



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

FIFTEENTH LOK SABHA

**MINISTRY OF PETROLEUM & NATURAL GAS
FUNCTIONING OF OIL INDUSTRY DEVELOPMENT
BOARD**

TWENTY THIRD REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2014/ Magha, 1935 (Saka)

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

(FIFTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

**FUNCTIONING OF OIL INDUSTRY DEVELOPMENT
BOARD**

Presented to Lok Sabha on 17.02.2014

Laid in Rajya Sabha on 17.02.2014



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2014/ Magha, 1935 (Saka)

CONTENTS	
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(iv)

REPORT PART-I

Introductory

Constitution of Oil Industry Development Board

Function of the Board

Funding source of OIDB

Allocation to OIDB from cess collection

Activities undertaken by OIDB

(i) Loans to Oil Industry

(ii) Equity Investments

(iii) Grants to Institutions under MoP&NG

(iv) Release of Grant to RGIPT

(v) Payment towards differential royalty

(vi) Initiative for alternate fuels

Withdrawal of Tax Exemption to OIDB

Additional demand on OIDB

PART II

Observations/Recommendations of the Committee

ANNEXURES

- | | |
|-----|---|
| I | Letter of Ministry of Finance to Hon'ble Minister, MoP&NG dated 24.5.2013 |
| II | Minutes of the Fourth sitting of the Committee (2013-14) held on 19.11.2013 |
| III | Minutes of the Eighth sitting of the Committee (2013-14) held on 12.02.2014 |

(iii)

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2013-14)

Sl. No.	Name of Members
--------------------	------------------------

LOK SABHA

Shri Aruna Kumar Vundavalli - Chairman

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

RAJYA SABHA

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

SECRETARIAT

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

(iv)

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf present this Twelfth Report on “Functioning of Oil Industry Development Board’.

2. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 19.11.2013.

3. The Committee considered and adopted the Report at their sitting held on 12.2.2014.

4. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum and Natural Gas and the Public Sector Undertakings/Organisations concerned for placing their views before them and furnishing the information desired in connection with examination of the subject.

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

***New Delhi;
12 February, 2014
23 Magha , 1935 (Saka)***

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

PART I

INTRODUCTORY

The Government of India enacted the Oil Industry (Development) Act, 1974 . The purpose of the Act is to provide for the establishment of a Board for development of oil industry and for that purpose to levy duty of excise on crude oil and natural gas and for matters connected therewith. The term oil industry covers petroleum, petrochemical and fertilizer sectors. The cess under the OID Act is levied and collected by Ministry of Finance and credited to the Consolidated Fund of India. Government may transfer from out of cess proceeds such sums to OIDB as it deems fit. In terms of Section 3 (1) of the Act Central Government by notification in the Official Gazette, established OIDB w.e.f. 13th January, 1975.

1.2 The “Statement of Objects and Reasons” incorporating the purpose of setting up of Oil Industry Development Board is as follows:-

“Following successive and steep increases in the international prices of crude oil and petroleum products since early 1973, the need for self-reliance in petroleum and in petroleum based industrial raw materials has assumed great importance. It is essential that the programme for securing such self-reliance should be rapidly stepped up, and also that the necessary resources for the execution of such programmes must be assured. It is, therefore, proposed to levy by way of cess duties of excise on crude oil and natural gas so as to create an Oil Industry Development Fund. This Fund would be used exclusively to provide financial assistance to the organizations engaged in development programmes of the oil industry in all its aspects from the exploration for, and the production of, crude oil to its refining, further down-stream processing, distribution, marketing, etc., and research and development. To begin with, it is proposed to recover by way of a cess in the form of a duty of excise of Rs.60 per tonne on crude oil produced in the country and delivered to the refineries. The cess will be utilised for approved schemes in the fields of oil exploration and production, and the refining marketing and distribution of petroleum products. In due course, the scope of the fund will be extended to cover other sectors such as the down-stream processing of petroleum feedstock.”

Constitution of Oil Industry Development Board:

1.3 The Section 3(3) of The Oil Industry (Development) Act, 1974 provides for the constitution of the OID Board. The relevant provisions of the said Act and the members appointed by Central Government on the Board of OIDB are tabulated below:

Sl. No.	Composition of Board	Status
1.	Chairman (Under Section 3 (4))	Secretary Ministry of Petroleum & Natural Gas is ex-officio Chairman of the OID Board.
2.	Members – Not more than three members representing Ministries dealing with Petroleum & Chemicals- Section 3 (3) (a)	The following three represent the Ministries dealing with Petroleum & Chemicals:- (i) Secretary, Deptt. of Chemicals & Petro-chemicals (ii) Joint Secretary (Expl.) Ministry of Petroleum & Natural Gas (iii) Director General, DGH
	Two members to be appointed by the Central Government to represent the Ministry of the Central Government dealing with finance - Section 3 (3) (b)	The following two members represent Ministry of Finance: (i) AS&FA, Ministry of Petroleum & Natural Gas. (ii) Additional Secretary, Ministry of Finance, Department of Expenditure.
	Not more than five members to be appointed by the Central Government to represent the Corporations, being Corporations owned or controlled by the Central Government, engaged in activities referred to in clause (k) of section 2 - Section 3 (3) (c)	The following five members represent oil PSUs: (i) CMD, ONGC (ii) Chairman, IOCL (iii) CMD, GAIL (India) Ltd. (iv) CMD, BPCL (v) CMD, HPCL
	Two members of whom one shall be appointed by the Central Government from amongst persons who, in the opinion of that Government, have special knowledge or experience of oil industry and the other shall be appointed by that Government to represent labour employed in the oil industry- Section 3 (3) (d)	Director (R&D), IOCL is appointed as Member having special knowledge or experience of Oil Industry.
3.	Member Secretary - The Secretary to the Board, ex officio- Section 3 (3) (e)	Secretary, OIDB is the Member Secretary of the OID Board.

1.4 From the above table it is observed that there is no appointment of labour representative in OI DB. When asked the specific reasons for the same with details of efforts taken by OI DB to fill the post, the Ministry stated as under:

“No, the post of labour representative in OI DB has not been lying vacant since inception. The appointment of the labour representative is made by Ministry of Petroleum & Natural Gas (MoP&NG). The following incumbents had been appointed on OI DB Board as labour representatives:

Sh. Raja Kulkarni, President, National Federation of Petroleum Workers

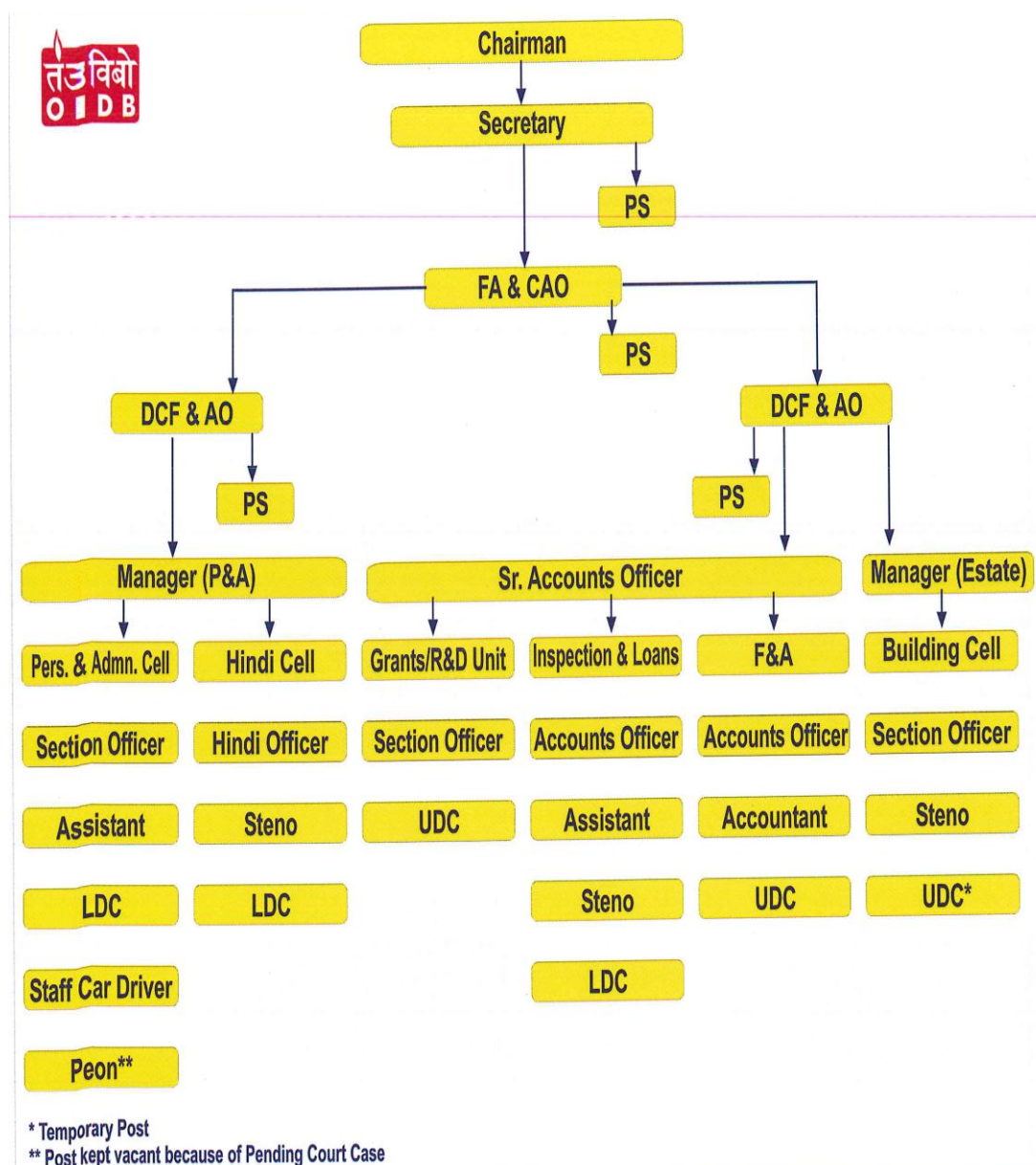
From 18.06.1980 until further orders, From 15.09.1983 to 14.09.1985

From 30.09.1985 to 29.09.1987, From 15.09.1987 to 14.09.1989

Sh. Y.D. Sharma, President, All India Federation of Petroleum Workers and President, Petroleum Workers Union - From 26.11.1998 to 25.11.2000 .

Efforts are being made to fill the current vacancy at the earliest”.

The organizational chart of OI DB is given below:



Functions of the Board

1.5 Section 6 of the Act provides the measures for which Board may render assistance for the promotion of Oil Industry. Section 6 of the OI Act, states as under:

- “Prospecting for & exploration of mineral oil within/ outside India;
- establishment of facilities for production, handling, storage and transportation of crude oil;
- refining and marketing of petroleum and petroleum products;
- manufacture & marketing of petrochemicals and fertilizers;
- scientific, technological and economic research which could be directly or indirectly useful to oil industry;
- experimental or pilot studies in any field of oil industry;
- training of oil industry personnel in India or abroad.

The assistance can be rendered by OI Act by advancing loans or making grants to any oil industrial concern or subscribing to stock of shares of oil industrial concern or providing guarantees.

1.6 Asked about the details of activities undertaken by OI Act so far to render assistance mentioned under Section 6 of OI Act, to specific activities for promotion of oil industry, the MoP&NG furnished the following details:

“The Board has extended loan to Oil PSUs for development of oil industry [section 6(2)(a)] and Rs.7,874 crore is outstanding against oil PSUs as on 15.01.2014 Further, Board is meeting the budget in respect of the following organizations of MoP&NG by way of grant : -

- a) Directorate General of Hydrocarbon w.e.f 08.04.1993
- b) Petroleum Conservation Research Association since its inception.
- c) Petroleum Planning and Analysis Cell w.e.f 02.04.2002
- d) Centre for High Technology w.e.f 27.05.1987
- e) Oil Industry Safety Directorate w.e.f 10.01.1986

The Board has given approx. Rs.1480 crores as grant to these institutes as on 15.01.2014.

The Board has invested an amount of Rs.2650 Crore (as on 15.1.2014) as advance against equity participation in Indian Strategic Petroleum Reserves Ltd [section 6(3)(b)] in the interest of energy security.

The Board has invested amount of Rs.50.34 Crore in Biecco Lawrie Ltd [section 6(2)(g)]”.

1.7 On specifically being asked by the Committee about the activities undertaken by OI Act under the objectives set in OI Act of Prospecting for & exploration of mineral oil within/outside India and Experimental or pilot studies in any field of oil industry, the Ministry in its reply stated as under:

“The prospecting for mineral oil (within India) is being carried out by DGH and based on the results thereof DGH is carving out the blocks for offer under NELP. The entire

budget of the office of DGH is met by OIDB by way of grant. OIDB has released total amount of Rs.645 crore to DGH as on 15.1.2014.

The Board provides financial assistance to Oil PSUs and Academic Institutions for various R&D projects [section 6(3)(e) & (f)]. Initiatives taken by OIDB are setting up of Hydrogen-CNG Dispensing Station at Dwarka in collaboration of IOCL, Coal Bed Methane (CBM) Project with Government of Rajasthan & BIT Mesra (Ranchi), Organic Geochemistry of Lignite with IIT Mumbai & NGRI (Hyderabad), Demonstration Unit of INDAdapt Technology with IOCL, Photo-fermentation with TERI, National Gas Hydrate Program and Hydrogen program etc”.

1.8 On being asked about the constraints, if any faced by OIDB in area of its functioning, the Ministry stated as under:

“Prima-facie, there are no constraints. However, availability of more funds from out of the cess collected by Government would have enabled OIDB to provide more financial and other assistance to oil industry for their development”.

Funding source of OIDB

1.9 As regards the source of funds for OIDB the Briefnote furnished by MoPNG informed as under:

‘Section 15 of the Oil Industry (Development) Act, 1974 provides for collection of cess as a duty of excise on indigenous production of crude oil and natural gas. The Cess proceeds are collected by Ministry of Finance and credited to the Consolidated Fund of India. The Central Government may, through budget, pay to the Board such sums out of Cess proceeds as it may think fit for being utilized for the purposes of this Act. The Cess has been levied on crude oil, from time to time, at the following rates:

1.	Rs.60 per tonne	w.e.f. 23 rd July, 1974
2.	Rs.100 per tonne	w.e.f. 13 th July, 1981
3.	Rs.300 per tonne	w.e.f. 15 th February, 1983
4.	Rs.600 per tonne	w.e.f. 1 st March, 1987
5.	Rs.900 per tonne	w.e.f. 1 st February, 1989
6.	Rs.1800 per tonne	w.e.f. 1 st March, 2002
7.	Rs.2500 per tonne	w.e.f. 1 st March, 2006
8.	Rs.4500 per tonne	w.e.f. 17 th March, 2012

No Cess is leviable on crude oil produced from New Exploration Licensing Policy (NELP) blocks. The Central Government has, in the public interest, limited the cess (duty of excise) on crude oil production to Rs.900 per tonne from 26 identified fields under Production Sharing Contracts.

1.10 While taking note of the successive increase in rate of cess on crude oil over the years, the Committee desired to know as to whether the cess levied on production of crude oil is causing financial burden on the upstream oil companies and whether any

request for minimizing capping the cess rate has been received from any of the companies, the Ministry provided following details:

“ONGC and OIL have reported that they are facing financial burden because of increase in OID Cess, as they are also providing discount on sale of crude to OMCs. The increase in Cess from Rs.2500/MT to Rs.4500/MT has resulted in increase in crude production cost by about US \$ 5 per bbl.

ONGC and OIL have represented to the Ministry through letters dated 21.03.2012 for reduction of OID Cess, to the earlier level of 2500/MT. Minister for P&NG vide his D.O. letter dated 24.03.2012 requested the Finance Minister to reconsider the proposal for increase in cess on crude oil.

1.11 In this regard, the Secretary, MoP&NG during the course of the evidence submitted the following information:

“The ONGC gets, let us say, 105 dollars per barrel. If the cess is 4500 rupees a metric tonne, that is 5 dollars per barrel, then ONGC’s net gain is only 100 dollars per barrel. So, the ONGC is not passing it through. Actually, what is happening is that this cess is hitting the oil exploration companies. It is not being passed on to the consumers. So, that is what is happening. The more you keep increasing the cess, the more the upstream companies are getting hit. Our upstream companies like ONGC and OIL suffer a loss directly on their net margins. The higher the cess, the lower their net margin”.

1.12 When the Committee asked for the detail of the funds allocated by Central Government to OI DB till date, the Ministry stated that Central Government has paid an amount of Rs.902 crore only to OI DB out of the cess amount of more than Rs.118500 crore approximately collected since inception. Nothing has been paid by the Central Govt. to OI DB since 1992-1993. The details of cess collected are as under:

Rs. in crore			
Sl. No	Year	Amount of Cess collected	Amount of cess transferred to OI DB.
1	1974-75	30.82	16.01
2	1975-76	50.05	62.27
3	1976-77	52.88	48.19
4	1977-78	63.72	50.10
5	1978-79	68.89	20.00
6	1979-80	69.70	140.00
7	1980-81	60.40	25.01
8	1981-82	138.97	142.92
9	1982-83	268.83	100.00
10	1983-84	812.80	-
11	1984-85	850.12	-
12	1985-86	897.66	-
13	1986-87	981.50	-

14	1987-88	1806.60	-
15	1988-89	2013.64	63.09
16	1989-90	2914.57	50.00
17	1990-91	2785.15	89.81
18	1991-92	2500.64	95.00
19	1992-93	2207.61	-
20	1993-94	2175.46	-
21	1994-95	2566.16	-
22	1995-96	2819.52	-
23	1996-97	2558.03	-
24	1997-98	2528.74	-
25	1998-99	2448.18	-
26	1999-00	2589.44	-
27	2000-01	2582.21	-
28	2001-02	2722.79	-
29	2002-03	4873.17	-
30	2003-04	4919.49	-
31	2004-05	5033.97	-
32	2005-06	4857.58	-
33	2006-07	6875.53	-
34	2007-08	6854.00	-
35	2008-09	6680.94	-
36	2009-10	6637.13	-
37	2010-11	7671.44	-
38	2011-12	8065.46	-
39	2012-13	14473.16	-
	Total	118506.95	902.40

Note:- The figures of collection of cess on crude oil by Government as provided to OIDB by ONGC, OIL & DGH.

The OIDB generates its internal resources by way of interest income on the loans given to various oil sector companies. The cess receipts along with these internal receipts have contributed to Oil Industry (Development) Fund's corpus of Rs.10726 crore approximately as on 31st March, 2013.

1.13 On being further asked as to whether there is any fixed formula for devolution of collected cess to OIDB, the Ministry in a written submission stated that

"There is no such formula for devolution to OIDB. As stated earlier, OIDB received the last tranche out of cess collection in the year 1992. Subsequently, no fund has been transferred to OIDB by the Government".

Allocation to OIDB from cess collection

1.14 With the increasing demands on the corpus of OIDB, the existing revenues are found to be inadequate to meet the requirement of Oil Industry. Accordingly, Ministry of Petroleum & Natural Gas had requested Ministry of Finance to allocate at least 75% of annual cess collections to OIDB to enable the organization to fulfil its mandate and commitments. Ministry of Finance has intimated that “given the competing demands for resources, it is regretted that the Government finds it difficult to transfer 75% of the cess collected under the Act to the OIDB”.

1.15 Observing the discontinuance of funds allocation to OIDB since the year 1992, the Committee wished to be apprised about the reasons thereof and whether MOP&NG/OIDB had taken up the matter with the MoF for allocation of more funds, the Ministry in a written submission provided as under:

“The Hon’ble Minister of Finance vide his letter dated 14.9.1997 informed the then Hon’ble Minister for Petroleum & Natural Gas about its stand on release of cess amount to OIDB. The enclosure to the letter contains a statement provided by MoF to the Parliamentary Standing Committee of the Ministry of Finance, mentioned that placing of funds at disposal of OIDB is not the only way for development of Oil Sector. The Cess proceeds can be used partially directly or partially indirectly for development of oil industry which includes Fertilizers and Petro-Chemicals. The legislative intent was to create a source of revenue and need based funding of oil sector. All expenditure incurred and all revenues forgone in the oil sector should be considered as deemed to have been made on the strength of resource mobilization under Oil Industry (Development) Act. Hence, Cess proceeds are being utilized either directly by Government or through OIDB. The Hon’ble Minister of Finance vide his letter dated 24.5.2013 to Hon’ble Minister for Petroleum & Natural Gas informed that on account of competing demands for resources, the Government finds it difficult to transfer 75% of the cess collected under the Act to OIDB”.

Activities undertaken by OIDB

1.16 The details of activities undertaken by OIDB are as follows:

(i) Loans to Oil Industry

OIDB provides loans to Oil Industrial concerns. During 2012-13, the OIDB released loans of Rs.2307 crore to the oil PSUs. Further, during 2013-14 as against budgeted provision of Rs.2000 crore as loan to Oil PSUs, so far OIDB has released a loan of Rs.1518 crore as on 11.11.2013. As on 11.11.2013, there is an

outstanding loan of Rs.7647.56 crore, Company-wise details of which are as follows:

(Rupees in Crore)		
Sl. No.	Name of Oil PSUs	Amount
1.	GAIL	2277.85
2.	IOCL	2234.05
3.	HPCL	736.25
4.	BPCL	346.25
5.	NRL	40.48
6.	CPCL	196.00
7.	BCPL	789.59
8.	DNP	20.25
9.	MRPL	896.29
10.	GAIL Gas Ltd.	110.55
Total		7647.56

1.17 On being enquired about the monitoring mechanisms available with OIDB to ensure the judicious and efficient utilization of the loans given to various PSUs/institutions, the Ministry furnished following information:

“The financial support in form of loan is decided by a ‘Project Appraisal Committee’ in OIDB whose recommendation is considered by OI Board. The OI budget is approved by the Central Govt.

OI ensures timely collection of principal and interest as per the MoU. All necessary safeguards such as creation of charge, obtaining corporate guarantee and MoU are in place. There is no delay/overdue/default in OI sanctioned loan”.

1.18 In this regard asked to furnish details of year-wise interest earned by OI on respective loans given to various oil sector companies and the respective rates of interest, the Ministry informed that:

“The rate of interest on loans varies from month to month. The interest on OI loans is decided by a Standing Committee headed by Additional Secretary & Financial Advisor, MoP&NG.

- The current criteria for determination of interest on loans are as-
 - i. The month end (semi annualised) interest rates for Government securities having different residual maturities as obtained from Fixed Income Money Market and Derivatives Association of India (FIMMDA) shall be the benchmark rates for computing the interest for different tenures for subsequent month.

- ii. The corresponding month-end margins of AAA rates Bonds over Government securities available in page INCORP (quote AAA INBMK) of which 50% to be added to the benchmark rate for arriving at the rate of interest.
- iii. Discounts in respect of the following projects:-
 - Projects of Strategic National Importance which have a direct bearing on the energy security of the country would be eligible for a discount of 100 basis points on the effective interest rates.
 - Environmental improvement projects and projects for special areas, such as, North-East region, J&K state etc. would be eligible for a discount of 50 basis points on the effective interest rates.
 - All other projects would be at benchmark plus 50% of the margins
- Interest rates applicable on OADB loans for Financial Year 2013-14 are

% per annum

Month	Interest rates for 5 years loan	Interest rates for 10 years loan
April 2013	8.33	8.25
May 2013	7.93	8.08
June 2013	7.67	7.60
July 2013	7.98	7.91
August 2013	9.27	8.72
September 2013	9.50	9.15
October 2013	9.27	9.17
November 2013	8.94	8.96
December 2013	9.06	8.89"

Year-wise details of loan disbursed by OADB to oil PSUs and interest earned on outstanding loans during last 5 years				
Sl. No.	Year	Loan disbursed by OADB	(%p.a) Rate of interest on which loans paid to oil PSUs	(Rs. in crore) Interest earned during the year on loans with oil PSUs
1	2008-09	3043.00	6.43 to 9.96	613.67
2	2009-10	2779.00	7.10 to 7.52	687.75
3	2010-11	1388.41	7.20 to 8.31	669.40
4	2011-12	1862.59	8.60 to 9.18	672.18
5	2012-13	2307.00	7.93 to 8.98	680.68
	Total	11380.00		3323.68

1.19 The Ministry informed that to ensure timely return of amount given as loan and of interest thereon, the Schedule for repayment of principal and interest are documented in the MoU with the Oil PSUs and OIDB monitors the fund inflow on monthly basis. There has been no default in repayment and interest till date except for M/s Biecco Lawrie. However, if there is delay by a few days, appropriate penal interest as per the MoU is charged and recovered from the concerned PSU.

1.20 In this connection, when further asked about the action taken against the defaulter institutions/PSUs, the Ministry in a written reply stated as under:

“In compliance to the direction from MoP&NG vide letter no P-25011/4/2005-MKT(Part) dated 04.05.2011, the outstanding loan of Rs 32.76 crore was converted into equity of OIDB in Biecco Lawrie Limited (BLL). Further, efforts are still being made to recover the outstanding interest to the tune of Rs 8.43 crore from BLL.

1.21 The provisions for enforcement of claims and other incidental matters are covered in Sections 9 to 14 of the OID Act.

(ii). Equity Investments

1.22 Equity investment in Indian Strategic Petroleum Reserves Limited (ISPRL), a wholly owned subsidiary of OIDB.

ISPRL is a Special Purpose Vehicle (SPV) created by the Government of India for building and operating 5 MMT of the Strategic Crude Oil Reserves of the country at three sites, namely Visakhapatnam, Mangalore and Padur. The projects are under construction. As per Govt. advise, the capital cost of construction has been borne by OIDB as equity investment. So far OIDB has invested Rs.2529 crore in ISPRL. The status of its strategic crude oil storage projects as of October, 2013 is given as under:

ISPRL Project Cost & Status

Cities	Storage Capacity (MMT)	Exp. Cost (Rs. Cr)	Exp. Cost (USD Mn)
Visakhapatnam	1.33 (07.55 MMbbl)	1038	166
Mangalore	1.50 (11.00 MMbbl)	1227	197
Padur	2.50 (18.37 MMbbl)	1693	272
Total Cost	5.33 (36.87 MMbbl)	3958	635

Current status

Location	Visakhapatnam	Mangalore	Padur
Capacity of Storage	1.33 MMT	1.5 MMT	2.5 MMT
Zero date for construction	January, 2008	April, 2009	May, 2010
Actual Project Progress (as on October, 2013)	95.4 %	91 %	87.3 %
Tunnelling (approx.)	7.2 km	9.4 km	13.4 km
Anticipated Completion	March 2014	October 2014	October 2014

1.23 Equity investment in Biecco Lawrie Ltd. (BLL):

Presently OIDB holds equity of Rs.50.34 crore which is 67.33 % of total equity of Rs.74.76 crore of the Company. The entire net worth of Biecco Lawrie Ltd. has been eroded on account of accumulated losses. The company has become a sick company and has been referred to BIFR. Recently, OID Board has decided to nominate FA&CAO, OIDB as its nominee to the BLL Board.

1.24 On being asked about the efforts made by OIDB to revive the, Biecco Lawrie Ltd., the Ministry provided as under:

“Biecco Lawrie Ltd. (BLL) has a history of financial problems and rehabilitation packages were sanctioned by GOI from time to time. In the year 2007, Board of Reconstruction of Public Sector Enterprises (BRPSE) reviewed the restructuring proposal submitted by BLL. In October, 2007, BRPSE made certain recommendations, and Govt. of India in May 2011, approved the following :-

- (a) Conversion of OIDB loan of Rs. 32.76 Crore into equity,
- (b) Reduction of equity capital by setting off accumulated loss of Rs. 59.60 Crore and
- (c) Raise funds from Banks/ Financial institutions by mortgaging freehold land at Mayurbhanj Road.

2. The company again approached this Ministry with a request for infusion of fund to the extent of Rs. 75 crore to revive the company. The request of the company was placed before the BRPSE in its meeting held on 22.02.2013. Consequent on reviewing the proposal of BLL, BRPSE recommended that Ministry of Petroleum & Natural Gas may consider closing BLL after giving VRS to all employees if the option of its take over by other CPSEs does not succeed.

3. Based on BRPSE recommendation, a draft CCEA note has been prepared and sent to the concerned Ministries/Departments for their comments. Comments of some Departments are awaited.

4. In the meantime, this Ministry received a reference from Chairman of BRPSE suggesting this Ministry to find out the option for merger of BLL with M/s Bridge & Roof co.(India) Ltd., a CPSE under D/o Heavy Industry. Accordingly, D/o Heavy Industry have been requested for their comments on the above issue. Thereafter, MD, BLL requested this Ministry to take up the matter with Ministry of Power for finding out the option for merger of BLL with any CPSE under them. Accordingly, both Ministry of Power and Department of Heavy Industry have been requested to explore the option for merger of BLL with any CPSE under the administrative control of their Departments. Power Ministry has expressed its inability stating that since M/s BLL concentrates on manufacturing activity, appropriate synergy would not arise on its merger with any PSU of that Ministry. Comments of D/o Heavy Industry are still awaited.

5. Further, M/s Biecco Lawrie Limited (BLL) has informed that United Bank of India has sanctioned a United Mortgage loan of Rs. 18.78 crore and requested this Ministry to give clearance for obtaining Mortgage loan of Rs. 18.78. M/s BLL has been requested to send a detailed strategy on revival of company based on the core competence and strength of the company if such assistance is forthcoming.

6. Now, M/s BLL has informed that they have engaged ICRA to carry out an in depth study on the proposed revival plan". The report is awaited.

(iii). Grants to Institutions under MoP&NG

1.25 Based on Government directions/decisions OI DB meets the expenses of various institutions under MOP&NG on regular basis. Against the budgeted provision of Rs.219.05 crore for 2013-14, an amount of Rs.67.10 crore has been released to these Institutions during 2013-14 as per following details:

(Rupees in Crore)		
Grantee Institutions	Budget 2013-14	Expenditure Up to 11.11.2013
DGH	110.88	22.85
PCRA	58.31	23.71
CHT	17.57	6.11
OISD	16.70	6.00
PPAC	15.59	8.43
Total	219.05	67.10

1.26 Details of the grants released to such institutions during the last five years is as follows:

(Rupees in Crore)					
Grantee Institutions	Grants Released during				
	2008-09	2009-10	2010-11	2011-12	2012-13
DGH	48.30	58.67	51.35	55.14	62.09
PCRA	52.93	60.70	18.58	25.00	46.96
CHT	6.33	7.18	11.98	12.04	13.92
PPAC	6.57	9.65	10.95	12.21	12.35
OISD	6.95	6.40	8.20	9.96	10.88
Total	121.08	142.60	101.06	114.35	146.20

(iv) Release of Grant to Rajiv Gandhi Institute of Petroleum Technology (RGIPT)

1.27 The Rajiv Gandhi Institute of Petroleum Technology (RGIPT) has been set up under an Act of Parliament (54 of 2007). RGIPT's objective is to create an educational and training centre of excellence for catering to the technical and managerial talent requirement of the Petroleum sector.

1.28 The Institute is in the process of constructing a Centre at Rae Bareilly. The funding for construction of the Institute's campus is being supported by Government of India through budgetary support and grant from the Oil Industry Development Board. The recurring expenditure of the Institute is to be met from the interest income from corpus fund contributed by the major Oil Companies (ONGC, IOCL, OIL, GAIL, BPCL and HPCL), besides collection of students fees.

1.29 The OI DB has so far released an amount of Rs.20.15 crore out of OI DB's committed contribution of Rs.150 crore. A budget provision of Rs.30 crore has been made in BE 2013-14 of OI DB.

1.30 The Institute is in the process of constructing another Centre at Assam. OI DB is required to contribute an amount of Rs.98 crore and has released Rs.1.81 crore so far. A budget provision of Rs.10 crore has been made in BE 2013-14.

(v). Payment towards Differential Royalty

1.31 The Government has entrusted OI DB the responsibility for payment of additional royalty to State Governments to meet its commitments on fiscal stability in Production Sharing Contracts (PSCs) relating to discovered fields in first and second rounds of NELP. The OI DB has so far paid an amount of approximately Rs.407 crore up to 31.03.2013 with the following year-wise details:

(Rs. in Crore)	
Year	Payment of Royalty
2003-04 (since inception up to 31.03.2004)	18.83
2004-05	2.97
2005-06	0.00
2006-07	29.11
2007-08	30.63

2008-09	16.00
2009-10	63.64
2010-11	54.89
2011-12	33.86
2012-13	157.78
Total	407.71

1.32 Asked about the rationale of allocating funds by OI DB for purposes and activities not strictly developmental in character and whether this matter has been taken up by Central Government, the Ministry in a written reply furnished following information:

“Rationale for payment of differential royalties to State Governments on behalf of Central Government is as under :-

There were two rounds of offering discovered areas for private participation through international competitive bidding. The PSCs signed by the Government for these fields provide for freezing of Oil Industry Development (OID) cess and royalty on crude oil payable by the contractors at specific rates that prevailed at the time of invitation of bids. This was done as a measure to provide fiscal stability in the PSCs, which is an international safeguard against uncertainties. The contractors have thus been given a commitment that they shall pay royalty on production of crude oil at fixed rates, per metric tonne, as specified in the PSCs signed by them.

However, the State Governments have been claiming royalty at the rates applicable to production from nominated fields of ONGC/OIL. In fact, the royalty rates specified in PSCs are lower than general royalty rates, which have been revised from time to time. Efforts were made with concerned State Governments, where discovered fields under the first offer are located, to agree to accept royalty at the lower rates provided in the respective PSCs. However, these state Governments have not agreed and have insisted on full royalty as applicable from time to time and which is due to them. Therefore after inter-Ministerial consultation a proposal for paying differential amount of royalty fund of OI DB was considered.

Accordingly, approval of CCEA was taken to adopt the following modalities:-

- a. Government may meet its commitment on fiscal stability in PSCs relating to discovered fields of the first round award from OI DB fund.
- b. Government may meet its commitment on fiscal stability in PSCs relating to discovered fields of the second round award from OI DB fund, in place of the mechanism, which was approved earlier by CCEA.
- c. The modalities for payment of additional royalty amount proposed above will be decided by the Ministry of Petroleum and Natural Gas.

1.33 In this regard, during the course of evidence, the Committee asked about the justification for allocation of OI DB funds towards the paying of differential royalties to states, the Secretary , MoP&NG deposed before the Committee as stated below:

“This is a responsibility of the Central Government. This is not the job of the OI DB. This is not a development activity in the sense that it is directly linked with the

objectives of the Board. So, ideally, this money should be paid from the Central Budget and not from the OADB. We have taken it up with the Central Government and they have given the assurance that they will pay from the Budget, but because of budgetary constraints we are paying it. This is a contract between the Government of India and the contractor.

.....So we would request that the Committee may also take a note of this and make a recommendation that this differential must certainly be paid from the Central Budget and not from OADB”.

1.34 The Secretary MoP&NG made inter-alia the following submission during the oral evidence.

“.....The payment towards crude oil filling in strategic caverns, is a sovereign responsibility. This is the job of the Government of India..... This is not the job of the OADB. This is for energy security of the country..... It is eating into the corpus of OADB to the extent of Rs. 4000 crore.

.....But we do not want the projects to suffer. We are funding it so that the projects are completed on time and then we will keep on trying with the Finance Ministry because what has happened is that because of these developments, now we are running short of money for either giving loans to the companies or even for funding the institutions. Now, the time has come that after 1992-93 the Government must give extra money to the OADB or at least the equity that we have given for future activities”.

1.35 When asked in this context whether MoP&NG has taken the issue of increased funds allocation to OADB with MoF, the Ministry apprised the Committee of MoF communication dated 24.5.2013 addressed to Hon’ble Minister, MoP&NG (**Annexure-I**).

(vi). Initiatives for alternate fuels

1.36 OADB has provided grants for development of Hydrogen and Gas hydrates as alternate fuels, the details are as under:

(a) Hydrogen Corpus Fund

The Ministry of Petroleum & Natural Gas has set up a Hydrogen Corpus Fund Rs.100 crore with contribution from Oil PSUs/OADB as follows:

(Rs. in crore)

• OADB	40.00
• ONGC, IOC, GAIL @ Rs.16 crore each	48.00
• HPCL, BPCL @ Rs. 6 crore each	12.00

Scientific Advisory Committee (SAC) of Ministry of Petroleum & Natural Gas (MoP&NG) have approved 9 projects and an amount of Rs.3.93 crore has been released for funding these projects from HCF.

(b) National Gas Hydrate Programme (NGHP)

National Gas Hydrate Programme is for mapping Gas Hydrates as future alternate energy resource by extracting methane from solids below the sea-beds in deep oceans and the permafrost regions of the world. The programme was initiated in 1997 with a Steering Committee and a Technical Committee of NGHP. Based on the review of seismic data by the Technical Committee, two areas in Indian waters, one along East Coast and other on West Coast have been identified as “Model Laboratory Areas” for further R&D work. DGH is the coordinator of the programme. Review of various projects under this programme is done by a Steering Committee set up by the Ministry of Petroleum & Natural Gas. OIDB has so far released grant of Rs.141.50 crore for NGHP. Rs.72 crore has been contributed by Oil PSUs. For the National Gas Hydrate Programme, during 2013-14, a provision of Rs.300 crore has been made and OIDB shall contribute 50% of this amount.

Withdrawal of Tax Exemption to OIDB

1.37 The Committee had been informed that OIDB was exempted from payment of Income Tax till 2002-03. With the deletion of Section 22 (A) of the OID Act, OIDB became tax paying entity w.e.f. 1st April, 2003. When asked to be apprised of the reasons given by MoF for striking out Section 22 (A) of the OID Act providing for tax exemption, the written reply of MoP&NG informed as under:

“The tax exemption status was withdrawn vide Finance Act 2002. The relevant extracts are as under-

Last year, I had withdrawn the tax-exemption allowed to income earned by NABARD, NHB and SIDBI, since these institutions have come of age and are working on commercial lines. For the same reasons, I propose to withdraw this year the exemption allowed to income of the National Dairy Development Board, Prasar Bharati and Oil Industry Development Board”.

1.38 On being further queried as to whether MoPNG/ OIDB were consulted by MoF before the tax exemption was withdrawn, the Ministry informed that there does not appear to be any consultation by MoF with OIDB before the tax exemption was withdrawn.

Additional demand on OIDB

1.39 Recently, the Government has proposed to entrust the OIDB the following activities, these are as under:

“The Government has recently decided that OIDB shall provide funds for the revised cost of construction of the ISPRIL Strategic Storage Projects involving an additional expenditure of Rs.1195 crore.

The Government is also considering funding of the following projects :

- i. Energy Insurance Pool, wherein the OIDB may be required to contribute Rs.1000 crore in cash or by Guarantee, and
- ii. Funding of a (new) Government company for exploration and production of oil and gas projects in Iran (Rs.600 crore).

Decisions in regard to above matters have not yet been taken.

PART-II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

RECOMMENDATION NO.1

Functioning of OIDB

The Committee note that OIDB was established on 13th January, 1975 under OI Act 1974, as an autonomous body under MoP&NG to provide for development of oil industry which includes all activities connected directly or indirectly with petroleum, fertilizers and petro-chemicals industry. As per the objectives of the Act, an oil industry development fund was proposed to be created to achieve self-reliance in petroleum and in petroleum based industrial raw materials which would be used exclusively to provide financial assistance to the organizations engaged in development programmes of the oil industry.

The Committee have been informed that OIDB has been disbursing funds for activities specified in the Section 6 by providing financial assistance to various institutions like DGH, OISD, CHT, PCRA, etc. The Committee desire that instead of merely functioning as an financial institution, OIDB should look at spear heading the R&D activities in the entire value chain of oil industry in a more aggressive manner based on the experience gained by oil industry in the last 2 decades and also due to NELP regime. In this regard, the Committee desire that OIDB should form a committee comprising of experts, professionals, academia etc. to identify, evaluate, monitor and fund research and development projects crucial for the oil industry.

In view of the critical role of the oil industry in the economic growth and its growing impact on financial resources of the nation, the Committee recommend that MoP&NG should conduct a review of functioning of OIDB and strengthen it with required expertise and manpower. The Committee would also expect the Ministry to amend the Act if need be to expand its functions for the development of oil industry.

RECOMMENDATION NO. 2

Filling up of vacancy in OIDB

The Committee note that Section 3(3) of the OID Act 1974 provides for the Constitution of the OID Board. The Board consists of a Chairman, 12 Members and 1 Member Secretary. As per Section 3(3)(d), one Member shall be appointed by the Central Government to represent labour employed in the oil industry. The Committee are constrained to note that this post has been vacant for considerable period of time between 1990 and 1998 and since 26.11.2000, it has been continuously lying vacant. The Committee have not been given any valid explanation for non-filling of this vacancy by the Ministry.

The Committee are of the view that such an important category of Member in the Board should not remain vacant for a long time and recommend that MoP&NG should take immediate action to fill the current vacancy at the earliest. The Committee would also like to be apprised of the efforts made by the Ministry in filling up of the vacancy and reasons for delay.

RECOMMENDATION NO. 3

Fund allocation to OIDB from cess collection

The Committee have observed that OIDB established under mandate of OID Act 1974, is working towards development of domestic oil industry by financing various projects and activities associated with it. The Central Government pay to the Board such sums out of cess proceeds levied on production of crude oil as it may think fit for being utilized for the purposes of this Act. The Committee note that Central Government has paid an amount of Rs. 902 crore only to OIDB out of the total cess proceeds of more than Rs. 118500 crores collected since the OID Act was enacted. The Committee further note that i.e during the period from 1974 to 1992 there had been regular annual fund transfers to OIDB except for five years from the year 1983 to 1988. Thereafter, from 1993 onwards, the fund allocation has been altogether discontinued and the Board, is managing its affairs within the funds generated through internal resources. The Committee have been informed by OIDB that increased allocation of funds from the cess collected would enable it to provide more assistance to the oil industry for their development.

The Committee have been informed that MoP&NG had requested Ministry of Finance (MoF) for a share of 75% of the levied cess to be allocated to OIDB for meeting its various expenses. However, MoF has expressed its inability to spare such a huge share of cess for OIDB and have stated that Government has been financing various activities that qualify as development of oil industries within the purview of the Act. The Committee are of the view that since OIDB have to enlarge its activities with a number of additional funding responsibilities, there should be a regular source of funds for OIDB. The Committee, therefore, desire MoP&NG to impress upon MoF for annual allocation of fixed percentage of collected cess to OIDB for enabling it to render unhindered funding towards meeting its various commitments.

RECOMMENDATION NO. 4

Rationalisation of cess levied on crude oil

The Committee note that the Union Government collects cess as a duty of excise on indigenous production of crude oil and natural gas under the OI Act. The cess levied was Rs. 60 per tonne in 1974 and after periodic revision stands at Rs. 4500 per tonne since 17th March, 2012 which is collected by Ministry of Finance and credited to the Consolidated Fund of India. Two upstream PSU companies namely ONGC and OIL bear this cess and the increase in cess to 4500/MT has resulted increase in crude production cost by US\$5/bbl. Taking into consideration that these PSUs share the under-recoveries by way of providing discount on sale of crude to OMCs, the Committee feel that the increase in cess is unjustified and has put financial burden on them. The Committee would like Ministry of Finance to ameliorate the adverse financial situation faced by ONGC and OIL due to these measures and reduce the levy of cess on crude oil.

The Committee are of the view that instead of levy of the cess on crude oil, it would expect MoP&NG and MoF to widen the levy of cess on a variety of products. The Committee, therefore, recommend, that MoP&NG should take up with the MoF/Government to consider levy of small amount of cess on a wide range of petroleum products and reduce on crude oil/natural gas.

RECOMMENDATION NO.5

Utilization of funds by OIDB

The Committee are happy to note that despite non-allocation of funds by Central Government on regular basis, OIDB has augmented its funds corpus to Rs. 10726 crores as on March 2013 by utilizing its various internal resources of fund generation. The OIDB is efficiently disbursing its funds for various projects and activities emanating either directly or indirectly from multiple objectives set in the Act for development of oil sector. These activities include lending money to oil companies as loans, equity investment, grants to institutions under the Ministry of Petroleum and Natural Gas.

The Committee note that out of budgeted provision of Rs 219.05 cr for the year 2013-14 , OIDB has granted DGH an amount of Rs 110.88 cr which comes out to be 50% of the total amount. In this connection, Ministry of Finance (MoF) has suggested that office of DGH must be given financial independence and the same should be included in Budgetary estimates of MoPNG instead of being sponsored by OIDB. The Committee fully endorse this and therefore recommend that Ministry should raise separate Budgetary demand as suggested by MoF which will ease the financial burden of OIDB to a considerable extent.

The Committee further note that MoF have also clarified that as per CCEA approval the cost of filling the crude in 3 strategic storage caverns is to be borne by the Government and not by OIDB. The Committee welcome this decision as it will save considerable amount of funds.

The Committee hope that due to the measures as proposed above by MoF, there will be saving of funds which will help OIDB to judiciously allocate funds for meeting its objective of development of oil industry.

RECOMMENDATION NO. 6

Payment of additional royalty to State by OI DB

The Committee note that the Government entrusted OI DB with the responsibility for payment of additional royalty to state Governments to meet its commitments on fiscal stability in production sharing contracts under NELP . The Committee note that out of total amount of Rs 902 cr received from Central Government, the Board has already paid an amount of Rs 407.71cr up to March 2013 toward payment of additional royalty which is almost 50% of the total sum received by OI DB.

The Committee observe that utilizing Board's resources for payment towards differential royalties to states is adversely affecting the finances of OI DB. This purpose does not cover any of the Board's objectives, intent with which OI DB had been created. The Committee feel that this activity which is exclusively a sovereign responsibility of the Union Government must not be catered to by the Board owing to limited fund available at its disposal. The Committee, therefore, recommend that MoP&NG should take up with the Ministry of Finance for delinking the role and involvement of OI DB regarding payment of differential royalty to State Government.

RECOMMENDATION NO. 7

Rehabilitation of Biecco-Lawrie

The Committee note that OI DB holds equity of Rs. 50.34 crore in Biecco-Lawrie Ltd (BLL) which is 67.33% of total equity of the company. OI DB has recently decided to nominate FA & CAO, OI DB as its nominee to the BLL Board. The Committee note that the Company has a history of financial problems and has huge accumulated losses. The Committee note that Board of Reconstruction of Public Sector Enterprise (BRPSE) has reviewed BLL's proposal for restructuring and has recommended closing of BLL after giving VRS to all its employees if the option of take over by other CPSE's does not succeed. The Committee further note that MoP&NG has been making efforts for merger of BLL with other PSUs and in this regard has approached Ministry of Heavy Industry (MHI) and Ministry of Power (MoP).

The Committee recommend that MoP&NG and OADB should earnestly pursue for revival of BLL within CPSE framework so that the option of closing BLL after giving VRS to its employees may be obviated which will secure the employment of those working in it and also safeguard the funds of OADB.

The Committee have been informed that the Ministry has asked BLL to send a detailed strategy for revival of the company in response to the request made by BLL to give clearance for obtaining a mortgage loan of Rs. 18.78 crore. The Committee desire that the OADB/Ministry should grant interim financial support to keep the company running till the revival package is finalized for implementation. The Committee should be apprised about the steps taken in this regard.

RECOMMENDATION NO. 8

Tax Exemptions to OADB

The Committee note that in accordance with Section 22 (a) of OAD Act, the OADB was exempted from paying income tax till the year 2002-03 but thereafter in compliance with Finance Act 2002, Section 22(a) was deleted and OADB was made a tax paying entity w.e.f. April 2003. The reasons given by MoF for revoking the benefits is the commercial operation carried out by OADB inline with other such organisations like NHB, SIDBI and NABARD. The Committee, however, are not convinced with the reasoning given by MoF for equating OADB with other commercialized banking organizations as mentioned above. The functional domain of OADB, which was brought into its very existence with objective of inculcating self-reliance in petroleum sector and earnestly following the set objectives cannot be branded as commercial. OADB provides financial assistance to various organizations engaged in development programmes of the oil industry which have far reaching impact of these activities on development of any nation.

The Committee wish to point out that Government has been encouraging R&D activities in Science and Technology sector by way of various tax benefits/exemptions. Since OADB has been funding mostly R&D activities, tax exemption will incentivize OADB to have more funds at its disposal for such

activities. The Committee, therefore, desire MoP&NG to pursue diligently to get tax exemption status to OIDB which will enable it to fund many important developmental activities.

New Delhi;
12 February, 2014
23 Magha ,1935 (Saka)

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

F.No. 13926/2013

**Finance Minister
India
New Delhi – 110001
May 24, 2013**

Dear Shri Molly Ji,

Please refer to your D.O. letter number 8/1/2012-OIDB/1487 dated 09.04.2013 on the issue of transfer of annual cess collection under the Oil Industry (Development) Act, 1974 to Oil Industrial Development Board (OIDB).

2. I have had the matter looked in to. Government has been financing various activities from the budget that qualify as development of oil industry within the purview of the Act. These activities are financed through the resources of the Government of India, of which Cess under the Act is a part. Since the Government cannot withdraw itself from these activities, in a way, these receipts are already committed.

3. Further, the quantum of funds required to finance the cost overrun in respect of strategic crude oil storages shall only be ascertained after the due process of appraisal and approval is over. Also, as per CCEA approval, the cost of filling of crude in the three strategic caverns will be borne by the Government, and not by the OIDB.

4. In addition, there does not appear to be any justification for OIDB to finance the budgetary needs of the DGH. Ensuring financial independence of the DGH is important, given the nature of mandate given to it, and to ensure this, MoP&NG may include the office of the DGH in the budgetary estimates sought for the Ministry and its attached offices from F.Y.2014-15 onwards, and forthwith discontinue the practice of meeting the budgetary requirement of DGH through OIDB grants.

5. As per the approved budget of OIDB for the F.Y. 2013-14, total receipts are estimated at Rs. 3,081 crore, which appear to be sufficient to carry out various activities entrusted with OIDB. Given the competing demands for resources, it is regretted that the Government finds it difficult to transfer 75% of the cess collected under the Act to the OIDB.

With regards,

Yours sincerely,

-sd-

(P. Chidambaram)

**Dr. M. Veerappa Molly,
Minister (Petroleum & Natural Gas)
Government of India,
Shastri Bhawan, New Delhi**

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

**FOURTH SITTING
(19.11.2013)**

The Committee sat on Tuesday the 19th November, 2013 from 1500 hrs. to 1645 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Somabhai G. Koli Patel - Acting Chairman

**MEMBERS
LOK SABHA**

1. Shri Sudarshan Bhagat
2. Shri Ram Sundar Das
3. Shri Baliram Jhadhav
4. Shri Dilipkumar Mansukhlal Gandhi
5. Shri P.L.Punia
6. Shri Brijbhushan Sharan Singh
7. Shri Manohar Tirkey

RAJYA SABHA

8. Shri Sabir Ali
9. Shri Mansukh L. Mandaviya
10. Dr. Ram Prakash
11. Smt. Kusum Rai
12. Shri Tapan Kumar Sen
13. Smt. Gundu Sudharani
14. Dr. Prabha Thakur
15. Prof. Ram Gopal Yadav

SECRETARIAT

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

Representatives of the Ministry of Petroleum & Natural Gas

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

Representatives of Public Sector Undertakings/Autonomous Bodies

- | | | | |
|----|-------------------------|---|-----------------------|
| 1. | Shri L.N. Gupta | - | Secretary, OIDB |
| 2. | Shri M.C. Singh | - | FA&CAO |
| 3. | Shri Ajay Mishra | - | DCF&AO |
| 4. | Shri Amitabh Dwivedi | - | DCF&AO |
| 5. | Shri Rajesh Kumar Saini | - | Manager, (P&A) |
| 6. | Shri R.N. Choubey | - | DG, DGH |
| 7. | Shri Abhay Bhakre | - | ED, PCRA |
| 8. | Shri B.D. Ghosh | - | ED, CHT |
| 9. | Dr. R.K. Malhotra | - | Director, (R&D), IOCL |

2. In the absence of the Chairman, the Committee chose Shri Somabhai G. Koli Patel 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 Chairman welcomed the Members to the sitting of the Committee. Thereafter, the Committee called the representatives of the Ministry of Petroleum and Natural Gas and PSUs to have briefing on the subject 'Functioning of Oil Industry Directorate Board'.

4. A power point presentation was made by the representative of OIDB on the subject explaining the functioning of board and other issues. The Committee then deliberated upon various aspects related to the subject such as the issue of discontinuance of funds allocation to OIDB out of proceeds realized from cess levied on production of domestic crude oil, the views of Finance Ministry on the issue, payment from OIDB funds towards differential royalty to State Governments to meet Government commitment on PSC, rationale of payment made by OIDB for activities not strictly developmental in character and vacancy in OIDB of member to represent labour employed in oil industry.

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

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

The Committee then adjourned.

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

**EIGHTH SITTING
(12.02.2014)**

The Committee sat on Wednesday the 12th February, 2014 from 1500 hrs. to 1530 hrs. in Room No. '113', First Floor, Parliament House Annexe, New Delhi.

**PRESENT
Shri Aruna Kumar Vundavalli - Chairman
MEMBERS
LOK SABHA**

- 2 Shri Ramesh Bais
- 3 Dr. Mehboob Beg
- 4 Shri Sudarshan Bhagat
- 5 Shri Harish Chaudhary
- 6 Shri Ram Sundar Das
- 7 Shri Kalikesh N. Singh Deo
- 8 Shri Baliram Jadhav
- 9 Dr. Manda Jagannath
- 10 Shri Vikrambhai Arjanbhai Maadam
- 11 Shri Somabhai Gandadal Koli Patel
- 12 Shri Rao Saheb Danve Patil
- 13 Shri P.L.Punia
- 14 Shri Brijbhushan Sharan Singh

- RAJYA SABHA**
- 15 Shri Mansukh L. Mandaviya
 - 16 Smt. Kusum Rai
 - 17 Shri Tapan Kumar Sen
 - 18 Smt. Gundu Sudharani
 - 19 Dr. Prabha Thakur
 - 20 Prof. Ram Gopal Yadav

SECRETARIAT

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

2. At the outset, Hon'ble Chairman welcomed the Members. The Committee then considered the following draft Reports:

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

(ii) 'Functioning of Oil Industry Development Board'

3. The Committee adopted the above Reports and authorized the Chairman to finalise the Reports and present/lay the above Reports in both the Houses of Parliament.

The Committee then adjourned.

*Matters not related to the subject.