10

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1998-99)

TWELFTH LOK SABHA

MINISTRY OF PETROLEUM AND NATURAL GAS

DEMANDS FOR GRANTS (1999-2000)

TENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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Presented to Lok Sabha on 22.4.99
Laid in Rajya Sabha on 23.4.99

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April, 1999/Chaitra, 1921 (Saka)

P&CC No. 66

Price : Rs. 20.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Ninth Edition) and Printed by M/s. S. Narayan & Sons.

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* Nominated w.e.f. 5.8.98 vice Prof. Naunihal Singh retired from the Membership of Rajya Sabha w.e.f. 4.7.98

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1998-99) having been authorised by the Committee to submit the Report on their behalf, present this Tenth Report on Demands for Grants of the Ministry of Petroleum and Natural Gas for the year 1999-2000.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Petroleum and Natural Gas for the year 1999-2000 which were laid on the Table of the House on 15th March, 1999.

3. The Committee took evidence of the representatives of the Ministry of Petroleum and Natural Gas at their sitting held on 24th March, 1999.

4. The Committee considered and adopted the Report at their sitting held on 7th April, 1999.

5. The Committee wish to express their thanks to the Officers of the Ministry of Petroleum and Natural Gas for furnishing the material and information which they desired in connection with the examination of demands for Grants of the Ministry for the year 1999-2000 and for giving evidence before the Committee.

NEW DELHI;
April 9, 1999
Chaitra 19, 1921 (Saka)

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

PART-I

BACKGROUND ANALYSIS

A. Introductory

The Ministry of Petroleum and Natural Gas is entrusted with the responsibility of exploration and production of oil and natural gas, their refining, distribution and marketing, import and export and conservation of petroleum products. The share of petroleum products and natural gas in the total final energy consumption has been increasing over the years and was 54% in 1996-97. The activities of the Ministry are carried through 15 PSUs, 3 subsidiary PSUs and 7 other organisations. These are as follows :-

Public Sector Undertakings

1. Oil & Natural Gas Corporation Ltd.
2. Oil India Ltd.
3. Indian Oil Corporation Ltd.
4. Bharat Petroleum Corporation Ltd.
5. Hindustan Petroleum Corporation Ltd.
6. Cochin Refineries Ltd.
7. Madras Refineries Ltd.
8. IBP Company Ltd.
9. Engineers India Ltd.
10. Lubrizol India Ltd.
11. Bongaigaon Refinery and Petro-chemicals Ltd.
12. Biecco Lawrie & Company Limited
13. Gas Authority of India Ltd.
14. Numaligarh Refinery Ltd.
15. Balmer Lawrie & Company Ltd.

Subsidiaries

16. **ONGC Videsh Ltd. (Subsidiary of ONGC)**

17. Indian Oil Blending Ltd. (Subsidiary of IOC)
18. Indian Additives Ltd. (Subsidiary of MRL).

Other Organisations

19. Oil Industry Development Board
20. Oil Coordination Committee
21. Petroleum Conservation Research Association
22. Oil Industry Safety Directorate
23. Centre for High Technology
24. Petroleum India International
25. Directorate General of Hydrocarbons.

B. Analysis of Demands for Grants 1999-2000 of the Ministry of Petroleum and Natural Gas

1.2 As the Oil sector PSUs are self-sustained, in fact some of them are Navratnas, no budgetary support is being made available to them.

1.3 The Demands for Grants (No. 65) of the Ministry of Petroleum and Natural Gas were laid on the Table of Lok Sabha on 15th March, 1999. The Demand of the Ministry contains the following figures of Revenue as well as capital expenditure for the year 1999-2000.

(Rs. in crores)

	Plan	Non-Plan	Total
Revenue Section	–	6.02	6.02
Capital Section	–	–	–

1.4 The Total Demand of the Ministry for the Financial year 1999-2000 is Rs. 6.02 crores under Revenue Section. No provision has been made under Capital Section. The Demand makes provision for salary of the officials of the Ministry and other office expenses the entire provision has been made under Head '3451'. The item-wise expenditure for the year 1997-98 (Actuals), Budget

Estimates and Revised Estimates for 1998-99 and Budget Estimates for 1999-2000 are given as follows :-

(Rs. in Crores)

Head	Items	1997-98 (Actuals)	1998-99 (BE)	1998-99 (RE)	1999-2000 (BE)
3451	REVENUE				
	Secretariat Salaries	3.04	3.47	3.99	4.11
	Wages	0.00	0.05	0.06	0.05
	Overtime Allowance	0.10	0.12	0.11	0.12
	Domestic Travel	0.07	0.07	0.06	0.07
	Foreign Travel	0.11	0.14	0.10	0.13
	Office Expenses	1.44	1.45	1.31	1.41
	Professional Services	0.02	0.02	0.02	0.02
	Publication	0.01	0.02	0.01	0.01
	Other Admn. Expenses	0.10	0.10	0.10	0.10
	Total	4.89	5.44	5.76	6.02

1.5 As against the Budget Provisions of Rs. 5.44 crores and revised estimates of Rs. 5.76 in 1998-99, a provision of Rs. 6.02 crores has been made for 'Secretariat Economic Services' for the current financial year, i.e. 1999-2000. The actual expenditure under the head during 1997-98 is 4.87 crores. The increase in expenditure under the head from Rs. 4.89 crores in 1997-98 to Rs. 5.76 crores in 1998-99 and further to Rs. 6.02 crores in 1999-2000 has been mainly attributed to acceptance and implementation of the recommendations of Vth Central Pay Commission and revision of rates in over time allowances apart from increases due to general inflation.

C. Plan outlay and activities during Ninth Five Year Plan (1997-2002)

(i) Utilisation of Plan outlay

1.6 During the 8th Five Year Plan inspite of much higher expenditure than estimated the achievements fell much below the targets set in almost all areas *viz.* crude oil production, hydrocarbon reserves, annual production by terminal reserves, annual production by terminal year of plan, production of Natural Gas, augmentation of refining capacity and containing of import bill etc.

1.7 For Ninth Five Year Plan the following major objectives have been envisaged :-

(i) Acceleration of exploration efforts especially in deep offshore areas as also in the frontier areas.

(ii) Pursuing the possibility of acquisition of acreage in other countries for equity oil and provision of incentives to domestic oil companies for this purpose.

(iii) Special attention on improving reservoir management and increasing recovery rates for all major fields by at least 5%.

(iv) Formulation of an overseas oil and gas supply policy with a view to assessing the appropriate mix of supply source to optimise the cost.

(v) Deregulation/rationalisation of the administered price mechanism in order to curb wasteful consumption, generate internal resources and attract private capital.

(vi) Creation of adequate refining capacity (80-90% of demand of petroleum products) and balance 10-20% requirement to be met from imports for optimum supply mix and to take advantages of international oil prices.

(vii) Augmentation and upgradation for marketing and distribution facilities to meet the demand of petroleum products.

1.8 The following table shows the targets *vis-a-vis* achievements for 8th Five Year Plan and targets set for 9th Plan :-

	Targets	Achievements of VIII Plan	*Targets of IX Plan
(1) Crude Oil Production	197.3 MMT	154.28 MMT	180.82 MMT
(2) Hydrocarbon Reserves	1325 MMT	576 MMT	663 MMT (min.) 865 MMT (max.)
(3) Natural Gas	125 MMT	102 MMT	144.53
(4) Refining Capacity	65 MMT	61.55 MMT	121.30 MMT
(5) Import	Rs. 74,660 cr.	-	Rs. 90,000 cr.

1.9 On being asked about the reasons for keeping the targets of 9th Plan for oil and gas production so low (even lower than the crude oil production and hydrocarbon reserves targets for 8th Plan) while the thrust of 9th Plan *inter-alia* being an acceleration of production of crude oil and enhancing the refining capacity through efficient application of modern technology. the Ministry in a written reply stated that :–

> The 9th Plan crude oil and gas production targets were kept at 180.82 Million Metric Tonnes (MMT) and 144.58 Billion Cubic Metres (BCM) in comparison to the actual crude oil and gas production during 8th Plan of only 154.267 MMT and 101.71 BCM respectively. Thus it can be seen that 9th Plan target for oil and Gas Production was kept higher than VIIIth Plan achievements. Targets could not be increased any further due to following constraints :–
>
> (i) Reserve accretion over the years was not commensurate with exploration inputs. No major discoveries of oil has been made for more than a decade.
>
> (ii) Total in place reserve accretion during VIIIth Plan was only 576 MMT against the target of 1325 MMT resulting in low reserve base.
>
> (iii) Oil fields are entering the natural declining phase. Most of the producing oil fields are old and some of the major fields including Bombay High have entered the natural declining phase.
>
> (iv) The reduction in anticipated production from Bombay High. Neelam and Gandhar fields due to reservoir constraints.
>
> (v) Stoppage of operation Nagaland.

1.10 For petroleum sector the Planning Commission has approved a plan outlay of Rs. 78401 crores for the 9th Five Year Plan. As against this the following table shows the PSU-wise actual expenditure for the first year of plan *viz.* budget. revised estimates for the second year *viz.* 1998-99 and the estimates for the third year *viz.* 1999-2000 :–

PLAN OUTLAY

(Rs. in Crores)

Sl. No.	Name of PSUs	Actual 1997-98	Budget Estimates 1998-99	Revised Estimates 1998-99	Budget Estimates 1999-2000
Exploration (A)					
1.	ONGC	4005.00	4766.00	4600.00	4800.00
2.	OIL	354.74	570.00	500.44	468.35
3.	GAIL	1010.99	747.45	448.46	859.94
Sub-Total (A)		5370.73	6083.45	5548.90	6128.29
Refinery & Marketing (B)					
1.	IOC	1712.81	3055.88	2697.05	2491.54
2.	HPCL	1085.45	1530.10	1105.60	1265.90
3.	BPCL	502.68	1523.65	652.60	511.46
4.	MRL	70.51	695.63	456.55	452.08
5.	CRL	87.35	320.00	270.60	531.22
6.	BRPL	32.94	33.37	28.97	55.31
7.	LIL	0.40	3.35	6.94	8.00
8.	EIL	5.92	13.34	3.75	6.76
9.	IBP	92.87	295.00	217.05	106.00
10.	NRL	721.06	1179.00	950.00	228.00
Sub-Total (B)		4311.99	8649.32	6389.11	5656.27
Petro-Chemical (C)					
1.	BRPL	3.95	60.14	27.87	16.56
2.	BPCL	0.00	60.00	1.40	1.20
3.	CRL	0.30	5.00	0.00	0.50
4.	IOC	4.10	64.60	0.00	0.50
5.	HPCL	0.00	0.00	4.40	3.70
6.	MRL	0.00	108.80	27.62	72.53
7.	GAIL	406.49	174.59	296.54	125.20
8.	ONGC	0.00	0.00	0.00	3.00
Sub-Total (C)		414.84	473.13	357.83	223.19
Engineering Unit (D)					
1.	IBP Co. Ltd.	0.80	6.00	6.00	6.50
2.	Balmer Lawrie & Co. Ltd.	41.37	170.00	80.00	100.00
3.	Biecco Lawrie & Co. Ltd.	1.40	8.00	0.00	9.55
Sub-Total (D)		43.57	184.00	86.00	116.05
GRAND TOTAL (A+B+C+D)		**10141.13**	**15389.90**	**12381.84**	**12123.80**

1.11 During the course of examination the Committee pointed out that out of 9th Plan outlay of Rs. 78,401 crores the expected expenditure in the first three years would be about Rs. 34,645 crores. The budget estimates of 1998-99 were reduced from Rs. 15389 crores to Rs. 12381 crores. Asked about the reasons for the low plan utilisation in first years of the plan, the Ministry replied in a note as under :-

"Starting end of 1997-98, globally, oil industry has undergone significant change due to falling oil prices, which has made investments in this sector less attractive both in upstream and downstream areas. Further, because of increasing competition and in order to cut costs companies are now pursuing those projects that ensure early and more definite returns. During this period four major refinery projects were to be taken up as joint ventures with foreign partners *viz.*

i. Central India Refinery (BPCL - Oman Oil Company JV)
ii. East India Refinery (Paradeep) - (IOC Kuwait Petroleum JV)
iii. Punjab Refinery (Bhatinda) - (HPCL - ESSO JV)
iv. UP Refinery (BPCL & Shell)

In most of these cases because of falling refinery margins world-wide the foreign partners have either shown reluctance in going ahead with the venture or have withdrawn. However, there are some other reasons for project delays. For instance, all the projects are approved subject to environmental clearances. In case of Central India Refinery at Bina, the project has been delayed because of unexpected delay in obtaining environmental clearances from local government. As a consequence the Single Point Mooring facility could not come up which has resulted in delay in putting up crude oil pipeline to bring in basic raw material for refinery which has to be imported from Oman. As the same pipeline was to be extended beyond Bina and onward to Allahabad region in the State of U.P. the proposed refinery project is not being earnestly followed up.

Further, major projects that were being taken up in downstream sector *viz.* Panipat Refinery and Numaligarh Refinery have been more or less been mechanically completed and no significant expenditure is now required.

The other set of major projects that was under way in 1998-99 was of nine DHDS projects which are also nearing mechanical completion with major portion of their planned expenditure already over. These factors have resulted into significantly less than anticipated Plan expenses in 1998-99 and also less allocations in 1999-2000.

In upstream sector. on exploration and production side also no major schemes have been taken up. For instance. next phase of development of Bombay High has not been taken up because technologically advanced 3-D seismic survey is being taken up. According to experts. the investments that are proposed for this secondary development of these field would be better utilised by finalising the plan after the results of 3-D seismic are obtained and analysed. Also. as the National Oil Companies are not getting blocks on nomination as they will now be available under bidding in New Exploration Licencing Policy (NELP) they are not able to plan any new exploration project."

1.12 Explaining the reasons further Petroleum Secretary stated during evidence :-

> "..... For the current year against the plan outlay of Rs. 15.000 crore we expect an outlay of Rs. 12.000 crore and next year we expect an outlay even less than that. The main shortfall has been in the refinery division. In exploration there has been a shortfall of Rs. 500 crore during the current year. It is due to the fact that we are now getting on to the focussed exploration. That is the stage where we were doing 2-D exploration at random and exploratory and development drilling at random and running up into a lot of dry wells with little accretion to oil finds. We are focussing on 3-D seismic surveys and 4-D seismic surveys economising on the development of drilling wells and there the shortfall between the ONGC. Oil India and GAIL is about RS. 500 crore. The expenditure by GAIL and Oil India put together is about Rs. 1.000 to Rs. 2.000 crore. This year the private investment in oil development and exploration is Rs. 2.400 crore. It has surpassed what Oil India and ONGC are investing. One could rightly ask. if you know that these people are going to invest so much. why did you plan higher? We had planned higher and we are pruning our plan and we are altering our plans. making mid-course correction. particularly in the context of NELP and the sudden spurt in enthusiasm on the part of private investors we find in respect of exploration and development from the fields already awarded."

1.13 Elaborating the shortfall in utilisation of plan funds, the Secretary explained that the main shortfall of about Rs. 2,000 crore was in the refinery sector.

1.14 He added :-

"There is shortage of Rs. 900 to Rs. 1000 crore in the BPCL. of course, there has been some shortfall amounting to Rs. 300 crore in respect of HPCL on account of Bhatinda refinery. The Prime Minister has recently laid the foundation stone for the refinery. This consists of a pipeline which has to go all the way from Kandla to Bhatinda. The Indian Oil had plans for East Coast Refinery at Paradeep. This was in collaboration with Kuwait petroleum companies. Now, the collaborators have become a bit disinterested. All these are taking place in the context of the low global oil prices as well as the fact that in our country the refinery capacity, has attained saturation point. The fourth refinery is, UP Refinery by BPCL. We are looking out for the partner. To tell you how this gets compensated not that it was intended. A Reliance refinery which was originally approved for a capacity of 12 million tonnes is under construction. In March, 1988, the Government delicenced the refinery sector. As a consequence of which that refinery is now being developed and built to a capacity of 27 million tonnes as against 12 million tonnes which was assessed as late as December 20, 1998 and coming on ground is ESSAR which was licenced for 9, it has been assessed on ground as 10.1, and the information we get is it might go even higher."

1.15 In reply to a further question, the Secretary stated :-

"..... This shortfall in the Plan expenditure rather appears to be providential in the sense that it shifts Government expenditure from the shoulders of the Government to the private sector without in any way detracting from the development of the hydrocarbon sector."

1.16 Explaining the reasons for shortfall in exploration activities, the Secretary deposed before the Committee :-

"The shortfall in the exploration sector is due to focussing on what should be done in terms of priority, reducing the amount of idle or infructuous expenditure on 2-D seismic survey at random and exploratory and development drilling at random. The other point is about coming to the new technology.

We have had a crisis at Mumbai High because it has reached mid life stage. At this stage, all the reservoirs, anywhere in the world, start exhibiting declining trend in terms of production. The output from Mumbai High is 26 per cent. That is the reserves in place, what we can extract. In the world, a reservoir of this size, the quantity which one should be able to extract is 43 to 45 per cent. Therefore, we have got to get on to a stage of secondary extraction and tertiary extraction in order to increase the yields. For that we have appointed a Committee called the Narayanan Committee. This Committee has gone into the whole question of Mumbai High and has said that the gas-oil ratio is very high. We may have to shut down certain wells also at the moment if we want to preserve the life and the health of the reservoir. Instead we should do in-field drilling between wells. Certain pilot projects were suggested involving new technology. These projects are not being implemented as commercial projects but as pilot projects to start with. When we start implementing these projects as the commercial projects we would have to spend much more than the Plan provisions. These pilot projects involving use of high polymer gel and what is called as the extended reach drilling, horizontal drilling, water alternate gas injection and so on. These are certain technical process which we are going to start on a pilot scale. We have already shut down out of 25 wells, 18 wells at Mumbai High. We are putting in these pilot projects in position through a monitorable action Committee. These are the things which have led to this decrease in terms of the projected plan expenditure."

1.17 In reply to a further question about keeping low plan outlay for 1999-2000, the Ministry informed in a note :–

"To enable the major PSUs to process project approvals faster Government has granted full financial and operational autonomy to Navratna companies. This is by induction of non-official part time directors in their boards. Boards of three out of five Navratna PSUs (IOC, BPCL and HPCL) have been reconstituted and they have started functioning as Navratnas and are now empowered to take investment decisions for major projects. The process of induction of non-officials part time Directors in Board of two other remaining PSUs *viz.* GAIL & ONGC has been completed by the Ministry and is under approval of the Govt. After these steps are taken the oil sector projects will be implemented so as to achieve the plan targets. Further, the private sector has also started contributing in the oil sector development by putting up refineries and speeding up exploration and production thereby aiding the Government to achieve the physical targets as per 9th Plan. Another encouraging development is on the side of privatisation in oil sector. Shortfalls in refining capacity targets will now more or less be met by the latest refining capacity announcements made by private sector refineries particularly by Reliance Petroleum which they are likely to achieve by the end of this plan period."

(ii) Production of Oil/Gas

1.18 The following table shows the crude oil production in the country during the last 3 years :-

Trends in the Petroleum Sector

(Million Tonnes)

Item	95-96	96-97	97-98*	April-November 97-98	April-November 98-99	Change over previous year 96-97	Change over previous year 97-98	Change over previous year 98-99**
							(per cent)	
Crude Oil Production	35.17	32.90	33.86	22.58	21.67	-6.5	2.9	-4.0
(i) On-shore	11.88	11.41	11.52	7.69	7.85	-4.0	1.0	2.1
(a) ONGC	8.97	8.50	8.39	5.59	5.60	-5.2	-1.3	0.2
(b) OIL	2.88	2.87	3.09	2.06	2.20	-0.3	7.7	6.8
(c) JVC	0.03	0.04	0.04	0.04	0.05	33.3	0.0	25.0
(ii) Off-shore	23.29	21.49	22.34	14.89	13.82	-7.7	4.0	-7.2
(a) ONGC	22.67	20.18	19.87	13.42	12.24	-11.0	-1.5	-8.8
(b) JVC	0.62	1.31	2.47	1.47	1.58	111.3	88.5	7.5

*Provisional ** April-November

1.19 The projected production in the terminal year of IX Plan (2001-02) is of crude oil and Natural Gas is 36.98 MMT and 30.74 BCM. As per estimates of the Government import of crude oil will go up from present level of 35 MMT to 78 million tonnes in the terminal year of the Ninth Plan. During the course of evidence the Committee pointed out that crude oil production was almost stagnant. Asked about the steps taken to enhance it, the Petroleum Secretary stated :-

"Sir, as far as exploration is concerned we confess that we are in the dark. Today, the oil production of this country in comparison to demand is 38 per cent. As we go along and go to the year 2002, we might have to import 80 million tonnes and if we go to 2006, we might have to import 120 million tonnes. Now, the strategy here consists of enhancing oil recovery in respect of ONGC's existing fields like Mumbai High where we have to go from 26 per cent to 45 per cent using the new technology of extended reach drilling and others. Now, even with all these and with all the efforts that can be taken within the country by ONGC and Oil India including inputs which come from the private sector– the private sector today contributing between 8 to 12 per cent of the indigenous oil production during 1992 it was zero — we do not expect the indigenous oil production to cross 41 to 42 million tonne per annum."

1.20 He added :-

"We are trying to get equity oil abroad. The possibility has been partly in Caspian sea region partly in Middle East and many sectors in Russia. The ONGC Videsh Limited is a company which has been registered specifically to explore equity oil abroad. Now, we have to do equity oil abroad in the first phase in the form of long term equity oil allocation to this country as long term purchases and finally, through annual realisation through discoveries. Now, the rough estimate of Chairman, ONGC is that with equity oil abroad and indigenous production it may be possible to reach 60 to 70 million tonnes per annum by the year 2002 to 2003...... Sir, I do admit that this is a cause of concern."

1.21 Explaining it further the Ministry in a written reply stated :–

"OVL, a wholly owned subsidiary of ONGC, is active in exploration and development activity of oil and gas in Vietnam, Middle East and CIS countries. The objective of OVL is to acquire attractive overseas exploration acreages and producing properties to increase equity oil abroad. ONGC has a gas project in Vietnam and has been pursuing opportunities in Iraq (Tuba filed and one exploration block). Iran, Russia. (Udmurt. North Caspian sea and Astrakhan) and is also evaluating other opportunities.

OIL has also taken 20% participating interest in a block in Oman with Total of France for exploration of oil and gas."

1.22 In regard to the steps being taken to increase the production of crude oil to overcome the stagnant position of low crude oil production, the Ministry also stated in a note :-

— Intensive and extensive exploration including in frontier areas and deep waters to augment reserves base.

— Increased private participation in Exploration and Production activities including under New Exploration Licensing Policy (NELP).

— 3-D seismic survey for better understanding of the oil fields especially to identify the untrained/by passed oil.

— Rectificatory measures for Bombay High and Neelam oil.

— Adoption specialised technologies such as Extended Reach Drilling (ERD), horizontal and drain hole drilling scale removal treatment jobs and long drift side tracking of wells.

— Implementation of new schemes of oil/gas development.

— Improving the recovery percentage from the producing fields.

— Reducing Reserve/Production (R/P) ratio of fields having high R/P.

(iii) Exploration of Hydrocarbon Resources

1.23 As per 9th Plan document Life indices of crude oil and Natural Gas (BCM) are as under :-

	Crude Oil (MMT)	Natural Gas (BCM)
Recoverable reserves as on 1.4.1990 (M. tonnes)	727.00 (1.1.96)	640.00 (1.1.96)
Depletion upto 2001-02 (M. Tonnes)	213.73	167.10
Recoverable reserves as on 1.4.2002.	513.27	472.90
Projected Production during 2001-02 (M. tonnes)	36.98	30.74
Balance Life at 2001-02 level production (years) @	13.88	15.38

@ Subject to change a revision of recoverable reserves.

1.24 From the above it can be seen that hydrocarbon resources of the country are unlikely to last beyond 2016 at the projected production levels of 2001-02 unless more proven reserves are discovered to add the recoverable. reserves of the country.

1.25 The Plan document has also brought out that there is hardly any accretion in the reserves taking place in the last few years (in fact. there is net deceleration of the reserves). the reserves to production ratio is likely to decline. Unless and until these new hydro carbon sources are proved and developed the demand for petroleum products in the years to come will have to be increasingly met from imports which in turn would put pressure on balance of payments.

1.26 Asked about steps taken to overcome the problem of declaration in reserves. the Ministry in a written note informed :-

(i) Oil and Natural Gas Corp. Ltd./Oil India Ltd. have drawn a recast programme for IXth Five Year Plan. Significant changes in physical inputs and the approach are :-

— Inducting state-of-the art processing and interpretation hardware/ software.

— Much higher inputs in terms of 3-D acquisition.

— Additional inputs in terms of exploratory wells over the original IXth Plan.

— About 358 new prospects are proposed to be probed.

— Intensified exploration activities are planned in the deep water areas and new frontier basins.

— Adopting state-of-the-art technologies to enhance sub-surface imaging in geologically complex areas like thrust fold belts. sub-trappean sequences and deeper prospects in known basins.

(ii) Opening up of new areas by Directorate General of Hydrocarbons (DGH) and National Oil Companies.

(iii) Hiring of expert consultancy services for integrated Basin Modelling.

(iv) Increased participation by private companies through several rounds of Exploration bidding resulting in signing of 23 blocks for exploration.

(v) Government has offered several discovered fields for development. In several of these fields additional oil and gas reserves have been established.

(vi) Besides the above, ONGC Videsh Limited is pursuing opportunities for equity oil and gas abroad.

1.27 Explaining it further, the Petroleum Secretary, Petroleum assured the Committee :-

"The whole planning emphasis in the Ministry is on exploration. Only 16 per cent of this country's sedimentary basins has been fully or well explored. Another 17 per cent of this country's sedimentary basins has been moderately explored. And, in another 24 per cent of the sedimentary basins, exploration has been initiated. 45 per cent of the sedimentary basins lie unexplored. As to the question what is possible to achieve in these sedimentary basins, there is a certain scale. These are being categorised into four categories like the known sources, the sources which, in fact, offer hydrocarbons, the sources which in other parts of the world have entirely hydrocarbans and then the sources and structures which give the possibility of ultimately locating hydrocarbons. Our known oil reserves, based on the 26 sedimentary basins, are about 28 billion tonnes. Out of these known reserves, it is possible to have in place about 45-55 per cent. As of today, the prognosticated reserves are there. From 28 billion, we have come down to 6.4 billion tonnes consisting of 4.8 billion tonnes of oil and 1.6 of gas. We think that this will definitely be in place. Out of these prognosticated reserves, we have extracted about a fourth."

1.28 The Secretary further stated :-

"The fact that such a large chunk of the sedimentary areas lies unexplored gives us hope that we may be able to meet our requirements in reasonable measures."

1.29 The Director (exploration), ONGC apprised the Committee that :-

"The success of our plan regarding process for exploration depends upon the basins prospectivity" its reserves which get estimated every five years by the ONGC."

1.30 He further stated :-

"In the Eighth Plan. we could achieve only around 530 million tonnes of oil and oil equivalent gas as against the 1200 MMT that we planned in all the basins. So. in the Ninth Plan. we thought about the forward modelling instead of the backward modelling. In the forward modelling. we will analyse the area based upon the kind of success we have achieved, based upon the structures. the size of the structures that will be there and the amount of hydrocarbons those structures actually contain. We worked out the forward modelling. Actually we are not reducing the total exploration in the Ninth Plan. In the Eighth Plan. we spent around Rs. 665 crore for the seismic survey and Rs. 5474 crore for exploratory drilling. In the Ninth Plan. we would be spending Rs. 753 crore and Rs. 4878 crore respectively. There has been a reduction in respect of the exploratory drilling. We are trying to compensate it by increasing the seismic data acquisition. The structure had already been explored in the Eighth Plan.

The seismic survey that we have got earlier has to improve. So. we went ahead with it during the end of the Eighth Plan and the beginning of the Ninth Plan. and acquired state of the art technology. We have 18 seismic processing and acquisition units. Earlier. we had 48 such acquisition channels. We have 124 acquisition channels now."

1.31 On being pointed out that there was total stoppage of exploration activities in Nagaland. Brahmputra and Mahanadi basins. the Petroleum Secretary replied :-

"In Nagaland we ran into the problem of local bodies claiming sovereignty over oil that the extraction of oil and the proceeds thereof should accrue to the local bodies or an equivalent to the panchayats and the rest of the country. Now the problem is getting resolved. That is real potential area for exploration of oil."

1.32 In regard to Northern Brahmputra. the Secretary stated :-

"It is a very fertile area and we had four wells drilled by Oil India out of which three wells went dry. Totally they were to do it in six wells. Now there are chances of striking hydrocarbons. They have gone upto the depth of 3000 to 3200 metres in the fourth well. Chairman of Oil India told me that in all probability, they expect success in the fourth well. If that comes through then it will come as breakthrough and he would proceed with the fifth and sixth well in the Brahmputra basin. Otherwise, he would have to shift to other areas of the country."

1.33 Regarding Mahanadi Basin, the Chairman Oil India Ltd. stated :-

"In Mahanadi basin, we had carried out exploration activities in the late 1980s. After that, we have failed in having discovery in that area. We have gone in for a fresh geo-scientific study based on which we intended to carry out some drilling activities in the north-east coast off-shore area. During that time, because of some problems in the drilling contract as well as the area being under Defence Research Organisation, we could not complete the drilling operation. In the meantime, the NELP programme had started and all the off-shore areas of the Mahanadi basin and the north-east coast were offered under the NELP plan. Now after NELP round has been announced, it had been found that on-shore blocks also had been demarcated for NELP but these on-shore blocks have not been offered under the present round of NELP."

1.34 The Committee also wanted to know the exploration activities being carried out in Bay of Bengal basins. The Petroleum Secretary, stated :–

"Right from Calcutta, Howrah Coast through the Bay of Bengal explorations have been done and certain pockets have been discovered. The three blocks have already been offered to ONGC on nomination basis. The NELP in the 12 deep water blocks which we are offering below 400 isobars, that is, 400 mtrs. depth. This deep water exploration is something which is not yet been really attempted on a commercial scale. But there is enormous potential in respect of deep water exploration."

1.35 He added :–

"The rig moved only yesterday, is towards exploration of gas in Andaman Region because we have information that gas hydrates and gas accumulation hold promise in the Andaman area and that seems to be an area which has immediate prospects.

In respect of the Bay of Bengal and the other Western Coast also, there is a growing area of gas hydrates under which there are gas layers. We are exploring this.

In respect of the Bay of Bengal, we have got two definite Basins, the KG Basin and the Cauvery Basin. In these Basins, our exploration and realisation of oil compared to what appeared to be the prospects 15 or 20 years ago is about 15 to 20 per cent.

Now, further exploration is required. To answer the specific point, raised here as to whether ONGC should go about discovering fields or go about exploration fields.

In the Cauvery Basin, we do not have joint venture as such in respect of any field except for the PY field. It is a very small area, but the joint venture participation by ONGC is 40 per cent in respect of the medium fields."

Private Sector Participation in Exploration Activities

1.36 The Economic reforms, initiated in 1991, seek to delicense the industry and encourage private sector initiatives for supplementing and speeding up economic growth. This liberalisation process has also opened up the Petroleum industry, both upstream and downstream sector. Continuous yearly exploration bidding rounds are being conducted and offers of small and marginal fields are being made for private participation in upstream sector.

1.37 Govt. has taken steps to supplement the efforts of National Oil Companies by attracting private investment in the exploration of oil and gas. In this direction Govt. has signed 23 contracts for exploration and exploration work in respect of 22 blocks are in progress (for the remaining one block, contractor has relinquished the area in accordance with terms of the contract). Govt. has also invited bids under the New Exploration Licensing Policy. For the first time deep water blocks have been offered, which are expected to have high potential for hydrocarbons. A total of 48 blocks including 12 deep water blocks and 26 shallow water blocks and 10 on land blocks have been offered.

1.38 It also came out during examination that as per the new exploration licencing policy of the Government, PSUs viz. ONGC and OIL will also have to bid for taking licenses for exploring new blocks/areas. Asked whether this was a constraint for the national oil companies, the Secretary explained :-

"I am not presenting it as a constraint but I am presenting it as a complementarily. The new exploration policy has been announced under which notice inviting offers have been issued. They are to be opened till May 18th. National oil companies will have to take their place in queue along with the others who are quoting. And, national oil companies are free to enter into joint venture or whatever it is. In spite of it, between now and then there were six blocks which were available which are not under NELP and are awarded to the national oil company. So, they cannot plead any constraint on this including block and Kutch off shore."

1.39 In regard to exploration activities being carried out by private parties, the Secretary apprised the Committee :-

"Now, 23 private exploration activities are going on. Twenty-three parties have been allotted. But no one has yet discovered the fields. It is our hope that under NELP, increase will be different because some seismic data has been gathered in respect of these blocks. We are not just letting them asstray in the ocean. In terms of the Road Shows held at London, Houston, etc. we have generated interest and the parties like Yunocol, Exon, Shell, etc. appeared to be getting interested in getting into some of these deep water blocks and some of the areas which we have discovered, either by themselves or in collaboration with Indian companies or in collaboration with ONGC."

1.40 The Committee pointed out that national oil companies particularly ONGC has made massive investments in the Country and by offering discovered fields to private parties, could result in a loss to them.

1.41 Asked about the main fiscal incentives and contract terms under NELP offered to foreign and domestic private sector including to oil PSUs are as under :-

- The possibility of the seismic option in the first phase of the exploration period.
- No minimum expenditure commitment during the exploration period.
- No signature, discovery or production bonus.
- No mandatory state participation.
- No carried interest by National Oil Companies (NOCs)
- Income tax Holiday for seven years from start of commercial production.

- No customs duty on imports required for petroleum operations.
- Biddable cost recovery limit upto 100%.
- Option to amortise exploration and drilling expenditures over a period of 10 years from first commercial production.
- Biddable sharing of profit petroleum based on pre-tax investment multiple achieved by the contractor.
- Royalty for onland areas is payable at the rate of 12.5% for crude oil and 10% for natural gas. For offshore areas, it is payable at the rate of 10% for oil and natural gas. Royalty for discoveries in deep water areas beyond 400 m iso-bath will be chargeable at half the applicable rate for offshore for the first seven years of commercial production.
- Fiscal stability provision in the contract.
- Freedom to the contractor for marketing of oil and gas in the domestic market.
- Provision for assignment.
- Conciliation and Arbitration Act, 1996, which is based on Uncitral model shall be applicable.
- To facilitate investors, a Petroleum Tax Guide (PTG) is in place.

1.42 During the oral evidence, the Petroleum Secretary stated :-

"The way out of it is to see that the ONGC, in terms of all these projects, gets a reasonable share, that these are in the nature of joint ventures .... As a policy Government by successfully encouraging private participation in oil sector can gradually withdraw and reduce direct participation, as in other developed countries, and concentrate in other deficient areas of infrastructure development. So far as competition from private sector is concerned the oil PSUs are being equipped to gradually come out of Administrated Pricing Mechanism towards Market Driven Pricing Mechanism. This is being firstly, by phasing out APM over a period of four years and secondly, by carefully planning the transition by suitably restructuring the organisations and business processes and training the officers and staff in market oriented functioning with the aid of international experts and consultants. Ministry is closely associated in these maneouvers of its PSUs to enable them to emerge as strong players in oil sector in future.

(iv) Exploration of Coal-bed Methane and Deep Sea bed Gas

1.43 The Policy for Coal-bed Methane was approved by Government in July, 1997. Steps have been taken to implement the policy and various bid documents have been prepared and the blocks have been identified for offering. A total of 9 blocks (3 in West Bengal, 3 in Bihar and 3 in Madhya Pradesh) have been identified. The following routes are being adopted for exploration and exploitation of CBM in the country :-

(i) Through global bidding system : Government has already approved the policy including broad terms and conditions for offering CBM blocks through global bidding for exploration and exploitation. Consultation with State Government are in progress and consent from West Bengal on CBM policy has been received. Matter is being pursued with the Governments of Bihar, West Bengal, MP and Gujarat to complete consultation with them.

(ii) Award of blocks to PSUs on nomination basis : ONGC has applied for PEL in Raniganj, West Bengal and Parbatpur, Bihar for carrying out CBM operations. ONGC has drilled few R&D wells in the area to collect data and assess commercial potential of CBM and exploration of CBM will commence after the licenses are issued by the State Governments of West Bengal and Bihar.

(iii) Joint Exploration and Exploitation of CBM with oil and natural gas : Coal and oil and gas occurs together in the State of Gujarat. The issue of joint exploration and exploitation of CBM along with oil and natural gas by the same operator/companies is under consideration.

1.44 Explaining it further, Director General (Hydro Carbons) stated during evidence :-

"This is the gas which is stored in the coal-seam. Normally, you can produce this from a depth of around 600 metres to about 1600 metres because beyond that. the coal seam are under high pressure and the gas cannot be extracted. The gas found in less than 600 metres is evaporating slowly through the soil and going into the air. So. it is not worthwhile for us to extract gas. Comfortably. the mining areas in the country are also up to a depth of 400 metres. So. the intention of the Government is that the mining activity will continue in the top area: we can do coal gasification projects between 400 and 600 metres; and we can do the coal CBM project between 600 and 1600 metres. There is a Joint Committee of the Ministry of Petroleum and Ministry of Coal. We have finalised nine blocks. Data packages have been prepared now. We have calculated the reserves in nine blocks based on the desorption studies on the coals taken from the wells drilled for core analysis. The reserves are 14 TCF. That comes to 400 DCM. If all these blocks are put on production. it is anticipated at this stage because our coal contains a very high amount of ash. that we can produce 22 million cubic metres of gas from these two blocks per day which is equivalent to eight million tonnes of oil per year. This is fairly a moderate level of production remaining right now. In addition to this. right now we are also working in Rajasthan. We are collecting now in Tamil Nadu and in Andhra Pradesh. But we will keep these blocks ready for the next year."

1.45 The Petroleum Secretary also submitted :–

"It is economically viable process. We can drill coal but we have ample coal reserves in this country. Therefore. there is no question of any other economic activity being affected. Particularly. in Gujarat. coal-bed methane. oil. coal and gas are found in the same strata. So. anyone who normally drills for oil is given the coal bed methane contract also. Now. at each of these coal-bed pit-heads where we extract this coal-bed methane. we should take the gas out. We should have a pipeline and pump it out. This is the method. We have about hundred billion cubic metres of this gas of coal-bed methane in this country. which is almost equal to our total resources of other natural gas which we have. It is about 144 billion cubic metres or something like that. that we expect during the Ninth Plan. This is the amount of coal-bed methane which we have in this country."

1.46 The Petroleum Secretary, however, brought out the problem being faced by them in the process :-

"There is only one problem which we are facing. Some States are very sensitive to the issue of coal-bed methane. They feel that this is their property. For instance, Gujarat has asked us to allow them to extract the coal-bed methane. We will try to see how we can resolve this problem."

1.47 He further elaborated :-

"We are drawing up schemes. We have decided the terms under which the offers would be invited. It has been interdepartmentally decided. We are going to issue notice inviting offers for participation both by private and public organisations."

Exploration of Deep Sea Bed

1.48 In regard to steps being taken by Govt. to explore deep sea gas, the Ministry in a written reply stated :-

(i) A total of 12 deep water blocks have been offered under the New Exploration Licensing Policy.

(ii) In Andaman area, based on seismic data acquired, there are indication of presence of gas hydrate deposits with possible free gas accummulation. About 80000 sq. kms. of area is considered favourable for the presence of gas hydrates.

(iii) Government has set up a national gas hydrate project team which comprises Oil India Ltd., Gas Authority of India Ltd., Directorate General of Hydrocarbons, National Research Institute, National Institute of Oceanography and Institute of Drilling technology (ONGC).

(iv) In order to obtain additional geological information, reservoir characteristics and to identify drillable prospects, additional seismic survey in Andaman offshore with closer grid is under progress and thereafter an R&D well is proposed to be drilled.

(v) Creation of Refining Capacity

1.49 Total refining capacity in the country is 67.55 MMTPA. A number of grassroots refineries totaling 51.0 MMTPA and expansion of existing refineries totaling 13.40 MMTPA are already approved by the Government and another 13.80 MMTPA are under consideration of the Government in the different regions of the country as given below. The total refining capacity in the country is expected to be 113.95 MMTPA by 2001-02 and 145.75 MMTPA by 2006-07. The region wise details are as under :-

(MMTPA)

Sl. No.	Refinery/Region		End of IX Plan	End of X Plan
	NORTHERN			
1.	IOC. Mathura	Existing/Expn.	8.00	8.00
2.	IOC. Panipat	Existing/Expn.	6.00	9.00
3.	Punjab Ref.	New		9.00
		Sub Total	14.00	26.00
	NORTH-EAST			
4.	IOC. AOD Digboi	Existing	0.65	0.65
5.	IOC. Guwahati	Existing	1.00	1.00
6.	BRPL	Existing	2.35	2.35
7.	Numaligarh	New	3.00	3.00
		Sub Total	7.00	7.00
	EASTERN			
8.	IOC. Barauni	Existing/Expn.	4.20	6.00
9.	IOC. Haldia	Existing	3.75	3.75
10.	EIRP. Paradip	New		9.00
		Sub Total	7.95	18.75
	WESTERN			
11.	BPCL-Mumbai	Existing	6.00	6.00
12.	HPC-Mumbai	Existing	5.50	5.50
13.	IOC. Koyali	Existing/Expn.	12.50	12.50
14.	BORL. Bina	New	6.00	6.00
15.	Reliance*	New	15.00	15.00
16.	Essar*	New	9.00	9.00
		Sub Total	54.00	54.00
	SOUTHERN			
17.	HPC. Vizag	Existing/Expn.	7.50	7.50
18.	CRL. Cochin	Existing/Expn.	7.50	13.50
19.	MRL-Chennai	Existing/Expn.	6.50	6.50
20.	MRL-CBDU	Existing	0.50	0.50
21.	MRPL	Existing/Expn.	9.00	9.50
		Sub Total	31.00	40.00
	Total Capacity		**113.95**	**145.75**

*Assessed capacity of RPL & EOL is placed at 21.3 and 10.5 MMTPA respectively

1.50 In the context of delay in coming up of Bina Refinery, U.P. Refinery and Punjab Refinery the Committee pointed out that on the one hand public sector projects were being delayed, private refineries like Reliance, are adding their capacities in a massive way and a stage could come, when they might not need to commission, PSU refineries the Petroleum Secretary stated :-

"The private sector is putting up the refineries because today it is no longer licensed. The Ministry is totally and irrevocably committed to the projects which it has approved as also expansion of the existing refineries. Our existing refinery capacity in the public sector in the country today including the Numaligarh Refinery which is under construction is 70.5 million tonnes per annum. About expansion of projects, we have various refineries totalling to round about 15 million tonnes per annum capacity and then we have new refineries at four locations. These four main new refineries coming up would give about 30 million tonnes per annum capacity. These are, Bhatinda, Bina, the Central India Refinery and the East India Refinery. By the year 2008 or 2009, our total requirement of petroleum products would be 150 million tonnes per annum and even if all these refineries come up, they would be just sufficient to meet the internal demand, even allowing for the expansion of the private sector refineries."

1.51 When asked whether PSUs will be able to face the competition with private and multinationals, the witness stated :-

"Definitely our production, at least the hydrocarbons by ONGC is the cheapest in the world. It is $4.5 per barrel. The lifting cost anywhere else is $9.96 per barrel or $10 per barrel. That is why, ONGC, in spite of all these oil crisis, has been doing so well. All these refineries coming up, even if it adds up to some over-capacity – and that is hypothetical – would still, I think, in the sort of competitive spirit which we have generated by dismantling the APM, the result of it is immediately visible in the private sector refineries coming up will give us an edge in terms of exports, though as of today we may not be in a position to export. We may not be competitive, but with the sort of sizes which we are entering into, we would be in a better position. The Mangalore Refinery, for instance, is going into 9 million tonnes from 3 million tonnes, the Madras Refineries is going up to 9 million tonnes from 6 million tonnes, the Cochin Refinery is going up to 13.5 million tonnes from 6 million tonnes, the Panipat Refinery is going to double its capacity in the years to come and Bhatinda Refinery will be straightway starting at 9 million tonnes capacity. We would have enough resilience of staying afloat in the World hydrocarbons industry."

1.52 On being pointed out that several projects were held up on account of Planning Commission's pre-assessing the projects, the Petroleum Secretary clarified :-

"Now the Planning Commission would not be coming in the way. Earlier we had to go to the Planning Commission, PIB etc. This whole process took three or four years. Now, all these companies have got Navaratna status and if their Boards decide they can go ahead with it. In fact, the IOC Board is going to consider the Southern India Refinery on its own.

These are all committed projects on which some expenditure had already been incurred. On the Bina refinery, Rs. 200 crore had already been invested by BPCL. I do not see they will retract from that project. Neither do I see HPCL retracting from the Bhatinda refinery on which it had already invested Rs. 100 to Rs. 150 crore and had entered into an arrangement for evacuation of crude from Mundhra to Punjab.

In respect of East India Refinery, IOC had entered into certain arrangements for locating it at Paradeep. So, there is no question of retracting from these refineries."

1.53 On asking about the Bina Refinery which was held up due to clearance from Ministry of Environment and if Reliance could get the clearance from the Gujarat Govt., why it could not be done for PSUs, the Secretary, Petroleum stated :-

"These are matters I take it at the level of Environment Secretary, even that is too small a level. These are matters which the Minister for Petroleum had directly taken up with the Chief Minister of Gujarat. In respect of Bina Refinery, two letters, one in November and another one last week, were sent. This is a matter on which I have already sent a note to the Prime Minister's Office and on which the Prime Minister is talking to the Gujarat Chief Minister. Therefore, this Bina Refinery is taken up at that level. It is not as if totally the Gujarat Government has no case. The point is that Gujarat is developing a port called Pipav. They feel that should be developed into a major maritime port. The Gujarat Government is a partner in that port. Therefore, their point of view is that we are crowding at Vadinad and Kandla. For solving this problem we have an Inter-Ministerial Committee with a member each from Ministry of Surface Transport, Advisor (Ports) etc. It is a very high level Committee which visited Pipav. If it is going to be cheaper for us by Rs. 100 crore, we are prepared to go to Pipav port and get on. But the finding is that at Pipav port, we cannot handle what is called VLCC, a 300,000 tonne tanker. If we are to handle any such tanker, it is going to cost $2 more per barrel for refining cost. So, this is what we are trying to put across the Gujarat Government. Government had ever given liquidated damages. This is a matter which is pending between the Prime Minister and the Chief Minister.

Therefore, I would submit for the consideration of the Committee that this matter is at a very high level and every effort is being made to resolve it."

1.54 He further added :-

"As far as Bina refinery is concerned, every aspect had been cleared except where the Single Point Mooring (SPM) facility is put. From the SPM to sea, a pipeline has to be laid to convey the oil. The ship discharge it into that point at mid sea. This pipeline crosses Coral Reef in Gujarat Maritime National Park. Now the Reliance pipeline has crossed that Coral Reef. We have requested that let it be laid along the pipeline, side by side, and we will do only a minimum damage. That is the only point on which it is pending. Every other clearance is available."

1.55 Regarding Eastern India Refinery Secretary Petroleum apprised the Committee that it was a joint venture between IOC and the Kuwait Petroleum Company. Now, the joint venture partner was showing little inclination in continuing with the project.

1.56 In the context of falling prices of oil and reluctance of foreign partners, the Petroleum Secretary stated :-

"We had proposed joint venture refineries with those parties, namely Kuwait Petroleum. Oman is still on the project. They have not gone away. Bhatinda is with EXON. The reason being, with a view to bring these parties as joint venture collaborators - these are all oil producing companies, and they will give assured supply of oil to these refineries - we want to do it. That is our only interest in getting them as joint venture partners. We can proceed with these refineries without joint venture partners. Indeed we had proceeded without joint venture partners. We have put 15 refineries in this country without any collaboration. The only joint venture refinery we have in this country is the Mangalore Petro-chemicals which we had put up with an Indian joint venture partner. So, if a foreign joint venture partner is not there, and if we want a joint venture for some reason or the other we can still put up a joint venture company. We are capable of putting this up only as public sector refineries. We wanted these people only to tie up the crude supply. Already in respect of these refineries, we have alternate parties."

1.57 Elaborating it further Chairman, IOC stated :-

"In view of the changed scenario world over effecting the profitability both in terms of the depressed prices of crude and petroleum products they are re-examining the profitability with a view to give a final commitment. The discussions are on.

But from our side, we have mounted pressure for them to come forward with a decision at the earliest. There are other interested joint venture partners, multinationals who have expressed their desire to join hands with us but we shall be taking up with them after the decision of the Kuwait Petroleum is taken.

We have taken a decision that IOC will go ahead with the proposals for establishment of Paradeep Refinery to the estimated tonnage of nine million metric tonnes. We have moved a proposal with the State Government of Orissa for acquisition of land, five villages for refinery and 12 villages for the township. We have already deposited the money."

1.58 He further stated that permission had been taken from their Navratna Board for finalisation of PMC so that the progress does not get in any case affected by the delay in decision of Kuwait Refinery. Also in the event of the joint venture partners not joining the IOC, the latter have the capability of going ahead by generation of internal resources to fund this project and as such this project cannot be delayed any more.

1.59 He elaborated :–

"As and when we come across selection of a partner at the appropriate level, our feeling is that today when the ground work or the work starts progressing the possibility and the probability of joint venture partners joining at that position will be more brighter so we are going ahead with our project."

1.60 In reply to a question about not adding capacity in North-East Chairman, IOC submitted before the Committee :–

"We have three refineries in North East. One is in Digboi, second is BRPL, and the third is the Guwahati Refinery. The fourth refinery Numaligarh is under process. If you add on to the total refining capacity of four refineries put together, it is far in excess of the total requirement of the North-East because North-East today represents just a little over two per cent of the all India demand of the petroleum products. As such, the proposal has already been examined by the OCC and the Ministry has to see how effectively to evacuate the product out of Numaligarh from North-East to different parts of the country to keep out the excess production without affecting the running of a refinery.

The refinery needs the product or the crude oil be processed. Today, we have also undertaken a project of Haldia-Barauni Crude Pipeline which is 4.22. We are going to increase it to six million tonnes. We are increasing the capacity of our Haldia-Barauni Crude Pipeline from 4.2 to 7.5 so that 1.5 we will be doing the reverse pumping to keep the BRPL refinery going in future. The total availability of the crude is third of the production and this has to be supplemented by this process.

We are improving our process for value addition so that we can improve the profitability of Digboi."

(vi) Import of Crude Oil/Petroleum Products

1.61 Consumption of the Petroleum products is increasing rapidly year after year. To meet the demand between consumption and indigenous availability Crude oil and petroleum products are imported at considerable cost. The following table shows the imports made to meet the shortfall during the last 3 years :-

Year	Import of Crude Oil/Petroleum Products	
	(Qty. in MMT)	Cost of Imports (Rs. in crores)
1996-97	51.00	32,092
1997-98	51.07	26,501
1998-99 (Upto Dec. 98)	42.48	17,807

1.62 As against the present demand of crude oil/petroleum products of about 80-85 MMT, the expected demand is likely to be 112.8 MMT by 2001-2002 with crude oil production remaining almost stagnant, import dependence of oil in 2001-2002 is expected to go upto 70% as against 60% as of new.

1.63 Asked about the specific steps the Govt. propose to take during the 9th Plan period for acceleration of enhanced exploration efforts onshore and offshore with a view to curb import bill, the Ministry in written note informed :-

> "ONGC and OIL has planned exploratory input in terms of seismic surveys and drilling exploratory wells and anticipated accretion target ranges between 663-862 MMT of initial oil and equivalent in place (IOEIP)."

1.64 When asked further about the role of private sector in this regard, the Ministry replied :-

> "Govt. has taken steps to supplement the efforts of National Oil Companies by attracting private investment in the exploration of oil and gas. In this direction Govt. has signed 23 contracts for exploration and exploration work in respect of 22 blocks are in progress (for the remaining one block, contractor has relinquished the area in accordance with terms of the contract). Govt. has also invited bids under the New Exploration Licensing Policy. For the first time deep water blocks have been offered, which are expected to have high potential for hydrocarbons. A total of 48 blocks including 12 deep water blocks and 26 shallow water blocks and 10 onland blocks have been offered."

(vii) Adulteration in Petroleum Products

1.65 During the course of examination the Committee enquired about the reasons for menace of adulteration in petroleum products. The Secretary Petroleum submitted :-

"The primary cause of adulteration is differential in price of kerosene and diesel. The kerosene, being poor man's fuel, is supplied in retail at subsidised price. Because the price differential between diesel and kerosene is of Rs. 6, the kerosene is used for adulteration. We cannot cut it off, but it can be reduced with increase in consumption of LPG. Wherever we are providing LPG connection, we are stamping on the ration card of that person that he is an LPG connectee and therefore, he should not get subsidised kerosene oil."

1.66 The Additional Secretary of Ministry of Petroleum and Natural Gas specified the steps devised to check this kind of adulteration :-

"We have, first of all, dyed our kerosene blue for the public distribution system. So, wherever there is blue kerosene oil, naturally it is PDS kerosene. So, it can be easily detected at the shops of wholesallers, retailers or fair price shops and the guilty can be caught. So, some help is available from blue dyeing of the kerosene. Then, we mix a chemical called furfural in the kerosene. If this kerosene is mixed with diesel and petrol, this get tested with a simple device and it will give pink colour. Therefore, it can be established that the diesel or petrol is adulterated and action can be taken against petrol pump owner. Then, we have got simple testing at the petrol pump itself for testing adulteration. We have also got filter test. If a patch of petrol is not dried up within two minutes, then there will be adulteration and action can be taken against that person. Then, there is a density test also. If kerosene is mixed in diesel or petrol, its density will change. This can also be detected by a simple device called hydrometer which is available at all petrol pumps."

1.67 He further added :-

"We know that adulteration is taking place and we have been actually told by the consultants that there can be adulteration in the range of 20% to 30% in different areas. The States which are alert on the system of distribution of kerosene are really ensuring that there is not much adulteration. I may tell you that once kerosene is supplied by our depots. naturally it becomes the responsibility of the State Government and it is within the jurisdiction of State Govt. to check adulteration. Where the State Goverments are alert and have introduced system for checking adulteration. the system is effective like in Kerala. We have prescribed regular inspections of the kerosene depots by our officers and of petrol pumps once in three months by our Sales Officer and then also joint inspection consisting of officers of that company and other companies. And quite often. we launch special campaigns."

1.68 In regard to imposing penalty on defaulters. the representative of Ministry stated :-

"But still there have been problems. So. we had introduced these marketing discipline guidelines under which there is a graded system of penalty on the persons indulging in malpractices. So. there is a provision in the dealership agreement for the termination of the dealership if any irregularity is found including even minor irregularity. But we thought that probably. on the first instance. if this is terminated. then there may be inconvenience to the LPG consumers as well as to the diesel and petrol users. So. we thought that. in the first instance. we would impose fine and suspension; in the second instance. higher fine and suspension for a longer period and then termination. But somehow the federations of the petrol pumps. kerosene dealers and LPG distributors have gone to various High Courts in the country. Some of the High Courts have given a stay order on the operation of the marketing discipline guidelines. Now. they have got a stay order from the courts. Now. we are trying to rationalise those marketing discipline guidelines.

Earlier. there was a problem that we did not have adequate number of laboratories for testing adulteration. Now. we are increasing the number of laboratories to double. We have also introduced a large number of mobile vans. Earlier. there were 23 mobile laboratories which were actually utilised by the oil companies in consultation with the State Governments. They could go anywhere. they could take the sample. they could test the sample on the spot. Now. we are increasing the number from 23 to 50."

1.69 In reply to a question about mixing naptha with petrol, the Additional Secretary, Ministry of Petroleum and Natural Gas apprised the Committee :-

"Earlier Naptha was being controlled by the Ministry. The oil company could supply only to those companies which were approved by the Ministry. So, when application came, we got it examined, and we were releasing Naptha only when the unit was actually set up and when it was verified. Earlier, in principle also allocation was given but we stopped that practice."

1.70 He added :-

"We were very restrictive but when this decision of deregularisation came all companies got the freedom to give Naptha to small scale units. But we issued some guidelines that it should be supplied only when the unit is in existence and that every three months they should file a return about the product's sale, etc.and whether they have got the documents about excise duty, post-tax returns etc. to satisfy themselves that this has been properly used. But it depends and despite all this, Naptha is going to be used for adulteration of petrol.

We have got a system of checking this type of malpractices. We have got very stringent punishment for misuse against the retail outlet system. We have got the marketing discipline guidelines and the actual fine for adulteration, if the density varies, is that the petrol pump would be closed for 45 days and he will have to pay a fine up to Rs. 1 lakh. If it is done for the second time, then their licence will be terminated. All the dealers are resenting this and they have moved the Court but not got a stay. But the High Court has said that this is a good step taken by us and that we should go ahead with this."

1.71 He further added that when they tried to check this through financial mechanism there was resistance from various quarters. Therefore, the oil companies were advised by the Ministry to sell Naptha to big as well as small scale units at the same price.

1.72 He also suggested :-

"The Ministry has been saying that there should be some custom duty on Naptha. But the plea of the petrochemical sector is that there is a high duty on this. it is not competitive to the production cost of the foreign competitors. It is because this is supplied at a low price. and used for adulteration."

1.73 The Committee further pointed out that they had discussed this issue during study tour and wanted to know the major steps to completely curb the menace of adulteration in petroleum products. The Secretary Petroleum stated :-

"We will study it to see how that system could be made more foolproof and how the procedures could be improved."

(viii) Safety Measures in Hydrocarbon Sector

1.74 In the context of the major fire in Vizag Refinery of HPCL in 1997 and recent fire at ONGC's offshore platform in Mumbai. The Committee wanted to know the measures taken by Oil Companies to ensure safety of man and material in oil sector which is highly explosive.

1.75 The Ministry stated in a note that Safety in the hydrocarbon sector is presently covered under the provisions contained in the Petroleum Act. 1934 and the Explosives Act. 1884. The statutory authority for administering and enforcing various provisions of these rules is vested in Chief Controller of Explosives. The safety of onshore exploration activities is covered under Oil Mines Regulation Act which is administered and regulated through Director General Mines Safety. The Government of India. Ministry of Petroleum and Natural Gas had set up a Safety Council. the apex body. as a special self-regulated Agency for safety matters and procedures in respect of the Hydrocarbon sector. The major objectives of Safety Council is to lay down the procedures and guidelines in the matter of design. operation and maintenance as also the creation of new assets with a view to achieve the highest safety standards in a cost effective manner. Oil Industry Safety Directorate (OISD) assists the Safety Council to achieve the above objectives. The OISD standards are followed by Public Sector Oil Companies on self regulatory basis. The chief executives of Public sector oil companies are also members of Safety Council. Due to impressive growth of the Oil and Gas sector and introduction of complex technologies, it becomes increasingly difficult to ensure safety, health and environment issues. Furthermore, investment in the Hydrocarbon sector has now been opened for private refineries and LPG storage, bottling and distribution. Therefore, applicability of OISD standards and guidelines is of utmost importance for ensuring safety uniformily in the entire hydrocarbon sector.

1.76 Explaining the steps taken to further strengthen the safety measures in oil sector, the Petroleum Secretary stated during evidence :-

"We are preparing a draft legislation for converting what is called a Oil Industry Safety Directorate. We have now got an Oil Industry Safety Directorate. It is an Advisory Body in the Ministry which functions under what is called the Safety Councils consisting of all the Chairmen of the PSUs and Ministry representatives and others. These people recommend practices to be observed on the basis of the rules prescribed by other Departments like Directorate of Explosives at Nagpur, the Factories Act, Environment Act and so on. This is an Advisory Body and they carry out safety audits and each of these organisations has to see that what they recommend is implemented. I am the Chairman of the Oil Industry Safety Directorate.

So far (OISD) has not been effective because it does not have teeth and statutory powers. I have just put up a draft Cabinet note to the Minister for a proposal to be placed before the Parliament for legislation under which the Oil Industry Safety Directorate has got powers and becomes a statutory body like the Controller of Explosives under the Explosives Act at Nagpur and all his recommendations will have effect."

PART II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

2.1 The Committee find that Ministry of Petroleum and Natural Gas is mainly a Public Undertakings based Ministry. They also find that PSUs finance their projects and other activities from their internal resources or directly get loans from different Financial Institutions or foreign sources. Therefore, the financial requirements of the PSUs under the administrative control of the Ministry of Petroleum and Natural Gas are not reflected in the Government Budget. The Demands of the Ministry for the year 1999-2000 are placed at Rs. 6.02 crore under Revenue Section. No provision has been sought under capital section. Under Revenue Section, provision has been made mainly for salaries of the officials of the Ministry and other expenses like wages, over time allowance, travel expenses, administrative expenses etc. of the Ministry. The increase on the expenditure under the "Head" over the previous years is mainly due to acceptance and implementation of the Vth Pay Commission recommendations.

2.2 The Committee note that 9th Five Year Plan has envisaged certain thrust areas *viz.* acceleration of exploration efforts specially deep offshore, acquisition of acreage in other countries, improving reservoir management, creation of adequate refining capacity, augmentation and upgradation for marketing and distribution facilities. Since these objectives are aimed at enhancing the efficiency of petroleum sector, which in turn will be in the overall interest of the country, the Committee desire that Government should take effective and concerted efforts to achieve them. As far as possible the objectives should be quantified with a view to achieving them in a time- bound programme.

(Recommendation Sl. No. 1)

2.3 As against the actual plan expenditure of about Rs. 40,000 crores during 8th Five Year Plan, a plan outlay of Rs. 78,401 Crores has been approved for 9th Five Year Plan (1997-2002). The Committee are, however, dismayed to note that physical targets for crude oil/gas production, accretion to reserves etc. have not been enhanced proportionate to the quantum increase in approved 9th Plan outlay. Rather in some cases

targets have been kept lower than the 8th Plan targets. For instance as against the 8th Plan target of 197.5 MMT of crude oil production, the target for the same has been placed at 180.82 MMT for 9th Plan. Similarly targets for accretion to hydrocarbon reserves for 9th Plan have been put at just 50% of the targets made for 8th Plan period. The Committee feel that this must be due to Government's zeal to achieve almost 100% targets and even more during the Plan. They, however, strongly recommend that vigorous efforts should be made by all concerned Govt. Deptts./ organisations and other involved in activities related to petroleum sector to give their best so as to improve country's self-sufficiency level in this critical sector.

(Recommendation Sl. No. 2)

2.4. The Committee regret to note that out of 9th Plan outlay of about Rs. 78,400 crores, the estimated expenditure during the first 3 years of the plan will be about Rs. 34,000 crores which is much less than 50% of the approved plan outlay. The actual expenditure during first year of the Plan (1997-98) was Rs. 10141 crores (*i.e.* about 1/8th). During second year of the Plan (1998-99), the outlay was revised downwards from Rs. 15389 crores to Rs. 12381 crores (*i.e.* less than 1/6th). The outlay for 3rd year (1999-2000) has been further reduced to Rs. 12123 crores (*i.e.* much less than 1/6th). The Committee wonder that with non-utilisation of plan funds, how the Govt. would be able to achieve the objectives and targets set for various activities. The Committee, therefore, urge upon the Govt. to review the overall policy planning regarding exploration and production strategy in particular with a view to accelerating production of indigenous crude oil/gas in the country. They also emphasise that during remaining period of the 9th Plan, balance outlay should be utilised fully with a view to achieve the targets of the Plan and implement the policy regarding the thrust areas of the Plan.

(Recommendation Sl. No. 3)

2.5 The Petroleum Secretary informed the Committee that major shortfall in utilisation of plan funds has been on account of delay in taking up exploration work by ONGC, OIL and GAIL (Rs. 500 crores) and delay in taking up implementation of new refinery projects (Rs. 2000 crores). Examination of the related details by the Committee also revealed that on one hand there has been delay in implementation of new refinery projects by PSUs (alongwith their joint venture partners) and on the

other hand private sector like Reliance whose Gujarat Refinery's capacity has enhanced their capacity to 27 MMT from the initial 12 MMT. Reportedly they are in process of setting up another refinery of mega size. The Committee apprehend that a situation may come, when in the wake of available capacity PSUs may be asked to abandon their projects. The Committee would like to caution the Govt. about such eventualities. They, therefore, urge upon the Govt. to expedite the approval (if any) and implementation of projects planned by oil sector PSUs. Also in these circumstances Ministry's contention that PSUs investment shortfall has been made up by private sector does not hold good.

(Recommendation Sl. No. 4)

2.6 It also came to the notice of the Committee that Bina Refinery Project is pending approval due to environmental considerations. The Committee recommend that Ministry of Petroleum and Natural Gas should take up the issue with their counterparts in Ministry of Environment at the highest level to sort out the issue. The Committee also recommend that the Govt. should examine the possibility of waiver of environment clearance of oil sector projects, which have due approval of the Govt./ Planning Commission. The Committee would await Government specific reply in this regard.

(Recommendation Sl. No. 5)

2.7 The Committee are glad to note that some of the oil sector PSUs like ONGC, IOC, HPCL and BPCL have been given Navratna status. After re-constitution of their Boards, the respective Boards are competent to take investment and other major decisions. The Committee trust that this is a major step in the right direction and will expedite the whole process of project planning and implementation of oil sector PSUs.

(Recommendation Sl. No. 6)

2.8 It was heartening to hear from Chairman, IOC that they had decided to go ahead with Paradeep Refinery, even if joint ventures backed out. With the empowerment of IOC Board, they are reported to have taken very major decisions for taking up several new projects. In Committee's view all major PSUs should take similar initiative which will enable PSUs to compete with multinationals which are sure to enter in this sector due to the liberalisation process.

(Recommendation Sl. No. 7)

2.9 The Committee regret to note that production of crude oil in the country is stagnant at 33-34 MMT during last 3-4 years. The Committee also note that the crude oil production during April to November as compared to the same period in 1997-98 registered a negative growth of 4%. They are concerned that even the projected production of Crude Oil and Natural Gas in the terminal year of IX Plan which is placed at 36.98 MMT is a very modest target. They also find that import of crude oil would go up from present level of 35 MMT to 78 MMT in year 2001-02. The demand of Petroleum products is estimated to grow at a compound annual growth rate of 5.77% and is expected to be 104.80 million tonnes in terminal year of IXth Plan. Dependence on imported oil will rise from present 60% to 70% by that period. The Committee have been informed that various measures are being taken by ONGC/OIL for enhanced oil recovery. Besides, to expedite the exploration/production activities the Govt. have started offering certain blocks/oil fields to private/joint ventures for exploration and production under the New Exploration Licencing Policy. Further 48 more blocks have been offered under the scheme. The Committee expect while awarding contracts to various private/multinational agencies that the Govt. would take due precautions to safeguard country's interests not only for the short term but for a long term perspective.

(Recommendation Sl. No. 8)

2.10 The Ninth Plan projections for recoverable reserves present a very bleak future for the indigenous oil sector. As per the estimates, with the present production rate the hydrocarbon reserves will be utilised fully by 2016, unless more recoverable reserves are found. This makes all the more necessary to enhance and expedite the exploration activities in a big way. The objective should be to ensure that no basin remains un-explored. This process will ensure accretion to the recoverable reserves.

(Recommendation Sl. No. 9)

2.11 With the opening up of oil exploration/production to private/multinationals, the national oil companies *viz.* ONGC/OIL are to compete with others for taking new blocks/basins for exploration. There may be areas where ONGC/OIL must have done some survey/exploratory activities in developing certain fields in the past. On being enquired, Secretary Petroleum deposed before the Committee that ONGC is compensated by making it a partner in the joint venture companies. The Committee

desire that wherever the PSUs have done some work and have incurred certain cost in developing these fields, they should be duly compensated in case the same areas are given to private/multinationals companies.

(Recommendation Sl. No. 10)

2.12 Another laudable thrust area identified for 9th Plan is to have acreage in other oil producing/perspective countries like Algeria, Vietnam and Russia where ONGC Videsh Ltd., (a subsidiary of ONGC) will acquire overseas exploration acreages and oil producing properties. In Committee's view this will be of great help to the country in future when increasing amount of oil is to be imported and due to international, economic and political situations, there may be times when availability of crude oil becomes too little. The Committee however, feel that efforts of ONGC/ ONGC (Videsh) alone may not be sufficient. They therefore, recommend that all Navratna oil sector PSUs should form a big joint venture to enter into this field, as a big corporate entity with pooled resources. This will enable them to achieve the desired results.

(Recommendation Sl. No. 11)

2.13 Yet another area where the Committee find positive steps/outlook of the Govt. is towards exploitation of coal bed methane. They also find that it is an economically viable proposition. 9 prospective blocks, 3 each in West Begal, Bihar and Madhya Pradesh have been identified for taking up the work. The Committee desire that these be expedited and more and more similar projects identified for exploration by PSUs or through participation by private organisations/Joint Ventures. Simultaneously, R&D schemes should be initiated to find best use of this new source of energy. In Committee's view this new source of energy will help the country in meeting the ever growing demand of oil and gas.

(Recommendation Sl. No. 12)

2.14 The Committee have been informed that there are almost proven sources of hydrates (gas) available in sea bed. A few areas in Bay of Bengal have been identified for exploitation. With the technological advancement and country's experience over two decades in off-shore operations will help the project implementing agencies to tap this source of energy at a reasonable cost to make it a cost effective proposition.

(Recommendation Sl No 13)

2.15 As against the present refining capacity of 67.55 MMTPA, the total refining capacity is expected to be 113.95 MMTPA by 2001-2002 and 145.75 MMTPA by 2006-07. These estimates are near to the projected demand of petroleum products for the respective periods. As indicated elsewhere in the Report, the Committee again reiterate that the Ministry/ concerned oil sector PSUs (including their joint ventures) should plan and take up their respective expansions/new refinery projects at the earliest. Needless to point out that the Govt. will set target for each project and monitor the progress of the same with a view to complete them within stipulated cost and time schedule.

(Recommendation Sl. No. 14)

2.16 After reviewing the overall exploration, production, supply, refining activities in petroleum sector, it not surprising to find that country's 60% demand are met through import of crude oil and petroleum products. Due to non-enhancement of indigenous crude oil production by the end of 2001-2002, the dependence on import is likely to rise to 70%. Thanks to the international low price of crude oil, the import bill has not risen above the peak level of Rs. 32,000 crores for the year 1996-97. Since this scenario is not likely to last long, the Committee once again emphasise the need for taking concerted and sincere efforts for taking up more and more exploration activities, taking acrage outside the country, tapping of other sources of energy like coal bed methane, sea bed hydrates and other possible substitutes for hydrocarbon energy.

(Recommendation Sl. No 15)

2.17 There are cases of adulteration in supply/distribution of petroleum products. The most common malpractices being mixing of Naptha with petrol, and kerosene with diesel and petrol. According to the Ministry of Petroleum and Natural Gas this is due to major price differences between these petroleum products. In this context, the Secretary Petroleum assured the Committee to probe the matter thoroughly and apprise the Committee. The Committee, would await the outcome of such study and proposed action by the Government on the issues emerging out of the probe/enquiry.

(Recommendation Sl. No. 16)

2.18 The Committee feel that adequate safety is a subject of paramount importance for ensuring safety of man and material in the

entire hydrocarbon sector. The Oil Industry Safety Directorate (OISD) assists the safety council to lay down the procedures and guidelines in the matter of design, operation and maintenance as also the creation of new assets with a view to achieve the highest safety standards in a cost effective manner. The Committee are, however, surprised to find that the OISD standards are followed by PSUs on self-regulatory basis. Admittedly OISD lacks teeth and effectiveness. To overcome this problem the Government propose to bring a draft legislation before the Parliament under which OISD would get adequate and effective powers for ensuring of safety standards for all PSUs and private sector companies in hydrocarbon sector. The Committee recommend that this legislation should be finalised and brought before the Parliament at the earliest.

(Recommendation Sl. No. 17)

2.19 The Committee feel that safety aspects in remote areas like North Eastern areas do not have enough safeguard to meet any casualty or disaster. The Committee would like the Ministry to examine this earnestly with a view to have adequate and effective safety system in such areas.

(Recommendation Sl. No. 18)

2.20 From various Press Reports, the Committee find that the Government is in process of examining the Nitish Sen Gupta Report regarding restructuring of some of the oil sector PSUs *viz.* **MRL, CRL, IBP, BRPL etc. The Committee are dismayed to note that Government have initiated the process of implementing major changes in the oil sector without in any way, keeping them abreast of it. The Committee accordingly recommend that before taking any such major decision the matter should be placed before them for consideration.**

(Recommendation Sl. No. 19)

NEW DELHI;
April 9, 1999
Chaitra 19, 1921 *(Saka)*

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

APPENDIX I

MINUTES

STANDING COMMITTEE ON PETROLEUM AND CHEMICALS
(1998-99)

Twenty Fourth Sitting
(24.3.1999)

The Committee sat from 1100 hrs. to 1400 hrs.

PRESENT

Shri Gurudas Kamat — *in the Chair*

MEMBERS

Lok Sabha

2. Shri Ratilal Kalidas Verma
3. Shri Ashok Argal
4. Shri V. Dhananjaya Kumar
5. Shri Devibux Singh
6. Dr. Ramesh Chand Tomar
7. Dr. Ravi Mallu
8. Shri Paban Singh Ghatowar
9. Shri Krishan Dutt Sultanpuri
10. Shri Nepal Chandra Das
11. Shri Narendra Budania
12. Dr. Asim Bala
13. Shri Raja Paramasivam
14. Shri Pitamber Paswan
15. Dr. C. Suguna Kumari
16. Shri Arujun Charan Sethi
17. Shri Mohan Vishnu Rawale
18. Shri C. Kuppusami
19. Smt. Kailasho Devi

Rajya Sabha

20. Shri Radhakishan Malaviya
21. Shri Ananta Sethi
22. Smt. Malti Sharma
23. Shri Ram Nath Kovind
24. Shri Dipankar Mukherjee
25. Shri Ram Gopal Yadav
26. Shri Anil Kumar
27. Shri Joyanta Roy
28. Shri Parag Chaliha

SECRETARIAT

1.	Shri Brahm Dutt	—	*Deputy Secretary*
2.	Shri J.N. Oberoi	—	*Under Secretary*
3.	Smt. Abha Singh Yaduvanshi	—	*Asstt. Director*

Representatives of Ministry of Petroleum and Natural Gas

1. Shri T.S. Vijayaraghavan, Secretary (P&NG)
2. Shri Devi Dayal, Addl. Secretary (M), MOP & NG
3. Shri Shivraj Singh, Jt. Secretary (E) & (R), MOP & NG
4. Shri Ravi Saxena, Jt. Secretary & FA, MOP & NG
5. Shri C.L. Bashal, Jt. Secretary (C&A), MOP & NG
6. Shri K.P. Shahi, Adviser (R), MOP & NG
7. Dr. Avinash Chandra, Jt. Adviser (E)/DGH
8. Dr. B. Mohanty, Jt. Adviser (F), MOP & NG
9. Shri Mohit Sinha, Dy. Secretary (F), MOP & NG
10. Shri Sanjeev Kumar, Controller of Accounts, MOP & NG

Representatives From PSUs

1. Shri B.C. Bora, Chairman, ONGC
2. Shri B.B. Sharma, Chairman, OIL
3. Shri C.R. Prasad, Chairman, GAIL

4. Shri M.A. Pathan, Chairman, IOC
5. Shri H.L. Zutshi, Chairman, HPCL
6. Shri S.N. Mathur, Chairman, IBP
7. Shri R.K. Dutta, Chairman, NRL
8. Smt. Vandana Singhal, Secretary (OIDB)
9. Shri M.S. Ramachandran, Executive Director (OCC)
10. Shri I.N. Chatterjee, Director (Fin.) ONGC
11. Shri T.K.N. Gopalaswamy, Director (Exploration), ONGC
12. Shri P. Sugavanam, Director (Finance), IOC
13. Shri J.K. Verma, E.D., Oil Industry Safety Directorate.

In the absence of Chairman, the Committee under Rule 258(3) of the Rules of Procedure & Conduct of Business in Lok Sabha appointed Shri Gurudas Kamath, M.P., a Member of the Committee, to act as Chairman for the sitting.

2. The Committee took evidence of the representatives of Ministry of Petroleum and Natural Gas in connection with examination of 'Demands for Grants (1999-2000) of the Ministry of Petroleum and Natural Gas'. The following issues were discussed :–

(i) 9th Plan outlay *vis-a-vis* actual expenditure in first 3 years of the Plan. Reasons for low utilisation of plan outlays.

(ii) Exploration/Production of Oil/Gas.

(iii) Issues concerning the Ministry of Petroleum and Natural Gas including the Assam Gas Cracker Project.

(iv) Refining Capacity including the Refineries proposed in near future.

(v) Cost and Time over-runs in oil sector projects.

(vi) Safety measures in oil sector PSUs.

(vii) Menace of adulteration in supply of petroleum projects.

3. A verbatim record of proceedings has been kept.

The Committee then adjourned.

APPENDIX II

MINUTES
STANDING COMMITTEE ON PETROLEUM AND CHEMICALS
(1998-99)

Twenty fifth Sitting
(07.04.1999)

The Committee sat from 1200 hrs. to 1330 hrs.

PRESENT

Dr. Balram Jakhar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Z.M. Kahandole
3. Dr. Vallabhbhai Katheria
4. Shri Ashok Argal
5. Dr. Ramesh Chand Tomar
6. Dr. Ravi Mallu
7. Shri Paban Singh Ghatowar
8. Shri Krishan Datt Sultanpuri
9. Shri Gurudas Kamat
10. Shri Narendra Budania
11. Dr. Asim Bala
12. Shri Balram Singh Yadav
13. Shri Pitambar Paswan
14. Shri Prabhunath Singh
15. Dr. C. Suguna Kumari
16. *Shri Prem Singh Chandumajra*
17. *Shri Mohan Vishnu Rawale*
18. Shri Devibux Singh •

Rajya Sabha

19. Shri Ahmed Patel
20. Shri Radhakishan Malaviya
21. Smt. Malti Sharma
22. Shri Ram Nath Kovind
23. Shri Dipankar Mukherjee
24. Shri Mukesh R. Patel
25. Shri Joyanta Roy
26. Shri Parag Chaliha

SECRETARIAT

1.	Dr. A.K. Pandey	—	*Additional Secretary*
2.	Shri Harnam Singh	—	*Joint Secretary*
3.	Shri Brahm Dutt	—	*Deputy Secretary*
4.	Sh. J.N. Oberoi	—	*Under Secretary*
5.	Smt. Abha Singh	—	*Asstt. Director*

2. The Committee took up for consideration the following Draft Reports :-

(i) 10th Report on 'Demands for Grants of the Ministry of Petroleum and Natural Gas for the year 1999-2000'

(ii) ** ** ** **

(iii) ** ** ** **

3. The Committee suggested certain points for inclusion in Reports viz. adulteration in Petroleum products. Safety Measures in Hydrocarbon sector. Effective role of NPPA in controlling the prices of drugs/formulations and need to withdraw increase in urea prices.

4. The Committee adopted the reports and authorised the Chairman to get the above points included in the Reports and after factual verification by the concerned Ministries/Departments present the same to the Parliament in the Current Session.

The Committee then adjourned.