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STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2017-18)

(SIXTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Twenty Third Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2017-18) on Demands for Grants (2018-19)]

TWENTY FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

August, 2018/Shravana,1940 (Saka)

CP&NG NO.

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[Action Taken by the Government on the recommendations contained in the Twenty Third Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2017-18) on Demands for Grants (2018-19)]

Presented to Lok Sabha on 09.08.2018

Laid in Rajya Sabha on 09.08.2018

LOK SABHA SECRETARIAT
NEW DELHI

August, 2018/Shravana,1940 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2017-18)

Sl. No.	Names of Members
	LOK SABHA
Shri Pralhad Joshi - Chairman	
2	Shri Rajendra Agrawal
3	Dr. Ravindra Babu Pandula
4	Dr. P. K. Biju
5	Shri Kalikesh N. Singh Deo
6	Smt. Rama Devi
7	Shri V. Elumalai
8	Shri Naranbhai Kachhadiya
9	Dr. Thokchom Meinya
10	Smt. Pratima Mondal
11	Shri Ashok Mahadeorao Nete
12	Smt. Jayshreeben Patel
13	Shri A.T. Nana Patil
14	Shri Arvind Sawant
15	Shri Raju Shetti
16	Dr. Bhola Singh (Begusarai)
17	Shri Ravneet Singh
18	Shri Rajesh Verma
19	Shri Om Prakash Yadav
20	Shri Laxmi Narayan Yadav
21	Shri Santosh Kumar
	RAJYA SABHA
22	Shri Bhubaneshwar Kalita
23	Shri Om Prakash Mathur
24	Smt. Ranee Narah
25	Shri Bhaskar Rao Nekkanti
26	Shri Narayan Lal Panchariya
27	Shri Ahmed Patel
28	Shri V. Lakshmikantha Rao
29	Shri V. Vijayasai Reddy
30	Shri A. Vijayakumar
31	Ch. Sukhram Singh Yadav

SECRETARIAT

1	Shri A.K. Singh	-	Additional Secretary
2	Dr. Ram Raj Rai	-	Director
3	Shri H. Ram Prakash	-	Additional Director

INTRODUCTION

I, the Chairperson, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Twenty Fifth Report on Action Taken by the Government on the recommendations contained in the Twenty Third Report (Sixteenth Lok Sabha) of the Committee on 'Demands for Grants (2018-19)'.

2. The Twenty Third Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 13.03.2018. The Action Taken Replies of the Government to all the recommendations contained in the Twenty Third Report were received on 03.07.2018.

3. The Standing Committee on Petroleum & Natural Gas (2017-18) considered and adopted the Report at their sitting held on 07.08.2018.

4. An analysis of the action taken by the Government on the recommendations contained in the Twenty Third Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas is given in Annexure-II.

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

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

New Delhi;
***August*, 2018**
Shravana, 1940 (Saka)

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

REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum and Natural Gas deals with the action taken by the Government on the Recommendations contained in the Twenty Third Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2017-18) on "Demands for Grants (2018-19) of the Ministry of Petroleum and Natural Gas", which was presented to Lok Sabha and laid in Rajya Sabha on 13.03.2018.

2. Action Taken Notes have been received from the Ministry on 03.07.2018 in respect of all the 22 Recommendations/Observations contained in the Report. These have been categorized as per the following:

(i) Recommendations/Observations that have been accepted by the Government:- Reco. Nos. 1, 2, 3, 5, 6, 8, 9, 11, 13, 14, 15, 17, 19, 20 and 21 (Total 15)

(Chapter- II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government"s replies:- Reco. Nos. Nil

(Chapter- III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 10, 12, 16, 18 and 22 (Total 5)

(Chapter- IV)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Reco. Nos. 4 and 7 (Total 2)

(Chapter- V)

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

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

Recommendation 1

Pradhan Mantri Ujjwala Yojana (PMUY)

5. The Committee had recommended as under:

"The Committee note that one of the important budget announcements for 2018-19 is to increase the coverage of the number of women beneficiaries under Pradhan Mantri Ujjwala Yojana (PMUY) scheme to 8 crore BPL households. The Committee further note that more than 3.38 crore LPG connections have already been released under this scheme so far. Presently, the beneficiaries are identified through the list prepared on the basis of Socio-Economic Caste Census (SECC) 2011. However, during all these seven years, several new households have come into being and significant number of new people have become eligible for availing connection under the scheme. The Ministry has informed that it proposes to expand the scheme covering all SC/ST households beneficiaries of Prime Minister Awas Yojana, forest dwellers, Most Backward Classes (MBC), Tea & ex-tea Garden tribes, etc having no LPG Connection to cover the more number of BPL households and it is in the process of bringing out the guidelines in this regard. The Committee, therefore, recommend that the Ministry should finalise the guidelines at the earliest to expand the Scheme and also consider the inclusion of new households which have come into existence after 2011 so as to make the scheme more inclusive and successful".

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

"The Government has issued Revised Scheme Guidelines on 12th March, 2018 for providing free LPG connections to women belonging to the Below Poverty Line (BPL) households under „Pradhan Mantri Ujjwala Yojana" (PMUY) for implementation by Oil Marketing Companies by including additional categories of BPL families in addition to identification from SECC list. As the Government has added additional categories for identification of BPL families, most of the BPL families are expected to be covered under the scheme".

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Comments of the Committee

7. The Committee had recommended that the Ministry should finalise the guidelines at the earliest to expand the Pradhan Mantri Ujjwala Yojana (PMUY) Scheme and also consider the inclusion of new households which have come into existence after 2011 so as to make the scheme more inclusive and successful. The Committee had an objective to cover the maximum number of households under the scheme including the BPL households which have come into existence after the Socio Economic Caste Census of 2011. The

Committee are happy to note that the Government has issued Revised Scheme Guidelines on 12th March, 2018 for incorporating the additional categories in addition to identification from SECC list for identification of BPL families for providing free LPG connections to women under PMUY. The Committee however, find that the Ministry has not given any details about the various categories included in the revised guidelines particularly about the BPL households created after SECC 2011. The Committee, therefore, desire that all the eligible BPL households availing benefits under different schemes in all the states should be included by the Ministry in the list of eligible category for availing LPG connection under the PMUY.

Recommendation 2

Allocation of funds to implement PMUY

8. The Committee had recommended as under:

> "The Committee note that the budget allocation for 2017-18 (BE) was Rs. 2500 crore towards expenditure on providing LPG connections to poor households under Pradhan Mantri Ujjwala Yojana. However, the RE figures for 2017-18 show that the expenditure has been reduced to 2251.81 crore and this expenditure has already been incurred by 31st December, 2017 itself. The Ministry has mentioned that due to overall ceiling conveyed by the Ministry of Finance for RE 2017-18, the funds for the scheme have been restricted to Rs. 2251.81 crore. The Committee are unhappy with such approach of the Ministry reducing the allocation for PMUY at RE stage. The scheme is being implemented with specific targets providing LPG connections to women of BPL households. Due to non-availability of funds in the last quarter of the financial year 2017-18, the pace of implementation of the scheme must have suffered. The Committee take comfort from the allocation of Rs. 3200 crore for the year 2018-19 BE. However, considering the target of 5 crore connections set for PMUY during the current year 2018-19, the Committee opine that more funds will be required for achieving the targets and funds constraint will slow down of the pace of the implementation of the scheme in the middle of the year. The Committee therefore, recommend that the Ministry of P&NG should ensure that there is no constraint of funds during the year 2018-19 and should seek additional funds as soon as the funds allocated at BE 2018-19 is spent".

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

> "Budget allocation under Pradhan Mantri Ujjwala Yojana (PMUY) for the year 2018-19 is Rs. 3200 crore which is sufficient to release 2 crore LPG connections under the Scheme. If additional fund will be required, the same will be taken up with Ministry of Finance at RE stage".

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Comments of the Committee

10. The Committee had considered the allocation of Rs. 3200 crore for the year 2018-19 BE as insufficient for achieving the target of release of 5 crore connections under PMUY during the current year. The Committee had, therefore, recommended that the Ministry of P&NG should ensure that there is no constraint of funds and should seek additional funds as soon as the funds allocated at BE 2018-19 are spent. The Ministry has stated in their reply that budget allocation of Rs. 3200 crore is sufficient to release 2 crore LPG connections under the Scheme and if additional fund will be required, the same will be taken up with the Ministry of Finance at RE stage. The Committee are not satisfied with such evasive reply of the Ministry because it is crystal clear that the BE for providing connections as per the target of the scheme is insufficient. The Committee, therefore, reiterate their recommendation and accordingly, desire that the Ministry should obtain the required fund without fail so that this scheme for poor and needy people does not face any shortage of funds in implementation at any stage and apprise the Committee accordingly.

Recommendation 4

Indian Strategic Petroleum Reserves Limited (ISPRL)

11. The Committee had recommended as under:

> "The Committee note that the strategic caverns constructed by ISPRL for storage of crude oil in Mangalore is ready for storage. It has been informed that the ISPRL has signed a definitive agreement with ADNOC of UAE to store crude oil in one of the caverns in the Mangalore Strategic Petroleum Reserve facility and the first cargo is expected in May 2018. The Committee also note that ADNOC can sell the crude to only to Indian refiners. The crude will be replenished within a specific period as when it is sold. The government will have the right to the entire crude when it feels there is an emergency. The Committee note that the price of oil will be the official selling price plus freight and transportation cost on the date of purchase. The Committee would like the Ministry should negotiate with ADNOC for the acceptance of freight and transportation cost of the date on which the crude was brought to cavern for storage. The Committee appreciates the steps taken by ISPRL / Ministry as this step will help the country to meet the strategic supply needs and also strengthen the relations between the two countries and recommend to explore more such initiatives for cooperation in the hydrocarbon sector with other countries also.

The Committee observe that under Strategic Petroleum Reserves (SPR) project phase-I underground rock caverns for storage of 5.33 MMT of crude oil at three locations viz. Vishakhapatnam (1.33 MMT), Mangalore (1.50 MMT) and Pudur (2.5 MMT) have been created. For filling of crude oil in these SPR facilities, 4948 crore was approved. During BE 2017-18 Rs. 2499 crore was allocated for procurement of crude oil which was revised to Rs. 1121.28 crore at RE stage in view of the ceiling imposed by the Ministry of Finance. However, in BE 2018-19, an allocation of Rs. 700 crore has been made for this purpose giving the reference of BE ceiling. The Committee deplore such approach of the Ministry of P&NG in handling of this important project where the Ministry was not able to convince the Ministry of Finance for providing the required funds for this project. The storage facilities of 2.5 MMT at Pudur has been mechanically completed in December 2017 and funds will be required for procurement of crude to fill this cavern. The Committee, therefore, desire Ministry should convince the Ministry of Finance to allocate the desired funds for such strategically important project at RE 2018-19 stage, so that this project does not suffer due to constraint of fund required for strategic storage of oil in the caverns created in phase-I".

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

"An Amended and Restated Agreement has already been signed between ISPRL, ADNOC and AMI India on 10th February, 2018. Clause no 4.6 (c) of the aforesaid agreement inter alia states that "any AMI India oil sold to ISPRL shall be sold at the AMI India Custody Cavern and at prevailing Government Selling prices, plus a month average premium with the heading „Middle East" as published in the Platts spread vs. OSP (Official Selling Price) for the applicable loading month, plus cost of insurance, freight and handling costs. AMI India shall provide ISPRL with the evidence of cost of insurance, freight and handling."

As regards the allocation of funds for the storage facilities at Padur, it may kindly be noted that the mode of financing of the cost of crude oil for the entire Padur Cavern has not yet been decided. There is a proposal to explore PPP model. Once the model of financing is finalized, the requirement of funds from Government of India for this purpose will be estimated. Accordingly, suitable changes for the same shall be incorporated in RE 2018-19".

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Comments of the Committee

13. Considering the importance of strategic storage of crude oil in caverns, the Committee had desired that Ministry of PNG should convince the Ministry of Finance to allocate the desired funds for such strategically important project at RE 2018-19 stage, so that this project does not suffer due to constraint of fund required for strategic storage of oil in the caverns created in phase-I.

The Ministry has stated in their reply that the mode of financing of the cost of crude oil for the entire Padur Cavern has not yet been decided. There is a proposal to explore PPP model. Once the model of financing is finalized, the requirement of funds from Government of India for this purpose will be estimated. Accordingly, suitable changes for the same shall be incorporated in RE 2018-19. As the model of financing for Padur Cavern is yet to be finalized by the Ministry, the Committee would like that the same is finalized without any delay so that the amount required at RE stage is also finalized and acted accordingly. The Committee may be informed once the same is decided upon.

Recommendation 7

Rajiv Gandhi Institute of Petroleum Technology (RGIPT)

14. The Committee had recommended as under:

"The Committee observe that Rajiv Gandhi Institute of Petroleum Technology (RGIPT) is to be set up by the Government as an Institute of national importance under an Act of Parliament. The mandate of RGIPT centre at Sibsagar, Assam is to set up a Centre to cater to requirements of blue collar technicians especially in upstream area to meet the current gap in skill set and the anticipated demand in view of future expansion plans. The Committee while appreciating the objectives of the RGIPT Centre at Assam, deplore at the inordinate delay in preparing Detailed Project Report and executing the same for setting up the institute. The Committee note that a part of the campus has already been constructed by CPWD and therefore, recommend the Ministry to execute revised DPR within a time bound schedule and also allocate required funds to complete all the works for setting up of RGIPT Centre at Sibsagar, Assam and start full academic activities on its own campus.

The Committee further note that another RGIPT centre at Bengaluru with the objective of creating an institution of excellence in the petroleum sector has been proposed and the Government of Karnataka has allotted 150 acres of land, free of cost at Kambalipura, Hoskote Taluk, Bengaluru for setting up of the Institute. The concept paper for setting of the Institute has been prepared and it is under process for being sent to Department of Expenditure for obtaining in principle approval for setting up of this Institute. The Committee further note that the Institute will become fully functional after commencement of the construction activities, once the project is approved and funds are made available to start the construction activity. The Committee therefore, recommend that all the works connected with RGIPT, Bangalore like seeking approvals from different agencies be expedited so that the institution becomes a reality".

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

"In so far as RGIPT, Sivasagar, Assam is concerned, the revised DPR envisaging the project cost of Rs.880.10 crore (Capital Expenditue –

Rs.396.32 crore + Corpus/Endowment Fund – Rs.483.78 crore) has been received. The concept paper was sent to Ministry of Finance (Department of Expenditure) for „in-principle" approval of the project. The Department of Expenditure have informed that the proposal is in the nature of creation of an autonomous body and not a scheme. They have also informed that „in-principle" approval of the Department of Expenditure is required for initiating a new scheme. Since the proposal is regarding creation of new body, proposal needs to be appraised by Committee of Establishment Expenditure (CEE) under the Chairmanship of Secretary (Expenditure). They have advised to send the proposal to the Department of Expenditure in the prescribed format of CEE. CEE note is being finalised in consultation with Finance Division of the Ministry.

Temporary campus of RGIPT, Sivasagar, Assam has been set up. The academic session has started from academic year 2017-18 with the following diploma courses:-

(i) Diploma in Petroleum Engineering
(ii) Diploma in Chemical Engineering
(iii) Diploma in Pipeline Engineering.

30 students in each diploma course have taken admission. Currently, the students are studying in a temporary campus at Sibsagar Commerce College (a Govt. College) till such time the facilities are created at the Institute"s own site.

In so far as Energy Institute, Bengaluru is concerned, it may be stated that the concept paper was sent to Ministry of Finance (Department of Expenditure) for „in-principle" approval of the project. The Department of Expenditure have informed that the proposal is in the nature of creation of an autonomous body and not a scheme. They have also informed that „in-principle" approval of the Department of Expenditure is required for initiating a new scheme. Since the proposal is regarding creation of new body, proposal needs to be appraised by Committee of Establishment Expenditure (CEE) under the Chairmanship of Secretary (Expenditure). They have advised to send the proposal to the Department of Expenditure in the prescribed format of CEE. CEE note is being finalised in consultation with Finance Division of the Ministry.

Location for temporary campus is being finalized. It has been proposed to conduct the following courses commencing from academic year 2018-19:-

(i) M.Tech. in Energy Science and Technology;
(ii) M.Tech. in Power and Energy Systems Engineering; and
(iii) M.Tech. in Renewable and Alternate Energy".

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Comments of the Committee

16. The Committee had recommended that all the works connected with RGIPT, Sibsagar and Energy Institute, Bengaluru particularly seeking

approvals from different agencies be expedited so that the institutions becomes a reality.

The Ministry has stated in their reply that, since the proposals are regarding creation of new autonomous bodies, these need to be appraised by Committee of Establishment Expenditure (CEE) under the Chairmanship of Secretary (Expenditure). They have been advised to send the proposals to the Department of Expenditure in the prescribed format of CEE. Notes for CEE are being finalised in consultation with Finance Division of the Ministry. The Committee would like to emphasise that delay in establishing important institutions should not be due to procedural issues and the Ministry should expedite the CEE notes at the earliest and the Committee be informed about the progress made in this regard.

Recommendation 10

Reduction in Import Dependence

17. The Committee had recommended as under:

"The Committee note that with the Prime Minister in his address during Urja Sangam 2015 had called for reduction in import dependence on crude oil by 10 percent by 2021-22. The Committee have been informed that a five pronged strategy for achieving this or towards the road map for reduction of import of crude oil dependence. An Integrated Monitoring and Advisory Council (IMAC) has been constituted under the chairmanship of Hon'ble Minister of Petroleum and Natural Gas and consisting of senior officials from other Ministry / Departments to implement the strategy. The Committee had held a meeting on 19.07.2017 and decided to expand the IMAC. The report prepared by Ministry of Petroleum and Natural Gas on road map to reduce import dependency has been circulated to the existing and potential new members of IMAC for their review/suggestions and their respective action plan of the road map. The Committee would like to point out that it is almost three years since the Prime Minister had made this call and less progress is seen on the ground. The Committee want the Ministry to take all steps to achieve this national objective and it should be viewed as an achievable target and surpass the percentage of import dependence of crude oil by the targeted date. The Committee are of the view that the Ministry has restricted this exercise within the Ministry and have not involved other concerned Ministries/Agencies in achieving this objective. The Committee would also like to point out that lack of mention of harnessing gas hydrates and of shale gas as an energy resource in the strategy are some of the imminent gaps that can be seen in the road map prepared by the Ministry. The Committee would therefore expect the Ministry to aggressively explore these energy sources also to achieve the above objective. The Committee are of the view that more work needs to be done towards implementation and would recommend more effective and quick policy decisions on the ground towards achieving this goal".

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

"The roadmap to achieve the target to reduce the dependency on import in energy from oil and gas by 10% by 2021-22 envisages multi-pronged strategy spanning across many sectors in general, given backward and forward linkages and energy consuming sectors in particular. Keeping in view the need to work in a collaborative manner with various Central Government Ministries, an Integrated Monitoring and Advisory Council (IMAC) has been constituted, under the chairmanship of Hon'ble Minister of Petroleum and Natural Gas, consisting of senior officials including those from other Ministries/Departments and since broad based, to include energy consuming Ministries, to implement the strategy.

During the meeting, MoP&NG highlighted major policy initiatives taken in the recent past to enhance domestic production of oil and gas. Inter-alia, this included initiatives like resource re-assessment, National Data Repository (NDR), Open Acreage Licensing Policy (OALP), Hydrocarbon Exploration Licensing Policy (HELP), Discovered Small Fields Policy, tapping unconventional sources such as Coal Bed Methane (CBM) and Shale Gas besides enhancing production of bio-diesel and increased use of PNG and LPG. The representatives of member Ministries, inter-alia, explained policies, schemes and project initiatives taken by them towards augmenting the supply of energy, energy saving and demand substitution / reduction through alternate modes.

Shale gas resource exploration is at a nascent stage in India. With a view to impart some momentum to the untapped potential of shale gas/oil resource as part of the energy basket, Government notified the Shale gas and Oil exploration policy on 14thOctober 2013 for National Oil Companies (NOC). The policy mandated ONGC and OIL to carry out exploration in a phase-wise manner in nomination mining lease (ML) areas of ONGC and OIL. The first phase of shale gas assessment studies were completed in April 2017. ONGC identified 50 blocks in 4 basins viz; Assam, Krishna Godavari, Cauvery and Cambay basins. So far, ONGC has drilled 22 wells in 18 blocks of these basins. OIL has drilled 1 well in Jaisalmer basin. With the implementation of HELP/OALP on 10th March 2016, a single license for exploration and exploitation of not only conventional hydrocarbons but also non-conventional hydrocarbon resources like Shale Gas, Coal Bed Methane (CBM), etc. would be required.

As regards Gas Hydrates, the National Gas Hydrates Programme (NGHP-02) commenced on 3rd March 2015 for data acquisition operations in Krishna Godavari and Mahanadi deep offshore areas and was completed on 28th July 2015. During NGHP Expedition 02, 42 wells were completed. Two Gas Hydrate sand reservoirs were identified for pilot production testing. Efforts are being made to harness these resources in techno economically feasible way.

The Advisory Committee set up under the chairmanship of Director General, Directorate General of Hydrocarbons (DGH) and comprising of five International experts from USA and Japan held meetings in December 2016 and in April 2018 to review the data generated from NGHP-Expedition-02 and deliberate on the results of studies completed so far on reservoir characterization and production modelling and possibilities/way forward.

In order to harness Coal Bed Methane (CBM) potential in the country, permission of extraction of CBM to Coal India Limited (CIL) & its subsidiaries in coal mines area has been granted. Further to expedite the exploration and exploitation of CBM, enhance the availability of natural gas and reduce the gap in demand and supply of natural gas. Coal India Limited (CIL) and its subsidiaries need not apply for grant of license/lease under the PNG Rules, 1959 for extraction of Coal Bed Methane (CBM) under their Coal Bearing Areas".

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Comments of the Committee

19. Referring to the call of Hon'ble Prime Minister in his address during Urja Sangam 2015 for reduction in import dependence on crude oil by 10 percent by 2021-22, the Committee had observed that even after a lapse of three years, very less progress was seen on the ground in that direction. The Committee had, therefore, desired that the Ministry must take all steps to achieve this national objective. The Committee had also viewed that more work needed to be done towards implementation by the Ministry and had accordingly, recommended for more effective and quick policy decisions on the ground towards achieving that goal.

In its action taken reply, the Ministry has submitted the same reply informing that keeping in view the need to work in a collaborative manner with various Central Government Ministries, an Integrated Monitoring and Advisory Council (IMAC) has been constituted under the Chairmanship of the Minister of Petroleum and Natural Gas and it comprises senior officials from other energy consuming Ministries/Departments for implementing the strategy. Further, it has been stated that the action has been taken by the Ministry to augment the supply of energy through Shale Gas, Gas Hydrates and Coal Bed Methane (CBM) for energy saving and demand substitution or for reduction of dependence on imports through alternate modes.

The Committee do not find any concrete action taken on the part of MoPNG showing the existence of any effective coordination mechanism

among different Ministries and clear cut strategy with action plans and stipulated timelines to achieve the target of reduction in import dependence by 10 per cent by 2022. The Committee, therefore, reiterate their recommendation that more effective and prompt policy decisions are required to be taken on the ground to implement the strategy towards achieving this goal in coordination with other energy consuming ministries.

Recommendation 12

Exploration and Production of Oil and Gas

20. The Committee had recommended as under:

"The Committee note that the crude oil production has stagnated for the last several years which is a matter of serious concern. The government has taken some policy initiatives to improve the Hydrocarbon sector namely bringing out HELP, for early monetization of CBM, Discovered small fields policy, gas pricing reforms and reforms initiatives to enhance domestic production etc,. The Committee note that the projections for crude oil production in the years to come show a marginal increase from 37.34MMT to 38.34MMT in 2021-22. However, in Natural gas production, it is expected to increase from 35BCM in 2017-18 to 71.92 BCM in 2021-22. This is based on the production from gas discovery by ONGC. The Committee also note that DGH as part of production enhancement policy, one of the option is to enter Production Enhancement Contract (PEC) between oil field services companies and NOC‟s/Pvt.& JV companies. The Committee, while welcoming the policy initiatives taken by Ministry/DGH to improve production of crude oil and natural gas within the country, would like to recommend that all the activities should be regularly monitored so that the desired output is obtained. The Committee also recommend that the Ministry/ DGH should enter Production Enhancement Contracts (PEC) with companies which have expertise in the E&P sector and can bring value to the Indian upstream PSU companies.

The Committee also note that many IOR/EOR schemes have been undertaken by ONGC and OIL for improving the production in their fields. These need to be closely monitored and the expenditure incurred on such schemes should commensurate with the increase in production. The Committee have noted that DGH has prepared a draft policy framework which was hosted online in January, 2018 for seeking comments/ feedback of E&P operators/ stakeholders is currently under examination. The Committee recommend that that Ministry/DGH should finalise and issue the IOR / EOR Policy without delay and also closely monitor the progress made in these schemes to achieve desired results".

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

"The ONGC in its Board Meeting held on 30th November, 2017 approved the Model to engage private companies for the purpose of enhancing production through infusion of New Technology, best-in class International Business and

Process management practices etc. ONGC has initiated the process to award two fields under the Service Model. The OIL has also floated the Expression of Interest (EoI) for Service Contract in respect of 4 field. A Policy Framework on Improved Oil Recovery (IOR) and Enhanced Oil Recovery (IOR) is under consideration".

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Comments of the Committee

22. The Committee had recommended that the Ministry/ DGH should enter Production Enhancement Contracts (PEC) with companies which have expertise in the E&P sector which can bring value to Indian upstream PSU companies to enhance domestic production. The Committee had also recommended that that Ministry/DGH should finalise and issue the IOR / EOR Policy without any delay and also closely monitor the progress made in these schemes to achieve desired results.

The Ministry in its reply has informed that ONGC has initiated the process to award two fields under the Service Model approved in Board meeting held on 30th November, 2017. The OIL have also floated the Expression of Interest (EoI) for Service Contract in respect of 4 fields. A Policy Framework on Improved Oil Recovery (IOR) and Enhanced Oil Recovery (IOR) is under consideration.

The Committee are not satisfied with the progress made by ONGC and OIL to enhance production through infusion of new technology and process management techniques by awarding fields under service model and taking a note that the Ministry/DGH has not finalised and issued to the IOR/EOR policy till date even after the draft policy framework was prepared in January, 2018 for seeking comments/feedback of E&P operators/stakeholders. The Committee, therefore, would like to reiterate their recommendation and would urge the Ministry/DGH to finalise the policy framework on IOR/EOR and enter more Production Enhancement contracts with companies which have expertise in E&P sector without any further delay in the larger interests of the country's energy security.

Recommendation 16

Mode of appointment in Directorate/offices under the Ministry of Petroleum and Natural Gas

23. The Committee had recommended as under:

"The Committee note that the Ministry has many offices under its administrative control like DGH, PPAC, OISD, OIDB, PCRA, CHT etc. Each of these agencies are performing various technical, regulatory, data collection etc. and helps with inputs for policy making by the Ministry. The Committee note that the mode of recruitment in most of these organizations particularly like DGH, OISD, PCRA, CHT and PPAC are all on deputation mode. While the Committee understand that expertise of oil industry is required for technical functions like in DGH, the Committee find that functions of OISD, PCRA and CHT are in domain areas where personnel from outside the oil companies can also be employed. The Committee are of the opinion that there is a conflict of interest when persons from oil and Gas PSUs are appointed on deputation basis to work in these organization where they have to assess, inspect, investigate etc. the very same PSUs to which they belong. The Committee view this as an highly undesirable situation with possible conflict of interest. While this practice could have been acceptable during the early days of these organizations to start them functioning, the same practice can no longer be continued with even after several years of their existence just because it suits the Ministry and the PSUs to escape from their responsibilities and shortcomings. Therefore, the Committee recommend that Ministry should thoroughly review the Recruitment rules in these organizations and Oil PSUs through an independent agency and identify the posts in agencies which are to be filled by personnel from other organizations so that these institutions would get fresh blood and thinking and can meet up to the responsibilities and expectations placed on it".

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

"Review of functioning of various Bodies including Autonomous Bodies under MOPNG is periodically undertaken with the Administrative Division‟s Joint Secretaries in the context of defining the status of these bodies and Rules & Regulations of their operation, as per GFRs and Expenditure Management Commission recommendations. NITI Aayog has also been monitoring the same. Discussions have concerned bodies like PCRA, CHT, SFPL, PPAC and OISD under MOPNG and the possibility of creating umbrella bodies with common cadre such that personnel for these bodies may be separately recruited.

During these reviews, discussions were also held on number of employees and recruitment on deputation from Oil Marketing Companies. Divisional Heads were of the view that since these Bodies are engaged in niche activities, there is a need for personnel in these bodies to be well versed with nuances of Oil & Gas Sector in India. This view was found acceptable as most of the Bodies/Organisations are functioning as technical arms of divisions in MOPNG.

However, based on the concerns raised by the committee, MOPNG would examine the issue, afresh.

Presently, the number of employees in various bodies under MOPNG are as under:-

DGH:-

At present total strength of officers/ Advisors/Consultants/ Associates at DGH is 195.

DGH Strength	Nos.	%
ONGC	114	58.46%
OIL	26	13.33%
GAIL	3	1.54%
HPCL	2	1.03%
IOCL	2	1.03%
BPCL	1	0.51%
GSPC	14	7.18%
Advisors	5	2.56%
Consultants/ Associates	28	14.36%
	195	100.00%

OIDB:-

Recruitment in OIDB is done as per the provisions of OIDB Employees (Recruitment) Regulations and all employees are regular appointees. Total sanctioned strength of OIDB is 32 whereas at present No. of employees in place are 20. Out of 20 there are 2 Central Govt. employees on deputation.

Group	No. of Posts	Employees in place
A	8	6
B	14	10
C	9	4
D	1	-
Total	32	20

CHT:-

Currently, the total strength of CHT (including ED, CHT) is 19. ED, CHT is appointed by MoPNG. However, 13 officers (9 technical and 4 HR/Finance) on deputation from Oil PSUs and 5 retired PSU Technical Experts, who are engaged as Advisors. There is no direct recruitment. Selection of officers on deputation from oil PSUs is based on interviews of the candidates from the list of recommended/willing personnel by PSUs.

SFPL:-

Lone post of Executive Director being operated by SFPL is recruited through press advertisement with required qualification/experience etc. once in every 4-5 years as decided in Governing Council of SFPL. A committee set up by Governing Council of SFPL selects the candidate.

OISD:-

Total strength of OISD is 39 (37 officers and 2 staff). As per decision taken by Safety Council Resolution dated 10th January, 1986, the safety Directorate will be manned by experts from the oil industry, who will be appointed on tenure basis.

PPAC:-

PPAC has a sanctioned strength of 43 employees. At present there are 34 employees, all on deputation from oil and Gas companies for a fix tenure basis except the DG who is from the Govt. of India. The sanctioned strength is as per the gazette notification of 2002.

Table depicting No. Of Employees on deputation from PSU"s in various Bodies under MoPNG:-

Name of bodies	**Group A**	**Group B**	**Group C**	**Group**	**Consultant/ advisors**	**Total**
DGH	111	30	55	-	-	196
OIDB	6	10	4		-	20
CHT	13	-	-	-	5	18
SFPL	1	-	-	-	-	1
PPAC	1	6	23	13	-	43
OISD	37	-	2	-	-	39
PCRA	77	-	-	-	-	77

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25. The Committee while noting the fact that recruitment in organisations like DGH, OISD, PCRA, CHT and PPAC has been on deputation basis and therefore, opined that there was bound to be a conflict of interest when persons from oil PSUs are appointed on deputation basis to work in organizations like DGH, OISD, PCRA, CHT and PPAC to assess, inspect and investigate their own parent oil PSUs where they come from. The Committee, therefore, had recommended that the Ministry should thoroughly review recruitment rules in these organizations and oil PSUs through an independent agency and identify the posts in agencies which are to be filled up by personnel from other organizations so that these institutions would get fresh blood and thinking to discharge responsibilities in an impartial and fair manner.

While describing the procedure being followed by the Ministry to review the functioning of various bodies including autonomous bodies under MoPNG,

it has been stated by the Ministry that NITI Aayog has also been monitoring the same and discussions with bodies concerned such as PCRA, CHT, SFPL, PPAC and OISD under MoPNG and the possibility of creating umbrella body with common cadre so that personnel for these bodies may separately be recruited.

The Committee are also aware that these bodies are engaged in niche activities and there is a need for personnel in these bodies to be well versed with nuances of oil & gas sector in the country but the concern of the Committee regarding conflict of interest are also genuine and require attention. The Committee, therefore, reiterate their recommendation and desire the Ministry, as agreed, to examine the issue afresh and review the recruitment rules for these organisations through an independent agency to form a separate cadre in which personnel for these institutions/bodies are recruited separately so that they can meet up to the responsibilities and expectations placed on it without any conflict of interest. Further, the Committee are of the opinion that efforts should be made to recruit persons from open market on the roles of these organizations/bodies at the entry level and training may be given in various oil PSUs so that over a period of time they will be ready to man senior positions.

Recommendation 18

Oil Major

26. The Committee had recommended as under:

"The Committee note that among the main activities of GAIL is transportation of gas through its pipelines and also marketing of the gas for consumers who needs natural gas. The Committee also note that in the policy issued by the government in 2006, it was envisaged that in the long run with maturity of gas markets, the authorized entities will have transportation of natural gas as their sole business activity and will not have interest in gas marketing or City Gas Distribution Network. In line with the pronounced policy, the Committee observe that GAIL cannot have both transportation of natural gas and gas marketing which is conflict of interest. The Committee have been informed that PNGRB has been asked to look into this issue and to resolve this conflict of interest of GAIL. Considering the push being given for natural gas in the energy mix and for CGD Networks, the Committee recommend that the PNGRB should study the issue thoroughly to split GAIL to resolve conflict of interest and the Ministry should then take an considered decision on the matter.

The Committee also note that the Government had announced its intention of creating of oil Major in the budget announcements of the year 2017-18. In pursuance of this, ONGC had completed its acquisition of HPCL during 2017-18. The Committee a note that some of the oil PSUs like IOCL and BPCL have shown interest in acquiring GAIL. The Committee, therefore, recommend that Ministry should encourage Oil PSU companies to take prudent and commercial decisions in all such matters".

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

"In year 1984, GAIL was established for transportation, processing and marketing of natural gas and for establishing and managing gas pipelines and related installations. At present, GAIL has developed about 11,000 Km long gas pipeline network and is also developing about 3,500 Km long pipelines projects in the country.

In terms of this policy and the provisions of the Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006, all authorized entities including GAIL have to provide mandatory open access to its gas pipeline infrastructure on common carrier principle at non-discriminatory basis, at transportation rates determined by PNGRB. In the year 2006, the Government issued the Policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks.

As per above policy framework, the following two key aspects pertaining to unbundling was noted-

a. Market maturity is critical for initiation regulatory intervention for unbundling; and

b. “Right of first use” of pipeline entities shall cease to exist post unbundling.

In the long run and with the maturing of gas markets, it is envisaged in the policy that the authorized entities will have transportation of natural gas as their sole business activity and will not have any business interest in the gas marketing or city or local gas distribution networks. Government is examining the matter and will take appropriate action accordingly.

The strategic sale of Government of India‟s total paid up equity shareholding of 51.11% in HPCL to ONGC for a total sale consideration of Rs.36,915 crores has been completed on 31.01.2018".

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Comments of the Committee

28. The Committee had observed that GAIL could not have both transportation of natural gas and marketing of gas being a matter of conflict of interests and accordingly, had recommended that the PNGRB should study the issue thoroughly to split GAIL to resolve conflict of interest and that the Ministry should take a considered decision in the matter. The Committee had

also noted that some of the oil PSUs like IOCL and BPCL have shown interest in acquiring GAIL and had therefore, recommended that Ministry should encourage oil PSUs to take prudent and commercial decisions in all such matters.

In its action taken reply, the Ministry has replied that in the long run and with the maturing of gas markets, it is envisaged in the policy that the authorized entities will have transportation of natural gas as their sole business activity and will not have any business interest in the gas marketing or city or local gas distribution networks. Government is examining the matter and will take appropriate action accordingly. However, from the Ministry's reply it is not clear whether PNGRB has given its view to the Government or not on this issue. Moreover, the Committee would also like to point out that the Ministry has also not responded on the issue of interest shown by oil PSUs like IOCL and BPCL in the acquisition of GAIL. The Committee, therefore, reiterate their recommendation and desire that the Ministry should expedite and decide the matter of conflict of interest of GAIL based on the views of PNGRB and also respond to the interest of oil PSUs in acquisition of GAIL. The views and decision of the Ministry should be submitted to the Committee at the earliest.

Recommendation 22

Litigations by oil PSUs

29. The Committee had recommended as under:

"The Committee are dismayed to note that huge amounts of expenditure are being incurred by oil PSUs to fight different legal cases in various courts of law over disputes arising from production sharing agreements, retail outlet dealerships, LPG distributorships and transportation and marketing issues. The Committee have learnt that upstream oil companies like ONGC and Oil India Ltd. have spent Rs. 31.71 crore and Rs. 8.98 crore respectively during the last four years. Further, oil marketing companies like IOCL and BPCL have incurred expenses to the tune of Rs. 27.2 crore and Rs. 16.07 crore respectively during the last four years. Gas Authority of India Ltd. has incurred an amount of Rs. 20.92 crore during the last three years in respect various legal disputes.

In view of the above, the Committee feel that it may not be financially prudent on the part of oil PSUs to incur such huge costs on litigations in courts. Instead, the Committee desire that oil PSUs may better take recourse to mutually agreed arbitration or out of the court settlement process for amicable solutions. The Committee, therefore, recommend the Government to create an internal mechanism to settle various pending disputes through out of the court settlement/arbitration process for saving huge amounts of public expenditure".

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

"All Oil and Gas PSU‟s have taken measures to have mutually agreed arbitration or "Out of Court" Settlement process to tackle litigations. Major steps taken by them are as below:-

1. IOCL

- Settlement of Disputes through mutually agreed Arbitration and Alternative Dispute Resolution Mechanism.
- Out of Court Settlement Process – Amicable Settlement of Disputes through Conciliation.

2. BPCL

- Inclusion of Arbitration clause in dealership/distributorship/E&P contracts/agreements.

3. HPCL

- Inclusion of Arbitration clause in the Agreements.

4. GAIL

- Preventive Dispute Resolution Mechanism (PDRM)" to facilitate decision making at an appropriate time with a collaborative approach through SAMADHAN Committee.
- Settlement Advisory Committee (SAC) to effectively resolve various commercial dispute in time bound and most effective manner.
- Introduced Arbitrator‟s fees schedule by linking payment of fees directly to the actual milestones achieved which encourages the Arbitrators to speed up the whole process of Arbitration.
- A panel of advocate is maintained under GAIL‟s approved and notified fees structure.

5. ONGC

- A conciliation mechanism under the Arbitration and Conciliation Act, 1996 called Outside Expert Conciliation (OEC) to resolve the disputes between the parties within the terms and conditions of the contract. For this panel of experts is maintained.
- A Detailed Guideline on Arbitration including procedure to be followed which is a part of Contracts signed by ONGC with other party.

6. OVL

- Dispute Resolution Mechanism by a well-known institutional arbitration dispute centre like ICC and LCIA.

7. OIL

- Outside Expert Committee to settle disputes amicably.
- Availability of Arbitration Clause in all the commercial contracts.
- Disputes with other PSUs settled under the mechanism of Permanent Machinery of Arbitration (PMA) established by DPE.

8. **EIL**

- Provision of Arbitration as well as Conciliation through Outside Expert Committee (OEC) incorporated in the contracts.

9. **MRPL**

- Implemented Alternate Dispute Resolution (ADR) Mechanism to settle internal disputes arising out of Contracts, if any".

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Comments of the Committee

31. In view of huge financial costs and inordinate delays due to long drawn out litigations in various courts of law, the Committee had suggested that oil PSUs might better take recourse to mutually agreed arbitration or out of the court settlement process for amicable solutions and had recommended the Government to create an internal mechanism to settle various pending disputes through out of court settlement/arbitration process for saving huge amounts of public expenditure.

The Ministry in its action taken reply, has stated that all oil and gas PSUs have taken measures to have mutually agreed arbitrations or out of court settlement process to deal with litigations and accordingly, have mentioned various steps taken by them such as Implemented Alternate Dispute Resolution (ADR) Mechanism, Outside Expert Committee, Outside Expert Conciliation (OEC) and Out of Court Settlement Process etc.

The Committee, however, are not satisfied with the reply as the measures/steps listed out by the Ministry have already been existing in oil PSUs. Even then, the number of litigations have been increasing and huge expenditure is being incurred by them. The Committee, therefore, reiterate their recommendation and desire that some more specific measures should be taken by the PSUs by creating an internal mechanism to settle various pending disputes through out of the court settlement/arbitration process for saving huge amounts of public expenditure by oil PSUs.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation 1

Pradhan Mantri Ujjwala Yojana (PMUY)

The Committee note that one of the important budget announcements for 2018-19 is to increase the coverage of the number of women beneficiaries under Pradhan Mantri Ujjwala Yojana (PMUY) scheme to 8 crore BPL households. The Committee further note that more than 3.38 crore LPG connections have already been released under this scheme so far. Presently, the beneficiaries are identified through the list prepared on the basis of Socio-Economic Caste Census (SECC) 2011. However, during all these seven years, several new households have come into being and significant number of new people have become eligible for availing connection under the scheme. The Ministry has informed that it proposes to expand the scheme covering all SC/ST households beneficiaries of Prime Minister Awas Yojana, forest dwellers, Most Backward Classes (MBC), Tea & ex-tea Garden tribes, etc having no LPG Connection to cover the more number of BPL households and it is in the process of bringing out the guidelines in this regard. The Committee, therefore, recommend that the Ministry should finalise the guidelines at the earliest to expand the Scheme and also consider the inclusion of new households which have come into existence after 2011 so as to make the scheme more inclusive and successful.

REPLY OF THE GOVERNMENT

The Government has issued Revised Scheme Guidelines on 12th March, 2018 for providing free LPG connections to women belonging to the Below Poverty Line (BPL) households under „Pradhan Mantri Ujjwala Yojana" (PMUY) for implementation by Oil Marketing Companies by including additional categories of BPL families in addition to identification from SECC list. As the Government has added additional categories for identification of BPL families, most of the BPL families are expected to be covered under the scheme.

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Comments of the Committee
(Please see Para No. 7 of Chapter-I)

Recommendation 2

Allocation of funds to implement PMUY

The Committee note that the budget allocation for 2017-18 (BE) was Rs. 2500 crore towards expenditure on providing LPG connections to poor households under Prime Minister UjjwalaYojana. However, the RE figures for 2017-18 show that the expenditure has been reduced to 2251.81 crore and this expenditure has already been incurred by 31st December, 2017 itself. The Ministry has mentioned that due to overall ceiling conveyed by the Ministry of Finance for RE 2017-18, the funds for the scheme has been restricted to Rs. 2251.81 crore. The Committee are unhappy with such approach of the Ministry reducing the allocation for PMUY at RE stage. The scheme is being implemented with specific targets providing LPG connections to women of BPL households. Due to non-availability of funds in the last quarter of the Financial Year 2017-18, the pace of implementation of the scheme must have suffered. The Committee take comfort from the allocation of Rs. 3200 crore for the year 2018-19 BE. However, considering the target of 5 crore connections set for PMUY during the current year 2018-19, the Committee opine that more funds will be required for achieving the targets and funds constraint will slow down of the pace of the implementation of the scheme in the middle of the year. The Committee therefore, recommend that the Ministry of P&NG should ensure that there is no constraint of funds during the year 2018-19 and should seek additional funds as soon as the funds allocated at BE 2018-19 is spent.

REPLY OF THE GOVERNMENT

Budget allocation under Pradhan Mantri UjjwalaYojana (PMUY) for the year 2018-19 is Rs. 3200 crore which is sufficient to release 2 crore LPG connections under the Scheme. If additional fund will be required, the same will be taken up with Ministry of Finance at RE stage.

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Comments of the Committee
(Please see Para No. 10 of Chapter-I)

Recommendation 3

Cash Incentive for Kerosene Distribution Reforms and DBTK

The Committee note that the Ministry has been following a two pronged strategy for implementing DBTK for Kerosene. One is to encourage states to join DBTK scheme by either opting for Direct Benefit Transfer (DBT) or taking voluntary cuts in their annual PDS Kerosene allocation and get financial benefits or to opt for both.

The Committee note that Jharkhand is the first state in the country to implement DBTK in all the districts of the state. The states of Haryana, Punjab and Andhra Pradesh have become kerosene free. Further, the UTs of Delhi, Chandigarh, Daman & Diu, Dadra & Nagar Haveli and Puducherry have also become kerosene free. Against the BE of Rs. 150 crore in 2017-18, an amount of 34.25 crore has been spent for 2017-18. The main reason for under utilisation of the budget during 2017-18 was that the quarterly utilisation certificate has not been received from Jharkhand Government from the month of August, 2017. The Committee note that an amount of Rs. 96 crore has been allocated for the year 2018-19 under BE and would recommend the Ministry to monitor the utilisation of funds and follow up with the State Governments concerned.

The Committee note that some of the states are taking voluntary cuts in the annual PDS Kerosene and cash incentives have been provided to them. The Committee note that an amount of Rs. 254 crore have been provided in BE 2018- 19 for this purpose under cash incentive for kerosene distribution. The Committee appreciate the initiative of the Ministry to stop leakages in PDS Kerosene but point out that in some of the states which have taken voluntary cuts, the citizens suffer due to non availability of kerosene which not only serve for their cooking needs but also for illumination purposes particularly in villages and hilly areas. Therefore, the Committee would like to emphasis that while pushing for this reform, the Ministry should ensure that because of these measures, the common man is not affected as kerosene is not freely available in all parts of the country particularly in villages and remote areas. The Committee, therefore, recommend that the Ministry should consider parameters like availability of electricity, availability of LPG and also availability of kerosene freely in open market before allowing the states to accept voluntary cuts to join the scheme.

REPLY OF THE GOVERNMENT

Cash Incentive for Kerosene Distribution Reforms and DBTK

The Government of India (Ministry of Petroleum and Natural Gas) makes allocation of Public Distribution System (PDS) Kerosene to States/UTs on quarterly basis for cooking and lighting purposes only as per Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993. Further distribution of PDS Kerosene within the States/UTs under PDS network to various categories of ration card holders/consumers including the consumers of rural/tribal areas is made by the concerned State/UT. The scale and criteria of distribution are also decided by respective State/UT.

PDS Kerosene allocation of States/UTs have been rationalized since 2010-11, by taking into account the factors such as increase in domestic LPG/PNG connections, increase in electricity coverage, non-lifting of PDS Kerosene quota by the concerned States/UTs etc. These rationalizations are also in line with the recommendation of Ministry of finance, Department of Expenditure‟s Public Finance (Central-I) Division‟s O.M. dated 01.09.2017, inter-alia, stating that the allocation of PDS Kerosene to the States should be brought down gradually through monthly cuts, and distribution of PDS Kerosene should be targeted to the really need beneficiaries.

Marketing of Non-PDS SKO through existing SKO dealer network/parties authorized by State Governments

OMCs have taken the following steps to make Non-PDS SKO available through their SKO dealer network:

A. **Marketing of non-PDS SKO (white Kerosene) in Small packages**: A notification was placed in 4 national Newspapers on 7th & 8th February, 2016 inviting Expression of Interest from parties interested in marketing packaged non-PDS SKO. 13 offers were received on all India basis in response to this notification out of which 4 parties declared that they are ready with packaging facilities. Industry issued LOI to these 4 parties who have given their consent to package and market Non-PDS SKO. Two parties namely M/s Venus Petrochemicals (Bombay) Pvt. Ltd., Mumbai and M/s IFP Petro Products (P) Ltd. Ghaziabad have uplifted product of 264 KL and 46 KL respectively.
B. **Marketing of non-PDS SKO through Parallel marketers**: Consequent to amendment of Kerosene Control Order vide gazette notification dated 19.01.2015, revised procedure for sale of Non-PDS SKO to parallel marketers was hosted on OMC portals effective 15.04.2015 to generate awareness. Parallel marketers were permitted to pack and sell Non-PDS SKO in small

volumes. It is reported that since demand of small packs is limited, most of the quantity uplifted is being sold in bulk.

C. **Marketing of Non-PDS SKO through existing SKO dealer network/parties authorized by State Governments**:

i. Consequent to amendment of Kerosene Control Order vide gazette notification dated 19.01.2015, procedure for sale of Non-PDS SKO by existing SKO dealers was advised to field offices by OMCs for implementation.

ii. During January 2016, SLCs were advised to write to the concerned State Governments for nominating/authorizing dealers for marketing Non-PDS SKO. In response, some State governments have permitted existing SKO dealers/private entities/government bodies to market Non-PDS SKO.

iii. Further, Ministry of Petroleum and Natural Gas vide letter dated 15.07.2016 has advised State Govt./UTs to take suitable steps for allowing marketing of Non-PDS Kerosene in consonance with the amended Kerosene Control Order. During the period April to March, 2018, Dealers/parties marketing Non-PDS SKO have uplifted 1578 KL in various States/UTs.

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Recommendation 5

Pradhan Mantri Urja Ganga Yojana (PMUGY)

The Committee note that the Prime Minister Urja Ganga Yojana is of total length of 2655 KM with the cost of Rs. 12940 crore. 78 per cent of the work has been completed in Section 1 which is of 753 Km length and it is expected to be completed by December 2018 and Section 2 and 3 is planned to be completed progressively from December, 2018 to December, 2020. The Committee note that there have been some issues relating to land acquisition particularly in the State of Bihar which has been taken up with the State Government and the issue is being resolved in close coordination with all parties concerned. The Committee recommend that the Ministry should ensure that the project does not suffer any delay on account of ROU issues and achieve the completion by December, 2018. The Committee also desire that the Budget grant of 2018-19 fixed at Rs. 1674 crore should be fully utilized and if needed, more funds should be made available at RE stage to complete this project.

REPLY OF THE GOVERNMENT

The Government has taken a decision to provide a capital grant of Rs.5176 crore (i.e. 40% of the estimated capital cost of Rs.12,940 Crore) to GAIL for development of a 2655 Km long Jagdishpur-Haldia/Bokaro-Dhamra Gas Pipeline (JHBDPL) project. As per the CCEA approval Rs.1200 crore has been earmarked for F.Y. 2017-18. GAIL vide letter dated 28.08.2017 had informed that due to some constraints faced by GAIL, the fund would not be utilized and requested this Ministry for allocation/revision of fund of Rs.435 Crore for F.Y. 2017-18 as RE. Further, this Ministry vide communication dated 22.01.2018 has informed scheme wise ceiling for FY 2017-18 wherein funds in this project has been revised to Rs.400 Crore for F.Y. 2017-18 as RE and Rs.1674 Crore for F.Y. 2018-19 as BE. Till date Rs.450 Crore has been released to GAIL during F.Y.2016-17 and Rs. 400 Crore during F.Y. 2017-

18. Ministry may review the ceiling amount of Rs. 1674 crores in RE FY 2018-19 if needed and more funds would be made available to complete this project.

Gas supply to Phulpur-Varanasi section of Mainline (JHBDPL) and CGD Varanasi has commissioned on 12.04.2018 with the support of the Ministry and efforts of all stakeholders. There are work disruption issues by naxalites in Gaya and Aurangabad Districts of Bihar and very old land records of Land Possession Certificate (LPC) in Bihar. However, affidavits from landowners are being taken for disbursement of compensation in lieu of LPC if same are not available with them. Work is under progress accordingly.

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Recommendation 6

National Seismic Programme

The Committee note that National Seismic Programme was launched to generate 2D Seismic Survey for initiating E&P activities in all the sedimentary basins of India. This survey work being carried out by ONGC and OIL is proposed to be completed by 2019-20. The total funds for this project is estimated to be Rs. 2932.99 crore. During the year 2016-17, a total of 5671.26 LKM 2D Seismic Survey was conducted on a cost of Rs. 266.94 crore. During 2017-18, an estimated expenditure of Rs. 1287. 26 crore will be spent. In the budget allocation Rs. 1300 crore has been allocated under BE 2018-19 and estimated cost for 2018-19 is Rs. 1272.79 crore. The re-imbursement of expenditure incurred by Oil PSUs towards this programme will be Rs. 300 crore in 2017-18 and remaining amount will be reimbursed in the consequent financial years. The Committee note that the National Seismic Programme is an important exercise in the Indian Hydrocarbon Programme and recommend that the Ministry / DGH should fully utilize the allocated funds and the reimbursement of expenditure incurred by ONGC & OIL should be done fully without undue delay and the Programme should be completed without any time and cost overruns.

REPLY OF THE GOVERNMENT

During the Financial Year 2017-18, a payment of Rs.9.73 Crore has been made to ONGC for reimbursement of cost incurred in carrying out seismic survey under National Seismic Programme (NSP). A budgetary allocation of Rs.1300 crore has been made in BE 2018-19 for the project. ONGC and OIL are continuously working on the project. 21806.70 LKM data acquisition has been completed till March, 2018 under NSP.

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Recommendation 8

Indian Institute of Petroleum Energy/Petroleum University

The Committee observe that an Indian Institute of Petroleum Energy is to be established at Visakhapatnam in accordance with the Andhra Pradesh Reorganisation Act, 2014 with an objective to meet the quantitative and qualitative gap in the supply of skilled manpower in the petroleum sector and promote research activities. The Committee are, however, constrained to note that though the IIPE Act, 2017 has recently been passed by the Parliament and declaring IIPE as an Institution of national importance, the Ministry has not come out with any time-bound schedule for construction and commissioning of the Institute on its own campus at Visakhapatnam. In this regard, the Committee have been informed that the institute is temporarily being run on the campus of Andhra University and its academic activities are being hand held by IIT, Kharagpur and other logistics are being handled by HPCL. The Committee have also been further informed that some aggrieved farmers have resorted to legal recourse in the allocation of some portion of their land for the institute and the issue has not been resolved till date.

The Committee while decrying at the inordinate delay in setting up of IIPE project, desire that the Ministry must accord top priority to the project on war footing level and accordingly, engage proactively with the State Government of Andhra Pradesh for finding an amicable solution with regard to the handing over of the land and also must prepare a clear road map comprising definite annual budgetary outlays and specific deadlines for the construction and commissioning of the Institute on its own campus at Visakhapatnam at the earliest for fulfilling an important commitment made by the Central Government at the time of bifurcation of Andhra Pradesh state.

REPLY OF THE GOVERNMENT

The Government of Andhra Pradesh issued a GO on 9.11.2017 alienating land measuring 201.82 acres at Vangali Village, Sabbavaram Mandal, Visakhapatnam District for the Indian Institute of Petroleum and Energy (IIPE) free of cost. However, the land is yet to be physically handed over to IIPE owing to legal issue from the farmers of the village which is sub-judice in the Hon‟ble High Court of Andhra Pradesh.

The construction activities of IIPE have not started since the land is yet to be handed over by the Government of Andhra Pradesh to IIPE.

It is envisaged that the project will be completed, once the physical possession of the allocated land is handed over to the IIPE. An amount of Rs.32 crore has been allocated for IIPE in the Budget for the year 2018-19. Requests for allocation of more funds will be sent to Finance in Supplementary Demands as per requirements once the construction work is started.

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Recommendation 9

Prices of Petrol and Diesel

The Committee note that after the dismantling of administrative price mechanism, prices of Petrol and Diesel are being revised on a daily basis by the Oil Marketing Companies (OMCs). The actual prices of last 15 days is considered before fixing the prices for the day. The advantages with this system is that the prices are averaged out. The earlier methodology of fortnightly revision was causing supply related issues with the refineries due to predictability of the price revision and distributors could order accordingly which caused loss to refineries. With this daily revision in the prices of diesel and petroleum, the losses to both to the distributor and refineries and the consumers are largely removed.

The Committee note with concern that, even though the OMCs announce daily revision of prices for petrol and diesel, the implementation of the same is not effective particularly when the Retail Outlets are not passing on the reduction in prices to consumers whereas, the increases are passed on immediately to the them. The Committee, therefore, recommend that the Ministry/OMCs should seriously look into the issue and devise a suitable mechanism so that every price revision is passed on to consumers without delay. The Committee also desire that the Ministry/OMCs should also launch an awareness campaign about the pricing methodology being followed by the Oil Marketing Companies and educate the public regarding benefits of the system.

REPLY OF THE GOVERNMENT

Prices of Petrol and Diesel have been made market-determined effective 26.06.2010 and 19.10.2014 respectively. Since then, the Public Sector Oil Marketing Companies (OMCs) namely, Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited take appropriate decision on pricing of Petrol and Diesel in line with international product prices and other market conditions. The Public Sector OMCs increase and decrease the prices accordingly.

Public Sector OMCs have implemented daily revision of retail selling price of Petrol and Diesel in the entire country effective 16th June, 2017. Daily price revisions of Petrol and Diesel make the retail prices more reflective of the current market conditions, minimizing the volatility in the RSP of Petrol and Diesel. Further, it leads to increased transparency in the system and enables smoother flow of products from refinery/depots to Retail Outlets. Public Sector OMCs have decreased the Retail Selling Price of Petrol & Diesel 100 times & 86 times respectively since implementation of Daily revision of RSP of Petrol & Diesel. Decrease in price has been passed on to the consumers.

The Public Sector OMCs have informed that they have established appropriate mechanism to communicate the prices of the Petrol and Diesel on a daily basis through various communication medium such as:

i. Daily updates on their websites,
ii. Update through Mobile Application,
iii. SMS/IVRS,
iv. Display at Retail Outlets

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Recommendation 11

Goods and Service Tax (GST)

The Committee note that GST has been rolled out in the country from 1st July, 2017. Five petroleum products namely crude oil, natural gas, petroleum, diesel and aviation turbine fuels although included under the GST Constitutional Amendment Act are presently outside this scope of levy of GST, till such time they are notified on the recommendations of GST Council. The Committee note that the Petroleum PSU companies are at a disadvantage due to the fact that all their inputs are subject to GST and most of their outputs are not subject to GST causing loss of revenues.

The Committee would like that items like natural gas and aviation turbine fuel may be considered for inclusion under GST at the earliest after assessing their impact of revenues on State Governments. The Committee would desire the Ministry of Petroleum and Natural Gas can work in close coordination with Ministry of Finance so that the states can be taken into confidence for inclusion of the petroleum products under GST.

REPLY OF THE GOVERNMENT

The Goods and Services Tax (GST) has been implemented w.e.f 1.7.2017. Five petroleum sector items viz., Crude Oil, Natural Gas, Petrol, Diesel and Aviation Turbine Fuel (ATF), although included under the GST Constitutional Amendment Act, are presently, outside the scope of levy of GST, till such time they are notified, based on the recommendation of the GST Council.

The concerns of oil and gas industry have been flagged by Ministry of Petroleum & Natural Gas to Ministry of Finance. Ministry of Civil Aviation has also taken up with Ministry of Finance to include Aviation Turbine Fuel in the ambit of GST regime with full input tax credit Thus while, petroleum products are included under GST, the date on which GST shall be levied on such goods shall be as per the decision of the GST Council, which has representation of Ministers-in-charge of Finance or Taxation of all States and Union Territories with Legislature. The Goods and Services Tax Council shall also make recommendations to the Union and the States on the rates for the five „excluded" petroleum sector items.

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Recommendation 13

City Gas Distribution (CGD) Network

The Committee note that the Prime Minister gave a call during Urja Sangam in 2015 that Piped Natural Gas consumers under the City Gas Distribution Network should be increased to one crore by another four years. During the last three years, the number of PNG domestic connections have increased from 28.69 lakh in 2014-15 to 41.17 lakh till January, 2018. The Committee are neither satisfied with the progress made so far in this direction nor with the proposed plans to achieve the targets in the next few year as still close to 60 lakh connections have to be given in the next one year to achieve the targets. The Committee would also like to point out that as the increase in PNG connections will make more LPG connections available for redistribution. Ministry may look to this aspect and plan their activity accordingly. The Committee, therefore, recommend that Ministry/PNGRB should work closely and coordinate effectively with CGD networks in new Geographical Areas (GAs) which are to be awarded to develop City Gas Networks at a faster pace in coming years so as to achieve the targets.

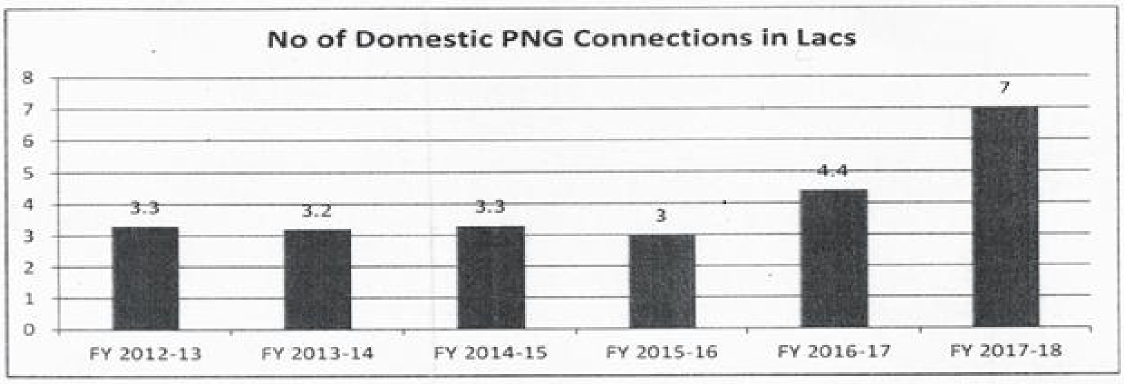
REPLY OF THE GOVERNMENT

The Government has established Petroleum & Natural Gas Regulatory Board (PNGRB) under the PNGRB Act, 2006 in the year 2007 which is the authority to grant authorization for the development of Pipelines and City Gas Distribution (CGD) network in Geographical Areas (GAs). PNGRB authorizes entities to develop City or Local Natural Gas Distribution Network as per PNGRB Act, 2006 and the Regulations notified thereunder. PNGRB identifies the GAs for the development of CGD network depending on the natural gas pipeline connectivity/natural gas availability and techno-commercial feasibility. The list of PNGRB authorized GAs is at Annexure-I and it has webhosted a list of 86 GAs consisting of 174 districts in the country for 9th Round CGD bidding (Annexure-II). Remaining districts are proposed to be covered in subsequent rounds of bidding based on the availability of Natural Gas, Natural gas pipeline connectivity and techno-commercial feasibility. GAIL and other OMCs have been assigned a target to connect 10 lakh new Households with PNG supplies through its subsidiary/Joint Venture CGD companies in their Memorandum of Understanding (MoU) 2018-19.

Government has taken following steps in order to strengthen the Piped Natural Gas (PNG) network across the country:

i. Domestic gas, which is cheaper than imported gas, has been allocated to meet the entire requirement of PNG (Domestic) and Compressed Natural Gas (CNG) (Transport) segments of City Gas Distribution (CGD) sector and it has been kept under no cut category.
ii. Public Utility Status granted to CGD Projects by Ministry of Labour and Employment.
iii. Ministry of Defence has issued guidelines for use of PNG in its residential areas / unit lines
iv. Department of Public Enterprises (DPE) has issued guidelines to Public Sector Enterprises (PSEs) to have the provisions of PNG in their respective residential complexes.
v. Ministry of Housing and Urban Affairs (MoHUA) has issued advisory to State Governments on following aspects, (a) to standardize the Road Restoration/permission charges along with time bound permission in accordance with the local conditions; (b) earmarking of land plot for development of CNG Stations at the planning stage of town/city and same should be specified in the revised Master Plan; and (c) relevant modification in building by-laws for providing gas pipeline infrastructure in residential & commercial buildings at architectural design stage.
vi. Further, MoHUA has directed to Central Public Works Department (CPWD) & National Building Construction Corporation Ltd. (NBCC) to have the provisions of PNG in all Government Residential complexes.

Progress of PNG(Domestic) Connections and capital expenditure of CPSEs is as given under:



Annexure-I

List of Cities covered with CGD network

Sr. No.	State	Nos of GA	Geographical Area	CGD Entity
1	Andhra Pradesh	5	Vijayawada	Bhagyanagar Gas Ltd
2			Kakinada	Bhagyanagar Gas Ltd
3			East Godawari	JV of APGDC & HPCL
4			West Godawari	JV of APGDC & HPCL
5			Krishna	Megha Engineering
6	Assam	1	Upper Assam	Assam Gas Company Limited
7	Bihar	1	Patna	GAIL
8	Delhi	1	Delhi	Indraprastha Gas Limited
9	Goa	2	North Goa	Consortium of GAIL Gas and BPCL
10			South Goa	IOCL-Adani JV
11	Gujarat	22	Surat -Bharuch-Anklashwer	Gujarat Gas Ltd
12			Bhavnagar	Gujarat Gas Ltd
13			Hazira	Gujarat Gas Ltd
14			Jamnagar	Gujarat Gas Ltd
15			Nadiad	Gujarat Gas Ltd
16			Navsari	Gujarat Gas Ltd
17			Rajkot	Gujarat Gas Ltd
18			Surendernagar	Gujarat Gas Ltd
19			Valsad	Gujarat Gas Ltd
20			Gandhinagar	Gujarat Gas Ltd
21			Anand(excluding CGMSL area-including Khambhat)	Gujarat Gas Ltd
22			Panchmahal (including Halol)	Gujarat Gas Ltd
23			Kutch (West)	Gujarat Gas Ltd
24			Amerali	Gujarat Gas Ltd

25			DahejVagraTaluka	Gujarat Gas Ltd
26			Dahod District	Gujarat Gas Ltd
27			Ahmedabad city	Adani Gas Ltd.
28			Gandhinagar-Mehsana-Sabarkantha	Sabarmati Gas Ltd
29			Patan	Sabarmati Gas Ltd
30			Vadodara	Vadodara Gas Ltd(VGL)
31			Anand	Charotar Gas
32			Banaskantha	IRM Energy Pvt Ltd
33	Haryana	8	Rewari	Indraprastha Gas Limited
34			Sonipat	GAIL Gas
35			Faridabad*	Indraprastha Gas Limited
36			Gurgaon*	Indraprastha Gas Limited
37			Panipat	IOCL-Adani JV
38			Yamunanagar	BPCL
39			Karnal	IGL
40			Ambala&Kurukshetra	Consortium of HPCL and OIL
41	Jharkhand	2	Ranchi	GAIL
42			East Singhbhoom	GAIL
43	Karnataka	4	Bengaluru	GAIL Gas
44			Dharwad	IOCL-Adani JV
45			Tumkur	Megha Engineering
46			Belgaum	Megha Engineering
47	Kerala	1	Ernakulam	IOCL-Adani JV
48	Madhya Pradesh	4	Dewas	GAIL Gas
49			Indore (including Ujjain)	Avantika Gas Ltd
50			Gwalior	Avantika Gas Ltd
51			Dhar	PerigonInfratechPvt Ltd
52 &53	Maharashtra	9	Mumbai, Greater Mumbai, Thane City &Adjoining Contiguous area	Mahanagar Gas Limited

54			Raigarh	Mahanagar Gas Limited
55			Thane district excluding existing GA	Gujarat Gas Ltd
56			Pune	Maharashtra Natural Gas Ltd
57			Pune District excluding MNGL area	Mahesh Resources
58			Ratnagiri	Unison EnviroPvt. Limited
59			Solapur	IMC Pvt Ltd.
60			Kolhapur	Consortium of HPCL & OIL
61	Odisha	2	Cuttack	GAIL
62			Khorda	GAIL
63	Punjab	5	Jalandhar	Jay Madhok Energy Pvt Ltd
64			Amritsar	GSPL
65			Bhatinda	GSPL
66			Rupnagar	BPCL
67			Fatehgarh Sahib	IRM Energy Pvt Ltd
68	Puduchery	1	Yanam	KEI-ROSS
69	Rajasthan	1	Kota	GAIL Gas
70	Telangana	1	Hyderabad	Bhagyanagar Gas Ltd
71	Tripura	1	AGARTALA	Tirpua Natural Gas Company Ltd
72	UT	1	Dadra & Nagar Haveli	Gujarat Gas Ltd
73	UT	1	Chandigarh	IOCL-Adani JV
74	UT	1	Daman	IOCL-Adani JV
75	Uttar Pradesh	17	Saharanpur	BPCL
76			GautamBudh Nagar	Indraprastha Gas Limited
77			Ghaziabad	Indraprastha Gas Limited
78			Firozabad (TTZ)	GAIL Gas
79			Meerut	GAIL Gas
80			Khurja	Adani Gas Ltd.
81			Lucknow	Green Gas Ltd

82			Agra	Green Gas Ltd
83			Kanpur	Central UP Gas Ltd
84			Bareilly	Central UP Gas Ltd
85			Jhansi	Central UP Gas Ltd
86			Moradabad	Siti Energy Limited
87			Mathura	Sanwariya Gas
88			Allahabad	IOCL-Adani JV
89			Baghpat	Essel infra
90			Bulandshahr	IOCL-Adani JV
91			Varanasi	GAIL
92	Uttarakhand	2	Udham Singh Nagar	IOCL-Adani JV
93			Haridwar	Haridwar Natural Gas Private Limited. (Consortium of GAIL Gas and BPCL)
94	West Bengal	1	Kolkatta & adjoinging area	Greater Calcutta Gas Supply Corporation Ltd. (GCGSCL)

Note * - Matter sub-judice. At present Adani Gas Limited and Haryana City Gas are operating CGD network in Faridabad & Gurgaon respectively.

Annexure-II

List of Geographical Areas for 9th Round CGD Bidding

SN.	State / UT	Geographical Areas	District Name
1	Andhra Pradesh	Srikakulam, Visakhapatnam & Vizianagarm Districts	Srikakulam
			Visakhapatnam
			Vizianagaram
2	Assam	Cachar, Hailakandi & Karimganj Districts	Cachar
			Hailakandi
			Karimganj
3		Kamrup & Kamrup Metropolitan (Guwahati) Districts	Kamrup
			Kamrup Metropolitan (Guwahati)
4	Bihar	Aurangabad, Kaimur & Rohtas Districts	Aurangabad
			Kairnur
			Rohtas
5		Begusarai District	Begusarai
6		Gaya & Nalanda Districts	Gaya
			Nalanda
7	Daman and Din (UT)	Diu & Gir Somnath Districts	Diu
	Gujarat		GirSomnath
8	Gujarat	Sundernagar District (Except areas already authorized)	Sundernagar-Part
9		Barwala & Ranpur Talukas	Botad-Part District
10		Dangas & Navsari-Part Dist (Except areas already authorized)	Dangs (Ahwa)
11		Junagadh District	Junagadh
12		Mahisagar & Kheda Districts (Except areas already authorized)	Mahisagar&Kheda
13		Narmada (Rajpipla) District	Narmada (Rajpipla)
14		Porbandar District	Porbandar

15	Haryana & Himanchal Pradesh	Panchkula -Part District, Shimla, Solan & Sirmaur Districts (Except areas already authorized)	Panchkula -Part District
			Solan -Part District
			Sirmaur (Sirmour)
			Shimla
16	Haryana	Bhiwani, Charkhi Dadri & Mahendragarh Districts	Bhiwani
			CharkhiDadri
			Mahendragarh
17		Hisar District	Hisar
18		Jhajjar District	Jhajjar
19		Jind & Sonepat Districts (Except areas already authorized)	Jind
			Sonepat -Part District
20		Nuh (Mewat) & Palwal Districts	Nuh (Mewat)
			Palwal
21	Himachal Pradesh	Bilaspur, Hamirpur & Una Districts	Bilaspur
			Hamirpur
			Una
22	Jharkhand	Bokaro, Hazaribagh & Ramgarh Districts	Bokaro
			Hazaribag
			Ramgarh
23		Giridih & Dhanbad Districts	Giridih
			Dhanbad
24	Karnataka	Chitradurga & Devangere Districts	Chitradurga
			Davangere
25		Udupi District	Udupi
26		Balliari & Gadag Districts	Balliari (Bellary)
			Gadag
27		Bidar District	Bidar
28		Dakshina Kannada (Mangaluru) Districts	Dakshina Kannada (Mangaluru)
29		Ramanagara District	Ramanagara

30	Kerala	Kozhikode & wayanad Districts	Kozhikode
			Wayanad
31		Malappuram Districts	Malappuram
32	Kerala & Puducherry (UT)	Kannur, Kasargod & Mahe Districts	Kannur
			Kasaragod
			Mahe (U.T. of Puduchery)
3 3	Kerala	Palakkad & Thrissur Districts	Palakkad
			Thrissur
34	Madhya Pradesh	Bhopal & Rajgarh Districts	Bhopal
			Rajgarh
35		Guna District	Guna
36		Rewa District	Rewa
37		Satna & Shahdol Districts	Satna
			Shahdol
38	Maharashtra	Ahmednagar & Aurangabad Districts	Ahmednagar
			Aurangabad
39		Dhule & Nashik Districts	Dhule
			Nashik
40		Latur & Osmanabad Districts	Latur
			Osmanabad
41		Sangli & Satara Districts	Sangli
			Satara
42		Sindhudurg District	Sindhudurg
43	Odisha	Angul (Talcher) & Dhekanal Districts	Angul (Talcher)
			Dhenkanal
44		Sundergarh & Jharsuguda Districts	Sundargarh
			Jharsuguda
45		Balasore, Bhadrak & Mayurbhanj Districts	Balasore
			Bhadrak

			Mayurbhanj
46		Bargarh, Deogarh (Debagarh) & Sambalpur Districts	Bargarh
			Deogarh (Debagarh)
			Sambalpur
47		Ganjam, Nayagarh & Puri Districts	Ganjam
			Nayagarh
			Puri
48		Jagatsinghpur & Kendrapara Districts	Jagatsinghapur
			Kendrapara
49		Jajpur & Kendujhar (Keonjhar) Districts	Jajpur
			Kendujhar (Keonjhar)
50	Puducherry (UT) & Tamil Nadu	Karaikal & Nagapattinam Districts	Karaikal
			Nagapattinam
51	Puducherry (UT)	Puducherry (Pondicherry) District	Puducherry (Pondicherry)
52	Punjab	Patiala, Sangrur & SAS Nagar (Except areas already authorized) Districts	Patiala
			Sangrur
			Sahibzada Ajit Singh Nagar (Mohali) -Part District
53		Barnala, Ludhiana & Moga Districts	Barnala
			Ludhiana -Part District
			Moga
54		Jalandhar (Except areas already authorized), Kapurthala & SBS Nagar Districts	Jalandhar -Part District
			Kapurthala
			Navvanshahr (Shahid Bhagat Singh Nagar)
55	Rajasthan	Barmer, Jaisalmer & Jodhpur Districts	Barmer
			Jaisalmer
			Jodhpur
56		Alwar (Other than Bhiwadi) & Jaipur Districts	Alvar -Part District
			Jaipur

57		Baran, Kota & Chittorgarh (Only Rawatbhata Taluka) Districts	Baran
			Kota -Part District
			Rawatbhata (Chittorgarh) - Part District
58		Bilwara & Bundi Districts	Bhilwara
			Bundi
59		Chittorgarh (Other than Rawatbhata) & Udaipur Districts	Chittorgarh except Rawatbhata
			Udaipur
60		Dholpur District	Dholpur
61	Tamil Nadu	Kanchipuram District	Kanchipurant
62		Chennai &Tiruvallur Districts	Chennai
			Tiruvallur
63		Coimbatore District	Coimbatore
64		Cuddalore, Nagapatinam & Tiruvarur Districts	Cuddalore
			Nagapattinam
			Tiruvarur (Thiruvarur)
65		Ramanathapuram District	Ramanathapuram
66		Salem District	Salem
67		Tiruppur District	Tiruppur
68	Telangana	Bhadradri, Kothagudem & Khammam Districts	Bhadradri Rothagudem
			Khammam
69		Jagtial, Peddapalle, Karimnagar & Rajanna Sircilla Districts	Jagtial
			Peddapalli
			Karimnagar
			RajannaSircilla
70		Jangaon,JayashankarBoopalpallv. Mahbubabad, Warangal Urban & Warangal Rural Districts	Jangaon
			Jayashankar Bhoopalpally

			Mahabubabad
			Warangal (Rural)
			Warangal (Urban)
71		Medak, Siddipet & Sangareddy Districts	Medak
			Siddipet
			Sangareddy
72		Medchal Rangareddy & Vikarabad Districts	Medchal
			Rangareddy
			Vikarabad
73		Nalgonda, Suryapet & Yadadri Bhuvanagiri Districts	Nalgonda
			Suryapet
			Yadadri Bhuvanagiri
74	Tripura	Gomati District	Gomati
75		West Tripura (Except areas already authorized) District	West Tripura -Part District
76	Uttar Pradesh	Aligarh, Bulandshahr (Except areas already authorized) & Hathras Districts	Aligarh
			Bulandshahr -Part District
			Hathras
77		Allahabad-(Except areas already authorized), Bhadohi & Kausambi Districts	Allahabad -Part District
			Bhadohi
			Kaushambi
78		Amethi (Chatrapati Sahuji Mahraj Nagar), Pratapgarh & Rai Bareli Districts	Amethi (Chatrapati Sahuji Mahraj Nagar)
			Pratapgarh
			RaeBareli
79		Auraiya. Ramabainagar & Etawah Districts	Auraiya
			Kanpur Dehat (Ramabai Nagar)
			Etawah
80		Faizabad & Sultanpur Districts	Faizabad
			Sultanpur

81		Gorakhpur, SantKabir Nagar & Kushinagar	Gorakhpur
			SantKabir Nagar
			Kushinagar (Padrauna)
82		Meerut -(Except areas already authorized). Muzaffarnagar & Shamali Districts	Meerut -Part District
			Muzaffarnagar
			Shamali (Prabuddh Nagar)
83		Moradabad -(Except areas already authorized) District	Moradabad -Part District
84		Unnao -(Except areas already authorized)	Unnao -Part District
85	Uttarakhand	Dehradun District	Dehradun
86	West Bengal	Burdwan (Bardhaman) District	East & West Burdwan (Bardhaman)

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Recommendation 14

Ethanol Blended Petrol

The Committee note that Ethanol Blended Petrol Programme is being implemented by the Ministry/OMCs. The Committee further, note that during the year 2015-16, the actual quantity procured by the OMC"s was 111 crore litres achieving 3.5 per cent blending. However, during 2016-17, the total procurement was only 66.5 crore litres achieving the blending of 2.07 per cent. The lower procurement has been attributed to drought situation in sugar cane producing states like Karnataka and Maharashtra. During the year 2017-18 the tenders have been issued for 313 crore litres of Ethanol and so far 3.28 crore litre have been procured. The Committee have been informed that the OMCs are likely to procure close to 140 crore litres and so this year the procurement is likely to be higher compared to last year. The Committee has also been informed that all the issues related to EBP Programme including pricing have been resolved.

The Committee recommend that the Ministry should make all efforts to intensify the procurement of Ethanol for EBP programme and achieve increasing blending percentage which also help in diversifying energy sources. The Committee also desire that the Ministry/OMCs should seriously look at establishing Second Generation Ethanol Plants so as to diversify its sources for availability of Ethanol and also to improve the blending percentage in the country.

REPLY OF THE GOVERNMENT

In order to improve the availability of ethanol, the Government in December, 2014 introduced the administered price mechanism for procurement of ethanol by OMCs. On 1.11.2017, the Government enhanced the ex-mill price of ethanol for the ethanol supply year 2017-18 at Rs.40.85/per litre. Additionally, GST and transportation charges are being paid by OMCs.

For the ongoing ethanol supply year 2017-18, OMCs have allocated 158.75 crore litres of ethanol which is the highest ever quantity in one single supply year.

Further, Oil PSUs have planned to setup 12 Second Generation (2G) Ethanol Bio-refineries in 11 States of the country. On 07.12.2016, OMCs have entered into 6 MOUs with Technology providers (5 MOUs) and State Govt. (1 MOU) for setting up 2G Ethanol plants at 5 locations namely Dahej (Gujarat), Panipat (Haryana), Bargarh (Odisha), Bina (Madhya Pradesh) and Bathinda (Punjab). HPCL has laid foundation stone for 1st 2G Ethanol Bio-refinery at Bathinda (Punjab) on 25.12.2016.

Detailed Feasibility Report (DFR) for some 2G ethanol biorefineries has been prepared by Oil PSUs. One of the Oil PSU viz. Numaligarh Refinery Limited (NRL), has obtained Environmental Clearance for setting up its plant in Numaligarh (Assam) on 06.11.2017, and agreement to set up Joint Venture with M/s Chempolis, a Finland based company, has been signed.

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Recommendation 15

Refinery in Rajasthan

The Committee note that in order to meet the continuously rising demand of fuel products like petrol and diesel in the country, the refining industry has drawn plans for enhancing crude processing capacity. The refining capacity of the country as on date is 247.6 MMTPA and many green field refinery projects and expansion of existing refineries are also planned. The Committee note that MOP&NG has granted its approval for setting up the Rajasthan Refinery project at Pachpadra in Barmer district of Rajasthan with the Revised Cost Estimate of Rs. 43,129 crore (at February 2017 prices). The Committee note that the works have started and it is likely to be commissioned by 2022. The Committee recommend that Ministry / PSU should monitor these expansion of existing and Greenfield refinery projects including the refinery in Rajasthan so that they are completed within the estimated time and cost.

REPLY OF THE GOVERNMENT

Regular meetings are taken by the Ministry and concerned PSUs to monitor existing and Greenfield Refinery projects including, the Refinery in Rajasthan.

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Recommendation 17

International Cooperation in Petroleum Sector

The Committee observe that oil and gas industry as one of the core sectors of the economy, plays an important role in the country's economic development. Presently, the country is dependent on imports for about 80 percent of its crude oil requirements and around 40 percent in case of natural gas. On the one hand domestic oil and natural gas production has been declining in the country for the last few years, on the other, energy needs of the economy are growing at a faster rate. Further, prevailing geo-political instability in the Gulf region and the volatility of global oil market will have a direct impact on country's energy basket. The Committee feel that India is emerging as one of the fastest growing economies in the world and in this context, excessive dependence on imports on one particular region may not be a good sign for the country's future energy security scenario.

The Committee, therefore, feel that it has become imperative for the country to look beyond traditional oil exporting countries and scout for opportunities for oil and gas in various potential hydrocarbon regions in the world. Further, the Committee firmly believe that ever increasing domestic energy consumption requirements can be met only through diversified means of energy options. The Committee, therefore, desire that the Government must become proactive to encourage national oil companies to pursue equity oil and gas opportunities overseas through consistent oil diplomacy and sustained international cooperation and engagement in petroleum sector with foreign players at various bilateral and multilateral fora for ensuring overall energy security of the country.

REPLY OF THE GOVERNMENT

Ministry of Petroleum & Natural Gas has noted the recommendation of the Standing Committee. MoPNG has been focusing to intensify our bilateral and multilateral engagements with hydrocarbon rich countries. In order to ensure the energy security of our country, Indian oil & gas PSUs are importing oil and gas on long / medium / spot basis from global markets.

Considering the dependency on the Middle East region for India‟s Oil and Gas sourcing, there has been a conscious effort to diversify our sourcing options. For the first time, India imported crude oil from the US. Import of US crude by Indian companies started in Oct 2017. Since Oct 2017, 4 PSUs have placed orders for 11.85 million barrels (approx US$ 730 million at current market prices). The first crude consignment reached Paradip on 2 Oct 2017. Indian companies have together contracted 8 MMTPA of LNG and ethane condensate from the US. The first long term LNG cargo from the US was loaded in GAIL‟s first own chartered ship i.e. “Meridian Spirit” and was received in India on 30th March, 2018.

Further, in order to supplement domestic availability of crude oil and natural gas, MoPNG has been encouraging PSUs to acquire oil & gas assets abroad. Indian Public Sector Oil and Gas companies, till February, 2018, have acquired stake in 27 countries including Australia, Azerbaijan, Bangladesh, Brazil, Canada, Colombia, East Timor, Gabon, Indonesia, Iran, Iraq, Kazakhstan, Libya, Mozambique, Myanmar, Namibia, New Zealand, Nigeria, Russia, South Sudan, Sudan, Syria, United States of America, UAE, Venezuela, Vietnam and Yemen. Recently, an Indian consortium comprising of OVL, IOCL and BPRL acquired 10% PI in the producing Lower Zakhum offshore oil field in UAE and IOCL acquired 17% stake in Makhaizna oilfield in Oman.

During the year 2017-18, the share of equity oil and gas for Indian PSUs from overseas assets was approx. 25.18 MMTOE.

Based on the specific business requirements, oil & gas PSUs enter into agreements (MoUs, other commercial / definitive agreement) with their foreign counterparts under intimation to MoPNG. Based on agreed interests MoPNG also enter into MoUs with partner countries for mutual benefit. The MoUs are renewed on a regular basis.

India is also actively engaged in multilateral cooperation in the hydrocarbon sector with International agencies like OPEC, IEA, IEF (International Energy Forum), GECF etc. India and OPEC have set up Institutional Dialogue since May 2015. India has become Association Country of IEA in March 2017 and is working closely with IEF to further its energy diplomacy. India, hosted the 16th International Energy Forum Ministerial Meeting at New Delhi from 10-12 April 2018. Hon"ble Prime Minister inaugurated the event on 11thApril and External Affairs Minister delivered the valedictory address on 12th April 2018. The meeting saw participation from 53 countries out of which 38 were at Ministerial level, over 17 International Organization, 10 represented at the level of Heads of these International Organizations, over 24 CEOs and total over 1345 delegates including 638 overseas delegates.

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Recommendation 19

Bio Fuels Policy

The Committee note that the Ministry of P&NG has been mandated the responsibility of to allocate 1(i) overall coordination concerning bio fuels preparing National Policy of Bio Fuels, marketing, distributions, retailing, supporting manufacturing, blending and setting up of National Bio Fuel Development Board etc. The Committee note that the Oil PSUs are establishing 12 second generation Ethanol Petrol Oil Refineries across 11 states at a cost of Rs. 10,000 crore to ensure the availability of Ethanol towards blending. The Committee also note that the government vide notification dated 29 June, 2017 has allowed direct sale of Bio Diesel for blending with high speed diesel to all consumers. At present, per liter of Ethanol has been fixed at Rs. 40.85 per liter which is roughly Rs. 10 more than the price of petrol . The cost of Ethanol from these second generation bio refineries is likely to be more than the Ethanol from molasses. The Committee have a view that the sugar cane juice should be utilised for production of Ethanol for blending whenever there is excess production of sugarcane in the country. The Ministry has stated that it is proposing this in the new Bio Fuel Policy which is being finalised. The Committee, therefore, recommend that the Ministry should consult all stakeholders and finalise the new Bio Fuel Policy at the earliest so that the Ethanol Blending Programme and Bio Fuel Programme can be implemented successfully.

REPLY OF THE GOVERNMENT

The Government has approved the National Policy on Biofuels – 2018. Same has been notified on 8.6.2018. This policy is expected to give boost to the implementation of Biofuel Programme as it expands the scope of raw material for ethanol production.

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Recommendation 20

CBM / NGHP / Shale Gas

The Committee note that the Ministry/DGH has been trying to increase the production of crude oil and natural gas and many policy initiatives have been taken in the recent past particularly with regard to Coal Bed Methane (CBM). The production from CBM is likely to increase from 3.45 MMSCMD IN 2017-18 TO 6.88 MMSCMD in 2018-19 and projected to reach 9.40 MMSCMD in 2021-22. The Committee note that the CBM policy is bearing fruit and would like to await the actual production figures. The Committee would like to recommend that the Ministry / DGH should explore the possibility of CBM extraction obtaining new areas in coal mines.

The Committee note that the country has rich gas hydrates reserves. NGHP-02 has discovered gas-hydrate-bearing sand reservoir system in the offshore Krishna Godavari basin. Simulation studies for identifying potential gas hydrate reservoir are being conducted to establish the possible techniques / methodology to produce natural gas from gas hydrates. But the decision in respect of entering into the NGHP-Expedition-03, has been delayed. Similarly, very less effort has been made to ascertain the potential of Shale gas, in the country during the last two years.

The Committee, therefore, observe that almost no effort on the part of Ministry / DGH has been made to quickly harness these resources to meet the energy needs of the country. There is no mention of Gas Hydrates and shale gas in strategy to achieve reduction of import dependence by 2022. The Committee therefore, recommend that the Ministry / DGH should focus their approach in harnessing these energy sources at the earliest and a mission mode approach needs to be adopted.

REPLY OF THE GOVERNMENT

Requisite information is as under:-

1. National Gas Hydrate Programme:

NGHP-02 commenced on 3rd March 2015 for data acquisition operations in Krishna Godavari and Mahanadi deep offshore areas and was completed on 28th July 2015. During NGHP Expedition 02, 42 wells (25 wells for LWD/MWD & 17 wells for Coring and other studies) were completed. Two Gas Hydrate sand reservoirs were identified, which may be potential site(s) for pilot production testing. Efforts are being made to harness these resources in techno economically feasible way.

An Advisory Committee under the chairmanship of Director General, Directorate General of Hydrocarbons (DGH), comprising of five International experts from USA and Japan has been constituted. The First meeting of Advisory Committee of

International experts held in December, 2016, reviewed the data generated from NGHP-Expedition-02. Advisory committee has suggested to develop R&D capabilities through domestic and international (Japan, USA, etc.) partnerships with sustained support of industry and academic research institutions engaged in Gas Hydrate research and trained staff for the development of Gas Hydrates in India. Advisory committee opined that the objective of the pilot production test should be understanding of process and not the commerciality. The results have been deliberated and approved by Steering committee of NGHP headed by Secretary, P&NG held in October 2017.

The studies for the reservoir characterization and production modelling are carried out by U. S. Department of Energy (USDOE/USGS) using the parameters calculated from the study of samples collected during NGHP-Expedition-02. The results of studies completed so far and possibilities/way forward of venturing into next expedition was discussed in the 2nd meeting of Advisory committee held in April, 2018.

2. <u>Coal Bed Methane (CBM):</u>

Pursuant to CBM policy notification dated 11.04.2017, CBM production has ramped up to 2.23 MMSCMD (Feb. 2018) during FY 2017-18 compared to previous year production. this production is from four CBM blocks which includes incidental production from CBM block Jharia which is operated by ONGC and commercial production from 3 CBM blocks Raniganj South, Raniganj East, & Sohagpur West.

The total CBM production is expected to be around 4.93 MMSCMD by the year 2018-19.

Taking into cognizance of existing GGS facility and infrastructure, it is envisaged that production is likely to be increased from three blocks namely RG (E), SP (W) and RG (S). Production projection from major producing blocks for next few years are given below:-

All figures in MMSCMD

Sl. No.	Block	Operator	Actual 1016-16	Actual 2016-17	Actual 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY2020-21
1	Jharia	ONGC	0.005	0.008	0.007	0.056	0.167	0.236
2	Raniganj (North)	ONGC	0.000	0.000	0.000	0.000	0.000	0.000
3	BK-CBM - 2001/1	ONGC	0.000	0.000	0.000	0.156	0.438	0.723
4	NK-CBM - 2001/1	ONGC	0.000	0.000	0.000	0.144	0.211	0.269
5	Raniganj (South)	GEECL	0.418	0.465	0.563	0.607	0.740	0.836
6	RG(East - CBM-2001/1	EOL	0.646	1.056	0.733	1.507	2.025	2.449
7	SP(West-CBM-2001/1	RIL	0.004	0.017	0.931	2.46	2.663	2.780
	Total		1.07	1.546	2.234	4.93	6.24	7.29

3. Shale Gas & Oil:

To tap the unexplored Shale Gas and Oil potential in India, Government notified the Shale gas and Oil exploration policy on 14th October 2013 for National Oil Companies (NOC). The objective of policy was to initiate and provide impetus to shale oil and gas exploration efforts. Under the policy ONGC and OIL were mandated to carry out exploration in three phases in their nomination ML areas. The first phase of Shale Gas Assessment Studies completed in April, 2017. ONGC identified 50 blocks in 4 basins i.e. Assam, KG, Cauvery and Cambay basin. So far ONGC has drilled 22 wells in 18 blocks of these basins. OIL has drilled 1 well in Jaisalmer Basin.

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Recommendation 21

Internal and Extra Budgetary Resources (I&EBR) of Oil PSUs

The Committee note that the actual IEBR expenditure of all oil PSUs in general in E&P sector in the year 2016-17 was 72,382.82 crore. In the year 2017- 18, the BE figures were Rs. 52749.13 and RE figures were Rs. 53960.97. The BE for the E&P sector for the current financial year 2018-19 has been reduced to Rs. 48064.15 crore. The Committee are concerned at such variation in figures of BE, RE and actuals in the last three years and this variation reflects poor planning on the part of oil PSUs. If sectoral allocations are analysed, it may be seen that there is substantial variation in allocations for 'Refinery and Marketing' sector and 'Petrochemicals' sector. The actual expenditure during 2016-17 in 'Refinery and Marketing' sector was Rs. 30,523.67 crore and at BE stage of 2017-18 the allocation was increased to Rs. 31796.82 crore at RE stage and the same was further increased to Rs. 35838.16 in BE 2018-19. In case of 'Petrochemicals' sector', Rs. 1445.80 crore were the actuals during 2016-17 and the same was reduced to Rs. 1431.33 in BE 2017-18 and Rs.2156.48 at RE stage and the actuals of the same was Rs. 2048.02 upto December, 2017. Further, the allocation during BE 2018-19 in Petrochemicals sector has witnessed twofold increase at Rs. 3952.14.

In case of individual IEBR of oil PSUs, some variations have been found. In respect of various E&P activities of ONGC, Rs. 29,968 crore were allocated at BE 2017-18 and it was increased to 24% i.e. Rs. 37,218 crore at the RE stage. Further, the actual expenditure of ONGC upto December, 2017 was Rs. 26,498 crore and the same has been increased to Rs. 32,077 crore at BE 2018-19. In the case of Oil India Limited Rs. 11381.89 crore was allocated at BE stage of 2016-17 and the same was increased to 49% at RE stage of the same year i.e. Rs. 17012.73 crore and the actual expenditure was Rs. 11083.24 crore. Further, at BE stage of 2017- 18 it was Rs. 9252.34 crore was allocated but the actual expenditure was only Rs. 7213.78 crore. For the current financial year 2018-19 in respect of Oil India Ltd. Rs. 4299.99 crore was allocated at BE stage. In respect of BPCL the actual expenditure incurred for various activities upto December, 2017 was Rs. 4371.58 crore as against Rs. 7100.64 crore at BE 2017-18. The same for the current financial year 2018-19 it has been increased to Rs. 7400.00 crore. In respect of EIL the allocation at BE stage of 2017-18 was Rs. 218 crore and the same was revised to Rs. 171 crore at RE stage and the actual expenditure upto December, 2017 was Rs. 82 crore only. For the current financial year 2018-19, Rs. 233 crore was allocated reflecting variations during the last two years.

The Committee are unhappy to find substantial variations in allocations and expenditure of IEBR of PSUs particularly in PSUs like GAIL and ONGC and IOC where there is substantial variation in figures of BE and RE under the Exploration & Production sector. The Committee therefore, feel that these variations reflect poor planning and lack of fiscal discipline on the part of Maharatna PSUs. The Committee would also like the Oil PSU to pursue cost efficiency measures and reduce administrative overheads in their activities as part of their overall financial management. The Committee accordingly, recommend that financial estimates of oil PSUs must be prepared with adequate care to avoid such wide variations. The Committee also desire that the activities proposed for a particular year in respect of PSUs for which funds have been allocated should normally be undertaken in the same financial year.

REPLY OF THE GOVERNMENT

During year 2016-17 the actual IEBR of Rs.104426.04 crore was utilized by the concerned oil and gas CPSEs against BE of Rs. Rs.87214.56 crore. During 2017-18, against BE (IEBR) Rs. 86027.28 crore and RE of Rs.87384.00 crore, oil and gas CPSEs utilized Rs.128980.53 crore (provisional) till March, 2018. Sector-wise summary is as follows:

Rs. In crore

Sector	2016-17	2017-18			2018-19
	Actual	BE	RE	Actual *	BE
Exploration and Production	72383	52749	53961	57486**	48064
Refinery and Marketing	30524	31797	31202	68246***	35838
Petrochemicals	1446	1431	2156	3171	3952
Engineering	74	50	65	78	1481
Total	**104427**	**86027**	**87384**	**128981**	**89335**

* = Provisional.

** = Includes payment of Rs.7534.21 crore for acquisition of GSPC"s stake in DDW Field
*** = Includes payment of Rs.36915 crore for buying stakes in HPCL

The main reasons for higher BE during 2018-19 under petrochemicals is due to provision kept for fuel upgradation projects by IOCL and execution of propylene derivative petrochemical project by BPCL. CPSE-wise actual expenditure during 2016-17, BE, RE and actual expenditure during 2017-18 and BE for 2018-19 is given over leaf:

Internal and Extra Budgetary Resources (I& EBR)- Actual for 2016-17, BE & RE for 2017-18 and BE 2018-19					
		(As on 25.04.18)			(Rs. in crore)
Name of the CPSEs	**2016-17**	**2017-18**			**2018-19**
	Actual Expdtr.	**BE**	**RE**	**Actual Expdtr. ***	**BE**
ONGC #	28006.41	29967.82	37217.76	72383.00	32077.12

GAIL	1814.05	2053.00	3309.00	3612.63	4722.00
HPCL	5757.26	7110.00	7110.00	7134.19	8425.00
BPCL	16948.55	7100.64	7800.00	8161.14	7400.00
IOCL	20736.93	20161.79	18848.75	20345.21	22862.34
OIL $	11083.24	9252.34	4262.74	8395.17	4299.99
ONGC-Videsh	17616.99	7087.99	6393.00	6240.18	5886.00
CPCL	1269.11	845.00	865.00	963.49	1010.00
NRL (&)	503.35	1260.95	375.00	386.59	428.00
MRPL	616.40	1137.75	1137.75	1281.31	744.00
Balmer Lawrie	73.75	50.00	65.00	77.62	125.00
EIL ^	0.00	0.00	0.00	0.00	1355.64
Total	**104426.04**	**86027.28**	**87384.00**	**128980.53**	**89335.09**
* = Provisional and includes expenditure on investment in JV/Subsidiaries					
# = Includes payments for acquisition of GSPC's stake in DDW Field (Rs.7534.21 crore) and HPCL stake of Rs.36915 crore. Out of Rs.36915 crore towards HPCL stake acquisition, Rs.24876 crore is from domestic borrowings. $ = Out of total IEBR of Rs.9252.34 crore, total CAPEX (including JV/Subsidiaries) investment is Rs.4289.56 crore. The actual expenditure includes Rs.4755.41 crore on account of adjustments made for 2016-17 (CAPEX, dividend) and equity contribution on overseas subsidiaries for Russia and buyback of shares.					
*** = Rs.700 crore proposed for petrochemicals which was not accounted for in BE 2017-18 due to an error has been incorporated in RE for 2017-18, taking its total IEBR to Rs.7800 crore.					
(&) = Against total IEBR of Rs.1260.95 crore, total CAPEX for 2017-18 was Rs.375 crore against which Rs.386.59 crore utilised.					
^ = Included first time for IEBR review.					

Reasons for variations in BE & RE for 2017-18 and BE for 2018-19 as compared to actual expenditure during 2016-17 for E&P, Refinery & Marketing and Petrochemicals sectors are given below:-

Exploration & Production Sector:

- The budget requirement of E&P Sector depends on the level of activities planned in various fields which is function of the prospectivity and availability of various resources. The cost structure varies from field to field depending upon the depth of the well, topography, whether on-land, shallow or deep water etc. Further various development schemes are approved from time to time having different approved cost. The actual expenditure and budget varies depending upon the timing of execution of such schemes. Hence the expenditure/budget on year to year basis may not be consistent.

- Capex planned to spend in acquiring assts in overseas mostly in Joint ventures with other international partners depends upon the annual work plan as agreed by consortium/work commitments to host Government. As such CAPEX is a reflection of agreed annual work plan.
- The work plan for different years is not the same over different years and undergoes changes depending on the „phase" of the project in its „lifecycle". i.e. from seismic exploration surveys to drilling to development/construction to production. Once a project commences production, the incremental yearly capex reduces significantly. Further capex in a project would occur only if there is any further expansion of the project.
- Actual expenditure during 2016-17 under E&P sector was higher (Rs.72382.82 crore) against BE (Rs.60131.45 crore) due to acquisition of Russian assets by OIL, IOCL, BPCL and OVL acquiring 26% stake in Vankorneft (A company holding interest in oil & gas field in Russia).

Refining & Marketing Sector:

- Under Refining and Marketing sector, some of the downstream sector CPSEs have provisions made in BE 2017-18 and BE 2018-19 for projects related to fuel quality upgradation (BS-IV & BS-VI). Since BPCL executed a major project i.e. Integrated Refinery Expansion Project (IREP) at Kochi Refinery in 2016-17, it utilised higher amount in 2016-17 as compared to BE allocated for 2018-19. During 2017-18, BPCL has utilized Rs.5883.08 crore to implement refining and marketing projects/activities. However, IEBR/CAPEX is proposed based on ongoing projects and also expenditure in relation to new viable projects to be implemented.

Petrochemicals Sector:

- The main reason in variation under Petrochemicals sector was an amount of Rs.700 crore proposed by BPCL not accounted for in BE 2017-18, due to an inadvertent error in the Budget Document 2017-18. The same was however, incorporated in RE for 2017-18, taking the total IEBR of BPCL to Rs.7800 crore and that for petrochemicals sector to Rs.2156.48 crore. IOCL has proposed BE for 2018-19 as Rs.2122.14 crore against actual expenditure of Rs.798.10 crore for 2016-17 and Rs.2417.65 crore in 2017-18 worked out based on the project status and new opportunities in hand and also as and when they arise. The main reasons for higher BE during 2018-19 under petrochemicals is due to the provision kept for fuel upgradation projects by IOCL and execution of propylene derivative petrochemical project by BPCL.

Reasons in variation in BE & RE for 2017-18, BE for 2018-19 as compared actual expenditure during 2016-17 in respect of ONGC, OIL, BPCL, GAIL, IOCL & EIL:

ONGC:

In RE 2017-18, the CAPEX is higher at Rs.37,218 crore as the same includes Rs.7,560 crore towards acquisition cost of 80% stake in DDW field from GSPC. The said transaction was not a part of BE 17-18 CAPEX. Meanwhile on 31.01.2018, ONGC has also acquired controlling stake in HPCL for which Rs. 36,915 crore has been paid to Govt. of India. Considering these two transactions, actual expenditure during 2017-18 is Rs. 74,133 crore.

OIL:

Actual CAPEX of OIL for 2016-17 was Rs. 11,083.24 crore which included investment of Rs. 6,746.59 crore in new acquisitions in Russian assets. Excluding this investment in new acquisitions, the remaining normal actual CAPEX during 2016-17 was Rs. 4,336.65 crore. IEBR (BE) for 2017-18 was Rs. 9,252.34 crore which includes CAPEX of Rs 4289.56 crore. CAPEX was marginally revised to Rs.4,262.74 crore at 2017-18 (RE) stage. As against the CAPEX of Rs. 4,262.74 crore for 2017-18 (RE), the actual CAPEX till March, 2018 is Rs.3639.77 crore out of actual total IEBR of Rs.8395.17 crore. The CAPEX for 2018-19 (BE) has been kept at Rs. 4,299.99 crore. As may be seen from the details above, there is not much significant variation between actual CAPEX (excluding investment in new acquisitions) for 2016-17 and CAPEX for 2017-18 (RE) and 2018-19 (BE).

GAIL:

Actual expenditure of GAILin 2016-17 was Rs.1814.05 crore. During 2017-18, BE and RE is Rs.2053 crore and 3309.00 crore respectively. Against the BE & RE for 2017-18, Rs. 3612.63 crore have been utilized upto March, 2018 which exclude Rs.400 crore of Govt. grant as GBS for Jagdishpur-Haldia-Bokaro-Dhamra Pipeline (JHBDPL). Total CAPEX in BE 2017-18 is Rs.3253 crore which includes Rs.1200 crore as GBS for JHBDPL project. However, GAIL received Rs.400 crore as Central Grant (GBS) against a BE of Rs.1200 crore and RE of Rs.435 crore, which is not included in actual expenditure (IEBR). BE for 2018-19 is proposed of Rs. 4722 crore which does not include GBS (BE) of Rs.1674 crore.

Reason for increase in CAPEX in Exploration & Production sectoris mainly due to increase in capital outlay towards Pipelines such as Jagdishpur-Haldia-Bokaro-Dhamra Pipeline (JHPL), Kochi-Koottanad-Bangalore-Mangalore Pipeline (KKBMPL), Vijaipur-Auraiya-Phulpur Pipeline, etc. Further, there is decrease in Capex in Petrochemicals sector due to completion of Solar rooftop at Pata Petrochemical Plant during 2017-18 and decrease in Operational capex requirement in Petrochemical Plant.

BPCL:

Expenditure is higher in 2016-17 under exploration and production sector due to major investment in Russian blocks. During 2017-18, expenditure is in line with cash calls and new investments in Offshore, Abu Dhabi. 2018-19 BE is in line with cash calls and progress of work envisaged.

BPCL has executed major projects viz; Integrated Refinery Expansion Project (IREP) at Kochi Refinery with approved project cost of Rs.16504 crore in 2016-17. The project was mechanically completed in March 2017 and expenditure was Rs.3472 crore in 2016-17 and around Rs.500 crore in 2017-18. Also the BE 2018-19 for Refining and Marketing is lower as currently major project is in progress under Petrochemical sector in Kochi. Other projects are scheduled for completion in 2019-20 onwards. BPCL is executing Propylene Derivative Petrochemical Project (PDPP) at Kochi Refinery. The project is now at construction stage and equipment are being received. Based on the status of project, IEBR of Rs.1700 crore has been planned in 2018-19 which is higher than previous years.

It may be relevant to reiterate that Rs.700 crore proposed for petrochemicals by BPCL could not be accounted for in BE 2017-18 due to an inadvertent error in the Budget Document 2017-18. This has since been incorporated in RE for 2017-18, taking total IEBR of BPCL to Rs.7800 crore.

IOCL:

Reasons for variations in BE & RE for 2017-18 and BE for 2018-19 as compared to actual expenditure during 2016-17 for Exploration & Production, Refinery & Marketing and Petrochemicals sectors. The main reasons for variation;

- Total BE 2017-18 is in line with Actual 2016-17. E&P Actual 2016-17 is higher than BE 2017-18 mainly due to acquisition of Russian assets during 2016-17,
- Total RE 2017-18 is less than BE 2017-18 mainly due to non materialization of overseas E&P asset acquisition.
- Total BE 2018-19 is more than Actual 2016-17 mainly due to provisions kept for projects related to fuel quality upgradation. E&P BE 2018-19 is less than Actual 2016-17 as BE 2018-19 has been worked out based on the project status and opportunities in hand which is on a reduced scale as compared to BE/RE 2017-18.
  However, IOCL is on the lookout for new opportunities and as & when they arise, CAPEX towards the same would be financed through internal resources.

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CHAPTER III

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

-NIL-

CHAPTER IV

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

Recommendation 10

Reduction in Import Dependence

The Committee note that with the Prime Minister in his address during Urja Sangam 2015 had called for reduction in import dependence on crude oil by 10 percent by 2021-22. The Committee have been informed that a five pronged strategy for achieving this or towards the road map for reduction of import of crude oil dependence. An Integrated Monitoring and Advisory Council (IMAC) has been constituted under the chairmanship of Hon'ble Minister of Petroleum and Natural Gas and consisting of senior officials from other Ministry / Departments to implement the strategy. The Committee had held a meeting on 19.07.2017 and decided to expand the IMAC. The report prepared by Ministry of Petroleum and Natural Gas on road map to reduce import dependency has been circulated to the existing and potential new members of IMAC for their review/suggestions and their respective action plan of the road map. The Committee would like to point out that it is almost three years since the Prime Minister had made this call and less progress is seen on the ground. The Committee want the Ministry to take all steps to achieve this national objective and it should be viewed as an achievable target and surpass the percentage of import dependence of crude oil by the targeted date. The Committee are of the view that the Ministry has restricted this exercise within the Ministry and have not involved other concerned Ministries/Agencies in achieving this objective. The Committee would also like to point out that lack of mention of harnessing gas hydrates and of shale gas as an energy resource in the strategy are some of the imminent gaps that can be seen in the road map prepared by the Ministry. The Committee would therefore expect the Ministry to aggressively explore these energy sources also to achieve the above objective. The Committee are of the view that more work needs to be done towards implementation and would recommend more effective and quick policy decisions on the ground towards achieving this goal.

REPLY OF THE GOVERNMENT

The roadmap to achieve the target to reduce the dependency on import in energy from oil and gas by 10% by 2021-22 envisages multi-pronged strategy spanning across many sectors in general, given backward and forward linkages and energy consuming sectors in particular. Keeping in view the need to work in a collaborative manner with various Central Government Ministries, an Integrated Monitoring and Advisory Council (IMAC) has been constituted, under the chairmanship of Hon'ble Minister of Petroleum and Natural Gas, consisting of senior officials including those from other Ministries/Departments and since broad based, to include energy consuming Ministries, to implement the strategy.

During the meeting, MoP&NG highlighted major policy initiatives taken in the recent past to enhance domestic production of oil and gas. Inter-alia, this included initiatives like resource re-assessment, National Data Repository (NDR), Open Acreage Licensing Policy (OALP), Hydrocarbon Exploration Licensing Policy (HELP), Discovered Small Fields Policy, tapping unconventional sources such as Coal Bed Methane (CBM) and Shale Gas besides enhancing production of bio-diesel and increased use of PNG and LPG. The representatives of member Ministries, inter-alia, explained policies, schemes and project initiatives taken by them towards augmenting the supply of energy, energy saving and demand substitution / reduction through alternate modes.

Shale gas resource exploration is at a nascent stage in India. With a view to impart some momentum to the untapped potential of shale gas/oil resource as part of the energy basket, Government notified the Shale gas and Oil exploration policy on 14thOctober 2013 for National Oil Companies (NOC). The policy mandated ONGC and OIL to carry out exploration in a phase-wise manner in nomination mining lease (ML) areas of ONGC and OIL. The first phase of shale gas assessment studies were completed in April 2017. ONGC identified 50 blocks in 4 basins viz; Assam, Krishna Godavari, Cauvery and Cambay basins. So far, ONGC has drilled 22 wells in 18 blocks of these basins. OIL has drilled 1 well in Jaisalmer basin. With the implementation of HELP/OALP on 10th March 2016, a single license for exploration and exploitation of not only conventional hydrocarbons but also non-conventional hydrocarbon resources like Shale Gas, Coal Bed Methane (CBM), etc. would be required.

As regards Gas Hydrates, the National Gas Hydrates Programme (NGHP-02) commenced on 3rd March 2015 for data acquisition operations in Krishna Godavari and Mahanadi deep offshore areas and was completed on 28th July 2015. During NGHP Expedition 02, 42 wells were completed. Two Gas Hydrate sand reservoirs were identified for pilot production testing. Efforts are being made to harness these resources in techno economically feasible way.

The Advisory Committee set up under the chairmanship of Director General, Directorate General of Hydrocarbons (DGH) and comprising of five International experts from USA and Japan held meetings in December 2016 and in April 2018 to review the data generated from NGHP-Expedition-02 and deliberate on the results of studies completed so far on reservoir characterization and production modelling and possibilities/way forward.

In order to harness Coal Bed Methane (CBM) potential in the country, permission of extraction of CBM to Coal India Limited (CIL) & its subsidiaries in coal mines area has been granted. Further to expedite the exploration and exploitation of CBM, enhance the availability of natural gas and reduce the gap in demand and supply of natural gas. Coal India Limited (CIL) and its subsidiaries need not apply for grant of license/lease under the PNG Rules, 1959 for extraction of Coal Bed Methane (CBM) under their Coal Bearing Areas.

Ministry of Petroleum & Natural Gas
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Comments of the Committee
(Please see Para No. 19 of Chapter-I)

Recommendation 12

Exploration and Production of Oil and Gas

The Committee note that the crude oil production has stagnated for the last several years which is a matter of serious concern. The government has taken some policy initiatives to improve the Hydrocarbon sector namely bringing out HELP, for early monetization of CBM, Discovered small fields policy, gas pricing reforms and reforms initiatives to enhance domestic production etc,. The committee note that the projections for crude oil production in the years to come show a marginal increase from 37.34MMT to 38.34MMT in 2021-22. However, in Natural gas production, it is expected to increase from 35BCM in 2017-18 to 71.92 BCM in 2021-22. This is based on the production from gas discovery by ONGC. The Committee also note that DGH as part of production enhancement policy, one of the option is to enter Production Enhancement Contract (PEC) between oil field services companies and NOC"s/Pvt.& JV companies. The Committee while welcoming the policy initiatives taken by Ministry/DGH to improve production of crude oil and natural gas within the country, would like to recommend that all the activities should be regularly monitored so that the desired output is obtained. The Committee also recommend that the Ministry/ DGH should enter Production Enhancement Contracts (PEC) with companies which have expertise in the E&P sector and can bring value to the Indian upstream PSU companies.

The Committee also note that many IOR / EOR schemes have been undertaken by ONGC and OIL for improving the production in their fields. These need to be closely monitored and the expenditure incurred on such schemes should commensurate with the increase in production. The Committee have noted that DGH has prepared a draft policy framework which was hosted online in January, 2018 for seeking comments/ feedback of E&P operators/ stakeholders is currently under examination. The Committee recommend that that Ministry/DGH should finalise and issue the IOR / EOR Policy without delay and also closely monitor the progress made in these schemes to achieve desired results.

REPLY OF THE GOVERNMENT

The ONGC in its Board Meeting held on 30th November, 2017 approved the Model to engage private companies for the purpose of enhancing production through infusion of New Technology, best-in class International Business and Process management practices etc. ONGC has initiated the process to award two fields under the Service Model. The OIL has also floated the Expression of Interest (EoI) for Service Contract in respect of 4 fields.

A Policy Framework on Improved Oil Recovery (IOR) and Enhanced Oil Recovery (IOR) is under consideration.

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Comments of the Committee
(Please see Para No. 22 of Chapter-I)

Recommendation 16

Mode of appointment in Directorate/offices under the Ministry of Petroleum and Natural Gas

The Committee note that the Ministry has many offices under its administrative control like DGH, PPAC, OISD, OIDB, PCRA, CHT etc. Each of these agencies are performing various technical, regulatory, data collection etc. and helps with inputs for policy making by the Ministry. The Committee note that the mode of recruitment in most of these organizations particularly like DGH, OISD, PCRA, CHT and PPAC are all on deputation mode. While the Committee understand that expertise of oil industry is required for technical functions like in DGH, the Committee find that functions of OISD, PCRA and CHT are in domain areas where personnel from outside the oil companies can also be employed. The Committee are of the opinion that there is a conflict of interest when persons from oil and Gas PSUs are appointed on deputation basis to work in these organization where they have to assess, inspect, investigate etc. the very same PSUs to which they belong. The Committee view this as an highly undesirable situation with possible conflict of interest. While this practice could have been acceptable during the early days of these organizations to start them functioning, the same practice can no longer be continued with even after several years of their existence just because it suits the Ministry and the PSUs to escape from their responsibilities and shortcomings. Therefore, the Committee recommend that Ministry should thoroughly review the Recruitment rules in these organizations and Oil PSUs through an independent agency and identify the posts in agencies which are to be filled by personnel from other organizations so that these institutions would get fresh blood and thinking and can meet up to the responsibilities and expectations placed on it.

REPLY OF THE GOVERNMENT

Review of functioning of various Bodies including Autonomous Bodies under MOPNG is periodically undertaken with the Administrative Division‟s Joint Secretaries in the context of defining the status of these bodies and Rules & Regulations of their operation, as per GFRs and Expenditure Management Commission recommendations. NITI Aayog has also been monitoring the same. Discussions have concerned bodies like PCRA, CHT, SFPL, PPAC and OISD under MOPNG and the possibility of creating umbrella bodies with common cadre such that personnel for these bodies may be separately recruited.

During these reviews, discussions were also held on number of employees and recruitment on deputation from Oil Marketing Companies . Divisional Heads were of the view that since these Bodies are engaged in niche activities, there is a need for personnel in these bodies to be well versed with nuances of Oil & Gas Sector in India. This view was found acceptable as most of the Bodies/Organisations are functioning as technical arms of divisions in MOPNG.

However, basing on the concerns raised by the committee, MOPNG would examine the issue, afresh.

Presently, the number of employees in various bodies under MOPNG are as under:-

DGH:-

At present total strength of officers/ Advisors/Consultants/ Associates at DGH is 195.

DGH Strength	Nos.	%
ONGC	114	58.46%
OIL	26	13.33%

GAIL	3	1.54%
HPCL	2	1.03%
IOCL	2	1.03%
BPCL	1	0.51%
GSPC	14	7.18%
Advisors	5	2.56%
Consultants/ Associates	28	14.36%
	195	100.00%

OIDB:-

Recruitment in OIDB is done as per the provisions of OIDB Employees (Recruitment) Regulations and all employees are regular appointees. Total sanctioned strength of OIDB is 32 whereas at present No. of employees in place are 20. Out of 20 there are 2 Central Govt. employees on deputation.

Group	No. of Posts	Employees in place
A	8	6
B	14	10
C	9	4
D	1	-
Total	32	20

CHT:-

Currently, the total strength of CHT (including ED, CHT) is 19. ED, CHT is appointed by MoPNG. However, 13 officers (9 technical and 4 HR/Finance) on deputation from Oil PSUs and 5 retired PSU Technical Experts, who are engaged as Advisors. There is no direct recruitment. Selection of officers on deputation from oil PSUs is based on interviews of the candidates from the list of recommended/willing personnel by PSUs.

SFPL:-

Lone post of Executive Director being operated by SFPL is recruited through press advertisement with required qualification/experience etc. once in every 4-5 years as decided in Governing Council of SFPL. A committee set up by Governing Council of SFPL selects the candidate.

OISD:-

Total strength of OISD is 39 (37 officers and 2 staff). As per decision taken by Safety Council Resolution dated 10th January, 1986, the safety Directorate will be manned by experts from the oil industry, who will be appointed on tenure basis.

PPAC:-

PPAC has a sanctioned strength of 43 employees. At present there are 34 employees, all on deputation from oil and Gas companies for a fix tenure basis except the DG who is from the Govt. of India. The sanctioned strength is as per the gazette notification of 2002.

Table depicting No. Of Employees on deputation from PSU‟s in various Bodies under MoPNG:-

Name of bodies	**Group A**	**Group B**	**Group C**	**Group**	**Consultant/ advisors**	**Total**
DGH	111	30	55	-	-	196
OIDB	6	10	4		-	20
CHT	13	-	-	-	5	18
SFPL	1	-	-	-	-	1
PPAC	1	6	23	13	-	43
OISD	37	-	2	-	-	39
PCRA	77	-	-	-	-	77

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Comments of the Committee
(Please see Para No. 25 of Chapter-I)

Recommendation 18

Oil Major

The Committee note that among the main activities of GAIL is transportation of gas through its pipelines and also marketing of the gas for consumers who needs natural gas. The Committee also note that in the policy issued by the government in 2006, it was envisaged that in the long run with maturity of gas markets, the authorized entities will have transportation of natural gas as their sole business activity and will not have interest in gas marketing or City Gas Distribution Network. In line with the pronounced policy, the Committee observe that GAIL cannot have both transportation of natural gas and gas marketing which is conflict of interest. The Committee have been informed that PNGRB has been asked to look into this issue and to resolve this conflict of interest of GAIL. Considering the push being given for natural gas in the energy mix and for CGD Networks, the Committee recommend that the PNGRB should study the issue thoroughly to split GAIL to resolve conflict of interest and the Ministry should then take an considered decision on the matter.

The Committee also note that the Government had announced its intention of creating of oil Major in the budget announcements of the year 2017-18. In pursuance of this, ONGC had completed its acquisition of HPCL during 2017-18. The Committee a note that some of the oil PSUs like IOCL and BPCL have shown interest in acquiring GAIL. The Committee, therefore, recommend that Ministry should encourage Oil PSU companies to take prudent and commercial decisions in all such matters.

REPLY OF THE GOVERNMENT

In year 1984, GAIL was established for transportation, processing and marketing of natural gas and for establishing and managing gas pipelines and related installations. At present, GAIL has developed about 11,000 Km long gas pipeline network and is also developing about 3,500 Km long pipelines projects in the country.

In terms of this policy and the provisions of the Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006, all authorized entities including GAIL have to provide mandatory open access to its gas pipeline infrastructure on common carrier principle at non-discriminatory basis, at transportation rates determined by PNGRB. In the year 2006, the Government issued the Policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks.

As per above policy framework, the following two key aspects pertaining to unbundling was noted-

c. Market maturity is critical for initiation regulatory intervention for unbundling; and
d. "Right of first use" of pipeline entities shall cease to exist post unbundling.

In the long run and with the maturing of gas markets, it is envisaged in the policy that the authorized entities will have transportation of natural gas as their sole business activity and will not have any business interest in the gas marketing or city or local gas distribution networks. Government is examining the matter and will take appropriate action accordingly.

The strategic sale of Government of India"s total paid up equity shareholding of 51.11% in HPCL to ONGC for a total sale consideration of Rs.36,915 crores has been completed on 31.01.2018.

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Comments of the Committee
(Please see Para No. 28 of Chapter-I)

Recommendation 22

Litigations by oil PSUs

The Committee are dismayed to note that huge amounts of expenditure are being incurred by oil PSUs to fight different legal cases in various courts of law over disputes arising from production sharing agreements, retail outlet dealerships, LPG distributorships and transportation and marketing issues. The Committee have learnt that upstream oil companies like ONGC and Oil India Ltd. have spent Rs. 31.71 crore and Rs. 8.98 crore respectively during the last four years. Further, oil marketing companies like IOCL and BPCL have incurred expenses to the tune of Rs. 27.2 crore and Rs. 16.07 crore respectively during the last four years. Gas Authority of India Ltd. has incurred an amount of Rs. 20.92 crore during the last three years in respect various legal disputes.

In view of the above, the Committee feel that it may not be financially prudent on the part of oil PSUs to incur such huge costs on litigations in courts. Instead, the Committee desire that oil PSUs may better take recourse to mutually agreed arbitration or out of the court settlement process for amicable solutions. The Committee, therefore, recommend the Government to create an internal mechanism to settle various pending disputes through out of the court settlement/arbitration process for saving huge amounts of public expenditure.

REPLY OF THE GOVERNMENT

All Oil and Gas PSU‟s have taken measures to have mutually agreed arbitration or “Out of Court” Settlement process to tackle litigations. Major steps taken by them are as below:-

10. IOCL

- Settlement of Disputes through mutually agreed Arbitration and Alternative Dispute Resolution Mechanism.
- Out of Court Settlement Process – Amicable Settlement of Disputes through Conciliation.

11. BPCL

- Inclusion of Arbitration clause in dealership/distributorship /E&P contracts/agreements.

12. HPCL

- Inclusion of Arbitration clause in the Agreements.

13. GAIL

- Preventive Dispute Resolution Mechanism (PDRM)” to facilitate decision making at an appropriate time with a collaborative approach through SAMADHAN Committee.
- Settlement Advisory Committee (SAC) to effectively resolve various commercial dispute in time bound and most effective manner.
- Introduced Arbitrator‟s fees schedule by linking payment of fees directly to the actual milestones achieved which encourages the Arbitrators to speed up the whole process of Arbitration.
- A panel of advocate is maintained under GAIL‟s approved and notified fees structure.

14. ONGC

- A conciliation mechanism under the Arbitration and Conciliation Act, 1996 called Outside Expert Conciliation (OEC) to resolve the disputes between the parties within the terms and conditions of the contract. For this panel of experts is maintained.
- A Detailed Guideline on Arbitration including procedure to be followed which is a part of Contracts signed by ONGC with other party.

15. OVL

- Dispute Resolution Mechanism by a well-known institutional arbitration dispute centre like ICC and LCIA.

16. OIL

- Outside Expert Committee to settle disputes amicably.
- Availability of Arbitration Clause in all the commercial contracts.

- Disputes with other PSUs settled under the mechanism of Permanent Machinery of Arbitration (PMA) established by DPE.

17. EIL

- Provision of Arbitration as well as Conciliation through Outside Expert Committee (OEC) incorporated in the contracts.

18. MRPL

- Implemented Alternate Dispute Resolution (ADR) Mechanism to settle internal disputes arising out of Contracts, if any.

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Comments of the Committee
(Please see Para No. 31 of Chapter-I)

CHAPTER V

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

Recommendation 4

Indian Strategic Petroleum Reserves Limited (ISPRL)

The Committee note that the strategic caverns constructed by ISPRL for storage of crude oil in Mangalore is ready for storage. It has been informed that the ISPRL has signed a definitive agreement with ADNOC of UAE to store crude oil in one of the caverns in the Mangalore Strategic Petroleum Reserve facility and the first cargo is expected in May 2018. The Committee also note that ADNOC can sell the crude to only to Indian refiners. The crude will be replenished within a specific period as when it is sold. The government will have the right to the entire crude when it feels there is an emergency. The Committee note that the price of oil will be the official selling price plus freight and transportation cost on the date of purchase. The Committee would like the Ministry should negotiate with ADNOC for the acceptance of freight and transportation cost of the date on which the crude was brought to cavern for storage. The Committee appreciates the steps taken by ISPRL / Ministry as this step will help the country to meet the strategic supply needs and also strengthen the relations between the two countries and recommend to explore more such initiatives for cooperation in the hydrocarbon sector with other countries also.

The Committee observe that under Strategic Petroleum Reserves (SPR) project phase-I underground rock caverns for storage of 5.33 MMT of crude oil at three locations viz. Vishakhapatnam (1.33 MMT), Mangalore (1.50 MMT) and Pudur (2.5 MMT) have been created. For filling of crude oil in these SPR facilities, 4948 crore was approved. During BE 2017-18 Rs. 2499 crore was allocated for procurement of crude oil which was revised to Rs. 1121.28 crore at RE stage in view of the ceiling imposed by the Ministry of Finance. However, in BE 2018-19, an allocation of Rs. 700 crore has been made for this purpose giving the reference of BE ceiling. The Committee deplore such approach of the Ministry of P&NG in handling of this important project where the Ministry was not able to convince the Ministry of Finance for providing the required funds for this project. The storage facilities of 2.5 MMT at Pudur has been mechanically completed in December 2017 and funds will be required for procurement of crude to fill this cavern. The Committee, therefore, desire Ministry should convince the Ministry of Finance to allocate the desired funds for such strategically important project at RE 2018-19 stage, so that this project does not suffer due to constraint of fund required for strategic storage of oil in the caverns created in phase-I.

REPLY OF THE GOVERNMENT

An Amended and Restated Agreement has already been signed between ISPRL, ADNOC and AMI India on 10th February, 2018. Clause no 4.6 (c) of the aforesaid agreement inter alia states that "any AMI India oil sold to ISPRL shall be sold at the AMI India Custody Cavern and at prevailing Government Selling prices, plus a month average premium with the heading „Middle East" as published in the Platts spread vs. OSP (Official Selling Price) for the applicable loading month, plus cost of insurance, freight and handling costs. AMI India shall provide ISPRL with the evidence of cost of insurance, freight and handling."

As regards the allocation of funds for the storage facilities at Padur, it may kindly be noted that the mode of financing of the cost of crude oil for the entire Padur Cavern has not yet been decided. There is a proposal to explore PPP model. Once the model of financing is finalized, the requirement of funds from Government of India for this purpose will be estimated. Accordingly, suitable changes for the same shall be incorporated in RE 2018-19.

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Comments of the Committee
(Please see Para No. 13 of Chapter-I)

Recommendation 7

Rajiv Gandhi Institute of Petroleum Technology (RGIPT)

The Committee observe that Rajiv Gandhi Institute of Petroleum Technology (RGIPT) is to be set up by the Government as an Institute of national importance under an Act of Parliament. The mandate of RGIPT centre at Sibsagar, Assam is to set up a Centre to cater to requirements of blue collar technicians especially in upstream area to meet the current gap in skill set and the anticipated demand in view of future expansion plans. The Committee while appreciating the objectives of the RGIPT Centre at Assam, deplore at the inordinate delay in preparing Detailed Project Report and executing the same for setting up the institute. The Committee note that a part of the campus has already been constructed by CPWD and therefore, recommend the Ministry to execute revised DPR within a time bound schedule and also allocate required funds to complete all the works for setting up of RGIPT Centre at Sibsagar, Assam and start full academic activities on its own campus.

The Committee further note that another RGIPT centre at Bengaluru with the objective of creating an institution of excellence in the petroleum sector has been proposed and the Government of Karnataka has allotted 150 acres of land, free of cost at Kambalipura, Hoskote Taluk, Bengaluru for setting up of the Institute. The concept paper for setting of the Institute has been prepared and it is under process for being sent to Department of Expenditure for obtaining inprinciple approval for setting up of this Institute. The Committee further note that the Institute will become fully functional after commencement of the construction activities, once the project is approved and funds are made available to start the construction activity. The Committee therefore, recommend that all the works connected with RGIPT, Bangalore like seeking approvals from different agencies be expedited so that the institution becomes a reality.

REPLY OF THE GOVERNMENT

In so far as RGIPT, Sivasagar, Assam is concerned, the revised DPR envisaging the project cost of Rs.880.10 crore (Capital Expenditure – Rs.396.32 crore + Corpus/Endowment Fund – Rs.483.78 crore) has been received. The concept paper was sent to Ministry of Finance (Department of Expenditure) for „in-principle" approval of the project. The Department of Expenditure have informed that the proposal is in the nature of creation of an autonomous body and not a scheme. They have also informed that „in-principle" approval of the Department of Expenditure is required for initiating a new scheme. Since the proposal is regarding creation of new body, proposal needs to be appraised by Committee of Establishment Expenditure (CEE) under the Chairmanship of Secretary (Expenditure). They have advised to send the proposal to the Department of Expenditure in the prescribed format of CEE. CEE note is being finalised in consultation with Finance Division of the Ministry.

Temporary campus of RGIPT, Sivasagar, Assam has been set up. The academic session has started from academic year 2017-18 with the following diploma courses:-

(i) Diploma in Petroleum Engineering
(ii) Diploma in Chemical Engineering
(iii) Diploma in Pipeline Engineering.

30 students in each diploma course have taken admission. Currently, the students are studying in a temporary campus at Sibsagar Commerce College (a Govt. College) till such time the facilities are created at the Institute‟s own site.

In so far as Energy Institute, Bengaluru is concerned, it may be stated that the concept paper was sent to Ministry of Finance (Department of Expenditure) for „in-principle‟ approval of the project. The Department of Expenditure have informed that the proposal is in the nature of creation of an autonomous body and not a scheme. They have also informed that „in-principle‟ approval of the Department of Expenditure is required for initiating a new scheme. Since the proposal is regarding creation of new body, proposal needs to be appraised by Committee of Establishment Expenditure (CEE) under the Chairmanship of Secretary (Expenditure). They have advised to send the proposal to the Department of Expenditure in the prescribed format of CEE. CEE note is being finalised in consultation with Finance Division of the Ministry.

Location for temporary campus is being finalized. It has been proposed to conduct the following courses commencing from academic year 2018-19:-

(i) M.Tech. in Energy Science and Technology;
(ii) M.Tech. in Power and Energy Systems Engineering; and
(iii) M.Tech. in Renewable and Alternate Energy.

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Comments of the Committee
(Please see Para No. 16 of Chapter-I)

New Delhi;
***August*, 2018**
Shravana,1940 (Saka)

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

Annexure I

MINUTES

STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS
(2017-18)

SEVENTEENTH SITTING
(07.08.2018)

The Committee sat on Tuesday, the 7 August, 2018 from 1500 hrs. to 1530 hrs. in Committee Room 'E', PHA, New Delhi.

PRESENT

Sh. Pralhad Joshi - Chairperson

MEMBERS

LOK SABHA

2. Shri Rajendra Agrawal
3. Dr. P.K. Biju
4. Shri Elumalai V.
5. Shri Naranbhai Kachhadiya
6. Shri Ashok Mahadeorao Nete
7. Smt. Jayshreeben Patel
8. Shri Arvind Sawant
9. Shri Rajesh Verma
10. Shri Laxmi Narayan Yadav

RAJYA SABHA

11. Shri Bhubaneshwar Kalita
12. Shri Om Prakash Mathur
13. Shri Bhaskar Rao Nekkanti
14. Shri Narayan Lal Panchariya
15. Shri V. Vijayasai Reddy
16. Shri A. Vijayakumar
17. Ch. Sukhram Singh Yadav

SECRETARIAT

1. Shri A.K.Singh - Additional Secretary
2. Dr. Ram Raj Rai - Director
3. Shri H. Ram Prakash - Addl. Director
4. Shri Vinay Pradeep Barwa - Deputy Secretary

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee to the sitting. Thereafter, the Committee took up the draft Action Taken Report on the recommendations contained in Twenty Third Report (Sixteenth Lok Sabha) on 'Demands for Grants (2018-19) of MoPNG' for consideration and adopted the same without modification.

3. The Committee, thereafter, authorised the Chairperson to present/lay the Report in both the Houses of Parliament.

The Committee then adjourned.

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Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY THIRD REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2017-18) ON 'DEMAND FOR GRANTS (2018-19)'.

I	Total No. of Recommendations	22
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations Nos. 1, 2, 3, 5, 6, 8, 9, 11, 13, 14, 15, 17, 19, 20 and 21)	15
	Percentage to Total	68.18%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government"s (Vide Recommendations No. NIL)	NIL
	Percentage of Total	0
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations Nos. 10, 12, 16, 18 and 22)	5
	Percentage of Total	22.72%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations Nos. 4 and 7)	2
	Percentage of Total	9.10%