FOURTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1999-2000)

(THIRTEENTH LOK SABHA)

MINISTRY OF PETROLEUM AND NATURAL GAS

DEMANDS FOR GRANTS (2000-2001)

Presented to Lok Sabha on 25.4.2000
Laid in Rajya Sabha on 25.4.2000

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2000/Chaitra, 1922 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM AND CHEMICALS
(1999-2000)

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

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

*16. Shri B.K. Handique

17. Shri Ashok Pradhan
18. Shri Mohan Rawale
19. Shri Arjun Sethi
20. Shri Shyama Charan Shukla
21. Shrimati Kanti Singh

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*Shri B.K. Handique, M.P., Lok Sabha, nominated in lieu of Shri Vilas Muttemwar, M.P. Lok Sabha *w.e.f.* 24.1.2000.

22. Shri Prabhunath Singh
23. Shri D.C. Srikantappa
24. Dr. Ramesh Chand Tomar
25. Shri Tarlochan Singh Tur
26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri B. Venkateshwarlu
29. Shri Rajesh Verma
30. Dr. Girija Vyas

Rajya Sabha

31. Shri Ahmed Patel
*32. Vacant
33. Shrimati Basanti Sarma
*34. Vacant
*35. Vacant
*36. Vacant
*37. Vacant
*38. Vacant
39. Shri K. Kalavenkata Rao
40. Shri Anil Kumar
41. Shri P. Soundararajan
42. Shri Mukesh R. Patel
43. Shri Gaya Singh
44. Prof. Ram Gopal Yadav
45. Dr. (Smt.) Joyasree Goswami Mahanta

SECRETARIAT

1.	Dr. A.K. Pandey	*Additional Secretary*
2.	Shri John Joseph	*Joint Secretary*
3.	Shri Brahm Dutt	*Deputy Secretary*
4.	Shri J.N. Oberoi	*Under Secretary*
5.	Shri Ram Raj Rai	*Committee Officer*

*Vacancies caused consequent upon retirement of Miss. Saroj Khaparde and Sarvashri H. Hanumanthappa, Kanak Mal Katara, Ram Nath Kovind, Dipankar Mukherjee and Smt. Malti Sharma, all Members of Rajya Sabha from the membership of Rajya Sabha *w.e.f.* 2nd April, 2000.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this Fourth Report on Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 2000-2001.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Petroleum & Natural Gas for the year 2000-2001 which were laid on the Table of the House on 8th March, 2000.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 31st March, 2000.

4. The Committee considered and adopted the Report at their sitting held on 11th April, 2000.

5. The Committee wish to express their thanks to the Officers of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 2000-2001 and for giving evidence before the Committee.

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;
April 17, 2000
Chaitra 28, 1922 *(Saka)*

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

PART I

BACKGROUND ANALYSIS

A. Introductory

The Ministry of Petroleum & Natural Gas is concerned with the exploration and production of oil and natural gas, their refining, distribution and marketing, import and export and conservation of petroleum products. The activities of the Ministry are carried through Public Sector Undertakings and other organisations. Presently there are 15 Public Sector Undertakings, 3 subsidiary PSUs and 7 other organisations. These are as follows:

Public Sector Undertakings

Oil & Natural Gas Corporation Ltd.

2. Oil India Ltd.
3. Indian Oil Corporation Ltd.
4. Bharat Petroleum Corporation Ltd.
5. Hindustan Petroleum Corporation Ltd.
6. Cochin Refineries Ltd.
7. Madras Refineries Ltd.
8. IBP Company Ltd.
9. Engineers India Ltd.
10. Lubrizol India Ltd.
11. Bongaigaon Refinery and Petro-chemicals Ltd.
12. Biecco Lawrie & Company Limited
13. Gas Authority of India Ltd.
14. Numaligarh Refinery Ltd.
15. Balmer Lawrie & Company Ltd.

Subsidiaries

16. ONGC Videsh Ltd. (Subsidiary of ONGC)
17. Indian Oil Blending Ltd. (Subsidiary of IOC)
18. Indian Additives Ltd. (Subsidiary of MRL)

Other Organisations

19. Oil Industry Development Board
20. Oil Coordination Committee
21. Petroleum Conservation Research Association
22. Oil Industry Safety Directorate
23. Centre for High Technology
24. Petroleum India International
25. Directorate General of Hydrocarbons

B. Analysis of Demands for Grants

1.2 Since PSUs under the administrative control of the Ministry are self-sustained, no budgetary support in terms of investment, plan and non-plan loans is being made available to them.

1.3 The Demands for Grants (No. 67) of the Ministry of Petroleum & Natural Gas was laid on the Table of Lok Sabha on 8th March, 2000. The Demands of the Ministry contains the following figures of Revenue as well as Capital expenditure for the year 2000-2001.

(Rs. in Lakhs)

	Plan	Non-Plan	Total
Revenue Section	—	754	754
Capital Section	—	—	—

1.4 The total demand of the Ministry of Petroleum & Natural Gas for the Financial Year 2000-2001 has been placed at Rs. 754 lakhs and whole amount is under Revenue Section. The item-wise Revenue/ Capital expenditure for the year 1998-99 (Actuals), Budget Estimates and Revised Estimates for 1999-2000 and Budget Estimates for 2000-2001 are given below:

(Rs. in Lakhs)

Head	Items	1998-99 (Actuals)	1999-2000 (BE)	1999-2000 (RE)	2000-2001 (BE)
2802	Grants in aids	34.00	00.00	10000.00*	
	Revenue Section				
3451	**Secretariat**				
	Salaries	365.45	410.85	410.47	518.30
	Wages	5.94	5.36	5.36	5.93
	Overtime Allowance	10.79	11.66	10.49	13.00
	Domestic Travel	6.19	7.00	16.30	20.84
	Foreign Travel	9.91	13.29	11.96	15.00
	Office Expenses	130.25	141.27	127.14	164.32
	Professional Services	1.77	1.94	1.74	1.54
	Publication	1.06	0.90	0.81	3.02
	Other Admn. Expenses	10.50	9.73	9.73	12.05
	Total	541.86	602.00	594.00	754.00
	Capital Section				
4802	Investment in PSUs		—NIL—		
6802	Loans		—NIL—		

*Relates to conversion of loan into grant to Numaligarh Refinery Ltd., a project recently completed in Assam.

(Head-wise Demands are dealt with in subsequent Paragraphs)

MAJOR HEAD 3451

(i) Secretariat-Economic Services

1.5 As against the Budget provisions of Rs. 602 lakh and Revised Estimates of Rs. 594 lakh in 1999-2000, a provision of Rs. 754 lakh has been made for 'Secretariat-Economic Services' for the current financial year *i.e.* 2000-2001. The Actual expenditure under the Head during 1998-99 was Rs. 541.86 lakh.

1.6 Budget Estimates for the purpose of salaries for 2000-2001 at Rs. 518.30 lakh is 26.15% higher than the Budget Estimates for 1999-2000 and 41.83% higher than the Actuals in 1998-99. Similarly, the staff strength of the Ministry in 1999 was 323 and the estimated staff strength in the year 2000 and 2001 is 354.

1.7 When the Committee wanted to know about the various reasons for increase in Salary Head, the Ministry in a written reply stated that:

> "Increase in Salary Head of Rs. 107.83 lakhs is due to increase in Dearness Allowance and the induction of second Minister of State (P&NG). With his appointment, 13 new posts (Gazetted and Non-gazetted) have been created for his office *w.e.f.* 22.11.1999 as per the entitlement".

1.8 The Ministry clarified their position in regard to staff strength as follows:

> "It is submitted that no addition has been made in the sanctioned strength of the staff of this Ministry. As against the sanctioned strength of 341 [including the personal staff of Minister (P&NG) and MOS (P&NG)] only 323 persons were in position as on 31.3.1999. However, in the Budget Estimates 2000-2001, provision has been kept for the balance 18 vacant posts also as the vacancies have already been intimated to Department of Personnel & Training and incumbents are likely to join soon. In addition, with the appointment of second MOS (P&NG), 13 new posts (Gazetted and Non-gazetted) were created for his office *w.e.f.* 22.11.1999 as per his entitlement, making the sanctioned strength 354.

Break-up of 354 is as under:

Staff in position as on 31.3.1999	323
Vacant posts	18
Addition due to induction of 2nd MOS	13
Total	354"

(ii) Domestic Travel

1.9 Domestic Travel Expenses cover all expenses on account of travel on duty in India including conveyance and fixed travelling allowances but excluding Leave Travel Concessions which would be part of salaries. This also includes TA/DA to non-official members on account of travel in India. The Budget Estimates for 2000-2001 at Rs. 20.84 lakh is 197.71% higher than the BE for 1999-2000 and 236.67% higher than the Actuals in 1998-99.

1.10 The Committee wanted to know the reasons for sudden very high increase in expenditure on domestic travel and the justification for keeping it at more higher side during the year 2000-2001. The Ministry submitted the following facts showing the justification for more expenditure under the Head:

> "In fact BE for the year 1999-2000 was Rs. 7 lakhs. Because of the increase in staff strength due to the creation of posts for the personal staff of MOS and increase in air fare and fares of other means of transport, etc. expenditure on domestic travel increased, forcing the Ministry to ask for more funds. Therefore, at the time of revised estimates, this Ministry requested for an amount of Rs. 20 lakhs for domestic travel. But the Ministry of Finance agreed to Rs. 16.30 lakhs only. Thus, the increase in BE for the year 2000-2001 is not more than double when compared with the RE 1999-2000, which works to less than 25%. It is because of the fact that responsibility of the Ministry is to ensure maintenance of the supply line throughout the length and breadth of the country, officers of the Ministry are often required to move to different places to carry out their official duties. As such, the expenditure on domestic travel is not likely to be less than Rs. 20 lakhs during the year 2000-2001".

MAJOR HEAD 2802

C. Numaligarh Refinery

1.11 A three MMTPA grass-root refinery is under commissioning process since 1999 at Numaligarh in Assam at a cost of Rs. 2,724 crore. Bharat Petroleum Corporation Limited, IBP Company Limited and Government of Assam have equity participation of 32%, 19% and 10% respectively. The balance 39% will be offered to public.

1.12 In regard to the progress in commissioning process of Numaligarh Refinery, the Ministry in their written reply have stated that:

> "Numaligarh Refinery is being commissioned in a phased manner, starting from April, 1999. The Primary Distillation Unit (CDU/VDU) and Delayed Craker Unit had been commissioned during April, 1999 and September, 1999 respectively. The Hydrogen Unit (H2U) and Sulphur Recovery Block (SRB) have been commissioned during February, 2000. The most critical unit of the refinery *i.e.* Hydrocracker Unit (HCU) is now under advanced stage of commissioning. Efforts are being made to complete the entire commissioning process by April, 2000. Marketing terminal is ready for operation. Despatch of products are expected to commence from the marketing terminal from 1st week of April, 2000."

1.13 When enquired further about the time and cost over-runs in regard to the project, the Ministry stated in a written reply as follows:

> "The primary distillation unit (CDU/VDU) and the utilities have been implemented on schedule. However, there has been some time overrun on the completion of secondary processing units. The refinery is now poised to go into full commercial production from April, 2000. The approved project cost of the Refinery and the adjacent marketing terminal are Rs. 2489 crore and Rs. 235 crore respectively totalling to Rs. 2724 crore (based on December, 1997 prices). Despite some time overrun and notwithstanding tremendous odds faced typical to putting up a project in the logistically difficult location in the North East, this prestigious project has been successfully completed and is being commissioned within the approved project cost of Rs. 2724 crore. The latest cost estimate of the completed project is Rs. 2720 crore against approved cost of Rs. 2724 crore."

1.14 In response to a further query by the Committee about the latest position of raising public equity and loan tie up with financial institutions, the Ministry submitted in a written reply as under:

> "The total project cost of NRL is Rs. 2724 crore. With a debt equity ratio of 2:1, the equity component of the capital amounts to Rs. 908 crore of which the promoters, namely Bharat Petroleum Corporation (BPCL), IBP Co. and Assam Government have already contributed 32%, 19% & 10% respectively. As per the original plan, the remaining 39% of equity capital was supposed to be raised from public/private placement. However, since the stock market remained depressed and it was necessary to arrange funds for timely completion of the project, Government decided to offer 10% of NRL equity shares to Oil Industry Development Board (OIDB). Further, based on the decisions of the Board of Oil India Limited (OIL) efforts are being made to offer 10% of NRL equity to OIL. The remaining gap in the equity capital of NRL is presently being filled by bridge loan.
>
> Regarding debt capital of Rs. 1816 crore, it was originally tied up with OIDB contributing Rs. 1334 crore, Banks, Rs. 319 crore, HUDCO, Rs. 63 crore and Government of India (GOI) Rs. 100 crore. However, the GOI loan of Rs. 100 crore received from Government of India during 1996-97 has converted into a grant. As per the accounting standard, this grant is to be treated as capital reserve being in the nature of promoters contribution and will also form a part of the shareholders fund."

D. Economy in PSU Operations

1.15 In pursuance of the Committee's recommendations made in their 5th Report of 10th Lok Sabha presented to Lok Sabha on 22nd April, 1994, the Ministry issued instructions to PSUs/organisations under its administrative control to effect economy in their operations. The Ministry obtains half-yearly report from the PSUs with a view to ascertain the quantum of savings accrued in response to the instructions. The savings achieved in oil sector during the last two half-yearly periods is as under:

(Rs. in Crores)

Name of the PSU	Savings during half-yearly ended 31.3.99	Savings during half-yearly ended 30.9.99
1	2	3
ONGC	63.35	159.52
OIL	8.62	—12.39
GAIL	46.29	44.76
IOC	29.81	18.96
HPCL	15.51	56.00
BPCL	5.78	9.59
IBP	0.37	0.52
CRL	11.62	—1.59
MRL	6.77	8.73
BRPL	—8.52	2.87
Balmer	1.12	0.61
Biecco	0.32	0.67
LIL	—1.13	6.94

1	2	3
	9.29	5.46
PCRA	·1.37	1.14
	0.54	0.20
	0.22	0.18
OIDB	0.03	0.01
	0.08	0.52
DGH		1.26
	188.7	302.70

1.16 In response to the query raised by the Committee about the justification for marginal savings done by the oil sector PSUs in the context of high volume of production/turnover/sales of oil sector PSUs, the Ministry submitted the following written reply:

> "The oil sector PSUs, in order to reduce cost, have resorted to various cost cutting measures which *inter-alia* include inventory management, review/rationalisation of manpower deployment, reduction in overheads, monitoring of sundry debtors, reduction of financing costs, repair and maintenance, production losses, catalysts and chemical consumption, fuel and loss and energy conservation. As a result all the PSUs except, CRL, BRPL, Lubrizol, have achieved savings. Now a considerable portion of oil industry has been decontrolled and as a consequence the competition has increased many fold and as oil PSUs are looking for new opportunities for business development, after the opening up of the oil sector, the expenditure has to increase to explore new opportunities, enhance existing opportunities and create infrastructure and new facilities with a view to maintain/increase the market share. Thus, savings, in fact, are significant."

1.17 When the Committee specifically wanted to know about the undertakings in which the cost cutting measures have not shown the desired results and the reasons for such failures, the Ministry stated:

> "Ministry of Petroleum & Natural Gas has been consistently reviewing the plan as well as non-plan expenditure of all the PSUs under the administrative control of this Ministry. All the PSUs have been asked to resort to cost cutting measures to bringdown the expenditure at the minimum level. The operating expenditure is also monitored by the Ministry in Quarterly Performance Review meetings. In MOU Financial performance includes gross margin (Total Income less Total expenses) which having a weightage of 30% and Net Profit as a percentage of Capital Employed is having a weightage of another 30%. To get higher ratings the PSUs are motivated to keep their operating costs low.
>
> However, in some cases, the unavoidable increase is due to pay revision of PSU employees, increase in internal consumption of natural gas as fuel, increase in exigencies and emergencies owing to its nature of operation and hike in excise duty on diesel used in captive power plant. PSUs have been instructed to implement the cost cutting measures scrupulously so as to arrest the growth of avoidance expenditure."

E. Plan Outlay and Activities during Ninth Five Year Plan (1997-2002)

(i) Utilisation of Plan Outlay

1.18 For Petroleum & Natural Gas sector the Planning Commission has approved a financial outlay of Rs. 78401 crore for the 9th Five Year Plan (1997-2002). The amount allocated for each sector is as under:

	(Rs. in crores)
Exploration & Production	27603.00
Refinery & Marketing	46411.18
Petro-chemicals	4054.37
Engineering	332.45
Total	**78401.00**

1.19 As against this the following table shows the PSU-wise actual expenditure for the first two years (1997-98 and 1998-99), Budget Estimates and Revised Estimates for 1999-2000 and Budget Estimates for 2000-2001 :

Plan Outlay

(Rs. in crores)

Sl. No.	Name of PSUs	Actual 1997-98	Actual 1998-99	Budget Estimates 1999-2000	Revised Estimates 1999-2000	Budget Estimates 2000-2001
	2	3	4	5	6	7
Exploration (A)						
	ONGC	4005.00	4468.00	4800.00	4928.83	5202.69
2.	OIL	354.74	427.77	468.35	468.37	600.01
3.	GAIL	1010.99	363.56	859.94	810.84	966.45
Sub-Total (A)		5370.73	5259.33	6128.29	6208.04	6769.15
Refinery & Marketing (B)						
1.	IOC	1712.81	2687.90	2491.54	3417.88	4269.90
2.	HPCL	1085.45	1101.06	1265.90	903.86	599.04
		502.68	575.41	511.46	438.92	457.70
4.	MRL	70.51	334.27	452.08	190.00	349.00
5.	CRL	87.35	395.02	531.22	366.80	374.00
6.	BRPL	32.94	14.72	55.31	30.69	50.11
	LIL	0.40	3.86	6.76	2.63	1.94

	2	3	4	5	6	
	EIL	5.92	10.36	8.00	8.00	6.93
	IBP	92.87	155.69	106.00	189.93	150.00
10.	NRL	721.06	676.00	228.00	461.54	121.00
Sub Total (B)		**4311.99**	**5954.29**	**5656.27**	**6010.25**	**6379.62**
1.	BRPL	3.95	23.30	16.56	6.05	8.96
2.	BPCL	0.00	0.00	1.20	1.08	2.30
3.	CRL	0.30	3.90	3.70	3.20	1.00
	IOC	4.10	26.29	72.53	87.76	230.10
5.	HPCL	0.00	0.00	0.50	0.00	1.00
6.	MRL	0.00	0.00	0.50	0.00	1.00
	GAIL	406.49	327.57	125.20	75.50	20.00
8.	ONGC	0.00	0.00	3.00	1.00	4.00
Sub-Total (C)		**414.84**	**381.06**	**223.19**	**174.59**	**268.36**
Engineering Unit (D)						
	IBP Co. Ltd.	0.80	2.87	6.50	0.00	0.00
2.	Balmer Lawrie & Co. Ltd.	41.37	39.46	100.00	67.00	37.00
3.	Biecco Lawrie & Co. Ltd.	1.40	0.00	9.55	9.55	7.00
Sub-Total (D)		**43.57**	**42.33**	**116.05**	**76.55**	**44.00**
Grand Total (A+B+C+D)		**10141.13**	**11637.01**	**12123.80**	**12469.43**	**13461.13**

1.20 While observing the proposal of keeping the expenditure on lower side in regard to all the companies except a few in the Revised Estimates for the year 1999-2000, the Committee wanted to know the reasons for less utilisation of funds. The Ministry advanced the following PSU-wise reasons:

"**HPCL:** There was a saving in execution of Vishakh Refinery Expansion Project II, DHDS project in Mumbai/Vizag Refineries and also Vizag-Vijaywada Pipeline. Further, Punjab Refinery project could not progress at the desired pace as Joint Venture Partner could not be finalised.

BPCL: At the time of preparation of Budget Estimates for 1999-2000 there was some expenditure which was intended for bottling plants and DHDS project. However, due to speedy implementation of these projects the expenditure was incurred during 1998-99 itself. This has resulted in comparatively less expenditure in 1999-2000 Revised Estimates as compared to the Budget Estimates.

MRL: The 3 Million Tonne capacity expansion project has been approved and is not commenced for want of environmental clearance. The same will progress in 2000-2001. There is some spill over in payments of DHDs projects which will now be made in 2000-2001. The Power Project has not been taken up.

CRL: The proposed capacity expansion from 7.5 MMTPA to 13.5 MMTPA is pending approval. Expenditure which was planned for DHDS project did not materialsie fully in 1999-2000 and balance payments are expected to be made in 2000-2001.

Further, on account of flow of private investment in Petroleum sector the investment has to be made by Government in such a manner that there are no excess capacities."

1.21 On being asked about that how would the Government achieve the objectives set for the 9th Five Year Plan under such condition of under-utilisation of funds by the oil PSUs, the Ministry stated in a written reply as follows:

"While there has been shortfall in the actual expenditure of oil PSUs in the first three years of the 9th Plan, it is likely that the oil PSUs will be able to meet the plan targets to a large extent. Therefore, it is expected that the major objectives set for the 9th Five Year Plan are likely to be achieved.

HPCL: While the Punjab Refinery could not be taken in absence of JV partner, efforts are on for HPCL to proceed on its own without waiting for the selection of JV partner.

IOC: It is planning to proceed on the East India Refinery Project without waiting for finalisation of JV partner.

BPCL: Requisite clearance for BORL, Central India Refinery have already been obtained and the progress on this project is likely to be sharp.

In the refining side refining capacity has been generated on private sector without involvement of public sector funds. At the moment the refining capacity is sufficient to meet the demand of country. The future projections of demand are to be made from refining capacity that is planned to be brought through public sector/JV route.

On upstream side because of the response to the bidding in NELP the Exploration and Production activity will be taken up through private sector, JV and public sector. ONGC and OIL are stepping up their E&P efforts in order to achieve 9th Five Year Plan targets."

1.22 In regard to the specific query about the declining trend of allocation and utilisatioin of Plan outlay for Petro-chemicals sector and Engineering unit in the current Five Year Plan, the Ministry submitted the following facts:

"The petro-chemicals and engineering businesses by the oil PSUs account for a minor percentage (around 3%) of the total investment during the 9th Plan period. These activities have dominant presence of the private sector. The declining trend in investment by the oil PSUs in these sectors is accounted for by petro-chemical business. In view of persistent recession in petro-chemical market, the concerned oil PSUs have not been able to commit fully to the targeted investment in these sectors."

1.23 As against the 9th Plan outlay of Rs. 78401 crore, the total expenditure by 2000-2001 (including BE of 13461.13 crore) is expected to be around Rs. 48100 crore. The Committee wanted to know the details of the Plan to utilise the remaining amount in remaining one year of the Plan period. The Ministry submitted in a note:

> "The financial outlays for each year of the plan period are estimated at the beginning of the year/Plan, however, there can be inter-year adjustments depending on the progress in the implementation of the project and actual expenditure incurred by the company. While there has been shortfall in the actual expenditure of oil PSUs in the first three years of the 9th Plan, it is likely that the oil PSUs will be able to meet the plan targets to a large extent. For instance, the refinery projects of HPCL, IOC and BPCL which are planned to be in joint sector and had not progressed in the first three years of Ninth Plan on account of non-finalisation of JV partners or environmental clearances are likely to be taken up in the last two years of the Plan Period."

1.24 The Committee further wanted to know the results of Mid-term appraisal of the Petroleum and Natural Gas Sector for the 9th Plan and the steps being taken to get better results during the remaining period of the Plan. The Ministry informed in a written reply:

> "The mid-term appraisal of Petroleum and Natural Gas Sector for the 9th Plan has been done by this Ministry as well as by the Planning Commission. The problems and constraints have been identified. The important identified problem areas and the steps taken to get better results during the remaining period of current Five Year Plan are as follows:
>
> (i) The stagnant indigenous production of crude oil and decline in accretion of reserves are the matter of serious concern. Accordingly, remedial measures to step up exploration and production activities by Oil PSUs and involvement of private sector have been chalked out. More Blocks for exploration are expected to be offered under NELP (2nd round) in the fiscal year 2000-2001.

(ii) The shortfall in expenditure in refining sector is mainly on account of delay in taking up of the joint venture refinery projects. However, due to current low international refining margins and with the emergence of large private refineries, development of new grass-root refineries require a cautious approach to avoid excess domestic refining capacity. However, efforts are being made to expedite the process of expansion and setting up of viable grass-root PSU refineries."

(ii) Demand and Indigenous Production of Oil and Gas

1.25 As per the 9th Five Year Plan document the demand of petroleum products is estimated to grow at a compound annual growth rate of 5.77% and the expected to be 104.80 million tonnes in the terminal year of Ninth Plan. The cumulative production during the period would be 180.82 million tonnes of crude oil and 144.53 billion cubic metres of gas. When the Committee enquired about the specific targets fixed for each financial year of the 9th Plan and the actual results achieved in regard to Demands of crude oil and gas *vis-a-vis* indigenous production, the Ministry submitted the following details:

"As per the Report of Ninth Plan Sub-Group on Refining, the refining capacity was planned to be 130.75 MMTPA by the terminal year of Ninth Plan (2001-02), and on the basis of 95% capacity utilisation of the refineries, the crude oil processing and hence the requirement of crude was projected to be 118.45 MMT in 2001-02. However, based on current outlook, it is expected that total refining capacity would reach a level of about 129 MMTPA in the terminal year of Ninth Plan. Further, based on projections by refineries, total crude output and hence requirement of crude oil is placed at about 122 MMT.

Actual Crude oil processing during the last two years 1997-98 and 1998-99 *vis-a-vis* projections as per Report of Ninth Plan Sub-Group on Refining are given below:

(Million tonnes)

Year	Projections	Actual
1997-1998	61.65	65.18
1998-1999	65.85	68.53
1999-2000	71.38	85.71 (Estimated/Provisional)
2000-2001	93.67	
2001-2002	118.45	

Demand and production of crude oil and Natural gas during the Ninth Five Year Plan is furnished below:

Year	Crude Oil (Million Metric Tonnes)		Natural Gas	
	Demand	Production	Production (Billion Cubic Metres)	Allocation (Million Standard Cubic Metres per day)
1997-98	65.166	33.859	26.401	93.68
1998-99	**65.167**	**32.723**	**27.428**	97.81
1999-2000 (Provisional Apr.-Jan.)	**69,031**	**26.915**	**23.755**	**103.80**

1.26 When asked about the targets fixed and results achieved during the current Five Year Plan in regard to oil gas accretion and discovery of new oil fields, the Ministry submitted in a note:

> **"ONGC and OIL had planned to add 865 MMT O+OEG in place hydrocarbons reserves during 9th Plan period. The reserve accretion of in place reserves of hydrocarbons in the first two years of the 9th Plan was approximately 82 MMT O+OEG. Pvt./ JV companies had achieved accretion of 47.07 MMT of O+OEG till 1.4.1999."**

1.27 As regards the new discoveries during the current Plan period, the Ministry informed:

"The following new discoveries of hydrocarbon were made during the year 1997-2000 (as on 1.3.2000):—

1997-98

1.	Vatrak	Gujarat
2.	Periyapattinam	Tamil Nadu
3.	Neyveli	Tamil Nadu
4.	Ramanavalsai	Tamil Nadu
5.	Magatapalli	Andhra Pradesh
6.	B-23A	Bombay Off-shore
7.	Deohal	Assam
8.	Jeraiphathar	Assam
9.	Bhagpara	Assam
10.	Sapekhati	Assam

1998-99

1.	Kali	Tamil Nadu
2.	Kesavadaspalem	Andhra Pradesh
3.	Gokarnapuram	Andhra Pradesh
4.	Anklav	Gujarat
5.	North Sarbhan	Gujarat
6.	Nambar	Assam
7.	B-105	Bombay Off-shore
8.	Mohanbari	Assam
9.	North Balijan	Assam
10.	South Kathaloni	Assam
11.	Khagarijan	Assam
12.	Kamkhat	Assam
13.	Moran South	Assam

1999-2000

1.	Safari	Assam
2.	Akholjuni	Gujarat
3.	Srigatapalle	Andhra Pradesh
4.	Lakshmanesvaram	Andhra Pradesh
5.	Kusijan	Assam
6.	North Tamulikhat	Assam
	Chabua	Assam
8.	Block RJ ON-90/1	Rajasthan

The above new oil and gas finds have not yet been fully delineated."

(iii) Exploration of Hydrocarbon Reserves

1.28 In view of the rapidly increasing demand of oil and gas in coming year, it has been felt that there is an urgent need to step up the level of indigenous oil production which has remained almost stagnant during the last several years. For this purpose the following thrust areas were marked for the 9th Plan period to improve exploration and production:—

(i) Acceleration of exploration efforts especially in deep offshore areas and also in frontier areas.

(ii) Improvement in reservoir management and enhancing oil recovery rates for all major fields by at least 5%.

(iii) Exploration and exploitation of coal bed Methane.

(iv) Expeditious implementation of the New Exploration Licencing Policy (NELP)."

1.29 When the Committee wanted to know about the reasons and details for awarding contract to undertake exploration to foreign and Indian private companies activities and development of fields and the achievement made/to be made, the Ministry submitted the following written reply:

"Government has signed contracts for exploration blocks for carrying out exploration of oil and gas and for discovered fields for development and production of oil and gas. All the exploration blocks/discovered fields were awarded against international competitive bidding system. These steps had been taken by Government in the backdrop of widening gap between domestic supply of hydrocarbon and demand and to attract capital and technology in this critical area of exploration and production.

At present about two-third of the sedimentary areas in the country is unexplored/poorly explored. In order to add hydrocarbon reserves and to accelerate pace of exploration in country, Government had formulated policy to attract private investments to supplement the efforts of National Oil Companies to explore oil and gas, which requires induction of risk capital investment and new geological concepts and technology.

As regards offering of discovered fields, following were the main reasons for offering the fields:—

(i) Shortage of foreign exchange.

(ii) Lack of adequate resources with the National Oil Company (NOC) to develop such fields.

(iii) Low recoverable reserves and marginal economics of some of the fields.

(iv) Private participation would help augment oil/gas production by way of quickly putting these fields on production to meet the growing demand supply gap.

(v) Application of Enhanced Oil Recovery (EOR) techniques.

After signing of the Production Sharing Contract with private companies/joint ventures, the crude production from these fields has increased significantly as may be seen from the table given below:

Year	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000 (Estimated)
Oil (MMT)	0.255	0.65	1.345	2.514	3.042	Over 4.0

The annual crude production from private/JV projects is now about 12 per cent of the total indigenous crude production.

In addition, some new technologies like oil base mud drilling etc. inducted by private companies and joint ventures have reduced rig time leading to faster completion of the projects.

The total investment commitment from private sector and joint ventures in the exploration and development is over US$ 2 billion. The total inflow of investment by March 1999 was about US$ 1.2 billion."

As regards receiving the share for the past cost incurred by ONGC/OIL, the Ministry intimated:—

"The full recovery of past cost was not the sole criteria for awarding these fields. These fields were offered as a part of Government policy for various reasons brought out above.

It was the total Government take including take of ONGC/ OIL from the project in form of signature bonus, production bonus, past cost if any, profit petroleum share, statutory levies etc. that was the criteria for selection of companies and attempts were made with companies at the time of bid processing to compensate NOCs for the past cost incurred by them to the extent possible.

In some of the fields profit petroleum has already started flowing to the Government. It may be mentioned that as per the Production Sharing Contractors (PSCs), contractor first recovers the contract costs and thereafter profit sharing with Government commences."

1.30 The Committee observed that the coal bed Methane exploration policy was approved by the Government in 1997 and after that no significant development has been made in starting operations. Explaining the reasons for this delay and present position, the Ministry stated in a note:—

"After the approval of CBM policy in July 1997 by Government, following steps were taken to implement the CBM policy in order to offer the areas for exploration and exploitation of CBM:

(i) **Identification of areas:** Initially a total of 9 blocks have been identified in the States of West Bengal, Bihar and Madhya Pradesh keeping in view the ongoing active and proposed coal mining in the areas.

(ii) **Preparation of data packages:** The data were collected from various organisations and packages in respect of 7 blocs are ready.

(iii) **Preparation and finalisation of various bid documents:** Various bid documents like Notice Inviting Offers (NIO), Bid Evaluation Criteria (BEC), Bid Format (BF) and Model Contract (MC) were prepared. As CBM activity in the country is first of its kind, it required consultations with industries and experts. These documents have been formulated.

(iv) **Consultations with State Governments:** As per the Petroleum & Natural Gas Rules, 1959, the terms contained in the CBM policy required consultations with the concerned State Governments. The matters were taken up with the States of West Bengal, Bihar, Madhya Pradesh, Gujarat and Rajasthan for obtaining their response on the CBM policy including the terms and conditions. West Bengal Government has given its consent on the CBM policy, whereas, Bihar and Rajasthan Governments are yet to give their final response.

(v) **Issues raised by Madhya Pradesh and Gujarat Governments:** The Madhya Pradesh Government in response to CBM policy wanted that they should be permitted to invite for CBM blocks, royalty rate of

10 per cent is not adequate and should be at least 20 per cent, State Government should have a reasonable share in the sale realisation value of CBM.

The issue was responded to by the Central Government. However, MP Government has maintained its position.

State of Gujarat issued notification in February, 1994 reserving certain coal/lignite bearing areas for the purpose of exploration and exploitation of Coal/Lignite Bed Methane (CBM) exclusively for public sector. Subsequently, in March 1997, Gujarat Government by a notification extended the exploration and exploitation of CBM by public sector to departmental working right of through commissionerate of geology and mining. Further vide another notification of August 1997, Gujarat Government notified more areas reserved for exploration and exploitation of CBM.

The legal validity of the notification issued by Gujarat Government brining CBM within State purview was examined in Government by Ministry of Law and it opined that the action taken by Gujarat Government is not legally sound with respect to the legal provisions provided in legislations. The issue has been taken up with Gujarat Government on various occasions to withdraw the notifications and give their support to the CBM policy, however, their final response on the subject is awaited.

From the above, it may be seen that the implementation of CBM policy is taking some time as the consultation with State Governments are yet to be completed and some of the States have raised fundamental and legal issues.

As regards, commercial production of CBM, it would depend on the results of exploration and assessment of potential, market etc.

(vi) **CBM operation by ONGC:** It may, however, mentioned that ONGC has undertaken exploration of CBM in North Raniganj (West Bengal) and Jharia (Bihar) in the nature of R&D activities. Further activity will depend on the results of R&D activities by ONGC."

(iv) Creation of Refining Capacity

1.31 The refining capacity in the country at the end of the Eighth Plan was 61.55 million tonnes. As per the estimates this capacity may go upto 113.95 million tonnes by the terminal year of the Ninth Plan which includes 24 million tonnes capacity addition from the private sector and 28.40 million tonnes of capacity addition from PSUs and the joint venture projects respectively. The refinery-wise capacity addition during the Ninth Plan is given below:

(Million Tonnes)

Sl.No.	Refineries	1997-98	1998-99	1999-2000	2000-01	2001-02
	Capacity as on 1.4.97	61.55	61.55	61.55	61.55	61.55
	Panipat, IOC	0.00	6.00	6.00	6.00	6.00
	Visakh, HPC			3.00	3.00	3.00
4.	Numaligarh, NRL			3.00	3.00	3.00
5.	Barauni Expn. IOC			0.90	0.90	0.90
6.	Mathura Expn. IOC			0.500	0.50	0.50
	Bina, BPC				0.00	6.00
8.	MRPL Expn.			6.00	6.00	6.00
9.	Gujarat Expn. IOC				3.00	3.00
10.	ESSAR Pvt.			9.00	9.00	9.00
11.	Reliance Pvt.			15.00	15.00	15.00
	Sub-total: Cap. Addition	0.00	6.00	43.40	46.40	52.40
	Total	61.55	67.55	104.95	107.95	113.95

1.32 When asked about the specific targets fixed for addition of refining capacity during the 9th Five Year Plan and the actual results achieved so far, the Ministry submitted in a note:

"In order to meet the growing demand of petroleum products in the country, during the IX Plan 69.2 MMTPA capacity addition was envisaged. At the beginning of the Ninth Plan the refining capacity was 62.24 MMTPA. The actual refining capacity additions *vis-a-vis* the targets as per the Report of sub-group on Refining, for Ninth Plan are given below:

(Million tonnes)

Year	Targets as per IX Plan Sub-group Report	Targets as per IX Plan Final Document	Actual
1997-98	6.0	0.0	0
1998-99	3.0	6.0	
1999-00	4.4	37.4	43.4 (Est.)*
2000-2001	39.0	3.0	
2001-02	16.8	6.0	16.5 (Est.)
Total	69.2	52.4	66.8

*Upto February, 2000, 42.9 MMTPA capacity had already been added.

As per the current outlook the domestic refining capacity is expected to be about 129 MMTPA by the end of terminal year of Ninth Plan *i.e.* 2001-02. Against this, finalised 9th Plan document had indicated total refining capacity of 113.95 MMTPA by the end of Plan period."

1.33 Enquired about the steps being taken by the Government to enhance the exports in view of increase in refining capacity, the Ministry submitted as follows:

"Government has already initiated steps to take care of the surplus products, if any, in view of increase in domestic refining capacity. Last year Government decanalised the export of Naptha. Recently exports of MS, HSD and ATF have also been decanalised."

In response to the specific reference of the present status of the Punjab Refinery Project at Bhatinda the Ministry stated as under:

"About 2,000 acres land has been acquired for the project. The detailed pipeline route survey of the proposed crude oil pipeline from Gujarat to Bhatinda has been completed. Various environmental approvals for the project have also been obtained except the environmental approval for the Crude Oil Terminal, Cude Oil Pipeline and Single Point Mooring which is under processing by Ministry of Environment & Forests. Hindustan Petroleum Corporation Limited (HPCL) is on the look out for a Joint Venture partner for the project."

(v) Import of Crude Oil/Petroleum Products

1.34 While the indigenous production of crude oil has declined, the growth rate of demand for products is rising at a fast pace. This has led to higher volumes of imports of petroleum products. This import dependence in respect of crude oil to meet the demand of petroleum products has gone up from about 50% in 1992-93 to 60% in the terminal year of Eighth Plan and is supposed to be 70% by the end of 9th Five Year Plan.

1.35 On being asked about the details of projects and actual import Bill during the current Five Year Plan, the Ministry submitted as follows:—

"The actual import bill of crude oil and net imports of petroleum products *vis-a-vis* the projection as per the Report of IX Plan sub-group on Refining is given below:

(Billion US dollars)

Year	Crude Oil		Products (Net of Exports)	
	Projection	Actual	Projection	Actual
1997-98	3.37	4.25	4.37	3.7
1998-99	3.73	3.52	4.72	2.9
1999-00	4.45	9.03 (Estimated)	4.82	3.4 (Estimated)
2000-01	7.10		2.63	
2001-02	10.13		0.12	

The above import bill includes estimated value of products imported by private parties.

1.36 When the Committee wanted to know about the product-wise details of imports, the Ministry submitted as under:

	1996-97			1997-98			1998-99		
	Qty.	Value		Qty.	Value		Qty.		
	'000' Tonnes	Rs. Crore	$ Million	'000' Tonnes	Rs. Crore	$ Million	'000' Tonnes	Rs. Crore	$ Million
	1	2	3	4	5	6	7	8	9
CRUDE									
Public Sector	33904	18337	5135	33493	15872	4246	35734	13390	3158
Joint Sector							4074	1527	360
Private Sector									
Total Crude Imports	**33904**	**18337**	**5135**	**33493**	**15872**	**4246**	**39808**	**14917**	**3518**
Public Sector									
LPG	1035	1125	315	1087	893	239	1525	1128	266
Petrol	449	364	102	358	272	73	251	191	45

		2	3	4	5	6	7	8	
Aviation Petrol	4	6	1.7	4	5	1	3	4	1
Kerosene	3787	3132	877	3204	2120	567	5421	3002	708
Aviation Turbine Fuel	150	121	34	55	34	9			
Diesel	13422	9981	2795	13776	8396	2246	10231	4808	1134
Naphtha/ NGL		0			0		168	93	22
Fuel Oil/LSHS	644	258	72.3	117	47	12.45	490	174	41
P.Wax	28	71	20		0				
Sub-Total	**19519**	**15059**	**4217**	**18601**	**11768**	**3148**	**18089**	**9400**	**2217**

	1	2	3	4	5	6	7	8	9
Private Sector									
LPG	83	89	25	222	247	66	311	229	54
Naphtha/ NGL	76	61	17	1874	1342	359	2239	1264	298
Kerosene	507	418	117	1187	998	267	1644	912	215
Fuel Oil/ LSHS	661	264	74	517	194	52	1206	428	101
Lubes/ Others	617	496	139	652	501	134	396	335	79
Sub-Total	**1944**	**1328**	**372**	**4452**	**3282**	**878**	**5796**	**3167**	**747**
Total Product Imports	**21463**	**16387**	**4589**	**23053**	**15050**	**4026.1**	**23885**	**12567**	**2964**

		2	3	4	5	6	7	8	9
Exports									
Naphtha/ NGL	2589	1699	476	2048	1186	332	720	306	86
F/LSHS	68	22	6	333	81	23			
Total-Exports	2657	1721	482	2381	1268	355	720	306	86
Net Product Imports	**18806**	**14666**	**4107**	**20672**	**13782**	**3671**	**23165**	**12261**	**2878**
Total-Net Imports (Crude + Prods)	**52710**	**33004**	**9242**	**54165**	**29654**	**7917**	**62973**	**27178**	**6396**

1.37 While observing the declining trend of exports of petroleum products, the Committee wanted to know the reasons for this decline. The Ministry explained the situation in a written reply:

"Quantity and value of petroleum exports during 1996-97, 1997-98 & 1998-99 are given below:

1997-98		1998-99		1999-00#	
Qty. ('000) Tonnes)	Value (Rs. Crore)	Qty. ('000 Tonnes)	Value (Rs. Crore)	Qty. ('000 Tonnes)	Value (Rs. Crore)
2381	1268*	720	306	641	526

*Value of exports indicated as Rs. 1828 Crore and Rs. 856 Crore respectively for the years 1997-98 and 1998-99.

#Both quantity and value are estimated.

India is a net importer of petroleum. Therefore, essentially petroleum products surplus to the domestic requirements are exported. With the reduction in surplus availability, exports decreased during 1997-98 & 1998-99."

F. Miscellaneous

(i) Adulteration and Under-Weighment of Petroleum Products

1.38 During the course of examination the Committee expressed their concern about continuously growing problem of adulteration in petroleum products and wanted to know about the steps being taken by the Government to prevent such activities. The Additional Secretary of Petroleum Ministry informed that the main reason for this is the difference of prices of Kerosene oil and diesel. He further informed that oil companies are alert to tackle this situation and recently a special drive was also organised in the month of November and December, 1999. Action has been taken against the person found guilty. He also informed that it is a continuous process and it will continue in future also.

1.39 Explaining their position in regard to action taken against the persons involved in malpractices further, Secretary, Petroleum & Natural Gas submitted:—

"Adulteration is one of the most important problems that this industry is facing. One of the reasons for adulteration, as the

Hon. Members have pointed out, on the one hand, is the difference in price between kerosene and diesel. But there are other reasons also. You would have seen that there is adulteration even in motor spirit. There are some States where solvents are being sold as alternate petrol openly in shops. They mix up some chemicals and they sell it as alternate petrol.

I may submit that the present Minister for Petroleum is treating adulteration as the most important challenge, which is facing the Ministry. Several steps have been taken regarding this. I would submit at the end of it that not all the problems would be solved and I would only say that steps are being taken to solve them. I will give some figures to show that we are taking some action. I will give them as an illustration.

In a period of one week between 29.11.99 and 03.12.99, 1888 retail outlets had been checked; 2378 motor spirit samples were collected; 2543 HSD samples were collected and sent for clinical tests. Ninety samples of suspected adulteration were detected. The number of sample failures was 129; the number of cases where sales and supplies were suspended for suspected and established adulteration was 96. The number of cases of tampering of weights and measure seals reported was 18. The number of cases where sales and supplies were suspended for this was 17. 302 cases of short delivery were detected for which action has been taken.

My submission in giving this number is not to say that we are solving the problem in totality, but to just submit that we are taking action. The oil companies are definitely engaged in vigilance activity on a continuous basis. The action that the oil companies can take against a dealer is only to either suspend or to cancel the licence whereas it is a kind of, I would say, a criminal Act. Under-weighment is a criminal act under the Weighs and Measurements Act. Similarly, adulteration is a criminal act. These Acts are being implemented actually by the States. The Members are aware that one or two States are taking very very stringent action against petroleum adulteration directly. Wherever the State Governments have taken such stringent action, there is a definite improvement and substantial improvement. There is also some reaction to this, in the sense that where such action is taken, the dealers are going on strike, saying that they are being harassed. There are the two sides of the picture. Wherever we get good cooperation from the State Governments, our action is much more effective; wherever they extend help, we are able to make much more progress.

We are increasing our mobile sampling vans continuously. We are improving the octane testing equipment. This year, we only had 23 mobile vans. By the end of the year, that is, by today, we would have around 50 such vans in place. Octane testing equipment is very expensive equipment; it costs more than Rs. 2 crore. We have installed it and we are installing it in as many places as we can.

My submission is not that the problem is solved. My submission is that we are alive and alert to the problem and our companies have taken this as a very major challenge to tackle."

1.40 When asked further about the initiatives being taken to get any permanent solution to overcome the problem of under-weighment, Secretary, Petroleum and Natural Gas expressed the view:—

"The permanent solution to under-weighment will be a technical solution in the way that the entire pump would be tamper proof. Bharat Petroleum is doing some R&D with certain methodology so that we are trying to develop some equipment which will make this under weighment very very difficult. Nothing is impossible. The Indian mind is very very clever and smart. That is why we are so good at software and information technology. It is because we can do very very difficult things. What one man can think, the other man can also think. This is the permanent solution. But we do realise that under weighment is a matter which has to be taken very stringently and we will address it very very strongly."

1.41 On being pointed out by the Committee that the commission being given to the dealers has not been revised appropriately, the Secretary, Petroleum & Natural Gas clarified the Government's position as under:—

"The dealer commission has been increased only recently, that is two months back, both for LPG as well as for retail outlets. The associations which are representing these groups are satisfied with the kind of increase that has been given to them. Of course, these rates are revised every two years. There is an automatic escalation formula given. The slab rate has been removed. In terms of volumes everybody gets the same rates."

1.42 When the Committee wanted to know abut type of vigilance operating to control/prevent such activities at the petrol pumps, the Additional Secretary of the Ministry stated that there is a vigilance department in each oil company. In oil coordination committee also there is a vigilance Branch. He, however, felt that the vigilance capacity is not sufficient to tackle the situation. He also informed that the Government is in the process of forming another vigilance organisation in near future. It will take some time. So far the functions of the officers are concerned, their first duty is that they should ensure that distribution is fair and if distributor is indulging in malpractices, he should be penalised.

(ii) Infrastructure Development

1.43 In the Ninth Five Year Plan emphasis has been given on infrastructure development for distribution and marketing of petroleum products in view of oil increase in refining capacity as also the need to cater to the large demand for petroleum products.

1.44 When the Committee desired to know about the projects being undertaken/planned to enhance the port handling facilities during the Ninth Five Year Plan, the Ministry furnished the following details in a written reply:—

> "The Port capacity at the Major Ports as on 31.3.1997 was 97 MMT based on reassessed capacity by MoST and, the Port traffic handled in 1996-97 was 88.5 MMT (excluding LPG and transhipment) representing over 91% capacity utilisation, much higher than the desired level of 60-65%. On the basis of schemes identified and included by MoST, the additional Port capacity planned to be created in the Major Ports during 9th Plan period is about 65 MMT. The planned capacity additions at each of the Major Ports is in progress."

1.45 About the progress in the process of addition crude oil pipelines and product pipelines the Ministry stated in a note:

"**Crude Oil Pipelines:** With more than doubling of refining capacity during 9th Plan period, incremental demand of crude oil would have to be met primarily for imports. Accordingly, crude oil handling facilities including laying of crude oil pipelines to receive imported crude oil are planned. These are being progressed to synchronise with commissioning of grass-roots refineries/expansion of existing refineries.

Product Pipelines: In view of the projected increase in consumption of petroleum products and pipeline being preferred mode of transportation, considering various advantages such as requirement of minimum energy for transportation, environment friendliness, enhanced safety, minimum transit losses, multi-product handling, possible expansion with minimum additional investment, low maintenance cost etc., oil industry has drawn up an ambitious programme to set up 14 number of product pipelines during IX Plan period, in addition to two carry over under construction pipelines from VIII Plan. Subsequently, one more pipeline *viz.* Chennai-Trichy-Madurai Pipeline was added to this list. These pipelines would eventually help formation of a national pipeline network for economic and efficient transportation of petroleum productions.

To construct and operate cross-country product pipelines expeditiously, in May 1997, Government permitted setting up of M/s. Petronet India Ltd., a non-Government JV holding company. M/s. Petronet would put up cross-country pipelines, on common carrier principle, through its subsidiaries/JV Companies with private participation. To start with, Petronet have taken up construction of 5 product pipelines viz. Vadinar-Kandla, Cochin-Karur, Mangalore-Bangalore, Bina-Jhansi-Kanpur & Chennai-Madurai pipelines, for which JVs/subsidiaries are being formed.

The capacity of the product pipelines at the beginning of the Ninth Plan was 20.22 MMT pa (4235 Kms) and, as per the current outlook, capacity addition of 32.45 MMT pa (1572 Kms) is expected during IX Plan. With this, the product pipeline capacity by the terminal year of IX Plan is expected to be 52.67 MMT pa (5807 Kms)."

In regard to transportation facilities, the Ministry submitted the following details:

"Railways play a major role in transportation of petroleum products. As per 9th Plan Working Group Report on Railway Programmes, realistic estimate of rail traffic during 2001-02 in case of POL products is 38 million tonnes. Industry, in consultation with Railways had estimated additional requirement of 4600 BTPN tank wagons during Ninth Plan period. Of this, 50% was agreed to be procured by the oil industry and the balance 50% by Railways. It was also agreed that Railways would also procure tank wagons on account of accident/ condemnation and MG/BG conversion.

Out of the oil industry share of 2300 BTPN wagons to be procured during Ninth Plan, oil industry has so far placed order for 500 BTPN wagons. pending announcement of revised 'Own Your Wagon' Scheme and its consideration by oil industry, no further orders could be placed. In the meantime, Railways have been requested to make their own arrangement for procurement of BTPN wagons. Railways have recently announced revised OYW Scheme, which is being examined by the oil industry to take a view on further procurement of wagons under the revised scheme."

(iii) Prices of Petroleum Products

1.46 Recently the prices of kerosene and LPG have been increased. A few months back the prices of Diesel and Petrol were also revised. During the course of evidence, the Committee expressed their anger for not bringing the matter of price revision of kerosene and LPG either before the Parliament or the Committee by the Government.

1.47 Secretary petroleum & Natural Gas presented the following justification for this decision:

"I am submitting on behalf of the Minister as the Minister asked me to submit to the Committee that he definitely wanted to lay this before Parliament but for several obvious reasons he was not able to do so during the last Session. I would also submit that the increase has actually occurred as a part of a continuing policy. This policy of progressively removing the subsidies and making the prices equivalent to the import parity prices has been there for some time. These decisions were taken in November, 1997 finally. After that, it is an administrative process that has to be decided by the Oil Coordination Committee on the basis of the annual increase in prices. So, in a way, I would like to submit that these decisions are part of a continuity of a policy that has been existing for the last four years. What has been done is well within the policy that has been laid out by successive Governments in the past and is being followed by the current Government."

1.48 When the Committee desired a specific reply on this subject, the Secretary, Petroleum and Natural Gas stated:

"It is impossible today to contain the oil pool deficit. The pool deficit is running at Rs. 6300 crore as of today. The pool deficit would be increased to something like Rs. 19,000 crores by the end of the next financial year if the oil prices remain at present level. If once the oil pool deficit crosses a figure of Rs. 8000 crore to 10,000 crore then the oil companies find it impossible to borrow.

(iv) Reorganisation of Oil PSUs and long term policy for oil sector

1.49 A Committee under the Chairmanship of Dr. Nitish Sengupta was constituted by the Ministry of Petroleum & Natural Gas to study and assess the future scenario of the oil industry and the viability, profitability and prospects of the only stand-alone oil marketing company-IBP and stand-alone refineries, namely CRL, MRL, BRPL and NRL in view of the changed oil market scenario and how they should be restructured to ensure their continued profitability, viability in the changed scenario and evolve a viable strong and competitive oil industry in the country and competitiveness in the deregulated market. The Committee submitted the report in March 1999 and is under consideration of the Government.

1.50 The Main recommendations of the Committee are:

(a) BPC should buy up the entire shareholding of Government of India in CRL and make CRL its subsidiary. The marketing arrangement, if any, with IOC should accordingly be modified.

(b) For the time being the marketing arrangement of MRL with IOC should continue. BPC be also considered in the intermediate future as a serious candidate alongwith IOC to partner MRL.

(c) IOC should buy up the entire shareholding of Govt. of India in BRPL and make this company its subsidiary.

(d) NRL should continue with BPC and IBP who are the majority shareholders along with Government of Assam. Oil should be roped in as a shareholder with 10% share.

(e) IBP should continue as a separate corporate entity for the time being. However, it feels that IBP needs a strong strategic partner for continued supply of products and also providing marketing back up and necessary financial support.

(f) IBP should be assured of the required products from Mathura and/or Panipat in the North and MRL and CRL in the South through appropriate marketing tie-ups for a period of at least five years after the end of APM period in order to maintain its supplies.

(g) Government of India should constitute a petroleum regulatory body in lieu of OCC, who should regulate the supply of products besides handling critical issues during the transition period of deregulation.

(h) All the existing pipelines excluding strategic pipelines owned by IOC should be transferred to an independent company such as the Petronet India Limited.

(i) After implementation of the recommendation, the Committee has identified that there will be three market players, e.g. IOC, HPC and BPC-IBP. It feels that at a later date, the possibility of a combination of HPC, BPC-IBP, CRL, MRL and NRL should be explored through an umbrella of a holding company. This new entity will be equal in size to IOC and would not only provide good competition but could also emerge as a global player in competition with the international oil majors.

1.51 During the course of evidence the Secretary Petroleum and Natural Gas clarified the Ministry's stand in regard to disinvestment and reforms in petroleum sector as under:

> "So far as the issue of disinvestment is concerned, the Government have recently set up a new Ministry of Disinvestment and that Ministry of Disinvestment has been responsible for executing the policy of the Government so far as the disinvestment process is concerned. So, the policy of the Government as articulated by the Finance Minister is that in all sectors other than strategic sectors, the Government would progressively disinvest. However, it has also been articulated that the decisions will be taken PSU by PSU. That means, it is not an across the board decision. But decisions would be taken PSU by PSU.
>
> So far as the oil sector is concerned, during the last three or four years, we have had a number of reports and suggestions on the issue of disinvestment starting with some reports of the Disinvestment Commission, then a report by Dr. Nitish Sengupta, who is now an Hon. Member of the Lok Sabha, which we call 'The Nitish Sengupta Report'. Subsequently, most recently in the document called "Hydrocarbon Vision 2025" which will be laid before the parliament there one of the sub-Groups was also dealing with disinvestment.
>
> So, we have a very wide range of suggestions and also of alternatives which are available. These suggestions and alternatives are under the consideration of the Government, and no particular decision in regard to any particular oil PSU has been taken so far.
>
> While saying this, it is important to realise that once the Administered Pricing Mechanism gets dismantled-that is supposed to be dismantled on the 1st April, 2002—the oil PSUs should have the capability of withstanding competition and facing competition in a wider environment. Therefore, the first step being contemplated is that the stand-alone refineries that at the moment have no marketing right or capability should be integrated with the oil companies. This is the first process being contemplated, though, of course, no decision has been taken so far."

1.52 On the matter of private sector participation, marketing sector and competition with Multi-National Companies, Secretary expressed the difficulties of this field:

> "At the moment, there is no marketing of controlled products by the MNCs. So long as there is an Administered Price mechanism, which means there is a subsidy on kerosene and LPG and that subsidy is being met by the cost of motor spirit, the free market position actually does not exist. This means, it is very difficult for any new marketeer to enter into this system. Once this subsidy goes away, once there is open market competition, there is a possibility that private sector, including multinationals, may enter the field. But at the moment this is two years away. During this period of two years, our approach in the Ministry is to strengthen the existing public sector undertakings particularly the marketing companies. The marketing companies have a tremendous advantage. Their advantage is the existing infrastructure consisting of pipelines, of handling capacity, of storage, of pumping stations, etc. A new entrant cannot create these advantages for at least five years. So, we have an advantage of a substantial number of years in infrastructure and our purpose now will be to strengthen the existing companies in a manner that their infrastructure capabilities are built in such a way that even if there are other companies coming in, they would be able to face that competition and be able to hold a market share. This is the way in which we are working."

1.53 On being specifically asked about the latest status of the disinvestment process in oil companies the Ministry submitted in a written reply:

> "Government had decided to disinvest up to 25% of equity capital of GAIL and up to 10% of IOC in international and domestic market. About 19.5% GAIL equity has already been disinvested in two tranches in the domestic and international markets in February and November, 1999. The disinvestment programme for IOC has been deferred for the time being."

1.54 While going into more details of the shareholding of Enron and British Gas in GAIL the Committee wanted to know the impact of these companies in the management. The Ministry submitted as follows:

"Government decided to disinvest its equity GAIL of 20 crore shares in GDR and domestic market with a retail offering to follow up to one crore shares. However, Government could disinvest about 19.5% of its equity in two tranches in February and November, 1999 through the book-building process *i.e.* in February, 1999 only around 3 Crore shares could be sold in domestic tranches to financial institutions @ Rs. 60 per share and in November, 1999, 13.5 Crore shares could be sold at Rs. 70 each (22.5 million GDRs @ $9.67 per GDR).

Enron and British Gas have purchased Global Depositary Receipts on GAIL shares disinvested in the international markets in November, 1999. These GDRs account for about 5% and 1.5% of GAIL's equity held by Enron India GDR Holding Limited and British Gas Asia Pacific Holdings PTE Limited respectively."

Enron and British Gas had business links with GAIL as indicated below:

(i) GAIL & British Gas are joint venture partners in Mahanagar Gas Limited, a company currently entrusted with the execution of the city as distribution project in Mumbai for supply of piped gas to domestic and commercial sectors and CNG in the automotive sector.

(ii) Enron is a partner in the joint venture with ONGCL Reliance and the JV is currently producing gas from the Panna-Mukta and Tapti fields. This gas is being purchased by GAIL and supplied through its HBJ pipeline system.

With this small percentage, Enron (5%) and British Gas (1.5%) cannot have any management control/impact on the management in future."

1.55 While referring the recently submitted report called Hydrocarbon Vision-2025, the Committee wanted to know the main recommendations made in the Report. The Ministry submitted in the written reply:

"The Report of the Group on India Hydrocarbon Vision—2025 has been finalised and was presented to the Prime Minister on 23.3.2000. The important recommendations made in the Report including in respect of the refining sector are as follows:

(a) Focus on oil security through intensification of exploration efforts and achievement of 100% coverage of unexplored basins in a time bound manner to enhance domestic availability of oil and gas.

(b) Secure acreages in identified countries having high attractiveness for ensuring sustainable long term supplies.

(c) Pursue projects to meet the deficit in demand and supply of natural gas, and facilitate availability of LNG.

(d) Maintain adequate levels of self-sufficiency in refining (90% of consumption of middle distillates).

(e) Establish adequate strategic storage of crude and petroleum products in different locations.

PART II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

2.1 The Committee note that the Demands of the Ministry of Petroleum and Natural Gas have been placed at Rs. 754 lakh under the Revenue Section. No provision has been made in the Capital Section since the PSUs under the administrative control of the Ministry are self-sustained. They finance their projects and other activities from their internal and extra-Budgetary resources. Under the Revenue Section, provision has been made mainly for the salaries of the officials of the Ministry and other expenses, like wages, overtime allowance, travel expenses, office expenses, etc. of the Ministry. The increase under this Head from Rs. 602 lakh in Budget Estimates for 1999-2000 and Revised Estimates of Rs. 594 lakh for 1999-2000 is mainly attributed to increase in Dearness Allowance of Government employees, addition of 13 more persons due to induction of 2nd MOS in the Ministry and increase in air fares, etc. Although the Demands of the Ministry show a significant increase in 2000-2001 over the earlier year, the Committee accept the same in view of justification given by the Ministry in this regard.

The Committee, however, desire that the Ministry should follow all the instructions of the Ministry of Finance to effect economy in the expenditure of the Ministry like office expenditure, travel, telephones, petrol, etc.

(Recommendation No. 1)

2.2 Numaligarh Refinery Limited was incorporated as a public sector Enterprise on 22.04.1993. The Government of India approved the refinery project in July, 1992 with a capacity of 3 MMTPA at an estimated cost of Rs. 1830 crore. The commissioning of this grass-root refinery is being done in a phased manner and as per the estimate, entire commissioning process will be completed by April, 2000. The latest cost estimate of the completed project is Rs. 2720 crore against approved cost of Rs. 2724 crore (based on December, 1997 prices). The Committee are happy to note that this project has been completed successfully. The Committee trust that Government must have examined the reasons for revision of project from Rs. 1830 crore in 1992 to Rs. 2724 crore in December, 1997. The full credit for completing this project goes to the Management. The Committee also appreciate the decision of the Government of India for converting a loan of Rs. 100 crore into grant and offering 10% NRL equity shares to Oil Industry Development Board (OIDB), because in the absence of such help NRL could face financial problems. The Committee, however, find that NRL has yet to mop up more funds, to the extent of 29% of equity capital. The Committee recommend that the Government should continue their support in future also so that NRL can arrange the desired funds as early as possible and the commissioning schedule is not deferred any more.

(Recommendation No. 2)

2.3 The Committee are happy to note that in pursuance of the recommendations made by the Committee and instructions issued by the Ministry, the PSUs have started sending the savings details for both half-yearly periods every year. Results received for the savings during the half-year ended at 31.3.99 and 30.9.99 are encouraging. However, the Committee are not satisfied with the quantum of savings done by several giant oil sector undertakings in the context of their high volume of production turnover/sales, etc. The Committee recommend that the Government should take all necessary initiatives to ensure more savings in non-Plan expenditure of the oil sector PSUs, particularly the Navratnas. In the Committee's view only a significant saving in non-Plan expenditure can help the oil sector PSUs in facing the stiff competition from the private sector in future.

(Recommendation No. 3)

2.4 The Committee regret to note that out of 9th Five Year Plan (1997-2002) outlay of Rs. 78401 crore the likely expenditure by the end of fourth year will be about Rs. 47709 crore only. During 1997-98, the actual expenditure was Rs. 10141 crore. During the second year as against the Budget Estimates of Rs. 15389 crore and Revised Estimates of Rs. 12381 crore, the actual expenditure was Rs. 11637 crore only. Similarly, for the year 1999-2000 the Revised Estimates has been kept at 12469 crore a little higher than the Budget Estimates of Rs. 12123 crores. The Budget Estimates for the year 2000-2001 has been kept almost in the same range of Rs. 13461 crore.

The Committee wonder whether with such utilisation trend of Plan funds, the Government would be able to achieve the targets set for the petroleum sector. The Committee are surprised to see the casual approach of the Government even after seeing the results of the mid-term appraisal of the 9th Plan. The Committee emphasise that during the current year and the remaining one year of the 9th Plan the balance amount of about Rs. 30700 crore should be utilised fully. For this purpose, a time bound programme should be prepared to achieve the major objectives set for the 9th Five Year Plan.

(Recommendation No. 4)

2.5 The Ministry has informed the Committee that the main reasons for less utilisation of funds during 1999-2000 are the delay in finalisation of a Joint Venture Partner in Punjab Refinery Project, delay in environmental clearance for MRL expansion project and less expenditure by BPCL. The Committee desire that oil sector PSUs should take a lesson from private sector companies like Reliance which has set up a Mega Refinery in Gujarat during the current plan period. They once again urge the Government to take all desired initiatives either to decide upon the joint venture partners or to proceed independently and in the matter of approval of pending projects so that these are completed in the shortest possible time. This should not be impossible since there is sufficient fund for this purpose allocated for the 9th Plan period. For the projects pending for long for want of environment clearance the Ministry should take up the matter with the Ministry of Environment & Forests directly at the highest level to sort out all problems.

(Recommendation No. 5)

2.6 The Committee note that there is a continuous decrease in Plan outlay of PSUs for Petro-chemicals and Engineering unit related activities. Out of the total allocation of Rs. 4054.37 crore for Petro-chemicals sector only Rs. 1238.85 crore have been spent. During 1997-98 Rs. 414.84 crore, in 1998-99 Rs. 381.06 crore were spent. In the Revised Estimates for 1999-2000 an amount of Rs. 174.59 crore is proposed to be spent against the Budget Estimates of Rs. 223.19 crore. Similarly, for the Engineering unit the Revised Estimates is Rs. 76.55 crore as against the Budget Estimates of Rs. 116.05 crore for 1999-2000. For the current year (2000-2001) this has further been reduced to Rs. 44 crore. The Ministry has explained that the main cause for less expenditure in these sectors relates to persistent recession in the Petro-chemicals market. The Committee find this an unsatisfactory explanation since in this tough period for Petro-chemicals industry, the oil sector PSUs having some role in Petro-chemicals industry can take the lead role. Most of the Petro-chemicals undertakings are sick and are on the verge of collapse due to obsolete technology and poor financial position. In this situation only those oil sector undertakings having better financial strength and control over raw-material can face the competition from private industries in the petro-chemicals sector by using advanced technology in their productions. The Committee urge the Ministry to pay special attention to Petro-chemicals related activities so that the monopoly of private sector may not create more tough situations for PSUs of chemicals sector in future. The Committee feel that by adopting this path they can help the collapsing PSUs of the chemicals sector by providing them more work.

(Recommendation No. 6)

2.7 In the mid-term appraisal of Petroleum and Natural Gas sector for the 9th Plan the stagnant indigenous production of crude oil and decline in accretion of reserves are found to be matters of serious concern. India has about 0.04 per cent of the world's proven reserves of hydrocarbons. The prognosticated geological resources of hydrocarbon in the country are estimated at 21.31 billion tonnes, of which 61 per cent are offshore and 59 per cent on land. Out of this, the geological reserves establishes are, however, only of the order of 5.32 billion tonnes. It is assured that half of the prognosticated resources represents natural gas of which only 12 per cent has till now been established. In such situation the exploration strategy needs changes. The Committee recommend that the Government should pay special attention to identify more blocks by spreading exploration efforts over all the basins, including unexplored/less explored ones having favourable formations. The Committee emphasise the need to concentrate in deep water blocks on priority basis particularly off-Kutch and off-Krishna Godavari basins in view of greater potential in those areas as informed by the Secretary, Petroleum. For this purpose seismic surveys with proven technology of all the basins should be done expeditiously.

(Recommendation No. 7)

2.8 In the 9th Plan Document a thrust was given on acceleration of exploration efforts in deep off-shore areas and also in frontier areas. In India deep water drilling is supposed to give better results. Reportedly we have the capability to go upto 800 metres or so whereas in other parts of the world this capability is upto 3000 to 4000 metres below the sea. In the present range of capability, probability of getting more gas than oil is there. Needless to say that for getting oil reserves either we have to enhance our drilling capability or to offer more blocks in deep sea area to the private parties having deep drilling capability. The Committee desire that first of all the Government should take all initiatives to support and help the Public Sector Undertakings having expertise in exploration process so that they may reach the drilling to the desired level. In view of the huge potential in this field, other financial strong undertakings of oil sector can also be asked to participate so that there is no problem of money. Simultaneously participation of private parties having proven capability should also be ensured by giving them some special incentives. In the Committee's view, only this type of approach can give the desired results.

(Recommendation No. 8)

2.9 The Committee are not satisfied with progress made in regard to harnessing coal-bed Methane. The policy for exploration and exploitation was approved by Government in July, 1997 and after that no significant development has been made in the direction of commercial production of CBM. As per the information received from the Ministry, a total of 9 blocks have been identified in the States of Bihar, West Bengal and Madhya Pradesh and reportedly packages for 7 blocks are ready. In this matter, concerned State Governments are being consulted individually. The Committee desire that the Central Government should expedite the process by calling all the concerned State Governments together to take a decision acceptable to all State Governments regarding payment of royalty and other related matters. Since considerable time has already rolled by, concrete action/results are required. The Ministry should prepare a time frame to start commercial production in consultation with concerned agencies including State Governments and concerted efforts should be made to adhere to the agreed schedules. ONGC should also expedite the R&D activities so that the actual work may start without any more delay.

(Recommendation No. 9)

2.10 In order to meet the growing demand for petroleum products in the country during the 9th Plan 69.2 MMTPA capacity addition was envisaged. At the beginning of the Ninth Plan, the refining capacity was 62.24 MMTPA. Upto February 2000, 42.9 MMTPA capacity had already been added. As per the current outlook the domestic refining capacity is expected to be about 129 MMTPA by the end of 2001-02 as against the projection of 9th Plan of 113.95 MMTPA. This projected refining capacity would be more than sufficient to take care of the total demand of petroleum products of 104.80 million tonnes in the country. In the Committee's view, the growth/addition of refining capacity in future must be seen in the context of increasing dependence on import and low international refining margins. The Committee would therefore like the Government/PSUs to proceed with caution in this area.

(Recommendation No. 10)

2.11 The Committee observe that the indigenous production of crude oil is stagnant and has rather declined during the last several years, but on the contrary the growth rate of demand for petroleum products is rising at a fast pace. This has led to higher volumes of imports. Our import dependence in respect of crude oil to meet the demand for petroleum products has gone up from about 50% in 1992-93 to 60% in the terminal year of Eighth Plan and is supposed to be 70% by the end of 9th Five Year Plan. This import dependence involves a huge amount of foreign exchange and affects the economy directly. The only way to earn foreign exchange in petroleum sector can be through export of surplus petroleum products (*i.e.* refining more than the indigenous demand). The Committee recommend that the Government should pay special attention to maintain the balance of foreign exchange by limiting the imports and increasing the exports. Initiatives should also be taken to modify the Duty structure so that the profit margins of refineries may increase and after refining they may be able to export more products to earn foreign exchange for the country.

(Recommendation No. 11)

2.12 The Committee observe that the infrastructure development require special attention to handle the distribution and marketing of petroleum products in view of the increased refining capacity as also the need to cater to the large demand for petroleum products. The planned capacity additions in port facility, laying of crude oil pipelines, product pipelines and other transportation facilities are in progress. The Committee recommend that the infrastructure development work should be expedited so that product availability in coming years is ensured all over the country. Any delay in setting up these facilities on time may create serious supply problems. Similarly, all steps should be initiated in coordination with the Railways to strengthen Railways related infrastructure with a view to handling the projected distribution of products.

(Recommendation No. 12)

2.13 In the Ninth Plan document a need of increase in strategic tankages for crude oil and petroleum products to avoid disruption of supply in case of war or natural calamities has been felt. The Committee recommend that the Government should take all steps to evolve ways and means to raise funds for this purpose so that work in this regard may be expedited without any further delay.

(Recommendation No. 13)

2.14 The Committee feel that the problem of adulteration in supply of petroleum products has become the most common malpractice these days. Reportedly, from time to time, the Government and concerned PSUs have taken steps to prevent such malpractices. However, new ways have been found by the miscreants for adulteration and similar malpractices. In the Committee's view, this is the major challenge before the oil industry/Government. This affects one and all including poor farmers whose water pumps/ tractors/machines are damaged due to adulterated diesel/oil. Apart from system of outlets being checked, samples collected for clinical tests, State Governments are empowered to take action under their respective food and civil supplies Acts. Admittedly different States have different levels of success in controlling the menace of adulteration. Therefore, there is need for coordinated efforts by State Governments/Central Government and oil sector PSUs with a view to taking stringent steps to overcome the menace of adulteration and other malpractices in the system. The owners of petrol pumps/

LPG agencies should be given exemplary punishments, if found guilty. The Committee also want that the Ministry should undertake some R&D activity to develop a mechanism for direct detection of cases at petrol pumps itself other than the mechanical tests like filter paper test.

(Recommendation No. 14)

2.15 The problem of under-weighment of petroleum products is very common. In this present age of computers the detection of under-weighment and control over measurement/weight should not be a difficult task. The Committee desire that the Government should involve all the oil companies connected with marketing of petroleum products by asking them to undertake R&D activities jointly to develop a method which will make under-weighment difficult. This is the common problem in retail outlets of all oil companies and require joint efforts to develop such a mechanism. Since the State Governments are also involved in controlling such activities, they may also be involved in evolving such a mechanism. The Ministry of Petroleum and Natural Gas should work as a coordinator to get an effective solution to this problem.

(Recommendation No. 15)

2.16 The Committee regret to note that the Government have resorted to hefty increase in kerosene oil and LPG prices. While kerosene oil is poor man's fuel for his daily needs of cooking and lighting, the abnormal increase is bound to hit him very hard. Increase in LPG prices is also unbearable for middle class society. Committee regard the increase uncalled for and recommend its withdrawal immediately. The Committee also express their anguish over the way in which the prices of kerosene and LPG have been revised recently. This was done immediately after the recess period of the Budget Session of the Parliament started. The Government also did not consider it necessary to take the Standing Committee on Petroleum and Chemicals into confidence in this matter, particularly when the Demands for Grants of the Petroleum Ministry were being considered by them. Whatever may be the cause of

revision of prices of these items used by common/poor man, the matter should have been brought first before the Parliament or the Standing Committee. The Committee strongly recommend that no decision should be taken by the Government on such matters of public importance without knowing the views of the Parliament/ Parliamentary Committees.

(Recommendation No. 16)

2.17 The Committee feel that the ongoing reform process in the oil sector is an important factor in Indian economy. The Ministry of Petroleum and Natural Gas is in possession of a number of Reports and suggestions, like Disinvestment Commission Report, Dr. Nitish Sengupta Report, Nirmal Singh Report, Hydrocarbon-Vision 2025, etc. These all relate to matters like restructuring, Disinvestment, private sector participation in various activities of oil industry and other long term policies. In their previous report, the Committee have already recommended that before taking any major decision, the matter should be placed before them for consideration. The Committee reiterate their recommendation.

(Recommendation No. 17)

NEW DELHI;
April 17, 2000
Chaitra 28, 1922 *(Saka)*

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

APPENDIX I

MINUTES
STANDING COMMITTEE ON PETROLEUM & CHEMICALS
1999-2000

Ninth sitting 31.3.2000

The Committee sat from 1500 hrs. to 1730 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Padam Sen Choudhary
3. Shri Dilip Kumar Mansukhlal Gandhi
4. Smt. Sheela Gautam
5. Shri Pawan Singh Ghatowar
6. Shri Shriprakash Jaiswal
7. Shri Punnulal Mohale
8. Shri B.K. Handique
9. Shri Ashok Pradhan
10. Shri Mohan Rawale
11. Shri Arjun Sethi
12. Shri Shyama Charan Shukla
13. Shrimati Kanti Singh
14. Shri Prabhunath Singh
15. Shri Sankersinh Vaghela
16. Shri B. Venkateshwarlu
17. Shri Rajesh Verma
18. Dr. Girija Vyas

Rajya Sabha

19. Smt. Basanti Sarma
20. Shri Ram Nath Kovind
21. Shri Dipankar Mukherjee
22. Prof. Ram Gopal Yadav

SECRETRIAT

1. Dr. A.K. Pandey	*Additional Secretary*
2. Shri John Joseph	*Joint Secretary*
3. Shri Brahm Dutt	*Deputy Secretary*
4. Shri J.N. Oberoi	*Under Secretary*

Representatives of Ministry of Petroleum & Natural Gas

1. Dr. S. Narayan	Secretary
2. Shri Naresh Narad	Addl. Secretary
3. Shri Ravi Saxena	JS & FA
4. Shri Shivraj Singh	JS (Refinery)
5. Shri J.M. Mauskar	JS (Exploration)
6. Shri C.L. Bashal	Joint Secretary (C&A)
7. Shri V.K. Choubey	Controller of Accounts

Representatives of Public Sector Undertakings & Other Organisations

1. Shri B.C. Bora CMD, Oil & Natural Gas Corporation (ONGC)
2. Shri M.A. Pathan, CMD, Indian Oil Corporation Limited (IOC)
3. Shri B.B. Sharma, CMD, Oil India Limited (OIL)
4. Shri U. Sundararajan, CMD, Bharat Petroleum Corporation Limited (BPCL)
5. Shri H.L. Zutshi, CMD, Hindustan Petroleum Corporation Limited (HPCL)

6. Shri C.R. Prasad, CMD, Gas Authority of India Limited (GAIL)
7. Shri S.N. Mathur, Chairman, IBP Company Limited (IBP)
8. Shri R.K. Dutta, Chairman, Numaligarh Refinery Limited (NRL)
9. Shri K.L. Kumar, Chairman, Cochin Refineries Limited (CRL)
10. Shri B.K. Gogoi, Chairman, Bongaigaon Refinery & Petrochemicals Ltd. (BRPL).
11. Shri V. Ramachandran GM (Fin), Lubrizol India Limited (LIL)
12. Shri M.S. Ramachandran, ED, Oil Coordination Committee (OCC)
13. Dr. Avinash Chandra, Director General, Directorate General of Hydrocarbons (DGH)
14. Smt. Vandana Singhal, Secretary, Oil India Development Board (OIDB)
15. Shir K. Satyanarayan, CMD, Engineers India Limited (EIL)
16. Shri S. Rammohan, CMD, Madras Refineries Limited (MRL)

The Committee took oral evidence of the representatives of the Ministry of Petroleum and Natural Gas in connection with examination of Demands for Grants for 2000-2001.

2. During the course of evidence, the main issues which came up for discussion included less utilisation of planned funds, declining trend in production of crude oil, success achieved under New Exploration Licencing Policy (NELP) announced in 1997, liberalisation and disinvestment in PSUs under the administrative control of the Ministry, emergence of MNCs in Petroleum field and the capacity of indigenous industry to face their challenge, Administered Price Mechanism, marketing and distribution of oil products and malpractices adopted by the dealers such as adulteration under weightage, pollution, restructuring in Oil Sector.

3. A verbatim record of the proceedings has been kept.

The meeting then adjourned.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS
1999-2000

Tenth Sitting 11.4.2000

The Committee sat from 1130 hrs. to 1230 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ananda Mohan Biswas
4. Shri Ajay Singh Chautala
5. Dr. (Smt.) C. Suguna Kumari
6. Shri Padam Sen Choudhary
7. Smt. Sheela Gautam
8. Shri Pawan Singh Ghatowar
9. Shri Shriprakash Jaiswal
10. Smt. Nivedita Mane
11. Shri B.K. Handique
12. Shri Ashok Pradhan
13. Shri Mohan Rawale
14. Shri Prabhunath Singh
15. Shri D.C. Srikantappa
16. Shri Tarlochan Singh Tur
17. Shri Shankersinh Vaghela
18. Shri B. Venkateshwarlu

19. Shri Rajesh Verma
20. Dr. Girija Vyas

Rajya Sabha

21. Shri Ahmed Patel
22. Smt. Basanti Sarma
23. Shri Anil Kumar
24. Shri P. Soundarajan
25. Shri Gaya Singh
26. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri Brahm Dutt	*Deputy Secretary*
2. Shri J.N. Oberoi	*Under Secretary*

2. The Committee considered, approved and adopted the following Draft Reports with some verbal changes:—

(i) 4th Report on 'Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 2000-2001'.

(ii) ** ** ** ** **

(iii) ** ** ** ** **

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

4. The Committee also authorised the Chairman to finalise the Reports after factual verification by the concerned Ministries/ Departments and present the same to the Parliament in the Current Session.

The Committee then adjourned.

**Not related to this Report.