

ACTION TAKEN STATEMENT ON THE TWENTIETH REPORT OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2022-23) ON ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENEENTH REPORT (17TH LOK SABHA) ON THE ON THE SUBJECT ‘REVIEW OF IMPLEMENTATION OF CBG (SATAT)

Recommendation of the Committee (to be reproduced from original report i.e. Twentieth Report)	Reply of the Government (To be reproduced from Action Taken Report i.e. Twentieth Report)	Comments of the Committee (To be quote from Chapter I of the Action Taken Report i.e. Twentieth Report)	Final Reply of the Government
<p><u>Recommendation No. 1</u> <u>Implementation of SATAT</u></p> <p>"The Committee note that India is one of the fast-growing economies in the world and energy availability is a major component for any growing economy. Considering that the country is dependent to a large extent on import of crude oil for its hydrocarbon needs, it is vulnerable to the volatility of crude oil prices in the international market and this necessitates the nation to develop a strategy to insulate the economy by developing domestically produced</p>	<p>"CBG sector is in developing stage in the country. Due to various constraints CBG projects were not being established at a desired rate. Since the inception of SATAT initiative this Ministry has coordinated with other Ministries, State Governments and other stake holders. Some of the key initiative taken by Government for expediting the progress of CBG projects are as under:</p> <p>(i) Revision in CBG procurement price and indexing the same with CBG Retail Selling Price (RSP) which will be at par with CNG RSP.</p> <p>(ii) MoPNG has issued policy guidelines for co-mingling of CBG with Natural Gas in CGD network.</p>	<p>The Committee in its original Report had recommended that the Ministry should ensure successful implementation of SATAT initiative by reviewing the progress at regular intervals and address various impediments that pulls back achieving of targets set under this initiative.</p> <p>The Ministry in its action taken reply have submitted</p>	<p>This Ministry diligently conducts regular assessments and maintains continuous oversight of the progress of the SATAT initiative. As of September 30, 2023, a total of 50 CBG plants have been successfully commissioned, while around 60 CBG plants are currently under construction. Additionally, approximately 50 new plants are poised to commence their construction activities during the current financial year, FY 2023-24. Organizations under the purview of this ministry are also actively engaged in the establishment of 195 CBG</p>

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<p>alternative fuels. The Government of India has planned to promote usage of natural gas and to increase the share in energy mix from the current level of around 6.7 percent to 15 percent by 2030.</p> <p>The Committee further note that the National Policy of Bio fuels 2018 aims to increase the role of Bio fuels in the energy and transport sector of the country and that the Ministry of Petroleum and Natural Gas has launched the Sustainable Alternative Towards Affordable Transportation (SATAT) initiative in October 2018 which envisages developing 5000 CBG plants with total production capacity equivalent to 54 MMSCMD of gas by 2023-24. SATAT offers an investment potential of Rs. 1.75 lakh crore and generate about 75,000 direct</p>	<p>(iii) Under synchronization scheme procurement price of biogas is Rs. 1470/MMBTU excluding GST w.e.f. 1.12.2022. In addition, Rs. 8/kg of compression charge for supply of CBG on retail outlet and for CBG supply in pipeline Rs. 2/kg of pipeline injection charge would be paid extra.</p> <p>(iv) MNRE is providing "Central Financial Assistance" of Rs. 4.0/- Cr. Per 4800 kg/day of installed capacity of CBG plants (Maximum CFA up to Rs. 10/- Cr./project) under "Waste to Energy Programme",</p> <p>(v) State Bank of India, Bank of Baroda, Canara Bank and some other banks have developed exclusive loan product for financing of CBG projects. Canara Bank has been nominated as Nodal Banker under SATAT.</p> <p>(vi) Department of Fertilizers have issued letter to Fertilizer companies for mandatory offtake of FOM with chemical fertilizers as a "Basket approach".</p> <p>(vii) To avoid cascading of taxes on</p>	<p>that due to various constraints CBG projects are not being established at a desired rate. Further, the Ministry are reviewing the progress of SATAT initiative on regular basis and coordinating with other Ministries, Departments, State Governments and Stakeholders for expeditious development of CBG projects that are also being reviewed and monitored by Inter Ministerial Task Force for GOBARDhan formed under the Chairmanship of</p>	<p>plants. Further, under the guidance of MoPNG and MoHUA, they are also engaged in establishing about 25 CBG plants in urban areas, thereby demonstrating their commitment to the advancement of the initiative.</p> <p>Further, the Ministry is in the process of formulating schemes, including proposals for CBG blending mandate upto 5 percent for all companies marketing natural gas; financial assistance to CBG producers for collection of biomass; and support for pipeline infrastructure development to connect CBG projects with the CGD network etc. These endeavours are a step towards resolving the challenges and difficulties encountered by investors/entrepreneurs.</p>

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<p>employments.</p> <p>The initiative promotes use of Compressed Bio Gas (CBG) in the CNG (transport) and PNG (Piped Natural Gas) sector of City Gas Distribution (CGD) supplies and is produced from agriculture residues, animal dung, food waste, municipal Solid waste (MSW) and sewage water. This initiative also integrates the other objectives of the government namely doubling of farmer's income, import reduction, employment generation, waste to wealth creation, etc., and which can help the country in meeting the commitments.</p> <p>The Committee however note with regret that out of an ambitious target of developing 5000 CBG plants by 2023-24, only about 40 CBG plants have been set up so far which</p>	<p>blended compressed natural gas, excise duty on amount of GST-paid on compressed bio gas contained in the blended CNG has been exempted.</p> <p>This Ministry is reviewing the progress of SATAT initiative on regular basis. CBG projects are also being reviewed and monitored by Inter Ministerial Task Force for GOBARdhan formed under the Chairmanship of Secretary, Department of Drinking Water and Sanitation. This Ministry is coordinating with other Ministries. Departments, State Governments and stakeholders for expeditious development of CBG projects".</p>	<p>Secretary, Department of Drinking Water and Sanitation.</p> <p>The Committee while noting the initiatives being taken to implement the SATAT initiative expect that the Ministry being the nodal agency for implementing the scheme have a paramount responsibility to closely monitor that the targets for the projects are achieved and to ensure that the obstacles/difficulties being faced by the investors/entrepreneurs are addressed</p>	

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<p>indicates that lots of ground need to be covered under SATAT scheme which is burdened by lack of clarity, procedural hurdles and has not enthused the investors/entrepreneurs to come forward to establish CBG plants so far. The Committee while observing that MoPNG is approaching this scheme as a waste to energy or waste Management initiative for agricultural residue, desire that the Ministry should change its vision of SATAT as an initiative to produce natural gas domestically in a green and clean form.</p> <p>The Committee, appreciate SATAT as a path breaking and transformational initiative of the Ministry and hope that if successfully implemented, SATAT would strengthen self-reliance to meet the energy demands of the country. The</p>		<p>without any delay by necessary action. If the CBG projects are not being established at a desired rate, it becomes all the more important that Ministry should have a relook in its approach and explore some out of the box solutions to help grow CBG sector and achieve its full potential.</p>	

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<p>Committee would, however, caution the Ministry not to rest on its laurels on the success in Ethanol Blended Petrol (EBP) program but take proactive steps and be responsive to make the SATAT initiative successful too and recommend that it should ensure successful implementation by reviewing the progress at regular intervals and address various impediments that pulls back achieving of targets set under this initiative”.</p>			
<p><u>Recommendation No. 2</u> <u>Review of Letter of Intents</u></p> <p>“The Committee note that under the SATAT initiative, the production of CBG would have multiple benefits vis-a-vis reduction of natural gas import, reduction of Greenhouse Gas</p>	<p>"LOIs have been issued to interested and eligible entities who have submitted the relevant documents for setting up of CBG plants under the SATAT initiative, after evaluation as per extant guidelines.</p> <p>Getting a LOI issued has been the very basic and initial step towards implementing the CBG project for such entrepreneurs as the LOI is being reproduced by these parties to various</p>	<p>The Committee while expressing their apprehension regarding the method for issuing Letters of Intents (LOIs) to entrepreneurs/investors, had recommended in</p>	<p>This ministry conducted a series of meetings and discussions regarding the review of existing Letter of Intent (LOIs) and the actions needed. On May 5, 2022, an initial meeting took place to assess the status of existing LOIs. Subsequently, an industry meeting was</p>

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<p>(GHG) emissions, reduction in burning of agriculture residues, effective waste management, etc. The Committee further note that Oil and Gas Marketing Companies (OGMCs) invite Expression of Interest (EOI) from potential investors/entrepreneurs to procure CBG for further selling to automotive and commercial customers. Indian Oil Corporation is the nodal company for SATAT coordination.</p> <p>The Committee have been informed by the Ministry that as on 1st June 2022, a total of 3263 Letter of Intents (LOIs) have been issued by the Oil PSU's. Number of cases where land has been finalized is 328 and 97 LOIs have achieved financial closure. The Committee observe that 35 CBG plants have been commissioned so far and around</p>	<p>banks and statutory bodies, basis which they receive NOC and sanction of loan.</p> <p>This Ministry has advised OGMCs to review the selection criteria for LoI issuance so that only serious applicants are selected and also to withdraw the LoIs issued to non performing entrepreneurs. Accordingly, OGMCs are reviewing the LoI issued and giving notices for cancellation of LoIs of non-serious LoI holders. LoIs of 87 non-serious candidates have been cancelled so far".</p>	<p>their original report that the Ministry should set up a committee to review the LOIs issued and also to frame guidelines for issue of fresh LOIs by Oil and Gas PSUs (OGMCs).</p> <p>The Ministry in their action taken reply have submitted that they have advised OGMCs to review the selection criteria for LOI issuance so that only serious applicants are selected and also to withdraw the LOIs issued to non performing entrepreneurs. Accordingly, OGMCs are</p>	<p>convened on May 19, 2022, where the industry committee reached a consensus on taking appropriate measures to notify LOI holders who had not initiated any action.</p> <p>In addition, a meeting regarding the cancellation of long-pending LOIs, especially those where no action or submission of the required Bank Guarantee had taken place, was held in August 2022. During this meeting, it was collectively decided that LOIs older than 2 years, for which the Bank Guarantee had not been submitted, would be provided with a 15-day notice to fulfill this requirement. If the LOI holders failed to submit the Bank Guarantee within the stipulated 15-day period, their LOIs would be subject to cancellation.</p>

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<p>40 plants are expected to be commissioned by March 2023.</p> <p>The Committee observe that the same entrepreneur/investor has been issued a large number of Letters of Intents (LOIs) and the reason given for issue of such multiple LOIs is that the project involves getting clearances, approvals and many other supply chain issues and the plant can be set up as and when the necessary approvals are available in a given location. However, the Committee have been informed by the entrepreneurs that the banks are not extending loans for more than one project to the entrepreneur who is holding multiple Letters of intents (LOIs). The Department of Financial Services state that PSU Banks would like to see the execution of a few CBG plants to which they have already</p>		<p>reviewing the LOIs issued and giving notices for cancellation of LOIs issued to non-serious LOI holders. Eighty-seven non-serious candidates LOIs have been cancelled so far.</p> <p>The Committee appreciate the efforts made by the Ministry/OGMCs to review the selection criteria for LOI issuance and cancellation of LoIs issued to eighty seven non-serious candidates. However, the reply is silent about steps being taken towards review of guidelines</p>	<p>The time frame for submitting the Bank Guarantee for all new LOIs issued is six months; after this period, the LOI will be subject to cancellation.</p> <p>As of August 31, 2023, out of the total 4838 LOIs that were awarded, 2695 LOIs have been cancelled (therefore, active LOIs stand at 2143). The Oil and Gas Marketing Companies (OGMCs) are diligently examining both new and existing LOIs within their respective organizations as part of this comprehensive review process.</p>

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<p>extended the loan.</p> <p>However, the Committee suspect that the PSUs had issued multiple Letters of Intents (LOIs) just to show that the targets under SATAT are on course of being achieved as it is evident that the same entrepreneur will not get finance for different projects from banks without providing adequate security and guarantees. The fact that out of 3263 Letters of Intents (LOIs), hardly 40 plants have been commissioned with less than 24 months to go speak volumes of the progress made. Therefore, the Committee desire that there should be proper guidelines for issuance of Letters of Intents (LOIs) to entrepreneurs including at multiple locations.</p> <p>The Committee deplore MoP&NG / PSU's for such deceptive methods to mislead</p>		<p>regarding issuing of LOIs.</p> <p>The committee, therefore, reiterate their earlier recommendation to set up a committee to review the LOIs issued so far from time to time and to tweak the guidelines so as to overhaul the selection criteria for issuing of LOIs by Oil and Gas PSUs to only serious candidates. The Ministry may also apprise the Committee about the action taken in the matter within three months of presentation of this</p>	

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<p>about the targets and show that the progress under SATAT is good. The Committee while acknowledging the impact of COVID, would like the Ministry to review the letters of Intents (LOIs) issued so far in terms of progress made and take all corrective actions and aggressively attract new investors / entrepreneurs. The Committee, therefore recommend that the Ministry should set up a committee to review the Letters of Intents (LOIs) issued and also to frame guidelines for issue or fresh Letters of Intents (LOIs)".</p>		<p>report.</p>	
<p><u>Recommendation No.3</u> <u>NBCC Coordination Mechanism</u> "The Committee note that the</p>	<p>"During the budget speech it has been announced that a 5 per cent CBG mandate will be introduced for all organizations marketing natural and bio gas. MoPNG has initiated process to convene the meeting of NBCC to discuss</p>	<p>The Committee in their original report had recommended that the MoPNG should convene meetings of NBCC</p>	<p>Government had constituted a Working Group on Biofuels vide OM no. P-13032(16)/5/2018-CC dated 23.07.2018 to monitor the implementation of biofuel</p>

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<p>Ministry of Petroleum and Natural Gas is implementing the National Policy of Bio Fuels 2018 which aims to increase use of bio fuel in the country. The Committee also note that the success of CBG (SATAT) scheme is very much contingent on the well-coordinated efforts among various Ministries/Stakeholders/Organizations by resolving the challenges and bottlenecks in a time bound manner. This can be achieved by establishing a two-way communication between stakeholders and Govt. and within govt. bodies. There are roles for several Ministries for successful implementation of the CBG project and coordination amongst different Ministries is essential.</p> <p>The Committee observe that the National Bio Fuel Coordination Committee (NBCC) is already in</p>	<p>the issues related to implementation of SATAT as well as introduction of CBG blending mandate.</p> <p>Under National Policy of Bio fuels, a "Working Group on Biofuels" comprising of eminent experts in the field of bio fuels, technical experts from research and academic institutions in the field of bio fuels, representatives from relevant Ministries/Departments, OMCs, PCRA, representatives/experts from the Industry, CSIR Lab, National Sugar Institute & Bio fuel Associations etc has been formed. Issues related to CBG projects are also discussed in the Working Group of Bio fuels.</p> <p>In addition, CBG projects are also being reviewed and monitored by Inter Ministerial Task Force formed under GOBARdhan scheme. Further, MoPNG is part of committee formed by Department of Agriculture and Farmers Welfare regarding the supply of raw material for CBG plants and the use of bio manure produced by CBG plants".</p>	<p>at regular intervals to sort out issues in implementation of the programme and also to form Sub-Committees involving the concerned Ministries to sort out specific and pointed issues.</p> <p>The Ministry in their action taken reply have submitted that they have initiated process to convene the meeting of NBCC to discuss the issues related to implementation of SATAT as well as introduction of 5 per cent CBG mandate. Further, under National Policy on Bio fuels, a Working Group comprising of</p>	<p>programmes including Ethanol Blended Petrol (EBP) programme, Biodiesel Blending Programme, and CBG, etc in the country. Four meetings of the above-mentioned Working Group had been held in which various biofuel programmes being implemented by government were reviewed. Further, it is informed that the meeting of NBCC will be conducted shortly covering various issues plaguing successful implementation of CBG & SATAT initiative.</p>

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<p>place as a coordination mechanism which has representatives from various Ministries and headed by the Hon'ble Minister of Petroleum and Natural Gas to provide overall coordination, effective end-to- end implementation and monitoring of bio fuels. The Committee, however, find it surprising to note that since its inception, NBCC has held only one meeting till date which reflects the lack of seriousness by the Ministry to this mechanism for SATAT initiative. The Committee would, therefore, recommend that the MoPNG should convene meetings of NBCC at regular intervals to sort out issues in implementation of the programme and may also form sub committees involving the concerned Ministries to sort out specific and pointed issues”.</p>		<p>eminent experts in the field of bio fuels, technical experts from research and academic Institutions, representatives from relevant Ministries/Departments, OMCs, PCRA, representatives/experts from the industry, CSIR Lab, National Sugar Institute & Bio fuel Associations etc. has been formed to discuss issues related to CBG projects. They are also being reviewed and monitored by Inter Ministerial Task Force formed under GOBARdhan scheme. Further, the</p>	

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		<p>Ministry have been made part of Committee formed by Department of Agriculture and Farmers Welfare regarding the supply of raw material to CBG plants and the use of bio manure produced by CBG plants.</p> <p>The Committee are satisfied to note that a Working Group on Biofuels has been formed and the Ministry have made an initiative to convene the meeting of NBCC to discuss the issues related to CBG projects. However, details regarding date of</p>	

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		<p>notification for constituting Working Group and its achievement so far in facilitating entrepreneurs/investors has not been mentioned in the reply. The Committee would exhort the Ministry not to be complacent about these initiatives and rather it should actively strive towards holding the meetings at regular intervals so that issues plaguing successful implementation of CBG SATAT initiative are sorted out. Besides, the Committee would expect the Ministry</p>	

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		to apprise them about the action taken in the matter within three months of presentation of this report.	
<p><u>Recommendation No 5</u> <u>Central Financial Assistance (CFA)</u></p> <p>"The Committee note that Ministry of New & Renewable Energy (MNRE) was implementing a scheme called Central Financial Assistance (CFA) for extending support to new and renewable energy projects. The Committee note that since April 2021, the Central Financial Assistance program for biogas/CBG projects has been discontinued and this has served as a major setback to the</p>	<p>"Ministry of New and Renewable Energy (MNRE) has accorded administrative approval for implementation of "Waste to Energy Programme" on 2.11.2022 for the duration 2021-22 to 2025-26 under the Umbrella Scheme of National Bio energy Programme. Under Waste to Energy Programme MNRE <i>Inter-alia</i> provides "Central Financial Assistance" of Rs. 4.0/- Cr. per 4800 kg/day (for Bio CNG generation from new biogas plant) and Rs 3.0 Cr per 4800 kg/day (for Bio CNG generation from existing Biogas plant) with a maximum CFA of Rs. 10.0 Cr/project for both cases.</p> <p>Further, for development of CBG projects enablers like introduction of 5 per cent CBG mandate for all organizations</p>	<p>The Committee in their original Report had recommended to the Ministry to take up the issue for reintroduction of Central Financial assistance scheme and also to consider moving towards Generation Based Incentive (GBI) instead of Capex-based subsidy for CBG plants.</p> <p>The Ministry in their action taken reply</p>	<p>The Ministry is actively pursuing proposals aimed at promoting Compressed Biogas (CBG) sector as well as taking measures to address difficulties/ obstacles faced by the stakeholders. These initiatives include the introduction of CBG blending mandate upto 5 percent for all companies marketing natural gas, which has been forwarded to be taken up by NBCC in its forthcoming meeting; extending fiscal assistance to CBG producers for collection of biomass, EFC for which has been conducted on 4th October</p>

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<p>industry. The Committee have learnt that the CBG plants fall under new and renewable energy category and hence these plants are entitled for CFA. However, as the scheme is not in place, this facility is denied to entrepreneurs who come forward to set up CBG plants. The Committee strongly feel that to mainstream the industry, which is still in its introductory/nascent stage, the continuation of CFA scheme is important. The Committee recommend that MoPNG should take up with MNRE and Ministry of Finance for reintroduction of this Central Financial Assistance Scheme to incentivize and enthuse entrepreneur to set-up of CBG plants in the country.</p> <p>The Committee also desire that MoPNG may consider to move towards Generation Based Incentive (GBI) instead of Capex-based subsidy for CBG</p>	<p>marketing natural gas, fiscal support for collection of bio-mass and distribution of bio-manure has been announced in budget speech.</p> <p>Besides, MoPNG is also exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network.</p> <p>With the implementation of above enablers, a market driven ecosystem will be developed to support CBG sector on long term basis.</p>	<p>have submitted that under Waste to Energy Programme, the Ministry of New and Renewable Energy (MNRE) <i>inter-alia</i> provides "Central Financial Assistance" of Rs. 4.0/- Cr. per 4800 kg/day (for Bio CNG generation from new biogas plant) and Rs 3.0 Cr per 4800 kg/day (for Bio CNG generation from existing Biogas plant) with a maximum CFA of Rs. 10.0 Cr/project for both cases. Further, for development of CBG projects enablers like introduction of 5 per</p>	<p>2023 (guidelines will be issued soon); and facilitating fiscal support for the development of pipeline infrastructure to connect CBG projects with the City Gas Distribution (CGD) network which presently has been forwarded for IMC (Inter-Ministerial Committee).</p> <p>Additionally, organizations operating under the purview of MoPNG are taking proactive steps in the CBG sector. They are actively involved in establishment of CBG projects either by themselves or through formation of strategic joint ventures (JVs) with the primary objective of serving as exemplars and providing support to nurture the growth of the CBG sector.</p> <p>Further, Department of Fertilizer has recently</p>

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<p>plants which will provide for producing gas and keep the plants running and functional rather than just setting up the plant. The Committee would like determination of appropriate GBI (price/per Kg of CBG) under different feedstocks to be estimated by the Ministry in this regard".</p>		<p>cent CBG mandate for all organizations marketing natural gas, fiscal support for collection of bio-mass and distribution of bio-manure has been announced in budget speech. The Committee note that the MoPNG is also exploring possibilities for providing fiscal support for development of pipeline Infrastructure for connecting CBG projects with CGD network.</p> <p>The Committee appreciate the various steps being</p>	<p>announced Market Development Assistance of Rs 1500/ton for promotion of Organic Fertilizers produced at different biogas/CBG plants under umbrella Galvanizing Organic Bio-Agro Resources Dhan (GOBARDhan) initiative <i>inter-alia</i> covering projects under SATAT initiative of MoPNG.</p> <p>Further, CBG projects are regularly being reviewed and monitored not only by MoPNG but also by Inter Ministerial Task Force for GOBARDhan formed under the Chairmanship of Secretary, Department of Drinking Water and sanitation. In addition, this Ministry is also sincerely coordinating with other Ministries, Departments, State Governments and stakeholders for expeditious development</p>

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		<p>taken by the Ministry to facilitate the CBG sector entrepreneurs/investors. However, the Committee would expect the Ministry to make all out efforts to implement the announcements made regarding introduction of 5 per cent CBG mandate, fiscal support for collection of bio-mass and distribution of bio-manure and providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network. The</p>	<p>of CBG projects.</p>

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		<p>Committee feel that a little hand holding by the Ministry will go a long way in creating suitable eco system for supporting CBG sector, which is currently at nascent stage. The Committee would also recommend that a robust mechanism for coordination with other Ministries and concerned agencies as well as to address the difficulties/obstacles being faced by the stakeholders may also be developed at the Ministry level. The Committee may also be apprised about the action</p>	

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		<p>taken in the matter within three months of presentation of this report.</p>	
<p><u>Recommendation No.6</u> <u>Financial Institution for Petroleum Sector</u></p> <p>“The Committee note that there are many projects which are being implemented by the MOPNG to enhance the energy security of the country in the hydro carbon area including bio fuel projects for blending with petrol, diesel and gas. The Committee feel that with the plethora of initiatives being taken up by the Ministry, there is a need for financing these activities particularly at the initial stage by understanding the</p>	<p>"This Ministry is coordinating with Banks and existing financial institutions viz Power Finance Corporation (PFC), Indian Renewable Energy Development Agency (IREDA), Small industries Development Bank of India (SIDBI) etc. to provide easy finance for CBG sector. This Ministry is also working with World Bank and SIDBI for development of mechanism for financing of CBG projects.</p> <p>Department of Food and Public Distribution (DFPD), Government of India has notified the "Scheme for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up distilleries for producing 1st Generation (1G) ethanol from feed stocks such as</p>	<p>The Committee in their original Report had recommended that the Ministry of MoPNG should nudge the petroleum sector oil PSUs to establish a financial institution owned and managed by them as shareholders which will focus on clean, green and renewable energy bio fuel projects like Ethanol production for Ethanol Blended Petrol (EBP), Bio-diesel Projects, CBG projects, etc. the</p>	<p>Oil and Gas Marketing Companies (OGMCs) under the purview of this Ministry are already actively involved in establishing 195 CBG projects with a total investment of around 10,000 crores rupees. In addition, under the guidance of MoPNG and MoHUA they are also involved in establishing around 25 CBG projects in urban areas with an investment of more than 1000 crores rupees.</p> <p>MoPNG is also working with Asian Development Bank (ADB) to create a line of credit of USD 300 million for</p>

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<p>risks and reward associated with the project for which the expertise is available in the Oil PSUs who are operating for a long time in this sector. The Committee, therefore desire that the Oil PSUs which have strong cash flows and healthy balance sheets and consistently profit making should come forward to setup a financial institution for financing all bio-fuel and clean energy projects that are launched or likely to be launched in the future by the Ministry.</p> <p>There are institutions like Power Finance Corporation (PFC), Rural Electrification Corporation (REC), Housing & Urban Development Corporation (HUDCO), Indian Renewable Energy Development Agency (IREDA) etc, in different Ministries of the Government for financing and monitoring specific sector projects. The</p>	<p>cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet, etc." vide Gazette Notification No. 128 dated 14 January 2021. National Bank for Agriculture and Rural Development (NABARD) has been appointed as the Nodal Bank for interacting with DFPD and managing interest subvention under the scheme.</p> <p>At this juncture, existing banks and financial institutions may be used to finance CBG and other Bio fuel projects. Once this sector attains a level of maturity and requires support for further scaling, this ministry will examine the need for establishment of financial institutions for specific sector”.</p>	<p>Ministry while replying to the recommendation have stated that they are coordinating with banks and other financial institutions like Power Finance Corporation, Indian Renewable Energy Development Agency, Small Industries Development Bank of India (SIDBI), World Bank, National Bank for Agriculture and Rural Development (NABARD) etc. for development of mechanism for financing of CBG projects. Further, the Ministry have also stated ‘once this</p>	<p>financing of CBG projects whereby banks and financial institutions would be able to provide cheaper credit for CBG projects.</p> <p>Further, this Ministry is also working with World Bank to develop a credit guarantee and risk sharing facility for CBG projects. It is envisaged to provide around USD 265 million for credit guarantee.</p> <p>At this juncture, as already stated, existing banks and financial institutions may be used to finance CBG and other Bio fuel projects. Once this sector attains a level of maturity and requires support for further scaling, this ministry will examine the need for establishment of financial institutions for specific sector. However, it may be stated that Oil Industry Development</p>

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<p>Committee would desire the MoPNG should nudge the petroleum sector Oil PSUs to establish a financial institution owned and managed by them as shareholders which will focus on clean, green and renewable energy bio fuel projects taken up by Ministry of PNG like Ethanol production for Ethanol Blended Petrol (EBP), Bio-diesel Projects, CBG projects, etc. The Committee, therefore, recommend that Ministry should set up a PSU financial institution for funding oil and gas sector project under its administrative control".</p>		<p>sector attains a level of maturity and requires support for further scaling’, this Ministry will examine the need for establishment of financial institutions for specific sector.</p> <p>The Committee are dissatisfied with the reply of the Ministry and reiterate their earlier recommendation for setting up a PSU financial institution for funding oil and gas sector projects particularly the new initiatives under bio-fuel and Climate Change concerned mitigation projects. The Committee,</p>	<p>Board (OIDB), under the aegis of MoPNG, is already engaged in providing the financial and other assistance for the promotion of of all such measures conducive to the development of oil industry, including making grants or advancing loans to any oil industrial concern and persons engaged in activities specified under the OID Act.</p>

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		<p>therefore, recommend that the Ministry should prepare a detailed road map at the earliest in consultation with Oil and Gas PSUs to setup a financial institution for financing all bio-fuel and clean energy projects.</p>	
<p><u>Recommendation No. 7</u> <u>Bio Fuel Infrastructure Fund</u></p> <p>“The Committee note that the SATAT scheme is a laudable and ambitious initiative of the Government which can help the country to meet its energy requirements and strengthen the energy security. However, the</p>	<p>"For ethanol projects DFPD is already providing financial assistance through NABARD. In line with the budget announcement this ministry is preparing a proposal for providing fiscal support for biomass collection of biomasses for CBG projects. In addition, this Ministry is also exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network. MoPNG is</p>	<p>The Committee in their original Report had recommended that the Ministry should explore the possibility of creating Bio Fuel Infrastructure fund taking cue from the Agriculture Infrastructure fund</p>	<p>In the National Policy on Biofuels-2018, amended in June 2022, the scope of ‘Advance Biofuels’ has been widened. The Ministry has also proposed an amendment to the Pradhan Mantri JI-VAN Yojana in order to incorporate Advanced Biofuels as amended in the National Policy on Biofuels</p>

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<p>action taken by the Ministry of Petroleum & Natural Gas to implement the scheme have been very lukewarm and indifferent. The Committee would still give the benefit for doubt to the Ministry as the country was fighting the Covid pandemic during the last two years. However, as the situation has improved to a considerable extent and economic activities have picked up, the Ministry should now focus on taking necessary steps to see that the SATAT initiative is implemented and all objectives and targets are met.</p> <p>The Committee note that a scheme that may be replicated in this regard is the AIF (Agriculture infrastructure Fund) facilitated by NABARD and the Ministry of Agriculture. In this regard, the Committee are of the view that a fund in the name of</p>	<p>also coordinating with banks and other multilateral financial institutions to provide financing for CBG projects.</p> <p>Aforesaid steps will help in expeditious development of CBG sector. This Ministry will assess the need for setting up Bio Fuel Infrastructure Fund in due course".</p>	<p>facilitated by NABARD and the Ministry of Agriculture, in a suitable way either from Oil Industry Development Board (OIDB) funds or budgetary allocation for development of this sector quickly and without waiting for other government agencies to finance them.</p> <p>The Ministry in their action taken reply have stated that they will assess the need for setting up Bio Fuel Infrastructure Fund in due course along with exploring</p>	<p>which also covers Compressed Bio Gas. Further, expert finance committee has approved the proposal for providing financial assistance to CBG producers for procurement of biomass aggregation equipments. This ministry has also moved a proposal to provide financial support for development of pipeline infrastructure to connect CBG projects with the CGD network. In addition, this ministry is working on a proposal to develop a Risk Sharing Facility of around USD 265 million through World Bank. Asian Development Bank (ADB) is also working to create a line of credit of around USD 300 million for financing of CBG projects.</p>

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<p>Bio Fuel Infrastructure fund in the Ministry of Petroleum and Natural Gas may be created in a suitable way either from Oil Industry Development Board (OIDB) funds or budgetary allocations for development of this sector quickly and without waiting for other government agencies to finance them. Ministry may furnish the action taken in this regard.</p>		<p>possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network. Besides, the Ministry have also stated to be coordinating with banks and other multilateral financial institutions to provided financing for CBG projects.</p> <p>While appreciating the efforts being made by the Ministry to coordinate with banks and other multilateral financial</p>	

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		<p>institutions to provide financing for CBG projects, the Committee feel that when a National Bio fuel Fund/PM – Jivan Yojana fund has been established by the Ministry, it should be properly funded and utilized for the objectives set out. The committee, therefore, recommend the Ministry to make all out efforts for seeking adequate funds for bio fuel projects under National Bio Fuel Fund/PM –Javan Yojana and to expedite the development of CBG sector.</p>	

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<p><u>Recommendation No. 9</u> <u>Investment in CBG Projects by Oil PSUs</u></p> <p>“The Committee note that CBG projects are being implemented with the expectation that private entrepreneurs and investors will come forward and the role of oil PSUs shall be to provide support to these projects in the form of assured off take of CBG produced from these plants. The Committee observe that IOC has invested in 5 CBG projects and GAIL and HPCL in one each whereas the upstream PSUs like ONGC and OIL which have specific mandate relating to production of natural gas and marketing of natural gas respectively have not invested in any project so far. The Committee find it surprising to note that PSUs are not interested</p>	<p>“OGMCs have been investing in creating and maintaining infrastructure for promotion of CBG projects which include development of Retail Outlet laying of pipeline, purchase of equipment, etc. Further, they are also investing in establishment of CBG plants. The list of CBG projects with OGMC's investment are as under:</p> <table border="1" data-bbox="684 862 1188 1425"> <thead> <tr> <th>Sl No.</th> <th>OGM C</th> <th>Location</th> <th>Status of project</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>IOCL</td> <td>Namakka l, Tamil Nadu</td> <td>Sale of CBG initiated in May 2020</td> </tr> <tr> <td>2.</td> <td>IOCL</td> <td>Hingonia, Jaipur, Rajasthan</td> <td>Mechanical Completion</td> </tr> <tr> <td>3.</td> <td>IOCL</td> <td>Gorakhpur, Uttar</td> <td>Work in</td> </tr> </tbody> </table>	Sl No.	OGM C	Location	Status of project	1.	IOCL	Namakka l, Tamil Nadu	Sale of CBG initiated in May 2020	2.	IOCL	Hingonia, Jaipur, Rajasthan	Mechanical Completion	3.	IOCL	Gorakhpur, Uttar	Work in	<p>The Committee while observing that PSUs were not setting up CBG projects on their own despite domestic natural gas production being a mandate of some of the upstream oil PSUs, had recommended in their original Report that the Ministry should prevail upon Oil PSUs to aggressively enter into CBG sector either on their own or through joint ventures so as to demonstrate the viability of the CBG projects and instil confidence among the</p>	<p>Organizations under MoPNG have been mandated to establish new CBG projects. The number of CBG projects committed for establishment by organization under this ministry are as under:</p> <table border="1" data-bbox="1619 737 1906 1419"> <thead> <tr> <th>S. No.</th> <th>Organization</th> <th>No. CBG plants</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>IOCL</td> <td>30</td> </tr> <tr> <td>2</td> <td>BPCL</td> <td>26</td> </tr> <tr> <td>3</td> <td>HPCL</td> <td>26</td> </tr> <tr> <td>4</td> <td>GAIL</td> <td>26</td> </tr> <tr> <td>5</td> <td>ONGC</td> <td>25</td> </tr> <tr> <td>6</td> <td>PLL</td> <td>25</td> </tr> <tr> <td>7</td> <td>OIL</td> <td>25</td> </tr> </tbody> </table>	S. No.	Organization	No. CBG plants	1	IOCL	30	2	BPCL	26	3	HPCL	26	4	GAIL	26	5	ONGC	25	6	PLL	25	7	OIL	25
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<p>in setting up of CBG projects on their own despite domestic natural gas production being a mandate of the upstream oil PSUs, The Committee, therefore, would like Oil PSUs to aggressively enter into CBG sector through company owned company operated (COCO) model or joint ventures with other OMCs/entrepreneurs.</p> <p>Further, the OMCs also have a responsibility to meet the LPG demand in the country both in domestic and commercial sector and a large part of their LPG requirement is imported to meet the demand. These companies have restricted themselves to buy the Bio- gas from the CBG projects. The Committee feel this is unacceptable and want all the PSUs to invest and promote CBG projects seriously with their own investment. The Committee also expect that the Ministry should</p>			Pradesh	progress	<p>investors/entrepreneurs.</p> <p>The Committee are not satisfied with the reply of the Ministry as it does not mention any new measure taken by Oil PSUs in this regard and to mislead the Committee by furnishing the details of the CBG projects that are already being undertaken by IOCL, HPCL and GAIL. The Committee are not happy, with this lack of seriousness being exhibited by the Ministry and Oil and Gas PSUs. Besides, the Committee are concerned to note</p>	<table border="1"> <tr> <td data-bbox="1619 453 1665 521">8</td> <td data-bbox="1671 453 1829 521">IGL</td> <td data-bbox="1839 453 1919 521">10</td> </tr> <tr> <td data-bbox="1619 526 1665 594">9</td> <td data-bbox="1671 526 1829 594">EIL</td> <td data-bbox="1839 526 1919 594">2</td> </tr> <tr> <td colspan="2" data-bbox="1619 599 1829 662">Total</td> <td data-bbox="1839 599 1919 662">195</td> </tr> </table>	8	IGL	10	9	EIL	2	Total		195
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4.	IOCL	Gwalior, Madhya Pradesh	Work in progress												
5.	HPCL	Budaun, Uttar Pradesh	Work in progress												
6.	HPCL	Jalore, Rajasthan	Work in progress												
7.	GAIL	Ranchi, Jharkhand	Work in progress												
<p>In addition, IOCL has also commissioned cattle dung to Biogas Plants in Betul & Hoshangabad in Madhya Pradesh and Gorakhpur in Uttar Pradesh.</p> <p>Other Oil PSUs and CGD entitles are also being encouraged invest in establishment of CBG plants".</p>					<p>This will lead to development of ~ 1500 Tons per day (TPD) installed CBG production capacity with an investment of around 10,000 Crores rupees. (considering 8 TPD avg. capacity and average investment of 7 crore per ton.)</p> <p>Further, under the guidance of MoPNG and MoHUA, they are also engaged in establishing around 25 CBG plants in urban areas with an estimated installed CBG production capacity of around 200 Tons per day (TPD) at an investment of more than 1000 crores rupees.</p>										

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<p>persuade the oil PSUs particularly upstream oil PSU's like ONGC, OIL and GAIL in particular to set up a good number of CBG projects in the country as this fall within their mandate of producing natural gas. The PSUs with their professional and project management competence should set aside sizeable fund for investment in these projects and able to execute the projects in time bound and efficient manner. This will also demonstrate the viability of these projects and will give confidence to investors. This will also allow the PSUs and the Ministry to gain valuable experience to sort out various issues and put in place required policy measures to ensure that the CBG initiative is successfully implemented and enhance the energy security of the nation. Therefore, the Committee</p>		<p>that the Ministry have not shown any interest to issue orders to Oil and Gas PSUs for investing in creating and maintaining infrastructure for promotion of CBG projects which create a doubt that the Ministry itself is skeptical about the viability and success of the CBG projects. The Committee feel that unless Oil and Gas PSUs shed their reluctance and come forward in investing in a few CBG projects, which can come out as effective model, it will be difficult to persuade private</p>	

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<p>recommend that all the OIL PSUs should seriously look into SATAT initiative and invest in CBG plants with their own funds".</p>		<p>entrepreneurs and investors to come forward and invest in the CBG Sector. The Committee, therefore, reiterate their earlier recommendation and want the Ministry to persuade the Oil and Gas PSUs to consider and make investments in new CBG projects with their own funds and seriously pursue their implementation. The Ministry may also apprise the Committee about the action taken in the matter within three months of presentation of this report.</p>	

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<p><u>Recommendation No. 10</u> <u>Establishing a Credit Guarantee Fund (CGF)</u></p> <p>"The Committee note the Entrepreneurs are facing huge problems in getting financial assistance for CBG plants. The Committee feel that lack of credit is one of the major factors due to which not many CBG plants have come up and therefore there is an urgent need to address access to credit by evolving innovative financial mechanisms/products. The Committee suggest that there should be a Credit Guarantee</p>	<p>"MoPNG is working with World Bank and SIDBI to explore the possibilities for concessional credit for CBG projects. World Bank has submitted a proposal to MoEFCC for seeking USD 15 million funds through the non-grant instrument under the current Global Environment Facility (GEF) 8th cycle for implementing RSF facility for CBG projects under SATAT initiative and the same has been endorsed by the MoEFCC. Further, MoPNG is also coordinating with IREDA to provide concessional loans for CBG projects".</p>	<p>The Committee while noting the difficulties being faced by the entrepreneurs in getting financial assistance for CBG plants, had in their original Report recommended for establishing Credit Guarantee Fund (CGF) for CBG project financing, like the one Credit Guarantee Fund Trust for Micro and Small Enterprises by Small Industries Development Bank</p>	<p>This ministry is working on a proposal with World Bank to provide assistance of USD 265.5 million through the Risk Sharing Facility (USD 255 million). Under this, SIDBI (implementing agency) will offer partial credit guarantees (sub-guarantees), on the back of International Bank for Reconstruction and Development (IBRD) Guarantees, to commercial banks and Non-Banking Financial Companies (NBFCs) that will be providing commercial loans to biogas developers. Further, Institutional Strengthening and Implementation Support is</p>

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<p>Fund (CGF) established for CBG project financing, like the one launched under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) by Small Industries Development Bank of India (SIDBI) and Government of India for stimulating collateral-free lending to Micro Small and Medium Enterprises (MSME) borrowers and the same can be thought for CBG projects as well. This shall enable risk reduction of and instil confidence in the Financial Institutions for undertaking credit exposure in the CBG industry.</p> <p>The Committee also recommend that there can be refinancing of loans by Indian Renewable Energy Development Agency Limited (IREDA) under MNRE that can directly enter into MoU with Public Sector Banks wherein every CBG project that meets certain basic needs (for</p>		<p>of India (SIDBI) and Government of India for stimulating collateral-free lending to Micro Small and Medium Enterprises (MSME) borrowers. Besides, the Ministry were also asked to explore the possibility of refinancing of loans by Indian Renewable Energy Development Agency Limited (IREDA) under MNRE to facilitate setting up CBG plants.</p> <p>The Committee are satisfied to note that the MoPNG is working with World Bank and SIDBI to explore the</p>	<p>also proposed to finance capacity building for SIDBI and PFIs, including raising consumer awareness.</p> <p>MoPNG is also working with Asian Development Bank (ADB) to create a line of credit of about USD 300 million for financing of CBG projects whereby banks and financial institutions would be able to provide cheaper credit for CBG projects.</p>

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<p>being qualified as a potent project) would be provided the benefit of concessional rate lending by IREDA via the bank/NBFC for onward lending".</p>		<p>possibilities for concessional credit for CBG projects. However, there seem to be no reference in the reply about specific steps taken towards establishing Credit Guarantee fund exclusively for CBG projects. The Committee, therefore, reiterate their earlier recommendation and exhort the Ministry to make all out efforts towards establishing Credit Guarantee fund so as to improve accessibility of credit to CBG projects.</p>	

Chapter-V

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<p><u>Recommendation No. 8</u> <u>Collateral Security for CBG Projects</u></p> <p>The Committee note that Reserve Bank of India has included CBG projects under Priority Sector Lending and public sector banks are extending loans to CBG plants. Canara Bank has been nominated as Nodal Banker under SATAT. State Bank of India, Bank of Baroda, Canara Bank and some other banks have developed exclusive loan product for financing of CBG projects. World Bank, ADB and JICA are working for Detailed Project Report for multilateral cheaper credit to CBG plants.</p> <p>However, the Committee note that the banks are not extending loans for more than one project to the same entrepreneur who is</p>	<p>MoPNG has taken up the matter of easing of collateral security burden with Department of Financial Services at various occasions. Recently the issues have also been raised in the meeting held on 23.03.2023.</p> <p>CBG has been included under priority sector lending by Reserve Bank of India. Escrow account provisions have been made in the commercial agreements. In addition, there are clauses on Substitution rights, intimation to lenders, etc. in the commercial agreement between CBG Plant and OGMCS to facilitate the lending process.</p> <p>Canara Bank has been nominated as Nodal Banker under SATAT. State Bank of India, Punjab National Bank, Canara Bank, Union Bank and Bank of Baroda, etc. have launched products on financing of CBG Plants under SATAT scheme. A coordination committee on CBG Projects Finance has been</p>		<p>Department of Drinking Water and Sanitation (DDWS) and MoPNG have communicated with the Department of Financial Services (DFS) regarding the issue of banks demanding high collateral security for CBG projects. In response, DFS has advised that Oil and Gas Marketing Companies (OGMCs) should coordinate with the nodal bank to finalize the Tri-Partite Agreement (TPA) and Escrow Agreement.</p> <p>Furthermore, in alignment with the recommendations of the Standing Committee, OGMCS have been advised to expedite the finalization of the TPA and Escrow Agreement, in partnership with the nodal bank. This will</p>

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<p>holding multiple LOI issued by Oil and Gas Marketing (OGMCs) companies. The Department of Financial Services state that they would like to see the execution of these plants to which they have already extended the loan. One of the hurdles faced by entrepreneurs is that the banks seek collateral security for financing the projects. The Committee have been informed by the entrepreneurs that the gas purchase agreement between the Oil and CBG plant operators for taking up the entire off-take of the gas at pre- determined price should also be taken into consideration by the Banks as a means of security and if required an escrow account between the three parties namely CBG Plants Management, OGMCs and banks can be entered into where that banks may get their loan service from this account. The committee are of the view that there is merit</p>	<p>constituted under the leadership of Canara Bank. Various issues related to financing of CBG Projects including collateral issue has been discussed during the meetings of the committee.</p>		<p>ensure the securement of receivables through the Escrow mechanism. Additionally, a Risk Sharing Facility is being developed in collaboration with the World Bank, which will contribute towards reducing collateral requirements.</p>

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<p>in this suggestion and recommend that MOPNG should hold consultation with Ministry of Finance on this issue and ease the collateral security burden on the entrepreneurs as in done under Ethanol Blended Petrol (EBP) Programme.</p>			
<p><u>Recommendation No. 17</u> <u>Tax Issues for CBG Plants</u> The Committee note that Section 80JJA or the Income-tax Act, 1961 provides for deduction of 100% from the profits and gains derived from the business of collecting and processing or treating of biodegradable waste for generating power or producing biofertilizers, bio-pesticides or other biological agents or for producing bio-gas or making pellets or briquettes for fuel or organic manure for a period of five consecutive assessment years beginning with</p>	<p>Providing of tax benefits like income tax waiver and accelerated depreciation shall assist in propagation of CBG Plants. MoPNG is considering the issue for taking up the same with Department of Revenue.</p>		<p>This ministry has actively engaged with the Department of Revenue to address taxation issues. As a result of these efforts, Department of Revenue has issued notification dated 01.02.2023 on exemption of Compressed Natural Gas when blended with Biogas or Compressed Biogas from so much of the duty of excise leviable thereon the amount of central tax, State tax, Union territory tax or integrated tax, as the case may be, paid on the Biogas or CBG contained in such blended CNG.</p>

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<p>the assessment year in which such business commences.</p> <p>The Committee feel that CBG plants must be seen as a sunrise industry and recommend that special concessions must be provided at nascent stage and unambiguous continuation of the 80JJA scheme under the new sections in the IT amendment shall be provided for the ten years which will serve as the much-needed impetus, particularly to the entrepreneurs/ Start-Ups foraying into the industry.</p> <p>The Committee observe that the GST Council recently notified of escalation of GST slab from 5% to 12% for biogas plant-related equipment and their parts. This is expected to provide incentive to the domestic industry to avail the input tax credit under GST regime. However, the Committee note that, due to these ambiguities, clarifications are</p>			<p>Additionally, this ministry has requested Central Board of Direct Taxes (CBDT) to extend the exemption period from five years to ten years under section 80JJA of the IT Act, in accordance with the recommendation of the Standing Committee.</p>

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<p>sought by Indirect Tax Officials from CBG plants.</p> <p>The Committee note that clarity in tax issues goes a long way in attracting investments in a sector. The disparity in tax structure for CBG Plants needs to be bridged with uniformity in the taxation of Goods and Services for all procurements in CBG projects. The Committee therefore recommend that these issues should be addressed by MoPNG in consultation with Department of Revenue.</p>			