FIRST REPORT

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2004-05)

(FOURTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2004-05)

Presented to Lok Sabha on ***20.08.2004***

Laid in Rajya Sabha on ***20.08.2004***

LOK SABHA SECRETARIAT
NEW DELHI

August, 2004/Sravana, 1926 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2004-05)

SHRI N. JANARDHANA REDDY - CHAIRMAN

MEMBERS

LOK SABHA

2. Shri Anandarao Vithoba Adsul
3. Dr. Rattan Singh Ajnala
4. Shri Ramesh Bais
5. Shri Kirip Chaliha
6. Shri Lal Muni Choubey
7. Shri Tushar A. Choudhary
8. Shri R. Dhanuskodi Athithan
9. Shri Santosh Kumar Gangwar
10. Shri Jai Prakash
11. Shri Ch. V.H. Rama Jogaiah
12. Shri Suresh Kurup
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14. Dr. Prasanna Kumar Patasani
15. Shri Laxman Singh
16. Shri Rajiv Ranjan Singh
17. Shri Ramji Lal Suman
18. Shri Vanlalzawma
19. Shri Ratilal Kalidas Varma
20. Shri Rajesh Verma
21. Shri A.K.S. Vijayan

RAJYA SABHA

22. Shri Ahmed Patel
23. Shri Moolchand Meena
24. Shri Rajeev Shukla
25. Shri Kripal Parmar
26. Shri M. Rajasekara Murthy
27. Shri Dipankar Mukherjee
28. Shri C. Perumal
29. Dr. Alladi P. Rajkumar
30. Shri Subash Prasad Yadav
31. Shri Satish Chandra Misra

SECRETARIAT

1. Shri P.D.T. Achary - *Additional Secretary*
2. Shri M. Rajagopalan Nair - *Joint Secretary*
3. Shri P.K. Grover - *Director*
4. Shri B.D. Swan - *Under Secretary*
5. Shri P.C. Tripathy - *Assistant Director*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas (2004-05) having been authorised by the Committee to submit the Report on their behalf present this First Report on 'Demands for Grants (2004-05) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2004-05) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 15th July, 2004.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 12th August, 2004.

4. The Committee considered and adopted the Report at their sitting held on 17th August, 2004.

5. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants (2004-05) of the Ministry and for giving evidence before the Committee.

New Delhi;
August 18, 2004
Sravana 27, 1926 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

REPORT

PART - I

A. INTRODUCTORY

The Ministry of Petroleum and Natural Gas (MOP & NG) is entrusted with the responsibility of exploration and production of oil and natural gas (including import of Liquefied Natural Gas), their refining, distribution and marketing. Import and export as well as conservation of petroleum products also fall within the purview of this Ministry. The activities of the Ministry are carried out through the following 8 public sector undertakings, 12 subsidiaries and other companies and 6 other organisations.

Oil Companies in which Government of India has a shareholding

(As on 31.03.2004)

1	Oil & Natural Gas Corporation Ltd. (ONGC)	74.15%
2	Indian Oil Corporation Limited (IOCL)	82.03%
3	Hindustan Petroleum Corporation Limited (HPCL)	51.01%
4	Bharat Petroleum Corporation Limited (BPCL)	66.20%
5	GAIL (India) Ltd.	57.35%
6	Engineers India Limited (EIL)	90.39%
7	Oil India Limited (OIL)	98.13%
8	Biecco Lawrie & Co. Limited	57.00%

Subsidiaries and other companies

1	ONGC Videsh Limited (OVL)	Wholly owned by ONGC
2	Mangalore Refinery & Petrochemicals Ltd. (MRPL)	Subsidiary of ONGC
3	Indian Oil Blending Limited	Wholly owned by IOCL
4	Bongaigaon Refinery & Petrochemicals Ltd. (BRPL)	Subsidiary of IOCL
5	IBP Co. Limited	Subsidiary of IOCL
6	Chennai Petroleum Corporation Limited (CPCL)	Subsidiary of IOCL
7	Indian Oil Mauritius Limited	Subsidiary of IOCL
8	Numaligarh Refineries Limited (NRL)	Subsidiary of BPCL
9	Kochi Refineries Limited (KRL)	Subsidiary of BPCL
10	Certification Engineers International Limited	Wholly owned by EIL
11	EIL Asia Pacific Sdn BHD	Wholly owned by EIL
12	Balmer Lawrie & Co. Limited	

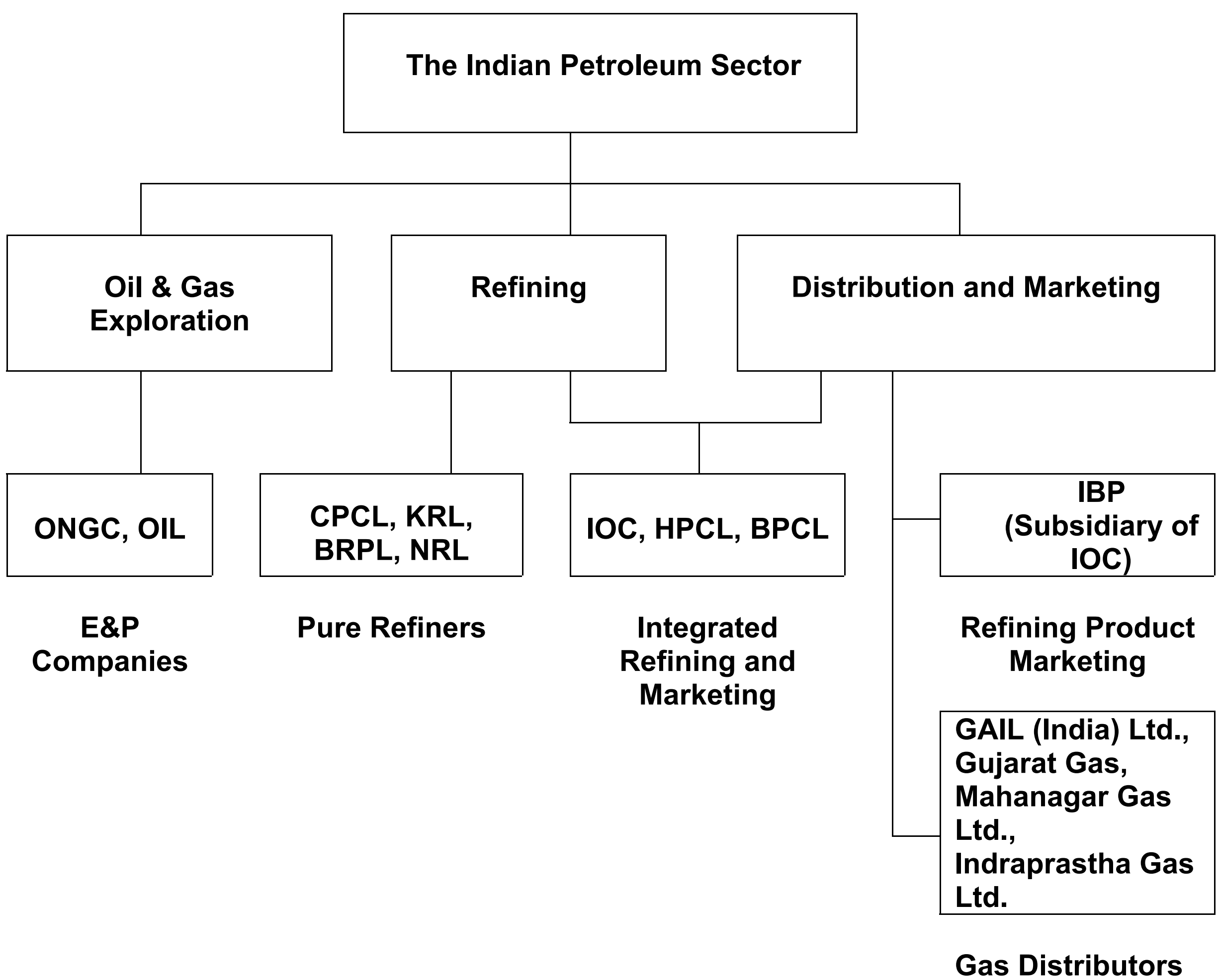
Other organisations

1. Oil Industry Development Board (OIDB)
2. Petroleum Conservation Research Association (PCRA)
3. Oil Industry safety Directorate (OISD)
4. Centre for High Technology (CHT)
5. Petroleum India International (PII)
6. Directorate General of Hydrocarbons (DGH)

1.2 The Indian Oil Sector can be divided into three sub-sectors:-

(i) Oil and Gas Exploration & Production;
(ii) Oil Refining ; and
(iii) Marketing (Gas and Refined Products)

The various players in each of these sub-sectors are listed below:-



(B) APPRAISAL OF PERFORMANCE OF PETROLEUM SECTOR DURING 9th AND 10th PLANS

(I) Thrust areas during 10th Plan

1.3 As per the 10th Plan Documents of the Planning Commission, during the 10th Five Year Plan, several thrust areas have been identified in Oil and Natural Gas Sector for special attention. These are as under:-

(i) Acceleration of exploration efforts, especially in deep offshore areas as also in frontier areas;

(ii) Improved Oil Recovery (IOR)/Enhanced Oil Recovery (EOR);

(iii) Equity oil and gas abroad;

(iv) Strategic storage of crude oil;

(v) Alternate fuels;

(vi) Refining capacity;

(vii) Regulatory mechanism to oversee consumer interests;

(viii) Marketing and distribution facilities commensurate with demand;

(ix) Benchmarking of the hydrocarbon sector with international standards;

(x) Oil conservation;

(xi) Demand side management;

(xii) Dismantling of APM; and

(xiii) Restructuring/disinvestment.

1.4 An analysis of performance in some of the identified thrust areas is being done in the succeeding paragraphs:-

(a) Demand and Production of Crude Oil and Natural Gas

1.5 According to the 10th Plan Documents, the demand of petroleum products in the terminal year of the 10th Plan (2006-07) based on a Gross Domestic Product (GDP) growth rate of 8 per cent, was projected by the Working Group on Petroleum & Natural Gas as 134.6 MMT. However, in view of the low demand of petroleum products in the last two years of 9th Plan and the increasing share of the service sector especially information technology (IT) in GDP (with e-commerce reducing transportation requirements), the demand target may be 120.4 MMT for 2006-07.

1.6 In this connection, the Committee desired to know the actual consumption and percentage of growth rate of petroleum products during the years 2002-03 and 2003-04. The Ministry of Petroleum & Natural Gas, in a written reply, stated as under:-

"Actual consumption of petroleum products for the first two years of X Plan has been as under:

Year	Domestic Consumption (MMT)	% Growth
2002-03	104.1	3.7
2003-04 (Prov.)	108.0	3.7

The projected compounded Annual Rate of Growth of consumption of petroleum products during X Plan is 3.7%. Thus, the actual consumption during 2002-03 and 2003-04 has been as per the projections.

During the first quarter of the current year (2004-05), the consumption of petroleum products has grown by over 10%."

1.7 Asked as to whether this trend of growth in consumption of petroleum products would be sustained, the Ministry, in a post-evidence reply, stated as under:-

"Higher growth in first quarter of 2004-05 was *inter-alia* on account of following reasons:

(i) Low base of the corresponding period of the previous year. There was all India truckers' strike for over a fortnight in April, 2003 resulting in substantial loss of sales of HSD. Besides, in the first two months of 2003-04, i.e., April and May 2003, there was downward revision in price of MS/HSD thrice. As a result of this, Retail Outlet dealers operated on a very low inventory in anticipation of downward revision.

(ii) Higher sales were reported due to Lok Sabha elections in April 2004 and part of May 2004.

(iii) Ban on direct import of PMS kerosene from November, 2003 has generated additional HSD sales in the current year.

These reasons are temporary in nature and have contributed to unusually higher growth in the first quarter of current year. It is expected that this trend of growth in consumption is unlikely to be sustained for entire year and growth levels are likely to come down to normal level.

Demand for the current year is estimated at 112 MMT with a growth rate of 3.7%. With increasing use of gas replacing demand of Naphtha and FO/LSHS in future, estimated demand of 120.4 MMT for 2006-07 is considered realistic and, therefore, not proposed to be revised."

1.8 The cumulative production of crude and natural gas are estimated at 169.38 MMT and 177.48 BCM during the 10th Plan. The oil and gas production profile for the 10th Plan is based on the established reserve base and also considering key issues like the present status of different fields, the input implementation schedules and status of health of the reservoirs. The year-wise projected data regarding production of crude oil and natural gas during the 10th Plan are given in the following tables:-

Projected Crude Oil Production

(MMT)

Organis-Ation	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**Total**
ONGC	25.90	25.99	26.38	26.19	25.56	130.02
OIL	3.50	3.60	3.75	3.85	4.00	18.70
Pvt./JVC	3.68	3.63	4.50	4.44	4.41	20.66
Total	**33.08**	**33.22**	**34.63**	**34.48**	**33.97**	**169.38**

Projected Natural Gas Production

Million Standard Cubic Metres per Day (MMSCMD)

Organis-Ation	2002-03	2003-04	2004-05	2005-06	2006-07	Total (BCM)
ONGC	65.5	63.37	62.22	58.83	57.03	112.10
OIL	6.01	6.41	6.61	7.69	7.80	12.61
Pvt./JVC	15.05	20.76	35.01	35.47	38.25	52.77
Total	**86.56**	**90.54**	**103.84**	**101.99**	**103.08**	**177.48**

1.9 When the Committee enquired about the actual production of crude oil and natural gas during 2002-03 and 2003-04, the reasons for shortfall in achieving the production targets and the steps being taken to augment the production level, the Ministry of Petroleum & Natural Gas furnished the following details pertaining to ONGC and OIL:-

" (i) ONGC

Production of Crude oil and Natural Gas during first 2 years of 10th plan are given in the table below:

Activity	Unit	2002-03		2003-2004	
		BE	Actual	BE	Actual
Crude Oil Production	MMT	25.897	26.005	26.387	26.057
Natural Gas Production	MMSCM	23700	24244	23315	23584

MMT: Million Metric Tonne
MMSCM: Million Standard Cubic Meter.

Reasons for shortfall:

There was a shortfall of 0.33 MMT in crude oil production during 2003-04 due to the following reasons.

1. Increase in water cut and ceasure of wells in Gandhar, Ankleshwar, Jambusar, Sisodara, Motwana & Dabka.
2. Environmental problem in Assam and ASEB Power disruption.
3. Less contribution from EOR wells of Santhal and Balol fields of Mehsana Asset.
4. Rupture in Mumbai Uran Trunk pipeline .

Steps taken to maintain/ augment production

- Offshore rigs are hired for long term charter of 3 years. Total required nos. of rigs have been hired and placed in position.
- Rigs for deep water drilling campaigns under Sagar Sammriddhi and exploratory drilling activity are in place to achieve the target in the 10th plan. Physical resources are available for longer tenure.
- Major refurbishment of onshore rigs undertaken to improve efficiency.
- Measures have been initiated in the later part of 9th plan for maintaining / augmenting production in the coming years. These include programme for redevelopment of Mumbai High North & South and implementation of IOR/EOR projects in 14 other major fields. More numbers of multilateral wells are being taken up in Redevelopment Scheme to improve production efficiency. 20 new workover rigs are being inducted during 10th Plan. The major part of the work will fall in the 10th plan period.

(ii) OIL

Crude oil and Natural Gas production of OIL in the first two years against 10th Plan target are as follows:

Year	Crude Oil (MMT)		Natural Gas (MMSCM)	
	Target	Actual	Target	Actual
2002-03	3.5	2.950	2192	1743.31
2003-04	3.6	3.002	2346	1886.74

The main reasons of shortfall of production of crude oil and natural gas during the first two years of 10th plan are as follows.

Crude oil

i. The producing fields are old and in advanced stage of depletion. These fields are currently being produced through secondary methods of production requiring regular maintenance of widespread production facilities.
ii. The discoveries made in deeper Eocene reservoirs in Nineties are stacked sands which require coming up sand-by-sand as sound reservoir practice. Therefore all recoverable reserves can not be put on regular production together.

iii. There has been no medium-to large size oil discovery since 1995 and just sufficient discoveries to supplement production decline of old fields.
iv. It was expected to have production from North Bank of Brahmaputra where five exploratory wells were drilled towards end of IX plan , however, all the wells were dry.
v. The production of a newly discovered field, viz, Khagorijan, had to be suspended since August,1999 due to blockade by villagers around it, out of their grievances towards inaction of the State Government authorities in delaying river protection measures.
vi. Interruption of production including bowser transportation, due to law & order situation.
vii. Regular miscreant and sabotage activities resulting in shut down of wells as well as production installations.

Natural Gas

Although OIL has the potential to supply the planned quantity of gas, due to following reasons the production of gas had to be cut down:

i. Less than committed offtake by NEEPCO & ASEB, Namrup.
ii. BVFCL, Namrup could not commission its Phase II expansion programme and as a result it could not draw its committed volume of gas.
iii. Prolonged shutdown of RRVUNL, power plant at Ramgarh, Rajasthan.

During the first two years of X plan the production of crude oil by OIL is 5.952 MMT against X plan target of 7.1 MMT, which is 84%. The present production rate is around 3.23 MTPA and with initiatives taken for bringing the new discoveries onto production, the overall production is expected to be higher than 3.3 MMT in 2004-05. This upswing is expected to continue during the XI plan period unless there are major disruptions.

With such major increasing trend of production, it is expected to achieve 90% of the targeted amount of X plan, i.e., 18.7 MMT.

As far as meeting the target of gas production, it all depends on market upliftment, in Assam,AP & Rajasthan. OIL has already initiated action for development of non-associated gas reserves and delineation of recent gas discoveries.”

1.10 As regards oil and gas production by Private/Joint Venture Companies, the Ministry have submitted the following data:-

> "As far as private companies/Joint Venture are concerned, the crude oil and natural gas production achievement during the first two years of the 10th Plan period i.e. 2002-03 & 2003-04 are as under:

	2002-03		**2003-04**	
	Target	**Achievement**	**Target**	**Achievement**
Crude Oil (MMT)	3.7	4.088	3.6	4.314
Natural Gas (MMSCMD)	15.05	14.81	20.76	17.78"

1.11 Referring to the above, the Committee observed that the achievement of natural gas has been short of the target during 2002-03 and 2003-04. In this context, the Committee desired to know whether the Government would be able to achieve the targets of all the above-mentioned activities within the 10th Plan.

1.12 In reply it was stated that the oil production targets for 10th Plan were likely to be achieved; however, the production of natural gas was likely to fall short of the target due to delay in additional development of Tapti field and development of PY-1 field.

1.13 As regards measures taken for improvement in recovery, it was stated that the following measures have been/ are being undertaken by Pvt. /JV companies to augment the production level:-

> "Implementation of IOR/EOR methods and incorporation latest technology.
>
> Workover of sick wells and implementation of artificial lift methods.
>
> Reservoir management of existing field."

(b) ***Survey and Exploration activities***

1.14 According to the 10th Plan Documents, considerable progress had been made in the area of exploration of Hydrocarbon resources during the 9th Plan. The physical parameters achieved, such as seismic survey (2D and 3D) and exploratory drilling were higher than the original targets. However, the in-place Hydrocarbon reserve for the Ninth Plan was likely to be about 780 million tonnes of oil equivalent (MTOE) of gas against the target of 865 MTOE. It was observed that the accretion of reserves was mainly from the existing and satellite discoveries. No new major discovery was made.

1.15 The 10th Plan Documents further state that the exploration programme for the 10th Plan would be targeted to appraise Indian sedimentary basins to the extent of 35 per cent. The target for Hydrocarbon in-place reserves accretion is 785-914 MMT from domestic activities during the 10th Plan. Additionally, 320 MMT of reserve accretion is planned from overseas activities during this period. Since the present known oil and gas producing fields in the country have already reached the declining stage, new thrust would be given for exploration in deep waters as also in the other frontier areas. Further, the system of open acreage for exploration would be adopted after some NELP rounds.

1.16 When asked about the outcome of survey and drilling activities carried out by the ONGC and OIL during the last two years, the Ministry furnished the following data in a written reply:-

> "<u>ONGC</u>
>
> During the first two years of 10th Plan, ONGC has acquired 27051 GLK of 2D seismic data, 28531 sq.km of 3D seismic data and drilled 274 exploratory wells in various onland and offshore areas under its operation. During the same period, ONGC made 12 new hydrocarbon finds. In the onland areas, the new hydrocarbon finds are Banmali, Laiplingaon, East Lakhibari in Assam, Sonamura in Tripura, Chinnewala Tibba in Rajasthan, Degam in Gujarat and Sitaramapuram in Andhra Pradesh. In the offshore areas the new hydrocarbon finds are Vasai West, NMT in West Coast

offshore and G-4, GS-49, GS-KW in East Coast offshore. In Assam, one oil find namely Laiplingaon has been put on production and is under further development. The other two finds, namely, Banmali and East Lakhibari are under delineation cum trial production. Remaining finds areas are under delineation/appraisal through more exploratory drilling and/or acquisition of seismic data.

During the first two years of 10th Plan, ONGC has accreted 232.88 MMT (Oil & Oil equivalent of Gas, O+OEG) of in-place volume of hydrocarbons with an ultimate reserve of 74.39 MMT (O+OEG).

<u>OIL</u>

OIL had carried out the following seismic surveys and drilling activities for exploration of oil/gas during the first two years of the 10th Plan.

<u>Exploratory & Development Drilling</u>

The year wise drilling performance (Exploratory & Development) in the first two years of X plan achieved by OIL against the set target are as follows :

Year	**X Plan target (000 m)**	**Achievement (000 m)**	**% of achievement**
2002-2003	130.90	130.035	99.39
2003-2004	148.10	108.62	67.70

<u>Seismic Surveys</u>

Year	**Type of Survey**	**Target**	**Achievement**	**% of Achievement**
2002-2003	2D(GLKM)	4175	1949	46.68
	3D(SQKM)	670	350	52.24
2003-2004	2D(GLKM)	1550	2088	134.71
	3D(SQKM)	450	352	78.22”

1.17 The Committee desired to know about the hydrocarbon reserves accrued during the first two years of 10th Plan as a result of the above-mentioned exploration activities by OIL. In reply, the Ministry furnished the information as under:-

“Reserves (O+OEG) (MMTOE)	**2002-2003**		**2003-2004**	
	Target	**Achievement (%)**	**Target**	**Achievement (%)**
In-Place reserves	20.7	21.86 (105.60%)	18.0	18.56 (103.11%)
Gross Ultimate Reserves	9.0	9.79 (108.78%)	8.25	8.99 (108.97%)”

1.18 The Committee further desired to know the targets fixed and the results achieved in respect of in-place Hydrocarbon reserves during the 9th Plan and the first two years of the 10th Plan as well as the measures being taken to step up the exploration activities. The Ministry of Petroleum & Natural Gas furnished the following data:-

"ONGC

The in-place Hydrocarbon accretion target for the 9th Plan was projected to be in the range of 523-722 MMT against which ONGC accreted 481.8 MMT (O+OEG) of in-place hydrocarbons. During the first two years of 10th plan, ONGC accreted 232.88 MMT (O+OEG) of in-place hydrocarbons against the corresponding BE target of 256.25 MMT in both onland and offshore areas under its operations within the country.

The year wise break-up of the in-place hydrocarbon accretion during 9th plan and during the first two years of 10th plan:

Year	Target, MMT	Accretion of in-place hydrocarbons (O+OEG) MMT
9th plan STP target vs., actuals		
1997-98	523-722 (Total for the 9th plan)	28.76
1998-99		77.70
1999-00		96.02
2000-01		136.4
2001-02		142.92
Total 9th plan		**481.8**
10th plan BE targets vs., actuals		
2002-03	121.7	128.1
2003-04	134.55	104.78
Total first two years of 10th plan	**256.25**	**232.88**

ONGC has formulated its exploration strategy in accordance with the India Hydrocarbon Vision-2025. Areas have been prioritized both for exploration input planning and knowledge building for bringing more basin on the hydrocarbon map of India. The exploratory activities of ONGC in the country are currently progressing under the X-plan exploration programme which envisages seismic API of 35286 LK/GLK of 2D data, 34834 sq. km. of 3D data and drilling of 561 wells. The yearly inputs are further prioritised by considering the priority areas, acreage holding position and minimum work programme commitment in the NELP acreages.

The main thrust areas of ONGC are Deep water areas; geologically complex areas like AAFB, Himalayan FootHills, acreages in Mahanadi, Bengal, Satpura, South Rewa, Vindhyan, Kutch (Mesozoic Sequence) and Kerala Konkan in ‘Yet to establish basins’; deeper objectives, subtle traps and play extensions in producing basins.

<u>OIL</u>

The following is the target vis-à-vis achievement in respect of in place hydrocarbon reserves during each year of IX Plan and the first two years of the X Plan:

	IX Plan										X Plan			
	1997-98		1998-99		1999-00		2000-01		2001-02		2002-03		2003-04	
	Plan	Achiev.	Plan	Achiev.	Plan	Achiev.	Plan	Achiev.	Plan	Achiev.	Plan	Achiev.	Plan	Achiev.
In-Place (O+OEG) (MMTOE)	20.0	16.28	20.0	17.69	20.0	16.50	20.0	17.38	20.0	15.64	20.7	21.86	18.0	18.56 ”

1.19 The Committee desired to know about the measures taken to step up the exploration activities by OIL. In reply, it was stated that a number of measures have been taken, a few of which are as below:-

“<u>In North East(Upper Assam Basin)</u>:

1. Aggressive 2D and 3D seismic surveys are being carried out/planned within the producing fields & other areas to identify prospects and plays, in the area.
2. The prospects/leads identified have been consolidated by delineation for subsequent development.
3. As an outcome of recent discoveries and positive results of various geoscientific studies in south bank of river Brahmaputra, OIL is planning to carryout seismic survey in logistically difficult terrain of Brahmaputra River.
4. Consultancy study on Basin Modelling and Prospect identification in in OIL’s operational areas in Upper Assam Basin has been carried out.
5. Exploration in the belt of Schuppen in Assam Arakan basin is being carried out .

Areas outside North East

1. In the Jaisalmer basin of Rajasthan, OIL has immediate plan to drill extension/development wells.
2. Experimental production of heavy oil discovered in Bikaner – Nagaur basin of Rajasthan by field scale implementation of a pilot.
3. In Ganga Valley Project of Uttar Pradesh, acquisition of 2D seismic, interpretation is in progress for prospect identification.

NELP Blocks

OIL is presently having 13(Thirteen) NELP blocks (7 onland, 5 deep water & 1 shallow water) under NELP regime. Out of this, in 12 of the blocks, OIL is a consortium partner and in 5(five) onland blocks, OIL is operator.

Aggressive exploration activities in the form of 2D and 3D seismic survey, gravity magnetic survey, geochemical survey, etc. are being carried out in these blocks to be followed by. exploratory wells drilling after prospect delineation. "

1.20 As regards accretion of in-place hydrocarbon reserves of Private/Joint Venture Companies, the Ministry have submitted the following data:-

"As far as private companies/JVs are concerned, no targets for accretion of in-place hydrocarbon reserves were fixed for 9th Plan. The in-place Hydrocarbon Reserves accretion made during the IX plan period by the Private Companies/Joint Ventures was as under:-

	1997-98	**98-99**	**99-00**	**00-01**	**01-02**
Initial in-place Reserve accretion (O+OEG) MMT	17.7	67.9	64.3	11.9	68.0

Target for accretion of hydrocarbon reserves by Private /Joint Venture companies during X plan have also not been fixed year wise. The total for hydrocarbon reserve accretion by Private Companies/JVs for the X Plan period has been envisaged to be in the range of 114-214 MMT. This reserve accretion estimate is based on agreed programme of Pvt. /JV Companies for Pre-NELP acreages (30-50 MMTOE), estimated Programme of Pvt. /JV Companies for NELP-I & II acreages(59-120.5 MMTOE), and indicative programme of Pvt./JV Companies for Post NELP-II acreages (25-44 MMTOE).

Actual accretion by Pvt./JV Companies. in the year 2002-03 was 176.65 MMTOE and in the year 2003-04 was 224.99 MMTOE which has surpassed the total hydrocarbon reserves accretion for Private/JV Companies estimated in the X Plan period.

In order to accelerate the exploration activities in the country, Government of India formulated New Exploration Licensing Policy (NELP) to attract National Oil Companies(NOCs) and private oil companies for exploration of oil and gas with attractive fiscal terms and conditions. Four rounds of bidding under NELP have been carried out so far which resulted in signing of production sharing contracts for 90 blocks."

1.21 While going into the details of deep water exploration, the Committee specifically wanted to know about the achievement made in this regard during the last two years, the problems encountered in conducting such activities and the remedial measures contemplated. In reply, the Ministry of Petroleum & Natural Gas furnished the following information:-

"ONGC

To provide a thrust to deep water exploration programme, ONGC has launched a campaign - "Sagar Samriddhi" to explore hydrocarbons in the deep water areas of East and West coast. As on 1.4.2004, ONGC holds 29 deep water blocks covering both on the East and West coast of India. Two hired rigs Belford Dolphin and Discoverer Seven Seas with integrated service contract and in-house drill ship Sagar Vijay have been deployed for the deep water exploration.

During the period 2002-04, ONGC acquired 8485 LK 2D, 9684 Sq. km. 3D seismic data and drilled 5 exploratory wells. Of these, wells G-4-2, G1-11 and G1-10 drilled in Krishna-Godavari basin proved to be hydrocarbon bearing and have accreted 25.01 MMT (O+OEG) inplace volume of hydrocarbon. Three wells were under drilling as on 1.4.2004 (GD-2-1A, KD-2-1 and DWRO-1).

ONGC had inhouse capability of drilling upto a water depth of 900m. Two deep water rigs with latest technology were hired to drill in water depths beyond 900m. , in the deep and ultra-deep water areas.

Deepwater drilling being a cost and technology intensive activity, pre-drill 3D seismic and process/interpretation validation through internationally reputed consultants was carried out for risk mitigation.

To minimize the effects of geo-hazards, High resolution seismic survey, seabed/ soil survey, Current, wind and wave surveys were carried out for all the prospects prior to drilling.

Due to these precautionary measures, no problems have been encountered in conducting exploration in the deep water areas.

Private/JV Companies

Government of India has signed contracts for a total of 34 deep-water blocks till fourth round of NELP. The operators are carrying out exploration activities in these blocks. A total of 33512 LKM of 2D and 15972 sq. km of 3D survey have been completed in these deepwater blocks in the last two years (i.e. 1-04-2002 to 31-03-2004). A total number of 10 exploratory wells have been drilled in the last two years in deep-water blocks. These exploratory activities resulted in 6 deep-water gas discoveries. Out of these six discoveries, Two deep water discoveries namely Dhirubhai-1 and Dhirubhai-3 have been declared on stand alone basis and the Dhirubhai-2 discovery is declared commercial if developed along with either Dhirubhai-1 or Dhirubhai-3. Total Initial Gas in-place reserves for the above six discoveries is estimated to be 393.9 BCM by the operator. Initial development plan for Dhirubhai 1 &3, which is under examination by the Management Committee of the block. The commercial production from these two discoveries is likely to commence by middle of 2006 as per the development plan submitted by the operator."

1.22 In the context of the New Exploration Licensing Policy (NELP), the Committee wanted to know the number of blocks offered under the NELP, the number of blocks in which the exploration has started and the oil and gas discovered in these blocks. In reply, the Ministry of Petroleum & Natural Gas stated as under:-

"Under the four rounds of exploratory bidding held under the New Exploration Licensing Policy (NELP), 124 exploration blocks have been offered. The Production Sharing Contracts have been signed for 90 exploration blocks. The hydrocarbon resource potential of these 90 exploration blocks is estimated to be 5737 Million Metric Tonnes of Oil Equivalent (MMTOE).

Exploration has started in 80 exploration blocks while the Petroleum Exploration Licenses are awaited for 9 onshore blocks from various State

Governments. Ministry of Defence (MOD) clearance could not be obtained for one offshore exploration block in Cauvery.

The oil & gas discoveries made in NELP blocks along with their Initial Oil in-place are given in attached table:

Table : Discoveries made in NELP blocks

Name of Block	Operator	Name of Discovery	Oil / Gas	Date of Discovery	Oil & Gas In-Place (BCM/MMT)	Status
KG-DWN-98/2	Cairn	Annapurna	Gas	June,2001	18.41	Being evaluated for commerciality
		Kanak Durga	Oil / Gas	August , 2001	23.27	
		Padmavati	Oil / Gas	October , 2001	18.46	
KG-DWN-98/3	RIL	Dhirubhai-1	Gas	October, 2002	323	Dhirubhai-1, 2 & 3 declared as commercial. Development plan is under preparation.
		Dhirubhai-2	Gas	October, 2002		
		Dhirubhai-3	Gas	October, 2002		
		Dhirubhai-4	Gas	December,2002	21.2	Being evaluated for commerciality. Inplace estimate made by RIL
		Dhirubhai-5	Gas	January, 2003	8.5	
		Dhirubhai-6	Gas	March,2003	41.2	
		Dhirubhai-7	Gas	May,2004	17.7	To be appraised Further
		Dhirubhai-8	Gas	May,2004	10.5	
NEC-OSN-97/2	RIL	Dirubhai-9	Gas	Notified in June'04	11.3	To be appraised Further
		Dirubhai-10	Gas	Notified in June'04	9.1	
		Dirubhai-11	Gas	Notified in June'04	6.8	
CB-ONN-2000/2	Niko	Bhima-1	Gas	Nov, 2002	0.06	Under development
		NS	Gas	January, 2003	0.71	On production

Note: Reserve estimates are as per the figures provided by operators. "

1.23 To a specific query as to whether any oil and gas has been discovered in the NELP blocks operated by PSUs, the Ministry, in a post-evidence reply, stated as under:-

"<u>ONGC</u>

Exploration in the NELP blocks is progressing as per the committed minimum work programme spread out into different phases of durations varying from 2 to 4 years. Out of the 44 NELP blocks held by ONGC as on 1.4.2004, only 9 blocks entered into Phase-II of exploration which include six blocks of NELP-I and three blocks of NELP-II. No exploratory drilling was committed under Phase-I in these blocks. In the remaining blocks, exploration is in Phase-I.

Exploratory drilling has only been initiated in 2003-04 and as on 1.4.2004 four wells have been drilled in three blocks in western offshore basin of which two wells have given hydrocarbon indication. In the remaining two wells which are dry, good reservoir facies are developed, but charged with water. Details are as under:

Basin	Block Name	Well Name	Status
Western Offshore	MB-OSN-97/4	R-62-1	Dry
	KK-OSN-97/3	K-10	Dry
	MB-OSN-2000/1	R-RN-2	Oil Indication
		RSER-1	Gas Indication

<u>OIL</u>

OIL alone or as a consortium partner has not yet made any discovery of oil and gas in NELP Blocks.

A well was drilled by ONGCL being operator in a Mumbai Deepwater block (MB-DWN-2000/2, NELP-II). But the well was abandoned as dry, and failed to encounter any hydrocarbon."

(c) Import of crude oil and petroleum products

1.24 As per the 10th Plan Documents, the import of crude and petroleum products at the beginning of the 9th Plan (1997-98) was to the tune of 34.49 mt and 18.6 mt respectively. This increased to 39.81 mt of crude and 18.09 mt of petroleum products in 1998-99 and further to 57.80 mt and 16.60 mt respectively during 1999-2000. The increase in crude oil imports was stated to be mainly due to the commissioning of a private sector refinery by Reliance Petroleum Limited. The import of crude oil during 2001-02 was 78.71 mt. The net export of petroleum products in 2001-02 was 3.06 mt.

1.25 The following table gives the details of crude oil imported since 1997-98:-

Year	Crude Imports (TMT)
1997-98	34493
1998-99	39808
1999-00	57805
2000-01	74097
2001-02	78706
2002-03	81989
2003-04 (P)	90434

1.26 While going into the details of import dependence in respect of crude oil to meet the domestic demand of petroleum products, the Committee specifically wanted to know the import dependence in the terminal year of the 8th Plan, 9th Plan and at present. The Ministry submitted as under:-

"Due to increasing demand of petroleum products, the requirement of crude oil has been growing. Since indigenous crude production has not risen in line with the requirement, import dependence has also grown. Import dependence in respect of crude oil to meet the domestic demand of petroleum products in the terminal years of 8th and 9th plans along with import dependence for the year 2003-04 is given below:

Year	% Import dependence
1996-97	61.3
2001-02	69.2
2003-04 (Projected)	70.7

Import dependence is likely to increase further by end of 10th Plan period."

1.27 As regards the steps taken to reduce the dependence on the import of crude oil, the Ministry informed the Committee as under:-

"The Government has inter alia taken the following steps to reduce oil import dependence:

(1) Efforts made to increase the production of crude oil and gas by:
   (i) Increasing the exploration efforts through the New Exploration Licensing Policy;
   (ii) Improving the recovery factor from the existing major fields by implementing Enhanced Oil Recovery (EOR)/Improved Oil Recovery (IOR) schemes;
   (iii) Exploring new areas, especially in deep water and difficult frontier areas, as also exploring in the deeper layers of the producing fields;
   (iv) Faster development of newly discovered fields and increased use of new technologies for seismic survey, work over, simulation operations, drilling or wells etc. in producing areas; and
   (v) Acquiring acreages abroad.
(2) Mandating ethanol blending of petrol in certain States and Union Territories.
(3) Increasing awareness of oil conservation measures."

1.28 When asked about the details of expenditure incurred on the import of petroleum products during the 9th Plan and the first two years of the 10th Plan, the Ministry of Petroleum & Natural Gas furnished the following data in a written reply:-

"The details of value of import of petroleum products during 9th Plan and first two years of 10th Plan are as under:

Year	Value (Rs. crore)	Value (Million $)
1997-98	14309	3828
1998-99	12276	2895
1999-00	14186	3264
2000-01	12093	2642
2001-02	7249	1511
2002-03	8847	1822
2003-04 (P)	9640	2096"

1.29 The Committee further desired to know the value and quantity of petroleum products exported during the 9th Plan and the first two years of the 10th Plan. The Ministry of Petroleum & Natural Gas responded as under:-

"The details of quantity and value of exports of petroleum products during 9th Plan and first two years of 10th Plan are as under:

Year	Quantity (TMT)	Value (Rs. crore)	Value (Million $)
1997-98	2381	1268	355
1998-99	720	306	86
1999-00	746	698	161
2000-01	8365	7672	1676
2001-02	10085	8285	1731
2002-03	10289	10868	2251
2003-04 (P)	14620	16781	3661"

(d) Creation of Refining Capacity

1.30 The 10th Plan Documents mentions that the refining capacity in the country was targeted to increase from 69.15 mt at the beginning of the 9th Plan (1997-98) to 113.95 mt by the terminal year, 2001-02. It has touched 116.07 mt by the end of the 9th Plan. Thus, the country has achieved self-sufficiency in refining capacity. It has been stated that since the refinery sector has been delicensed, it is not possible to correctly assess the future plans of refining capacity additions. The projection of total refining capacity materialisation during the 10th Plan would depend upon several factors including domestic demand, duty structure that would affect import and export possibilities and refining margins.

1.31 While referring to the creation of refining capacity during the 10th Plan, the Committee specifically wanted to know the actual refining capacity added during the first two years of the 10th Plan and also the total likely refining capacity at the end of the 10th Plan based on the current trend. In reply, the Ministry submitted the following data:-

"During the first two years of the Tenth Plan, the refining capacity of the Oil Public Sector Undertakings has increased by 3.7 million metric tonnes per annum (MMTPA) as per details given below:-

(figures in MMTPA)

Year	**Name of the Project**	**From**	**To**	**Capacity increase**
2002-03	Haldia Refinery Expansion (IOCL)	4.6	6.0	1.4
2003-04	Barauni Refinery Expansion (IOCL)	4.2	6.0	1.8
2003-04	Narimanam Refinery Expansion (CPCL)	0.5	1.0	0.5

Based on the current trend, the refining capacity of the country at the end of Tenth Plan is expected to be around 140.298 MMTPA."

1.32 When the Committee enquired about the new refineries being set up during the current Plan, the Ministry of Petroleum & Natural Gas stated in a note:-

"The Public Sector Oil Companies have proposed to set up four new refineries as per details given below:-

Name of the Refinery	**Location**	**Installed capacity**	**Funds allocated during Tenth Plan (Rs. in Crore)**
IOCL	Paradip, Orissa	9 MMTPA	2680.61
HPCL	Bhatinda, Punjab	9 MMTPA	2251.00
BPCL	Bina, Madhya Pradesh	6 MMTPA	1215.5
BPCL	Lohagara, Uttar Pradesh	7 MMTPA	100.00

The completion schedule of these projects is likely to spill over to the 11th Five Year Plan."

1.33 The Committee also desired to know the details of Refinery Expansion Projects with capacity addition under implementation at present. The Ministry of Petroleum & Natural Gas, in a written note, stated as under:-

"The Oil PSUs are in the process of implementing expansion projects as per details given below:-

(Figures in million metric tonnes per annum)

S.No.	Name of the project	From	To	Expected date of completion
1.	Panipat Refinery expansion (IOCL)	6.0	12	June, 2005
2.	Mumbai Refinery Expansion Project (BPCL)	6.9	12	January, 2005
3.	Mumbai Refinery Expansion Project (HPCL)	5.5	7.9	February,2006
4.	Visakh Refinery Expansion Project (HPCL	7.5	8.33	May, 2006

Through the above expansion projects, the refining capacity of the Oil PSUs is expected to increase by 14.33 MMTPA."

1.34 The Ministry of Petroleum & Natural Gas further informed the Committee that since the refining sector was delicensed in June, 1998 the refining capacity of the country has expanded substantially. At present the country is surplus on refining capacity as compared to the consumption. In future it is expected that the addition to refining capacity would be market driven and subject to economic viability.

1.35 In view of the surplus refining capacity gained by the country, the Committee specifically desired to know as to whether the Government propose to enhance the exports. In their written reply, the Ministry of Petroleum & Natural Gas stated:-

"With the increase in the refining capacity over the years, India has emerged as a net exporter of petroleum products. The total export of petroleum products during 2003-04 was around 14.6 MMT, valued at over Rs.16,000 crore. The major products exported during the year included diesel, petrol, naphtha, ATF and fuel oil. Oil companies export products as per their commercial considerations."

(II) Utilisation of Plan Outlay by PSUs during the 10th Five Year Plan

1.36 In the 10th Five Year Plan, an outlay of Rs. 103656.00 crore has been made for the Oil Public Sector Undertakings. The following table shows the outlay, expenditure during the first 2 years of the Plan and the balance amount left for the last 3 years of the Plan in respect of the PSUs:-

(Rs. in crore)

PSU	**10th Plan Outlay**	**Expenditure during first 2 years of the Plan (2002-03 & 2003-04)**	**Balance left for the last 3 years of the Plan**
ONGC	33418.95	12915.37	20503.58
IOC	24399.53	5261.55	19137.98
HPCL	7500.00	302.05	7197.95
BPCL	4000.00	1550.53	2449.47
GAIL	8413.52	3025.55	5387.97
OIL	5000.00	1184.75	3815.25
OVL	13550.00	7310.48	6239.52
CPCL	2400.00	1868.83	531.17
KRL	2500.00	42.48	2457.52
BRPL	231.00	11.71	219.29
IBP	1783.00	333.84	1449.16
NRL	310.00	24.46	285.54
Balmer Lawrie	120.00	18.12	101.88
Biecco Lawrie	30.00	0.00	30.00
MRPL*	730.00	20.75	709.25
Total	**103656.00** 730.00	**33849.72** 20.75	**69806.28** 709.25

* *MPRL was acquired by ONGC during 2003-04; hence plan allocation of Rs.730.00 crore was not included in the 10th Plan Outlay of Rs. 103656.00 crore approved by Planning Commission*

1.37 It may be seen from the above table that out of total 10th Plan Outlay of Rs. 103656.00 crore for Oil Sector PSUs (minus MRPL which was acquired by ONGC during 2003-04), Rs. 33849.72 crore has been utilised during the first two years of the Plan which is about 33% of the total Plan Outlay. An amount of Rs. 69806.28 crore which is about 67% of the Plan Outlay, has to be utilised during the remaining 3 years of the Plan. The amount spent during the first two years of the Plan by IOC (22%), HPCL (4%), OIL (24%), KRL (2%), BRPL (5%), IBP (19%), NRL (8%), Balmer Lawrie (15%)and Bieco Lawrie (0%) has been particularly on the lower side.

1.38 While considering the trend of utilisation of 10th Plan outlays by the Oil Sector PSUs, the Committee specifically wanted to know whether Oil Sector PSUs would be able to utilise the allocated outlay and achieve the physical targets during the 10th Plan and the steps taken in this regard. The Ministry of Petroleum & Natural Gas stated in their written reply:-

> "Based on the economic, industrial and commercial factors governing the Oil Sector and the markets and projections for future business growth available at the time of formulation of the Plan, Oil Sector PSUs have finalised physical and financial targets for the entire 10th Five Year Plan. However, as changes in the above factors occur in each year of the Plan, PSUs revise the targets and reschedule/reprioritize the projects with a view to optimize return on capital employed by the companies. Therefore, adjustment in outlays and prioritization of projects becomes an integral part of the planning process. With this in view Planning Commission has initiated Mid-Term Appraisal of the 10th Five Year Plan (2002-07). As a part of the Mid-term Appraisal, Ministry of Petroleum & Natural Gas (MOP&NG) has advised the Oil Sector PSUs to evaluate the Plan programmes and propose mid-course corrections, wherever necessary. Therefore, a clear picture of targets and outlays by the Oil PSUs during the remaining years of the Plan is expected to emerge with completion of the Mid-Term Plan Appraisal by the Planning Commission.
>
> Progress in achieving physical targets and project expenditure by the Oil Sector PSUs is regularly monitored at various levels of the Government to minimize deviations from the Plan targets. The progress in project implementation is reviewed by the Boards of Directors of the respective PSUs. Plan projects are monitored on a regular basis at the level of Joint Secretary/Additional Secretary in the Ministry. Secretary in the Ministry takes a meeting on Quarterly Performance Review of Oil Sector PSUs in which representatives of Planning Commission, Ministry of Statistics and Programme Implementation, etc., also participate. Review of progress of project implementation under the 10th Plan is an important part of the above reviews in which specific action points to improve performance including meeting the annual plan targets are decided."

(C) ANALYSIS OF DEMANDS FOR GRANTS (2004-2005)

1.39 The 'Demands for Grants' of the Ministry of Petroleum and Natural Gas were laid on the Table of Lok Sabha on 15th July, 2004. Demand No. 71 of the Ministry contains the following figures of Revenue as well as Capital Expenditure for the year 2004-2005:-

(Rs. in lakhs)

	Plan	Non-Plan	Total
Revenue Section	--	Secretariat Economic Services - 1042.00 Petroleum - 356300.00	357342.00
Capital Section	--	--	--

1.40 As the Oil Sector PSUs are self-sustaining and in fact some of them are Navratnas, generally no budgetary support in terms of investment, Plan and Non-Plan loans is made available to them.

HEAD-WISE DEMANDS FOR GRANTS (2004-05)

(I) MAJOR HEAD '2802' Petroleum

1.41 The following statement shows the details of Budgetary allocation/expenditure made for various items during 2002-03, 2003-04 and 2004-05 under this Head:-

(Rs. in Lakhs)

Item		Actuals 2002-03	Budget Estimates 2003-04	Revised Estimates 2003-04	Actuals 2003-04	Budget Estimates 2004-05
(i)	Subsidy on domestic LPG and Kerosene for PDS	449580.00	630000.00	629244.00	629244.00	350000.00
(ii)	Freight subsidy on retail products for far flung areas	6235.15	24600.00	7932.00	5041.33	5900.00
(iii)	Compensation for meeting the under recoveries of oil companies on sales tax payment on ATF to foreign Airlines.	16468.74	0.00	0.00	0.00	0.00
(iv)	Compensation to refineries on account of irrecoverable sales taxes	50263.00	157000.00	20099.00	20099.48	0.00
(v)	Petroleum Regulatory Board	0.00	200.00	100.00	0.00	200.00
(vi)	Anti Adulteration Cell	0.00	200.00	200.00	44.38	200.00
(vii)	Subsidy to Mazagon Docks Ltd.	0.00	0.00	25.00	24.33	0.00
	Total	**522546.89**	**812000.00**	**657600.00**	**654453.52**	**356300.00**

(a) ***Subsidy on Domestic LPG and PDS Kerosene***

1.42 In the BE of 2003-04, subsidy on domestic LPG and PDS kerosene was set at Rs. 6300.00 crore. As against this, both the RE and actuals for the year 2003-04 were Rs. 6292.44 crore. The actual expenditure during 2002-03 was Rs. 4495.80 crore. In the year 2004-05, the BE amount has been fixed at Rs. 3500.00 crore.

1.43 The Committee desired to know the manner in which the subsidy on domestic LPG and PDS kerosene was being calculated and released prior to the dismantling of the APM regime on 1.4.2002 and thereafter. The Ministry of Petroleum & Natural Gas clarified the position in a written reply as under:-

> "Subsidy during APM (Before 1st April, 2002)
>
> The Administered Pricing Mechanism (APM) in the petroleum sector was operative till 31.3.02. During the APM period, PDS Kerosene and Domestic LPG were cross subsidized through the oil pool account mechanism. The inflows to the oil pool included surpluses from petrol & ATF revenues and surcharge on domestic crude oil. The revision in selling price of PDS Kerosene and Domestic LPG was decided by the Government from time to time taking into consideration inter-alia international oil prices, oil pool account deficit etc.
>
> Subsidy Post APM (w.e.f. 1st April, 2002)
>
> As per the Government decision on dismantling of APM, the subsidy on PDS Kerosene and Domestic LPG is to be phased out in three to five years effective 1.4.2002. The Government subsidy is on flat rate basis. The flat rate of Government subsidy for the year 2002-03 (first year post APM) was computed as the difference between the cost price and selling price as on 1.4.02. The average subsidy for 2002-03 worked out as Rs.67.75/cylinder on domestic LPG and Rs.2.45/litre on PDS Kerosene. This subsidy is to be phased out over a period of three to five years effective 1.4.2002.
>
> The Government subsidy is released to the public sector oil marketing companies on monthly basis after verifying their claims.
>
> In addition to the Government subsidy, the oil PSUs have been partly sharing the burden of subsidizing PDS Kerosene and Domestic LPG."

1.44 Asked about the present subsidy per cylinder of LPG and per litre of PDS kerosene and the loss being incurred by Oil Companies as under recoveries per LPG cylinder and per litre of PDS kerosene, the Ministry furnished the following reply:-

"The flat rate of Government subsidy for 2002-03 (first year post APM) was Rs.67.75 per Cylinder on domestic LPG and Rs.2.45 per Litre on PDS Kerosene. As per the Government decision at the time of APM dismantling, this subsidy is to be phased out over a period of 3-5 years. The Ministry is of the view that subsidy needs to be phased out over a period of 5 years and accordingly has taken up the matter with Ministry of Finance. Based on subsidy phase-out of five years, the subsidy for the year 2004-05 works out to Rs.40.65 per cylinder on domestic LPG and Rs.1.47 per litre on PDS kerosene . The estimated under-recoveries likely to be incurred by the oil companies during 2004-05, based on the average international prices prevailing during 2003-04, subsidy phase out over 5 years period, at the existing duties and taxes and with no increase in selling prices during rest of the year 2004-05 have been provisionally assessed as follows:

(Rs. in crore)

Item	PDS KEROSENE Rs./Litre	DOMESTIC LPG Rs./Cylinder
Total subsidy to consumer	4.77	112.77
Budgetary allocation on 5 years phase out	1.47	40.65
Under recoveries to Oil Companies	3.30	72.12"

1.45 When asked about the total amount of burden of subsidy borne by the Oil PSUs during 2003-04 and the first quarter of 2004-05, the Ministry, in a post-evidence reply, furnished the following data:-

"The estimated under-recoveries of the Oil Marketing Companies (OMCs) on domestic LPG and PDS kerosene during 2003-04 and 1st quarter of 2004-05 are given below:

(Rs. in crore)

	Domestic LPG		PDS Kerosene		Total	
	2003-04	1st Quarter of 2004-05	2003-04	1st Quarter of 2004-05	2003-04	1st Quarter of 2004-05
IOC (including IBP)	2845	887	2427	1201	5272	2088
BPC	1416	406	596	287	2012	693
HPC	1393	428	690	343	2083	771
Total	5654	1721	3713	1831	9367*	3552**

* *One-third of these under-recoveries were shared by ONGC and GAIL*

** *One-third of these under-recoveries were shared by ONGC, GAIL & OIL"*

1.46 Referring to subsidy system, the Committee desired to know whether this subsidy system was planned to be eliminated and if so, the future programme of the Government in this regard. The Ministry submitted as under:-

> "At the time of APM dismantling, the Government decided that the subsidies on PDS Kerosene and Domestic LPG would be phased out over a period of 3-5 years effective 1.4.2002. However, later, Ministry of Finance expressed the view that the subsidy should be phased out in 3 years and made budgetary allocations accordingly. Ministry of Finance has been requested to make budgetary provisions in line with 5 years phase-out period."

(b) <u>Petroleum Regulatory Board</u>

1.47 A provision of Rs. 2.00 crore was made for the Petroleum Regulatory Board in the BE of 2003-04. This was reduced to Rs. 1.00 crore at RE stage. During the current year (2004-05), a provision of Rs. 2.00 crore has been made for this purpose.

1.48 Asked about the present position in regard to setting up of the Petroleum Regulatory Board and the likely time schedule of the constitution of the Board, the Ministry submitted the following details:-

> "The Cabinet in its meeting held on 18th April, 2002 had considered the proposal of this Ministry for enacting a new "Petroleum Regulatory Board Bill" to establish a "Petroleum Regulatory Board". In accordance with this decision, "The Petroleum Regulatory Board Bill 2002" was introduced in the Lok Sabha on 6th May, 2002.
>
> The Bill seeks to provide for the establishment of the Petroleum and Natural Gas Regulatory Board to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas excluding production of crude oil and natural gas so as to protect the interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products and natural gas, ensure uninterrupted and adequate supply of petroleum, petroleum products and natural gas in all parts of the country, promote competitive markets and for matters connected therewith or incidental thereto.
>
> The Bill was referred to the Department related Parliamentary Standing Committee on Petroleum & Chemicals for examination and report

on 17th May, 2002. The Committee presented its report to Lok Sabha on 8th May, 2003. The Committee has recommended that the Bill may be passed subject to their recommendations and observations. The report of the Committee included 49 recommendations. This Ministry decided to accept 26 recommendations and not to accept 2 recommendations relating to "common-carrier" definition. The remaining 21 recommendations are proposed to be clarified or meant for incorporation in rules / regulations.

After considering the recommendations of the Committee, this Ministry prepared the official amendments to the proposed Bill in consultation with the Law Ministry and obtained the Cabinet decision thereon in its meeting held on 10th December, 2003. The proposed body has now been renamed as "Petroleum and Natural Gas Regulatory Board" as per recommendations of Standing Committee. The Government moved the amended Bill in Lok Sabha on 18th December, 2003. However, the same was not considered by the House in that session due to lack of time.

This Ministry is contemplating to introduce a fresh Bill in House after taking due approval from the Cabinet. The draft Cabinet note for the purpose is being prepared as per the new inputs received from Minister (P&NG). It is expected that the Bill may be ready for introduction in Lok Sabha by the coming winter session of Parliament."

(c) __Anti-Adulteration Cell__

1.49 The Anti-Adulteration Cell was set up primarily to strengthen the vigilance machinery to check adulteration of Motor Spirit and High Speed Diesel at Retail Outlets. The functions of AAC were as follows:-

- Prevention of adulteration and other malpractices
- Enquires into benami operations
- Coordination with State Governments, Oil Companies
- Enquires into complaints against Dealer Selection Boards

1.50 A provision of Rs. 2.00 crore was made for the Anti-Adulteration Cell in the BE of 2003-04. The same provision was retained in the RE of the year 2003-04. During the current year also, a provision of Rs. 2.00 crore has been made for this purpose.

1.51 While going into the activities of the Anti-Adulteration Cell, the Committee specifically wanted to know the number of complaints received, the number of inspections and surprise checks conducted by the Cell during the last three years and the concrete achievements made by the Cell since its inception. The Ministry of Petroleum & Natural Gas furnished the following details in a written reply:-

> "Since its inception, the AAC had conducted 1375 inspections/surprise checks upto December, 2003, details of which are given below :-
>
> | | | | |
> |---|---|---|---|
> | (i) | Retail Outlets (ROs) | : | 1026 |
> | (ii) | LPG Distributorships | : | 21 |
> | (iii) | Other inspections (i.e. SKO dealerships, Oil Depots, Naphtha Processing Units, etc.) | : | 328 |
> | | | | 1375 |
>
> Approximately 653 cases of complaints relating to Dealer Selection Boards were also enquired into by the AAC. During the above inspections/surprise checks, AAC detected 11 cases of irregularities relating to Units selling PMS SKO, 592 cases of major and minor malpractices at ROs, 5 cases each of irregularities by LPG Distributorships and Naphtha processing units. Action in all these cases was taken under the Marketing Discipline Guidelines (MDG), Essential Commodities Act, 1955, etc."

1.52 When asked about the structure of the Anti-Adulteration Cell, the Ministry submitted in a written reply as under:-

> "Anti-Adulteration Cell (AAC) is headed by a Director General, an officer of the rank of a Joint Secretary, Government of India. It has its Head Quarter at New Delhi and four regional offices at Delhi, Chennai, Mumbai and Kolkata. Each Regional office is headed by a Regional Director, who is an officer of the rank of Director / Deputy Secretary, Government of India. Each region has five to seven Investigating Officers and other supporting staff. The total sanctioned strength of DG, AAC is 55."

1.53 The Committee referred to the issue of winding up of the Anti-Adulteration Cell and desired to know the reasons for taking such a decision and the agency which would look after the job of the Cell. The Ministry submitted the following information in this regard:-

> "The Government has decided to wind up Anti Adulteration Cell (AAC) by 31.07.2004. The decision to wind up AAC was taken after examining the report of the Committee set up for a comprehensive review of its functioning.
>
> Retail Outlet (RO) dealerships of Oil Marketing Companies (OMCs) are subject to various checks/inspections by multiple agencies such as concerned OMCs, Mobile Labs, Joint Oil Industry inspections, State Government/Union Territory Administration Authorities (i.e. Civil Supplies Department), Directorate of Weights and Measures, Police, etc. Therefore, it was felt that having another agency like the AAC merely to inspect the ROs is superfluous. Further, adulteration/malpractices by industrial units and dealers of petroleum products like Naphtha, Solvents, etc., are covered under the various Control Orders issued by the Ministry of Petroleum & Natural Gas which empowers the State Government officials and Oil Companies' officers to take action such as search and seizure of products in the event of any violation.
>
> Measures to check adulteration are kept under continuous review of the Government. OMCs are also strengthening their checks/inspections and the penal provisions. "

1.54 When the Committee desired to know as to what prompted the Government to carry out a review of the functioning of the AAC and whether the Cell has been wound up, the Ministry of Petroleum & Natural Gas furnished the following information in a post-evidence reply:-

> "The Anti-Adulteration Cell (AAC) has been wound up w.e.f. 31.07.2004.
>
> Two Senior Officers of AAC were arrested by CBI on charges of corruption and the AAC get mired in controversy. Therefore, a one member committee of Shri M.S. Srinivasan, Additional Secretary was constituted to review its functioning. The report of the Committee recommended that AAC with its existing structure and functions cannot play a meaningful role in the efforts to curb the menace of adulteration."

1.55 On the same subject, the Secretary, Ministry of Petroleum & Natural Gas deposed before the Committee as under:-

> "The experience of the Anti-Adulteration Cell (AAC) was not satisfactory, although they investigated some cases; and it has been pointed out that many of the cases that they found were of adulteration. But there were serious complaints against the manner in which the Cell was functioning. The CBI also investigated, and some unfortunate incidents took place in a number of investigations being made by the Anti Adulteration Cell. In any case these could not be large enough. There were 1,000 cases or so, whereas the oil companies did more than 91,000 investigations. Basically, it should be the oil company's responsibility to ensure that their dealers are supplying unadulterated products. So, this Anti-Adulteration Cell was in a way giving the impression as if the responsibility of the oil companies was getting diluted."

(II) MAJOR HEAD '3451'

Secretariat – Economic Services

1.56 The following table shows the details of actual expenditure made during 2002-03, BE, RE and actual expenditure for 2003-04 and BE for 2004-05 under the Secretariat-Economic Services Head.

(Rs. in lakhs)

Items	Actuals 2002-03	BE 2003-04	RE 2003-04	Actuals 2003-04	BE 2004-05
Salaries	429.31	432.85	463.00	450.75	498.00
Wages	0.00	1.12	0.50	0.00	1.00
Overtime Allowance	11.28	11.87	10.50	8.86	11.00
Domestic Travel	13.81	24.90	28.00	23.71	28.00
Foreign Travel	8.41	12.00	30.00	22.81	26.00
Office expenses	192.27	224.30	179.78	154.56	162.07
Professional services	26.27	103.94	70.93	58.43	195.93
Publication	1.28	3.16	3.00	2.59	3.00
Other Admn. Expenses	11.73	13.86	14.29	12.36	15.00
Medical Treatment	0.00	0.00	0.00	0.00	12.00
Information Technology	0.00	0.00	0.00	0.00	90.00
Total	**694.36**	**828.00**	**800.00**	**734.07**	**1042.00**

1.57 It may be seen from the above data that a provision for Rs. 10.42 crore has been made in the BE of 2004-05 under the Major Head '3451'. The BE and RE for 2003-04 under this Head were Rs. 8.28 crore and Rs. 8.00 crore respectively. The actual expenditure during 2002-03 and 2003-04 was Rs. 6.94 crore and Rs. 7.34 crore respectively. The BE of 2004-05 is Rs. 2.14 crore more than the BE of 2003-04, Rs. 2.42 crore more than the RE of 2003-04 and Rs. 3.08 crore more than the actual of 2003-04.

1.58 Asked to state the reasons for making an enhanced provision of Rs. 10.42 crore under the Major Head '3451', the Ministry of Petroleum & Natural Gas cited the following reasons:-

> "The enhanced provision in BE 2004-05 is mainly on account of: -
>
> (i) Annual incremental growth and impact of additional Dearness Allowance, under Salaries,
> (ii) Renovation of office accommodation,
> (iii) Setting up computer centre, purchase of hardware / software and development of software programmes relating to schemes of the Ministry,
> (iv) Grant-in-aid of Rs. 1.50 crore for Fuel Testing Laboratory, NOIDA,
> (v) Overtime Allowance to meet the exigencies of work, and
> (vi) Foreign and Domestic Travel in anticipation of visits relating to New Exploration Licensing Policy and more meetings of Hindi Advisory Committee."

1.59 It is also seen from the above data that 2 new items,viz., Medical Treatment and Information Technology have been included under Major Head '3451'

1.60 The Committee desired to know the reasons for inclusion of the above two new items under Major Head '3451' in the Demand for Grants (2004-05) and also the Head under which the expenditure on these items was being incurred during the previous years. The Ministry furnished the following details in a written reply:-

> "2 items under Major Head '3451' namely, the 'Medical Treatment' and 'Information Technology' have been included as per the direction of the Ministry of Finance. 'Medical Treatment' includes provision for Medical reimbursement to Government servants. This expenditure was being incurred from provision under 'Salaries' Head. 'Information Technology' includes provision for initiatives relating to promoting the use of 'IT' including training, acquisition of hardware, software as well as development and maintenance of software etc. In the previous year this expenditure was being incurred from Head 'Office Expenses'."

1.61 The Ministry of Finance have issued instructions from time to time to observe austerity in Non-Plan expenditure. When the Committee desired to know as to whether the instructions of the Government to effect cut in Non-Plan expenditure have been followed by the Ministry of Petroleum & Natural Gas and the extent of savings achieved by the Ministry on this front, the Ministry of Petroleum & Natural Gas submitted as under:-

> "Government directions to observe austerity in Non-plan expenditure are followed by exercising economy to the extent possible. All efforts are made to contain the expenditure within allocated budget. Net savings achieved on this front is Rs.65.65 lakhs on account of Wages, Overtime allowance, Domestic Travel, Office Expenses, Publication and Other Administrative Expenses."

D. <u>MISCELLANEOUS</u>

(a) Storage of Petroleum Products

1.62 As per the 10th Plan Documents of the Planning Commission, the need for strategic storage arises from the lack of self-sufficiency in meeting the crude oil requirements. Crude oil inventories in the country are low, and are expected to go down further in the competitive market regime. Under the APM, the storage of crude oil and petroleum products and the strategic requirements were being taken care by the Oil PSUs. However, in the deregulated scenario, the oil companies will optimise their inventories to meet their operating requirements in order to take advantage of competitive pricing and enhance their margins. Thus, a mechanism for creating strategic storage would need to be evolved in the 10th Plan.

1.63 The Committee specifically wanted to know about the present capacity of the National Oil Companies for storage of crude oil and petroleum products and also the post APM changes brought out in the strategy of Oil Companies with regard to storage of crude oil and petroleum products. The Ministry of Petroleum & Natural Gas, in a written reply, submitted as under:-

> "At present, the National Oil Companies have holding capacity of about 5900 TMT of crude oil and about 16400 TMT of petroleum products.
>
> It may be stated that while, the refineries were taken out of APM effective 1.4.98, the marketing activities remained under APM uptil 31.3.02.
>
> For holding of products during 2001-02 (last year of APM), the marketing companies were compensated for working capital equivalent to 20 days cost of sales.
>
> Post APM, the oil companies hold inventories as per their commercial considerations."

1.64 Referring to the issue of creation of a strategic oil reserve, the Committee desired to know the details of the proposal of the Government to create such a reserve over and above the present storage capacity of oil companies to meet the unforeseen circumstances and the total expenditure likely to be incurred on the project. The Ministry submitted the following details in a written reply:-

> "The Government proposes to build strategic storage of crude oil for storing 5 million metric tonnes of crude oil. The proposed storage would be in addition to the existing storage of crude oil and petroleum products with the oil companies and would provide emergency response mechanism to oil supply disruptions. The estimated capital cost of the project is around Rs.1650 crore. In addition, the cost of crude would be around Rs.5000 crore. The project is at its initial stage and the proposed storage is likely to come up in the next four years. "

1.65 When asked about the position prevailing in other countries relating to the issue of strategic storage, the Ministry submitted as under:-

> "As regards the global experience regarding strategic oil storage, it may be mentioned that the oil importing member-countries of International Energy Agency (IEA) have commitments to hold stocks equivalent to 90 days of net oil imports. These stocks could either be of crude oil or products or a mix of crude oil and products. The stockholding may be through commercial storage, Government stocks or stocks held through specified agencies. IEA member-countries are from OECD countries."

1.66 The Ministry further elaborated on the position prevailing in USA, Japan and Germany on the strategic oil storage as under:-

> "Briefly stated, the position of strategic oil storage in some of the countries is as follows:
>
> <u>USA</u>
> The oil embargo of 1973-74 prompted the setting up of the strategic petroleum reserve (SPR) in USA. The crude oil is stored in underground salt caverns. Under the Energy Policy & Conservation Act (EPCA), the President of USA determines the draw-down in case of a severe energy supply interruption or any obligation of the United States. Should the President decide to order an emergency draw-down of the SPR, oil is distributed mainly by competitive sale to the highest bidder(s).
>
> <u>Stock Levels</u>: The total capacity is 700 million barrels. It provides for about 90 days cover.
>
> <u>Ownership and Financing</u>: The reserves are financed and owned by the US Government.
>
> <u>Japan</u>
> Japan is a major oil consuming nation importing over 90% of their oil, with acute dependence on the Middle East region. Since the oil shock of 1973, the Government has placed oil security as a high priority area.
>
> <u>Stock Levels</u>: The stocks are of the order of around 300 million barrels, providing for a cover of around 120 days for crude and products.
>
> <u>Ownership</u>: The Government maintains its own emergency reserves and stipulates stock piling guidelines on the industry-distributors, refiners

and importers. The Ministry of Trade and Industry (MITI), in accordance with the Japan National Oil Corporation Law, can draw-down Government stocks.

Germany

Stock Levels: The German security reserve entity is known as "EBV". The stocks are around 200 million barrels, which is about 90 days consumption.

Financing: The oil reserves are funded through bank loans and a compulsory levy paid by importers and refiners to cover running cost."

(b) Supply of Eco-friendly Fuel

1.67 The 10th Plan Documents of the Planning Commission mentions that presently, the product quality requirements in India are ahead of most of the countries in the Asia-Pacific and Middle East regions. In order to enable adoption of Bharat Stage-II vehicular emissions standards throughout the country and Euro-III equivalent emission norms in seven mega cities from April, 2005, the quality of petrol and diesel would need to be further improved. For this purpose, measures such as further reduction of sulphur content need to be taken in a time-bound manner.

1.68 The Committee specifically enquired about the progress made in the blending of ethanol and bio-diesel in petrol and diesel respectively. The Ministry of Petroleum & Natural Gas submitted the following details in a written reply:-

"The progress in the blending in ethanol and bio-diesel in petrol and diesel is as follows:

(i) Progress in the Ethanol Blended Petrol Programme

The Ministry of Petroleum and Natural Gas has introduced a programme of supplying petrol blended with 5 per cent ethanol in the sugarcane producing States since 2003. The States where the programme has been given effect to completely so far are Uttar Pradesh, Punjab, Haryana, Maharashtra, Gujarat, Goa, Karnataka, Uttaranchal, and the contiguous Union Territories of Chandigarh, Dadra and Nagar Haveli and Daman and Diu. Also, 21 districts in Andhra Pradesh and 9 districts in Tamil Nadu have been covered.

Of late, however, difficulties in sourcing ethanol for the project have been reported in respect of Maharashtra, Goa, Gujarat, Andhra Pradesh, Karnataka, Uttar Pradesh and Uttaranchal. The Oil Manufacturing Companies have reported that there is a situation of raw material shortage, delays in the issue of transport permits, direction of the State Excise Department (Andhra Pradesh) to the distilleries not to produce ethanol in order to ensure availability of potable alcohol in the State, general expectations of lower sugar production and molasses availability for ethanol, and resultant steep increase in price of ethanol being offered for future supply. The ethanol manufacturers have also reported to the Ministry of Petroleum and Natural Gas that there is a steep increase in cost of production of ethanol because of lower availability of molasses, and that the prices of ethanol being offered for future supply for the programme are higher than last year.

(ii) <u>Progress in the Bio-diesel blended Diesel Programme</u>

The Ministry of Petroleum & Natural Gas has launched a pilot project at Rewari, Haryana on use of 5% bio-diesel and diesel blend on vehicles to examine operational, environmental, financial and other aspect of such blending in Indian conditions. Indian Oil Corporation Limited is monitoring the programme. The trials are limited to Haryana Roadways Depots, which obtain the supply from Rewari Terminal of IOC. The field trials at Rewari are in progress since April 2004. At present, 20 buses are plying on 5% bio-diesel blends from the Gurgaon Depot of Haryana Roadways, along with 20 reference buses on diesel fuel.

Similarly, Hindustan Petroleum Corporation Limited has set up an experimental project at Mumbai involving Brihanmumbai Electric Supply and Transport Undertaking (BEST), Mumbai. The field trials are in progress since February 2004. Currently trials on 15 buses with normal diesel (HSD), diesel blended with 5 per cent bio-diesel (B5)and diesel blended with 10 per cent bio-diesel (B 10) are in progress."

1.69 The Ministry was asked about the steps being taken to remove the difficulties encountered in sourcing ethanol for the programme on ethanol-blended petrol. The Ministry, in a post-evidence reply, furnished the following data:-

"Under the directions of the Ministry, Petroleum Planning and Analysis Cell (PPAC) held a series of meetings with the representatives of the Governments of States of Andhra Pradesh, Karnataka and Maharashtra along with the representatives of oil companies to assess the situation of availability of ethanol for blending with petrol.

PPAC has reported that due to drought situation, the availability of ethanol has become a problem and it would not be possible to meet the requirements of oil industry by the ethanol manufacturers.

The Ministry of Petroleum & Natural Gas has advised the Directors (Marketing) of oil companies that the companies may negotiate prices with the representatives of sugar industry so that mutually acceptable settlement is arrived at and in worst case, issue a fresh tender after weighing pros and cons.

Minister (P&NG) has reviewed the position and at present various alternatives for meeting the situation are being looked at internally."

1.70 When asked about the future programme of the Government in regard to the programme of supplying ethanol-blended petrol in the remaining States of the country, the Ministry stated as under in a post-evidence reply:-

"In view of the difficulties being experienced in sourcing ethanol at reasonable prices, there are no immediate plans to extend the programme in the remaining States of the country."

1.71 It has been reported in the Press that the GAIL (India) Limited has drawn up a Rs. 3800 crore plan to bring natural gas to the eastern region and that Rs. 800 crore is being earmarked for coal gassification project in eastern India based on the Chinese model with technology from global major Shell. In this connection, the Ministry of Petroleum & Natural Gas have furnished the following data:-

"There is a provision in the Budget for undertaking new project and business development activities. Under this provision, GAIL has undertaken feasibility studies for coal gassification projects.

Coal gassification yields synthesis gas which has a composition of CO and H_2. Synthesis gas can be used for power generation, production of Hydrogen (H_2), Urea/Fertiliser, Methanol, etc. Composition of synthesis gas is the same as primary reformer outlet of ammonia plant. The process with synthesis gas downstream of primary reformer remains same as that which exists in fertiliser industries."

1.72 The Committee have been informed that the Mangalore Divisional Office of the IOCL has launched a premium grade of petrol 'XTRAPREMIUM' in the city of Mangalore on 20.5.2004. This brand has so far been launched in four retail outlets in Mangalore city. The total average daily sale of this product through these four ROs is 1800 litres.

1.73 The main features of the 'XTRAPREMIUM' brand of petrol, as summarised by the Ministry, are as under:-

> "XTRAPREMIUM is India's first and only 91 Octane Premium Petrol.
> - This is specially blended at Refineries
> - This is reinforced with 50 % extra dosage of world-class 'Multi Functional Fuel Additive' (MFA) as compared to Normal MS.
> - The inherent advantage of higher 91 RON (Research Octane Number) in XTRAPREMIUM (as compared to 88 RON of Normal MS and the Premium MS 'Speed' and 'Power' of BPC and HPC respectively) ensures tapping of the full potential of the engine. "

1.74 When asked about the extra benefits of this brand of petrol over other brands, the Ministry gave the following details:-

> "The benefits of XTRAPREMIUM are:
> - Peak engine power and greater acceleration
> - Faster pick-up
> - Improved mileage
> - Knock-free drive
> - Smoother running
> - Reduced emissions
> - Lower maintenance cost
> - Increased life of the vehicle
>
> By keeping the Engine deposit-free, XTRAPREMIUM enables vehicles to deliver peak performance. Since all used vehicles have existing deposits, it will take a couple of tank fills before this new generation fuel makes the engine clean. That is when the vehicle owners can expect to actually experience a perceptible difference."

1.75 The Ministry have also informed the Committee that the response of the public to XTRAPREMIUM has been generally good.

1.76 When the Committee desired to know the comparative cost of this brand of petrol and other brands, the Ministry apprised them of the following data:-

> "The current retail selling price per litre of Normal MS (Motor Spirit) and all brands of Premium MS presently being sold at Mangalore city are given below for comparison :

NORMAL MS			- RS. 41.26
PREMIUM MS	-	IOC – XTRAPREMIUM	- RS. 42.61
	-	HPC – POWER	- RS. 42.65"

1.77 The Committee further desired to know about the plan of the IOCL to launch this product in other cities. The Ministry submitted:-

> "IOC has so far launched XTRAPREMIUM in 312 Markets (Cities /Towns) as on 30th June '04. Depending on various factors, IOC proposes to increase the coverage to more number of markets."

1.78 The Compressed Natural Gas (CNG) being an environment friendly fuel, the Committee desired to know the demand and supply position of CNG and the efforts being made to improve the supply position. The Ministry of Petroleum & Natural Gas submitted the following data in this regard:-

> "The Supreme Court of India vide orders dated 5.4.2002 in Writ Petition No.13029/85 filed by M.C. Mehta V/s Union of India and others has accorded priority in allocation of natural gas to transport sector. Accordingly, full demand of natural gas for transport sector is being met in cities where CNG projects have been undertaken. Presently CNG is being supplied in the cities of Delhi, Mumbai, Vadodara, Surat and Ankaleswar.
>
> In Delhi, IGL is supplying CNG to automobiles and there is no shortage of supply. On an average, 7.5 lakh Kg/day of CNG is supplied to more than 90,000 vehicles from 122 CNG stations as on 1.7.2004.
>
> In Mumbai, MGL is supplying CNG to automobiles. There is adequate supply of CNG and expansion of the infrastructure is underway to meet future requirement. Around 4.5 lakh Kg/day of CNG is being supplied to more than 1,30,00 vehicles from 84 CNG stations as on 1.7.2004.
>
> GAIL in Vadodara and Gujarat Gas Company Limited (GGCL) in Surat and Ankleswar are supplying small quantities of CNG to some automobiles."

1.79 As regards the introduction of the CNG system in other cities of the country, the Committee were informed by the Ministry as under:-

> "Natural Gas infrastructure is an essential element for introduction of CNG projects in different cities. GAIL, in association with Oil Marketing Companies, will introduce CNG in various polluted cities of the country in a phased manner. At present, GAIL proposes to introduce CNG in the cities of Agra, Lucknow, Kanpur, Pune and Bareilly. GAIL is forming Joint Venture Companies with BPCL for implementation of CNG projects in Kanpur and Pune and with IOCL for Agra, Lucknow & Bareilly.
>
> GAIL has formed Bhagyanagar Gas Limited (BGL), a Joint Venture Company with HPCL, for implementation of City Gas Distribution projects in the state of Andhra Pradesh. A project in Vijayawada is being taken up by BGL.
>
> GAIL is carrying out detailed feasibility study for CNG Projects in the cities of Kota and Indore.
>
> IGL proposes to expand its CNG infrastructure in Faridabad, NOIDA and Gurgoan. MGL plans to increase its distribution network to adjoining areas of Mumbai, viz., Thane and Navi Mumbai."

1.80 The following table gives the data relating to the number of CNG stations set up in various zones of Delhi as on 1.7.2004:-

Station	East	West	North	South	Central	Grand Total
MOTHER-IGL	2	10	8	14	3	**37**
MOTHER-DTC	2	8	3	5	1	**19**
ONLINE	3	4	5	12	7	**31**
DAUGHTER	0	1	0	2	1	**4**
DAUGHTER BOOSTER	7	3	4	11	6	**31**
GRAND TOTAL	**14**	**26**	**20**	**44**	**18**	**122**

1.81 Referring to the uneven installation of CNG stations in various zones of Delhi, the Committee desired to know the steps taken to set up more stations in the deficient zones and improve the distribution system keeping in view the increase in the number of vehicles. The Ministry of Petroleum & Natural Gas submitted the following details in a written reply:-

> "Currently, there are 122 CNG stations. As already stated, efforts are put in by IGL to set up more CNG stations, by making requisite applications / requests to the land owning agencies to allot suitable sites for the development of CNG facilities. Besides, Oil Marketing Companies (OMCs) who have wide retail distribution networks in NCT of Delhi have been requested to offer more outlets to IGL for setting up CNG facilities. A few sites are expected to be allotted to IGL shortly by the landowning agencies for the purpose."

(c) Alternative sources of Hydrocarbons

1.82 As mentioned in the Report earlier, the import dependence in respect of crude oil to meet the domestic demand of petroleum products has gone up considerably. The import dependence, which was 61.3 per cent in 1996-97, has gone upto 70.7 per cent in 2003-04. This is likely to increase further by the end of 10^{th} Plan period.

1.83 With the increasing dependence on petroleum imports owing to relatively stagnant domestic production and growth in demand, the development of alternative sources of Hydrocarbons has assumed increasing significance. In this connection, Coal Bed Methane and gas hydrates have the potential to prove to be important alternatives. Hence, there is a pressing need to evolve a time-bound strategy for vigorous exploration and development of these alternative sources of Hydrocarbons.

1.84 On being asked, the Ministry have informed the Committee that in view of increasing demand of Hydrocarbons, it has been emphasized to explore and develop alternative sources of Hydrocarbons. Coal Bed Methane (CBM) and Gas Hydrate have been identified as the thrust area for this purpose. The Government has formed a CBM policy and prepared a National Gas Hydrate Programme (NGHP).

1.85 When the Committee desired to know the progress made in the exploration of Coal Bed Methane (CBM) and the future programme of the Government relating to such exploration, the Ministry of Petroleum & Natural Gas, in a written reply, submitted as under:-

> "Government has taken steps for providing a platform for exploration and subsequent commercial exploitation of CBM by national and international entrepreneurs. The terms and conditions for development of CBM resource and Model Contract for production of CBM in the country are in place. Government has signed a total of 16 contracts for exploration and production of CBM in the country. Exploration activities in the awarded blocks for which Petroleum Exploration License (PEL) have been granted by the respective State Governments, have already been started."

1.86 The Committee further desired to know about the time-bound programme, if any, chalked out by the Government for vigorous exploration and development of Coal Bed Methane. The Ministry furnished the following reply:-

> "As per the CBM policy approved by the Government, a contractor gets a maximum of 13 years (8 years for exploration and 5 years for development) to explore and develop a CBM block from the effective date. However, there is a provision that the number of years can be reduced if the contractor desires to do so."

1.87 To a specific query as to the time by which the commercial production of CBM was likely to start, the Ministry submitted the following reply:-

> "As per current estimates, the commercial CBM production from one of the awarded blocks is likely to start by 2006-07."

1.88 When the Committee sought to know the present status of the National Gas Hydrate Programme (NGHP) and the progress made in the collection of data to carry out the resource estimation and identification of the location of drilling the wells, the Ministry submitted before the Committee as under:-

> "A time bound programme for various exploration and development of gas hydrates as attractive source of hydrocarbons is ongoing under National Gas Hydrates Programme (NGHP). Prioritization of areas of operations has been made and a roadmap for NGHP has been finalized. Based on detailed analysis of the 2-D seismic data along the east coast, west coast and Andaman area as wells as by carrying out special processing of the selective data, three best areas have been identified by the Technical Committee for further scientific investigation."

1.89 Giving details of important milestones of the roadmap for gas hydrate exploration and development, the Ministry furnished the following:-

> "Seismic data interpretation and Geo scientific Investigations of the shallow sediments including gravity coring completed in October 2003 (completed before schedule).
>
> Deepwater drilling/coring logging of gas hydrate bearing sediments in the three identified areas in the country, i.e., in K.G. Basin in east coast, Andaman area and Kerala-Konkan basins in the west coast in offshore Goa is planned to be carried out by end of December, 2004 or first quarter of 2005. This will enable resource estimation in above three areas with a high confidence level. This activity is going on as per schedule.
>
> Laboratory studies to understand thermodynamics/kinetics and characterization in above three areas expected by end 2005.
>
> Pilot studies for production of gas from gas hydrates in one of the best areas from above three areas are expected by 2006-07.
>
> Pre-Production Techno-Economic studies can be planned beyond 2008 depending on success of pilot studies on production and on availability of a suitable technology, which is not available anywhere in the world so far. R&D on this aspect is being carried out by several advance countries, i.e., Japan, USA, Canada, etc. Efforts are also being made by NGHP scientific team in the field of R&D related to production of gas from gas hydrate."

1.90 When asked about the time schedule for starting the drilling process, the Ministry furnished the following categorical reply:-

> "It has been planned to drill about 10 locations in east coast, west coast and Andaman area by the end of 2004 as per NGHP roadmap."

(d) ***Conservation of Petroleum Products***

1.91 The Committee were informed that Government of India accords priority to demand management of petroleum products in view of the need to reduce the gap between demand of petroleum products and indigenous supply of crude oil. Sporadic tension in the Middle East region which is the main source of our oil imports and a growing import bill are potent reasons for continued emphasis on conservation & sparing use of petroleum products. Accordingly, the Government persevere with the various measures initiated for conservation of petroleum products. Many activities are conducted through Petroleum Conservation Research Association (PCRA) and public sector oil companies.

1.92 The activities of PCRA encompass a whole gamut of efforts for promoting and propagating petroleum conservation in India including conduct of energy studies; research & development; creating awareness and educating public on the importance, methods and benefits of conservation. PCRA also undertakes demonstration projects, training & educational efforts and has promotional soft loan schemes to help improve energy efficiency.

1.93 Going into the details of activities of the PCRA, the Committee desired to know the major activities of the organisation during the last three years. The Ministry supplied the following data in this regard:-

> "PCRA has reported the major activities undertaken by them during 2001-02, 2002-03 and 2003-04. These were energy audits in major undertakings, fuel oil diagnostic studies, awareness beiginning and energy audit in Small Scale Industries(SSI) and follow up undertaken for energy

audits done in the past. The details of such activities undertaken nationwide are as follows:-

Field Activities :-	**2001-02**	**2002-03**	**2003-04**	**Total**
Energy Audits	218	157	240	**615**
Fuel Oil Diagnostic studies	363	271	232	**866**
Awareness building and energy audit in SSI	389	318	378	**1085**
Follow ups	1647	1181	717	**3545**

PCRA has also organised a number of workshops, training programmes, exhibitions, driver training programmes, demonstration centres for energy saving in agriculture, rectification in lift irrigation pumps, etc., aimed at enhancing awareness of energy conservation.

Oil and Natural Gas Conservation Fortnight (ONGCF) activities have been carried out throughout the country which include mass rallies, clinic for fuel savings, etc. During 2001-02, 2002-03 & 2003-04 the number of activities undertaken during ONGCF were 419940, 466600 and 489930 respectively."

1.94 The Ministry have also informed that as a result of the major activities of PCRA, the following concrete achievements have been realised:-

Savings	**2001-02**	**2002-03**	**2003-04**	**Total**
Savings identified in kilo litre oil equivalent	65612	79938	58201	203751
Savings realised in Rs. Crore	24.57	22.96	26.18	73.71

1.95 The Committee sought to know the salient features of the promotional soft loan schemes of the PCRA, the amount sanctioned and disbursed under these schemes during the last three years, the rate of interest charged and the purpose for which such loans were sanctioned. The Ministry of Petroleum & Natural Gas furnished a detailed reply as under:-

"The salient features of PCRA's promotional soft loan schemes in various sectors are: -

Industrial Sector:
Soft loans are provided for purchase of energy audit instruments to agencies conducting energy audits as well as to the industries who desire to implement the energy audit recommendations.

Transport Sector:
Soft loans are provided for upgrading the garages/ depots of State Transport Undertakings so as to upgrade the maintenance facilities leading to conservation of petroleum products

Agriculture Sector:
Soft loans are provided for upgrading the testing facilities for manufacturing BIS mark "foot valves".

Sl. No.	**Details of soft loan scheme**	**Industry/ Transport**	**Agriculture**
1.	Loan Amount	Upto Rs.15.00 Lakh or 75% of the cost of equipment/ instrument, whichever is less	upto Rs.65000/- or cost of equipment/ machine and creation of testing facilities at manufacturer's shop, whichever is less
2.	Rate of Interest	7% per annum on reducing principal	7% per annum on reducing principal
3	No. of instalments	Six equal annual installments	Two equal annual installments

Loan amount sanctioned / disbursed in the last three years

(*Rs. In Lakh)*

Year	**Sanctioned (Rs.)**	**Amt. Disbursed (Rs.)**	**Rate of interest (%age)**
2001-02	89.80	16.30	8
2002-03	26.90	12.75	7 (effective from Nov'01)
2003-04	9.30	8.40	7
Total	**126.00**	**37.45**	

Purpose of granting the loan

To provide financial assistance in terms of soft loan to the beneficiaries for procuring/ installing the instruments/ equipment which help/lead towards energy conservation which is the main objective of PCRA."

(e) Oil Industry Development Board (OIDB)

1.96 The Oil Industry Development Board (OIDB) was set up in January, 1975 under the Oil Industry (Development) Act, 1974 to provide financial assistance for the development of Oil Industry.

1.97 The functions of the Board, as defined in section 6 of the Act, involve rendering financial assistance to the promotion of all such activities as are, in its opinion, conducive to the development of the Oil Industry. The financial assistance is extended by way of loans and grants for activities such as prospecting, refining, processing, transportation, storage, handling and marketing of mineral oil, production and marketing of oil products and production of fertilizers and chemicals.

1.98 The funds required for various activities, envisaged under the Act, are made available by the Central Government after due appropriation by Parliament from the proceeds of cess levied and collected on indigenous crude oil. The proceeds of this duty are credited to the Consolidated Fund of India and sums of monies, as the Central Government think fit are made available to the OIDB after appropriation by the Parliament. The current rate of cess on crude oil produced in the country is Rs. 1,800/- per tonne (w.e.f. 1 March, 2002) excepting on blocks in joint ventures under NELP. OIDB has, so far, received an amount of Rs. 902 crore till date, from the cess collection. No amount has been allocated to OIDB out of cess generated during the years from 1983-84 to 1987-88 and 1992-93 onwards.

1.99 When asked about the amount of cess levied and collected on indigenous crude oil during the year 2003-04, the Ministry of Petroleum and Natural Gas submitted the following data in a post-evidence reply:

> "As per the information made available by ONGC, OIL and DGH, the cess levied and collected by the Central Government on indigenous crude oil during the year 2003-04 is to the tune of Rs. 4919 crore approx. (Gross)."

1.100 Elucidating further, the Secretary, Ministry of Petroleum and Natural Gas stated the following during oral evidence:-

> "It is a fact that from 1983-84 to 1987-88, for four years, and subsequently for the last 12 years now, no money has been appropriated to petroleum. So, the annual average comes to about Rs. 5000 crore. In a way, for 12 years, it comes to Rs. 60,000 crore. If you calculate the interest, then the amount should be about Rs. 100,000 crore. That is not available to the OIDB or to the Ministry. It has gone to the Consolidated Fund. That is the factual position."

(f) Pilferage of Crude Oil

1.101 During evidence, the Committee drew the attention of the Ministry towards pilferage of crude oil on mass scale in Gujarat and desired to know about the action being taken in this regard.

1.102 In reply, the Chairman of ONGC while accepting the ongoing pilferage stated that there was a serious problem especially in Gujarat. He further added that apart from local police, ONGC had its own security personnel of about 4000. Even then they were unable to control this problem because any one who was arrested was bailed out and nothing happened after that. He further informed the Committee that once when the people were trying to steal crude oil, a fire broke out and the ONGC suffered a loss of Rs. 6.00 crore apart from casualties.

1.103 The Committee further enquired whether such type of pilferage was noticed in other parts of the country. The Chairman, ONGC stated that this was also happening in Assam, but to a very smaller extent. The major problem was in Gujarat.

1.104 The Committee desired to know about steps taken/ proposed to be taken by the Government to check the pilferage. In reply, the Secretary of the Ministry informed the Committee that the cases were taken up with the State Government and special Committee was also being set up to study this matter besides normal police action.

(g) <u>Prices of Petroleum Products</u>

1.105 To a specific query as to the manner in which the prices of petroleum products are being fixed at present and the details of components taken into account while fixing the prices, the Ministry of Petroleum & Natural Gas furnished the following data in a post-evidence reply:-

> "Retail selling price of petrol and diesel is calculated by the oil companies by taking into account the following components:
>
> (i) Basic price at refinery level on import parity basis (comprising FOB cost, freight from Arab Gulf, insurance, customs duty, ocean loss, LC charges and wharfage)
> (ii) Freight upto depots
> (iii) Marketing cost and margin
> (iv) State specific irrecoverable levies
> (v) Excise Duty
> (vi) Delivery charges from depot to Retail Pump Outlet
> (vii) Sales Tax and other local levies
> (viii) Dealers Commission
>
> The basic selling prices of petrol and diesel are uniform at all refinery locations throughout the country. As per the existing arrangement between the oil marketing companies and refineries, the element at (i) is revised on fortnightly basis depending upon the prevalent international prices.
>
> The marketing costs and margins, dealers' commission, delivery charges within free delivery zones are also uniform. The prices at various locations vary depending upon the distance from the refinery, rate of Sales Tax and other local levies.

With a view to modulating the impact of high international prices on the domestic consumer prices of petrol and diesel and bringing about transparency in pricing by allowing autonomous adjustments by OMCs in RSPs of these products within a reasonable price band, the CCEA in its meeting of 26.7.2004, took the following decisions regarding pricing of petrol and diesel.

(i) OMCs would themselves, without any prior consultation with the Government, decide the RSPs of petrol and diesel based on the previous fortnight's average international price, provided that the exchange rate adjusted C&F product price was within the band of ±10% around the mean of (a) last three months' rolling average prices; and (b) last one year's rolling average prices.

(ii) In case the C&F prices breached the ceiling due to high volatility, OMCs should keep the prices in the band and approach Ministry of Petroleum & Natural Gas. The Ministry may then request Ministry of Finance to modulate excise duty rates of petrol and diesel as appropriate, in the interest of consumers

(iii) Prices in far-flung areas should not exceed prices at the nearest supply points as at present.

The price band mechanism as per the aforesaid CCEA decision has been put in operation effective 1.8.2004."

1.106 The Committee in their 39th Report (13th Lok Sabha) had recommended that the Government should rationalise the duty structure of petroleum products as per the earlier decision of Government in 1997 so as to avoid the adverse implications of the dismantling of the APM. However, not much progress seems to have been made in this regard.

PART-II

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

The Committee note that several thrust areas have been identified in the Oil and Natural Gas Sectors for special attention during the 10th Five Year Plan. Some of these thrust areas are acceleration in exploration in deep offshore and frontier areas, obtaining equity oil and gas abroad, Improved Oil Recovery/ Enhanced Oil Recovery, strategic storage of crude oil, Regulatory Mechanism to oversee consumer interests, refining capacity, etc. Though the Government has taken measures in all these areas, the results have not been very encouraging except in the area of expansion of refining capacity. A number of wells drilled during the 9th Plan did not prove to be hydrocarbon bearing leading to wasteful expenditure. A similar trend is being noticed in the 10th Plan also. In-place hydrocarbon accretion was low during the 9th Plan. A similar scenario has emerged in the 10th Plan too. Strategic storage of crude oil and the Petroleum Regulatory Board have still not been put in place. It seems that the Government has not learnt from the mistakes committed during the 9th Plan. The Committee desire that the Government should evaluate its programmes relating to each area carefully and implement the same in a time bound manner so that the objectives of identifying the thrust areas for special attention can be achieved during the 10th Plan.

(Recommendation No.1)

2.2 The demand of petroleum products in the terminal year of the 10th Plan i.e. 2006-07 has been projected as 134.6 MMT. This demand target for 2006-07 may get reduced to 120.4 MMT in view of the low demand of petroleum products in the last two years of the 9th Plan and also the increasing share of the service sector in GDP. The Committee note that the projected annual rate of growth in consumption of petroleum products during the 10th Plan is 3.7 per cent and the actual growth rate during the first two years has been same as the projected growth rate i.e. 3.7 per cent. The Committee have further been informed that during the first quarter of the year 2004-05, the consumption of petroleum products has grown by over 10 per cent. As against the projected demand of 134.6 MMT, the projected crude oil production in 2006-07 is 33.97 MMT only. In order to reduce the widening gap between the demand and production, the Committee recommend that the ONGC and OIL should vigorously pursue the accretion process. The Committee are aware that a number of oil/gas discoveries have been made recently from the blocks offered under the New Exploration Licensing Policy. In view of the encouraging results obtained from the NELP, the Committee recommend that the frequency of bids under this policy should be enhanced.

(Recommendation No.2)

2.3 The Committee are pleased to note that as against the target of 25.897 MMT of crude oil in 2002-03, the actual production by ONGC has been 26.005 MMT which is slightly higher than the target. However, in the year 2003-04, ONGC's actual production of crude oil has fallen short of the target. While the target was 26.387 MMT, the actual production was 26.057 MMT. The Committee also note that ONGC has been able to exceed the targets of natural gas production in both these years. While the targets for natural gas production were 23700 MMSCM and 23315 MMSCM in 2002-03 and 2003-04, the actual production was 24244 MMSCM and 23584 MMSCM respectively. The Committee are pleased that ONGC's actual gas production has exceeded the targets set in this regard. However, they are unhappy to observe that the actual production in 2003-04 has been less than that in 2002-03. The Committee desire to be apprised of the factors that led to such a scenario. The Committee would like the organisation to make concerted efforts and improve its performance in future. As regards OIL, the Committee find that the OIL has failed to achieve its targets in crude oil and natural gas production in both these years. While the targets for crude oil production were 3.5 MMT and 3.6 MMT in 2002-03 and 2003-04 respectively, the actual production was 2.95 MMT and 3.002 MMT respectively. Similarly, in case of gas production, as against the targets of 2192 MMSCM and 2346 MMSCM in 2002-03 and 2003-04, the actual production was 1743.31 MMSCM and 1886.74 MMSCM respectively. The shortfall in production of crude oil has been attributed to depletion of producing fields, no medium to large size discovery since 1995, discovery of dry wells in the North Bank of Brahmaputra contrary to expectations, etc. The Committee feel that vigorous implementation of Improved Oil Recovery/ Enhanced Oil Recovery methods and use of latest technology/ equipments can improve the situation to a great extent. Besides, the quality of data needs to be improved to ensure that dry wells are not drilled, thereby saving wasteful expenditure in drilling. As regards meeting the natural gas production target, the Committee have been informed that it depends on the market upliftment in Assam, Andhra Pradesh and Rajasthan. The Committee recommend that the Ministry should take adequate steps to ensure such market development in these States after a detailed survey of demand not only in these States but also adjoining States. The assistance of GAIL may be sought in expanding the gas network.

(Recommendation No. 3)

2.4 The Committee are unhappy to note that the in-place hydrocarbon accretion target in respect of the Oil and Natural Gas Corporation Ltd. (ONGC) for the 9th Plan was projected to be in the range of 523-722 MMT against which the organisation could accrete only 481.8 MMT of in-place hydrocarbons. Similarly, in the first two years of the 10th Plan, ONGC accreted 232.88 MMT of in-place hydrocarbons as against the target of 256.25 MMT. In case of the Oil India Ltd. (OIL) also, the targets of in-place of hydrocarbon reserves have not been met by the organisation in any of the 5 years of the 9th Plan. However, the Committee are pleased to note that OIL has exceeded such target in the first two years of the 10th Plan. As regards the Private/ Joint Venture Companies, the Committee find that though no targets for accretion of in-place hydrocarbon reserves were fixed during the 9th Plan, these companies have made substantial contribution to in-place hydrocarbon reserves accretion in 3 out of 5 years of the 9th Plan. The Committee further note that the total hydrocarbon reserve accretion by these companies (Private/ Joint Venture) for the 10th Plan has been envisaged to be in the range of 114-214 MMT, whereas the actual accretion by these companies during the first two years of the Plan i.e. 2002-03 and 2003-04 has been 176.65 MMTOE and 224.99 MMTOE respectively, which has surpassed the estimates for the entire Plan. The Committee desire that the Public Sector Oil Companies should put in concerted efforts to improve their performance in future.

(Recommendation No.4)

2.5 To provide a thrust to the deep water exploration programme, the Oil and Natural Gas Corporation Ltd. (ONGC) has launched a campaign called 'Sagar Samridhi' to explore hydrocarbons in deep water areas of East and West Coast. The Committee have been informed that during the period 2002-04, ONGC has drilled 5 deep water exploratory wells. 3 out of these 5 wells have proved to be hydrocarbon bearing and accreted 25.01 MMT in-place volume of hydrocarbon. On the other hand, the Private Sector/ Joint Venture Companies have managed to drill 10 exploratory wells during the period out of which 6 wells proved to be hydrocarbon bearing. The total initial gas in-place reserves for these 6 discoveries is estimated to be 393.9 BCM. The Committee also note that in the activities of collection of 2D and 3D data also, ONGC has lagged behind the Private/ Joint Venture Companies. The Committee note that the ONGC has in-house capacity of drilling upto a water depth of 900 M. It has hired two deep water rigs with latest technology to drill beyond 900 M depth and engaged internationally reputed consultants to carry out risk mitigation. Moreover, it has no funds constraints. In spite of having these capabilities/ advantages, ONGC's performance/ achievement in deep water drilling has not been as good as it should have been. Since deep water drilling involves huge investments, the Committee recommend that adequate precautions should be taken in the collection and interpretation of pre-drill seismic data so as to ensure that the drilling exercise does not turn out to be futile in the end.

(Recommendation No.5)

2.6 The Committee have been informed that 124 exploration blocks have been offered under the four rounds of exploratory bidding held under the New Exploration Licensing Policy (NELP) so far. Out of 124 exploration blocks, the Production Sharing Contracts have been signed for 90 blocks. Exploration has started in 80 out of 90 blocks and in the remaining 10 blocks, the requisite licenses/ clearances are awaited. The committee further note that under the NELP, 16 discoveries of oil and gas have been made between June, 2001 and January, 2003. The Committee find that the progress under the NELP Programme has been quite satisfactory. The Committee, therefore, recommend that the preparatory work relating to the next round of NELP bidding should be completed expeditiously. The Committee further recommend that adequate arrangements should be made to ensure proper dissemination of relevant data so as to attract prospective clients to do the bidding.

(Recommendation No.6)

2.7 The Committee note with concern that there has been an alarming increase in the import of crude oil over the years. The crude imports which were 34493 TMT during 1997-98, have gone up to 90434 TMT during 2003-04. The Committee further note that indigenous production of crude oil has remained more or less stagnant whereas the demand for petroleum products has been rising steadily leading to growth in import dependence. The import dependence in respect of crude oil to meet the domestic demand of petroleum products which was 61.3 per cent in the terminal year of the 8th Plan i.e. 1996-97, has risen to 70.7 per cent during 2003-04. The Committee have been informed that the import dependence is likely to increase further by the end of the 10th Plan period. Considering the hefty expenditure involved in the payment of the import bill and its deleterious impact on the economy, the Committee recommend that special initiatives should be taken to further increase the volume of exports and thereby compensate for the loss of foreign exchange caused by increasing import of crude oil to some extent. Since the country has surplus refining capacity, there should not be any problem on this front. Besides, other measures like vigorous implementation of energy conservation measures, aggressive exploration activities and tapping of alternative sources of energy can also go a long way in reducing the import dependence. The Committee recommend that the Government should implement these measures in the right earnest and endeavour to reduce the import dependence.

(Recommendation No. 7)

2.8 The country has achieved self-sufficiency in the refining sector. The Committee have been informed that during the first two years of the 10th Plan, the refining capacity of the Oil Public Sector Undertakings has increased by 3.7 million metric tonnes per annum (MMTPA). The Committee have further been informed that Oil PSUs have proposed to set up four new refineries for which funds have been allocated during the 10th Plan. The completion schedule of these projects is likely to spill over to the 11th Plan. Besides, there are 4 refinery expansion projects which are in the process of being implemented. The total addition to the refining capacity on completion of these new and expansion projects would be to the tune of 31 MMTPA and 14.33 MMTPA respectively. The Committee recommend that due attention should be given to timely completion of these projects so as to ensure that there is no cost overruns on these projects. Besides, timely completion of these projects would also lead to early enhancement of the refining capacity which would enable the country to make more exports of petroleum products.

(Recommendation No. 8)

2.9 An allocation of Rs. 103656.00 crore has been made for the Public Sector Undertakings in the Oil Sector in the 10th Five Year Plan. The Committee note that expenditure incurred by the Oil Sector PSUs in the first two years of the Plan i.e. 2002-03 and 2003-04 has been to the tune of Rs. 33849.72 crore which corresponds to about 33 per cent. Thus, the balance amount of Rs. 69806.28 crore remains to be spent during the remaining three years of the Plan. The shortfalls in many cases have been attributed to delays in procurement of equipment and obtaining various clearances for the projects. The Committee recommend that the Oil Sector PSUs should invariably place their orders for equipments with reputed vendors and in case of default in delivery, they should invoke the Liquidated Damages Clause of the terms and conditions. Though the Government have exuded confidence that the PSUs will be able to fully utilise the allocated amount and achieve the physical targets, the Committee doubt the same considering the results of the 9th Plan and the trend of utilisation of funds in the first two years of the 10th Plan. The Committee have been informed that the Planning Commission has initiated Mid-Term Appraisal of the 10th Plan. The Committee hope that the Oil Sector PSUs would take mid-course corrective measures based on the suggestions of the Planning Commission and not repeat the mistakes which they committed in the 9th Plan.

(Recommendation No. 9)

2.10 Under the scheme of subsidy on domestic LPG and PDS kerosene, the Government is providing subsidy on these items. During the Administered Pricing Mechanism (APM) period i.e. upto 31.3.2002, domestic LPG and PDS kerosene were being cross-subsidised through the Oil Pool Account. After the dismantling of the APM i.e. w.e.f. 1.4.2002, the Government subsidy is being decided on flat rate basis. Apart from the Government, the Oil Sector PSUs have also been sharing the burden of subsidising PDS kerosene and domestic LPG. The Committee have been informed that at the time of APM dismantling, the Government had decided that the subsidy on these items would be phased out over a period of 3 to 5 years from 1.4.2002. However, the Ministry of Finance subsequently expressed the view that subsidy should be phased out in 3 years and made Budgetary allocations accordingly. The Committee have further been informed that the Ministry of Petroleum & Natural Gas has requested the Ministry of Finance to make Budgetary provisions in line with 5 years phase-out period. The Committee feel that the phase out of the subsidy on LPG and PDS kerosene would adversely affect the common man. After dismantling of APM, the prices of petroleum products have become market determined. Under the circumstances, people are facing two types of burdens. On one side, they are bearing the burden of increased import duty, excise duty and sales tax as the fuel prices increase globally and on the other side, they are paying higher prices decided by the Oil Companies because of increased refining margin. The Committee feel that there should be minimum increase on fuel and non-fuel cost so as to lessen the burden of the common man. This could be achieved by continuing subsidy on domestic LPG and PDS kerosene.

(Recommendation No.10)

2.11 During 2004-05, the total subsidy to the consumer per cylinder has been provisionally assessed as Rs. 112.77 out of which the Government's share is Rs. 40.65 and the under recoveries of Oil PSUs, Rs. 72.12. Similarly, in case of PDS kerosene, out of a total subsidy of Rs. 4.77 to the consumer per litre, the share of the Government is Rs. 1.47 and the under recoveries of Oil PSUs, Rs. 3.30. The estimated under-recoveries of the Oil Sector PSUs on domestic LPG and PDS kerosene during 2003-04 and the first quarter of 2004-05 have been Rs. 9367.00 crore and Rs. 3552.00 crore respectively. Thus, it may be seen that Oil Marketing PSUs such as IOC, BPCL, HPCL and IBP Ltd. are sharing a burden of subsidising domestic LPG and PDS kerosene. However, considering the financial health of the OMCs, the Committee believe that they should be in a position to absorb the subsidy burden. The companies except IBP Ltd. – which is an exclusively marketing company- are gaining high refining margins. Besides, they can also partly compensate the burden through the profits earned from petrol and diesel. Moreover, the Government is also involving other Oil Sector giants such as ONGC, OIL and GAIL in the process of sharing the subsidy to lessen the burden of OMCs. The Committee recommend that the policy of involving other Oil Sector PSUs in sharing the subsidy burden may be continued in future.

(Recommendation No. 11)

2.12 The Oil Industry Development Board (OIDB) was set up in the year 1975 under the Oil Industry (Development) Act, 1974 to provide financial assistance for the development of the Oil Industry. Funds are made available to the OIDB by the Central Government from the proceeds of cess levied and collected on indigenous crude oil so as to enable the organisation to carry out various developmental activities. The current rate of cess on crude oil produced in the country is Rs. 1800 per tonne since March, 2002. The Committee regret to note that no amount generated out of cess levied on crude oil has been allocated to the organisation since 1992-93. As admitted by the Secretary, the annual average of such cess comes to about Rs. 5000.00 crore which over a period of 12 years would amount to about Rs. 100000.00 crore including interest. This amount has not been made available to the OIDB or the Ministry of Petroleum and Natural Gas. In the Committee's view, there is no justification in levying the cess if the amount generated from it is not being utilised for the development of the oil sector. The Committee recommend that a Price Stabilisation Fund should be created to bring in stabilisation in the prices of petroleum products by using the money collected from cess on crude oil. This fund should be utilised to absorb fluctuations in the international price of crude oil. Funds may be credited or debited in this fund depending upon the fall or rise in international prices. This amount can also be used as a cushion in case of reduction in the import duty/excise duty on LPG, kerosene, petrol and diesel and to provide subsidy on kerosene and LPG. The Committee would like to be apprised of the action taken by the Government in this regard within three months from the date of presentation of this Report.

(Recommendation No.12)

2.13 The Committee in their earlier Report on Demands for Grants (2003-04) had recommended for rationalisation of duty structure as per the earlier Government decision of 1997 to reduce the subsidy and give some relief to consumers as well as to check the cascading effect of inflation caused by the hike in the prices of petroleum products. The Committee recommend that in order to control the domestic selling price of kerosene and LPG, the customs duty levied on these products should be brought to nil. This would involve no financial burden on Oil Companies which are already supplying subsidised products. The Government would not lose any money on kerosene as it is not imported. Though some loss would be incurred by the Government on the LPG, the same can be made up by the cess collected on crude oil. Besides, the Committee feel that charging excise duty on subsidised products is an anomaly. The Committee also feel that ad valorem duty structure amplifies the rise in international prices on the domestic economy. Therefore, the Committee recommend that a fixed/specific duty should be levied on crude oil and petroleum products instead of ad valorem duty. They further desire that efforts should also be made to make the sales tax levied by States on these products specific instead of ad valorem.

(Recommendation No.13)

2.14 The Petroleum Regulatory Board Bill which seeks to provide for the establishment of the Petroleum & Natural Gas Regulatory Board, was introduced in the Lok Sabha in May, 2002 and subsequently referred to this Committee for examination and Report. This Committee submitted their Report on the subject in May, 2003. On the basis of the recommendations of this Committee, the Government prepared the official amendments to the Bill and moved the amended Bill in the Lok Sabha in December, 2003. However, the said Bill could not be considered by the House owing to lack of time. The Committee have been informed that the Government is contemplating to introduce a fresh Bill in the House after obtaining the approval from the Cabinet, for which a note is being prepared as per the new inputs received from the Petroleum & Natural Gas Minister. The Ministry has also informed the Committee that the said Bill would be ready for introduction in the Lok Sabha in the coming Winter Session of Parliament. The Committee feel that there has been delay in the introduction of the amended Bill which should have been introduced in the current Session itself. Considering the fact that the setting up of the Regulatory Board would go a long way in protecting the interests of the consumers and fostering healthy competition in the oil and gas sectors, the Committee recommend that the Government should attach utmost importance to the issue and move the amended Bill as soon as possible.

(Recommendation No. 14)

2.15 The Anti-Adulteration Cell was set up primarily to strengthen the vigilance machinery to check adulteration of Motor Spirit and High Speed Diesel at the Retail Outlets. The Committee have been informed that this Cell has conducted 1375 inspections/surprise checks since its inception till December, 2003. Besides, 653 cases of complaints relating to Dealer Selection Boards have also been enquired into by the Cell. As a result of these initiatives by the AAC, a number of cases of irregularities/malpractices by LPG Distributorships, Naphtha processing units, Retail Outlets and subsidised kerosene selling units have been detected and action as per relevant laws taken. The Committee are surprised to observe that the Government have wound up this Cell in July, 2004 on the basis of the recommendations of a Committee which was set up to make a comprehensive review of its functioning. The Government has averred that Retail Outlet dealerships are subject to various checks/inspections by multiple agencies such as the State Government Authorities, concerned Oil Marketing Company, Police, etc. and as such the existence of another agency like the AAC merely to inspect the Retail Outlets is superfluous. Interestingly, the Committee were informed by the Government during the examination of Demands for Grants (2003-04) that various environmental bodies had expressed concern over the use of sub-standard fuels in automobiles and that in order to ensure proper fuel quality and to prevent various kinds of malpractices in petroleum trade, it was necessary to have an independent agency with substantial powers exclusively dedicated for this purpose. Moreover, the machinery of the Oil Marketing Companies Police, etc. were already in vogue when the Anti-Adulteration Cell was set up. Therefore, the Committee are at a loss to understand the sudden volte face of the Government in the matter. In the Committee's view, an organisation does not become superfluous or meaningless by a few acts of impropriety on the part of a couple of officials. The situation can be remedied by posting officials of proven track record in the organisation. Considering the magnitude of the problem of adulteration of petroleum products and the huge financial loss to the national exchequer and the Oil Companies as a result of the problem of adulteration, the Committee recommend that the Anti-Adulteration Cell be made functional forthwith.

(Recommendation No. 15)

2.16 The Committee note that the Ministry of Petroleum & Natural Gas is primarily a PSU based Ministry. They also find that most of these PSUs are self-dependent and as such their financial requirements are not reflected in the Demands for Grants of the Ministry. These PSUs manage their finance through internal generation or extra Budgetary resources or loans from reputed financial institutions in the country or external resources. The Demands for the year 2004-05 in respect of the Ministry of Petroleum & Natural Gas have been placed at Rs. 3573.42 crore under the Revenue Section. No provision has been made under the Capital Section. Out of the total Demand of Rs. 3573.42 crore, an amount of Rs. 3500.00 crore has been earmarked for subsidy on domestic LPG and kerosene for PDS and a sum of Rs. 59.00 crore has been allocated for freight subsidy on retail products for far-flung areas. While the BE in respect of subsidy on domestic LPG and PDS kerosene during 2003-04 amounted to Rs. 6300.00 crore, the same in respect of freight subsidy on retail products for far-flung areas was Rs. 246.00 crore during 2003-04. Besides these subsidy provisions, allocations have also been made for Secretariat-Economic Services (Rs. 10.42 crore) and the Petroleum Regulatory Board and Anti-Adulteration Cell (Rs. 2.00 crore each). An identical provision of Rs. 2.00 crore each was made in respect of the Petroleum Regulatory Board and Anti-Adulteration Cell in the BE of 2003-04. However, in case of the Secretariat-Economic Services, the BE of 2004-05 has exceeded the BE of 2003-04 by Rs. 2.14 crore. The increase has been attributed to Annual incremental growth and impact of Dearness Allowance, renovation of office accommodation, purchase of hardware/software, setting up of computer centre, overtime allowance to meet the exigencies of work, foreign and domestic travel in connection with the New Exploration Licensing Policy, grant-in-aid for the Fuel Testing Laboratory, etc. Since the Demands of the Ministry appear to be justified, the Committee endorse the same. However, they recommend that the Ministry should contain the expenditure for the year within the sanctioned Budget of the Ministry and follow the instructions of the Ministry of Finance to observe austerity in Non-Plan expenditure.

(Recommendation No. 16)

2.17 The Committee note that the Government has a proposal to build a strategic storage of crude oil for storing 5 million metric tonnes of crude oil. The Government has informed the Committee that the project is at its initial stage and that the proposed storage is likely to come up in the next four years. The Committee in their 39th Report (13th Lok Sabha) on Demands for Grants (2003-04) had recommended that the Government should develop a perfect mechanism for creating a strategic storage in the shortest possible time. However, they are unhappy to note that not much progress has been made in this direction. Considering the fact that the project would provide emergency response mechanism to oil supply disruptions, the Committee recommend that the Government should attach utmost importance to this project. Though the Oil Companies have a holding capacity of about 5900 TMT of crude oil and about 16400 TMT of petroleum products, the same may not be sufficient to meet war-like situations. Moreover, in the post APM era, the Oil Companies would like to hold their inventories on commercial considerations. Besides, the Committee also note that a number of countries have already developed the capacity to hold stocks of crude oil and petroleum products for 90 days or more. Thus, it would be in the fitness of things that the Government expedites the work on this project. The Government should also finalise the other related issues such as mode of financing, maintenance of the inventory, fiscal concessions for the project, etc. as soon as possible.

(Recommendation No. 17)

2.18 The Ministry of Petroleum & Natural Gas has introduced a programme of supplying petrol blended with 5 per cent ethanol in the sugarcane producing states since 2003. So far, the programme has been fully implemented only in 8 States and 3 Union Territories viz. Uttar Pradesh, Punjab, Haryana, Maharashtra, Gujarat, Goa, Karnataka, Uttaranchal, Chandigarh, Dadra & Nagar Haveli and Daman & Diu. Besides, 21 districts in Andhra Pradesh and 9 districts in Tamil Nadu have also been covered. During the examination of Demands for Grants (2003-04), this Committee had been informed that there was a proposal to cover the entire country with 5 per cent ethanol-blended petrol during the year 2003-04. However, they regret to observe that less than one third of States and less than half of Union Territories have been covered so far. The slow progress on the scheme has been attributed to shortage of ethanol in some States, increase in the cost of production/ prices of ethanol, delays in the issue of transport permits, etc. The Committee recommend that the Government should vigorously pursue the issues of shortage of ethanol and delay in grant of transport permits with the concerned State Governments and resolve the same at the earliest. The Committee further recommend that the Government should work out some alternatives urgently and take appropriate steps so as to cover the entire country with 5 per cent ethanol blended petrol by the end of 2004-05.

(Recommendation No. 18)

2.19 As regards the bio-diesel blended diesel programme, the Committee have been informed that the Ministry has launched a pilot project at Rewari, Haryana on use of 5 per cent bio-diesel and diesel blend on vehicles to examine the operational, environmental, financial and other aspects of such blending in Indian conditions. The Indian Oil Corporation has been monitoring the project. A similar project is also being run/ monitored by the HPCL in Mumbai in association with the Brihan Mumbai Electric Supply and Transport Undertaking (BEST). The field trials have been in progress in Rewari and Mumbai since April, 2004 and February, 2004 respectively. The Committee find that 4 to 6 months have already been consumed in conduction of trials and the trials are still in progress. They recommend that the process should be completed without any further delay and the outcome of the trials be conveyed to them at the earliest. The Committee further recommend that subject to the satisfactory outcome of the trials, the programme should be launched in various parts of the country on a large scale.

(Recommendation No. 19)

2.20 It has been reported that the GAIL (India) Ltd. is having a collaboration with Shell for Coal Gassification Process. The Government has also informed that GAIL has undertaken feasibility studies for coal gassification projects. The Committee recommend that this should be encouraged as a part of alternative energy development and pursued in consultation with the Planning Commission, Ministry of Power and Department of Fertilisers.

(Recommendation No. 20)

2.21 The Mangalore Divisional Office of the IOCL has launched a premium grade of petrol 'XTRAPREMIUM' in the city of Mangalore in May, 2004. By keeping the engine deposit-free, this brand of petrol enables vehicles to deliver peak performance. The Committee have been informed that XTRAPREMIUM has so far been launched in as many as 312 cities/towns. The cost of this fuel is almost similar to HPCL's premier petrol brand of 'POWER' and slightly more than the normal brand of petrol in Mangalore city. The Committee feel that launching of this brand would lead to healthy competition among Oil Marketing Companies, ultimately leading to improvement in the quality of fuel. The Committee would like the Marketing Divisions of the OMCs to conduct a survey of the vehicle owners using premium brand of petrol and obtain feedback from them in regard to the pros and cons of their premier grade. This would enable the OMCs to bring in further improvements in their products.

(Recommendation No. 21)

2.22 The Committee note with satisfaction that the Government has a number of proposals for the expansion of the CNG system to various parts of the country. The Committee have been informed that GAIL, in association with Oil Marketing Companies, proposes to introduce the system in various polluted cities of the country in a phased manner. The Indraprastha Gas Limited proposes to expand its CNG infrastructure in Faridabad, NOIDA and Gurgaon. The Mahanagar Gas Ltd. also plans to increase its distribution network to Thane and Navi Mumbai. GAIL is carrying out detailed feasibility study for CNG projects in Kota and Indore. GAIL also proposes to introduce the system in Agra, Lucknow, Kanpur, Pune and Bareily through Joint Ventures. GAIL has also formed a Joint Venture Company to implement City Gas Distribution Projects in Andhra Pradesh. The Committee appreciate the efforts made by the Government in the direction of introduction of the CNG system in various parts of the country. However, the Committee regret the complete lack of planning in extending the CNG system to the cities in the eastern region of the country such as Kolkata, Patna, Bhubaneswar and Ranchi. They desire that utmost importance/ priority is accorded to these projects so as to ensure their implementation in a time-bound manner. Special care should be taken to ensure that these important projects do not result in time overruns owing to lack of funds.

(Recommendation No.22)

2.23 The Committee are unhappy to note the uneven installation of CNG stations in various zones of Delhi. While 44 such stations have been set up in South Delhi, East Delhi has only 14. The Central, North and West zones possess 18, 20 and 26 stations respectively. It is very surprising that East Delhi, which is one of the most populous zones in Delhi, is having the least number of CNG stations. The Committee have been informed that IGL is making efforts to set up more CNG stations for which it has requested the land owning agencies to allot suitable sites. Besides, IGL has also requested the Oil Marketing Companies to offer more outlets to it for setting up CNG facilities. The Committee recommend that a small but separate section be created in the IGL which may be exclusively assigned the job of pursuing/liaisoning with land owning agencies and OMCs for obtaining sites for CNG facilities. The Committee have been informed that a few sites are expected to be allotted to IGL by the land owing agencies shortly. The Committee would like to be apprised of the factual position in this regard within three months from the date of presentation of this Report.

(Recommendation No.23)

2.24 The Committee would like to point out that in view of the growth in demand of petroleum products and more or less stagnant domestic production of crude oil, the development of alternative sources of hydrocarbons has assumed increasing significance. In this connection, Coal Bed Methane (CBM) and Gas Hydrates have the potential to prove to be important alternatives. The Committee have been informed that the Government has formed a CBM policy. It has signed 16 contracts for exploration and production of CBM in the country. Exploration activities in the blocks for which Petroleum Exploration License has been granted by the respective State Governments, have already commenced. The Committee have further been informed that the commercial production of CBM from one of the awarded blocks is likely to start by 2006-07. The Committee regret to observe that the CBM programme did not get the degree of attention which it should have got. Though there are abundant resources of methane in the country, the progress in their exploration has been rather slow. The Committee recommend that the frequency of exploration bids for these blocks should be increased as faster development/exploration of CBM blocks would go a long way in achieving energy security. The Committee desire to be apprised of the block-wise progress of CBM exploration and production so far and the programme for the next two years along with specific milestones anticipated to be achieved during this period.

(Recommendation No.24)

2.25 The Committee are pleased to note that a time bound programme for exploration and development of gas hydrates as an alternative source of hydrocarbon is being implemented under the National Gas Hydrates Programme (NGHP) for which roadmap has been finalised. Based on detailed analysis of seismic data, three best areas in East Coast, West Coast and Andaman have been identified for further scientific investigation. The Committee have been informed that the Government plans to carry out pilot studies for production of gas from gas hydrates in one of the three best areas by the year 2006-07 and depending on the success of the pilot studies, pre-production Techno-Economic Studies can be planned beyond 2008. The Committee have further been informed that the technology for production of gas from gas hydrates is not available anywhere in the world at present and that the NGHP scientific team is engaged in vigorous R&D studies to develop a suitable technology. The Committee are pleased to note that a roadmap for the NGHP has been finalised. They desire that all activities on the project be carried out as per the road map. The Committee also recommend that more emphasis should be given to R&D activities. For this purpose, only those scientists who possess adequate expertise, should be appointed. They further recommend that scientists achieving significant breakthroughs, should be given extra financial benefits, besides commendation certificates. The Committee have no doubt that our scientists will leave no stone unturned in achieving their goal.

(Recommendation No. 25)

2.26 The Petroleum Conservation Research Association (PCRA) is undertaking a number of activities such as energy audits, fuel oil diagnostic studies, driver training programmes, workshops, exhibitions, demonstration centres for energy saving in agriculture, rectification in lift irrigation pumps, etc. to promote energy conservation. As a result of the activities of the organisation, considerable quantities of oil have been saved over the years. The Committee have been informed that the savings achieved during the years 2001-02, 2002-03 and 2003-04 were 65612, 79938 and 58201 kilo litres of oil equivalent respectively. The Committee appreciate the efforts made by the PCRA towards achieving energy conservation. However, they are unhappy to note that the number of fuel oil diagnostic studies came down to 271 in 2002-03 from 363 in the year 2001-02. This was further reduced to 232 in 2003-04. Similarly, another field activity viz. follow up activity also showed a declining trend after 2001-02 – reduced from 1647 in 2001-02 to 1181 in 2002-03 and further to 717 in 2003-04. Again, in case of another field activity viz. awareness building and energy audit in SSI, shortfalls have been registered in the years 2002-03 and 2003-04 as compared to the year 2001-02. While the number of such activity was 389 in the year 2001-02, it came down to 318 in 2002-03 although subsequently it slightly increased to 378 in 2003-04. The Committee do not approve of this declining trend in the field activities of the PCRA. They desire that the organisation should put in more efforts and step up its field activities in future.

(Recommendation No. 26)

2.27 The PCRA is implementing some promotional soft loan schemes in the industrial, transport and agriculture sectors to promote efficient use of energy and its conservation. The rate of interest charged on these loans was reduced from 8 per cent to 7 per cent per annum on reducing principal in November, 2001. The Committee note that the loan amounts sanctioned and disbursed under these schemes have been showing a downward trend since 2001-02. While the loan amount sanctioned in 2001-02 was Rs. 89.80 lakhs, the said amounts in 2002-03 and 2003-04 were Rs. 26.90 lakhs and Rs. 9.30 lakhs respectively. Similarly, the disbursal amount which was Rs. 16.30 lakhs in 2001-02, got reduced to Rs. 12.75 lakhs in 2002-03 and further reduced to Rs. 8.40 lakhs in 2003-04. The Committee desire that the organisation should make an analysis of the declining trend of the sanctioned loan and disbursal amounts and take remedial measures in this regard. If necessary, the rate of interest charged on such loans may be reduced so as to encourage more consumers to go in for procurement/ installation of energy saving instruments which would lead to further energy conservation.

(Recommendation No. 27)

2.28 The Committee are concerned to note that as admitted by the CMD, Oil and Natural Gas Corporation Limited (ONGC) during evidence, pilferage of crude oil is taking place on a large scale but it has not been possible to penalise the persons involved in pilferage as per the law of the land. This is in spite of the fact that apart from the local police, ONGC has its own security of about 4000 personnel in Gujarat. The Committee take a serious view of the matter and feel that the present arrangements to check/ stop the pilferage of crude oil are not adequate. Therefore, the Committee desire that the Ministry should take immediate and stringent steps to curb the pilferage. If need be, assistance of the CBI may be sought in the matter. The Committee would like to be apprised of the action taken in the matter.

(Recommendation No. 28)

New Delhi;
August 18, 2004
Sravana 27, 1926 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

Appendix-I

MINUTES

STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS
(2004-05)

FIRST SITTING
(12.08.2004)

The Committee sat on Thursday, August 12, 2004 from 1400 hrs. to 1715 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri N. Janardhana Reddy - Chairman

Members
Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Ramesh Bais
4. Shri Kirip Chaliha
5. Shri Lal Muni Choubey
6. Shri Tushar A. Choudhary
7. Shri Santosh Kumar Gangwar
8. Shri Jai Prakash
9. Shri Ch. V. H. Rama Jogaiah
10. Dr. Prasanna Kumar Patasani
11. Shri. Rajiv Ranjan Singh
12. Shri Vanlalzawma
13. Shri Ratilal Kalidas Varma
14. Shri Rajesh Verma

Rajya Sabha

15. Shri Moolchand Meena
16. Shri Rajeev Shukla
17. Shri Kripal Parmar
18. Shri M. Rajasekara Murthy
19. Shri Dipankar Mukherjee
20. Shri C. Perumal
21. Dr. Alladi P. Rajkumar
22. Shri Subash Prasad Yadav
23. Shri Satish Chandra Misra

Secretariat

1. Shri P. D. T. Achary - Additional Secretary
2. Shri M. Rajagopalan Nair - Joint Secretary
3. Shri P.K. Grover - Director
4. Shri B.D. Swan - Under Secretary
5. Shri P.C. Tripathy - Assistant Director

Representatives of the Ministry of Petroleum and Natural Gas

1.	Shri S. C. Tripathi	-	*Secretary*
2.	Ms. Gayathri Ramachandran	-	AS & Financial Advisor
3.	Shri Prabh Das	-	Joint Secretary
4.	Shri A.K. Srivastava	-	Joint Secretary
5.	Shri Sanjoy Joshi	-	Joint Secretary

Representatives of PSUs

1.	Shri Subir Raha	-	CMD, Oil & Natural Gas Corp. Ltd. (ONGC)
2.	Shri M.S. Ramachandran	-	CMD, Indian Oil Corp.Ltd (IOCL)
3.	Shri Prasantho Bannerjee	-	CMD, GAIL (India) Ltd.
4.	Shri R.K. Dutta	-	CMD, Oil India Ltd.
5.	Shri S. Behuria	-	CMD, Bharat Petroleum Corp. Ltd. (BPCL)
6.	Shri J. Thomas	-	GGM, ONGC Videsh Ltd. (OVL)
7.	Shri N.G. Kannan	-	MD, IBP Ltd.
8.	Shri B.K. Das	-	MD, Numaligarh Refinery Ltd.
9.	Shri B.K. Gogoi	-	CMD, Bongaigaon Refinery & Ptrochemicals Ltd. (BRPL)
10.	Shri S. Vijayaraghavan	-	Director, Petroleum Planning & Analysis Cell (PPAC)
11.	Shri G.C. Saxena	-	In-Charge, Directorate General of Hydrocarbons (DGH)
12.	Shri Sam Bob	-	Secretary, Oil Industry Development Board (OIDB)
13.	Shri. B.K. Menon	-	CMD, Kochi Refineries Ltd. (KRL)
14.	Shri Narasimhan	-	CMD, Chennai Petroleum Corp. Ltd. (CPCL)

2. At the outset, Hon'ble Chairman welcomed the Members of the Committee to the sitting and explained the purpose of the sitting. He briefly indicated that the Committee, besides examining and preparing Reports on Demands for Grants, Bills and Policy Documents, also take up for scrutiny the Annual Report/subjects based on Annual Report pertaining to the Ministry. Thereafter, Hon'ble Chairman welcomed the Secretary of the Ministry and officials accompanying him to the sitting of the Committee.

3. Then, the Secretary, Ministry of Petroleum and Natural Gas made a visual presentation before the Committee highlighting the various issues relating to the petroleum and natural gas sector.

4. The Committee then took oral evidence of the representatives of the Ministry of Petroleum and Natural Gas in connection with the examination of Demands for Grants of the Ministry for the year 2004-05.

5. During the course of evidence, the main issues which came up for discussion included cess on crude oil production, production of crude oil and natural gas, Anti-Adulteration Cell, pilferage of crude oil in Gujarat and Assam, post-APM import parity based pricing, new kerosene distribution scheme in rural areas, utilisation of Plan outlay by the Oil Sector PSUs, CNG distribution in some identified cities of the country, etc.

6. The Committee decided to meet again on 17.08.2004 at 1500 hrs. to consider and adopt the draft Report on Demands for Grants (2004-05) of the Ministry of Petroleum & Natural Gas.

7. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

Appendix-II

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2004-05)

SECOND SITTING
(17.08.2004)

The Committee sat on Tuesday, August 17, 2004 from 1500 hrs. to 1545 hrs. in Committee Room No. 139, Parliament House Annexe, New Delhi.

Present

Shri N. Janardhana Reddy - Chairman

Members
Lok Sabha

2. Shri Anandarao Vithoba Adsul
3. Dr. Rattan Singh Ajnala
4. Shri Ramesh Bais
5. Shri Kirip Chaliha
6. Shri Lal Muni Choubey
7. Shri Santosh Kumar Gangwar
8. Shri Jai Prakash
9. Shri Ch. V.H. Rama Jogaiah
10. Shri Sukhdeo Paswan
11. Dr. Prasanna Kumar Patasani
12. Shri Ramji Lal Suman
13. Shri Vanlalzawma

Rajya Sabha

14. Shri Moolchand Meena
15. Shri M. Rajasekara Murthy
16. Shri Dipankar Mukherjee
17. Shri Subash Prasad Yadav

Secretariat

1. Shri P.D.T. Achary - *Additional Secretary*
2. Shri M. Rajagopalan Nair - *Joint Secretary*
3. Shri P.K. Grover - *Director*
4. Shri B.D. Swan - *Under Secretary*
5. Shri P.C. Tripathy - *Assistant Director*

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. The Committee then took up for consideration the draft Report on Demands for Grants (2004-05) of the Ministry of Petroleum & Natural Gas.

4. After some discussions, the draft Report was adopted by the Committee with some changes.

5. The Committee also authorised the Chairman to finalise the Report after factual verification by the concerned Ministry and present the same to both the Houses of Parliament in the current Session.

The Committee then adjourned.