

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:1362
ANSWERED ON:08.03.2007
STRATEGIC PETROLEUM RESERVES
Rao Shri Kavuru Samba Siva

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Government has conducted a study on strategic petroleum reserves in the country;
- (b) if so, the main recommendations of the detailed report on construction and storage of strategic petroleum reserves to encourage public-private partnership in the sector to reduce investment burden on the Government;
- (c) the storage capacity available for strategic petroleum reserves and shortfall if any corresponding to requirements till 2012;
- (d) whether the Government proposes to encourage public-private partnership and provide investment incentives to ensure needed construction of storage capacity for strategic petroleum reserves to meet the country's requirement of future; and
- (e) if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a)&(b) M/s KPMG has recently conducted a study on various options for developing strategic petroleum reserve for India under public private partnership. The report has found that stock piling models for strategic storage are not typically based on commercial viability. The four public private partnership models suggested by KPMG are based on revenue generated by:

i. high trading gains or ii. providing a priority access to the Indian spot crude market or iii. a levy of cess on petroleum products.

As the cost would be eventually borne by domestic refineries / companies and /or passed on to the consumers in some form, none of the suggested models appear feasible or cost effective.

(c) to (e) In order to enhance the energy security of the country and to safeguard against short term supply disruptions, Government have approved setting up of 5 Million Metric Tonnes (MMT) strategic storage of crude oil at three locations, viz. Vizag (1.0 MMT), Mangalore (1.5 MMT) and Padur, Udipi (2.5 MMT). The release of crude oil will be in the event of any natural calamity or disruption in supplies or any unforeseen global event leading to scarcity of supplies / abnormal increase in prices. This project is likely to be completed by the end of 11th five year plan. The Government is planning to further enhance its strategic reserve capacity to 15 MMT in the next phase which will meet our corresponding requirements.