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

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2009-10)

[Action Taken by the Government on the recommendations contained in the First Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2009-10)]

FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

August, 2010/ Bhadrapada, 1932 (Saka)

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1.	Shri J.P.Sharma	-	Joint Secretary
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4.	Shri Arvind Sharma	-	Deputy Secretary

Nominated to the Committee w.e.f. 04.06.2010.

$ Ceased to be Member of the Committee on his retirement from Rajya Sabha w.e.f. 30.06.2010.

@Ceased to be Members of the Committee on their retirement from Rajya Sabha w.e.f. 04.07.2010.

*Ceased to be Member of the Committee on his retirement from Rajya Sabha w.e.f. 07.07.2010.

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 Fifth Report on Action Taken by the Government on the recommendations contained in the First Report (Fifteenth Lok Sabha) of the Committee on 'Demands for Grants (2009-10)' of Ministry of Petroleum and Natural Gas.

2. The First Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 10 December, 2009. The Action Taken Replies of the Government to all the recommendations contained in the First Report were received on 16 March, 2010.

3. The Standing Committee on Petroleum & Natural Gas (2009-10) considered and adopted the Report at their sitting held on 20 August, 2010.

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

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

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

New Delhi;
25 August, 2010
03 Bhadrapada,1932 (Saka)

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

CHAPTER I

REPORT

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the Recommendations contained in the First Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2009-2010) on 'Demands for Grants', which was presented to Lok Sabha on 10.12.2009.

2. Action Taken Notes have been received from the Government in respect of all the 29 Recommendations /Observations contained in the Report. These have been categorised as follows:-

(i) Recommendations/Observations that have been accepted by the Government:- SI.Nos. 1, 6, 7, 9, 12, 14, 15, 16, 17, 19, 21, 22, 24, 26 and 28

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- 10, 13 and 18

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- SI.Nos. 5, 8, 11, 23 and 29.

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited : - SI.Nos.2, 3, 4, 20, 25 and 27.

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

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

A. Under Performance of exploratory drilling by ONGC

Recommendation (Sl. No. 4, Para No.1.19)

5. In view of the stagnant oil production from indigenous sources, the Committee were concerned to note the under-performance of exploratory drilling by ONGC because as against 483985 meterage of Budget Estimates, the actual during 2008-09 were only 297146 meterage. Similarly, against the target of 162 well for exploratory drilling, the actuals during 2008-09 were only 106 wells. The Committee had observed that drilling meterage achievement by ONGC was affected due to reasons such as non-availability of planned charter hired rigs/deep water rigs. Given the fact that more and more exploratory drilling work had to be undertaken by ONGC after awarding of bids under NELP VIII since ONGC had made bids for as many as 21 blocks, it is imperative for Government/ONGC to make an in-depth analysis of the situation and make concerted efforts to ensure that exploratory drilling work is not affected due to non-availability of desired rigs. The Committee had, therefore, urged the Government/ONGC to take the requisite steps to ensure availability of adequate numbers of state of art deepwater rigs so that the planned targets for exploratory drilling during the 11th Plan Period do not go haywire.

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

> "Constraints of deepwater rig resources have been felt in the country since quite some time due to global shortage of highly specialized type of rigs for operating in deepwater. Operators, mainly ONGC, RIL and ENI have requested the Government for drilling moratorium for a period of three years w.e.f. 1.1.2008 in the deep water blocks operated by them due to global shortages of deepwater drilling rigs. ONGC and RIL could not complete their committed and additional drilling programmes in the deepwater blocks awarded to them under NELP due to non availability of deep water rigs. The issue of Rig Moratorium is under examination by Government of India.
>
> In the deepwater, ONGC has deployed 3 deep water rigs (one owned, Sagar Vijay and two charter hired rigs DSS & DDKG-1) in various nomination and NELP blocks

To mitigate the shortage and to complete the unfinished programme of exploratory drilling, ONGC is also making efforts to utilize the rig resources available with partner ENI for drilling one to two locations in case of shortfall**".**

7. The Committee note with disquiet that constraints of deep water rig resources have for some time affected the committed and additional drilling programmes of ONGC and RIL in the deep water blocks awarded to them under NELP and operators like ONGC and RIL have requested the Government for drilling moratorium for a period of three years w.e.f. 01.01.2008 in the deep water blocks operated by them which is under examination of the Government. However, the reply of the Government does not indicate any strategy or steps proposed to be taken by the Government or by the operators to overcome the shortage of specialized deep water rigs in the short run to prevent any slippages in committed drilling programmes of ONGC and other operators under the NELP. The constraints of deep water rigs resources also raises questions atleast in the short run about the technical capabilities of the operators like ONGC, RIL in bidding for more and more blocks in deep water areas and the scope for time and cost over-run in their committed exploration programmes under NELP. After giving due consideration to all these facts, the Committee recommend that the Government take a pragmatic view and offer deep water blocks in the future rounds of NELP to only those operators having adequate technical capability in terms of deep water rigs resources.

B. <u>Additional expenditure on development drilling</u>

Recommendation (Sl. No. 5, Para No.1.20)

8. As regards the development drilling, the Committee were constrained to note that against the targets of 514820 meterage by ONGC during 2008-09, the actuals were 477144 meterage with 218 wells completed as against the target of 232 wells. The Committee had further noted with disquiet that although 92.8% of

the annual targets for development drilling was achieved by ONGC during 2008-09, the actual utilization of funds were Rs. 4764.79 crore against the budget estimates of Rs. 3836.58 crore. Thus, though an additional expenditure of about Rs. 928 crore were incurred by ONGC, there were shortfall in achieving physical targets set for development drilling during 2008-09. Although, the Government in a post evidence reply furnished to the Committee had informed that the increase was mainly due to significant increase in drilling rigs day rates from Rs. 0.5 crore in 2007-08 (which were the basis for BE 2008-09) to Rs. 0.85 crore in 2008-09, the Committee had failed to understand as to why these escalations were not projected at Revised Estimates (RE) stage. The huge mismatch between the financial outlays and the physical targets achieved for development drilling point towards systemic flaws in the planning and implementation of exploratory work. The Committee had, therefore, recommended that not only the physical as well as financial targets should be set realistically for exploratory works, but Government/ONGC should also monitor them periodically as per agreed performance parameters to ensure the prudent expenditure of the planned targets. The Committee had further recommended that DGH being responsible for management of entire oil sector should effectively enforce performance parameters on PSUs as well as private companies engaged in oil exploration.

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

> "The financial and physical targets are approved by the Board of ONGC. The review of financial and physical targets is carried out by the Board of ONGC and Planning Commission. DGH monitors the performance of PSUs/ Private/ joint venture companies as per the committed programme mentioned in the production sharing contracts, as well as commitment given by National Oil Companies in respect of National blocks. DGH also reviews and monitors the exploration programme and development plans for commercial discoveries of hydrocarbon reserves for all E&P Companies operating in India".

10. The Committee had taken serious note of huge mismatch between the financial outlays and the physical targets in development drilling which showed systematic flaws in the planning and implementation of

exploratory work. The Government in their Action Taken Note, have informed that the financial and physical targets are approved by the Board of ONGC and the review of financial and physical targets is carried out by the Board of ONGC and Planning Commission. The Committee find the Action Taken Reply of the Government vague and evasive because the Production Sharing Contracts (PSC) are formal contracts between the Government of India and the operators, who were awarded various blocks/fields under NELP. The DGH has been vested with the responsibility for monitoring the execution and management of these PSCs through management committees set up for each block/field. The process of monitoring involves in-depth review of annual work programme and project monitoring etc. specially with regard to time and cost over-run. The Committee observe that the Government has simply narrated the functions of ONGC and the DGH and has not acted on their recommendation. The Committee, therefore, reiterate their recommendation that the Government should ensure effective monitoring to prevent disparities between financial and physical parameters set under PSCs.

C. <u>Low expenditure on engineering activities</u>

Recommendation (Sl. No. 8, Para No. 1.23)

11. The Committee had noted that the oil PSUs had been allocated activity wise budgetary allocation during XI Plan period. Although, the actual utilization for Exploration & Production, Refinery and Marketing and Petrochemicals during 2008-09 were Rs. 42,477.58 crore (97.13%), Rs. 9,147.49 crore (97.43%) and Rs. 4,818.51 crore (111.81%) respectively, the actuals for engineering activities were Rs. 19.65 crore which were 25.19% of the Revised Estimates of Rs. 78 crore. The Committee had further noted that against the Budget Estimate of Rs. 95 crore for engineering activities during 2009-10, the actual upto 31.5.2009 were Rs. 1.28 crore i.e. only 1.35% of the plan outlays for the year due to low expenditure by two engineering companies viz. Balmer Lawrie and Company and Biecco Lawrie Limited. The Committee had been further informed that business and financial restructuring of Biecco Lawrie Limited were under active consideration of the Ministry. The Committee had desired that an early decision

should be taken by the Government in this regard to ensure that the Plan outlays for engineering activities are fully utilized during 2009-10.

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

"**Biecco Lawrie Limited :-** Biecco Lawrie Limited is a medium sized Electrical Engineering Co. and presently carrying a negative net worth in the Books of Accounts. The impact of financial imbalance is reflected in its inability to mobilize funds for plan expenditures.

The Restructuring proposal of the Company, which will also take care of financial imbalances, is under active consideration of the Ministry. The Financial Restructuring will help the company to mobilize funds for plan expenditure.

Balmer Lawrie & Co. Ltd. :- The financial data for plan expenditure of Balmer Lawrie & Co. Ltd is as follows :-

				Rs./Crores
	2009-10	**2009-10**	**Actual 2009-10**	
	BE	**RE**	**Apr./June'09**	**Apr./Jan.'10**
Plan Expenditure (*) including Commitment	**90.00**	**66.90**	**1.28**	**34.83 (*)**

From the above it is evident that the company has taken necessary steps to incur the plan expenditure as per the plans/targets taken by the company. The plan expenditure had been low in the initial quarter of the year but has increased in the 2nd half of the year 2009-10. However, the estimated plan expenditure for the year 2009-10 is anticipated to be Rs. 66.90crores instead of Rs. 90.00 crores as was planed earlier due to non-materialization of expenditure towards investment in acquiring synergistically related companies where various option are still being evaluated. Moreover, the competitive situation prevailing in the market, led the company to conserve cash and to examine more closely returns from the capital expenditure entailing deferment of plan expenditure".

13. The Committee observed that the actual expenditure on engineering activities by oil PSUs during 2008-09 was Rs. 19.65 crore which amounted to only 25.19% of the Revised Estimate of Rs. 78 crore. Therefore, the Committee had desired the Government to ensure that the plan outlays for

the year 2009-10 be fully utilized. The Committee are, however, concerned to note considerable delay in approval of financial restructuring of Biecco-Lawrie Company by the Government which otherwise might have helped the company to mobilize the required funds for plan expenditure. Further, the plan expenditure of Balmer-Lawrie Company was drastically reduced from Rs. 90 crore (Budget Estimate) to Rs. 66.90 Crore (Revised Estimate) due to non-materialization of expenditure towards investment in acquiring synergistically related companies where various options are still being evaluated. The Committee, therefore, reiterate that the Government should take early decision on restructure proposal of Biecco Lawrie Limited and also ensure that realistic plan outlays are prepared by these companies.

D. <u>Monitoring of the performance of all the oil companies by DGH</u>

Recommendation (Sl. No. 11, Para No.1.34)

14. The Committee had observed that Directorate General of Hydrocarbon (DGH) is *inter-alia* entrusted with the responsibility to ensure proper and sound management of the oil and natural gas resources besides monitoring of E&P activities. The Committee, however, were unhappy to found shortfall in crude oil and gas production especially by private/JV companies despite regular monitoring by DGH. The Committee, therefore, had recommended that the Government should issue necessary instructions to the DGH to aggressively monitor the performance of all the oil companies whether public or private/joint venture to ensure no slippages in the exploration projects. Besides taking timely remedial measures to achieve the targeted production of crude oil and natural gas, the Committee had also desired that manpower in DGH should be strengthened so that DGH could fulfill its mandate and effectively monitor the E&P activities.

15. In their Action Taken Reply, the Ministry of Petroleum & Natural Gas have submitted the following information:-

> **"**The Government vide Resolution dated 8.4.1993 and Notification No. S.O.1391 (E) dated 1.9.2006 has already notified the detailed

functions of DGH. Presently, DGH is manned by staff mainly from Public Sector Undertakings who are posted in DGH on deputation/tenure basis and people taken on contractual/tenure basis. The manpower requirement of DGH is reviewed by the Ministry from time to time and action is taken to meet the requirement".

16. The Committee express their concern over the casual Action Taken Reply of the Government since it does not give details of any instructions issued or proposed to be issued by the Government to the DGH for more effective monitoring of the performance parameters of the Government and private oil companies in order to prevent slippages in their exploration targets. The reply of the Government also does not carry any conviction as it does not explain the steps being taken by them to strengthen the DGH in terms of adequacy of staff, recruitment of permanent staff and professional autonomy to enable the DGH to discharge its mandate fairly and effectively. The Committee, therefore, urge the Ministry to furnish the outcome of the reviews they have made so far regarding the manpower requirement of DGH and the remedial steps taken to strengthen the DGH. The Committee would like to be apprised of the conclusive action taken in this regard at the earliest.

E. Vision 2015 of oil sector for 'Consumer satisfaction and beyond'

Recommendation (Sl. No. 23, Para No.1.89)

17. The Ministry of Petroleum and Natural Gas had finalized 'Vision-2015' of oil sector for 'consumer satisfaction and beyond', focusing primarily on providing better services to consumers and it *inter-alia* envisages an establishment of PNG/CNG network to connect 200 cities by the year 2015. Although, the Committee appreciated the ambitious plan of the Government to cover 200 cities by 2015, the Committee felt that the project had yet to be started. The Committee further noted that the total pipeline length and pipeline spread in India falls far behind the pipeline network of the developed countries like USA and France. The Committee, therefore, desired that the Government should take concerted efforts to frame a year-wise action plan to cover all the 200 cities for

CNG/PNG network under 'Vision 2015'. The Committee wanted to be apprised of the action taken by the Government in this regard.

18. The Ministry of Petroleum & Natural Gas in their Action Taken Reply, have submitted as under:-

> "Government has accorded priority to enhance energy security of the country. A multi-pronged strategy has been adopted to augment gas supplies and to bridge the gap between supply & demand for the domestic market by intensification of domestic E&P activities, including Coal Bed Methane (CBM), through LNG and import of natural gas through transnational gas pipelines. In order to boost the spread of pipeline length in the country, Ministry of Petroleum and Natural Gas has authorized nine new trunk pipelines with total length of 5523 km. Out of the nine authorized pipelines, five new pipelines were authorized to GAIL, namely (i) Dadri-Bawana-Nangal, (ii) Chainsa-Jhajjar-Hissar, (iii) Dabhol-Bangalore, (iv) Kochi-Kanjirrakod-Bangalore-Mangalore and (v) Haldia-Jagdishpur. Accordingly, GAIL is planning to double the present pipeline network of around 7,000 km to 14,000 km by 2014 with a planned capex of Rs.34,300 crore. Apart from this, five new pipelines were authorized to Reliance Gas Transport & Infrastrucre Ltd. (RGTIL) by this Ministry, namely (i) Kakinada-Basudevpur-Howrah, (ii) Kakinada- Nellore Chennai, (iii) Chennai-Tuticorin and (iv) Chennai-Bangalore-Mangalore. Thus with increased availability of Natural Gas in the country under NELP and through import of LNG, along with increased capacity to transport gas through out the country, this Ministry would be in position to realize the targets of Vision-2015 of oil sector for "consumer satisfaction and beyond'.
>
> Further, PNGRB Act, 2006 has been enacted and PNGRB has been constituted to increase development of inter alia CGD entities and attract investment from both Public & Private sectors in the field of City Gas Distribution".

19. The Committee had recommended that the Government should frame year-wise action plan to cover all the 200 cities for CNG/PNG network as envisaged under "Vision 2015". The Government in their reply have informed that nine new trunk pipelines have been authorized in order to boost the spread of gas pipeline network in the country and GAIL is planning to double the present pipeline network of around 7,000 km to 14,000 km by 2014 with a planned capex of Rs.34,300 crore. However, the Government have not apprised the Committee of the details of year-wise

target for laying these pipelines. The Committee would, therefore, like to be apprised of year-wise action plan of the Government to lay these pipelines to cover the identified 200 cities for CNG/PNG network under Vision 2015, programme.

F. <u>Adulteration of Petroleum Products</u>

Recommendation (SI. No. 25, Para No.1.101)

20. The Committee had noted that the Government as well as Oil Marketing Companies (OMCs) were taking several technological and institutional measures including regular and surprise inspections of retail outlets, tamper proof tank-truck locking systems, the import of SKO by private parties had been canalized through OMCs. The OMCs had created a separate wing to report to a Director other than Director (Marketing), who would be responsible for monitoring all activities and operations to curb adulteration. To contain adulteration further, Marketing Discipline Guidelines (MDG) had been issued in 2005 under which OMCs take penal action against the erring dealer. The Committee had further noted that the Government did not ruled out possibility of diversion of PDS Kerosene by some unscrupulous elements due to huge price difference between PDS Kerosene and petrol/diesel and the easy miscibility of these products with petrol/diesel. The Committee found that the number of dealers reported to have been involved in malpractices were increased from 451 in 2005-06 to 1467 in 2008-09 in case of IOCL, from 318 in 2005-06, to 989 in 2008-09 in case of HPCL and 1050 in case of BPCL during 2005-06 to 1029 cases during 2008-09. The Committee had further observed that against the 1467 cases of malpractices in case of IOCL dealers during 2008-09, there were only 85 terminations and as regards 989 cases of malpractices by HPCL dealers, the cases where termination of dealership took place was only 36. Similarly, the cases of termination of dealership by BPCL were only 17 against a total 1029 cases reported during the year. In this regard, the Secretary, Ministry of Petroleum and Natural Gas during evidence on Demand for Grants (2009-10) had admitted that the rules for terminating a license were made very severe and during the last three years, a large number of cancellations had taken place, the number of dealerships terminated were very small as compared to the malpractices

reported. Despite the various corrective and preventive measures undertaken by OMCs against erring dealers, the Committee were surprised to note that the number of cases of malpractices had increased considerably over the last three years. The Committee had expressed their serious concern that the action taken by the Government to prevent adulteration and other malpractices did not have the deterrent effect on erring dealers. The Committee, had, therefore, desired that oil companies should strictly enforce the MDG and also conduct more and more surprise inspections to curb the incidents of adulteration. The Committee had strongly recommended that the Ministry should also monitor the situation regularly and devise stringent steps to stop rising trends of malpractices/adulteration including strict implementation of Marketing Discipline Guidelines (MDG), 2005 regarding cancellation of dealership in the first instance of adulteration so that dealers stop Indulging in adulteration and malpractices and consumers get the quality petrol/diesel. The Committee wanted to know the steps taken by the Government to increase surprise inspections by OMCs.

21. In their Action Taken Reply, the Ministry of Petroleum & Natural Gas have submitted the following information:-

> "Public Sector Oil Marketing Companies (OMCs) namely Indian Oil Corporation Ltd., Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited have reported that total number of malpractices shown for the period 2005-06 to 2008-09 mostly include minor irregularities like poor housekeeping, non-provision of/or inadequate facilities, non-display of Retail Selling Price (RSP) or Motor Spirit (MS)/High Speed Diesel (HSD), discourteous behavior, non-maintenance of records etc (which do not lead to termination). It can be seen that the number of termination of Retail Outlet dealerships have increased over the years due to stricter provisions under Marketing Discipline Guidelines, 2005. It may be noted that termination is a long drawn process after detection of adulteration like testing of samples in the laboratory, issue of show cause notice, dealer's reply to show cause, court case etc, which delays the whole termination process. Hence, few cases of irregularities detected are still under examination.
>
> Surprise inspections are carried out by Sales Officers and Senior Officers of the OMCs and also by the Quality Control Wing/Anti-Adulteration Cell teams and the Multi-disciplinary Teams of the

> Officers drawn from various departments with in the Organization from time to time/periodically. Further to increase number of inspections, the industry is in process of discussions for conducting Joint Industry inspections of Retail Outlets".

22. In order to curb the rising incidents of adulteration of petroleum products, the Committee had desired that oil companies should strictly enforce the Marketing Discipline Guidelines (MDG) and also conduct more and more surprise inspections of retail outlets. The Committee had also recommended that the Ministry should monitor the situation regularly and ensure strict implementation of Marketing Discipline Guidelines (MDG), 2005 including cancellation of dealership in the first instance of adulteration so that dealers stop Indulging in adulteration and malpractices and consumers get the quality petrol/diesel. In their reply, the Government have stated that although termination is a long drawn process after detection of adulteration like testing of samples in the laboratory, issue of show cause notice, dealer's reply to show cause, court case etc, which delays the whole termination process, the number of termination of Retail Outlet (RO) dealerships have increased over the years due to strict provisions under Marketing Discipline Guidelines, 2005. The Government have further stated that a few cases of irregularities detected are still under examination. The Committee desire that the Government should take necessary steps to ensure that these cases of adulteration and other malpractices by ROs which are serious in nature should be examined in a time bound manner and necessary action taken. As regards the steps taken by the Government to increase number of inspections, the industry is reported to be in process of discussions for conducting Joint Industry inspections of Retail Outlets. The Committee would like to be apprised of the final decision taken in the matter.

G. <u>Safety performance by oil companies</u>

Recommendation (SI. No. 29, Para No.1.114)

23. The Committee noted that OIL Industry Safety Directorate (OISD) was set up by the Ministry of Petroleum and Natural Gas to assist the Safety Council

headed by Secretary, P&NG as Chairman and included Additional/Joint Secretaries, Advisors in Ministry of Petroleum and Natural Gas, Chief Executives of all public sector undertakings (PSUs) under the Ministry, Chief Controller of Explosives (CCE), Advisor (Fire) of Government of India, DGMS and the Director General of Factory Advice Service and Labour Institute, etc. as members. OISD develops standards for hydrocarbon industry to keep abreast of the latest designs and practices in the area of safety and fire fighting in the developed countries. Despite OISD which develops high standards in areas of safety and fire fighting, there had been regular reporting of incidents of fire in refineries/oil depots. The Committee were concerned to note the incident of fire in May, 2009 at Digboi Refinery of IOC where two persons were reportedly died due to fire. The Committee were given to understand that the fire was due to rupture of a bend pipe of common discharge line of the Fractionator column bottom pumps followed by auto ignition of leaked hot hydrocarbon and the rupture was due to thinning down of the bend pipe due to metallurgy mix-up at project construction stage and wrong replacement of the identified bend during schedule maintenance shut down of Delayed Coking Unit in 2007. Further, the Committee were concerned to note that 11 persons had been reportedly died and oil worth hundred crores of rupees was burnt at Jaipur Depot in October this year. When the fire was raging at Jaipur Depot, the Government/oil companies had no fire fighting strategy except to let the oil stored in the depot to burnt out. It only indicated that there were no proper safety mechanism to prevent such major fire nor are there any technology/equipment to tackle such a devastating fire. It is, therefore, imperative that external safety audit of all the refineries/depots must be ensured periodically, as per safety standards. The Committee would like to know the details of the outcome of the investigation report of the Government/IOC into the fire at Jaipur and the remedial measures taken/proposed to be taken by the Government to avoid reoccurrence of such incidents in future. The Committee would like to be apprised of the monitoring mechanism available with OISD/Safety Council to check the implementation of safety standard approved by them and the steps taken by the Government to strengthen the monitoring mechanism to ensure safety of world standards in refineries/storage depots. In view of a large number of habitat areas that had come up/developed around oil storage depots, the Committee would like the Government to take a review of the locational hazards of these depots and desired that the Government must ensure adequate safeguards/shifting of these depots away from habitat areas.

24. In their Action Taken Reply, the Ministry of Petroleum & Natural Gas have submitted as under:-

> "The POL Terminal at Sanganer, Jaipur of Indian Oil Corporation Ltd. (IOCL) was constructed by Engineers India Ltd by conforming to all statutory norms including the codes and standards of Oil Industry Safety Directorate. The fire at IOCL's POL Terminal at Sanganer on 29.10.2009 was consequent to Unconfined Vapour Cloud Explosion after a very heavy leak of Motor Spirit (MS) i.e. at an estimated rate of 1000 MT/HR. It was not possible for anyone to approach the leakage or the terminal to activate the fire fighting / prevention system. The explosion was so heavy that even the fire fighting network was damaged which made the entire system non-functional and 9 tanks were on fire at a time leaving no room for any major efforts to handle the situation.
>
> The situation at the accident site was reviewed by Crisis Management Group headed by Principal Secretary(Home), Govt. of Rajasthan, the controlled burning of the fuel was allowed to prevent horizontal spread of fire in view of larger interest of the public.
>
> The Hon'ble Minister of Petroleum & Natural Gas, Shri Murli Deora had taken a review meeting on the Safety and Security Aspects of the Oil and Gas Sector in the country on 3.11.2009, where all the public and private oil and gas companies have been asked to take the following action :
>
> (1) All companies shall take measures to promote safety consciousness and training on safety requirement at all levels. The measures of zero tolerance in matters of safety has to be conveyed to all concerned.
>
> (2) All oil and gas installations and transportation systems in the country will carry out self safety audit conforming to statutory norms and risk assessment, including OISD standards by 31.12.2009. Oil companies will submit the reports to OISD which in turn will submit a consolidated report to MOPNG.
>
> (3) All oil and gas companies in the country must update their standard operating procedures (SOPs) for operations and maintenance practices for all countrywide installations / setups under due technical supervision and attention, availing the benefits of best practices in the country and abroad. A strict implementation of such standard operating procedure

(SOPs) will be ensured. All oil and gas companies will submit reports on SOPs and its due implementation to OISD by 31.12.2009.

(4) All oil and gas installations will have their safety audit done on quarterly basis. All major as well as minor incidents in any such installations/setup in the country including that of private companies will be reported to OISD.

OISD checks the implementation of the Safety Standards approved by the Safety Council by the following mechanism:

1. Pre-commissioning Inspection

OISD carries out pre-commissioning inspection whenever a new facility is developed and/or major modifications, capacity enhancement etc is done in the Refineries and other Installations based on request received from Oil PSUs.

2. External Safety Audit

These Audits are coordinated by OISD with members from other Oil companies other than auditee company. The period of audit varies from 3 to 5 days and the frequency of audit is given below :

For Refineries & Gas Processing Plants – once in 3 years

For Oil Storage and Distribution Installations - Two Audits at a gap of 5 years initially and thereafter either a request audit or surprise inspection

3**. Surprise Safety Audit**

The Surprise Safety Audit of Refineries and major Gas Processing units are carried out by technical experts not below the rank of General Manager.

In case of Oil & Gas Storage and distribution Installations the surprise audits are carried out by an officer from OISD considering the degree of hazardous location / sensitive location on various counts. So far 42 such audits have been carried out in the last 5 years.

4. **Compliance Reports**

The Oil companies are required to submit compliance reports on the recommendations given in above audits /

inspections on quarterly basis to OISD and they are reviewed every six months (approx.) in a steering committee comprising of the officers of General Manager rank of Oil PSUs. The compliance status is also put up to the Safety Council in its annual meeting.

In some cases variations in the compliance status submitted by Oil PSUs is observed and necessary advice given to the Chief Executive of the respective Oil PSU.

The Oil Companies have been advised to carry out the self-audit of Oil Installations with a special focus on the installations located in densely populated areas and carry out the risk analysis of such installations to mitigate the hazards".

25. The Government appointed a Committee to enquire into the incident of fire at oil deport of Indian Oil Corporation near Jaipur. According to the Enquiry Report on the incident of fire, there is no concrete evidence of any sabotage as per the extensive field surveys and analysis of equipment condition. The basic causes of fire as identified by the enquiry are human as well as technical and engineering factors. Among the human factor were operational safety rules/procedures not being effectively followed, experience level of supervisory staff being considerably diluted as a result of policy on transfers, absence of one shift operator etc., whereas technical and engineering factors related to inadequate design of system, congested and poor approachable area, etc. One of the important technical and engineering factors pointed out in the Enquiry Report for the fire accident is inadequate design of the system relating to use of Hammer Blind (HB) with Motor Operated Volve (MOV) used for isolating HB. According to the Report only one press of a wrong button when HB is open can result in extreme hazard and there is no fallback in case of leak except remote shutting provision.

26. To plug the loopholes in the present safety rules and procedures and to prevent the recurrence of such incidents, the Enquiry Report has made certain recommendations on design/engineering improvement, strengthening internal safety Audit, preparation of emergency plan, Oil Industry Security Board (OISD) to be developed as an autonomous body, etc.

27. In view of major incidents of fire at Digboi and Jaipur which entailed besides substantial financial losses, also loss of lives, the Committee had emphasized the need to strengthen monitoring mechanism to check implementation of the laid down safety standards and for periodic external safety audit for all refineries. In Action Taken Replies, though the Ministry has enumerated some safety measures that the Oil Companies have been asked to take post Jaipur incident, the reply is silent on the steps taken to strengthen the monitoring mechanism by the OISD/Safety Council. The Committee, therefore, while reiterating their earlier recommendation recommend that Safety Council which is the apex body in the Ministry to oversee the safety aspects of oil installations should devise ways to strengthen the monitoring mechanism and also review the present time frame for periodical audits/review of these installations.

28. The Committee further observe that the Government have advised the oil companies to carry out the self-audit of Oil Installations with a special focus on the installations located in densely populated areas and carry out the risk analysis of such installations. The Committee would, therefore, like to be apprised of details of the locational hazards identified in these self audits reports and the action taken by the Government/oil companies to mitigate the hazards and ensure adequate safeguards/shifting of these depots away from habitat areas.

29. The Committee note with dismay that root causes of accident at IOC terminal near Jaipur which include violation of safety rules/procedure, flaws in design of system, etc., have not been identified by the external or internal audits being conducted so far. If such causes were identified, it appears that no remedial action has been taken to rectify the same. The Committee, therefore, urge the Government to give top priority to quick implementation of various recommendations made in the enquiry Report. In this context, the Committee specifically emphasize the need to take immediate measure (Technical and operational) as pointed out by the Enquiry Report with request to Hammer Blind (HB) and Motor Operated Value (MOV) system etc. For the sake of greater transparency and

accountability in the matter of safety audits and compliance of their instruction, it is equally imperative to strengthen the internal audit teams with people from outside the functional areas by all the oil companies. It needs no emphasis that OISD which is a technical Directorate under the Ministry of Petroleum and Natural Gas that formulates and coordinates implementation of a series of self regulatory measures aimed at enhancing the safety in the oil and gas industry in India, should be developed as an autonomous body totally independent from the public sector oil and gas companies and made free to develop its own cadre of safety professional with no affiliations to any company. The Committee would also like to be apprised of conclusive action taken by the Government on all the recommendations contained in the Enquiry Report.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI. No. 1, Para No.1.9)

The Committee note that the Non Plan Budget (2009-10) of Rs. 3144 crore of the Ministry of Petroleum and Natural Gas comprises mainly of subsidy for domestic LPG and PDS kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North Eastern Region and setting up of the Petroleum Regulatory Board. During 2009-10, an amount of Rs. 2840 crore has been allocated for subsidy on domestic LPG and PDS Kerosene to make them available to households at subsidized and affordable prices. The Committee further note that non-plan outlays of Rs. 243 crore have been allocated to the Ministry of Petroleum and Natural Gas to bear the difference between the producer price and the consumer price of natural gas supplied in the North Eastern region. In view of these non-plan outlays for the above referred schemes, the Committee are of the view that these non-Plan Demands of the Ministry of Petroleum and Natural Gas are in order and expect that the budgetary allocations during the year would be fully utilized as targeted.

REPLY OF THE GOVERNMENT

Against BE 2009-10 (Non-Plan) of Rs. 3144 crore, Rs. 2987 crore has been allocated in RE 2009-10. Out of Rs. 2987 crore, an amount of Rs. 2485.48 crore (83.21%) has been utilized upto 28.2.2010 and the balance amount is likely to be spent during the remaining period of the current financial year 2009-10.

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Recommendation (SI. No. 6, Para No.1.21)

The committee, therefore, recommend that the Government/ oil PSUs take care in finalization of their annual plan in future for various exploratory activities taking into account all the possible factors so that budget allocations are fully utilized. The committee would like to be apprised of the action taken by the Government in advance to check these administrative problems.

REPLY OF THE GOVERNMENT

Oil India Limited has been advised to take care in finalization of their annual plan in future for various exploratory activities taking into account all the possible factors so that budget allocations are fully utilized. The action taken in this regard by OIL would be regularly monitored by Ministry in Quarterly Performance Reviews of OIL.

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Recommendation (Sl. No. 7, Para No.1.22)

As regards utilization of Budget outlays by Indian Oil Corporation, the committee note that although the actual expenditure at Rs.9644.22 crore was 109.54 % of revised t estimate of Rs.8000 crore, there were some major variations in the expenditure on some of the projects / activities of IOC. The committee are unhappy to note that during 2008-09 against budget estimates of Rs.1000 crore for Paradip Refinery, the actuals were Rs.233.86 crore and for Chennai-Bangalore product pipeline an expenditure of Rs.18.47 crore was incurred against BE of Rs.50 crore. The committee note that the reasons for less expenditure than projected expenditure by Paradip Refinery has been attributed to delayed final investment approval of the project by Board of Directors and for Chennai-Bangalore pipeline , it was due to delay in Environmental Clearances. The committee feels that these projects should have been monitored at every stage so that budgetary allocations are fully utilized. The committee expects the Government to take the desired steps to ensure that these projects are commissioned as scheduled.

REPLY OF THE GOVERNMENT

Paradip Refinery Project

- The proposal for implementation of reconfigured (fuel-only) 15 MMTPA Paradip Refinery Project was approved in-principle by the Board of Directors of IOC in its meeting held on 28.5.08. While according approval, the Board desired that the proposal be resubmitted with the funding methodology to mitigate the financial risks involved in such huge investments and expenditure was allowed only to the extent already sanctioned for pre-project activities.

- M/s. SBI Capital Markets Limited (SBICAPS) was appointed in June'08 for debt-syndication services. In view of prevailing liquidity constraint in Banking Sector on account of meltdown and higher inflation rates during July to Dec'08, funding methodology was finalized by SBICAPS in Feb'09 and the Board of Directors of IOC accorded Final Investment Approval to the 15 MMTPA Paradip Refinery Project on 28.02.2009 with a progressive completion schedule from March 2012 to July 2012 and full stabilization by November, 2012.
- IOC made a commitment of Rs.155 crore from April'08 to Feb'09 for the project. Immediately upon approval, IOC awarded all the major contracts for Project Consultants and made a commitment of Rs.2379 crore in one month's time i.e. in March 2009. However, actual expenditure was limited to Rs.233.86 crore during 2008-09; due to limited time available post investment approval dated 28.02.09, was accorded, which was necessary for expenditure on EPC phase of project.
- The project is being closely monitored by IOC top management and also at its Board level besides being monitored at Ministry level to ensure full utilization of budgetary allocations and commissioning & stabilization of the project in line with the approved schedule.
- In the current financial year (2009-10) IOC has already spent Rs.792 crore up to Nov.'09 against the budgetary allocations of Rs.597 crore for the corresponding period.

Chennai-Bangalore pipeline

Investment approval of Chennai-Bangalore pipeline was accorded by Board on 30.07.2007. The completion schedule of the project was 24 months from receipt of Environment and Forest Clearance. The pipeline passes through Palamaner Reserve forest in the state of Andhra Pradesh.

Forest clearance to lay the pipeline was received on 24.06.2008. Accordingly the approved completion schedule of the project is June 2010. Due to delay in receipt of forest clearance, construction activities could start only after June 2008 and target expenditure for year 2008-09 was Rs.18.47 Crores as against B.E. of Rs.50.00 Crores.

At present, the project construction is going on in full swing. 96 % of mainline welding has been completed. Station works are nearing completion. Overall physical progress achieved as on 30.11.2009 is 87.06 %.

The project is likely to be completed within the scheduled completion of June, 2010.

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Recommendation (Sl. No. 9, Para No.1.32)

The Committee are concerned to note the low crude oil production during 2007-08 and 2008-09, the first two years of XI Plan by oil PSUs as well as private/Joint Venture companies. Against the planned target of crude oil production of 27.16 MMT in 2007-08 by ONGC, the actuals were 25.945 MMT and during 08-09 as well ONGC could not achieve the plan target of 28 MMT of crude oil production and only 25.336 MMT of crude oil was produced by it. The Committee is further unhappy to note the very low achievements of projected targets of crude oil by private/JV companies. Against the target of 10.57 MMT and 10.78 MMT crude oil production for the years 2007-08 and 2008-09, the actual production was only 5.087 MMT and 4.674 MMT. The Committee note that despite the continuous shortfall in achieving crude oil production by both public and private oil companies in the X Plan period and during 2007-08 and 2008-09, the Govt. has projected and additional production of 40.204 MMT of crude oil during XI Plan amounting to an increase of 24% over X Plan. The enhanced production is likely to be achieved by increase in production of 14.564 MMT by ONGC and OIL from the reserve accretion made during X Plan period in their operative areas in the country but the Committee find that major increase is projected to come from private/JV companies which is expected to contribute about 25.64 MMT of crude oil during XI Plan Period. The additional crude oil production by private/JV companies is to come from Rajasthan where oil production could commence only w.e,f. 29.8.2009 due to delayed evacuation facilities. The Committee feels that to achieve these targets which are fully within reach, there is need for oil companies to fine tune their production units and sort out their problems in the right earnest so as to ensure that production starts as per schedule.

REPLY OF THE GOVERNMENT

ONGC

Most of the producing offshore fields are old and most of these major producing fields including Mumbai High have entered into the natural decline phase and no significant/major oil field has been found for last several years. Therefore it has been a challenge all through these years to sustain as well as to augment production from ageing and matured fields.

In order to sustain production from these oil fields, ONGC has implemented the development projects with induction of state of the art technologies to get incremental oil from these mature fields.

Field wise comparison of crude oil production targets between 10th plan and 11th plan is provided as under.

(MMT)

Field	**10th Plan STP (Start of the Plan)**	**10th Plan Actual**	**11th Plan STP (Start of the Plan)**
Mumbai High	60.690	58.709	59.018
Neelam Heera	17.638	18.428	16.828
Bassein & Satelliete		0.503	5.151
Condensate	09.676	10.067	9.684
New & Marginal fields			6.242
Rajahmundry			0.706
Total offshore	88.004	87.205	97.628

In regard to performance of Offshore in 11th plan, Offshore Assets have produced 18.020 MMT (96.95 %) oil in 2007-08 against the plan of 18.585 MMT. While in 2008-09 Offshore Assets have produced 17.807 MMT (93.23%) oil against the plan of 19.099 MMT oil. Year wise details for less production are as under:

2007-08

- Less inputs in terms of side track wells in Mumbai High and development wells in Heera field.

- Well fluid Handling problem at Mumbai High North after BHN accident and production of additional well fluid processing /handling from new development wells
- Non-availability of NA-SBM w.ef. 5th July'07 to March'2008 .

2008-09

- Delay in installation of 04 new platforms under Heera Redevelopment Project which has led to the non availability of planned inputs of 18 new wells.
- Less production from VSEA due to delay in VSEA & BCP-A2 project
- Less input in terms of sidetrack wells due to less availability of rigs and less than anticipated production from development wells.
- Increase in water cut in Neelam and Vasai West (SB-11) fields.
- Less condensate receipt due to non-commencement of gas production from C- series and less condensate drop out in MUT/BUT/HUT gas trunk lines.

OIL

As far as Oil India Limited (OIL) is concerned, crude oil production of 3.468 MMT in the year 2008-09 (101.4 % of target of 3.42 MMT) was highest ever by OIL since inception and about 12% more than the production of 3.101 MMT in the year 2007-08.

OIL is maintaining the increasing trend in crude oil production in the current year of 2009-10 also, which is anticipated to be about 3.57 MMT, thereby registering further increase of 2.94 % over 2008-09 and overall 15.1 % in two years' time since 2007-08.

Private/JV compnies

It was envisaged that the crude oil production by Pvt/JVs would considerably increase during the XI Plan period due to estimated contributions to the tune of 5 to 6 MMTPA from the major oil finds in RJ-ON-90/1 block in Rajasthan.Initially, the commercial production of oil from this block was planned during 2009.However, due to delay in laying down crude evacuation pipeline, oil production could commence only w.e.f. 29.08.09 through trucking.The delay in Production start –up was due to various reasons such as delay in approval of Field Development Plan as a result of disagreement in Operating Committe, delay in getting Right of Use (ROU) for the pipeline, shifting of delivery point from Salaya to Bhogat, Environmental issues such as Marine Sanctuary area in the proposed pipeline route and delay in finalizing nominations of refineries for crude offtake etc.The present average oil production from Mangala field in RJ-ON-90/1 block is about 20,000 to 25,000 bopd.However, oil production is likely to increase considerably once the complete processing facilities and transportation pipelines become ready by first quarter of 2011. Based on the current rate of production,it is estimated that the oil production by Pvt/JVs during 2009-10 will be about 5.2 MMT.

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Recommendation (Sl. No. 12, Para No.1.37)

The Committee note that our import dependence percentage in respect of crude oil has been on continuous increase as it stood at 76% in 2006-07, the terminal year of 10th Plan and 80% in the year 2008-09. It is further projected to stand at 79% by the end of the 11th Plan i.e. during 2011-12, which in turn will commensurate with increased expenditure incurred on import of crude oil and petroleum products from Rs. 131891 crore in 2004-05 to Rs. 408911 crore in 2008-09. In view of the alarming increase in demand of petroleum products in the country during last 5 years and corresponding increase in expenditure on import of oil and gas, the Committee feel that more focus by way of increased financial and technological support should be given to develop and harness alternate sources of fuel like coal bed methane, gas hydrates, bio-fuels, coal liquefaction etc. The Committee urge the Government to make a comprehensive plan in this regard.

REPLY OF THE GOVERNMENT

As per India Hydrocarbon Vision (IHV)-2025, a document of Government of India, the following has been envisaged:-

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

(B) The growing demand and supply gap would require increasing emphasis to be given to the exploration and production sector.

(C) To keep pace with technological advancement and application and be at the technological forefront in the global exploration and production industry.

(D) Continue technology acquisition and absorption along with development of indigenous Research & Development (R&D).

(E) Exploit the gas hydrates reserves, produce gas from Coal Bed Methane and through Underground Coal Gasification.

Coal Bed Methane:

The Government had approved a comprehensive Coal Bed Methane Policy (CBM) in July, 1997 for exploration and production of CBM gas. So far, 23 CBM Blocks have been awarded through competitive international bidding under first three rounds of CBM policy, under which blocks are being operated by technically competent companies. Two blocks were awarded on nomination basis and one block through the Foreign Investment Promotion Board (FIPB) route. The estimated resources of CBM gas in 26 blocks is about 1374 billion cubic metres (BCM). In last five years, 162 core holes, 30 test wells and 70 pilot wells have been drilled in awarded 26 blocks. 8 TCF (227 BCM) reserves have already been established in 5 CBM blocks. The commercial production of CBM is from Raniganj East in West Bengal at the rate of about 97,500 cubic metres per day.

Government had offered 10 blocks under CBM-IV covering an area of about 5,000 sq. km. spread over seven states namely, Assam, Jharkhand, Orissa, Madhya Pradesh, Chhattisgarh, Maharashtra and Tamil Nadu. Government has received 27 bids for 8 CBM blocks from 19 companies including 3 foreign companies. The bids received are being evaluated and blocks will be awarded after approval of the Cabinet Committee on Economic Affairs(CCEA).

<u>National Gas Hydrates Programme (NGHP):</u>

Gas Hydrate is at Research & Development (R&D) stage world over. India, U.S.A & Japan are three of the pioneers in the field of Gas Hydrate. In accordance with the roadmap for National Gas Hydrate Programme (NGHP), India has already acquired core samples with the help of the drill ship “JOIDES Resolution”, USA. In December 2008, an MOU was signed between the Directorate General of Hydrocarbons (DGH) and U. S. Geological Survey (USGS), USA for cooperation on exchange of scientific knowledge and technical personnel in the field of Gas Hydrate and research with the view to exploit the potential of the Gas Hydrate as an alternate source of energy. Second NGHP expedition has been planned in 2010 to map the prospects of Gas Hydrate in Krishna Godavari and Mahanadi deepwater areas.

Coal to Liquid (CTL). Project undertaken by OIL: Oil India Limited successfully completed the Pre-Feasibility Study of exploring and exploiting the possibility of converting coal from North-East region of India into liquid fuel as a means to establish an alternative source of liquid fuel. OIL has considered a 10,000 BPD capacity mid-sized plant for Pre-Feasibility Studies (PFS) and awarded a contract to EIL to carry out the study. In the proposed study, M/s. HCTL, based on the results of the ongoing 44,000 BPD Feasibility Study, will provide the necessary process input to EIL to carry out the PFS. CTL project is part of MOU signed by OIL with the Government.

Underground Coal Gasification (UCG): ONGC has undertaken a project in Vastan, Gujarat for Underground Coal Gasification (UCG) in collaboration with reputed Russian institute. The commercialisation of UCG is likely by December, 2010.

Recommendation (Sl. No. 14, Para No.1.49)

The Committee note that under New Exploration Licensing Policy (NELP), so far 71 oil and gas discoveries have been made in 21 blocks. The number of oil and gas discoveries by Public/Government companies is 30 whereas by private companies, it is reported to be 41. The Committee further note that out of 70 exploration blocks of NELP-VIII comprising of 24 deepwater blocks, 28 shallow-water blocks and 18 onland blocks, 76 bids have been received for 36 blocks by the Government by the closing date of October 12, 2009 which are under process of scrutiny and the licenses for exploration would be awarded after examining the bids as per the NELP terms and conditions. Although, the Committee observe that the Secretary, Ministry of Petroleum and Natural Gas was candid enough to admit that NELP-VIII was launched at a time when there was an international downturn and recession in some parts of the world and the minimum committed investment in these 36 blocks under NELP-VIII is estimated at 1.3 billion dollars, however, the fact remains that even the major domestic private players have kept themselves away from participating in the bids for the NELP-VIII round and single bids by ONGC for 21 blocks have been received by the Government. The Committee, thus, feels that the Government has failed to attract adequate response from both domestic and foreign companies under the NELP-VIII. In view of the single bids received for various blocks, the Committee note that bidding is not competitive and the very purpose of NELP has been defeated. The Committee, therefore, strongly recommends the Government to analyse the situation and take corrective steps including making the NELP terms and conditions more attractive. The Committee, further, desire that the Government should make a comparative study of the various parameters followed in different countries in regard to such issues as pricing, marketing or royalty etc. under production sharing agreements to make future rounds of NELP more attractive.

REPLY OF THE GOVERNMENT

NELP rounds blocks are offered through international competitive bidding system on the basis of transparent and quantifiable Bid Evaluation

Criteria (BEC) indicated in Notice Inviting Offers (NIO). There is a level playing field for award of blocks to public sector and private companies. The blocks are awarded to successful bidders based of BEC. Companies bid keeping in view their commercial prudence.

In all, out of a total of 70 NELP-VIII blocks, bids have been received in respect of 36 for NELP-VIII. This amounts to 51.4% of the total blocks offered. Under similar circumstances, the response has been even poorer in many other countries like Algeria, Uruguay, Brazil, Indonesia, Norway and Iceland, etc. this year. Following table, clearly establishes this:

Sr No.	Name of Countries	No. of blocks offered	No of blocks for which bids received (% of blocks offered)
1.	Algeria	15	04 (26.67%)
2.	Uruguay	11	02 (18.18%)
3.	Indonesia	16	05 (31.25%)
4.	Brazil	130	54 (41.54%)
5.	Norway	67	35 (52.24%)
6.	Iceland	05	02 (40%) (later both withdrawn)
7.	India	80	44 (55%)

In earlier rounds from NELP I to VII, the number of blocks for which bids were received, have been 28, 23, 24, 21, 20, 52 and 45 respectively. This time, in NELP-VIII, bids have been received for 36 blocks. Thus, Ministry of Petroleum and Natural Gas has been able to put a large number of blocks under exploration even in the downturn period. The number of bids received per block has declined due to global financial situation. Government has advised DGH to carry out a study of Production Sharing Contracts (PSCs) of 10 representative countries, suggest measures to make future rounds of NELP more attractive.

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Recommendation (Sl. No. 15, Para No.1.50)

The Committee note that under NELP while evaluating bids of the participants, the past performance of the bidder is never taken into consideration before awarding the contract. Consequently, a good consistent performer in production of oil and gas from the awarded blocks and a past penalty payer for the reason of not even completing the minimum exploration work are being placed on the same footing. The Committee, therefore, recommend that the Government while awarding blocks should give due weightage to previous performance records of the bidders and discourage the defaulters.

REPLY OF THE GOVERNMENT

NELP rounds blocks are offered through international competitive bidding system on the basis of transparent and quantifiable Bid Evaluation Criteria (BEC) indicated in Notice Inviting Offers (NIO). There is a level playing field for award of blocks to public sector and private companies. The blocks are awarded to successful bidders based of BEC. Previous performance acreage holding, production profile is already taken into consideration while evaluating the bids as per BEC. From NELP VII onwards, to discourage defaulters, a provision has been made in BEC that companies would be ineligible to bid as operator for the block(s) which was/were relinquished by it/them without completing the MWP under NELP regime. However, such company can be a member of consortium with another company as operator.

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Recommendation (Sl. No. 16, Para No.1.54)

The Committee are dismayed to note that although promotion of Research and Development activities has been identified as one of the thrust areas of 11^{th} Plan, the R&D expenditure by Hindustan Petroleum Corporation Limited (HPCL) and Oil India Limited (OIL) is only Rs.2.64 crore and Rs.16.75 crore respectively during 2008-09 against their total XI Plan allocations of Rs.55 crore and Rs.216.19 crore. The Committee are amazed to note that there is 'NIL' expenditure by GAIL on R&D activities during 2008-09. The Committee further observe that no fixed percentage of annual budget outlays have been earmarked by oil PSUs for R&D activities and their allocations vary from 0 % to 1 %. As R&D is the backbone of any oil company's institutional arrangement for induction of appropriate technology and in meeting the varied needs including increasing the yields of value added products, bringing down the costs of engineering and construction work, safety and environment, the Committee feel that there is an urgent need for adequate allocation for R&D activities by all oil sector PSUs. The Committee would, therefore, like the Government to analyze the reasons for very low allocations and expenditure on R&D activities by oil PSUs and recommend the Government to issue necessary guidelines to oil PSUs to allocate a certain fixed percentage of their annual budget for R&D activities.

REPLY OF THE GOVERNMENT

Hindustan Petroleum Corporation Limited (HPCL)

Reasons for shortfall in expenditure

HPCL is setting up Corporate R&D centre at Devanagunti, Bangalore. The budget estimates were made anticipating that the land acquisition activity would be done shortly. However, land acquisition issues from KIADB (Karnataka Industrial Areas Development Board) delayed the progress of infrastructure works. The infrastructure works like compound wall construction and borewells alone costing Rs.3 crore, could not be completed due to land acquisition issues.

Steps taken for increase in allocation for R&D activities.

The KIADB board has approved the balance land acquisitions in September, 2009. Disbursement of compensation from KIADB to parties for surrendering the land is at final stages. Subsequently, after this disbursement and allotment, expenditure on R&D will pick up.

GAIL (India) Limited

Reasons for shortfall in expenditure

The R&D activities of GAIL were being looked after by TTAC (Technology Transfer & Application Cell), under the Project Development Department. R&D Projects and works like Underground Coal Gasification, Hydrogen Corpus Fund etc. were being pursued by TTAC. However, the stage for financial commitments and expenditures on these projects could not be finalised during 2008-09.

Steps taken for increase in allocation for R&D activities.

Realising their deficiency in the area of R&D, GAIL has reconstituted their R&D Department in 2009, headed by an Executive Director (R&D) with a vision and improved focus on developing innovative & cutting edge technologies. R&D budget of Rs.17.60 crores has been allocated for 2009-10. For the XI Plan outlay of GAIL (INDIA) Ltd., an amount of Rs.68.30 crores has been earmarked for R&D activities alongwith other projects on Science & Technology as well as projects on environmental & pollution control. GAIL has taken proactive steps to increase their activities and significantly scale up the investment under R&D. The R&D projects proposed to be undertaken are as under:

a) Waste plastics to value added liquid fuels: The objective of the activity is to develop catalysts and process for conversion of waste plastics to useful hydrocarbons. Lab studies have been carried out and the contract agreement with M/s IIP, Dehradun was signed on 29th September, 2009 to carry out the bench scale studies. GAIL would incur an estimated expenditure of Rs.20 lakhs in 2009-10 and a budget provision of Rs.40 lakhs has been earmarked for 2010-11.

b) UCG Technology: This project involves the development of technology for underground insitu gasification of coal. M/s UZBEK COAL has been identified as one of prospective technology partner for GAIL, who have pioneering experience in this field. GAIL would incur an estimated expenditure of Rs.25 lakhs in 2009-10 and a budget provision of Rs.50 lakhs has been earmarked for 2010-11.

c) Land Fill Gas at New Delhi: Land fill site at Ghazipur, New Delhi has been identified and signing of MOU between GAIL and MCD is in process, which will form the basis of further implementation of the project for extraction and commercialization of methane gas generated from land fill site. GAIL will incur an estimated expenditure of Rs.100 lakhs in 2009-10 and a budgetary provision of Rs.100 lakhs has also been provided for 2010-11.

d) Land Fill Gas at Mumbai: The land fill gas at Mumbai has been retrieved and the gas shall be commercialized. GAIL would be signing MOU with Municipal Corporation of Greater Mumbai for commercialization of the land fill gas by processing, sweetening & compressing the gas to be utilized as Piped Natural Gas or Compressed Natural Gas. GAIL would incur an estimated expenditure of Rs.9 crores in this regard.

e) Hythane Project (Methane & Hydrogen admixture): This comprises experiment on Fuel characterization and fitness for commercialization of Hythane as fuel in public transport system. This project, on successful completion, would have large environmental benefit. Signing of Tripartite Agreement between GAIL, Mumbai Gas Limited (MGL) & EDEN is in the process. The technology would be provided by M/s Eden and GAIL & MGL would provide the fuel and facilities for the project. GAIL will incur an estimated expenditure of Rs.10 lakhs in 2010-11.

OIL India Limited (OIL)

Reasons for shortfall in expenditure

In OIL, majority of R&D activities revolve around applied research. As and when any specific requirement in the areas of drilling, production, transportation etc. arises, it is immediately taken up as R&D project and implemented on need basis only.

Notwithstanding the above, there are key areas such as alternate sources of energy, technology upgradation, IOR / EOR activities etc., which are regularly taken up as R&D Projects in OIL.

Steps taken for increase in allocation for R&D activities.

OIL is undertaking the following projects in its operational areas among others :

1. To pursue Coal Liquefaction Project in Assam.
2. Experimental Production of Heavy Oil/Bitumen in Baghewala Field in Rajasthan.
3. 2D-3C / 3D-3C Seismic Survey in Assam.

These projects will substantially enhance the expenditure on R&D.

As regards guidelines for allocation of funds for R&D activities, it is informed that the Department of Public Enterprises, the nodal Ministry for Public Enterprises, has prescribed 5% weightage for R&D activities, in the Memorandum of Understanding for the year 2010-11. Apart from this, the Integrated Energy Policy-2008, formulated by the Planning Commission, has also stressed on the need for increasing the allocation on R&D, as a percentage of their turnover. Thus, there is an increased emphasis for stepping up the expenditure on R&D activities in the PSUs.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Recommendation (Sl. No. 17, Para No.1.55)

The Committee are, however, happy to note that ONGC plans to put in concerted efforts in R&D relating to a number of areas, such as Underground Coal Gasification, Basin Centered gas, Gas Hydrates exploration, Petroleum Biotechnology and Surface Coal Gasification. The Committee would like the other oil PSUs to emulate ONGC and take up projects in areas like shale gas exploration, economic and ecologically more safer ways to exploit gas hydrate resources and economic methods for converting coal to oil for making the process economically viable, etc.

REPLY OF THE GOVERNMENT

The suggestion has been noted. Other Oil PSUs have also taken up R&D projects and 5% weightage has been given to this aspect in the MOUs signed between Oil PSUs and MoP&NG for 2010-11.

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OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Recommendation (Sl. No. 19, Para No.1.66)

The Committee note that the present refining capacity of the public and private sector refineries is 105.47 MMTPA and 72.50 MMTPA respectively. Further, the capacity expansion/addition planned by the public and private sector by the end of the 11^{th} Plan (March 2012) is 77.81 MMTPA – public sector 48.31 MMTPA and 29.50 MMTPA in private sector. The Committee are further informed that during the year 2006-07, 2007-08 and 2008-09, the petroleum products exported from the existing refineries stood at 33.6 MMT, 40.8 MMT and 38.6 MMT. Although, the Committee are happy to note that the refining capacity expansion/addition programme of both the public and private sector oil companies has increased their export and profit margins, the Committee are also concerned about the adverse environmental impact of refineries. The Committee, therefore, desire the Government/DGH to effectively monitor and ensure that environmental norms are adhered to both by public and private sector refineries.

REPLY OF THE GOVERNMENT

Expert Appraisal Committee (EAC) of Central Government, Ministry of Environment & Forests (MoE&F) while recommending the Environment Clearance (EC) specifies the general and specific conditions that are to be complied with by the industry. Based on EAC recommendations, Ministry of Environment & Forest issues the environment clearance.

The Project proponent takes care of compliance of various statutory stipulations applicable to the respective industry in respect of Environmental Control and also monitors inline with the requirements. The industry is required to submit 6 monthly reports about compliance status of EC conditions to Regional office of MoE&F and State Pollution Control Board (SPCB).

After setting up of the industries, pollution checks are undertaken by the respective State Pollution Control Board independently or sometimes in coordination with the Central Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1974. From time to time, the regional offices of MoE&F also visit the industry sites to check the compliance of pollution norms.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Recommendation (Sl. No. 21, Para No.1.80)

The Committee are concerned to note that the Bio-diesel purchase policy devised by Ministry of Petroleum and Natural Gas to encourage the production of bio-diesel in the country has not made any substantial progress so far, as the 20 purchase centres have failed to purchase bio-diesel from the registered manufacturers at specified decided price of Rs. 26.50 per litre. The Committee are, however, happy to note that Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Gas (HPCL) are engaged in exploring possibility of promoting green fuel with the aim to secure a safer and pollution free environment. For the purpose, BPCL has planted Jatropha plants at the vacant land of oil depots and has launched " project triple one", providing for bio-fuel plantation on 10 lakhs acres of land belonging to Panchayats, BPL families/ Scs/STs/ other Government beneficiaries with the permission of State Government of Uttar Pradesh. Like wise, IOC has also entered into a MoU with Indian Railways to study complete value chain of Bio-diesel and consequently, about 150000 saplings of Jatropha have been planted at 62 hectares of railway land at Surender Nagar in Gujarat. IOCL has also identified wasteland availability across States. Potential State Governments have been contacted for allotment of 30,000 hectare of wasteland to produce 1 lakh tones of Jatropha seeds to support a 100 TPD plant with 30,000 MTPA bio-diesel output. Besides this, States of Chhatisgarh, Madhya Pradesh and Rajasthan have also shown interest in energy crop plantation programme and accordingly lands have been acquired for the purpose. The Committee appreciate the efforts made by oil PSUs and State Governments for cultivation of Jatropha plants impress upon the need that in view of the lurking danger of the anticipated failure of bio-diesel programme envisaged in Bio-diesel Purchase Policy, the Government should encourage State Governments and private/ public sector undertakings to plant the energy crops. The Committee, further desire that the “project triple one” of BPCL be completed in a time bound manner since the project has also received the go ahead from the Uttar Pradesh Government. Further, the study programme of IOCL with railway be fast-tracked to facilitate further steps for Jatropha cultivation programme. The Committee believe that the action plan prepared by the OMCs to implement the ongoing projects as well the projects which are to be finalized and launched for bio-diesel cultivation would not only help in protecting the environment and reduce pollution but would also reduce dependence on import of crude oil.

REPLY OF THE GOVERNMENT

Action taken by IOCL

Indian oil CREDA Biofuels Ltd. a JV floated by Indian oil has already undertaken Jatropha plantation on Govt. wastelands in Chhattisgarh. Plantation on 653 Ha has been completed so far.

It is further planned to undertake Jatropha plantation on 20000 hectares of Govt. revenue waste land. This will generate about 20000 tonnes of Biodiesel per annum from fourth/fifth year.

Jatropha plantation on 241 Hectares of Govt. wasteland has been completed by IOC in Jhabua district of MP during 2009. Based on the experience of this pilot project, further Jatropha plantation on 30,000 Ha revenue waste land will be undertaken in MP.

Action taken by BPCL

BPCL has launched “PROJECT TRIPLE ONE”, set up a Bio-Diesel Value Chain in the State of Uttar Pradesh. This project is being implemented by newly formed joint venture company, M/s. Bharat Renewable Energy Ltd. 11744 acres waste land belonging to Panchayat has been identified for the project. Land Management Committees of the concerned districts has already cleared our proposal for 7122 acres for release of fund from NREG Scheme for Jatropha plantation. Jatropha plantation has been completed on approx. 480 acres and pit digging has been completed on 390 acres land. The plantation work taken up in the last monsoon season was affected due to severe drought conditions faced in entire UP. Whereas the pit digging and identification of further waste land and its approval from State Govt. Authorities will continue, the plantation will be taken up in hand in the next monsoon season.

Action taken by HPCL

Some manufacturers of Bio-diesel have expressed interest to become the registered supplier of Bio-diesel to Oil PSUs. Based on this industry members of Oil PSUs visited 5 numbers of Bio-diesel plants in West Bengal & Andhra Pradesh to inspect their Bio-diesel plants in line with the Bio-diesel Purchase Policy. HPCL could not buy Bio-diesel for blending in Diesel to make B5 blend at any of the collection centers. With regard to the plantation of Jatropha, HPCL has signed MOU with G.B. Pant University of Agriculture & Technology, Pantnagar, Uttarakhand State for the experimental plantation of 10 lakh Jatropha, installation of Transesterification unit and Research on the development of Tissue Culture Technology of micropropagation of best variety of Jatropha. This collaborative R&D project is completely funded by HPCL and the plantation work is in progress. HPCL has also formed a JVC with Chhattisgarh Renewable Energy Development Agency (CREDA) for the plantation of Jatropha over 15,000 hectares of waste Revenue land in Chhattisgarh. The name of the company is CREDA – HPCL Bio-fuel Ltd. The agreement with Govt. of Chhattisgarh & CREDA to form JVC was signed in Sept. 2008. The JVC has already acquired 700 hectares of revenue land on lease from the Govt. of Chattisgarh for plantation of Jatropha. Total 15,000 hectares of land on lease will be acquired by the JVC over a period of three years.

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Recommendation (SI. No. 22, Para No.1.88)

The Committee note that to provide a clean and cheap burning fuel at the doorstep of the consumer and to reduce pollution from conventional fuel, Gas Authority of India Limited has so far launched City Gas Distribution Projects in 18 cities either independently of through the Joint Venture mode. Besides GAIL has also incorporated GAIL Gas Ltd. on 27th May 2008 to further expedite the implementation of these projects. In line with this, Petroleum and Natural Gas Regulatory Board has granted authorization to gas Authority of India Limited (GAIL) to develop city gas distribution network in four metro cities (Kota, Dewas, Sonipat and Merut) in the first phase and GAIL would also be bidding for the II phase of city gas distribution network development projects for seven other additional cities. The Committee are apprised that the Petroleum and Natural Gas Regulatory Board (PNGRB) has segmented Delhi into 70 charge areas corresponding to 70 assembly constituencies out of which Indraprastha gas limited is presently having network in 49 charge areas. The committee are however, unhappy to note that against the present potential network to provide 4 lakh PNG connections in Delhi, only 1.5 lakh connections have been issued by IGL so far and 50,000 are targeted t be issued in the current financial year. Since IGL is unable to provide PNG connections in Delhi as per the present potential, government/IGL;s plan to cover all the 70 charge areas by the year 2012 does not carry conviction. The Committee, therefore, recommend that the Government in the first instance ensure that the present laid down network is fully utilized to its potential.

REPLY OF THE GOVERNMENT

Petroleum and Natural Gas Regulatory Board Act, 2006 has been notified to provide a regulatory and developmental framework for developing inter alia city/local natural gas distribution networks and to promote investment in the area from both public & private sectors. Petroleum and Natural Gas Regulatory Board (PNGRB) has accepted 70 electoral wards as Geographical Areas (GAs) and Charged Areas (CAs) for City Gas Distribution (CGD) Network for National Capital Territory of Delhi. PNGRB has prescribed technical standards and quality of service standards through Regulations framed by it. Laying of pipelines by CGD entity requires municipal permission and substantial interface with the local administration. Accordingly, PNGRB has prescribed that, during the year 2009-10 to 2011-12, 35,000 Piped Natural Gas connections be provided each year. However, IGL is hopeful to provide 75,000 to 1,00,000 PNG connections every year. IGL has initiated awareness campaigns though media to educate and encourage people to use PNG. It may also be relevant to mention that any violation of the conditions mentioned by PNGRB makes IGL liable for action under the provisions of PNGRB Act, including fine which may extend to Rs.25 crore.

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Recommendation (Sl. No. 24, Para No.1.94)

In view of low accessibility of LPG in the remote and rural areas, the Committee in their earlier Reports on Demands for Grants have recommended that the Ministry should assess the situation in rural and remote areas and release more LPG connections and strengthen the distribution network to ensure cleaner fuel at affordable rate to people living in those areas. The Committee are happy to note that the Government on 06th August, 2009 have approved Rajiv Gandhi Gramin LPG Vitrak Yojana for small size LPG distribution agencies to cover remote as well as low potential areas having potential of up to 600 refill sales per month. While appreciating the Government's initiative to increase rural penetration by OMCs, the Committee would like to know the details of the follow up action of all the OMCs to implement the scheme.

Reply of the Government

Public Sector Oil Marketing Companies (OMCs) have already advertised for 1215 Rajiv Gandhi Gramin LPG Vitrak Yojana (RGGLVY) locations in 8 States namely, Bihar, Chhatisgarh, Jharkhand, Madhya Pradesh, Orissa , Rajasthan, Uttar Pradesh & West Bengal and have received more than 12000 applications for the locations. The applications are being processed. As per laid down procedure for RGGLVY, the selection of candidates will be conducted and the distributorship will be commissioned. Identification of locations under

RGGLVY for other States of the country is in progress. The setting up of LPG distributors under this scheme will now be a continuous process till all parts of the country are covered by LPG network. However, no time limit can be indicated for achieving 100% LPG coverage.

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Recommendation (SI. No. 26, Para No.1.102)

The Committee have also been informed that filter papers, marker system, etc. are available at the retail outlets and consumer can also file complaints if they suspect some kind of adulteration in petroleum products. The Committee feel that in the absence of any public awareness programme, these initiatives taken by the Government/OMCs have not yielded the desired results. The Committee, therefore, recommends the Government to take necessary action to popularise the measures taken by way of adequate publicity in print and electronic media to alert the people at large and create public fear in the minds of erring dealers.

Reply of the Government

Customer education/Public awareness is an ongoing process and initiatives are in place to educate the customers at the Retail Outlets (ROs) level by way of customer service cell boards/posters giving details of the Field Officer/Divisional office and also the availability of filter papers/density equipment and 5 litre measure at the ROs.

Further, to bring focus on the rights of the customer, an initiative has been taken by oil industry to launch an All India Campaign in January 2010 inviting customers to check quality and quantity at ROs with the objective to build customer confidence and project a customer friendly image under name "**Check & Fill".**

To have an effective campaign, necessary hoarding/Banners as per design circulated were prominently displayed covering almost all the Retail Outlets across the country. Equipments to carry out the checks were made visible to the customers at the ROs by setting up kiosks. In many locations, the campaign was formally launched by local dignitaries including elected representatives/Senior Government Officials and prominent socialites who have profusely appreciated the efforts of oil industry.

Wide publicity was also given through advertisements in various National Dailies in English and Vernacular languages. Check and Fill print advertisements were released by OMCs almost for a fortnight ending 15 Dec 2009. Various other initiatives were also taken by Oil Marketing Companies for spreading the message, which include: -

(a) Painting of Buses with Banner design.

(b) Painting of Tractors with Banner design.

(c) Ad-Wheel (mechanical vehicle) Moving display.

(d) SMS to over 1.5 lac customers.

(e) Banners on auto-rickshaw.

(f) 15 seconds Jingles on Red FM.

The campaign has been a good success and within a span of one and half months, as per field reports over two lacs customers have carried out checks across the country and have given very encouraging feed back on the initiative of OMCs. This initiative has also received very positive media coverage.

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Recommendation (SI. No. 28, Para No.1.107)

The Committee are given to understand that the Government in addition to the existing storages of crude oil and petroleum products with the oil companies have planned to construct a strategic storage facility of crude oil of 15 MMT capacity in three phases. The first phase is likely to be completed by December 2012 involving three projects sites at Visakhapatnam (1.00 MMT), Mangalore (1.5 MMT), Padur (2.5 MMT). The project involving a capital cost of Rs. 2400 crore (September, 2005 prices) is being managed by Indian Strategic Petroleum Reserves Limited (ISPRL), a special purpose vehicle of the Oil Industry Development Board (OIDB). The Committee are unhappy to note the long gestation period of 6 years for implementing Phase-I projects (2006-12) which were sanctioned in January, 2006. The Committee express its serious concern over the delay in implementation of projects at Mangalore and Padur which were hindered with the problem of land acquisition. While appreciating the visionary approach adopted by Government for setting up strategic storage facility in the country to cope with any short-term disruption in Crude Oil supplies, a natural calamity or any unforeseen global event, leading to an abnormal increase in crude oil prices, the Committee desire that not only Phase-I of the programme should be expedited by the Government as originally targeted but also Phase II and III of the project should be initiated and completed at the earliest. The Committee would like to be apprised of the action plan framed by the Government in this regard.

REPLY OF THE GOVERNMENT

The gestation period of 6 years for implementing Phase-I of the Project was laid down with the approval of the Cabinet Committee of Economic Affairs (CCEA) when MoP&NG had moved the Committee for deciding the financing pattern of the Project. Based on the information gathered from a leading consultant for the cavern projects in the world, it has been observed that the average gestation period for such cavern projects is approximately 7 years worldover. Hence, the gestation period of 6 years is quite tight, considering the long periods required for statutory clearances for land acquisition, environment clearances etc. required for completing such projects.

The land acquisition at Mangalore has since been completed and the underground civil works at this site have commenced. For Padur site, the Karnataka State Government has issued final Notification on 22nd February 2010 for acquiring 140.65 acres of land for the project. The physical possession of land is likely to be taken by ISPRL by April 2010. The Work Order for the underground civil works at Padur has already been placed to the successful bidder.

As regards Phase-II of the project, Engineers India Limited (EIL) is conducting the pre-feasibility study. The scope of the study includes locating technically suitable sites, identifying type and capacity best suited for each location, preparation of design and concept and the Rough Order of the magnitude cost and time schedule estimates etc. In addition to this study, the Oil Industry Development Board (OIDB) has engaged The Energy and Resources Institute (TERI) for conducting research and analysis of various technical aspects of petroleum reserves in India relating to location, construction technique, cavern structure and economic parameters like India's crude oil demand, its sensitivity to growth factors etc. Once the Study Reports are received, MoP&NG will consult all the stake-holders and draw up a strategy for developing the blueprint of Phase-II of the Petroleum Reserves Project.

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CHAPTER III

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

Recommendation (SI. No. 10, Para No.1.33)

The Committee note that there is a major shortfall in achievement of XI Plan targets in natural gas production. Against a plan target of 8.55 BCM of natural gas production by private/JV companies only 7.227 BCM was achieved during 2007-08 and for 2008-09 against the plan target of 22.55 BCM, private/JV companies could produce only 8.090 BCM of natural gas. Further, natural gas production from KG-D-6 block which has commenced from April, 2009 at about 38 MMSCMD is very much below the target. In view of the low natural gas production by private/JV companies during the last 2 years, the Committee recommend that the Government should ensure increased production of natural as from the existing fields,. Without going into the merits of the ongoing KG-D6 block gas dispute which is sub-judice, the Committee desires that the Government while taking necessary steps to keep the national interests above the business interests of the warring parties should resolve the dispute early to achieve the targeted production.

REPLY OF THE GOVERNMENT

Hon'ble Court of Bombay has already allowed natural gas production from KG Deepwater, which commenced in April, 2009. It has been gradually increased and the production level is currently about 60 MMSCMD. This is likely to increase to 80 MMSCMD. The dispute between the parties has not affected the natural gas production from KG basin.

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Recommendation (SI. No. 13, Para No.1.41)

The Committee note that although Government have not provided infrastructure status as such to the entire hydrocarbon sector, it has taken some steps like amendment of section 35(a)(d) of Income Tax Act providing full deduction of capital expenditure for a pipeline approved by the Petroleum and

Natural Gas Regulatory Board and having 33% excess capacity in the first year of operation and income tax exemption to projects to be awarded under NELP-VIII and CBM-IV. In the opinion of the Committee, in order to attract more investments by the private sectors in E&P activities, refineries etc. it is necessary that complete infrastructure status be provided to the entire hydrocarbon industry.

REPLY OF THE GOVERNMENT

The issue of extension of infrastructure status to exploration and refining activities was taken up with the Ministry of Finance. In its Budget proposals for 2010-11, this Ministry had suggested that hydrocarbon sector should be at par with the power sector in the matter of fiscal incentives since undertakings engaged in commercial production or refining of mineral oil are equally capital intensive as power plants. It was suggested that the definition of “infrastructure sector” in the explanation to Section 80-IA of the Income Tax Act should be amended to include exploration and refining activities and accordingly, exploration and refining undertakings may be allowed deduction for 10 consecutive assessment years as against 7 years at present, out of a 15-year period. It was further suggested that undertakings, which have already started commercial production or refining of mineral oil should also be given the option of claiming the 10-year tax holiday beginning with the year in which they start earning taxable profits so that they are in a position to enjoy the incentive for the intended period of 10 years.

However, there was no announcement in this regard in the Budget 2010-11 presented in the Lok Sabha on 26.2.2010.

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Recommendation (SI. No. 18, Para No.1.59)

The Committee in their 20th Report (14th Lok Sabha) had expressed their displeasure over the fact that only a meager amount is being released to the Oil Industry Development Board out of the cess proceeds for development of petroleum sector. They had recommended for referral of the entire issue of deployment/utilization of cess levied on crude oil/revenues collected from the petroleum sector vis-à-vis the amount released for development of oil sector to a group of Ministers comprising the Union Ministers for Petroleum and Natural Gas, Finance, Law and Chemical and Fertilizer. In a post-evidence reply, the Ministry of Petroleum and Natural Gas have informed the Committee that Ministry of Finance had not commented upon the matter to refer the whole issue to a Group of Ministers in spite of repeated reminders. The Committee take a very serious view on the whole issue and urge the Government to again take up the matter with the Ministry of Finance and progress in the matter be intimated to the Committee at the earliest. As regards creation of Price Stabilization Fund, the Committee feel that the inbuilt mechanism to allow variation in prices of diesel and petrol as claimed by the Government is not sufficient. Therefore, the Committee reiterate their earlier recommendation for creation of Price Stabilization Fund.

REPLY OF THE GOVERNMENT

In so far as creation of Price Stabilization Fund is concerned, the matter has been taken up with Ministry of Finance on several occasions. The Ministry of Finance has not concurred with the proposal

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CHAPTER IV

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

Recommendation (Sl. No.5, Para No.1.20)

As regards the development drilling, the Committee is constrained to note that against the targets of 514820 meterage by ONGC during 2008-09, the actual were 477144 meterage with 218 wells completed as against the target of 232 wells. The Committee further noted with disquiet that although 92.8 % of the annual targets for development drilling could be achieved by ONGC during 2008-09, the actual utilization of funds was Rs. 4764.79 crore against the budget estimates of Rs. 3836.58 crores. Thus, though an additional expenditure of about Rs. 928 crore was incurred by ONGC, there was shortfall in achieving physical targets set for development drilling during 2008-09. Although the Government in a post evidence reply furnished to the Committee have informed that the increase is mainly due to significant increase in drilling rigs day rates from Rs. 0.5 crore in 2007-08 (which was the basis for BE 2008-09) to Rs. 0.85 crore in 2008-09, the Committee have failed to understand as to why these escalations were not projected at Revised Estimates (RE) stage. The huge mismatch between the financial outlays and the physical targets achieved for development drilling point towards systematic flaws in the planning and implementation of exploratory work. The Committee, therefore, recommends that not only the physical as well as financial targets should be set realistically for exploratory works, but Government / ONGC should monitor them periodically as per agreed performance parameters to ensure the prudent expenditure of the planned targets. The Committee further recommend that DGH being responsible for management of entire oil sector should effectively enforce performance parameters on PSUs as well as private companies engaged in oil exploration.

<u>REPLY OF THE GOVERNMENT</u>

The financial and physical targets are approved by the Board of ONGC. The review of financial and physical targets is carried out by the Board of ONGC and Planning Commission. DGH monitors the performance of PSUs/ Private/

joint venture companies as per the committed programme mentioned in the production sharing contracts, as well as commitment given by National Oil Companies in respect of National blocks. DGH also reviews and monitors the exploration programme and development plans for commercial discoveries of hydrocarbon reserves for all E&P Companies operating in India.

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Comments of the Committee

(Please see Para 10 of Chapter-1)

Recommendation (SI. No.8, Para No.1.23)

The Committee note that the oil PSUs have been allocated activity wise budgetary allocation during XI plan period. Although, the actual utilization for Exploration & Production, Refinery and Marketing and Petrochemicals during 2008-09 were 42,477.58 crore (97.13%), Rs. 9,147.49 crore (97.43%) and Rs. 4,818.51 crore (111.81%) respectively, the actuals for engineering activities were 19.65 crore which were 25.19% of the Revised estimates of Rs. 78 crore. The Committee further note that against the Budget Estimate of Rs. 95 crore for the engineering activities during 2009-10, the actual upto 31.05.2009 were Rs. 1.28 crore i.e. only 1.35% of the plan outlays for the year due to low expenditure by two engineering companies viz. Balmer Lawrie and Company and Biecco Lawrie Limited. The Committee have been further informed that business and financial restructuring of Biecco Lawrie Limited is under active consideration of the Ministry. The Committee desire tha an early decision should be taken by the Government in this regard to ensure that the plan outlays for engineering activities are fully utilized during 2009-10.

<u>REPLY OF THE GOVERNMENT</u>

Biecco Lawrie Limited :- Biecco Lawrie Limited is a medium sized Electrical Engineering Co. and presently carrying a negative net worth in the Books of Accounts. The impact of financial imbalance is reflected in its inability to mobilize funds for plan expenditures.

The Restructuring proposal of the Company, which will also take care of financial imbalances, is under active consideration of the Ministry. The Financial Restructuring will help the company to mobilize funds for plan expenditure.

Balmer Lawrie & Co. Ltd. :- The financial data for plan expenditure of Balmer Lawrie & Co. Ltd is as follows :-

				Rs./Crores
	2009-10	2009-10	Actual 2009-10	
	BE	RE	Apr./June'09	Apr./Jan.'10
Plan Expenditure (*) including Commitment	90.00	66.90	1.28	34.83 (*)

From the above it is evident that the company has taken necessary steps to incur the plan expenditure as per the plans/targets taken by the company. The plan expenditure had been low in the initial quarter of the year but has increased in the 2nd half of the year 2009-10. However, the estimated plan expenditure for the year 2009-10 is anticipated to be Rs. 66.90crores instead of Rs. 90.00 crores as was planed earlier due to non-materialization of expenditure towards investment in acquiring synergistically related companies where various option are still being evaluated. Moreover, the competitive situation prevailing in the market, led the company to conserve cash and to examine more closely returns from the capital expenditure entailing deferment of plan expenditure.

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Comments of the Committee

(Please see Para 13 of Chapter-1)

Recommendation (SI. No.11, Para No.1.34)

The Committee note that Directorate General of Hydrocarbon (DGH) is inter-alia entrusted with the responsibility to ensure proper and sound management of the oil and natural gas resources besides monitoring of E&P activities. The Committee, however, unhappy to find shortfall in crude oil and gas production especially by private/JV companies despite regular monitoring by DGH. The Committee, therefore, recommend that Government should issue necessary instruction to the DGH to aggressively monitor the performance of all the oil companies whether public or private/Joint venture to ensure that there are no slippages in the exploration projects. Besides taking timely remedial measures to achieve the targeted production of crude oil and natural gas, the Committee also desire that manpower in DGH should be strengthened so that DGH could fulfill its mandate and effectively monitor the E&P activities.

REPLY OF THE GOVERNMENT

The Government vide Resolution dated 8.4.1993 and Notification No. S.O.1391 (E) dated 1.9.2006 has already notified the detailed functions of DGH. Presently, DGH is manned by staff mainly from Public Sector Undertakings who are posted in DGH on deputation/tenure basis and people taken on contractual/tenure basis. The manpower requirement of DGH is reviewed by the Ministry from time to time and action is taken to meet the requirement.

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Comments of the Committee

(Please see Para 16 of Chapter-1)

Recommendation (Sl. No.23, Para No.1.89)

Further, the Ministry of Petroleum and Natural Gas has finalized “Vision-2015’ of oil sector for “consumer satisfaction and beyond’, focusing primarily on providing better services to consumers and it inter-alia envisages an establishment of PNG/CNG network to connect 201 cities by the year 2015. Although, the Committee appreciate the ambitious plan of the Government to cover 200 cities by 2010, the Committee feel that the project has yet to be started. The Committee further note that the total pipeline length and pipeline spread in India falls far behind the pipeline network of the developed countries like USA and France. The Committee, therefore desire that the government should take concerted efforts to frame a year-wise action plan to cover all the

200 cities for CNG/PNG network under “Vision 2010”. The Committee would like to be apprised of the action taken by the Government in this regard.

REPLY OF THE GOVERNMENT

Government has accorded priority to enhance energy security of the country. A multi-pronged strategy has been adopted to augment gas supplies and to bridge the gap between supply & demand for the domestic market by intensification of domestic E&P activities, including Coal Bed Methane (CBM), through LNG and import of natural gas through transnational gas pipelines. In order to boost the spread of pipeline length in the country, Ministry of Petroleum and Natural Gas has authorized nine new trunk pipelines with total length of 5523 km. Out of the nine authorized pipelines, five new pipelines were authorized to GAIL, namely (i) Dadri-Bawana-Nangal, (ii) Chainsa-Jhajjar-Hissar, (iii) Dabhol-Bangalore, (iv) Kochi-Kanjirrakod-Bangalore-Mangalore and (v) Haldia-Jagdishpur. Accordingly, GAIL is planning to double the present pipeline network of around 7,000 km to 14,000 km by 2014 with a planned capex of Rs.34,300 crore. Apart from this, five new pipelines were authorized to Reliance Gas Transport & Infrastrucre Ltd. (RGTIL) by this Ministry, namely (i) Kakinada-Basudevpur-Howrah, (ii) Kakinada- Nellore Chennai, (iii) Chennai-Tuticorin and (iv) Chennai-Bangalore-Mangalore. Thus with increased availability of Natural Gas in the country under NELP and through import of LNG, along with increased capacity to transport gas through out the country, this Ministry would be in position to realize the targets of Vision-2015 of oil sector for “consumer satisfaction and beyond’.

Further, PNGRB Act, 2006 has been enacted and PNGRB has been constituted to increase development of inter alia CGD entities and attract investment from both Public & Private sectors in the field of City Gas Distribution.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010
Comments of the Committee

(Please see Para 19 of Chapter-1)

Recommendation (Sl. No.29, Para No.1.114)

The Committee note that OIL Industry Safety Directorate (OISD) has been set up by the Ministry of Petroleum & Natural Gas to assist the Safety Council headed by Secretary, P&NG as Chairman and includes Additional/Joint Secretaries, Advisors in Ministry of Petroleum & Natural Gas, Chief Executives of all Public Sector Undertakings (PSUs) under the Ministry, Chief Controller of Explosives (CCE), Advisor(Fire) of Government of India, DGMS and the Director General of Factory Advice Service and Labour Institute, etc. as members. OISD develops standards for hydrocarbon industry to keep abreast of the latest designs and practices in the area of safety and fire fighting in the developed countries. Despite OISD which develops high standards in areas of safety and fire fighting, there had been regular reporting of incidents of fire in refineries/oil depots. The Committee were given to understand that the fire was due to rupture of a bend pipe of common discharge line of the Fractionator column bottom pumps followed by auto ignition of leaked hot hydrocarbon and the rupture was due to thinning down of the bend pipe due to metallurgy mix-up at project construction stage and wrong replacement of the identified bend during schedule maintenance shut down of Delayed Coking Unit in 2007. Further, the Committee are concerned to note that 11 persons have been reportedly died and oil worth hundred crores of rupees was burnt at Jaiput Depot in Octoboer this year. When the fire was raging at Jaipur Depot, the Government / Oil companies had no fire fighting strategy except to let the oil stored in the depot to burn out. It only indicates that there are no proper safety mechanism to prevent such major fire nor are there any technology/equipment to tackle such a devastating fire. It is, therefore, imperative that external safety audit of all the refineries/depots must be ensured periodically, as per safety standards. The Committee would like to know the details of the outcome of the investigation report of the Government / IOC into the fire at Jaipur and remedial measures taken / proposed to be taken by the Government to avoid reoccurrence of such incidents in future. The Committee also like to be apprised of the monitoring mechanism available with OISD / Safety Council to check the implementation of safety standard approved by them and the steps taken by the Government to strengthen the monitoring mechanism to ensure safety of world standards in refineries / storage depots. In view of a large number of habitat areas that have come up / developed around oil storage depots, the committee would like the Government to take a review of the locational hazards of these depots and desire that the Government must ensure adequate safeguards / shifting of these depots away from habitat areas.

Reply of the Government

The POL Terminal at Sanganer, Jaipur of Indian Oil Corporation Ltd. (IOCL) was constructed by Engineers India Ltd by conforming to all statutory norms including the codes and standards of Oil Industry Safety Directorate. The fire at IOCL's POL Terminal at Sanganer on 29.10.2009 was consequent to Unconfined Vapour Cloud Explosion after a very heavy leak of Motor Spirit (MS) i.e. at an estimated rate of 1000 MT/HR. It was not possible for anyone to approach the leakage or the terminal to activate the fire fighting / prevention system. The explosion was so heavy that even the fire fighting network was damaged which made the entire system non-functional and 9 tanks were on fire at a time leaving no room for any major efforts to handle the situation.

The situation at the accident site was reviewed by Crisis Management Group headed by Principal Secretary(Home), Govt. of Rajasthan, the controlled burning of the fuel was allowed to prevent horizontal spread of fire in view of larger interest of the public.

The Hon'ble Minister of Petroleum & Natural Gas, Shri Murli Deora had taken a reiview meeting on the Safety and Security Aspects of the Oil and Gas Sector in the country on 3.11.2009, where all the public and private oil and gas companies have been asked to take the following action :

(5) All companies shall take measures to promote safety consciousness and training on safety requirement at all levels. The measures of zero tolerance in matters of safety has to be conveyed to all concerned.

(6) All oil and gas installations and transportation systems in the country will carry out self safety audit conforming to statutory norms and risk assessment, including OISD standards by 31.12.2009. Oil companies will submit the reports to OISD which in turn will submit a consolidated report to MOPNG.

(7) All oil and gas companies in the country must update their standard operating procedures (SOPs) for operations and maintenance practices for all countrywide installations / setups under due technical supervision and attention, availing the benefits of best practices in the country and abroad. A strict implementation of such standard operating procedure (SOPs) will be ensured. All oil and gas companies will submit reports on SOPs and its due implementation to OISD by 31.12.2009.

(8) All oil and gas installations will have their safety audit done on quarterly basis. All major as well as minor incidents in any such installations/setup in the country including that of private companies will be reported to OISD.

OISD checks the implementation of the Safety Standards approved by the Safety Council by the following mechanism:

3. <u>Pre-commissioning Inspection</u>

OISD carries out pre-commissioning inspection whenever a new facility is developed and/or major modifications, capacity enhancement etc is done in the Refineries and other Installations based on request received from Oil PSUs.

4. <u>External Safety Audit</u>

These Audits are coordinated by OISD with members from other Oil companies other than auditee company. The period of audit varies from 3 to 5 days and the frequency of audit is given below :

For Refineries & Gas Processing Plants – once in 3 years

For Oil Storage and Distribution Installations - Two Audits at a gap of 5 years initially and thereafter either a request audit or surprise inspection

3. **<u>Surprise Safety Audit</u>**

The Surprise Safety Audit of Refineries and major Gas Processing units are carried out by technical experts not below the rank of General Manager.

In case of Oil & Gas Storage and distribution Installations the surprise audits are carried out by an officer from OISD considering the degree of hazardous location / sensitive location on various counts. So far 42 such audits have been carried out in the last 5 years.

5. **<u>Compliance Reports</u>**

The Oil companies are required to submit compliance reports on the recommendations given in above audits / inspections on quarterly basis to OISD and they are reviewed every six months (approx.) in a steering committee comprising of the officers of General Manager rank of Oil PSUs. The compliance status is also put up to the Safety Council in its annual meeting.

In some cases variations in the compliance status submitted by Oil PSUs is observed and necessary advice given to the Chief Executive of the respective Oil PSU

The Oil Companies have been advised to carry out the self-audit of Oil Installations with a special focus on the installations located in densely populated areas and carry out the risk analysis of such installations to mitigate the hazards.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Comments of the Committee

(Please see Para 27, 28 & 29 of Chapter-1)

CHAPTER V

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

Recommendation (Sl. No. 2, Para No.1.10)

The Committee are, however, not satisfied with the budgetary allocations (Plan) of Rs.25 crore during 2008-09 and 2009-10 to Rajiv Gandhi Institute of Petroleum Technology (RGIPT) as the total budgetary support of Rs.285 crore was proposed to be allocated to RGIPT during 11th Plan to meet the capital expenditure. The Committee note that original projection for budgetary support proposed for 2008-09 and 2009-10 were of Rs. 81 crore and Rs.69 crore respectively for setting up infrastructure facilities like purchase of land, land acquisition, building, residences, other amenities like school, hospitals equipments, sports facilities. To their utter surprise, the Committee find that only Rs. 25 crore each for both the years have been actually allocated for the purpose. In the opinion of the Committee, the whole RGIPT project originally scheduled to be completed in 2011-12 would be badly affected due to certain bottlenecks like acquisition of additional land from UPSIDC and reduced budgetary allocations during 2008-09 and 2009-10. The Committee, therefore, recommend that the issue so of land acquisition may be resolved at the earliest and all infrastructure facilities be established at RGIPT as scheduled by infusing the desired budgetary support.

REPLY OF THE GOVERNMENT

The lower budgetary allocation of Rs. 25 crores for 2008-09 as against original projection of Rs. 81 crore and Rs.69 crore respectively was due to the delay in acquisition of additional land by Uttar Pradesh Industrial Development Corporation (UPDSIDC). Though, RGIPT applied to UPSIDC for the acquisition of additional land in August 2007, the acquisition process did not progress well despite regular follow-up by RGIPT/MOP&NG at various levels of the State Government.

RGIPT is in possession 47.8 acres of land purchased by from Indian Oil Tanking Ltd. The balance land admeasuring 95 acres contiguous to the available land is under acquisition by UPSIDC for which RGIPT had approached them in August 2007. Despite regular follow-up by RGIPT / MOPNG acquisition process has got delayed.

Recently, with the MoP&NG intervention and day to day tracking by RGIPT at District Magistrate level and UPSIDC the process acquired momentum and one of the major steps, i.e. clearance by Land Use Committee at state government level is expected soon. With this development and as per indication given by authorities the process will be completed by end May 2010.

Meanwhile, RGIPT has appointed Engineers India Ltd. as Project Management Consultant and with their help the first phase of construction activities on the available land has been initiated. The second phase plan is being made ready which will be taken up as soon as the acquisition of additional land by UPSIDC is completed.

Action plan has been drawn for the construction activities, seeking approval for revised project cost and completing the RGIPT campus by February 2013.

In the above contest the budgetary allocation of Rs.25 crores each for 2008-09 and 2009-10 seems adequate.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Recommendation (Sl. No. 3, Para No.1.11)

The Committee find that although in their 20th Report on DFG (2008-09) of Ministry of Petroleum and Natural Gas (14th LS), they had recommended that the Government should act fast in setting up the Rajiv Gandhi Institute of Petroleum Technology (RGIPT) and make it functional from the academic year 2008-09, the Committee are concerned to note that only two B. Tech courses in Reservoir

Engineering and Petroleum Refining at Rae Barelly and one MBA course in Petroleum and Energy Management at Noida from 5.9.2008 and 12.9.2008 respectively have commenced so far. The Committee, therefore, again stress that a detailed action plan be prepared by the Government to make the Institute at Rae Barelly fully functional in a time bound manner and would also like to know the action plan of all the professional courses to be started at the Institute. As regards the decision of the Board of RGIPT taken at a meeting held on 29.1.2009 to set up a centre of RGIPT at Assam, the Committee would like to be apprised of further progress made by the Government/RGIPT in this regard.

REPLY OF THE GOVERNMENT

RGIPT is in the early stage of its academic activity and pursuing programmes from temporary campus in hired premises at Rai Barelly /Noida. RGIPT is currently conducting two B. Tech, one M. Tech and one MBA programmes launched in 2008. The academic programmes will be taken up in RGIPT's own campus for which construction plan has been initiated.

The progress in setting up of Assam Centre of RGIPT is as follows:

A project feasibility report has been prepared by EdCIL (India)Ltd. (a PSU under HRD Ministry) and finalized in August 2009. MoPNG had decided about funding of the Assam Centre Campus in October, 2009.

Government of Assam has approved allocation of 100 crore land in Sibasagar, Upper Assam for Rs.61 lakhs in December, 2009. The amount has been deposited in Treasury at Sibasagar as directed by local authorities. The process of taking possession of the land is in progress.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Recommendation (Sl. No. 4, Para No.1.19)

In view of the stagnant oil production from indigenous sources, the Committee is concerned to note the under-performance of exploratory drilling by ONGC because as against 483985 meterage of Budget Estimates, the actual during

2008-09 were only 297146 meterage. Similarly, against the target of 162 well for exploratory drilling, the actual during 2008-09 were only 106 wells. The Committee observed that drilling meterage achievement by ONGC was affected due to reasons such as non-availability of planned chartered hired rigs/ deep water rigs. Given the fact that more and more exploratory drilling work has to be undertaken by ONGC after awarding of bids under NELP VIII since ONGC has made bids for as many as 21 blocks, it is imperative for Government/ ONGC to make an in-depth analysis of the situation and make concerted efforts to ensure that exploratory drilling work is not affected due to non-availability of desired rigs. The Committee, therefore, urge the Government/ ONGC to take the requisite steps to ensure availability of adequate numbers of state of the art deep water rigs so that the planned targets for exploratory drilling during the 11th Plan Period do not go haywire. The Committee would like to be apprised of the action taken by the Government/ ONGC in this regard.

REPLY OF THE GOVERNMENT

Constraints of deepwater rig resources have been felt in the country since quite some time due to global shortage of highly specialized type of rigs for operating in deepwater. Operators, mainly ONGC, RIL and ENI have requested the Government for drilling moratorium for a period of three years w.e.f. 1.1.2008 in the deep water blocks operated by them due to global shortages of deepwater drilling rigs. ONGC and RIL could not complete their committed and additional drilling programmes in the deepwater blocks awarded to them under NELP due to non availability of deep water rigs. The issue of Rig Moratorium is under examination by Government of India.

In the deepwater, ONGC has deployed 3 deep water rigs (one owned, Sagar Vijay and two charter hired rigs DSS & DDKG-1) in various nomination and NELP blocks

To mitigate the shortage and to complete the unfinished programme of exploratory drilling, ONGC is also making efforts to utilize the rig resources available with partner ENI for drilling one to two locations in case of shortfall.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Comments of the Committee

(Please see Para 7 of Chapter-1)

Recommendation (SI. No. 20, Para No.1.74)

The Committee note that Cabinet Committee on Economic Affairs (CCEA) had decided on 9.10.2007 to make 5% blending of ethanol with petrol mandatory with immediate effect across the country and optional blending of 10% ethanol with petrol from October 2007 and afterwards making it mandatory from October 2008. The Committee also note that at present 5% EBP programme is being implemented in 16 States and 3 UTs out of 20 States and 4 UTS identified for implementing the programme. Further, against the procurement of ethanol for the three years period which is 180 crore litres, the OMCs have been able to contract 146.6 crore litres, out of which only 57.33 crore litres have been procured as on 15.8.2009. As current ethanol supply is not adequate to meet the demand of even 5% blending, the Ministry of Petroleum and Natural Gas have submitted a proposal for the consideration/ approval of the Cabinet Committee on Economic Affairs on 19th October, 2009 to defer the decision of making 5% and 10% EBP programme mandatory till the supply of ethanol is ensured for the purpose. What follows from the above is that the 5% or 10% EBP was devised and implemented without considering its commercial and physical viability. The availability of adequate ethanol either indigenously or by way of imports is central to effective implementation of EBP. However, in the absence of any proper planning and now faced with an evitable failure of the scheme, the Ministry has taken the easy option of requesting the Cabinet Committee on Economic Affairs to defer the scheme till supply of ethanol is ensured for the purpose. The Ministry has not indicated any action plan to increase the supply of ethanol to meet the requirement of EBP either in the short or long time. It means that the scheme will remain in abeyance for an indefinite period. Considering the present constraints and the fact that oil companies have been able to procure only 57.33 crore litre of ethanol, the Committee desire that 5% EBP may be implemented in a curtailed form in a few States to make it more relevant and effective and the Government to come up with a strategy to increase ethanol supply in a time bound manner instead of leaving the matter open ended without any time frame. The Committee would like to be apprised of the action taken by the Government in this regard.

REPLY OF THE GOVERNMENT

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.

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. State-wise requirement of ethanol for 1 year from November 2009 to October 2010 works out to 86.35 crore litres for 5% blending. However, quantity offered against tenders floated by OMCs in the month of June-July 2009, was not sufficient (40% of requirement) in view of the deficit in sugarcane production during the year.

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. The CCEA considered the above note on MoPNG on 12.11.2009 and 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.

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. Efforts are being made to implement the above decision and a cabinet note has been circulated by MoPNG for comments from different Ministries.

MINISTRY OF PETROLEUM AND NATURAL GAS
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Recommendation (SI. No. 25, Para No.1.101)

The Committee note that the Government as well as Oil Marketing Companies (OMCs) are taking several technological and institutional measures including regular and surprise inspections of retail outlets, tamper proof tank-truck locking systems, the import of SKO by private parties has been canalized through OMCs. The OMCs have created a separate wing to report to a Director other than Director (Marketing), who will be responsible for monitoring all activities and operations to curb adulteration. To contain adulteration further, Marketing Discipline Guidelines (MDG) have been issued in 2005 under which OMCs take penal action against the erring dealer. The Committee further note that the Government have not ruled out possibility of diversion of PDS Kerosene by some unscrupulous elements due to huge price difference between PDS Kerosene and petrol/diesel and the easy miscibility of these products with petrol/diesel. The Committee find that the number of dealers reported to have been involved in malpractices have increased from 451 in 2005-06 to 1467 in 2008-09 in case of IOCL, from 318 in 2005-06, to 989 in 2008-09 in case of

HPCL and 1050 in case of BPCL during 2005-06 to 1029 cases during 2008-09. The Committee further observe that against the 1467 cases of malpractices in case of IOCL dealers during 2008-09, there were only 85 terminations and as regards 989 cases of malpractices by HPCL dealers, the cases where termination of dealership took place was only 36. Similarly, the cases of termination of dealership by BPCL were only 17 against a total 1029 cases reported during the year. In this regard, the Secretary, Ministry of Petroleum and Natural Gas during evidence on Demand for Grants (2009-10) has admitted that the rules for terminating a license have been made very severe and during the last three years, a large number of cancellations have taken place, the number of dealerships terminated is very small as compared to the malpractices reported. Despite the various corrective and preventive measures undertaken by OMCs against erring dealers, the Committee are surprised to note that the number of cases of malpractices have increased considerably over the last three years. The Committee express their serious concern that the action taken by the Government to prevent adulteration and other malpractices did not have the deterrent effect on erring dealers. The Committee, therefore, desire that oil companies should strictly enforce the MDG and also conduct more and more surprise inspections to curb the incidents of adulteration. The Committee strongly recommend that the Ministry should also monitor the situation regularly and devise stringent steps to stop rising trends of malpractices/adulteration including strict implementation of Marketing Discipline Guidelines (MDG), 2005 regarding cancellation of dealership in the first instance of adulteration so that dealers stop Indulging in adulteration and malpractices and consumers get the quality petrol/diesel. The Committee would like to know the steps taken by the Government to increase surprise inspections by OMCs.

Reply of the Government

Public Sector Oil Marketing Companies (OMCs) namely Indian Oil Corporation Ltd., Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited have reported that total number of malpractices shown for the period 2005-06 to 2008-09 mostly include minor irregularities like poor housekeeping, non-provision of/or inadequate facilities, non-display of

Retail Selling Price (RSP) or Motor Spirit (MS)/High Speed Diesel (HSD), discourteous behavior, non-maintenance of records etc (which do not lead to termination). It can be seen that the number of termination of Retail Outlet dealerships have increased over the years due to stricter provisions under Marketing Discipline Guidelines, 2005. It may be noted that termination is a long drawn process after detection of adulteration like testing of samples in the laboratory, issue of show cause notice, dealer's reply to show cause, court case etc, which delays the whole termination process. Hence, few cases of irregularities detected are still under examination.

Surprise inspections are carried out by Sales Officers and Senior Officers of the OMCs and also by the Quality Control Wing/Anti-Adulteration Cell teams and the Multi-disciplinary Teams of the Officers drawn from various departments with in the Organization from time to time/periodically. Further to increase number of inspections, the industry is in process of discussions for conducting Joint Industry inspections of Retail Outlets.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

Comments of the Committee

(Please see Para 22 of Chapter-1)

Recommendation (Sl. No. 27, Para No.1.103)

The Committee note that the automation of retail outlets is being done in phases and 79% of automation of retail outlets selling more than 200 KL per month has been completed as on 31st March, 2009. The Committee note with concern that although automation of retail outlets selling more than 200 KL per month was targeted to be completed by March, 2007, the same could not be completed as yet. Taking a strong note of the slothful approach in implementation of the automation of retail outlet by OMCs, the Committee recommend the Government/OMCs to take necessary steps so that automation of all the remaining retail outlets selling more than 200 KL is completed in the current financial year. The Committee further desire than an action plan for automation of remaining retail outlets selling less than 200 KL per day should also be prepared and implemented by the Government at the earliest.

REPLY OF THE GOVERNMENT

IOCL

During the meeting taken by Secretary (P&NG) on 12.4.2006 to review the steps taken by OMCs to contain adulteration, a directive was issued to OMCs to complete automation of all retail outlets selling more than 200 KL per month by March, 2007. Accordingly 2357 retail outlets with average monthly sales of more than 200 KL during 2005-06 were identified.

Phase I : 1250 retail outlets were identified for automation and accordingly work order was placed on M/s Honeywell Automation India Limited for 1158 retail outlets and Tata Consultancy Services for 92 retail outlets. Till date, 1238 retail outlets have been upgraded. Up-gradation of balance 12 outlets is being undertaken, which was pending due to resolution of density etc.

Phase II : 1178 retail outlets were identified for automation and accordingly tenders were floated, work order could be placed for 935 retail outlets. Work orders were placed on M/s Roseman for 544 retail outlets under Western Region & Southern Region and on HAIL for 391 retail outlets under Northern Region Retail Outlets Work Order could not be placed for 243 retail outlets under Eastern Region because of high quotes by vendors against tender. Work has been completed at 126 retail outlets so far and is in progress at balance. IOCL has completed automation of 1399 retail outlets as on 31.12.2009. The time lag in execution of automation is due to vast geographical spread of retail outlets being automated, higher percentage of these retail outlets being on highways/rural & indigenous dispensing units of various models existing in these retail outlets.

Further, based on the average sales during the period, April – December 2009, it is observed that there are a total of 4267 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:

No. 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 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.

As regards the recommendations of Hon'ble Committee for a automation of retail outlets selling less than 200 KL per month, the retail outlets falling under this category have been identified. Various options of low cost automation at these retail outlets are being tried & the discussions for the same, at various level with vendors, are currently in process.

BPCL

As on 1.4.2007, BPCL had 1600 outlets and the target was revised on 1.4.2008 to 2200 nos., based on the sales at these outlets. BPCL has advised that Corporation have so far completed automation of 2100 outlets and Corporation will complete the target of 2200 outlets by 31.3.2010.

The action plan for automation of the remaining outlets selling less than 200 KL per month is as follows:

OMCs have discussed this issue and it has been provided in the Vision 2015 document that automation of outlets selling more than 100 KL per month will be taken up initially. The tentative plan drawn up by BPCL is as follows:

2010-11	2011-12	2012-13	2013-14	2014-15
300	400	400	800	900

HPCL

HPCL have 1530 retail outlets selling more than 200 KL per month as of 31.032007. HPCL have completed automation of 1683 outlets as of June 2010. Corporation have planned for Retail Automation of another 300 retail outlets selling more than 200 KL per month during financial year 2010-11.

MINISTRY OF PETROLEUM AND NATURAL GAS
OM. NO. G- 25015/6/2009-Fin-I dated 15th March, 2010

New Delhi;
25 August, 2010
03 *Bhadrapada*,1932 (Saka)

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

Annexure-I

MINUTES

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

TWELFTH SITTING

(20.08.2010)

The Committee sat on Friday, the 20th August, 2010 from 1500 hrs. to 1530 hrs. in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Dr. Ratna De
3 Shri Mukesh B. Gadhvi
4 Shri Gorakh Prasad Jaiswal
5 Shri Virendra Kumar
6 Shri Vikrambhai A. Madam
7 Dr. Thokchom Meinya
8 Shri Mahabal Mishra
9 Shri Kabindra Purkayastha
10 Shri C.L. Ruala
11 Shri Om Prakash Yadav

<u>Secretariat</u>

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.

3. The Committee then took up for consideration the following two draft Reports:-

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

(ii) Action Taken by the Government on the recommendations contained in the 1st Report of the Committee (15th LS) on 'Demands for Grants (2009-10)' of Ministry of Petroleum and Natural Gas.

4. After some discussions, the draft Reports were adopted by the Committee without any modification.

5. The Committee authorised the Chairman to finalise the Reports in the light of consequential changes, if any, arising out of the factual verification of the Reports by the Ministry and present the same to both Houses of Parliament.

The Committee then adjourned.

** Matter not related to the subject

Annexure II

(*Vide* Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FIRST REPORT (FIFTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2009-10) ON 'DEMANDS FOR GRANTS (2009-10) OF THE MINISTRY OF PETROLEUM AND NATURAL GAS'.

I	Total No. of Recommendations	29
II	Recommendations/Observations which have been accepted by the Government (*Vide* Recommendations at Sl. Nos. 1, 6, 7, 9, 12, 14, 15, 16, 17, 19, 21, 22, 24, 26 and 28)	15
	Percentage to Total	52%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's Reply (Vide Recommendations at Sl. Nos. 10, 13 and 18)	3
	Percentage of Total	10%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (*Vide* Recommendations at Sl. Nos. 5, 8, 11, 23 and 29)	5
	Percentage of Total	17%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (*Vide* Recommendations at Sl. Nos. 2, 3, 4, 20, 25 and 27)	6
	Percentage of Total	21%