5

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2024-25)

(EIGHTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Twenty-Third Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2023-24) on the subject 'Review of Policy on Import of Crude Oil']

FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

…….August, 2025/…….Shravan, 1947 (Saka)

CP&NG NO.

FIFTH REPORT

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2024 - 25)

(EIGHTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Twenty-Third Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2023-24) on the subject 'Review of Policy on Import of Crude Oil']

Presented to Lok Sabha on 12.08.2025

Laid in Rajya Sabha on 12.08.2025

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

……..August, 2025/……Shravan, 1947 (Saka)

CONTENTS

		Page
COMPOSITION OF THE COMMITTEE (2024-25)……………………………..		(iii)
INTRODUCTION ………………………………………………………………..		(iv)
CHAPTER I	Report ……………………………………………….	01
CHAPTER II	Recommendations/Observations which have been accepted by the Government ……………………………	15
CHAPTER III	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies …………………………………	28
CHAPTER IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee ……………………………………	34
CHAPTER V	Recommendations/Observations in respect of which final replies of the Government are still awaited ……	38
	ANNEXURES	
I.	Minutes of the fourteenth sitting of the Standing Committee on Petroleum and Natural Gas (2024-25) held on 07.08.2025.	39
II.	Analysis of the Action Taken by the Government on the Recommendations contained in the Twenty-Third Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2023-24) on the subject 'Review of Policy on Import of Crude Oil'.	41

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2024-25)

Sl. No.	Names of Members
	LOK SABHA
Shri Sunil Dattatrey Tatkare – Chairperson	
2	Shri Gurjeet Singh Aujla
3	Shri Benny Behanan
4	Shri Maddila Gurumoorthy
5	Shri Dileshwar Kamait
6	Shri Putta Mahesh Kumar
7	Shri Vinod Lakhamshi Chavda
8	Smt. Joba Majhi
9	Smt. Pratima Mondal
10	Shri Laxmikant Pappu Nishad
11	Shri Jai Prakash
12	Shri Dilip Saikia
13	Smt. Kamaljeet Sehrawat
14	Shri Janardan Singh Sigriwal
15	Dr. Amar Singh
16	Shri Vivek Thakur
17	Shri Ve Vaithilingam
18	Shri Balashowry Vallabhaneni
19	Shri Parbhubhai Nagarbhai Vasava
20	Dr. Kalanidhi Veeraswamy
21	Shri Dharmendra Yadav
	RAJYA SABHA
22	Shri Chunnilal Garasiya
23	Shri Narain Dass Gupta
24	Shri Chandrakant Handore
25	Shri Manoj Kumar Jha
26	Shri Mithlesh Kumar
27	Shri Dorjee Tshering Lepcha
28	Shri Mayankbhai Jaydevbhai Nayak
29	Shri K.R.N. Rajeshkumar
30	Dr. V. Sivadasan
31	Shri Ravi Chandra Vaddiraju

SECRETARIAT

1	Shri Rajesh Ranjan Kumar	Joint Secretary
2	Shri Brajesh Kumar Singh	Deputy Secretary

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 Fifth Report on Action Taken by the Government on the recommendations contained in the Twenty-Third Report (Seventeenth Lok Sabha) of the Committee on the subject 'Review of Policy on Import of Crude Oil'.

2. The Twenty-Third Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha/ laid on the table of Rajya Sabha on 20.12.2023. The Action Taken Replies of the Government to all the recommendations contained in the Twenty-Third Report were received on 18.03.2024.

3. The Standing Committee on Petroleum & Natural Gas (2024-25) considered and adopted the Report at their sitting held on 07.08.2025.

4. An analysis of the action taken by the Government on the recommendations contained in the Twenty-Third Report (Seventeenth 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;
***07 August*, 2025**
16 Shravan,1947 (Saka)

Sunil Dattatrey Tatkare,
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 (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2023-24) on the subject 'Review of Policy on Import of Crude Oil', which was presented to Lok Sabha and laid in Rajya Sabha on 20.12.2023.

2. Action Taken Notes have been received from the Ministry on 18.03.2024 in respect of all the 15 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, 4, 5, 6, 7, 9 and 14 (Total - 7)

(Chapter- II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- 3, 10, 11, 12 and 15 (Total – 5)

(Chapter- III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 2, 8 and 13 (Total - 3)

(Chapter- IV)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Nil

(Chapter- V)

3. The Committee are satisfied to note that the Ministry have accepted 07 recommendations out of 15 recommendations of this Committee. The Committee expect the Ministry to monitor the implementation of the same. The Committee also desire that the Action Taken Notes on the Recommendations/Observations contained in Chapter - I of this Report should be furnished expeditiously.

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

Recommendation No. 1

REVIEW OF POLICY ON IMPORT OF CRUDE OIL

5. The Committee in their report had recommended as under:

As per IEA's India Energy Outlook 2021, Energy use on a per capita basis is well under half the global average, and there are widespread differences in energy use and the quality of service across states and between rural and urban areas. Further, it states India's oil demand will rise by almost 4 million barrels per day (mb/d) to reach 8.7 (mb/d) in 2040, the largest increase of any country.

The Committee note that an expanding economy, population, urbanisation and industrialisation mean that India sees the largest increase in energy demand of any country, across all scenarios by 2040. Further, Indian PSU refineries have expanded their capacity to meet the increasing demand for auto fuel and also to meet the demand for other petroleum products like ATF, naptha, etc.

The Committee note that import of crude by Oil PSUs during 2021-22 was 120.5 MMT out of total imports of 212.38 MMT and during the year 2022-23, the imports by oil PSUs totalled about 141.2 MMT. The Committee further note that the domestic production of crude oil was 30.49 MMT and 29.69 MMT during the years 2021-22 and 2022-23 respectively. Out of this, contribution of the PSUs accounted for 23.11 MMT and 22.44 MMT respectively. This shows that hardly, the domestic production is less than 15 per cent of the demand and more than 85 per cent of crude oil is imported. The Committee further note that under the Administered Pricing mechanism (APM), the Import of crude oil was fully canalized through the Indian Oil Corporation Limited (IOCL) on behalf of all Oil PSUs and controlled by the Empowered Standing Committee (ESC) of the Government of India. The Union Cabinet dismantled the APM mechanism *w.e.f.* 01 .04.2002 and since then each Oil PSU is procuring crude on its own. However, the crude oil import arrangements were finalized through ESC (Empowered Standing Committee) of each company wherein representative of Government of India was a member. Since April 2016, the Cabinet approved and empowered the Public Sector Oil Companies to evolve their own policies for import of crude oil, consistent with CVC guidelines and get them approved by the respective Boards. This is expected to increase the operational and commercial flexibility of the oil companies and help them in adoption of effective procurement practices for import of crude oil.

Hence, each PSU, refinery has its own optimized procedure for procurement, transportation, and processing of crude oil, including contract signings and payments to suppliers and ship owners. The Committee note that at present the PSU refineries import crude oil through (i) Annual term contracts and (ii) Spot contracts.

The Committee observe that the import policy of PSUs for crude oil has undergone gradual changes in the last two decades and from a fully controlled regime to full autonomy to each company to plan and purchase the type of crude required for their operational requirements. This will hopefully give rise to quick decision making and improve the gross refining margins of the refineries thereby contributing to better financial performance of the Oil PSUs. The Committee, however, hope that even though the Government has given full operational autonomy to the PSUs, the Ministry of Petroleum and Natural Gas would monitor the procurement plan and execution of contracts by the

PSUs by periodic audits to check the effectiveness of the current policy. The Committee therefore recommend to the Ministry that the Import policy of crude oil should be monitored periodically and necessary changes may be advised based on the shortcomings noticed in the policy.

REPLY OF THE GOVERNMENT

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

The procurement of crude oil by public sector oil refineries is under ongoing review through periodic audits including Government, Statutory and internal audits which are conducted in accordance to the provisions of the Companies Act, 2013. Currently there is no provision for special audit at Ministry level. However, MOP&NG will continue to carry out the overarching review of the functioning of each of the PSU under its administrative control which inter-alia include the procurement of crude oil.

Comments of the Committee

7. The Committee in their original Report had recommended that the Ministry may monitor the procurement plan and execution of contracts by the PSUs by periodic audits to check the effectiveness of the current policy and that the import policy of crude oil should be monitored periodically and necessary changes be advised based on the shortcomings noticed in the policy. In this regard, the Ministry have replied that the procurement of crude oil by public sector oil refineries is under ongoing review through periodic audits including Government, Statutory and internal audits which are conducted in accordance to the provisions of the Companies Act, 2013. They have also informed that currently there is no provision for special audit at Ministry level.

Nevertheless, the Ministry have assured that they will continue to carry out the overarching review of the functioning of each of the PSU under its administrative control which inter-alia include the procurement of crude oil also. The Committee, therefore, while accepting this reply of the Ministry, reiterate their earlier recommendation that import policy of crude oil should be monitored periodically and necessary changes be advised based on the shortcomings as it would aid in safeguarding energy security, reduce economic vulnerabilities and adapt to global market and geopolitical changes.

Recommendation No. 2

SPOT AND TERM CONTRACTS

8. The Committee in their report had recommended as under:

"The Committee note that crude oil imports are mainly done in two ways namely Term Contract and Spot Tenders. The oil PSUs normally resort to term contracts which are finalized on yearly basis. The primary reason for term contracts is to give energy security where the volumes are assured irrespective of the crisis situation. Most of the contracts are on financial year basis but some of them are also on calendar year basis.

Spot purchases are resorted by oil PSUs to meet out the balance requirement which is not covered under term contract. This gives flexibility to crude oil purchases based on seasonal market demand. Also, spot purchases give the option of exploring various new grades for which term contracts are not available. The frequency of spot purchases depends on requirement of the company. It is generally expected that the spot tenders are likely to be available at cheaper price than term contracts.

The purchases are done with National Oil Companies (NOCs) at Official selling Price (OSP) of the country from which it is imported. Wherever the quantities are not available from such countries, then PSU's go to national oil companies who do not have OSP. The Committee note that during the year 2020-21, IOC had 62 per cent term contract and 38 per cent spot contract. In 2021-22, the term contract was 63 percent and spot was 37 per cent. During the 2022-23, it is seen that the term contract was 68 per cent and the spot contract was 32 per cent for IOCL. In purchases of BPCL, it is seen that the term contracts was 56.7 per cent (2020-21), 60 per cent (2021-22) and 49 per cent (2022-23). The remaining quantity was purchased through spot tenders. The Committee observe that the purchases between term and spot is approximately $2/3^{rd}$ and $1/3^{rd}$ for IOCL and 60:40 for BPCL. The Committee observe that the overall spot purchases which was around 27.58 per cent in 2017-18 has increased to 35.13 per cent in 2022-23. The Committee acknowledge that oil PSUs have autonomy to decide their purchases of crude oil and are the best judges to decide on the type of purchase for crude oil from international markets.

However, keeping in view the significant increase in percentage of spot tenders in the last few years, the Committee would like to caution the oil PSUs to plan their crude purchases, so that the average cost of purchases in spot tenders should be at a lower cost than term contracts. The Committee recommend that the Ministry should conduct a study/audit to see whether the purchases in spot tenders are actually resulted in cheaper cost".

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

"In formulating the crude oil import strategy, Public Sector Oil companies meticulously consider factors such as techno-economic elements, supply security, international political and trade relations, availability in the spot market, geographical diversity of supply sources, maintaining a balance between term and spot procurement, ensuring refinery flexibility, and anticipating increased crude oil demand due to upcoming processing capacity expansions.

Furthermore, the dynamic nature of the spot market, influenced by market forces and geopolitical dynamics, underscores the need for a nuanced approach. Assessing gains or losses isn't solely contingent on crude oil prices but also on factors like shifts in product demand, refinery shutdown schedules, refinery configurations, and product crack spread.

The ratio between spot and term procurement for the year is determined by Oil Companies' Annual Crude Oil Procurement Plan, aligned with the all-encompassing objective of value generation within the overall operations and is duly endorsed by the board in accordance with MoP&NG guidelines since April 2016.

While term contracts ensure supply security, spot contracts offer operational flexibility, with pricing for both tethered to prevailing market rates. Spot procurement becomes necessary when desired grades or quantities aren't available through term contracts or to accommodate fluctuations in demand, unforeseen outages, or shifts in the crude oil mix".

Comments of the Committee

10. The Committee in their original report had noted that Oil PSUs normally resort to term contracts to give energy security where the volumes are assured irrespective of crisis situation. Spot purchases are resorted to by the Oil PSUs to meet out the balance requirement which is not covered under term contract. The Committee further noted that Spot purchases are resorted to by the Oil PSUs to meet out the balance requirement which is not covered under term contract. This gives flexibility to crude oil purchases based on seasonal market demand. Also, spot purchases give the option of exploring various new grades for which term contracts are not available. The frequency of spot purchases depends on requirement of the company. It is generally expected that the spot tenders are likely to be available at cheaper price than term contracts. Keeping in view the significant increase in percentage of spot tenders in the last few years, the Committee had cautioned the oil PSUs to plan their crude purchases, in such a way that the average cost of purchases in spot tenders should be at a lower cost than term contracts. As such, the Committee recommended the Ministry to conduct a study/audit to see whether the spot tender purchases have actually resulted in cheaper costs.

The Ministry in their reply have stated that in formulating the crude oil import strategy, Public Sector Oil companies meticulously consider factors such as techno-economic elements, supply security, international political and trade relations, availability in the spot market, geographical diversity of supply sources, maintaining a balance between term and spot procurement, ensuring refinery flexibility, and anticipating increased crude oil demand due to upcoming processing capacity expansions. It has further stated that while term contracts ensure supply security, spot contracts offer operational flexibility, with pricing for both tethered to prevailing market rates. Spot procurement becomes necessary when desired grades or quantities aren't available through term contracts or to accommodate fluctuations in demand, unforeseen outages, or shifts in the crude oil mix.

In their original Report, the Committee had acknowledged strategic need of the Oil PSUs to enter into spot contracts in order to fulfil their instant demands. However, the Committee had desired to know whether the rising trend of spot purchases in the Oil PSUs has also resulted in cost cutting. As such the Committee had recommended the Ministry to conduct a study/audit to see whether the spot tender purchases have actually saved money over the years. The reply of the Ministry is silent on it. The Committee, therefore, reiterate their earlier recommendation to conduct a study/audit to see whether the purchases in spot tenders have actually promoted to be cheaper. The Committee would like to be apprised of the results.

Recommendation No. 8

NEED TO PROMOTE INDIAN RUPEE

11. The Committee in their report had recommended as under:

"The Committee note that the bill for import of crude oil imports amount to about 25 per cent of all merchandise imports of the country and impacts the trade deficit of the country. Accordingly, the Government of India envisaged to promote settlement of crude oil imports in Indian rupee to save precious foreign exchange of the country.

The Committee further note that Reserve Bank of India (RBI) introduced additional arrangement for invoicing, payment, and settlement of exports/imports in INR. Authorised Dealer (AD) banks in India have been permitted to open Rupee Vostro Accounts of correspondent bank/s of the partner trading country with an approval from the RBI with details of the arrangement. Indian importers undertaking imports through this mechanism shall make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier. Payments for crude oil can be made in INR, subject to the suppliers' complying with regulatory guidelines in this regard. Currently, Oil PSUs do not have an agreement with any crude oil supplier to make purchases in Indian currency for supply of crude oil.

The Committee, however, note that crude oil suppliers have expressed their concern on the repatriation of funds in the preferred currency and high transactional costs associated with conversion of funds along with exchange fluctuation risks. The Committee express concern over lack of momentum in settlement of crude oil import bills in Indian rupee and recommend the Ministry of Petroleum and Natural Gas to take up the issue with the Ministry of Finance and Reserve Bank of India for removing bottlenecks in settlement of crude oil import bills in Indian rupee and promote the same".

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

"The Reserve Bank of India (RBI) vide Circular dated 11.07.2022 allowed invoicing and payments for international trade in Indian Rupee. Ministry of Commerce in August 2022 took up the matter with OMCs to sensitize Crude Oil suppliers mainly Russian NOCs to accept Indian Rupee for import crude oil payment. VCs were arranged with Russian NOCs for explaining the whole scheme through presentation shared by RBI for settlement of trade in Indian Rupee however they have expressed their concern on limitation to repatriate the funds in their home currency from Special Rupee Vostro Account. Ministry of Finance (DFS) in Feb/ Mar'23 also asked to pursue with Oil Suppliers especially Russian NOCs to accept dues in Indian Rupee however feedback of supplier's reluctance to settle import bill in Indian Rupee was shared again.

Meanwhile, the Reserve Bank of India (RBI) and the Central Bank of UAE (CBUAE) signed MoU on 15th July 2023 in Abu Dhabi to Promote the Use of Local Currencies viz. the Indian rupee (INR) and the UAE Dirham (AED) for cross-border transactions. In assistance with RBI, Indian Oil successfully made 1st payment in Rupee for imported crude oil supplied by ADNOC on 14th August'23. The invoice for 1 mn bbls of crude was paid in the ratio of 80:10:10 in USD, INR, AED to the Crude Oil supplier.

Oil companies consistently engage with suppliers to negotiate crude oil settlements in Indian Rupees (INR). However, due to the imbalance in trade flows, where imports significantly outweigh exports, suppliers are hesitant to agree to settle crude oil bills in INR".

Comments of the Committee

13. The Committee in their original report had noted that crude oil suppliers had expressed their concern on the repatriation of funds in the preferred currency and high transactional costs associated with conversion of funds along with exchange fluctuation risks. The Committee found lack of momentum in settlement of crude oil

import bills in Indian rupee and recommended the Ministry of Petroleum and Natural Gas to take up the issue with the Ministry of Finance and Reserve Bank of India for removing bottlenecks in settlement of crude oil import bills in Indian rupee and promote the same.

The Committee are not satisfied with the reply of the Ministry as it does not describe the action taken by the Ministry in taking up the issue with the Ministry of Finance and Reserve Bank of India in response to the recommendation of the Committee to identify the bottlenecks in settlement of crude oil import bills in Indian rupee and devise an appropriate plan to make the scheme successful. The Committee also note that the promotion of Indian rupee in settlement of crude oil bills is not a mere dream but it is a policy of the Government of India and it is incumbent on all the government agencies to make all out effort for successful implementation of the policy. Accordingly, the Committee reiterate their earlier recommendation to the Ministry of Petroleum and Natural Gas to take up the issue with the Ministry of Finance and Reserve Bank of India for removing bottlenecks in settlement of crude oil import bills in Indian rupee and promote the same

<u>Recommendation No. 13</u>

STRATEGIC STORAGE

14. The Committee in their original Report had recommended as under:

"The Committee note that the country has created strategic storage caverns for storage of crude oil towards enhancing and ensuring energy security of the country. At present 5.33 MMT of capacity at three different locations, namely, Vishakhapatnam (1.33 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT). The Committee note that the strategic storage will be a dynamic concept as the total demand of petroleum products like diesel, petrol and ATF, etc. keeps on changing more on the higher side as the economy grows. Therefore, the strategic storage capacity needs to be worked out with a future target in mind.

The Committee note that two additional strategic storage caverns one at Orissa and other at Rajasthan have been approved and work to be undertaken at these two storages. The total capacity of 5.33 MMT is around: 2.6 per cent of annual domestic demand of 204.7 MMT F.Y. 2021- 22. The Committee expect the Ministry to increase, the strategic storage capacity in the country at a quicker pace and with the faster execution. The Committee are of the view that the existing refinery projects and the recently commissioned refineries may be asked to set up strategic storage capacity with a smaller capacity like 2 to 3 days at 5 to 6 locations which can bring up 15 to 20 days additional capacity in a definite time frame.

While standalone strategic storage caverns at different locations also helps, capacities near the existing refinery may encourage the oil PSUs to establish and maintain them which also gives them secured supplies. The Ministry may provide funds for creation of storage caverns to oil PSUs through ISPRL, while the oil PSUs can store and maintain the caverns for their usage. The Committee, therefore, recommend the Ministry to look at various options to increase the strategic storage capacity in the country with a future demand in 2040 and work progressively to achieve them".

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

"Under Phase I of Strategic Petroleum Reserve (SPR) program, ISPRL built SPR facilities with a total capacity of 5.33 MMT at three locations viz. Visakhapatnam, Andhra Pradesh (1.33 MMT), Mangalore, Karnataka (1.5 MMT) and Padur, Karnataka (2.5 MMT).

All the three facilities i.e. Visakhapatnam, Mangalore & Padur were commissioned in June'2015, October'2016 and December'2018 respectively**.** All these three facilities were dedicated to the Nation by Hon'ble Prime Minister on 10th February'2019.

Further, Cabinet approved development of Commercial cum Strategic reserves under Phase II at Chandikhol (4MMT) and Padur (2.5 MMT) on PPP mode along with dedicated SPM's and associated pipelines during cabinet meeting held on 08th July 2021.

The land acquisition for Phase II at Padur is on advance stage. Further, ISPRL is in the process of floating RFP for Padur so as to synchronize it with availability of encumbrance free land.

Exploring possibility at other locations

ISPRL has been evaluating, from time to time, the possibility of augmentation of storage capacities based on technical and commercial feasibility.

HPCL is using ISPRL Cavern-B at Visakhapatnam for storage of crude oil. HPCL has also hired 300 TMT space in Cavern-A of ISPRL at Visakhapatnam".

Comments of the Committee

16. The Committee in their original Report had recommended the Ministry of Petroleum and Natural Gas to provide funds to Oil PSUs through ISPRL for creation of storage caverns near their refineries. They had also recommended the Ministry to look at various options to increase the strategic storage capacity in the country with a future demand in 2040 and work progressively to achieve them. The Committee had expected the Ministry to take early initiative in this regard and send

a comprehensive reply covering their efforts towards increasing the strategic storage capacity in the country.

However, the Ministry have provided a routine action taken reply wherein they have stated that ISPRL has been evaluating, from time to time, the possibility of augmentation of storage capacities based on technical and commercial feasibility. Further, HPCL is using ISPRL Cavern-B at Visakhapatnam for storage of crude oil. HPCL has also hired 300 TMT space in Cavern-A of ISPRL at Visakhapatnam.

In view of the above, the Committee, reiterate their earlier recommendation to the Ministry of Petroleum and Natural Gas to provide funds to Oil PSUs through ISPRL for creation of storage caverns near their refineries and also to look at various options to increase the strategic storage capacity in the country keeping projected demand of petroleum products in 2040 and work progressively to achieve them. The Committee may be apprised of the action taken by the Ministry in this regard.

Recommendation No. 14

STRATEGY TO REDUCE IMPORT DEPENDENCE ON CRUDE OIL

17. The Committee in their report had recommended as under:

> "The Committee note that the installed refining capacity in the country as on 1.4.2022 is around 250 MMT out of which 100 MMT is in private sector. The domestic production of crude oil in the country is around 30 MMT and the country imports almost 220 MMT out of which 120 MMT is done by oil PSUs. The Committee further note that at present the import is closer to 87 per cent and unless major new discoveries of crude oil are made, the country will continue to depend on crude oil imports. With the economic growth planned for the next few years, the demand for petroleum products including auto fuel is likely to increase over the year.
>
> Government has set a target to raise the share of natural gas in energy mix to 15% by 2030. At present (in 2021), share of natural gas in primary energy mix is 6.3%. To meet the increased requirement of hydrocarbon fuel:, major strategies adopted inter alia include: attracting investment in Exploration & Production to enhance domestic oil and gas production, shifting to gas based economy, technological upgradation to improve refinery processes, energy efficiency and productivity, accelerating bio-fuel economy, expanding overseas oil and gas portfolio, diversifying oil and gas supply sources, etc. Government has taken up development of National Gas Grid, City Gas Distribution Networks to cover major demand centers across the country to provide clean and green fuel.

The Committee note that the Government had prepared a road map to reduce the dependency on import in energy. The road map consist of five major steps including increasing domestic production, promotion of bio-fuel and renewable, promote energy efficiency and conservations methods, reduction through improvement in refinery process and demand substitution. The Committee further note that some of the steps mentioned in the road map had started showing result like bio-fuel and renewable energy. The Committee suggest that the refinery improvement process should be an ongoing programme and demand substitution can also be achieved in the near future by promotion of CNG and PNG for transport and domestic usage.

The Committee, however, would like to point out that the Ministry besides the measures taken on its domain should also promote green hydrogen, electric vehicles, renewable energy and bio-fuels. The Committee note that this exercise needs new policy initiatives involving several ministries and agencies. In addition, the Ministry should look at out of box suggestions like motivating people to use public transport, change in lifestyle habits, modification in work culture like work from home which reduce travel requirement, etc. are some of the issues which needs to be seriously looked at from a long term perspective. The Committee, therefore, recommend that the Ministry should set up an interdisciplinary group of experts belonging to various fields to come up with comprehensive set up policy measures so that the demand for fossil fuel can be minimized".

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

"MoP&NG has vide OM dated July 03, 2017 had constituted the inter-ministerial committee, Integrated Monitoring and Advisory Council (IMAC) to oversee the implementation of the roadmap to reduce import dependency. The IMAC chaired by Hon'ble Minister constituted six Working Groups for monitoring the progress on various initiatives, schemes, projects, and strategies taken under their respective domains with a view to augment supply of energy, savings in energy to achieving oil import reduction in coming years.

The working groups prepared a roadmap to reduce the dependency on imports. The strategy for achieving the goal of import reduction entailed: Increasing the production of domestic crude oil & natural gas; Promoting bio fuels & renewable; Energy conservation & energy efficiency; Improvement in refinery processes; and Demand substitution. Based on the inputs provided by the working groups, a holistic report has been prepared on the roadmap to reduce the Import dependency in the short term up to 2025 and long term up to 2030.

Following initiatives have been taken to reduce the import dependency: -

1. Increasing Domestic Exploration and Production.

- Increase the net geographical area under exploration from 2.5 lakh square kilometre (SKM) to 5 lakh SKM.
- "No Go" areas in EEZ have been reduced by almost 99% due to which 10 lakh SKM area is now free in EEZ for E&P Activity.

- The Government of India has opened 99% of the "No-Go" area of the Exclusive Economic Zone (EEZ) for Hydrocarbon Exploration & Development.
- Total operational area (active) under various licensing regimes is 3,27,456 SKM which includes exploration and exploitation of unconventional hydrocarbons like Coal Bed Methane (CBM).
- Other initiatives like renewal, replacement and addition of facilities and infrastructure.
- Improved and enhanced oil recovery using suitable technologies, replacement and revival of sick and old wells.
- To attract foreign investment in the E&P sector in India, the data on Indian sedimentary basins has been made available on National Data Repository (NDR) for open viewing and purchase by interested parties and a data centre has been opened in the campus of University of Houston for ease of data viewing by the International Oil Companies (IOCs).
- Government has made transformational changes in Model Revenue Sharing Contract (MRSC) and terms of Notice Inviting Offer (NIO) to make them simpler and attractive to bidders.
- Indian National Oil Companies (NOCs) (ONGC and OIL) have executed several agreements with International Oil Companies (IOCs) (ExxonMobil, Chevron, TotalEnergies) for collaboration in E & P activities and are also in discussions with BAPCO, JAPEX and Mitsui.

2. Biofuel Blending Programmes like Ethanol, Compressed Bio Gas (CBG), etc

- The Global Biofuel alliance (GBA) was launched by Hon'ble Prime Minister Shri Narendra Modi on 9th September 2023 under India's G20 Presidency. This alliance will be aimed at facilitating cooperation and intensifying the use of sustainable biofuels, including in the transportation sector. It will emphasis on strengthening markets, facilitating global biofuel trade, development of concrete policy lesson sharing and provision of technical support for national biofuels programme worldwide. It will help accelerate India's existing biofuels programme such as PM-JIVAN Yojana, SATAT, and GOBARdhan scheme, thereby contributing to increased farmer's income, creating jobs and overall development of the Indian ecosystem.
- Ethanol blending in petrol has increased from 1.53% in 2013-14 to 12 % in ESY 2022-23. Ethanol procurement has been to the tune of 508.9 crore litres in ESY 2022-23. Total crude oil substitution achieved during 2014-2023 is 142 lakh MT.
- E20 was rolled out at 84 retail outlets in 11 States/UTs on 8th February 2023, ahead its roll-out target of April 2023. The number of retail outlets retailing E20 is now more than 11000.
- Promotion of second generation ethanol to supplement supply of ethanol through Pradhan Mantri JI-VAN Yojana.
- Promotion and increase production of CBG through Sustainable Alternative Towards Affordable Transportation (SATAT) and other initiatives like blending in Natural Gas to substitute Natural Gas. 52 CBG plants with an installed capacity of approximately 300 MT per day have already been commissioned under SATAT. Sale of CBG has been initiated from more than 130 Retail Outlets. During 2022-23, OGMCs have procured 11,227 Ton

CBG. Further, during April, 2023 to December, 2023 OGMCs have procured 11421 Ton CBG.

- In a major step towards enhancing use and adoption of CBG, the National Biofuels Coordination Committee (NBCC) has approved the introduction of phase wise mandatory blending of CBG in CNG (Transport) & PNG (Domestic) segments of CGD sector. The key objectives of the CBG Blending Obligation (CBO) are to stimulate demand for CBG in CGD sector, import substitution for Liquefied Natural Gas (LNG), saving in Forex, promoting circular economy and to assist in achieving the target of net zero emission etc. CBO will be voluntary till FY 2024-2025 and mandatory blending obligation would start from FY 2025-26.

3. Adoption of Alternate Energy Sources like LNG, Hydrogen, EV

- The authorized entities at their Retail Outlets are required to install facilities for marketing at least one new generation alternate fuels like Compressed Natural Gas (CNG), Biofuels, Liquefied Natural Gas (LNG), Electric Vehicle charging points, etc.
- As on 01.01.2024, 11326 EV charging station & 119 battery swapping stations have been installed. Recently, tender for procurement/installation of 8,000 number EVs stations has been floated by OMCs.
- The Green Hydrogen Mission announced by the Government to promote growth of green hydrogen. This inter-alia includes significant contribution of oil & gas companies through replacement of conventional hydrogen derived from Natural Gas with green hydrogen, use of Green Hydrogen for mobility etc".

<u>Comments of the Committee</u>

19. The Committee appreciate the initiatives taken by the Ministry for increasing exploration and production of crude oil and natural gas, Bio - Fuels blending programmes, adoption of alternate energy sources like LNG, Hydrogen, EV. However, they would also like to highlight that the Government of India had launched Sustainable Alternative Towards Affordable Transportation (SATAT) initiatives in October, 2018 which envisages developing 5000 CBG plants with total production capacity equivalent to 54 MMSCMD of gas by 2023-24. The Committee had subsequently examined the implementation of CBG (SATAT) in 2022-23 and found that only 40 CBG plants had been set up by then. The Committee thereafter presented their Seventeenth Report (17th Lok Sabha) on the subject to both the Houses of Parliament of India on 21.12.2022. The Report made a number of recommendations to the Ministries of Finance, New & Renewable Energy (MNRE), Agriculture, Chemical and Fertilizers, Urban Development and Skill Development. Consequently, various Ministries took plenty of

actions like extension of income tax exemption, inclusion of fermented organic manure in organic manure category for providing subsidy, continuation of Central Financial Assistance to CBG plants, providing market development assistance to CBG plants for marketing of their fermented organic manure, easing of conditions for granting loan by financial institutions, etc. The Ministries and agencies of the Government made commendable efforts to create a viable ecosystem for development of CBG industry. However, the Committee find that the growth of the CBG plants in the country is still very slow. Accordingly, the Committee desire that the Ministry of Petroleum and Natural Gas should closely monitor the implementation of the SATAT initiative and remove bottlenecks, if any, affecting the development of CBG plants in the country.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 1

REVIEW OF POLICY ON IMPORT OF CRUDE OIL

As per IEA's India Energy Outlook 2021, Energy use on a per capita basis is well under half the global average, and there are widespread differences in energy use and the quality of service across states and between rural and urban areas. Further, it states India's oil demand will rise by almost 4 million barrels per day (mb/d) to reach 8.7 (mb/d) in 2040, the largest increase of any country.

The Committee note that an expanding economy, population, urbanisation and industrialisation mean that India sees the largest increase in energy demand of any country, across all scenarios by 2040. Further, Indian PSU refineries have expanded their capacity to meet the increasing demand for auto fuel and also to meet the demand for other petroleum products like ATF, naptha, etc.

The Committee note that import of crude by Oil PSUs during 2021-22 was 120.5 MMT out of total imports of 212.38 MMT and during the year 2022-23, the imports by oil PSUs totalled about 141.2 MMT. The Committee further note that the domestic production of crude oil was 30.49 MMT and 29.69 MMT during the years 2021-22 and 2022-23 respectively. Out of this, contribution of the PSUs accounted for 23.11 MMT and 22.44 MMT respectively. This shows that hardly, the domestic production is less than 15 per cent of the demand and more than 85 per cent of crude oil is imported. The Committee further note that under the Administered Pricing mechanism (APM), the Import of crude oil was fully canalized through the Indian Oil Corporation Limited (IOCL) on behalf of all Oil PSUs and controlled by the Empowered Standing Committee (ESC) of the Government of India. The Union Cabinet dismantled the APM mechanism *w.e.f.* 01 .04.2002 and since then each Oil PSU is procuring crude on its own. However, the crude oil import arrangements were finalized through ESC (Empowered Standing Committee) of each company wherein representative of Government of India was a member. Since April 2016, the Cabinet approved and empowered the Public Sector Oil Companies to evolve their own policies for import of crude oil, consistent with CVC guidelines and get them approved by the respective Boards. This is expected to increase the operational and commercial flexibility of the oil companies and help them in adoption of effective procurement practices for import of crude oil.

Hence, each PSU, refinery has its own optimized procedure for procurement, transportation, and processing of crude oil, including contract signings and payments to suppliers and ship owners. The Committee note that at present the PSU refineries import crude oil through (i) Annual term contracts and (ii) Spot contracts.

The Committee observe that the import policy of PSUs for crude oil has undergone gradual changes in the last two decades and from a fully controlled regime to full autonomy to each company to plan and purchase the type of crude required for their operational requirements. This will hopefully give rise to quick decision making and improve the gross refining margins of the refineries thereby contributing to better financial performance of the Oil PSUs. The Committee, however, hope that even though the Government has given full operational autonomy to the PSUs, the Ministry of Petroleum and Natural Gas would monitor the procurement plan and execution of contracts by the PSUs by periodic audits to check the effectiveness of the current policy. The Committee therefore recommend to the Ministry that the Import policy of crude oil should be monitored periodically and necessary changes may be advised based on the shortcomings noticed in the policy.

REPLY OF THE GOVERNMENT

The procurement of crude oil by public sector oil refineries is under ongoing review through periodic audits including Government, Statutory and internal audits which are conducted in accordance to the provisions of the Companies Act, 2013. Currently there is no provision for special audit at Ministry level. However, MOP&NG will continue to carry out the overarching review of the functioning of each of the PSU under its administrative control which inter-alia include the procurement of crude oil.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

COMMENTS OF THE COMMITTEE

Refer Para 7 of the Chapter I of this Report

Recommendation No. 4

ENLARGING THE INDIAN CRUDE BASKET

The Committee note that the Indian crude basket represents a derived basket comprising of Sour grade (Oman & Dubai average) and sweet grade (Brent Dated) of Crude oil processed (indigenous and imported) in Indian refineries during previous financial year. The same is presently calculated on the basis of a weightage of 75.62 per cent for thee of sour grades of crude oil (average of Oman & Dubai) and 24.38 per cent sweet grade of crude oil (Brent Dated). It is used as an indicator of the price of crude imports in India and Government of India watches the index while examining the domestic price issues. The Committee further note that since Middle East crude generally cost more due to levy of Asian premium by Middle East countries, the Indian crude basket is higher.

The Committee note that about 250 grades of crude oil are traded in world crude market. But, Indian refineries buy only about 50 grades of crude oil in a year. The purchase of crude by oil PSUs depend on parameters like refinery configuration, seasonable demand, price of crude, required product, operational exigencies, etc. The vintage refineries have constraints in processing different grades of crude while advanced refineries can process a variety of crude. Similarly, crudes having wax content and petro-chemical derivations also influence the decision to go for purchase of certain types of crudes.

The Committee would exhort the oil PSUs to modernize their vintage refineries so as to improve their capabilities to process wide variety of crude oil. The Committee, therefore, recommend to Ministry of Petroleum and Natural Gas / Oil PSUs to diversify their imports of crude oil and explore the feasibility of buying more grades of crude oil with the objective of reducing the cost of Indian crude basket of the country.

REPLY OF THE GOVERNMENT

Regarding IOCL, with the exception of the Digboi refinery, specialized for Assam Crude processing, all IOCL refineries have undergone upgrades enabling them to handle a wide spectrum of crude oil grades. IOCL's basket encompasses 252 crude oil grades, including major varieties with significant export volumes in the global market. However, on an annual basis, the refineries typically process around 60-70 grades. The committee's recommendation to broaden the crude oil basket aligns with the corporation's strategic focus. Indian Oil places paramount importance on continually enhancing its capacity to process a diverse range of crude oils. Since 2016, Indian Oil has diversified its crude oil imports, sourcing from 27 countries. In this endeavour, Indian Oil has integrated 100 new crude oil grades into its basket and successfully procured 43 additional grades. The selection of grades hinges on various factors such as export volumes, corporate economics, logistics, energy security, geopolitical considerations, and product demand.

The committee's report itself acknowledges in section 1.26 that "More than 150 different grades of crude oil are available in the global crude oil markets. However, grades exported by oil producers in large quantities and regularly are approximately 50 grades." The corporation remains committed to exploring new opportunities in the global oil markets.

Furthermore, BPCL diligently explores options to diversify crude oil imports, considering factors such as value generation, domestic product requirements, and refinery configurations. To date, BPCL has successfully procured and processed crude oil from all continents in its refineries. Over time, BPCL has undertaken refinery modernization projects, such as the replacement of old CDUs with state-of-the-art CDU/VDU units at the Mumbai Refinery in November 2015. Additionally, the Integrated Refinery Expansion Project (IREP) at the Kochi Refinery was commissioned in 2016, enabling the processing of high-sulphur crudes.

HPCL is currently upgrading its refining facilities by introducing a Residue Upgradation facility at Visakhapatnam, which will further diversify the crude oil basket and enable the processing of new crude oil grades.

MRPL refinery at Mangalore is capable of processing a basket of 267 crude oil grades, indicating a modern and advanced configuration in terms of process units capable of handling a wide variety of crude oils.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 5

NEED FOR DIVERSIFICATION OF SOURCES OF CRUDE OIL

The Committee note that India is a fast growing economy and consequently the energy demand in the country is increasing rapidly. The country consumed 204.72 Million Metric Tons (MMT) of petroleum products in 2021-22 and 223.02 MMT in 2022-23. As per International Energy Agency's World Energy Outlook 2022, the energy demand of the country is expected to grow at about 3 per cent per annum till 2040, compared to the global growth rate of 1 per cent. The Committee note that currently India is, 3rd largest consumer of Oil, 3^{rd} largest LPG consumer, 3^{rd} largest LNG consumer and 4^{th} largest refiner of the world.

The Committee note that India is deficient in production of crude oil and natural gas and thereby has overwhelming dependence on their imports. The import dependency of the country in respect of crude oil, natural gas and LPG in FY 2021-22 were about 85 per cent, 48 per cent and 50 per cent respectively. In FY 2022-23, the dependency on imported crude oil increased further and reached 87.3 per cent.

The Committee note that over 60 per cent of the imports of crude oil of Oil PSUs come from countries situated in Persian Gulf region mainly from Iraq, Saudi Arabia, Kuwait and UAE. Further, about 85-90 per cent of LPG imports are sourced from Middle East countries situated around Persian Gulf.

The Committee note that majority of India's hydrocarbon imports are being sourced from the Middle East region wherein due to geo-political flashpoints, the supplies can face disruption. Even small skirmishes or conflicts in any region cast a cloud on the supply of crude oil and increase the price of crude oil significantly in the international market. In the recent past, the country witnessed supply disruptions and price volatility as a result of the Russia-Ukraine war.

The Committee further note that the Government of India has a stated policy of diversifying the sources of crude oil and gas imports of the country and it has also taken steps to achieve the same. As a result of efforts of the Government of India, the share of Middle East countries in the supply of crude oil to India had declined from 72 per cent in FY 2017-18 to 63 percent in FY 2020-21. Also, the share of Middle East countries declined marginally from 54 per cent in 2017-18 to 52 per cent in 2020-21.

The Committee view that over dependence of the country and Oil PSUs on any one region for crude oil and gas supplies can impact energy security of the country which entails getting uninterrupted supplies of crude oil and gas at reasonable prices to support the rapidly growing economy of the country. The Committee appreciate the positive steps taken by the Government of India so far to diversify the imports of crude oil and gas of the country. The Committee, therefore, recommend to the Ministry of Petroleum and Natural Gas to take more concrete steps for the diversification of imports of crude oil and gas of the country by exploring new partners.

REPLY OF THE GOVERNMENT

Post February 2022, several steps have been taken to navigate the volatile energy market by securing best deals available. As a result, supplies from West Asia-GCC country has come down to 34% from 38%, similarly, dependency on OPEC has also reduced to 61% from 71% for FY 2022-23.

Major interventions undertaken are as under: -

i. To reduce the spot purchases and secure the supplies, recently, OMCs have made term crude oil arrangements with Petrobras (Brazil) & Ecopetrol (Colombia). This is the first time that Indian companies had signed the term arrangement with Brazilian company (Petrobras) which is also non-OPEC nation. The term arrangement has been renewed till March 2024. Further, the term arrangement with Ecopetrol (Colombia) has re-established the old arrangements, which was not renewed after FY 2015-16.
ii. India has diversified crude oil sources from 27 countries in 2006-2007 to 39 countries in 2022-23.
iii. We are exploring diversification of crude oil supplies from non-OPEC countries like Guyana, additional sources in Canada through spot market, and additional supplies from OPEC members like UAE, Nigeria, Iraq & Kazakhstan.
iv. We have also imposed several measures like imposition of tax on export of fuels, windfall taxes on production, realignment of businesses to safeguard Indian consumers from global crude oil and gas price.

Even though Middle east will continue to be the natural choice for arranging crude oil for India due to its geographical proximity resulting in lower freight rates compared to other regions, however, in order to reduce dependency on ME region, Indian Oil has entered term contract for Brazilian, Columbian crude oil grade. Even after lifting of US sanction on Venezuelan grades, Indian Oil secured one cargo of Venezuelan grade. Indian Oil is also having term contract for import of US and Canadian crude oil grades.

Regarding LNG imports, GAIL has a well-diversified LNG portfolio of approximately 14 Million Metric Tons per annum (MMTPA), strategically sourced from key regions such as the United States, the Middle East, Australia, and Russia. In addition to these, GAIL actively engages in securing spot cargoes from various countries worldwide through various suppliers, which includes traders/ portfolio players/producers.

The extensive list of countries from which GAIL has successfully procured LNG cargoes so far includes Abu Dhabi, Algeria, Angola, Australia, Belgium, Brazil, Cameroon, Egypt, Equatorial Guinea, France, Indonesia, Malaysia, Netherlands, Nigeria, Norway, Oman, Papua New Guinea, Qatar, Russia, Spain, Trinidad & Tobago, Turkey, UAE, USA, and Yemen. This diversity ensures GAIL's commitment to maintain an independent and balanced LNG portfolio.

Furthermore, GAIL in order to be strategically placed in the global LNG industry and to cater to the country's energy demand has taken following steps:

a. Expanded its presence in the United States by establishing GAIL Global (USA) Inc. ("GGUI") in Houston, Texas. GGUI, a wholly-owned subsidiary, holds a 20% interest in Eagle Ford shale acreages, reinforcing GAIL's foothold in the American market.
b. GAIL has formed GAIL Global (USA) LNG LLC ("GGULL"), a wholly-owned subsidiary, aimed at securing a long-term (20 years) Terminal Service Agreement ("TSA") with Cove Point LNG, LP ("CPLL").
c. GAIL established GAIL Global Singapore Pte. Ltd (GGSPL), a wholly-owned subsidiary based in Singapore. GGSPL actively engages in LNG trading,

contributing to GAIL's position as a prominent player in the international LNG market.

In light of the above strategic actions, GAIL has ensured GAIL's LNG portfolio is not any region specific.

Furthermore, Petronet LNG Limited (PLL) has a 7.5 MMTPA LNG supply agreement with RasGas, Qatar on long term basis for 25 years. PLL imports this volume of LNG on Free on Board (FOB) basis, from Ras Laffan, Qatar through its three long term-chartered LNG vessels namely Disha, Raahi and Aseem at Dahej Terminal. The supply under this agreement commenced in 2004 and has back-to-back sales arrangement - Gas Sales and Purchase Agreement (GSPA) of 7.50 MMTPA, with GAIL, IOCL and BPCL, in the RLNG offtake ratio of 60:30:10, respectively, with validity till April 2028. In 2009, PLL had entered into a 20-year long term supply agreement with Mobil Australia Resources Company Pty Ltd (MARC - a subsidiary of Exxon Mobil) wherein LNG is supplied by MARC from its global portfolio, primarily at Kochi terminal. The supply of 1.425 MMTPA under MARC contract commenced in 2016-17 and has back-to- back sales arrangements - Gas Sales and Purchase Agreement (GSPA), which were entered in 2010 with BPCL, IOCL and GAIL, in the RLNG offtake ratio of 40:30:30, respectively with validity till November 2035. In addition, P11 has long term regasification agreements with GAIL (India) Limited, Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, Gujarat State Petroleum Corporation Limited and Torrent Power Limited totaling to 8.25 MMTPA under which volumes are received from various sources across the globe. Further, PLL is undertaking the activities for expansion of regas capacity of Dahej LNG Terminal from 17.5 MMTPA to 22.5 MMTPA and also setting up an LNG terminal at East Coast of India at Gopaipur, Odisha having an initial capacity of 4 MMTPA, with a future provision for expansion to 5 MMTPA LNG.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 6

OFFICIAL SELLING PRICE

The Committee note that the Official Selling Price (OSP) is the price of crude oil declared by National Oil Companies (NOCs) of oil producing countries, on monthly basis. Different OSPs are declared for different grades by NOCs. OSPs of crude oils vary based on quality of crude grade and prevailing market condition. The Committee further note that NOCs of oil producing countries declare monthly OSPs either as flat price or as premium/discount to the marker crude oil. Majority of crude oils produced in Asia and Africa are having OSPs. Generally, OSPs are declared one month in advance (e.g. for sale of crude oil in Mar. 2023, OSPs are made available in Feb. 2023). Further, OSPs of low sulphur crude grades are declared based on Dated Brent as marker crude, whereas OSPs of high Sulphur crude grades are declared based on Platts Dubai and/or Oman / DME Oman as marker crude.

The Committee further note that National Oil companies of oil exporting countries from Middle-East generally sell their crude through term contracts. Crude oil sales are observed on region basis namely Asia, Europe, and US. Some other National Oil companies like ADNOC (Abu Dhabi) use their traded exchange price (IFAD Murban) to fix OSP for their crude oils.

The Committee note that the Official Selling Price decided by National Oil Companies in the Middle East needs better transparency. The oil PSUs along with other oil importing companies should try to impress upon the NOCs to fix OSPs based on certain formulae. The Committee would also like to observe that the price of crude oil has no relation with the production cost, etc. Since, the commodity is a natural resource endowed upon some countries the pricing should be reasonable in order to ensure energy access at affordable prices to citizens across the world. Since the oil producing countries to a large extent are acting in a concerted way, the price of crude oil is largely producer determined rather than market driven. The Committee, therefore, would recommend the Ministry to coordinate with other oil importing countries and approach multi-lateral institutions to bring reforms in the pricing of crude oil so as to ensure energy availability at reasonable price to the global community.

REPLY OF THE GOVERNMENT

Government of India has been actively engaged in energy diplomacy to safeguard the energy security of the country as well as raising voice for all oil consuming and countries of global south for responsible pricing and stabilizing the global oil market.

India has been raising the issues faced by consuming countries such as high prices, high volatility, Asian Premium, etc. from time to time at various international forums and with major producers including at Gastech-2022 held in Milan, Italy; Abu Dhabi International Petroleum Exhibition and Conference-2022 & 2023 held in Abu Dhabi, United Arab Emirates; India Energy Week-2023 held in Bengaluru, India.

India has also been engaging with major International Organizations working in the domain of Oil & Gas such as Organization of the Petroleum Exporting Countries (OPEC), International Energy Forum (IEF), International Energy Agency (IEA) etc. for advocating responsible pricing of Oil and Gas resources. Recently, Hon’ble Minister MoPNG Co-chaired the 6th High Level Meeting of India-OPEC Energy Dialogue with Secretary General of OPEC, in Vienna. Indian side had emphasized on the need for ensuring availability, affordability & sustainability which are necessary in ensuring the stability of energy markets & India’s role as driver of both economic growth & energy demand.

Ministry of Petroleum and Natural Gas has also been working very closely with Ministry of External Affairs and our Embassies abroad, to not only ensure energy security for the country, but to safeguard and promote the interests of our oil and gas PSUs abroad. The integration of energy diplomacy as part of India’s foreign policy is giving dividends to the country by ensuring energy security and by highlighting the importance of India as a destination for oil & gas investments in the entire value chain.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 7

ASIAN PREMIUM

The Committee note that the crude oil is purchased through Term Contracts and Spot Tenders and in the Term Contracts, the National Oil Companies, of Middle East declare their Official Selling Price over marker crude price for different regions, namely, Asia, Europe and USA. Over and above this Official Selling Price, extra cost called Asian premium is also levied on purchase of crude oil for Asian countries like India and others in the region. The Committee note that the levy of Asian premium is on account of lower transportation cost due to the proximity of our country to the Middle East from where the country imports a big share of its crude oil requirement. The Asian Premium impacts the gross refining margins of the companies. The Committee note that the geographical location of a country is given and hence a country should not be made to pay a higher cost for such non-commercial reasons.

The Committee note that a few countries in addition to India, also pay a higher cost in the form of Asian premium for crude oil which it feel is unreasonable and against any free market mechanism and normal business principles accepted in the market. Therefore, the Ministry /Oil PSUs should make effort to do away with the premium. If required, they should seek the support of similar countries which bear the burden of Asian premium and utilize various multilateral institutional fora to do away with such unreasonable charges. The Committee, therefore, recommend that the Ministry and oil PSUs along with other nations to take up the issue of discontinuing of Asian premium.

REPLY OF THE GOVERNMENT

Middle East crude oil pricing mechanism is dominated by Saudi Arabia. Saudi Arabia's pricing system is closely tracked by most exporters in the Middle East. The other large producers such as Kuwait, Iran, Iraq are generally seen by the market as followers in terms of direction and the magnitude of the changes. Saudi Arabia follows a formula price method for pricing its crude oil for three regions of the world. Asia, Europe, USA. The formula pricing method has two components:

- **Marker crude oil:** Saudi adopts different marker grades for its different markets viz. US, Europe and Asia in order to take care of the different fundamentals prevailing in these different markets as follows:

Region	Marker Crude
Asia	DME Oman and Platts Dubai Average
Europe	Ice Brent
US	Argus Sour Crude Index (ASCI)

- **Differential to marker crude oil:** Saudi declares a differential over and above the respective marker one month in advance of the loading of the crude. This differential so published takes into account the point of sale i.e. US, Europe or Asia (to adjust for the freight costs) and the "quality differential" between the Saudi crude and the marker crude.

Regional Pricing Difference

The historical trends in the price of Saudi crude oil is given below: (US$/bbl)

Asian Premium Calculation: Middle East Crudes ($/bbl.)						
	Saudi Arabia					
Month	**Arab Light**		**Arab Medium**		**Arab Heavy**	
	Difference		**Difference**		**Difference**	
	Asia Vs Europe	**Asia Vs US**	**Asia Vs Europe**	**Asia Vs US**	**Asia Vs Europe**	**Asia Vs US**
2017 Avg	1.50	1.81	1.77	2.38	1.40	2.27
2018 Avg	1.93	3.72	1.79	3.73	1.78	3.79
2019 Avg	2.25	1.98	3.35	3.02	3.27	2.71
2020 Avg	1.66	1.19	2.40	1.95	2.61	1.89
2021 Avg	1.61	3.00	1.95	3.35	1.89	2.97
2022 Avg	1.12	5.82	2.10	5.45	3.73	4.40
2023 Avg	0.66	1.32	0.95	0.52	2.17	-1.11
2024 (Till Jan'24)	2.44	2.26	2.69	0.81	4.64	0.21

*The positive number indicates Asian prices are higher than other markets while negative number indicates Asian prices are lower compared to other markets.

The higher price that Asia pays for crude oil exports from the Middle East relative to their counterparts in Europe and the US is referred to as the "Asian premium."

It is worth noting that no extra cost is being levied by the suppliers over and above the OSP for Asian buyers.

The concept of the Asian Premium is consistently addressed during discussions with Saudi Aramco and other Middle Eastern suppliers. However, these suppliers have been hesitant to recognize the price differential between Asia, Europe, and the USA as an "Asian Premium." Instead, they view it as a reflection of regional market dynamics, offering discounts to other buyers to remain competitive in those markets. Consequently, they do not perceive the price variation for Asia as a premium, but rather as a strategic adjustment to maintain competitiveness.

Efforts to address the challenges posed by the Asian Premium involve garnering support from similar countries experiencing the same issue. Utilizing various multilateral forums, initiatives have been undertaken at the ministry level to mitigate or eliminate this disparity, as detailed in response to recommendation number 6.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 9

<u>IMPORT OF CRUDE OIL FROM RUSSIA</u>

The Committee note that the country imports crude oil across the globe including Middle East, Africa, North America, South America, etc. During the F.Y. 2021-22 it is seen that the top six countries accounted for 80 per cent of the total crude imported by oil PSUs. The import from Russia was very low in FY2021-22. However, ever since the war between

Ukraine and Russia began and economic sanctions announced by UN/UK/EU/US with the price cap imposed on Russia, the country started importing more from Russia in order to diversify the crude basket. This has helped India to expand its basket of countries for sourcing crude oil and also helped in stabilizing the crude oil market in global markets. The country also needs to look at other options across various geo political locations so as to reduce its dependence on one particular region. The recent geo-political conflict in the Middle East has cast turmoil in the region and similar conflicts elsewhere also causes volatility in crude oil prices on the upper side.

The Committee, therefore, expect the Ministry/oil PSUs to be alert and alive to emerging developments in the geo-political situation across the globe and tap newer sources of crude oil from different countries as a measure to diversify its purchases and also enhance and ensure energy security of the country. The Committee note that if India had not resorted to purchases from Russia, the oil market would have been highly volatile and oil prices would have flared up which would have been detrimental to many countries across the globe. The Committee appreciate the decision of the Government to purchase crude oil from Russia which not only resulted in stability in global market but also a cheaper crude and provided the economic impetus for many countries as they were reeling under economic issues related to Post Covid phase period. The Committee recommend that the Government of India should keep the energy security of the country in mind while taking decisions on import of crude oil.

REPLY OF THE GOVERNMENT

Prior to Russia- Ukraine conflict, Russian crude oil was largely exported to Europe & China. The Russian-Ukraine conflict and the resulting sanctions on Russian crude oil has resulted in increased flows of Russian crude oil into India due to attractive discounts which are being offered for Russian Crude. This increased imports of Russian crude into India may not last forever and thus considering this PSU refineries are continuing with all its term contracts with other Suppliers/Regions for Firm and optional volumes to secure our refinery requirement in case of any volatile market situation. When finalizing the crude oil procurement plan for imports, careful consideration is given to various factors, including security of supplies, diversification of crude oil supply sources, and availability of different types of crude oils. This approach ensures both energy security and the procurement of crude oil at optimal value.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 14

STRATEGY TO REDUCE IMPORT DEPENDENCE OF CRUDE OIL

The Committee note that the installed refining capacity in the country as on 1.4.2022 is around 250 MMT out of which 100 MMT is in private sector. The domestic production of crude oil in the country is around 30 MMT and the country imports almost 220 MMT out of which 120 MMT is done by oil PSUs. The Committee further note that at present the import is closer to 87 per cent and unless major new discoveries of crude oil are made, the country will continue to depend on crude oil imports. With the economic growth planned for the next few years, the demand for petroleum products including auto fuel is likely to increase over the year.

Government has set a target to raise the share of natural gas in energy mix to 15% by 2030. At present (in 2021), share of natural gas in primary energy mix is 6.3%. To meet the increased requirement of hydrocarbon fuel:, major strategies adopted inter alia include: attracting investment in Exploration & Production to enhance domestic oil and gas production, shifting to gas based economy, technological upgradation to improve refinery processes, energy efficiency and productivity, accelerating bio-fuel economy, expanding overseas oil and gas portfolio, diversifying oil and gas supply sources, etc. Government has taken up development of National Gas Grid, City Gas Distribution Networks to cover major demand centers across the country to provide clean and green fuel.

The Committee note that the Government had prepared a road map to reduce the dependency on import in energy. The road map consist of five major steps including increasing domestic production, promotion of bio-fuel and renewable, promote energy efficiency and conservations methods, reduction through improvement in refinery process and demand substitution. The Committee further note that some of the steps mentioned in the road map had started showing result like bio-fuel and renewable energy. The Committee suggest that the refinery improvement process should be an ongoing programme and demand substitution can also be achieved in the near future by promotion of CNG and PNG for transport and domestic usage.

The Committee, however, would like to point out that the Ministry besides the measures taken on its domain should also promote green hydrogen, electric vehicles, renewable energy and bio-fuels. The Committee note that this exercise needs new policy initiatives involving several ministries and agencies. In addition, the Ministry should look at out of box suggestions like motivating people to use public transport, change in lifestyle habits, modification in work culture like work from home which reduce travel requirement, etc. are some of the issues which needs to be seriously looked at from a long term perspective. The Committee, therefore, recommend that the Ministry should set up an interdisciplinary group of experts belonging to various fields to come up with comprehensive set up policy measures so that the demand for fossil fuel can be minimized.

REPLY OF THE GOVERNMENT

MoP&NG has vide OM dated July 03, 2017 had constituted the inter-ministerial committee, Integrated Monitoring and Advisory Council (IMAC) to oversee the implementation of the roadmap to reduce import dependency. The IMAC chaired by Hon'ble Minister constituted six Working Groups for monitoring the progress on various initiatives, schemes, projects, and strategies taken under their respective domains with a view to augment supply of energy, savings in energy to achieving oil import reduction in coming years.

The working groups prepared a roadmap to reduce the dependency on imports. The strategy for achieving the goal of import reduction entailed: Increasing the production of domestic crude oil & natural gas; Promoting bio fuels & renewable; Energy conservation & energy efficiency; Improvement in refinery processes; and Demand substitution. Based on the inputs provided by the working groups, a holistic report has been prepared on the roadmap to reduce the Import dependency in the short term up to 2025 and long term up to 2030.

Following initiatives has been taken to reduce the import dependency: -

1. Increasing Domestic Exploration and Production.

- Increase the net geographical area under exploration from 2.5 lakh square kilometre (SKM) to 5 lakh SKM.
- “No Go” areas in EEZ have been reduced by almost 99% due to which 10 lakh SKM area is now free in EEZ for E&P Activity.
- The Government of India has opened 99% of the "No-Go" area of the Exclusive Economic Zone (EEZ) for Hydrocarbon Exploration & Development.
- Total operational area (active) under various licensing regimes is 3,27,456 SKM which includes exploration and exploitation of unconventional hydrocarbons like Coal Bed Methane (CBM).
- Other initiatives like renewal, replacement and addition of facilities and infrastructure.
- Improved and enhanced oil recovery using suitable technologies, replacement and revival of sick and old wells.
- To attract foreign investment in the E&P sector in India, the data on Indian sedimentary basins has been made available on National Data Repository (NDR) for open viewing and purchase by interested parties and a data centre has been opened in the campus of University of Houston for ease of data viewing by the International Oil Companies (IOCs).
- Government has made transformational changes in Model Revenue Sharing Contract (MRSC) and terms of Notice Inviting Offer (NIO) to make them simpler and attractive to bidders.
- Indian National Oil Companies (NOCs) (ONGC and OIL) have executed several agreements with International Oil Companies (IOCs) (ExxonMobil, Chevron, TotalEnergies) for collaboration in E & P activities and are also in discussions with BAPCO, JAPEX and Mitsui.

2. Biofuel Blending Programmes like Ethanol, Compressed Bio Gas (CBG), etc

- The Global Biofuel alliance (GBA) was launched by Hon’ble Prime Minister Shri Narendra Modi on 9th September 2023 under India’s G20 Presidency. This alliance will be aimed at facilitating cooperation and intensifying the use of sustainable biofuels, including in the transportation sector. It will emphasis on strengthening markets, facilitating global biofuel trade, development of concrete policy lesson sharing and provision of technical support for national biofuels programme worldwide. It will help accelerate India’s existing biofuels programme such as PM-JIVAN Yojana, SATAT, and GOBARdhan scheme, thereby contributing to increased farmer’s income, creating jobs and overall development of the Indian ecosystem.
- Ethanol blending in petrol has increased from 1.53% in 2013-14 to 12 % in ESY 2022-23. Ethanol procurement has been to the tune of 508.9 crore litres in ESY 2022-23. Total crude oil substitution achieved during 2014-2023 is 142 lakh MT.
- E20 was rolled out at 84 retail outlets in 11 States/UTs on 8th February 2023, ahead its roll-out target of April 2023. The number of retail outlets retailing E20 is now more than 11000.
- Promotion of second generation ethanol to supplement supply of ethanol through Pradhan Mantri JI-VAN Yojana.

- Promotion and increase production of CBG through Sustainable Alternative Towards Affordable Transportation (SATAT) and other initiatives like blending in Natural Gas to substitute Natural Gas. 52 CBG plants with an installed capacity of approximately 300 MT per day have already been commissioned under SATAT. Sale of CBG has been initiated from more than 130 Retail Outlets. During 2022-23, OGMCs have procured 11,227 Ton CBG. Further, during April, 2023 to December, 2023 OGMCs have procured 11421 Ton CBG.
- In a major step towards enhancing use and adoption of CBG, the National Biofuels Coordination Committee (NBCC) has approved the introduction of phase wise mandatory blending of CBG in CNG (Transport) & PNG (Domestic) segments of CGD sector. The key objectives of the CBG Blending Obligation (CBO) are to stimulate demand for CBG in CGD sector, import substitution for Liquefied Natural Gas (LNG), saving in Forex, promoting circular economy and to assist in achieving the target of net zero emission etc. CBO will be voluntary till FY 2024-2025 and mandatory blending obligation would start from FY 2025-26.

3. Adoption of Alternate Energy Sources like LNG, Hydrogen, EV

- The authorized entities at their Retail Outlets are required to install facilities for marketing at least one new generation alternate fuels like Compressed Natural Gas (CNG), Biofuels, Liquefied Natural Gas (LNG), Electric Vehicle charging points, etc.
- As on 01.01.2024, 11326 EV charging station & 119 battery swapping stations have been installed. Recently, tender for procurement/installation of 8,000 number EVs stations has been floated by OMCs.
- The Green Hydrogen Mission announced by the Government to promote growth of green hydrogen. This inter-alia includes significant contribution of oil & gas companies through replacement of conventional hydrogen derived from Natural Gas with green hydrogen, use of Green Hydrogen for mobility etc.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

CHAPTER III

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

Recommendation No. 3

NEED TO STRENGTHEN DECISION MAKING PROCEDURES IN OIL PSUS GOVERNING CRUDE OIL PURCHASES

The Committee note that since April 2006 the Government allowed oil PSUs to formulate policies for import of crude oil consistent with CVC guidelines and get them approved by the respective boards. This is in keeping with the principle of Minimum Government Maximum Governance and to increase operational and commercial flexibility and enable oil companies to adopt most effective procurement practices.

All the oil PSUs have created Empowered Standing Committee (ESC) for decision making mechanism in their companies for making crude oil purchases. However, the Committee note that there is no uniformity in the composition of the Empowered Standing Committee (ESC) of different PSUs. The Committee also observe that inclusion of Director (Human Resources) is a member of ESC of IOCL and HPCL whereas it is not so in the case of BPCL. Similarly, the Committee observed that the Head (International Trade Department) is the Member Convenor in IOCL and the Executive Director (International Trade and Risk Management) in BPCL find place in the ESC of their companies whereas the Crude Oil Procurement Committee (COPC) in HPCL does not have the ED (international Trade) as its Member. The Committee also find that the ESC only consists of officials of the respective companies and no outside official is found in the composition. The Committee desire that a representation of an official from other PSUs who have international trade experience of imports and exports of similar natural raw material could find a place in order to ensure transparency and credibility in the decision making.

The Committee desire that the Ministry should devise criteria for composition of ESCs in oil PSU keeping in mind the functions of the ESC and only members having experience and expertise in dealing with matters of crude oil purchases be included in ESCs. The Committee therefore recommend that the Ministry of Petroleum and Natural Gas may ensure uniformity in ESCs of oil PSUs and consider including representatives from other non-oil PSUs who have international trade experience.

REPLY OF THE GOVERNMENT

The current Empowered Standing Committee (ESC), responsible for approving crude oil procurement on a spot basis, consists of relevant Board members as decided by the Board of Directors of the respective PSU. The functional Directors involved possess deep expertise in the intricate dynamics of various refineries, the economics of different crude types, product demand, and related factors.

It is crucial to acknowledge that global practices in crude oil procurement differ significantly from those observed in the purchase of other commodities. Buyers in this realm must adhere closely to international norms in crude oil trading, a complexity that may be challenging for officials from non-oil Public Sector Undertakings (PSUs) to grasp fully.

Furthermore, it is emphasized that each company operates as a separate listed entity, necessitating a careful examination of the inclusion of external members from a corporate governance standpoint in the day-to-day functioning of the company.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 10

TRANSPORTATION OF CRUDE OIL

The Committee note that the transportation cost for the crude oil is to be borne by the country which imports it and includes freight, insurance, shipping charges, leverages, etc. The Committee note that the transportation cost increases the landing cost of the crude oil into the country thereby contributing to the input cost. The country imports crude oil from very many different geographical locations including Europe, UK, USA, Middle East, etc. The Committee desire that the oil PSUs should explore newer and shorter routes which are different from the existing routes for transporting the crude from different locations in this regard, the Ministry and PSUs should do some serious study and come, out with possible options and discuss with the concerned countries. The purpose of alternative routes should be for reduction in time, lesser geo-political tensions in the route, safer passage and economical in cost, etc. The Committee, therefore, recommend that the Ministry and oil PSUs should explore newer transportation routes for crude oil import for a safer, secured, efficient and economic cost.

REPLY OF THE GOVERNMENT

Oil PSUs strive to optimize transportation costs by consolidating cargoes from various regions into Very Large Crude Carriers (VLCCs), thereby achieving savings in freight costs. Over the years, they have diversified their sources of crude imports from regions such as the Arab Gulf, West Africa, US Gulf, Southeast Asia, the Mediterranean, and others. Crude oil from these ports is transported through established shipping routes, always adhering to the shortest navigable distances.

The transit routes adopted are:

Middle East Gulf	Gulf of Hormuz and onwards via Arabian Sea
West Africa	Gulf of Guinea- Cape of Good Hope and via Indian Ocean
Mediterranean	Suez Canal and via Arabian Sea
Far East	Straits and via Indian Ocean/ Bay of Bengal
US Gulf	Suez Canal and via Arabian Sea
Russia	South China Sea and via Indian Ocean/ Bay of Bengal for Eastern ports; Mediterranean, Suez Canal and via Arabian Sea for Baltic port loadings

In each of these cases, the routes adopted for transportation of Crude Oil are the shortest and, therefore, most economical routes which offers the benefit of time and cost efficiency and safe passage. However, in case of CFR/CIF/DES/DAP deliveries, the scope of delivered supplies rests with supplier.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 11

NEED TO IMPROVE PORT INFRASTRUCTURE

The Committee note that good port infrastructure is a necessity for facilitating import of crude oil in the country. The Committee further note that turnaround time of crude oil tankers at Indian ports and jetties is generally higher in comparison to turnaround time at ports of developed countries. The higher turnaround time increases the cost of shipping charges and consequently impact the landing cost of crude oil. The Committee also note that Oil Companies face draft restrictions at Mumbai Port and are unable to berth fully laden VLCC. During monsoon season, SPM is not available at Mangalore Port., At Vizag Port, VLCC cannot berth at OSTT Jetty. Currently, dead freighted Suez Max with a max of 100 TMT can berth at OSTT Jetty. Accordingly, the Committee recommend to the Ministry of Petroleum and Natural Gas to take up the issue of infrastructural constraints at Indian ports and jetties including the constraints at Mumbai, Mangalore and Vizag ports with the Ministry of Port, Shipping and Waterways and impress upon them to take effective steps for improvement of port infrastructure pertaining to docking of crude oil tankers. The Committee also desire that MOPNG/ Oil PSUs should explore new locations around the sea coast of the country without the infrastructural constraints and as well study ports of other developed countries for their experience.

REPLY OF THE GOVERNMENT

A Working Group had been formed to identify the constraints at various ports in 2021. Having identified the constraints, major as well a minor, the Working Group had interacted with each individual port where the possible solutions and timelines were discussed. The Report of the Industry Working Group was published in August 2021 and the Key Recommendations extensively covered matters related to Night Berthing of vessels, Priority Berthing, Dredging at Ports, Port Safety, Taxation Issues, improvements in procedures, Facility Standardization, Bunkering facilities, Dedicated port infrastructure for Oil sector etc.

To cater the crude oil demands of IOCL refineries, IOCL has installed two (02) nos. of Single point Mooring (SPM) system at Vadinar in West Coast of India & three (03) nos. of SPM system at Paradip in East Coast of India to facilitate smooth unloading of crude oil tankers.

At IOCL owned SPM system, there is no draft restriction and Crude oil tankers up to the category of Very Large Crude Carrier (VLCC) are berthed without any limitation. At Visakhapatnam Port, the OSTT Jetty has the draft to accommodate fully laden Suezmax vessels. However to enable this, the jetty infrastructure has to be upgraded for which the contracts have been awarded by Vizag Port Trust and work is currently in progress. The current estimate is that the OSTT jetty would be available for fully laden Suezmax vessels by June 2024. This will ensure that dead-freighting of Suezmax vessels is avoided.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 12

NEED TO EXPAND CRUDE OIL PIPELINES

The Committee note that only 48.6 per cent of crude oil is moved in the country through pipelines. The Committee further note that transportation of crude oil through pipelines is cheaper in comparison to transportation through other modes. The same is clearly manifested in the case of Numaligarh Refinery Limited (NRL). The Numaligarh Refinery incurs higher transportation charges@ Rs 2/MT/Km due to transportation of crude oil through railway wagons which is substantially higher than average pipeline transportation cost of about Rs. 0.46/MT/Km.

The Committee note that there are five crude oil transportation pipeline projects that are underway in the country totaling 3750 km costing Rs.24,247 crores. The targeted completion dates ranges from June 2023 to January 2025. The Committee accordingly recommend to the Ministry of Petroleum and Natural Gas/ Oil PSUs to ensure that on-going pipeline projects are completed on time and to strengthen the crude oil pipeline network of Oil PSUs of the country and raise the share of pipeline transportation of crude oil.

REPLY OF THE GOVERNMENT

Mostly Crude oil is received at the ports, and from there, the coastal refineries receive crude oil through offshore pipelines whereas inland refineries receive crude oil through cross country crude oil pipelines. Crude Oil Exploration and Production companies are regularly laying ‘filed pipeline’ of smaller lengths in its operational areas for collecting crude oil from producing wells to its processing stations. Mumbai High crude oil produced by ONGC from Offshore Mumbai region is received at Coastal Refineries via pipelines. Majority of the crude oil requirements of inland refineries is met only through pipelines and the new pipeline projects for capacity augmentation of Gujarat Refinery, Panipat Refinery, Numaligarh refinery and Barauni Refinery are undertaken by CPSEs to meet enhanced crude oil requirement.

The status of various crude oil pipeline projects:-

- **30” Haldia-Barauni Crude Oil Pipeline** - Already commissioned in Sep 2023 for Barauni Refinery expansion project.
- **Augmentation of Salaya Mathura Crude Oil Pipeline for J-18 Project**- Under implementation and likely to be completed by May 2024 which is in line with Gujarat Refinery expansion project.
- **New Mundra Panipat Crude Oil Pipeline** - Under implementation and likely to be completed by Dec 2024 which is in line with Panipat Refinery expansion project.

- **Paradip-Numaligarh Crude Oil Pipeline Project (PNCPL):-** Numaligarh Refinery Limited as a part of 'Numaligarh Refinery Expansion project (NREP)', is laying 1635 KM of pipeline from Paradip in Odisha to Numaligarh in Assam for transporting imported crude oil .The estimated completion is by September 2025.
- **Mundra-Barmer Pipeline :-** HPCL is also in the process of completion of 487 km long crude oil pipeline from Mundra to its upcoming refinery in Barmer, Rajasthan for receipt of imported crude oil. The project is expected to be commissioned by March-2025.

To accelerate the progress of ongoing projects, thorough review and monitoring are conducted regularly by the Ministry of Petroleum and Natural Gas (MoPNG). This includes periodic meetings led by the Honorable Minister (PNG) and other senior officers of the Ministry. Additionally, on-site monitoring is emphasized, particularly for projects requiring immediate intervention. The Ministry actively supports Central Public Sector Enterprises (CPSEs) in resolving issues with state and central government authorities to expedite project advancement.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 15

GAS PRICING FORMULA

The Committee note that the Government has notified the new domestic gas pricing guidelines in October, 2014 to strike a balance between producers and consumers. These guidelines envisaged determination of price on predefined parameters in a transparent way without government intervention. The Committee note that the government has a vision of moving towards a gas based economy and increasing the share of natural gas in the energy mix. It has taken a slew of measures in this direction. Also, in order to incentivize the domestic production of crude oil and natural gas, several policy frameworks and reforms have been put in place since August 2018.

The Committee observe that the domestic production of natural gas should be encouraged and incentivized in every possible way so that the share of natural gas in the energy mix goes up as targeted by the government. The Committee hope that the increase in natural gas usage may reduce our dependence on crude oil for the country and it may as lead to better bargaining position for the nation in the international market. The Committee, therefore, recommend that the MOPNG should review and consult stakeholders about the pricing related issues for natural gas and take suitable steps to produce more natural gas in the country.

REPLY OF THE GOVERNMENT

Government of India, vide its order dated April 7, 2023, has modified the New Domestic Natural Gas Pricing Guidelines, 2014. As per the notification, the Gas Prices shall be determined as 10% of the Indian Crude Basket Price as defined by Petroleum Planning and Analysis Cell (PPAC) from time to time. The APM prices would be declared on monthly basis by PPAC. For the gas produced by ONGC & OIL from their nomination fields, the APM price shall be subject to a floor and a ceiling. Gas produced from new well or well intervention in the nomination fields of ONGC & OIL, where APM prices are subject to floor and ceiling, would be allowed a premium of 20% on these APM prices.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

CHAPTER IV

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

Recommendation No. 2

SPOT AND TERM CONTRACTS

The Committee note that crude oil imports are mainly done in two ways namely Term Contract and Spot Tenders. The oil PSUs normally resort to term contracts which are finalized on yearly basis. The primary reason for term contracts is to give energy security where the volumes are assured irrespective of the crisis situation. Most of the contracts are on financial year basis but some of them are also on calendar year basis.

Spot purchases are resorted by oil PSUs to meet out the balance requirement which is not covered under term contract. This gives flexibility to crude oil purchases based on seasonal market demand. Also, spot purchases give the option of exploring various new grades for which term contracts are not available. The frequency of spot purchases depends on requirement of the company. It is generally expected that the spot tenders are likely to be available at cheaper price than term contracts.

The purchases are done with National Oil Companies of (NOCs) at Official selling Price (OSP) of the country from which it is imported. Wherever the quantities are not available from such countries, then PSU's go to national oil companies who do not have OSP. The Committee note that during the year 2020-21, IOC had 62 per cent term contract and 38 per cent spot contract. In 2021-22, the term contract was 63 percent and spot was 37 per cent. During the 2022-23, it is seen that the term contract was 68 per cent and the spot contract was 32 per cent for IOCL. In purchases of BPCL, it is seen that the term contracts was 56.7 per cent (2020-21), 60 per cent (2021-22) and 49 per cent (2022-23). The remaining quantity was purchased through spot tenders. The Committee observe that the purchases between term and spot is approximately 2/3rd and 1/3rd for IOCL and 60:40 for BPCL. The Committee observe that the overall spot purchases which was around 27.58 per cent in 2017-18 has increased to 35.13 per cent in 2022-23. The Committee acknowledge that oil PSUs have autonomy to decide their purchases of crude oil and are the best judges to decide on the type of purchase for crude oil from international markets.

However, keeping in view the significant increase in percentage of spot tenders in the last few years, the Committee would like to caution the oil PSUs to plan their crude purchases, so that the average cost of purchases in spot tenders should be at a lower cost than term contracts. The Committee recommend that the Ministry should conduct a study/audit to see whether the purchases in spot tenders are actually resulted in cheaper cost.

REPLY OF THE GOVERNMENT

In formulating the crude oil import strategy, Public Sector Oil companies meticulously consider factors such as techno-economic elements, supply security, international political and trade relations, availability in the spot market, geographical diversity of supply sources, maintaining a balance between term and spot procurement, ensuring refinery flexibility, and anticipating increased crude oil demand due to upcoming processing capacity expansions.

Furthermore, the dynamic nature of the spot market, influenced by market forces and geopolitical dynamics, underscores the need for a nuanced approach. Assessing gains or losses isn't solely contingent on crude oil prices but also on factors like shifts in product demand, refinery shutdown schedules, refinery configurations, and product crack spread.

The ratio between spot and term procurement for the year is determined by Oil Companies' Annual Crude Oil Procurement Plan, aligned with the all-encompassing objective of value generation within the overall operations and is duly endorsed by the board in accordance with MoP&NG guidelines since April 2016.

While term contracts ensure supply security, spot contracts offer operational flexibility, with pricing for both tethered to prevailing market rates. Spot procurement becomes necessary when desired grades or quantities aren't available through term contracts or to accommodate fluctuations in demand, unforeseen outages, or shifts in the crude oil mix.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 8

NEED TO PROMOTE INDIAN RUPEE

The Committee note that the bill for import of crude oil imports amount to about 25 per cent of all merchandise imports of the country and impacts the trade deficit of the country. Accordingly, the Government of India envisaged to promote settlement of crude oil imports in Indian rupee to save precious foreign exchange of the country.

The Committee further note that Reserve Bank of India (RBI) introduced additional arrangement for invoicing, payment, and settlement of exports/imports in INR. Authorised Dealer (AD) banks in India have been permitted to open Rupee Vostro Accounts of correspondent bank/s of the partner trading country with an approval from the RBI with details of the arrangement. Indian importers undertaking imports through this mechanism shall make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier. Payments for crude oil can be made in INR, subject to the suppliers' complying with regulatory guidelines in this regard. Currently, Oil PSUs do not have an agreement with any crude oil supplier to make purchases in Indian currency for supply of crude oil.

The Committee, however, note that crude oil suppliers have expressed their concern on the repatriation of funds in the preferred currency and high transactional costs associated with conversion of funds along with exchange fluctuation risks. The Committee express concern over lack of momentum in settlement of crude oil import bills in Indian rupee and recommend the Ministry of Petroleum and Natural Gas to take up the issue with the Ministry of Finance and Reserve Bank of India for removing bottlenecks in settlement of crude oil import bills in Indian rupee and promote the same.

REPLY OF THE GOVERNMENT

The Reserve Bank of India (RBI) vide Circular dated 11.07.2022 allowed invoicing and payments for international trade in Indian Rupee. Ministry of Commerce in August 2022 took up the matter with OMCs to sensitize Crude Oil suppliers mainly Russian NOCs to accept Indian Rupee for import crude oil payment. VCs were arranged with Russian NOCs for explaining the whole scheme through presentation shared by RBI for settlement of trade in Indian Rupee however they have expressed their concern on limitation to repatriate the funds in their home currency from Special Rupee Vostro Account. Ministry of Finance (DFS) in Feb/ Mar'23 also asked to pursue with Oil Suppliers especially Russian NOCs to accept dues in Indian Rupee however feedback of supplier's reluctance to settle import bill in Indian Rupee was shared again.

Meanwhile, the Reserve Bank of India (RBI) and the Central Bank of UAE (CBUAE) signed MoU on 15th July 2023 in Abu Dhabi to Promote the Use of Local Currencies viz. the Indian rupee (INR) and the UAE Dirham (AED) for cross-border transactions. In assistance with RBI, Indian Oil successfully made 1st payment in Rupee for imported crude oil supplied by ADNOC on 14th August'23. The invoice for 1 mn bbls of crude was paid in the ratio of 80:10:10 in USD, INR, AED to the Crude Oil supplier.

Oil companies consistently engage with suppliers to negotiate crude oil settlements in Indian Rupees (INR). However, due to the imbalance in trade flows, where imports significantly outweigh exports, suppliers are hesitant to agree to settle crude oil bills in INR.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

Recommendation No. 13

STRATEGIC STORAGE

The Committee note that the country has created strategic storage caverns for storage of crude oil towards enhancing and ensuring energy security of the country. At present 5.33 MMT of capacity at three different locations, namely, Vishakhapatnam (1.33 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT). The Committee note that the strategic storage will be a dynamic concept as the total demand of petroleum products like diesel, petrol and ATF, etc. keeps on changing more on the higher side as the economy grows. Therefore, the strategic storage capacity needs to be worked out with a future target in mind.

The Committee note that two additional strategic storage caverns one at Orissa and other at Rajasthan have been approved and work to be undertaken at these two storages. The total capacity of 5.33 MMT is around: 2.6 per cent of annual domestic demand of 204.7 MMT F.Y. 2021- 22. The Committee expect the Ministry to increase, the strategic storage capacity in the country at a quicker pace and with the faster execution.

The Committee are of the view that the existing refinery projects and the recently commissioned refineries may be asked to set up strategic storage capacity with a smaller capacity like 2 to 3 days at 5 to 6 locations which can bring up 15 to 20 days additional capacity in a definite time frame.

While standalone strategic storage caverns at different locations also helps, capacities near the existing refinery may encourage the oil PSUs to establish and maintain them which also gives them secured supplies. The Ministry may provide funds for creation of storage caverns to oil PSUs through ISPRL, while the oil PSUs can store and maintain the caverns for their usage. The Committee, therefore, recommend the Ministry to look at various options to increase the strategic storage capacity in the country with a future demand in 2040 and work progressively to achieve them.

REPLY OF THE GOVERNMENT

Under Phase I of Strategic Petroleum Reserve (SPR) program, ISPRL built SPR facilities with a total capacity of 5.33 MMT at three locations viz. Visakhapatnam, Andhra Pradesh (1.33 MMT), Mangalore, Karnataka (1.5 MMT) and Padur, Karnataka (2.5 MMT).

All the three facilities i.e. Visakhapatnam, Mangalore & Padur were commissioned in June'2015, October'2016 and December'2018 respectively**.** All these three facilities were dedicated to the Nation by Hon'ble Prime Minister on 10th February'2019.

Further, Cabinet approved development of Commercial cum Strategic reserves under Phase II at Chandikhol (4MMT) and Padur (2.5 MMT) on PPP mode along with dedicated SPM's and associated pipelines during cabinet meeting held on 08th July 2021.

The land acquisition for Phase II at Padur is on advance stage. Further, ISPRL is in the process of floating RFP for Padur so as to synchronize it with availability of encumbrance free land.

Exploring possibility at other locations

ISPRL has been evaluating, from time to time, the possibility of augmentation of storage capacities based on technical and commercial feasibility.

HPCL is using ISPRL Cavern-B at Visakhapatnam for storage of crude oil. HPCL has also hired 300 TMT space in Cavern-A of ISPRL at Visakhapatnam.

Ministry of Petroleum and Natural Gas
O.M. No. P-12038(18)11/2022-Supply (E-44487) dated 18.03.2024

CHAPTER V

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

- Nil -

New Delhi;
***07 August*, 2025**
16 Shravan,1947 (Saka)

Sunil Dattatrey Tatkare,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

Confidential

STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS

(2024-25)

Minutes of the Fourteenth Sitting of the Committee

……….

The Committee sat on Thursday, the 07th August, 2025 from 1500 hrs. to 1530 hrs. in Committee Room Samanvay-2, First Floor, Parliament House, New Delhi-110001.

PRESENT

Shri Sunil Dattatrey Tatkare - Chairperson

MEMBERS

LOK SABHA

2 Shri Benny Behanan

3 Shri Maddila Gurumoorthy

4 Shri Dileshwar Kamait

5 Smt. Pratima Mondal

6 Shri Laxmikant Pappu Nishad

7 Smt. Kamaljeet Sehrawat

8 Shri Janardan Singh Sigriwal

9 Dr. Amar Singh

10 Shri Ve Vaithilingam

11 Shri Balashowry Vallabhaneni

12 Shri Prabhubhai Nagarbhai Vasava

13 Shri Dharmendra Yadav

RAJYA SABHA

14 Shri Chunnilal Garasiya

15 Shri Mithlesh Kumar

16 Shri Mayankbhai Jaydevbhai Nayak

17 Dr. V. Sivadasan

18 Shri Ravi Chandra Vaddiraju

SECRETARIAT

1. Shri Rajesh Ranjan Kumar - Joint Secretary

2. Shri Sujay Kumar - Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened to consider and adopt 03 Action Taken Reports. Thereafter, the Committee considered and adopted the following draft Action Taken Reports with slight modifications:

(i)XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXX

(ii) XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXXXXXXX

(iii) Draft Report on the action taken by the Government on the Observations/ Recommendations contained in the 23rd Report (17th LS) of the Standing Committee on Petroleum and Natural Gas (2023-24) on the subject 'Review of Policy on Import of Crude Oil'

3. The Committee considered and adopted the Reports at 2 (i) xxxxxxxx 2 (ii) xxxxxxxxxxxxxxxxxxxxxx 2 (iii) was adopted with slight modifications.

4. The Committee then authorised the Chairperson to finalize the Reports and present/lay the Reports in both the Houses of Parliament.

The Committee then adjourned.

XXXX- Matter not related to this Report.

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 (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2023-24) ON THE SUBJECT 'REVIEW OF POLICY ON IMPORT OF CRUDE OIL'.

I	<u>Total No. of Recommendations</u>	15
II	Recommendations/Observations which have been accepted by the Government (*Vide* Recommendation Nos. 1, 4, 5, 6, 7, 9 and 14)	07
	Percentage of Total	47.00%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies (*Vide* Recommendations Nos. 3, 10, 11, 12 and 15)	05
	Percentage of Total	33.00%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (*Vide* Recommendation Nos. 2, 8, and 13)	03
	Percentage of Total	20.00%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (*Vide* Recommendation No. Nil)	00
	Percentage of Total	00.00%