6

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2014-15)

[Action Taken by the Government on the recommendations contained in the First Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2014-15)]

SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

August, 2015/Shravana,1937 (Saka)

SIXTH REPORT

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS DEMANDS FOR GRANTS (2014-15)

[Action Taken by the Government on the recommendations contained in the First Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2014-15)]

Presented to Lok Sabha on 11.08.2015

Laid in Rajya Sabha on 11.08.2015

LOK SABHA SECRETARIAT
NEW DELHI

August, 2015/Shravana,1937 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2014-15)

Sl. No.	Name of Members
	LOK SABHA
	Shri Pralhad Joshi - Chairman
2	Dr. Ravindra Babu
3	Shri P. K. Biju
4	Shri Kalikesh N. Singh Deo
5	Shrimati Rama Devi
6	Shri Elumalai V.
7	Shri Naranbhai Kachhadiya
8	Dr. Thokchom Meinya
9	Shrimati Pratima Mondal
10	Shri Ashok Mahadeorao Nete
11	Shrimati Jayshreeben Patel
12	Shrimati Anupriya Patel
13	Shri Arvind Sawant
14	Shri Raju Shetty
15	Dr. Bhola Singh (Begusarai)
16	Shri Ravneet Singh
17	Shri Kamakhya Prasad Tasa
18	Shri Rajesh Verma
19	Shri Om Prakash Yadav
20	Shri Laxmi Narayan Yadav
21	Shri A.T. Nana Patil

RAJYA SABHA

22 Shri Mani Shankar Aiyar
23 Shri Ishwarlal Shankarlal Jain
24 Shri Prabhat Jha
25 Shri Bhubaneshwar Kalita
26 Shri Mansukh L. Mandaviya
27 Shri Ahmed Patel
28 Shrimati Gundu Sudharani
29 Prof. Ram Gopal Yadav
30 Shri Sharad Yadav
31 Shri Praful Patel

SECRETARIAT

1.	Shri A.K.Singh	-	Additional Secretary
2.	Shri S.C.Chaudhary	-	Director
3.	Shri H. Ram Prakash	-	Additional Director\
4.	Ms. Sonia Khanna	-	Committee Officer

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 Sixth Report on Action Taken by the Government on the recommendations contained in the First Report (Sixteenth Lok Sabha) of the Committee on the subject 'Demands for Grants (2014-15) of the Ministry of Petroleum and Natural Gas'.

2. The First Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 16.12.2014. The Action Taken Replies of the Government to all the recommendations contained in the First Report were received on 19.03.2015.

3. The Standing Committee on Petroleum & Natural Gas (2014-15) considered and adopted the Report at their sitting held on 06.08.2015.

4. An analysis of the action taken by the Government on the recommendations contained in the First 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;
***6 August*, 2015**
15 Shravana ,1937 (Saka)

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

REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the Recommendations contained in the First Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2014-15) on 'Demand for Grants (2014-15)' of MoPNG, which was presented to Lok Sabha and laid in Rajya Sabha on 16.12.2014.

2. Action Taken Notes have been received from the Ministry in respect of all the 24 Recommendations/Observations contained in the Report. These have been categorized as follows:-

(i) Recommendations/Observations that have been accepted by the Government:- Reco. Nos. 2, 3, 6, 8, 9, 11, 14, 15, 17 and 19 (Total 10)
(Chapter- II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- Reco. Nos. 7, 18 and 20 (Total 3)
(Chapter-III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 1, 4, 5, 10, 21 and 24 (Total 6)
(Chapter-IV)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Reco. Nos. 12, 13, 16, 22 and 23 (Total 5)
(Chapter-V)

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

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

Recommendation No. 1

Energy Security and Hydrocarbon Sector

1. The Committee in their original report had recommended as follows:

"The Committee note that the mandate for MoP&NG is exploitation of Petroleum Reserves, Production, Supply, Distribution of Petroleum and Petroleum Products, strengthening energy security by acquiring oil and gas equity abroad, creation and administration of strategic petroleum reserves, etc for the country. The Committee further note that activities of MoP&NG touch all sectors of the society in some way. Energy consumption is growing steadily over the years as the Government embarks upon high growth rate for achieving its development agenda. The MoP&NG accordingly has a daunting challenge in its hands as at present 80 percent of the crude oil demand is met by imports. The Committee note that while domestic production of crude oil/natural gas is stagnant, the Ministry has been active in encouraging PSUs to acquire oil and gas assets abroad.

MoP&NG has many organizations under its administrative control namely Oil Industry Development Board (OIDB), Petroleum Conservation Research Association (PCRA), Oil Industry Safety Directorate (OISD), Directorate General of Hydrocarbon (DGH), Centre for High Technology (CHT) etc. The country is facing several challenges in the hydrocarbon sector like stagnant production, technological requirements, skilled manpower, conservation measures, safety issues, etc. The Committee, therefore, recommend that MoP&NG should reappraise the activities of these organizations and seek funds from the Government so that these organizations/agencies can expand their activities and assist in fulfilling the mandate of the Ministry.

Similarly, the distribution, supply and marketing of petroleum products across the nation is a logistical challenge. Considering the demand for such products, MoP&NG should enable people to have the products of their choice in a quick and efficient manner. While subsidy remains a key issue, the Committee recommend, that the Ministry should focus on the energy security of the country while ensuring access to energy sources at an affordable price to the people in a reasonable timeframe".

2. In this regard, the Ministry has submitted the following reply:

"LPG is marketed by OMCs in 5 kg, 14.2 kg, 19 kg, 35 kg and 47.5 kg cylinders. Out of these, 5 kg and 14.2 kg cylinders are available for domestic use while LPG in 5 kg, 19 kg, 35 kg and 47.5 kg is supplied for industrial/commercial uses. LPG is also supplied in LPG Tankers to Industrial customers. LPG marketing for automotive use is also allowed in the country since year 2002.

As on 01.02.15, OMCs cater to over 17.7 crore domestic LPG customers through 186 LPG bottling plants spread across the country through a wide network of 15450 LPG distributors (including 4178 RGGLVs). The coverage of households by domestic LPG 67.5% as per Census 2011 (projected households).

In addition to release of regular domestic LPG connections through distributorships, LPG connections are also being released under following categories for better accessibility & coverage:

(a) Free Trade LPG (5 Kg Cylinder):

Government has allowed the sale of 5 kg LPG cylinder with/without Domestic Pressure Regulator (DPR) through PSU Oil Marketing companies (OMCs) at retail outlets, which are accessible to all and are open for longer hours. The scheme was launched to cater to consumers that have emerged in big cities who are mobile and do not want a permanent LPG connection but may still require it for their needs. As on 01.02.2015, the scheme is under operation from 241 retail outlets, 327 distributorship points and 192 Kirana stores on industry basis, in 129 cities across the country.

(b) Release of LPG connections to BPL families thru State Government Schemes & under CSR fund of OMC:

This is a scheme for release of new domestic LPG connection under CSR Fund Scheme to BPL cardholders, whose BPL status has been authenticated by local administration. Under this scheme, one time grant towards security deposit of one cylinder and one Pressure Regulator is funded from the CSR Fund.

(c) Subsidy/Under recoveries:

In order to protect consumers from the impact of fluctuating crude oil prices, the international market, the Government continues to modulate the price of PDS Kerosene and Subsidized domestic LPG and their prices have not been revised in line with the prices in the international market.

The Government has made the price of Diesel market determined both at Refinery Gate and Retail level for all consumers with effect from the midnight of 18-19 October, 2014. This would not only facilitate greater competition in the Auto Fuels Retail segment and enhance efficiency in service delivery of the oil companies, but also bring benefits to consumers.

Taking into account the energy security concerns of India, the Government, through Indian Strategic Petroleum Reserves Limited (ISPRL), is setting up Strategic Crude Oil Reserves with storage capacity of 5.33 Million Metric Tonnes (MMT) at three locations viz. Visakhapatnam (storage capacity: 1.33 MMT), Mangalore (storage capacity: 1.5 MMT) and Padur (storage capacity: 2.5 MMT) to enhance the energy security of the country. The Strategic Crude Oil Reserves would deal with any disruption in the Supply chain due to external reasons. In exceptional circumstances, the buffer stock could also be used to deal with the situation of an abnormal spike in the world oil prices. The Vishakhapatnam rock cavern storage facility is ready to receive crude oil from mid of February, 2015. The two other facilities at Mangalore and Padur are likely to ready by October, 2015".

3. The Committee inter-alia had recommended that the Ministry should reappraise the activities of organizations like Centre for High Technology (CHT), Oil Industry Development Board (OIDB), Petroleum Conservation Research Association (PCRA), Oil Industry Safety Directorate (OISD) etc. under its administrative control and also ensure energy security of the country with access to the public to get their choice of petroleum product in a quick and

effective manner. In its reply, the Government has stated that it has taken several measures towards ensuring access to energy resources at an affordable price and to ensure their supply to the masses in a quick and efficient manner. In this regard, the Committee appreciate that the OMCs have been catering to over more than 17.7 crore Domestic LPG connections across the Country and new connections are being released every year to provide easy access to LPG to the public at large. The Committee note that the government has allowed the sale of 5 kg LPG cylinder and desire that the Ministry should also extend the subsidy on this cylinder.

The Committee are however, constrained to note that the reply of the Ministry is silent about the steps taken regarding the reappraisal of activities of various organizations such as OIDB, PCRA, OISD and CHT etc. The Committee, therefore, reiterate their earlier recommendation to reappraise the activities of various organizations of the Ministry in a holistic manner and to seek funds from the Government for the expansion of their activities so that mandate of the MoP&NG could be fulfilled. The Committee also deplore the Ministry for not furnishing reply on issues regarding the energy security and recommend that the Ministry should spell out the measures taken by it in this regard.

Recommendation No. 4

Scheme for LPG connection to BPL families

4. The Committee in their original report had recommended as under:

"The Committee note that a scheme for issuing LPG connections to BPL families was launched by the Government and is being implemented through the Corporate Social Responsibility (CSR) funds of six major oil companies. A total of 6,16,190 connections have been released so far under the scheme utilizing Rs 81.76 crore of the CSR funds. The Committee have further been informed that no targets have been fixed for the release of connections under the scheme by the Ministry. The major hurdle in the implementation of the scheme is authentication of the list of beneficiaries by local administration in the States/Districts. The Committee expect the MoP&NG to take more interest in the scheme by the States about the role of local administration in the implementation of the scheme.

The Committee desire that wide publicity should be given to the scheme since it is meant to benefit poor people. The Committee also recommend that Ministry/State Govts/OMC's should fix State-wise and Company-wise targets for release of connections under the scheme urgently as to ensure that the benefits of the scheme reaches the poor in a time bound manner".

5. In this regard, the Ministry has submitted the following reply:

"This Ministry has implemented a scheme to provide LPG connection to BPL families w.e.f. 12.01.2010. Under this scheme, one time financial assistance is granted to BPL families in rural areas for release of new LPG connection through Rajiv Gandhi Gramin LPG Vitaran Yojana (RGGLVY), equivalent to the rate of security deposit for one LPG cylinder and one pressure regulator. The cost of Security Deposit and Pressure Regulator (at present 1450+150=1600) is met from funds of the OMCs created for this purpose by the contributions from the CSR fund of six major oil companies e.g. ONGC, OIL, GAIL, BPCL, HPCL and IOCL. Recently, this scheme has also been extended through regular distributors upto 31.03.2015 on pilot basis. In order to make the use of LPG affordable to BPL families, release of Domestic LPG connection with 5 KG cylinder has also commenced from Jan'15 onwards. As a result, BPL families of Urban and Semi Urban areas are also getting benefitted from the scheme. As on 01.02.2015, total 8,60,644 new LPG connections since inception of the scheme were released to BPL families by the Industry, with utilization of Rs.120.84 crores.

The scheme is being popularized through RGGLVs as well as regular LPG distributorships by distribution of leaflets, display of locally designed posters/banners etc and display of notice board at the distributorships.

The Officers at field level are already under instruction to maintain regular follow up with local administration for expediting the authentication process and also to guide the distributors and closely monitor their performance in this regard. However, no such target can be fixed as release of connection under this scheme requires beneficiary authentication by the State Government, which maintains list of BPL families".

6. The Committee had recommended that the Ministry/OMC's should fix State and company wise targets for release of connections under the scheme for LPG connections to BPL families to ensure that the benefits of scheme reach the poor. The Ministry in this regard has stated that targets cannot be fixed for release of connections under the scheme for LPG connections to BPL families as the beneficiary authentication is done by State Governments which maintain list of BPL families. The Committee note that so far 8,60,644 connections have been issued under the scheme, however, the coverage of targeted total 72 lakhs BPL families still appears to be a distant goal. As the scheme is intended to benefit the economically weaker sections of the society, the Committee take a serious note of the slow progress under the scheme and would like the Ministry to coordinate with States to expedite the authentication process so as to extend the scheme to more deserving people.

The Committee, further, are of the view that the authentication procedure for issuing LPG connections to BPL families should be simplified and yearly targets should be fixed in each State in order to cover whole of the BPL population. The Committee, therefore, reiterate their earlier recommendation that the Ministry/State Governments/OMCs should fix State wise and company-wise targets for release of connections under the scheme on priority basis so as to ensure that the benefits of the scheme reaches the poor in the stipulated time frame.

Recommendation No. 5

Measures to contain subsidy

7. In their Report, the Committee inter-alia had recommended as under:

"The Committee note that one of the most important issues faced by the MoPNG and the Government is the under-recoveries incurred by OMCs on the sale of petroleum products. The Committee also note that the decline in international crude prices is a good opportunity to tackle the subsidy burden and effectively control the under-recoveries borne by OMCs. The Committee further observe that after the recent deregulation in the price of Diesel, the major burden of subsidy for the government is on account of sale of two petroleum products i.e. PDS Kerosene and domestic LPG. In this regard, the Committee note that for containing the subsidy burden due to domestic LPG, measures such as de-duplication of multiple connections, identification and cancellation of fake connections, capping of subsidized domestic LPG cylinders, Direct transfer of subsidies into the bank accounts have been taken by the Ministry.

The Committee have been informed that the Modified Direct Benefit Transfer Scheme for LPG has been re-launched w.e.f. 15.11.2014 in 54 districts. However, the Direct Transfer of Cash Subsidy on kerosene (DTCK) which was to be implemented in 11 States/UTs, has been implemented only three States namely, Rajasthan, Maharashtra and Goa comprising only seven districts, three each from Rajasthan and Maharashtra and one from Goa. Once the schemes take off, the diversion of subsidy with regard to sale of PDS Kerosene and domestic LPG is expected to come down substantially. The Committee recommend that the Modified Direct Benefit Transfer for LPG and DTCK should be implemented by the Ministry in a time bound manner in all the districts in the country.

The Committee would like to draw the attention of the Ministry to their recommendations in the 11th and 16th reports (15th Lok Sabha) regarding exclusion of higher income group from subsidy of domestic LPG cylinders. The Committee desire that OMCs/MoP&NG should appeal and launch campaign for voluntarily giving up of the LPG subsidy by well off individuals and to create awareness in the public so that the people may be encouraged to contribute to welfare of their poor breathren by voluntary giving up subsidy.

The Committee would reiterate their earlier recommendation and would like the Ministry at the same time to evolve a suitable mechanism to exclude higher income group from availing subsidized LPG cylinders".

8. In this regard, the Ministry has submitted the following reply:

"PAHAL (DBTL SCHEME)

Government of India has re-launched Direct Benefit Transfer for LPG consumer (DBTL) scheme namely, `PAHAL', in 54 districts of the country on 15.11.2014 and in remaining districts of the country on 1st January, 2015, covering 15 crore LPG consumers across the country.

LPG consumers who join the PAHAL scheme, will get the LPG cylinders at market price and receive LPG subsidy (as per their entitlement) directly into their bank accounts. All domestic LPG consumers have been given two alternatives in the scheme. If LPG consumer has Aadhaar number, he/ she will have to link it to his/ her LPG consumer number and bank account. Alternatively, he/ she can link his bank account directly to his LPG consumer ID. This alternative ensures that no LPG consumer is denied subsidy for want of Aadhaar number.

All LPG consumers who have not joined the scheme, will be given a grace period of three months from the date of launch to join the scheme. During grace period such consumers will get LPG as per their entitlement at subsidized price. Additionally, a period of three months beyond grace period known as parking period is given to LPG consumers for joining the scheme. During parking period such consumers will get cylinders as per their entitlement at market price and subsidy will be kept parked with OMCs. This parked subsidy would be released as soon as consumer joins the scheme. However, if a consumer joins the scheme after parking period, the parked subsidy would lapse and consumer will get subsidy from prospective date only.

The PAHAL scheme aims to prevent diversion of subsidized LPG into commercial sector and thereby helps in expanding LPG coverage without increasing subsidy burden on Government and to ensure that nobody can misuse the LPG subsidy of genuine LPG consumers.

DTCK :-

Direct Transfer of Cash Subsidy on Kerosene (DTCK) was initiated based on 'in principle' approval of EGoM dated 8.8.2011.

A Pilot Project for DTCK was launched in the Block Kotkasim, District Alwar (Rajasthan) in December, 2011 by MoP&NG, in collaboration with Government of Rajasthan. During the Pilot, subsidy was transferred into the Bank account of PDS SKO beneficiaries and PDS SKO was moved at full market price at all points of supply.

Under the DTCK 2012, a lump-sum one time grant of Rs. 100 Crore for each State was to be provided to the states joining the Scheme prior to 31.03.2012. 11 States/UTs namely, Rajasthan, Madhya Pradesh, Sikkim, Maharashtra, Andman & Nicobar Islands, Jharkhand, Himachal Pradesh, Pudducherry, Kerala, Goa & Andhra Pradesh confirmed their participation in the Scheme within the stipulated period. Out of these 11 states, only three States i.e. Rajasthan, Maharashtra and Goa confirmed implementation of DTCK in their following districts:

States	Districts
Rajasthan	Alwar, Ajmer, Udaipur
Maharashtra	Nandurbar, Wardha, Amaravati
Goa	North Goa

An amount of Rs 10 Crore each was released for establishment of an institutional mechanism for direct transfer of subsidy in cash for PDS Kerosene beneficiaries to the States of Rajasthan, Maharashtra and Goa during 2012-13.

Opt Out Subsidy:

The Government has launched the ***'Opt out of subsidy'*** scheme which is aimed at motivating LPG users who can afford to pay the market price for LPG, voluntarily surrender their LPG subsidy.

Action Plan implemented for the scheme :

- ✓ The Hon'ble Minister (P&NG) had taken a lead in this scheme and had given up the subsidy, setting an example for others.
- ✓ The Chairman/CMD of three OMCs and their Board of Directors also voluntarily opted out of subsidy. They have also sent out an appeal to their employees to join in nation building movement by giving up subsidy.
- ✓ The Hon'ble Minister (P&NG) has also sent personal letter to employees of OMCs who have set an example by giving up subsidy.
- ✓ The consumer opting out the subsidy are being recognized in the scroll of Honour given on the website www.mylpg.in
- ✓ The Hon'ble Minister (P&NG) has already written letters to all Central Government Ministers not only requesting them to give up subsidy, but also appeal to the employees in their Ministry/department to join the campaign for opting out of LPG subsidy. Similar letters were sent to Chief Ministers of the States.

As on 17.03.2015, over 2 lakh consumers have opted out of LPG subsidy.
Feasibility of targeting of LPG subsidy based on income/occupation:

- OMCs electronic database does not consist of income (PAN)/occupational details of the LPG consumer. Therefore, identification of LPG consumers based on income or on basis of occupation is difficult to implement through an electronic identification mechanism. The only way to implement this would be to gather this information from LPG consumers through self-declaration as is being done currently in case of PAHAL to collect bank account/Aadhaar details. The self-furnished information may not be authentic & cannot be relied upon for determining eligibility of subsidy.
- LPG connections are issued on household basis while the income is calculated on individual basis. Hence, mapping of income of household with LPG connection would be difficult.

- Further, not all LPG customers may be having PAN card or all PAN card holders pay taxes and this tax paying numbers changes every year.
- Income data is dynamic and inclusion/exclusion under subsidy will necessarily need to be dynamic which would be extremely complex.

For the above reasons income based exclusion of LPG subsidy is difficult to implement".

9. The Committee had recommended in their 16th Report (15th Lok Sabha) and reiterated in their 1st Report (16th Lok Sabha) that the Direct Benefit Transfer for LPG (DBTL) and for Kerosene (DTCK) be implemented in a time bound manner in all the districts of the country. The Ministry's reply has stated that DBTL has been implemented all over the country while DTCK is being implemented partially only 3 in States at present. While appreciating the efforts of Government on account of DBTL, the Committee are not satisfied with the reply of the Ministry on the aspect of DTCK and would like to reiterate their earliest recommendation that DTCK be implemented all over the country at the earliest.

The Ministry in their reply have also stated that the Government has launched an opt out of subsidy scheme aimed at motivating LPG users to voluntarily surrender their LPG subsidy and as on 28.07.2015, 13,86,885 customers have opted out of LPG subsidy. The Committee appreciate Ministry's initiative for appealing to customers to voluntarily give up LPG subsidy and the success achieved so far.

The Committee had also recommended the Ministry in their 11th Report and reiterated in their 16th Report (15th Lok Sabha) and 1st Report (16th Lok Sabha) to evolve a suitable mechanism to identify higher income groups to exclude them from subsidy domain so that the subsidy on LPG can be directed towards the needy sections of society. However, the Ministry has shown lackadaisical approach in developing such a mechanism and has relied only on income tax data or PAN details. The Committee, however, of the opinion that the Ministry should work towards devising a suitable mechanism to identify and exclude the targeted higher income groups which may not necessarily be based on the income tax department data. The Committee, therefore, reiterate their

earlier recommendation that the Ministry should adopt innovative approach to develop a suitable mechanism to exclude higher income group from availing subsidized LPG cylinders.

Recommendation No. 10

New Exploration Licensing Policy (NELP)

10. The Committee in their original report had recommended as under:

"The Committee note that in order to increase the pace of exploration for oil and gas, the Government had introduced the New Exploration Licensing Policy (NELP) in 1999 in the country. Under NELP, exploration blocks were awarded to Indian private and foreign companies through international competitive bidding process where National Oil Companies, viz. ONGC and OIL are also competing on equal footing. The Committee also note that so far nine rounds of biddings have been conducted under New Exploration Licensing Policy (NELP) and 10th round is to be held. The Committee further note that due to delay in finalization of contractual regime for exploration, the further bidding under NELP is held up for nearly three years. Further, the exploratory activities are not taking off in the blocks awarded under earlier rounds due to lack of clearances and disputes in interpretation of contracts. The Committee are seriously concerned with the lull in the exploratory activities particularly when domestic production is stagnating and demand keeps growing. The Committee, therefore, recommend that the Ministry should finalise the contractual model at the earliest and launch of the Tenth NELP round may be done in order to intensify exploration activities in the country. The Committee desire that new contractual regime should have provisions for deallocation of blocks by Ministry in case of inordinate delay beyond stipulated time frame in carrying out the exploratory programme".

11. In this regard, the Ministry has submitted the following reply:

"Appropriate provisions shall be made in the new contractual regime as and when finalized to ensure timely completion of the exploratory programme."

12. The Committee had recommended for finalization of new contractual regime and launch of Xth NELP round at the earliest in order to intensify the exploratory activities. The Committee while appreciating the response of the Ministry to make appropriate provisions in new contractual regime are unhappy to note the inordinate delay in the launch of Xth NELP round which is causing delay in start of new exploratory activities in the country. The finalization of new contractual regime is an important step for exploratory activities to gain momentum and also towards ensuring energy security for the country. The

Committee, therefore, would like to be apprised of the reasons for delay in finalization of the new contractual regime and would recommend the Ministry to work towards its finalization without any further delay.

Recommendation No. 12

Production of Crude oil

13. The Committee in their original report had recommended as follows:

"The Committee noted with concern that the stagnant domestic crude oil production for the years 2011-12, 2012-13 and 2013-14 stands at 38.09 MMT, 37.86 MMT and 37.78 MMT respectively. Further, the natural gas production for the last three years has also been continuously declining at 47.56 BCM, 40.68 BCM and 35.41 BCM. The Committee observe that most of the production for upstream PSU companies is coming from nomination blocks and under NELP, the commercial production has started from only five blocks awarded to private operators i.e. RIL, Niko and GSPC. The Committee are further constrained to note that currently there is no commercial production from any deep water block operated by ONGC/OIL under the PSC regime. The Committee note with serious concern that the production of natural gas from the Eastern Offshore asset in the KG basin also shows a declining trend.

The Committee observe that while the demand of energy resources is growing every year, the domestic production of hydrocarbons has not kept pace with the growing demand. Though Improved Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) techniques have been applied in various fields and the production has been augmented but there is big gap in demand supply scenario. The upstream oil companies have informed that the decline and stagnancy are due to aging oil fields and lack of new discoveries in recent times. The Committee note that ONGC has also relinquished its blocks in Kerala-Konkan region after carrying out exploration works for the last 30 years.

Since the National Oil Companies have a crucial role in achieving self-reliance in energy resources, the Committee recommend that the MoP&NG should do a comprehensive review and fill the gaps in the exploratory programme of Oil PSUs".

14. In this regard, the Ministry has submitted the following reply:

"Discoveries and Production by ONGC & OIL in NELP Blocks:
ONGC has made 42 hydrocarbon discoveries in various operational NELP Blocks. OIL has made two hydrocarbon discoveries. All these discoveries including deepwater by ONGC & OIL are in different stages of exploration/appraisal/development and are to be put on production as per timelines of the contract.
ONGC is making serious efforts to monetize the oil & gas discoveries made in NELP blocks. Field Development Plan (FDP) has been approved by Management Committee (MC) of four onshore NELP discoveries viz. Nadiad-1, West Patan-3, Karanagar-1 and Vadatal-1. ONGC has applied for Petroleum Mining Lease. As an initiative, in MOU parameters, two NELP blocks are considered to be put on production during 2015.
Decline of natural gas in Eastern offshore

As regards gas production, ONGC has been able to maintain gas production above 23 BCM from offshore and onshore. During the current year the production is likely to be marginally less in view of certain operational set-backs viz., restrictions by GAIL due to leakage downstream in Bhagodia in April 2014, safety/maintenance issues, stoppage of production from Eastern offshore, KG and Cauvery Assets in view of safety related issues of GAIL pipeline from 27th June 2014 onwards.

Monitoring of Crude oil & natural Gas Production

Ministry of Petroleum & Natural Gas is monitoring the progress of crude oil & natural gas on weekly and monthly basis. This is being closely reviewed by the Secretary (PNG) in review meetings every month with CMDs of ONGC & OIL and DG, DGH for production under PSCs".

15. Taking a serious note of the stagnant production of crude oil and natural gas for the last three years, the Committee had recommended the Ministry to review the exploratory programme of oil PSUs comprehensively and to fill the gaps wherever required. In its reply, it has been stated that ONGC and OIL have made 44 discoveries under NELP regime which are under development and to be put on production as per the timeline of the contracts. The Committee are constrained to note that the Ministry does not appear to be serious in making efforts towards enhancing oil and natural gas production in comparison to the growing demand in the country. The Committee wish to point out that during the period 2007-12, ONGC had made 133 oil and gas discoveries and OIL had made 35 discoveries. During last few years, both the oil PSUs have been announcing discoveries of oil & gas but the crude oil production has not increased. The Committee therefore, take such discoveries with trepidation as no benefit has come from these discoveries in terms of production.

The Committee are dismayed to note the slow progress made by ONGC/OIL in development of new discoveries under NELP regime which is affecting domestic production of oil & gas. The Committee are further constrained to note that despite monitoring of exploratory programmes on weekly/monthly basis by Ministry/DGH, it has not reflected in the increase of actual production of crude oil and natural gas. The Committee therefore, strongly recommend that the Ministry must do a comprehensive review of the exploratory programmes of oil PSUs to identify loose ends to augment the domestic production of Oil and Gas in the country.

Recommendation No. 13

National Gas Grid

16. The Committee in their original report had recommended as follows:

"The Committee note that at present, the country is having about 15,000 kms long natural gas pipeline infrastructure under operation and the Government has announced the establishment of a National Gas Grid across the country with an additional 15,000 kms of pipelines.

The Committee observe that use of natural gas being cleaner, more efficient and safe fuel has considerable advantage over traditional fuels. The completion of gas grid will extend the coverage to domestic, industrial consumers and for transport sector across the country. The Committee, however, note that authorizations by PNGRB are still awaited in respect of the Barauni-Guwahati-Agartala pipeline with a length of 1300 kms. Further, the work in Kochi-Mangalore pipeline has been stalled due to Right of Way (RoW) and regional problems /issues. The Committee also note that the capacity utilization of existing natural gas pipelines is very poor and at the same time, the availability of natural gas in the country is less than the demand.

National Gas grid is an important project to enable the availability of the natural gas in different parts of the country. The Committee, therefore, recommend that the process of establishment of National Gas Grid may be properly planned and implemented in a time-bound manner and would expect the Ministry to ensure the availability of natural gas alongwith the progress in the completion of pipeline".

17. In this regard, the Ministry has submitted the following reply:

"In order to complete the gas grid across the country, Government has envisaged to develop additional 15000 Km of gas pipelines. Out of this 15000 Km, PNGRB/GoI has already granted authorizations to entities for constructing about 11900 Km long pipelines and PNGRB is in process for granting authorization to a pipeline of about 1200 Km under its regulatory framework in terms of PNGRB Act,2006. In addition, Government has made an effort to complement PNGRB's efforts for completing Gas Grid and has identified 3 (three) pipeline sections of total length of 2500 Km for development through Public-Private Partnership (PPP) mode with Viability Gap Fund (VGF). Out of these 3 pipeline sections,"Ranchi-Talcher-Paradip" pipeline project has been approved as the Pilot project for implementation through PPP mode with VGF. After successful implementation of above pilot project through PPP mode, Government has plan to consider developing Barauni-Guwahati-Agartala pipeline of 1300 Km along with the Haldia-Paradip/Srikakulam pipeline through PPP mode with VGF. With respect to Right of Way (RoW) issues for laying the Kochi-Koottanad-Bangalore-Mangalore pipeline, the matter is subjudice before the Hon'ble Supreme Court and any way forward can be taken subsequent to favourable judgement for the pipeline".

18. The Committee had recommended for establishment of National Gas Grid in a time bound manner and also to ensure availability of Gas for the grid. In its reply, the Ministry has stated that out of the total length of 15000 kms.

authorizations have already been granted for 11900 kms. by PNGRB/GoI. Further, three pipeline projects have been started under PPP mode with Viability Gap Funding (VGF). Though action has been initiated for completion of various pipeline projects under the grid, the Committee are dismayed to note that the issue of sourcing of natural gas in order to ensure availability of gas to the grid has not been addressed by the Ministry. The Committee hence desire that the Ministry should explore options for ensuring availability of gas to the grid while getting the grid ready, so that full capacity of the natural gas infrastructure established with huge expenditure could be utilized. The Committee, therefore, reiterate their recommendation that along with the establishment of national gas grid, the availability of natural gas may also be ensured side by side.

Recommendation No. 16

Delay in ONGC additions Limited (OPaL)

19. The Committee in their original report had observed as under:

"The Committee note that the OPaL project is being implemented by ONGC at Dahej, Gujarat with a original project cost of about Rs. 21,396 crore. However, due to delay in commissioning of the project, the revised estimated project cost now stands at Rs. 27,011 crore showing a cost escalation of about Rs. 5000 crore. The Committee are further constrained to note that the OPaL is rephasing the loan and financing of additional debt for the increased cost of the project will further add to the interest being paid by the Company. The Committee are dismayed to note that the feedstock plant (C2-C3 Extraction Plant) which will provide feedstock to the OPaL project has been completed and lying idle. An additional expenditure of Rs. 100 crore is being incurred every year to keep the plant operational.

The Committee have learnt that this project was scheduled for completion in January, 2014 and has now been slated for completion by August, 2015. The Committee are unhappy to note that the OPaL project with such a huge expenditure has been delayed and therefore, recommend the Ministry to ensure that it is completed by the revised timeline and necessary steps are taken to tie up the sources of natural gas for running the project".

20. In this regard, the Ministry has submitted following reply:

"Status update on OPaL

- As on 31st December, 2014, the project has achieved 93 % completion (with total expenditure of Rs 20,493 crore).
- Five packages (out of total 17 packages) including the largest package of Dual Feed Cracker Unit and Associated Units (DFCU) and the downstream unit

of Dedicated HDPE unit have been mechanically completed. The downstream units of Polyethylene Swing unit and Polypropylene unit are nearing mechanical completion. The other packages are also nearing mechanical completion.

- With the availability of utilities and power, pre commissioning activities have already commenced so as to start commercial operation by June, 2015.
- All project related clearances/ statutory approvals and environmental clearance has been obtained.
- The delay in completion was mainly due to non- performance of three work packages (out of seventeen), i.e. Cooling Water System, Integrated Utility & Offsite, and Effluent treatment and collection system. OPaL has provided financial support to these contractors to improve liquidity to expedite completion. The progress on these work packages has improved significantly and progress is being closely monitored by ONGC at the highest level to ensure achievement of scheduled timelines.
- Commissioning team from the Licensors and EPC contractor has been mobilised from 1st week of December 2014 for start of pre commissioning / commissioning of DFCU.
- All out efforts are being taken by OPaL for commissioning of the Project by June 2015.
- The gas feed for the Project would be supplied from ONGC's C2-C3 plant at Dahej. The C2-C3 plant is mechanically completed and ready for commissioning. PLL had signed an agreement with ONGC on 6th January, 2015 for extraction of C2 – C3 components from LNG at Dahej. This agreement also required certain amendments to the Gas sale and Purchase Agreement signed between PLL and its three offtakers, GAIL, IOC and BPCL.

Accordingly, an amendment agreement was signed with GAIL on 3rd February, 2015. Although, the formal amendment agreements with BPCL and IOC are yet to be signed, as per the discussion held by PLL with IOCL and BPCL, PLL has given its consent to ONGC to commission the plant. ONGC has already mobilized its turnkey contractor at site and are expecting to commission the plant very soon".

21. The Committee had recommended the Ministry to ensure that the OPaL project should be completed by the revised timeline and take necessary steps to tie up natural gas for the project. The Committee were informed that the project had achieved 93% completion by December, 2014 and efforts were being made for ensuring its commissioning by June 2015. However, the Committee have now learnt that upto June, 2015 the project has achieved only 95% completion.

The Committee take a serious note of the postponement in the timeline of the project which was scheduled for completion by January, 2014, shifted to June , 2015 and is now expected to be commissioned in the fourth quarter of 2015. The Committee are dismayed to note the non-serious approach of the Ministry/ONGC towards implementation of the OPaL project with an investment

of more than Rs. 20,493 crore and would like to know the reasons for delay in its commissioning. The Committee while expressing their displeasure for the delay in commissioning of OPaL project strongly recommend the Ministry/ONGC to ensure its completion at the earliest.

Recommendation No. 21

CSR Funds of Oil PSUs

22. The Committee in their original report had recommended as follows:

"The Committee note that as per existing guidelines of Department of Public Enterprises (DPE), PSUs must spend 2 percent of their profit after tax (PAT) under the Corporate Social Responsibility (CSR). The Committee are constrained to note that the targets fixed by the Ministry under corporate social responsibility and the figures for the profit after tax have not been furnished by the Ministry. The Committee further note that the spending on CSR initiatives of some Oil PSUs such as ONGC, OIL, BPCL and IOCL have increased during 2013-14 in comparison to the year 2011-12 and 2012-13 but the spending of OVL & HPCL have remained stagnant. The Committee are constrained to note that the spending under CSR initiative by GAIL, MRPL, CPCL and EIL has decreased during the year 2013-14 as compared to 2011-12 and 2012-13.

The Committee observe that the activities pertaining to Petroleum and Natural Gas sector impact the environment and desire that the Oil PSUs must take initiatives for the development of the regions surrounding Oil Installations, plants, exploration regions, refineries etc. The Committee, therefore, recommend that the Ministry should prevail upon the Oil PSUs and the CSR funds of these companies should be spent fully each year on the welfare activities in a transparent manner".

23. In this regard, the Ministry has submitted the following reply:

"Oil PSUs undertake various CSR activities as per DPE guidelines and Companies Act, 2013. As part of the CSR activities Oil and Gas companies have taken up over 19,000 toilets under Swachh Bharat - Swachh Vidyalaya Abhiyan. Works have been awarded for construction of 7176 toilet blocks, construction works are in progress in 1331 toilet blocks and construction has been completed in 49 toilet blocks as of 13 March 2015.

The Oil PSU-wise expenditure under the Corporate Social Responsibility (CSR) are as under :-

ONGC Videsh Ltd. (OVL) :

It is informed that ONGC Videsh Ltd. is a wholly owned subsidiary of ONGC. Its CSR activities are generally carried out by the leader of the consortium (operator) according to requirement/guidelines/practices prevailing in the host countries and provisions in the PSC/JOA. Domestic obligation of CSR is undertaken by the Parent company ONGC. Oil PSUs undertake various CSR activities as per DPE guidelines and the Companies Act, 2013.

The Company has been undertaking CSR activities in and around its projects and expenditures work out in excess of its budgetary allocation of 0.5% of Profit after tax (PAT) of the Company during previous financial years since 2010-11.

CSR budget and the actual expenditure incurred in each year during 2011-12 to 2013-14 and H-1 of 2014-15 is given below:-

(Rs. in Million)

Financial Year	Net profit of the PSU (after tax)	Budgetary provision for CSR activities (0.5% of net profit of previous year)	Actual Expenditure on CSR activities	CSR expenditure as % of net profit of previous year
2011-12	27212	134.53	239.41	0.89%
2012-13	39291	136.06	208.27	0.77%
2013-14	44453	196.45	217.1	0.55%
H-1 of 2014-15		222.25	116.4*	

Oil India Limited (OIL) :

CSR at Oil India Limited is guided by its' vision of "being a responsible corporate citizen deeply committed to socio-economic development in its areas of operations". Overall, the company's CSR and Sustainability practices are guided by and undertaken keeping in perspective the overarching principles under the DPE guidelines (on CSR & Sustainability, 2014) and the Companies' Act, 2013.

The data on CSR expenditure of Oil India Limited in the past 3 years is provided in the table, below :

CSR Details of the last 3 years of Oil India Limited

Financial Year	CSR Expenditure (INR Crores)	Profit After Tax (INR in Crores) of previous FY	Percentage of Profit After Tax
2011-12	50.19	2887.73	1.74%
2012-13	49.63	3446.92	1.44%
2013-14	72.89	3589.34	2.03%

> The total allocated CSR budget for FY 2014-15 is INR 133.31 Crores

Engineers India Ltd.(EIL) :

The EIL's comments/ action taken report on the recommendation No. 21 are as follows:

- As per DPE Guidelines, 2% of Profit After Tax (PAT) has been allocated for CSR activities in FY 2011-12, FY 2012-13 and FY 2013-14.

- In FY 2014-15, as per Companies Act 2013, the budgetary allocation of 2% of the average of Profit Before Tax (PBT) made during the three immediately preceding financial years has been earmarked for CSR activities.

- Spending under CSR during FY 2013-14 has increased as compared to spending during FY 2012-13.

- The details of CSR Budget status is given below:-

(Rs in lakh)

Year	CSR Budget	Amount Committed	CSR expenditure
2011-12	1045 (2% of PAT)	389	942
2012-13	1273 (2% of PAT)	686	597
2013-14	1257 (2% of PAT)	1019	649
2014-15	1660 (2% of PBT*)	1990**	900**

* the average of PBT during the three immediately preceding financial years **as on 19.2.2015

Oil and Natural Gas Corporation (ONGC) :

Prior to April 2014, ONGC was allocating CSR fund as per DPE/MOPNG Guidelines. Subsequently after the enactment of Companies Act 2013 w.e.f. 01.04.2014 ONGC has allotted the CSR funds as per the Act. The year-wise details of the profits of ONGC, allocation of CSR funds and its utilization have been tabulated below:

Sl. No.	Year	Profit after Tax (PAT) (Rs. In Crore)	Funds allocated for CSR (Rs. in Crore) and (% of PAT/PBT)	Fund utilized for CSR (Rs. in Crore)
1.	2011-12	18,924	378.48 (2% of PAT)	121.08
2.	2012-13	25,123	502.46 (2% of PAT)	262.13
3.	2013-14	20,296	418.52 (2% of PAT)	341.25
4.	2014-15	32,897 Average of Net Profit of past three years	657.94 (2% of PBT)	336.54 (Upto Dec, 2014)

ONGC is always focused to carry out CSR activities mainly in the regions surrounding its oil and gas installation, plants, exploratory areas & also promptly addressing the environmental concerns suitably.

Indian Oil Corporation Ltd. (IOCL) :

Indian Oil's CSR Policy has been approved for the year 2014-15 by the Board as per Companies Act 2013, Companies (CSR Policy) Rules 2014 and DPE's guidelines on CSR & Sustainability.

Bharat Petroleum Corporation Ltd. (BPCL) :

We have taken cognizance of the observations of the Committee and we will continue to take initiatives for the development of communities surrounding our installations. Refineries, Depots etc.

It will also be our endeavor to utilize the CSR budget to the maximum extent possible.

Chennai Petroleum Corporation Ltd. (CPCL):

Action Taken Report on the Recommendation No.21 in the First Report of the Standing Committee on Petroleum & Natural Gas (2014-15) on "Demands for Grants (2014-15) of the Ministry of Petroleum and Natural Gas" is given below:

The following are the amounts spent by Chennai Petroleum Corporation Ltd. (CPCL) as against the amount allocated for CSR:

Year	Amount Spent (Rs. in Lakhs)	Profit Before Tax (Rs. in Crore)
2011-12	372.65	(158.22)
2012-13	199.43	(1697.69)
2013-14	101.00	(330.96)

It is to mention that the above expenditure on CSR is being incurred inspite of loss is only to maintain continuing projects.

As recommended by the Committee, CPCL is taking all initiatives for the development of the region surrounding the Refineries.

Hindustan Petroleum Corporation Ltd. (HPCL):

"Comments are noted . HPCL has always taken and will continue to take initiatives for the development of regions in and around where it operates. It is also a part of the Board approved policy that most of our CSR initiatives should be in and around our areas of operations."

Mangalore Refinery Petrochemical Ltd. (MRPL):

Details of PAT, CSR budget as per the then prevailing DPE guidelines & CSR spend for the years 2011-12, 2012-13 & 2013-14 as given are below.

Year	PBT	PAT	5% of previous	CSR budget including c/f of unspent from	Total Expenditure

			year PAT	previous year	on CSR
2010-11	1737	1176	-	-	-
2011-12	1320	909	5.88	7.09	3.27
2012-13	-477	-757	4.54	8.36	4.40
2013-14	409.7	601.2	0.00	3.96	3.57

The Companies Act 2013 has come into effect from FY 2014-15 onwards, which stipulates that the CSR spend shall be *2%* of the average of the preceding 3 years net profits, PBT. Prior to that DPE guidelines were prevailing for the purpose of calculating the CSR budget i.e. 0.5% of PAT of the previous year.

CSR expenditure of MRPL is FY 2013-14 has decreased compared to FY 2011-12 & FY 2012-13, due to losses incurred in FY2012-13. In FY 2013-14 the CSR expenditure is marginally lower than the available CSR budget, since the entire CSR budget was allocated for the construction of a new wing of Government Ladygosch Hospital and the expenditure was made based on the bills received up to FY 2013-14. Unspent amount has been carried forward to the CSR budget of FY 2014-15.

The MRPL has noted Committees' observation that the CSR funds should fully spent in each year on the welfare activities & should impact the environment surrounding oil installations, plants, exploration region, refineries etc. for compliance.

24. The Committee had recommended the Ministry to prevail upon Oil PSUs for spending their CSR funds fully every year on the welfare activities in a transparent manner. While observing the details submitted by the Ministry, the Committee note that in case of ONGC and MRPL, the actual amount spent on CSR activities during the last three years is less than the funds available with the respective PSU for CSR activities. The Committee are unhappy to note that the CSR funds have not been utilized as per the funds available. Since the functioning of Oil and gas plants/Installations has an impact on surrounding environment, the Committee reiterate their recommendation that the Ministry should impress upon that the CSR funds of oil PSUs should be spent fully each year in a transparent manner on welfare activities.

Recommendation No. 23

Coal Bed Methane

25. The Committee in their original report had recommended as under:

"The Committee note that the Government of India had formulated a CBM Policy in 1997 under which its exploration is being carried out. The Committee have been informed that till date 33 blocks have been awarded and the commercial production has started from Raniganj (south block only). Further, the present CBM production stands at 0.45 MMSCMD and the Ministry has claimed that at present pace the production is expected to be around 4 MMSCMD by 2016- 17. The Committee are unhappy to note that even after huge investment of Rs.5000 crore and seventeen years, the exploratory efforts have not paid off. The Committee note that India being the third largest producer of coal in the world holds significant prospects of recovering CBM from its coal beds and the total prognosticated CBM reserves in the country are to the tune of 91.8 Trillion Cubic Feet (TCF) spread over 11 States in the country and further, around 9.90 TCF reserves have been found recoverable. Since there are proven reserves of coal in the country, the Committee feel that the exploitation of CBM should be speeded up. The Committee, therefore, recommend that the Ministry should intensify the exploratory efforts and production of CBM to achieve the set production targets within the stipulated timeframe.

The Committee note that ONGC is the only PSU which is carrying out the exploration of Coal Bed Methane which is operating four active blocks in Jharia and Raniganj. The Committee recommend the CBM policy which is under production of CBM from various blocks. The Committee also desire that MoP&NG should permit other oil PSUs and more private operators interested in the exploration of this untapped hydrocarbon resource".

26. In this regard, the Ministry has submitted the following reply:

"Ministry of Petroleum & Natural Gas and Ministry of Coal are in correspondence for resolution of various issues especially pertaining to simultaneous exploration and exploitation of CBM and coal mining by one single operator from the point of view of safety of operations and fast track exploitation of both the resources viz. CBM and coal.

As per the CBM policy, 1997, the interested private companies and PSUs can participate in the bidding round for exploration and exploitation of CBM. Ten CBM blocks have been identified for the future round of bidding".

27. The Committee in their report had recommended the Ministry to permit other oil PSUs and more private operators interested in exploration of CBM. In its reply, the Ministry has stated that it has taken up the matter with the Ministry of Coal for engaging a single operator for fast track exploitation of both Coal and CBM reserves from the point of view of safety of operations. The Committee have further been informed that ten more CBM blocks have been identified for future round of bidding. Though the Ministry is offering more blocks for bidding and exploration of CBM, the programme for CBM exploitation has not been progressing at desired pace over a period of time. With this pace, increase in the production from the present 0.45 MMSCMD to 4 MMSCMD in 2016-17 still appears to be a difficult task. The Committee, therefore, reiterate their earlier recommendation to increase more private participation and to speed up the

process of exploitation of CBM reserves in order to enhance energy security of the country.

Recommendation No. 24

Underground Coal Gasification (UCG)

28. The Committee in their original report had recommended as under:

"The Committee note that ONGC has been carrying out the development of underground coal gasification in collaboration with Stochinsky Institute of Mining, Russia and MoUs have also been signed with CIL, SCCL, Gujarat Mineral Development Corporation and Gujarat Industries Power Corporation Ltd. (GIPCL). The Committee further note that the advanced stages of the development are to be carried out in the coal blocks for which Vastan block in Gujarat has been chosen. However, ONGC could not get the authority to develop that block due to the condition that applicant has to be a State level operator. The Committee have further been informed that in addition to Vastan block, other sites were also being evaluated for suitability and four sites namely Hodu-Sindhari (Rajasthan), Kurla (Rajasthan), Tadkeshwar (Gujarat), Surkha (Gujarat) have been found suitable.

The Committee are constrained to note that the UCG technology in the country is still under developed. The Committee feel that the development of UCG should not be kept limited to Vastan Block and other blocks should also be explored. Further, the MoP&NG should take up the matter with concerned State Governments to relax the criteria for National Oil PSUs so that the award of the block is not limited to State level companies only as these companies have more technological expertise with regard to development of hydrocarbon reserves. Since huge coal deposits in India can offer avenues for Underground Coal Gasification, the Committee also desire that the Ministry should review the policy on development of UCG and take effective measures for its exploitation at the earliest. The Committee are given to understand that the technology for UCG is available with other countries for the past several decades and therefore, recommend that the Ministry/Oil PSUs may explore collaboration with the countries experienced in UCG for technology transfer."

29. In this regard, the Ministry has submitted the following reply:

"The matters relating to Underground Coal Gasification (UCG) is being dealt with by the Ministry of Coal and as such it will be appropriate if this recommendation is dealt by the Ministry of Coal."

30. The Committee in their Report, had recommended the MoPNG to take up the matter regarding underground coal gasification (UCG) efforts by ONGC with concerned State Government to relax the criteria for National Oil PSUs so that the award of block is not limited to the State level companies only since the National Oil Companies have more expertise in exploration related activities.

The Committee had also recommended for collaboration with countries having expertise in this field for technology transfer. In its action taken reply, the Ministry informed that the matters relating to Underground Coal Gasification (UCG) is being dealt by the Ministry of Coal.

The Committee do not accept the casual reply submitted by the Ministry and it appears that the MoPNG is shying away from its responsibility. The Committee are further dismayed to note that services of ONGC which is an experienced company in exploration of resources could not be utilized to the benefit of the nation in development of UCG resources because of the criteria that allows only State level operators to participate for the bidding in Vasatan block in Gujarat. The Committee in this regard desire that various State Governments should broaden their horizons by giving opportunity to Indian companies for development of various natural resources.

The Committee are of the opinion that the Ministry of Petroleum & Natural Gas has an active role in Oil PSUs since ONGC is carrying out development of UCG and investment made by it is at stake. Accordingly, the Committee desire that the Ministry must initiate efforts towards removing hurdles being faced by ONGC so that UCG programme can progress at desired pace. The Committee, therefore, reiterate their earlier recommendation and strongly recommend the Ministry to review the progress made by ONGC in the field of UCG.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 2

Rajiv Gandhi Institute of Petroleum Technology (RGIPT)

The committee noted that the Rajiv Gandhi Institute of Petroleum Technology (RGIPT) is being set up at Jais, UP with the objective of creating an Institute of Excellence in Petroleum Sector to cater to the educational and training requirements in India with a total estimated project cost of Rs. 695 crore. Due to delay in establishment of the Institute, the academic activities are being conducted in a temporary campus in Rae Bareli since 2008.

The Committee noted that the main reason for the delay in project is the litigation process started by the original contractor. At present EIL, Project Management Consultant of the Jais Campus project is carrying out the work through a composite contract and also has taken up with the contractor for clearing the backlog of the Project work.

The Committee took note with serious concern that the budgetary allocations for the project could not be utilised during last three years and only 52.6 percent of the work has been completed. The timeline of the project has been shifted time and again and the Institute which was scheduled for completion in the 11th Plan is now slated for completion in December 2015. The Committee take a serious view on the further delay of the project and recommend the Ministry to put in sincere effort with stringent monitoring to ensure its completion by the revised timeline i.e. December 2015. The Committee also recommends that the responsibility may be fixed and penal action taken against all concerned including the original contractor for inordinate delay of the project.

Reply of the Government

After termination of the contract with M/s. Punj Lloyd Limited in May 2013, a new Composite Work Contract has been awarded in September 2013 to M/s. NCC Limited on the recommendation of the Project Management Consultant, M/s. Engineers India Limited.

Since then the work has been progressing as per the schedule. As on December 2014, the progress of work achieved is approx. 80% and there has been no backlog.

As advised by the Standing Committee, RGIPT has put the following monitoring mechanism in place to ensure timely completion of the project:-

a) Weekly Project Review Meeting (WPRM)

Improvements has been brought in by the mechanism of WPRM at the site for intensifying the monitoring of the project. While all salient features of the project are reviewed by RGIPT, EIL and the Contractor (M/s. NCCL) specific emphasis is now given to have close monitoring of adequate resource mobilisation and a system of Action Taken Report of the previous meetings has been introduced.

b) Monthly Progress Review (MPR) at Head Quarter

In addition to the above weekly progress review meetings, a day to day monitoring is being done with EIL headquarter and Architect, in which the participation is at the level of General Manager (Project), EIL and Advisor (Project), RGIPT. A comprehensive review is made for all action points including the issues arising out of the site review meetings. The emphasis is given in such reviews to have a comprehensive catch up plan for any delay in the previous months.

c) Monitoring by Board of Governors (BOG), RGIPT

In addition to the above, the progress of the work is tabled in every BoG meeting and Board is informed about the status of catch up plan to expedite the project implementation.

d) Also, the monthly progress report which is being sent to the MoP&NG has been made more objective oriented to facilitate regular monitoring. The report also includes the areas of concern and corrective action taken.

RGIPT is ensuring that future deadlines are met in all respect.

The litigation process with M/s. Punj Lloyd Ltd is being heard in the Arbitral Tribunal. The Affidavits of witnesses are under preparation for filing.

EFC in its meeting held on 24.02.2015 has recommended the following :

a) The revised cost estimates of Rs. 538 crore for the RGIPT.

b) Rolling over of Government funds of Rs. 199 crore from 11th Five Year Plan to 12th Five Year Plan (Rs. 86 crore already spent in 11th Plan period out of total GBS of Rs. 285 crore)

c) Additional funding of Rs. 103 crore from Government Budgetary Support (Revised Cost Estimates of Rs. 538 crore – Original Cost Estimates of Rs. 435 crore = Rs. 103 crore).

d) RGIPT / EIL will complete the project in 47 acre of land by March, 2016. No time and cost overrun will be allowed further.

e) RGIPT should look into the possibilities of the self – sustaining revenue model using the corpus fund and the student fees for running the Institute.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 3

Filling of Strategic storage caverns

The Committee note that underground strategic storage caverns are being built at three locations namely i.e. Vishakhapatnam, Padur and Mangalore to have a crude oil storage capacity of 5.03 MMT. This project is being undertaken at an estimated capital cost of Rs.3958 crore. The three storage caverns at Vishakhapatnam, Padur and Mangalore have achieved more than 95 percent of completion and Visakhapatnam cavern will be ready by February, 2015 and the remaining two by October, 2015. Once the construction of storage caverns is complete, they are to be filled with crude oil. A token amount of rupees one crore has been provided in the budgetary allocations for the year 2014-15. Since the Vizag cavern is to be ready by February 2015 and funds would be required to fill with crude oil, the committee recommended that MoP&NG should seek funds from Ministry of Finance.

The Committee note that the crude oil filling cost was estimated at Rs. 25000 crore at a price of $110/bbl. and therefore recommend that the Ministry should monitor the crude oil prices in the international market which fluctuate and seize the suitable opportunity for buying crude oil for filling the strategic storage cavern located at Visakhapatnam.

Reply of the Government

i. As regards the filling of crude in the underground strategic storage caverns at Vishakhapatnam, Padur and Mangalore; there is a provision of Rs. 4948.00 crore in the 12th Five Year. A token amount of Rs. 1 crore was allocated in B.E. 2014-15 for this purpose, which has been increased to Rs. 2400 crore in RE 2014-15..

ii. The present conditions are favourable to fill up crude at Visakhapatnam cavern as crude price has dropped significantly.

The Expenditure Finance Committee (EFC) in its meeting held on 20th January, 2015 has, inter-alia, recommended an amount of Rs. 2500 crore for filling the crude in Visakhapatnam cavern against the 12th Plan outlay of Rs.4948 crore under Gross Budgetary Support Scheme of Ministry of Petroleum and natural Gas for Indian Strategic Storage Programme for storage of crude oil by ISPRL. Rest of the amount i.e. Rs.2448 crore may be used for partially filling strategic part of caverns being constructed at Mangalore and Padur. Further action on the recommendations is being taken by the Ministry.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 6

KYC Norms

The Committee in their 11th and 16th reports (15th Lok Sabha) had recommended for implementation of Know Your Customer norms for the LPG consumers across the country. The Committee note that OMCs have implemented KYC norms and consequently as on 01.09.2014 has resulted in blocking of 0.96 crore connections leading to an estimated recurring saving in subsidy of Rs 3353 crore per annum.

The Committee have been informed by Ministry that KYC on all the customers is not possible as large number of connections are to be covered. However, the Committee deprecate their approval are not convinced by the Ministry's reply as each distributor has a limited number of consumers and collection of KYC details at distributor level should be easily possible. The Committee are sanguine that KYC exercise would further clean up the system and yield much more saving in the subsidy. The Committee are of the view that the KYC process will not only help OMCs to have a database of all their customers but also help in deliver better customer services. Therefore, the Committee recommend the Ministry to do KYC exercise of all LPG consumers in a phased manner within a stipulated time frame.

Reply of the Government

After launch of PAHAL scheme all consumers are being asked to provide either an Aadhar number or their bank account for receiving subsidy. This process in itself subjects the LPG consumer to the KYC process of Aadhaar and Bank respectively, thus enabling afresh KYC of the LPG consumer. In fact, many LPG customers who were using connections in the name of others or in the name of the person who is not alive are now approaching the distributors for regularization of such connections. These connections are being regularized after taking KYC, Proof of Address (POA) and Proof of Identity (POI). In the process the KYC of LPG database w.r.t. such connections is getting done.

The present practice followed by OMCs for collecting KYCs in case of new connections, transfer cases, reactivation (for deactivated customers) and suspect multiple connection is continuing and data base is being continually corrected.

After April 2015, when domestic LPG cylinders would be available only at market as part of PAHAL Scheme, all LPG consumers taking subsidy would have undergone a de-facto KYC on account of linkage to Aadhaar or bank account.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 8

Seismic survey

The committee notes that 46 percent of sedimentary basin has been assessed for hydrocarbon prospects and under the Hydrocarbon Vision 2025, the entire country is to be covered by 2025. In many parts of the country, the seismic survey was conducted more than two decades back with the then available technology.

The committee further note that MoP&NG has chalked out a proposal to carry out data Acquisition, Processing and Interpretation (API) at a tentative cost of Rs 6804 crore through DGH. The Committee note that the proposal is to be funded from oil cess funds to be provided by Ministry of Finance (MOF) or by ONGC and Oil India Limited or OIDB may fund the project during the first year with the funds available with it. The committee are of the opinion that this data acquisition, interpretation and processing is an important work in the exploratory activities of the country and therefore, recommend that the MoP&NG should approach the Govt. for allocation of funds and ensure that this work is implemented in a time bound manner and Ministry shall closely monitor the programme.

Reply of the Government

2D Seismic Survey of 1.5 million sq.km area covering 24 sedimentary basins of India is proposed to be completed by 2020. This will enable the E&P industry to understand the hydrocarbon prospectivity of India and bid for exploration blocks. Matter has been taken up with the Ministry of Finance regarding funding of the project.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 9

Delay in Exploration Activities in the Awarded blocks

The Committee note that there is delay in exploration activities due to non-availability of requisite clearances from different Ministries including Ministry of Defence (MoD), Ministry of Environment and Forests (MOEF) and other agencies. The Committee note that 73 blocks under New Exploration Licensing Policy (NELP) for which the Ministry of Defence had not allowed exploration activity earlier have since permitted for exploration in 64 blocks and nine blocks have been declared as no go areas.

The Committee further note that clearances are awaited from Ministry of Environment and Forests in the States of Assam, Manipur, Tripura and Madhya Pradesh for exploration activity. The Committee are dismayed to find that certain foreign companies have proposed to relinquish 14 exploration blocks due to restrictions imposed by the Ministry of Defence thereby discouraging participation of foreign companies. Indian companies are also affected due to delay in clearances from Government agencies. The Committee, therefore, recommend that the Ministry/DGH should ensure that all the necessary clearances are obtained from concerned authorities for blocks offered for auction so that the companies which emerge successful can commence their exploration work at the earliest.

Reply of the Government

Ministry has already taken in principle clearances from different Ministries for 52 exploration blocks identified by DGH for offer on bidding. In future also, prior in-principle clearance shall be taken before offering blocks for bidding.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 11

National Data Repository (NDR)

The Committee note that establishment of National Data Repository (NDR) meant for storing and maintaining exploration and production data in a safe and reusable manner is in progress. The contracts for commissioning of the NDR and establishment of infrastructure for the same have been awarded and is expected to become operational by March, 2015. The Committee have been informed that the proposal for launch of Open Acreage Licensing Policy (OALP) is also under consideration with the Government. Under the proposed policy, the data for blocks will be made available at any time of the year. NDR is an essential requirement for launch of OALP. The companies would select their own areas of interest for carrying out the exploration and OALP will enable the bidders to bid for the blocks on offer all round the year. The Committee, considering the benefits of OALP, recommend that the progress of NDR should be regularly monitored by the Ministry/DGH in order to achieve its scheduled completion.

Reply of the Government

National Data Repository (NDR) is to be ready for trials by March 2015 and for use by March 2016. This will help in implementing Open Acreage Licensing Policy (OALP) which will enable self-identification of blocks by E&P operators and also facilitate round the year bidding for exploration blocks. The progress of NDR is being monitored by the Ministry.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 14

Increasing coverage of PNG/CNG

The Committee note that the Government has planned to increase the CNG/PNG coverage across the country to another 51 cities which are under bidding stage in addition to the 23 cities that have already been covered. These 51 cities have a population of more than 5 lakh plus and 26 cities with population between 4 to 5 lakh are also to be covered. The Committee note that the prerequisite for this expansion of CNG/PNG coverage is availability of gas and pipelines.

The Committee further note that the Natural Gas being environment friendly, easy to transport and economical has inherent advantages over other hydrocarbon fuels. The City Gas Distribution (CGD) sector has been given priority under the policy of allocation of gas. The Committee, therefore, desire that the City Gas network should be expanded by giving more connections in cities under existing CGD network. The Committee also desire that the CGD network should be expanded by the Ministry to not only to the cities but also to the rural areas across the country.

Reply of the Government

In order to expand the coverage of PNG (Domestic) in the cities under existing CGD networks, Government has envisaged to connect 1 crore households in a mission mode over a period of 5 years. Government has initiated a process of periodic reviews with existing CGD entities for monitoring PNG connection progress. On the basis of performance in last 9 months, there is an average increase of 9-10% in PNG (domestic) connections (over the total PNG connections by 31st March 2014) by existing CGD entities in different parts of the country. Petroleum & Natural Gas Regulatory Board (PNGRB) is the statutory authority under the PNGRB Act, 2006 for granting the authorization to entities for developing CGD networks and monitoring the implementation of CGD networks projects. Government has also followed up with PNGRB for putting thrust on achieving PNG Mission targets though their statutory provisions under the Act.

In addition, Government has given the highest priority for domestic gas allocation to the PNG/CNG segment of the CGD network for increasing the coverage of PNG/CNG across the country. The government policy guidelines provides for domestic gas supply to all CGD entities at uniform base price for meeting entire requirement of CNG (transport) and PNG (domestic) segments. Further, the Government has made provisions for supplying additional 10% domestic gas to meet the fluctuations of daily demand in PNG/CNG segment.

The following initiatives have been taken to expand the PNG networks :-

i. The entire district has been considered as a Geographical Area (GA) for the development of CGD network so that PNG is made available to rural population also. Hence cities having population of more than 5 lakh in the district will automatically get covered in the GA.
ii. PNGRB has invited bids for development of CGD networks in 14 new Geographical Areas in its 4th round of CGD bidding. PNGRB will be granting authorization to the successful entities for developing CGD entities in these GAs shortly.
iii. PNGRB has also issued a public notice for 20 more GAs (districts) for bidding under the 5th rounds of CGD bidding on 19th January 2015. Further, 21 more GAs (districts) are also being planned in the next round.
iv. PNGRB has also identified 30 more GAs (Districts) which could have natural gas pipeline connectivity and could be covered in subsequent bidding rounds.

Recommendation No. 15

Delay in projects of Oil PSUs

The Committee note that a number of projects of oil PSUs worth more than Rs. 1000 crore have been delayed over a period of time. Such projects include the Ankaleshwar redevelopment project (Rs. 2189 crore), Improved Oil recovery at Rudrasagar, Construction of multipurpose support vessel and OPaL project (Rs. 23000 crore) of ONGC, PATA expansion project and Paradip-Raipur-Ranchi pipeline (1793 crore) of GAIL. The Committee observe that the PATA project was delayed due to hurdles created by the contractor i.e. non-execution of the work and delay in payments to labourers, whereas the Pipeline project was delayed due to non-availability of necessary clearances.

The Committee are unhappy to note that delay in high value projects of Oil PSUs leads to cost escalation causing losses to the exchequer and also affects the long term plans of Petroleum Sector in the country. The Committee, therefore, recommend that the Ministry should review and find out remedial measures for clearing the same. The Committee are of the opinion that the Ministry/PSUs should have close liasion with State Governments/local authorities/ elected representatives so as to ensure that all the stakeholders are on board before the completion of the project and recommend that cases where the delay is due to non-execution of work by the contractor, stringent penalties must be imposed.

Reply of the Government

As per the latest report of December, 2014, there are 36 projects costing Rs. 1000 crore and above that are under implementation with anticipated total cost of Rs. 1,76,605 crore. Of these projects under implementation, 24 projects are delayed with 8 projects pending state level statutory clearances of Forest & Wildlife, Land acquisition and RoU issues across various states.

The progress of all projects is being closely monitored by the Secretary (PNG) every month. CMDs of CPSEs have been asked to fix responsibility for the delays in each project at the level of concerned functional Directors. Intermediate milestones have been identified and catch-up plans drawn up for all delayed projects. Further, the CPSEs have been advised to adopt a transparent digitalized procurement and contract management system.

The issues relating to other Ministries at the Centre as well as State level issues are being taken up the Project Monitoring Group (PMG), Cabinet Secretariat for facilitation. A number of issues have got resolved through PMG Sub-group and State level meeting.

As a result of intensive review and monitoring, 22 major oil & gas sector projects worth Rs. 63,480 crore have been completed during the year, as on 31st January, 2015. These include 3 joint venture projects in power & petrochemicals involving oil & gas

CPSEs that have an investment of Rs. 19631 crore. Another, 15 projects worth Rs. 58,023 crore are expected to be completed by 31st March, 2015.

The approved mechanical completion schedule for Petrochemical Expansion Project at Pata was February, 2014 and the same has been mechanically completed in December, 2014. The Offsite & Utilities have been already commissioned at the site and various process units are under pre-commissioning /commissioning. The trial production is expected during March 2015.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 17

Infrastructural constraints at Jawahar Dweep port in import of crude oil

The Committee have learnt that OMCs are incurring huge expenditure on account of demurrage costs on domestic ports due to lack of requisite infrastructure. The committee were informed that BPCL and HPCL have been facing multiple constraints at Jawahar Dweep Port at Mumbai during the imports of crude due to daft limitations, as the port has only Jetty No. IV which is very old and needs to be repaired. The Committee have also been informed that there is lack of berthing facility for Very Large Crude Carriers (VLCC) and due to these draft limitations, HPCL and BPCL are incurring additional freight.

The committee have now been informed that joint meeting between HPCL, BPCL and Mumbai Port Trust (MbPT) was held wherein the MbPT has indicated their willingness to construct Jetty V in collaboration with HPCL and BPCL and requires an investment of Rs. 525 crore. Once the new jetty is constructed, a major constraint would be resolved in the import of crude oil. While observing the benefits of the investments in comparison to the demurrages paid by OMCs every year, the Committee desire that HPCL/BPCL and MbPT should work out an action plan for early construction of Jetty V at Mumbai Port.

Reply of the Government

The progress and current status of Jetty 5 project for infrastructural constraints at Jawahar Dweep Port in Mumbai for import of crude oil is as follows :-

i. Oil Industry officials from BPCL & HPCL had detailed meeting with MbPT Chairman on 14th November, 2014 to take forward the Jetty 5 proposal. It was also decided to form a task-force (nominating two members from each company) for clear understanding and formulation/implementation of the project.

ii. MbPT has assigned the technical consultancy job to M/s IIT Chennai to review the cost estimates for Jetty 5 and associated facilities.

iii. Oil industry, MbPT and consultant from IIT Chennai had meeting on 12th December, 2014 to discuss details of Jetty 5 project including provision of mirror jetty, additional pipeline for crude oil import, wharfage calculations, requirement of additional reclaimed land etc.

iv. A Director level meeting of BPCL & HPCL was held on 24th December, 2014 to finalize the proposed Jetty 5 related infrastructure wherein it was decided to go ahead with Jetty 5 project.

v. The detailed cost estimation from IIT Chennai for the project is awaited. Once the final project cost is available, Board approvals would be obtained by MbPT as well as BPCL & HPCL.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 19

Safety of Oil/Gas Pipelines

The Committee are deeply concerned to note that there has been increase in the number of incidents in oil and gas installations and more than 46 such occurances have taken place in various plants, pipelines and installations of Oil PSUs during the last two years. The Committee further note that the major fire incidents have occurred in the Vizag refinery of HPCL and in GAIL's pipeline in Andhra Pradesh.

The Committee feel that the safety of oil installations is of paramount importance and any laxity in upkeep/handling of highly inflammable oil and gas products can be a high risk to life, property and environment and therefore consider such high number of incidents totally unacceptable. The committee therefore, recommend that the safety mechanisms of the Oil companies should be regularly monitored by the Ministry. The Committee also desire that the oil companies should have a policy of zero tolerance and that all incidents including minor ones should be thoroughly investigated and accountability fixed.

Reply of the Government

As regards the monitoring of Safety Mechanisms of the Oil companies is concerned, Oil Industry Safety Directorate (OISD) on behalf MoPNG carries out regular monitoring of safety system of Oil companies in the areas of downstream refining, marketing operation, mid-stream (pipelines) and exploration & production (E&P) operations and recommends measures for up-gradation of same.

OISD while formulating safety standards, also carries out intensive field level Safety audits of the establishments of such industry. The basic purpose of the same is to identify the gaps in the safety systems in those establishments and suggest measures to the industry so that no untoward incident takes place in their installations. Findings of the audits and improvement actions are not only discussed in threadbare at Plant level and shared with the Head of the respective organizations but also regular communications are sent to the Chairman/CMDs/CEOs of the organization to sensitize them on safety aspects and implement improvement actions/safety audit recommendations in a time bound schedule with intimation to OISD.

The progress of implementation of the safety audits recommendations is closely monitored by OISD to expedite the compliance with follow ups with industry on regular basis.

OISD has further strengthened the safety audits of the industry to effectively monitor the safety systems by the specially focusing critical areas like; implementation of work permit system & SOPs, identification of potential operational hazards and suggests critical measures for enhancement of Process Safety, safety instrumentations, assets integrity, electrical safety using LOTO system, Maintenance & inspections and adopting Management of change procedure (MOC) and analysis of incidents.

In this connection, MoP&NG has sent a communication on 10.07.2014 to the industry emphasizing compliance of outstanding OISD audit recommendations and their inclusion in the Board Agenda. During past consecutive years, there is increase in the numbers of safety audits conducted by OISD with the objective to enhance safety management system by industry through their Internal Audit system.

Safety recommendations are also monitored with Industry at higher level i.e 'Steering Committee' where members are drawn both from PSU & Private Oil & Gas Industry. Safety mechanism is monitored at highest level in the Safety Council Meeting chaired by Secretary, P&NG.

As regards the investigations of incidents/accidents, OISD carries out thorough investigations to identify the basic & root cause (s) and the remedial actions are communicated to industry for implementation to prevent the recurrence of such incidents.

So for the incidents at HPCL Vizag Refinery & Gail Tatipaka are concerned, these were got investigated through the Multidisciplinary Committee & High Power Committee in association with OISD. The findings & recommendations were circulated to all industry to take proactive remedial measures. Implementation status is also monitored by MoP&NG for ensuring compliance. The findings are also utilized as a feedback mechanism for updation of OISD standards.

Secretary, MoPNG has directed CMDs of Oil PSUs to make a functional director responsible for ensuing adherence to safety standards and safe operations.

After fire incident at Tatipaka, GAIL's installation, special review was taken by Joint Secretary (Ref), MOP&NG with the Oil & Gas Industry (PSU as well Private/JVs) on 23.07.2014 on Safety integrity and healthiness of various pipelines including cross-country pipelines, jetty pipelines, non-piggable pipelines SPM & sub-sea pipelines. Actions drawn are monitored for implementation.

The Ministry has adopted the policy of Zero tolerance toward any breach of safety management systems and as regards the fixing responsibility is concerned, any breach in safety systems and practices leading to incidents is viewed seriously and the Functional Director concerned would be held accountable for such incidents. The regional unit heads (GM/EDs) would similarly be held responsible for violation of any of the laid down Engineering, Operation and Maintenance practices including non-compliance with statutory requirements and audit findings.

CHAPTER III

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

Recommendation No. 7

Utilisation of Budget Outlays

The Committee noted that there is skewed utilization of budget outlays by various oil PSUs compare to the previous financial years. In some of the PSUs there is huge variation between budget estimates and revised estimates and further, there is under utilization of even the revised budget estimates.

The Committee observed that for the year 2013-14 under the head Exploration & Production (E&P), actual expenditure of Indian Oil Corporation is 985 percent of Budget Estimates. Similarly, the actual expenditure of Oil India Limited under E&P has been about 327 percent of the Budget Estimates. The Committee further observe that in case of HPCL and MRPL, there is underutilization of funds under the head refinery and marketing. The Committee are unhappy to find that in most of the oil PSUs, the Budget Estimate and the actuals have wide variance and even the Revised Estimate which is generally arrived at during the course of the year has also significant variation with the actual fund utilization in most of the years.

The Committee expect the oil PSUs, some of them Navratnas, to be more serious in their budgetary exercises and revamp their budgetary planning mechanism so that such flawed estimates are avoided. The Committee also recommend that a stringent system should be put in place to ensure that budget projections are achieved in the stipulated timeframe for effective planned activity.

Reply of the Government

ONGC:

During the year 2013-14, against the BE and RE of Rs.35,049.23crore and Rs.35,049.06crore respectively for Plan capital expenditure, the actual Plan Expenditure by ONGC was Rs.32,469.54 crore.The major reasons for shortfall are on account of the following:

(a) Delay in progressive execution of some of the capital schemes like B193 cluster field development, offshore grid interconnectivity project, cluster 7 field development, B 127 cluster development and Assam Renewable Project.
(b) Delay in LAQ. (Rs.825 Crore) for land for Tapti Daman.
(c) Vashista-S1 Terminal works package could not be awarded due to court case. Other packages could also not be finalized due to deviations taken by the contractor. (Shortfall Rs 649 Crore).
(d) C Series well head platform tender has been delayed due to deviation taken by one of the bidders. Pipeline tender was re-tendered due to disclosure of price by one of the bidders and non matching of the price by L-1 bidder. (Shortfall Rs.447 crore).

(e) Conversion of SagarPragati for whichwork award is in process. This was delayed since after opening of price bid, one of the bidders M/s AFCONS approached IEM and then High court. (Shortfall Rs.445 crore).
(f) Assam Renewal Project: Execution delays due to slow progress of work by the contractor. (Shortfall Rs.334 crore).
(g) B 127 Cluster development: Delay in award of project (pipeline component) as one of the bidders approached Mumbai High Court for opening of their price bid, which was dismissed by court. Project was later re-awarded on 08.05.2013. (Shortfall Rs.523 crore).

OIL

The Revised Estimate for 2013-14 was Rs.10,439 crore against the initially approved Budget Estimate of Rs.3,529 crore. Actual Plan Expenditure during the year 2013-14 was Rs.9,351 crore.The reason for the variation between Budget Estimates and Revised Estimate under exploration and production by Oil India Limited (OIL) during 2013-14 was due to excess utilization of funds for acquiring assets abroad which was not taken into account while preparing the plan outlay due to inherent uncertainties involved in 'Mergers and Acquisition' transactions.

IOCL

Out of the total CAPEX Plan Outlay of Rs.11276.76 crores for 2013-14 of IOCL, Budget Estimate (BE) and Revised Estimate (RE) of IOCL in exploration and production (E&P) during 2013-14 was Rs.689.00 crore and Rs.708.80 crore respectively. Actual Expenditure of IOCL in E&P activities during 2013-14 was Rs.6789.28 crore. This variation is mainly due to the following reasons:

(a) Acquisition of 10% stapled participating interest in Pacific Northwest LNG Project (10% interest in each of upstream, downstream and LNG off take commitment) located in British Columbia (BC), Canada. IOCL submitted RE 2013-14, along with Annual Plan 2014-15 in January, 2014. As the approval of Cabinet Committee of Economic Affairs (CCEA) for investment towards this acquisitionwas not available by that time, the provision could not be kept in RE 2013-14 also.Approval of CCEA was received on 21st February 2014, after which, payment was made in March, 2014.
(b) For petrochemical sector Rs.407.58 crore was spent against BE Rs.1153.76 crore due to(i) reduction of Rs.290.00 crore in "Coal/Coke gasification and Acetic Acid Project at Gujarat". This project was shelved due to economic viability. (ii)reduction of Rs.200.00 crore in "Paradip Petrochemicals Phase-I, Polypropylene Project" due to delay in approval although, the project was approved in March, 2014 and (iii) reduction of Rs.178.60 crore in "Naphtha Cracker Project in Panipat" due to delay in finalization of extra claims, final bills and contract closures.

Reason for variation in exploration and production sector was acquisition of "Acquisition of 10% stapled participating interest in Pacific Northwest LNG Project (10% interest in each of upstream, downstream and LNG off take commitment) located in British Columbia (BC), Canada" from PETRONAS.

HPCL

Budget Estimate (BE) and Revised Estimate (RE) of HPCL during 2013-14 were Rs. 3724.84 crore and Rs. 2485.53 crore respectively. The expenditure during 2013-14 was lower in refinery and marketing due to following reasons:

(a) Mumbai Refinery additional tankage project at Calico land was held up due to environmental embargo, that had an impact of Rs. 84 crore.

(b) Contribution to JVs has following impact:

(i) Revision in requirement of Rajasthan Refinery Project for year 2013-14, an impact of Rs. 436.84 crore.

(ii) Revision in requirement for JV companies for cross country pipelines with GSPL/IOC/BPC due to delay in environmental clearances & delay in appointment of Competent Authority for Right of Uses (RoU) for pipeline, an impact of Rs. 124 crore.

(c) Diesel Hydro-treaterVizag Refinery (DHT-VR) payments scheduled for 2013-14 were moved to 2014-15, having an impact of Rs. 250 crore.

MRPL

Budget Estimate of MRPL approved by Board during 2013-14 was Rs.1916.44 crore, this was further enhanced by Planning Commission to Rs.2524.48 crore. However, this outlay was reduced to Rs.1542.84 crore in Revised Estimate (RE).

BE was made considering the mechanical completion/commissioning schedule of various phase-III units & facilities then available which was in turn based on the completion schedule of captive power plant given by BHEL. Due to delay by BHEL in execution of Captive Power Plant (CPP), the commissioning/trial run of mechanically complete units could not be taken up and this resulted in shortfall in payments to vendors that were due at commissioning stage.

BPCL

During 2013-14, against BE of Rs.4747.74 crore and RE of Rs.3618 crore, the actual expenditure was Rs.4374 crore. Actual expenditure against the plan outlay was 120.9% of RE and 92.12% of BE. Major reasons in variation of actual funds utilization were delay in setting up new continuous catalytic reformer (CCR) and replacement of Crude Distillation Unit/ (CDU)/ Vacuum Distillation Unit (VDU) at Mumbai Refinery due to delay in getting environment clearance and in getting LOI from PNGRB for two pipelines.

NRL

Actual expenditure in 2013-14 was Rs.372.14 crore against BE Rs.368.88 crore i.e. actual expenditure was slightly higher by 0.88%.

BalmerLawrie

Budget Estimate for BalmerLawrie during 2013-14 was Rs.70 crore, that is same as Revised Estimate. Actual Expenditure during 2013-14 was Rs.119.55 crore that is 170.7% of BE. The proposed expenditure was towards enhancement of information technology to manage the operation as also to get competitive advantage in the existing areas of operations.

CPCL

The BE for 2013-14 was Rs.299.27 crore and RE Rs.192.00 crore while actual expenditure incurred during 2013-14 was Rs.228.60 crore. This was primarily due to the following reasons:

In one Project “New 42”Crude Pipeline”, physical activities could not be started due to delay in obtaining clearance of MoRTHfor laying of the pipeline below paved shoulder and service road for a total distance of about 7.5 kms in the Road Projects, connecting Chennai Port and Ennore Port. This has affected financial progress of about Rs.100 crore.

GAIL

During 2013-14, BE was Rs.7511 crore and RE was Rs.5482 crore against which actual expenditure was Rs.4070 crore. The reasons for shortfall are as follows:

(a) **Pipeline:** Actual Expenditure on pipeline during 2013-14 was Rs.659 core against the BE and RE of Rs.1776 crore and Rs. 868 crore respectively. The actual expenditure is 37% of BE and 76% of RE. Shortfall in the expenditure was mainly due to problems related to ROU and land acquisitions.

(b) **Exploration &Production:**Actual Expenditure in E&P activities during 2013-14 was Rs.449 crore against the BE and RE of Rs.518 crore and Rs.464 crore respectively. The actual expenditure was 87% of BE and 97% of RE. Variations in the actual expenditure took place due to delay in obtaining statutory clearances, force majeure, bad weather condition for seismic acquisition, down hole complications etc.

(c) **City Gas Distribution:** Actual Expenditure on City Gas Distribution during 2013-14 was Rs.12 core against the BEand RE of Rs.40 crore and Rs.171 crore respectively.Equity investments in the City Gas Distribution projects are primarily in the nature of equity infusion to various joint ventures and subsidiaries. The planned expenditure in RE 2013-14 was worked out based on the projection on prospective growth in City Gas distribution business and fund requirement of these companies. Investments planned by GAIL Gas in BE 2013-14 through loan/internal accrual was later planned through equity/internal accrual mode while framing the RE 2013-14. The reasons for shortfall were as follows:

(i) The investment that was planned to be made by way of equity infusion in M/s TNGCL, M/s GGL, M/s AGL & M/s BGL that was delayed due to delay in financial closure of these companies. The financial closure were hampered due to waning of interest on part of prospective investors due to high price of LNG, longer pay back period & regulatory developments etc.

(ii) Demand received from GAIL Gas Ltd for Equity contribution was less when compared to estimates because of less drawl from its Joint ventures.

(d) **Business/Project Development:** Actual Expenditure in Business/Project Development during 2013-14 was Rs.419 core against the BE and RE of Rs.2042 crore and Rs.977 crore respectively. Due to change in scenario in LNG sourcing business, GAIL could achieve the prime objective of sourcing LNG without making any investment in the LNG projects resulting in less utilization of CAPEX than planned at the budget stage.

(e) Petrochemical Projects: Actual Expenditure on petrochemical projects during 2013-14 was Rs.2531 core against the BE and RE of Rs.3135 crore and Rs. 3002 crore respectively. Variations are due to slow progress of some of the contractors on account of their financial constraints.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 18

Performance of Imperial Energy Asset of OVL

The Committee note with serious concern that the Imperial Energy asset of ONGC Videsh Limited (OVL) acquired in January, 2009 with an investment to the tune of 2.1 billion dollars has not been found productive. Production levels achieved so far have not been found commensurate with the estimated levels at the time of acquisition. The Committee have been informed that the deviation from the estimated production is mainly due to complexities of the reservoir which have been identified after operating the fields and all efforts to ramp up the production from this asset like deployment of new technologies in specific areas for mitigation of the risk have been applied but of no avail.

The Committee are constrained to note that OVL has made huge investment in such a geographically complex asset without assessing its ability to produce prior to investment. The Committee further note that OVL which has been acquiring assets abroad has discovered the complexities in reservoir after acquiring it which is totally unacceptable. This has led to waste of time and investments.

The Committee would like to caution the Ministry/OVL to be prudent and strengthen their due diligence procedure in making investments in assets abroad. The Committee also recommend that the accountability of all concerned officials including consultants carrying out the appraisal may also be fixed.

Reply of the Government

Post-Acquisition Scenario

Post-acquisition by ONGC Videsh (OVL), Imperial Energy adopted a development plan, which resulted in increased production from 6,260 bopd (year end 2008) of approx. 19,500 bopd by mid-2011. However, the achieved production levels were significantly lower than the levels estimated at the time of acquisition.

The major technical challenge before Imperial Energy is to exploit the tight reservoirs which hold the majority of the reserves of the company. This became more evident in the course of further development and exploration work after acquisition. In this direction, Imperial Energy focused its resources mainly on the lower Jurassic Tyumen reservoirs of Maiskoye and tight reservoirs in Snezhnoye and Kiev-Eganskoye fields. Efforts for exploitation of these tight reservoirs were made by deploying technologies available in the region at that time. This included (i) drilling of horizontal wells with multistage surgifrac (up to 4 stages), (ii) Frac completion of more than one horizon in a single well, and (iii) Drilling wells in high angle and focusing hydro-frac in multiple zones etc. Mixed results were obtained from these efforts in the tight reservoirs. However, the efforts made by Imperial Energy did not give the desired results.

Applicable Fiscal Regime

The Fiscal Regime applicable to Imperial Energy assets is based on Tax on revenue rather than profits and there is no cost recovery element. It gives moderate returns on high productivity per well, but becomes negative once the well productivity is moderate to low. On an average, Imperial Energy pays an amount of US$ 78/bbl at oil price of US$ 100/bbl to the government of Russia in the form taxes. The tax structure is structured in such a way that the profit margins are regulated tightly within a narrow band. With every USD 1/bbl increase in oil price, Net back price increases by only USD 0.15/bbl.

Deferment of major development activities since 2012

During further review of Imperial operations, it was felt prudent that prior to undertaking any further development drilling activity, the company should focus on identifying suitable technology to economically exploit the tight reservoirs. As a result of this decision, Imperial Energy has reduced development activity substantially till suitable technology is successfully identified to exploit the tight reservoirs. In the period between 2009-10 to 2013-14, Imperial Energy drilled only 76 development wells against the plan of 587 wells envisaged at the time of acquisition.

Turnaround Plan

OVL has informed that, in view of the challenges faced by Imperial Energy to exploit its locked oil reserves, the company scouted for suitable consulting firms / domain experts to identify appropriate technology to exploit the tight reservoirs and signed a Technology Partnership Agreement in Sep' 2013 with Liberty Resources (USA), a Denver-based E&P Company and one of the global leaders in hydro- fracturing technology and completion in tight reservoirs for testing the technology in one of the oilfields. Imperial Energy has adopted a twofold strategy of (1) Induction of new technology used in US and other parts of the world for analogous tight sand reservoirs (2) Tap the prospective Bazhenov shale in the acreages of Imperial. The Bazhenov shale, which is the source rock for the whole West Siberian basin, is well spread in the acreages of Imperial providing a sizeable upside for improvement of the production performance of the project.

Subsequent to the engagement, a team of experts from the technology partner along with the Imperial Energy team has reviewed and analyzed the existing G&G data, identified suitable technology and initiated pilot studies.

Based on pre-pilot results, 4 new wells- 2 each for tight sand and Bazhenov shale are planned for drilling and testing. Presently, batch drilling of two wells under New Technology is in progress. First oil from the pilot well is expected in June, 2015. The full-fledged development of the oilfields shall follow the pilot program based on its results. Success of the new technology coupled with recently announced tax benefit for producing tight reservoirs could enable Imperial to increase its production level.

Acquisition process
Imperial acquisition deal has gone through a three tier approval process i.e. by the ONGC Videsh Board, Empowered Committee of Secretaries (ECS) and Cabinet Committee on Economic Affairs (CCEA), following the due diligence carried out by technical, legal, financial and tax & accounting consultants of international standing and the Company executives.

Conclusions of Audit Committee of ONGC

The conclusions of the Audit Committee on observations of the Standing Committee on Petroleum and Natural Gas on the loss incurred by OVL on purchase of Imperial Energy Company, Russia due to unrealistic estimation of oil reserves on various issues are as under:

1. Observation:Did the management of OVL make best efforts to estimate the reserves, profile and potential?
   Conclusion: The Committee considered that the efforts made by OVL for estimation of reserves were done with validation by external agencies. Even today, the reserve estimates are not widely variant; the extraction of the reserves from reservoirs is the problem. The genesis of the impasse is clearly the unanticipated geological factors which the data available at the time was not adequate to reveal. Technology to extract the oil from the tight reservoirs on a commercially viable manner is being searched for.

2. Observation:Did the management during acquisition process secure necessary approvals from the Board and from Competent Authorities with proper disclosure?
   Conclusion:Between March 2008 and December 2008 (when the final decision to acquire was taken in a meeting of the CCEA Chaired by the PM) the Imperial opportunity was posed for discussion by Management in nine Board Meetings. There were two meetings of the ECS and two meetings of the CCEA. Records indicate that the management had secured approvals from the Competent Authorities and disclosed relevant details.

3. Observation:What has been the post-acquisition scene and what has the management been doing to access the hydrocarbon reserves?
   Conclusion:The Company is trying to address the issues of technology in extraction of reserves from tight reservoirs. The search hopes to yield positive results in the application of modified technology to the unlocking of reservoir but credible results have to emerge from the ongoing trails. The genesis of the impasse is clearly the unanticipated geological factors which the data available at the time was not adequate to reveal. In the matter of acquisition of oil and natural gas assets, an element of risk exists as both reserve estimation and extraction are swathed in probability calculations.In this domain, the dividing line between error and reasonable accuracy of estimation of extractable resources is very thin.

4. Observation:What could be the lessons for the future from the above?
   Conclusion:The committee suggested for the future the company should

- Mitigate risk through partnering with National Oil Companies (NOCs) and Oil majors would be helpful wherever feasible, and need be strategically negotiated.
- Acquisition should factor in the geographical area and play, technical challenges of the target asset, existing limitations of technology and prospects, the holding power of the Company and its resources. Environmental and country analysis would need a well-structured robust methodology in view of the need to make judgment based on many variables which are not independent of each other.
- Reserve estimation with limited data needs be very conservative, especially for reservoirs which require further stimulation to produce. In this case, in hindsight, the projected anticipated production profiles at the time of acquisition could have been more subdued.
- It may be considered that the ONGC Group constitute an Independent Expert Group which can audit comment on the method of estimation of reserves and estimates of reserves (during the pre-acquisition, exploration and development phases) so that areas of concern and comfort are professionally flagged at each investment decision stage.

Response of ONGC Videsh Limited

Low production is mainly due to unforeseen geological complexities and Imperial Energy considered it prudent to carry out further analysis and appraisal work prior to taking up a full-fledged development program and making any major investment. Such mid-course corrections during the development of any field are not uncommon in oil industry.

As a global practice, all E&P consultants invariably include disclaimer on their recommendations and give such recommendations based on the available data at any given point of time using their domain expertise. Our in-house experts also work on the similar principles of best endeavor basis. As such, E&P industry is risk prone. Best efforts are made to minimize the risk using the expertise but risk cannot be eliminated. Companies take E&P projects based on their risk perceptions and thus fixing individual accountability would not be prudent.

Regarding strengthening of due diligence process, ONGC Videsh has taken certain measures like 'Zero Based Risk Review' (ZBRR) of the projects before approving the same. ZBRR exercise identifies potential risks, mitigation measures and the unmitigated risks are factored in valuation.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 20

Allocation of Funds to OIDB

The Committee note that OIDB was established under an Act of Parliament for promotion of activities related to the development of oil sector in the country and the activities of the board are to be funded through cess levied on crude oil and Natural Gas. A part of this cess is given to OIDB for funding its project requirements after due appropriation by the Parliament.

The Committee observe that OIDB is funding various organizations e.g. DGH, OISD, PPAC. CHT and PCRA apart from funding various plan schemes of the Ministry such at RGIPT and ISPRL. OIDB is also working on a number of important projects including the National gas Hydrates Programme, ISPRL, etc. The Committee observe that activities of OIDB have been restricted as no funds have been released by the Government to it during the last three years. The Committee have further been informed that OIDB can function effectively only if regular and adequate funds are released by the Government and despite repeated requests made by MoP&NG, MOF has not released the funds so far. The Committee also note that OIDB requires around Rs. 3000 crore on immediate basis for funding its requirements for the year 2014-15.

The Committee feel that activities of OIDB should be viewed with more seriousness as it is related to Oil and Gas sector striving for energy security in national interest. Therefore, the Committee, recommend that the MoP&NG should take up the matter with the Ministry of Finance appropriately projecting the fund requirements and pursue for increased allocation to OIDB.

Reply of the Government

The matter has been taken up with Ministry of Finance from time to time, but the request was not agreed by Ministry of Finance. Minister of Petroleum & Natural Gas has again written a D.O. letter dated 02.10.2014 to the Finance Minister to reconsider the earlier decision and

(a) To consider transferring at least Rs.3000 crore on immediate basis to OIDB to meet its urgent requirement during 2014-15, and
(b) To agree to devolution of 75% of the collected cess proceeds to OIDB thereafter for enabling it to render unhindered funding for meeting its various commitments.

The request has not been agreed by Ministry of Finance. MoF, through FM's D.O. letter No. 22 (01)/PF-II/2008 dated 15.01.2015 has stated that Government has been financing various activities from the budget that qualify as development of oil industry within the purview of the Act and in view of the emergent situation of the energy security, such expenditure is likely to increase in the near future. These activities are financed from the resources of the Government of which the Cess under the Act is a part. Since Government cannot withdraw itself from these activities, the Cess receipts already stand committed. Any reallocation of the Cess resources for activities that are not currently financed from these resources will have adverse impact on management of fiscal deficit. However, Finance Minister has suggested that if any concrete proposal for financing suitable/appropriate project having ramifications in meeting the energy security of the country are suggested by OIDB, the same would be considered by the Ministry of Finance for providing GBS.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

CHAPTER IV

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

Recommendation No. 1

Energy Security and Hydrocarbon Sector

The Committee note that the mandate for MoP&NG is exploitation of Petroleum Reserves, Production, Supply, Distribution of Petroleum and Petroleum Products, strengthening energy security by acquiring oil and gas equity abroad, creation and administration of strategic petroleum reserves, etc for the country. The Committee further note that activities of MoP&NG touch all sectors of the society in some way. Energy consumption is growing steadily over the years as the Government embarks upon high growth rate for achieving its development agenda. The MoP&NG accordingly has a daunting challenge in its hands as at present 80 percent of the crude oil demand is met by imports. The Committee note that while domestic production of crude oil/natural gas is stagnant, the Ministry has been active in encouraging PSUs to acquire oil and gas assets abroad.

MoP&NG has many organizations under its administrative control namely Oil Industry Development Board (OIDB), Petroleum Conservation Research Association (PCRA), Oil Industry Safety Directorate (OISD), Directorate General of Hydrocarbon (DGH), Centre for High Technology (CHT) etc. The country is facing several challenges in the hydrocarbon sector like stagnant production, technological requirements, skilled manpower, conservation measures, safety issues, etc. The Committee, therefore, recommend that MoP&NG should reappraise the activities of these organizations and seek funds from the Government so that these organizations/agencies can expand their activities and assist in fulfilling the mandate of the Ministry.

Similarly, the distribution, supply and marketing of petroleum products across the nation is a logistical challenge. Considering the demand for such products, MoP&NG should enable people to have the products of their choice in a quick and efficient manner. While subsidy remains a key issue, the Committee recommend, that the Ministry should focus on the energy security of the country while ensuring access to energy sources at an affordable price to the people in a reasonable timeframe.

Reply of the Government

LPG is marketed by OMCs in 5 kg, 14.2 kg, 19 kg, 35 kg and 47.5 kg cylinders. Out of these, 5 kg and 14.2 kg cylinders are available for domestic use while LPG in 5 kg, 19 kg, 35 kg and 47.5 kg is supplied for industrial / commercial uses. LPG is also supplied in LPG Tankers to Industrial customers. LPG marketing for automotive use is also allowed in the country since year 2002.

As on 01.02.15, OMCs cater to over 17.7 crore domestic LPG customers through 186 LPG bottling plants spread across the country through a wide network of 15450 LPG distributors (including 4178 RGGLVs). The coverage of households by domestic LPG 67.5% as per Census 2011 (projected households).

In addition to release of regular domestic LPG connections through distributorships, LPG connections are also being released under following categories for better accessibility & coverage:

(c) Free Trade LPG (5 Kg Cylinder) :

Government has allowed the sale of 5 kg LPG cylinder with/ without Domestic Pressure Regulator (DPR) through PSU Oil Marketing companies (OMCs) at retail outlets, which are accessible to all and are open for longer hours. The scheme was launched to cater to consumers that have emerged in big cities who are mobile and do not want a permanent LPG connection but may still require it for their needs. As on 01.02.2015, the scheme is under operation from 241 retail outlets, 327 distributorship points and 192 Kirana stores on industry basis, in 129 cities across the country.

(d) Release of LPG connections to BPL families thru State Government Schemes & under CSR fund of OMC:

This is a scheme for release of new domestic LPG connection under CSR Fund Scheme to BPL cardholders, whose BPL status has been authenticated by local administration. Under this scheme, one time grant towards security deposit of one cylinder and one Pressure Regulator is funded from the CSR Fund.

(c) Subsidy / Under recoveries :

In order to protect consumers from the impact of fluctuating crude oil prices, the international market, the Government continues to modulate the price of PDS Kerosene and Subsidized domestic LPG and their prices have not been revised in line with the prices in the international market.

The Government has made the price of Diesel market determined both at Refinery Gate and Retail level for all consumers with effect from the midnight of 18-19 October, 2014. This would not only facilitate greater competition in the Auto Fuels Retail segment and enhance efficiency in service delivery of the oil companies, but also bring benefits to consumers.

Taking into account the energy security concerns of India, the Government, through Indian Strategic Petroleum Reserves Limited (ISPRL), is setting up Strategic Crude Oil Reserves with storage capacity of 5.33 Million Metric Tonnes (MMT) at three locations viz. Visakhapatnam (storage capacity: 1.33 MMT), Mangalore (storage capacity: 1.5 MMT) and Padur (storage capacity: 2.5 MMT) to enhance the energy security of the country. The Strategic Crude Oil Reserves would deal with any disruption in the Supply chain due to external reasons. In exceptional circumstances, the buffer stock could also be used to deal with the situation of an abnormal spike in the world oil prices. The Vishakhapatnam rock cavern storage facility is ready to receive crude oil from mid of February, 2015. The two other facilities at Mangalore and Padur are likely to ready by October, 2015.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee
(Please see Para No. 3 of Chapter-I)

Recommendation No. 4

Scheme for LPG connection to BPL families

The Committee note that a scheme for issuing LPG connections to BPL families was launched by the Government and is being implemented through the Corporate Social Responsibility (CSR) funds of six major oil companies. A total of 6,16,190 connections have been released so far under the scheme utilizing Rs 81.76 crore of the CSR funds. The Committee have further been informed that no targets have been fixed for the release of connections under the scheme by the Ministry. The major hurdle in the implementation of the scheme is authentication of the list of beneficiaries by local administration in the States/Districts. The Committee expect the MoP&NG to take more interest in the scheme by the States about the role of local administration in the implementation of the scheme.

The Committee desire that wide publicity should be given to the scheme since it is meant to benefit poor people. The Committee also recommend that Ministry/State Govts/OMC's should fix State-wise and Company-wise targets for release of connections under the scheme urgently as to ensure that the benefits of the scheme reaches the poor in a time bound manner.

Reply of the Government

This Ministry has implemented a scheme to provide LPG connection to BPL families w.e.f. 12.01.2010. Under this scheme, one time financial assistance is granted to BPL families in rural areas for release of new LPG connection through Rajiv Gandhi Gramin LPG Vitaran Yojana(RGGLVY), equivalent to the rate of security deposit for one LPG cylinder and one pressure regulator. The cost of Security Deposit and Pressure Regulator (at present 1450+150=1600) is met from funds of the OMCs created for this purpose by the contributions from the CSR fund of six major oil companies e.g. ONGC, OIL, GAIL, BPCL, HPCL and IOCL. Recently, this scheme has also been extended through regular distributors upto 31.03.2015 on pilot basis. In order to make the use of LPG affordable to BPL families, release of Domestic LPG connection with 5 KG cylinder has also commenced from Jan'15 onwards. As a result, BPL families of Urban and Semi Urban areas are also getting benefitted from the scheme. As on 01.02.2015, total 8,60,644 new LPG connections since inception of the scheme were released to BPL families by the Industry, with utilization of Rs.120.84 Crores.

The scheme is being popularized through RGGLVs as well as regular LPG distributorships by distribution of leaflets, display of locally designed posters/banners etc and display of notice board at the distributorships.

The Officers at field level are already under instruction to maintain regular follow up with local administration for expediting the authentication process and also to guide the distributors and closely monitor their performance in this regard. However, no such target can be fixed as release of connection under this scheme requires beneficiary authentication by the State Government, which maintains list of BPLfamilies.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee

(Please see Para No. 6 of Chapter-I)

Recommendation No. 5

Measures to contain subsidy

The Committee note that one of the most important issues faced by the MoPNG and the Government is the under-recoveries incurred by OMCs on the sale of petroleum products. The Committee also note that the decline in international crude prices is a good opportunity to tackle the subsidy burden and effectively control the under-recoveries borne by OMCs. The Committee further observe that after the recent deregulation in the price of Diesel, the major burden of subsidy for the government is on account of sale of two petroleum products i.e. PDS Kerosene and domestic LPG. In this regard, the Committee note that for containing the subsidy burden due to domestic LPG, measures such as de-duplication of multiple connections, identification and cancellation of fake connections, capping of subsidized domestic LPG cylinders, Direct transfer of subsidies into the bank accounts have been taken by the Ministry.

The Committee have been informed that the Modified Direct Benefit Transfer Scheme for LPG has been re-launched w.e.f. 15.11.2014 in 54 districts. However, the Direct Transfer of Cash Subsidy on kerosene (DTCK) which was to be implemented in 11 States/UTs, has been implemented only three States namely, Rajasthan, Maharashtra and Goa comprising only seven districts, three each from Rajasthan and Maharashtra and one from Goa. Once the schemes take off, the diversion of subsidy with regard to sale of PDS Kerosene and domestic LPG is expected to come down substantially. The Committee recommend that the Modified Direct Benefit Transfer for LPG and DTCK should be implemented by the Ministry in a time bound manner in all the districts in the country.

The Committee would like to draw the attention of the Ministry to their recommendations in the 11th and 16th reports (15th Lok Sabha) regarding exclusion of higher income group from subsidy of domestic LPG cylinders. The Committee desire that OMCs/ MoP&NG should appeal and launch campaign for voluntarily giving up of the LPG subsidy by well off individuals and to create awareness in the public so that the people may be encouraged to contribute to welfare of their poor breathren by voluntary giving up subsidy.

The Committee would reiterate their earlier recommendation and would like the Ministry at the same time to evolve a suitable mechanism to exclude higher income group from availing subsidized LPG cylinders.

Reply of the Government

PAHAL (DBTL SCHEME)

Government of India has re-launched Direct Benefit Transfer for LPG consumer (DBTL) scheme namely, `PAHAL', in 54 districts of the country on 15.11.2014 and in remaining districts of the country on 1st January, 2015, covering 15 crore LPG consumers across the country.

LPG consumers who join the PAHAL scheme, will get the LPG cylinders at market price and receive LPG subsidy (as per their entitlement) directly into their bank accounts. All domestic LPG consumers have been given two alternatives in the scheme. If LPG consumer has Aadhaar number, he/ she will have to link it to his/ her LPG consumer number and bank account. Alternatively, he/ she can link his bank account directly to his LPG consumer ID. This alternative ensures that no LPG consumer is denied subsidy for want of Aadhaar number.

All LPG consumers who have not joined the scheme, will be given a grace period of three months from the date of launch to join the scheme. During grace period such consumers will get LPG as per their entitlement at subsidized price. Additionally, a period of three months beyond grace period known as parking period is given to LPG consumers for joining the scheme. During parking period such consumers will get cylinders as per their entitlement at market price and subsidy will be kept parked with OMCs. This parked subsidy would be released as soon as consumer joins the scheme. However, if a consumer joins the scheme after parking period, the parked subsidy would lapse and consumer will get subsidy from prospective date only.

The PAHAL scheme aims to prevent diversion of subsidized LPG into commercial sector and thereby helps in expanding LPG coverage without increasing subsidy burden on Government and to ensure that nobody can misuse the LPG subsidy of genuine LPG consumers.

DTCK :-

Direct Transfer of Cash Subsidy on Kerosene (DTCK) was initiated based on 'in principle' approval of EGoM dated 8.8.2011.

A Pilot Project for DTCK was launched in the Block Kotkasim, District Alwar (Rajasthan) in December, 2011 by MoP&NG, in collaboration with Government of Rajasthan. During the Pilot, subsidy was transferred into the Bank account of PDS SKO beneficiaries and PDS SKO was moved at full market price at all points of supply.

Under the DTCK 2012, a lump-sum one time grant of Rs. 100 Crore for each State was to be provided to the states joining the Scheme prior to 31.03.2012. 11 States/UTs namely, Rajasthan, Madhya Pradesh, Sikkim, Maharashtra, Andman & Nicobar Islands, Jharkhand, Himachal Pradesh, Pudducherry, Kerala, Goa & Andhra Pradesh confirmed their participation in the Scheme within the stipulated period. Out of these 11 states, only three States i.e. Rajasthan, Maharashtra and Goa confirmed implementation of DTCK in their following districts:

States	Districts
Rajasthan	Alwar, Ajmer, Udaipur
Maharashtra	Nandurbar, Wardha, Amaravati
Goa	North Goa

An amount of Rs 10 Crore each was released for establishment of an institutional mechanism for direct transfer of subsidy in cash for PDS Kerosene beneficiaries to the States of Rajasthan, Maharashtra and Goa during 2012-13.

Opt Out Subsidy:

The Government has launched the ***'Opt out of subsidy'*** scheme which is aimed at motivating LPG users who can afford to pay the market price for LPG, voluntarily surrender their LPG subsidy.

Action Plan implemented for the scheme :

- ✓ The Hon'ble Minister (P&NG) had taken a lead in this scheme and had given up the subsidy, setting an example for others.
- ✓ The Chairman / CMD of three OMCs and their Board of Directors also voluntarily opted out of subsidy. They have also sent out an appeal to their employees to join in nation building movement by giving up subsidy.
- ✓ The Hon'ble Minister (P&NG) has also sent personal letter to employees of OMCs who have set an example by giving up subsidy.
- ✓ The consumer opting out the subsidy are being recognized in the scroll of Honour given on the website www.mylpg.in
- ✓ The Hon'ble Minister (P&NG) has already written letters to all Central Government Ministers not only requesting them to give up subsidy, but also appeal to the employees in their Ministry/ department to join the campaign for opting out of LPG subsidy. Similar letters were sent to Chief Ministers of the States.

As on 17.03.2015, over 2 lakh consumers have opted out of LPG subsidy.

Feasibility of targeting of LPG subsidy based on income/occupation:

- OMCs electronic database does not consist of income (PAN) / occupational details of the LPG consumer. Therefore, identification of LPG consumers based on income or on basis of occupation is difficult to implement through an electronic identification mechanism. The only way to implement this would be to gather this information from LPG consumers through self-declaration as is being done currently in case of PAHAL to collect bank account / Aadhaar details. The self-furnished information may not be authentic & cannot be relied upon for determining eligibility of subsidy.
- LPG connections are issued on household basis while the income is calculated on individual basis. Hence, mapping of income of household with LPG connection would be difficult.
- Further, not all LPG customers may be having PAN card or all PAN card holders pay taxes and this tax paying numbers changes every year.

- Income data is dynamic and inclusion / exclusion under subsidy will necessarily need to be dynamic which would be extremely complex.

For the above reasons income based exclusion of LPG subsidy is difficult to implement.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee
(Please see Para No. 9 of Chapter-I)

Recommendation No. 10

New Exploration Licensing Policy (NELP)

The Committee note that in order to increase the pace of exploration for oil and gas, the Government had introduced the New Exploration Licensing Policy (NELP) in 1999 in the country. Under NELP, exploration blocks were awarded to Indian private and foreign companies through international competitive bidding process where National Oil Companies, viz. ONGC and OIL are also competing on equal footing. The Committee also note that so far nine rounds of biddings have been conducted under New Exploration Licensing Policy (NELP) and 10th round is to be held. The Committee further note that due to delay in finalization of contractual regime for exploration, the further bidding under NELP is held up for nearly three years. Further, the exploratory activities are not taking off in the blocks awarded under earlier rounds due to lack of clearances and disputes in interpretation of contracts. The Committee are seriously concerned with the lull in the exploratory activities particularly when domestic production is stagnating and demand keeps growing. The Committee, therefore, recommend that the Ministry should finalise the contractual model at the earliest and launch of the Tenth NELP round may be done in order to intensify exploration activities in the country. The Committee desire that new contractual regime should have provisions for deallocation of blocks by Ministry in case of inordinate delay beyond stipulated time frame in carrying out the exploratory programme.

Reply of the Government

Appropriate provisions shall be made in the new contractual regime as and when finalized to ensure timely completion of the exploratory programme.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee
(Please see Para No. 12 of Chapter-I)

Reecommendation No. 21

CSR Funds of Oil PSUs

The Committee note that as per existing guidelines of Department of Public Enterprises (DPE), PSUs must spend 2 percent of their profit after tax (PAT) under the Corporate Social Responsibility (CSR). The Committee are constrained to note that the targets fixed by the Ministry under corporate social responsibility and the figures for the profit after tax have not been furnished by the Ministry. The Committee further note that the spending on CSR initiatives of some Oil PSUs such as ONGC, OIL, BPCL and IOCL have increased during 2013-14 in comparison to the year 2011-12 and 2012-13 but the spending of OVL & HPCL have remained stagnant. The Committee are constrained to note that the spending under CSR initiative by GAIL, MRPL, CPCL and EIL has decreased during the year 2013-14 as compared to 2011-12 and 2012-13.

The Committee observe that the activities pertaining to Petroleum and Natural Gas sector impact the environment and desire that the Oil PSUs must take initiatives for the development of the regions surrounding Oil Installations, plants, exploration regions, refineries etc. The Committee, therefore, recommend that the Ministry should prevail upon the Oil PSUs and the CSR funds of these companies should be spent fully each year on the welfare activities in a transparent manner.

Reply of the Government

Oil PSUs undertake various CSR activities as per DPE guidelines and Companies Act, 2013. As part of the CSR activities Oil and Gas companies have taken up over 19,000 toilets under Swachh Bharat – Swachh Vidyalaya Abhiyan. Works have been awarded for construction of 7176 toilet blocks, construction works are in progress in 1331 toilet blocks construction has been completed in 49 toilet blocks as of 13 March 2015.

The Oil PSU-wise expenditure under the Corporate Social Responsibility (CSR) are as under :-

ONGC Videsh Ltd. (OVL) :

It is informed that ONGC Videsh Ltd. is a wholly owned subsidiary of ONGC. Its CSR activities are generally carried out by the leader of the consortium (operator) according to requirement / guidelines / practices prevailing in the host countries and provisions in the PSC/JOA. Domestic obligation of CSR is undertaken by the Parent company ONGC. Oil PSUs undertake various CSR activities as per DPE guidelines and the Companies Act, 2013.

The Company has been undertaking CSR activities in and around its projects and expenditures work out in excess of its budgetary allocation of 0.5% of Profit after tax (PAT) of the Company during previous financial years since 2010-11.

CSR budget and the actual expenditure incurred in each year during 2011-12 to 2013-14 and H-1 of 2014-15 is given below:-

(Rs. in Million)

Financial Year	Net profit of the PSU (after tax)	Budgetary provision for CSR activities (0.5% of net profit of previous year)	Actual Expenditure on CSR activities	CSR expenditure as % of net profit of previous year
2011-12	27212	134.53	239.41	0.89%
2012-13	39291	136.06	208.27	0.77%
2013-14	44453	196.45	217.1	0.55%
H-1 of 2014-15		222.25	116.4*	

Oil India Limited (OIL) :

CSR at Oil India Limited is guided by its' vision of "being a responsible corporate citizen deeply committed to socio-economic development in its areas of operations". Overall, the company's CSR and Sustainability practices are guided by and undertaken keeping in perspective the overarching principles under the DPE guidelines (on CSR & Sustainability, 2014) and the Companies' Act, 2013.

The data on CSR expenditure of Oil India Limited in the past 3 years is provided in the table, below :

CSR Details of the last 3 years of Oil India Limited

Financial Year	CSR Expenditure (INR Crores)	Profit After Tax (INR in Crores) of previous FY	Percentage of Profit After Tax
2011-12	50.19	2887.73	1.74%
2012-13	49.63	3446.92	1.44%
2013-14	72.89	3589.34	2.03%

> The total allocated CSR budget for FY 2014-15 is INR 133.31 Crores

Engineers India Ltd.(EIL) :

The EIL's comments/ action taken report on the recommendation No. 21 are as follows :

- As per DPE Guidelines, 2% of Profit After Tax (PAT) has been allocated for CSR activities in FY 2011-12, FY 2012-13 and FY 2013-14.

- In FY 2014-15, as per Companies Act 2013, the budgetary allocation of 2% of the average of Profit Before Tax (PBT) made during the three immediately preceding financial years has been earmarked for CSR activities.

- Spending under CSR during FY 2013-14 has increased as compared to spending during FY 2012-13.

- The details of CSR Budget status is given below:

(Rs in lakh)

Year	CSR Budget	Amount Committed	CSR expenditure
2011-12	1045 (2% of PAT)	389	942
2012-13	1273 (2% of PAT)	686	597
2013-14	1257 (2% of PAT)	1019	649
2014-15	1660 (2% of PBT*)	1990**	900**

* the average of PBT during the three immediately preceding financial years **as on 19.2.2015

Oil and Natural Gas Corporation (ONGC) :

Prior to April 2014, ONGC was allocating CSR fund as per DPE/MOPNG Guidelines. Subsequently after the enactment of Companies Act 2013 w.e.f. 01.04.2014 ONGC has allotted the CSR funds as per the Act. The year-wise details of the profits of ONGC, allocation of CSR funds and its utilization have been tabulated below :

Sl. No.	Year	Profit after Tax (PAT) (Rs. In Crore)	Funds allocated for CSR (Rs. in Crore) and(%ofPAT/PBT)	Fund utilized for CSR (Rs. in Crore)
1.	2011-12	18,924	378.48 (2% of PAT)	121.08
2.	2012-13	25,123	502.46 (2% of PAT)	262.13
3.	2013-14	20,296	418.52 (2% of PAT)	341.25
4.	2014-15	32,897 Average of Net Profit of past three years	657.94 (2% of PBT)	336.54 (Upto Dec, 2014)

ONGC is always focused to carry out CSR activities mainly in the regions surrounding its oil and gas installation, plants, exploratory areas & also promptly addressing the environmental concerns suitably.

Indian Oil Corporation Ltd. (IOCL) :

Indian Oil's CSR Policy has been approved for the year 2014-15 by the Board as per Companies Act 2013, Companies (CSR Policy) Rules 2014 and DPE's guidelines on CSR & Sustainability.

Bharat Petroleum Corporation Ltd. (BPCL) :

We have taken cognizance of the observations of the Committee and we will continue to take initiatives for the development of communities surrounding our installations. Refineries, Depots etc.

It will also be our endeavor to utilize the CSR budget to the maximum extent possible.

Chennai Petroleum Corporation Ltd. (CPCL) :

Action Taken Report on the Recommendation No.21 in the First Report of the Standing Committee on Petroleum & Natural Gas (2014-15) on "Demands for Grants (2014-15) of the Ministry of Petroleum and Natural Gas" is given below:

The following are the amounts spent by Chennai Petroleum Corporation Ltd. (CPCL) as against the amount allocated for CSR:

Year	Amount Spent (Rs. in Lakhs)	Profit Before Tax (Rs. in Crore)
2011-12	372.65	(158.22)
2012-13	199.43	(1697.69)
2013-14	101.00	(330.96)

It is to mention that the above expenditure on CSR is being incurred inspite of loss is only to maintain continuing projects.

As recommended by the Committee, CPCL is taking all initiatives for the development of the region surrounding the Refineries.

Hindustan Petroleum Corporation Ltd. (HPCL) :

"Comments are noted . HPCL has always taken and will continue to take initiatives for the development of regions in and around where it operates. It is also a part of the Board approved policy that most of our CSR initiatives should be in and around our areas of operations."

Mangalore Refinery Petrochemical Ltd. (MRPL) :

Details of PAT, CSR budget as per the then prevailing DPE guidelines & CSR spend for the years 2011-12, 2012-13 & 2013-14 as given are below.

Year	PBT	PAT	5% of previous year PAT	CSR budget including c/f of unspent from previous year	Total Expenditure on CSR
2010-11	1737	1176	-	-	-
2011-12	1320	909	5.88	7.09	3.27
2012-13	-477	-757	4.54	8.36	4.40
2013-14	409.7	601.2	0.00	3.96	3.57

The Companies Act 2013 has come into effect from FY 2014-15 onwards, which stipulates that the CSR spend shall be *2%* of the average of the preceding 3 years net profits, PBT. Prior to that DPE guidelines were prevailing for the purpose of calculating the CSR budget i.e. 0.5% of PAT of the previous year.

CSR expenditure of MRPL is FY 2013-14 has decreased compared to FY 2011-12 & FY 2012-13, due to losses incurred in FY2012-13. In FY 2013-14 the CSR expenditure is marginally lower than the available CSR budget, since the entire CSR budget was allocated for the construction of a new wing of Government Ladygosch Hospital and the expenditure was made based on the bills received up to FY 2013-14. Unspent amount has been carried forward to the CSR budget of FY 2014-15.

The MRPL has noted Committees's observation that the CSR funds should fully spent in each year on the welfare activities & should impact the environment surrounding oil installations, plants, exploration region, refineries etc, for compliance.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee
(Please see Para No. 24 of Chapter-I)
Recommendation No. 24

Underground Coal Gasification (UCG)

The Committee note that ONGC has been carrying out the development of underground coal gasification in collaboration with Stochinsky Institute of Mining, Russia and MoUs have also been signed with CIL, SCCL, Gujarat Mineral Development Corporation and Gujarat Industries Power Corporation Ltd. (GIPCL). The Committee further note that the advanced stages of the development are to be carried out in the coal blocks for which Vastan block in Gujarat has been chosen. However, ONGC could not get the authority to develop that block due to the condition that applicant has to be a State level operator. The Committee have further been informed that in addition to Vastan block, other sites were also being evaluated for suitability and four sites namely Hodu-Sindhari (Rajasthan), Kurla (Rajasthan), Tadkeshwar (Gujarat), Surkha (Gujarat) have been found suitable.

The Committee are constrained to note that the UCG technology in the country is still under developed. The Committee feel that the development of UCG should not be kept limited to Vastan Block and other blocks should also be explored. Further, the MoP&NG should take up the matter with concerned State Governments to relax the criteria for National Oil PSUs so that the award of the block is not limited to State level companies only as these companies have more technological expertise with regard to development of hydrocarbon reserves. Since huge coal deposits in India can offer avenues for Underground Coal Gasification, the Committee also desire that the Ministry should review the policy on development of UCG and take effective measures for its exploitation at the earliest. The Committee are given to understand that the technology for UCG is available with other countries for the past several decades and therefore, recommend that the Ministry/Oil PSUs may explore collaboration with the countries experienced in UCG for technology transfer.

<u>Reply of the Government</u>

The matters relating to Underground Coal Gasification (UCG) is being dealt with by the Ministry of Coal and as such it will be appropriate if this recommendation is dealt by the Ministry of Coal.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee
(Please see Para No. 30 of Chapter-I)

CHAPTER V

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

Recommendation No. 12

Production of Crude oil

The Committee note with concern that the stagnant domestic crude oil production for the years 2011-12, 2012-13 and 2013-14 stands at 38.09 MMT, 37.86 MMT and 37.78 MMT respectively. Further, the natural gas production for the last three years has also been continuously declining at 47.56 BCM, 40.68 BCM and 35.41 BCM. The Committee observe that most of the production for upstream PSU companies is coming from nomination blocks and under NELP, the commercial production has started from only five blocks awarded to private operators i.e. RIL, Niko and GSPC. The Committee are further constrained to note that currently there is no commercial production from any deep water block operated by ONGC/OIL under the PSC regime. The Committee note with serious concern that the production of natural gas from the Eastern Offshore asset in the KG basin also shows a declining trend.

The Committee observe that while the demand of energy resources is growing every year, the domestic production of hydrocarbons has not kept pace with the growing demand. Though Improved Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) techniques have been applied in various fields and the production has been augmented but there is big gap in demand supply scenario. The upstream oil companies have informed that the decline and stagnancy are due to aging oil fields and lack of new discoveries in recent times. The Committee note that ONGC has also relinquished its blocks in Kerala-Konkan region after carrying out exploration works for the last 30 years.

Since the National Oil Companies have a crucial role in achieving self-reliance in energy resources, the Committee recommend that the MoP&NG should do a comprehensive review and fill the gaps in the exploratory programme of Oil PSUs.

Reply of the Government

Discoveries and Production by ONGC & OIL in NELP Blocks:

ONGC has made 42 hydrocarbon discoveries in various operational NELP Blocks. OIL has made two hydrocarbon discoveries. All these discoveries including deepwater by ONGC & OIL are in different stages of exploration / appraisal / development and are to be put on production as per timelines of the contract.

ONGC is making serious efforts to monetize the oil & gas discoveries made in NELP blocks. Field Development Plan (FDP) has been approved by Management Committee (MC) of four onshore NELP discoveries viz. Nadiad-1, West Patan-3, Karanagar-1 and Vadatal-1. ONGC has applied for Petroleum Mining Lease. As an initiative, in MOU parameters, two NELP blocks are considered to be put on production during 2015.

Decline of natural gas in Eastern offshore

As regards gas production, ONGC has been able to maintain gas production above 23 BCM from offshore and onshore. During the current year the production is likely to be marginally less in view of certain operational set-backs viz., restrictions by GAIL due to leakage downstream in Bhagodia in April 2014, safety/ maintenance issues, stoppage of production from Eastern offshore, KG and Cauvery Assets in view of safety related issues of GAIL pipeline from 27th June 2014 onwards.

Monitoring of Crude oil & natural Gas Production

Ministry of Petroleum & Natural Gas is monitoring the progress of crude oil & natural gas on weekly and monthly basis. This is being closely reviewed by the Secretary (PNG) in review meetings every month with CMDs of ONGC & OIL and DG, DGH for production under PSCs.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee

(Please see Para No. 15 of Chapter-I)

Recommendation No. 13

National Gas Grid

The Committee note that at present, the country is having about 15,000 kms long natural gas pipeline infrastructure under operation and the Government has announced the establishment of a National Gas Grid across the country with an additional 15,000 kms of pipelines.

The Committee observe that use of natural gas being cleaner, more efficient and safe fuel has considerable advantage over traditional fuels. The completion of gas grid will extend the coverage to domestic, industrial consumers and for transport sector across the country. The Committee, however, note that authorizations by PNGRB are still awaited in respect of the Barauni-Guwahati-Agartala pipeline with a length of 1300 kms. Further, the work in Kochi-Mangalore pipeline has been stalled due to Right of Way (RoW) and regional problems /issues. The Committee also note that the capacity utilization of existing natural gas pipelines is very poor and at the same time, the availability of natural gas in the country is less than the demand.

National Gas grid is an important project to enable the availability of the natural gas in different parts of the country. The Committee, therefore, recommended that the process of establishment of National Gas Grid may be properly planned and implemented in a time–bound manner and would expect the Ministry of ensure the availability of natural gas alongwith the progress in the completion of pipeline.

Reply of the Government

In order to complete the gas grid across the country, Government has envisaged to develop additional 15000 Km of gas pipelines. Out of this 15000 Km, PNGRB/GoI has already granted authorizations to entities for constructing about 11900 Km long pipelines and PNGRB is in process for granting authorization to a pipeline of about 1200 Km under its regulatory framework in terms of PNGRB Act,2006. In addition, Government has made an effort to complement PNGRB's efforts for completing Gas Grid and has identified 3 (three) pipeline sections of total length of 2500 Km for development through Public-Private Partnership (PPP) mode with Viability Gap Fund (VGF). Out of these 3 pipeline sections,"Ranchi-Talcher-Paradip" pipeline project has been approved as the Pilot project for implementation through PPP mode with VGF. After successful implementation of above pilot project through PPP mode, Government has plan to consider developing Barauni-Guwahati-Agartala pipeline of 1300 Km along with the Haldia-Paradip/Srikakulam pipeline through PPP mode with VGF. With respect to Right of Way (RoW) issues for laying the Kochi-Koottanad-Bangalore-Mangalore pipeline, the matter is subjudice before the Hon'ble Supreme Court and any way forward can be taken subsequent to favourable judgement for the pipeline.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee
(Please see Para No. 18 of Chapter-I)

Recommendation No. 16

Delay in ONGC additions Limited (OPaL)

The Committee note that the OPaL project is being implemented by ONGC at Dahej, Gujarat with a original project cost of about Rs. 21,396 crore. However, due to delay in commissioning of the project, the revised estimated project cost now stands at Rs. 27,011 crore showing a cost escalation of about Rs. 5000 crore. The Committee are further constrained to note that the OPaL is rephasing the loan and financing of additional debt for the increased cost of the project will further add to the interest being paid by the Company. The Committee are dismayed to note that the feedstock plant (C2-C3 Extraction Plant) which will provide feedstock to the OPaL project has been completed and lying idle. An additional expenditure of Rs. 100 crore is being incurred every year to keep the plant operational.

The Committee have learnt that this project was scheduled for completion in January, 2014 and has now been slated for completion by August, 2015. The Committee are unhappy to note that the OPaL project with such a huge expenditure has been delayed and therefore, recommend the Ministry to ensure that it is completed by the revised timeline and necessary steps are taken to tie up the sources of natural gas for running the project.

Reply of the Government

Status update on OPaL

- As on 31st December, 2014, the project has achieved 93 % completion (with total expenditure of Rs 20,493 crore).
- Five packages (out of total 17 packages) including the largest package of Dual Feed Cracker Unit and Associated Units (DFCU) and the downstream unit of Dedicated HDPE unit have been mechanically completed. The downstream units of Polyethylene Swing unit and Polypropylene unit are nearing mechanical completion. The other packages are also nearing mechanical completion.
- With the availability of utilities and power, pre commissioning activities have already commenced so as to start commercial operation by June, 2015.
- All project related clearances/ statutory approvals and environmental clearance has been obtained.
- The delay in completion was mainly due to non- performance of three work packages (out of seventeen), i.e. Cooling Water System, Integrated Utility & Offsite, and Effluent treatment and collection system. OPaL has provided financial support to these contractors to improve liquidity to expedite completion. The progress on these work packages has improved significantly and progress is being closely monitored by ONGC at the highest level to ensure achievement of scheduled timelines.
- Commissioning team from the Licensors and EPC contractor has been mobilised from 1st week of December 2014 for start of pre commissioning / commissioning of DFCU.

- All out efforts are being taken by OPaL for commissioning of the Project by June 2015.
- The gas feed for the Project would be supplied from ONGC's C2-C3 plant at Dahej. The C2-C3 plant is mechanically completed and ready for commissioning. PLL had signed an agreement with ONGC on 6th January, 2015 for extraction of C2 – C3 components from LNG at Dahej. This agreement also required certain amendments to the Gas sale and Purchase Agreement signed between PLL and its three offtakers, GAIL, IOC and BPCL.

  Accordingly, an amendment agreement was signed with GAIL on 3rd February, 2015. Although, the formal amendment agreements with BPCL and IOC are yet to be signed, as per the discussion held by PLL with IOCL and BPCL, PLL has given its consent to ONGC to commission the plant. ONGC has already mobilized its turnkey contractor at site and are expecting to commission the plant very soon.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee

(Please see Para No. 21 of Chapter-I)

Recommendation No. 22

Intensification of Shale Gas exploration

The Committee note that India is known to hold deposits of Shale Gas spread over the major basins in India such as Cambay, Assam-Arakan, Krishna Godavari and Cauvery basins in the country. The Committee further note that the Government has announced a policy with regard to exploration of shale gas under which National Oil Companies have been permitted to explore and develop Shale Gas reserves in the country in the blocks provided to them under nomination regime. The Committee have been informed that the ONGC has drilled wells in the Cambay basin for data evaluation and assessment of Shale Gas in this region. It has further been informed by the Ministry that the development of shale gas reserves depends upon the drilling of more number of wells.

The Committee observe that the production of Shale gas in U.S. has improved the global energy landscape and also impacted the prices of hydrocarbons in the international market. Further, the shale gas availability has also made the energy resources affordable. The Committee note that in India, availability of gas is a major concern and crucial for functioning of various projects. The Committee feel that PSU Oil companies should intensify the exploratory efforts in the field of Shale gas and urge that more number of wells should be drilled. The Committee also desire that private operators should also be permitted in this field so that the country can benefit from this new source of gas.

Reply of the Government

The Government has, on 14.10.2013, notified the policy guidelines for exploration and exploitation of shale gas and oil by National Oil Companies (NOCs) in their onland Petroleum Exploration Lease (PEL) / Petroleum Mining Lease (PML) blocks awarded under the nomination regimes. As per the policy, the NOCs will undertake a mandatory minimum work programme in a fixed time frame for shale gas and oil exploration and exploitation, so that there is optimum accretion and development of shale gas and oil resources.

Under the first phase of assessment (3 years),ONGC and OIL have been granted permission to carry out shale gas and oil exploration and exploitation activities in 50 and 5 PEL/PML blocks respectively. As per the Policy guideline, the company shall drill, as committed work programme, at least 1 (one) pilot well in single PEL/PML block having a contiguous area up to 200 sq.km and at least 2 (two) pilot wells in single PEL/PML block having a contiguous area of more than 200 sq. km.

ONGC has committed to drill 57 wells in 50 PEL/PML blocks and OIL has committed to drill 7 wells in 5 PEL/PML blocks for Shale gas exploration and exploitation under the first assessment phase. ONGC has drilled one well in Cambay Basin, Gujarat where coring has been completed. M/s ConocoPhillips of USA has provided technical help in well planning and data evaluation stage for the well. Further, ONGC has spudded one more well for shale gas & oil exploration in Gandhar area of Cambay Basin. In addition, ONGC has collected cores from another 8 wells.

A Uniform Licensing Policy (ULP) to enable E&P operators including private sector to explore and extract all hydrocarbon resources covered under the Oilfields Regulation and Development (ORD)Act, 1948 and Petroleum and natural gas (PNG) Rules, 1959 under one PEL/PML is under consideration. The uniform licence will enable the contractor to explore conventional and unconventional oil and gas resources including CBM, shale gas/oil, tight gas, gas hydrates and any other resource to be identified in future which fall within the definition of 'Petroleum' and Natural Gas" under PNG Rules, 1959.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Recommendation No. 23

Coal Bed Methane

The Committee note that the Government of India had formulated a CBM Policy in 1997 under which its exploration is being carried out. The Committee have been informed that till date 33 blocks have been awarded and the commercial production has started from Raniganj (south block only. Further, the present CBM production stands at 0.45 MMSCMD and the Ministry has claimed that at present pace the production is expected to be around 4 MMSCMD by 2016- 17. The Committee are unhappy to note that even after huge investment of Rs.5000 crore and seventeen years, the exploratory efforts have not paid off. The Committee note that India being the third largest producer of coal in the world holds significant prospects of recovering CBM from its coal beds and the total prognosticated CBM reserves in the country are to the tune of 91.8 Trillion Cubic Feet (TCF) spread over 11 States in the country and further, around 9.90 TCF reserves have been found recoverable. Since there are proven reserves of coal in the country, the Committee feel that the exploitation of CBM should be speeded up. The Committee, therefore, recommend that the Ministry should intensify the exploratory efforts and production of CBM to achieve the set production targets within the stipulated timeframe.

The Committee note that ONGC is the only PSU which is carrying out the exploration of Coal Bed Methane which is operating four active blocks in Jharia and Raniganj. The Committee recommend that the CBM policy which is under production of CBM from various blocks. The Committee also desire that MoP&NG should permit other oil PSUs and more private operators interested in the exploration of this untapped hydrocarbon resource .

Reply of the Government

Ministry of Petroleum & Natural Gas and Ministry of Coal are in correspondence for resolution of various issues especially pertaining to simultaneous exploration and exploitation of CBM and coal mining by one single operator from the point of view of safety of operations and fast track exploitation of both the resources viz. CBM and coal.

As per the CBM policy, 1997, the interested private companies and PSUs can participate in the bidding round for exploration and exploitation of CBM. Ten CBM blocks have been identified for the future round of bidding.

Ministry of Petroleum & Natural Gas
O.M. No. G-38011/97/2014-Fin.I (Pt.) Dated 19th March, 2015

Comments of the Committee
(Please see Para No. 27 of Chapter-I)

New Delhi;
***6 August*, 2015**
15 Shravana,1937 (Saka)

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

Annexure I

MINUTES

STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2014-15)

EIGHTEENTH SITTING (06.08.2015)

The Committee sat on Thursday 6th August, 2015 from 1600 hrs. to 1650 hrs. in Room No. '139', Parliament House Annexe, New Delhi.

PRESENT

Sh. Pralhad Joshi - Chairperson

MEMBERS

LOK SABHA

2 Dr. Ravindra Babu
3 Shrimati Rama Devi
4 Shri Elumalai V.
5 Shri Naranbhai Kachhadiya
6 Shrimati Jayshreeben Patel
7 Shrimati Anupriya Patel
8 Shri Arvind Sawant
9 Shri Raju Shetti
10 Dr. Bhola Singh (Begusarai)
11 Shri Kamakhya Prasad Tasa
12 Shri Om Prakash Yadav
13 Shri Laxmi Narayan Yadav

RAJYA SABHA

14 Shri Ishwarlal Shankarlal Jain
15 Shri Bhubaneshwar Kalita
16 Shrimati Gundu Sudharani
17 Shri Praful Patel

SECRETARIAT

1.	Shri S.C. Chaudhary	-	Director
2.	Shri H.Ram Prakash	-	Additional Director

2. At the outset, Hon‟ble Chairman welcomed the Members. The Committee then considered the draft Action Taken Report on the 1st Report on 'Demands for Grants (2014-15) of MoP&NG'.

3. The Members gave some suggestions for incorporation in the draft Report and then authorized the Chairman to finalise the Action Taken Report and present/lay the same in both the Houses of Parliament.

4. The Committee then took up for consideration the draft Report on the subject, "Ethanol Blended Petrol and Bio-diesel Policy". However, the Members sought some more time for going through the draft Report and requested the Hon'ble Chairman to cosider the Report in next sitting of the Committee. Hon'ble Chairman agreed to their request and decided to defer the consideration of the Report to next sitting of the Committee.

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 FIRST REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2014-15) ON 'DEMANDS FOR GRANTS (2014-15) OF THE MINISTRY OF PETROLEUM AND NATURAL GAS'.

I	Total No. of Recommendations	24
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 2, 3, 6, 8, 9, 11, 14, 15, 17 and 19)	10
	Percentage to Total	41.66%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's (Vide Recommendations 7, 18 and 20)	3
	Percentage of Total	12.5%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at SI. No. 1, 4, 5, 10, 21 and 24)	6
	Percentage of Total	25%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. No. 12, 13, 16, 22 and 23)	5
	Percentage of Total	20.83%