TWENTIETH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

(THIRTEENTH LOK SABHA)

DEMANDS FOR GRANTS (2001-2002)

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Twelfth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on Demands for Grants (2001-2002) of the Ministry of Petroleum & Natural Gas]

Presented to Lok Sabha on 19.12.2001

Presented on Rajya Sabha on 19.12.2001

LOK SABHA SECRETARIAT
NEW DELHI

November, 2001/Kartika, 1923 (Saka)

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Shri Mulayam Singh Yadav — *Chairman*

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3. Shri Ramchander Bainda
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Dr. (Smt.) C. Suguna Kumari
7. Shri Padam Sen Choudhary
8. Shri T.T.V. Dhinakaran
9. Shri Dilipkumar Mansukhlal Gandhi
10. Shirmati Sheela Gautam
11. Shri Pawan Singh Ghatowar
12. Shri Bijoy Krishna Handique
13. Shri Shriprakash Jaiswal
14. Shrimati Nivedita Mane
15. Shri Punnulal Mohale
16. Shri P. Mohan

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18. Shri Mohan Rawale
19. Dr. Bikram Sarkar
20. Shri Shyama Chanran Shukla
21. Shrimati Kanti Singh
22. Shri Prabhunath Singh
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24. Dr. Ramesh Chandra Tomar
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27. Shri Ratilal Kalidas Verma
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31. Shri Anil Kumar
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38. Shri Ahmed Patel
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45. Prof. Ram Gopal Yadav

SECRETARIAT

1.	Shri B.R. Kanathia	*Joint Secretary*
2.	Shri Brahm Dutt	*Deputy Secretary*
3.	Shri J.N. Oberoi	*Under Secretary*
4.	Shri Ram Raj Rai	*Committee Officer*

Vacancy caused consequent upon appointment of Shri Ravi Shankar Prasad, M.P. (RS) as Minister w.e.f. 01.09.2001.

COMPOSITION OF SUB-COMMITTEE ON PETROLEUM

A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Shri Mulayam Singh Yadav — *Chairman*

2. Dr. Girija Vyas — *Convenor*
3. Shri Ashok Argal
4. Smt. Sheela Gautam
5. Shri Pawan Singh Ghatowar
6. Shri B.K. Handique
7. Shri Ahmed Patel
8. Shri Mohan Rawale
9. Shri Shyama Charan Shukla
10. Smt. Kanti Singh
11. Shri Prabhunath Singh
12. Shri Tarlochan Singh Tur
13. Shri Shankersinh Vaghela
14. Shri Ratilal Kalidas Varma
15. Prof. Ram Gopal Yadav

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2001) having been authorised by the Committee to submit the Report on their behalf present this Twentieth Report on Action Taken by Government on the recommendations contained in Twelfth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 2001-2002.

2. The Twelfth Report of the Committee was presented to Lok Sabha on 19th April, 2001. Replies of Government to all the recommendations contained in the Twelfth Report were received on 20th August, 2001. The Sub-Committee on Petroleum considered the Action Taken Replies received from the Government and adopted the Report at their sitting held on 10th September, 2001.

3. The Standing Committee on Petroleum & Chemicals (2001) considered and adopted this Report at their sitting held on 24th September, 2001. The Committee place on record their appreciation of the work done by the Sub-Committee on Petroleum.

4. An analysis of the Action Taken by Government on the recommendations contained in the Twelfth Report (Thirteenth Lok Sabha) of the Committee is given in Appendix-III.

5. For facility of reference and conveyance, 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 officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
November 1, 2001
Kartika 10, 1923 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

CHAPTER – I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Twelfth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on ' Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 2001-02' which was presented to Lok Sabha on 19th April, 2001.

2. Action taken notes have been received from the Government in respect of all the 23 recommendations contained in the Report. These have been categorised as follows:-

(i) Recommendations/observations that have been accepted by the Government:-
Sl. Nos. 3, 4, 5, 9, 11, 12, 13, 17, 20 and 22.

(ii) Recommendations/ observations which the Committee do not desire to pursue in view of the Government replies:
Sl. Nos. 2, 8 and 14.

(iii) Recommendations/ observations in respect of which replies of the Government have not been accepted by the Committee.
Sl. Nos. 10 and 15

(iv) Recommendations/ observations in respect of which final replies of the Government are still awaited:
Sl. Nos. 1, 6, 7, 16, 18, 19, 21 and 23.

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.

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

I. Strategy of 9th Plan and observation of mid-term appraisal

(Recommendation No. 1, Para No. 2.1)

5. While analysing the performance of petroleum sector, the Committee had noted the areas of attention identified by the Planning Commission during the Ninth Five Year Plan (1997-2002). This included the acceleration of exploration efforts especially in deep off-shore areas, acquisition acreage abroad for equity oil, improvement in reservoir management, deregulation of APM, import of LNG, creation of adequate refining capacity, upgradation of marketing and distribution activities, improvement in product quality etc. The Committee had desired that the Government should take all possible steps for setting up of a regulatory mechanism and removal of administrative bottlenecks in this sector. The Committee were not satisfied with the progress because they had considered it very slow and non-promising in all other fields except in expansion of refining capacity and that too due to entry of new players from private sector. The Committee had also desired that the Government should prepare a time bound programme in each case in such a manner that the objectives of identifying the areas of special attention by the Planning Commission is achieved to some extent in the last year of current Plan.

6. In regard to the various steps being taken by Oil and Natural Gas Corporation Limited with a view to the accelerate exploration efforts in deep offshore areas, the Ministry have submitted the following details:-

"ONGC holds 10 PEL blocks in deep water basins of east and west coast viz., Krishna- Godavari, Cauvery, Kerala- Konkan, Mumbai offshore and Kutch basins.

> Additionally, ONGC has been awarded three deep-water blocks in Krishna Godavari and Mahanadi basins under NELP – I and work under Phase-I is in progress.
>
> GOI has extended NELP fiscal terms to six deep water PEL acreages given to ONGC on nomination basis and also allowed formation of strategic alliance with foreign companies having experience in exploration and exploitation in deep water. ONGC, on its part, has upgraded one of its drillship Sagar Vijay for taking up of the exploratory drilling in deep water areas.

During 1999-2001, ONGC acquired 104983 LK of 3D and 4488 LK of 2D seismic in deep water areas. These data are under different stages of processing/ interpretation to identify any drillable prospect(s).

In consonance with the thrust give on exploration in deep waters during the IX five-year plan, ONGC has drilled seven exploratory wells in different deep water PEL areas. Of these, two wells, proved to be hydrocarbon bearing. Five prospects have been probed through these wells in deep water areas/ environment in Krishna Godavari, Cauvery and Kerala Konkan basins. One more prospect GDAA in Krishna Godavari deep offshore has been taken up for drilling.

7. About the deep water blocks awarded through NELP the Ministry have informed as under:-

"Under NELP –I twelve deep-water blocks were offered for bidding by private/ JV companies and the NOCs. The first phase of exploration work in seven deep water blocks that were awarded to different companies has since commenced. In one of the blocks, drilling of one exploratory well has been completed which showed encouraging results. Drilling of two more wells in the same block is likely to be taken up soon.

Under NELP-II, eight deep-water blocks have been offered for exploration. Bids have been received for all of these blocks and are being processed for awarding the blocks to successful bidders. This would be followed by signing of PSCs in respect of the awarded blocks."

8. While elaborating the steps being taken by the National Oil Companies and private/Joint Venture Companies to improve the Reservoir Management, the Ministry have stated:-

"(i) ONGC - During the recent years ONGC has paid special emphasis to enhance production and improve the ultimate hydrocarbon recovery from the existing fields. For improved oil recovery/enhanced oil recovery (IOR/EOR), 19 projects in 15 major fields have been identified and these are in various stages of approval /implementation.

Of these, eight IOR Projects, viz. Mumbai High North (Redevelopment), Heera Phase-I, Neelam, Gandhar, Kalol, Sanand, Santhal in-fill and North Kadi Phase-I have already been approved and implementation has been initiated. Six more projects viz Mumbai High South (Redevelopment), Jotana, Sobhasan, Lakwa-

Lakhmani, Geleki and Rudrasagar are under finalisation. In addition, commercial implementation of institu combusion scheme in the Balol and Santhal is in progress. Additional EOR pilot projects in Lanwa field, Heera Phase-II and N. kadi Phase-II are also planned.

The work programme in all 19 projects is scheduled for completion over the next 5-6 years. The estimated increase in crude oil production due to EOR/IOR implementation projects of ONGC would be around 45 MMT over a period of 10 years with corresponding estimated investment of about Rs. 10,000 crores, out of which the incremental production from Mumbai High would be about 25 MMT and the estimated investment therein would be about Rs. 7500 crores.

(ii) OIL - OIL has adopted some Pressure Maintenance/ EOR schemes since 60s to improve recovery factor. The above measures have already resulted in adding about 17.50 MMT of recoverable reserves over and above the natural depletion recovery. OIL is continuing its Pressure Maintenance/ EOR scheme in various blocks. In addition OIL is also carrying out following IOR jobs viz., Water Shut Off, Sand control,, Inhibition of Paraffin/ Asphaltene deposition, etc. for improved recover.

In order to obtain additional requisite geo-scientific information to examine scope of further improving recovery from the depleting reservoirs, 3d seismic survey has already been taken up for structural detailing, refinement of geological model. Further, multi-disciplinary study is also presently being carried out for revitalization of the old depleting fields which by integrating with above will enable to identify the areas of less drained/ bypassed oil to take up infill well drilling/ redistribution of water injection and other EOR methods to improve recovery. The study is expected to be completed during the current year.

(iii) Private/ Joint Venture Companies- The reservoir management aspects of the fields operated by Private/JV companies are being monitored by Directorate General of Hydrocarbons (DGH), who set the parameters with regard to production from high GOR wells like in Panna field and also with regard to timely and adequate pressure maintenance through water injection etc. like in Ravva gield. DGH also reviews the production profiles keeping in mind the reservoir health during the life of the field based on simulation studies."

9. About the achievements in regard to acquisition of overseas acreages, the Ministry have submitted the following details:-

"(i) ONGC - ONGC Videsh Limited, a fully owned subsidiary of ONGC, is accelerating its effort for participation in overseas E&P acreages for obtaining equity oil and gas which include projects in offshore gas field in Vietnam (Block 06.1), oil field in Iraq (Exploration Block – 8, discovered Tuba field in Algeria. Additionally, ONGC-VL along with Indian Oil Corporation and Oil India Limited have evaluated exploration blocks under offer in Iran for possible participation and have submitted a preliminary bid for one of the exploration blocks.

In one of the significant moves, OVL and Rosneft, Russian National Oil Company, have signed an agreement on 10.2.2001 with 20% share for ONGC-VL in the Sakhalin-I (oil and gas fields) in Russia. The total investment including the loan amount is estimated to be about US $ 1.7 Billion (around Rs. 8000 crores) over a period of five years. A consortium comprising Exxon, Sodeco and Rosneft-S is jointly developing the project with Exxon as the Operator. The companies are present finalizing the various side agreements. The production from the field is expected to start from 2005-06. In addition to the above, OVL is actively considering to participate in the exploration and production activities in acreages in Venezuela, Libya, etc.

(ii) <u>OIL</u> - OIL has entered into a farm in joint operating agreement with M/s. Total Exploration, Oman, a subsidiary of TOTALFINA-ELF of France and acquired 20% undivided participation interest for hydrocarbon exploration in Ghuinam (OMAN) Block-4. As per initial work programe, the first exploratory well was drilled in 1999 but commercial discovery was not made. At present, geochemical modeling, seismic reprocessing and field tie-up and review are in progress. The next phase of work program will be decided based on the present review."

10. In connection with the initiatives taken/ proposed to be taken for setting up of regulatory mechanism, the Ministry have stated:-

"The high level inter-ministerial working group constituted to examine the need for creating an upstream hydrocarbon regulatory and development authority (HRDA) has submitted its report on 4th April, 2001. The Report is under examination for taking the final view regarding creation of HRDA in addition to DGH.

In the deregulated scenario also, it will be the duty of the Government to ensure adequate availability of petroleum products to meet the demand at reasonable prices, in all parts of the country. It is, therefore, recognized that while Government will have an important role even in the deregulated scenario, an empowered body is required to be created to cater to these needs. With these objectives in view, setting up of a "Regulatory Mechanism" for downstream petroleum sector is proposed. For the same reasons, a regulatory mechanism is considered necessary for distribution and marketing of natural gas. Further, with the participation of Private Oil Companies in exploration and production of oil and gas in the Indian basins, to see that exploitation of national mineral resources is optimal, regulatory mechanism in the upstream petroleum sector is also envisaged.

To meet the above needs, proposals to set up necessary regulatory mechanisms in the petroleum sector are under consideration of the Government.

In the gas sector, efforts are being made for creation of the required infrastructure, removal of administrative bottlenecks and setting up of regulatory mechanism.

As far as import of LNG is concerned, there are no administrative bottlenecks and is free from import restrictions. No license is required for the import of LNG, setting up of the regassification terminal, pipelines and marketing the regassified LNG. To encourage investments in the LNG sector, 100% Foreign Direct Investment is also permitted. There are several initiatives in the LNG sector including that of Petronet LNG Ltd., a joint venture company promoted by the oil sector PSUs, Petronet LNG Ltd. Has already awarded the Engineering, Procurement and Construction contract for the LNG terminal at Dahej, Gujarat and has also awarded the contract for the LNG terminal at Dahej, Gujarat and has also awarded the contract for time charter of the LNG ships. The Dahej terminal would be commissioned by December, 2003.

As far as setting up the regulatory mechanism is concerned, while the Ministry has done the requisite groundwork further action is underway."

11. The Ministry have submitted the following details elaborating the action taken by the Government in order to meet the growing demand of petroleum products in the country particularly for development of various marketing and distribution facilities:-

"(1) **<u>Product Tankage:-</u>** In order to ensure uninterrupted supply of petroleum products throughout the country, augmentation of product tankage for petroleum products of mass consumption viz., petrol, Diesel and Kerosene has been undertaken by Oil Companies through Additional Product Tankage (APT) Programme commensurate with the growth in demand of these products. As on 01.04.2001, the gross marketing tankage available with Oil Companies for Petrol, Diesel and Kerosene was 9.82 million kilolitres. This provides about 35 days cover for demand estimate of 2001-02, for these products, Industry has planned to add 0.87 million kilolitres tankage during 2001-02. With this, industry would add about 5.3 million kilolitres of tankage during the IX Plan period. In addition, additional product tankage is also planned in logistically difficult areas like Jammu & Kashmir, Himachal Pradesh and North Eastern States under "Tankage 2000" Plan.

(2) LPG Bottling Capacity:- PSU Oil Marketing Companies had proposed to set up bottling capacity of 3088 TMTpa during IX Plan through creation of new bottling plants and augmentation in capacity at some of the existing bottling plants. Against this planned capacity, industry has provided additional bottling capacity which was 3457 TMTpa as on 01.04.1997 has been augmented to 5595 TMTpa as on 01.04.2001.

(3) Marketing Plan for Retail Outlets and LPG Distributorship:-

(i) Oil Marketing Companies envisaged setting up of 1478 LPG distributorships during IX Plan period and have developed 1051 LPG distributorships as on 01.04.2001 during IX plan period.

(ii) It was planned to set up 3018 Retail Outlets during IX Plan period and Oil Companies have commissioned 1380 Retail Outlets as of 01.04.2001 during IX Plan period.

(iii) Oil marketing Companies could not commission new Retail Outlets/ LPG distributorships in the line with RO dealerships/ distributorships planned during the IX Plan period due to non-functioning of Dealer Selection Boards (DSB) for considerable period of time."

12. The Committee are not satisfied with the performance of Petroleum Sector during the current Five Year Plan. Although, they have taken some initiatives in the identified areas of special attention but without any significant performance. PSUs have failed to evolve any time bound programme even after the identification of thrust areas by the Planning Commission and repeated persuasion by the Committee particularly for accretion to resources, exploration in deep sea and frontier areas, improvement in reservoir management, setting up the Regulatory Mechanism for Petroleum Sector and setting up of strategic tankages. It is surprising to note that the Government have not changed their attitude even after the mid-term appraisal reports of the Planning Commission. The Committee once again impress upon the Government to intensify their exploration, production and storage activities in a planned way and take initiatives in a time bound manner as per the strategy decided

for a particular Five Year Plan otherwise there will be no meaning of planning and the priorities of the Government.

II. Demand and Production of Natural Gas

(Recommendation No. 6, Para No. 2.6)

13. The Committee had observed that country has a large unsatisfied demand of natural gas. Against the demand of 110 MMSSCMD in 1999-2000, the domestic supply was 64 MMSCMD. The Committee had also visualised that Gas demand is predicted to grow strongly at 7% per annum or even possibly higher and India is likely to emerge as the fastest growth centre of natural gas in Asia pacific region in the next decade. They had felt that unless domestic production increases, there would be an urgent need to import natural gas. In view of emerging trend in regard to demand of gas, all initiatives should be taken to enhance the indigenous production of gas and fulfil the unsatisfied demand of natural gas. They had also desired that all the initiatives should be taken to resolve the issues relating to import of natural gas through trans-national pipelines from Oman, Iran, Bangladesh and Myanmar which have not been materialised since long time.

14. In their reply regarding the steps being taken by the Oil Sector Companies to enhance the gas production the Ministry have stated as under:-

> "**ONGC** **-** Several steps have already been initiated by ONGC in order to increase the potential for enhanced indigenous production of gas.
>
> ONGCs exploration programme is focussed on discovery of more and more hydrocarbons i.e. both oil and gas. Major contribution to the indigenous gas production comes from Mumbai offshore, Cambay, Krishna-Godavari and Tripura. ONGC's average gas production which was around 57.03 MMSCMD in 1995-96 has gone upto 65.81 MMSCMD during the year 2000-01. ONGC has taken steps to increase gas production further to meet the increased demand of existing consumers as well as new commitments.
>
> In order to exploit gas from isolated/marginal fields, ONGC has been empowered by GOI for direct marketing of gas up to one lac cubic meter per day

(LCMD) from each of such fields. This will help in enhancement of indigenous gas production from small/isolated pools. ONGC has already taken action in this regard.

In addition to steps taken for further gas production, various gas flaring reduction projects have also been formulated by ONGC, most of which have already been implemented/under implementation. This has lead to reduction in gas flaring from 10.06 MMSCMD in 1991-92 to almost negligible in 2000-01.

OIL - OIL's average gas production from Assam and Arunachal Pradesh, which was around 4.15 MMSCMD during the terminal year of VIII plan has gone upto 4.70 MMSCMD during the year 2000-01. OIL has taken steps to increase gas production further to meet the increased demand of existing consumers as well as new commitments. As regards Rajasthan, OIL is currently producing around 0.45 MMSCMD of gas.

In view of OIL's various gas flaring reduction efforts, gas flaring has been reduced from1.19 MMSCMD in 1992-93 to 0.47 MMSCMD in 2000-01.

Private/JV Companies - So far six oil and gas discoveries have been made by Pvt./JV Companies in Rajasthan (RJ-ON-90/1), KG basin (Ravva Satellite) and Cambay basin (CB-OS-2) blocks. The average gas production from the fields operated by Private/JV Companies was around 1.40 MMSCMD during the terminal year of VIII plan and has gone upto 9.85 MMSCMD during the year 2000-01. Private/JV Companies have taken steps to increase gas production further to meet the increased demand of existing consumers as well as new commitments.

GAIL - While efforts are being continued to import natural gas through trans-national pipelines, there are certain technical and geopolitical reasons, which have come in the way. As far as pipeline from Oman is concerned, the proposal is closed for want of adequate gas reserves in Oman to be earmarked for the pipeline, absence of suitable technology for laying pipeline at a depth of 3500 meters below the seal level and the withdrawal of Oman Oil Company from their earlier commitment to fund the pipeline project. Serious discussions have been initiated with Iran for the Iran-India pipeline. However, the risks in the involved of the pipeline passing through Pakistan need to be recognized and adequately mitigated before this project could be considered viable and secure. Bangladesh has not permitted export of gas from their country, while Myanmar does not have sufficient gas reserves which could be dedicated to a viable pipeline project to India. However, efforts are being continuted to accelerate the import of natural gas through trans-national pipelines."

15. The Committee are happy to note that due to extensive efforts of the National Oil Companies and Private/Joint Venture Companies there is a little improvement in

production of natural gas in the country. They are very happy to note that there has been a commendable improvement in reducing the flaring up of gas during the last few years. However, in view of a wide gap in domestic demand and supply and continuously growing demand of gas, more sincere efforts are required to enhance the indigenous production of gas. The Committee observe that the efforts made to import gas from Oman, Bangladesh and Myanmar have not succeeded. The only hope exists in Iran-India pipeline. The Committee desire that the Government should take more initiatives with strong political will to resolve the long pending issues relating to import of natural gas through trans-national pipelines between Iran and India. The Committee also desire that the Government should explore the possibilities of finding an alternate route of such pipeline without passing it through Pakistan. The Committee also recommend that the Government should make all out efforts to import natural gas from Bangladesh where it is reported to be in abundance and in excess of their demand.

III. Establishment of Regulatory Mechanism for upstream as well as downstream sector

(Recommendation No. 7, Para No. 2.7)

16. The Committee had noted that the process of deregulation was in full swing but there was no existence of any regulatory mechanism or authority to ensure that all the players follow the same prescribed rules in deregulated scenario. They had visualized that in the post-APM period the situation will be more tough. The Committee had strongly recommended that Government should take all steps for expeditious setting up of necessary downstream as well as upstream regulatory mechanism in the petroleum sector to ensure that the exploitation of national mineral resources is optimal and there is an adequate availability of petroleum products to meet their demand in the country. However, the Committee had cautioned that the Government should take every care that diesel, LPG and kerosene are made available to common man at reasonable prices in all parts of the country in post-APM period.

17. In regard to the latest position in the direction of creation of Regulatory Authorities for upstream as well as downstream sector the Ministry have stated:-

> "Rajya Sabha Committee on Subordinate Legislation in its 110th Report had made certain recommendations to the Government for taking necessary action. One of the recommendations was to create an Upstream Regulatory Authority in the country on the pattern of one prevalent in foreign countries like U.K., U.S.A., Norway and Canada, etc. In order to examine the need for creating an Upstream Regulatory Authority, a High Level Inter-ministerial Working Group was constituted in this Ministry with the following composition:

Shri Naresh Narad, Addl. Secretary Ministry of Petroleum & Natural Gas	Chairman
Shri G.S. Dutt, Joint Secretary Deptt. Of Economic Affairs, Ministry of Finance	Member
Shri Ajay Sinha, Joint Secretary & Legal Advisor Ministry of Law & Justice	Member
Dr. Avinash Chandra, DG, DGH	Member
Shri A.K. Saxena, Director Ministry of Petroleum & Natural Gas	Member Secretary

> Consequent upon completion of tenure of Shri A.K.Saxena, Director in this Ministry, Shri J.M. Mauskar, Joint Secretary (Exploration) in this Ministry was appointed as Member Secretary.

> This Working Group had held a number of meetings with the representatives of Ministries of Labour and Environment & Forests, State Government of Gujarat and Assam, Chief Executives of Oil Sector PSUs, Private Sector, Members of the Advisory Council of DGH and eminent persons from the oil sector. The Committee has submitted its Report in April, 2001 which is under examination for taking a view regarding creation of an Upstream Regulatory Authority, its jurisdiction etc.

> In the deregulated scenario also, it will be the duty of the Government to ensure adequate availability of petroleum products to meet the demand at reasonable prices, in all parts of the country. It is, therefore, recognised that while Government will have an important role even in the deregulated scenario, an empowered body is required to be created to cater to these needs. With these objectives in view, setting up of a "Regulatory Mechanism" for downstream petroleum sector is proposed. For the same reasons, a regulatory mechanism is considered necessary for distribution and marketing of natural gas.

> To meet the above needs, proposal to set up necessary regulatory mechanism in downstream petroleum sector is also under consideration of the Government."

18. The Committee are happy to note that the Government have felt the need to establish Regulatory Mechanism for Upstream as well as Downstream Petroleum Sector. The Report of the Inter-Ministerial Working Group constituted for taking a view regarding creation of an Upstream Regulatory Authority, its jurisdiction etc. is pending since April, 2001 and awaiting final decision of the Government. In Committee's view the setting up of Regulatory Mechanism for Downstream petroleum sector is equally important. The Committee, therefore, desire that the Government should take an early decision to establish the Regulatory Mechanism for Downstream Sector so that the adequate availability of petroleum products to meet the demand at reasonable prices in all parts of the country can be ensured after the completion of the process of dismantling of Administered Pricing Mechanism in the year 2002. The Committee also desire that the Government should take a final decision in regard to Regulatory Mechanism for Upstream Sector after evaluating all such systems prevalent in other oil producing contries.

IV. <u>Utilisation of funds by the PSUs</u>

(Recommendation No. 9, Para No. 2.9)

19. Non-implementation of projects relating to expansion and modernisation of existing refineries as well as setting up of certain new refineries was considered as the main reason for under-utilisation of the funds during the Ninth Five Year Plan. The Committee had also observed that the proposal for expansion and modernisation programme of CPCL received final approval of the Government in 2000 and the same programme of Kochi Refineries was still under consideration of the Government. The new grass root refineries such as East Indian Refinery Project at Paradip, Orissa being implemented by IOC, Punjab Refinery Project at Bhatinda being implemented by HPCL and Central Indian Refinery at Bina being implemented by BPCL were initially planned to be set up as Joint Venture with international companies during plan period. Since the partners backed out at the crucial stages of implementation and the indigenous promoters could not decide timely the future course of action, all this had resulted in cost and time over-runs and now the companies had started proceeding independently. The Committee had urged the Government that since the Undertakings attached with these project are able companies in every respect, at this stage,

the Government should provide all the required assistance for successful commissioning of these projects in the shortest possible time. The Committee had also desired an early approval of expansion project of Kochi Refinery should be approved as soon as possible.

20. The Ministry have submitted the following details about the present status of each project:-

> "The Paradeep Refinery project of Indian Oil Corporation Limited in Joint Venture with the Kuwait Petroleum Corporation (KPC) was approved by the Government in July, 1998. Since KPC has withdrawn from the project in January, 2000, IOC is alone implementing the project. This Refinery is expected to be commissioned by 2003-2004 and will cost around Rs. 8300 crores. All necessary assistance would be provided to the oil refining companies for successful completion of the project.
>
> In October, 2000 Government had permitted HPCL to executive the 9 million metric tonnes per annum (MMTPA) Refinery Project along with associated facilities in Bhatinda in Punjab, through a 100% subsidiary company of HPCL, after tying up funding for the project. HPCL was to induct a Joint Venture partner into the project, if so required, subsequently. Accordingly, a fully owned subsidiary company of HPCL with the name of "Guru Gobind Singh Refineries Limited"(GGSRL) was formed in December, 2000 for execution of the project. Preliminary work relating to execution of the project is in progress. Approval of the Government to the proposal of HPCL for raising additional equity capital to implement GGSRL has also been conveyed in June, 2001.
>
> In view of the decision of Oman Oil Company (OOC) to limit their investment in Central investment in Central India Refinery Project at Bina (Madhya Pradesh), a proposal is under consideration to permit Bharat Petroleum Corporation Limited (BPCL) to execute the refinery project along with related crude import/transportation facilities, through Bharat Oman Refineries Limited (BORL), with reduced equity contribution by OOC and with an enhanced equity contribution of BPCL, upto a maximum of 50% of the total equity of BORL, BPCL would, in parallel, make efforts to identify additional joint venture partner into the project.
>
> As regards Expansion-cum-Modernisation Project of Kochi Refineries Limited (KRL) from 7.5 MMTPA to 13.5 MMTPA, after the receipt of PIB approval in this regard, Government equity in KRL has been transferred to BPCL, which being a Navratna PSU, is competent to take capital investment decisions. This Ministry received a request from BPCL to drop the proposal of KRL. Accordingly, it has been decided to drop the subject proposal."

21. The Committee are happy to note that the Indian Oil Corporation has started the implementation of the Paradeep Refinery Project independently and Hindustan Petroleum Corporation has also formed a fully owned subsidiary of the Company for execution of the Bhatinda Refinery Project. On the other side, the implementation of Central India Refinery Project by Bharat Petroleum Corporation Limited is still pending for execution. The Committee once again reiterate their earlier recommendation that the Government should try to resolve all the issues relating to implementation of Bina Refinery Project on the lines of other two new grass root refineries being set up independently by the concerned oil companies so that no further cost and time over-runs take place due to non-finalisation of partners for the project.

V. <u>Delay in implementation of Projects due to Pending Environmental Clearances</u>

(Recommendation No. 10, Para No. 2.10)

22. The Committee had found that most of the Projects relating to petroleum sector were delayed due to delay in environment clearances. The Committee had also observed that such delays were found in case of PSUs of Petroleum Sector only whereas the companies of Private Sector had crossed the similar hurdles comparatively in the shortest possible time. In view of this observation the Committee had urged the Ministry to find out a way in consultation with the Ministry of Environment and Forests or concerned State Government authorities so that the projects are not held up due to long pending proposals relating to petroleum sector for environmental clearances in future.

23. The Ministry of Petroleum and Natural Gas while explaining their position regarding delay in projects due to pending environment clearances have replied as under:-

> "The issue of exemption of environmental clearance to oil sector project was taken up with the Ministry of Environment & Forests (MOE&F) earlier. MOE&F indicated that the environmental clearance for 29 selected activities has been made statutory w.e.f 27.1.94 only after taking into account the need for EIA for these

projects. The oil sector broadly consist of the following categories of industrial operations:-

(i) Exploration and production of oil and gas.
(ii) Transportation & storage of crude oil and petroleum products.
(iii) Refining of crude oil to produce finished products.

The environmental impact of each project depends not only on the location of the project but also on the processes and operations involved in this industry. There are also possibilities of severe risk if proper mitigation measures are not taken in the early stages of the project. The production of oil/gas involves disposal of waste material and storage and transfer of the crude oil/gas through the pipeline. The pipeline if it passes through ecologically sensitive area (s)/thickly populated area, comprehensive environmental management measures need to be taken. Oil refineries and related industrial complexes because of the very hazardous nature of the chemicals and operations involved, necessitate a detailed environmental examination in order to facilitate integration of suitable remedial measures. Hence MOE&F has not accepted the view that the oil sector be exempted from the purview of its environmental clearance.

No major project of ONGC, OIL and GAIL has been delayed in the recent past on account of delay in securing environmental clearances from the concerned authorities. Ministry of Petroleum & Natural Gas interacts with the Ministry of Environment & Forests and concerned State Govt. while DG Hydrocarbons is involved for technical aspects."

24. The Committee are astonished to note that the Ministry have not appreciated the main thrust of the recommendation. The Committee had not desired that the Ministry should try to get an exemption from getting an environmental clearance from the Ministry of Environment and Forests for all the projects of oil sector. They had desired that the Government should identify their weaknesses in getting environmental clearances of the projects of oil sector PSUs particularly in the light of the fact that private sector oil companies were getting the same type of clearances in very short time and find a way to get such clearances with the same efficiency. The Committee, therefore, once again reiterate that the Ministry of Petroleum & Natural Gas should develop a mechanism in consultation with the Ministry of Environment and Forests and concerned State governments authorities so that they may be able to

get an early environmental clearance for their pending projects and the future projects of oil sector.

VI. Alternate resources of Hydrocarbons

(Recommendation Nos. 11 & 12, Para Nos. 2.11 & 2.12)

25. The Committee had observed that with ever increasing dependence on petroleum imports due to relatively stagnant domestic products and spiralling growth in demand, there was an urgent need of encouraging the development of alternative resources of hydrocarbons. They had identified the Coal Bed Methane and Gas Hydrates as very important alternatives. They had observed that the policy for exploration and exploitation for harnessing Coal Bed Methane was approved by the Government in July, 1997 and after that no commercial production had started by that date. The Committee had desired that the Ministry should immediately start the process of exploration and development of Coal Bed Methane and the parties coming forward should be asked to work under some specific time frame since significant time had already been rolled by. They had also desired that more blocks should be identified for the next phase of exploration and exploitation process of CBM.

26. The Committee had observed that the gas hydrates would be an important source of hydrocarbon energy in future and there are numerous potential offshore areas of gas hydrate accumulation within India's Exclusive Economic Zone. In view of this fact the Committee had, therefore, urged the Government to implement the National Hydrate Programme and expedite the R&D studies in process to develop vast resources of gas hydrates of the country so that this alternate source can be utilized properly.

27. About the present status of Coal Bed Methane exploration the Ministry have submitted:-

> "Government of India have identified Coal Bed Methane for development as one of the alternative sources of Hydrocarbon Energy in the near future. Ministry of Petroleum/DGH have with the help of Ministry of Coal identified few bocks in the

country for offer in the first round for exploration and development of CBM. Government of India, has offered 7 blocks from the States of West Bengal, Jharkhand, Madhya Pradesh and Rajasthan under first global round of bidding floated on 20.04.2001. The Model Contract, bid formats, Notice Inviting Offer & price list for different data package/dockets have been circulated. The bid closing date has been fixed as 31.8.2001. Meanwhile, road shows on CBM blocks have been made in New Delhi, Houston, and Denver in USA in May 2001 to promote the offer.

DGH is drawing up plans for carving out additional blocks in States like Gujarat, M.P. for offer in the next round of biddi9ng. The new areas like the sub thrust areas of Upper Assam, which is likely to contain sizeable resources of gassy seams within a depth of 1200-1500 mts., may also be the target of future exploration for CBM.

In addition to the above global offer, one CBM block in West Bengal in Raniganj coalfield has been awarded to M/s. GECL through FIPB route and another CBM bock in West Bengal has been given to ONGC on nomination basis. ONGC in Parbatpur area of Jharia Coal field and GECL in the Sough Western part of West Bengal have drilled a few boreholes for appraisal of CBM prospects. Preliminary studies have yielded encouraging results."

28. In regard to initiatives being taken by the Government for identification and development process of Gas Hydrates, the Ministry have informed:-

"For identification and development of National Gas Hydrate Resources, a Committee was constituted in1997. As recommended by the Committee, National Gas Hydrate Programme (NGHP) was formulated which was monitored by a Steering Committee.

Recently, the Steering Committee has been reconstituted under the Chairmanship of Secretary, MOP&NG and includes representative from relevant Ministries/Departments/Organisations and one expert in the field of hydrocarbon. A technical committee with DG(H) as the coordinator and comprising representative from Ministry/DGH/upstream and midstream NOCs and relevant research institute has been constituted to provide technical input for the steering committee. The technical committee has already identified potential areas of gas hydrates deposits along the east and west coast of India and in the Andaman Region. Five projects for gas hydrate related studies have also been cleared by the technical committee.

The steering committee on NGHP has reviewed the works of various agencies and the proposal of technical committee for furtherance of this national programme. Further geo-scientific studies for resource estimates by additional surveys in two identified areas is planned to be taken up soon."

29. The Committee are happy to note that the Government have taken some positive initiatives in the direction of exploration and production of Coal Bed Methane by offering bids for 7 identified blocks under the first global round of bidding. The bid closing date is over and process of finalisation of bids is going on. The Committee desire that the Government should ensure that the parties coming forward for exploration of CBM work under specific time frame so that no more time is lost in administrative matters. Simultaneously, the process to identify other blocks for next round of bidding should also continue with some specific time frame. The Committee also desire that the same approach for identification of potential areas of gas hydrates deposits in various regions should be followed up.

VII. Viability of Refineries in the North-East

(Recommendation Nos 15 & 16, Para Nos. 2.15 and 2.16)

30. The Committee had observed that Numaligarh Refinery was set up as grass root refinery in Assam and it had become fully operational since July, 2000. They had also noted that the refinery had managed their whole finance except an amount of Rs. 72 crores earmarked for public issue. The Committee welcomed the various initiatives taken by the Government to retain the viability of the refinery side by side found the one time financial assistance of Rs. 375 crores sought by NRL as justified one. Since Planning Commission had agreed to the proposal in principle, the Committee had desired that the Ministry of Petroleum & Natural Gas to take up the matter with Ministry of Finance at the highest level to convince them to provide the money in line with the assistance agreed to be provided earlier to the Assam Gas Cracker Project.

31. While going into the details of the problems being faced by the refineries of the North-East region the Committee had strongly recommended that the Ministry should ensure that

the Flat Transportation Surcharge Scheme continues in the Post-Administered Pricing Mechanism period so that the viability of refineries of Assam is not affected adversely.

32. The Ministry of Petroleum & Natural Gas has submitted the following details about justifying the present financial arrangements for NRL as sufficient one:-

> "As per the approved financing plan, an amount of Rs. 354 crores representing 39% of total equity was earmarked for public issue. Out of which 10% (Rs. 91 crores) each of the total equity was offered to the Oil Industry Development Board (OIDB) and Oil India Limited (OIL) respectively through private placement route. Both OIDB and OIL had subscribed their 10% share of equity each in NRL and accordingly, shares were allotted in favour of OIDB and OIL. Meanwhile the loan of Rs. 100 crore received from Government of India has been converted into a grant by the Government and this has been treated as part of shareholders fund. After taking into consideration of all above, untied portion of amount earmarked for public issue gets reduced to Rs. 72 crores. It may be noted that deferment of raising of Rs. 72 crores (balance amount earmarked for public issue) has not hampered the completion of the project. NRL is in constant touch with their lead managers which have already been appointed, so as to decided on an appropriate time frame during the year 2001-2002 for floating a suitable public issue.
>
> As regards, one Time Financial Assistance of Rs. 375 crores to NRL to off-set the inherent disadvantage of high cost of implementing a refinery project in Assam, the matter has been considered by Government. It is felt that with the reduction in the rate of interest on OIDB loan, conversion of the Central Government loan of Rs. 100 crores into grant and additional benefit from the excise duty concessions due to increase in the oil and product prices, NRL will be able to service the debts and make profits."

33. The Ministry have informed that they are proposing various steps including an amendment to the existing Transport Subsidy Scheme of 1971 being operated by Ministry of Industry to improve the viability of the refineries located in the North-East.

34. The Committee are not convinced with the justification given by the Ministry to support their feeling that with the present incentives the Numaligarh Refinery Limited will be able to service the debts and make profits. No doubt, the Government have given some relief to NRL by converting the Central Government loan of Rs. 100 crore into grant and some other benefits, but in Committee's view this cannot off-set the

inherent disadvantage of high cost of implementing a refinery project in Assam. The Committee are not in agreement with the Ministry of Petroleum & Natural Gas assessment for not granting the financial assistance of Rs. 375 crores to NRL. The Committee stick to their earlier recommendation and desire that since Planning Commission had agreed to the proposal in principle, the Ministry of Petroleum & Natural Gas must convince the Ministry of Finance for providing the amount so that the refinery may be able to survive under the tough conditions in the post-APM period. The Committee find such assistance as more necessary in the present situation when the company is planning for getting Rs. 72 crores through public issue which has not materialised due to very poor stock market conditions. The Committee also desire that other steps to protect the viability of North-East refineries should continue till these are achieved.

VIII. Availability of CNG in Delhi

(Recommendation No. 17, Para No. 2.17)

35. The Committee had noted that the availability of CNG in Delhi was not spread all over the city. Even at the places where CNG dispensing units were set up, dispensing pressure was very low with the result that there is long waiting intervals for gas filling. In view of that situation the Committee had urged the Government to pay special attention and make suitable arrangements to improve availability of CNG without any encumbrance.

36. The Ministry have submitted the following details explaining position of demand and availability of CNG in Delhi and the steps being taken to improve the situation:-

"The basic facts about CNG are as under:-

(i) The demand of CNG in the first week of June, 2001 was 1,85,183 kg/day as aginast the compression capacity of 2.30 lakhs kg/day.

(ii) As per current status, there are seventy-one CNG outlets operating viz., nine mother, sixteen on-line, thirty-eight daughter and eight daughter-booster stations.

(iii) Zone wise details are as follows:-

East	-	09
Central	-	11
North	-	12
South	-	31
West	-	08

To enhance the dispensing capacity of CNG dispensing units and to make CNG available in Eastern and Western part of Delhi, the following steps have been/are being taken, as a result of which the compression capacity which was 1.96 lakh kg/day on 1st March 2001, rose to 2.30 lakh kg/day on 1st June, 2001. This will further go up to 2.38 lakh kg/day by 1st July, 2001.

(a) Three new stations i.e. one each mother, on-line and daughter stations have been set up since March, 2001 at Vasant Vihar DTC Depot, Dheerpur and Rohtak Road respectively. The total number of CNG outlets at DTC depots are now four.

(b) Additional five daughter stations have been converted to daughter-booster since March, 2001.

(c) By September, 2001, the total number of stations at DTC Depots would be nine. A phased programme to convert the existing daughter stations to daughter booster stations has been initiated. Tenders have already been invited for fifty-eight compressors (forty-six of 1200 SCMH capacity and twelve of 2500 SCMH capacity).

(d) To meet the demand of CNG in East and West Delhi, preference is being given to convert the daughter stations in these two zones to daughter booster stations at the earliest.

(e) In addition, plan is there to lay pipelines connecting Dhaula Kuan to GT Karnal Road through West, which would help in installation of Mother and on-line stations in West Delhi. Tenders have already been floated and bids obtained for procurement of pipes.

(f) The problem of queues has considerably eased as the filling of cascades from DTC Depots, not allowed earlier, has since been permitted. This would enhance the availability of CNG at Daughter stations and ease pressure on the current twenty-five highly burdened on-line/mother stations.

(g) After a study of 140 existing petrol/diesel retails outlets for the purpose of co-location of CNG outlets forty-eight outlets have been found suitable for such co-location. Efforts will be made to set-up CNG outlets in the petrol/diesel outlets so identified."

37. The Committee are not satisfied with the reply of the Government to justify that the availability of CNG in Delhi has improved and the problem of queues has been eased. In Committee's view the problem has become more complex in the recent past. There are long queues of Autos, Taxis and Buses on the CNG Outlets and almost every day some new problem appears in this connection. The Committee note that Ministry's reply is datelined as 20th August, 2001 wherein it has been mentioned that compression capacity would go up to 2.38 lakh kg/day by 1st July, 2001. The Committee regret to observe that Ministry has not cared to update its reply which indicates the seriousness, the Ministry has over the issue.

The Committee further note that CNG Outlets are not evenly spread all over Delhi. In East, Central and West Zones combined together, there are only 28 Outlets i.e. less than 31 in the South Zone. The Committee would like this problem of uneven distribution of LPG zone-wise to be looked into and remedial action initiated. The Committee would like the Government to take immediate steps to improve the dispensing pressure of filling stations so that the present CNG dispensing units become able to work properly. Simultaneously, the Committee desire that the Government should clarify their stand about actual availability of CNG before the Delhi Government and before the Court so that the confusion and uncertainty prevailing in the national capital is removed.

IX. Refining capacity addition and new refineries

(Recommendation No. 19, Para No. 2.19)

38. The Committee had noted that the refining capacity was targeted to increase from 61.55 MMT in 1997-98 to 113.95 MMT by terminal year of the Ninth Plan. The Committee had observed that as per the present estimate the refining capacity may go upto 129.04 MMT by the end of the Ninth Plan which includes 43.3 million tonnes capacity in private sector, 17.30 million tonnes in public sector and 6.00 million tonnes in joint sector. While observing that one the one side the major capacity addition was from a refinery in private sector, on the other side the public sector Bina Refinery has not yet materialised and is still at the preliminary stage of development. They had asked the public sector to take a lesson from the private sector and try to work as per the fixed time frame and without time and cost over-runs. They had noted that the finalisation of projects relating to modernisation or capacity expansion or establishment of new refineries were taking too much time in getting the environmental clearance and clearance of the projects at Ministry level. The Committee had desired that they should not create administrative hurdles in such important projects.

39. The Ministry have informed about the present status of environmental clearance of Bina Refinery as under:-

> "Implementation of Central India Refinery Project at Bina (Madhya Pradesh) has been delayed due to delay in receipt of certain environment clearances. All environmental clearances for the project have been received. However, on 05.10.2000 Chief Wildlife Warden, Government of Gujarat had restrained Bharat Oman Refineries Limited (BORL) for laying of the pipeline between Singh Point Mooring and Crude Oil Terminal, which passes through a marine sanctuary at Vadinar in Gujarat. The said restraint letter is yet to be withdrawn/modified by Government of Gujarat. Continuous efforts are being made for removal of this hold."

40. The Committee take a serious note of poor progress in implementation of Central India Refinery Project at Bina in Madhya Pradesh. This refinery is one of the three Joint Sector refineries announced by the Ministry in 1993. It was scheduled to

take off in 1995 but it has yet to receive environmental clearance. The Committee do not find any justification in being restrained by the Gujarat Government for laying the pipeline through marine sanctuary at Vadinar for BPCL and permission to the private sector refinery to lay the pipeline from the same region. The Committee would like to be apprised of the action taken by BPCL and the Ministry during the last one year in getting the restraint vacated. The Committee wish that the clearance is granted immediately. However, in case the problem persists beyond 31st December, 2001, Ministry should bring this matter to the notice of this Committee as an exclusive issue. The Committee find some lacunae on the part of the proposed refinery project and desire that they should try to take the clearance from the Gujarat Government on the same lines in the shortest possible time so that there is no further inordinate delay in implementation of the project and the cost escalation due to pending environmental clearance.

X. Working of Dealer Selection Boards

(Recommendation No. 22, Para 2.22)

41. The Committee had noted that oil marketing companies had envisaged setting up of 1478 LPG distributorships during 9th Plan period and as on 1.10.2000 they had been able to develop only 904 LPG distributorships. Similarly, against the setting up of 3018 Retail outlets only 1066 Retail outlets had been commissioned. They had noted that the Government had a plan to release 130 lakh LPG connections during the year 2001 that too in smaller towns or rural distributorships out of 2873 new distributorships proposed to be set up in different parts of the country. The Committee had not considered it as a practical approach since on one side they were releasing large number of connections and on the other side the process of allotment of dealerships was very slow. Therefore, the Committee had urged the Government to ask the oil companies and Dealership Selection Boards to expedite the process of allotment of LPG distributorships and also the setting up of Retail Outlets so that the consumer may not suffer more due to their reluctant approach.

42. In regard to the ongoing selection process of LPG distributorship, RO dealerships and SKO/LDO dealerships the Ministry have stated:-

> "For speeding up the selection of candidates for allotment of LPG distributorships, RO dealerships and SKO/LDO dealerships, 59 Dealer Selection Boards (DSBs) have been constituted. The DSBs have started conducting interviews from June, 2000.
>
> With regard to selection of candidates for LPG distributorships, a total of 2873 locations were pending for appointment of distributors, on industry basis, as of June, 2000. Out of these, 2459 locations have been advertised and interviews for 875 locations have been conducted so far. LOIs have been issued for 644 locations.
>
> To expedite the process of allotment of rural LPG distributorships, Dealer Selection Boards (DSBs) have been advised to hold interview for rural LPG distributorships in preference to ROs/Urban distributorships, etc. so that in a specific time limit, all the pending applications for rural LPG distributorships could be disposed off.
>
> Except for brief periods of suspension of selection process on account of complaints, natural calamities in Gujarat and elections to State Assemblies and local bodies, there has been steady progress in the selection process by DSBs. Frequent complaints and court cases with regard to selection of candidates have also slowed down the process of allotment of LPG distributorships/RO dealerships."

43. The Committee are not satisfied with the pace of allotment of LPG distributorships, RO dealerships and SKO/LDO dealerships in the States. 59 Dealer Selection Boards have started the selection of candidates since June, 2000 and interviews have been conducted for LPG distributorships at 875 locations only. The Committee treat this progress as dismal one and desire that the process of allotment of LPG distributorships and RO/SKO/LDO dealerships particularly in rural areas should be expedited. The Committee also desire that the Dealer Selection Boards should be asked to work strictly under the laid down guidelines so that the selection process is not hampered due to frequent complaints and court cases. The Committee also find that various Retail Outlets and LPG Distributorships are working under benami transactions. The Committee desire that such establishments should be identified and necessary punitive action as per guidelines be taken early.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 3, Para No. 2.3)

The Committee observe that the Government of India had invited bids under the first round of NELP in January, 1999. In this phase a total of 48 blocks (12 onland blocks, 26 shallow water blocks and 7 deep water blocks in the East coast beyond 400 m isobath) were offered. Of these, 25 blocks were awarded. The bids for NELP-II for 25 blocks have also been obtained and the Ministry has informed that NELP-III is expected by September, 2001. The Committee are satisfied to note that due to the steps being taken by the Government to deregulate the petroleum sector and good data availability of survey work, the Government has been able to convey the message to the international companies that there are tremendous investment opportunities in exploration and production of hydrocarbons in the country. This can be judged from the response of oil companies to the first NELP round. The Committee urge upon the Government to render all possible opportunities for interested players and extend assistance for the growth of petroleum sector to eliminate the increasing gap between demand and supply of oil and gas.

Reply of the Government

The Government of India has taken a number of steps for promotion of the petroleum (upstream) sector. The major efforts towards this direction is aimed at increasing and accelerating the exploration coverage of Indian sedimentary basins including frontier and deep water areas, optimising recovery from producing fields, special thrust in obtaining equity oil/gas from overseas acreages and development of unconventional gas resources.

The two national oil companies (NOCs) *viz.* Oil and Natural Gas Corporation Limited (ONGC) and Oil India Limited (OIL) have elaborate plans to continue exploration in various sedimentary basins. Both these companies have re-cast the exploration plan during the ongoing IXth plan with enhanced input in the form of survey and drilling.

Additionally, these efforts of the National Oil Companies (NOC) are being supplemented by Private parties in the signed pre-NELP bid blocks and 24 blocks signed in the first round of New Exploration Licensing Policy (NELP-I). Under the NELP-II, bids for 23 blocks out of 25 blocks offered have been received and are under evaluation/ processing. These along with another round of NELP expected to be offered in the current year would help in accelerating exploration in the sedimentary areas of India both onshore and offshore including deep water areas. In the medium term, continual offer of exploration acreages under future NELP rounds and open acreage system wherein both private companies and NOC's will participate will provide further exploration input.

MOP&NG is giving special thrust for extensive exploration activities in frontier basins through NOCs and participation of private parties for ensuring enhancement in physical inputs in the Indian sedimentary basins. One of the NOCs – ONGC is currently active in exploration in many of the frontier basins and under a special licensing arrangement in deep water areas wherein formation of strategic alliance with technology rich international companies has been permitted.

The Government of India is also focusing on optimising the recovery from currently producing fields through technology support, improved reservoir engineering and production practices and Enhanced Oil Recovery (EOR)/Incremental Oil Recovery (IOR) methods. Currently, the NOCs have already implemented EOR schemes particularly in heavy oil belt in Gujarat and fields of Upper Assam. Major producing fields have been also been identified for implementation of various EOR/IOR schemes (including re-development of the giant Mumbai High field) by both the NOCs.

As a part of Government's initiative to quickly bring in the discovered fields onto production, technology induction, foreign capital investment and eventual increase in production, two rounds of development of small and medium sized discovered fields were offered for private/JV companies' bidding. Under this programme in addition to the earlier signed Production Sharing Contracts (PSCs) for discovered fields, PSCs for 9 discovered fields (8 in Gujarat and 1 in Assam) have recently been signed on 23.2.2001.

For supplementing the efforts of E&P activities in Indian acreages, the Government of India is also encouraging participation in E&P activities in overseas acreages by the NOCs. ONGC Videsh Limited (OVL) is already active in acquiring exploration acreages and producing properties overseas.

Government of India is also encouraging and promoting exploration of unconventional gas resources like Coal Bed Methane (CBM) and Gas hydrate. ONGC is already engaged in exploration for CBM in Damodar Valley area (Jharia & Raniganj) in eastern India. A CBM block in Raniganj area has also been allotted to M/s Great Eastern Energy through FIPB route. Recently, seven blocks for CBM exploration and development have been offered by Government of India for global competitive bidding. To this effect, a promotional road show on offer of CBM blocks was organised in Delhi in May, 2001. Arrangements had also been made for road shows on CBM blocs in Houston, and Denver in USA in May 2001 to promote the offer. Bid closing date for the CBM blocks had been kept as August 31, 2001. For the development of Gas hydrates, the technology for commercial exploitation is still at R&D stage world over. A technical committee comprising of representatives from MOP&NG, DGH, Upstream NOCs and relevant R&D institutes under the recently re-constituted Steering Committee headed by Secretary (PNG) is formulating road map for furtherance of gas hydrate exploration in India.

[Ministry of Petroleum and Natural Gas OM NO. G 25015/10/2000 Fin I dated 20.8.2001]

Recommendation (Sl. No. 4, Para No. 2.4)

The Committee note that the domestic crude oil production was 31.93 MMT and gas production was 28.47 Billion Cubic Metres in 1999-2000. The domestic crude availability is mainly distributed in three regions *i.e.* Mumbai offshore accounting to about 59% of the availability, Gujarat accounting to about 18% and Assam amounting for about 16%. The balance crude production comes from offshore areas of Andhra Pradesh and Tamil Nadu and from onshore area of Arunachal Pradesh. In the last several years there is no major accretion. The accretion to hydrocarbon in place by ONGC and OIL has also been very low as compared to the targets. Some accretion has taken place mainly due to private sector participation in discovered fields which is nominal. If no major accretion occurs in the next few years, the reserve/production ratio would fall. The Committee desire that ONGC and OIL should pursue the accretion process vigorously so that demand and production gap is eliminated totally.

Reply of the Government

(i) ONGC

ONGC's exploration strategy focuses on field growth and establishment of new plays/sectors in producing basins and spreading of exploration into new areas in order to enhance the pace of reserve accretion. Exploration in focussed areas has been prioritised for the quick realization of the full hydrocarbon potential from the leads obtained in recent years and at the same time to open up new areas for a break through.

During the IX five-year plan, it was envisaged to accrete 523-722 MMT O + OEG (original) and 678.05 MMT O + OEG (revised) of In-place volume of hydrocarbon. During the last four years ONGC has accreted about 339 MMt (O+OEG) of In-place volume of hydrocarbon.

Exploratory efforts are being made for quick realization of full potential of the identified leads. Apart from this, a major contribution of reserve accretion has also come from the field growth/field extension in the existing structures like Pasarlapudi in Krishna Godavari; Geleki, Khoraghat, and Nambar in Upper Assam and Linch, Jotana, North Kadi, Wasna, & Nawagam in Cambay basin.

Apart from the efforts in the PEL areas, ONGC will take up the emerging NELP regime as an opportunity to enhance its reserve accretion portfolio through all the avenues by enabling technology and expertise convergence.

(ii) OIL

The In-place hydrocarbon accretion of OIL is estimated to be around 68 MMT of oil plus oil equivalent of gas during the first four years of IX plan. As against the original target of 140 MMT and revised target of 91 MMT. However, OIL has been able to maintain the Reserve Replacement Ratio (RRR) of over unity.

OIL has plans to further intensify its exploratory efforts covering South & North Bank of River Brahmaputra, Brahmaputra River Bed, Hilly terrain, Belt of Schuppen etc. in Assam, Jaisalmer and Bikaner-Nagaur Basin in Rajasthan, Ganga Valley Basin, U.P., Saurashtra Offshore, Cauvery Offshore and in the future NELP exploration blocks where OIL will participate and become successful to get the award.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin I dated 20.8.2001]

Recommendation (Sl. No. 5, Para No. 2.5)

The Committee note that during the 9th Plan ONGC has drilled only six wells so far in deep water regime despite of recognising it as an area of special attention by the Planning Commission. In the Ninth Plan period under NELP also they have acquired some exploration contracts. After Mumbai High there is no major exploration from their side. Considering the technological advancement and increasing importance of exploration and development of deep water prospects world over, the Committee desire a comprehensive action plan by prepared for survey and these activities may be accelerated both in NELP and Non-NELP areas. The Committee are not satisfied with the acquisition of deep water drilling capability of ONGC and desire that ONGC should expand its deep water portfolio to the maximum level and explore the maximum potential available in deep water areas by using their long experience in this field. The Committee note that the level of self-sufficiency in indigenous production of crude oil during 2000-01 taken as percentage of refining crude throughout has been about 30% only and our import bill has been increasing continuously. Considering the widening gap between demand and supply of oil and gas, the Committee have a strong opinion that acquisition of equity oil from abroad may be an important plank to achieve the oil security for the country. ONGC Videsh Limited has taken initiatives in this direction. The Committee desire that all the National Oil Companies should utilise all such opportunities, which can provide the oil security to the country. The Committee also desire that the Ministry should encourage and provide maximum autonomy to the companies participating in exploration and production opportunities in other countries with an objective of helping the country achieving oil security. For this purpose the fiscal incentives and assistance through OIDB may also be provided to them.

Reply of the Government

ONGC upgraded one of its drillships Sagar Vijay with drilling capacity up to 900m water depth which was inline with the available released deepwater locations. Action has also been taken to further enhance the water depth capability to drill in upto 1000 m water depth.

ONGC is operating in 13 deepwater acreages in Kutch, Mumbai, Kerala-Konkan, Cauvery, Krishna-Godavari and Mahanadi basins, of which three acreages were acquired through participation in competitive bidding in the first round of NELP-1999. It has plans to expand its deepwater portfolio further through acreage acquisition in various NELP rounds. ONGC has also participated in NELP-II round and bid for six out of eight deepwater blocks offered by the GOI.

GOI has also extended NELP fiscal terms to 6 deep water PEL acreages of ONGC to facilitate formation of strategic alliance with foreign companies having experience in exploration and exploitation in deepwater regime. ONGC has already initiated action to negotiate with such companies. This opportunities may also help ONGC in upgrading its deepwater drilling capacity.

The above efforts in conjunction with deepwater drilling in higher water depth areas is envisaged to enable ONGC to expand its deep water portfolio to a great extent.

As regards acquisition of equity oil from abroad, MOP&NG is encouraging and facilitating various companies to acquire exploration and/or production acreages in other focused countries.

[Ministry of Petroleum and Natural Gas, OM NO. G 25015/10/2000 Fin. I, dated 20.8.2001]

Recommendation (Sl. No. 9, Para No. 2.9)

The Committee note that main reason for under utilisation of the funds during the Ninth Five Year Plan is due to non-implementation of projects relating to expansion and modernisation of existing refineries as well as setting-up of certain new refineries. Proposal for expansion and modernisation programme of CPCL received final approval of the Government in 2000. The same programme of Kochi Refineries is still under consideration of the Government. The new grass root refineries such as East Indian Refinery Project at Paradip. Orissa being implemented by IOC, Punjab Refinery Project at Bhatinda being implemented by HPCL and Central Indian Refinery at Bina being implemented by BPCL were initially planned to be set up as Joint Venture with International companies during plan period. Since the partners backed out at the crucial stages of implementation and the indigenous promoters could not decide timely the future course of action all this resulted in cost and time over-runs and now the companies have started proceeding independently. The Committee urge that since the Undertakings attached with these project are able companies in every respect, at this stage, the Government should provide all the required assistance for successful commissioning of these projects in the shortest possible time. The Committee also desire that the expansion project of Kochi Refinery should be approved as soon as possible.

Reply of the Government

The Paradeep Refinery project of Indian Oil Corporation Limited in Joint Venture with the Kuwait Petroleum Corporation (KPC) was approved by the Government in July, 1998. Since KPC has withdrawn from the project in January, 2000, IOC is alone implementing the project. This Refinery is expected to be commissioned by 2003-2004 and will cost around Rs. 8300 crores. All necessary assistance would be provided to the oil refining companies for successful completion of the projects.

In October, 2000 Government had permitted HPCL to execute the 9 Million Metric Tonnes Per Annum (MMTPA) Refinery Project along with associated facilities in Bhatinda in Punjab, through a 100% subsidiary company of HPCL, after tying up funding for the project. HPCL was to induct a Joint Venture partner into the project, if so required, subsequently. Accordingly, a fully owned subsidiary company of HPCL with the name of "Guru Govind Singh Refineries Limited" (GGSRL) was formed in December, 2000 for execution of the project. Preliminary work relating to execution of the project is in progress. Approval of the Government to the proposal of HPCL for raising additional equity capital to implement GGSRL has also been conveyed in June, 2001.

In view of the decision of Oman Oil Company (OOC) to limit their investment in Central India Refinery Project at Bina (Madhya Pradesh), a proposal is under consideration to permit Bharat Petroleum Corporation Limited (BPCL) to execute the refinery project along with related crude import/transportation facilities, through Bharat Oman Refineries Limited (BORL), with reduce equity contribution by OOC and with an enhanced equity contribution of BPCL, upto a maximum of 50% of the total equity of BORL. BPCL would, in parallel, make efforts to identify additional joint venture partner into the project.

As regards Expansion-cum-Modernisation Project of Kochi Refineries Limited (KRL) from 7.5 MMTPA to 13.5 MMTPA, after the receipt of PIB approval in this regard, Government equity in KRL has been transferred to BPCL, which being a Navratna PSU, is competent to take capital investment decisions. This Ministry received to request from BPCL to drop the proposal of KRL. Accordingly, it has been decided to drop the subject proposal.

[Ministry of Petroleum and Natural Gas OM NO. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please see Para No. 21 of Chapter of the Report)

Recommendation (Sl. No. 11, Para No. 2.11)

The Committee observe that with ever increasing dependence on petroleum imports due to relatively stagnant domestic products and spiralling growth in demand, there is an urgent need of encouraging the development of alternative resources of hydrocarbons. With this view Coal Bed Methane and Gas Hydrates are identified as very important alternatives. The Committee observe that the policy for exploration and exploitation for harnessing Coal Bed Methane was approved by the Government in July, 1997 after that no commercial production has started till date. Secretary in the Ministry of Petroleum & Natural Gas has informed that they have identified certain blocks now and bids would be offered soon. The Committee desire that the Ministry should immediately start the process in this regard and the parties coming forward should be asked to work under some specific time frame since significant time has already been rolled by. Simultaneously, more blocks should be identified for the next phase of exploration and exploitation process of CBM.

Reply of the Government

Government of India have identified Coal Bed Methane for development as one of the alternative sources of Hydrocarbon Energy in the near future. Ministry of Petroleum/DGH have with the help of Ministry of Coal identified few blocks in the country for offer in the first round for exploration & development of CBM. Government of India, has offered 7 blocks from the States of West Bengal, Jharkhand

Madhya Pradesh and Rajasthan under first global round of bidding floated on 20.4.2001. The Model Contract, bid formats, Notice Inviting Offer & price list for different data package/dockets have been circulated. The big closing date has been fixed as 31.8.2001. Meanwhile, road shows on CBM blocks have been made in New Delhi, Houston, and Denver in USA in May, 2001 to promote the offer.

DGH is drawing up plans for carving out additional blocks in States like Gujarat, M.P. for offer in the next round of bidding. The new areas like the sub thrust areas of Upper Assam, which is likely to contain sizeable resources of gassy seams within a depth of 1200-1500 mts., may also be the target of future exploration for CBM.

In addition to the above global offer, one CBM block in West Bengal in Raniganj coalfield has been awarded to M/s. GECL through FIPB route and another CBM block in West Bengal has been given to ONGC on nomination basis. ONGC in Parbatpur area of Jharia Coal Field and GECL in the South Western part of West Bengal have drilled a few boreholes for appraisal of CBM prospects. Preliminary studies have yielded encouraging results.

[Ministry of Petroleum and Natural Gas 'OM NO. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 29 of Chapter I of the Report)

Recommendation (Sl. No. 12, Para No. 2.12)

The Ministry has informed that the technologies for commercial production of gas hydrates are still at research and development stage. The other fuels identified have been launched as pilot projects. The Committee observe that the gas hydrates will be an important source of hydrocarbon energy in future and there is numerous potential offshore areas of gas hydrate accumulation within India's Exclusive Economic Zone. The Committee, therefore, urge the Government to implement the National Hydrate Programme and expedite the R&D studies in progress to develop vas resources of gas hydrates of the country so that this alternate source can be utilized properly.

Reply of the Government

For identification and development of National Gas Hydrate Resources, a committee was constituted in 1997. As recommended by the Committee, National Gas Hydrate Programme (NGHP) was formulated which was monitored by a Steering Committee.

Recently, the Steering Committee has been reconstituted under the Chairmanship of Secretary, MOP&NG and includes representative from relevant Ministries/departments/organizations and one expert in the field of hydrocarbon. A technical committee with DG (H) as the coordinator and comprising representative from Ministry/DGH/upstream and midstream NOCs and relevant research institute has been constituted to provide technical input for the steering committee. The technical committee has already identified potential areas of gas hydrates deposits along the east and west coast of India and in the Andaman Region. Five projects for gas hydrate related studies have also been cleared by the technical committee.

The steering committee on NGHP has reviewed the works of various agencies and the proposal of technical committee for furtherance of this national programme. Further geo-scientific studies for resource estimates by additional surveys in two identified areas is planned to be taken up soon.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 29 of Chapter I of the Report)

Recommendation (Sl. No. 13, Para No. 2.13)

The Committee note that the Ministry of Petroleum & Natural Gas is mainly a PSU based Ministry. They also find the most of the PSUs under this Ministry are self-dependent and as such their financial needs are not reflected in the Budget/Demands for Grants of the Ministry. These PSUs manage their finance either through internal resources or extra-budgetary resources or through loans etc. from prime financial institutions of the country or external resources. The Demands for the year 2001-02 have been placed at Rs. 721 lakhs under the Revenue Section. There is no provision under Capital Section. The marginal increase in expenditure is mainly on the account of general increase in the prices of goods and services. Since the Demands of the Ministry are very low, the Committee accept the same in view of justification given by the Ministry in this regard.

The Committee, however, desire that Ministry should try to keep the expenditure within the sanctioned Budget of the Ministry and should follow all the instructions of the Ministry of Finance to effect economy particularly in non-Plan expenditure.

Reply of the Government

It will be ensured that sincere efforts will be made to keep the expenditure within the sanctioned budget for this year 2001-2002.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000
Fin. I, dated 20.8.2001]

Recommendation (Sl. No. 17, Para No. 2.17)

The Committee note that the availability of CNG in Delhi is not spread all over the city. Even at the places where CNG dispensing units have been set up, dispensing pressure is very low with the result that there is long waiting intervals for gas filling. The Committee, therefore, urge the government to pay special attention to this and make suitable arrangements to make availability of CNG without any encumbrance.

Reply of the Government

The basic facts about CNG are as follows:

The demand of CNG in the first week of June 2001 was 1,85,183 kg/day as against the compression capacity of 2.30 lakhs kg/day.

II. As per current status, there are seventy-one CNG outlets operating *viz*, nine mother, sixteen on-line, thirty-eight daughter and eight daughter-booster stations.

III. Zone-wise details are as follows:

East	9
Central	11
North	12
	31
	8

To enhance the dispensing capacity of CNG dispensing units and to make CNG available in Eastern and Western part of Delhi, the following steps have been/are being taken, as a result of which the compression capacity which was 1.96 lakh kg/day on 1st March 2001, rose to 2.30 lakh kg/day on 1st June 2001. This will further go up to 2.38 lakh kg/day by 1st July 2001.

(a) Three new stations i.e. one each mother, on-line and daughter stations have been set up since March 2001 at Vasant Vihar DTC Depot, Dheerpur and Rohtak Road respectively. The total number of CNG outlets at DTC depots are now four.

(b) Additional five daughter stations have been converted to daughter-booster since March 2001.

(c) By September 2001, the total number of stations at DTC Depots would be nine. A phased programme to convert the existing daughter stations to daughter booster stations has been initiated. Tenders have already been invited for fifty-eight compressors (forty-six of 1200 SCMH capacity and twelve of 2500 SCMH capacity).

(d) To meet the demand of CNG in East and West Delhi, preference is being given to convert the daughter stations in these two zones to daughter booster stations at the earliest.

(e) In addition, plan is there to lay pipelines connecting Dhaula Kuan to GT Karnal Road through West, which would help in installation of Mother and on-line stations in West Delhi. Tenders have already been floated and bids obtained for procurement of pipes.

(f) The problem of queues has considerably eased as the filling of cascades from DTC Depots, not allowed earlier, has since been permitted. This would enhance the availability of CNG at Daughter stations and east pressure on the current twenty-five highly burdered on-line/mother stations.

(g) After a study of 140 existing petrol/diesel retails outlets for the purpose of co-location of CNG outlets forty-eight outlets have been found suitable for such co-location. Efforts will be made to set-up CNG outlets in the petrol/diesel outlets so identified.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 37 of Chapter I of the Report)

Recommendation (Sl. No. 20, Para No. 2.20)

The Committee note that the oil industry had drawn up a programme to set up 14 number of product pipelines during Ninth Plan period in addition to two pipelines under construction carried over from VIII Plan. In May, 1997 M/s. Petronet India Limited a Non-Government JV holding company was set up to undertake the work expeditiously. Till date Petronet has commissioned only Vahar-Kandla product pipeline only. As per the current outlook capacity addition of 32.45 MMTPA (1572 Kms.) is expected during Ninth Plan against the proposal of 65 MMT. The Committee are not satisfied with this type of progress particularly when there is a need of establishing more pipelines to handle the continuously increasing quantity of production of refined petroleum products. The Committee desire that the companies participating in Petronet India Limited should take all initiatives to start the work on all the proposed project and complete these in the shortest possible time. GAIL should also undertake the work pending with them to complete these during the stipulated time frame.

Reply of the Government

The carryover pipelines from VIII Plan to IX Plan *viz.* Mumbai-Manmad and Visakha-Vijayawada have since been completed and commissioned.

Petronet India Limited (PIL) has already commissioned Sikka-Kandla section of Vadinar-Kandla pipeline. PIL is anticipating completion of two ongoing project *viz.*, Cochin-Karur and Mangalore-Bangalore pipeline by end of IX plan making aggregate capacity of PIL pipelines as 15.0 MMTPA.

Action have already been taken by the industry/Petronet India Limited for construction of the planned pipelines. However, due to delay in implementation of certain planned refinery projects, due to various reasons, the work on linked pipelines could not be taken up.

As far as GAIL is concerned, the Jamnagar-Loni LPG pipelines project has already been completed ahead of schedule. Efforts would be made to ensure that any new projects undertaken by GAIL are completed within the approved schedules.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Recommendation (Sl. No. 22, Para No. 2.22)

The Committed note that oil marketing companies have envisaged setting up of 1478 LPG distributorships during 9th Plan period and as on 1.10.2000 they have been able to develop only 904 LPG distributorships. Similarly, against the setting up of 3018 Retail outlets only 1066 Retail outlets have been commissioned. The Committee find that this type of approach of the Oil Companies is not in consonance with the tall claim of the Government of releasing 120 lakh LPG connections against the target of 100 lakh numbers during the year 2000-01. They have a plan to release 130 lakh LPG connections during the year 2001 that too in smaller towns or rural areas. For this, it is envisaged to set up 540 exclusive rural distributorships out of 2873 new distributorships proposed to be set up in different parts of the country. The Committee have an opinion that the Government should take practical approach. On one side they are releasing large number of connections and on the other side the process of allotment of dealerships is very slow. Under these circumstances the oil companies may not be able to handle the customers. The Committee, therefore, urge the Government to ask the oil companies and Dealership Selection Boards to expedite the process of allotment of LPG distributorships and also the setting up of Retail Outlets so that the consumer may not suffer more due to their reluctant approach.

Reply of the Government

For speeding up the selection of candidates for allotment of LPG distributorships, RO dealerships and SKO/LDO dealerships, 59 Dealer Selection Boards (DSBs) have been constituted. The DSBs have started conducting interviews from June, 2000.

With regard to selection of candidates for LPG distributorships, a total of 2873 locations were pending for appointment of distributors, on Industry basis, as of June, 2000. Out of these, 2459 locations have been advertised and interviews for 875 locations have been conducted so far. LOIs have been issued for 644 locations.

To expedite the process of allotment of rural LPG distributorships, Dealer Selection Boards (DSBs) have been advised to hold interview for rural LPG distributorships in preference to ROs/Urban distributorships, etc. so that in a specific time limit, all the pending applications for rural LPG distributorships could be disposed off.

Except for brief periods of suspension of selection process on account of complaints, natural calamities in Gujarat and elections to State Assemblies and local bodies, there has been steady progress in the selection process by DSBs. Frequent complaints and court cases with regard to selection of candidates have also slowed down the process of allotment of LPG distributorships/RO dealerships.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 43 of Chapter I of the Report)

CHAPTER III

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

Recommendation (Sl. No. 2, Para No. 2.2)

The Committee further observe that the Ninth Plan has emphasised a change in exploration strategy in order to boost the domestic production which includes extensive exploration in all the basins, use of 3D-technology for seismic survey and exploration in deep waters in the North Brahmaputra and frontier areas. India is endowed with 26 sedimentary basins along with deep water sedimentary areas. Almost two-third of country's sedimentary area still remains either unexplored or poorly explored. The Directorate General of Hydrocarbons has recently undertaken geo-scientific work in less-explored and virgin areas of the country to upgrade information so that such areas could be opened for exploration in future. As a result of surveys carried out by DGH several blocks have been identified for the first time in the country. The Committee appreciate the exploratory efforts of DGH made during the last few years. The Committee desire that DGH must undertake the survey/exploratory work in all the 26 basins of the country. Simultaneously, the Committee also desires that the Government should help DGH in all respect including provision of funds etc. so that they may obtain the latest available technology to carry survey and super speciality computing facility for analysis of available data. In Committee's view, this would facilitate the smooth functioning of such a specialised technical agency with such varied responsibilities. It is necessary since without data having excellent quality and authenticity, the external agencies would not be attracted in the high risk business of exploration and production.

Reply of the Government

With a view to upgrade the fragmentary geological information as well as for broad assessment of hydrocarbon potential of the unexplored or poorly explored areas of sedimentary basins including deep waters, DGH has carried out reconnaitory/regional geophysical surveys *viz.*, satellite gravity in western and eastern offshore, aeromagnetic in Kutch offshore & onland and magneto telluric surveys in Nagpur-Wardha Belgaum areas.

Based on the seismic coverage, 12 deep-water blocks were carved out for offer under 1st Round of NELP in 1999. Out of these, 7 blocks have been awarded to various E&P companies.

2D seismic data acquired in 2 onland blocks, each located in Ganga Valley & Vindhyan Basins has brought out several strati-structural plays. These blocks were offered under NELP-II and processing of bid received for 1 block is under progress. This will be followed by the award of the block to the successful bidder and signing of PSC.

In addition to above, action is in hand to conduct various seismic surveys (that are either under execution or planned in the near future) in offshore/deepwater areas of southern tip of India, East Coast, Andaman sea, West Coast and onland Ganga basin. MT surveys are planned in Cambay-Kutch and Cachar Mizoram areas and Aeromagnetic surveys are envisaged in Himalayan foot hills and Punjab basin.

DGH is funded through OIDB grants as per the terms of reference of Government Resolution dated 8.4.1993 through which DGH was established.

With regard to technology and computing facilities for analysis of data, DGH has created the necessary infrastructure in terms of PCs and peripherals including state-of-the-art software for office automation, several standalone workstations in Client Server configuration for seismic interpretation which are equipped with state-of-the-art Geo-Quest software. However, periodic software and related hardware upgradation is a dynamic process to absorb technological developments and is undertaken as and when required. Sufficient funds will be available to DGH, for its activities, in future.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Recommendation (Sl. No. 8, Para No. 2.8)

The Committee observe that in the original Ninth Plan, the Plan outlay for petroleum sector was Rs. 81382.98 crores. It was revised to Rs. 78401 crores. Out of this, only an amount of Rs. 61805 crore is supposed to be spent by the end of this Plan. The Committee note that as per the present utilisation trend only 75% of the Plan outlay would be used. It is very surprising and sad also on the part of such important companies of Public Sector when they are not able to utilise even the allocated amount timely. They have deferred a large number of Plans and several projects are facing cost and time over-runs also. The Committee understand that there is some lacuna in planning system of these companies moreover, an excess time is being spent in administrative matters. Committee urge that the Government should improve on both the fronts so that no such situation arises in the next Five Year Plan.

(i) ONGC

The approved outlay for the IXth Plan of ONGC is Rs. 20199 crores. Actual expenditure in the first four years 1997-2001 is Rs. 16865 crores or 83% of the approved outlay. The budget for 2001-02 is Rs. 6077 crores and hence the total expenditure in the IXth Plan will exceed the approved outlay.

At the start of the IXth Plan, ten major projects costing more than Rs. 100 each were under various stages of implementation or approval. Of these ten, nine have been successfully completed. The modification work in the remaining project *viz.*, In-situ Combustion Balol Phase-II is likely to be completed by end of Sept. 2001.

Three other major projects were also conceptualised for initiation in the IXth Plan period for which tentative provision was made in the plan outlay. The Redevelopment Programme for Mumbai High field has been initiated and work is in progress, while the other two projects have been initiated.

(ii) OIL

The approved outlay for the IXth Plan of OIL is Rs. 2961 crores. Actual expenditure in the first four years 1997-2001 is Rs. 1753 crores or 59% of the approved outlay. The budget for 2001-02 is Rs. 800.01 crores and hence the total expenditure in the IXth Plan will be Rs. 2553 crores *i.e.*, around 86% of the approved outlay.

(iii) GAIL

The Plan outlay approved for the 9th Plan in respect of the Gas Authority of India Limited (GAIL) is Rs. 6417.95 crores. Against this, GAIL plans to incur an expenditure of Rs. 5914 crores which is around 81% of the approved outlay. The shortfall in the expenditure is not on account of delay in execution of GAIL's own projects. Some of the anticipated pipeline projects of GAIL could not be started as the end consumers failed to put up their plants. Further, the LNG projects on west-coast did not materialise on time as a result of which GAIL had to put their pipeline projects on hold.

Though the Oil Companies prepare a time-bound programme on review some of the projects have been dropped and due to delay in clearances in some of the projects like Central India Refinery Project of BPCL, Punjab Refinery Project of HPCL etc., the outlay could not be utilised. However, the oil companies would be requested to prepare time-bound programme for utilisation of plan amount to achieve the major objective set for 9th Plan and also for the next Five Year Plan.

The endeavour would be to utilise the funds to the maximum extent in the remaining years of the IXth Plan.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Recommendation (Sl. No. 14, Para No. 2.14)

The Committee have noted that the Ministry issues regular instructions to the PSUs/organisations under their administrative control to effect economy in their operations. However, the Committee are not satisfied with the trend of savings shown by major Undertakings during the last two years particularly in the context of their volume of production turnover/sales during the same period. They are achieving a saving of around 7.27% only which is below the Ministry of Finance instructions of a minimum savings of at least 10%. The Committee also note that the Government has included the cost control measures as one of the criteria for assessing the performance of PSUs. The Committee recommend that the Ministry should issue instructions to PSUs under their administrative control to effect economy as per the Government instructions and observe 10% mandatory cut on non-plan expenditure.

Reply of the Government

Ministry of Petroleum and Natural Gas, from time to time, have been issuing instructions and guidelines to PSUs and organisations under its administrative control for fiscal prudence, austerity measures and for economizing expenditure through various cost control measures. Half-yearly reports on the achievements made in this direction are received from the PSUs and organisations. As recommended by the Standing Committee, the oil sector PSUs and organisations have been directed again through a letter issued on 2.5.2001 to ensure that economy may be effected strictly as per the relevant economy instructions of the Government and to implement 10% mandatory cut on non-plan expenditure.

[Ministry of Petroleum and Natural Gas OM NO. G 25015/10/2001 Fin. I, dated 20.8.2001]

CHAPTER IV

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

Recommendation (Sl. No. 10, Para No. 2.10)

The Committee find that most of the projects relating to petroleum sector are delayed due to delay in environmental clearances. The Committee are unable to understand the reasons for such delays in case of PSUs of Petroleum Sector only when on the side the companies of Private Sector cross the similar hurdles comparatively in the shortest possible time. The Committee urge the Ministry to find out a way in consultation with the Ministry of Environment and Forests or concerned State Government authorities so that the projects are not held up due to long pending proposals relating to petroleum sector for environmental clearances in future.

Reply of the Government

The issue of exemption of environmental clearance to oil sector project was taken up with the Ministry of Environment & Forests (MoE&F) earlier. MoE&F indicated that the environmental clearance for 29 selected activities has been made statutory *w.e.f.* 27.1.94 only after taking into account the need for EIA for these projects. The oil sector broadly consist of the following categories of industrial operations:—

(i) Exploration and production of oil and gas.

(ii) Transportation & storage of crude oil and petroleum products.

(iii) Refining of crude oil to produce finished products.

2. The environmental impact of each project depends not only on the location of the project but also on the processes and operations involved in this industry. There are also possibilities of severe risk if proper mitigation measures are not taken in the early stages of the project. The production of oil/gas involves disposal of waste material and storage and transfer of the crude oil/gas through the pipeline.

The pipeline if it passes through ecologically sensitive area (s)/thickly populated area, comprehensive environmental management measures need to be taken. Oil refineries and related industrial complexes because of the very hazardous nature of the chemicals and operations involved, necessitate a detailed environmental examination in order to facilitate integration of suitable remedial measures. Hence MoE&F has not accepted the view that the oil sector be exempted from the purview of its environmental clearance.

No major project of ONGC, OIL and GAIL has been delayed in the recent past on account of delay in securing environmental clearances from the concerned authorities. Ministry of Petroleum & Natural gas interacts with the Ministry of Environment & Forests and concerned State Govt. while DG Hydrocarbons is involved for technical aspects.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 24 of Chapter of the Report)

Recommendation (Sl. No. 15, Para No. 2.15)

The Committee observe that Numaligarh Refinery has been set up as grass root refinery in Assam and has become fully operational since July, 2000. During the year 2000-01 the refinery is likely to process around 1.551 MMT of crude against the installed capacity of 3 MMTPA. The refinery has managed their whole finance except an amount Rs. 72 crore earmarked for public issue. Simultaneously, the Government has taken various initiatives to retain the viability of the refinery. The Committee expect that NRL would float their public issue at appropriate time during the current financial year. The Committee also find the one time financial assistance of Rs. 375 crores sought by NRL as justified one. The Committee appreciate the NRL management for commissioning the project without getting this genuine assistance. Since Planning Commission has agreed to the proposal in principle, the Committee desire that the Ministry should take up the matter with Ministry of Finance at the highest level to convince them to provide the money in line with the assistance agreed to be provided earlier to the Assam Gas Cracker Project.

Reply of the Government

As per the approved financing plan, an amount of Rs. 354 crores representing 39% of total equity was earmarked for public issue. Out of which 10% (Rs. 91 crores) each of the total equity was offered to the Oil Industry Development Board (OIDB) and Oil India Limited (OIL) respectively through private placement route. Both OIDB and OIL had subscribed their 10% share of equity each in NRL and accordingly, shares were allotted in favour of OIDB and OIL. Meanwhile the loan of Rs. 100 crore received from Government of India has been converted into a grant by the Government and this has been treated as part of shareholders fund. After taking into consideration of all above, untied portion of amount earmarked for public issue gets reduced to Rs. 72 crores. It may be noted that deferment of raising of Rs. 72 crores (balance amount earmarked for public issue) has not hampered the completion of the project. NRL is in constant touch with their lead managers which have already been appointed, so as to decided on an appropriate time frame during the year 2001-2002 for floating a suitable public issue.

As regards, one Time Financial Assistance of Rs. 375 crores to NRL to off-set the inherent disadvantage of high cost of implementing a refinery project in Assam, the matter has been considered by Government. It is felt that with the reduction in the rate of interest on OIDB loan, conversion of the Central Government loan of Rs. 100 crore into grant and additional benefit from the excise duty concessions due to increase in the oil and product prices, NRL will be able to service the debts and make profits.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000
Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 34 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 1, Para No. 2.1)

While analysing the performance of petroleum sector, the Committee observe that the Planning Commission has identified several areas of attention during the Ninth Five Year Plan (1997-2002). The Committee also observe that this included the acceleration of exploration efforts especially in deep off-shore areas, acquisition acreage abroad for equity oil, improvement in reservoir management deregulation of APM, import of LNG, creation of adequate refining capacity, upgradation of marketing and distribution activities, improvement in product quality etc. The Committee desire that the Government should take all possible steps for setting up of a regulatory mechanism and removal of administrative bottlenecks in this sector. No doubt, the Government has taken initiatives in almost all the directions but in Committee's view the progress is very slow and non-promising in all other fields except in expansion of refining capacity and that too due to entry of new players from private sector. The Committee also desire that the Government should prepare a time-bound programme in each case in such a manner that the objectives of identifying the areas of special attention by the Planning Commission is achieved to some extent in the last year of current Plan.

Reply of the Government

(a) Acceleration of exploration efforts in deep offshore areas

(i) Oil and Natural Gas Corporation Limited (ONGC)

ONGC holds 10 PEL blocks in deep water basins of east and west coast *viz.*, Krishna–Godavari, Cauvery, Kerala–Konkan, Mumbai offshore and Kutch basins. Additionally, ONGC has been awarded three deep-water blocks in Krishna Godavari and Mahanadi basins under NELP–I and work under Phase-I is in progress.

GOI has extended NELP fiscal terms to six deep water PEL acreages given to ONGC on nomination basis and also allowed formation of strategic alliance with foreign companies having experience in exploration and exploitation in deep water. ONGC, on its part, has upgraded one of its drillship Sagar Vijay for taking up of the exploratory drilling in deep water areas.

During 1999-2001, ONGC acquired 104983 LK of 3D and 4488 LK of 2D seismic in deep water areas. These data are under different stages of processing/interpretation to identify any drillable prospect(s).

In consonance with the thrust given on exploration in deep water during the IX five-year plan, ONGC has drilled seven exploratory wells in different deep water PEL areas. Of these, two wells, proved to be hydrocarbon bearing. Five prospects have been probed through these wells in deep water areas/environment in Krishna Godavari, Cauvery and Kerala Konkan basins. One more prospect GDAA in Krishna Godavari deep offshore has been taken up for drilling.

(ii) Oil India Limited (OIL)

In continuation of its efforts to accelerate exploration activities in their areas of operations, OIL has plans to further intensify its exploratory efforts during the current year by supplementing in-house 2D and 3D survey in the Upper Assam Basin and with contractual 2D and 3D survey to cover logistically difficult areas like Brahmaputra River Bed/Belt of Schuppen, deep forest, hilly terrain etc. OIL has also planned 3D survey in the Cauvery shallow water offshore block, which has been acquired through first round of NELP. Additional survey has also been planned in Saurashtra Offshore & Ganga Valley Basin during the year.

As at present, OIL does not have any operational areas in deep waters.

(iii) Blocks awarded through NELP

Under NELP-I twelve deep-water blocks were offered for bidding by private/JV companies and the NOCs. The first phase of exploration work in seven deep water blocks that were awarded to different companies has since commenced. In one of the blocks, drilling of one exploratory well has been completed which showed encouraging results. Drilling of two more wells in the same block is likely to be taken up soon.

Under NELP-II, eight deep-water blocks have been offered for exploration. Bids have been received for all of these blocks and are being processed for awarding the blocks to successful bidders. This would be followed by signing of PSCs in respect of the awarded blocks.

(b) Reservoir Management

(i) ONGC

During the recent years ONGC has paid special emphasis to enhance production and improve the ultimate hydrocarbon recovery from the existing fields. For improved oil recovery/enhanced oil recovery (IOR/EOR), 19 projects in 15 major fields have been identified and these are in various stages of approval/implementation.

Of these, eight IOR Projects *viz.* Mumbai High North (Redevelopment), Heera Phase-I, Neelam, Gandhar, Kalol, Sanand, Santhal in-fill and North Kadi Phase-I have already been approved and implementation has been initiated. Six more projects *viz* Mumbai High South (Redevelopment), Jotana, Sobhasan, Lakwa-Lakhmani, Geleki and Rudrasagar are under finalisation. In addition, commercial implementation of insitu combusion scheme in the Balol and Santhal is in progress. Additional EOR pilot projects in Lanwa field, Heera Phase-II and N. Kadi Phase-II are also planned.

The work program in all 19 projects is scheduled for completion over the next 5-6 years. The estimated increase in crude oil production due to EOR/IOR implementation projects of ONGC would be around 45 MMT over a period of 10 years with corresponding estimated investment of about Rs. 10,000 crores, out of which the incremental production from Mumbai High would be about 25 MMT and the estimated investment therein would be about Rs. 7500 crores.

(ii) OIL

OIL has adopted some Pressure Maintenance/EOR schemes since 60s to improve recovery factor. The above measures have already resulted in adding about 17.50 MMT of recoverable reserves over and above the natural depletion recovery. OIL is continuing its Pressure Maintenance/EOR scheme in various blocks. In addition OIL is also carrying out following IOR jobs *viz.*, Water Shut Off, Sand Control, Inhibition of Paraffin/Asphaltene deposition, etc. for improved recovery.

In order to obtain additional requisite geo-scientific information to examine scope of further improving recovery from the depleting reservoirs, 3D seismic survey has already been taken up for structural detailing, refinement of geological model. Further, multi-disciplinary study is also presently being carried out for revitalisation of the old depleting fields which by integrating with above will enable to identify the areas of less drained/bypassed oil to take up infill well drilling/redistribution of water injection and other EOR methods to improve recovery. The study is expected to be completed during the current year.

(iii) Private/Joint Venture Companies

The reservoir management aspects of the fields operated by Private/JV Companies are being monitored by Directorate General of Hydrocarbons (DGH), who set the parameters with regard to production from high GOR wells like in Panna field and also with regard to timely & adequate pressure maintenance through water injection etc. like in Ravva field. DGH also reviews the production profiles keeping in mind the reservoir health during the life of the field based on simulation studies.

(c) Acquisition of overseas acreages

ONGC

ONGC Videsh Limited, a fully owned subsidiary of ONGC, is accelerating its effort for participation in overseas E&P acreages for obtaining equity oil and gas which include projects in offshore gas field in Vietnam (Block 06.1) oil field in Iraq (Exploration Block-8), discovered Tuba field in Algeria. Additionally, ONGC-VL along with Indian Oil Corporation and Oil India Limited have evaluated exploration blocks under offer in Iran for possible participation and have submitted a preliminary bid for one of the exploration blocks.

In one of the significant moves, OVL and Rosneft, Russian National Oil Company, have signed an agreement on 10.2.2001 with 20% share for ONGC-VL in the Sakhalin-I (oil and gas fields) in Russia. The total investment including the loan amount is estimated to be about US $ 1.7 Billion (around Rs. 8000 crores) over a period of five years. A consortium comprising Exxon, Sodeco and Rosneft-S is jointly developing the project with Exxon as the Operator. The companies are presently finalizing the various side agreements. The production from the field is expected to start from 2005-06. In addition to the above, OVL is actively considering to participate in the exploration and production activities in acreages in Venezuela, Libya, etc.

(ii) OIL

OIL has entered into a farm in joint operating agreement with M/s. Total Exploration, Oman, a subsidiary of TOTALFINA-ELF of France and acquired 20% undivided participating interest for hydrocarbon exploration in Ghuinam (OMAN) Block-4. As per initial work program, the first exploratory well was drilled in 1999 but commercial discovery was not made. At present, geochemical modelling, seismic reprocessing and field tie-up and review are in progress. The next phase of work program will be decided based on the present review.

(d) Setting up of regulatory mechanism

The high level inter-ministerial working group constituted to examine the need for creating an upstream hydrocarbon regulatory and development authority (HRDA) has submitted its report on 4th April, 2001. The Report is under examination for taking the final view regarding creation of HRDA in addition to DGH.

In the deregulated scenario also, it will be the duty of the Government to ensure adequate availability of petroleum products to meet the demand at reasonable prices, in all parts of the country. It is, therefore, recognised that while Government will have an important role even in the deregulated scenario, an empowered body is required to be created to cater to these needs. With these objectives in view, setting up of a "Regulatory Mechanism" for downstream petroleum sector is proposed. For the same reasons, a regulatory mechanism is considered necessary for distribution and marketing of natural gas. Further, with the participation of Private Oil Companies in exploration and production of oil and gas in the Indian basins, to see that exploitation of national mineral resources is optimal, regulatory mechanism in the upstream petroleum sector is also envisaged.

To meet the above needs, proposals to set up necessary regulatory mechanisms in the petroleum sector are under consideration of the Government.

In the gas sector, efforts are being made for creation of the required infrastructure, removal of administrative bottlenecks and setting up of regulatory mechanism.

As far as import of LNG is concerned, there are no administrative bottlenecks and is free from import restrictions. No license is required for the import of LNG, setting up of the regassification terminal, pipelines and marketing the regassified LNG. To encourage investments in the LNG sector, 100% Foreign Direct Investment is also permitted. There are several initiatives in the LNG sector including that of Petronet LNG Ltd., a joint venture company promoted by the oil sector PSUs. Petronet LNG Ltd. has already awarded the Engineering. Procurement and Construction contract for the LNG terminal at Dahej, Gujarat and has also awarded the contract for time charter of the LNG ships. The Dahej terminal would be commissioned by December 2003.

As far as setting up the regulatory mechanism is concerned, wile the Ministry has done the requisite groundwork further action is underway.

The present Refining capacity stands at the level of 112.54 million metric tonnes per annum (MMTPA) and the country is almost self sufficient to meet the domestic demand.

Measures are also being taken to improve the product quality and to produce eco friendly fuels. Low sulphur diesel (0.25% max.) and unleaded petrol are being supplied throughout the country with effect from 1.1.2000 and 1.2.2000 respectively.

Petrol & diesel containing 0.05% maximum sulphur content is being supplied at all the retails outlet in the 4 metropolitan towns.

In order to meet the growing demand of petroleum products in the country, action has been taken for development of various marketing and distribution facilities as detailed given below:

1. Product Tankage

In order to ensure uninterrupted supply of petroleum products throughout the country, augmentation of product tankage for petroleum products of mass consumption viz., Petrol, Diesel and Kerosene has been undertaken by Oil Company through Additional Product Tankage (APT) programme commensurate with the growth in demand of these products. As on 01.04.2001, the gross marketing tankage available with Oil Companies for Petrol, Diesel and Kerosene was 9.82 million Kilolitres. This provides about 35 days cover for demand estimate of

2001-02, for these products. Industry has planned to add 0.87 million kilolitres tankage during 2001-02. With this, industry would add about 5.3 million kilolitres of tankage during the IX Plan period. In addition, additional product tankage is also planned in logistically difficult areas like Jammu & Kashmir, Himachal Pradesh and North Eastern States under "Tankage 2000" Plan.

2. LPG Bottling Capacity

PSU Oil Marketing Companies had proposed to set up bottling capacity of 3088 TMTpa during IX Plan through creation of new bottling plants and augmentation in capacity at some of the existing bottling plants. Against this planned capacity, industry has provided additional bottling capacity of 2138 TMTpa until 01.04.2001 with the result the all India bottling capacity which was 3457 TMTpa as on 01.04.1997 has been augmented to 5595 TMTpa as on 01.04.2001.

3. Marketing plan for retail outlets and LPG distributorship

(i) Oil Marketing Companies envisaged setting up of 1478 LPG distributorships during IX Plan period and have developed 1051 LPG distributorships as on 01.04.2001 during IX Plan period.

(ii) It was planned to set up 3018 Retail Outlets during IX Plan period and Oil Companies have commissioned 1380 Retail Outlets as of 01.04.2001 during IX Plan period.

(iii) Oil Marketing Companies could not commission new Retail Outlets/LPG distributorships in line with RO dealerships/ distributorships planned during the IX Plan period due to non-functioning of Dealer Selection Boards (DSB) for considerable period of time.

[Ministry of Petroleum and Natural Gas O.M. No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 12 of Chapter I of the Report)

Recommendation (Sl. No. 6, Para No. 2.6)

The Committee observe that country has a large unsatisfied demand of natural gas. Against the demand of 110 MMSSCMD in 1999-2000, the domestic supply was 64 MMSCMD. The most significant growth demand is expected from the power generation sector. Gas demand is predicted to grow strongly at 7% per annum or even possibly higher. Not only this, India is likely to emerge as the fattest growth centre of natural gas in Asia Pacific region in the next decade. Unless domestic production increases, there would be an urgent need to import natural gas. The recent discoveries in Rajasthan and other Joint Venture fields give a hope of few per cent increase in gas production. The Committee urge that in view of fast growing demand of gas all initiatives should be taken to enhance the indigenous production of gas and fulfil the unsatisfied demand of natural gas. Simultaneously, all the initiatives should be taken to resolve this issues relating to import of natural gas through trans-national pipelines from Oman, Iran, Bangladesh and Myanmar which have not been materialised since long time.

Reply of the Government

(i) ONGC

Several steps have already been initiated by ONGC in order to increase the potential for enhanced indigenous production of gas.

ONGCs exploration programme is focussed on discovery of more and more hydrocarbons *i.e.* both oil & gas. Major contribution to the indigenous gas production comes from Mumbai offshore, Cambay, Krishna-Godavari and Tripura. ONGC's average gas production which was around 57.03 MMSCMD in 1995-96 has gone upto 65.81 MMSCMD during the year 2000-01. ONGC has taken steps to increase gas production further to meet the increased demand of existing consumes as well as new commitments.

In order to exploit gas from isolated/marginal fields, ONGC has been empowered by GOI for direct marketing of gas up to one lac cubic meter per day (LCMD) from each of such fields. This will help in enhancement of indigenous gas production from small/isolated pools. ONGC has already taken action in this regard.

In addition to steps taken for further gas production, various gas flaring reduction projects have also been formulated by ONGC, most of which have already been implemented/under implementation. This has lead to reduction in gas flaring from 10.06 MMSCMD in 1991-92 to almost negligible in 2000-01.

(ii) OIL

OIL's average gas production from Assam and Arunachal Pradesh, which was around 4.15 MMSCMD during the terminal year of VIII plan has gone upto 4.70 MMSCMD during the year 2000-01. OIL has taken steps to increase gas production further to meet the increased demand of existing consumers as well as new commitments. As regards Rajasthan, OIL is currently producing around 0.45 MMSCMD of gas.

In view of OIL's various gas flaring reduction efforts, gas flaring has been reduced from 1.19 MMSCMD in 1992-93 to 0.47 MMSCMD in 2000-01.

(iii) Private/JV Companies

So far six oil & gas discoveries have been made by Pvt/JV Companies in Rajasthan (RJ-ON-90/1), KG basin (Ravva Satellite) and Cambay basin (CB-OS-2) blocks. The average gas production from the fields operated by Private/JV Companies was around 1.40 MMSCMD during the terminal year of VIII plan and has gone upto 9.85 MMSCMD during the year 2000-01. Private/JV Companies have taken steps to increase gas production further to meet the increased demand of existing consumers as well as new commitments.

(iv) GAIL

While efforts are being continued to import natural gas through trans-national pipelines, there are certain technical and geopolitical reasons, which have come in the way. As far as pipeline from Oman is concerned, the proposal is closed for want for adequate gas reserves in Oman to be ear-marked for the pipeline, absence of suitable technology for laying pipeline at a depth of 3500 meters below the sea level and the withdrawal of Oman Oil Company from their earlier commitment to fund the pipelines project. Serious discussions have been initiated with Iran for the Iran-India pipeline. However, the risks in the involved of the pipeline passing through Pakistan need to be recognized and adequately mitigated before this project could be considered viable and secure. Bangladesh has not permitted export of gas from their country, while Myanmar does not have sufficient gas reserves which could be dedicated to a viable pipeline project to India. However, efforts are being continued to accelerate the import of natural gas through trans-national pipelines.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 15 of Chapter I of the Report)

Recommendation (Sl. No. 7, Para No. 2.7)

The Committee note that in the Ninth Plan document, the Planning Commission has desired the setting up of a regulatory mechanism in the deregulated scenario. The process of deregulation is in full swing but there is no existence of any regulatory mechanism or authority to ensure that all the players follow the same prescribed rules in deregulated scenario. In the post-APM period the situation will be more tough. The Committee strongly recommends that Governments should take all steps for expeditious setting up of necessary down stream as well as upstream regulatory mechanism in the petroleum sector to ensure that the exploitation of national mineral resources is optimal and there is an adequate availability of petroleum products to meet their demand in the country. The Committee also desire that the Government should take every care that diesel, LPG and kerosene are made available to common man at reasonable prices in all parts of the country in post-APM period.

Reply of the Government

Rajya Sabha Committee on Subordinate Legislation in its 119th Report had made certain recommendations to the Govt. for taking necessary action. One of the recommendations was to create an Upstream Regulatory Authority in the country on the pattern of one prevalent in foreign countries like U.K., U.S.A., Norway and Canada, etc. In order to examine the need for creating an Upstream Regulatory Authority, a High Level Inter-ministerial. Working Group was constituted in this Ministry with the following composition:

Shri Naresh Narad, Addl. Secretary Ministry of Petroleum & Natural Gas	Chairman
Shri G.S. Dutt, Joint Secretary Deptt. of Economic Affairs, Ministry of Finance	Member
Shri Ajay Sinha, Joint Secretary & Legal Advisor Ministry of Law & Justice	— Member
Dr. Avinash Chandra, DG, DGH	Member
Shri A.K. Saxena, Director Ministry of Petroleum & Natural Gas	Member Secretary

Consequent upon completion of tenure of Shri A.K. Saxena, Director in this Ministry, Shri J.M. Mauskar, Joint Secretary (Exploration) in this Ministry was appointed as Member Secretary.

This Working Group had held a number of meetings with the representatives of Ministries of Labour and Environment & Forests, State Government of Gujarat and Assam, Chief Executives of oil sector PSUs, Private Sector, Members of the Advisory Council of DGH and eminent persons from the oil sector. The Committee has submitted its Report in April, 2001 which is under examination for taking a view regarding creation of an Upstream Regulatory Authority, its jurisdiction etc.

In the deregulated scenario also, it will be the duty of the government to ensure adequate availability of petroleum products to meet the demand at reasonable prices, in all parts of the country. It is, therefore, recognised that while Government will have an important role even in the deregulated scenario, an empowered body is required to be created to cater to these needs. With these objectives in view, setting up of a "Regulatory Mechanism" for downstream petroleum sector is proposed. For the same reasons, a regulatory mechanism is considered necessary for distribution and marketing of natural gas.

To meet the above needs, proposal to set up necessary regulatory mechanism in downstream petroleum sector is also under consideration of the Government.

[Ministry of Petroleum and Natural Gas OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 18 of Chapter I of the Report)

Recommendation (Sl. No. 16, Para No. 2.17)

The Committee feel the specific problems being faced by the refineries in the North-Eastern region particularly in transportation of petroleum products. At present these refineries are getting reimbursement under Flat Transportation Surcharge Scheme. After dismantling of Administered Pricing Mechanism the situation is likely to change. The Committee strongly recommend that the Petroleum Ministry should take up the matter with the Ministry of Industry and ensure that the present scheme continues beyond 2002 so that viability of refineries of Assam is not affected adversely. The Ministry should also ensure the clearance of payment etc. under cost reimbursement cases of all the North Eastern refineries expeditiously.

Reply of the Government

Ministry of Petroleum & Natural Gas is proposing several steps including an amendment to the existing transport subsidy scheme of 1971 being operated by Ministry of Industry to improve the viability of the refineries located in the North East.

[Ministry of Petroleum and Natural Gas, OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please see Para No. 34 of Chapter I of the Report)

Recommendation (Sl. No. 18, Para No. 2.18)

The Committee note that the Hydrocarbon–Vision–2025 Report has recommended to make marketing rights for transportation fuels conditional to a company investing or proposing to invest Rs. 2000 crores in E&P, refining, pipeline or terminals. They have also directed that such investment should be towards additionality to assets and in the form of equity, equity like instruments or debt with resource to the company. The Committee are surprised to note that even after a lapse of more than one year of time, the Government has not been able to issue guidelines to operationalise the recommendations in this regard. The Committee recommended that the guidelines on granting of authorisation market transportation fuels should be finalised and issued without any further delay.

Reply of the Government

The guidelines on granting of authorisation to market transportation fuels as per recommendation of Hydrocarbon–Vision-2025, are under finalisation.

[Ministry of Petroleum and Natural Gas, OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Recommendation (Sl. No. 19, Para No. 2.19)

The Committee note that the refining capacity was targeted to increase from 61.55 MMT in 1997-98 to 113.95 MMT by terminal year of the Ninth Plan. As per the present estimate the refining capacity may go upto 129.04 MMT by the end of the plan which includes 43.3 million tonnes capacity in private sector, 17.30 million tonnes in public sector and 6.00 million tonnes in joint sector. No doubt, the actual refining capacity additions have exceeded the Planned additions in the first four years of the Ninth Five Year Plan period but the Committee observe that the major capacity addition is from private sector through a refinery which was planned to be completed with the refinery of BPCL at Bina. Bina refinery has not yet materialised and is still at the preliminary stage of development. Public Sector should take a lesson from the private sector and try to work as per the fixed time frame and without time and cost overruns. They are taking too much time in getting the environmental clearance and clearance of the projects at Ministry level. The Committee desire that they should not create administrative hurdles in such important projects relating to modernisation or capacity expansion or establishment of new refineries being undertaken particularly by Navratna PSUs and should cooperate to complete these projects in time.

Reply of the Government

Implementation of Central India Refinery Project at Bina (Madhya Pradesh) has been delayed due to delay in receipt of certain environment clearances. All environmental clearances for the project have been received. However, on 05.10.2000 Chief Wildlife Warden, Government of Gujarat had restrained Bharat Oman Refineries Limited (BORL) for laying of the pipeline between Single Point Mooring and Crude Oil Terminal, which passes through a marine sanctuary at Vadinar in Gujarat. The said restraint letter is yet to be withdrawn/ modified by Government of Gujarat. Continuous efforts are being made for removal of this hold.

[Ministry of Petroleum and Natural Gas, OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Comments of the Committee

(Please *see* Para No. 40 of Chapter II of the Report)

Recommendation (Sl. No. 21, Para No. 2.21)

The Committee observe that there is an urgent need of augmentation of product tankage for petroleum products of mass consumption *viz.* petrol, diesel and kerosene oil in order to ensure the uninterrupted supply of petroleum products throughout the country. At present there is a 35 days cover for demand estimate for 2000-01 for these products and the Government has planned to provide strategic cover for 45 days consumption over and above the operating requirements in logistically difficult and far-flung areas *viz.* Jammu & Kashmir, Himachal Pradesh and North Eastern States. Similarly, the initiatives are also being taken to provide strategic tankage for imported crude oil to achieve a total of 45 days cover. Detailed Feasibility report has also been received in this regard. The Committee want to put stress that the Government should undertake these projects on priority basis and complete these in the shortest possible time. Not only this, the Committee also desire that Government should start the actual work for strategic storage of petroleum products to meet the emergency requirements also where the progress is very slow.

Reply of the Government

Petroleum Product Tankage

In order to ensure uninterrupted supplies of petroleum products to meet the growing demand, augmentation of product tankage for petroleum products of mass consumption *viz.* MS, HSD and SKO has been undertake by oil industry through various additional product tankage (APT) programmes commensurate with the growth in demand of these products. The gross marketing tankage available with the oil companies for Petrol, Diesel and Kerosene as on 01.04.2001 is about 9.7 million kilolitres. This provides about 35 days cover for demand estimates for these products for 2001-02. During 2001-02, industry has planned to put up about 0.87 million Kilolitres tankage.

In addition, under "Tankage 2000" Plan, additional product tankages have also been planned to be put up in logistically difficult, hilly and far-flung areas like Jammu & Kashmir, Himachal Pradesh and North Eastern States. Further, an Industry Committee has been constituted recently on "Strategic Reserve for Petroleum Product", the terms of reference of which, among others, include:—

(i) Recommend quantum/location of tankage.

(ii) Recommend mechanism for compensation to cover capital expenditure, inventory holding cost and operating cost.

Crude Oil Tankage

The Detailed Feasibility Reports are being processed in the Ministry for decision through inter-Ministerial consultations. Initial consultation with Ministry of Defence for two strategic locations has been completed. Consultations on the source of funding to meet the initial capital costs as well as for maintenance and inventory carrying costs of the storage are yet to conclude.

[Ministry of Petroleum and Natural Gas, OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

Recommendation (Sl. No. 23, Para No. 2.23)

The Committee observe that in November, 1997, the Government had decided to dismantle the Administered Pricing Mechanism in phases. Accordingly, suitable adjustment in the prices of domestic LPG and Kerosene for public distribution are required to be made to reach the subsidy level at 15% and 33.33% of import parity respectively by 2002. The consumer prices of other petroleum products would be market-determined. The Committee find that the Government has already taken several initiatives in this direction. However, action on a large number of issues is till incomplete. The Committee would like the Government to implement all the recommendations of Expert Technical Group as declared in the Budget Speech made by the Finance Minister. Similarly, in the other matters also the Government should complete the action timely in a time bound manner. The Committee also advise the Government that they should take common man's need based decision in respect of prices of kerosene.

Reply of the Government

In November 1997, the Government announced the details of the phased programme for dismantling of APM spread over four years starting form 1.4.1998.

2. Status of the implementation of the programme announced is given below:

2.1 Actions Completed

Upstream Sector

2.1.1 Effective 1.4.1998, cost plus formula for crude oil produced by national oil companies has been withdrawn. The crude oil producers are being paid a pre determined percentage of FOB price of imported crude oil which was 75% in 1998-99 and would increase to 82.5% in 2001-02. Since the FOB prices of crude oil prevailing in the international markets during 1998-99 were very low, strict application of the above percentage would have resulted in ONGC and OIL getting a price for their crude oil lower than what they were getting under APM. Accordingly, it was decided that the rates under APM *i.e.* the basic price of Rs. 1991/MT (total price including royalty and cess was Rs. 3469/MT), would serve as the floor benchmark price with adjustments to be made later on. Similarly, after November 1999, due to steep increase in the international price of crude oil, Government on an ad-hoc basis, decide to keep the compensation for ONGC/OIL crude oil at Rs. 5570/MT inclusive of royalty and cess.

Downstream Sector (Refining)

Effective 1.4.1998, retention price conception for the refineries has been abolished. Refinery gate prices for controlled products are being fixed based on import parity.

Refining sector has been delicensed in July 1998.

Private and Joint Sector refineries have been permitted in July 1998 to import crude oil for actual use.

Downstream Sector (Marketing)

Effective 1.4.1998, prices of only Petrol, Diesel, Kerosene for Public Distribution, Domestic LPG and Aviation Turbine Fuel (ATF) are controlled. Prices of all other petroleum products have been decontrolled and are fixed by oil companies on market considerations.

Downstream Sector (Phasing of subsidies, price adjustments and other items)

Price of Kerosene for public distribution has been increased as envisaged in March 2000 and September 2000.

Domestic LPG prices have been increased in February 1999, March 2000 and September 2000.

2.1.8 Effective 1.4.1998, cost plus formula for shipping of crude oil has been done away with.

ATF deregulated w.e. 1/4/2001

Downstream Sector (Rationalisation of tarriffs)

2.1.10 Customs duty on crude oil has been reduced from 27% to 10% and customs duty on products has been reduced from a maximum rate of 32% to a maximum rate of 20%.

Exim Policy

Import and export of Furnace oil has been decanalised in July 1998. Naphtha exports have been decanalised in July 1998. Further, export of Petrol, Diesel and ATF have been decanalised in October 1999.

2.2 Actions to be completed before dismantling of APM

As per Approved Programme

2.2.1 Rationalisation of customs duties on crude oil and products is to be completed as per Government decision of November 1997 wherein the customs duty needs to be fixed at fixed at 0-5% on crude oil and 15% on transportation fuels in the ensuing Budget.

Price of Kerosene for Public distribution is to be adjusted so as to have subsidy of 33.3% of import parity.

Regulatory mechanism is to be put in place.

Scheme for administering subsidies outside oil companies is to be worked out before transfer of subsidy on Kerosene for Public Distribution, Domestic LPG and freight for supplies to far-flung areas to the fiscal budget.

Accumulated pool deficit is to be liquidated or to be transferred to budget on the date of dismantling.

Other Actions

Rationalisation of State taxes to provide level playing field amongst domestic refineries.

Statutory mechanism for:-

(a) Regulating access to pipelines and tariffs.

(b) Ensuring reasonableness of consumer prices.

(c) Ensuring security of supplies in the country.

[Ministry of Petroleum and Natural Gas, OM No. G 25015/10/2000 Fin. I, dated 20.8.2001]

NEW DELHI;
1 *November*, 2001
10 *Kartika*, 1923 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum and Chemicals.

APPENDIX I

MINUTES

SUB-COMMITTEE ON PETROLEUM

A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Ninth Sitting (10.09.2001)

The Sub-Committee sat from 1500 hrs. to 1600 hrs.

Dr. Girija Vyas — *Convenor*

MEMBERS

Lok Sabha

2. Shri Mohan Rawale
3. Shri Shyama Charan Shukla
4. Smt. Kanti Singh
5. Shri Prabhunath Singh
6. Shri Tarlochan Singh Tur

Rajya Sabha

Shri Ahmed Patel

SECRETARIAT

1.	Shri B.R. Kanathia	*Joint Secretary*
2.	Shri Brahm Dutt	*Deputy Secretary*
3.	Shri J.N. Oberoi	*Under Secretary*

At the outset, Convenor, Sub-Committee on Petroleum welcomed the Members to the sitting of the Sub-Committee and explained the purpose of the day's meeting. Then Hon'ble Convenor invited the Members to give their suggestions, if any, on the Draft Report being considered for adoption. The Sub-Committee appreciated the recommendations made in the Report, however, some Members made suggestions regarding the recommendations relating to Demand and Production of Natural Gas, Regulatory Mechanism for Upstream/ Downstream Sector, utilisation of funds by PSUs (particularly about establishment of Bina Refinery Project of BPCL) and working of Dealer Selection Boards (Particularly about Benami petrol pumps and gas agencies).

2. Thereafter, the Sub-Committee considered and adopted the Draft Action Taken Report on the recommendations contained in the Twelfth Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on Demands for Grants of the Ministry of Petroleum & Natural Gas for 2001-2002.

3. The Sub-Committee authorised the Convenor to finalise the Draft Report and submit the same to Hon'ble Chairman for consideration by the Standing Committee on Petroleum & Chemicals after the incorporation of suggestions given by the Members.

The Sub-Committee then adjourned.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Ninth Sitting (24.09.2001)

The Committee sat from 1100 hrs. to 1200 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchander Bainda
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Dr. (Smt.) C. Suguna Kumari
7. Shri Padam Sen Choudhary
8. Shri Dilipkumar Mansukhlal Gandhi
9. Smt. Sheela Gautam
10. Shri Pawan Singh Ghatowar
11. Shri Bijoy Krishna Handique
12. Shri Mohan Rawale
13. Dr. Bikram Sarkar
14. Shri Shyama Chanran Shukla
15. Shri Prabhunath Singh
16. Shri D.C. Srikantappa
17. Shri Tarlochan Singh Tur
18. Shri Shankersingh Vaghela
19. Shri B. Venkateshwarlu
20. Shri Rajesh Verma
21. Dr. Girija Vyas

Rajya Sabha

22. Shri Anil Kumar
23. Shri Gaya Singh
24. Shri Ram Nath Kovind
25. Shri Dipankar Mukherjee
26. Shri Suresh Pachouri
27. Shri Ahmed Patel
28. Smt. Basanti Sarma
29. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

1.	Shri B.R. Kanathia	*Joint Secretary*
2.	Shri Brahm Dutt	*Deputy Secretary*
3.	Shri J.N. Oberoi	*Under Secretary*

At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting. He stated that the objective of the meeting was to consider and adopt Action Taken Report on action taken by the Government on the recommendations contained in the 12th Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Demands for Grants – 2001-02 of the Ministry of Petroleum & Natural Gas'. He also stated that the Sub-Committee on Petroleum has already considered and adopted this Report at their sitting held on 10th September, 2001. The Sub-Committee had given certain suggestions which have been duly incorporated in the Report. He praised the work done by the Sub-Committee on Petroleum. He also appreciated the contribution made by the officers and the staff of the Secretariat attached with the Committee. Thereafter, he invited the Members to give their suggestions on the Report. Such of the Members who wish to give their suggestions later, were requested to do so within a week's time.

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The Committee then adjourned.

**Matters not related to the Report.

APPENDIX III

(*Vide* Para 5 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the Twelfth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on Demands for Grants–2001–2002 relating to Ministry of Petroleum & Natural Gas.

I.	Total No. of Recommendations	23
II.	Recommendations which have been accepted by the Government	10
	(*Vide* Recommendations at Sl. Nos. 3, 4, 5, 9, 11, 12, 13, 17, 20 and 22)	
	Percentage of Total	43.48%
III.	Recommendations which the Committee do not desire to pursue in view of Government Reply	3
	(*Vide* Recommendations at Sl. Nos. 2, 8 and 14)	
	Percentage of Total	13.04%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee	2
	(*Vide* Recommendations at Sl. Nos. 10 & 15)	
	Percentage of Total	8.70%
V.	Recommendations in respect of which final replies of the Government are still awaited	8
	(*Vide* Recommendations at Sl. Nos. 1, 6, 7, 16, 18, 19, 21 and 23)	
	Percentage of Total	34.78%