THIRTY-FIFTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

(THIRTEENTH LOK SABHA)

DEMANDS FOR GRANTS

(2002-2003)

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Twenty-Seventh Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants (2002-2003) of the Ministry of Petroleum & Natural Gas']

Presented to Lok Sabha on 20.12.2003

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LOK SABHA SECRETARIAT

NEW DELHI

December, 2002/Agrahayana, 1924 (Saka)

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SECRETARIAT

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2.	Shri K.V. Rao	-	Joint Secretary
3.	Shri P.K. Grover	-	Director
4.	Shri R.K. Saxena	-	Under Secretary
5.	Shri Ram Raj Rai	-	Assistant Director

COMPOSITION OF SUB-COMMITTEE ON PETROLEUM

A SUB-COMMITTEE OF THE STANDING COMMITTEE
ON
PETROLEUM & CHEMICALS
(2002)

Shri Mulayam Singh Yadav - Chairman

2. Shri Dipanker Mukherjee - Convenor

Members

Lok Sabha

3. Shri Ashok Argal
4. Dr. (Smt.) Chellamella Suguna Kumari
5. Smt. Sheela Gautam
6. Sh. Paban Singh Ghatowar
7. Sh. Bijoy Handique
8. Sh. Ram Sajivan
9. Sh. Shyama Charan Shukla
10. Sh. Prabhunath Singh
11. Sh. Shankersinh Vaghela
12. Sh. Ratilal Kalidas Varma

Rajya Sabha

13. Sh. Anil Kumar
14. Sh. Rajiv Ranjan Singh 'Lalan'
15. Sh. Ahmed Patel
16. Prof. Ram Gopal Yadav

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1. Shri P.D.T. Achary - *Additional Secretary*
2. Shri K.V. Rao - *Joint Secretary*
3. Shri P.K. Grover - *Director*
4. Shri R.K. Saxena - *Under Secretary*
5. Shri Ram Raj Rai - *Assistant Director*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2002) having been authorised by the Committee to submit the Report on their behalf, present this Thirty-Fifth Report on Action Taken by Government on the recommendations contained in Twenty-Seventh Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants (2002-2003) of Ministry of Petroleum & Natural Gas'.

2. The Twenty-Seventh Report of the Committee was presented to Lok Sabha on 23rd April, 2002. The Replies of Government to all the recommendations contained in the Twenty-Seventh Report were received on 28th October, 2002. The Sub-Committee on Petroleum considered the Action Taken Replies received from the Government and adopted the Report at their sitting held on 28th November, 2002.

3. The Standing Committee on Petroleum & Chemicals (2002) considered and adopted this Report at their sitting held on 19th December, 2002. 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 Twenty-Seventh Report (Thirteenth Lok Sabha) of the Committee is given in Appendix-III.

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

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

NEW DELHI
December 20, 2002
Agrahayana 29, 1924 (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 Twenty-Seventh Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants of Ministry of Petroleum & Natural Gas for the year 2002-2003' which was presented to Lok Sabha on 23rd April, 2002'.

2. Action taken notes have been received from the Government in respect of all the 40 recommendations/conclusions contained in the Report. These have been categorised as follows:-

(i) Recommendations/conclusions that have been accepted by the Government:-
Sl. Nos. 1, 2, 4, 5, 12, 18, 19, 21, 22, 23, 28 and 33.

(ii) Recommendations/conclusions which the Committee do not desire to pursue in view of the Government's replies:
Sl. Nos. 11, 13, 20, 24, 25, 34, 37, 38 and 39.

(iii) Recommendations/conclusions in respect of which replies of the Government have not been accepted by the Committee.
Sl. Nos. 6, 26, 31 and 32.

(iv) Recommendations/ observations in respect of which final replies of the Government are still awaited:
Sl. Nos. 3, 7, 8, 9, 10, 14, 15, 16, 17, 27, 29, 30, 35, 36 and 40.

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

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

A. Import of Natural Gas

(Recommendation No. 3, Para No. 2.3)

5. The Committee had observed that the demand of natural gas had increased rapidly during the Ninth Five Year Plan period and only half of the demand was being fulfilled. The Government had taken steps to increase the production of natural gas through optimistic production from existing fields, faster development of new fields, exploration at greater depths in existing fields and exploration of alternate resources like coal bed methane. The Committee had expected good results of such efforts, but in their view the import options were also of great significance. The Committee had appreciated the initiatives taken by the Government in that direction. The Committee had, therefore, desired that the Government should ensure early finalisation of projects relating to import of gas through Iran-India pipeline and from Myanmar after completion of feasibility studies expeditiously by GAIL as nodal agency.

6. While clarifying the position in this regard, the Government have submitted the following reply:-

> "Gas Authority of India Limited has been designated as the nodal agency by Government of India for import of natural gas through pipeline from Iran. Feasibility study with regard to laying of deepwater gas pipeline from Iran to India, which was awarded to a foreign consultant in May, 2001 is progressing satisfactorily. Currently, marine surveys are being undertaken to identify the pipeline corridor in offshore Iran, offshore Oman, outside the continental shelf/margin of the neighbouring country and the Indian waters. Marine surveys are expected to be completed in a few months' time, after which the pipeline techno economic study would be performed by the main consultant. It is expected that the feasibility study would be completed by early next year and, thereafter, only subsequent project-related decisions would be taken.

GAIL is also pursuing the initiative for import of natural gas from Myanmar. It is understood that the Government of Myanmar is prepared to develop gas trade with India. However, the present gas reserves in the Myanmar do not support a gas pipeline to India. Early this year, GAIL and ONGC Videsh Limited have joined M/s Daewoo and KOGAS in an offshore block in Myanmar with high probability of significant gas discovery. Exploratory drilling may be undertaken in this block next year and, in case large discovery is made, the question of setting up a gas pipeline to India would be examined."

7. The Committee are not satisfied with the pace of work being undertaken by the Government in the direction of finalising the issue of import of natural gas from Iran and Myanmar. This matter has been pending since long without any significant progress. It is usually reported that import of gas from Iran involves security threats because the pipeline has to pass through land or water of Pakistan. The Committee are delighted to note the big gas discoveries in India recently in some offshore fields. They therefore, desire that the Government should now take into consideration the new discoveries of indigenous natural gas while finalising the projects relating to import of gas from Iran or Myanmar to fulfil the natural gas demand of the country in future.

B. LPG Distributorship in Rural Areas

(Recommendation No. 6, Para No. 2.6)

8. The Committee had observed that oil marketing companies had planned to enroll 215 lakh new LPG customers during the 9th Plan period. As against this, 335.4 lakh new connections were released during this period including 50.5 lakhs in rural sector. They had further noted that as on March 1, 2002 there were 7269 LPG distributorships of public sector oil companies catering the requirement of about 630 lakh LPG customers. Out of this, there were 588 urban/rural distributors and 302 exclusively rural distributors in the country. The Committee had, therefore, desired that the Government should take initiatives to enhance the

number of distributors to the desired level so that they may be able to cater the needs of people who were facing difficulties after getting the LPG connections. In this context, they had also referred the assurance given by the Ministry to take all measures to establish the proposed 1200 distributors in rural areas in the shortest possible time.

9. The Ministry have submitted the following facts in their reply:-

> "Upto Marketing Plan 1999-2000, 1247 distributorships were planned in rural markets, out of which 260 have already been commissioned. LOIs are pending for another 126 distributorships. In order to ensure that all these distributorships are commissioned as early as possible, position is reviewed by the Government on monthly basis."

10. The Committee regret to note that the Ministry did not stick to their promise made before the Committee to establish 1200 distributors in rural areas during the shortest possible time. They are astonished to note that as against the Planned 1247 distributorships upto Marketing Plan 1999-2000, only 260 distributorships have been commissioned and LOIs of 126 distributorships are pending. The Committee understand that in the post-APM era, the oil sector PSUs are free to establish their marketing set up as per their own planning. Under these circumstances, the Committee desire that the Government should ensure that LOIs are issued for all 126 pending distributorships of rural areas without any delay. The Committee also desire that the Government should ensure that oil sector PSUs incorporate all the earlier approved 1200 distributorships of rural areas in their marketing plans.

C. <u>Excise duty structure on Petroleum Products</u>

(Recommendation No. 8, Para No. 2.8)

11. The Committee had recalled the fact that when decision to dismantle APM w.e.f. 1st April, 2002 was taken, it was also decided to reduce slab of excise duty gradually on indigenous production of oil, gas and refined products. They had

regretted to note that excise duty structure had remained almost the same during the last ten years. The Committee had, therefore, recommended that excise duty be reduced substantially so that benefits of free marketing are enjoyed by the common people.

12. In their reply the Ministry of Petroleum and Natural Gas have submitted:-

> "Following table which gives the comparison of the existing excise duties on petroleum products with those approved by the Cabinet in November 1997 while approving the phased programme for the dismantling of APM:-

Petroleum Product	**Existing Excise Duty**	**Excise Duty approved in November, 1997**
MS	32 *	165 ***
LPG	16	8
FO, Naptha and LSHS-General use	16	16
Kerosene (PDS)	16	8
HSD	16 **	16
LDO	16	16
ATF	16	40
Bitumen	16	16
Others	16	16

* ***Special Additional Duty of Excise @ Rs. 6/Ltr. plus additional duty @ Rs. 1/Ltr.***

** ***Additional Duty @ Rs. 1 /Ltr.***

*** ***Inclusive of surcharge/cess."***

13. The Committee are astonished to note that the Ministry have not appreciated the main thrust of the recommendation. The Committee had a clear cut view that the Government should not be selective in implementing such important decisions like dismantling of Administered Pricing Mechanism. They have announced the dismantling of APM w.e.f. 1.4.2002 without reducing the excise duty on indigenous production of oil, gas and refined products to a particular level. The duty structure has been kept

almost the same during the last several years. The Committee do not hesitate to say that by this type of selective implementation the welfare of common people has been ignored. The Committee, therefore, once again reiterate that the Ministry of Petroleum & Natural Gas should make all possible efforts to implement the Cabinet approved duty structure of 1997 in toto so that the objectives of dismantling of APM are achieved in real terms and benefits of free marketing are enjoyed by the consumers also.

C. Regulatory Mechanism for Upstream and Downstream Sector

(Recommendation No. 9, Para No. 2.9)

14. The Committee had noted the emphasis of 9th Plan was for setting up of regulatory mechanism both in upstream and downstream sectors. They had specifically noted that the Report of Inter-Ministerial Working Group on the regulatory framework in the upstream sector was pending with the Government since April, 2001 and awaiting final decision of the Government. On the other side, the proposed petroleum regulatory mechanism for downstream sector was being prepared. The Committee had deprecated the failure of the Government to give any final shape to the regulatory mechanism for both the sectors before the announcement of dismantling of Administered Pricing Mechanism from 1st April, 2002. They had desired that the Government should take a final decision in regard to regulatory mechanism for upstream sector. The Committee had also desired that the Government should take all initiatives to set up proposed petroleum regulatory mechanism for downstream sector without any delay. They had further desired that the regulatory authority should be given sufficient powers for monitoring the pricing of petroleum products also so that the adequate availability of petroleum products to meet the demand at reasonable prices in all parts of the country could be ensured.

15. The Ministry of Petroleum and Natural Gas have submitted the following reply describing their initiative taken in the matter of establishing regulatory mechanisms for downstream as well as upstream sector:-

"The Report of the Committee constituted by the Ministry of Petroleum and Natural Gas regarding setting up of an Upstream Regulatory framework is still under consideration of the Ministry. It had been decided earlier that a view would be taken in this regard in light of progress on setting up of a Regulatory frame for downstream sector and developments after dismantling of APM after 31.3.2002 within 3-4 months.

We will examine these questions further in the light of experience of Petroleum Regulatory Board Bill, 2002.

The proposed regulatory mechanism is being given sufficient powers for monitoring the prices of notified petroleum and petroleum products and also to ensure adequate availability in all parts of the country.

Government have introduced the Petroleum Regulatory Board Bill, 2002 in Lok Sabha on 6th May, 2002 and has been referred to the Standing Committee on Petroleum & Chemicals."

16. The Committee are surprised to note that the Government have not been able to give any final shape to the proposed regulatory mechanism for upstream sector which was expected to be done before announcement of dismantling of APM from April, 2002. Now, they have stated that these questions will be examined in the light of experience of Petroleum Regulatory Board Bill, 2002. This shows the uncertain and impractical approach of the Government. The Report submitted in this regard has been pending since April, 2001. They have not decided whether there is any need of separate Regulatory Body for upstream sector or not in addition to the Directorate General of Hydrocarbons who are doing this work presently. The work of DGH relating to observation/regulation of fields/projects has increased many folds after implementation of projects under NELP rounds. Under these circumstances, the Committee desire that the Government should come out with appropriate legislation to establish a separate Regulatory Body for upstream sector without any further delay for regularization of upstream sector. In Committee's view there is no need to link this work with the experience of Regulatory Board for downstream sector.

E. Streamlining the process of Project approval

(Recommendation No. 10, Para No. 2.10)

17. The Committee had noted with regret that no significant change had taken place during the Ninth Plan period in regard to removal of the existing bottlenecks by further streamlining the existing procedure for approval of various projects and their implementation. The Committee had found that during Ninth Plan several major and important projects of oil sector could not see the light of the day due to delay in grant of environmental clearances, problems in acquisition of land, backing out of Joint Venture partners and delayed execution of work by contractors and foreign suppliers. Exploration efforts were bottlenecked by the regulations on protection of Coastal Regulatory Zone (CRZ), forests and sanctuaries. In fact, even survey was not being permitted. They had felt that there was a strong need to modify environment rules to permit exploration and production in such protected areas on the basis of the 'Compensatory afforestation' principle. They had noted that there were several locations where exploration efforts had been held up pending such facilitation by the Centre and State Governments. The Committee had felt that there were a serious lacunae in implementation and monitoring process. Otherwise, there was no reason why the private sector majors got in very short period of time the desired clearances for which the PSUs had to wait for very long time that too without any success. The Committee had also observed that several projects of ONGC had suffered due to environmental objections. They had, therefore, recommended that the Government should make a comparative indepth study in this regard and remove all the existing bottlenecks by further streamlining the existing procedures for approval and implementation of various projects of petroleum sector.

18. The Ministry in their reply have stated that they have taken a number of measures to overcome the instances of time and cost overruns in respect of project implementation. These include:-

(i) A Ministry Monitoring Cell has been set up in Engineers India Ltd. exclusively to monitor the progress of ongoing projects.

(ii) Periodical review of the progress by the Ministry.

(iii) Monitoring of the progress by Ministry of Statistics and Programme Implementation.

(iv) Periodical review of projects by Cabinet Secretariat.

(v) Taking up the matter with various State Governments wherever there are problems in acquisition of Land for the projects, pipelines etc.

(vi) Taking up the matter with various Ministries of Government of India and implementing Agencies whenever there are instances of any problems in the way of implementation of the projects.

(vii) Taking up of the matter with Ministry of Environment and Forests for expeditious environmental clearances.

The Government have constituted a Study Group to look into the aspect of simplification of procedures, rules and regulations. Senior level officers of the rank of Secretaries to Government of India of various Ministries are represented on the Group. Its recommendations would be examined once the report is received.

It has been endeavour of the Government to assist contractors under the Production Sharing Contracts (PSCs) in obtaining necessary approvals including environmental clearances. With the effort of this Ministry, the Coastal Regulation Zone (CRZ) was amended to allow petroleum operations including exploration of oil and gas with the approval of the Government, which was otherwise not permissible. Regarding the protected areas such as sanctuaries, wildlife parks etc. it may be mentioned that Government has to seek the balance of economic development vis-à-vis environmental concerns and efforts are made to arrive at optimum decision.

19. The Committee are happy to note that the Ministry of Petroleum and Natural Gas have now realised the need for streamlining the existing procedure for approval of various projects and their implementation. They have also constituted a Study Group to look into the aspect of simplification of procedures, rules and regulations. The Committee desire that now the Ministry should take some concrete decisions to finalise these proposals in a time bound manner so that the implementation of pending projects of 9th Plan and approved projects of 10th Plan may not face any bottlenecks.

F. <u>Agreement for supply of gas for Assam Gas Cracker Project</u>

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

20. The Committee were anguished to note that ONGC had not been able to reach a final agreement with Reliance Industries Limited regarding supply of 1.35 lakh tonnes of feed stocks for Assam Gas Cracker Project even after a lapse of several years, due to which that long pending project of a North-Eastern State had been held up. The Committee had learnt that there were about 10 clauses of the agreement on which differences remained to be resolved between the concerned parties. They had desired that final decision regarding the remaining clauses of the agreement should be taken within a month as promised by the Secretary, Ministry of Petroleum and Natural gas so that the work on the project could be expedited.

21. The Ministry have submitted the following status report regarding agreement between ONGC and RAPL:-

> "Out of the 436 clauses of the GSA propose to be signed between ONGC and RAPL for supply of the feed stock for the project, the remaining 10 core clauses also have been settled between the parties and the GSA is expected to be initialed by ONGC and RAPL shortly. Regarding the supply of balance quantity of feedstock i.e. natural gas/ LPG , a policy decision is yet to be taken as to the specific feedstock and the agency who will supply the same."

22. The Ministry deprecate to the lackadaisical approach of the Ministry of Petroleum and Natural Gas in fulfilling their promise made before the Committee. No final agreement has been reached even after a lapse of six month's time. This has further delayed this important long pending project of North-eastern states. The Committee do not see any justification in delaying the decisions on such important issues. They, therefore, once again reiterate that such all the issues have been settled, the agreement between ONGC and RAPL may be signed and Policy decision on supply of balance quantity of feed stock be taken immediately so that the implementation of Assam Gas Cracker Project is expedited.

G. Implementation of Pending Projects of Indian Oil Corporation

(Recommendation Sl. No. 16, Para No. 2.16)

23. The Committee had observed that as against the approved outlay of Rs. 25488.13 crores for Ninth Plan, the expenditure as on January, 2002 for Indian Oil Corporation was Rs. 12187 crore only. The shortfall was Rs. 585 crores in 1997-98, Rs. 406 crores in 1998-99 and Rs. 761 crores in 1999-2000 with respect to Budget Estimates for those years. These variations had increased to the extent of Rs. 1500 crores in 2000-01 and Rs. 2432 crores in 2001-02. The Committee were not satisfied with that type of utilisation track of a fortune 500 global company during the 9^{th} Plan period. The Committee had observed that the major shortfall was due to review of certain major projects. In the meanwhile, the viability of those projects was adversely affected by the policy changes of the State Government of Orissa and Haryana. IOCL Navratna Board had constituted an investment review committee in December, 2000 to review the project viability and prioritise the implementation of major projects. The Committee had also noted that it had made certain achievements in mobilising the concerned State Governments to retain the earlier position regarding tax exemption. The Committee, had, therefore desired that IOC should take a quick decision regarding implementation of major pending projects like Paradip Refinery Project

and expansion projects of Panipat and Gujarat Refineries and start the work on these projects for their early completion. They had also desired that IOC should adopt a realistic approach in finalising the 10th plan projects to avoid recurrence of such poor planning and implementation record.

24. The Government have submitted the following reply showing status of each pending project of Indian Oil Corporation:-

> "As against the original approved outlay of Rs. 25488.13 crore for IXth Plan, the actual expenditure was Rs. 12886.39 crore. The major projects in which there were slippages were:
>
> 1. Paradip Refinery
> 2. Panipat Refinery Expansion Plan
> 3. Panipat Power Project
> 4. Linear Alkaline Benzene Project at Gujarat
>
> The reasons for shortfall in the above mentioned major projects were as follows:-
>
> (i) Paradip Refinery: Approval of the project was based on project viability with incentives/ concessions granted by the Orissa Government in December, 1998 under the Industrial Policy Resolution 1996 of the State Govt. which included 11 years sales tax exemption /deferment. After withdrawal of sales tax incentives by the Orissa Government in February, 2000, the viability of the project was adversely affected. Sudden drop in domestic demand of products also necessitated the review of the project completion schedules based on the overall regional surplus/ deficit, IOC's own surplus/ deficit etc.
>
> Although the government of Orissa have since finalised a revised tax concession package for the project, the same is around 33% of the original concession package. It may not be enough for mobilizing funding of the project. IOC has taken up this matter again with the State Government recently.
>
> Based on the emerging domestic demand growth, IOC would finalise the project completion schedule which may spill over to the 11th Plan.
>
> (ii) Panipat Refinery Expansion Plan: Imposition of 4% entry tax on crude oil by Haryana Government adversely affected the viability

of the project. The environmental clearance of the project was also delayed. These two issues have since been resolved and the project implementation is in progress.

(iii) Panipat Power Project: The delay in start of the project was on account of long project development period required for a refinery residue based power project, first of its kind in India. The project is based on state of the art integrated gassification combined cycle technology. Presently, EPC contract is under discussion. However, commencement of project implementation is dependent on finalisation of power purchase agreement for which an MOU has been signed with the Haryana Vidyut Prasaran Nigam Limited.

(iv) Linear Alkaline Benzene Project, Gujarat: The process of tender awarding was delayed due to the change in specifications to meet the customer requirement as also prolonged price negotiations with the tendering parties. The project is under implementation and is scheduled to be completed in August, 2004.

Thus, the variation in the planned and actual outlay of IXth Plan has been due to reasons beyond control of IOC i.e. dropping demand, low refining margin, price volatility and rapid quality improvement efforts.

The Xth Plan Outlay of IOC's is Rs. 24,399 which constitutes mostly the continuing schemes of IXth Plan period. The new schemes constitute about 7% of the total planned outlay and as such the targets are realistic and achievable.

In case of PSEs, better utilisation of plan outlays would be monitored through the MOUs. All necessary support would be rendered to the private sector to facilitate their investments in terms of policy guidelines. However, the actual expenditure during the plan period would largely depend upon the materialisation in demand of petroleum products as envisaged."

25. The Committee are happy to note that Indian Oil Corporation has decided to continue with most of the pending major projects of 9th Five Year Plan to the 10th Plan and that they are convinced that the new targets are realistic and achievable. The Committee, however, are unhappy to find that the completion schedule of Paradip Refinery Project may spill over to the 11th Plan. The Committee want to refer to the informal discussion held

amongst the Orissa Government, IOCL and representatives of Ministry in the presence of Standing committee on Petroleum and Chemicals Members during their study visit at Bhubaneshwar in October, 2002 and desire that the Government / IOCL should make all possible efforts to complete the Paradip Refinery Project during the 10th Five Year Plan as committed by them, except in extreme situation when viability/fundability of the proposed refinery is affected due to any significant drop in demand of petroleum products during current Plan or there is any delay on the part of Orissa Government in restoration of incentives. The Committee had also noted that IOCL was considering to advance the commissioning of crude-handling facilities of Paradip refinery as well as additional investment in Paradip-Haldia pipeline to supply crude to Haldia and Barauni refineries so as to utilise their surplus capacities. The Government/IOCL should also take up the matter with Orissa Government for restoration of incentives originally granted in December 98/August 1999 for which they had agreed in principle. The Committee also desire that IOCL/ Government should take all initiatives to ensure the completion of all other pending projects of 9th Plan in a time bound manner.

H. Prices of Kerosene and LPG

(Recommendation Sl. No. 26, Para No. 2.26)

26. The Committee had observed that the prices of kerosene for public distribution had been increased in March, 2000, September, 2000, and March, 2002. Similarly, the LPG prices had been increased in February, 1999, March, 2000, September, 2000 and March, 2002. All this was being done to achieve the targets set for phasing out the subsidies step by step. They were informed by the Government that the subsidies would completely be removed in next 3 to 5 years. This shows that the Government was likely to enhance the prices again in coming months also. The Committee did not support such upward revision of prices of

these commodities during such a short span of time. The Committee had, therefore, urged the Government to reconsider their recent decision to enhance the prices of kerosene and LPG and roll it back to its original position. The Committee had also desired that the Government should continue the subsidy on these necessary items of common man and they should not be put to any heavy financial burden.

27. The Ministry have conveyed the policy of the Government in the matter of revision of prices of kerosene and LPG:-

> "One of the decisions of APM dismantling is to phase out the subsidy on PDS Kerosene and domestic LPG in the next 3 to 5 years. The cushion period of 3 to 5 years for phasing out this subsidy has been given so that the consumers get used to free market pricing of these products."

28. The Committee do not favour the present policy of frequent price revision in case of kerosene and LPG and find it against the common man. The Ministry has justified such revisions by referring to the decisions of APM dismantling to phase out subsidy on PDS kerosene and domestic LPG but they have not considered it necessary to implement the decisions of the Cabinet meeting regarding reduction in excise duty on these items. In Committee's view, pricing of such common man's items should be people-friendly. The Committee, therefore, reiterate their earlier recommendation that the Government should continue the subsidy on kerosene and LPG at the present level and they should bring the excise duty to the lowest level before considering any upward revision of prices of these items in future. The Ministry of Petroleum & Natural Gas should take up the issue with the Ministry of Finance appropriately to avoid any such price revisions of common man's items.

I. Concession to North-Eastern Refineries

(Recommendation Sl. No. 30, Para No. 2.30)

29. The Committee had observed that from the 1st March, 2002 all the four refineries in the North-East viz. NRL, Digboi, BRPL and Guwahati would get 50% excise duty concession on their products. The Committee had welcomed the Government for extending that concession to all the refineries of North-East. But they had found no justification for reducing the concession of NRL from 100% to 50% just in the second year of its operation. They had pointed out that on one side, the Government had not taken any final decision to give them an one time assistance of Rs. 375 crores and on the other, the Government had lowered their concession also. The Committee had also noted that BRPL had also demanded a 100% concession and other two refineries were also passing through the same phase of difficulty. The Committee had, therefore, recommended that the Government should take up the matter with Ministry of Finance so that all the refineries of North-East get equal treatment and an excise duty concession of 100% is provided to all of them.

30. The Government have informed the latest status as under:-

> "The matter of restoring 100% excise duty concession to NRL has been taken up with the Ministry of Finance. Also, the issue of extending additional concessions to the north east refineries is being examined."

31. The Committee are not satisfied with the initiatives taken by the Ministry of Petroleum & Natural Gas. It appears that they have not been able to persuade the Ministry of Finance for providing 100% Excise Duty concession to all North-Eastern refineries even after elapse of more than six months. The Committee feel that all the North-Eastern refineries have been facing difficulties in their day-to-day operations and they are not able to

utilise their capacity also. Under these circumstances, the Committee once again urge the Government to restore the 100% excise duty concession to NRL and also extend similar facilities to all other refineries of this region so that they may be able to maintain their viability in post-APM era.

J. <u>Disinvestment of BPCL, HPCL and EIL</u>

(Recommendation Sl. Nos. 31 & 32, Para Nos. 2.31 & 2.32)

32. The Committee had noted that the Government had decided 'in principle' to disinvest a part of its equity holding in HPCL and BPCL through strategic sale. They had noted that the Government of India holding in BPCL was 66.2% and that in HPCL it was 51.01% and had a very good track record of profit making. They were surprised to note that on one hand the Government were treating Indian Oil Corporation Ltd. as flagship company for refining and marketing and on the other hand they were preventing them from participating in the bidding process of similar type of companies under the pretext of preventing monopoly. The Committee were not convinced with the view of the Government that participation in the bidding process itself would create a situation of monopoly. Committee's view was that the purpose of disinvestment was to obtain maximum price for the Government share and in this process, in order to ensure a competitive and fair bidding, there should not be any restriction for any company. The Committee had, therefore, urged the Government that they should reconsider their decision of debarring IOCL from the bidding process. They had also desired that similar conditions should also be imposed on Reliance Industries Ltd. participating in bidding process of IPCL since they will have almost 100% monopoly if they were successful in obtaining the shares of IPCL.

33. The Committee had observed that the Government had also decided to disinvest 51 per cent shares in Engineers India Ltd. (EIL) to a strategic investor.

The Committee had pointed out that EIL was the most diversified and leading design and engineering company in the field of petroleum, refineries, petrochemicals, oil and gas processing, off-shore structures and platforms, fertilisers, metallurgy and power. They possessed the data of all major refineries, petrochemical plants, technology used, layout plans etc. which might be exploited, commercially by a private enterprise. Moreover, EIL was now a consistent profit making organisation with the status of a Mini Ratna Enterprise of first category. The Committee had, therefore, desired that such a pioneering enterprise should not be disinvested and should continue to be in public sector.

34. About the policy of disinvestment of BPCL and HPCL, the Ministry have submitted the following reply:-

> "If IOC were allowed to acquire the controlling stake in HPCL and BPCL, IOC's share of retail marketing of petroleum products would be almost 100% of the existing market. IOC acquiring the controlling stake in BPCL/HPCL may not be in tune with the objective of ensuring competition, and thereby serving the interests of consumers. In the interest of ensuring transparency in the bidding process, it would be necessary to decide about the rules of the bidding process upfront, rather than at the time of accepting the bids. Hence, it is necessary to announce the decision of the Government before the commencement of bidding process in these PSUs so as to ensure consistency and transparency in the method of strategic sale in PSUs and confidence of the bidders in the process. In view of the above, it is felt that there is no need for Government to review its earlier decision of debarring IOC from participating in the process of HPCL/BPCL disinvestment."

35. About the decision of disinvestment of EIL, the Ministry has submitted the following justification:-

> "Government had classified the PSUs as 'strategic' and 'non-strategic'. Strategic PSUs are those operating in the areas of:
>
> (a) Arms and ammunitions and the allied items of defence equipment, defence air-crafts and warships;
> (b) Atomic energy (except in the areas related to the generation of nuclear power and applications of radiation and radio-isotopes to agriculture medicine and non-strategic industry);
> (c) Railway transport.

All the other PSUs have been classified as non-strategic. Government has made its position clear through successive Budget speeches of the Finance Minister that it would reduce its stake in non-strategic PSUs even below 26% and there would be increased emphasis on strategic sales. It may be seen from the above that the criterion for disinvestment in a PSU is whether PSU is strategic or non-strategic and not whether it is making profit or incurring losses. The existing clients of EIL including oil PSUs can gain from the competitive environment after privatisation of EIL. Liberalisation measures initiated by the Government in the hydrocarbon sector are aimed at attracting private sector investment. In the ensuring competition, EIL may no longer have preferential/exclusive treatment from the PSUs. In order to maintain its pre-eminent position and strengthen its expertise, EIL needs to have easy access to modern technology and capital to undertake large Lump Sum Turnkey (LSTK) projects. In this regard, a suitable strategic partner for EIL would be appropriate.

In view of the above, it is felt that there is no need for the Government to review its earlier decision of disinvesting its stake in the equity of EIL through strategic sale."

36. Basically, the Committee do not find it justified to disinvest the companies like BPCL, HPCL and EIL having sound track record and important for economy, transport and Defence sector. Therefore, as recommended by the Committee in their 28th Report (13th Lok Sabha) these PSUs may be transferred to other PSUs like IOCL/ONGC/GAIL in any combination as the Government may deem fit as long as the pricing formula is transparent. If at all BPCL and HPCL are to be disinvested, the Committee are not convinced with the justification given by the Ministry for debarring IOCL from participating in the disinvestment of these companies on the ground of preventing monopoly. As pointed out by the Committee in their 28th Report (13th Lok Sabha) this decision is not only irrational but against the spirit of Article 19 of the Constitution of India. Article 19 (6) (ii) permits state monopolies in any trade, business, industry or service, whether to the exclusion, complete or partial, of citizens or otherwise. The Committee, therefore, reiterate that no company should be debarred from participating in bidding process if the Government want to earn good prices by selling their shares.

K. Vehicular Pollution in Delhi and other cities

(Recommendation Sl. No. 36, Para No. 2.36)

37. The Committee had held a special meeting to analyse the situation arising out of Supreme Court's order dated 5th April, 2002 directing the Delhi Government to allow only CNG driven public vehicles. The Committee had shared the Supreme Court's concern with the state of air pollution in the capital of the country and had agreed with its observation that both the Union and the State Governments had failed to discharge their constitutional obligations to protect the health of the present and future generations. The Committee had noted that Delhi was not the only dangerously polluted city rather there were about 60 polluted cities in India and 30 out of these were critically polluted. The Committee had desired a uniform approach to be adopted to purify the air of all such cities without caring Delhi in isolation and chosen for special privileges.

The Committee had further noted that in no other city of the world the entire public transport system was based upon CNG or any other single fuel. Therefore, the Committee had desired that mandating the transport system to run on a single fuel needs to be examined thoroughly.

The Committee had noted that the CNG transport system had been made applicable in Delhi since 1999. Since then in large number the local transport had been fuelled on CNG. However, it was regretted that no specific information could be provided to the Committee in regard to the difference in air quality prior to the induction of CNG vehicles and the quality as on date.

They had further noted that there were some Committees constituted by Supreme Court as well as the Government of India working in different fields, assessing and analysing air pollution, emission norms, etc. However, they are holding divergent views on the basic issues. The Supreme Court had not given credence to the interim observations of Mashelkar Committee Report. The

Committee had deprecated the inaction on the part of the Government and liked to call upon them to look into the matter of air pollution, emission norms, the desirability of single or multiple fuel with objectivity and rational approach. The Committee had, therefore, recommended that the Government should constitute a credible and reputed committee which should go all agog in the matter and submit its report at the earliest. They had further suggested that the Committee may consist of a nominee of each of the following institutes or associations – All India Institute of Medical Sciences (AIIMS), Institute of Petroleum Management, Pollution Control Board, Road Research Institute, IIT (Kolkata), etc.

38. The Government have submitted their point-wise explanation as under:-

"The Committee has made the following observations/ recommendations:-

1.1 The Union and the State Governments have not taken the action for containing air pollution which affects public health. Cities other than Delhi that are dangerously polluted, should be given similar treatment for bringing about improvements in air quality.

1.2 The Government should make an assessment of the improvement that has come about in the air quality of the NCT of Delhi from the use of CNG as auto fuel.

1.3 Mandating the (city) transport system to run on a single fuel needs to be examined thoroughly. The Government should look into the aspects of air pollution, emission norms, the desirability of single or multiple fuel with objectivity and rational approach.

1.4 The Government should constitute a credible or reputed committee comprising nominees of the All India Institute of Medical Sciences, Institute of Petroleum Management, Pollution Control Board, Road Research Institute, IIT (Kolkata) etc.

With regard to the above mentioned observations/ recommendations of the Committee, the position is as follows:

2.1 <u>Air pollution and actions taken to control vehicular pollution in different cities in the country</u>

2.1.1 The air quality is monitored by the Central Pollution Control Board under the National Air Quality Monitoring Porgramme. Presently, air quality is being monitored by the CPCB in 90 cities where suspended particulate matter, sulphur dioxide and oxides of nitrogen are monitored regularly. Carbon monoxide and respirable suspended particulate matter is monitored in some cities only. On comparing the air quality of the year 1995 with that of the year 2001, the general trend is seen to be of declining air pollution levels in most cities.

2.1.2 There are too many sources contributing to the overall air pollution of which pollution from automobile exhausts is one. Contribution of auto exhausts to the overall air pollution is generally higher in the cities that have very high vehicle population, Delhi being on the top of the list. The Government have identified Ahmedabad, Kanpur, Kolkata and Pune as the cities which have levels of certain pollutants in the ambient air equal to or higher than Delhi.

2.1.3 The Government have taken several steps over the past five to six years to reduce pollution from automobiles throughout the country. The improvements made in the emission norms and fuel quality are:-

(i) Emission norms for different categories of vehicles were revised throughout the country w.e.f. 1.4.1996.
(ii) Euro-I equivalent emission norms for new vehicles were implemented throughout the country w.e.f. 1.4.2000.
(iii) Lead was removed from petrol from 1.2.2000 in the country . Sulphur content in petrol was reduced from 0.20% max to 0.10 max from 1.4.2000 in the entire country. The four metro towns and the NCR are being supplied petrol of 0.05% max. sulphur content.
(iv) Sulphur content in diesel was reduced from 1.0% max. to 0.25% max. in the entire country with effect from 1.1.2000. In four metros towns and the NCR sulphur content in diesel has been reduced to 0.05% max.
(v) Cetane number in diesel has been increased from 45 to 48 from 1.4.2000 in the entire country.
(vi) The quality of petrol and diesel in India is superior to that prevailing in developing countries like China, Malaysia, Indonesia, South Africa etc.

An amount of over Rs. 10000 crore has been spent on the projects for improving the fuel quality.

2.1.4 In order to provide environment friendly cleaner fuel natural gas, the Government took initiative of setting up city gas distribution projects in Delhi and Mumbai. For this purpose, separate joint venture companies, namely, Indraprastha Gas Limited (IGL) for Delhi in the year 1997 and Mahanagar Gas Limited (MGL) for Mumbai in the year 1994 were formed. These city gas distribution projects aim at providing natural gas for domestic, commercial/industrial and automotive purposes feasibility studies for taking up similar projects in other cities are in progress. In pursuance of the Supreme Court directives, GAIL is carrying the feasibility studies for supplying CNG in other polluted cities. To meet the requirement of CNG for automotive use in Delhi, the Government have increased the natural gas allocation of IGL from 0.98 MMSCMD to 2.0 MMSCMD (equivalent to 16.10 lakh Kg. Per day).

2.1.5 Thus it may be seen that Government have taken several steps to improve auto emission and fuel quality not only in Delhi but in other cities and the entire country.

2.2 <u>Assessment of the improvement in the air quality in the NCT of Delhi due to the use of CNG for automotive purposes</u>

2.2.1 During the period 1996-2001, the following steps have been taken by the Government to reduce vehicular pollution in the NCT of Delhi:-

(i) Removal of lead from petrol from 1.9.1998;
(ii) Reduction of benzene content in petrol to 1% maximum from 1.11.2000;
(iii) Reduction of sulphur content in petrol from 0.20% max. to 0.05% max. and in diesel from 0.50% max. to 0.05% max.

2.2.2 Further, under the directions of the Supreme Court, the following actions have been taken:-

(i) Introduction of Euro-I equivalent emission norms for new vehicles from May 1999.
(ii) Introduction of Euro-II equivalent emission norms from April 2000.
(iii) Phasing out of more than 8 years old autorickshaws, taxis and city buses from April 2000.
(iv) Conversion of city buses to the single fuel mode of CNG.

2.2.3 Due to the above mentioned actions, air quality in the NCT of Delhi has improved. The impact assessment of the contribution of different measures, mentioned above, is not available as of now. The Government, however, in November, 2001 commissioned a study “Road traffic pattern and air quality in the NCT of Delhi”, through the Central Road Research Institute (CRRI), New Delhi. CRRI was, inter alia, asked to make impact assessment of the measures taken in the NCT of Delhi to the air quality improvement. The contribution of usage of CNG for automotive purposes to the improvement of air quality in the NCT of Delhi would be known on receipt of the report of the CRRI study, which is expected shortly.

2.3 <u>Formulation of an objective and rational auto fuel policy</u>

2.3.1 The Government have set up a Committee of Experts of national repute, headed by Dr. R.A. Mashelkar, Director General, Council of Scientific and Industrial Research (CSIR) to make recommendations on an appropriate national auto fuel policy and the related issues. The terms of reference and the constitution of the Expert Committee are at Annexure-I. The final report of the said Expert Committee is expected shortly, after which the Government would take appropriate decisions for finalizing an auto fuel policy for the country. While formulating the policy, observations made and the concerns expressed by the Standing Committee would be kept in view.

2.4 <u>Constitution of an Expert Committee associating AIIMS, IIP, CPCB, CRRI, IIT etc</u>.

2.4.1 The Expert Committee referred to in Para 2.3.1 above has wide ranging expert representation. As may be seen from the constitution of the Expert Committee the following experts/ institutions, recommended by the Standing Committee, are represented on the Expert Committee:-

(i) Director, Indian Institute of Petroleum;
(ii) Chairman, Central Pollution Control Board;
(iii) Director (the then), Indian Institute of technology, Chennai;
(iv) Vice-Chancellor (the then) of University of Roorkee IIT, (presently IIT, Roorkee)

2.4.2 On the recommendation of the Expert Committee, the Government commissioned a study through the Central Road research Institute, New Delhi (CRRI) to assess the urban road traffic and air quality in the cities of Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, Kanpur and Agra. Thus CRRI has been associated with the Committee.

2.4.3 Similarly, in the area of public health, on the recommendations of the Expert Committee, the Government entrusted a study to the Industrial Toxicology Research Centre, Lucknow.

2.4.4 Further, the Expert Committee interacted with the following specialists in the area of medical sciences and public health:

(a) Director, National Institute of Occupational Health of the ICMR:
(b) Director, ITRC, Lucknow;
(c) Experts from the AIIMS, New Delhi, Post Graduate Institute of Medical Education and Research, Chandigarh, Patel Chest Institute, New Delhi and the Indian Council of Medical Research, New Delhi.

2.4.5 It may be seen from the above that the expert institutions suggested by the Standing Committee to be associated with the Committee of Experts are either represented on the Expert Committee as its members or have been associated with its work by commissioning studies through the subject expert institutions. Practically, all the national level institutions on medical sciences, public health and toxicology have provided inputs to the Expert Committee."

39. The Committee are happy to note that the Government have observed the air quality of all major cities of the country facing Pollution problem and taken initiatives to improve it. The refineries of the country have also spent a huge amount on fuel quality improving projects during the last 5-6 years. However, the Committee also desire that regular air quality observation system should be established in all the critically polluted cities of the country and necessary measures should be taken to monitor and minimise the Pollution through use of various alternative fuels.

The Committee are surprised to note that the Government have no impact assessment system to study the contribution of different measures in improvement in air quality in the NCT of Delhi. In addition to use of CNG for public transport other factors like use of unleaded petrol, reduction in benzene content and sulphur content in diesel have also contributed significantly in reduction of pollution level in the capital. The Committee do not favour the casual approach of the Government in deciding the policy in such sensitive matters affecting whole population of the capital. The Committee, therefore, reiterate that the Government should make an yearly impact assessment of the measures taken in the NCT of Delhi to the air quality improvement. In Committee's view without any such regular planned

assessment, no conclusive action can be taken to observe and control the air quality of Delhi.

The Committee are surprised to note that the country is running without any fuel policy particularly in a situation when many alternative fuels are available before us and various directions are also being given by the Court or Government from time to time. The Committee, therefore, desire that the Government should come out with specific fuel policy for the country in the shortest possible time so that every type of confusion in mind of people can be removed.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

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

The Committee note that taking into account the likely demands and the estimated indigenous crude production, several thrust areas in the oil and natural gas sector were identified for special attention during Ninth Plan (1997-2002). The major thrust areas in exploration and production sector included the acceleration exploration efforts especially in deep offshore areas and frontier area, improvement in reservoir management and enhancing oil reserves and expeditious implementation of New Exploration Licensing Policy. The Committee are anguished to note that there was a major shortfall in achieving the targets/objectives of development in petroleum sector during 9th Plan. In the mid-term review of 9th Plan the Government was cautioned to take prompt initiatives since the targets were going to be defeated mainly in the areas of crude oil and natural gas production and accretion to hydrocarbon reserves significantly. Similarly, the policy of upgradation of basin categories by progressive exploration did not yield the desired results. Although a few blocks have been offered in deep water areas under NELP, the Committee are not satisfied with the present approach of the Government in this regard. The Committee, therefore, strongly recommend that the Government should modify the existing policy with a view to taking remedial measures for accelerating the production of indigenous crude oil and gas. The Committee also desire that the Government should take all possible initiatives to extend the exploration efforts to all the basins in a definite time frame as per the policy spelt out in the document Hydrocrabon Vision-2025. The Committee trust that the Government will initiate urgent measures in this direction so that the unhappy experience of 9th Plan is not repeated in the 10th Five Year Plan.

Reply of the Government

Performance of ONGC during IX Plan:

ONGC has achieved the targets set for the 2D-3D seismic data acquisition and exploratory drilling. During this plan period, 67514

GLK/LK of 2D and 678397 GLK/LK of 3D seismic data were acquired against the target of 30735 GLK/LK of 2D and 186639 GLK/LK of 3D seismic (PCR target) in various ONGC acreages. The target achievement in case of 2D is 220% and in case of 3D is 363%. The targets for exploratory drilling were also achieved by drilling 694 exploratory wells against a target of 692 wells, of which 347 wells proved the presence of hydrocarbons.

Exploratory efforts expended during the plan period resulted in accretion of 481.84 MMT of inplace volume of hydrocarbons against the PCR targets of 523-722 MMT. The ultimate component of reserve in ONGC operated areas was 208.50 MMT against 200 MMT envisaged.

146 new structures were drilled of which 39 proved the presence of hydrocarbons. Several exploratory leads were also established in various basins during this period.

ONGC ventured into the high-risk deep-water exploration during this plan. 20232 LK of 2D & 224083 LK of 3D seismic data was acquired in deep water sector during this period. To undertake the deep-water drilling, ONGC upgraded its own drill-ship Sagar Vijay for drilling in deep-water upto a depth of 900 m. Four new prospects have been taken for drilling in deep-water and a total of 8 exploratory wells have been drilled in deep-water. One well was under testing at the end of the plan period and resulting in accomplishment of drilling target (9 wells) in this sector. Two new gas finds, KD-1 and GD-1 have been made in Krishna-Godavari deep offshore in East Coast, which has given thrust for deep-water exploration.

A significant find was made in Bassein East structure to the east of Bassein gas field in Heera-Bassein-Panna sector in Mumbai offshore which has resulted an accretion of 98 MMT of inplace volume of hydrocarbon. The presence of gas, in older Mesozoic sequence of Kutch Offshore basin in West Coast, has given a lead for further exploration in Mesozoics in Kutch offshore basin.

There was however, a slippage in fulfilling the targets set for the exploratory inputs in Frontier basins, where a total of 3908 LK of 2D seismic survey could be acquired against a target of 6686 LK and four exploratory wells could be taken up for drilling against targeted 14 wells.

During the IX Plan, ONGC has aggressively participated in the two rounds of NELP and acquired 24 blocks including 9 blocks in deep water, either on sole risk basis or in joint participation. Work has been started in most of the blocks. Till the end of IX Plan, ONGC has acquired 8662 GLK/LK of 2D and 252 Sq Km of 3D seismic in blocks awarded under NELP-I, thus fulfilling the minimum work programme commitment. In the blocks awarded under second round of NELP, 14742 GLK/LK of 2D and 6060 Sq Km of 3D seismic has been acquired and further work in these blocks is continuing.

Thirty-six hydrocarbon finds have been brought to the category of producing field during the IX Plan. A total of 129.047 MMT of oil has been produced against the PCR target of 144.89 MMT. During the period, 117.203 BCM of gas was produced against PCR target of 119.04 BCM. The shortfall in oil production is mainly due to re-scheduling of additional development plan, non-contribution of significant amount of heavy oil and increasing water cut due to early breakthrough. In case of gas, the shortfall can be broadly attributed to less withdrawal by consumers as envisaged. To arrest the decline in production of oil, 19 IOR/EOR schemes in 15 fields including Mumbai High fields have been initiated during this plan, which are under different phases of implementations. For appropriate reservoir management, fields are monitored and remedial measures are being taken regularly through work over jobs for water & gas shut offs, designing & installation of artificial lifts, pressure maintenance and infill drilling.

Performance of OIL during IX Plan

So far as Oil India Ltd. (OIL) is concerned, during IX Plan, OIL exceded the 3D seismic target by 31% and achievement of 2D seismic survey was 74% of the target. During the plan period, 2971 GLKM of 2D and 1005 Sq. Km. of 3D seismic data were acquired as against the IX Plan target of 4010 GLKM/LKM of 2D and 766 Sq. Km. of 3D seismic 56 exploratory wells were drilled during IX Plan as against the target of 83 wells. Shortfall was on account of environmental problem in Assam and review of drilling program in few wild cat areas due to non-discovery of hydrocarbons in those areas. OIL's exploratory efforts led to accretion of 83.2 MMT of in-place hydrocarbon reserves and 39.4 MMT of recoverable reserves of oil+OEG. In OIL's areas of operations, hydrocarbons were discovered in 20 new structures during the IX Plan period.

During IX plan, OIL acquired 5 exploration blocks offered in the first two rounds of NELP-2 independently and 3 as consortium partners.

OIL's production of 16.10 MMT of crude oil and 8.59 BCM of gas during the IX plan were about 15% higher than the production during the VIII plan. Similarly accretion to in-place reserves of 83 MMT in IX plan was about 8% higher than VIII plan achievement, although short of the target of 140 MMT, which was mainly due to non-discovery of the hydrocarbons in the wild-cat areas of North bank of river Brahmaputra, Ganga Valley, Saurashtra Offshore and less than planned drilling in Upper Assam due to land acquisitions problems, law & order problems, severe down hole problems in drilling for deeper prospects owing to complex lithology & subsurface conditions.

Initiatives taken to achieve the targets set for X Plan period:

From the above, it could be seen that during the IX plan period, achievements of the NOCs both in 2D & 3D seismic surveys were higher than the original PCR targets. Achievements in exploratory drilling were also higher than the target for ONGC. The shortfall in hydrocarbon in-place accretion was mainly due to the fact that most of the reserve accretion came from field growth only with lesser contribution from the new finds. Efforts of Pvt/JV companies have also contributed to some reserve accretion in addition to those of the NOCs during the IX plan. As regards oil production, the shortfall in NOCs oil production was mainly due to rescheduling of additional development plan, non-commensurate drilling results, delay in input mobilization, non contribution of significant amount of heavy oil from ONGC's EOR projects, increase in water cut due to early breakthrough and less than the anticipated performance in few wells. In case of gas production, shortfall was mainly due to less than the projected withdrawal by the consumers.

Government has formulated **India Hydrocarbon Vision-2025** in order to maximize exploration and exploitation efforts in the producing basins, spreading exploration into non-producing/frontier basins, appraising all the sedimentary basins within a time frame, optimizing exploitation of the discovered reservoirs, R&D efforts including technology absorption, and reducing adverse impact on environment.

Keeping in view the National E&P strategy, the X Plan has been formulated with the following objectives:

- The E&P companies are to carry out sustained exploration efforts along with value added synergistic approach in data acquisition and evaluation in producing basins.
- Aggressively pursue extensive exploration in non-producing and frontier basins including deep-sea offshore areas for knowledge building and breakthrough.
- Finalize programme for appraisal of the Indian sedimentary basins to the extent of 35% by the end of X-plan.
- Optimize recovery from discovered fields/future discoveries.
- Improve archival practices for data management.
- Induction of advanced technology for improved business performance.
- In the field of R&D, requirements are to dovetail efforts to achieve the set exploration and development objectives and telescope into the requirements at the national level.
- In the field of safety and environment, efforts will be to match with the best global practices to provide occupationally healthier work force, reduced accident rates, cleaner and greener product with reduced discharges.
- To Acquire foreign exploration acreage, discovered oil/gas fields with or without equity sharing to lessen dependence on a few suppliers and increase inter-dependence on a global basis.
- Exploration of non-conventional hydrocarbons to continue to supplement the conventional hydrocarbons, and cater to the possible upsurge in energy demand on account of rapid industrialization.

ONGC's X-plan commitment of exploration in existing acreages, deep water areas, frontier basins along with acquisition of new acreages through participation in NELP, is in tune with the short & medium - long term strategy as envisaged in the Vision-2025 document. The commitment to continuous exploration to apprise the sedimentary basins alongwith other strategic guidelines like improving recovery factor & optimizing production from the discovered fields through IOR/EOR schemes, acquisition of foreign acreage for equity oil abroad as envisioned in the Hydrocarbon Vision-2025 formed the basis of ONGC's X-plan programme.

Likewise, the strategic issues as provided in the Hydrocarbon Vision-2025 forms the basic guidelines for OIL's future programmes and formulation of its X-Plan. In order to achieve the targets of X-plan, various initiatives like upgradation/adoption of state of the art technology, geological studies for identifications of new plays & prospects, hiring of expertise services both for exploration & production, supplementing OIL's efforts with hired services whenever required etc. have been taken/planned by Oil India Limited and it is expected that with the steps taken OIL will be able to meet its X-Plan programme.

In order to meet the objectives set out in Hydrocarbon Vision-2025, building the preliminary knowledge base of frontier basins including deep waters has been taken up by DGH in a planned and time bound manner. The preliminary knowledge base is a prerequisite before systematic exploration in these basins taken up by E&P companies. Towards implementation of this programme, DGH has planned about 31000 to 38000 LKM of 2D seismic survey in western offshore including ultra deep waters and 9000 LKM of 2D seismic survey in East coast and Andaman ultra deep water areas in next five years. About 6000 LKM of 2D seismic survey is planned in onland areas also during the same period. Another 9000 LKM of 2D seismic survey may be carried out in offshore areas in the final year of Xth plan depending on the results of previous 4 years surveys.

The performance of X plan would be reviewed during the mid term review.

Exploration & Production efforts of OIL during X Plan period:

The crude oil production from OIL's field was 16.10 MMT against target of 16.36 MMT and that of natural gas was 8.59 BCM as against the target of 12.86 BCM. The shortfall in gas production was mainly on account of less than anticipated withdrawal by gas consumers. Although there were shortfall in achieving crude oil & gas production from OIL's field, but the production of both crude oil & natural gas during IX-plan were much higher than VIII plan achievement due to various time bound actions taken by the Company.

OIL has plans for intensification of its both exploratory & production activities in the X-Plan period. The detail yearwise programme has been made for carrying out exploratory and development work. The crude oil and gas productions are expected to go up considerably during the X-Plan period.

OIL's major reservoirs in Nahorkatiya and Moran oilfield have already been successfuly subjected to IOR/EOR and have resulted in addition of 18 MMT of recoverable reserve of crude oil. EOR/IOR activities will continue in these areas with increased water injection in nine reservoirs. In addition extension of water injection to additional 8 reservoirs have been planned during the X-plan period.

OIL is presently carrying out multi-disciplinary study for revitalisation of its old depleting field which will enable OIL to identify the areas of less drained/bypassed oil to take up infill well drilling/ redistribution of water injection and implementation of other EOR methods to improve recovery. Based on the over all scenario and after ascertaining the quantum of jobs involved, OIL plan to make a time bound programme for the EOR/IOR schemes for major reservoirs of NHK, Moran and Jorajan oilfields during X-plan period. Detailed geological & reservoir engineering study has also been planned to enhance oil recovery from major Eocene reservoirs. OIL is also planning to take up Horizontal drilling in a selected reservoir for which a study by consultant is currently in progress. As regards new discoveries, most of these discoveries are immediately put on production through Quick Production set up/Early Production Set up or by connecting it to nearby production infrastructure.

Conclusion

As could be seen from the above, both the NOCs *i.e.* ONGC and OIL have taken/are taking several time bound action plans for achieving better ultimate recovery and production enhancement from the discovered fields. Govt. would continuously review the situation for corrective action during Xth Plan.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Committee note that the cumulative production during the Ninth Plan period was projected as 180.82 million tonnes of crude oil and 144.53 billion cubic metres of gas. As against this, the expected oil production will be around 163 MMT and 141 BCM of gas. They also notice a stagnant trend of production of oil and a little upward trend in gas production during each year of 9th plan. The situation could have been more grim but for the contribution of private sector. The Committee are concerned about the current trend of production of oil and gas particularly in a situation when this demand is rapidly increasing and the initiatives taken by the National Oil Companies have not shown the desired results. Due to this trend of production of consumption, the self sufficiency level of the country in crude oil sector has come down from 47% in 1997-98 to 27% in 2001-02. For better recovery of oil and gas from the present fields, a time bound action plan is required. ONGC and Oil India Ltd. could not come out with such programme during 9th Plan. The Committee therefore, recommend that the National Oil Companies should expedite their exploration and production efforts during 10th Plan period by formulating aggressive time bound strategies in regard to enhanced oil recovery and improved oil recovery schemes. They also desire that all possible initiatives should be taken for faster development of new discoveries.

Reply of the Government

Exploration & Production efforts of ONGC during X Plan period:

Oil production target during IX plan (PCR) from fields operated by ONGC was 144.89 MMT against which actual production was 129.047 MMT. Similarly, gas production target (PCR) and actual production were 119.04 BCM and 117.203 BCM respectively.

ONGC is committed to develop all its oil & gas properties discovered so far to their optimum potential. In this direction several steps were taken during the IX plan period. 19 IOR/EOR schemes are lined up along with time bound action plan for its 15 major fields including Mumbai High field. All these schemes are under various stages of implementation. 41 other fields have also been identified for progressive implementation of IOR/EOR schemes for which feasibility and laboratory studies are in progress. Special emphasis has been given for development of small/marginal discoveries for which action plan has been chalked out through incorporation of best in class technology practices. A firm action plan, along with the continuance of these planned activities has been formulated in the X-Plan to improve the recovery of hydrocarbons from all its discovered properties.

Furthermore, to streamline and strengthen the decision making process in various facets of E&P activities, ONGC has resorted to a new corporate structure based on the concept of Asset/Basin management with due empowerment at various levels since October, 2001 through a Corporate Rejuvenation Compaign (CRC).

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-
Fin. I dated 28.10.2002]

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

The Committee observe that considering oil and gas demand scenario *vis-a-vis* domestic production level, Government are encouraging oil sector PSUs to venture abroad to access exploration blocks and oil producing properties for equity oil. At present ONGC-Videsh Limited (OVL), a wholly owned subsidiary of Oil and Natural Gas Corporation Ltd. Is involved in taking up opportunities abroad. Till date they have got a participation in four such projects one each in Vietnam, Russia, Myanmar and Iraq. Apart from OVL, Oil India Limited, Indian Oil Corporation Limited and Gas Authority of India Limited have also been trying for such opportunities. The Committee see very good prospects in this direction. They, however, desire that all the financially sound national oil companies should strive to acquire good quality accreages abroad. However, since international environment in this field is very competitive, the Committee desire that the Government should provide all possible operational flexibility and delegated powers to all the companies willing to participate in such opportunities. The Committee also desire that the Government should provide every type of financial and diplomatic help to these companies so that they are well equipped to face the actual difficulties in participating in such projects. In Committee's view this approach can help the country in getting better security in future.

Reply of the Government

India Hydrocarbon Vision 2025, which lays the road-map for the petroleum industry in India envisages to put in place a comprehensive policy to include total deregulation of E&P business and empower Indian companies to compete with international oil companies with provision of fiscal and tax benefits. It also envisages building strong relations in focus countries with high attractiveness like Russia, Iraq, Iran and North African countries.

ONGC Videsh Limited (OVL), a wholly owned and a special purpose vehicle of ONGC, is engaged in exploration and production activities abroad. At present, it has two discovered properties in Vietnam Offshore (Gas Project) and Sakhalin Offshore (Oil & Gas Project, Russia). It also has two exploration blocks—one each in Iraq and Myanmar. It is also pursuing a discovered field in Sudan, proposal for which is in advanced stage. Based on the experiences acquired by OVL in these ventures, the Government is keen to further hone and develop its strategy in pursuing equity oil abroad.

Government is encouraging Indian companies to aggressively pursue E&P opportunities abroad as a part of enhancing hydrocarbon security of the country. It is providing necessary Government assistance as well as through diplomatic channels, to assist to acquire E&P properties abroad.

It is also the objective of Government to make Indian PSUs competitive through Synergy and Alliance among themselves and not compete against each other for the same E&P property abroad.

Gas Authority of India Limited (GAIL) has been pursuing the exploration and production opportunities in natural gas overseas in coordination with ONGC Videsh Limited (OVL). Government have been extending all support through diplomatic and other sources to GAIL in such ventures. Government have also directed that while participating in gas sector opportunities abroad, a coordinated approach among the interested & promoting PSUs should be adopted. Committee's views in this regard have also been noted.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Committee note that the bill on account of import of crude oil has been going up continuously during the last five years and it has increased more than four folds during these years. On the other side, the import of petroleum products has come down and export of these products is going up due to an increase in refining capacity. The Committee observe that the initiatives taken in order to reduce the dependence of oil imports have not shown very impressive results. The only pacifying point in this direction is that the net import bill has been reduced due to enhanced refining capacity of the refineries Considering the present domestic production level, the Committee recommend that the Government should continue their efforts to reduce the gap between production and demand through various measures aimed at increasing indigenous production and acquisition from abroad simultaneously. They should encourage the export of petroleum products in a planned way so that the foreign exchange is saved to some extent. The Committee specifically desire that a special stress should be given to acquire maximum quantity of equity oil abroad since that will be cheaper than the imported oil.

Reply of the Government

The net import bill on account of import of crude oil which was Rs. 28,913 crore in 1997-98 has increased to Rs. 59,085 crore in 2001-02. Considering indigenous crude oil production remaining practically, constant the import bill would depend upon demand, crude oil prices and exchange rate. A comparison of these for the years 1997-98 and 2001-02 is given below:-

	1997-98	2001-02	% increase
Demand, MMT	84.3	100.0	19
Average crude price, $/bbl	16.8	21.9	30
Exchange Rate, Rs./$	37.46	48.01	28

All these factors have contributed towards increase in import bill. India, at present, is surplus in most of the petroleum products due to lower growth in demand. This has led to export of surplus products. During last year *i.e.* 2001-02, India has become a net exporter of petroleum products.

Several important steps have been taken to increase oil and gas production, which include the following:

(i) to improve the recovery factor from existing major fields by implementing Enhanced Oil Recovery (EOR)/Improved Oil Recovery (IOR) schemes; in particular Oil and Natural Gas Corporation Limited (ONGC) has taken up 15 fields for this purpose at an estimated investment of Rs. 10,000 crore, which would also help in accelerating oil production from these fields.

(ii) to increase exploration efforts through the New Exploration Licensing Policy (NELP) Under the first and second rounds of NELP, Production Sharing Contracts (PSCs) have been signed for 47 blocks.

(iii) to attract technology and investment, PSCs for 9 discovered fields, 8 in Gujarat and 1 in Assam, were signed on 23.2.2001 with consortia of Indian and foreign companies.

(iv) to explore in new areas, especially in deep water and difficult frontier areas, as also explore in the deeper layers of the producing fields.

(v) to develop faster the newly discovered fields and to step up the use of new technologies for seismic surveys, work over, stimulation operations, drilling of wells etc. in producing areas.

(vi) to acquire acreages abroad.

With the current portfolio of oil and gas assets in various countries, ONGC Videsh Ltd. (OVL) shall be in a position to produce 10 MMTPA (O&OEG) by the year 2010. The earliest production shall commence in the last part of 2002 from the Vietnam gas project. ONGC-VL is in the process of finalizing few more projects, which shall further strengthen the production profile of the company.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Committee note that ONGC has experienced a major shortfall during 9th Five Year Plan in development/drilling in offshore areas due to non-availability of charter hire rigs and diversion of rigs. ONGC is having the required number of rigs and capability for drilling the wells in onland area. However, the rigs for offshore drilling are insufficient. The Committee are of the view that ONGC should not depend too much on the hired rigs. Now they have started the work on Mumbai Development Plan and a project plan for drilling 47 places in the Western and Eastern shores during 10th Plan. The Committee do not hesitate to say that ONGC require more deep water drilling capability after obtaining a good number of contracts under NELP-I and NELP-II and encouraging exploration results in Krishna-Godavari basin. The Committee, therefore, recommend that ONGC should take all initiatives to enhance their deep-water drilling capability by acquiring good quality rigs on their own so that the work relating to Mumbai High Development Plan and other projects of 10th Plan is not hampered at any stage of implementation.

Reply of the Government

Then offshore rigs owned by ONGC are currently insufficient to meet its rigs requirement for offshore drilling operations/activities. Accordingly, ONGC will require augmentation of their offshore drilling capability including continuation of charter hire rigs as per actual requirement. However, recently, ONGC has also taken decision to acquire 3 shallow water rigs for which action has been initiated. Furthermore, ONGC is in the process of upgrading all its rigs with State of the art technologies and best practices for improving drilling efficiencies and related safety aspects.

For undertaking technology intensive drilling activities in deeper water, ONGC will follow an optimal mix of portfolio of strategic alliancing, service contract and owning deep water rig as is done by International companies. For self-reliance, ONGC has already upgraded its own rig Sagar Vijay for drilling in areas with water depth up to 900 M. ONGC has already planned for acquiring deep water drilling rig capable of drilling to water depths above 2000 M, which might have long lead-time. As such, hiring of deep-water rigs is necessary to explore deep waters to meet the planned target in short term. Actions have also been initiated to identify consultancy services to assist ONGC in ultra deep water drilling.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The revised Plan allocation of HPCL for Ninth Plan as approved by Planning Commission was Rs. 7748.08 crores. The Committee observe that there is a shortfall of Rs. 3628.04 crores in its utilisation. The Committee are happy to note that a good amount of Rs. 1432.14 crores has been saved during current Plan due to effective project management and monitoring, prudent usage of internal resources and reduction in other costs. They expect that HPCL will continue with similar initiatives. The Government should persuade other oil companies also to adopt such measures in their operations. The Committee also observe that all environmental clearances for Punjab refinery Project as well as linked projects have been obtained by the HPCL. They, therefore, desire that this refinery project should be completed in a time bound manner during the 10th Five Year Plan.

Reply of the Government

The shortfall in utilization of IX Plan outlay in respect of Hindustan Petroleum Corporation Limited (HPCL) was, *inter-alia*, on account of savings on implementation of DHDS Project - Mumbai Refinery (Rs. 156.81 crore), DHDS Project - Visakh Refinery (Rs. 190. 96 crore), Visakh Refinery Expansion Project-II (Rs. 190.18 crore) and Visakh - Vijayawada Pipeline Project (Rs. 65.85 crore), requirement of subsequent Government approval in respect of Punjab Refinery Project subsequent to withdrawal of prospective joint venture partner (shortfall Rs. 1116.50 crore), spill over of Vijayawada - Secunderabad Pipeline Project to X Plan (shortfall Rs. 40.98 crore) and review of Strategic Crude Tankage - Mumbai Refinery (shortfall Rs. 205.13 crore) and Strategic Crude Tankage - Visakh Refinery (shortfall Rs. 205.13 crore).

In November, 1998, Government had approved the proposal of HPCL for setting up a 9 million metric tonnes per annum grass-root refinery at Bhatinda (Punjab) along with associated facilities, at an estimated cost of Rs. 9806 crore at June, 1998 prices through a joint venture company between HPCL and a co-promoter.

Various environmental approvals for the project had been obtained earlier except the environmental approval for the crude oil terminal, crude oil pipeline and single point mooring. Environmental approval for these three facilities were obtained on 24.4.2000.

Subsequent to the withdrawal of M/s Exxon (the prospective joint venture partner) from the project in February, 1999, Government permitted HPCL in October, 2000 to execute the project through a subsidiary of HPCL. The project is under implementation and is expected to be completed during the later part of the year 2005-06.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Committee note that all the oil sector PSUs are self-sustained and in fact some of them are Navratnas. No budgetary support in terms of investment, Plan and non-Plan is being made available to them. These PSUs manage their finance either through internal resources or extra-budgetary resources or loans etc. from prime financial institutions of the country or external resources. The Demands for the year 2002-03 have been placed at Rs. 650943 lakhs under the Revenue section. There is no provision under capital section. The Demand includes Rs. 943 lakhs for Secretariat-economic services and Rs. 65000 lakhs for additional budgetary provisions to meet the subsidy requirements in Post-APM era starting from 1.4.2002. Pervasively, these were being paid from the consolidated fund of India. The additional provisions include an allocation of Rs. 4495.80 lakhs for subsidies for domestic LPG and PDS kerosene, Rs. 23914 lakh for freight subsidy on retail products for far flung areas, Rs. 22957 lakhs for sales tax payment on ATF to foreign airlines, Rs. 153049 lakhs for compensation to refineries on account of irrecoverable sales tax and an amount of Rs. 500 lakhs for the proposed downstream Petroleum Regulatory Board. An increase in expenditure under Secretariat Head is mainly on account of non-salary expenditure of Anti-Adulteration Cell. Since the Demands of the Ministry seem to be justified, the Committee endorse 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 are made to keep the expenditure within the sanctioned budget under Secretariat Head for this year 2002-2003.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Committee observe that various State Governments have levied sales tax on supplies on aviation turbine fuel while the Government of India have entered into bilateral air services with other countries which provide for exemption from payment of taxes and duties on fuel and lubricants supplied in India to the aircraft of the contracting parties. Therefore, the airlines have not been paying the sales tax resulting into under recoveries to the oil marketing companies. These under recoveries were being met from the oil pool account under the APM and would be met by the Government from 1st April, 2002. The Committee also observe that the Ministry of Civil Aviation is contemplating to enact a legislation and a Bill has been introduced in the Parliament. This Bill was considered by the Parliamentary Committee on Transport and Tourism and their Report was presented on 27.11.2001. The Committee, therefore, recommend that the Ministry of Petroleum and Natural Gas should take up the matter with the Ministry of finance and the Ministry of Civil Aviation to enact an early legislation to stop the levying of such sales tax by the State Governments.

Reply of the Government

The Foreign Aircraft (Exemption from Taxes and Duties on Fuel and Lubricants) Bill, 2002 has been passed by the Parliament during the Budget session.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Committee observe that the Ministry have allocated Rs. 1530.49 crores for the purpose of compensation of refineries on account of irrecoverable sales tax. The Government have taken initiatives in consultation with the concerned State Governments for rationalistion of the State taxes through introduction of Value Added Tax particularly in oil producing States. The Value Added Tax was expected to be implemented w.e.f. 1st April, 2002 but is now delayed. While noting that the Ministry have agreed that the expenditure can recommend that the Government should continue their efforts with various State Governments for rationalisation of State taxes. They should also find other ways by which the expenditure under this head can be reduced.

Reply of the Government

The Ministry is continuing its efforts with various state governments for rationalization of state taxes. Further, only those irrecoverable taxes of the oil companies are envisaged to be compensated from the budget, which cannot be passed on in the consumer selling prices in a free market scenario.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

As per the existing purchase preference guidelines, PSUs are accorded preference in Government's purchases. However, the Committee has learnt that several PSUs have tied up with MNCs and are availing of the benefits under this policy. This is restricting competitiveness in ONGC's tenders. It has been reported that many of the PSUs which arc ıking advantage of this preference guidelines do not actually meet the requirements of minimum value additions. Since inter-PSU litigations/arbitrations are prohibited by the Government, the defaulting, PSU vendors/contractors act with impunity, causing serious problems of time and cost over-run for which ONGC is blamed. The Committee recommend that purchase preference guidelines be amended to ensure that PSUs who have tied up with MNCs are denied the advantage of the guidelines. It should be ensured that competitiveness in international bidding is really maintained. PSUs should not be allowed to trade on behalf of multinational companies.

Reply of the Government

In June, 2002 Government through Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, has brought out new guidelines for granting 10% purchase preference to the Central Public sector Enterprises (CPSEs) for their products and services. Joint Venture Companies (JVCs), where CPSEs have holding of 51% or more are also eligible for 10% purchase preference. The purchase preference is applicable for tender value of Rs. 5 crore and above. For CPSEs or JVCs to be eligible for the purchase preference, they are required to have a minimum 20% value addition in products and services. The aim of purchase preference to the CPSEs is to utilise capacity created by Government in the public sector. The Scheme of purchase preference for the CPSEs is valid upto 31.3.2004.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 28, Para No. 2.28)

The Committee note that there is a need for more distributors of LPG in rural areas. In 9th Plan some work has been done in this area. They also note the assurance given by the Government that under marketing service obligations during Post-APM period it would be mandatory for a company to set up 2-3 units in rural areas, against its setting up 5 units in urban areas. They, therefore, desire that the Government should take all possible measures to ensure that any marketing plan in Post-APM period follows the same priorities and is able to cater to the needs of people residing in rural, hilly and far flung areas.

Reply of the Government

Oil Marketing Companies are being advised to follow the marketing plans earlier approved by the Government for setting up of LPG distributorships/Retail Outlets. Oil Marketing Companies have planned to set up 1247 LPG distributorships exclusively for rural areas and out of these 260 rural distributorship have already been commissioned. After setting up of these distributorships, it is expected that rural areas will be covered to a considerable extent with LPG distributorships.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 33, Para No. 2.33)

The Committee observe that OIDB had allocated an assistance of Rs. 200 crores to Indraprastha Gas Limited and Rs. 43 crores to Mahanagar Gas Limited during 2001-2002. As against this, an amount of Rs. 21 crores has been released for IGL and 12 crores for MGL since IGL and MGL had projected their demands to this extent only. The Committee are surprised to see the dismal progress of IGL particularly in the phase when there is a need to speed up their activities. Hon'ble Supreme Court has been continuously directing IGL to establish the required infrastructure in the shortest possible time. The nature of investment shows that IGL has not properly used the sanctioned loan of ODIB. The Committee, therefore, recommend that Indraprastha Gas Limited and Mahanagar Gas Limited should undertake all the proposals in a time bound manner so that the sanctioned loan of OIDB is properly utilised and the people of Delhi and Mumbai may get the desired facilities in the shortest possible time.

Reply of the Government

Indraprastha Gas Limited (IGL)

Oil Industry Development Board (OIDB) in its 45th meeting held on 23.3.2000 had sanctioned a loan assistance of Rs. 100 crore to IGL for City Gas Distribution Project and CNG Expansion Programme in Delhi. Out of the above, IGL has, as of now, drawn Rs. 63 crore from OIDB. OIDB further in its 50th meeting held on 11.10.2001, sanctioned an additional loan of Rs. 200 crore to IGL for CNG Expansion Programme in Delhi subject to the condition that the payment will be released only after IGL has ensured the price of CNG is adjusted to take care of cost and returns and apprised the Board of their decision.

In addition, IGL has also spent Rs. 150 crore equity in the CNG Project. In view of directions of the Supreme Court, with the demand on CNG being expected to increase, IGL, therefore, has firmed up plans to augment the compression capacity to 16.11 lakh kg/per day by June, 2003 that would require additional capital expenditure of Rs. 319 crore. IGL would, therefore, be utilising the balance sanctioned OIDB loan during this period. Apart from above, IGL will also be requiring short-term loans for meeting the cash deficit during the period of capital investment.

Mahanagar Gas Limited (MGL)

During the year 2001-02 Mahangar Gas Limited (MGL) hås executed the city gas distribution project at an accelerated pace and provided piped natural gas to over 53,000 consumers, besides laying 404 kms. of pipeline including 29 kms. of steel pipeline in Mumbai.

OIDB in its 46th meeting held on 18.7.2000 sanctioned a loan assistance of Rs. 100 crore to MGL *i.e.* Rs. 20 crore for CNG Project and Rs. 80 crore for Piped Natural Gas Project in Mumbai. Out of the above, the company has so far drawn Rs. 31 crore from OIDB. The company has utilised the above loan in creating infrastructure etc. relating to Piped Natural Gas and Compressed Natural Gas in Mumbai. Comparatively slower progress on CNG front has been due to constraints on the availability of sites for locating CNG Stations in Mumbai. It has been reported by MGL that the land is very scarce in the city of Mumbai and, therefore, the company is totally dependent upon the oil marketing companies to co-locate CNG facilities with their petrol pumps. Since adequate sites could not be made available by oil marketing companies with necessary clearance from the various concerned authorities, the desired progress could not be achieved. It is stated that the construction work in Mumbai is allowed to be carried out by the local authorities only during the season commencing from the middle of October to the end of April ($6^1/_2$ months approx.) MGL has, therefore, been liaising with the State Government Authorities for allotment of land. The company is hopeful of achieving the target in the financial year 2002-2003 on CNG Expansion Programme. MGL is also in the process of augmenting its compression capacity wherever possible at the existing sites in order to overcome the problems of availability of sites. Company is now targeting to increase CNG Stations to 45 numbers by March, 2003 and also upgrading some daughter booster stations to online to meet CNG requirements.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

CHAPTER III

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

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

The Committee note that the public sector undertakings under the Ministry of Petroleum & Natural Gas are funding their projects through internal resources and external borrowings without any budgetary support from Government. This is a healthy trend. However, the project are regularly monitored by the Government. The Committee observe that in the original Ninth Plan, the Plan outlay for petroleum sector was Rs. 81382.98 crores. It was revised Rs. 78401 crores. Out of this only an amount of Rs. 55993.76 crores is expected to be spent. Thus, the utilisation of Planned Outlay by the end of the Plan would be around 71% only. The Committee note that in the upstream sector as a whole, there is no shortfall in Plan expenditure. There were major slippages in downstream sector where the proposals relating to establishment of grass root refineries and expansion of refineries were either dropped or postponed. The likely utilisation of Plan Outlay by the Navratna Companies like Indian Oil Corporation is about 51% of the approved outlay. It is very surprising and sad that such important Navratna and Mini Ratna Companies are not using their allocated amount in time. They are using their special financial powers for deferring/review of the projects and not for the creation/approval of new projects. Due to their lethargic approach, external joint venture partners are not willing to invest in their projects. The Committee, therefore, recommend that the oil sector companies should do maximum homework before giving a proposal that the oil sector companies should do maximum homework before giving a proposal of projects to be completed during a particular time frame. Moreover, the Government should also take care that no undue time is spent in administrative matters. The Committee urge the Government to improve the position on both the fronts so that no such situation arises in the next Five Year Plan.

Reply of the Government

In terms of the mid-term appraisal of the IX Plan, the demand for petroleum products was estimated to grow at a compound rate of

6.5% per annum during the IX Plan. Accordingly, the demand for the terminal year 2001-02 was estimated to reach 110 million metric tonnes (MMT). However, the actual growth in demand during the IX Plan materialised at a compound rate of only 4.5%, which in the terminal year was around 9.4 MMT. With the reduced growth in demand coupled with increasing competition and liberalisation, the downstream PSUs had to reassess the viability of their projects considering the changing scenario. A number of project could not be implemented due to slow growth in demand. It is expected that the investments in major on-going projects planned for the IX Plan would be carried over to the X Plan.

The planned expenditure during the X Plan period has been worked out based on the performance of the oil industry *vis-a-vis* the objectives and thrust areas identified for the IX Plan and considering the paradigm shift in the policy of the Government for the X Plan.

The petroleum sector has been deregulated *w.e.f.* 1.4.2002. Therefore, the plan outlays take into account the fast changing economic scenario, increasing competition and liberalisation. While in the case of Oil PSEs, the plan outlays would be met through internal and extra budgetary sources, substantial investment is expected by the private sector investors during the X Plan period.

In case of PSEs, better utilisation of plan outlays would be monitored through the MOUs. All necessary support would be rendered to the private sector to facilitate their investments in terms of policy guidelines. However, the actual expenditure during the plan period would largely depend upon the materialisation in demand of petroleum products as envisaged.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The rate of cess on crude oil has been increased from Rs. 900 per metric tonne to Rs. 1800 per metric tonne *w.e.f.* 1.3.2002. The Committee are not convinced with the reply of the Government that increase in cess is applicable in case of nominated fields only. At the time of awarding fields to ONGC and OIL there were no other companies in competition. It was expected that with dismantling of APM effective from 1.4.2002, ONGC and OIL would be entitled to market determined prices for crude. This would had resulted in the additional cash flows required to sustain the aggressive capital investment plans of ONGC and OIL during the 10th Five Year Plan. With a levy of additional cess of Rs. 900 per MT which works out to US$ 2.5 per barrel, incremental cash flow to national oil companies (ONGC & OIL) would be substantially reduced. These companies may have to resort to borrowings to sustain their investments and operations. This might result in jeopardizing their exploration plans. The Committee, therefore, recommend that the imposition of additional cess be withdrawn.

Reply of the Government

The cess on indigenous crude was increased from Rs. 900 p.m.t. to Rs. 1800, p.m.t., *w.e.f.* 1.3.2002. This was a conscious decision taken in the Budget proposal of 2002-03. At that time national oil companies operated under the cost plus formula and the price of domestic crude was well in excess of their production cost. It was thought that post APM, the cost-plus formula for the pricing of crude oil would be abandoned. Oil producers would then be paid a price (for crude) equal to the prevailing international FOB price by the refineries. Thus, a cushion would be available to the domestic producers of oil which could be mopped up partly through enhanced cess. Therefore, Ministry of Finance is of the view that additional cess imposed on crude oil *w.e.f.* 1st March, 2002 should not be withdrawn.

The response to the Xth Plan would be reviewed by the Government and accordingly the matter would be taken up with the Ministry of Finance at the time of mid-term review.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Committee observe that during 2000-2001 a grant of Rs. 150.47 lakhs was given for Voluntary Retirement Scheme in Biecco Lawrie Limited. In response to the above scheme, only 60 employees were released out of the surplus manpower of 223. The Committee also observe that through this step of reduction in employee cost, benefited the Company to extent of Rs. 35 lakhs during 2000-2001 which has reached up to Rs. 80 lakhs during 2001-2002. This shows that if there could be more voluntary retirements, the loss of the company could be minimised and there could be no reason to refer it to BIFR. The Committee do not find any justification in referring the company to the Ministry of Disinvestment particularly when the company has been facing a tough situation by incurring a loss of Rs. 8.67 crores during the year 2000-2001. The Committee, therefore, recommend that the Government should once again try to minimise the staff through Voluntary Retirement Scheme. Simultaneously, all other steps should continue for the revival of Biecco Lawrie. The Central Government should provide every type of assistance so that this company may move forward on the path of revival.

Reply of the Government

From 1972, there has been no return on investment made by the Government in BLL. Instead, the Government/OIDB have written off interest income/investments. Before making any financial assistance to the company, it has been desired by the Government to analyse the future growth of the company. Against the huge loss of Rs. 15 crore suffered during the last few years, BLL has made growth projections in electrical operations and petro product marketing which do not indicate a robust growth trend. In view of above, the Government have sent the case of BLL to the Ministry of Disinvestment for referring to Disinvestment Commission.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-
Fin. I dated 28.10.2002]

Recommendation (Sl. No. 24, Para No. 2.24)

As per the decision taken in November, 1997, the Government have finally announced the dismantling of administered Pricing Mechanism, in the petroleum sector from April 1, 2002 whereby the prices would be market determined. The Committee observe this situation as a very critical one for the customers because the prices would vary from location to location depending upon transportation cost, local levies, sales tax, etc. the prices of motor sprit and HSD would also vary from company to company. This will create a situation where there will be no uniformity in the price throughout the country. The Committee are unhappy to note that without considering and enacting any legislation over such an important issue of containing the impact of volatilities in the international market and other factors on the domestic prices of petroleum products, the Government have dismantled the APM. The Government had to follow a phased programme to be completed before dismantling of APM. Some of the steps of this phased programme have not been completed as yet. The Committee, therefore, recommend that the Government should quickly complete the action on all the issues suggested in the phased programme of reforms including the establishment of Regulatory Authority and rationalisation of duties.

Reply of the Government

Dismantling of administered pricing mechanism (APM) implies that the prices of petroleum products in various locations in the country would be market-determined *i.e.* would reflect actual distribution and transportation costs, local levies, taxes, etc. Also, the normal variations in the international oil prices would be passed on to the consumers in the post APM scenario. As far as the issue of containing the impact of excessive volatility in the International oil prices on the domestic prices of petroleum products is concerned, the Government would make an appropriate intervention. The Petroleum Regulatory Board. Bill, 2002 was introduced in the Parliament during the Budget session and has been referred to the Standing Committee on Petroleum & Chemicals. So far as the issue of rationalization of duties is concerned, it is a continuous process and the matter is taken up with the Ministry of Finance at appropriate times.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 25, Para No. 2.25)

The Committee apprehend that in the Post-APM era, availability of petroleum products in far flung areas would be hard hit. Supply to remote and high altitude areas was aided in the APM mechanism through cross subsidy schemes, which compensated for the high inventory costs and investments made in these areas. These concessions would not be available after de-regulation. There is need to have a rational tariff and pricing policy which would ensure the consumer the consumer getting the petroleum products at the most reasonable prices and requisite quality. The Committee recommend that the Government should evolve suitable mechanism for compensating high inventory carrying and distribution costs. MNCs/Private Companies should be legally bound to put up facilities in these areas in the same ratio as that of the PSUs (hilly and far flung areas *vis-a-vis* other locations) when granted marketing rights.

Reply of the Government

There is freight subsidy for far-flung areas for PDS Kerosene and domestic LPG post APM. The Government guidelines for granting authorization to market transportation fuels to the new entrants, as contained in the Resolution of the Ministry of Petroleum and Natural Gas No. P-23015/1/2001-Mkt. Dated 8th March 2002, *inter-alia* contain provision to impose conditions in public interest such as servicing the remote areas and low service areas as may be declared by the Government from time to time.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 34, Para No. 2.34)

The Committee note that the Government have decided to supply 5% ethanol-doped petrol all over the country in two phases. The States of Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh would be covered during Phase-I and rest of the States/Union Territories in Phase-II. The Government have also announced concession in the special additional excise duties of Rs. 0.75 per litre on the ethanol-doped petrol and they have also decided to amend the Sugar Development—1982 facilitating financial assistance from the Sugar Development Fund for production of ethanol and co-generation of power from bagasse. The Committee hope that in the years to come, this would result in getting the people cheaper petrol since it is estimated that about 500 million litres of petrol would be replaced by anhydrous alcohol. They, therefore, recommend that the Government should prepare a time-bound programme for supply of ethanol-doped petrol in all parts of the country. The Committee also desire that some States including Tamil Nadu have shown their interest in establishing ethanol-blending projects and have the potentiality to produce more ethanol. The Committee recommend that proposals from these States should be finalized on priority basis.

Reply of the Government

Availability of cheaper petrol will *inter-alia* depend on the purchase price of anhydrous alcohol in the open market. The Government have decided to implement the first phase of the programme regarding supply of ethanol-doped petrol in the eight sugar producing States from 1st November, 2002. Tamil Nadu is one of the States to be covered in the first phase of implementation of the programme and, as such, there would be no need for establishment of any further pilot project in that State.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 37, Para No. 2.37)

The Central and State Government have also been directed to provide CNG to transport sector all over India on priority basis. The concept is a welcome step. However, the Committee opine that gas is preferred feed stock for small, medium and large industries. For balanced economic development, it is Government's duty to prioritise the supply of feed stock for all economic activities. In this context, the Committee recall that they had been impressing upon the Government the need to prioritise the feed stock and adopt policy for various segments. Regretfully, the Government have not acted fast. Still the Committee feel that it is the duty of the Government to administer and prioritize the feed stock. It has also been stated that Delhi needs 4.8% of the current supply of gas by HBJ pipeline. The small percentage of gas appears to be really small. But gas distribution pattern has to be looked into from various other angles and in all India context. The entire East India is almost deprived of the benefits of gas availability though gas is in abundance in North-East. The Committee do not feel any justification in bringing gas from distant parts of the country only for the use of 1% population of the country. The allocation and distribution of the gas should be judicious and should look equitable. The Government have to evolve a scientific approach in this regard.

Reply of the Government

The present availability of natural gas for supply is around 65 MMSCMD, although allocations have been made, which are far exceeding the availability. The main natural gas producing regions in the country are Mumbai High and Basin, Krishna Godavari Basin, Cauvery Basin, Assam and Tripura with regional distribution networks. For optimal utilisation of natural gas in core sectors like Power, Fertilizers and Steel, Hazira-Bijapur-Jagdishpur (HBJ) Pipeline was laid from Hazira in Gujarat to Jagdishpur in Uttar Pradesh, passing through Delhi. In Delhi, major gas consumer from HBJ pipeline system in Delhi Vidyut Board, apart from other small consumers in and around Delhi. It may be noted that the present availability along the HBJ pipeline is around 31.0 MMSCMD of natural gas, whereas the current supply of gas to consumers in Delhi is to the extent of around 2.5 MMSCMD.

An Inter-Ministerial Committee, called, Gas Linkage Committee (GLC) under the Ministry of Petroleum & Natural Gas makes recommendations for allocation/transfer/cancellation of natural gas for utilization in various sectors by taking into consideration, *inter-alia,* the imputed economic values of gas use in various sectors as well as the priority of gas use for feed stock purposes in fertilizer, sponge iron and other industrial sectors. The city gas distribution projects, Power and Fertilizer Sectors are accorded priority in gas allocation.

The GLC also takes into consideration the specific needs of economically under developed regions such as the North-Eastern region in order to optimally utilize the natural gas resources available in the region. Presently, all the gas available in the North-Eastern region has been allocated for utilization within the region itself.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 38, Para No. 2.38)

The Indraprastha Gas Limited has been criticized for its failures to cater to the needs of transport sector in Delhi. The Committee feel that today it is IGL, tomorrow there can be other companies like IGL which might come up in different parts of the country whose job would be to supply CNG in their areas. The Committee feel that these agencies are being set up to serve national and common cause. The Committee, therefore, recommend that Central and concerned State Government should provide financial grant to these agencies for raising basic infrastructure. It is the duty of the Government to ensure that these companies are not only raised but become functional and remain economically sound. If they are forced to supply the CNG merely for transport sector, it is doubted whether they would be economically vibrant. To enable them to work professionally they should be given adequate gas to supply it for small scale needs, domestic purposes, small commercial in the areas of their allocation.

Reply of the Government

The Government have already made an allocation of 2.0 MMSCMD (equivalent to 16.10 lakh KG per day) of natural gas to M/s. Indraprastha Gas Limited (IGL) for utilization for domestic and automotive purposes. Presently, the extent of natural gas actually consumed against the above mentioned allocation is of the order of 0.60 MMSCMD.

IGL is a joint venture company of two oil PSUs, namely, Gas Authority of India Limited and Bharat Petroleum Corporation Limited also with equity participation of Government of National Capital Territory of Delhi and is responsible for providing adequate returns to its shareholders. To ensure the profitability of operations, IGL had to increase the price of CNG from Rs. 13.11/kg to Rs. 16.83/kg *w.e.f.* 28.4.2002.

The objective of setting up IGL is certainly to provide clean fuel to the domestic and transport sectors, but as a joint venture, it is a commercial organisation who have to keep the adequate rate of return in investments and profitability aspect in view when taking investment decisions.

For environmental and social considerations, the Government have extended all necessary support to IGL in the execution of the City Gas Distribution Project in Delhi, including enhancing allocation of natural gas from 0.98 MMSCMD to 2.0 MMSCMD to adequately meet their CNG requirements. However, it may be noted that IGL has been promoted as a commercial joint venture with a view to generate adequate rate of return on the capital employed by the promoting companies and the Board of IGL is fully competent to take decisions independently in this regard including revising CNG prices suitably.

In view of what has been stated above, it may not be desirable to provide for any subsidy for such commercially operated joint ventures.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 39, Para No. 2.39)

The Committee have noted the IGL has to incur huge expenditure on central sales tax, HBJ transportation charges after purchase of gas from GAIL, whereas Mahanagar Gas Limited and Gujarat Gas Company Limited have not to pay on this account. Further, IGl was reportedly incurring loss of Rs. 2.23 per kilogram on CNG as of now. The IGL at present is supposed to sell about 6 lakh kilogram of gas per day and as per Supreme Court's Order this quantity is further to rise to 16.1 lakh kilogram per day. At this rate the company is bound to incur heavy losses. The Committee have taken note that the Government do not control the price of CNG and there was no binding on IGl to sell CNG at specific rates. They further learn that sale price of CNG for transport sector in Mumbai is higher than in Delhi whereas the Mumbai Gas Limited as getting gas without any central sales tax and HBJ transportation charges. The Committee fail to understand the rational in the variation of sale prices between Mumbai and Delhi, IGL is in initial stage of formation and the Committee are afraid that because of the heavy expenses and comparatively low returns. The Company might accumulate losses which might ultimately lead to its falling sick. The Committee would like to caution the company about it. The Committee recommend to the Government that they should subsidize the losses being incurred by the company for selling CNG to public vehicles in Delhi.

Reply of the Government

Prior to revision of CNG prices in Delhi *w.e.f.* 28.04.2002, Indraprastha Gas Limited (IGL) was selling CNG @ Rs. 13.11/Kg. (including the element of Excise Duty). As this selling price of CNG was found to be un-remunerative, IGL has revised the CNG price from Rs. 13.11/Kg. to Rs. 16.83/Kg. *w.e.f.* 28.4.2002 to compensate for the rising expenses. The increase in the price of CNG by IGL is expected to meet the high cost of operations and to make good the losses, and generate surplus so as to make further investments in infrastructure viable.

As far as Mahangar Gas Limited (MGL) is concerned, the corresponding selling of CNG in Mumbai is Rs. 19.71/Kg, (which includes the element of Excise Duty and Sales Tax).

The basic price of natural gas for both IGL and MGL is the same *i.e.* Rs. 2850/MCM at 10,000 k.cal. The difference in the price of CNG in Delhi and Mumbai is due to the difference of rates of State Sales Tax in fixed costs and variable costs.

As joint ventures, IGL and MGL are competent to take commercial decision including fixing up the price of CNG, keeping in mind the profitability of their operations.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

CHAPTER IV

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

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

The Committee observed that oil marketing companies had planned to enroll 215 lakh new LPG customers during the 9th Plan period. As against this, 335.4 lakh new connections were released during this period including 50.5 lakhs in rural sector. As on March 1, 2002 there were 7269 LPG distributorships of public sector oil companies catering the requirement of about 630 lakh LPG customers. Out of this, there were 588 urban/rural distributors and 302 exclusively rural distributors in the country. The Committee, therefore, desire that the Government should take initiatives to enhance the number of distributors to the desired level so that they may be able to cater the needs of people who are facing difficulties after getting the LPG connections. As agreed by the Ministry, they must take all measures to establish the proposed 1200 distributors in rural areas in the shortest possible time.

Reply of the Government

Upto Marketing Plan 1999-2000, 1247 distributorships were planned in rural markets, out of which 260 have already been commissioned. LOIs are pending for another 126 distributorships. In order to ensure that all these distributorships are commissioned as early as possible, position is reviewed by the Government on monthly basis.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 10 of Chapter I of the Report)

Recommendation (Sl. No. 26, Para No. 2.26)

The Committee observed that the prices of kerosene for public distribution have been increased in March, 2000, September, 2000, and March, 2002. Similarly, the LPG prices have been increased in

February, 1999, March, 2000, September, 2000 and March, 2002. All this is being done to achieve the targets set for phasing out the subsidies step by step. As informed by the Government, these subsidies will be completely removed in next 3 to 5 years. This shows that the Government are likely to enhance the prices again in coming months also. The Committee do not support such upward revision of prices of these commodities during such a short span of time. The Committee, therefore, urge the Government to reconsider their recent decision to enhance the prices of kerosene and LPG and roll it back to its original position. The Committee also desire that the Government should continue the subsidy on these necessary items of common man and they should not be put to any heavy financial burden.

Reply of the Government

One of the decisions of APM dismantling is to phase out the subsidy on PDS Kerosene and domestic LPG in the next 3 to 5 years. The cushion period of 3 to 5 years for phasing out this subsidy has been given so that the consumers get used to free market pricing of these products.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 28 of Chapter I of the Report)

Recommendation (Sl. No. 2.31)

The Committee note that the Government have decided 'in principle' to disinvest a part of its equity holding in HPCL and BPCL through strategic sale. The Government of India holding in BPCL is 66.2% and that in HPCL it is 51.01%. They have a very good track record of profit making and they are very good competitors of IOC at present having market share of 55%. It is surprising that on one hand the Government treat Indian Oil Corpn. Ltd. as flagship company for refining and marketing and on the other hand they are preventing them from participating in the bidding process of similar type of companies under the pretext of presetting monopoly. The Committee are not convinced with the view of the Government that participation in the bidding process itself will create a situation of monopoly. The purpose of disinvestment is to obtain maximum price for the

Government share. In this process, in order to ensure a competitive and far bidding there should not be any restriction for any company. The Committee, therefore, urge the Govt. that they should reconsider their decision of debarring IOCL from the bidding process. Alternatively, they should also enforce similar conditions on Reliance Industries Ltd. participating in the bidding process of IPCL since if they are successful in obtaining the shares of IPCL, they will almost have 100% monopoly in petrochemicals sector because other PSUs of this sector are sick with negligible contribution.

Reply of the Government

If IOC were allowed to acquire the controlling stake in HPCL and BPCL, IOC's share of retail marketing of petroleum products would be almost 100% of the existing market. IOC acquiring the controlling stake in BPCL/HPCL may not be in tune with the objective of ensuring competition, and thereby serving the interests of consumers. In the interest of ensuring transparency in the bidding process, it would be necessary to decide about the rules of the bidding process upfront, rather than at the time of accepting the bids. Hence, it is necessary to announce the decision of the Government before the commencement of bidding process in these PSUs so as to ensure consistency and transparency in the method of strategic sale in PSUs and confidence of the bidders in the process. In view of the above, it is felt that there is no need for Government to review its earlier decision of debarring IOC from participating in the process of HPCL/BPCL disinvestment.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 36 of Chapter I of the Report)

Recommendation (Sl. No. 32, Para No. 2.32)

The Committee observe that the Government have also decided to disinvest 51 per cent shares in Engineers India Ltd. (EIL) to a strategic investor. The Committee would like to point out that EIL is the most diversified and leading design and engineering company in the field of petroleum, refineries, petrochemicals, oil and gas processing, off-shore structures and platforms, fertilisers, metallurgy and power. It has wealth of data of all major refineries, petrochemical plants, technology used, layout plans etc. which might be exploited, commercially by a private enterprise. Moreover, EIL is now a consistent profit making organisation with the status of a Mini Ratna Enterprise of first category. The Committee, therefore, desire that such a pioneering enterprise should not be disinvested and should continue to be in public sector.

Reply of the Government

Government had classified the PSUs as 'strategic' and 'non-strategic'. Strategic PSUs are those operating in the areas of:

(a) Arms and ammunitions and the allied items of defence equipment, defence aircrafts and warships;

(b) Atomic energy (except in the areas related to the generation of nuclear power and applications of radiation and radio-isotopes to agriculture medicine and non-strategic industry);

(c) Railway transport.

All the other PSUs have been classified as non-strategic Government has made its position clear through successive Budget speeches of the Finance Minister that it would reduce its stake in non-strategic PSUs even below 26% and there would be increased emphasis on strategic sales. It may be seen from the above that the criterion for disinvestment in a PSU is whether PSU is strategic or non-strategic and not whether it is making profit or incurring losses. The existing clients of EIL including oil PSUs can gain from the competitive environment after privatisation of EIL. Liberalisation measures initiated by the Government in the hydrocarbon sector are aimed at attracting private sector investment. In the ensuring competition, EIL may no longer have preferential/exclusive treatment from the PSUs. In order to maintain its pre-eminent position and strengthen its expertise, EIL needs to have easy access to modern technology and capital to undertake large Lump Sum Turnkey (LSTK) projects. In this regard, a suitable strategic partner for EIL would be appropriate.

In view of the above, it is felt that there is no need for the Government to review its earlier decision of disinvesting its stake in the equity of EIL through strategic sale.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 36 of Chapter I of the Report)

CHAPTER V

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

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

The Committee observe that the demand of natural gas had increased rapidly during the Ninth Five Year Plan period and only half of the demand is being fulfilled at present. The Government have taken steps to increase the production of natural gas through optimistic production from the existing fields, faster development of new fields, exploration at greater depths in existing fields and exploration of alternate resources like coal bed methane. These efforts may yield good results in future, but in the Committee's view the import options are also of great significance. The Committee appreciate the recent initiatives taken by the Government in this direction. Gas Authority of India Limited has been working as nodal agency for finalizing Iran-India Gas Pipeline Projects and importing gas from Myanmar. The Committee desire that the Government should ensure early finalization of these projects after completion of feasibility studies expeditiously.

Reply of the Government

Gas Authority of India Limited has been designated as the nodal agency by Government of India for import of natural gas through pipeline form Iran. Feasibility study with regard to laying of deep water gas pipeline form Iran to India, which was awarded to a foreign consultant in May, 2001 is progressing satisfactorily. Currently, marine surveys are being undertaken to identify the pipeline corridor in offshore Iran, offshore Oman, outside the continental shelf/margin of the neighbouring country and the Indian waters. Marine surveys are expected to be completed in a few months' time, after which the pipeline techno-economic study would be performed by the main consultant. It is expected that the feasibility study would be completed by early next year and, thereafter, only subsequent project related decisions would be taken.

GAIL is also pursuing the initiative for import of natural gas from Myanmar. It is understood that the Government of Myanmar is prepared to develop gas trade with India. However, the present gas reserves in the Myanmar do not support a gas pipeline to India. Early this year, GAIL and ONGC Videsh Limited have joined M/s Daewoo and KOGAS in an offshore block in Myanmar with high probability of significant gas discovery. Exploratory drilling may be undertaken in this block next year and, in case large discovery is made, the question of setting up a gas pipeline to India would be examined.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para of Chapter I of the Report)

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

The Committee are happy to note that the Government have allowed the PSU oil companies to market small size LPG cylinders for domestic purposes. Such cylinders are very useful for poor people and people living in rural areas. This suits their purchasing power and they can carry it easily. The Committee, therefore, desire that the Government should ensure that all the oil companies start supplying these cylinders at the earliest in sufficient number particularly to the dealers serving the people in sub-urban and rural areas.

Reply of the Government

Oil Marketing Companies would commence the marketing of 5 Kg. cylinders shortly. Necessary preparation for marketing of 5 Kg. cylinder by OMCs is being under way.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

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

The Government have finally decided to dismantle Administered Pricing Mechanism (APM) and it has since been implemented *w.e.f.* 1st April, 2002. The Committee would, however, recall that when decision to dismantle APM was taken, it was also decided to reduce slab of excise duty gradually on indigenous production of oil, gas and refined products. It is regretted that excise duty structure has remained almost the same during the last ten years. The Committee, therefore, recommend that excise duty be reduced substantially so that benefits of free marketing are enjoyed by the common people.

Reply of the Government

Following table gives the comparison of the existing excise duties on petroleum products with those approved by the Cabinet in November, 1997 while approving the phased programme for the dismantling of APM:—

Petroleum Product	Existing Excise Duty	Excise Duty approved in November, 1997
MS	32 *	165 ***
	16	8
FO, Naptha and LSHS—	16	16
General use		
Kerosene (PDS)	16	8
HSD	16 **	16
LDO	16	16
	16	40
Bitumen	16	16
Others	16	16

*Special Additional Duty of Excise @ Rs. 6/Ltr. plus additional duty @ Rs. 1/Ltr.

**Additional Duty @ Rs. 1/Ltr.

***Inclusive of surcharge/cess.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 13 of Chapter I of the Report)

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

The emphasis of 9th Plan was for setting up of regulatory mechanism both in upstream and downstream sectors. The Report of Inter-Ministerial Working Group on the regulatory framework in the upstream sector is pending with the Government since April, 2001 and awaiting final decision of the Government. On the other side, the proposed petroleum regulatory mechanism for downstream sector has been prepared and is to be introduced in the Parliament during the current session. The Committee deprecate the failure of the Government to give any final shape to the regulatory mechanism for both the sectors before the announcement of dismantling of Administered Pricing Mechanism from 1st April, 2002. They desire that the Government should take a final decision in regard to regulatory mechanism for upstream sector. The Committee also desire that the Government should take all initiatives to set up proposed petroleum regulatory mechanism for downstream sector without any delay. This regulatory authority should be given sufficient powers for monitoring the pricing of petroleum products also so that the adequate availability of petroleum products to meet the demand at reasonable prices in all parts of the country can be ensured.

Reply of the Government

The Report of the Committee constituted by the Ministry of Petroleum and Natural Gas regarding setting up of an Upstream Regulatory Framework is still under consideration of the Ministry. It had been decided earlier that a view would be taken in this regard in light of progress on setting up of a Regulatory framework for downstream sector and developments after dismantling of APM after 31.3.2002 within 3-4 months.

We will examine these questions further in the light of experience of Petroleum Regulatory Board Bill, 2002.

The proposed regulatory mechanism is being given sufficient powers for monitoring the prices of notified petroleum and petroleum products and also to ensure adequate availability in all parts of the country.

Government have introduced the Petroleum Regulatory Board Bill, 2002 in Lok Sabha on 6th may, 2002 and has been referred to the Standing Committee on Petroleum & Chemicals.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 16 of Chapter-I of the Report)

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

In view of failure of the implementation of several projects during 8th Five Year Plan and possibility of similar happenings during 9th Five Year Plan, the Planning Commission had desired that the Government should remove the existing bottlenecks by further streamlining the existing procedures for approval of various projects and their implementation. However, the Committee regret to note that no significant change has taken place during the Ninth Plan period also. During this period several major and important projects of oil sector could not see the light of the day due to delay in grant of environmental clearances problems in acquisition of land, backing out of Joint Venture partners and delayed execution of work by contractors and foreign suppliers. Exploration efforts are bottlenecked by the regulations on protection of Coastal Regulatory Zone (CRZ), forests and sanctuaries. In fact, even survey was not being permitted. There is strong need that environment rules are modified, to permit exploration and production in such protected areas on the basis of the 'Compensatory afforestation' principle. As of date, there are several locations where exploration efforts have been held up pending such facilitation by the Centre and State Governments. The Committee fell that there are a serious lacunae in implementation and monitoring process. Otherwise, there is no reason why the private sector majors get in very short period of time the desired clearances for which the PSUs have to wait for very long time that too without any success. The Committee also observe that several projects of ONGC have suffered due to environmental objections. They therefore, recommend that the Government should make a comparative indepth study in this regard and remove all the existing bottlenecks by further streamlining the existing procedures for approval and implementation of various projects of petroleum sector.

Reply of the Government

The Ministry of Petroleum & Natural Gas has taken a number of measures to overcome the instances of time and cost overruns in respect of project implementation. These include:—

(i) A Ministry Monitoring Cell has been set up in Engineers. India Ltd. exclusively to monitor the progress of ongoing projects.

(ii) Periodical review of the progress by the Ministry.

(iii) Monitoring of the progress by Ministry of Statistics and Programme Implementation.

Periodical review of projects by Cabinet Secretariat.

(v) Taking up the matter with various State Governments wherever there are problems in acquisition of Land for the projects, pipelines etc.

Taking up the matter with various Ministries of Government of India and implementing Agencies whenever there are instances of any problems in the way of implementation of the projects.

(vii) Taking up of the matter with Ministry of Environment and Forests for expeditious environmental clearances.

2. The Govt. have constituted a Study Group to look into the aspect of simplification of procedures, rules and regulations. Senior level officers of the rank of Secretaries to Government of India of. various Ministries are represented on the Group. Its recommendations would be examined once the report is received.

It has been endeavour of the Government to assist contractors under the Production Sharing Contracts (PSCs) in obtaining necessary approvals including environmental clearances. With the effort of this Ministry, the Coastal Regulation Zone (CRZ) was amended to allow petroleum operations including exploration of oil and gas with the approval of the Government, which was otherwise not permissible. Regarding the protected areas such as sanctuaries, wildlife parks etc. it may be mentioned that Government has to seek the balance of economic development *vis-a-vis* environmental concerns and efforts are made to arrive at optimum decision.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 19 of Chapter-I of the Report)

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

The Committee are anguished to note that ONGC has not been able to reach a final agreement with Reliance Industries Limited regarding supply of 1.35 lakh tonnes of feed stocks for Assam Gas Cracker Project even after a lapse of several years. Due to which this long pending project of North-Eastern State has been held up. The Committee learnt that there are about 10 clauses of the agreement on which differences remain to be resolved between the concerned parties. They desire that final decision regarding the remaining of the agreement should be taken within a month as promised by the Secretary, Ministry of Petroleum and Natural Gas so that the work on the project may be expedited.

Reply of the Government

Out of the 436 clauses of the GSA propose to be signed between ONGC and RAPL for supply of the feed stock for the project, the remaining 10 core clauses also have been settled between the parties and the GSA is expected to be initialed by ONGC and RAPL shortly. Regarding the supply of balance quantity of feedstock *i.e.* natural gas/ LPG, a policy decision is yet to be taken as to the specific feedstock and the agency who will supply the same.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 22 of Chapter-I of the Report)

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

The Committee observe that out of the total outlay of Rs. 6540 crores, the anticipated expenditure of BPCL during 9th Plan period is estimated at Rs. 2723.31 crores. The major reasons for such investment trend included the delay in implementation of the Central India Refinery Project at Bina and JVC Refinery in U.P. The Refinery Project at Bina was approved in 1995. This was to be commissioned by December, 1999. A number of PILs have been filed which are being heard in Supreme Court. Simultaneously, in view of the decision of Oman Oil Company (OOC) to limit its investment in the Project, a proposal is under consideration to permit BPCL to execute the project through Bharat Oman Refineries Limited (BORL) with reduced equity contribution by Oman Oil Company (OOC) and with an enhanced equity contribution upto 50% by BPCL. The Project is expected to be completed within 48 months from the date of commencement of project execution. The Refinery Project in U.P. is also being delayed due to this project. The Committee, therefore, desire that the Government should permit BPCL to execute the project through BORL with their increased equity contribution.

Reply of the Government

The shortfall in utilization of IX Plan outlay in respect of Bharat Petroleum Corporation Limited (BPCL) was, *inter-alia,* on account of delay in implementation of Mumbai Refinery Modernisation Project (shortfall Rs. 953.30 crore), Central India Refinery Project at Bina (shortfall Rs. 473.50 crore) and U.P. Refinery Project (Rs. 872.84 crore).

In December, 1995 Government had approved the proposal of BPCL for setting up 6 million metric tonnes per annum grass-root refinery at Bina (Madhya Pradesh) along with related crude import/ transportation facilities, through a joint venture company, namely, Bharat Oman Refineries Limited (BORL) at an estimated cost of Rs. 5277 crore at December, 1994 prices.

The project was to be mechanically completed by June, 1998 and commissioning of project facilities were to be achieved by December, 1999. Implementation of the project was, however, delayed due to delay in receipt of certain environmental clearances first from the Government of Gujarat and later due to public interest litigations field in Gujarat High Court.

The Supreme Court on 15.7.2002 passed an order in the matter and now BORL can take up the construction of crude oil pipeline in the marine sanctuary area.

In view of the decision of Oman Oil Company to limit its investment in the project, a proposal is under consideration to permit BPCL to enhance its equity contribution in BORL from the earlier approved level of Rs. 549 crore to upto Rs. 1271 crore (equal to 50% of revised equity requirement of BORL) for executing the project. Government have on 26.7.2002 approved the Revised Cost Estimates of the project of Rs. 6354 crore. Further action will be taken when formal orders are issued after CCEA approval.

The project is expected to be completed within 42 months from the date of commencement of project execution.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 16, Para No. 2.16)

The Committee observe that as against the approved outlay of Rs. 25488.13 crores for Ninth Plan the expenditure as on January, 2002 for Indian Oil Corporation was Rs. 12187 crore only. The shortfall was Rs. 585 crores in 1997-98, Rs. 406 crores in 1998-99 and Rs. 761 crores in 1999-2000 with respect to Budget Estimates for those years. These variations increased to the extent of Rs. 1500 crores in 2000-01 and Rs. 2432 crores in 2001-02. The Committee are not satisfied with this type of utilisation track of a fortune 500 global company during the 9th Plan period. The Committee observe that the major shortfall was due to review of certain major projects. In the meanwhile, the viability of these projects was adversely affected by the policy changes of the State Governments of Orissa and Haryana. IOCL Navratna Board constituted an investment review Committee in December, 2000 to review the project viability and prioritise the implementation of major projects. The Committee also note that it has made certain achievements is mobilising the concerned State Governments to retain the earlier position regarding tax exemption. The Committee, therefore, desire that IOC should now take a quick decision regarding implementation of major pending projects like Paradip Refinery Project and expansion projects of Panipat and Gujarat Refineries and start the work on these projects for their early completion. IOC should also adopt a realistic approach in finalising the 10th Plan projects to avoid recurrence of such poor planning and implementation record.

Reply of the Government

As against the original approved outlay of Rs. 25488.13 crore for IXth Plan, the actual expenditure was Rs. 12886.39 crore. The major projects in which there were slippages were:

1. Paradip Refinery
2. Panipat Refinery Expansion Plan
3. Panipat Power Project
4. Linear Alkaline Benzene Project at Gujarat

The reasons for shortfall in the above mentioned major projects were as follows:—

(i) **Paradip Refinery:** Approval of the project was based on project viability with incentives/concessions granted by the Orissa Government in December, 1998 under the Industrial Policy Resolution 1996 of the State Govt. which included 11 years sales tax exemption/deferment. After withdrawal of sales tax incentives by the Orissa Government in February, 2000, the viability of the project was adversely affected. Sudden drop in domestic demand of products also necessitated the review of the project completion schedules based on the overall regional surplus/deficit, IOC's own surplus/deficit etc.

Although the Government of Orissa have since finalised a revised tax concession package for the project, the same is around 33% of the original concession package. It may not be enough for mobilizing funding of the project. IOC has taken up this matter again with the State Government recently.

Based on the emerging domestic demand growth, IOC would finalise the project completion schedule which may spill over to the 11th Plan.

(ii) **Panipat Refinery Expansion Plan:** Imposition of 4% entry tax on crude oil by Haryana Government adversely affected the viability of the project. The environmental clearance of the project was also delayed. These two issues have since been resolved and the project implementation is in progress.

(iii) **Panipant Power Project:** The delay in start of the project was on account of long project development period required for a refinery residue based power project, first of its kind in India. The project is based on state of the art integrated gassification combined cycle technology. Presently, EPC contract is under discussion. However, commencement of project implementation is dependent on finalisation of power purchase agreement for which an MoU has been signed with the Haryana Vidyut Prasaran Nigam Limited.

(iv) **Linear Alkaline Benzene Project, Gujarat:** The process of tender awarding was delayed due to the change in specifications to meet the customer requirement as also prolonged price negotiations with the tendering parties. The project is under implementation and is scheduled to be completed in August, 2004.

3. Thus, the variation in the planned and actual outlay of IXth Plan has been due to reasons beyond control of IOC i.e. dropping demand, low refining margin, price volatility and rapid quality improvement efforts.

4. The Xth Plan Outlay of IOC's is Rs. 24,399 crores which constitutes mostly the continuing schemes of IXth Plan period. The new schemes constitute about 7% of the total planned outlay and as such the targets are realistic and achievable.

5. In case of PSEs, better utilisation of plan outlays would be monitored through the MOUs. All necessary support would be rendered to the private sector to facilitate their investments in terms of policy guidelines. However, the actual expenditure during the plan period would largely depend upon the materialisation in demand of petroleum products as envisaged.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 25 of Chapter-I of the Report)

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

IOS has acquired the entire equity stake of Bongaingaon Refinery and Petrochemicals Limited (BRPL) and it has become a subsidiary of IOC. With this, IOC entered in petrochemicals business. The Committee also observe that BRPL has incurred a loss of Rs. 557.44 crores during

2000-01. In Committee's view, the major reason for such poor performance of BRPL is the lower allocation of crude oil to them. As against a capacity of 2.35 MMTPA, they could refine only 1.45 MMTPA of oil in 2000-01 and similar quantity is expected to be refind during 2001-02 also. IOC management are making efforts to make BRPL a profit making company. In addition to the other efforts, for making the operations of North-East Refineries viable, IOC has sought 100% excise duty exemption for their refineries, freight subsidy upto Barauni for movement of surplus products from North-East and compensation for equity improvement project etc. The request of IOC is under consideration of the Government. The Committee advocate the specific request of BRPL for freight subsidy upto Barauni for movement of surplus product from North-East and urge that it may be acceded to since due to lower crude availability from North-East oil fields they have to search for other options for import of crude through pipeline. The Committee has also desired that the Government should allocate maximum quantity of crude to BRPL so that the refinery is able to make optimum capacity utilisation.

Reply of the Government

Availability of Assam crude oil to Bongaigaon Refinery & Petrochemicals Limited (BRPL) during the last three years has been as follows:

1999-2000	1.91 million tonnes
2000-01	1.41 million tonnes
2001-02	1.14 million tonnes

An excise duty concession of 50% has been extended on the products of BRPL with effect from 1st March, 2002. The indigenous crude oil availability in Assam is around 5 million metric tonnes per annum (MMTPA) against the total refining capacity of 7 MMTPA of the four Assam refineries, including BRPL. Considering the locational aspects as also the demand of petroleum products in the North East region, as of now, the viable option appears to be to operate the North East refineries at around 5 MMTPA by apportioning the locally available crude amongst all the North East refineries.

2. The Government are examining other issues for ensuring the economic viability of the North East refineries, including BRPL, in the

deregulated scenario. Ministry of Petroleum and Natural Gas would take up the matter for providing fiscal concessions for the viability of Bongaigaon Refinery & Petrochemicals Limited with the Ministry of Finance.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 27, Para No. 2.27)

The Committee note that the Oil Pool Account has been dismantled w.e.f. 1st April, 2002 and outstanding balance will be liquidated by issue of oil bonds to the concerned companies. The accumulated admitted outstanding payable by Oil coordination committee to the oil companies as on 18.3.2002 are Rs. 12433 crores. The Ministry of Finance has made a provision of Rs. 9000 crores in the third supplementary of the Budget of 2001-02 for issuing bonds to the oil companies. The committee are surprised to note that the interest rate announced on these bonds is 6.96% only. The committee are not satisfied with the justification given by the Government for the low rate of interest on these bonds stating that it is based on the coupon rate yield for similar Government securities and they are tradable in secondary market. The committee feel that this type of liquidation of amount of the contributory companies is not justified in any sense since the secondary market is in very poor position. They, therefore, recommend that the Government should consider an upward revision in interest on 'oil companies Government of India's bonds' to a reasonable level. The Government should also take steps to liquidate the balance amount in the shortest possible time.

Reply of the Government

The coupon rates of Government securities of similar characteristics have to be similar. In the instant case, the tradability of bonds provide the necessary liquidity to the oil companies. Further, the Government has decided to withdraw the "call option" from these bonds, which was earlier stipulated while issuing the notification dated 30th March 2002 on the subject. So far as, the liquidation of balance amount is concerned, bonds for the same would be issued after the C&AG's audit.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Recommendation (Sl. No. 29, Para No. 2.29)

The Committee observes that the menace of adulteration of petroleum products has been growing inspite of the initiatives of the State Governments and Oil Companies. During the period of APM the Government have been trying to control this menace by introducing one or other methods but without effective results. Now, they have established an Anti-adulteration Cell in the Ministry to act as nucleus for guiding and coordinating anti-adulteration activities. The Committee are not convinced with the fact that the proposed number of 7 investigating officers in each region will be adequate for this specific type of function. They, therefore, desire that if the Government are really serious to stop this menace, they should strengthen their machinery properly. They should chalk out a foolproof mechanism in coordination with the State Governments and Oil Companies to stop such common malpractices.

Reply of the Government

The Ministry shares the concern of the Committee on the menace of adulteration in the petroleum products. The Ministry agrees that concerted and vigorous efforts are required to be undertaken by the State Governments/Union Territory Administrations, Oil Companies and the Anti Adulteration Cell to strongly curb the mal-practice of adulteration. The Ministry is making efforts for greater coordination among the various inspecting agencies. Efforts are also being made for strengthening the anti adulteration machinery of the Government and the Oil Companies. Some innovative systems such as, doping of Motor Spirit (MS) and High Speed Diesel (HSD) with marker and sealing of oil tankers with fool-proof locking system are also being introduced. Successful trail runs have already been conducted for the introduction of the marker system, and it is hoped that its introduction would be a major step towards curbing this menace. Besdies, Oil Companies are consciously promoting a healthy customer service culture by ensuring proper quantity and pure quality of product to the customer through schemes such as 'Pure for Sure', etc.

[Ministry of Petroleum & Natural Gas, O.M. No. G-25015/2/2002-
Fin. I, dated 28.10.2002]

Recommendation (Sl. No. 30, Para No. 2.30)

The Committee observe that upto 28.2.2002, NRL was availing 100% excise duty concession on petroleum products. Similarly, Digboi Refinery of IOC was availing 50% excise duty concession on petroleum products. From the 1st March, 2002 all the four refineries in the North-East *viz.* NRL, Digboi, BRPL and Guwahati would get 50% excise duty concession on their products. The Committee welcome the Government for extending this concession to all the refineries of North-East. But there is no justification for reducing the concession of NRL to 50% just in the second year of its operation. This is a new refinery and situated at a difficult place. On one side, the Government have not taken any final decision to give them an one time assistance of Rs. 375 crores and on the other, the Government have lowered their concession also. The Committee also note the BRPL has also demanded a 100% concession and other two refineries are also passing through the same phase of difficulty. The Committee, therefore, recommend that the Government should take up the matter with Ministry of Finance so that all the refineries of North-East get equal treatment and an excise duty concession of 100% is provided to all of them.

Reply of the Government

The matter of restoring 100% excise duty concession to NRL has been taken up with the Ministry of Finance. Also, the issue of extending additional concessions to the north east refineries is being examined.

[Ministry of Petroleum & Natural Gas, O.M. No. G-25015/2/2002-Fin. I, dated 28.10.2002]

Comments of the Committee

(Please *see* Para 31 of Chapter-I of the Report)

Recommendation (Sl. No. 35, Para No. 2.35)

The Committee observe that the Government are making Research and Development efforts in the field of gas hydrates in offshore areas. Directorate-General of Hydrocarbons have indicated the possibility of presence of large gas hydrate deposits with free gas accumulation below the Andaman Hydrate Offshore Region. At present, the resource estimation process is going on to decide the location for drilling of gas hydrates. The Committee, therefore, desire that at this juncture, the Government should clearly come out with a National Gas Hydrate programme so that the work may progress with a fixed time frame. They also urge the Government to ensure that there is no constraint of funds for Research and Development work being done to find out the gas hydrates below the sea water.

Reply of the Government

National Gas Hydrate Programme (NGHP) was formulated in 1997 but made limited progress. Therefore, Ministry of Petroleum & Natural Gas reconstituted the Steering Committee of NGHP in October 2000. The Steering Committee is headed by Secretary (PNG) and includes representatives from the department of Ocean Development, Ministry of Environment & Forest, representatives of ONGC, OIL, GAIL, CSIR, DG (H), Adviser (E) and Joint Secretary (E) as Member Secretary. The Steering Committee is backed by a Technical Committee with DG (H) (as coordinator), Adviser (E), representatives from ONGC, GAIL, OIL, NGRI, NIO for coordinating all the Research and Development (R&D) and exploration works for gas hydrates. The member organizations of NGHP have prepared a road map for time bound R&D works of the gas hydrate programme. Five sub committees on various technical matters operate under the Technical Committee.

Two areas in Indian waters, one along the East Coast and one along the West Coast have been identified as field laboratories for the R&D work. National Institute of Oceanography, under the NGHP is currently carrying out geoscientific surveys for doing the resource estimation and to decide for drilling. Only after drilling, the actual presence of gas hydrates and some of its associated issues will be known. Depending on success of resource estimation, drilling of deep water core well and proving the presence of gas hydrates in Indian water, if any, by the NGHP member organizations and through collaboration with International consortia, pilot studies for production of gas from gas hydrates, if found viable, would be taken up 2006-07. However, owing to pure R&D nature of work no firm time frame could be laid down for production of gas from gas hydrates from Indian deep water areas.

The whole project is being funded by Government of India through OIDB and for any viable project in this connection, there will not be any constraint for fund.

[Ministry of Petroleum & Natural Gas, O.M. No. G-25015/2/2002-Fin. I, dated 28.10.2002]

Recommendation (Sl. No. 36, Para No. 2.36)

The Committee held a special meeting to analyse the situation arising out of Supreme Court's order dated 5th April, 2002 directing the Delhi Government to allow only CNG driven public vehicles. The Committee share the Supreme Court's concern with the state of air pollution in the capital of the country and agree with its observations that both the Union and the State Governments have failed to discharge their constitutional obligations to protect the health of the present and future generations. The Committee are fully in agreement with basic approach of the Supreme Court that the public health should be accorded the over-riding priority over all other economic activities. However, the Committee feel that Delhi is not the only city which has been dangerously polluted. There are other cities also in the country which are also polluted although not to the same extent as Delhi. However, so concerted efforts are being made to purify the air of these cities perhaps for the reason that no organised class is available in these cities to seek court's interventions directing the State Authorities to act in the same manner as required for Delhi. It is reported that as of now there are about 60 polluted cities in India 30 out of these are critically polluted. The Committee desire a uniform approach to be adopted in this regard for the entire country and would not like to see Delhi in isolation and chosen for special privileges.

The Committee note that as of now the availability of CNG in Delhi is around 6 lakh kilogram per day, though the compressed dispensation is about 75% of availability. The Government of India/ IGL have been directed to increase this capacity from the present level to 16.1 lakh kilogram per day by 30th June, 2002. The Committee have been informed that the IGL needs some more time for laying down of pipeline of about 22 kilometre to equitably distribute gas in all the zones in the city. Even by conservative estimates, IGL would take at least a period of 9 months in laying down this pipeline. The Committee are given to understand that the chances of leakage in the pipeline cannot be ruled out completely and in case it happens the transport system based upon this pipeline could come to a halt. The Committee see this situation which may be hypothetical one yet a reality in essence, as very alarming.

The Committee also are aware that the researches concerned with healthy environment, pollution control, road researches etc. cannot be analysed in isolation with having any comparative studies in other developed countries. The Committee have informed that in no other city of the world the entire public transport system is based upon CNG or any other single fuel. In view of this fact, mandating the transport system to run on a single fuel needs to be examined thoroughly.

The Committee understand that the CNG transport system has been made applicable in Delhi since 1999. Since then in large number the local transport has been fuelled on CNG. However, it is regretted that no specific information could be provided to the Committee in regard to the difference in air quality prior to the induction of CNG vehicles and the quality as on date.

There are some Committees constituted by Supreme Court as well as the Government of India working in different fields, assessing and analysing air pollution, emission norms, etc. However, they are holding divergent views on the basic issues. The Supreme Court has not given credence to the interim observations of Mashelkar Committee Report. Therefore, the Government should now constitute a committee who should look into all the issues related to environment, emission norms, fuels policy, etc. and come out with some credible recommendations. All along the Government have abdicated its responsibility with the result that the Supreme Court had to intervene and force the Government to act. The Committee deprecate the inaction on the part of the Government and would like to call upon them to look into the matter of air pollution, emission norms, the desirability of single or multiple fuel with objectivity and rational approach. The Committee, therefore, recommend that the Government should constitute a credible and reputed committee which should go all along in the matter and submit its report at the earliest. The Committee may consist of a nominee of each of the following institutes or associations—All India Institute of Medical Sciences (AIIMS), Institute of Petroleum Management, Pollution Control Board, Road Research Institute, IIT (Kolkata), etc.

Reply of the Government

The Committee has made the following observations/ recommendations:-

> The Union and the State Governments have not taken the action for containing air pollution which affects public health. Cities other than Delhi that are dangerously polluted, should be given similar treatment for bringing about improvements in air quality.

1.2 The Government should make an assessment of the improvement that has come about in the air quality of the NCT of Delhi from the use of CNG as auto fuel.

1.3 Mandating the (city) transport system to run on a single fuel needs to be examined thoroughly. The Government should look into the aspects of air pollution, emission norms, the desirability of single or multiple fuel with objectivity and rational approach.

1.4 The Government should constitute a credible or reputed committee comprising nominees of the All India Institute of Medical Sciences, Institute of Petroleum Management, Pollution Control Board, Road Research Institute, IIT (Kolkata) etc.

2. With regard to the above mentioned observations/recommendations of the Committee, the position is as follows:

2.1 Air pollution and actions taken to control vehicular pollution in different cities in the country

2.1.1 The air quality is monitored by the Central Pollution Control Board under the National Air Quality Monitoring Programme. Presently, air quality is being monitored by the CPCB in 90 cities where suspended particulate matter, sulphur dioxide and oxides of nitrogen are monitored regularly. Carbon monoxide and respirable suspended particulate matter is monitored in some cities only. On comparing the air quality of the year 1995 with that of the year 2001, the general trend is seen to be of declining air pollution levels in most cities.

2.1.2 There are too many sources contributing to the overall air pollution of which pollution from automobile exhausts is one. Contribution of auto exhausts to the overall air pollution is generally higher in the cities that have very high vehicle population, Delhi being on the top of the list. The Government have identified Ahmedabad, Kanpur, Kolkata and Pune as the cities which have levels of certain pollutants in the ambient air equal to or higher than Delhi.

2.1.3 The Government have taken several steps over the past five to six years to reduce pollution from automobiles throughout the country. The improvements made in the emission norms and fuel quality are:-

Emission norms for different categories of vehicles were revised throughout the country *w.e.f.* 1.4.1996.

(ii) Euro-I equivalent emission norms for new vehicles were implemented throughout the country *w.e.f.* 1.4.2000.

(iii) Lead was removed from petrol from 1.2.2000 in the entire country. Sulphur content in petrol was reduced from 0.20% max to 0.10 max from 1.4.2000 in the entire country. The four metro towns and the NCR are being supplied petrol of 0.05% max. sulphur content.

(iv) Sulphur content in diesel was reduced from 1.0% max. to 0.25% max. in the entire country with effect from 1.1.2000. In four metros, towns and the NCR, sulphur content in diesel has been reduced to 0.05% max.

(v) Cetane number in diesel has been increased from 45 to 48 from 1.4.2000 in the entire country.

(vi) The quality of petrol and diesel in India is superior to that prevailing in developing countries like China, Malaysia, Indonesia, South Africa etc.

An amount of over Rs. 10000 crore has been spent on the projects for improving the fuel quality.

In order to provide environment friendly cleaner fuel natural gas, the Government took initiative of setting up city gas distribution projects in Delhi and Mumbai. For this purpose, separate joint venture companies, namely, Indraprastha Gas Limited (IGL) for Delhi in the year 1997 and Mahanagar Gas Limited (MGL) for Mumbai in the year 1994 were formed. These city gas distribution projects aim at providing natural gas for domestic, commercial/industrial and automotive purposes. Feasibility studies for taking up similar projects in other cities are in progress. In pursuance of the Supreme Court directives, GAIL is carrying the feasibility studies for supplying CNG in other polluted cities. To meet the requirement of CNG for automotive use in Delhi, the Government have increased the natural gas allocation of IGL from 0.98 MMSCMD to 2.0 MMSCMD (equivalent to 16.10 lakh Kg. Per day).

Thus it may be seen that Government have taken several steps to improve auto emission and fuel quality not only in Delhi but in other cities and the entire country.

2.2 Assessment of the improvement in the air quality in the NCT of Delhi due to the use of CNG for automotive purposes

2.2.1 During the period 1996-2001, the following steps have been taken by the Government to reduce vehicular pollution in the NCT of Delhi:—

(i) Removal of lead from petrol from 1.9.1998;

(ii) Reduction of benzene content in petrol to 1% maximum from 1.11.2000;

(iii) Reduction of sulphur content in petrol from 0.20% max. to 0.05% max. and in diesel from 0.50% max. to 0.05% max.

2.2.2 Further, under the directions of the Supreme Court, the following actions have been taken:—

(i) Introduction of Euro-I equivalent emission norms for new vehicles from May 1999.

(ii) Introduction of Euro-II equivalent emission norms from April 2000.

(iii) Phasing out of more than 8 years old autorisckshaws, taxis and city buses from April 2000.

(iv) Conversion of city buses to the single fuel mode of CNG.

2.2.3 Due to the above mentioned actions, air quality in the NCT of Delhi has improved. The impact assessment of the contribution of different measures, mentioned above, is not available as of now. The Government, however, in November, 2001 commissioned a study "Road traffic pattern and air quality in the NCT of Delhi", through the Central Road Research Institute (CRRI), New Delhi. CRRI was, *inter alia,* asked to make impact assessment of the measures taken in the NCT of Delhi to the air quality improvement. The contribution of usage of CNG for automotive purposes to the improvement of air quality in the NCT of Delhi would be known on receipt of the report of the CRRI study, which is expected shortly.

2.3 Formulation of an objective and rational auto fuel policy

2.3.1 The Government have set up a Committee of Experts of national repute, headed by Dr. R.A. Mashelkar, Director General, Council of Scientific and Industrial Research (CSIR) to make recommendations on an appropriate national auto fuel policy and the related issues. The terms of reference and the constitution of the Expert Committee are at Annexure-I. The final report of the said Expert Committee is expected shortly, after which the Government would take appropriate decisions for finalizing an auto fuel policy for the country. While formulating the policy, observations made and the concerns expressed by the Standing Committee would be kept in view.

2.4 Constitution of an Expert Committee associating AIIMS, IIP, CPCB, CRRI, IIT etc.

2.4. The Expert Committee referred to in Para 2.3.1 above has wide ranging expert representation. As may be seen from the constitution of the Expert Committee the following experts/ institutions, recommended by the Standing Committee, are represented on the Expert Committee:-

(i) Director, Indian Institute of Petroleum;

(ii) Chairman, Central Pollution Control Board;

(iii) Director (the then), Indian Institute of Technology, Chennai;

(iv) Vice-Chancellor (the then) of University of Roorkee (presently IIT, Roorkee)

2.4.2 On the recommendation of the Expert Committee, the Government commissioned a study through the Central Road Research Institute, New Delhi (CRRI) to assess the urban road traffic and air quality in the cities of Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, Kanpur and Agra. Thus CRRI has been associated with the Committee.

2.4.3 Similarly, in the area of public health, on the recommendations of the Expert Committee, the Government entrusted a study to the Industrial Toxicology Research Centre, Lucknow.

2.4.4 Further, the Expert Committee interacted with the following specialists in the area of medical sciences and public health:

(a) Director, National Institute of Occupational Health of the ICMR;

(b) Director, ITRC, Lucknow;

(c) Experts from the AIIMS, New Delhi, Post Graduate Institute of Medical Education and Research, Chandigarh, Patel Chest Institute, New Delhi and the Indian Council of Medical Research, New Delhi.

It may be seen from the above that the expert institutions suggested by the Standing Committee to be associated with the Committee of Experts are either represented on the Expert Committee as its members or have been associated with its work by commissioning studies through the subject expert institutions. Practically, all the national level institutions on medical sciences, public health and toxicology have provided inputs to the Expert Committee."

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

Comments of the Committee

(Please *see* Para 39 of Chapter-I of the Report)

Recommendation (Sl. No. 40, Para No. 2.40)

It also reported that the CNG availability in India is poor and the Government have been directed to import the same in the same manner as the crude is being imported. It appears that the Government have not been able to present their case before the Supreme Court in a convincing manner. The country has the satisfactory infrastructure available for import of crude oil whereas for import of natural gas; the infrastructure build up is in initial stage. It would take some more years before this infrastructure is built up.

The Government have also been directed to make available 16.5 lakh kilogram of CNG on daily basis for transport sector in Delhi. IGL is supposed to provide adequate infrastructure for receipt and dispensation of this quantity mainly for transport needs. The Committee are well aware that transport system in Delhi is undergoing gradual changes. It is reported that Delhi Metro would become operational by the end of this year and its first phase is expected to be completed by the year 2005. In addition to this Delhi Government is also contemplating to introduce electric trolley and battery driven buses to make transport system sustainable. In the event of Delhi metro becoming fully functional and emergence of electric and battery operated, vehicles, the vehicular transport needs of Delhi would have to be reviewed. In all probability the present number of vehicles may not be needed to that eventuality the infrastructure laid by IGL might become less relevant. This issue also needs to be examined in toto.

Taking all these factors into account, the Committee feel that there is need to go into the matter of supply of CNG in Delhi in depth including mandating single fuel policy. The Committee are of the firm opinion that the type of fuel should be such as does not cause air pollution. The Committee recommend as earlier stated that the Government should constitute a credible expert committee to go into the various issues and recommend actions to be taken by the Government. The Government, if need be, should enact legislation incorporating the objectives of provision of single or multiple fuel-emission norms, etc.

Reply of the Government

During the period 1996-2001, the following steps have been taken by the Government to reduce vehicular pollution in the NCT of Delhi:-

(i) Removal of lead from petrol from 1.9.1998;

(ii) Reduction of benzene content in petrol to 1% maximum from 1.11.2000;

(iii) Reduction of sulphur content in petrol from 0.20% max. to 0.05% max. and in diesel from 0.50% max to 0.05% max.

2. Further, under the directions of the Supreme Court, the following actions have been taken:—

(i) Introduction of Euro-I equivalent emission norms for new vehicles from May 1999.

(ii) Introduction of Euro-II equivalent emission norms from April 2000.

(iii) Phasing out of more than 8 years old autorickshaws, taxis and city buses from April 2000.

(iv) Conversion of city buses to the single fuel mode of CNG.

3. The Government have set up a Committee of Experts of national repute, headed by Dr. R.A. Mashelkar, Director General, Council of

Scientific and Industrial Research (CSIR) to make recommendations on an appropriate national auto fuel policy and the related issues. The terms of reference and the constitution of the Expert Committee are at Annexure-I. The final report of the said Expert Committee is expected shortly, after which the Government would take appropriate decisions for finalizing an auto fuel policy for the country. While formulating the policy, observations made and the concerns expressed by the Standing Committee would be kept in view.

4. The Expert Committee referred to in Para 3 above has wide ranging expert representation. As may be seen from the constitution of the Expert Committee the following experts/institutions are represented on the Expert Committee:—

(i) Director, Indian Institute of Petroleum

(ii) Chairman, Central Pollution Control Board

(iii) Director, Indian Institute of Technology, Chennai

(iv) Former Vice-Chancellor of University of Roorkee (presently IIT, Roorkee)

5. On the recommendation of the Expert Committee, the Government commissioned a study through the Central Road research Institute, New Delhi to assess the urban road traffic and air quality in the cities of Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahemdabad, Kanpur and Agra. Thus CRRI has been associated with the Committee.

6. Similarly, in the area of public health, on the recommendations of the Expert Committee, the Government entrusted a study to the Industrial Toxicology Research Centre, Lucknow.

7. Further, the Expert Committee interacted with the following specialists in the area of medical sciences and public health:—

(a) Director, National Institute of Occupational Health of the ICMR;

(b) Director, ITRC, Lucknow;

(c) Experts from the AIIMS, New Delhi, Post Graduate Institute of Medical Education and Research, Chandigarh, Patel Chest Institute, New Delhi and the Indian Council of Medical Research, New Delhi.

8. It may be seen that all the national level organizations/ institutions on environment, medical sciences, public health and toxicology are represented have provided inputs to the Expert Committee.

9. Final report of the Expert Committee is expected shortly. On receipt of the report the Government would take appropriate decisions for formulating a national auto fuel policy for the country.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/2/2002-Fin. I dated 28.10.2002]

NEW DELHI;
December 20, 2002
Agrahayana 29, 1924 *(Saka)*

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

APPENDIX I

MINUTES

SUB-COMMITTEE ON PETROLEUM A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

Sixth Sitting
(28.11.2002)

The Committee sat from 1500 hrs. to 1700 hrs.

PRESENT

Shri Dipanker Mukherjee—*Convenor*

MEMBERS

Lok Sabha

2. Smt. Sheela Gautam
3. Shri Paban Singh Ghatowar
4. Shri Bijoy Handique
5. Shri Ram Sajivan
6. Shri Shyama Charan Shukla

SECRETARIAT

1. Shri P.K. Grover	*Director*
2. Shri R.R. Rai	*Assistant Director*

Representatives of Confederation of Indian Industry (CII)

1. Mr. V. Raghuraman
2. Mr. Praveen Tandon
3. Mr. Ashu Sagar
4. Mr. A.V. Naik
5. Mr. S. Lowe

Representatives of TATA Energy Research Institute (TERI)

1. Dr. Leena Srivastava—Director, Regulatory Studies and Governance Division

2. Dr. A.R. Shiag—Senior Fellow

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.

2.

3. Thereafter, the Sub-Committee then considered and adopted the Draft Action Taken Report on the recommendations contained in Twenty-Seventh Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants of Ministry of Petroleum & Natural Gas for the year 2002-2003'.

4. 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.

The Sub-Committee then adjourned.

**Matter not related to this Report.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

Thirteenth Sitting
(19.12.2002)

The Committee sat from 1030 hrs. to 1100 hrs.

PRESENT

Shri Mulayam Singh Yadav—*Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Dr. Chellamella Suguna Kumari
4. Shri P.D. Elangovan
5. Shri Dilipkumar Mansukhlal Gandhi
6. Smt. Sheela Gautam
7. Shri P. Mohan
8. Dr. Debendra Pradhan
9. Shri Mohan Rawale
10. Shri Shyama Charan Shukla
11. Dr. Chhatrapal Singh
12. Shri Ramjiwan Singh
13. Dr. Girija Vyas

Rajya Sabha

14. Shri Balkavi Bairagi
15. Shri Rajiv Ranjan Singh 'Lalan'
16. Shri Dipankar Mukherjee

SECRETARIAT

1. Shri P.K. Grover	*Director*
2. Shri R.K. Saxena	*Under Secretary*
3. Shri Ram Raj Rai	*Assistant Director*

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting.

3. Thereafter, he invited the Members to give their suggestions, if any, on the following draft Reports being considered for adoption:-

(i)

(ii)

(iii) Thirty-Fifth Report on action taken by Government on the recommendations contained in the Twenty-Seventh Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants 2002-2003 of Ministry of Petroleum & Natural Gas'.

(iv)

(v)

(vi)

4. After some consideration, the Committee adopted the Reports subject to minor modifications in 35th Report.

5. The Committee, thereafter, authorised the Chairman to finalise the Reports after factual verification from the concerned Ministries/ Departments and present them to the Parliament.

6. The Committee placed on record their appreciation of the work done by all the Sub-Committees of the Standing Committee on Petroleum & Chemicals.

7. The Committee also placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

Th Committee then adjourned.

***Matter not related to this Report.

APPENDIX-III

(*Vide* Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY-SEVENTH REPORT (THIRTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002) ON 'DEMANDS FOR GRANTS 2002-2003 RELATING TO MINISTRY OF PETROLEUM & NATURAL GAS'

I.	Total No. of Recommendations	40
II.	Recommendations which have been accepted by the Government (*Vide* Recommendation at Sl. Nos. 1, 2, 4, 5, 12, 18, 19, 21, 22, 23, 28 and 33)	12
	Percentage to Total	
III.	Recommendations which the Committee do not desire to pursue in view of Government's Reply (*Vide* Recommendation at Sl. Nos. 11, 13, 20, 24, 25, 34, 37, 38 and 39)	9
	Percentage to Total	22.5%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (*Vide* Recommendation at Sl. Nos. 6, 26, 31 and 32)	4
	Percentage to Total	10%
V.	Recommendations in respect of which final replies of the Government are still awaited (*Vide* Recommendation at Sl. Nos. 3, 7, 8, 9, 10, 14, 15, 16, 17, 27 29, 30, 35, 36 ad 40)	15
	Percentage to Total	