water Plant Substations & Satellite Rack Rooms, Balance Roads & Drains, Civil/Structural for Off-sites works, Civil/Structural work for Loading Gantries and Refinery Buildings.

- At the crude oil terminal site at Mundra, Fabrication and Erection of 13 Crude Tanks has been completed of which 7 are under Hydro-test and for 4 tanks, Hydro-test has been completed. Erection and Welding of the balance tanks is nearing completion. All line pipes manufactured and coated. About 840 Km Pipes welded and about 750 km pipeline laid.

- Laying of Submarine Pipeline from SPM has been completed. SPM & PLEM installation including Anchor Piling, Chain Linking and tie in spool has been completed.
- As of February, 2010, the Cumulative commitment achieved is about Rs. 16,350 crores and expenditure exceeds Rs. 8,200 crore".

1.50 The Committee in their 23rd Report (14th Lok Sabha) had recommended that Government/Indian Oil Corporation Limited (IOCL) expedite the pending fund raising process in regards to 15 MMTPA Paradip Refinery Project, with a projected completion schedule of October, 2011. The Committee, however, observe that as on 28.02.2010 overall physical progress of 14.82 % has been achieved and only Rs. 2,703 crore spent against a cost commitment of about Rs. 10,920 crore. The Committee are unhappy to note the continuing delay in commissioning of the project from October 2011 to November 2012. The Committee feel that given the present progress of the project it may be difficult for the project to be completed even as per revised completion schedule. The Committee, therefore, recommend the Government/IOCL should consistently monitor the progress of the project so as to ensure completion of the project without further cost and time overruns.

1.51 The Committee note that the Government had approved a grass root oil refineries of 6 MMTPA at Bina, Madhya Pradesh in 1995. The project approved at an estimated cost of Rs. 10735 crore is yet to be commissioned. The deadline for commissioning of the refinery has been revised from December, 2009 to September, 2010 with revised estimated cost of Rs.11,397 crore. The Committee express its serious concern over the delay in commissioning Bina Refinery which has been fraught with roadblocks like land acquisition and environmental clearances. In view of the long period of 15 years taken from date of approval in commissioning the Bina oil refinery and cost overrun of Rs. 1022 crore of the project, the Committee feel that there is a systemic failure in the very process of planning, review and execution of such an important project. The Committee, therefore, recommend that the Government should evolve a suitable strategy to reduce delays in development of oil refineries on

fast track basis and ensure that the refinery is fully operational by the revised target.

G. North-East Refineries

1.52 The Committee have been informed that the Government had constituted a Committee to study 'Optimisation of Capacity Utilisation of North East Refineries'. The report of the Committee was submitted to MoP&NG on July 4, 2008. The main observations/ recommendations of the Committee are as follows:

a) "Processing of imported crude oil by BRPL refinery would result in loss due to high landed cost of imported crude oil.

b) Existence of limited demand of petroleum products in the North-East (NE) region and the additional cost involved in movement of products outside the region pose serious constraints against full utilization of capacity of the NE refineries.

c) Stable growth in crude oil production in the NE holds the key to the optimisation of capacity utilization of NE refineries. ONGC and OIL should work out Action Plan to augment crude oil production in NE region.

d) The Government of Assam is levying entry tax on crude oil, which is a major factor in escalating the cost of crude oil which in turn affects the profitability of NE refineries. At the current rate of entry tax on crude oil @2%, the incidence of Assam entry tax on crude oil is in the range of Rs.473 - Rs.540 per MT. The matter may be taken up with Assam Government for abolition of the entry tax".

To a query about the steps taken to improve the deteriorating conditions of the refineries of North-East region, the Ministry of Petroleum and Natural Gas has informed the Committee that in order to ensure the optimum capacity utilization of North East refineries, action has been taken to augment crude oil production in the North East Region by offering acreages in North –Eastern Region under New Exploration Licensing Policy (NELP) and enhancing crude oil recovery through Enhanced Oil Recovery (EOR)/ Improved Oil Recovery (IOR) methods. The North East refineries enjoy 50% excise duty concession".

1.53 The Committee are unhappy to note the deteriorating financial health of oil refineries in the North-East region due to high landed cost of imported crude oil and the entry tax on crude oil being levied by the State Government

which is affecting the profitability of North-East Refineries. As regards remedial measures taken, the Government have informed that a Committee to study 'Optimisation of Capacity Utilisation of North East Refineries' had submitted its report to the Ministry of Petroleum and Natural Gas on July 04, 2008 and action has been taken to augment crude oil production in the North East Region by offering acreages in North –Eastern Region under New Exploration Licensing Policy (NELP) and also to enhance crude oil recovery through Enhanced Oil Recovery (EOR)/ Improved Oil Recovery (IOR) methods. The Committee desire that recommendations of the Government Committee should be scrupulously implemented in all the refineries in North-Eastern Region to make them economically viable and profit earning.

1.54 The Committee are further concerned to note that no action has been taken by the Government on their earlier recommendation (23rd Report, 14th Lok Sabha) for excise duty concession to North-East Refineries from the current level of 50% to 100%. The Committee desire that their previous recommendation should be implemented and excise concession to North-East refineries should be increased.

H. LPG Marketing by Public Sector Companies

(i) LPG connections

1.55 The Committee have been informed that the number of LPG customers served by OMCs as on 31.12.2009 was about 1122 lakh. Public Sector Oil Marketing Companies (OMCs) viz., Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited are engaged in marketing of LPG in the country. Further, OMCs have released 60.00 lakh new LPG connections during 2009-10 (till December 09). Total number of LPG distributorship of OMCs in the country as on 31.12.2009 is 9522. OMCs had advertised 1340 locations for setting up new LPG distributorship in their marketing plan 2004-07 out of which interviews have completed for 1250 locations.

1.56 Enquired about the waiting list for LPG connections in the country, the Ministry of Petroleum and Natural Gas in a written reply have informed the Committee as under:-

> "OMC have reported that there is a waiting list of 2,13,021 as on 01.02.2010 for release of new connections with their LPG distributors in the country due to shortage of equipment. The following is the State-wise details of waiting list position as on 01.02.2010

Sl. No.	State/Uts	Number of waiting list for new LPG connections
1.	Andhra Pradesh	51942
2.	Assam	3887
3.	Bihar	14656
4.	Delhi	8900
5.	Haryana	10816
6.	Jharkhand	8031
7.	Kerala	18554
8.	Madhya Pradesh	11000
9.	Maharashtra	37500
10.	Manipur	1754
11.	Mizoram	2334
12.	Orissa	4264
13.	Punjab	7420
14.	Rajasthan	12900
15.	Tripura	3052

16.	Uttar Pradesh	7146
17.	Uttarakhand	5365
18.	West Bengal	3500
	TOTAL	213021”

1.57 Asked about the striking difference in the waiting list for LPG connections in many States having almost similar population, the Secretary, Ministry of Petroleum & Natural Gas deposed before the Committee during oral evidence on 25.03.2010 as under:-

> “The Problem could be availability of equipment. May be cylinder could be in short supply or there could be some local strikes. Due to a variety of reasons there may be some waiting list. But the number is very small in comparison to the number of connections we are issuing”.

1.58 When pointed out that the figures of waiting list for LPG connections provided by the Ministry in a written reply to the Committee do not appear to be realistic, the Secretary Ministry of Petroleum and Natural Gas submitted during evidence:-

> ‘I do not want to give reply which may be partly correct. I will send a full and correct written reply later”.

1.59 In view of the shortage of equipment, the Committee have desired to know as to how the Government proposes to release 35 lakhs LPG connections for BPL families during 2010-11, In this connection, the Ministry of Petroleum and Natural Gas have informed the Committee in a post evidence reply as under:-

> “Public Sector Oil Marketing Companies (OMCs) have reported that there is a waiting list of 2,13,021 as on 01.02.2010 for release of new connections with their LPG distributors in the country.
>
> Procurement of LPG equipment required for release of new LPG connections as well as for replacement of old and defective equipment is a continuous process and the same are being procured from time to time to meet the requirement. Temporary shortage of equipment at times occur due to situations like strikes, bandhs, floods, land slides etc which are beyond the control of OMCs.
>
> Indian Oil Corporation Limited (IOCL) has reported that at present, they have sufficient equipment for releasing new LPG connections as well as second cylinders (DBC) to existing genuine registered customers. IOC has further reported that a new contract for procuring of 105.16 Lakh new LPG cylinders and 68.68 Lakh Pressure Regulators for the year 2010-11 is under finalization which will take care of the release of regular new LPG connections including releases to BPL families.

Bharat Petroleum Corporation Limited (BPCL) has reported that they have placed orders for procurement of 23.5 Lakh LPG cylinders out of the approved 35.8 Lakh LPG Cylinders for the year 2010-11 and the tender for procuring 31 Lakhs Pressure Regulators is under finalization which will take care of the release of regular new LPG connections, including the planned releases of LPG connections to BPL families.
Hindustan Petroleum Corporation Limited (HPCL) has reported that the tender for procuring 35 lakh Regulators will be invited shortly, in addition to orders for about 35 Lakh cylinders in hand for the year 2010-11. HPCL has further reported that advance action, at appropriate time, will be taken by them for procuring another 15 Lakh cylinders to take care of their anticipated enrollment plans for releasing new LPG connections/ second cylinders to the existing genuine registered customers, including planned releases of LPG connections to BPL families for the year 2010-11".

(ii) Supply of LPG cylinder

1.60 To a query regarding short supply of LPG in various parts of the country, the Ministry of Petroleum & Natural Gas have informed that Public Sector Oil Marketing Companies (OMCs) namely, Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors.

1.61 The Ministry has further elaborated that as on 15.03.2010, OMCs have reported a backlog of few days in LPG supplies in the States of Assam, Delhi, Haryana, Orissa, Karnataka, Kerala, Maharashtra, Tamil Nadu and Uttar Pradesh due to a combination of factors viz., disruption of supplies in Bareilly city due to imposition of curfew, contract labour (Mathadi) issue at BPCL Jalgaon Plant in Maharashtra, law and order problems in Shimoga and adjoining areas in Karnataka, contract labour issues in Kerala and poor materialization of LPG rakes. The Government has advised OMCs to liquidate the backlog in the States by operating the bottling plants on holidays and during extended hours. The backlog is expected to be cleared by the end of March, 2010.

1.62 Asked about the steps taken by the Government/OMCs to reduce the gap between the booking and delivery of cylinders to 2 days or so, the Ministry have submitted the following in a written reply:-

> “Public Sector Oil Marketing Companies (OMCs) have reported that they have instructed their LPG distributors to effect LPG refill supplies to genuine customers within 48 hours from the date of booking, under normal circumstances. However, delay in refill supplies may occur in the event of backlog due to non-availability of filled LPG cylinders with the distributors for unavoidable reasons such as prolonged intense fog, bulk shortage and delays in rail as well as road movements of LPG.
>
> In order to provide better services to the customers, the OMCs have decided to introduce Short Message Service (SMS) and Interactive Voice Response System (IVRS) booking for LPG refills so that the customers can directly book refills through computerized interface without human intervention. Under this system, there is the facility for confirmation of the refill booking and the time of the booking to the customers along with information on the likely date when the refill will be supplied leaving no scope for doubt in the mind of the customers.
>
> With the focus on providing better services to customers, the OMCs have adopted Vision 2015 for Customers Satisfaction wherein it is targeted to introduce SMS booking in all towns with population of more than 5 lakh in phases, beginning with the metros.
>
> Indian Oil Corporation Limited (IOC) and Bharat Petroleum Corporation Limited (BPCL) have introduced the facility of refill booking through SMS/IVRS in the cities mentioned in table. Hindustan Petroleum Corporation Limited (HPCL) has made it compulsory to book LPG refills on SMS/IVRS system in the entire State of Kerala and Delhi”.

(iii) Delay/diversion/black-marketing of LPG cylinder

1.63 As regards the complaints on deliberate delay in refill supplies by their LPG distributors, the Committee have been informed that action has been taken in 163 established cases in the country including 12 cases in the State of Delhi during the year 2006-07, 2007-08, 2008-09 and between April 2009 to January 2010 as per provisions of Marketing Discipline Guidelines (MDG) / Distributorship Agreement.

1.64 Taking note of the complaints regarding black marketing and diversion of LPG gas cylinders, the Committee desired to know number of such cases reported during the last three years and action taken against the LPG distributors. In this connection, the Ministry of Petroleum & Natural Gas in a written reply submitted by the Committee have been informed as under:-

"The possibility of blackmarketing/ diversion of subsidized domestic LPG cylinders by some unscrupulous elements cannot be ruled out due to the wide gap between the retail price of LPG for domestic use and the market price for commercial LPG.

Public Sector Oil Marketing Companies (OMCs) have reported that based on the established complaints of black marketing/diversion of domestic LPG by LPG distributors, action has been taken in 2021 cases in the country during the year 2006-07, 2007-08, 2008-09 and between April 2009 to January, 2010 as per provisions of Marketing Discipline Guidelines (MDG) / Distributorship Agreement. The company-wise details are as under :-

Name of oil company	**Number of established cases**
IOC	1007
BPCL	220
HPCL	794

Oil Marketing Companies (OMCs) have reported that based on the established complaints of black marketing/diversion of domestic LPG by LPG distributors, action has been taken in 2021 cases in the country during the year 2006-07, 2007-08, 2008-09 and between April 2009 to January, 2010 as per provisions of Marketing Discipline Guidelines (MDG) / Distributorship Agreement. Out of these, 1714 cases related to 1st offence, 298 cases to 2nd offence and 9 cases to 3rd offence.

In order to stop blackmarketing/ diversion of domestic LPG cylinders, the Government is reported to have enacted "Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000" and formulated "Marketing Discipline Guidelines, 2001" which provides for penal action against LPG distributors indulging in diversion/ blackmarketing of LPG".

1.65 According to Ministry of Petroleum & Natural Gas, whenever OMCs receive complaints on diversion/blackmarketing of LPG against their LPG distributors, these are investigated. If the complaint is established, action is taken against the LPG distributor in accordance with the following provisions of the Marketing Discipline Guidelines (MDG).

(i) "Fine of Rs. 20,000 plus the price of LPG diverted at commercial rates for 1st offence.

(ii) Fine of Rs. 50,000 plus the price of LPG diverted at commercial rates for 2nd offence.

(iii) Termination of the distributorship for 3rd offence".

1.66 In addition to the action taken by the OMCs, State Governments are empowered under the LPG (Regulation of Supply & Distribution) Order, 2000 to take action against blackmarketing/diversion of domestic LPG. Similarly, the Weights and

Measures Departments of the States / UTs initiate legal action against those LPG distributors found blackmarketing or diverting LPG cylinders.

(iv) Multiple LPG connections

1.67 Asked about any exercise undertaken by the Oil Marketing Companies to identify, households with multiple LPG connections, the Ministry of Petroleum & Natural Gas have informed the Committee in a written reply as under:

> "The Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000, as amended vide Notification dated 10.09.2009, inter-alia provides for :-
> (i) One domestic LPG connection for one household (instead of per person earlier). This may be enforced strictly to rule out multiple connections in any household.
> (ii) For making it mandatory for PNG providing agencies to obtain undertaking to surrender the LPG connection within 60 days from the date of obtaining PNG connection and to discontinue the supply of PNG to an existing consumers of LPG who has not surrendered the LPG connection within the time limit of 60 days.
> (iii) OMCs are prohibited to provide LPG connection to a person who is in possession of a PNG connection.
> Accordingly, Government have advised OMCs namely Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) & GAIL (I) Limited to implement the amended Control Order strictly".

1.68 Further, the Committee have been informed that OMCs have initiated the exercise of identifying multiple LPG connections, i.e., more than one domestic LPG connection registered in the name of one customer. The availability of any existing LPG connection is checked while installing the new LPG connection at the house of the prospective customer. As on 15.03.2010, OMCs have identified 95.65 lakh customers which are likely to be having multiple connections in the country on an intra company basis. OMCs have initiated action of blocking such multiple LPG connections which are registered against the same customer. As on 15.03.2010, 15.09 lakh LPG connections have been blocked by the OMCs.

1.69 The Committee note that OMCs have reportedly released as many as 60 lakh LPG connections during 2009-10 (upto December, 2009) and yet there is a waiting list of more than 2 lakh connections with the LPG distributors due to various reasons viz. shortage of equipment, local strikes etc. The Committee

were informed in this regard that the problems of shortage of equipment have been overcome and IOCL is taking steps to procure 105.16 lakh new LPG cylinders and 68.68 lakh pressure regulators for the year 2010-11 while HPCL is tendering for 35 lakh regulators and cylinders during the year 2010-11. In view of these steps being taken by IOCL and HPCL to procure adequate number of LPG cylinders and regulators, the Committee hope that the present waiting list of about 2 lakh LPG connections will not only be cleared expeditiously but they would be sufficient to take care of the release of regular LPG connections including releases to BPL families.

1.70 The Committee are concerned to note that out of a total of 1122 lakh LPG connections issued as on 31.12.2009, 95.65 lakh customers are reported to have multiple connections in the country on an intra company basis. The Committee further note that the Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000, as amended vide Notification dated 10.09.2009, inter-alia provides for one domestic LPG connection for one household (instead of per person earlier) and that is it mandatory for PNG providing agencies to obtain undertaking from the customer to surrender his LPG connection within 60 days from the date of obtaining PNG connection or else to discontinue the supply of PNG to such a consumer of LPG. The Committee have also been informed that the OMCs have initiated action of blocking such multiple LPG connections which are registered against the same customer and as on 15.03.2010, 15.09 lakh LPG connections have been blocked by the OMCs. The Committee recommend that the Government/OMCs should take expeditious action to block all the identified multiple gas connections of 95.65 lakh customers so that the waiting list for LPG connections in the country is cleared at the earliest.

1.71 As regards the complaints of deliberate delay in refill supply by LPG distributors, the Committee observe that only 163 cases have been established in the country during the last 3 years and further between April 2009 to January 2010. Out of these 163 cases, only 12 cases have been reported to be

established in Delhi. The committee would like to be apprised of the action taken against these 163 LPG distributors as per the MDG guidelines. The Committee have been informed that instructions have been issued by OMCs to LPG distributors for making delivery to consumers within 48 hours of booking in normal circumstances. However, inspite of these instructions it is seen that delivery of LPG is taking much longer time especially in small towns. The Committee desire the OMCs to monitor that these instructions are strictly followed by LPG distributors and also put in place a mechanism for quick redressal of complaints of consumers over late delivery. The Committee also recommend that the OMCs should launch a consumer awareness programme through print and electronic media to educate the customers of their right to get LPG delivery within 48 hours of booking and also of the mechanism available in OMCs for timely redressal of their complaints/grievances in this regard.

1.72 Black marketing/diversion of subsidized domestic LPG cylinders take place due to wide gap between the retail price of LPG for domestic use and the market price of commercial LPG. The Committee note in this regard that action has been taken in 2021 cases during the year 2006-07, 2007-08, 2008-09 and between April, 2009 to January, 2010. The Committee were informed that the Marketing Discipline Guidelines (MDG) provides for a fine of Rs. 20,000 plus the price of LPG diverted at commercial rates for 1st offence, fine of Rs. 50,000 plus the price of LPG diverted at commercial rates for 2nd offence and termination of the distributorship for 3rd offence. Out of 2021 cases, 1714 cases were related to 1st offence, 298 cases of 2nd office and 9 cases of 3rd offence. In this connection, the Committee recommend that besides increasing the number of raids by OMCs to check such malpractices by LPG distributors, the Government may also consider to give incentives to individuals from the general public by way of awards, whose complaints of malpractices against LPG distributors have been established.

I. PNG and CNG Network

PNG

1.73 GAIL has formed a number of Joint Venture Companies for city gas distribution as also in other sectors. GAIL has plans of developing CNG infrastructure across the country as well as abroad. Indiraprastha Gas Limited (IGL), a Joint Venture with Bharat Petroleum Corporation Limited (BPCL) and Government of National Capital Territory (NCT) of Delhi, was formed in December 1998, to undertake City Gas Distribution (CGD) operations in Delhi & adjoining areas. GAIL holds 22.5% stake in the IGL-Company, with an investment of Rs. 31.50 crore.

1.74 Asked about the progress of PNG network in Delhi and projected time schedule to cover all the consumers in the existing network and the whole Delhi, the Ministry of Petroleum and Natural Gas informed the Committee in a written reply as under:-:

> "As per Petroleum & Natural Gas Regulatory Board (PNGRB), NCT of Delhi has been divided into 70 Charge Areas (CA's), which correspond to the Assembly constituencies. As committed to PNGRB, IGL shall supply PNG in 51 Charge Areas in 2009-10, 59 Charge Areas in 2010-11 and all 70 Charge Areas in 2011-12. Thus, IGL network would reach all Charge Areas of Delhi by the year 2012. IGL has provided Piped Natural Gas (PNG) connections to 1.75 lakh households in NCT of Delhi. In addition, work of providing PNG connections is in various stages of progress in Safdarjung Enclave, Safdarjung Development Area, Vasant Vihar, some sectors of Dwarka & Rohini, Model Town, Gujranwala, Ashok Vihar, Shalimar Bagh, Punjabi Bagh, Hari Nagar, Yamuna Vihar, Dilshad Colony, Jyoti Nagar, GTB Enclave, Vivek Vihar, Preet Vihar, Swasthya Vihar, Dayanand Vihar, DDA Flats Jhilmil, Derawal Nagar, Mukharjee Nagar, some parts of Paschim Vihar, Vikas Puri, Raja Garden, Rajouri Garden, Bali Nagar, Mayapuri, Janakpuri, Rajender Nagar, Tagore Garden, Vishal Enclave and Paschim Puri".

1.75 Asked about the total number of LPG connections in Delhi and what percentage of this is covered by PNG so far, the Ministry of Petroleum and Natural Gas in a post evidence reply has informed the Committee as under:-

> "The total number of LPG customers as on 01.01.2010 is 43.7 lakh. Indraprastha Gas Limited (IGL) is undertaking City Gas Distribution (CGD) operations in Delhi, whereby PNG connections are being provided to large number of residents in Delhi. Till now, IGL has penetrated areas/ colonies with

an estimated 4.5 lakh households. The network has, accordingly, already been extended to around 20% of the entire population of Delhi. However, the existing number of PNG connections released, as on 01.02.2010 is around 1.72 lakh which corresponds to about 22.5% of households who have been covered by PNG network. The reasons for the low connections are, large number of occupants being tenants, intermittent occupancy, occupants unwilling to discontinue the LPG, etc. However, the leftover households are expected to progressively register for PNG connections. IGL, in association with Government of NCT of Delhi, has run a massive awareness campaign through media and street level promotions in the month of February – March 2010 offering PNG connections to the residents of colonies where PNG network has already been laid".

1.76 As a large segment of Delhi's population is living in unauthorized colonies, the Committee desired to know as to how the IGL propose to cover these colonies in the 70 charge areas (constituencies). In a post evidence reply, the Ministry of Petroleum and Natural Gas has informed as under:-

"IGL is providing its services in authorized colonies, since infrastructure of pipelines and equipment is being laid only in authorized areas. However, IGL shall be in readiness to extend its infrastructure and offer its services to unauthorized colonies, as and when these colonies are regularized by civil agencies. The extension of network shall, however, be subject to technical feasibility from safety and other considerations".

1.77 To a query about the targets fixed for PNG supply and connections in the country for the next 3 years and the steps being taken to achieve this, the Ministry have informed the Committee as under:

"Providing of PNG facilities depends upon availability of gas, setting up of necessary infrastructure and economic viability. Ministry of Petroleum & Natural Gas has finalized Vision-2015 of the Oil & Gas Sector for 'Consumer Satisfaction and Beyond', wherein efforts would be made to provide PNG facilities to 201 more cities by the year 2015.

The following Joint Ventures of GAIL are undertaking City Gas Distribution (CGD) activities consisting inter alia of PNG operations in designated areas/cities:-

S. No.	States	Name of the city	Name of the Company
1	Maharashtra	Mumbai, Thane, Mira Bhayandar	Mahanagar Gas Limited

S. No.	States	Name of the city	Name of the Company
		and Navi Mumbai	
		Pune	Maharashtra Natural Gas Co.
2	Delhi/NCR	Delhi & subrubs	Indraprastha Gas Limited.
3	Uttar Pradesh	Kanpur, Bareilly	Central UP Gas Limited
		Lucknow, Agra	Green Gas Limited
4	Andhra Pradesh	Vijayawada, Hyderabad, Rajahmundery	Bhagyanagar Gas Limited
5	Tripura	Agartala	Tripura Natural Gas Company Limited
6	Gujarat	Vadodara	GAIL (only CNG)
7	Madhya Pradesh	Indore and Ujjain	Aavantika Gas Company

In order to promote investment from public as well as private sector for laying trunk natural gas pipelines and city/local natural gas distribution networks throughout the country, the Government of India has enacted 'The Petroleum and Natural Gas Regulatory Board Act, 2006. The Government has authorized nine new trunk natural gas pipelines, namely, Dadri-Bawana-Nangal, Chainsa-Gurgaon-Jhajjar-Hissar, Jagdishpur-Haldia, Dabhol-Bangalore, Kochi-Kanjirkkod-Bangalore/Mangalore ,Kakinada-Basudebpur-Howrah, Vijaywada-Nellore-Chennai, Chennai-Tuticorin and Chennai-Bangalore-Mangalore Pipeline. These pipelines will pass through various areas in the States of Andhra Pradesh, Tamil Nadu, Karnataka, Kerala, Maharashtra, Haryana, Punjab, Rajasthan, Uttar Pradesh, West Bengal, Orissa, Bihar and Jharkhand. Once these pipelines are commissioned, City Gas Distribution (CGD) projects will develop in cities/areas in proximity to these pipelines".

CNG

1.78 Asked about the present status of CNG infrastructure in different cities of the country, the Ministry has informed that City Gas Distribution (CGD) entities authorized by Central Government, including Joint Ventures of GAIL, are undertaking activities to expand the CNG network. According to available information, the State-wise details of total number of CNG filling stations in the country is as follows:-

State	Total No. CNG Station
NCT of Delhi	173
Maharashtra	146
Uttar Pradesh	30
Gujarat	178
Andhra Pradesh	11
Tripura	1
Madhya Pradesh	6
Haryana	5
West Bengal	5
Daman & Diu	1
Total	**556**

1.79 As regards the adequacy of CNG filling station in Delhi, the Ministry of Petroleum and Natural Gas had informed the Committee (2007-08) during the course of examination and the subject "Supply, Distribution and Marketing of Natural Gas including CNG and LNG" as under:-

> "As on 1st November 2006, IGL has a compression capacity of 19.08 lakh kgs/Day and the average sale /day is 9.08 lakh kgs/day. The peak load has reached 10.92 lakh kgs/day. Also subsequent to the notification by Government of NCT of Delhi, the LCVs (more than 3.5 tonnes) are expected to join the CNG population. Taking peak load into account, it would on a conservative estimate, translate to required compression capacity of more than 22 lakh kgs/day. To increase compression capacity, the number of stations have to be increased to around 250 by 31st March 2008".

1.80 The Committee note that the Ministry of Petroleum and Natural Gas has finalized Vision 2015 of the oil and gas sector for consumer satisfaction and beyond wherein efforts would be made to provide PNG facilities to 201 more cities by the year 2015. The Committee further note that 9 Joint Venture companies formed by GAIL are undertaking City Gas Distribution activities in designated areas/cities. In order to promote investment from public as well as private sector, the Government has authorized the laying of nine new trunk

natural gas pipelines namely Dadri- Bawana-Nangal, Chainsa-Gurgaon-Jhajjar-Hissar, Jagdishpur-Haldia, Dabhol-Bangalore, Kochi-Kanjirkkod-Bangalore/Mangalore, Kakinada-Basudebpur-Howrah, Vijaywada-Nellore-Chennai, Chennai-Tuticorin and Chennai-Bangalore-Mangalore. In view of the Vision 2015 Programme of the Government, the Committee recommend that the Government should regularly monitor the progress of laying of these pipelines as per agreed timeline and physical parameters to ensure their completion by 2012. It is also imperative that the city network covered by these new pipeline should be taken up and completed in time to achieve the targets of providing PNG facilities to 201 cities by 2015 as envisaged under the Vision 2015.

1.81 The Committee note that IGL, a joint venture with BPCL and Government of National Capital Territory of Delhi has been authorized to undertake City Gas Distribution (CGD) programme in Delhi and adjoining areas. Till now IGL network has penetrated areas/colonies with estimated 4.5 lakh households which comes to around 20% of entire population of Delhi. IGL has so far released PNG connection to 1.72 lakh household in NCT of Delhi which comes to about 22.5% of households covered by PNG network. To cover the entire Delhi households by 2012, the city had been divided into 70 charge areas by Petroleum and Natural Gas Regulatory Board and these areas correspond to 70 legislative constituencies. The Committee are unhappy to note that IGL has failed to provide PNG connection to a majority of the household in the existing network in the city and the reasons for this were cited as large number of occupants being tenants, intermittent occupancy and unwillingness to discontinue LPG connection. The Committee also note that PNG connections are being provided only in authorized localities/colonies in the city and urban villages and unauthorized colonies have been left out. In this regard, the Government has assured that IGL shall be in readiness to extend pipeline network to offer its services even to unauthorized colonies as and when these colonies are regularized by civil agencies and subject to technical feasibility from safety and other consideration. The Committee feel that in the present scenario where IGL's PNG network has covered only 20% of the entire

population of Delhi, and only 22.5% of households in the covered area has been provided PNG connection, as there are a total of 43.7 lakh LPG customers in the city, it may not be easy for the company to cover the remaining 80% population by 2012. The Committee, therefore, recommend that the Government should make all out efforts not only to ensure that the PNG network already laid in the city is fully utilized to its potential but also to extend the network coverage to entire city by 2012 as targeted. The Petroleum and Natural Gas Regulatory Board should take necessary measures to ensure that the IGL meets the various conditions and obligations it has agreed to in the mater of providing PNG network and connections to all the household in Delhi.

1.82 The Committee have been informed that City Gas Distribution (CGD) entities and joint ventures of GAIL are undertaking work of laying the CNG network in the country. The Committee note that there are only 173 established CNG stations in NCT of Delhi till date as against projected requirement of 250 stations by March, 2008 in order to cater to expected increase in demand of CNG in near future. The Committee desire that these remaining CNG filling stations be set up soon in Delhi to prevent inconvenience to the public using CNG vehicles. The Committee further note that apart from NCT of Delhi only 8 states and 1 Union Territory have been provided with CNG coverage so far. The number of CNG filling stations set up in States like Uttar Pradesh (30) and Andhra Pradesh (11) is far less while it is negligible in States like Tripura (11), Madhya Pradesh(1), Haryana(6), West Bengal(5) and Daman & Diu(1). The Committee, therefore, recommend that the number of CNG filling station in all these States/UTs should be increased according to the potential gas requirements as per CNG based vehicles. The CNG network should also be extended to the remaining States/UTs to provide clean fuel to the entire country.

J. Eco-friendly/Alternate fuels

1.83 In view of relatively stagnated domestic production of petroleum products and its ever growing demand, the Committee desired to know the steps taken by the Government to develop the use of alternative source ethanol blending to reduce the burden on traditional fuel resources. In reply, the Ministry have informed the Committee of the several steps taken as summarized below :

"(I) Ethanol Blended Petrol Programme

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

2. Subsequently, the Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 9.10.2007 had decided to make 5% blending of ethanol with petrol mandatory with immediate effect and optional blending of 10% ethanol with petrol from October 2007 and thereafter mandatory blending from October 2008.

3. The indigenous availability of ethanol on a sustainable basis to meet the requirement of the EBP programme remained an issue ever since the programme was launched by the MoPNG throughout the nation in November, 2006. Availability of ethanol during the period 2006-2009 was deficient to the extent of 60%. Besides there were State specific issues, due to which, the programme could not be implemented in 6 States and 1 UT out of 20 States and 4 UTs notified.

4. In order to bring out the constraints in implementing the EBP Programme on mandatory basis, MoPNG sent a note to CCEA on 19.10.2009 seeking relaxation on mandatory clause till the availability of ethanol in required quantity and uniformity in the state government procedures in use and movement of ethanol become a reality in practice.

5. The CCEA in its meeting held on 12.11.2009 has decided (i) to enforce mandatory blending of 5% ethanol with MS for time being and in the event of the failure of oil marketing companies to do so, appropriate financial penalties be imposed on them. (ii) All issues relating to supply of ethanol be resolved by Inter-ministerial Committee consisting of Secretaries in Department of Food & PD, Department of Consumer Affairs, MoPNG and MNRE.

6. OMCs have accordingly been directed to take necessary action in view of the decisions taken by the CCEA. OMCs and Sugar Industries have been asked to find out a viable solution so that the OMCs as well as the sugar industry are able to meet the demand and supply needs. The Ministry of PNG has submitted a note for consideration of the CCEA with respect to different principles to be adopted for smooth functioning of the EBP Programme.

(II) Hydrogen – as auto fuel

The Ministry of Petroleum & Natural Gas has set up a Hydrogen Corpus Fund with a corpus of Rs.100 crore with contribution from five major Oil Companies and Oil Industry Development Board (OIDB) for supporting Research and Development in various aspects of hydrogen, which could substitute part of natural gas as transport fuel in future.

R&D Centre of IOCL has taken following steps for promoting Hydrogen as auto fuel with the help of Hydrogen Corpus Fund :

(i) A Hydrogen-CNG dispensing station has been set up in R&D Centre at Faridabad to cater the re-fueling needs of test/demo vehicles operating on H_2-CNG blends. This project is being partly funded by MNRE (Ministry of New & Renewable Energy) (50%) and partly from Hydrogen Corpus Fund (50%) created by Ministry Petroleum & Natural Gas.

(ii) A Project for development and optimization of two heavy duty engines i.e. TATA Motors & Ashok Leyland running on H_2-CNG blended fuel has also been initiated by IOC(R&D).

(iii) A project has been initiated by IOC (R&D) for conversion of a gasoline fuel injected car (Maruti Swift) to gaseous fuel injection system in collaboration with M/s Harit Energy Solutions Ltd.

(iv) IOC (R&D) has signed an MoU with M/s. Korea Gas Corporation (KOGAS) for mutually sharing the data on application of LNG and H-CNG in automotive vehicles. Further, collaborations with the leading organizations of the world such as National Renewable Energy Laboratory (NREL) of USA have been explored for hydrogen research. NREL and IOC (R&D) have agreed to exchange the expertise in select areas of hydrogen research.

(v) IOC (R&D) and Mahindra & Mahindra have agreed to jointly develop Fuel Cell Vehicles. In this regard a joint proposal on “Development of Fuel Cell Vehicles” has been submitted to Scientific Advisory Committee of MoPNG for funding from Hydrogen Corpus Fund.

1.84 As regards the steps taken to resolve the contentious issue of imposition of high tax and excessive procedural formalities on ethanol producing industrial units, the Ministry has submitted as under:-

“The matter regarding taxation policy and procedural measures has been taken up with the concerned State Governments to reduce/remove the duties & taxes on ethanol meant for doping with petrol. State Govts were requested by MoPNG to waive the import/export fees. Hon’ble Minister (PNG) had written to the Chief Ministers of 10 States on 31st May 2006 and 14th May 2007 regarding imposition of taxes/ levies on ethanol as also on the jurisdiction of the State Government with regard to production and inter-state movement of ethanol. The matter was also taken up by MoPNG with Chief Secretaries of concerned States on 2.11.2007 and 5.10.2008 for simplification and streamlining the procedure, etc. Further, D.O. letters from Prime Minister were also sent to Chief Ministers of the concerned states in November 2007 in this regard. A meeting was convened by Department of Industrial Promotion & Policy on 25.11.2008 involving Financial Commissioners /Excise

Commissioners from various States, in which issues were taken up for simplifying the operational/administrative procedures with regard to implementation of state excise levies, permits, licenses etc. and withdrawal of all import/export fee and other similar taxes in relation to ethanol procurement. As a result of above efforts, majority of State Governments had either significantly lowered or altogether removed the duties on ethanol. The State Governments had also increased the validity period of permits to a year".

1.85 The Committee are unhappy to note that the Ethanol Blended Petrol (EBP) programme of the Government which stipulated 5% blending of ethanol with petrol as mandatory with effect from 9.10.2007 and optional blending of 10% ethanol with petrol from October 2007 and thereafter mandatory blending from October 2008, had failed miserably as availability of ethanol during the period 2006-2009 was deficient to the extent of 60%. Despite several steps taken by the Government and the consequent reduction or removal of various duties on ethanol imposed by different State Governments, the supply of required quantity of ethanol could not be ensured to the OMCs. In the absence of availability of adequate ethanol for 5% blending with petrol, it is not clear how the OMCs will implement latest decision of the Cabinet Committee on Economic Affairs (CCEA) to enforce mandatory blending of 5% ethanol with MS petrol for the time being and the OMCs to face financial penalities in default of the same. The Committee, therefore, feel that the Government should have first taken necessary steps to resolve all the issues relating to supply of adequate ethanol instead of imposing penalties on OMCs as mandated by the decision of Cabinet Committee on Economic Affairs (CCEA).

1.86 The Committee note that "Hydrogen Corpus Fund' has been set up by the Ministry of Petroleum and Natural Gas in consortium with 5 PSU, with corpus of Rs. 100 crore, for supporting research and development in various aspects of hydrogen which is expected to replace natural gas as transport fuel. The Committee find that R & D centre of IOCL has been reported to have taken slew of measures to give necessary fillip to the promotion of hydrogen as an auto fuel and in furtherance of the same have collaborated with many organizations. While having a track of developments made in other countries

in the field, the Committee reccomend that Ministry of Petroleum and Natural Gas should play a proactive role and in co-ordination with Ministry of Science and Technology and Ministry of New & Renewable Energy should come up with some concrete measures and strategies in promotion of hydrogen as an auto fuel.

K. Production of Coal Bed Methane

1.87 For exploration and production of CBM in the country, Government has so far awarded 26 CBM blocks under three rounds of CBM to National, Private and Joint Venture Companies. The total CBM resources in the 26 awarded blocks covering an area of around 13600 sq.km are estimated to be 1374 BCM and expected peak production from these blocks is estimated at 38 MMSCMD. The commercial production of CBM in the country has already commenced w.e.f. 14.07.2007. Current CBM production is around 0.22 MMSCMD. Under CBM IV Round, the Government of India invited biddings for 10 CBM blocks. A total of 27 bids were received for 8 out of the 10 blocks offered, from 19 companies including 3 foreign and 16 Indian companies. The bids received have been evaluated and the blocks are likely to be awarded soon.

1.88 Regarding the progress made by Public Sector Companies in the CBM blocks awarded, the Ministry of Petroleum and Natural Gas has provided the following information:-

> "ONGC is the only public sector company, who has been awarded 9 CBM blocks in the country as an operator. Out of 9 blocks ONGC has opted for exit option in 3 blocks, after completing Exploration Phase-I activity, on the ground of low prospectivity. ONGC seeks Government of India permission to exit from one additional block, even before completing Phase-I activity.
>
> In the remaining five blocks, the status is as under:
>
> - In **Jharia Block** for 18 Sq Km Parbatpur Area, action for development of CBM resources is in hand.
> - In **Bokaro & North Karanpura Blocks** Phase-II Pilot assessment activities are in progress. Based on Phase –II results development activities may be taken up.
> - In **Raniganj Block** phase-II pilot assessment activities will be completed by May 2011 and based on the results of Phase-II the Block may enter Phase-III i.e. developmental activities may be taken up.
> - In **South Karanpura Block** the drilling activity related to MWP of Phase-I has been completed. The 3 drilled exploratory test wells are under testing. Entry into the Phase-II will depend upon the testing results of these wells.
>
> Sale of incidentally produced gas has commenced by ONGC from the Jharia block in January, 10 at an average rate of 4000 cubic meter per day".

1.89 As regards the commercial production of CBM, the Committee have been informed that no targets have been fixed for Private/JV companies for CBM gas production. Commercial production of CBM in India has been commenced only in one block i.e. Raniganj (South) CBM block in West Bengal in 2007 operated by GEECL. In 2009-10, CBM gas production by GEECL is about 0.11 MMSCMD. The cumulative production of CBM by GEECL from 2007 to February 2010 was about 70.85 MMSCM.

1.90 Further, ONGC has taken initiative to sell the incidentally produced CBM during testing of drilled wells. It has started the sale of such gas w.e.f 26.01.2010 with quantity of about 4000 cubic metre per day from Parbatpur area of Jharia CBM Block. Till Feb'2010 the cumulative quantity of gas sold was 112088 cubic metre.

1.91 When asked about the exploration and production of Coal Bed Methane by ONGC during 2009-10 and 2010-11, the Committee have been informed by the Ministry as under:-

> "In 2009-10, 27 Pilot and Exploratory wells and 17 Development wells were planned. However, the Development wells could not be taken up as Pilot activities could not be completed due to acute land acquisition problems in all the blocks and also due to coal mining overlapping issue in the Parbatpur Sector of Jharia block.
>
> In view of above, 19 exploratory and pilot wells were planned in 2009-10. Out of 19 exploratory and pilot wells, till date, 9 wells are completed, 2 wells are under drilling and another 3 wells are likely to be spudded by this month. Efforts will be made to make up for the backlog of 5 wells in 2010-11".

1.92 The Committee note that in all 26 Coal Bed Methane (CBM) contracts were awarded for exploration of CBM gas with estimated reserves of about 1379BCM of CBM gas. The expected peak production from these blocks is 38 MMSCMD while the current production is only 0.22 MMSCMD. As regards the progress of ONGC in its nine CBM blocks, the Committee have been informed that company has made an exit from the 3 awarded blocks after completion of Phase I activity and is further planning to surrender 1 more block even before completing Phase I activity in view of nil prospectivity of block. In the

remaining 4 blocks viz., Jharia, Bokaro and North Karanpura, Raniganj and South Karanpura development work of CBM reservoirs is in different stages, and hence CBM production has not been started from these blocks. The Committee desire ONGC to take expeditious action to develop all the 4 blocks at the earliest in order to commence CBM production. The Committee strongly recommend that the CBM production from these native alternative fuel reserves could be effectively augmented by application and import of new advanced exploration technologies and technical knowhow. The Committee further desire Government/Oil PSUs to make an indepth analysis of the reasons for scanty production from these reservoirs and take conclusive action to overcome the problems identified.

L. <u>Kisan Sewa Kendras</u>

1.93 IOCL in the year 2004-05 started Kisan Sewa Kendras, as low cost retail outlet in rural/agricultural market in order to reach diesel, other petroleum products, and non-fuel products at Kisan's doorstep.

1.94 In order to check the reach of urban population of these outlets, the Committee asked about the number of such Kisan Sewa Kendras opened in the country by OMCs. In this regard, the Ministry have informed the Committee as under:-

> "IOCL has been reported to have set up 2825 KSKs in the country as on 28.2.2010. New Kisan Seva Kendras (KSKs) are set up by IOCL based on the feasibility study of a rural location. Locations found feasible and economically viable are rostered in the State-wise Marketing Plans for setting up KSKs in the rural areas through out the country. Process of selection of KSK dealership for any location involves various steps. To start with, location is identified based on the commercial viability and is rostered as per 100 point roster in the State Retail Marketing plans of IOCL. The same is advertised for inviting applications for selection of dealer and is a continuous activity. Further, while setting up KSK dealerships, norms prescribed by the local /Govt. authorities, are also considered. The new KSKs are set up after obtaining statutory approvals from various Competent Government Authorities.
>
> **BPCL:** As on 1.3.2010, BPCL has set up 835 Kisan Sewa Kendras (rural retail outlets). To ensure availability of petrol and diesel in rural markets, field survey and feasibility studies are carried out periodically and location found economically viable are rostered in the rural Marketing Plan for setting up retail outlets.
>
> **HPCL:** HPC has taken pioneering initiative of setting up retail outels in an organized manner in rural markets under the name "Hamara Pump". These retail outlets are set up in the rural markets such as unrepresented locations, agricultural belt, major road connecting to National/State Highways, near Rural Industries like Fisheries/Crushers/Rice/Sugar mills/Dairies etc. HPC has set up 1415 Rural Retail Outlets (Hamara Pumps) under HPC Marketing Plan as on 1.3.2010. HPC is continuously expanding its network in rural areas. HPC plan to set up 250 retail outlets in rural areas in the year 2010-11".

1.95 The Committee note that in the year 2004-05 IOCL started a chain of low cost Retail Outlets (ROs) under name "Kisan Sewa Kendras" in rural/agricultural market to make available the petroleum products and non fuel

products to rural community of the country and accordingly set up 2825 Kisan Sewa Kendras till 28.02.2010. Likewise BPCL had also set up 835 Kisan Sewa Kendras (Rural retail outlets) till 01.03.2010. Similarly, HPCL has set up 1415 rural outlets under a different name called "Hamara Pump". The HPCL propose to set up 250 more ROs in the year 2010-11. While appreciating the initiative of the OMCs to set up the ROs in the rural and agricultural market, the Committee impress upon the need to deepen the reach of these outlets to cover the maximum rural areas and also to put in place adequate monitoring mechanism to prevent the scope for adulteration of petroleum products sold through these outlets.

M. Steps to check adulteration of Petrol/Diesel

1.96 The Committee have been informed that for the monitoring of activities of retail outlets automation of retail outlets is being implemented. Ministry of Petroleum and Natural Gas has directed the Oil Marketing Companies to complete automation of Retail Outlets selling more than 200 KL per month.

1.97 In response to the Committee's query regarding the progress made in automation of retail outlets selling more than 200 KL per month, the Ministry has submitted as under:-

"**IOC**

Based on the average sales during the period, April-December 2009, it is observed that there are a total of 4263 retail outlets, which have an average monthly sales more than 200 KL. Out of these 1250 Retail Outlets under Phase I and 1178 identified under Phase II, automation work is completed/in progress. Summary of automation of Retail Outlets is as under:

Nos. of Retail Outlets selling more than 200 KL/month (April –December 2009)	4263
Administrative approval available & work in progress Phase-I	1250
Administrative approval available & work in progress Phase-II	1178
Balance Retail Outlets requiring administrative approval for automation	1835

Accordingly, for undertaking automation of additional 1835 Retail Outlets selling more than 200 KL/month in the Phase-III, the process of obtaining administrative approval of the Competent Authority has been initiated.

BPCL

BPCL had 1600 retail outlets selling more than 200 KL per month. The target was revised on 1.4.2008 to 2200 retail outlets on sales at these outlets. BPCL has so far completed automation of 2100 retail outlets and the balance shall be completed by 31.3.2010.

HPCL

HPCL have 1530 retail outlets selling more than 200 KL per month as on 31.12.2009, HPCL have completed automation of 1682 outlets as of June 2010 so far" .

Third Party Certification

1.98 As a step towards checking adulteration of petroleum products, OMCs have been directed to complete third party certification of all the retail outlets selling more than 100 KL per month.

1.99 Asked about the progress of Third Party Certification of Retail Outlets selling more than 100 KL/PM by the OMCs, the Ministry informed as under:-

"IOCL expects to complete Third Party Certification (TPC) of all the 8028 retail outlets, selling more than 100 KL per month covered under TPC for the year 2009-10, by 31.3.2010. For the execution of these jobs during next three years, a fresh public tender was floated by IOCL in January 2010, which is under process of finalization. On selection of new parties, the TPC of about 9000 ROs selling more than 100 kls/month (freshly identified) will be carried out by the selected party during next three year starting from April 2010 to March 2013.

BPCL

As on 1.4.2009, BPCL had identified 5235 retail outlets selling more than 100 KL per month for third party certification. So far, 4327 retail outlets have been certified consequent to third party audits. The balance would be completed by May 2010. The shortfall during the year is mainly due to the third party certification which commenced from August 2009 due to expiry of the contracts with third party auditors.

HPCL

HPCL have 4027 Retail Outlets selling more than 100 KL/per month and have carried out third party surveillance audit at all such retail outlets in the country during the year 2008-09. During the current year upto 31.12.2009 total 3850 Retail Outlets have been audited".

Global Positioning System

1.100 To prevent adulteration during transportation, oil marketing companies have been directed to install Global Positioning System (GPS) to monitor the movement of all the company owned/dealer owned/contractor owned tank trucks.

1.101 In this connection, Committee desired to know the status of installation of Global Positioning System which was targeted to be completed by September, 2009. In reply, the Ministry submitted the following information:-

> "**IOC:** Although 90% of the MS/HSD tank trucks (TTs) were provided with Vehicle Mounted Units (VMUs) by September, 2009, but only 25% of them are working as of now. These units being of IP-23 model are found to be not suitable in the environment in which the TTs ply. Accordingly, the issue was discussed with vendor and upgraded version of IP-65 has been decided to be procured. This exercise of upgrading existing VMUs and procurement of upgraded VMUs will take about 6 months from now.
> **BPCL:** has completed installation of GPS on all its tank lorries in June 2008.
>
> **HPCL**: has achieved 90.5% target of covering all TTs under GPS. The target has been achieved for Company-owned, dealer – owned TTs. However, HPCL could not achieve the revised target of Nov.'08 for contractor-owned TTs and has reported that Tendering has been done for the balance work".

1.102 Asked about the reasons for replacement of Vehicle Mounted Units (IP-23 model) by IOCL in Tank trucks which is reported to be not suitable for the environment in which the tank trucks ply, the committee have been informed in a post evidence reply as under:-

> "On the basis of assessment made at that time, VMUs meeting IP-23 model was selected for VTS. The tender for IP-23 compliant VMUs were floated in Aug., 2006. It is only during the course of use that these units have been found to be progressively affected over a period of time by rains and heavy moisture, which resulted in only about 25% of these units functional".

1.103 As regards the cost involved in installation of IP-23 model of VMUs and additional cost to be incurred for procuring and installing upgraded version of VMUs (IP-65), the Ministry of Petroleum and Natural Gas have informed the Committee that the cost involved in 2007, when order was placed was Rs. 4,855 per VMU set for IP-23 compliant models. Additional cost of upgradation of existing IP-23 models to IP-65 models as quoted by the vendor will be Rs. 4,500 per VMU.

1.104 To combat the adulteration of Petroleum Products, Ministry of Petroleum and Natural Gas has adopted remedial measures like automation of retail outlets (RO), Certification of Retail Outlets by third party and installation of

Global Positioning System in tank trucks etc. As regards the Third Party Certification (TPC), the Committee note that IOCL has completed the TPC of all 8028 ROs, and has newly identified retail outlets to be completed between April 2010-March 2013, whereas BPCL has completed TPC of 4327 ROs out of 5235. Similarly, Third Party surveillance of HPCL ROs in respect of 3850 retail outlets out of 4027 has been completed till 31.12.2009. The Committee recommend that the Government should take necessary steps to ensure that BPCL and HPCL also complete Third Party Certification in respect of balance 908 and 177 retail outlets at the earliest.

1.105 The Committee note that BPCL has installed Global Positioning System on all its tank lorries and HPCL has got only 90.5% of its tank trucks installed with the system. The Committee further note that out of 90% tank trucks initially installed by IOCL with Vehicle Mounted System (IP-23) by September, 2009, only 25% are in working condition as these were progressively affected over a period of time by rain and heavy moisture. The IOCL has now started exercise for replacement of the faulty VMS (IP-23) with upgraded version of (IP-65). The Committee fail to understand how and why VMS (IP-23) was technically approved in 2006 without visualizing the problem areas such as rain and heavy moisture that would impact the durability and technical efficiency of this device within a short period of 3 years. Needless to say that improper assessment of the suitability of these devices led to a wasteful expenditure of Rs. 4855 per tank truck from 2006 to September 2009. The Committee recommend that IOCL should expedite installation of the IP-65 model of VMUs in all the Tank Trucks without any further delay.

New Delhi;	***ARUNA KUMAR VUNDAVALLI***,
21 April, 2010	***Chairman,***
1 Vaisakha,1932 (Saka)	***Standing Committee on Petroleum & Natural Gas.***

STATEMENT OF CONCLUSIONS/RECOMMENDATIONS OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS

Sl No.	Reference Para No. of the Report	Conclusions/Recommendations
1	1.17	The Committee note that the Non Plan Budget of Rs. 3142 crore of the Ministry of Petroleum and Natural Gas for 2010-11 mainly comprises of subsidies for PDS kerosene and domestic LPG (Rs. 2900 crore), freight subsidy on PDS kerosene and domestic LPG for far-flung areas (Rs. 25 crore), Rs. 183 crore as subsidy for supply of natural gas to North-Eastern Region and a provision of Rs. 15 crore and Rs. 1.60 crore for Petroleum and Natural Gas Regulatory Board (PNGRB) and Society for Petroleum Regulatory respectively. Apart from this, an allocation of Rs. 17.40 crore has been kept for Secretariat and economic services. On the Plan side, the Committee note that an allocation of Rs. 36 crore has been made towards Rajiv Gandhi Institute for Petroleum Technology (RGIPT) project, Jais, Rai Barelli and a token provision of Rs. 1 crore has been made for a new scheme for providing LPG connection to BPL families as onetime assistance of Rs. 1400/LPG connection. While considering various allocations made in the DFG for 2010-11, the Committee observe that although Rs. 490 crore are stated to be required to cover 35 lakh BPL families, only one crore token grant was earmarked for one time assistance to BPL families @ Rs.1400 per LPG cylinder. In this regard, the Committee want to emphasise that a flagship scheme of LPG connection to BPL families should not face any financial crunch. The Committee would like to be apprised of the detailed steps taken by the Government and the strategy planned in this regard to achieve the targets. At the same time, the Committee would also like to be apprised of State-wise figures of BPL families likely to be covered under the scheme during 2010-11 and 2011-12.
2	1.18	The Committee are constrained to note that acquisition of land for RGIPT targeted to be completed by 2007-08, is running behind the schedule. Only land admeasuring 47.8 acres could be acquired by 2007-08 and proposal for acquisition of balance land admeasuring 95 acres is still pending with Uttar Pradesh State Industrial Development Corporation since August 2007. The Committee further note that with the persistent efforts of the Ministry and follow up with UPSIDC, the process has now gained momentum. Since the acquisition of land has been badly delayed, the Committee desire the matter be constantly pursued

		with the State Government authorities.
3	1.19	The Committee are also constrained to note that although the land measuring 47.8 acres was acquired by 2007-08 for RGIPT, no construction work at site was started till December, 2009. Taking note of the fact that the construction work of boundary wall at the acquired land has been awarded in December, 2009 and the award for major civil work is reported to be awarded by March, 2010, the Committee desire the Government to take all necessary steps to ensure that the infrastructure work of Phase-I relating to academic and administrative complex, faculty residence, student hostel, utilities etc. at the available land is completed by 2011-12 as initially targeted.
4	1.23	The Committee note that Centre for High Technology (CHT) is a specialized agency established by the Ministry of Petroleum and Natural Gas in 1987 and it acts as the technical wing of the Ministry for implementation of scientific and technological programme of the Government. The Committee observe that the Budget outlays for 2008-09 for Centre for High Technology (CHT) were increased from Rs. 11.22 crore to Rs. 27.83 crore and for the year 2009-10, against the Budget Estimates of Rs. 5.13 crore, the Revised Estimates were enhanced to Rs. 25.68 crore. The Committee, are surprised over variation in figures of revised estimates and the actuals as Budget Estimates (BE) for capital expenditure, R&D project and special studies by CHT during 2009-10 were substantially increased at RE stage and the actuals are far higher than the Revised Estimates for these activities. The Committee, therefore, feel that the principles of prudent financial management were not followed in the case of CHT while preparing Budget Estimates (BE) and Revised Estimates (RE) and recommend that Government should ensure that the Budget Estimates (BE) and Revised Estimates (RE) are consistent with the actual requirement of funds to carry out the identified project/studies by CHT.
5	1.31	The Committee note with concern that as on first fortnight of March, 2010, the share of custom duty, excise duty and Sales/VAT taxes on petrol and diesel in Delhi are 51.47% and 30.24% respectively. Further, the contribution to Central Government exchequer by petroleum sector during 2008-09 was Rs. 93,513 crore and a subsidy of Rs. 74,002 crore was provided by the Government which was 79% of petroleum sectors contribution to the Central Government exchequer. The Committee further note that this subsidy amount was 27% and 35% during 2006-07 and 2007-08 respectively and for the year 2009-10 (April-December) it is reported to be only 25% (prov).

		Given the fact that a part of the revenue generated from the petroleum sector is being given back as subsidy by the Government to control the price of petroleum products, the Committee are of the opinion that the Government should consider to moderate/rationalize the Central taxes to give relief to the common man who is already facing relentless price rise. The Committee also note that the prices of petroleum products vary in different parts of the country due to variation in Sale Tax/Vat imposed by different State Governments which are in the range of 18% (Orissa) to 33% (Andhra Pradesh). The Committee recommend that the Government should impress upon all the State Governments to moderate the Sales Tax/Vat to a uniform rate on the petroleum products to mitigate the burden on the consumers of petroleum products.
6	1.32	The Committee note that the Expert Group headed by Dr. Kirit Parekh Committee has made several recommendations on 'viable and sustainable pricing of petroleum products'. In this regard, the Committee urge the Government not to consider the expert group recommendations in isolation but to give due weightage to the recommendations made by the Committee on Petroleum and Natural Gas in their 6th and 10th Reports (14th Lok Sabha) on 'Pricing of Petroleum Products'.
7	1.40	The Committee note that the drilling targets of ONGC & OIL have been underachieved in the past due to non-availability of drilling rigs both in onland and offshore areas. In case of ONGC, against the overall planned target of 383 wells during first three years of XI Plan, only 283 exploratory wells had been drilled till 1.1.2010. As against the target of 274 onland wells to be explored by ONGC during the first 3 years of the 11th Plan, only 201 wells could be explored as on 1.1.2010 and against the offshore exploratory targets of 109 wells the actuals are reported to 82. Similarly, OIL has drilled only 33 wells during the first three years of XI Plan. The Committee find that non-availability of drilling rigs had also adversely affected OIL's drilling programme as out of a total of 10 inhouse drilling rigs with OIL, refurbishment of 8 drilling rigs is reported to be in progress. The Committee appreciate the fact that ONGC and OIL have strived hard to overcome the shortage by deploying contractual rigs at the needed locations, but still they observe there has been a considerable Rig Months lost by ONGC due to idle time of rigs. The Rig Months lost due to waiting on ready site/location and other reasons are reported to be 55.0 RM, 72.4 RM and 32.62 RM during 2007-08, 2008-09 and 2009-10 respectively. The estimated cost charged in respect of idle time of rigs was stated to be Rs. 809.90 crores for the said 3 years. Given the global shortage of drilling rigs, the Committee strongly

		recommend the Government/Oil exploration companies to make a proper assessment of the requirement of in-house/charted rigs in conformity with the physical targets set for exploration and development drilling. The Committee further desire that ONGC/OIL should not only increase the number of inhouse drilling rigs to reduce dependence on contractual rigs from the international market but also work out a proper strategy to ensure optimum utilization of the rigs and prevent loss of rig months due to their idle time on the locations.
8	1.43	The Committee are concerned to note the consistent shortfall in achieving the oil production targets by major upstream PSU ONGC and the Pvt./JV companies in the last 3 years. Against the production targets (MMT) of 27.160, 27.054 and 26.950, the achievement by ONGC has been only 25.944, 25.367 and 25.764 respectively during the years 2007-08, 2008-09 and 2009-10. In case of private companies the shortfall is more significant as against production target (MMT) of 5.15, 5.26 and 6.62 during the last 3 years, the achievement has been 5.08, 4.67 and 4.76 (upto Feb., 2010) only. While expressing displeasure at the shortfall in targets by ONGC and private companies, the Committee desire the companies to find out the reasons for the shortfall and take necessary steps to augment oil production through improved technology. The Committee, further note that for remaining years of Xi Plan for 2010-11 and 2012, the targets for private companies have been significantly enhanced to 11.32 MMT and 12.00 MMT. In view of their enhanced target the Committee desire that DGH to do close monitoring of the private companies to ensure that there is no slippage in their achievement. As regards, gas production the Committee find that though ONGC and OIL have been more or less able to achieve the targets, there is a significant shortfall in achieving targets by private companies. Against a target of 12.59 BCM the actual achievement has been 8.09 BCM and the target for the year 2009-10 is unlikely to be achieved with 19.35 BCM of natural gas produced upto February 2010 against the target of 25.43 BCM. While expressing concern on large scale shortfalls on achievement of targets, the Committee, recommend the Ministry of Petroleum and Natural Gas/DGH to take concrete steps and impress upon the need to adhere to the targets both by public and private companies.
9	1.50	The Committee in their 23rd Report (14th Lok Sabha) had recommended that Government/Indian Oil Corporation Limited (IOCL) expedite the pending fund raising process in regards to 15 MMTPA Paradip Refinery Project, with a projected completion schedule of October, 2011. The Committee, however, observe that as on 28.02.2010 overall physical progress of 14.82 % has been achieved and only Rs. 2,703 crore spent against a cost

		commitment of about Rs. 10,920 crore. The Committee are unhappy to note the continuing delay in commissioning of the project from October 2011 to November 2012. The Committee feel that given the present progress of the project it may be difficult for the project to be completed even as per revised completion schedule. The Committee, therefore, recommend the Government/IOCL should consistently monitor the progress of the project so as to ensure completion of the project without further cost and time overruns.
10	1.51	The Committee note that the Government had approved a grass root oil refineries of 6 MMTPA at Bina, Madhya Pradesh in 1995. The project approved at an estimated cost of Rs. 10735 crore is yet to be commissioned. The deadline for commissioning of the refinery has been revised from December, 2009 to September, 2010 with revised estimated cost of Rs.11,397 crore. The Committee express its serious concern over the delay in commissioning Bina Refinery which has been fraught with roadblocks like land acquisition and environmental clearances. In view of the long period of 15 years taken from date of approval in commissioning the Bina oil refinery and cost overrun of Rs. 1022 crore of the project, the Committee feel that there is a systemic failure in the very process of planning, review and execution of such an important project. The Committee, therefore, recommend that the Government should evolve a suitable strategy to reduce delays in development of oil refineries on fast track basis and ensure that the refinery is fully operational by the revised target.
11	1.53	The Committee are unhappy to note the deteriorating financial health of oil refineries in the North-East region due to high landed cost of imported crude oil and the entry tax on crude oil being levied by the State Government which is affecting the profitability of North-East Refineries. As regards remedial measures taken, the Government have informed that a Committee to study 'Optimisation of Capacity Utilisation of North East Refineries' had submitted its report to the Ministry of Petroleum and Natural Gas on July 04, 2008 and action has been taken to augment crude oil production in the North East Region by offering acreages in North –Eastern Region under New Exploration Licensing Policy (NELP) and also to enhance crude oil recovery through Enhanced Oil Recovery (EOR)/ Improved Oil Recovery (IOR) methods. The Committee desire that recommendations of the Government Committee should be scrupulously implemented in all the refineries in North-Eastern Region to make them economically viable and profit earning.
12	1.54	The Committee are further concerned to note that no action has

		been taken by the Government on their earlier recommendation (23rd Report, 14th Lok Sabha) for excise duty concession to North-East Refineries from the current level of 50% to 100%. The Committee desire that their previous recommendation should be implemented and excise concession to North-East refineries should be increased.
13	1.69	The Committee note that OMCs have reportedly released as many as 60 lakh LPG connections during 2009-10 (upto December, 2009) and yet there is a waiting list of more than 2 lakh connections with the LPG distributors due to various reasons viz. shortage of equipment, local strikes etc. The Committee were informed in this regard that the problems of shortage of equipment have been overcome and IOCL is taking steps to procure 105.16 lakh new LPG cylinders and 68.68 lakh pressure regulators for the year 2010-11 while HPCL is tendering for 35 lakh regulators and cylinders during the year 2010-11. In view of these steps being taken by IOCL and HPCL to procure adequate number of LPG cylinders and regulators, the Committee hope that the present waiting list of about 2 lakh LPG connections will not only be cleared expeditiously but they would be sufficient to take care of the release of regular LPG connections including releases to BPL families.
14	1.70	The Committee are concerned to note that out of a total of 1122 lakh LPG connections issued as on 31.12.2009, 95.65 lakh customers are reported to have multiple connections in the country on an intra company basis. The Committee further note that the Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000, as amended vide Notification dated 10.09.2009, inter-alia provides for one domestic LPG connection for one household (instead of per person earlier) and that is it mandatory for PNG providing agencies to obtain undertaking from the customer to surrender his LPG connection within 60 days from the date of obtaining PNG connection or else to discontinue the supply of PNG to such a consumer of LPG. The Committee have also been informed that the OMCs have initiated action of blocking such multiple LPG connections which are registered against the same customer and as on 15.03.2010, 15.09 lakh LPG connections have been blocked by the OMCs. The Committee recommend that the Government/OMCs should take expeditious action to block all the identified multiple connections of 95.65 lakh customers so that the waiting list for LPG connections in the country is cleared at the earliest.
15	1.71	As regards the complaints of deliberate delay in refill supply by LPG distributors, the Committee observe that only 163 cases

		have been established in the country during the last 3 years and further between April 2009 to January 2010. Out of these 163 cases, only 12 cases have been reported to be established in Delhi. The committee would like to be apprised of the action taken against these 163 LPG distributors as per the MDG guidelines. The Committee have been informed that instructions have been issued by OMCs to LPG distributors for making delivery to consumers within 48 hours of booking in normal circumstances. However, inspite of these instructions it is seen that delivery of LPG is taking much longer time especially in small towns. The Committee desire the OMCs to monitor that these instructions are strictly followed by LPG distributors and also put in place a mechanism for quick redressal of complaints of consumers over late delivery. The Committee also recommend that the OMCs should launch a consumer awareness programme through print and electronic media to educate the customers of their right to get LPG delivery within 48 hours of booking and also of the mechanism available in OMCs for timely redressal of their complaints/grievances in this regard.
16	1.72	Black marketing/diversion of subsidized domestic LPG cylinders take place due to wide gap between the retail price of LPG for domestic use and the market price of commercial LPG. The Committee note in this regard that action has been taken in 2021 cases during the year 2006-07, 2007-08, 2008-09 and between April, 2009 to January, 2010. The Committee were informed that the Marketing Discipline Guidelines (MDG) provides for a fine of Rs. 20,000 plus the price of LPG diverted at commercial rates for 1st offence, fine of Rs. 50,000 plus the price of LPG diverted at commercial rates for 2nd offence and termination of the distributorship for 3rd offence. Out of 2021 cases, 1714 cases were related to 1st offence, 298 cases of 2nd office and 9 cases of 3rd offence. In this connection, the Committee recommend that besides increasing the number of raids by OMCs to check such malpractices by LPG distributors, the Government may also consider to give incentives to individuals from the general public by way of awards, whose complaints of malpractices against LPG distributors have been established.
17	1.80	The Committee note that the Ministry of Petroleum and Natural Gas has finalized Vision 2015 of the oil and gas sector for consumer satisfaction and beyond wherein efforts would be made to provide PNG facilities to 201 more cities by the year 2015. The Committee further note that 9 Joint Venture companies formed by GAIL are undertaking City Gas Distribution activities in designated areas/cities. In order to promote investment from public as well as

		private sector, the Government has authorized the laying of nine new trunk natural gas pipelines namely Dadri-Bawana-Nangal, Chainsa-Gurgaon-Jhajjar-Hissar, Jagdishpur-Haldia, Dabhol-Bangalore, Kochi-Kanjirkkod-Bangalore/Mangalore, Kakinada-Basudebpur-Howrah, Vijaywada-Nellore-Chennai, Chennai-Tuticorin and Chennai-Bangalore-Mangalore. In view of the Vision 2015 Programme of the Government, the Committee recommend that the Government should regularly monitor the progress of laying of these pipelines as per agreed timeline and physical parameters to ensure their completion by 2012. It is also imperative that the city network covered by these new pipeline should be taken up and completed in time to achieve the targets of providing PNG facilities to 201 cities by 2015 as envisaged under the Vision 2015.
18	1.81	The Committee note that IGL, a joint venture with BPCL and Government of National Capital Territory of Delhi has been authorized to undertake City Gas Distribution (CGD) programme in Delhi and adjoining areas. Till now IGL network has penetrated areas/colonies with estimated 4.5 lakh households which comes to around 20% of entire population of Delhi. IGL has so far released PNG connection to 1.72 lakh household in NCT of Delhi which comes to about 22.5% of households covered by PNG network. To cover the entire Delhi households by 2012, the city had been divided into 70 charge areas by Petroleum and Natural Gas Regulatory Board and these areas correspond to 70 legislative constituencies. The Committee are unhappy to note that IGL has failed to provide PNG connection to a majority of the household in the existing network in the city and the reasons for this were cited as large number of occupants being tenants, intermittent occupancy and unwillingness to discontinue LPG connection. The Committee also note that PNG connections are being provided only in authorized localities/colonies in the city and urban villages and unauthorized colonies have been left out. In this regard, the Government has assured that IGL shall be in readiness to extend pipeline network to offer its services even to unauthorized colonies as and when these colonies are regularized by civil agencies and subject to technical feasibility from safety and other consideration. The Committee feel that in the present scenario where IGL's PNG network has covered only 20% of the entire population of Delhi, and only 22.5% of households in the covered area has been provided PNG connection, as there are a total of 43.7 lakh LPG customers in the city, it may not be easy for the company to cover the remaining 80% population by 2012. The Committee, therefore, recommend that the Government should make all out efforts not only to ensure that the PNG network already laid in the city is fully utilized to its potential but

		also to extend the network coverage to entire city by 2012 as targeted. The Petroleum and Natural Gas Regulatory Board should take necessary measures to ensure that the IGL meets the various conditions and obligations it has agreed to in the mater of providing PNG network and connections to all the household in Delhi.
19	1.82	The Committee have been informed that City Gas Distribution (CGD) entities and joint ventures of GAIL are undertaking work of laying the CNG network in the country. The Committee note that there are only 173 established CNG stations in NCT of Delhi till date as against projected requirement of 250 stations by March, 2008 in order to cater to expected increase in demand of CNG in near future. The Committee desire that these remaining CNG filling stations be set up soon in Delhi to prevent inconvenience to the public using CNG vehicles. The Committee further note that apart from NCT of Delhi only 8 states and 1 Union Territory have been provided with CNG coverage so far. The number of CNG filling stations set up in States like Uttar Pradesh (30) and Andhra Pradesh (11) is far less while it is negligible in States like Tripura (11), Madhya Pradesh(1), Haryana(6), West Bengal(5) and Daman & Diu(1). The Committee, therefore, recommend that the number of CNG filling station in all these States/UTs should be increased according to the potential gas requirements as per CNG based vehicles. The CNG network should also be extended to the remaining States/UTs to provide clean fuel to the entire country.
20	1.85	The Committee are unhappy to note that the Ethanol Blended Petrol (EBP) programme of the Government which stipulated 5% blending of ethanol with petrol as mandatory with effect from 9.10.2007 and optional blending of 10% ethanol with petrol from October 2007 and thereafter mandatory blending from October 2008, had failed miserably as availability of ethanol during the period 2006-2009 was deficient to the extent of 60%. Despite several steps taken by the Government and the consequent reduction or removal of various duties on ethanol imposed by different State Governments, the supply of required quantity of ethanol could not be ensured to the OMCs. In the absence of availability of adequate ethanol for 5% blending with petrol, it is not clear how the OMCs will implement latest decision of the Cabinet Committee on Economic Affairs (CCEA) to enforce mandatory blending of 5% ethanol with MS petrol for the time being and the OMCs to face financial penalities in default of the same. The Committee, therefore, feel that the Government should have first taken necessary steps to resolve all the issues relating to supply of adequate ethanol instead of imposing penalties on OMCs as mandated by the decision of Cabinet

		Committee on Economic Affairs (CCEA).
21	1.86	The Committee note that “Hydrogen Corpus Fund’ has been set up by the Ministry of Petroleum and Natural Gas in consortium with 5 PSU, with corpus of Rs. 100 crore, for supporting research and development in various aspects of hydrogen which is expected to replace natural gas as transport fuel. The Committee find that R & D centre of IOCL has been reported to have taken slew of measures to give necessary fillip to the promotion of hydrogen as an auto fuel and in furtherance of the same have collaborated with many organizations. While having a track of developments made in other countries in the field, the Committee reccomend that Ministry of Petroleum and Natural Gas should play a proactive role and in co-ordination with Ministry of Science and Technology and Ministry of New & Renewable Energy should come up with some concrete measures and strategies in promotion of hydrogen as an auto fuel.
22	1.92	The Committee note that in all 26 Coal Bed Methane (CBM) contracts were awarded for exploration of CBM gas with estimated reserves of about 1379BCM of CBM gas. The expected peak production from these blocks is 38 MMSCMD while the current production is only 0.22 MMSCMD. As regards the progress of ONGC in its nine CBM blocks, the Committee have been informed that company has made an exit from the 3 awarded blocks after completion of Phase I activity and is further planning to surrender 1 more block even before completing Phase I activity in view of nil prospectivity of block. In the remaining 4 blocks viz., Jharia, Bokaro and North Karanpura, Raniganj and South Karanpura development work of CBM reservoirs is in different stages, and hence CBM production has not been started from these blocks. The Committee desire ONGC to take expeditious action to develop all the 4 blocks at the earliest in order to commence CBM production. The Committee strongly recommend that the CBM production from these native alternative fuel reserves could be effectively augmented by application and import of new advanced exploration technologies and technical knowhow. The Committee further desire Government/Oil PSUs to make an indepth analysis of the reasons for scanty production from these reservoirs and take conclusive action to overcome the problems identified.
23	1.95	The Committee note that in the year 2004-05 IOCL started a chain of low cost Retail Outlets (ROs) under name “Kisan Sewa Kendras” in rural/agricultural market to make available the petroleum products and non fuel products to rural community of the country and accordingly set up 2825 Kisan Sewa Kendras till

		28.02.2010. Likewise BPCL had also set up 835 Kisan Sewa Kendras (Rural retail outlets) till 01.03.2010. Similarly, HPCL has set up 1415 rural outlets under a different name called "Hamara Pump". The HPCL propose to set up 250 more ROs in the year 2010-11. While appreciating the initiative of the OMCs to set up the ROs in the rural and agricultural market, the Committee impress upon the need to deepen the reach of these outlets to cover the maximum rural areas and also to put in place adequate monitoring mechanism to prevent the scope for adulteration of petroleum products sold through these outlets.
24	1.104	To combat the adulteration of Petroleum Products, Ministry of Petroleum and Natural Gas has adopted remedial measures like automation of retail outlets (RO), Certification of Retail Outlets by third party and installation of Global Positioning System in tank trucks etc. As regards the Third Party Certification (TPC), the Committee note that IOCL has completed the TPC of all 8028 ROs, and has newly identified retail outlets to be completed between April 2010-March 2013, whereas BPCL has completed TPC of 4327 ROs out of 5235. Similarly, Third Party surveillance of HPCL ROs in respect of 3850 retail outlets out of 4027 has been completed till 31.12.2009. The Committee recommend that the Government should take necessary steps to ensure that BPCL and HPCL also complete Third Party Certification in respect of balance 908 and 177 retail outlets at the earliest.
25	1.105	The Committee note that BPCL has installed Global Positioning System on all its tank lorries and HPCL has got only 90.5% of its tank trucks installed with the system. The Committee further note that out of 90% tank trucks initially installed by IOCL with Vehicle Mounted System (IP-23) by September, 2009, only 25% are in working condition as these were progressively affected over a period of time by rain and heavy moisture. The IOCL has now started exercise for replacement of the faulty VMS (IP-23) with upgraded version of (IP-65). The Committee fail to understand how and why VMS (IP-23) was technically approved in 2006 without visualizing the problem areas such as rain and heavy moisture that would impact the durability and technical efficiency of this device within a short period of 3 years. Needless to say that improper assessment of the suitability of these devices led to a wasteful expenditure of Rs. 4855 per tank truck from 2006 to September 2009. The Committee recommend that IOCL should expedite installation of the IP-65 model of VMUs in all the Tank Trucks without any further delay.

NOTE OF DISSENT

1.0 In Chapter A, under the head "Analysis for Demand for Grants (2010-11)", the recommendation in para 1.17 is not in tune with the analysis made in para 1.13 of the report. Para 1.13, while detailing the non-plan expenditure incurred/proposed by the Ministry shows that subsidy for PDs Kerosene and Domestic LPG has been fixed at Rs. 2900 crore in 2010-11 as against Rs. 2765 crore in 2009-10, i.e., an increase of Rs. 135 crore. However, it also shows that against a cash outgo of Rs. 12000 crore as payment to the Public Sector Oil Marketing Companies (OMC) in 2009-10 as compensation for under recoveries in their Domestic LPG and PDS Kerosene sale, no allocation has been made under this head for the year 2010-11 as pointed out in para 1.16 of the report. There is no recommendation/observation on this vital issue.

1.1 As a matter of fact the Committee has to note that along with non allocation of any fund for under recovery in 2010-11 to OMCs, they have been further loaded with additional tax burden estimated in the range of Rs. 25,000 to 30,000 crore because of imposition of 5% Customs Duty on crude and increase in Excise Duty on Petrol and Diesel which has been passed on to the consumers already reeling under unprecedented price rise. The Committee should therefore, recommend the following in a new para after 1.17:

"The Committee do not approve of the double burden on Public Sector OMCs in the form of withdrawal of allocation of Rs. 12,000 crore under the non-plan expenditure along with imposition of 5% Customs Duty on crude oil and increase in Excise Duty on Petrol and Diesel. The Committee urge upon the Government to withdraw the hike in Customs and Excise Duties to give relief to the OMCs and the common man who is already facing relentless price rise."

1.2 In Chapter C of the report under the head "Taxes and Duties on Petrol and Diesel", there is a serious omission. While in para 1.24 the report mentions about the increase in price of Petrol by Rs. 4 per litre and Diesel by Rs. 2 per litre with effect from 02/07/2009, there is no mention of price hike from 01/04/2010 after budgetary decision to impose 5% Customs Duty on crude oil and increase in Excise Duty of Petrol and Diesel. It also fails to mention that though the subsidy by Government Exchequer in the year 2009-10, this is being further squeezed below 20% by the imposition of additional taxes by the Government in the 2010-11 budget. The word subsidy is a misnomer as the "so called subsidy" is actually a small part of the contribution to Central Government Exchequer by Petroleum Sector in form of taxes/duties, cess, dividend etc. I therefore suggest that in para 1.31 of the recommendation the sentence in the ninth line starting with "Given the fact……….from this sector" should be rephrased as under:

"Given the fact that only a minor part of the revenue generated from the Petroleum Sector is being given back as subsidy by the Government to control the price of Petroleum products as an anti inflationary measure, the Committee

are of the opinion that the Government should consider withdrawal of the additional taxes on Crude and Petroleum as a part of anti inflationary measure as the hike in the prices of petrol and diesel would impact the wholesale price index which is already very high at present."

2.1 The aforesaid chapter also fails to mention about the collection of Cess to the tune of Rs. 81,106 crore as on 31/03/2009 from the Public Sector oil producing companies of ONGC and Oil India Limited. Ministry have clarified during the evidence that out of this amount collected so far under Oil Industry Development Act, only Rs. 902.4 crores has been made available to Oil Industry Development Board. In this connection the Standing Committee's earlier recommendations contained in the 10th Report of 14th Lok Sabha presented to the Parliament in May, 2006, should be revisited. The recommendations firmly reiterated its firm stand for creation of Price Stabilization Fund (para 13 of the report) with the money collected from Cess as well as withdrawal of duty drawback incentive for export of petro goods (para 34 of the report).

I suggest the above recommendations should also form part of this report.

Sd/

1. Shri Tapan Kumar Sen

2. Shri Kamal Akhtar
   20.4.2010

ANNEXURE-I

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2009-10)

SIXTH SITTING

(25.3.2010)

The Committee sat on Thursday, the 25th March, 2010 from 1430 hrs. to 1730 hrs. in Committee Room No. '62', First Floor, Parliament House, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Shri Anandrao Adsul
3 Shri Sameer Bhujbal
4 Smt. Santosh Chowdhary
5 Dr. Ratna De
6 Shri Mukesh B. Gadhvi
7 Shri Dilipkumar Mansukhlal Gandhi
8 Shri Maheshwar Hazari
9 Shri Virendra Kumar
10 Dr. Thokchom Meinya
11 Shri Mahabal Mishra
12 Shri Danve Raosaheb Patil
13 Shri Kabindra Purkayastha
14 Shri K. Narayan Rao
15 Shri Uday Pratap Singh (Hoshangabad)

Rajya Sabha

16 Dr. Prabha Thakur
17 Shri Ahmed Patel
18 Shri Kalraj Mishra
19 Shri Tapan Kumar Sen
20 Shri Satish Chandra Misra

Secretariat

1. Shri J.P. Sharma - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri J.V.G. Reddy - Additional Director
4. Shri Arvind Sharma - Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri S.Sundareshan	-	Secretary
2.	Shri S. Bhargava	-	Additional Secretary (P&NG)
3.	Shri P.K.Sinha	-	Additional Secretary & Financial Advisor
4.	Shri L.N. Gupta	-	Joint Secretary (R)
5.	Shri Apurva Chandra	-	Joint Secretary (M)
6.	Shri Sunil Kumar Jain	-	Joint Secretary (IC)

Representatives of Public Sector Undertakings and other organisations

1.	Shri B.M. Bansal	-	Chairman, IOCL
2	Shri R.S. Sharma	-	CMD, ONGC
3.	Shri N.M. Borah	-	CMD, OIL
4.	Shri B.C. Tripathi	-	CMD, GAIL
5.	Shri Arun Balakrishnan	-	CMD, HPCL
6.	Shri A.K. Purwaha	-	CMD, EIL
7.	Shri Rajesh Vedvyas	-	MD, IGL
8.	Shri S.K. Mukherjee	-	MD, Balmer Lawrie & Co. Ltd
9.	Shri D.Basu	-	MD, Biecco Lawrie Co. Ltd
10.	Shri Basudev Mohanty	-	Director, PPAC
11.	Shri S.K. Srivastava	-	DG, DGH
12.	Shri Arun Kumar	-	Secretary, OIDB & ED,PCRA
13.	Shri D.N.Reddy	-	President, RGIPT
14.	Shri Rajan K. Pillai	-	CEO, ISPRL

2. At the outset, Hon'ble Chairman welcomed the Secretary, Ministry of Petroleum and Natural Gas and accompanying officials of the Ministry and Public Sector Undertakings to the sitting of the Committee and explained the purpose of holding the sitting, i.e. oral evidence of the representatives of the Ministry and PSUs on Demands for Grants (2010-11).

3. Then, the Secretary, Ministry of Petroleum and Natural Gas briefed the Committee about various activities and achievements of the Ministry and the companies under its administrative control with special reference to Demands for Grants (2010-11) of the Ministry and Plan outlays of the oil PSUs.

4. Thereafter, the Members raised a number of queries on the subject under examination. Due to paucity of time, only a few of the queries/issues raised in the meeting could be responded to by the representatives of the Ministry/PSUs. The Hon'ble Chairman directed the Secretary to furnish written replies to the remaining queries to the Secretariat by 01.04.2010.

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

The Committee then adjourned.

ANNEXURE-II

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2009-10)

SEVENTH SITTING

(20.4.2010)

The Committee sat on Tuesday, the 20th April, 2010 from 1500 hrs. to 1540 hrs. in Committee Room "C", Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Shri Anandrao Adsul
3 Shri Ramesh Bais
4 Smt. Santosh Chowdhary
5 Dr. Ratna De
6 Shri Mukesh B. Gadhvi
7 Shri Dilipkumar Mansukhlal Gandhi
8 Shri Gorakh Prasad Jaiswal
9 Shri Vikrambhai A. Madam
10 Dr. Thokchom Meinya
11 Shri Mahabal Mishra
12 Shri Kabindra Purkayastha
13 Shri C.L. Ruala
14 Shri Om Prakash Yadav

Rajya Sabha

15 Shri Kalraj Mishra
16 Shri Tapan Kumar Sen
17 Shri Kamal Akhtar

Secretariat

1. Shri J.P. Sharma - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri J.V.G. Reddy - Additional Director
4. Shri Arvind Sharma - Deputy Secretary

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee and explained about the suggestions received from Shri Tapan Kumar Sen, M.P. and Member of the Committee for being incorporated in the draft Report.

3. Thereafter, the Committee took up for consideration the draft Report on Demands for Grants (2010-11) of the Ministry of Petroleum and Natural Gas. After some discussion, the Committee adopted the draft Report with the following modifications:-

(i) In Para 1.31, for the words **"to moderate/rationalize the Central taxes in such a way as to obviate the need for giving subsidy for the petroleum sector out of the funds generated from this sector"** substitute the words **"to moderate/rationalize the Central taxes to give relief to the common man who is already facing relentless price rise".**

(ii) After Para 1.31, the following new Para be added:-

"1.32 The Committee note that the Expert Group headed by Dr. Kirit Parekh Committee has made several recommendations on 'viable and sustainable pricing of petroleum products'. In this regard, the Committee urge the Government not to consider the expert group recommendations in isolation but to give due weightage to the recommendations made by the Committee on Petroleum and Natural Gas in their 6th and 10th Reports (14th Lok Sabha) on 'Pricing of Petroleum Products".

4. The Committee authorised the Chairman to finalise the Report in the light of modifications and make consequential changes, if any, arising out of the factual verification of the Report by the Ministry and present the same to both the Houses of Parliament during the current Session.

5. ** ** ** ** ** ** ** ** ** ** **

The Committee then adjourned.

**Matter not related to this Report