

19

**STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2016-17)**

SIXTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

PRODUCTION OF COAL BED METHANE

*[Action Taken by the Government on the recommendations contained in the
Fourteenth Report (Sixteenth Lok Sabha) of the Standing Committee on
Petroleum and Natural Gas (2015-16)]*

NINETEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2017/Chaitra, 1939 (Saka)

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*[Action Taken by the Government on the recommendations contained in the
Fourteenth Report (Sixteenth Lok Sabha) of the Standing Committee on
Petroleum and Natural Gas (2015-16)]*

Presented to Lok Sabha on 24.03.2017

Laid in Rajya Sabha on 24.03.2017



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2017/Chaitra, 1939 (Saka)

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(iii)
**COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL
 GAS (2016-17)**

Sl. No. Name of Members

LOK SABHA

Shri Pralhad Joshi - Chairperson

- | | |
|----|--------------------------------------|
| 2 | Shri Rajendra Agrawal |
| 3 | Shri P. K. Biju |
| 4 | Shri Ravneet Singh Bittu |
| 5 | Shri Kalikesh N. Singh Deo |
| 6 | Smt. Rama Devi |
| 7 | Shri V. Elumalai |
| 8 | Shri Naranbhai Bhikhabhai Kachhadiya |
| 9 | Dr. Thokchom Meinya |
| 10 | Smt. Pratima Mondal |
| 11 | Shri Ashok Mahadeorao Nete |
| 12 | Dr. Ravindra Babu Pandula |
| 13 | Smt. Jayshreeben Patel |
| 14 | Shri A.T. Nana Patil |
| 15 | Shri Arvind Ganpat Sawant |
| 16 | Shri Raju Shetti |
| 17 | Dr. Bholu Singh (Begusarai) |
| 18 | Shri Kamakhya Prasad Tasa |
| 19 | Shri Rajesh Verma |
| 20 | Shri Om Prakash Yadav |
| 21 | Shri Laxmi Narayan Yadav |

RAJYA SABHA

- | | |
|----|-----------------------------------|
| 22 | Shri Om Prakash Mathur |
| 23 | Shri Bhubaneshwar Kalita |
| 24 | Smt. Ranee Narah |
| 25 | Shri Dilipbhai Pandya |
| 26 | Shri Ahmed Patel |
| 27 | Shri V. Lakshmikantha Rao |
| 28 | Shri V. Vijayasai Reddy |
| 29 | Chaudhary Munvvar Saleem |
| 30 | Mahant Shambhuprasadji B. Tundiya |
| 31 | Shri A. Vijayakumar |

SECRETARIAT

- | | | | |
|----|---------------------|---|----------------------|
| 1. | Shri A.K.Singh | - | Additional Secretary |
| 2. | Dr. Ram Raj Rai | - | Director |
| 3. | Shri H. Ram Prakash | - | Additional Director |
| 4. | Shri Sujay Kumar | - | Under Secretary |

(iv)

INTRODUCTION

I, the Chairperson, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Nineteenth Report on Action Taken by the Government on the recommendations contained in the Fourteenth Report (Sixteenth Lok Sabha) of the Committee on the subject 'Production of Coal Bed Methane'.

2. The Fourteenth Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 11.08.2016. The Action Taken Replies of the Government to all the recommendations contained in the Fourteenth Report were received on 09.11.2016.

3. The Standing Committee on Petroleum & Natural Gas (2016-17) considered and adopted the Report at their sitting held on 22.03.2017.

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

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

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

New Delhi;
22 March, 2017
1 Chaitra, 1939 (Saka)

PRALHAD JOSHI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum and Natural Gas deals with the action taken by the Government on the Recommendations contained in the Fourteenth Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2015-16) on 'Production of Coal Bed Methane', which was presented to Lok Sabha and laid in Rajya Sabha on 11.08.2016.

2. Action Taken Notes have been received from the Ministry in respect of all the 11 Recommendations/Observations contained in the Report. These have been categorized as per the following:-

- (i) Recommendations/Observations that have been accepted by the Government:- Reco. Nos. 1, 5, 9 and 11 (Total 4)
(Chapter- II)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- Reco. No. NIL
(Chapter-III)
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 6 (Total 1)
(Chapter-IV)
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Reco. Nos. 2, 3, 4, 7, 8 and 10 (Total 6)
(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. 2

Reassessment of CBM

5. The Committee had recommended as under:

"The Committee note that while formulating the strategy for CBM exploration and production, the information docket and data packages were prepared for very limited areas by Geological Survey of India (GSI). The computation was done primarily on empirical basis reconciling the same with meagre data available on gas desorption. The assessment of the CBM was done in the nineties and on the basis of such data, the Directorate-General of Hydrocarbons (DGH), Central Mine Planning and Design Institute Limited (CMPDIL) and the Geological Survey of India (GSI) had undertaken a joint assessment exercise and had prognosticated 91.8 TCF of CBM in the Country. Using the same data 33 blocks were awarded for commercial extraction of CBM gas. After that no exercise to assess the new CBM potential in the country has been undertaken so far. The Committee feel that the previous assessment and prognostication needs review and there is an urgent need for reassessment of CBM availability in the country for better understanding of CBM potential. Out of the total 33 blocks awarded, only 4 blocks have reached to exploration phase and 4 have been relinquished and 14 are under relinquishment by the operators mostly on account of poor CBM potential. One reason for poor performance of CBM projects could be the offering of CBM blocks on the basis of inadequate prognostication data about CBM. The Committee observe that despite availability of huge coal reserves and associated CBM, the Government have not taken up the CBM exploration programme seriously. Moreover, the reassessment of CBM potential has not been included in 'Reassessment of Hydrocarbons Resources' exercise being undertaken by DGH. The Committee feel that there is an urgent need of better prognostication of CBM availability in the entire 56 thousand sq. km. area of Gondwana Basin and therefore, recommend that reassessment of CBM must be included in the ongoing hydrocarbon reassessment exercise of the DGH along with CMPDIL and GSI and necessary funds may be allotted for the purpose".

REPLY OF THE GOVERNMENT

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

"MOPNG agrees to the recommendation of Standing Committee for Reassessment of CBM in Indian sedimentary basins. DGH is currently preparing a proposal for carrying out the reassessment of CBM reserves in India in consultation with experts from GSI, CMPDIL and DGH. Government has been continually monitoring progress of the CBM production and making all out efforts to enhance the production. In process to explore and exploit more CBM reserves Coal India Limited (CIL) and its subsidiaries has been granted right for

exploration of CBM in their allotted coal blocks. Policy for co-development of CBM and coal is under consideration in the Ministry".

7. **The Committee had stressed upon the need for an urgent initiative for better prognostication of CBM gas in the entire 56000 square kilometer Gondwana basin in the country and had recommended that re-assessment of CBM must be included in the ongoing hydrocarbon reassessment exercise being undertaken by the DGH along with CMPDIL and GSI and also for allocation of adequate funds for the purpose. In its reply, though the Ministry has conveyed its agreement to the recommendations of the Committee but no commitment has been shown towards completion of re-assessment exercise of CBM reserves in the country under a fixed time-frame. The Ministry has also not allocated any specific budget for that purpose. The Committee feel that the task is very important one and needs to be completed on priority in a time-bound manner. The Committee, therefore, urge upon the Ministry to persuade the DGH to finalize the proposal for reassessment of CBM reserves in sedimentary basins to be completed within a fixed time frame and the outcome alongwith expenditure planning in this regard may be conveyed to the Committee.**

Recommendation No. 4

Inter-Ministerial Coordination Mechanism for CBM

8. The Committee had recommended as under:

"The Committee note that the CBM extraction involves coordination among various agencies like Ministry of Coal, Directorate General of Mines and Safety (DGMS) in Ministry of Labour & Employment, Ministry of Environment and Forests for clearances, etc. The Committee also note that due to overlapping issues, many of the CBM blocks have been stuck for the last two decades. This indicates a serious lack of coordination mechanism among the different Ministries. However, during the last two years, there has been an improvement in coordination and MoPNG has constituted a core group on 22.12.2015 under the Chairmanship of Joint Secretary (Exploration) in the MoPNG comprising representatives of Ministry of Coal, SAIL, ONGC and DGMS. The Committee, however, feel that there is a need for institutionalized mechanism at higher level and therefore, recommend that an inter-ministerial Committee at Secretary level may be formed in order to resolve the issues between different agencies".

REPLY OF THE GOVERNMENT

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

"In a meeting of Committee of Secretaries on 23.11.2015 it was decided that MoPNG will constitute a Core Group under the chairmanship of Additional Secretary (Exploration) comprising representatives of Ministry of Coal, SAIL, ONGC and DGMS to examine the possibility of simultaneous yet safe extraction of CBM as well as coal from the same block. Committee has formulated draft co-development agreement and has obtained views of all stakeholders. Core-Committee will finalize co-development agreement shortly. Once co-development agreement is formulated, MoP&NG will review the progress and act accordingly".

10. The Committee had observed that for coordination among all the concerned Ministries related to CBM extraction, a core group was set up by the MoPNG under the Chairmanship of Joint Secretary (Exploration) and felt the need for an inter-Ministerial Committee at Secretary level in order to resolve various outstanding issues among different agencies relating to CBM extraction.

In its reply, the Ministry has stated that a core group under the Chairmanship of Additional Secretary (exploration) has been formed which includes the representatives of Ministry of Coal, SAIL, ONGC and DGMS to explore the possibility of simultaneous and safe extraction of CBM and Coal from the same block. The Committee are satisfied to note that the co-development agreement is being finalised by the core Committee following which MoPNG will review the progress and act accordingly. The Committee urge upon the Ministry to implement the same as soon as agreement is finalized in order to augment the CBM production in the country. The Committee may be informed about the action plan of the Ministry after review of the progress in this regard.

Recommendation No. 5

Awarding of new and Relinquished CBM Blocks

11. The Committee had recommended as under:

"The Committee note that after formulation of CBM policy in 1997 and using the assessment data prepared by GSI in the late 1990s, four rounds of bidding for 33

CBM blocks were held in the year 2001, 2003, 2005, and 2008 were awarded. Out of these 33 blocks, four have been relinquished while eighteen more CBM blocks are under relinquishment. Of these, five are being relinquished on account of delay in obtaining statutory licenses while thirteen are being relinquished due to poor CBM prospects. In the existing policy, the allocation of block was done for a specific end use purpose and therefore, allottees of coal blocks are not allowed to explore CBM in their coalfields. The Committee also note that since 2008, no new blocks have been awarded and henceforth, the new blocks for CBM would be awarded under the new Hydrocarbon Exploration Licensing Policy (HELP), which will entitle right over all hydrocarbon resources existing in that block or contract area. The Committee feel that there is a need for awarding of new blocks and re-awarding the blocks relinquished due to delay in getting statutory clearances so that work can be started at the earliest. The Committee, therefore, recommend that Ministry may initiate action to award new CBM blocks in the remaining coal mining areas at the earliest under the HELP regime and also re-awarding of the 5 relinquished blocks".

REPLY OF THE GOVERNMENT

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

"CBM blocks which are currently under relinquishment due to delay in grant of Govt. clearances would be re-awarded under Hydrocarbon Exploration Licensing Policy (HELP) after obtaining in-principle clearances. As regards to offer of new CBM blocks, CBM will be covered under HELP and a licensee will have the right to extract conventional (crude oil and Natural Gas) and unconventional hydrocarbons (CBM, Shale Gas, Tight Oil, Gas Hydrates) from the same block/contract area".

13. The Committee had recommended that Ministry should initiate action to award new CBM blocks in the remaining coal mining areas at the earliest under the HELP regime and also re-award the 5 CBM blocks that have been relinquished by the operators because of delay in grant of statutory clearances.

The Committee appreciate the assurance given by the Ministry that the CBM blocks which are currently under relinquishment due to delay in grant of government clearance would be re-awarded under Hydrocarbon Exploration Licensing Policy (HELP) alongwith new CBM blocks and the licensee will have the right to extract conventional (crude oil and natural gas) and un-conventional Hydrocarbon (CBM, Shale Gas, Tight Oil, Gas Hydrates) from the same block. The Committee, however, would like to urge upon the Ministry to ensure that all

necessary formalities required for the release of CBM blocks is completed on priority basis and in-principle clearances are obtained so that all such blocks can be put up for re-awarding under the HELP.

Recommendation No. 6

Release of more areas for CBM mining

14. The Committee had recommended as under:

"The Committee note that India has the fourth largest proven coal reserves in the world. After the assessment of CBM potential in the nineties and formulation of CBM policy in 1997, several potential CBM blocks were carved out and allotted to companies for development. The blocks which were indentified for CBM development are Coal blocks where Coal mining was not envisaged for the next 15-20 years. The Committee further note that the country has a total of 52000 sq km area under Gondwana basin of which about 26000 sq km area was identified for CBM operations. However, in the four bidding rounds in 2001, 2003, 2005 and 2008, when 33 CBM blocks were awarded, they covered only 16600 sq km area. It means that about 9400 sq km area or about 35% of the originally identified area with CBM potential are yet to be released for CBM operations. Moreover, in the light of relinquishing of huge identified areas due to poor availability of CBM, it is evident that the prognostication done in 16600 sq. km. area was also not upto mark for the purpose of CBM availability. So far as the production of CBM is concerned, it was 0.625 MMSCMD in 2014-15 and is projected to go up to 5.77 MMSCMD in 2017-18. The Committee are sure that the projected production is much below the potential and expect the Ministry of Petroleum and Natural Gas to set higher targets. The Committee note that since late 1990s, no new area has been awarded for extraction of CBM in the country and feel that there is an urgent need to bring in more areas for CBM extraction. The Committee, therefore, recommend that MoPNG and MoC should jointly conduct this exercise and identify new areas that can be released for CBM extraction either on standalone or co-development basis".

REPLY OF THE GOVERNMENT

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

"Hence forth, CBM will be covered under HELP and a licensee will have the right to extract conventional (crude oil and Natural Gas) and unconventional hydrocarbons (CBM, Shale Gas, Tight Oil, Gas Hydrates) from the same block/contract area. This is expected to increase the CBM area, as well. In addition the arrangements for co-development as well as on standalone basis for CIL are also being worked out".

16. The Committee had pointed out that only 16600 sq. km area, out of total of 26000 sq. km. area under Gondwana basin in the Country has been released for CBM exploration. Moreover, because of poor prognostication in the released areas, projected production of CBM in the country is much below the potential. Accordingly, the Committee had recommended that the Ministry should set high targets for CBM production in order to give boost to CBM exploration. The Committee had also stressed for an urgent release of more areas for CBM exploration and extraction and had recommended that MoP&NG and MoC should work together to identify new potential areas that can be released for CBM exploration either on stand alone or co-development basis.

The Committee express their displeasure on the vague reply given by the Ministry in respect of releasing more areas for CBM extraction without mention of any time line for that purpose by setting higher targets for CBM production. The Committee would like to point out that augmentation of CBM production is an important component which can contribute substantially to reduce import dependency of the country. Accordingly, the Committee reiterate their recommendation that Ministry may take urgent steps for releasing more areas for CBM extraction and also formulate a road map for increasing targets for CBM production in the country in a realistic manner. The steps taken in this direction may be intimated to the Committee at an early date.

Recommendation No. 7

Formula for CBM Pricing

17. The Committee had recommended as under:

"The Committee note that Coal mining in the CBM blocks comes under the control of the Ministry of Coal and CBM being a natural gas, its pricing is determined in accordance with the guidelines of the Ministry of Petroleum and Natural Gas. The Committee also note that the prices of CBM were approved by the Government on a case to case basis. As per current data, the domestic CBM gas is being sold at US\$3.4/MMBTU (in Raniganj East) and at US\$15.5/MMBTU (in Raniganj South) and at US\$6.01/MMBTU from Jharia CBM block. However, pricing of CBM has been brought under Hydrocarbon Exploration Licensing

Policy (HELP) formulated in 2014 where formula for arriving at the prices for natural gas including CBM is given. The Committee observe that under HELP, the current price of natural gas comes to around \$3.06 MMBTU which appears very low as compared to the prices of CBM being charged by the existing producers. The Committee, therefore, recommend that the Ministry should formulate a separate pricing and marketing mechanism for CBM keeping in mind the various variables in CBM operations such as availability of small volume of gas, number of drillings required due to low productivity, remote location, dewatering etc. and also to incentivize the CBM producers".

REPLY OF THE GOVERNMENT

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

"The current CBM pricing is covered under New Domestic Natural Pricing Policy, 2014. However, changes in the extant CBM policy and CBM contract for early monetization of CBM by provide pricing and marketing freedom to existing CBM contractors is under consideration of the Government".

19. **The Committee had recommended for formulation of a separate pricing and marketing mechanism for CBM keeping in mind the various variables in CBM operations such as availability of small volume of gas, number of drillings required, low productivity, remote location, requirement of de-watering etc. and also for providing remunerative prices to the CBM producers. In its reply, the Ministry has stated that the current CBM pricing is covered under New Domestic Natural Gas Pricing Policy, 2014. They have also stated that changes in the extant CBM policy and CBM contract for early monetization of CBM by providing pricing and marketing freedom to existing CBM contractors is under consideration of the Government. The Committee feel that in view of the extremely low gas prices prevailing currently, the financial viability of CBM producing companies is at risk. In order to protect their viability, it is important to provide some sort of pricing freedom to the CBM producing companies. Therefore, they urge upon the Ministry to make appropriate changes in the extant CBM policy and provide appropriate pricing and marketing freedom for CBM gas. The action taken by the Ministry in this regard may be informed to the Committee as early as possible.**

Recommendation No. 10

Allottees of coal blocks getting rights to CBM automatically

20. The Committee had recommended as under:

"The Committee note that as per the existing system of award of CBM blocks, there is scope for overlap between companies with one company having rights over coal while another company having rights over CBM. This situation is unsustainable and has given rise to delays and as a result, production has suffered. The Committee further note that the ONGC was given CBM blocks in Jharia and Raniganj on nomination basis in 1997 but the production in those two blocks could not start because of the overlap issues with the ECL, a private coal operator in that area. After the cancellation of Coal block by the Supreme Court, the coal block has now been given to SAIL and ONGC is hopeful of reaching an agreement with them soon to start the production. The Committee, therefore, feels that such situation occurs because of lack of clearance for simultaneous drilling of coal and CBM even though the same is possible. The Committee are disappointed that the Ministry of P&NG and Ministry of Coal have not sorted out the issue of overlapping during the last two decades and only in the last two years, there seems to be some forward movement. The Committee desire that the current licensing policy and the contract provisions should be amended to do away with separate requirement for an operator to apply for CBM extraction after obtaining license for coal mining and vice versa. The Committee recommend that Government may formulate a simple procedure to grant coal block allottees, if they so desire, rights for extraction of CBM under HELP".

REPLY OF THE GOVERNMENT

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

"The issue of simultaneous exploration and exploitation of coal and CBM has been discussed time and again by convening meeting of all concerned. Core Committee constituted as per direction of Committee of Secretaries, which consists representative from MoP&NG, MoC, CMPDI, SAIL, ONGC, DGH and DGMS discussed and deliberated upon the issue. Core Committee is of the view that In order to facilitate simultaneous coal mining and CBM operations in an area and to allocate CBM rights to operators of coal blocks is under consideration in the Ministry".

22. The Committee had expressed their disappointment that the issue of overlapping of Hydrocarbon rights in blocks owned by different agencies has been hanging for a long time and had recommended that Government should formulate a simple procedure to grant existing coal block allottees, if they so

desire, rights for extracting CBM gas under HELP. In its reply, the Ministry has stated that the issue is under deliberation among representatives of all the stakeholders. It has further replied that facilitating simultaneous coal mining and CBM extraction in an area and allocating CBM rights to existing coal block operators is under consideration in the Ministry. The Committee would like to impress upon the Ministry the necessity of early resolution of the issue of providing CBM extraction rights to existing coal block allottees as a number of coal blocks fall in that category and early decision with regard to the Hydrocarbon rights in the blocks among CBM operators will go a long way in increasing CBM production.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 1

Comprehensive Policy for Coal Bed Methane

The Committee note that the Government had formulated Coal Bed Methane (CBM) policy in 1997 with an objective of commercial exploration of CBM in the country. Under this policy, CBM is explored and exploited under the provisions of Oil Fields (Regulation and Development) Act 1948 (ORD Act 1948) and Petroleum & Natural Gas Rules 1959 (P&NG Rules 1959), administered by the Ministry of Petroleum & Natural Gas (MoPNG). Following the policy, the MoPNG and the Ministry of Coal (MoC) entered into an MoU after which Directorate General of Hydrocarbons (DGH), in close interaction with Ministry of Coal and Central Mine Planning & Design Institute Limited (CMPDIL), carved out potential CBM blocks. Four rounds of CBM bidding have been undertaken in the year of 2001, 2003, 2005 & 2008 resulting in award of 33 CBM Blocks covering 16,613 sq. km. The Committee note that current domestic production of CBM is only 1.07 MMSCMD in 2015-16 and expected to increase to 5.77 MMSCMD by 2017-18. The Committee find that many of the CBM blocks could not be brought under production either due to poor prospectivity or because of the overlap issues relating to multiple agencies and the problems of coordination.

The Committee feel that the policy pronounced in 1997 has not been able to achieve its objective of production of CBM to the promised potential in the country. In view of the newer techniques of assessment and exploration and drilling of CBM have significantly improved, the Committee, therefore, feel that there is need to formulate a new comprehensive CBM policy consistent with developments in regulatory regimes and also taking into account the performance of the existing policy. In Committee's view, the new policy should address the current lacuna in coordination among different agencies as well as issues such as simultaneous mining of coal and CBM, evacuation of CBM, use of CBM from existing coal mines, pricing of CBM, making available additional acreages for CBM exploration, etc. The Committee, therefore, recommend that the Government should bring out a revised and new CBM policy at the earliest after due consultations with various stakeholders.

REPLY OF THE GOVERNMENT

MOPNG has formulated a new policy namely , Hydrocarbon Exploration Licensing Policy (HELP) which will enable the contractor to explore conventional as well as unconventional oil and gas resources including CBM, shale gas/oil, tight gas and gas hydrates under a single license. Accordingly, CBM will be covered under HELP and a licensee will have the right to extract conventional (crude oil and Natural Gas) and unconventional hydrocarbons from the same block/contract area.

Henceforth, all CBM exploration and exploitation activities will be taken forward under HELP. DGH is in the process of framing the Model Revenue Sharing Contract (MRSC) under HELP. The lacuna and shortcomings of the current CBM policy as mentioned by Standing Committee in its 14th report is being taken into consideration while drafting the MRSC. It may be prudent to devise an addendum to the extant CBM Policy by addressing issues of Co-development of coal mining and CBM operations, production of CBM from existing coal mines, availability of additional acreage for CBM exploration, etc.

M/o Petroleum & Natural Gas
No. O-19018/8/2016-ONG-I (FTS-44145) dated 08/11/2016

Recommendation No. 5

Awarding of new and Relinquished CBM Blocks

The Committee note that after formulation of CBM policy in 1997 and using the assessment data prepared by GSI in the late 1990s, four rounds of bidding for 33 CBM blocks were held in the year 2001, 2003, 2005, and 2008 were awarded. Out of these 33 blocks, four have been relinquished while eighteen more CBM blocks are under relinquishment. Of these, five are being relinquished on account of delay in obtaining statutory licenses while thirteen are being relinquished due to poor CBM prospects. In the existing policy, the allocation of block was done for a specific end use purpose and therefore, allottees of coal blocks are not allowed to explore CBM in their coalfields. The Committee also note that since 2008, no new blocks have been awarded and henceforth, the new blocks for CBM would be awarded under the new Hydrocarbon Exploration Licensing Policy (HELP), which will entitle right over all hydrocarbon resources existing in that block or contract area. The Committee feel that there is a need for awarding of new blocks and re-awarding the blocks relinquished due to delay in getting statutory clearances so that work can be started at the earliest. The Committee, therefore, recommend that Ministry may initiate action to award new CBM blocks in the remaining coal mining areas at the earliest under the HELP regime and also re-awarding of the 5 relinquished blocks.

REPLY OF THE GOVERNMENT

CBM blocks which are currently under relinquishment due to delay in grant of Govt. clearances would be re-awarded under Hydrocarbon Exploration Licensing Policy (HELP) after obtaining in-principle clearances. As regards to offer of new CBM blocks, CBM will be covered under HELP and a licensee will have the right to extract conventional (crude oil and Natural Gas) and unconventional hydrocarbons (CBM, Shale Gas, Tight Oil, Gas Hydrates) from the same block/contract area.

M/o Petroleum & Natural Gas
No. O-19018/8/2016-ONG-I (FTS-44145) dated 08/11/2016

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

Recommendation No. 9

Grant of Timely clearance for CBM mining

The Committee note that out of 18 CBM blocks relinquished by the operators out of total 33 allotted blocks, as many as five CBM blocks covering about 3868 sq km area were relinquished on account of delay in grant of statutory licenses. The Committee also note that a total of 30 clearances are required to be obtained by the companies which are awarded CBM blocks before they can start their operations. Out of the total of 30 clearances, 11 are granted by the Central Government or its agencies while the remaining 19 clearances are granted by the State governments or their agencies. The Committee further note that from exploration to production phase, average gestation period of a CBM block is 13 years assuming timely grant of clearances. The delay in granting of clearances adds to the time delay and cost of CBM extraction thereby further affecting the viability of CBM. The Committee, therefore, recommend that the Ministry may develop a mechanism to facilitate timely grant of clearances by taking state governments onboard in order to expedite the CBM operations in the country.

REPLY OF THE GOVERNMENT

DGH is in the process of setting-up an online portal to observe different stages of various CBM projects and to highlight the bottlenecks or impending clearances at different levels so as to pro-actively pursue any clearances which have caused inordinate delay. Arrangement for coordination with State Government where clearances have to be granted in a timely manner will be made by MoP&NG / DGH.

M/o Petroleum & Natural Gas
No. O-19018/8/2016-ONG-I (FTS-44145) dated 08/11/2016

Recommendation No. 11

Developing infrastructure for evacuation of CBM

The Committee note that the infrastructure required for developing the pipelines network to evacuate CBM is not available in the CBM fields located in remote areas. However, the Committee also note that Reliance Industries Limited (RIL) has been authorised to lay pipeline between Shadhol in Madhya Pradesh and Phulpur in Uttar Pradesh for transporting CBM from RIL operated CBM blocks. Some other pipelines by GAIL have also been approved by the MoPNG for CBM transportation. The Committee feel that since CBM production blocks are in remote areas and there is lack of infrastructure in those areas, CBM has to be productively utilized in the neighbouring areas. The Committee, therefore, recommend that the CBM produced in such areas where pipelines are not available, may be used in the neighbouring areas for promoting City Gas Distribution (CGD) projects or may also be sold to the industries located in those areas. The Committee further desire that the MoPNG / MoC should explore the possibility of gainfully using the water from the CBM wells due to dewatering after appropriate treatment.

REPLY OF THE GOVERNMENT

As per Article 18 of the CBM contract the contractor shall have the freedom to sell CBM at arms length prices in the domestic market. So far as development of the infrastructure for facilitating supply of the CBM produced is concerned it is the responsibility of the operator to select customer and supply gas accordingly. However, the Domestic Gas Pricing Guidelines, 2014 are applicable presently. A revised policy for CBM pricing & allocation is under consideration in the MoP&NG

In case of low salinity and TDS levels in produced water from existing CBM blocks, the same is used for irrigation purposes by farmers in the vicinity. If the salinity and TDS levels are high, then the produced water is either treated in Reverse Osmosis plants to surface disposal level norms or evaporated by creating salt pits.

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CHAPTER III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE GOVERNMENT 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. 6****Release of more areas for CBM mining**

The Committee note that India has the fourth largest proven coal reserves in the world. After the assessment of CBM potential in the nineties and formulation of CBM policy in 1997, several potential CBM blocks were carved out and allotted to companies for development. The blocks which were indentified for CBM development are Coal blocks where Coal mining was not envisaged for the next 15-20 years. The Committee further note that the country has a total of 52000 sq km area under Gondwana basin of which about 26000 sq km area was identified for CBM operations. However, in the four bidding rounds in 2001, 2003, 2005 and 2008, when 33 CBM blocks were awarded, they covered only 16600 sq km area. It means that about 9400 sq km area or about 35% of the originally identified area with CBM potential are yet to be released for CBM operations. Moreover, in the light of relinquishing of huge identified areas due to poor availability of CBM, it is evident that the prognostication done in 16600 sq. km. area was also not upto mark for the purpose of CBM availability. So far as the production of CBM is concerned, it was 0.625 MMSCMD in 2014-15 and is projected to go up to 5.77 MMSCMD in 2017-18. The Committee are sure that the projected production is much below the potential and expect the Ministry of Petroleum and Natural Gas to set higher targets. The Committee note that since late 1990s, no new area has been awarded for extraction of CBM in the country and feel that there is an urgent need to bring in more areas for CBM extraction. The Committee, therefore, recommend that MoPNG and MoC should jointly conduct this exercise and identify new areas that can be released for CBM extraction either on standalone or co-development basis.

REPLY OF THE GOVERNMENT

Hence forth, CBM will be covered under HELP and a licensee will have the right to extract conventional (crude oil and Natural Gas) and unconventional hydrocarbons (CBM, Shale Gas, Tight Oil, Gas Hydrates) from the same block/contract area. This is expected to increase the CBM area, as well. In addition the arrangements for co-development as well as on standalone basis for CIL are also being worked out.

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

CHAPTER V

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

Recommendation No. 2

Reassessment of CBM

The Committee note that while formulating the strategy for CBM exploration and production, the information docket and data packages were prepared for very limited areas by Geological Survey of India (GSI). The computation was done primarily on empirical basis reconciling the same with meagre data available on gas desorption. The assessment of the CBM was done in the nineties and on the basis of such data, the Directorate-General of Hydrocarbons (DGH), Central Mine Planning and Design Institute Limited (CMPDIL) and the Geological Survey of India (GSI) had undertaken a joint assessment exercise and had prognosticated 91.8 TCF of CBM in the Country. Using the same data 33 blocks were awarded for commercial extraction of CBM gas. After that no exercise to assess the new CBM potential in the country has been undertaken so far. The Committee feel that the previous assessment and prognostication needs review and there is an urgent need for reassessment of CBM availability in the country for better understanding of CBM potential. Out of the total 33 blocks awarded, only 4 blocks have reached to exploration phase and 4 have been relinquished and 14 are under relinquishment by the operators mostly on account of poor CBM potential. One reason for poor performance of CBM projects could be the offering of CBM blocks on the basis of inadequate prognostication data about CBM. The Committee observe that despite availability of huge coal reserves and associated CBM, the Government have not taken up the CBM exploration programme seriously. Moreover, the reassessment of CBM potential has not been included in 'Reassessment of Hydrocarbons Resources' exercise being undertaken by DGH. The Committee feel that there is an urgent need of better prognostication of CBM availability in the entire 56 thousand sq. km. area of Gondwana Basin and therefore, recommend that reassessment of CBM must be included in the ongoing hydrocarbon reassessment exercise of the DGH along with CMPDIL and GSI and necessary funds may be allotted for the purpose.

REPLY OF THE GOVERNMENT

MOPNG agrees to the recommendation of Standing Committee for Reassessment of CBM in Indian sedimentary basins. DGH is currently preparing a proposal for carrying out the reassessment of CBM reserves in India in consultation with experts from GSI, CMPDIL and DGH. Government has been continually monitoring progress of the CBM production and making all out efforts to enhance the production. In

process to explore and exploit more CBM reserves Coal India Limited (CIL) and its subsidiaries has been granted right for exploration of CBM in their allotted coal blocks. Policy for co-development of CBM and coal is under consideration in the Ministry.

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

Recommendation No. 3

Task force for technology sourcing for CBM

The Committee note that the technology needed for Coal mining from Coal blocks and for drilling of coal seams for evacuation of CBM are different. The drilling required in the CBM evacuation is directional in nature as the drilling has to follow coal seams which is similar to the kind of horizontal drilling used by the Oil PSUs for exploration and production of crude oil and natural gas. They however, feel that though the technology relating to CBM evacuation is available in the country, it is not being put to use particularly where simultaneous extraction of CBM in active coal mines is possible because of issues relating to coordination and overlapping of jurisdiction among the agencies concerned. The Committee note that ONGC, being the leader in exploration technology in crude oil and natural gas in the country, has the capability to fulfill such technical requirements whereas, the Coal India Limited (CIL) which has received permission to carry out CBM extraction in its Coal fields, lack such expertise, appropriate drilling technology is required for simultaneous extraction of CBM gas in active mines by Coal India which has large Coal blocks in its control and therefore, there is a need to look at the issue of technological requirement with regard to CBM. While CIL and ONGC can cooperate in drilling of Coal Bed seams for extraction of CBM in CIL Coal blocks for the present, the Committee recommend that an empowered task force with appropriate accountability be constituted so that appropriate technology can be decided upon by Coal India Limited (CIL) to carry out extraction of CBM at the earliest from its Coal blocks.

REPLY OF THE GOVERNMENT

Recommendation of the Committee for constitution of task force is being taken up with the Ministry of Coal.

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Recommendation No. 4

Inter-Ministerial Coordination Mechanism for CBM

The Committee note that the CBM extraction involves coordination among various agencies like Ministry of Coal, Directorate General of Mines and Safety (DGMS) in Ministry of Labour & Employment, Ministry of Environment and Forests for clearances, etc. The Committee also note that due to overlapping issues, many of the CBM blocks have been stuck for the last two decades. This indicates a serious lack of coordination mechanism among the different Ministries. However, during the last two years, there has been an improvement in coordination and MoPNG has constituted a core group on 22.12.2015 under the Chairmanship of Joint Secretary (Exploration) in the MoPNG comprising representatives of Ministry of Coal, SAIL, ONGC and DGMS. The Committee, however, feel that there is a need for institutionalized mechanism at higher level and therefore, recommend that an inter-ministerial Committee at Secretary level may be formed in order to resolve the issues between different agencies.

REPLY OF THE GOVERNMENT

In a meeting of Committee of Secretaries on 23.11.2015 it was decided that MoPNG will constitute a Core Group under the chairmanship of Additional Secretary (Exploration) comprising representatives of Ministry of Coal, SAIL, ONGC and DGMS to examine the possibility of simultaneous yet safe extraction of CBM as well as coal from the same block. Committee has formulated draft co-development agreement and has obtained views of all stakeholders. Core-Committee will finalize co-development agreement shortly. Once co-development agreement is formulated, MoP&NG will review the progress and act accordingly.

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

Recommendation No. 7

Formula for CBM Pricing

The Committee note that Coal mining in the CBM blocks comes under the control of the Ministry of Coal and CBM being a natural gas, its pricing is determined in accordance with the guidelines of the Ministry of Petroleum and Natural Gas. The Committee also note that the prices of CBM were approved by the Government on a case to case basis. As per current data, the domestic CBM gas is being sold at US\$3.4/MMBTU (in Raniganj East) and at US\$15.5/MMBTU (in Raniganj South) and at US\$6.01/MMBTU from Jharia CBM block. However, pricing of CBM has been brought under Hydrocarbon Exploration Licensing Policy (HELP) formulated in 2014 where formula for arriving at the prices for natural gas including CBM is given. The Committee

observe that under HELP, the current price of natural gas comes to around \$3.06 MMBTU which appears very low as compared to the prices of CBM being charged by the existing producers. The Committee, therefore, recommend that the Ministry should formulate a separate pricing and marketing mechanism for CBM keeping in mind the various variables in CBM operations such as availability of small volume of gas, number of drillings required due to low productivity, remote location, dewatering etc. and also to incentivize the CBM producers.

REPLY OF THE GOVERNMENT

The current CBM pricing is covered under New Domestic Natural Pricing Policy, 2014. However, changes in the extant CBM policy and CBM contract for early monetization of CBM by provide pricing and marketing freedom to existing CBM contractors is under consideration of the Government.

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

Recommendation No. 8

Developing Safety Guidelines/Standard Operating Procedures (SOP) for simultaneous CBM extraction

The Committee note that as per existing practice, CBM is allowed to be extracted only from virgin coalfields. In the active coal mines, the methane gas is ventilated in the air as Coalmine Methane (CMM) which is a green house gas which not only damages the environment but also results in wastage of valuable natural gas which can be used more productively. The Committee note that the coal blocks which were identified in 1997 for CBM exploration, were awarded on the basis that there will be no mining of coal in those blocks for next 20 years. At present, both coal mining and CBM mining are being done separately. The Committee also note that simultaneous mining of coal and CBM is being done in other countries and it is possible in India also where sufficient areal distances are maintained between coal mining and CBM operations. Such a step will not only help achieve our commitments under COP-21 but also augment our natural gas production. The Committee further note that DGMS have opined that simultaneous operation of coal mines and extraction of CBM from the same mine may be undertaken after proper formulation of safety guidelines and development of standard operating procedures. The Committee, therefore, recommend that Ministry of P&NG may develop safety guidelines and Safe Operating Procedures (SOPs) for simultaneous production of coal and CBM at an early date after thorough consultations with all the stakeholders.

REPLY OF THE GOVERNMENT

In a meeting of Committee of Secretaries on 23.11.2015 it was decided that MoPNG will constitute a Core Group under the chairmanship of Additional Secretary (Exploration) comprising representatives of Ministry of Coal, SAIL, ONGC and DGMS to examine the possibility of simultaneous yet safe extraction of CBM as well as coal from the same block. Committee has formulated draft co-development agreement and has obtained views of all stakeholders. Core-Committee will finalize co-development agreement shortly. Once co-development agreement is formulated, MoP&NG will review the progress and act accordingly.

Under the draft co-development agreement it has been proposed that the coal mining operator and CBM contractor will have to submit a co-development plan for approval of DGH, CMPDIL and DGMS. All safety management plans as proposed by DGMS will have to be adhered to by both parties. In order to facilitate simultaneous coal mining and CBM operations in an area and to allocate CBM rights to operators of coal blocks. The matter is under consideration in the Ministry.

M/o Petroleum & Natural Gas
No. O-19018/8/2016-ONG-I (FTS-44145) dated 08/11/2016

Recommendation No. 10

Allottees of coal blocks getting rights to CBM automatically

The Committee note that as per the existing system of award of CBM blocks, there is scope for overlap between companies with one company having rights over coal while another company having rights over CBM. This situation is unsustainable and has given rise to delays and as a result, production has suffered. The Committee further note that the ONGC was given CBM blocks in Jharia and Raniganj on nomination basis in 1997 but the production in those two blocks could not start because of the overlap issues with the ECL, a private coal operator in that area. After the cancellation of Coal block by the Supreme Court, the coal block has now been given to SAIL and ONGC is hopeful of reaching an agreement with them soon to start the production. The Committee, therefore, feels that such situation occurs because of lack of clearance for simultaneous drilling of coal and CBM even though the same is possible. The Committee are disappointed that the Ministry of P&NG and Ministry of Coal have not sorted out the issue of overlapping during the last two decades and only in the last two years, there seems to be some forward movement. The Committee desire that the current licensing policy and the contract provisions should be amended to do away with separate requirement for an operator to apply for CBM extraction after obtaining license for coal mining and vice versa. The Committee recommend that Government may formulate a simple procedure to grant coal block allottees, if they so desire, rights for extraction of CBM under HELP.

REPLY OF THE GOVERNMENT

The issue of simultaneous exploration and exploitation of coal and CBM has been discussed time and again by convening meeting of all concerned. Core Committee constituted as per direction of Committee of Secretaries, which consists representative from MoP&NG, MoC, CMPDI, SAIL, ONGC, DGH and DGMS discussed and deliberated upon the issue. Core Committee is of the view that In order to facilitate simultaneous coal mining and CBM operations in an area and to allocate CBM rights to operators of coal blocks is under consideration in the Ministry.

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**Comments of the Committee
(Please see Para No. 22 of Chapter-I)**

New Delhi;
22 March, 2017
1 Chaitra,1939 (Saka)

PRALHAD JOSHI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

MINUTES**STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS****(2016-17)****Fourteenth Sitting
(22.03.2017)**

The Committee sat on Wednesday, the 22 March, 2017 from 1500 hrs. to 1530 hrs. in Committee Room '62', Parliament House, New Delhi.

PRESENT**Shri Pralhad Joshi - Chairperson****MEMBERS****LOK SABHA**

- 2 Dr. Ravindra Babu Pandula
- 3 Shri Naranbhai Kachhadiya
- 4 Dr. Thokchom Meinya
- 5 Smt. Pratima Mondal
- 6 Smt. Jayshreeben Patel
- 7 Shri Rajendra Agrawal
- 8 Shri Arvind Sawant
- 9 Shri Kamakhya Prasad Tasa
- 10 Shri Om Prakash Yadav
- 11 Shri Laxmi Narayan Yadav

RAJYA SABHA

- 12 Shri Om Prakash Mathur
- 13 Shri Bhubaneshwar Kalita
- 14 Shri Dilipbhai Pandya
- 15 Shri V. Lakshmikantha Rao
- 16 Mahant Shambhuprasadji B. Tundiya

SECRETARIAT

- 1 Shri A.K. Singh - Additional Secretary
- 2 Dr. Ram Raj Rai - Director
- 3 Shri H. Ram Prakash - Additional Director
- 4 Shri Sujay Kumar - Under Secretary

2. At the outset, Hon'ble Chairperson welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the draft Action Taken Report on the Fourteenth Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2015-16) on the subject 'Production of Coal Bed Methane' and adopted the same without any modifications.

3. The Committee then authorised the Chairperson to present/lay the Report in both the Houses of Parliament.

4. The Committee also decided to take a study visit after the conclusion of the current session of Parliament.

The Committee then adjourned.

Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FORTEENTH REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2015-16) ON 'PRODUCTION OF COAL BED METHANE'.

I	<u>Total No. of Recommendations</u>	11
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1, 5, 9 and 11)	4
	Percentage to Total	36.36%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's (Vide Recommendations at Sl. No. NIL)	NIL
	Percentage of Total	0
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. No. 6)	1
	Percentage of Total	9.10%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. Nos. 2, 3, 4, 7, 8 and 10)	6
	Percentage of Total	54.54%