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STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1998-99)

TWELFTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (1998-99)

383

FOURTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

July, 1998/Asadha, 1920 (Saka)

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Presented to Lok Sabha on 10.7.98
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CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1998-99)

Dr. Balram Jakhar — *Chairman*

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Lok Sabha

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30. Smt. Kailasho Devi

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32. Shri Radhakishan Malaviya
33. Shri Surendra Kumar Singh
34. Shri Anantha Sethi
35. Prof. Naunihal Singh
36. Smt. Malti Sharma
37. Shri Ram Nath Kovind
38. Shri Dipankar Mukherjee
39. Dr. Y. Lakshmi Prasad
40. Shri Ram Gopal Yadav
41. Shri Anil Kumar
42. Shri Mukesh R. Patel
43. Shri Dara Singh Chauhan
44. Shri Joyanta Roy
45. Shri Parag Chaliha

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2. Shri Brahm Dutt — *Under Secretary*
3. Smt. Abha Singh Yaduvanshi — *Asstt. Director*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1998-99) 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 and Natural Gas for the year 1998-99.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Petroleum and Natural Gas for the year 1998-99 which were laid on the Table of the House on 9th June, 1998.

3. The Committee took evidence of the representatives of the Ministry of Petroleum and Natural Gas at their sitting held on 22nd June, 1998.

4. The Committee considered and adopted the Report at their sitting held on 2nd July, 1998.

5. The Committee wish to express their thanks to the Officers of the Ministry of Petroleum and 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 1998-99 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;
July 7, 1998
Asadha 16, 1920 *(Saka)*

DR. BALRAM JAKHAR,
Chairman,
Standing Committee on
Petroleum & Chemicals.

REPORT

A. Introductory

The Ministry of Petroleum & Natural Gas is entrusted with the responsibility of exploration and production of oil and natural gas, their refining, distribution and marketing import and export 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 under the Ministry as indicated below:—

Public Sector Undertakings

1. 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.

2. The estimated Annual Plan outlay of the above PSUs for the year 1998-99 has been placed at Rs. 15,390 crore. However, there is no budgetary support from the Government as all PSUs carry out their plan and programmes with funds from internal generation of funds, loans, debentures, etc.

B. Analysis of Demands for Grants 1998-99 of the Ministry of Petroleum & Natural Gas

3. The Demands for Grants of the Ministry of Petroleum & Natural Gas was laid on the Table of Lok Sabha on 9th June, 1998. As per Demand No. 67 of the Ministry the total demand for the financial year 1998-99 has been placed at Rs. 5.44 crore and the whole amount is under Revenue Section. The Item-wise Revenue/Capital expenditure

for the year 1996-97 (Actuals), Budget Estimates and Revised Estimates for 1997-98 and Budget Estimates for 1998-99 are given below:—

(Rs. in crores)

	Items of Expenditure	(Actuals) 1996-97	(BE) 1997-98	(RE) 1997-98	(BE) 1998-99
	REVENUE				
	Grant for implementation of VRS	0.00	0.00	0.50	0.00
	Payment of Oil Companies in settlement of their claims under APM	0.00	0.00	12984.00	0.00
3451	Secretariat Economic Services				
	'Secretariat Salaries	2.12	2.24	3.10	3.47
	Wages	0.00	0.00	0.00	0.05
	Overtime Allowance	0.10	0.10	0.10	0.12
	Domestic Travel	0.06	0.10	0.10	0.08
	Foreign Travel	0.05	0.16	0.15	0.14
	Office Expenses	1.12	1.13	1.37	1.45
	Professional Services	0.02	0.02	0.04	0.02
	Publication	0.02	0.05	0.05	0.02
	Other Admn. Expenses	0.07	0.07	0.10	0.10
4802	CAPITAL				
	Investment in PSUs	74.40	0.00	0.00	0.00
6802	Loans	100.00	0.00	0.00	0.00
	Total	177.96	3.86	12989.49	5.44

(Head-wise Demands made during the last 3 years are dealt with in subsequent paragraphs).

Major Head 3451

(i) Secretariat Economic Services

4. The entire provision of Rs. 5.44 crore under the Demands of the Ministry for the current year *viz.* 1998-99 is under this 'Head'. This provision is for salary of the Ministry officials and various other expenses like travelling/office expenses, professional services,

publications etc. The actual expenditure under this 'Head' during 1996-97 was Rs. 3.55 crore and budget and revised estimates for the year 1997-98 were Rs. 3.86 crore and Rs. 4.99 crore respectively. The main increase is under salary which rose from Rs. 2.12 crore in 1996-97 to Rs. 3.47 crore in 1998-99, according to the Ministry, has been mainly on account of acceptance and implementation of the recommendations of the Vth Central Pay Commission.

5. The Committee note that the Ministry of Petroleum & Natural Gas is a PSU based Ministry. They also find that PSUs directly get loans from various financial institutions/foreign sources and as such their financial needs are not reflected in the Government Budget/ Demands and also because they partly finance their projects from their internal resources as well. The Demands of the Ministry for the year 1998-99 are placed at Rs. 5.44 crore which is mainly for salaries of the Ministry's officials and other expenses like wages, overtime allowances, domestic travel, foreign travel expenses and other administrative expenses etc. of the Ministry. The increase in expenditure under the 'Head' over the previous years is mainly due to the implementation of the Fifth Pay Commission recommendations. Since the demands for the Ministry are very low, the Committee approve of the same. However, a few 'Major Heads' of 1996-97 and 1997-98 and some other related issues are discussed in the Chapters to follow.

(Recommendation Sl. No. 1)

Major Head 2802

(ii) Oil Bonds (Payment to oil companies in settlement of their claims under APM)

6. An amount of Rs. 12,984 crores has been shown as payment to oil companies in the settlement of their claims under Administrative Pricing in the revised budget for 1997-98. In this connection the Ministry informed that it was decided that part of the liabilities of the Oil Coordination Committee to the Oil Companies under the Administered pricing Mechanism would be cleared by the Government by making payment to the oil companies. The oil companies were required simultaneously to invest the money so received from the Government in special Government Bonds. These transactions were effected in the accounts of the Central Government. There was no cash outgo from

the Government account. The company-wise allocation of bonds for Rs. 12984.00 crores was as follows:

(Rs. in crores)

Indian Oil Corporation Ltd.	6478.00
Oil & Natural Gas Corporation Ltd.	3122.00
MRPL	1242.00
Hindustan Petroleum Corporation Ltd.	994.00
Bharat Petroleum Corporation Ltd.	760.00
Madras Refineries Ltd.	164.00
Oil India Ltd.	224.00
Total	12984.00

7. During the course of examination the Committee wanted to know the system of maintaining Oil Pool Accounts and enquired as to how deficit increased over Rs. 10,000 crores, the Ministry in their written note stated:

> "The Pricing Mechanism for petroleum products is operated through the oil pool account mechanism being maintained by the Oil Coordination Committee. The Pool Accounts are maintained to provide uniform and stable prices for controlled products viz. MS, HSD, SKO (PDS), LPG (Domestic) and ATF within the country. In the pool mechanism there are inflows by way of surcharges/price increases and outflows towards reimbursement of costs to the Oil Companies not recovered through prices. The difference between inflows and outflows represent the surplus/deficit position of the pool account. The Pool Accounts are meant to be self-balancing over a period of time."

8. The position of the oil companies outstanding from the Oil Pool Account is given below:

As on	Cumulative outstanding claims of the oil companies (Rs./crores)
31.03.96	5,701
31.03.97	15,976
30.06.97	18,271
02.03.98 (Provisional based on cash settlement excluding accruals)	12,984

9. Explaining it further, Secretary Petroleum informed the Committee during evidence:

> "This oil pool deficit accumulated from 1995-96 until about 1997. After this, the system of special bonds was introduced. The deficit was frozen. In other words, the deficit was not to increase thereafter."

10. In reply to a question as to what extent the delay in payment to PSUs affected their project execution, the witness stated:

> "To that, the answer is 'No'. What really happens is in case oil pool account owes money to the oil industry, they do increase their borrowing. Today the debt equity ratio of most of the oil companies is reasonably low at 0.5:1 and sometimes less than that. As a result, all these project funding do not suffer, but interest cost goes up. After the special bonds have been issued, an interest of 10.5 per cent has been allowed. If we can maintain the present position, that problem should not recur."

11. However, in a written note the Ministry stated that the delay in the settlement of the claims of the oil companies and the consequent

huge outstanding from the Oil Pool Account had the following adverse effects:

(a) Imports of crude oil & petroleum products was likely to be affected.

(b) Adverse effect on project implementation programmes.

(c) Adverse effect on debt equity ratio.

(d) Fall in credit rating.

12. On being asked whether PSUs could get cash money out of the given bonds, Secretary, Petroleum informed the Committee:

"Yes. There is also a provision that they can pledge these bonds for getting money from the banks. But even today, the debt equity ratio of most of the oil companies, except two or three, is 0.5:1. This is very reasonable by any standard. They have got some cushion for borrowing. But, of course, the more they borrow, the more is the financing cost. That is the problem and naturally they have to live with it."

13. The witness further informed that probably, this was one time exercise and efforts would be made not to have oil pool deficit in future. Besides, prices should be managed in such a manner that in gradual way they would liquidate these oil bonds over next four to five years.

14. Explaining the steps taken for not accumulating oil pool deficit, he stated:

"Fortunately, from last September-October, we are in a period where the international prices are soft. Even today, the prices are soft. While nobody can predict with any certainty as to how the prices will behave internationally, the expectation is that the prices may not harden immediately."

15. The Committee further pointed out that under the provisions of OIDB Act, 1974, an amount of Rs. 28,900 crore had been collected till March, 1997 and out of which only Rs. 902 crore had been given to OIDB. Asked about the steps taken to amend the OIDB Act

(as recommended by the Committee earlier) for getting more funds for the Petroleum Sector, the Secretary, Petroleum stated:

> "There was an advice from this Committee that this matter need to be looked into by the Government as to the approach towards the OIDB Fund and as to the approach towards the cess. We have now prepared a Cabinet note in line with that. We have circulated that note. As of date, the final decision will be taken after that note finally goes to the Cabinet."

16. When further asked about impact of huge funds, had it been given entirely for Petroleum sector, the witness stated:

> "Theoretically, if that money comes, we can liquidate the oil bonds overnight. Oil bonds are supposed to be liquidated in a gradual manner. When I say that we could have liquidated oil bonds, I will correct myself in the sense that essentially when this Act was made, it was meant for development of the oil industry and not really for liquidating a revenue deficit as such. But the fact remains that if more money had come, the more of developmental activities could have been taken up under the aegis of the OIDB."

17. The Committee regret to note that the Government allowed to accumulate the oil pool deficit, thereby delaying the payment of huge amount (over Rs. 12000 crores) to oil sector PSUs. Admittedly, delay in payment to PSUs adversely affected their project implementation programmes. It was only last year that the Government took one time measure to issue bonds, which can be discounted by PSUs. The Government has assured the Committee that now onwards deficit would not be allowed to occur. The Committee recommend that the new concept of 'zero deficit' should be ensured through enhanced efficiency of the Oil sector and not by increasing the prices of petroleum products every now and then.

(Recommendation Sl. No. 2)

18. The Committee are astonished to find that even though international prices of crude oil are falling since last year, Government has proposed a steep hike in prices of petrol in the country through this year's budget. The Committee would like the Government to pass on the benefits of low crude oil prices to the consumers. They, accordingly, would await necessary clarification from the Ministry in this regard.

(Recommendation Sl. No. 3)

19. As recommended by the Committee in their earlier Reports, they once again reiterate that the Ministry should take conclusive action with a view to getting all funds collected under OIDB Act for the development of the Petroleum sector. The Committee would also await Government reply to their specific recommendations made in their 3rd Report (12th Lok Sabha) within 3 months of presentation of this Report in Parliament.

(Recommendation Sl. No. 4)

(iii) Dismantling of Administrative Pricing Mechanism

20. The Government decided in September, 1997 in principle to dismantle Administrative Pricing Mechanism in phases by 2002. The process has begun with effect from 1.4.1998. The cost plus formula for indigenous crude oil producers has been withdrawn, however, as a temporary measure a minimum floor price has been fixed. The system of retention pricing for all the refineries has been abolished. However, Refinery gate prices of the controlled products such as MS, HSD, SKO, LPG & ATF are being fixed on principles of 'Adjusted Import Parity' price for the existing refineries. The consumer prices of MS, HSD, SKO (Public Distribution System), LPG for domestic system and ATF continues to be administered and consumer price of one of the 5 products namely HSD is being fixed on principles of Import Parity Pricing upto ex-storage point level. The prices of other petroleum products like LNG, FO, LSHS, Paraffin etc. have been decontrolled w.e.f. 1.4.1998 and the oil companies have been allowed to fix their prices based on market consideration. The cost plus formula for shipping of crude oil has been withdrawn. Imports and exports of all petroleum products except crude (Slop Crude and Crude Condensate), NGL, ATF, MS, HDS will be decanalised during the transition period. The customs duty of crude oil has been reduced from 27% to 22% w.e.f. 2.6.98.

21. During the course of evidence the Committee enquired about the impact of dismantling of administered pricing mechanism on consumers. The Secretary Petroleum apprised the Committee:

> "There are only five products, motor spirit, HSD, aviation turbine fuel, kerosene for public distribution and LPG for domestic use which continue to be controlled products. The oil industry in April, after the process started, reduced the prices of naptha

and this led to some benefit to the consumer. This process is expected to improve the global competitiveness of the oil companies and is also expected to benefit the consumers because of competition and this is expected to give the consumers a competitive price and high quality."

22. He further added:

"In April, a few product prices like Naphtha, Fuel oil, bitumen and LSHS were brought down. According to our rough estimate, the benefit to the consumers, exclusive of taxes and duties in a whole year on the basis of these prices, is about Rs. 600 crore.

Secondly, the HSD has an import parity price. Since November, we have been able to reduce the price thrice because prices are low. If we take the long-term scenario of four years or something like that into account, the idea is that we gradually bring down the duty. This year, we have not brought down the duty too much because the international prices are low. So, the expectation is that by synchronizing with the tariff structure, the consumers are not likely to pay very much higher prices. That is the expectation that once we de-regulate it, once we do away the cost-plus principle, the competition that will some should also ensure better quality and a competitive price to the consumers.

As regards availability of products to consumers, that responsibility continues. The dismantling of Administered Pricing Mechanism in no way envisages that there will be supply problems and to ensure that supply even in the far-flung areas are not affected, two things are proposed to be done. Number one, even after this is dismantled, there will be some subsidy in the Central Budget for making up the losses or making up the losses the company may suffer because of the supplies to far-flung areas. Number two, we are formulating a regulatory body, the essential purpose of which would be to ensure that the consumer interests in terms of quality and steady supplies are ensured. We have drafted something and we have circulated it among the State Governments and others. Some comments have been received and we hope, in the course of next few months, we will be able to evolve a regulatory mechanism through a wide level of consultations with State Govts. and other bodies."

23. In the context of present continuing subsidy on Kerosene and LPG the Secretary elaborated further:

> "Even after it is dismantled 33% of the price of kerosene would continue to be subsidized and that would be taken in the Central Budget. The parallel marketing of kerosene is one thing but our commitment for supply of kerosene to public distribution continues. As a matter of fact, in 1998-99, the allocation to different States for distribution to the public distribution system is nearly 9 per cent higher than what was given in 1997-98. In addition, there are five states where *per capita* allocation was low. There we have given much higher allocation. So this allocative system will continue. But even after that, after it is dismantled, since a subsidy of 33% will continue for kerosene and 15% will continue for LPG, there would be some price concession in respect of these two products."

On being enquired about two aspects of the policy relating to dismantling of administered pricing of the Petroleum products *viz.* commercial viability especially the free market competitive prices and the State Policy, the Secretary of the Ministry explained:

> "The regulatory body is not going to fix the prices. Prices will be market determined."

24. Another matter closely connected with the oil pool deficit and having far reaching consequences in the oil sector is dismantling of Administrative Pricing Mechanism (APM) under which during the next 4-5 years the prices of petroleum products will be solely determined by the market forces and not by the Govt. The Committee would like the Govt. to ensure that oil sector PSUs start planning right now to work in the conditions where they would be having fierce competition with multinational companies. For this purpose re-structuring and re-orientation plans of the existing organisational structure and resources should be carefully planned and put to use.

(Recommendation Sl. No. 5)

25. The Committee have been informed by the Secretary, Petroleum that after completion of APM, Dismantling in 2002, a subsidy of 33% of kerosene and 15% of LPG sales would be provided through Budget and not through oil pool accounts. The Committee

would like to be assured specifically that this proposal has the approval of the Cabinet so as to ensure that common people (for whom kerosene/LPG subsidy is provided) are not left in the lurch overnight. The Committee would await necessary clarifications in this regard.

(Recommendation Sl. No. 6)

Major Head 6802

(iv) Numaligarh Refinery Limited

26. Numaligarh Refinery Limited was incorporated as a Public Sector Enterprise on the 22.4.1993. The Govt. of India approved the refinery project in July, 1992 with a capacity of 3 MMTPA at an estimated cost of Rs. 1830 crores. The project has been promoted by BPCL, IBP and Govt. of Assam, with equity participations of 32%, 19% and 10% respectively. The balance equity of 39% would be raised from public. The cost of the project is being revised to Rs. 2489 crores (December '97 prices) with a debt equity ratio of 2:1 and scheduled completion date of December, 1998.

27. In regard to the progress of implementation of Numaligarh Refinery, the Ministry in their written reply stated that the overall physical progress of the refinery project as on 15.5.98 works out to 87.8% *vis-a-vis* scheduled progress of 93%. Remedial actions have been taken to make up the present marginal shortfall of actual progress *vis-a-vis* scheduled progress. The tempo of the project has picked up considerably and at this rate of progress, the project is expected to be commissioned in time (April 1999). Financial commitment made so far is around Rs. 1995 crores.

28. When asked further whether the Govt. had approved the revised cost at Rs. 2722 crores, the Ministry stated in a written reply that the revised cost of refinery project was estimated at Rs. 2489 crores (Dec. '97 prices). In addition to refinery project, NRL was also implementing a Marketing Terminal (NRMT) at an estimated cost of Rs. 235 crores (Dec' 97 prices). This project was also expected to be commissioned in April, 1999. The revised cost estimate was under consideration for approval of the Govt.

29. It was stated that against the plan provision for the period 1992-93 to 1998-99 the OIDB has budgeted an amount of

Rs. 1434 crores to NRL, out of which Rs. 1239 crores have been released till mid June, 1998. The Ministry is reported to have assured that the balance amount of Rs. 95 crores would be released by OIDB during the current financial year.

30. During 1996-97, OIDB released only Rs. 277 crores and in order to ensure that the implementation of the project is not affected, the shortfall was met through budget allocation of Rs. 100 crores by the Govt. as loans to NRL. On being enquired about the reasons for not giving any budgetary assistance to NRL after 1996-97, the Ministry stated in a note that the plan allocation of funds from OIDB to NRL during the period 1996-97, 1998-99 *vis-a-vis* the actual amount released so far (15.6.98) was as follows:

(Rs. in crores)

	1996-97	1997-98	1998-99
Plan Allocation	377.00	436.00	373.00
Amount Released	277.00	436.00	278.00

31. During the evidence the Committee appreciated that NRL project, which was being implemented in a remote area with difficult conditions, was progressing well. Explaining the latest position of the NRL Project, Secretary Petroleum stated:

> "As far as Numaligarh refinery is concerned, unlike any other refinery, that has been set up so far, OIDB has extended a lot of financial help. Secondly, in the last two or three months, we have decided to give guarantee for their loans. So far, there is a slippage of about five per cent, but in that difficult area it is something which is not to be alarmed about and it is something where they are trying to do their level best."

32. The Committee further enquired about the funds position of NRL, the Ministry furnished the item-wise details as under:

(Position as on 15.6.1998)

(Rs. in crores)

		As per financing Plan	Received till date	Balance
1.	Equity			
	Promoters			
	BPCL	290	164	126
	IBP	173	80	93
	Govt. of Assam	91	68	23
	Public	354	—	354
	Total Equity	908	312	596
2.	Debt			
	Debenture	354	—	354
	OIDB/Govt.	1434	1339	95
	Others (HUDCO)	28	40	(12)
	Total Debt	1816	1379	437
3.	Total Fund	2724	1691	1033

33. The Committee are glad to note that Numaligarh Refinery Project with a capacity of 3 MMTPA being set up in Assam is progressing well. They find that upto mid-June 1998 the project has physically progressed upto a level of 87.8% *vis-a-vis* scheduled progress of 93%, which seems to be reasonable one particularly when the project is being set up in a remote area with difficult working conditions. They hope that the project would be commissioned in

time (April 1999). However, the Committee find that the NRL has yet to mop up funds to the tune of over Rs. 1000 crores. Out of this about Rs. 240 crores is assured from the promoters *viz.* BPCL, IBP and Assam Govt. as also Rs. 95 crores from OIDB. An amount of Rs. 354 crore has been planned each for public issue and issue of debentures. In Committee's view with the given market conditions, this may be an uphill task. Accordingly, the Committee recommend that Govt. should continue their support in getting the requisite funds for NRL, if the money cannot be arranged from the market, as planned.

(Recommendation Sl. No. 7)

C. Marketing of Petroleum Products

(i) Supply of LPG in Rural Areas

34. New LPG connections are released in a phased manner throughout the country depending upon the LPG availability from indigenous sources and the imports. Release of new LPG connections is not made on State-wise basis. The oil companies, depending upon the waiting list, stock available with the distributors and their viability, release connections to the distributors.

35. In a written reply the Ministry stated that number of persons in the LPG waiting list of PSU oil companies in the country as on 1.4.98 was about 128 lakhs. The LPG Customer population of PSU Oil Companies in the country as on 1.4.98 was about 337 lakhs. The Government had approved release of 40 lakh new LPG connections during 1997-98. Against this target the Oil Industry released 41.4 lakh connections during 1997-98.

36. The Ministry also informed the Committee that keeping in view of the huge waiting list for LPG connections and continuous increase in demand for fresh LPG connections, it was assessed that there would be high demand for enrolment of the order of 200 lakh new customers by PSU oil companies between 1997-98 to 2001-02. Considering the demand potential, the oil industry has planned to enrol 200 lakh LPG customers including 50 lakh new customers in the rural sector during the IX plan period. In order to saturate the potential demand in the country, it was planned to enrol additional new LPG customers in the future years by augmenting LPG availability in the country.

37. Asked about the tentative period by which entire waiting list would be covered, the Ministry stated that the entire LPG waiting list in the country would be cleared by the year 2001 and thereafter new LPG connections would be released throughout the country on demand.

38. During the evidence the Committee pointed out that due to increase in population and deforestation, the people in rural areas were not finding their traditional source of fuels. It was also pointed out that LPG a convenient cooking medium had hitherto been restricted to the cities. Asked about the reasons for it and steps taken to take LPG supply to the villages, a representative of the Ministry stated:—

> "Till last Marketing plan, 1994-96, we were planning the supply of domestic LPG only in the urban areas and the decision was that in all towns where there is a population of 20,000 the LPG would be supplied. Then we thought that it should also be supplied to the rural areas because of restrictions put on cutting of trees and policy about forest areas and non-availability of traditional fuels like cowdung etc. There is a demand in the rural areas also. The last marketing plan was prepared for 1996—98 oriented to rural marketing of LPG."

39. On being pointed further that people had to carry cylinder for 15-20 kms. themselves, the witness replied:

> "Much of LPG is not available in the country. But now we are putting the emphasis to the rural areas. In the latest LPG Marketing Plan, out of 1700 LPG distributors, 401 are for the rural areas and 1280 for urban/rural areas."

He elaborated further:

> "Now we have taken a decision that LPG distributorship would be put in all towns of 5,000 and above with all villages covered in 15 km. radius. Similarly, a village having a population of 10,000 will form the nucleus of LPG distribution area."

40. The Secretary, Petroleum also added:

> "It is an undisputed fact that LPG enrolment has really started from the urban areas and has very slowly moved towards the rural areas."

41. In reply to a question, the Ministry had informed that LPG was available on demand in all hilly areas. On being pointed by the Committee that on the same analogy, this facility should be extended to tribal areas of Orissa, Andhra Pradesh and Maharashtra, where people were living in forests, the Secretary replied:

> "The only submission that I would make is that there have been requests that some areas, not merely Assam but the entire North-East, which have got an ecological problem, should get preference. There have been requests that you talk about forests in hilly areas, you also talk about forests in plain areas also. I think, we will have to look into it. We are not denying the merit or the rationale of the requests but we have to take into account our capability before we give a full commitment for this type of a thing."

42. When asked about the need for deserts of Rajasthan, the witness stated:—

> "......The questions that have been raised as to why can the preference not be given to areas where desertification is increasing as in Rajasthan or for that matter where trees are being cut. We can have a look at it."

43. The Committee further pointed out that on the one hand a lot of gas was being flared up in Assam, on the other people were not getting LPG connections even after years of waiting. The Secretary, Petroleum stated:—

> "We will have to look at what is going to Assam but flaring is less. People are saying that the LPG produced there must be used there itself. I would say that they are quite justified in saying that. Their argument is that if the LPG is passing by the side of their house, why can he not take the LPG."

44. The Committee further pointed out that LPG had been opened up under parallel marketing to private parties. These marketeers were indulging and commiting irregularities like issuing misleading advertisements, taking money without giving connections etc. Asked

about the monitoring system at the Government level to safeguards the interests of common people, the Secretary, Petroleum stated:—

> "Today we have introduced a credit rating system. Nobody should be allowed to import unless he has got a credit rating system. But if the original plan was supplementing the Government supply by supplies from the private sources and if the same total control was to be exercised by the Government over the private supplies, nothing would have moved. So, to that extent we can only have a few broad checks about parties. If a private party is selling toothpaste, we cannot go into every sale or how much deposit he takes. That is why, what we have done is that a credit rating system has now been introduced. There is no doubt that there have been cases in the past where consumers consider themselves to have been cheated. Those cases have been taken up. We are also sending our vigilance people to have a check. But, I think, we will have to accept that when there is a supplementation of the Government effort by the private effort, the extent of responsibility that the Government has got for the entire Government sector distribution system cannot be extended *mutatis mutandis* to the private sector and we can only have certain broad checks. In certain cases, investigations are going on; court cases are going on; and we are also sending our vigilance people for that purpose."

45. The Committee's examination has revealed that in the matter of supply of LPG, the rural population have been grossly discriminated so far. The increased population, dwindling resources of traditional cowdung and firewood has added to their miseries. The Secretary, Petroleum was candid in his admission before the Committee that LPG enrolment really moved slowly from urban to rural areas. The Committee are astonished to find that for the first time, the Government through the marketing plan (1996-98) of oil sector PSUs has thought of rural areas where out 1700 LPG outlets, they propose to set up about 400 outlets in rural areas . Similarly for the IXth Plan, they have proposed to enrol and release 50 lakhs connections in rural areas out of the total 2 crore proposed new enrolments. Considering the very fact that rural areas were totally neglected hitherto before, in Committee's view about 25% allocation is too less. For providing justice and equity, the Committee strongly recommend that now onwards atleast 50% of the new connections

should be earmarked to rural areas. Needless to point out that necessary modifications would be carried out in marketing plan.

(Recommendation Sl. No. 8)

46. It came out during evidence that due to ecological reasons, LPG is available on demand in hilly areas. However, the Government is not extending this benefit to other areas of akin conditions like Rajasthan, tribal areas of Orissa, Andhra Pradesh, Maharashtra etc. As agreed to by the Secretary, Petroleum, the Committee desire that this matter should be examined urgently so that benefits of convenient cooking medium reaches to the most needy people. The Committee would like to be apprised of the concrete action taken by the Government/oil sector in this regard.

(Recommendation Sl. No. 9)

47. The Committee are anguished over the fact that while lot of gas is being flared up in North Eastern areas, people are waiting for LPG connections for long. The Committee urge upon the Government to ensure that the flaring is brought to the minimum (technical) and efforts should be made to optimise the resources so that national resources do not go waste.

(Recommendation Sl. No. 10)

48. Admittedly the rural population is being fleeced by private parallel marketeers. The lack of LPG outlets of oil sector/PSUs in these areas has made it more easy. The least the Committee expect from the Government is to issue advertisements in local dailies cautioning the poor people about it. The Government should also take strict action against the parties found practising malpractices.

(Recommendation Sl. No. 11)

(ii) Adulteration in Petroleum Products

49. Adulteration of Petroleum Products particularly mixing of Kerosene in diesel/petrol is one of the commonly fraudulent practices known in the Petroleum Sector.

50. During evidence the Committee pointed out that of the total subsidy on Kerosene only 10 to 20% could reach through PDS to the genuine consumers while the rest goes either in black market or in

adulteration *i.e.* mixed with diesel/petrol, the Secretary stated :—

"The actual retailed distribution system is to be looked after by the state Governments and the efficacy of the machinery of the State Government differs from State to State. There is absolutely no doubt that a portion of the kerosene, that is for other purposes. But the extent of the diversion will vary from State to State."

51. The witness admitted that in a market economy, when two products which could be substituted for each other having large price differential, this possibility would remain.

52. In reply to a further query a representative of the Ministry added:—

"There is definitely a diversion of kerosene which is issued for public distribution system for black marketing of kerosene as well as for adulteration of diesel. We have got a study conducted earlier by NCAER and later, four years ago, by Tata Consultating Services who established that the extent of diversion in different States ranges from 15 to 30 percent. We want that the maximum kerosene which is issued by the Government, should reach the consumers. The retailed distribution of all these essential commodities is the responsibility of the State Governments. So, the oil companies appoint these whole sellers who are later on licenced by the State Governments take the product from our depot and take them to the district and distribute to the retailers, etc., according to their arrangement of the State Government."

53. When asked about specific steps taken by the Govt. and other related agencies to stop the adulteration in petroleum products particularly mixing of kerosene with diesel, the Ministry in a written reply spelt out the following steps :—

"*(i) Furfural Doping of Kerosene*

Doping of Kerosene with furfural is being done at the depots/ terminals before supplying to the dealers. The principle is to dope Kerosene with furfural to 20 ppm level. When this doped Kerosene is used for adulteration of MS/HSD, the formation of a pink colour in MS/HSD with aniline and glacial acetic acid mixture (1:9 ratio) is an indication of Petrol/Diesel with Kerosene.

At present, furfural doping is being done at 43 locations all over the country.

(ii) Mobile Laboratories

With a view to facilitate on the spot test and quicken the pace of action taken, oil companies have introduced mobile laboratories which are conducting surprise inspections at retail outlets. As per the latest industry guidelines, a total number of 23 mobile laboratories are under the control of State Level Coordinators.

(iii) Density Check

MS & HSD Control Order 1990 envisages density test as the basis for checking quality of product both by the dealers at the time of its receipt and the inspecting personnel at the time of inspection of retail outlets to detect adulteration of MS/HSD.

(iv) Regular Surprise Inspections

The Marketing Discipline Guidelines have been evolved by the oil companies with concurrence of the Ministry. Thereunder regular/surprise inspections of retail outlets are being carried out by oil companies personnel as well as joint industry teams. Inspection schedule as per marketing Discipline Guidelines is as follows :

By Sales Officer	Once in 3 months
By Officers Gr. C & Above	Once in 12 months
By Joint Industry Teams	20% of ROs in each District once a year

In addition, 10% of the retail outlets will be covered once a year under random inspections by officers of 'C' Grade and above.

(v) The Marketing Discipline Guidelines have been revised effective May 1998 and made more stringent. Provision of monetary fine and suspension/termination of the dealership have been incorporated in the revised MDG to prevent adulteration and other mal-practices/irregularities at the retail outlets.

(vi) Further, in order to prevent diversion of Kerosene meant for distribution under PDS for adulteration at retail outlets by ensuring the product reaches to the targeted people, MOP&NG has taken the following steps:

Directed the oil companies to ensure upliftment by their wholesalers as under:

60% by 10th of the month

25% during the next week, and balance 15% during the following week.

Advised State Governments to implement the scheme of delivered supply of kerosene.

(vii) The State Govt. authorities are also empowered under the MS/MSD Control Order, 1990 to conduct inspections at retail outlets and taken appropriate action against the erring dealer in case of any mal-practices/irregularities detected."

54. Explaining it further, a representative of the Ministry stated:

"If that sample collected from a particular retail outlet shows that pink colour on chemical examination, then it is definitely established that the diesel is mixed with kerosene. So, the Penalty is imposed on him. These sample systems are sent to our laboratories for testing and sometimes we have found that testing is not very quick. Therefore, we have introduced mobile laboratories. There are 23 such laboratories which are operating in the States and which operate with the advice of the supervisory control of the State administration also. If the product is supposed to be adulterated, then supplies are suspended. At the retail outlet there is an arrangement for taking the density check. The density of kerosene and diesel is different. When kerosene is mixed with diesel it will show up. Since testing facilities are available over there it can be tested there as well. We have prescribed a very detailed exercise for regular and random instructions by the oil companies for retail outlets and kerosene dealers also. Our Sales Officers inspect every retail outlet and every dealer also once in three months and offices over there once in twelve months. The joint industry team drawn from different oil companies also inspect these places. They also assist the State Government in this process. Last year at least 677 cases for irregularities of various types, not just the case of adulteration, were found."

55. When asked further to take strict action against the defaulters, the witness added :

"We have made the punishment very very stringent now. Secondly, these guidelines have been revised recently. They have been issued also."

56. The Secretary Petroleum also added:

"Essential Commodities Act, Rules are there. Instructions have been issued. For the first check of non-adulteration the first punishment even for small things was Rs. 20,000 : now we have increased it to Rs. 50,000. We have increased it, but I must confess without any hesitation that these administrative steps are not going to be foolproof give him the disciplinary guidelines. Let the retailers also have their own storage capacity of kerosene. So as to insist on the wholesalers to go and unload that particular capacity instead of a tank load being diverted somewhere. As regards new retail outlets, we have got the marketing plan and in case certain cooperatives come forward."

57. On being pointed out by the Committee that in certain States selling of kerosene through cooperatives was proving better, the Secretary petroleum stated :—

"We have got a marketing plan which means that on the basis of market survey certain locations are being given this benefit. There was a preference for societies in the system. We entirely agree that this would be slightly better system than the earlier one."

58. When pointed out further that cooperatives were not given licences, the witness added:—

"We have taken note of it and take care of that also."

59. The Committee further brought out that on border areas dues to high difference in sale taxes, lot of petroleum products move from

deficit area to other areas. Reacting to this Secretary Petroleum stated :—

> "We cannot do anything about it. Essentially this happens because of differences in sales tax structure between different States making requests to them."

60. On being suggested by the Committee that there should be uniform prices of petrol and diesel throughout the country, irrespective of any State, the witness replied :—

> "In case this Committee says that all petroleum products should be considered as declared goods, the moment, we consider them as declared goods, we will get those products into a four per cent Central Sales Tax regime. It will be for the Ministry of Finance to give effect to this but I think, this will go a long way in solving this problem."

61. The Committee observe that adulteration of petroleum products is one of the widespread irregularity and mal-practice prevalent in the Petroleum Sector. They are concerned to note that the adulteration of diesel destroy the machines and other equipment of poor farmers/deserving persons which is their source of production/livelihood and are therefore deceived. They also apprehend that only 10 to 20 per cent of the kerosene from the Public Distribution System actually reaches the needy people. They find that in the market economy due to the price difference between the diesel and kerosene, there is a tendency for adulteration by mixing of kerosene. Despite number of measures adopted by the Government and other related agencies to reduce this menace, wide price differences between kerosene and diesel encourage the profiteers to go for adulteration. The Committee were apprised by the Government that in about 600 such cases punishment have been awarded. The Committee would, however, like to know in how many cases licences were cancelled and in how many cases the responsibilities has been fixed for diversion of kerosene allocated from the Public Distribution System and adulterated with diesel. The Committee are of the opinion that stringent action should be taken so that there is a semblance of discipline.

(Recommendation Sl. No. 12)

62. It also came out during evidence that in some States distribution of kerosene was being done through Cooperatives and the people were by and large satisfied. The Committee recommend that Government should encourage retailerships of kerosene through Cooperatives particularly in rural areas. For this purpose there is need to create awareness amongst the people through local newspapers and by other means of sales promotion.

(Recommendation Sl. No. 13)

63. The Committee are astonished to find that the Government took pride in declaring before the Committee that oil sector had 23 mobile laboratories for checking the adulteration in petroleum products in the country. Not to speak of size of the country even per State one mobile has not been arranged. The Committee certainly feel that oil sector PSUs have grossly neglected this vital area. Accordingly the Committee would like the Government to strengthen this area which could go a long way in restricting the ongoing mal-practices in marketing of petroleum products.

(Recommendation Sl. No. 14)

64. Another area where the Committee would like to pin point is different rates of sales tax in different States. This is the sole reason on account of which in some States Petroleum products are priced higher than the neighbouring States. At times petroleum products meant for a particular area (particularly in border areas) are diverted to other areas creating shortages in needy areas. The Committee desire that the Ministry of Petroleum should take up this matter with the Ministry of Finance for declaring petroleum products as 'declared goods' so that petroleum products are priced uniformly all over the country.

(Recommendation Sl. No. 15)

D. Review of 8th Five Year Plan (1992-97) and Projections for 9th Plan

(i) Review of 8th Five Years Plan

65. The Eighth Plan envisaged the following major objectives:

(i) To restrict oil imports

(ii) To eliminate the flaring of Natural Gas at the earliest in any case not later than 1996-97.

(iii) To accelerate the pace of indigenisation of exploration and development.

66. As against the initial approved plan outlay of Rs. 26,552 crore for PSUs in the petroleum sector, the actual expenditure during the 8th Five Year Plan rose to Rs. 42,027 crore. Inspite of much higher expenditure, the achievements fell much below the targets set as indicated below:-

		Targets	Achievement
(i)	Crude oil Production	197.3 MMT	155.49 MMT
(ii)	Hydrocarbon reserves	1325 MMT	530 MMT
(iii)	Annual Production by terminal year of Plan	50 MMT	34 MMT
(iv)	Natural Gas	125 MMT	101 MMT
(v)	Refining Capacity	65 MMT	61.55 MMT
(vi)	Import Bill	Rs. 74,600 crores	Rs. 90,000 crores

67. Asked about the reasons for shortfall in achievements particularly in production of oil/gas and creation of refining capacity the Ministry in a written reply furnished the following reasons :—

"Reasons for shortfall in production:

(1) Reduction in anticipated production from the major fields of Western offshore, specially Bombay High and Neelam oil fields was mainly responsible for downward trend of production on account of reservoir problems like a large number of wells were flowing with high gas ratio and with increasing water cut.

(2) Oil fields are entering the natural declining phase. Most of the producing oil fields are old and some of the major fields including Bombay High have entered the natural declining phase. There has not been any major oil discovery in the recent past.

(3) Constraints in operating conditions in the North-Eastern region such as bandhs, barricades, strikes, incidence of thefts and sabotage etc. are another reason for shortfall. Government of Nagaland has discontinued ONGC's activities in that State. These factors have not only affected the production from the producing fields but also affected the activities like drilling and construction for developing the discovered fields.

(4) Frequent power shut-down in the Eastern and Western areas have affected the artificial lift system.

(5) While the physical and financial targets of exploration activities were almost achieved or exceeded, the reserved accretion which is the end of the result of exploration activities, significantly fell short of the targets. In the area of exploration there is no direct relation between inputs and outputs."

68. As regards the reasons for shortfall in Refining, the Ministry stated:—

"The main reasons for shortfall in the achievement of refining target during the plan period, were, delay in approval of expansion of Koyali Refinery by 3.0 MMTPA essentially due to environmental clearance by crude pipeline expansion to supply crude, lower crude production in Assam thereby affecting the capacity expansion of Barauni Refinery which is based on Assam crude. Expansion of Visakh Refinery was reviewed by HPCL and it was decided to expand to 3.0 MMTPA instead of 2.5 MMTPA. The delay was due to review of techno-economic viability and reformulating the project report."

(ii) IX Plan Projections

69. The IXth plan projections are placed as under:—

Oil Prod. (MMT)	180.824
Gas Prod. (MMSCMD)	144.346

It was further elaborated by the Ministry that for the IXth Plan thrust has been given on increased indigenous refining capacity by adopting modern technology to give high distillate products like LPG, Kerosene, diesel etc. The demand of all petroleum products by the end of IXth Plan i.e. 2001-02 is estimated to be about 113 million tonnes per year. The refining capacity as on 1st April 98 i.e. beginning of IXth Plan is 62.55 million tonnes per year. During IXth Plan, new Refineries having about 45 million tonnes capacity has been planned. The expansion of existing refineries with total additional capacity of 24.2 million tonnes per year have also been planned. Thus total refining capacity in IXth Plan would reach at the level of 131.75 million tonnes.

70. The year-wise targets for crude oil and natural gas production for the IXth Plan are as under:—

CRUDE OIL PRODUCTION

(Figs. in MMT)

Year	ONGC	OIL	JVC	Total
1997-98	27.733	3.10	3.59	34.423
1998-99	28.092	3.20	4.40	35.692
1999-2000	29.180	3.29	4.08	35.550
2000-01	29.871	3.380	3.93	37.181
2001-02	30.018	3.5	3.46	36.978
Total	144.894	16.470	19.46	180.824

NATURAL GAS PRODUCTION

(In MMSCMD)

Year	ONGC	OIL	JVC/Private	Total
1997-98	62.754	6.076	6.73	75.094
1998-99	63.813	6.40	7.26	77.403
1999-2000	65.492	6.61	6.98	79.662
2000-01	65.293	7.756	6.82	79.923
2001-02	69.143	7.786	6.79	84.213
Total	119.075	12.642	12.628	144.346

71. During evidence the Committee pointed out that achievement during 8th Plan in regard to crude oil were too less and enquired about prospects of achieving the targets during 9th Plan. The Secretary, Petroleum replied:—

> "There is no doubt, whatsoever in respect of our oil discovery or oil production, we have not achieved what we are supposed to achieve in the Eighth Plan. That is on record. As far as the Ninth Plan is concerned, we have made some reviews and we are trying to see that in the terminal year of the Ninth Plan, the target was 37 million tonnes. We are trying to see as to whether it can go up to atleast 40 million tonnes for that certain plans have been drawn up.
>
> Talking about the exploration work, we have had discussion with the ONGC. Regarding the areas they have asked for so far, I would like to say that they have to only satisfy us that their work programme is reasonable enough. As on date, whatever areas they are asking for, for exploration, we are ready to give, excepting some of the blocks which have already been identified for going for bids in the new exploration licensing policy. These are 47 blocks. There is a demand to go in for inviting private participation. Outside those 47 blocks, as far as oil and gas

exploration is concerned, we have no problem in giving anything to national oil companies on nomination basis provided they ensure that there is a minimum work programme. The idea is that, you can not take the land and sit over it."

72. In reply to a question witness clarified that as against the crude oil production of 37 MMT, the demand of crude oil would be 112 MMT by Terminal year of IXth Plan. The annual import requirements will be 75 MMT of crude oil and 14 MMT of petroleum products.

73. On being pointed out by the Committee that import bill on account of crude oil and petroleum products was likely to increase from the present level of about Rs. 26,000 crores to Rs. 47,000 crores by the end of 9th Five Year Plan, the Secretary, Petroleum stated:—

"Not that our oil production is declining, oil production is increasing, but the level of self-sufficiency is declining. Production is not going up as fast as the demand. Sometimes in mid-80s, we reached a level of two-thirds self-sufficiency. Today we are, unfortunately, around 40 per cent to 45 per cent self-sufficient."

74. Regarding the self-sufficiency level in petroleum products the witness stated:—

"Coming to the Ninth Plan aspect, the demand is expected to grow much faster than the growth in oil production. From about 40 per cent self-sufficiency today it might come down to 35 per cent by the end of the Ninth Plan. Regarding foreign exchange, what we are trying to do is to set up more refining capacity. It is much cheaper from the foreign exchange point of view to import crude oil rather than petroleum products. That is why, though at the end of the Eighth Plan we had a refining capacity of around 61 million tonnes, by the end of the Ninth Plan we should be having at least another 50-55 million tonnes of crude oil refining capacity. With the result, though our level of self-sufficiency will decline, we will be buying more of cheaper value crude rather than higher value product. That will, to a certain extent contain the foreign exchange outgo."

75. On being pointed out that with the value of rupee falling rapidly the foreign exchange outgo was unpredictable the Secretary,

Petroleum admitted that with the decline of exchange rate the foreign exchange value would be affected.

76. However, he explained that whatever be the exchange rate it was cheaper to import crude oil rather than products.

77. Elaborating the steps taken for aggressive exploration policy to find more oil, the Secretary stated:—

> "As regards the medium-term projection about self-sufficiency, we are trying to do more of focussed collection, processing and interpretation of data. We are going for much more of three-dimensional survey than two-dimensional. In other words, what we are trying to do is to go for a more qualitative improvement. Secondly, as I have indicated right at the beginning, we are trying to go into new areas and one of the new areas which we consider extremely prospective is 'deep waters'. For that we are trying to invite bids in the next two-three months. The national oil companies are also trying to get into collaborations with some of the well-established foreign companies in this area. We must accelerate, intensify and improve the quality of our exploration efforts we will make all out efforts in this direction."

78. On being pointed out about the undue delay in giving nomination to some of the National Oil Companies the Secretary in course of evidence stated:—

> "We are ready to give, excepting some of the blocks which have already been identified for going for bids in the main exploration licensing policy. These are about 47 blocks. There is a demand to go in for inviting private participation. Outside those 47 blocks, as far as oil and gas exploration is concerned, we have no problem in giving anything to the National Oil Companies on nomination basis provided they ensure that there is a minimum work programme."

79. Explaining the steps taken by the Government to intensify exploration efforts during the 9th Plan, the Ministry also enumerated in a note:—

"(1) Improving the quality of exploration inputs like upgradation of seismic data acquisition, data processing systems, adoption of state of the art technologies etc.

(2) Intensification of exploratory efforts in the existing basins and its extension to new areas like deep water and frontier areas.

(3) Exploration for non-conventional energy like Coal Bed Methane (CBM).

(4) Encouraging the participation of Private/JVs in exploration activities through invitation of bid under New Exploration Licensing Policy."

80. The Committee regret to note that even though the plan outlay expenditure during 8th Plan rose to Rs. 42,000 crore as against the approved outlay of Rs. 26,500 crore, the achievements in regard to crude oil production, hydrocarbon reserves, natural gas, refining capacity and restricting import bill have been much below the targets. Corrective measures could not be taken even after mid-term appraisal of 8th Plan. The Committee are not fully convinced with reasons advanced for shortfall in production of oil, accretion of reserves etc. as they feel that Government should ought to have to know such eventualities. At this stage, the Committee only can wish that oil sector should take lessons for the set back suffered during 8th Plan for taking corrective measures for the future.

(Recommendation Sl. No. 16)

81. The Committee observe that the estimated production of crude oil during the 9th Five Year Plan would not be sufficient to meet fulfil the growing demand over the same period. Admittedly the level of self-sufficiency would significantly decreased during the current Plan thereby propelling the annual import bill which would be around Rs. 47,000 crores as compared to present import bill of about Rs. 26,000 crores. As stated by the representatives of the Ministry the Committee would urge upon the Government to implement the declared agressive exploration strategy so that maximum possible demand of crude oil is met indigenously.

(Recommendation Sl. No. 17)

82. The Committee find that very modest target of 180 MMT of crude oil production has been set for the 9th Plan which is even lower than target of 197 MMT set for 8th Five Year Plan. Admittedly as against the demand of 112 MMT, crude oil, indigenous production of 37 MMT would be available by the end of terminal year of

9th Plan thus leaving huge deficit of about 75 MMT crude oil to be imported resulting in outgo of scarce foreign exchange. The Committee hardly need to stress for making sincere efforts to develop the oil sector to meet growing gigantic needs of Indian economy. In this context the Committee would like the Government to take a review of all energy sources for making an integrated energy policy for the country so that natural resources of the country are put to optimal use and at the same time increasing import bill on petroleum products is kept at bare minimum.

(Recommendation Sl. No. 18)

E. Fire Accident at Vizag Refinery of Hindustan Petroleum Corporation Ltd. (HPCL)

83. A major fire accident occured in Vizag Refinery/Marketing terminal of HPCL on 14th September, 1997 resulting in the death of 60 persons, including 14 of HPCL besides financial loss of about Rs. 80 crores. The Government had set up a Commission of Inquiry on 11th October, 1997 under the Commissions of Inquiry Act, 1952 to inquire into the fire accident. The Commission was to submit its report within a period of 3 months. However, the Commission was allowed to cease to function from March, 1998.

84. During the evidence the Committee enquired about the latest position in the matter. The Secretary, Petroleum stated:

> "About fixing the responsibility they have appointed a Judicial Enquiry Commission. Unfortunately the Judge who was appointed fell very ill and the Commission could not function. We have now appointed another Enquiry Commission with a request to the Chairman of the Commission to complete the enquiry in next four months."

85. The Committee note that the Government had set up a Commission of Enquiry on 11th October, 1997 under the Commission of Enquiry Act, 1952 to enquire into the fire accident occured in Vizag Refinery of HPCL. The Commission was to submit its report within a period of three months. However, the Commission was allowed to cease to function from March, 1998. The Committee fail to understand as to why the Commission was allowed to wait upto March, 1998, when its initial term was over in January, 1998. The

Committee have now been apprised that the Commission could not function as the judge who was appointed for the Judicial Enquiry Commission fell very ill. They have been informed that a fresh Commission of Inquiry has been set up to complete the investigation within four months. Since the matter has already been considerably delayed, Commission may be asked to submit their Report within the given time. Needless to point out that Government would fix the responsibility for such grave negligence thereby causing devastating damage to human life and property. They also recommend that the Commission's findings about safety measures should be examined with a view to give directions to oil sector to adopt and upgrade necessary safety measures so that possibilities of recurring such accidents is minimised to the extent possible. The Committee would like to be apprised of the findings of the Commission and action taken by the Government at the earliest.

(Recommendation Sl. No. 19)

NEW DELHI;
July 7, 1998
Asadha 16, 1920 *(Saka)*

DR. BALRAM JAKHAR,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I

MINUTES OF THE THIRD SITTING OF THE COMMITTEE HELD ON 22.06.1998

The Committee sat from 1500 hrs. to 1800 hrs.

PRESENT

Dr. Balram Jakhar — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Vallabh Bhai Kathiria
3. Shri Ashok Argal
4. Shri V. Dhananjaya Kumar
5. Dr. Mallu Ravi
6. Shri Paban Singh Ghatowar
7. Shri Krishan Datt Sultanpuri
8. Shri Nepal Chandra Das
9. Shri Narendra Budania
10. Dr. Asim Bala
11. Shri Raja Paramasivam
12. Shri Pitambar Paswan
13. Shri Prabhunath Singh
14. Dr. C. Suguna Kumari
15. Shri Arjun Charan Sethi
16. Shri Prem Singh Chandumajra
17. Shri C. Kuppusami

Rajya Sabha

18. Shri Radhakishan Malaviya
19. Shri Anantha Sethi
20. Shri Dipankar Mukherjee
21. Dr. Y. Lakshmi Prasad
22. Shri Dara Singh Chauhan
23. Shri Joyanta Roy

SECRETARIAT

1. Shri J.P. Ratnesh	—	*Addl. Secretary*
2. Shri Brahm Dutt	—	*Under Secretary*
3. Smt. Abha Singh Yaduvanshi	—	*Asstt. Director*

Representatives of M/O Petroleum & Natural Gas

1. Shri Prabir Sengupta	—	Secretary
2. Shri Devi Dayal	—	Addl. Secretary
3. Shri Ravi Saxena	—	Jt. Secy. & FA
4. Shri Nirmal Singh	—	Jt. Secy. (Refineries)
5. Shri Shivraj Singh	—	Jt. Secy. (Exploration)
6. Shri C.L. Bashal	—	Jt. Secy. (C&A)
7. Shri Subir Raha	—	ED (OCC)
8. Dr. Avinash Chandra	—	Adviser (E)
9. Shri K.P. Sahi	—	Adviser (Refineries)
10. Dr. B. Mohanty	—	Jt. Adviser (Finance)
11. Shri Mohit Sinha	—	Dy. Secy. (Finance)
12. Shri Sanjeev Kumar	—	Controller of Accounts

Public Sector Undertakings (PSUs)

1. Shri I.N. Chatterjee	—	Director (Finance), ONGC
2. Shri A.S. Soni	—	Director (Operation), ONGC
3. Shri T.K.N. Gopalaswamy	—	Director (Exploration), ONGC

4.	Shri S.C. Mathur	—	Director (Finance), IOC
5.	Shri O.N. Marwah	—	Director (Mktg.), IOC
6.	Shri A.K. Arora	—	Director (R&P), IOC
7.	Shri H.L. Zutshi	—	C&MD, HPCL
8.	Shri U. Sundararajan	—	C&MD, BPCL
9.	Shri J.K. Jain	—	Director (Finance), GAIL
10.	Shri Ranjit Dutta	—	MD, NRL
11.	Shri K.K. Dhingra	—	Exe. Director, PCRA
12.	Shri M.C. Singh	—	Dy. Chief F&A Officer, OIDB
13.	Shri B.B. Sharma	—	Director (Exploration & Dev.), OIL

The Committee took oral evidence of the representatives of Ministry of Petroleum & Natural Gas in connection with examination of Demands for Grants for the year 1998-99 relating to Ministry of Petroleum & Natural Gas.

2. The main issues which came up for discussion include achievements made in 8th Five Year Plan, project planning and implementation, Oil Pool management, dismantling of Administered Pricing Mechanism, refining capacity, oil and gas exploration & production, marketing of petroleum products and supply of LPG particularly in rural areas and action taken by the Ministry/GAIL/OIL in regard to implementation of Assam Gas Cracker Project. It was also decided by the Committee that a separate meeting should be held during the inter-session period regarding advertisements being issued by PSUs in oil sector for the selection of LPG and diesel outlets in rural areas.

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

The Committee then adjourned.

APPENDIX II

MINUTES OF THE FIFTH SITTING OF THE COMMITTEE HELD ON 2.7.98

PRESENT

Dr. Balram Jakhar—*Chairman*

MEMBERS

Lok Sabha

2. Dr. Vallabh Bhai Kathiria
3. Shri Ashok Chhabiram
4. Shri V. Dhananjaya Kumar
5. Shri Ganga Charan
6. Shri Devibux Singh
7. Dr. Ramesh Chand Tomar
8. Shri Tejveer Singh
9. Dr. Mallu Ravi
10. Shri Paban Singh Ghatowar
11. Shri Krishan Dutt Sultanpuri
12. Shri Gurudas Kamat
13. Shri Nepal Chandra Das
14. Shri Narendra Budania
15. Dr. Asim Bala
16. Shri Balram Singh Yadav
17. Shri Pitambar Paswan
18. Shri Prabhunath Singh
19. Dr. C. Suguna Kumari

20. Shri Arjun Charan Sethi
21. Shri Mohan Vishnu Rawale
22. Shri C. Kuppusami
23. Smt. Kailasho Devi

Rajya Sabha

24. Prof. Naunihal Singh
25. Shri Ram Nath Kovind
26. Shri Dipankar Mukherjee
27. Shri Dara Singh Chauhan
28. Shri Joyanta Roy
29. Shri Parag Chaliha

SECRETARIAT

1. Shri J.P. Ratnesh — *Additional Secretary*
2. Shri Brahm Dutt — *Under Secretary*
3. Smt. Abha Singh Yaduvanshi — *Asstt. Director*

** ** ** **

** ** ** **

2. Thereafter, the Committee considered and adopted the following Draft Reports:

(i) 4th Report on 'Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 1998-99'.

(ii) ** ** ** **

(iii) ** ** ** **

3. 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.

4. 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. In particular, the Chairman as also the Members commended the Secretariat for the quality of drafting of Reports within a very short span of time.

5. ** ** ** **

6. ** ** ** **

7. ** ** ** **

8. ** ** ** **

9. ** ** ** **

The Committee then adjourned.