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STANDING COMMITTEE ON PETROLEUM & NATURAL GAS

(2013-14)

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2013-14)

[Action Taken by the Government on the recommendations contained in the Sixteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2012-13)]

TWENTY FIRST REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2013/ Agrahayana,1935 (Saka)

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Presented to Lok Sabha on 10.12.2013

Laid in Rajya Sabha on 10.12.2013

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REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the Recommendations contained in the Sixteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2012-13) on 'Demands for Grants (2013-14) of the Ministry of Petroleum and Natural Gas', which was presented to Lok Sabha on 23.04.2013.

2. Action Taken Notes have been received from the Government in respect of all the 31 Recommendations /Observations contained in the Report. These have been categorized as follows:-

(i) Recommendations/Observations that have been accepted by the Government: SI. Nos. 7,8,9,10,13,14,15,17,18,19,20,21,22,24,25,26,27,28, 29,30 (Total 20)

(Chapter- II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies SI. Nos.- Nil

(Chapter-III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- SI. No. 1,2,3,4,5,6,11,12,23,31 and (Total 10)

(Chapter-IV)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited: - SI. Nos. 16 (Total 1)

(Chapter-V)

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

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

Recommendation No. 1

Plan and Non-Plan Schemes of MoP&NG

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

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

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

6. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

"1. Fund outgo for the Existing Plan Schemes

A. ISPRL :

In the Annual Plan for 2012-13, a token amount of Rs.1 crore was shown against "Strategic Storage Programme for Storage of Crude Oil" for filling of the crude oil. For filling the Strategic Reserves being constructed at 3 locations, i.e. Vishakhapatnam, Mangalore and Padur, an amount of over Rs.23,500 crores is required during a period of four years, starting from the time the first cavern facility at Visakhapatnam is ready.

The physical and financial progress at the three locations as on 31.3.2013 is given in the table below:

	Cumulative Physical Progress		Cumulative Financial Progress* (Rs Cr)	
	Target	Actual	Target	Actual
Visakhapatnam	100	92*1	997.99	873.24*1
Mangalore	72.9	77.7	559.43	607.95
Padur	74.9	77.1	818.84	842.03

*1 Shortfall because of the poor geology encountered in one of the cavern galleries

Since the first cavern at Vishakhapatnam is yet to be physically completed, therefore it was not possible to use any plan fund, that was earmarked for filling up of crude. This cavern is likely to be completed during the current financial year. At that time, request will be made to Ministry of Finance for additional allocation. The next cavern is due for completion only in 2014-15.

B. RGIPT :

The fund outgo in respect of RGIPT was affected during 2012-13 due to the failure of the Contractor to achieve progress in Civil Structural work at Jais as per the agreed schedule. Further, despite committing to catch-up plans to clear the backlog and despite follow up made by EIL, there was no significant improvement in performance at site and the Contractor failed to complete the work even within the revised time schedule. Now, action has been taken by RGIPT to invite fresh tender for completion of the works.

C. SCHEME FOR LPG CONNECTION TO BPL FAMILIES :

This scheme is being funded through CSR funds of oil CPSUs. It has been decided not to utilize Plan funds for this purpose.

Use of Ethanol Blended Petrol :

1. The Government has decided that 5% mandatory ethanol blending with petrol should be implemented across the country (excluding North-Eastern States, J&K, Andaman & Nicobar and Lakshadweep) by October, 2013. Ethanol would be sourced only from domestic producers and not through imports.

2. OMCs have already contracted about 40 crore liters of ethanol from domestic producers for supply during 2013-14. Further tenders are also proposed to be issued.

Conservation of Oil and Gas

1. MoPNG had set up the Petroleum Conservation Research Association (PCRA) as a registered society in 1978 to promote conservation of petroleum products in major sectors of the economy like transport, industry, households and agriculture through direct technical assistance, R&D educational and training programmes and mass awareness campaigns. PCRA's activities cover conservation of all energy sources, promotion of energy efficient equipment and additives, popularizing alternative fuels, environment protection etc.
2. PCRA helps the government in finalizing policies and strategies for petroleum conservation, aimed at reducing excessive dependence of the country on oil and gas. Funds for PCRA are provided by OIDB and hence no allocation of plan funds has been made.

PNG COVERAGE OF THE ECONOMICALLY WEAKER STRATA OF SOCIETY

As regards PNG coverage of the economically weaker strata of society, PNGRB grants authorization for development of city gas networks through bidding process under the provisions of the PNGRB Act, 2006 and the Regulations notified thereunder. The authorized entities supply PNG as part of the CGD network development in the respective authorized geographical areas.

7. The Committee note that the action taken reply of the Ministry is silent on the specific recommendation of the Committee for launch of more plan schemes and for regular monitoring of the progress achieved in existing schemes. The Committee are not convinced with the reasons furnished by the Ministry for nil fund outgo in the existing plan schemes namely ISPRL, RGIPT and the scheme for LPG connections to BPL families and feel that the primary reasons for this were lack of monitoring and timely intervention by Ministry/PSUs.

Since the MoPNG has hardly any plan scheme worth its name covering economically weaker sections of society, the Committee reiterate their earlier recommendation and strongly urge the Ministry to take initiative for launch of more plan schemes by formulating programmes to expand the reach of cleaner fuels like CNG and PNG to rural areas as it will be the right step in the direction of inclusive development of the country and desire that the Ministry should seek plan funds for the schemes.

Recommendation No. 2

Rajiv Gandhi Institute of Petroleum Technology

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

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

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

9. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

> "The main reasons for the delay in construction of RGIPT Campus at Jais and consequently not being able to complete the same within the 11th Plan period are as follows:
>
> a) In view of the very slow progress and continual delay in acquisition of the required land (95 acres), by UPSIDC, RGIPT was not able to start the campus construction work as per the Master Plan.
>
> b) Work on the Jais campus was then taken up in the available 47.8 acres of plot of land and the contract for Civil Structural work was awarded in June 2010. However, the Contractor failed to achieve the work progress as per the agreed schedule.

Though the Contractor submitted successive catch-up plans and even agreed to complete 6 buildings on priority basis, their performance at site did not improve. Hence, it was decided to offload the balance un-executed work and float a fresh tender. Meanwhile, the contractor served Arbitration notice and started litigation in Court. RGIPT, in order to recover the penalty and pursue other claims as per the contract has been contesting the case and the Arbitration process. This development would affect the timeline of the project; however, necessary action is on-hand by EIL and RGIPT to complete the campus buildings expeditiously. The time frame will be fixed after the new contract is finalized".

10. The Committee had recommended that the RGIPT project which has been inordinately delayed due to poor performance of the contractor be monitored closely by the Ministry and the consultant EIL to ensure that the revised deadline of June 2014 for completion of six buildings of the project is strictly adhered to. The Committee are however constrained to note from the Action Taken Reply that due to the contractor not been able to improve the performance, a fresh tender is being floated which would further delay the project as a fresh timeline will be fixed after the new contract is finalized. While expressing their strong disapproval at the repeated shifting of the deadline for completion of this prestigious project, the Committee recommend that its completion should be given top priority and all out efforts be made for early completion and under no circumstances, the project be delayed beyond June 2014. The Committee further urge the Ministry that action must be initiated for completion of the remaining 13 buildings expeditiously within a definite time frame while the work related to the six priority buildings goes on.

Recommendation No. 3

LPG scheme for BPL families

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

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

The Committee also note that the implementation of the scheme is dependent upon the actual commissioning of RGGLVY distributorship. So far against a target of 5578 RGGLVYs, only 1740 have been commissioned and selection is in progress for the rest. The Committee express dismay over the lack of initiative for progress of scheme and henceforth desire that the Ministry should pursue the implementation of the scheme in a time bound manner and fix responsibility in case of delays. While emphasizing the early commissioning of remaining RGGLVYs. The Committee would recommend the implementation of the scheme through existing distributors as well so that the scheme take off smoothly in areas wherever the RGGLVs commissioning has not taken place.

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

12. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

"<u>LPG scheme for BPL families :</u>

A scheme for providing one time grant to BPL families in the rural areas for release of new domestic LPG connection under Rajiv Gandhi Gramin LPG Vitaran Yojana (RGGLVY) is in operation. As per the scheme, the security deposit for the domestic LPG cylinder and pressure regulator is paid from a fund created through contributions from the Corporate Social Responsibility (CSR) funds of ONGC, OIL, GAIL, BPCL, HPCL and IOC.

Under the above mentioned scheme, the BPL card holder can register with the distributor for release of a new LPG connection. The same is sent by distributor to local administration for authentication. Intimation letters are sent to the BPL card holders after receipt of authenticated list from local administration.

Apart from the above, in recent past, Delhi Government has announced a scheme called ‘Kerosene Free Dilli” to make NCT Delhi Kerosene free. New domestic LPG connections are issued free of cost to BPL / AAY & JRC Card holders of Delhi who were getting PDS Kerosene. In case of BPL/AAY Card holders, 50% of Security deposit of Cylinder & Pressure Regulator is borne by Delhi Government, remaining 50% is met by OMCs through CSR Fund. For JRC(Jhuggi Resettlement Colonies), entire amount of Security deposit Cylinder & Pressure Regulator is borne by Delhi Government. In addition a 2 Burner Hotplate, Suraksha Hose, DGCC Book & Installation Charges are also provided by the Delhi Government to the beneficiaries under this scheme.

As on 01.04.2013, total 2,54,773 nos. of new LPG connections (including 71410 nos of connections under Kerosene Free Dilli Scheme) have been released to BPL families under the scheme by the OMCs and a sum of Rs.32.94 Crores has been spent in providing one time grant to BPL families.

Release of connections under the CSR scheme is gaining pace with commissioning of more nos. of RGGLVs by OMCs. As on 01.04.13, 2055 nos. of RGGLVs have been commissioned by OMCs and have targeted issuance of 1637 number of LoIs for commissioning of RGGLVs during the year 2013-14. Number of LPG connections issued to BPL families through CSR is expected to rise with commissioning of these RGGLVs.

In implementation of the CSR scheme, generally there is delay on part of the local administration in authenticating the lists submitted by the distributor. OMCs vigorously pursue for authentication of the lists by local administration to speed up the process of release of connection to BPL families.

Instructions are being issued to OMCs to undertake wider publicity of the scheme in various media in pursuance of the suggestions of the committee.

Moreover, OMCs are taking following steps to popularize the scheme :-

(i) RGGLVs have already been instructed to distribute leaflets, display posters etc and put up notice board at the distributorships to spread awareness regarding the CSR scheme.

(ii) At the time to commissioning, training is being imparted to RGGLVs on the procedure to be followed for enrolling BPL customers against CSR fund. "

13. The Committee note that the scheme for LPG connections to BPL families is being funded through the CSR funds of oil PSUs and as on 1.4.2013, a total of 2.5 lakh LPG connections have been released to BPL families under the scheme against the target of 70 lakh BPL families. The Committee express their displeasure over the slow progress and feel that in order to have desired focus for this scheme having large requirement of funds, it should be implemented by the Central Government rather than OMCs. Since the scheme is getting delayed due to various procedural

issues e.g. authentication of BPL list by the state/local authorities, the Committee feel that the Ministry can handle such issues more effectively by coordinating with various agencies involved to achieve speedy implementation. Since a major portion of the BPL population remains to be covered by the scheme, the Committee reiterate that the Ministry should be proactive with the State Government and Local authorities and sensitize them to give early authentication of the list of BPL families.

The Committee have also observed that the scheme is being implemented through the RGGLVY distributorships only. Since the RGGLVY network is not present uniformly across the country, many deserving individuals/families are being denied the benefit under the scheme. The Committee, therefore, emphasize that the scheme must be implemented through Regular LPG distributorships also.

Recommendation No. 4

Direct Transfer of Cash Subsidies

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

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

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

15. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

> "Ensuring access to and usage of quality financial services by all strata of the society, particularly the poor and those living in the rural areas, is an important priority of the Government of India. The objective of Financial Inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making financing available to the poor in particular.
>
> 2. As per Census 2011, 58.7% households are availing banking services in the country. This is a quantum jump from the earlier Census figures of 2001 where only 35.5% of the households were reported to be availing banking services in the country. There are 102,343 branches of Scheduled Commercial Banks (SCBs) in the country as on 31st March 2013, out of which 37,953 (37%) bank branches are in the rural areas and 27,219 (26%) in semi-urban areas, constituting 63 per cent of the total numbers of branches in semi-urban and ruralareas of the country. However, a significant proportion of the households, especially in rural areas, are still outside the formal fold of the banking system. To extend the reach of banking to those outside the formal banking system, Government and Reserve Bank of India (RBI) are taking various initiatives from time to time.
>
> 3. Under the Financial Inclusion Campaign - "Swabhimaan", to extend banking services to habitations of 2000 or more population, banks have extended banking services to over 74,000 such habitations, primarily through Business Correspondent Agents (BCAs). BCAs have been engaged by Banks at other locations, both in rural and urban areas, as well.
>
> 4. Banks have now also been advised to ensure extension of banking facilities in the uncovered areas through Business Correspondent Agents (BCAs) / Common Service Centres (CSCs) on priority in all the districts identified for the Direct Benefit Transfer Scheme.
>
> 5. Reserve Bank of India (RBI) with the objective of increasing penetration and financial inclusion rapidly, had advised banks in July 2011 that while preparing their

Annual Branch Expansion Plan (ABEP), they should allocate at least 25 per cent of total number of branches proposed to be opened during the year in unbanked rural (Tier 5 and Tier 6) (population upto 9999) centres. To facilitate speedier branch expansion in unbanked rural centres for ensuring seamless roll out of Direct Benefit Transfer Scheme of the Government of India, scheduled commercial banks have now been advised by RBI in May, 2013 that they may consider front loading (prioritizing) the opening of branches in unbanked rural centres over a 3 years cycle co-terminus with their Financial Inclusion Plan (2013-16).

6. The Unique Identification Authority of India (UIDAI) so far has issued Aadhaar card to 35 crore residents of India. The Ministry of Petroleum and Natural Gas is the implementing Ministry for Direct Benefit Transfer of LPG Scheme. It takes take necessary steps for mobilisation of LPF consumers for enrolment, Aadhaar seeding with LPG as well as with Banks. As per the reports, the percentage of Aadhaar generated in the 20 districts is 90.9%.

7. The steps taken by UIDAI to facilitate DBT are as follows.

(i) Fast tracking of enrolment and Aadhaar generation for beneficiaries in Pilot Districts.
(ii) On-line monitoring portal for enrolment.
(iii) Remote Aadhaar Seeding Framework (RASF) deployment.
(iv) E-Aadhaar facility.
(v) EID/UID mapping facility.

16. The Committee note that the Ministry of Finance has launched "Swabhiman" campaign to extend banking services in all the identified districts on priority for implementation of the Direct Benefit Transfer Scheme. Though action has been initiated by Ministry of Finance and UIDAI, the Committee are concerned to note that the complete coverage of entire population by banking services and Aadhaar numbers will take time to be achieved. The Committee desire that the Ministry of Petroleum and Natural Gas should direct OMCs for carrying out the seeding of bank account and Aadhaar number details in their customer database at a faster pace.

The Committee are concerned that without ensuring complete financial inclusion and issue of Aadhaar cards to entire population, implementation of the scheme may lead to exclusion of deserving individuals/families from subsidy domain. The Committee are of firm opinion that instead of completely switching over to the direct benefit transfer scheme (DBTL) as the only mode for availing LPG subsidy, the Ministry should make the DBTL scheme voluntary and prevailing system of transfer of LPG subsidy should be continued until the financial inclusion

and Aadhaar card coverage of major chunk of population is completed. The Committee, therefore, reiterate their earlier recommendation that any step taken towards implementation of the scheme should not deny the benefits of LPG subsidy to any individual/family unit.

Recommendation No. 5

Under-recoveries of Petroleum Products

17. The Committee in their recommendation had inter-alia stated that dual pricing of diesel has been introduced by OMCs to bulk consumers. This will entitle OMCs to sell diesel to bulk consumers at a non-subsidized market determined price. The Committee further note that 17.8% of the diesel was sold directly to large consumer segments like Defence, Railways, State Transport Undertaking, Power, Cement Manufactures etc. The Committee are of the view that the decision to sell higher priced diesel to Railways & STUs will have adverse effect on these agencies and consumers. Therefore, the Committee recommend that these two segments may be exempted from dual pricing of diesel.

18. The Ministry of Petroleum and Natural Gas submitted following reply to the above recommendation:

> "As regards the exemption from dual pricing of Diesel to Railways and STUs, it is mentioned that in order to reduce under recovery of the Public Sector Oil Marketing Companies (OMCs), the Government on 17th January, 2013 authorized the OMCs to (a) increase the retail selling price of Diesel in the range of 40 paisa to 50 paisa per litre per month (excluding VAT as applicable in different State/Union Territories) until further orders; and (b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price effective 18th January, 2013. The Government has received representations from various State Governments highlighting the difficulties being faced by the STUs on purchase of Diesel at non-subsidized market determined price. However, it is within the domain of the State Governments to provide appropriate relief to the STUs.

19. The Committee had inter-alia recommended that Railways and State Transport Undertakings (STUs) may be exempted from dual-pricing of diesel. The Committee have been informed that representations have been received from various State Governments highlighting the difficulties being faced by the STUs on purchase of Diesel at non-subsidized market determined price. However, the Ministry has stated that the issue of providing appropriate relief to STUs falls within the domain of the State Governments. The Committee deplore the attempt made by the Ministry to mislead the Committee as the decision to implement the Dual Pricing of Diesel was

taken by the Ministry/Central Government and State Governments do not have any role in this regard. The Committee, therefore, reiterate their earlier recommendation for exemption of Railways and State Transport Undertakings from dual-pricing of diesel and urge the Government to take urgent action in order to avoid any adverse effect on the public at large.

Recommendation No. 6

Supply of subsidized domestic LPG cylinders

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

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

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

21. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

> "KYC form was designed to ensure that standardised information is collected from all LPG consumers. The form is mandatory for all new connections. In so far as old connections are concerned, it is felt that the KYC compliance will have to be done in a phased manner due to the delays/ queing/ law and order problems in case all the consumers are asked to submit the form at once. Thus, the KYC drive was first limited to suspect duplicate customers.
>
> The KYC collection drive for suspect duplicate 2.56 crore customers commenced in September 2012 and was brought to a close on 31st December

2012. On an average 6000 distributors collected 1500 KYCs each during the period. Even during this limited exercise of KYC, following difficulties were faced :-

- As the KYC, Proof of Identity (PoI) and Proof of Address (PoA) verification at the LPG distributorship was a time consuming process, customer queues were witnessed, leading to occasional law and order problems.
- For just the 15% KYCs that were collected during the period, the process took around 4-5 months time, thus a full scale operation would have to be spread out in terms of time.
- Some of the State Governments requested to extend the period of collection and even not to pursue the KYC formalities due to local problems/ representations.

In view of the above experience, it is expected that a full fledged KYC exercise can only be completed in a phased manner. KYC is anyway being insisted for all new connections. Detection of suspect duplicate/ ghost connections is an ongoing exercise and currently KYC is being done for these connections.

In so far as bank account is concerned, it has been included as an optional field in KYC. During Mysore pilot of Direct Benefit Transfer (DBTL) the customers were asked to provide bank account details. OMC experience suggests that most customers did not provide the same as they deemed it to be sensitive financial information and were not willing to part with it to the LPG distributors. Aadhar is also a field in the KYC form but cannot be made mandatory at this stage due to low penetration in many parts of the Country.

The DBTL scheme (Direct Benefit Transfer for LPG scheme) has already been launched in 18 districts on 01.06.2013."

Ministry of Petroleum & Natural Gas
O.M. No. G-25015/3/2013-Fin.I Dated 23rd July, 2013

22. The Committee had recommended that the Ministry/OMCs should ensure that the KYC norms are implemented for the existing customers also alongwith the new connections within the next one year and the database should be purified so as to reflect the real customers accurately.

The Committee note that the KYC exercise on suspect duplicate 2.56 crore connections resulted in blocking of 63.5 lakh connections i.e. almost one-fourth of the total suspect connections. However, the Committee have been informed that many difficulties are being faced in the implementation of KYC such as long customer queues, law and order problems, requests by State Governments to discontinue the KYC exercise due to local problems/representations etc. and hence a full-fledged KYC exercise can be completed in a phased manner only.

Since the KYC exercise can effectively reduce the leakage of subsidy, the Committee desire that the OMCs/Ministry should make concerted efforts in coordination with State Governments to overcome the above stated difficulties in implementation of KYC and complete this activity in a time bound manner.

Recommendation No. 11

Shortfall in drilling targets

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

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

24. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

"ONGC

ONGC is carrying out exploratory drilling in its awarded blocks adhering to PSC stipulations to meet the MWP commitments of drilling. With exploratory efforts spreading towards complex areas of deepwaters and with targeting of deeper-high temperature-high pressure plays, the associated risk of drilling complications are encountered from time to time, resulting in drilling delays.

The shortfall in exploratory targets in terms of number of wells completed against the target can be attributed to many reasons.

One of the main technical reasons is down-hole well complications. To overcome down-hole complications, more and more state-of-art technologies are being used in ONGC. The use of synthetic oil base mud systems (SOBM) and other high tech mud systems are being introduced to drill exploratory wells. In addition to above ONGC has started using latest technologies like MWD/LWD, independent drive system, top drive system, use of high performance advanced technology bit on consignment basis etc. Rigs are also periodically subjected to refurbishment & upgradation wherein all statutory requirements are complied with and this reduces repair time considerably which is another factor for loss of valuable rig months leading to shortfall in achieving target.

Sectoral Drilling Heads regularly co-ordinate with Assets/ Basins for timely availability of ready sites, locations and statutory clearances. Putting these together, constitutes a key factor responsible for shortfall in exploratory well drilling target.

In addition to this, deep wells which are more prone to down hole complications are being religiously monitored round the clock by senior officers and also advice of Institute of Drilling Technology (IDT) is sought for liquidation of complications as and when required

OIL

Shortfall in drilling targets :

As far as Oil India Limited (OIL) is concerned, OIL's drilling plan during the year 2011-12 was affected due to various reasons shown under :

States	No. of Wells	
	Target	Actual
Exploratory :		
Assam	19	14
NEF Project	6	-
Rajasthan	8	2
KG Basin	1	2
Gabon	1	1
Development :		
Assam	31	22
Rajasthan	3	-

Reasons :

Assam :

- Frequent bandh and blockades in fields disrupted / slowed down the drilling preparatory work.
- Land acquisition is a prolonged process with number of social resistances which led to delay in acquisition process.

NEF Project :

- Drilling plan in the 3rd location at Amguri delayed due to expiry of PEL.
- One Loc. In Dibrugarh Block is found to be Elephant Corridor in Reserve forest area – permission declined by Forest Authority, Assam.
- Logistically difficult area of Karbi Anglong & Mizoram delayed exploration progress in 2011-12.

Rajasthan :

- Prospectivity of the exploration Block (RJ-ONN-2004/3) reassessed and decided to relinquish and plan got upset.
- The only rig got engaged in exploratory work in priority NELP Block and development plan suffered.

KG Basin :

- Location preparatory work got delayed due to difficult logistics.

OIL is making all out sincere efforts towards fulfilling the Minimum Work Programme (MWP) assigned to it. Out of the 14 NELP (3 blocks under relinquishment process) blocks under its operation currently, most of the Seismic Data Acquisition MWP commitments have been completed and preparation for drilling of wells in the current and coming few years (depending on block validity period) is going on. For the three NELP IX blocks, preliminary activities are currently undertaken.

In OIL operated NELP blocks upto NELP VIII, most of the Seismic Data Acquisition MWP commitments have been completed and preparation for drilling of wells in the current and coming few years is going on. For the three NELP IX blocks, preliminary activities are currently undertaken.

DGH

Under the Production Sharing Contract (PSC) regime, the reasons for non-completion of Minimum Work Programme (MWP) by ONGC & OIL are due to reasons like drilling difficulties on account of geographical conditions / logistics or geological problems or non-availability of required permissions or clearances by the Govt. agencies like MOD, MOEF, DRDO, SEZ etc.

Under the PSC regime, all the operators, including National Oil Companies (NOC) viz ONGC and OIL, endeavor to complete at least the Minimum Work Programme (MWP). Despite the challenges, it is the persistent effort on part of MoPNG/DGH to persuade the operators to complete at least the MWP. Further, the contractors are required to complete the MWP in the awarded blocks within the timelines specified in the PSC and in accordance with extant Government policies/guidelines on extension. Penalties are payable, based on the PSC provisions and other guidelines, in case of non-fulfillment of MWP".

25. Considering the shortfall in the drilling targets, the Committee had recommended the Ministry for taking necessary steps to ensure that the National upstream companies abide by their exploration targets and the Minimum Work Programme (MWP) assigned to them.

The Committee note from the action taken reply that the under-achievement in drilling targets and MWP of ONGC and OIL is mainly due to difficulties faced on the account of geographical conditions/non-availability of required permissions and clearances by the Ministry of Defence, Ministry of Environment and Forests, DRDO etc. The Committee, therefore, recommend that the Ministry/ONGC/OIL should rigorously pursue the matter of obtaining permissions/clearances from the concerned authorities to seek early action for timely achievements of exploration targets.

Recommendation No. 12

Rigs availability

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

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

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

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

27. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

"ONGC

The process of acquisition of drilling rigs both for Onshore and offshore is under process.

In Onshore, LOI has already been placed on M/s BHEL for supply of 6 nos of 2000 HP, VFD rigs. The first rig is expected to be delivered by July, 2013 followed by one rig after each month. The process for acquisition of another 5 nos of 1000 HP mobile rigs is under progress.

Also, in offshore, action for construction of 4 nos of Jack-Up rigs is in progress.

All efforts have been made to reduce rig idle time owing to various reasons to bare minimum thereby increasing rig utilization time.

CH rigs responsible for rig idle time are suitably penalized to discourage such idle time.

OIL

Rigs Availability :

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

Rigs Deployment	Area of Operation	No. of Rigs		Total No. of Rigs
		Owned	Hired	
Drilling	Assam + Arunachal Pradesh	11	5	16

(ii) As far as Oil India Limited (OIL) is concerned, OIL's current drilling operations in its traditional basin of Assam and Arunachal Pradesh (AP) are optimally managed by the fleet of existing 16 nos. drilling rigs (11 nos. in-house + 5 no. Charter hired). OIL is at present, in the process of procuring 2 nos. new in-house drilling rigs as replacement of old vintage retired rigs.

(iii) OIL has utilized In-House Rigs for Drilling in NELP Blocks located in Assam & AP, Mahanadi Basin & Rajasthan. However, for NELP operations outside Assam and AP, and other locations where moving In-House rigs is uneconomical, OIL used to charter hire drilling rig on as and when required basis as per procedures laid down in the Production Sharing Contracts.

(iv) For the drilling in the NELP VIII Cauvery Offshore block CY-OSN-2009/2, OIL is in regular discussion with M/s ONGC".

28. The Committee had observed that every year, huge expenditure was being incurred on hiring of charter rigs which could have been saved with the better coordination of national oil companies for efficient rig utilization. In its action taken reply, the MoPNG has stated that ONGC and OIL are in the process of buying own rigs and LoIs have already been placed in order to reduce the excessive expenditure incurred on hiring of charter hired rigs. However, the specific recommendation of the Committee to form a consortium for acquisition and utilization of rigs instead of hiring rigs from outside private agencies at exorbitant rates and imposition of penalty on the contractors for idling of rigs have not been addressed by the Ministry.

Therefore, the Committee reiterate their earlier recommendation and desire that the Public Sector Upstream Companies should coordinate for forming a consortium for rig utilization for exploratory programmes.

Recommendation No. 16

Reduction of output By KG D6 Block

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

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

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

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

30. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

"Performance of D1&D3 gas fields of KG-DWN-98/3 block is not as per the production profile envisaged in the MC approved Addendum to Initial Development Plan (AIDP).

In this regard, the Contractor was advised repeatedly to drill and put on stream more number of wells in the D1 & D3 fields, as per approved AIDP, so as to achieve the envisaged Gas production rate. In response to above, RIL has submitted the following:

- Substantial variance in Reservoir Behavior and Character has been observed vis-à-vis the prediction, and there seems to be reservoir constraints in achieving the gas production rates.
- Pressure decline is several times higher than originally envisaged.
- Early water production in some of the wells was not predicted in initial reservoir simulations, though overall field water production is small.
- Better than expected reservoir continuity / connectivity and uniform depletion throughout the reservoir with very high degree of interference in the producing wells. Good connectivity was not envisaged in the static model at FDP stage and therefore the provision for more wells was kept in the FDP to cater to this uncertainty.

Since, the Contractor failed to adhere to the approved AIDP in terms of drilling and putting on stream number of wells and the Gas Production rate, even after repeated reminders. GOI, in May 2012, had issued notice for proportionate disallowance of Cost of production facilities amounting to US $ 1.005 Billon. Subsequent to the above notice, RIL invoked arbitration for settlement of the dispute and appointed their arbitrator. Government of India also appointed its arbitrator. The matter is pending under arbitration.

The Contractor subsequently on 28.08.2012 had submitted Revised Field Development Plan (RFDP) for D1 & D3 fields for downward revision of reserves and the associated production profile. Clarifications have been sought from RIL, and the same are awaited.

Government of India in July, 2011 has approved the assignment of 30% of Participating Interest (PI) by Reliance Industries Limited (RIL) to BP Exploration (Alpha) Ltd in KG-DWN-98/3 block. Present PI of consortium partners in KG-DWN-98/3 block is as follows, RIL 60%, BPEAL: 30% and NIKO (NECO) 10 %. Subsequently, the Operator has submitted proposals relating to augmentation of gas from D1D3, MA and OFDP of four satellite gas fields and D-34 FDP.

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

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

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

31. Taking serious note of the fall in KG D6 production, the Committee had asked the Ministry to look into the reasons for the decline in production from the basin, for taking urgent steps to augment the falling natural gas production in the KG D6 block and for applying the provisions of PSC with the contractor in letter and spirit.

The Committee note from the reply of the Ministry, that though various steps had been initiated in accordance with approved Addendum to Initial Development Plan (AIDP) by the contractor such as drilling of more wells and revival of sick wells in D1,D3 and MA fields in the KG D6 block, the final outcome of these activities in terms of increase in gas production is still awaited. The Committee are further disappointed to note that the clarifications sought from RIL on the revised field development plan for D1 and D3 fields for downward revision of reserves and its associated production profile are still awaited and the penalty imposed on RIL amounting to US $ 1.005 billion has not yet been recovered due to the pendency of matter under arbitration.

The Committee take a serious view of the fact that the production of natural gas from KG D6 block has not been in tandem with prognosticated reserve potential and has fallen to such an extent that various sectors of the economy which were banking on the natural gas are suffering. Further, there is still ambiguity regarding the actual reasons for decline in production. Therefore, the Committee strongly recommend that the Ministry/DGH should seriously look into the reasons for decline in production and closely monitor the measures applied by the contractor for improvement of production from KG D6 block and the penalty provisions under the PSC should be strictly enforced on the contractor.

Recommendation No. 23

Delay in ONGC Petro Additions Ltd (OPaL)

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

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

33. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

I. "With the award of cracker unit in December 2008 and the downstream polymer units in June 2011, the completion schedule of OPaL was planned as October 2013. However, with the addition of Captive Power Plant Package, the schedule has been delayed to January 2014

II. C2-C3 Extraction Plant is mechanically complete along with the interim products off take arrangements since Feb 2011. The products were envisaged to be supplied to Oil Marketing companies(OMCs) and IPCL during the interim period i.e till OPaL comes on stream

III. However, the plant has not been commissioned due to non- allocation of domestic gas. The viability of C2+ extraction plant as well as that of the petrochemical complex of OPaL would be severely strained if the extracted C2+ component is to be replenished by buying LNG from international market. Accordingly, ONGC envisaged replenishment of LNG consumed in the extraction process through a SWAP mechanism in which it would supply the equivalent domestic gas from its marginal fields. However, gas allocation to ONGC for above SWAP has not been finalized due to EGoM Policy on allocation priority to various consumer sectors."

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34. The Committee have been informed that the OPaL project has not been commissioned due to non-availability of domestic gas to the project. It has further been stated that the viability of the C2+ extraction plant as well as the petrochemical plant of OPaL would be severely strained if LNG procured from international market is used. ONGC had envisaged replenishment of LNG for the plant through the SWAP mechanism for supply of domestic gas from its marginal fields; however, the gas allocation for above SWAP has not been finalized due to EGoM policy on gas allocation priority to various consumer sectors.

The Committee take a serious note that huge investments of Rs. 21,000 crore have been made without ensuring the source of supply of natural gas leading to uncertainty over its commissioning which points out lapses on the part of

ONGC/Ministry. The Committee, therefore, recommend that the Ministry should hold an enquiry for overlooking such an important aspect in the implementation of the project and fix responsibility accordingly. The Committee also recommend that the Ministry/ONGC should make a representation to EGoM for consideration of OPaL as a special case for allocation of domestic gas.

Recommendation No. 31

Release of Funds to OIDB

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

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

36. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

> "Oil Industry Development Act 1974 provides for levy and collection of cess, on the indigenous crude oil. The cess proceeds are to be utilized for development of oil industry either directly by Central Government or through OIDB. Since the inception of the Act, the OIDB has received an amount of Rs. 902.40 crores out of total proceeds of about Rs. 1.15 lakh crore up to 31.12.2012 collected by the Central Government. No cess has been transferred to OIDB since 1991-92.
>
> The other source of funds for OIDB is by way of interest earned on loans provided by it to oil Industries. The amount of cess (Rs. 902 crores) together with internal receipts generated as interest income has increase the corpus of OIDB to Rs. 10726 crores (Provisional) as on 31st March, 2013, the major part of which has been deployed as under:-

1. Loans to Oil industries Rs. 7725.48 crores.
2. Investment in ISPRL (against equity) Rs. 1969.27 crores.
   Rs. 374.40 crores advance against equity.
3. Equity in Biecco Lawrie Rs. 50.34 crores.
4. Fixed Assets Rs. 145.65 crores.

Thus there is very low liquidity with the OIDB which will affect lending capacity and ultimately reduce interest income which at present is the main source of funds. The major portion of the funds generated by OIDB (up to 31.03.2013) are utilized for :-

a. Cumulative release of grants in aid (from inception to 31.03.2013) to the tune of Rs. 1861.01 crores comprising of :
   i) Rs. 1398.36 crores Grants to Regular Grantee Institutes viz. CHT, DGH, PCRA, OISD and PPAC.
   ii) Rs. 229.59 crores for Research and Development and
   iii) Rs. 233.06 crores for other projects from 1974-75 to 31.03.2013
b. Cumulative payment of royalty Payment to State Governments– Rs. 405.20 cores (up to 31.03.2013)

The matter for transfer of annual Cess to OIDB was pursued with Ministry of Finance. Ministry of Finance has not yet agreed to the proposal of this Ministry for transfer of Cess collected to OIDB."

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37. The Committee have noted from the action taken reply of the Ministry that the matter for transfer of annual cess to OIDB was pursued with Ministry of Finance. However, MoF has not yet agreed to the proposal. The Committee further note that the cess collected by the Central Government is added to Consolidated Fund of India from which the parts of it can be transferred to OIDB for expansion of oil and gas sector after due appropriation by the Parliament as it may think fit. The Committee also note that Section 18 (1) of the OIDB Act stipulates for existence of the Oil Industry Development Fund, to be utilized for functioning of the board and its various activities such as rendering financial assistance to Oil Industry by way of loans and grants for activities such as prospecting, refining, processing, transportation, storage, handling and marketing of mineral oil etc. The Committee are, however, surprised to note that out of the total cess of about Rs.1.15 lakh crore collected upto 31.12.2012 by the Central Government, only Rs. 902.40 crore have been transferred to OIDB and since 1991-1992, no cess has been received by the OIDB. The Committee feel that such funds collected from the annual cess on Petroleum Products are totally allocated by the Ministry of Finance which is a clear

violation of OIDB Act in letter and spirit which should not continue. Also, the Ministry of Petroleum and Natural Gas is made to request for funds from MoF for the development of petroleum sector which is the main objective of OIDB Act. The Committee, therefore, recommend that the MoPNG should pursue the matter with Ministry of Finance for priority in allocation of more funds on regular basis to OIDB out of the cess collected by the Central Government for funding various activities of the Petroleum sector.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 7

Exclusion of higher income group from subsidy domain

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

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

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

REPLY

The feasibility of income based targeting has been evaluated and it is felt that there are several operational problems that are not easy to overcome.

The income data base of LPG customers is not available with OMCs and is difficult to collect in an authentic and voluntary manner. LPG connection is for a household but formal income assessment by IT department is for individuals. Thus any exercise to map individuals to a household and then further mapping to LPG connection would be very difficult in absence of common household identifier. For example, wife may have an LPG connection but not be an assessee while the husband may be an Income Tax assessee. Similarly, if more than one family member is receiving income; then it would be difficult to aggregate them and then map into household income. Further, PAN data may not be made available to OMCs. Electronic mapping of LPG data base & PAN database is also nearly impossible due to lack of common identifier. Further, income is dynamic and it will not be possible to update this regularly. The only alternative to PAN based income data could be to seek self declaration of income, but even that is fraught with lack of capacity at OMCs to verify such data, update it and enter it in a manner that it is not manipulated.

However, idea of targeted subsidy for the poor is laudable and was also part of the recommendation of the Task force headed by Chairman, UID. The DBTL scheme based on Aadhar has already been launched in 18 districts and is the first step towards achieving the goal of a targeted subsidy scheme.

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Recommendation No. 8

Exploration in Northern Area

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

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

REPLY

ONGC:

ONGC is carrying out exploration activities in acreages awarded to it as an operator in the Northern States of India. Presently, as on 01.04.2013, ONGC is holding only one nomination PEL (Kangra Mandi) in Himachal Pradesh State. ONGC is not having any acreage in Punjab and Jammu & Kashmir States.

During XII Plan Period, ONGC has planned to acquire 500 GLK 2D seismic data along with drilling of one exploratory well in the Himalayan Foothills PEL areas falling in the state of Himachal Pradesh.

Recently a deep exploratory well Kasauli-1 was drilled in the NELP Block HF-ONN-2001/1 in Nahan-Solan area in Himachal Pradesh which was dry and abandoned. Similarly, two exploratory wells, JMI-8 and JMI-9 drilled during 2009-10 and 2012-13 respectively, were found to be dry in Kangra-Mandi nomination PEL and one exploratory location R-JMI-A1 is available for drilling in 2014-15.

As far as exploratory activities carried out in Ganga Basin are concerned, it includes Aeromagnetic surveys (1,30,700 KM^2), Gravity-Magnetic surveys (76,000 stations), MT surveys (250 stations), 2D seismic survey(>41000 LKM), 3D seismic survey (263 SKM), Geochemical surveys (>15 nos.), Exploratory wells (15) and Structural wells (4). At present, exploration activities are going on in two NELP blocks, GV-ONN-2004/1 and GV-ONN-2005/3 in Ganga Basin.

It is pertinent to mention that in 2010 ONGC had put up a proposal to DGH for carrying out hydrocarbon exploration in Himalayan Foothills and Punjab Plains with envisaged work programme of 2D seismic API (1200 LKM), 2D seismic reprocessing (225 LKM) and one R&D well, with a request for consideration for award of 20,128 sq.km. area, falling in the states of Punjab and Jammu & Kashmir under special provision or OALP to carry out exploration for assessment and hydrocarbon evaluation of the identified area for a period of initially five years. ONGC would consider bidding or taking up exploration in these areas as and when blocks are offered by GoI either under NELP or under OALP.

DGH

DGH has conducted aero-magnetic surveys in Himalayan foreland (2003-05) and Punjab & foothills of Himalayas (2005-06).

The sedimentary basins identified in the states of Punjab, Himachal Pradesh and Jammu & Kashmir are classified under Category–III and IV basins where, Basins are having hydrocarbon shows that are considered geologically prospective, without known accumulation of hydrocarbons or commercial production as yet. Hydrocarbon exploration in these areas had been taken up by NOCs earlier and certain areas are yet to be proved as prospective.

Since the advent of New Exploration Licensing Policy (NELP), areas in these category basins have been time and again offered for bidding, but there has been lukewarm response from operators as they have not been proved prospective as of now. Additionally, some of the areas are in logistically difficult terrains for carrying out geophysical and other surveys.

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Recommendation No. 9

Exploration in Kerala-Konkan Basin

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

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

REPLY

ONGC

ONGC has acquired 127134 LKM of 2D, 8880 SKM of 3D seismic data till 01.04.2013 in Kerala-Konkan Basin.

During XI Plan Period (2007-2012), ONGC drilled two wells in shallow water and two wells in deep water areas and all the wells were proved to be dry. It has become imperative to revisit the available G&G data and reassess the prospectivity of the blocks available with it before going further drilling activity. ONGC is holding two deep water NELP acreages as operator. It acquired 80.8 SKM of 3D seismic data in deep water block KK-DWN-2005/2 during the month of March'13. ONGC is making all possible efforts to register exploratory success in Kerala- Konkan Offshore basin. Recently acquired seismic data is being assessed to evaluate the prospectivity of the blocks and to identify prospects for drilling.

As far as rationale for exploration activities by ONGC are concerned, it is carrying out exploration in Kerala-Konkan offshore since 1977. Based on G&G data, 660 MMtoePrognosticated resources have been estimated in Kerala-Konkan Basin. Initially, ONGC was targeting the Tertiary sediments with exception of a couple of wells probing Mesozoic sediments. Over the period, 15 exploratory wells were drilled by ONGC in this basin. However, commercial hydrocarbon strike has eluded in spite of a few wells like CSP-1 & KK-DW-A-1 giving hydrocarbon indications. Prospectivity of the Tertiary sediments was concluded as moderate to poor and higher for Mesozoic sediments as per regional studies conducted by ONGC and consultants. Basin architecture and configuration of Mesozoic sediments remains largely unknown and needs a thorough understanding before any hydrocarbon exploration is attempted for the region. Exploration in deeper Mesozoic has been inadequate till recent past, principally due to non-availability of suitable technology for sub-trappean seismic imaging. Recent use of state-of-art seismic technologies like “Over and Under” and “GXT” has shown improvement in imaging and have given indication of considerable thickness of Mesozoic sediments and existence of features which possibly can entrap hydrocarbons. Synthetic Aperture Radar (SAR) technology has also been recently used and the seepage data used to assess the possibility of hydrocarbon accumulations in Kerala-Konkan.

During the year 2012-13, ONGC has acquired 3041 LKM of 2D Seismic/SBN data in deep water block, KK-DWN-2002/2 and 371 SKM 3D seismic data in KK-DWN-2005/2 deep water block. ONGC has planned to drill one exploratory well during 2013-14.

DGH

Accessing the subsurface structures with geophysical methods can be time taking and prospect identification in Kerala-Konkan basin requires more expertise and experience and hence can take more time than anticipated. Though the basin has been explored to a substantial extent in the Tertiary section, several structural and stratigraphic plays are expected in the deeper Mesozoic section, based on the G&G evaluation of available seismic data. Efforts are on to probe these sections, which have now been believed to have good source rock presence. Detailed laboratory analysis of the samples and G& G studies are in progress.

Hence, DGH is of the view that this area is still prospective from the hydrocarbon view point and exploratory efforts should continue in this basin.

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Recommendation No. 10

Allocation of blocks rejected by CCEA

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

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

REPLY

Terms and conditions for NELP-X are yet to be finalized. The matter regarding minimum share to be offered by bidders to the Government of India will be examined for inclusion in the bidding round for NELP-X.

Blocks have been carved out for next bidding round NELP-X and inter-ministerial clearances are being sought. Out of the 11 blocks which were rejected earlier by CCEA during NELP-IX, 10 blocks which are rejected due to poor fiscal package offered by bidders will be reoffered under NELP-X, while the remaining 1 block has excessive urban areas and hence is not considered for offer.

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Recommendation No. 13

New Discoveries

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

REPLY

ONGC

As far as reduction in number of discoveries made by ONGC in nomination blocks is concerned, it is stated that the exploration activities were being carried out in nomination blocks for a longer period of time compared to NELP blocks. The discoveries in these blocks have resulted in part area of the blocks being converted to ML resulting in reduction of the area. Moreover, as the prospects were being discovered it was becoming more and more difficult to make discoveries. It is also to be stated that, as a result of entering into NELP regime, there was a gradual reduction in the number of nomination blocks which can be seen from the table below.

Summary of year-wise discoveries made by ONGC in nomination acreages

Year	No. of Nomination acreages	Discoveries in Nomination acreages
2008-09	79	24
2009-10	62	21
2010-11	40	19
2011-12	29	15
2012-13	16	13
Total		92

DGH

Under the Production Sharing Contract (PSC), MoPNG/DGH monitors the progress of exploration of NOC blocks through Management Committee (MC) and Technical Committee Meetings. As regards, nomination regime, DGH has been monitoring the Petroleum Exploration License (PEL) activities of NOCs.

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Recommendation No. 14

National Data Repository

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

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

REPLY

Actions have been taken by DGH/ MoPNG to appoint Engineers India Ltd. (EIL) as Project Management Consultant (PMC) for National Data Repository (NDR) project.

Finalization of NDR Tender is in progress. After due approval, a Global Open Tender to build, populate and operate NDR, on a turnkey basis, under two-bid system will be floated.

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Recommendation No. 15

Production of crude oil and natural gas

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

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

REPLY

ONGC

Reserves added through discoveries by ONGC has helped in arresting the decline and in increasing the production of oil and gas. ONGC has made 35 discoveries so far in NELP acreages and accreted 511.59 MMtoe In-Place Hydrocarbon Volume and 72.42 MMtoe Ultimate Reserves as on 01.04.2013. Production from NELP discoveries will commence adhering to PSC stipulations.

Majority of the recent discoveries by ONGC, in NELP as well as nomination blocks, are from deeper and more complex geological areas away from the existing fields/ infrastructure. The varying lead time of onland to offshore fields from discovery to production is because of the following reasons.

- The deepwater discoveries (primarily from NELP blocks) require firming up of minimum threshold volume of reserves and well deliverability for establishing infrastructure for production commencement. The appraisal programme is underway before firming up the field development plan.
- Some discoveries which cannot sustain independent development, needs to be tied-up with upcoming upside potential prospects.
- The exploitation of isolated structures/prospects, both onland and offshore, sometimes fall short of standalone durability of the profile.

- Development of new discoveries, if complex in nature, is initially in production cum assessment phases thereby exhibiting production buildup/maintenance in cycles, before embarking on full-fledged development scheme.
- A campaign by ONGC is already under implementation for production from marginal fields of Western Offshore through cluster development. These fields, once put on production, will help in augmenting production levels.

The development studies for preparing the exploitation of the recent discovery of oil in D-1 field in Western Offshore are ongoing on fast track. Meanwhile, suitable locations from existing available slots have also been studied with the objective of quick monetization of this discovery. Studies for working out production profile/projection of NELP blocks viz Vadatal, Nadiad, Aliabet have been undertaken which will be part of the development programme to be prepared for these blocks as per NELP timelines.

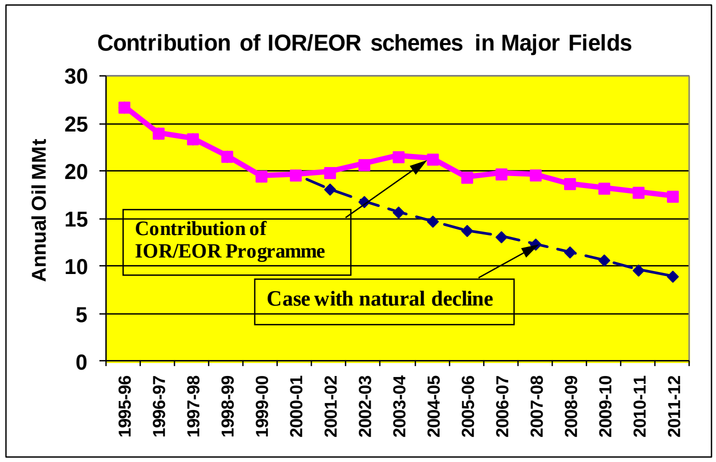
IOR/EOR projects executed by ONGC :

ONGC formulated Improved Oil Recovery (IOR) / Enhanced Oil Recovery (EOR) schemes in the year 2000-01 in its 15 major fields which have contributed about 75% of total oil production of ONGC in 2008-09. These fields are Mumbai High, Neelam and Heera in Western Offshore; Gandhar, Kalol, North Kadi, Sanand, Santhal, Balol, Sobhasan, Jotana and Lanwa in Western Onshore and Lakwa-Lakhmani, Geleki and Rudrasagar in Assam.

16 of the 24 IOR/EOR schemes have been completed. Presently eight schemes- Geleki, Rudrasagar, Lakwa-Lakhmani, MHN Redevelopment Ph-II, MHS Redevelopment Ph-II, HeeraS.Heera Redevelopment Ph-II, B-173A and development of Western Periphery of MH Southare in progress. Total incremental gain from IOR/EOR schemes till FY 13 is 79.94 MMT.

The fields mentioned above are mature/ brownfields which are on production for the last 15 to 30 years. The reason of decline in production in these fields is natural phenomenon as the fields are ageing. This process cannot be arrested completely but can be delayed through suitable corrective measures. The IOR/EOR schemes aimed in this direction have not only helped to arrest the declining trend of oil production, but also have led to augmentation in oil production.

The contribution of IOR/EOR schemes in augmenting oil production is depicted below:



Mumbai High being the giant field and the largest contributor to oil production has been covered through rolling development plans. Post completion of the IOR schemes in Mumbai High field, the second phase of Redevelopment plan (IOR-Phase-II) was formulated and the same is under implementation. Meanwhile the IOR phase-III is being formulated for Mumbai High field. Similarly, redevelopment plan has been formulated for Heera field including Panna pay and is approved for implementation.

ONGC Board has already approved various marginal field development projects to augment crude oil and natural gas production. Three projects namely development of D1 field, Vasai East and Vasai West (SB-11) projects have already been completed. Development of C-24 Cluster, B-46 Cluster, B-22 Cluster, B-193, Additional development of D-1 Field, Cluster-7, WO-16 Cluster, C-26 Cluster, B-127 Cluster, B-173A, BHE & BH-35, SB-14 and North Tapti fields in Western Offshore and integrated development of G-1 & GS-15 in Eastern Offshore are under various stages of implementation.

In addition to above, ONGC has taken/is taking various actions for maintaining/augmenting the crude oil and natural gas production. Apart from focus on artificial lift, additional perforation/re-perforation, work-over/stimulation of wells, efforts were/are planned for enhancing the oil/gas production.

Crude oil and natural Gas production during last 3 years is as given below:

	2010-11	2011-12	2012-13
Crude Oil (MMT)	24.419	23.712	22.562
Natural Gas (BCM)	23.095	23.316	23.549

Note: Production from ONGC operated fields.

OIL

Production of Crude Oil and Natural Gas :

i) As far as Oil India Limited (OIL) is concerned, the target and actual of production of crude oil and natural gas production by OIL during last three year are as under :

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

ii) OIL's domestic crude oil and natural gas production target for the next three years are as under :

	2013-14	2014-15	2015-16
Crude Oil Production (MMT)	3.85 (BE) /3.95 (MoU)	4.06	4.16
Natural Gas Production (BCM)	2.740 (BE/MoU)	4.00	4.10

iii) OIL's Reserve Replacement Ratio (RRR) under 2P category since last three (3) years are as under:

Year	Reserve Replacement Ratio (2P)
2009-10	**1.74**
2010-11	**1.50**
2011-12	**1.37**

iv) OIL's exploration and production efforts in North East :

Oil India Ltd (OIL) is continuing exploration activities in North-East (NE) mostly in mature and ageing fields, OIL has achieved an exploratory success ratio of about 65% all throughout. The major exploratory efforts has been put in logistically difficult and geologically complex and challenging areas in the NE and its areas of operation in NE India. A few of the major thrust on Exploration & Development activities in north-east includes exploring subtle and strati-structural plays, Improved Oil Recovery (IOR), Enhanced Oil Recovery (EOR), effective reservoir monitoring and tapping of attic oil etc. Petroleum System Modeling through the proper integration of Geological, Geophysical and Geochemical data and induction of new & advanced technologies are some other initiatives. The introduction of horizontal drilling, J-bend drilling, ERD and other technology intensive measures in the OIL,s operational areas in NE. are some of the significant efforts being made towards the sustainability of production.

v) OIL's participation in NELP:

OIL has participated in all the NELP bidding rounds upto the end of NELP – IX. So far, OIL has been awarded a total of 40 nos. NELP blocks since inception out of which 6 nos. blocks have been relinquished till date. Presently, OIL is pursuing exploratory work in the remaining 34 nos. blocks spread out in various states of the country out of which is OIL is operating in 14 nos. blocks and joint operator in 1 no. block. For the rest of the 19 blocks, OIL is non-operator and has participating interest ranging from 10% to 50 % with other consortium partners.

DGH

Under the Production Sharing Contract (PSC) regime, the crude oil production consists of production from small and medium sized fields awarded by Government of India (GOI) as well as production from new discoveries made in pre-NELP and New Exploration Licensing Policy (NELP) blocks/fields.

Crude oil production under PSC regime has increased from a level of 9.68 Million Metric Tons (MMT) in 2010-11 to 10.53 MMT in 2011-12 and to 11.64 MMT in 2012-13. The gas production was 26.77 BCM in 2010-11, 21.61 BCM in 2011-12 and 14.49 BCM in 2012-13, which has shown a declining trend.

Some of the fields are matured and ageing like Panna Mukta, Ravva, CB-OS/2, while some are small and marginal in nature, which do not have a good sustained plateau production and others have shown geological / reservoir surprises. Further, the production of crude oil and gas, being a natural resource, is dependent upon the size of oil reservoirs and its geological complexities. However, the contractors under PSC regime make all efforts to increase production from their areas of operation and improve the economic value of their assets.

The following steps are taken by the contractors under PSC regime to improve the crude oil production from the fields under their operations:

- Improved reservoir characterization
- Infill drilling and horizontal wells to tap bypassed oil
- Workover and stimulation of sick wells
- Water injection to maintain reservoir pressure

Further the performance of the fields under PSC regime is deliberated in Technical Committee Meetings (TCM) and Management Committee Meetings (MCM). Various suggestions are offered in these meetings for improvement of field performance. The decision of the contractor for technological or well inputs is taken by him, based on the techno-economic considerations.

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Recommendation No. 17

ONGC Videsh Ltd. (OVL)

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

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

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

<u>REPLY</u>

Currently, OVL has oil and gas production from 11 Assets in 9 countries, namely, Russia,Vietnam , Colombia, Sudan, South Sudan, Syria, Venezuela, Brazil and Azerbaijan. Actual oil and gas production was 7.26 MMTOE for the year 2012-13. There was deferment of oil and gas production to the tune of 1.43 MMTOE due to geo political condition in South Sudan and force majeure situation in Syria.

The suggestions made by the Committee have been noted. It is submitted that OVL is aware of the volatile nature of the oil prices and its impact on the acquisitions. For acquiring asset overseas, due diligence is carried out on all aspects of technical, commercial, Legal, tax & accounting parameters including political stability of the host country. While entering in a new country for the first time, clearance from MEA is always sought. Geopolitical risk is given due weightage in the valuations. The assets in the two countries referred to, viz. Syria and Sudan have performed exceedingly well Investment payback has already been achieved and the pay-back period has been shorter than envisaged at the time of approval. It is unfortunate that the two countries ran into geopolitical turmoil which could not have been foreseen at the time of acquisition.

The acquisition process followed in OVL is very stringent, strewn with a number of approval stage gates of internal approvals. OVL appoints various consultants such as technical, financial, legal and tax & accounting consultants who are firms of international repute, to advise on the acquisition. Before the investment is committed, the project is scrutinized by OVL's Project Appraisal Committee of the Board, OVL's Board, Empowered Committee of Secretaries where Secretaries of the Government of India participate and finally the Cabinet Committee on Economic Affairs. Recently, OVL has started the practice of 'zero based risk review (ZBRR)' wherein all significant risks are analyzed along with possible mitigating factors. However, it may be mentioned that things can go wrong or turn out differently in comparison to what was estimated earlier despite the best of due diligence in view of inherent nature of the E&P industry.

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Recommendation No. 18

LNG Terminals in India

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

The Committee have also noted that the PLL has entered into an agreement with the Australian Natural Gas Company GORGON for supply of 1.44 MMTPA at a rate of 14 to 15% of the FoB price of crude oil for the next 20 years.

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

REPLY

As of now, there are three LNG terminals operating in the country viz Dahej (PLL), Hazira (Shell) and Dabhol (RGPPL). The total R-LNG capacity of these terminals is 14.8 MMTPA. All the three terminals are well connected through pipeline networks, which have adequate capacity to evacuate complete RLNG from the respective terminal.

For the pipeline connectivity for evacuating gas from PLL's Kochi terminal, GAIL has already completed Phase-1 of the pipeline network in and around Kochi city ahead of the completion of RLNG terminal by PLL. However, for laying of the Phase-2 of the Kochi-Koottanad-Mangalore-Bangalore pipeline network, severe resistance is being faced by GAIL in the states of Tamil Nadu and Kerala for opening the Right of Usage (ROU). Despite having mobilised the contractors, heavy machines and equipment, the pipeline laying work is at stand still in the said states for last several months.

GAIL takes the following actions for ensuring forward linkages for transportation of R-LNG/NG to customers:

i) Mapping of all potential customers en-route any proposed Natural Gas pipeline in the Detailed Feasibility Report (DFR).
ii) During conceptualization stage of pipeline, Heads of Agreement/ MoU is executed with potential customers, based upon which the decision for laying of pipeline is taken.
iii) Majority of the potential customers considered as anchor load customers on the pipeline belong to Fertiliser and Power Sector and the execution of their projects depends on the policies of Government.
iv) During the pipeline construction phase, GAIL engages in discussions with the potential customers for executing of Gas Transportation Agreement (GTA) and/or Gas Sales Agreement (GSA).

The above actions by GAIL ensure higher utilization of pipeline capacity thereby preventing idling of infrastructure, especially in the initial ramp-up period.

PLL's Kochi terminal was proposed to be connected with three pipelines viz. Kochi-Managalore, Kochi-Bangalore and local network of Kochi area. Out of these only local network of Kochi pipeline is connected. Regarding the long term supply agreement of 1.44 MMTPA LNG entered into between PLL and Mobil Australia Resources Company Pty. Ltd. from Gorgon project in Australia, the entire volume has been sold by PLL on a back to back basis to the offtakers viz. GAIL, IOC and BPCL. The supply is likely to commence by 2015.

In view of the perceived possibility of gas prices coming under pressure, in respect of long term contracts for import of LNG based on crude oil linked basket such as JCC, GAIL has already started insisting on a possible price review clause while negotiating such LNG purchase contracts. The same has already been incorporated by GAIL in one of the contracts concluded recently. Further, in order to de-risk the price volatility, GAIL endeavours to create a diversified LNG supply portfolio with different price indices. GAIL's recent tie-up for import of LNG from USA are linked to the Henry Hub.

However, LNG market is still perceived as Sellers Market and hence the suppliers are reluctant to incorporate price revision provisions in their term sheet or draft agreement.

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Recommendation No. 19

Capacity Utilization of Gas Pipelines

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

The Committee note with the serious concern that the objective of laying gas pipeline is not fulfilled when the pipeline infrastructure is lying idle due to shortage of gas. Therefore, the Committee are of the view that while planning and laying of gas pipelines, the Ministry/GAIL should endavour to tie up for supply of natural gas for a particular pipeline or else investments of funds in these projects will not bring in favourable results.

The Committee would suggest GAIL to explore the possibility of supplying natural gas by import of LNG whenever the Capacity Utilization is low and future does not seem to be promising.

REPLY

PNGRB grants authorization for laying of natural gas pipelines through bidding process under the provisions of the PNGRB Act, 2006 and the Regulations notified thereunder. The entity bidding must have a credible plan for utilization of capacity in the proposed natural gas pipeline.

The capacity utilization of the Chhainsa-Jhajar-Hissar pipeline (based on the present P/L capacity) has improved to 15%, as against 1.91% earlier. Major consumers on the Chainsa- Jajjhar P/L were SEZ as planned by RIL at Gurgaon, Power plant by Tata Power at Hissar and a power plant at Jajjhar by Jindal group. However, these projects have not come up and, therefore, GAIL is now pursuing with new consumers along the Chainsa-Jhajjar Pipeline.

To bridge the gap between the decreasing domestic gas availability and the demand, GAIL has sourced LNG from international suppliers on spot, mid-term and long term basis.

To meet the shortfall of domestic gas to power plants in A.P., GAIL has supplied RLNG on spot basis through swapping mechanism which has helped the power producers in AP to meet the power requirement.

Though R-LNG could be made available on a continuous basis to meet the shortfall of domestic gas, price affordability by the consumers is an area of concern.

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<u>Recommendation No. 20</u>

<u>Diversion of APM Gas</u>

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

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

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

REPLY

To keep a check that APM gas at APM price is supplied to entitled customers, MoP&NG has issued directions/clarification to GAIL & NOCs as indicated below:

(i) Vide letter dated 27.06.2006, MoP&NG had clarified to GAIL that APM price would be applicable for only those quantities of gas which are used for generating electricity which is supplied to grid for distribution to the consumers through the public utilities/ licensed Distribution Companies. GAIL was also directed to charge market price for those quantities of APM gas which are being supplied by CGD entities to its Industrial & Commercial consumers.

(ii) Vide letter dated 10.07.2006, MoP&NG had directed GAIL to charge market price for such quantities of gas used by fertilizer plants for manufacturing of products other than fertilizers. From 01.01.2009 the same is being charged from fertilizer units. GAIL had also been directed to collect the details of such quantities of gas used by fertilizer plants for manufacturing of products other than fertilizer. Despite repeated follow up the data in this regard for the period 10.07.2006 to 31.12.2008 has not been provided by fertilizer units and the matter has been taken up with Department of Fertilizers. However, the requisite information is yet to be received.

As regards according high priority to the power sector in allocation of gas, the matter is being placed before the Empowered Group of Ministers for a decision.

Ministry of Petroleum & Natural Gas
O.M. No. G-25015/3/2013-Fin.I Dated 23rd July, 2013

Recommendation No. 21

Utilization of Budget Outlays by PSUs

The Committee notes that there is skewed utilization of budget outlays by various oil PSUs during the previous financial years. In some of the PSUs, there is huge variation in the budget estimates and the revised estimates and it is further observed that there is under-utilization of the revised budget estimates too.

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

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

REPLY

The Annual Plan of the oil and gas PSUs is finalised after a detailed discussion with concerned oil and gas PSUs on each of the new projects and the status of the ongoing projects. The projects are undertaken by the PSUs from their Internal & Extra Budgetary Resources (I&EBR). Ministry of Petroleum & Natural Gas is regularly monitoring the implementation of projects through regular review meetings. Companies are being advised to identify the major bottlenecks/impediments for time overrun and draw up catch-up Plans so that delays are arrested. The project Managers are to closely monitor achievements of targeted schedule for completion.

The Company-wise responses to the issues raised by the Committee are as follows:

BPCL :

The outlays for the revised estimates (RE) are worked out considering the progress of the projects during the year and the estimated expenditure likely to materialize by the end of the year. However, at times there is shortfall in expenditure on account of delay in receipt of material due to which the payments get postponed. Year-wise BE, RE and actual expenditure during 2010-11 to 2012-13 is as follows:

(Rs. in crore)

Year	Budget Estimate (BE)	Revised Estimate (RE)	Actual Expenditure
1. 2010-11	3022	2814	2283
2. 2011-12	2865	2199	1566
3. 2012-13	4479	3546	3937

In the case of project ‘Fuel quality upgradation at Mumbai refinery’, the project was completed and units commissioned in January 2010. A provision of Rs.33 crore (later revised to Rs. 20 crore) was made in the outlays for pending final bills of major contracts, residual payment against defect liability etc. However, the actual expenditure was lower than the provision made.

In the case of ‘Capacity Expansion cum Modernization project’ at Kochi refinery, the variation seen was on account of delay in receipt of critical equipment from BHEL. Besides, the project was completed at a lower cost due to lower financing charges, cenvat credits and savings. Further, additional land acquisition that was earlier envisaged while working out the estimates, could not be done during the period.

Due care is being exercised while preparing the budget estimates in a financial year, considering the revised estimates and expenditure materialized in the earlier year, to have outlays in line with the estimated expenditure.

Rigorous follow-up is also being maintained at the highest level for expediting receipt of goods at site where delay is observed. The progress of implementation of major projects is monitored by BPCL Board periodically. MOP&NG also reviews the progress of projects periodically and during the Quarterly Performance Review meetings.

HPCL :

Budget Estimates for Plan outlay on projects are prepared every year after thorough analysis and review of progress of ongoing plan projects as well as requirement for new plan projects during the year. Plan outlay on ongoing projects is estimated after considering the current status of the project and the estimated progress of the project in the Budget Year. Revised Estimates of expenditure on Plan projects are made, considering the current status of individual projects and the possible percentage of Project progress till the end of year. Year-wise BE, RE and actual expenditure during 2010-11 to 2012-13 is as follows :

(Rs. in crore)

Year		Budget Estimate (BE)	Revised Estimate (RE)	Actual Expenditure
1.	2010-11	3924	4685	3100
2.	2011-12	4003	2828	2585
3.	2012-13	3467	3354	2837

HPCL have methodical process of estimates of Plan outlay. However, due to factors beyond control, variations do occur in BE, RE & Actual expenditure. The major reasons for variation are due to:

- Delay in clearance from statutory bodies like PNGRB which has resulted in delay in commencement of the pipeline projects vis a vis originally planned. (Projects: Rewari-Kanpur Pipeline, Awa-Salawas Pipeline, Mangalore-Bangalore LPG Pipeline)
- Delay in getting land from Karnataka Industrial Areas Development Board (KIADB) and further delay in getting environmental clearance has delayed Green R&D Centre Project at Bangalore

- In case of Visakh/Ennore Terminal Projects, the change in scope of the project due to MB Lal Committee / New Oil India Safety Directorate (OISD) norm implementation which came into effect after BE stage necessitated revision estimate accordingly
- In case of Exploration & Production activity, HPCL is a non-operator with minor share. The expenditure is estimated based on envisaged work program by the Operator. However, the actual expenditure is incurred as per the cash calls basis actual physical progress made by the operator, which was affected by delay in getting Statutory and MOD clearances, shift in work program due to test flights as per requirements of MOD, weather windows, availability of rigs and agencies to execute the job. Also, in some cases the outcome of a work program of a particular stage may substantially affect the work program of subsequent stage.

- Delay in execution of Diesel Hydro-treater Projects at both Mumbai & Visakh Refineries was mainly due to delay by Lump Sum Turn Key Contractor (LSTK) Contractor and other major contractors.

As can be seen, the major reasons for variations are delay in approvals by statutory authorities which is beyond the control of Corporation. With respect to delay due to other reasons, steps have already been taken to prepare a Catch up Plan to expedite the projects. Also, expediting Meetings are held regularly with Project Management Committee (PMC) and top management of the contractors to speed up the work, to enhance the resources deployed in order to achieve the planned progress and thereby the utilisation of the capital outlay.

IOCL :

Indian Oil has made an expenditure of Rs.48654.78 crore in the 11th Plan period (2007-2012) against approved Budget of Rs.45430.28 crore. This was Rs.3224.50 crore more than the target & was 107.10 % of the original outlay. Year-wise BE, RE and actual expenditure during 2010-11 to 2012-13 is as follows:-

(Rs. in crore)

Year	Budget Estimate (BE)	Revised Estimate (RE)	Actual Expenditure
1. 2010-11	12825	12000	9831
2. 2011-12	14500	11000	11073
3. 2012-13	10000	10000	9378

Preparation of BE / RE is a structured, stringent exercise in Indian Oil. At the divisional level, Project wise / month wise details are made by analyzing all the major contracts / expenditures planned under various heads in the Project. For ongoing Projects Budget estimation is done based on contractual commitments, job in progress & completed jobs. For new projects, anticipation of the expected approval time, expenditure etc. is done for allotting the expenditure required in pre - project stages.

Pursuant to the above, the proposed expenditure is further checked at the corporate level before the management approval of the budget.

The approval process is also multi-tier & the budgets are approved by Divisional Project Heads/ Finance heads & subsequently Director. Corporate Office does the analysis over and above done already at divisional level & the comprehensive proposal for Indian Oil is thus put to approval of Director (Finance) & Chairman. Various steps are taken and stringent & threadbare analysis is done while making the BE / RE as realistic as possible & to avoid wide variance.

ONGC:

The plan outlay of ONGC for RE and BE of the respective year is firmed up considering the optimum level of physical activity (Survey Exploratory and Development Drilling and Capital Schemes). The actual and revised estimates of the previous year are also considered while firming up the plan outlay. Year-wise BE, RE and actual expenditure during 2010-11 to 2012-13 is as follows:

(Rs. in crore)

Year	Budget Estimate (BE)	Revised Estimate (RE)	Actual Expenditure
1. 2010-11	26523.02	29203.80	28275.54
2. 2011-12	30040.02	31316.00	29246.55
3. 2012-13	33065.31	33577.00	29503.21

To ensure optimum utilization of budget for 2013-14, work-centres have been requested to continuously monitor the progress of activities and take corrective measures required so that full utilization of budget is ensured.

ONGC Videsh (OVL):

OVL operates mainly as minority partner in several overseas projects. The Budget exercise of OVL is based on firm budget as proposed by Operators on calendar year basis which is reclassified / extrapolated to match with financial year Budget process of OVL. While preparing the Budget estimates, due care is taken to consider the Revised Estimates for the previous year to arrive at the Budget estimates for the next year.

The following reasons can impact a full utilization of Budget:

- Some of OVL's projects are in exploration areas where investment decision is based on certain other development which cannot be known in advance. However to mitigate this, OVL estimates the budget outlays based on firm and contingent basis.
- The budget provision for activities relating to acquisition of oil & gas assets hinges upon availability of opportunities, sound economics and timely approvals, and it does not follow an annual cycle which leads to sudden spurt or dips in budget utilization towards new acquisitions.
- Force majeure conditions due to Geo-political developments in a few projects have led to curtailment of work programme leading to underutilization of Budget.
- In a few projects, the projects are implemented with substantial involvement of host government companies (e.g. in Venezuela). Challenges are being faced here due to delay in timely availability of Environmental and other statutory clearances; availability of quality equipment at cost appropriate rates, trained local manpower; compliance of Local content requirement; acute shortage of offshore rigs in these countries.

In spite of the above challenges, OVL has been endeavoring to achieve plan expenditure utilisation to the fullest extent possible. This is reflected in the steady improvement in its plan expenditure utilisation trend over the years as seen below:

(Rs. in crore)

Particulars	**2010-11**	**2011-12**	**2012-13 (Provisional)**
Budget Estimate (BE)	8,663	8,687	7,910
Revised Estimate (RE)	6,621	8,619	13,140
Actual utilization	5,650	8,000	10,678

Oil India Ltd. (OIL):

The details of Plan Outlay and its utilization by OIL during the years 2011-12 & 2012-13 are as under :

(Rs. in crore)

Item	2010-11	2011-12	2012-13
Budget Estimate (BE)	4464.98	3,180.33	3,378.29
Revised Estimate (RE)	4212.99	2,262.68	3,069.52
Actual Expenditure	1742.76	2,049.67	2,890.03

From the above, it may be seen that OIL has achieved 90.59% of the RE Plan Outlay Target for FY 2011-12 and 94.15% of the RE Plan Outlay Target for FY 2012-13. This has been possible with continuous monitoring of the progress of the Plan Activities by the top management throughout the year.

OIL follows a realistic and scientific process for preparing the Budget Estimates for Plan Expenditure, both BE & RE and actual progress of the activities till the time of preparation of the Plan Expenditure targets are considered while preparing the BE & RE targets. Accordingly, OIL had submitted Plan Expenditure (BE) target for FY 2013-14 at Rs. 3,275.24 crore, considering the estimated level of expenditure in FY 2012-13 and activities planned in FY 2013-14. However, while approving the Plan Outlay for FY 2013-14, the Planning Commission has increased the Plan Outlay target (BE) for FY 2013-14 upward to Rs. 3,580.99 crore.

GAIL (India) Limited:

During 11th Plan (2007-2012) GAIL incurred total Actual expenditure of Rs.19789 crore against BE Rs.11944 crore. The details of Capital expenditure incurred during last three years by GAIL are as follows.

(Rs. in core)

Financial Year	BE	RE	Actual
2010-11	5510	5765	5200
2011-12	5150	6880	6752
2012-13	9447	6739	5962

In GAIL, the Capital expenditure is monitored / reviewed by our Management every month and we take corrctive measures as and when required. The expenditure against budget outlays in case of GAIL projects depends mainly on external factors such as availability of land / right of user / various statutory permissions for projects, which are beyond control of GAIL. However, within these constraints, GAIL is able to achieve around 90% of budget outlays (RE) on consistent basis.

Further, part of the apparent under performance against budget outlays is due to savings GAIL is able to achieve in the project cost through some of the best procurement practises as well as penalties on account of delayed performance i.e. GAIL is able to achieve envisaged work output at a lower cost than estimated cost and hence the same may not be considered as under performance as far as utilization of budget outlays is concerned.

Budget exercises in GAIL are carried out with utmost care and expenditures are reviewed every month through structured meetings. Necessary corrective actions are taken to remain aligned with approved budgets to the extent possible. Also, GAIL, at its level, is taking all measures and putting best efforts to ensure that projects are executed as per schedule. However, for reasons beyond control of GAIL, such as constraints in timely availability of RoU, Land & Statutory permissions etc., the project schedules defer which leads to downward revision of budget outlays.

In 2012-13, BE of Rs.9447 crore had to be revised to Rs.6739 crore. Actual spending was Rs.5962 crore due to following reasons:-

Major Pipeline Projects:-

- Kochi-Kottanand P/L:-(a) Pre-ponement of line pipe delivery and payment made in 2011-12.(b)Stiff resistance from farmers and land owners towards RoU acquisition in Kerala and Tamil Nadu.
- Dabhol Banglore P/L:-The variation is due to preponement of laying works which effected the payment released.
- BNPL P/L:- Delay in execution of laying works because of RoU issues &delay in permission from MOEF
- Vijaipur Kota Spur lines :- Non execution of laying works because of lack of permission and non-availability of RoU in section C, D & E. Bills for works that has been completed is yet to be received from Contractor.
- Jagdishpur -Haldia P/L :- There is no fresh activities, progress linked with gas tie up. E & P: - In Block MN-OSN-2000/2 two wells have been drilled Payments expected during 2013-14 as queries are pending with Operator. Drilling of wells in Golaghat deferred to 2013-14.
- RGPPL & JV: - Equity payments are linked with demand.
- Wind Energy Project:- Closure bills under process for payment.
- M & A Projects:-GAIL during FY 2012-13 acquired 2.3mtpa liquefaction capacity in Cove Point LNG terminal in USA as part of its overseas energy acquisition efforts. The acquisition would help GAIL to source LNG to meet energy demand of Indian market as well as meet its growth aspirations. No investment was made for acquisition of the terminal capacity.

MRPL:

As far as MRPL is concerned, the details of budget outlays viz BE, RE & Actual for last three years are given here below for ready reference.

(Rs in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure
2010-11	3156.00	3671.00	3989.68
2011-12	5164.00	4223.60	3915.42
2012-13	6817.26	2847.47	2115.55

The reasons for downward revision of Budget Estimate and under utilization of Revised Estimate are as under:

During the year 2010-11, there is no under utilization of Budget resources during the year. However, it may be seen table above that during the year 2011-12, the RE was lower than the BE as: (a) BE was made basis approved project cost, which included contingencies also. Since the cost commitment based on the projected pert charts was observed to be less, it was revised downwards and (b) there was minor (7%) under utilization of RE due to the extended monsoon which delayed the field work and the vendors were unable to claim the targeted billing/amount. Also one of the project units Polypropylene Unit, could not be commenced as unencumbered land was not available and re-engineering was to be done for relocation of the unit.

During the year 2012-13 the State Govt. in April-2012, had stopped MRPL from pumping water from its raw water (river water source) for two weeks which led to abrupt stoppage of all project related construction work apart from closure of refinery operations. Besides, due to delay by BHEL in execution of co-generation power plant (now expected to be completed by end of 2013), commissioning activity of various units had to be postponed. Due to such postponement, the stage payment by vendors could not be claimed. Also, the SPM work included on-shore work of underground pipe line to be executed by ISPRL which is delayed. Further, we had provided for probable equity contribution to an Aromatic complex unit which was jointly floated by ONGC & MRPL. The issue of fund raising through equity was reviewed by the Board of OMPL (aromatic complex) and it was decided to appoint equity advisors to suggest the ways & means of funding equity contribution to this project. In view of this decision, we revised our Budget estimate. The (MRPL) Board, accordingly while approving RE 2012-13 did not consider the equity contribution during 2012-13.

The main reason for under utilization of revised estimate in 2012-13 has been the delay by BHEL in execution of co-generation power plant which in turn had cascading impact on pre-commissioning & commissioning activity of other units & facilities which were otherwise mechanically complete. Besides, the work of Poly Propylene unit could not be undertaken for want of environment clearance due to its revised location. Hence, the expenditure was lower.

CPCL:

The BE, RE and actual plan expenditure for 2010-11 to 2012-13 is as under:

(Rs. in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure
2010-11	1079	867	675
2011-12	1054	373	490
2012-13	786	279	261

CPCL takes into careful consideration all factors for making realistic BE and RE. The variation between BE and RE for the year 2012-13 is mainly on account of delay in obtaining Environmental clearance from the Ministry of Environment & Forest for Resid Upgradation Project and non receipt of Coastal Regulatory Zone clearance for Crude Oil Pipeline Project.

However, CPCL is taking budgetary preparations with all seriousness it deserves and would continue to endeavour to make realistic budgetary estimates.

NRL:

Currently, the only major Plan project under implementation by NRL is the 'Wax Project'. The other Plan projects of NRL are either under feasibility study stage or are 'line-entries'. The Wax project is being implemented by NRL with an approved project cost of Rs. 577 crore.

The BE, RE and actual plan expenditure for 2010-11 to 2012-13 is as under:

(Rs. in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure
2010-11	234.24	158.51	139.24
2011-12	100.47	90.17	83.87
2012-13	272.00	225.00	160.15

Overall progress of the project as on 31st March, 2013 reached 68.5% and all measures are being taken for achieving mechanical completion by December 2013, as scheduled. Actual expenditure against the project during 2013-14 is projected to be in line with the approved BE of Rs.280 crore.

Ministry of Petroleum & Natural Gas
O.M. No. G-25015/3/2013-Fin.I Dated 23rd July, 2013

Recommendation No. 22

Cost Escalation on various Projects

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

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

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

REPLY

Out of 40 projects presently implemented by the Oil PSUs costing Rs.1000 crore and above, there is cost escalation in 13 projects and in 5 projects it is estimated that total cost will be less than the original approved cost. The cost escalation in the 13 projects was primarily due to reasons like change in scope of the project or specific unforeseen factors during execution. In order to restrict further escalation, such projects are being closely monitored on monthly and quarterly basis. There is all out effort to maintain expenditure well within the approved project cost. Company-wise reasons for exceeding projected cost and action taken is as follows:

ONGC:

Project monitoring is under continuous focus of ONGC management and various corrective measures are undertaken to address the issues related to projects including cost escalation and delays in project execution. Apart from close monitoring at various levels, the projects are also being critically reviewed by top management at regular intervals. The three referred projects where cost escalation is on higher side was on account of unavoidable circumstances as briefed under:-

RDP-II, MH South Project:

Feasibility Report of the project was approved on October 03, 2007 at project cost of Rs. 6339.20 crore (@ FE rate of Rs.41/$) revised cost estimate (RCE) was prepared due to reasons like: re-scheduling of inputs, change in scope of work, increase in FE rate from Rs. 41/$ in FR to Rs. 50/$, revision in facility cost (due to increase in barge rates, steel & fabrication rates, change in material cost, mob-demob of marine spread and structural tonnage cost etc) and Increase in drilling cost (due to increase in day rig rate).

The RCE was approved by the Board on May 05, 2009 at a total revised cost of Rs 8813.41 Cr for the project. As per current status, all facilities envisaged in the project have been implemented and 69 redevelopment wells have been drilled against the plan of 75.

Development of Cluster-7 project:

Feasibility Report was approved by the board on 25.03.2010 at project cost of Rs. 3241.03 Cr and FPSO hiring cost of 1309.37 Cr for five years of primary contract period.

RCE was necessitated due to revision of project schedule, facility cost & FPSO hiring cost after award. RCE has been approved by the Board on April 30, 2013 at project cost of Rs 2613.58 crore for facilities and drilling & completion of wells and opex of Rs 4025.36 crore for FPSO hiring for nine years. Increase in primary contract period from five years to nine years is considering significant implication of duration of primary contract period of hiring FPSO on the day rate and inclusion of cost of flexible pipelines (PLEM to FPSO) into the FPSO cost. Facility tender for installation of four well platforms has been completed and pipeline tender is nearing completion. FPSO tender has been awarded on 16-02-2013. Drilling rigs have been deployed on B-192-1, B-192-5 and B-192-8 platforms.

G-1 and GS-15 Development Project:

The scheme, developed using in-house expertise, “Integrated Development of G-1 and GS-15 fields in K.G. Offshore” was approved by ONGC Board on 22.04.03 at a preliminary estimated capital cost of Rs. 429.82 crore and completion schedule of 24 months from the date of approval. Later a supplementary FR to include G-1-10 & G1-11 wells of southern segment of G-1 field for development along with the earlier approved scheme with an additional estimated cost of Rs. 80.55 crore bringing the overall project cost to Rs 510.37 crore and overall completion period of 29 months was approved by the Board in its meeting held on 26.3.04.

On 30.11.2004 ONGC Board accorded approval to implement the project “Integrated Development of G-1 & GS-15 fields in KG offshore”, based on actual quoted price of the by the successful bidder. An additional sanction of Rs. 752.56 crore was accorded for the scheme at a total capital cost of Rs. 1,262.93 crore and completion by April 2006. Further it is estimated that an additional sanction of Rs 701.25 crore would be required and RCE based on updated cost works out to Rs 3,436.90 crore. The proposal for approval of Revised Cost had been put up to Board and it is decided that an analysis/ audit of project cost/ time over runs be carried out by some external/ 3rd party. This is currently in progress by Deloitte.

The project has been suffering setbacks due to various unprecedented challenges mostly beyond the control of ONGC. The first one, which can be called the trigger for all the subsequent challenges, was unprecedented steep hike in the oil prices. Had this not been there, the project probably could have been completed within schedule and within the cost revised in April 2007. Termination of the contract of M/s Clough Engineering Limited (CEL), Australia midway and taking over of all half completed activities by ONGC resulted in delay up to 2011 and thereafter natural calamity, the harsh sea conditions, limited working weather window, technical challenges facing the subsea industry etc. continued to delay the project and add to the cost.

Nevertheless, Eastern Offshore Asset (EOA) has been making all serious efforts to overcome these challenges and put the fields on production as soon as possible. The GS-15-1 shallow water platform has been put on production since 31st August 2011 and production from G1 to commence this year.

Further Action taken by ONGC:

To address the issues related to the present way of project execution ONGC has migrated to stage gate project management process (Approved by EC on 28th Nov/ 3rd Dec 2012). The stage-gate process is the framework for implementing a structured project management process. The stage-gate process defines a sequence of phases and gates that each project must pass through, providing a roadmap for the consistent, successful execution of projects. Each stage has an objective statement, a set of required tasks and deliverable.

It is considered that implementation of the process in future will help in avoiding cost escalation due to technical uncertainties. This will also minimize the cost escalation occurring due to change in FE rates as the date of project approval will be closer in time to the date of award.

BPCL:

The scope of the project ‘Hydrocracker revamp and new Continuous Catalytic regeneration Reformer (CCR)’ at Mumbai refinery was revised considering long term auto fuel requirements and availability of additional Naphtha from the refinery, post natural gas scenario.

It was decided to enhance the capacity of CCR from 0.9 MMTPA to 1.2 MMTPA. In view of the increase in CCR capacity, a need for a new Naphtha Hydro-treater unit was felt against originally envisaged revamp of Naphtha Hydro-de-sulphurisation unit. The increase in capacity of CCR also required a pressure Swing Absorber as a process requirement.

Thus, taking into consideration the design requirements and operational need as stated above, the project cost was revised to Rs.1827 crore.

While all care is taken to complete the projects within the approved cost, at times, the scope of project also needs revision due to change in various factors during execution.

IOCL:

Following Projects costing Rs.1000 crore & above (listed below) in the last three years in Indian Oil have been completed within approved cost / permissible limit of +/-10%:

Sl. No.	Projects Completed	Year of Commissioning	Approved cost (Rs. in crore)	Actual Expenditure (Rs. in crore) upto 30.04.2013)	% Deviation
1.	Naphtha Cracker at Panipat	2010-11	14439	13895.79	-3.76%
2.	Residue Upgradation and MS/HSD Quality Upgradation Project at Gujarat Refinery	2010-11	6898	6400.87	-7.21%
3.	Panipat Refinery Additional Expansion Project from 12 to 15 MMTPA	2010-11	1007.83	991.89	-1.58%
4.	MS Quality Upgradation Project at Barauni	2010-11	1492	1403.41	-5.94%
5.	DHDT, Bongaigaon	2011-12	1646.39	1707.55	3.71%
6.	Integrated Offshore Crude Oil Handling facilities at Paradip	2012-13	1492.33	1448.6	-2.93%

Ongoing projects > Rs.1000 crore

Sl.No.	Name of Projects	Approved cost (Rs. in crore)	Remarks
1.	Paradip-Raipur-Ranchi Pipeline	1793.00	No cost escalation is envisaged
2.	Debottlenecking of Salaya-Mathura Pipeline	1584.00	No cost escalation is envisaged
3.	FCCU Revamp at Mathura Refinery	1000.00	No cost escalation is envisaged
4.	Paradip Refinery	29777.00	Project got delayed but the cost escalation is envisaged to be within + 10 % of approved cost.

Indian Oil is taking the following measures to speed up the Projects so that budget earmarked is fully utilized without any cost overrun

- Suitable number of manpower is posted at Project sites for day to day monitoring of the Project & to identify / remove bottlenecks & put additional resources (if required) which ensure that the projects are completed in time.
- Regular reporting of all the Projects is done & a consolidated report is sent upto the Senior Management level on physical as well as financial Progress. Periodical exception reports are generated for each of the project indicating physical and financial trend of the project and impediments being faced with proposed solution.
- A report is also submitted to the Indian Oil Board for all major projects costing Rs. 150.00 crore and above on monthly basis.

Ministry of Petroleum & Natural Gas
O.M. No. G-25015/3/2013-Fin.I Dated 23rd July, 2013

Recommendation No. 24

Capacity Utilisation of Refineries

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

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

REPLY

The total refining capacity of oil refineries in the country as on date is 215.066 Million Metric Tonnes Per Annum (MMTPA). Out of this, 120.066 MMTPA capacity is in the public sector refineries.

The refinery-wise quantum of crude oil refined in the PSU refineries and the capacity utilization during each of the last five years is given in Annexure.

Year	Installed Capacity (MMTPA)	Actual Crude Throughput (MMT)	Capacity Utilisation (%)
2008-09	105.456	112.255	106.4
2009-10	108.598	112.186	103.3
2010-11	116.898	114.984	98.4
2011-12	116.886	120.608	103.2
2012-13	120.066	120.311	100.2

The overall capacity utilization of public sector refineries in the last 5 years is as under :

As can be seen from the above table, the overall capacity utilization of PSU refineries has been in line with the installed capacity.

Further, in a de-licensed refinery sector, the setting up of a refinery and its operation is a commercial decision of a public/ private sector enterprise based on techno-commercial considerations. Refinery expansion plans are taken up for implementation by OMCs only after ensuring the technical feasibility and economic viability of the projects.

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Recommendation No. 25

Fuel Loss suffered by refineries

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

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

REPLY

The Fuel Loss in a refinery is the difference between the crude processed and the total products produced by the refinery. Refinery configuration and complexity, product slate and specifications, severity of operation, operational flexibility envisaged, state of Process Technology employed, Steam & power balance, Captive Power plant configuration are major contributing factors towards energy consumption. The overall complexity of the refinery is measured in terms of Energy Factor.In order to compare the energy efficiency of the different refineries with different processing capacity and plant complexity, Specific Energy

Consumption (in terms of Million BTU per barrel of crude processed per Energy Factor called MBN) rather than Fuel Loss is a better indicator of overall energy efficiency of the refinery.

Over the years, the PSU refineries in India have adopted and implemented number of energy conservation measures to reduce the Energy Consumption as summarised below :

Equipment oriented approach

- Efficiency improvement of Heaters:
  - Replacement of old, low efficiency Furnaces with high efficiency Furnaces with Air Pre-Heaters (APH), improved Control Systems & Burner Designs
  - Installation of on-line O_2 analyzers for combustion air, Auto-Combustion Control System and Burner Management System for optimum firing
  - Installation of variable frequency drives (VFDs) in FD fan motor of APH & H2 unit Reformers for better energy management
  - Installation of sonic soot blower for efficient soot blowing in convection bank
  - Implementation of pass balancing in heaters thru advanced process control

- Heat exchanger performance improvement:
  - Heat exchanger train optimization using pinch technology
  - Installation of plate heat exchanger for better heat recovery
  - Turbulence promoter for high viscous fluid for increased savings
  - Use of high flux tubes for improved heat transfer
  - Use of anti-foulants for better heat recovery
  - Heat integration through global pinch analysis

- Distillation column performance improvement:
  - High efficiency/low pressure drop packings for lower energy consumption
  - Application of dry vacuum system in vacuum column (vacuum pump)
  - Optimization of column pressure & over-flash minimization
  - Low level heat recovery from column overhead vapour& hot well off gas

- Air Fan coolers performance efficiency improvement:
  - Implementation of variable speed drivers or installation of multi-speed motors to regulate air flow depending on ambient temperature.
  - Installation of low weight FRP blades to reduce power consumption

- Captive Power Plant efficiency improvement
  - Installation of Gas Turbine Generator (GTG) & Heat Recovery SteamGenerator (HRSG)
  - Installation of high efficiency Boilers
  - Running the power plant on co-generation & combined cycle mode for efficiencies up to 90% from 30% for conventional boiler based power plant
  - Minimization of PRDS operation

General approach:

- Modeling & optimization of Steam System
- Proper insulation of Steam Network & Minimizing Steam venting
- Efficient use of Steam-traps & Condensate Recovery System
- Recovery of LP steam by flashing HP/MP Condensate
- Proper selection & maintenance of Steam users
- Installation of temperature controller on tank heating coil
- Optimizing hydrogen management through pinch approach
- Installation of RO of correct size in snuffing/purging Steam & gland sealing lines
- Regular Steam trap audit
- Balance Pressure Thermostatic (BPT) traps on open-ended copper tube tracing, Steam line to pump seal quench, etc.
- Overall site-pinch analysis for optimizing utility system, tapping low-level heat recovery potential and achieving better inter-unit heat integration and better energy optimization
- Installation of auto-sampler on crude receiving line for accurate measurement of BS&W
- Installation of proper desalting facilities in CDU for knocking out water
- Hot feed maximization with proper coordination with other units
- Fugitive emissions survey by GMI Gas-surveyor, V-pac survey for passing of PSVs and control valves and Trap-man survey for steam trap monitoring on regular basis
- Provision of flare meters in major units for better management of flare loss
- Provision of double seal in floating roof tanks for reducing fugitive emissions

- Provision of mass flow meters in fuel oil line of heaters for accurate measurement

Others measures

Quarterly Performance Review : Centre for High Technology (CHT), under Ministry of Petroleum & Natural Gas, regularly monitors the energy performance of the refineries in terms of Fuel & Loss and Specific Energy Consumption (MBN) and is also reviewed by the Ministry of Petroleum & Natural Gas (MoP&NG) in the Quarterly Performance Review of PSU refineries.

Institution of Awards: In order to encourage energy conservation and motivate the refineries, MoP&NG has instituted following two annual awards:

- Jawaharlal Nehru Centenary Awards for Energy Performance of Refineries – CHT monitors and evaluates the annual energy performance of refineries for finalizing these awards.

- Oil & Gas Conservation Fortnight (OGCF) Awards in the areas of “Furnace/Boiler Insulation Effectiveness and Furnace/Boiler Efficiency” and “Steam Leak” – the award is based on the survey conducted by CHT during the OGCF in the 2nd fortnight of January every year.

Joint Energy Audit (JEA) of refineries

Joint Energy Audits (JEAs), were initiated in 1991-92 and thereafter conducted regularly at refineries by CHT-led teams. They offer an excellent opportunity in a limited time frame to further supplement energy conservation efforts already being practised. JEAs involve active participation from refineries and are conducted in the spirit of self-audit with the benefit of collective wisdom of all participating refineries to clearly identify the scope of Energy Savings in each refinery for structured adoption.

The main purpose of JEA is to utilize the operating / design expertise available with the members from Refineries, EIL & CHT, through design/operating data analysis, lateral interaction, for recommending practicable schemes that include both short term (with / without investment i.e. to optimize energy through fine tuning of operation, better controls, best operating practices, ideas, thoughts, thumb-rules, optimization achieved in process units, etc.), mid-term/long term solutions.

On account of the various efforts taken by the industry and CHT, the overall PSU refineries' average Specific Energy Consumption (in terms of MBN) has come down substantially from 81 in 2004-05 to 63 in 2011-12.

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Recommendation No. 26

Ethanol Blended Petrol :

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

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

REPLY

In pursuance of Cabinet Committee on Economic Affairs (CCEA) decision taken in its meeting held on 22.11.2012, MoPNG issued a Notification on 2.1.2013 directing Oil Marketing Companies (OMCs) to sell Ethanol blended petrol with percentage of ethanol up to 10% as per BIS Specification to achieve 5% ethanol blending across the country as a whole.

OMCs floated tender on 29 December, 2012 for their requirement of 140.4 cr litres of ethanol for 10% blending in 6 States and 5% blending in remaining 14 States & 4 UTs. Against the said tender, total quantity of 55 crore litres of ethanol was offered by the bidders (both within benchmark price and above benchmark price + 10%). A total quantity of 40 crore litres has been finalized for procurement within the benchmark price + 10%. OMCs have so far issued 218 LOIs for 32.56 crore litres and 119 Purchase Orders have been placed for 22.42 crore litres, out of which 0.9417 crore litres of ethanol has been received by OMCs as on 05.07.2013. A fresh domestic tender is being planned to coincide with next sugar year.

A global tender was also floated by OMCs on 18.01.2013 for the requirement of 82.03 crore litres of ethanol, which has been cancelled due to high prices quoted by the vendors.

In its subsequent meeting held on 3.7.2013, CCEA has decided that OMCs will procure ethanol (produced from molasses route only) from domestic sources to achieve the mandatory requirement of 5% ethanol blending with petrol by October 2013 in areas/parts of the country where sufficient quantity of ethanol is available. In other parts of the country, blending of ethanol may be increased progressively depending upon the availability of ethanol to reach the 5% mandatory level. OMCs and Sugar Industry Associations may interact with each other on a regular basis to achieve the target.

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Recommendation No. 27

Coal Bed Methane

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

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

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

REPLY

ONGC

ONGC is presently operating in 4 Blocks viz. Jharia, Bokaro, North Karanpura and Raniganj. All the blocks are running under Phase-III. The Development Plans for all the four blocks has been submitted and GOI approval is awaited.

The Commercial CBM production in ONGC blocks is yet to start. As per permission granted by GoI, ONGC started to sell the incidentally produced CBM from already drilled wells at Parbatpur of Jharia Block at an approved price of $5.1 per MMBTU i.e. Rs. 9.75 per SCM approx. The cumulative gas sale as on 01.04.2013 is 8033372 SCM.

Commercial CBM Production can be realized (as per CBM Policy and Contract) only after initiation of Phase-III i.e. Development Phase after completion of activities in Phase-I & II. The duration of Phase-I and Phase-II together spans from 6-7 years. This implies that Phase-III in these Blocks can be initiated 6-7 years from 2003 i.ew.e.f 2009-2010. However, in none of the ONGC Blocks Phase-III has started due to various constraints as mentioned below.

- Allocation of Coal Mining Block overlapping CBM Block
- Allocation of Area for Airport Project overlapping CBM Block
- Difficulties in Land acquisition
- Procedure of PEL and Mining lease In Jharkhand
- Delay in Environment Clearance

Efforts are on to address these difficulties as surface mining of coal prior to CBM extraction will result in loss of CBM resources.

Additionally, ONGC is planning to farm-in experienced global CBM players to bring in new technology and expedite monetization.

OIL

Coal Bed Methane :

As far as OIL is concerned it is a consortium partner (40% PI) in one of the CBM blocks AS-CBM-2008/IV along with M/s Dart Energy (Pte) Ltd (now Dart Energy Ltd), Australia, which holds 60% PI and is operator of the block. The block was awarded to the consortium in the fourth round of CBM bidding on 13.07.2010.

The various milestones pertaining to this CBM block are as under :-

- The contract was signed between GOI, Dart Energy Ltd & Oil India Ltd on 29.07.2010.
- As per the committed work program, JV has planned to drill 15 no. of core holes and the tentative locations for all these core holes have been stacked in the field and civil constructions for two locations have been completed. The contracts for drilling, logging and testing services in all the 15 core holes have been awarded.
- The PEL deed was executed on 27th April, 2012.
- The financial commitment made by the consortium partners at the time of bidding for the Phase-I & II exploration period is of the order of US $ 26.43 million.
- The Environmental Clearance was granted on 05.09.2012. The CTE (Consent to Establish) was granted 0n 10.10.2012. However, the consortium is waiting for the grant of the Consent to Operate (CTO), to start the drilling activities.

DGH

DGH / MoPNG is pursuing with the Coal Bed Methane (CBM) block operators to aggressively enhance the potential and production of CBM in the country through regular Steering Committee meetings / Technical Committee Meetings.

With the ongoing developmental activities in the area of CBM, it is expected that the plan of achieving 4 MMSCMD of CBM by end of 12th plan may be achieved.

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Recommendation No. 28

Shale Gas Exploration

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

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

REPLY

ONGC

ONGC has signed a MOU with M/s ConocoPhillips of USA, an active player in shale gas exploration in North America and other parts of world for co-operation in the field of shale gas exploration in Indian Basins. M/s ConocoPhillips have carried study of G&G data of four basins namely, Cambay, KG, Cauvery and Damodar to assess their shale gas potential and have agreed to provide technical assistance to ONGC for carrying out a shale gas exploration programme in Cambay basins for limited number of wells. ONGC has made an application to the MoP&NG for grant of permission to carry out the pilot in Cambay basin with the technical assistance of M/s ConocoPhillips to take benefit of their offer. It is hoped that shale gas pilot programme envisaged in Cambay basin would provide good leads and help in establishing shale gas/ oil potential in the country.

DGH

MoPNG has taken the following steps for shale gas/oil:

- MoPNG/DGH have given special technical studies to ONGC and Central Mine Planning & Design Institute (CMPDI), Ranchi for assessing the prospectivity of shale oil & gas in selected basins by analyzing the data gathered during exploration and exploitation of conventional oil and gas.
- The draft policy on shale gas & oil was put up in public domain for comments. The comments have been received from various stakeholders and formulation of a suitable policy to tap shale gas/oil is under way.
- Memorandum of Understanding (MoU) has been signed between Ministry of Petroleum & Natural Gas (MoP&NG) with Department of State (DoS), USA in the field of shale gas/oil for resource assessment, regulatory consultations and investment promotion. Under this MoU, resources assessment has been carried out by US Geological Survey (USGS) for 3 basins and further studies are in progress. Indian delegations have visited US shale gas sites and held discussion with various US agencies for regulatory, environment and other related issues concerning shale oil / gas.

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Recommendation No. 29

Gas Hydrates

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

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

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

REPLY

Subsequent to initiation of Gas Hydrate activities in the country in 1997, a successful Expedition-01 was carried out in 2006 where presence of gas hydrates was established in Krishna-Godavari (KG), Mahanadi and Andaman basins, with the drilling of 39 holes at 21 sites. This was followed by an international conference in 2008, wherein the results of Expedition-01 were deliberated. Now the National Gas Hydrate Program (NGHP) is in the final phase of identifying locations for drilling in Expedition-02, which will be followed by pilot testing under Expedition-03.

On the establishment of national R&D center, discussions are in progress at the Steering Committee level as well as the Technical Committee level and decision would be taken appropriately depending upon the status of gas hydrate development in the country.

As regards collaboration with other countries, India has Memorandum of Understanding (MoU) with various agencies of USA, Germany and Japan in the field of gas hydrates.

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Recommendation No. 30

Under utilization of CSR Funds

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

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

REPLY

Bharat Petroleum Corporation Ltd. (BPCL)

BPCL have informed that allocated 1% PAT (Profit After Tax) of previous financial year towards CSR activities. The net profit of BPCL for the financial year 2011-12 was

Rs.1311.27 crores and expenditure towards CSR for the financial year 2012-13 was Rs. 17.88 crores.

BPCL has ensured that from the current financial year i.e. 2013-14, they would utilize their 100% allocated budget towards CSR, fully.

Chennai Petroleum Corporation Limited

CPCL has been allocating budget for CSR activities in line with DPE guidelines and has achieved more than 90% utilization of the allocated budget during the last three years as per details given below:

(Amount in Rs. Lakhs)

Financial year	Previous year Net Profit	% of Net profit to be spent on CSR activities as per DPE guidelines	Budget Allocated		Actual Spent	
			Amount	% of previous year Net profit	Amount	% of Utilization of fund
2009-10	(-)39728	NA	169.78	NA	169.72	99.96
2010-11	60322	0.5%-2%	380.44	0.63	368.51	96.86
2011-12	51152	0.5%-2%	408.73	0.80	372.62	91.17

Indian Oil Corporation Limited

Indian Oil CSR fund allocation and utilization during FY 2011-12 is as under:

(Amount in Rs. Crore)

year	PAT of Previous yr	Retained Profit (RP) of previous yr	Amount earmarked/ expenditure incurred under CSR			
			Allocation		Spent	
			Amount	As% of PAT	Amount	As % of PAT
2011-12	7445	4780	95.60*	1.28	82.73	1.11

*excluding carry forward of Rs. 2.69 crore from previous year.

As per CSR & Sustainability guidelines for CPSEs released by DPE on 31.12.2012 which will be effective from FY 2013-14), 1-2% of Net Profit of the previous year needs to be spent on CSR & Sustainability (for CPSEs with Net Profit of more than Rs. 500 crore). Indian Oil is committed to fulfill its CSR responsibilities.

Mangalore Refinery And Petrochemicals Limited(MRPL)

MRPL has utilized the earmarked funds for the welfare and community development activities to the maximum extent possible and details of the funds utilized for the year 2011-12 & 2012-13 is as under:

Financial year	Net profit of the PSU(after tax) Rs. In crores	Budgetary provision for CSR activities Rs. In crores- .5% of the PAT	Actual Expenditure on CSR activities Rs. In crores	% age utilization out of budgetary provision for CSR	C/F amount
2011-12	1176.63	5.97	3.27	55%	2.70
2012-13	908.58	4.54	4.64	102%	2.60*

- Including Rs. 1.31 crore worth of projects which are in final stage of completion. Hence c/f for the year 2013-14 would be Rs. 1,29 crore.

Oil & Natural Gas Corporation Ltd. (ONGC)

During 2011-12. ONGC made a total expenditure of Rs.121.08 Crore toward CSR activities which works out to 26.52% of the allocation (i.e.,2% of previous year's PAT).ONGC is making all efforts to increase its CSR expenditure. During 2012-13, ONGC made a total expenditure of Rs.263.43 Crore towards CSR commitments i.e.,52.43% of the allocation which works out to Rs. 502.43 Crore. Details in this regard are given below:

Unaudited CSR Expenditure 2012-13 In Rupees

Focus areawise	Expenditure
Education including Vocational courses	39,10,76,127
Entrepreneurship (self help and liveliho	1,07,90,402
Environment, ecological conservation,pr	4,73,71,390
Grant of Financial aid/assistance	2,92,23,335
Ground water management including rechar	1,09,23,853
Health Care	9,82,62,026
Infrastructural support near our operati	1,77,15,82,054
Initiatives for physically and mentally	3,03,83,613
Promoting sports/sportspersons support	2,90,84,178
Promotion of artisans craftsmen,musici	5,12,92,212
Society of petroleum Geophysists	12,46,075

Sponsorship of media/culture/sports	4,13,57,791
Sponsorship of seminars,conferences,wo	11,42,30,660
Women's empowerment, girl child develop	74,41,807
Grand Total	2,63,42,65,523

ONGC is pursuing some major projects like setting up of Educational Institutes, Hospitals, Wind Energy farm, etc. which would enable ONGC to meet the CSR expenditure targets in 2012-13 as well the carry-toward CSR budget amount of earlier years.

ONGC Videsh Limited

OVL had been undertaking CSR activities as per its policy which was formulated on the basis of DPE Guidelines issued in 2010. During 2011-2012 and 2012-2013, actual expenditure on CST is more than allocated budgetary provision (0.5% of previous years net profit) as per details given below:-

(Rs. In Million)

Financial year	Net profit of OVL (after tax)	Budgetory provision for CSR	Actual expenditure	% age utilization out of budgetary provision
2011-12	27212	134.53	239.41	178%
2012-13	39291	136.06	208.27	153%

Balmer Lawrie &co.Ltd.

During the year 2011/2012, Balmer Lawrie have spent an amount of Rs. 256.65 Lakhs on various CSR initiatives which represent 2.12% of PAT Rs. 121.09 Crores.

GAIL (India) Limited

During the financial year 2011-12 , an allocation of 2% of PAT of the previous financial year, which was Rs. 71.22 Crores, was made toward CSR activities of the Company. This amount, along with the carry forward of unutilized CSR budget of the previous F/Y, as per Government guidelines, amounted to a total of Rs. 82.77 Crores.

Against the amount available for the year, specific projects/ activities of a value of Rs. 75.65 Crores were taken up during the course of the year. In addition, a provision was also made towards providing relief under natural calamities, as provided for in the Board approved CSR policy.

The actual spends/ utilization against CSR allocation for the year 2011-12 was Rs. 56.36 Crores, which amounts to 1.58 % of the PAT of previous F/Y or 79% of Rs. 71.22 Crores (2%of PAT).

Numaligarh Refinery Limited(NRL)

Numaligarh Refinery Limited has been complying with DPE guidelines on allocation of CSR budget. Further , NRL's CSR expenditure during 2011-12 and 2012-13 were both in line with the CSR budget for respective years. NRL's CSR expenditure allocation during 2011-12 and 2012-13 as follows:

	2012-12	2012-13
CSR Budget (Rs.Crore)	5.58	5.58
CSR Expenditure (Rs. Crore)	5.58	5.51

Engineers India Limited(EIL)

EIL have informed that the amount spent vis-à-vis earmarked funds on Corporate Social Responsibility (CSR) activities during FY 2011-12 with respect to Engineers India Limited are as follows:

Percentage of PAT (Profit After Tax) of previous year earmarked for CSR activities of FY 2011-12	Amount Spent	Percentage Spent
2% (Rs 1045 Lakhs)	Rs.942.45 Lakhs	90.2%

Hindustan Petroleum Corporation Limited (HPCL)

HPCL's details of CSR funds earmarked for the financial year 2011-12 and 2012-13 are given below :

Rs. in crores

Sr. No.	Year	Total funds allocated for CSR	Brought forward from previous year	Percentage of PAT of previous year	Funds utilized for CSR	Carry forward
1	2011-12	30.78	Nil	2.00%	26.54	4.24
2	2012-13	18.23	4.24	2.00%	21.76	0.71

CHAPTER III

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

NIL

CHAPTER IV

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

Recommendation No. 1

Plan and Non-Plan Schemes of MoP&NG

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

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

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

REPLY

1. Fund outgo for the Existing Plan Schemes

A. ISPRL :

In the Annual Plan for 2012-13, a token amount of Rs.1 crore was shown against "Strategic Storage Programme for Storage of Crude Oil" for filling of the crude oil. For filling the Strategic Reserves being constructed at 3 locations, i.e. Vishakhapatnam, Mangalore and Padur, an amount of over Rs.23,500 crores is required during a period of four years, starting from the time the first cavern facility at Visakhapatnam is ready.

The physical and financial progress at the three locations as on 31.3.2013 is given in the table below:

	Cumulative Physical Progress		Cumulative Financial Progress* (Rs Cr)	
	Target	Actual	Target	Actual
Visakhapatnam	100	92*1	997.99	873.24*1
Mangalore	72.9	77.7	559.43	607.95
Padur	74.9	77.1	818.84	842.03

*1 Shortfall because of the poor geology encountered in one of the cavern galleries

Since the first cavern at Vishakhapatnam is yet to be physically completed, therefore it was not possible to use any plan fund, that was earmarked for filling up of crude. This cavern is likely to be completed during the current financial year. At that time, request will be made to Ministry of Finance for additional allocation. The next cavern is due for completion only in 2014-15.

B. RGIPT :

The fund outgo in respect of RGIPT was affected during 2012-13 due to the failure of the Contractor to achieve progress in Civil Structural work at Jais as per the agreed schedule. Further, despite committing to catch-up plans to clear the backlog and despite follow up made by EIL, there was no significant improvement in performance at site and the Contractor failed to complete the work even within the revised time schedule. Now, action has been taken by RGIPT to invite fresh tender for completion of the works.

C. SCHEME FOR LPG CONNECTION TO BPL FAMILIES :

This scheme is being funded through CSR funds of oil CPSUs. It has been decided not to utilize Plan funds for this purpose.

Use of Ethanol Blended Petrol :

1. The Government has decided that 5% mandatory ethanol blending with petrol should be implemented across the country (excluding North-Eastern States, J&K, Andaman & Nicobar and Lakshadweep) by October, 2013. Ethanol would be sourced only from domestic producers and not through imports.

2. OMCs have already contracted about 40 crore liters of ethanol from domestic producers for supply during 2013-14. Further tenders are also proposed to be issued.

Conservation of Oil and Gas

1. MoPNG had set up the Petroleum Conservation Research Association (PCRA) as a registered society in 1978 to promote conservation of petroleum products in major sectors of the economy like transport, industry, households and agriculture through direct technical assistance, R&D educational and training programmes and mass awareness campaigns. PCRA's activities cover conservation of all energy sources, promotion of energy efficient equipment and additives, popularizing alternative fuels, environment protection etc.

2. PCRA helps the government in finalizing policies and strategies for petroleum conservation, aimed at reducing excessive dependence of the country on oil and gas. Funds for PCRA are provided by OIDB and hence no allocation of plan funds has been made.

PNG COVERAGE OF THE ECONOMICALLY WEAKER STRATA OF SOCIETY

As regards PNG coverage of the economically weaker strata of society, PNGRB grants authorization for development of city gas networks through bidding process under the provisions of the PNGRB Act, 2006 and the Regulations notified thereunder. The authorized entities supply PNG as part of the CGD network development in the respective authorized geographical areas.

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

<u>Recommendation No. 2</u>

<u>Rajiv Gandhi Institute of Petroleum Technology</u>

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

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

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

REPLY

The main reasons for the delay in construction of RGIPT Campus at Jais and consequently not being able to complete the same within the 11th Plan period are as follows:

a) In view of the very slow progress and continual delay in acquisition of the required land (95 acres), by UPSIDC, RGIPT was not able to start the campus construction work as per the Master Plan.

b) Work on the Jais campus was then taken up in the available 47.8 acres of plot of land and the contract for Civil Structural work was awarded in June 2010. However, the Contractor failed to achieve the work progress as per the agreed schedule.

Though the Contractor submitted successive catch-up plans and even agreed to complete 6 buildings on priority basis, their performance at site did not improve. Hence, it was decided to offload the balance un-executed work and float a fresh tender. Meanwhile, the contractor served Arbitration notice and started litigation in Court. RGIPT, in order to recover the penalty and pursue other claims as per the contract has been contesting the case and the Arbitration process. This development would affect the timeline of the project; however, necessary action is on-hand by EIL and RGIPT to complete the campus buildings expeditiously. The time frame will be fixed after the new contract is finalized.

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

Recommendation No. 3

LPG scheme for BPL families

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

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

The Committee also note that the implementation of the scheme is dependent upon the actual commissioning of RGGLVY distributorship. So far against a target of 5578 RGGLVYs, only 1740 have been commissioned and selection is in progress for the rest. The Committee express dismay over the lack of initiative for progress of scheme and henceforth desire that the Ministry should pursue the implementation of the scheme in a time bound manner and fix responsibility in case of delays. While emphasizing the early commissioning of remaining RGGLVYs. The Committee would recommend the implementation of the scheme through existing distributors as well so that the scheme take off smoothly in areas wherever the RGGLVs commissioning has not taken place.

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

REPLY

LPG scheme for BPL families :

A scheme for providing one time grant to BPL families in the rural areas for release of new domestic LPG connection under Rajiv Gandhi Gramin LPG Vitaran Yojana (RGGLVY) is in operation. As per the scheme, the security deposit for the domestic LPG cylinder and pressure regulator is paid from a fund created through contributions from the Corporate Social Responsibility (CSR) funds of ONGC, OIL, GAIL, BPCL, HPCL and IOC.

Under the above mentioned scheme, the BPL card holder can register with the distributor for release of a new LPG connection. The same is sent by distributor to local administration for authentication. Intimation letters are sent to the BPL card holders after receipt of authenticated list from local administration.

Apart from the above, in recent past, Delhi Government has announced a scheme called 'Kerosene Free Dilli" to make NCT Delhi Kerosene free. New domestic LPG connections are issued free of cost to BPL / AAY & JRC Card holders of Delhi who were getting PDS Kerosene. In case of BPL/AAY Card holders, 50% of Security deposit of Cylinder & Pressure Regulator is borne by Delhi Government, remaining 50% is met by OMCs through CSR Fund. For JRC (Jhuggi Resettlement Colonies), entire amount of Security deposit Cylinder & Pressure Regulator is borne by Delhi Government. In addition a 2 Burner Hotplate, Suraksha Hose, DGCC Book & Installation Charges are also provided by the Delhi Government to the beneficiaries under this scheme.

As on 01.04.2013, total 2,54,773 nos. of new LPG connections (including 71410 nos of connections under Kerosene Free Dilli Scheme) have been released to BPL families under the scheme by the OMCs and a sum of Rs.32.94 Crores has been spent in providing one time grant to BPL families.

Release of connections under the CSR scheme is gaining pace with commissioning of more nos. of RGGLVs by OMCs. As on 01.04.13, 2055 nos. of RGGLVs have been commissioned by OMCs and have targeted issuance of 1637 number of LoIs for commissioning of RGGLVs during the year 2013-14. Number of LPG connections issued to BPL families through CSR is expected to rise with commissioning of these RGGLVs.

In implementation of the CSR scheme, generally there is delay on part of the local administration in authenticating the lists submitted by the distributor. OMCs vigorously pursue for authentication of the lists by local administration to speed up the process of release of connection to BPL families.

Instructions are being issued to OMCs to undertake wider publicity of the scheme in various media in pursuance of the suggestions of the committee.

Moreover, OMCs are taking following steps to popularize the scheme :-

(i) RGGLVs have already been instructed to distribute leaflets, display posters etc and put up notice board at the distributorships to spread awareness regarding the CSR scheme.
(ii) At the time to commissioning, training is being imparted to RGGLVs on the procedure to be followed for enrolling BPL customers against CSR fund.

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

Recommendation No. 4

Direct Transfer of Cash Subsidies

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

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

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

Action Taken Report

Ensuring access to and usage of quality financial services by all strata of the society, particularly the poor and those living in the rural areas, is an important priority of the Government of India. The objective of Financial Inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making financing available to the poor in particular.

2. As per Census 2011, 58.7% households are availing banking services in the country. This is a quantum jump from the earlier Census figures of 2001 where only 35.5% of the households were reported to be availing banking services in the country. There are 102,343 branches of Scheduled Commercial Banks (SCBs) in the country as on 31st March 2013, out of which 37,953 (37%) bank branches are in the rural areas and 27,219 (26%) in semi-urban areas, constituting 63 per cent of the total numbers of branches in semi-urban and ruralareas of the country. However, a significant proportion of the households, especially in rural areas, are still outside the formal fold of the banking system. To extend the reach of banking to those outside the formal banking system, Government and Reserve Bank of India (RBI) are taking various initiatives from time to time.

3. Under the Financial Inclusion Campaign - "Swabhimaan", to extend banking services to habitations of 2000 or more population, banks have extended banking services to over 74,000 such habitations, primarily through Business Correspondent Agents (BCAs). BCAs have been engaged by Banks at other locations, both in rural and urban areas, as well.

4. Banks have now also been advised to ensure extension of banking facilities in the uncovered areas through Business Correspondent Agents (BCAs) / Common Service Centres (CSCs) on priority in all the districts identified for the Direct Benefit Transfer Scheme.

5. Reserve Bank of India (RBI) with the objective of increasing penetration and financial inclusion rapidly, had advised banks in July 2011 that while preparing their Annual Branch Expansion Plan (ABEP), they should allocate at least 25 per cent of total number of branches proposed to be opened during the year in unbanked rural (Tier 5 and Tier 6) (population upto 9999) centres. To facilitate speedier branch expansion in unbanked rural centres for ensuring seamless roll out of Direct Benefit Transfer Scheme of the Government of India, scheduled commercial banks have now been advised by RBI in May, 2013 that they may consider front loading (prioritizing) the opening of branches in unbanked rural centres over a 3 years cycle co-terminus with their Financial Inclusion Plan (2013-16).

6. The Unique Identification Authority of India (UIDAI) so far has issued Aadhaar card to 35 crore residents of India. The Ministry of Petroleum and Natural Gas is the implementing Ministry for Direct Benefit Transfer of LPG Scheme. It takes take necessary steps for mobilisation of LPF consumers for enrolment, Aadhaar seeding with LPG as well as with Banks. As per the reports, the percentage of Aadhaar generated in the 20 districts is 90.9%.

7. The steps taken by UIDAI to facilitate DBT are as follows.

(vi) Fast tracking of enrolment and Aadhaar generation for beneficiaries in Pilot Districts.
(vii) On-line monitoring portal for enrolment.
(viii) Remote Aadhaar Seeding Framework (RASF) deployment.
(ix) E-Aadhaar facility.
(x) EID/UID mapping facility.

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

Recommendation No. 5

Under-recoveries of Petroleum Products

The Committee note that one of the most important issue faced by the MoPNG and the Government as well as the issue of under-recoveries incurred by OMCs on the sale of sensitive petroleum products. The products for which Government provides subsidies are PDS kerosene, subsidized domestic LPG cylinders and Diesel for retail customers. The total amount of the under-recoveries during the years 2010-11, 2011-12 and 2012-13 are Rs.78,190, Rs.1,38,541 and Rs.1,24,854 crore respectively. The figure for 2013-14 is projected at Rs.1,57,000crore.

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

The Committee in their 9th Report (15thLokSabha) had recommended that refinery gate prices of petroleum products should be based on FOB price instead of import parity price. In this connection, the Committee note that the Ministry of Finance has also recently suggested to compute the pricing of diesel and PDS kerosene on the basis of Export Parity Price (EPP) and the pricing of domestic LPG on the basis of a mixture of 40% Import Parity Price (IPP) and 60% of Export Parity Price (EPP). If this methodology is adopted, the estimated under recoveries for the year 2012-13 would be reduced from Rs.1,61,260crore to Rs.1,43,694 crore. The Committee desire the Government to take a considered view on Ministry of Finance’s suggestion and also this Committee’s recommendation to determine the refinery gate price of petroleum products.

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

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

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

The Committee feel that the following steps can go a long way in reducing/ controlling the subsidy burden on Kerosene, Diesel and Domestic LPG.

i. Direct Benefit Transfer of LPG Scheme (DBTL) and Direct Transfer of Cash Subsidy on PDS Kerosene (DTCK)

ii. More CGD Projects in cities where LPG customers are high

iii. Ethanol Blended Petrol and Bio-Diesel

iv. Know Your Customer (KYC) implementation

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

REPLY

i. During 1976 – 2002, based on the recommendation of Expert committees, the Government pursued Administrative Pricing Mechanism (APM) regime under which the price of indigenous crude oil and petroleum products were fixed on cost plus return basis and the oil producers, refineries and marketing companies were compensated actual cost plus post tax return on investment. However, as APM was found to be increasingly unsuitable for the long term growth and efficiency of oil industry, the government dismantled the APM effective 1.4.2002 and replaced cost-plus pricing of crude oil and petroleum products by Import Parity Pricing (IPP). Since dismantling of APM, the prices of Indigenous crude oil are determined on the basis of Crude Oil Sales Agreement (COSA) between the oil producers and refineries by benchmarking various indigenous crude oils to equivalent International Crude oils.

ii. The under-recovery represents the difference between the required selling price based on TPP/ IPP and the actual selling price realized by the OMCs. The discount given by the upstream companies is not taken into account for calculating the under-recovery of OMCs. The gross under-recovery so calculated is partially compensated by the Government through cash assistance and upstream oil companies through discount on crude oil and petroleum products.

iii. The Government has evolved a Burden Sharing Mechanism since 2003-04 to ensure that the burden of under-recoveries incurred by OMCs is shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers in the following manner:

- Government through issue of Oil Bonds/Cash Subsidy;
- Domestic upstream oil companies through price discounts to OMCs;
- OMCs to bear a portion of the under recoveries; and
- Consumers to bear some price increases.

The general criteria adopted to distribute the under-recoveries among the stakeholders has been as follows:

- The upstream PSU oil and gas companies will bear around one-third of the total under-recoveries;
- The remaining will be apportioned between the Government and the OMCs depending on the feasibility of the Government to allocate funds from budgetary sources and capacity of the OMCs to absorb a part of their under-recoveries.

iv. As explained earlier, at the time of dismantling of APM in April 2002, the Refining Transfer Price (RTP) for sensitive petroleum products continued to be fixed based on the import parity prices (IPP). A modification to this principle was brought about in June 2006 with the introduction of Trade Parity Prices (TPP) as per the recommendations of the Dr. Rangarajan Committee for the pricing of Diesel & Petrol. Since then the pricing of Diesel & Petrol continued on TPP basis (80% IPP and 20% EPP) and for PDS Kerosene & Domestic LPG on IPP basis.

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

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

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

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

viii. The refinery gate price based on only EPP price would not cover the above costs incurred by the PSU Oil companies. In view of the above, it is not advisable to fix the RGP of petroleum products at Export Parity Prices (EPP).

ix. However, MoP&NG vide its letter ref. F. No. P-20012/2/2013-PP dated 12th June, 2013 has constituted an expert group under the chairmanship of Dr. Kirit S. Parikh, Former Member, Planning Commission to, *inter alia*, revisit the current pricing methodology of petroleum products and suggest a suitable pricing mechanism for sale of these products.

x. As regards the recommendation of the Standing Committee to provide 1/4th of the estimated amount of annual subsidy on quarterly basis to the OMCs, MoP&NG has been taking up the matter of payment of cash assistance to OMCs with Ministry of Finance from time to time to ensure that the cash assistance is received by the OMCs on a regular basis.

xi. The primary objective behind the pricing reforms undertaken by the Government is the growing imperative for fiscal consolidation, the need for reducing the subsidy burden on petroleum products so as to allocate more funds to social sector schemes for the common man and for ensuring country's energy security in the long term.

xii. As regards the exemption from dual pricing of Diesel to Railways and STUs, it is mentioned that in order to reduce under recovery of the Public Sector Oil

Marketing Companies (OMCs), the Government on 17th January, 2013 has authorized the OMCs to (a) increase the retail selling price of Diesel in the range of 40 paisa to 50 paisa per litre per month (excluding VAT as applicable in different State/Union Territories) until further orders; and (b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price effective 18th January, 2013. The Government has received representations from various State Governments highlighting the difficulties being faced by the STUs on purchase of Diesel at non-subsidized market determined price. However, it is within the domain of the State Governments to provide appropriate relief to the STUs.

Implementation of direct transfer of cash subsidy on Kerosene (DTCK) :

Consequent to the interim recommendations of the Task Force constituted by the Government under the Chairmanship of the Chairman, UIDAI on the issue of Direct Transfer of Cash Subsidy on PDS Kerosene (DTCK) and 'in principle' approval of EGoM thereon (dated 8th August, 2011), process for implementing the Scheme was started. Ministry of Finance (D/o Expenditure) decided to fix a lump-sum one time grant of Rs.100 crore for each State, joining the Scheme prior to 31.03.2012. State Governments/UTs were accordingly requested to consider joining the Scheme for undertaking DTCK.

2. 11 States/UTs (namely Rajasthan, Madhya Pradesh, Sikkim, Maharashtra, Andman & Nicobar Islands, Jharkhand, Himachal Pradesh, Pudducherry, Kerala, Goa & Andhra Pradesh) confirmed their participation in the Scheme within the stipulated period. In view of this, it was felt necessary to formulate guidelines for proper implementation of the DTCK Scheme. Accordingly, DTCK guidelines (Direct Transfer of cash subsidy on PDS Kerosene Scheme, 2012) have been prepared in consultation with the Ministry of Finance (D/o Expenditure) and sent to these 11 States/UTs for necessary action. A pilot project for direct transfer of cash subsidy is being conducted in Kotkasim Tehsil of Alwar District (Rajasthan) from December 2011.

3. Three States i.e. Rajasthan, Maharashtra and Goa have confirmed to implement DTCK in the selected districts during 2013-14 as per detail given below :

Sr. No.	State	Districts in which DTCK is to be implemented
1.	Rajasthan	1. Alwar 2. Ajmer 3. Udaipur
2.	Maharashtra	1. Nandurbar 2. Wardha 3. Amravati
3.	Goa	North Goa

Direct Benefit Transfer of LPG Scheme (DBTL) :-

Consequent to the interim recommendations of the Task Force constituted by the Government under the Chairmanship of the Chairman, UIDAI on the issues of DBTL scheme (Direct Benefit Transfer for LPG scheme), the Government has launched DBTL in 18 High Aadhaar coverage identified districts of the country on 01.06.2013 and in Mysore on 01.07.2013.

The details of the Districts in which DBTL has been launched is given below :-

Sr. No.	State	District	Date of implementation
1.	Andhra Pradesh	Anantpur	01.06.2013
2.	Andhra Pradesh	Chittoor	01.06.2013
3.	Andhra Pradesh	East Godavari	01.06.2013
4.	Andhra Pradesh	Hyderabad	01.06.2013
5.	Andhra Pradesh	Ranga Reddy	01.06.2013
6.	Daman and Diu	Diu	01.06.2013
7.	Goa	North Goa	01.06.2013
8.	Himachal Pradesh	Bilaspur	01.06.2013
9.	Himachal Pradesh	Hamirpur	01.06.2013
10.	Himachal Pradesh	Una	01.06.2013
11.	Karnataka	Tumkur	01.06.2013
12.	Karnataka	Mysore	01.07.2013
13	Kerala	Pathanamthitta	01.06.2013
14.	Kerala	Wayanad	01.06.2013
15.	Maharashtra	Wardha	01.06.2013
16.	Puducherry	Puducherry	01.06.2013
17.	Punjab	SBS Nagar/ Nawanshahar	01.06.2013
18.	Madhya Pradesh	East Nimar (Khandwa)	01.06.2013
19.	Madhya Pradesh	Harda	01.06.2013

Under this scheme, the LPG consumers who have linked their Aadhaar number to their LPG consumer number and to their bank accounts, will get all domestic LPG cylinders (subsidized as well as non subsidized cylinder) at market price and subsidy for domestic subsidized cylinders as per their entitlement would be transferred to their bank accounts.

So far (as on 1.7.2013), 0.8 million domestic LPG consumers have been provided permanent advance amounting to Rs.31.8 crores and 0.6 million consumers have been provided subsidy on refills amounting to Rs. 21.2 crores.

Ethanol Blended Petrol (EBP) Programme :

1. The Government has decided that 5% mandatory ethanol blending with petrol should be implemented across the country (excluding North-Eastern States, J&K, Andaman & Nicobar and Lakshadweep) by October, 2013. Ethanol would be sourced only from domestic producers and not through imports.

2. OMCs have already contracted about 40 crore liters of ethanol from domestic producers for supply during 2013-14. Further tenders are also proposed to be issued.

Implementation of Know Your Customer (KYC) :

KYC form was designed to ensure that standardised information is collected from all LPG consumers. The form is mandatory for all new /transfer connections. In so far as old connections are concerned, it is felt that the KYC compliance will have to be done in a phased manner due to the delays/ queing/ law and order problems in case all the consumers are asked to submit the form at once. Thus, the KYC drive has been limited to suspect duplicate customers.

The KYC collection drive for suspect duplicate 2.56 crore customers commenced in September 2012 and was brought to a close on 31st December 2012. On an average 6000 distributors collected 1500 KYCs each during the period. So far 6387269 connections have been blocked after KYC.

Ministry of Petroleum & Natural Gas
O.M. No. G-25015/3/2013-Fin.I Dated 23rd July, 2013

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

Recommendation No. 6

Supply of subsidized domestic LPG cylinders

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

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

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

REPLY

KYC form was designed to ensure that standardised information is collected from all LPG consumers. The form is mandatory for all new connections. In so far as old connections are concerned, it is felt that the KYC compliance will have to be done in a phased manner due to the delays/ queing/ law and order problems in case all the consumers are asked to submit the form at once. Thus, the KYC drive was first limited to suspect duplicate customers.

The KYC collection drive for suspect duplicate 2.56 crore customers commenced in September 2012 and was brought to a close on 31st December 2012. On an average 6000 distributors collected 1500 KYCs each during the period. Even during this limited exercise of KYC, following difficulties were faced :-

- As the KYC, Proof of Identity (PoI) and Proof of Address (PoA) verification at the LPG distributorship was a time consuming process, customer queues were witnessed, leading to occasional law and order problems.
- For just the 15% KYCs that were collected during the period, the process took around 4-5 months time, thus a full scale operation would have to be spread out in terms of time.
- Some of the State Governments requested to extend the period of collection and even not to pursue the KYC formalities due to local problems/ representations.

In view of the above experience, it is expected that a full fledged KYC exercise can only be completed in a phased manner. KYC is anyway being insisted for all new connections. Detection of suspect duplicate/ ghost connections is an ongoing exercise and currently KYC is being done for these connections.

In so far as bank account is concerned, it has been included as an optional field in KYC. During Mysore pilot of Direct Benefit Transfer (DBTL) the customers were asked to provide bank account details. OMC experience suggests that most customers did not provide the same as they deemed it to be sensitive financial information and were not willing to part with it to the LPG distributors. Aadhar is also a field in the KYC form but cannot be made mandatory at this stage due to low penetration in many parts of the Country.

The DBTL scheme (Direct Benefit Transfer for LPG scheme) has already been launched in 18 districts on 01.06.2013.

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Comments of the Committee

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

Recommendation No. 11

Shortfall in drilling targets

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

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

REPLY

ONGC

ONGC is carrying out exploratory drilling in its awarded blocks adhering to PSC stipulations to meet the MWP commitments of drilling. With exploratory efforts spreading towards complex areas of deepwaters and with targeting of deeper-high temperature-high pressure plays, the associated risk of drilling complications are encountered from time to time, resulting in drilling delays.

The shortfall in exploratory targets in terms of number of wells completed against the target can be attributed to many reasons.

One of the main technical reasons is down-hole well complications. To overcome down-hole complications, more and more state-of-art technologies are being used in ONGC. The use of synthetic oil base mud systems (SOBM) and other high tech mud systems are being introduced to drill exploratory wells. In addition to above ONGC has started using latest technologies like MWD/LWD, independent drive system, top drive system, use of high performance advanced technology bit on consignment basis etc. Rigs are also periodically subjected to refurbishment & upgradation wherein all statutory requirements are complied with and this reduces repair time considerably which is another factor for loss of valuable rig months leading to shortfall in achieving target.

Sectoral Drilling Heads regularly co-ordinate with Assets/ Basins for timely availability of ready sites, locations and statutory clearances. Putting these together, constitutes a key factor responsible for shortfall in exploratory well drilling target.

In addition to this, deep wells which are more prone to down hole complications are being religiously monitored round the clock by senior officers and also advice of Institute of Drilling Technology (IDT) is sought for liquidation of complications as and when required

<u>OIL</u>

<u>Shortfall in drilling targets :</u>

As far as Oil India Limited (OIL) is concerned, OIL's drilling plan during the year 2011-12 was affected due to various reasons shown under :

States	No. of Wells	
	Target	Actual
Exploratory :		
Assam	19	14
NEF Project	6	-
Rajasthan	8	2
KG Basin	1	2
Gabon	1	1
Development :		
Assam	31	22
Rajasthan	3	-

Reasons :

<u>Assam</u> :

- Frequent bandh and blockades in fields disrupted / slowed down the drilling preparatory work.
- Land acquisition is a prolonged process with number of social resistances which led to delay in acquisition process.

NEF Project :

- Drilling plan in the 3rd location at Amguri delayed due to expiry of PEL.
- One Loc. In Dibrugarh Block is found to be Elephant Corridor in Reserve forest area – permission declined by Forest Authority, Assam.
- Logistically difficult area of Karbi Anglong & Mizoram delayed exploration progress in 2011-12.

Rajasthan :

- Prospectivity of the exploration Block (RJ-ONN-2004/3) reassessed and decided to relinquish and plan got upset.
- The only rig got engaged in exploratory work in priority NELP Block and development plan suffered.

KG Basin :

- Location preparatory work got delayed due to difficult logistics.

OIL is making all out sincere efforts towards fulfilling the Minimum Work Programme (MWP) assigned to it. Out of the 14 NELP (3 blocks under relinquishment process) blocks under its operation currently, most of the Seismic Data Acquisition MWP commitments have been completed and preparation for drilling of wells in the current and coming few years (depending on block validity period) is going on. For the three NELP IX blocks, preliminary activities are currently undertaken.

In OIL operated NELP blocks upto NELP VIII, most of the Seismic Data Acquisition MWP commitments have been completed and preparation for drilling of wells in the current and coming few years is going on. For the three NELP IX blocks, preliminary activities are currently undertaken.

DGH

Under the Production Sharing Contract (PSC) regime, the reasons for non-completion of Minimum Work Programme (MWP) by ONGC & OIL are due to reasons like drilling difficulties on account of geographical conditions / logistics or geological problems or non-availability of required permissions or clearances by the Govt. agencies like MOD, MOEF, DRDO, SEZ etc.

Under the PSC regime, all the operators, including National Oil Companies (NOC) viz ONGC and OIL, endeavor to complete at least the Minimum Work Programme (MWP). Despite the challenges, it is the persistent effort on part of MoPNG/DGH to persuade the operators to complete at least the MWP. Further, the contractors are required to complete the MWP in the awarded blocks within the timelines specified in the PSC and in accordance with extant Government policies/guidelines on extension. Penalties are payable, based on the PSC provisions and other guidelines, in case of non-fulfillment of MWP.

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

Recommendation No. 12

Rigs availability

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

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

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

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

REPLY

ONGC

The process of acquisition of drilling rigs both for Onshore and offshore is under process.

In Onshore, LOI has already been placed on M/s BHEL for supply of 6 nos of 2000 HP, VFD rigs. The first rig is expected to be delivered by July, 2013 followed by one rig after each month. The process for acquisition of another 5 nos of 1000 HP mobile rigs is under progress.

Also, in offshore, action for construction of 4 nos of Jack-Up rigs is in progress.

All efforts have been made to reduce rig idle time owing to various reasons to bare minimum thereby increasing rig utilization time.

CH rigs responsible for rig idle time are suitably penalized to discourage such idle time.

OIL

Rigs Availability :

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

Rigs Deployment	Area of Operation	No. of Rigs		Total No. of Rigs
		Owned	Hired	
Drilling	Assam + Arunachal Pradesh	11	5	16

(ii) As far as Oil India Limited (OIL) is concerned, OIL's current drilling operations in its traditional basin of Assam and Arunachal Pradesh (AP) are optimally managed by the fleet of existing 16 nos. drilling rigs (11 nos. in-house + 5 no. Charter hired). OIL is at present, in the process of procuring 2 nos. new in-house drilling rigs as replacement of old vintage retired rigs.

(iii) OIL has utilized In-House Rigs for Drilling in NELP Blocks located in Assam & AP, Mahanadi Basin & Rajasthan. However, for NELP operations outside Assam and AP, and other locations where moving In-House rigs is uneconomical, OIL used to charter hire drilling rig on as and when required basis as per procedures laid down in the Production Sharing Contracts.

(iv) For the drilling in the NELP VIII Cauvery Offshore block CY-OSN-2009/2, OIL is in regular discussion with M/s ONGC.

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

Recommendation No. 23

Delay in ONGC Petro Additions Ltd(Opal)

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

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

REPLY

I. With the award of cracker unit in December 2008 and the downstream polymer units in June 2011, the completion schedule of OPaL was planned as October 2013. However, with the addition of Captive Power Plant Package, the schedule has been delayed to January 2014.

II. C2-C3 Extraction Plant is mechanically complete along with the interim products off take arrangements since Feb 2011. The products were envisaged to be supplied to Oil Marketing companies(OMCs) and IPCL during the interim period i.e till OPaL comes on stream

III. However, the plant has not been commissioned due to non- allocation of domestic gas. The viability of C2+ extraction plant as well as that of the petrochemical complex of OPaL would be severely strained if the extracted C2+ component is to be replenished by buying LNG from international market. Accordingly, ONGC envisaged replenishment of LNG consumed in the extraction process through a SWAP mechanism in which it would supply the equivalent domestic gas from its marginal fields. However, gas allocation to ONGC for above SWAP has not been finalized due to EGoM Policy on allocation priority to various consumer sectors.

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

Recommendation No. 31

Release of Funds to OIDB

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

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

REPLY

Oil Industry Development Act 1974 provides for levy and collection of cess, on the indigenous crude oil. The cess proceeds are to be utilized for development of oil industry either directly by Central Government or through OIDB. Since the inception of the Act, the OIDB has received an amount of Rs. 902.40 crores out of total proceeds of about Rs. 1.15

lakh crore up to 31.12.2012 collected by the Central Government. No cess has been transferred to OIDB since 1991-92.

The other source of funds for OIDB is by way of interest earned on loans provided by it to oil Industries. The amount of cess (Rs. 902 crores) together with internal receipts generated as interest income has increase the corpus of OIDB to Rs. 10726 crores (Provisional) as on 31st March, 2013, the major part of which has been deployed as under:-

5. Loans to Oil industries Rs. 7725.48 crores.
6. Investment in ISPRL (against equity) Rs. 1969.27 crores.
   Rs. 374.40 crores advance against equity.
7. Equity in Biecco Lawrie Rs. 50.34 crores.
8. Fixed Assets Rs. 145.65 crores.

Thus there is very low liquidity with the OIDB which will affect lending capacity and ultimately reduce interest income which at present is the main source of funds. The major portion of the funds generated by OIDB (up to 31.03.2013) are utilized for :-

a. Cumulative release of grants in aid (from inception to 31.03.2013) to the tune of Rs. 1861.01 crores comprising of :

i) Rs. 1398.36 crores Grants to Regular Grantee Institutes viz. CHT , DGH, PCRA, OISD and PPAC.
ii) Rs. 229.59 crores for Research and Development and
iii) Rs. 233.06 crores for other projects from 1974-75 to 31.03.2013
b) Cumulative payment of royalty Payment to State Governments – Rs. 405.20 cores (up to 31.03.2013)

The matter for transfer of annual Cess to OIDB was pursued with Ministry of Finance. Ministry of Finance has not yet agreed to the proposal of this Ministry for transfer of Cess collected to OIDB.

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Comments of the Committee
(Please see Para No. 37 of Chapter-I)

CHAPTER V

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

Recommendation No. 16

Reduction of output By KG D6 Block

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

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

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

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

REPLY

Performance of D1&D3 gas fields of KG-DWN-98/3 block is not as per the production profile envisaged in the MC approved Addendum to Initial Development Plan (AIDP).

In this regard, the Contractor was advised repeatedly to drill and put on stream more number of wells in the D1 & D3 fields, as per approved AIDP, so as to achieve the envisaged Gas production rate. In response to above, RIL has submitted the following:

- Substantial variance in Reservoir Behavior and Character has been observed vis-à-vis the prediction, and there seems to be reservoir constraints in achieving the gas production rates.
- Pressure decline is several times higher than originally envisaged.
- Early water production in some of the wells was not predicted in initial reservoir simulations, though overall field water production is small.
- Better than expected reservoir continuity / connectivity and uniform depletion throughout the reservoir with very high degree of interference in the producing wells. Good connectivity was not envisaged in the static model at FDP stage and therefore the provision for more wells was kept in the FDP to cater to this uncertainty.

Since, the Contractor failed to adhere to the approved AIDP in terms of drilling and putting on stream number of wells and the Gas Production rate, even after repeated reminders. GOI, in May 2012, had issued notice for proportionate disallowance of Cost of production facilities amounting to US $ 1.005 Billon. Subsequent to the above notice, RIL invoked arbitration for settlement of the dispute and appointed their arbitrator. Government of India also appointed its arbitrator. The matter is pending under arbitration.

The Contractor subsequently on 28.08.2012 had submitted Revised Field Development Plan (RFDP) for D1 & D3 fields for downward revision of reserves and the associated production profile. Clarifications have been sought from RIL, and the same are awaited.

Government of India in July, 2011 has approved the assignment of 30% of Participating Interest (PI) by Reliance Industries Limited (RIL) to BP Exploration (Alpha) Ltd in KG-DWN-98/3 block. Present PI of consortium partners in KG-DWN-98/3 block is as follows, RIL 60%, BPEAL: 30% and NIKO (NECO) 10 %. Subsequently, the Operator has submitted proposals relating to augmentation of gas from D1D3, MA and OFDP of four satellite gas fields and D-34 FDP.

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

I. The Contractor has been asked to drill, complete and connect more producer wells and undertake appropriate remedial measures to revive the sick wells in D1, D3 and MA fields in this block.

II. The Contractor’s proposal to install compressor at Onshore Terminal (OT) to increase gas recovery from D1 & D3 fields has been approved by the Management Committee (MC). Contract for Front End Engineering Design (FEED) for OT Booster compression has been awarded by the contractor and work is under way.

III. Revised Field Development Plan (RFDP) of MA field has been approved by the MC.

IV. The Optimized Field Development Plan (OFDP) of another 4 gas discoveries (D-2, 6, 19 & 22) has been approved by MC.

V. The Declaration of Commerciality (DoC) of gas discoveries D-34 has also been approved by MC.

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

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

New Delhi;
<u>December, 2013</u>
Agrahayana,1935 (Saka)

Dr. Prabha Thakur
Acting Chairperson,
Standing Committee on
Petroleum & Natural Gas.

Year	2008-09			2009-10			2010-11			2011-12			2012-13		
Refiney	Installed Capacity TMT	Crude Processed TMT	% Capacity Utilisation	Installed Capacity TMT	Crude Processed TMT	% Capacity Utilisation	Installed Capacity TMT	Crude Processed TMT	% Capacity Utilisation	Installed Capacity TMT	Crude Processed TMT	% Capacity Utilisation	Installed Capacity TMT	Crude Processed TMT	% Capacity Utilisation
PSU Refineries															
IOCL GUWAHATI	1000	1075.7	107.6	1000.0	1077.6	107.8	1000.0	1117.6	111.8	1000.0	1058.0	105.8	1000.0	957.0	95.7
IOCL BARUNI	6000	5940.3	99.0	6000.0	6184.2	103.1	6000.0	6207.4	103.5	6000.0	5730.0	95.5	6000.0	6345.0	105.8
IOCL GUJARAT	13700	13852.1	101.1	13700.0	13205.5	96.4	13700.0	13561.0	99.0	13700.0	14253.0	104.0	13700.0	13155.0	96.0
IOCL HALDIA	6000	6042.0	100.7	6000.0	5685.7	94.8	7500.0	6877.9	91.7	7500.0	8072.0	107.6	7500.0	7490.0	99.9
IOCL MATHURA	8000	8601.0	107.5	8000.0	8107.3	101.3	8000.0	8880.0	111.0	8000.0	8202.0	102.5	8000.0	8561.0	107.0
IOCL DIGBOI	650	623.1	95.9	650.0	600.5	92.4	650.0	651.1	100.2	650.0	622.0	95.7	650.0	660.0	101.5
IOCL PANIPAT	12000	13067.3	108.9	12000.0	13614.6	113.5	15000.0	13660.5	91.1	15000.0	15497.0	103.3	15000.0	15126.0	100.8
IOCL BONGAIGAON	2350	2163.2	92.1	2350.0	2220.3	94.5	2350.0	2008.2	85.5	2350.0	2188.0	93.1	2350.0	2356.0	100.3
Total IOC Refineries	**49700.0**	**51364.6**	**103.3**	**49700.0**	**50695.6**	**102.0**	**54200.0**	**52963.7**	**97.7**	**54200.0**	**55622.0**	**102.6**	**54200.0**	**54650.0**	**100.8**
CPCL MANALI	9500	9717.8	102.3	9500.0	9580.0	100.8	10500.0	10107.4	96.3	10500.0	9953.3	94.8	10500.0	9102.0	86.7
CPCL CBR	1000	499.6	50.0	1000.0	602.0	60.2	1000.0	792.0	79.2	1000.0	702.0	70.2	1000.0	640.0	64.0
Total CPCL Refineries	**10500**	**10217.4**	**97.3**	**10500.0**	**10182.0**	**97.0**	**11500.0**	**10899.3**	**94.8**	**11500.0**	**10655.3**	**92.7**	**11500.0**	**9742.0**	**84.7**
HPCL MUMBAI	5500	6651.6	120.9	6500.0	6965.1	107.2	6500.0	6554.3	100.8	6500.0	7508.9	115.5	6500.0	7747.0	119.2
HPCL VISAKH	7500	9154.8	122.1	7500.0	8796.5	117.3	8300.0	8199.6	98.8	8300.0	8682.2	104.6	8300.0	8029.0	96.7
Total HPCL Refineries	**13000**	**15806.4**	**121.6**	**14000.0**	**15761.6**	**112.6**	**14800.0**	**14753.9**	**99.7**	**14800.0**	**16191.1**	**109.4**	**14800.0**	**15776.0**	**106.6**
BPCL MUMBAI	12000	12261.6	102.2	12000.0	12501.0	104.2	12000.0	12688.1	105.7	12000.0	12983.8	108.2	12000.0	13101.0	109.2
BPCL KOCHI	7500	7683.9	102.5	7500.0	7874.0	105.0	9500.0	8698.3	91.6	9500.0	9472.0	99.7	9500.0	10104.0	106.4
Total BPCL Refineries	**19500**	**19945.5**	**102.3**	**19500.0**	**20375.0**	**104.5**	**21500.0**	**21386.4**	**99.5**	**21500.0**	**22455.8**	**104.4**	**21500.0**	**23205.0**	**107.9**
NRL	**3000**	**2251.5**	**75.0**	**3000.0**	**2619.0**	**87.3**	**3000.0**	**2250.2**	**75.0**	**3000.0**	**2825.0**	**94.2**	**3000.0**	**2478.0**	**82.6**
MRPL	**9690**	**12586.0**	**129.9**	**11820.0**	**12498.0**	**105.7**	**11820.0**	**12662.4**	**107.1**	**11820.0**	**12789.0**	**108.2**	**15000.0**	**14403.0**	**96.0**
ONGC-Tatipaka	**66**	**84.0**	**127.3**	**78.0**	**55.0**	**70.5**	**78.0**	**68.0**	**87.2**	**66.0**	**70.0**	**106.1**	**66.0**	**57.0**	**86.4**
Total PSU Refineres	**105456.0**	**112255.4**	**106.4**	**108598.0**	**112186.2**	**103.3**	**116898.0**	**114983.9**	**98.4**	**116886.0**	**120608.2**	**103.2**	**120066.0**	**120311.0**	**100.2**

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2013-14)

FIRST SITTING
(03.10.2013)

The Committee sat on Thursday the 03rd October, 2013 from 1100 hrs. to 1245 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Dr. Prabha Thakur - Acting Chairperson

MEMBERS

LOK SABHA

2. Dr. Mehboob Beg
3 Shri Sudarshan Bhagat
4 Shri Baliram Jhadhav
5 Shri Manda Jagannath
6 Shri Dilipkumar Mansukhlal Gandhi
7 Shri Somabhai G. Koli Patel
8 Shri Dhananjay Singh
9 Shri Manohar Tirkey

RAJYA SABHA

10 Shri Sabir Ali
11 Smt. Kusum Rai
12 Shri Tapan Kumar Sen
13 Smt. Gundu Sudharani
14 Prof. Ram Gopal Yadav

SECRETARIAT

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

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri Vivek Rae	-	Secretary
2.	Shri Rajive Kumar	-	Additional Secretary
3.	Shri R.K. Singh	-	Joint Secretary

Representatives of Public Sector Organisations/Other agencies.

1.	Shri M. Nene	-	Director, IOCL
2.	Shri K.K. Gupta	-	Director, BPCL
3.	Shri H.C. Mehta	-	ED, HPCL

2. In the absence of the Chairman, the Committee chose Dr. Prabha Thakur to chair the sitting under rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. At the outset, Hon'ble Chairperson welcomed the Members to the first sitting of the Committee and congratulated them on their nomination to the Committee. The Chairperson then briefly apprised the Members of the functions of the Committee and also of the work done by the previous Committee during the year 2012-13.

4. ***** ***** ***** ***** ***** *****

5. The Committee then considered the draft Action Taken Report on 'Demands for Grants (2013-14)' of MoPNG and adopted the same with modifications suggested by the Members. The Committee also authorized the Chairperson to finalize the report and present/lay it in both the Houses of Parliament.

6. ***** ***** ***** ***** ***** *****

7. ***** ***** ***** ***** ***** *****

8. ***** ***** ***** ***** ***** *****

9. ***** ***** ***** ***** ***** *****

10. Verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

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*****Matters 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 SIXTEENTH REPORT (FIFTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2012-13) ON 'DEMANDS FOR GRANTS (2013-14) OF THE MINISTRY OF PETROLEUM AND NATURAL GAS'.

I	<u>Total No. of Recommendations</u>	31
II	Recommendations/Observations which have been accepted by the Government	20
	(Vide Recommendations at Sl. Nos. 7,8,9,10,13,14,15,17,18,19,20,21,22,24,25,26,27,28, 29,30)	
	Percentage to Total	64.51%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's Reply	NIL
	Percentage of Total	0%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	10
	(Vide Recommendations at SI. No. 1,2,3,4,5,6,11,12,23,31)	
	Percentage of Total	32.25%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited	1
	(Vide Recommendations at Sl. No. 16)	
	Percentage of Total	3.22%