1

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2009-10)

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2009-10)

FIRST REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2009/ Agrahayana, 1931 (Saka)

FIRST REPORT

<u>CP&NG No. 1</u>

STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2009-10)

(FIFTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS
(2009-10)

Presented to Lok Sabha on <u>10.12.2009</u>

Laid in Rajya Sabha on <u>10.12.2009</u>

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2009/ Agrahayana, 1931 (Saka)

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2009-10)

Shri Aruna Kumar Vundavalli - Chairman

Members

Lok Sabha

2 Shri Anandrao Adsul
3 Shri Ramesh Bais
4 Shri Sameer Bhujbal
5 Smt. Santosh Chowdhary
6 Dr. Ratna De
7 Shri Mukesh B. Gadhvi
8 Shri Dilipkumar Mansukhlal Gandhi
9 Shri Maheshwar Hazari
10 Shri Gorakh Prasad Jaiswal
11 Shri Virendra Kumar
12 Shri Vikrambhai A. Madam
13 Dr. Thokchom Meinya
14 Shri Mahabal Mishra
15 Shri Danve Raosaheb Patil
16 Shri Kabindra Purkayastha
17 Shri K. Narayan Rao
18 Shri C.L. Ruala
19 Shri Uday Pratap Singh (Hoshangabad)
20 Shri A.K.S. Vijayan
21 Shri Om Prakash Yadav

Rajya Sabha

22 Dr. Prabha Thakur
23 Shri Ahmed Patel
24 Shri B.K. Hariprasad
25 Shri Kalraj Mishra
26 Shri Tapan Kumar Sen
27 Shri Kamal Akhtar
28 Shri Satish Chandra Misra
29 Shri Subhash Prasad Yadav
30 Shri Sabir Ali
*31 Shri Su. Thirunavukkarasar

Secretariat

1. Shri J.P. Sharma - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri J.V.G. Reddy - Additional Director
4. Shri Arvind Sharma - Deputy Secretary

---

*Ceased to be a member of the Committee consequent upon his resignation from the membership of Rajya Sabha w.e.f. 09th November, 2009.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf present this First Report on 'Demands for Grants (2009-10) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2009-10) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 23.07.2009.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 22nd October, 2009.

4. The Committee considered and adopted the Report at their sitting held on 4th December, 2009.

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 (2009-10) of the Ministry and for giving evidence before the Committee.

6. The Committee also place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, observations/recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
8 December, 2009
***17 Agrahayana,* 1931 (Saka)**

ARUNA KUMAR VUNDAVALLI,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

REPORT

PART I

INTRODUCTORY

Efficient and reliable energy supplies are a precondition for accelerating the growth of the Indian economy. While the energy needs of the country are going to increase at a rapid rate in the coming decades, the energy resources that are indigenously available are limited and may not be sufficient in the long run to sustain the process of economic development. The share of oil and gas in the energy consumption has reached a level of about 45%. The Ministry of Petroleum & Natural Gas is concerned with exploration and production of oil and natural gas (including import of Liquefied Natural Gas), refining, distribution & marketing, import, export and conservation of petroleum products. The activities of the Ministry are carried out through the following 9 public sector undertakings, 11 subsidiaries and other companies and 6 other organizations.

Oil companies where Government of India has a shareholding

1. Oil & Natural Gas Corporation Limited (ONGC)
2. Indian Oil Corporation Limited (IOCL)
3. Hindustan Petroleum Corporation Limited (HPCL)
4. Bharat Petroleum Corporation Limited (BPCL)
5. GAIL (India) Limited
6. Engineers Indian Limited
7. Oil India Limited (OIL)
8. Balmer Lawrie & Co. Limited
9. Biecco Lawrie & Co. Limited

Subsidiaries and other companies

1.	ONGC Videsh Limited (OVL)	Wholly owned by ONGC
2.	Mangalore Refinery & Petrochemicals Limited	Subsidiary of ONGC

3.	Indian Oil Blending Limited	Wholly owned by IOCL
4.	Certification Engineers International Limited	Wholly owned by EIL
5.	EIL Asia Pacific Sdn. BHD	Wholly owned by EIL
6.	Numaligarh Refineries Limited (NRL)	Subsidiary of BPCL
7.	Kochi Refineries Limited (KRL)	Subsidiary of BPCL
8.	Bongaigaon Refinery and Petrochemical Ltd. (BRPL)	Subsidiary of IOCl
9.	IBP Co. Ltd.	Subsidiary of IOCL
10.	Chennai Petroleum Corporation Limited (CPCL)	Subsidiary of IOCL
11.	Indian Oil Mauritius Limited	Subsidiary of IOCL

Other organizations

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)

A. <u>ANALYSIS OF DEMANDS FOR GRANTS (2009-10)</u>

1.2 The following statement shows the details of expenditure incurred by the Ministry of Petroleum and Natural Gas for various items during 2007-08, 2008-09 and the allocation made for the year 2009-10:

(Rs. in Lakhs)

Item	BE 2007-08	RE 2007-08	Actuals 2007-08	BE 2008-09	RE 2008-09	BE 2009-10
Subsidy on domestic LPG and PDS kerosene	265000	270000	264060	270000	270000	284000
Freight subsidy on retail	3000	3000	2827	3200	2400	2600

products for far flung areas						
Subsidy to oil Companies for supply of natural gas to NE Region	16000	15200	15127	15243	15243	24300
Petroleum Regulatory Board	1500	250	246	1500	300	1500
Society for petroleum laboratory	200	136	44	165	157	165
Rajiv Gandhi Institute of Petroleum Technology	-	-	-	2500	2500	2500

1.3 The Non Plan Budget (2009-10) of Rs. 3144 crore of the Ministry comprises mainly of subsidy for domestic LPG and PDS Kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North East Region and the setting up of Petroleum Regulatory Board.

1.4 The Committee have been informed that the scheme of Subsidy on Domestic LPG and PDS Kerosene has been devised to make available PDS kerosene and domestic LPG to households at subsidized and affordable prices. During 2009-10, an amount of Rs. 2840 crore has been allocated under this scheme. Similarly, the objective of the scheme of 'Freight subsidy on retail products for far flung areas' is to provide PDS kerosene and domestic LPG at the same price in the remote and inaccessible areas as in rest of the country. Non Plan Outlay of Rs. 26 crores has been kept under this scheme during 2009-10.

1.5 As regards the price of natural gas in the North East Region, the Committee have been informed that it has been pegged at Rs. 1920 per MCM i.e. 60% of the price existing elsewhere in the country. The difference between the producer price and the consumer price of natural gas in the North East Region from the year 2006-07 is being borne from the Government budget. Under the scheme, natural gas to consumers in the North East Region would be provided at the concessional price of

Rs.1920 per MMSCM as compared to Rs.3200 per MMSCM for rest of the country. Non Plan Outlay of Rs.243 crore has been kept under this scheme during 2009-10.

1.6 The Committee have been informed that during 2008-09 as well as 2009-10, a sum of Rs.25 crore has been allocated as Plan Support to meet the initial expenditure towards setting up the Rajiv Gandhi Institute of Petroleum Technology (RGIPT), at Jais, Rae Bareilly. During examination of the Rajiv Gandhi Institute of Petroleum Technology Bill, 2007, the Committee was informed of the following fund requirements for establishment of RGIPT:-

> "The establishment of the Institute involves total capital expenditure of Rs. 435 crores and total recurring expenditure of Rs. 260.58 crores. The capital expenditure would partially be met through budgetary support to the tune of Rs. 285 crores and partially through a grant from Oil Industry Development Board to the tune of Rs. 150 crores. The recurring expenditure is proposed to be met out of the interest accruals from the endowment fund to the tune of Rs. 250 crores created by Oil Public Sector Undertakings plus earning from student fees and income from consultancy and research. The year-wise requirement of budgetary support during the 11th Plan is given below:-

Year	Amount (In Rs. Crores)
2007-08	24
2008-09	81
2009-10	69
2010-11	60
2011-12	51
Total	**285**

1.7 The Standing Committee in their 20th Report (14th Lok Sabha) on Demand For Grants (2008-09) of the Ministry of Petroleum and Natural Gas had recommended the Government to take necessary steps to make RGIPT functional and also desired for setting up campus/academic centres at various locations of the country. In this regard, the Committee have been informed as under:-

"The process of faculty recruitment for RGIPT has progressed well. Shortlisting of the applicants has been finalized with the help of subjects experts from IIT Kanpur and the call letters for interview have been dispatched to the shortlisted candidates. Interviews by Selection Committee were conducted from 30th June to 7th July 2008.

Regarding recommendation for setting up campus/academic centers at various locations of the country having rich hydrocarbon reserves/potential Clause 10(4) of the RGIPT Act, 2007 empowers the Board to establish campus and academic centres at any place within India. Presently, RGIPT Society is engaged in setting up the Institute at Rae Bareilly. On successful establishment of RGIPT, depending upon the requirement, the Institute would consider setting up of branches in other parts of the country. The preference for site location would be analyzed as per the need and demand prevailing at the time of setting up of such similar institute".

1.8 In a further reply dated 18.02.2009, the Government have informed the Committee that the student admission process at RGIPT has been completed for two B.Tech. courses and one MBA program. Subsequently, the academic sessions have been started for B.Tech. Course in Reservoir Engineering and Petroleum Refining at Rae Bareli from 05.09.2008 and for MBA Course in Petroleum & Energy Management at Noida from 12.09.2008.

In a latest status of implementation of above recommendation of the Committee, the Ministry of Petroleum and Natural Gas informed that additional land is being procured through UPSIDC. The expenditure on land and PMC fees has been approx. 7 crores, well within the budget. Further, the Board of RGIPT has decided in its meeting held on 29.1.2009 to set up a centre of RGIPT in Assam.

1.9 The Committee note that the Non Plan Budget (2009-10) of Rs. 3144 crore of the Ministry of Petroleum and Natural Gas comprises mainly of subsidy for domestic LPG and PDS kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North Eastern Region and setting up of the Petroleum Regulatory Board. During 2009-10, an amount of Rs. 2840 crore has been allocated for subsidy on domestic LPG and PDS Kerosene to make them available to households at subsidized and affordable prices. The Committee further note that non-plan outlays of Rs. 243 crore have been allocated to the Ministry of Petroleum and Natural Gas to bear the difference

between the producer price and the consumer price of natural gas supplied in the North Eastern region. In view of these non-plan outlays for the above referred schemes, the Committee are of the view that these non-Plan Demands of the Ministry of Petroleum and Natural Gas are in order and expect that the budgetary allocations during the year would be fully utilized as targeted.

1.10 The Committee are, however, not satisfied with the budgetary allocations (Plan) of Rs. 25 crore during 2008-09 and 2009-10 to Rajiv Gandhi Institute of Petroleum Technology (RGIPT) as the total budgetary support of Rs. 285 crore was proposed to be allocated to RGIPT during 11th Plan to meet the capital expenditure. The Committee note that original projection for budgetary support proposed for 2008-09 and 2009-10 were of Rs. 81 crore and Rs. 69 crore respectively for setting up infrastructure facilities like purchase of land, land acquisition, building, residences, other amenities like school, hospitals equipments, sports facilities. To their utter surprise, the Committee find that only Rs. 25 crore each for both the years have been actually allocated for the purpose. In the opinion of the Committee, the whole RGIPT project originally scheduled to be completed in 2011-12 would be badly affected due to certain bottlenecks like acquisition of additional land from UPSIDC and reduced budgetary allocations during 2008-09 and 2009-10. The Committee, therefore, recommend that the issues of land acquisition may be resolved at the earliest and all infrastructure facilities be established at RGIPT as scheduled by infusing the desired budgetary support.

1.11 The Committee find that although in their 20th Report on DFG (2008-09) of Ministry of Petroleum and Natural Gas (14th LS), they had recommended that the Government should act fast in setting up the Rajiv Gandhi Institute of Petroleum Technology (RGIPT) and make it functional from the academic year 2008-09, the Committee are concerned to note that only two B.Tech courses in Reservoir Engineering and Petroleum Refining at Rae Bareli and one MBA course in Petroleum and Energy Management at Noida from 5.9.2008 and 12.9.2008 respectively have commenced so far. The Committee, therefore, again stress

that a detailed action plan be prepared by the Government to make the Institute at Rae Barelly fully functional in a time bound manner and would also like to know the action plan of all the professional courses to be started at the Institute. As regards the decision of the Board of RGIPT taken at a meeting held on 29.1.2009 to set up a centre of RGIPT at Assam, the Committee would like to be apprised of further progress made by the Government/RGIPT in this regard.

B. PLAN OUTLAYS OF OIL COMPANIES

1.12 The Plan Budget of the Ministry of Petroleum and Natural Gas comprises the Internal and Extra Budgetary Resources (IEBR) of Oil PSUs and RGIPT. The Planning Commission approves the Annual Plan of Oil PSUs for implementation of various projects. The Annual Plan 2009-10, as approved by the Planning Commission for oil PSUs, is Rs.57475.74 crore. These projects are implemented by Oil PSUs from out of their Internal Resources and Loans. A statement showing XI Plan outlays of Oil Companies is as under:-

XI PLAN OUTLAY - COMPANY-WISE & YEAR-WISE										
										Fig.Rs./Crore
PSU	**Approved XI Plan Outlay**	**2007-08 BE Approved**	**2007-08 RE Approved**	**Expenditure 2007-08 (Actual)**	**2008-09 BE Approved**	**2008-09 RE Approved**	**Expenditure 2008-09**	**2009-10 BE Approved**	**2010-11 proposed**	**2011-12 proposed**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**10**	**11**	**12**
ONGC	75983.77	17887.06	18346.12	17651.04	19338.00	19641.53	21790.34	20867.58	12359.52	10967.36
OVL	45332.87	5287.87	4758.94	4529.26	6825.14	17782.47	15664.67	9365.06	10886.00	11267.79
HPCL	11487.00	3050.00	1733.00	1724.69	2141.50	1309.50	1451.26	1390.00	1584.00	3655.50
OIL	13439.02	1705.68	1519.68	1210.33	2230.67	1718.80	1601.13	2276.31	3147.79	3485.48
BPCL	12212.80	1565.90	1425.45	819.61	1972.00	2909.00	1957.12	3348.70	3315.45	3423.30
GAIL	11944.83	2743.83	2382.27	1349.17	3413.36	3558.96	2786.33	5558.00	2529.53	968.30
IOC	43393.85	4818.34	4627.90	4889.44	8500.00	8800.00	9644.22	11000.00	9708.11	8553.86
BRPL	2036.43	526.36	471.19	252.14	557.39	650.00	708.30	561.00	298.35	93.86
NRL	704.00	188.00	109.00	63.43	101.00	183.00	135.86	250.00	115.00	185.00
CPCL	3575.00	289.00	211.00	159.80	527.94	336.49	422.96	716.09	1113.53	620.50
MRPL	8726.02	810.02	115.00	93.31	825.00	542.00	281.39	2048.00	4286.02	0.00
BALMER LAWRIE	205.00	25.00	25.00	17.22	100.00	70.00	19.65	90.00	20.00	10.00
BEICCO LAWRIE	31.00	5.00	0.00	0.00	8.00	8.00	0.00	5.00	5.00	13.00
TOTAL	**229071.59**	**38902.06**	**35724.55**	**32759.44**	**46540.00**	**57509.75**	**56463.23**	**57475.74**	**49368.30**	**43243.95**

From the above, the Committee observe that the total XI Plan Outlay for all activities of oil companies is Rs. 229071.59 crore and this would be funded by Oil PSU through their own Internal Resources (IR) and Extra Budgetary Resources (EBR). The allocation for XI Plan works out to about 121% higher than that of the X Plan Outlay of Rs. 103656 crore.

1.13 Activity-wise XI Plan Outlay and actual expenditure during 2007-08 and 2008-09 in respect of various Oil PSUs is given below:-

(Rs. In crore)

Activity	XI Plan Outlay	BE 2007-08	RE 2007-08	Actual 2007-08	BE 2008-09	Re 2008-09	Actual 2008-09
Exploration & Production	150932.49	28243.44	279066.19	25051.82 (88.70%)	32387.82	43733.13	42477.58 (97.13%)
Refinery & Marketing	62582.10	8120.12	5207.58	5188.33 (63.89%)	10036.83	9388.99	9147.49 (97.43%)
Petrochemicals	15321.00	2508.50	2525.78	2502.83 (99.77%)	4007.35	4309.64	4818.51 (111.81%)
Engineering	236.00	30.00	25.00	17.22 (57.40%)	108.00	78.00	19.65 (25.19%)
Total	229071.59	38902.06	35724.55	32760.20 (91.70%)	46540.00	57509.76	56463.23 (98.18%)

1.14 As regards the Budget Estimate 2009-10 and actual expenditure (Activity-wise) up to 31.5.2009, the Committee have been apprised by the Ministry as under:-

(Rs. In crore)

Activity	BE 2009-10	Actual up to 31.5.2009	% utilization
Exploration & Production	38731.98	4404.46	11.37
Refinery & Marketing	14285.79	1757.67	12.30
Petrochemicals	4362.97	972.14	22.28
Engineering	95.00	1.28	1.35
Total	57475.74	7135.55	12.41

1.15 Enquired about the reasons for variation between BE/RE and actual of expenditure as well as physical achievements by various oil companies during 2008-09, the Committee have been informed of the following reasons:-

ONGC

The following table shows variation between BE/RE and actual performance during 2008-09:

(Rs. in crore)

	BE	RE	Actuals
(A) Physical performance			
Crude oil production (MMT)	28.771	27.808	27.017
Natural Gas sales (BCM)	20.162	20.4309	20.5315
VAP production (MMT)	3320	3265	3313.45
Seismic Survey			
2D (L KM)	54935	68844	77125
3D (Sq KM)	22822	26382	26785
Exploratory Drilling			

Meterage	483985	363180	297146
Wells	162	128	106
Development Drilling			
Meterage	514280	467830	477144
Wells	232	215	218
(B) Financial Outlays – (Rs/Crore)			
Seismic Survey	2592.56	2765.96	3473.63**
Exploratory Drilling	3715.01	3243.82	3623.51**
Development Drilling	3836.58	3864.56	4764.79**

The reasons for variations (shortfall) in physical activities are as under:

(i) Seismic Survey:

Seismic data acquisition is 77125 LKM of 2D and 26785 SKM of 3D survey which is an achievement of 140.4% and 117.4% respectively of the Annual target.

(ii) Exploratory Drilling

The reasons for under-performance are as under:

(a) The drilling meterage achievement in Western Offshore Basin (SW) is at 73.1% of Annual target with 20 wells completed against target of 22 wells. Drilling performance affected due to prolonged well complications in 2 wells, non-availability of planned Charter hired rigs. Drilling in Western Offshore (DW) could not be taken-up due to non-availability of deepwater rig. Deepwater drilling resumed in East Coast during 2Q with rig Discoverer 7 Seas.

(b) Drilling in Gulf of Cambay could not be taken up due to limited availability of suitable drilling rig for very shallow water and delay in receipt of environmental clearance for taking up location Gulf G-1.

(c) Drilling meterage achievement for A&AA Basin is 67.9% of Annual target with 16 completed wells against target of 34 wells. Shortfall is due to prolonged well complications in 7 wells & extended testing in 3 wells of Upper Assam, non-availability of 2 planned Charter hired rigs, unplanned capital repair of 2 rigs.

1.16 As regards the reasons for mismatch in the Plan outlay and physical target for development drilling during 2008-09 for Development Drilling by ONGC, the Committee have been informed in a post evidence reply that the last three-four years have been tumultuous for world energy markets, with oil prices soaring to a high level and decreasing in 2008. The cost of services also varies in tandem with the crude oil prices in the market. As a result, cost of services specially in deepwater drilling has increased substantially due to higher demand for deepwater rigs. The increase is mainly due to significant increase in drilling rig day rates from Rs. 0.5 crore in 2007-08 (which was the basis for BE 2008-09) to Rs. 0.85 crore in 2008-09.

1.17 The Committee have been further informed that in ONGC rig resources are being deployed as per annual work programme. The requirement of rigs is being met by owned rigs and charter hiring of additional rigs according to requirement both in onland and offshore (shallow and deep water). At present out of 116 rigs (both onshore and offshore) available with ONGC, only 3 (2 owned and 1 hired) are available for deep water drilling. In view of the increased activities in deep water exploration work worldwide, when enquired as to whether the number of deep water drilling rigs available with ONGC are adequate, the Committee have been informed as under:-

> "Deep water drilling rigs are charter hired as per the resource requirement for the exploration plan of ONGC. Presently, 3 Deep Water rigs (1 Owned & 2 Charter Hired) are in operation in ONGC. Further, 2 more Ultra Deep Water rigs have been planned on hiring basis. These rigs are likely to be deployed by December 2010. Regular reviews are being carried out to ascertain the requirement of rig resources in ONGC".

1.18 As regards the steps taken by the Government/Oil Company to ensure availability of adequate and technologically updated deep water drilling rigs, the Ministry of Petroleum and Natural Gas have informed the Committee in a post evidence reply as under:-

> "In order to attract technology and geological ideas for exploration of deepwater areas, Government has awarded blocks under NELP to the experienced operators through international competitive bidding process. It is the responsibility of the operators for arranging the required resources including drilling rigs for carrying out the committed work programme in a given time frame".

Development Drilling

The total development meterage drilled is 477144m or 92.8% of the Annual target with 218 wells completed against target of 232 wells. The reaons for shortfall in the performance are as under:

(a) Heera & Neelam Asset- Due to non-availability of new platforms in time under 'Heera Redevelopment Project' which lead to delay in drilling of new wells.

(b) Bassein & Sat. Asset – Shortfall is due to delay in supply of Special Gas well-heads & X-mas trees for BF Platform leading to discontinuation of drilling activity temporarily and due to Batch drilling taken-up for wells on platforms to make optimum utilization of hired services of Rotary Steerable System (RSS) & Synthetic Oil Base Mud (SOBM) which resulted in waiting for some wells.

(c) Assam Asset – Due to prolonged complications in 2 wells, non-availability of 3 Charter hired rigs planned for development drilling, rigs waiting for ready sites and environmental problems.

Crude Production

Crude Oil production by ONGC during the year 2008-09 is 27.017 MMT or 93.9% of the Annual target. The reasons for shortfall are as under:-

(a) Mumbai High Asset- Shortfall in production is due to less development inputs (27 side-tract wells completed & put on production against plan of 67 wells), less than anticipated contribution from new development wells, unexpected sharp decline in production in ICP sector and insufficient logistics support.

(b) Heera-Neelam Asset – Shortfall in production is due to delay in installation of new platforms under 'Heera Redevelopment Project' leading to less development inputs (5 Development wells completed against plan of 18 wells), increase in water cut in Neelam field and well subsidence observed near HC Platform in March'09 leading to closure of wells.

(c) Bassein & Satellite Asset – Production affected due to high water cut in wells of Vasai West (VW Platform), delay in installation of processing platform for VSEA wells and shutdown taken for hook-up of BCPA-2 Oil processing facilities.

(d) Mehsana Asset – Production affected due to stoppage of air-injection in EOR fields (Balol, Santhal, Becharaji & Lanwa) and GEB Power shutdowns. Presently, air-injection rate in Santhal and Balol fields is limited on account of safety issue (Pressurization of shallow acquifers).

(e) Ankleshwar Asset – Decline in production is due to increasing trend in water cut of wells, effluent disposal problems in wells of Nada, Dabka & Jambusar, lack of surface facilities in Ankleshwar, Sisodra and Motwan fields and decline in production from hydro-frac wells.

(f) Assam Asset – Production affected due to less than envisaged gain from work over and new development wells and decline in Base Productin of all major fields. Marginal shortfall is due to environmental reasons.

(g) Rajamundry Asset – Production from G-1 field in offshore not commenced as envisaged and only 2 wells from GS-15 field are producing from Rajamundery offshore.

(h) JV Oil Production was 1.651 MMT (96.14%) against a target of 1.717 MMT.

Natural Gas Production

(a) Natural gas production by ONGC during the year 2008-09 is 20.532 MMSCM which is an achievement of 101.83 % against the annual target.

(b) JV Gas Production was 2.9494 (91.6%) BCM against a target of 3.2082 BCM & JV Gas sales were 2.8196 BCM (91.6%) against a targetof 3.0773 BCM.

Value Added Products

The achievement in production of Value Added Products is 99.8% with 3313.5 KT against Annual target of 3320 KT. The reasons for shortfall in production are as under:

(a) LPG production at Hazira is less due to receipt of contaminated condensate from offshore, disturbing the CFU operations. LPG/LAN/C2-C3 production at Uran affected due to condensate drop-out problems in MU/BUT/HUT gas trunk-lines and non-commencement of gas production from C-series fields affecting condensate receipt. Less receipt of condensate from field and delay in commissioning of ACRU at CPF Gandhar affected LPG production at Ankleshwar-Gandhar.

(b) ONGC Videsh Limited (OVL)

RE in 2008-09 was higher in comparison to BE since the acquisition of Imperial Energy Corporation Plc. was finalized by that stage and an amount of Rs. 11,452 crore was provided for new acquisitions. Actual financial outgo towards acquisition of Imperial Energy Corporation was Rs. 10,320 crore, which was incurred in January 2009. Against the RE of Rs. 17782.47 crore, OVL spent Rs. 15,664.30 crore (unaudited). The utilization in case of OVL cannot be linear to time, and time line based measure in this case may not deliver exact assessment of utilization of the outlay. The major items of less utilization are under compilation and shall be furnished after approval and audit.

(c) OIL

As against the revised estimates of Rs. 1718.80 crore during the year 2008-09, the actual expenditure incurred towards plan outlay is Rs.1631.89 crore. The shortfall in the plan expenditure is mainly on account of the following reasons:-

Deferment of entire 2D Contractual Seismic Survey of 500 GLKM in Brahmaputra River Bed due to non availability of required Government clearances from Pollution Control Board of Assam.

Against planned survey of 200 GLKM during the year 2008-09 in Logistically Difficult Areas (LDA) in Kharsang- Shonking area of Arunachal Pradesh, only 12.58 GLKM survey could be undertaken due to delayed mobilization by the contractor.

In place of targeted 200 GLKM of 2D 3C Seismic Contractual Survey in Assam and Arunachal Pradesh in the year 2008-09, 150 GLKM of 2D-3C survey is now planned in the year 2009-10 by in-house efforts / contract services.

Acquisition of planned 1560 GLKM of 2D seismic data in Rajasthan NELP blocks during 2008-09 was deferred / replaced as 3D seismic survey is prioritized in these blocks. 3D survey in NELP blocks has since been completed.

3750 SQKM of aero-magnetic survey planned in NELP-VI Mizoram block and 750 SQKM in NELP-VI KG block during the year 2008-09 could not be undertaken as contract by M/s ONGCL, based on which OIL intended to award the contract on the same terms and conditions, is yet to be finalized.

Against the BE target for drilling of 222350 Meters, for 2008-09, the drilling meterage achieved was 115867 Meters. The reasons for shortfall in drilling are as under :-

In order to supplement in-house drilling resources, 6 nos. charter hire drilling rigs were planned for deployment in Assam and Arunachal Pradesh throughout the year 2008-09 but they were available for limited period in the year.

Surface and sub-surface problems/ prolonged production testing in a number of drilling wells, thereby engaging drilling rigs beyond scheduled time periods.

Scheduled drilling of 1 no. well in Ganga Valley Project was deferred due to pre-drilling prospect evaluation study.

Scheduled drilling in NELP Blocks in Assam, Rajasthan and KG block was deferred to accommodate improved API of 3D seismic data for identifying drilling locations.

Drilling of 1 no. well was deferred to accommodate improved API of 3D seismic data for identifying drilling locations.

Deferment of drilling in Arunachal Pradesh due to delay in receipt of Government permission and logistical problems and non availability of forest land for drilling in the NEFF project.

Delay in preparatory work for drilling at various locations in the North East due to local obstructions, frequent bandhs and environmental problems.

Frequent equipment failures on account of old vintage of rigs deployed in Assam & Arunachal Pradesh.

Deferment of procurement of high value items and delay in award of contracts resulting in lower outlay on Capital Equipments and Facilities.

(d) GAIL

The expenditure during 2008-09 is Rs. 2786.33 crore against BE of Rs. 3413.36 crore. Major activities/projects contributing to the shortfall are as follows:

Other pipeline related projects: Overall shortfall was Rs. 287 crore vis-à-vis RE. It was on account of the following:-
(a) Project Development of Regional Pipelines i.e. Dhabol Bangalore, Jagdishpur- Haldia, Kochi-kayamkulam, etc. Under Process payment will start from next year;
(b) HPCL & TATA Power metering skid supply delay;
(c) on account of hold in Kandla- Samakhiali LPG pipeline. Go-ahead is now received;
(d) on account of balance payment against metering skids for GVK, Vemagiri, Gautami & Konaseema project;
(e) on account PMC payments of Bawana-Nangal, Spurlines of Chainsa-Jhajjar & Compressor projects;
(f) Final payments towards construction LPG pipelines of EOL, IOCL, BPC; and
(G) The Balance is on account of various projects i.e Focus Energy P/L, RIL milestone connectivity, PH-II of lean/rich gas swapping and other small pipelines. The execution and payment schedule to be met in next financial year.

Exploration & Production: The shortfall in expenditure was Rs. 259 crore, of which (a) Amount of Rs-80 crore due to non-starting of drilling of appraisal wells in CY-OS/2 (b) Rs-140 crore budgeted for additional farm in of 25% PI in the same block also not utilized (c) short fall of Rs-23 Cr for drilling in AA-ONN-2002/1 block (2nd well) and Rs-20 Cr not spent due to the block CY-ONN-2002/1 declared as relinquished by DGH.

Equity Investments In Project Blue Sky (JV - GGL,CUGL,MNGL,BGL,AGL,TNGL,Rajasthan,Vododara & CNG Dispensing Facility : The shortfall of Rs. 93 crore is on account of delay in investment in equity in JVs due to delay in demand of equity contribution by JVs i.e GAIL Gas Ltd, BGL & AGL, BGL &AGL etc. The shortfall is expected to be met by May, 2009.

Assam Gas Cracker: The shortfall of Rs. 44.84 crore is towards equity contribution of GAIL for BCPL. The amount could not be utilized due to the absence of demand from BCPL. Hence the payment could not be made in the financial year.

Dabhol Panvel Pipeline: Shortfall of Rs. 42.45 crore is on account of shortfall in payment against EPC of DPPL-II laying activities and final payment of Pune & Usar Line EPC Contract.

(e) IOC

While actual expenditure at Rs. 9644.22 crore is 109.59% in excess of the revised target, some major projects where variation with BE 2008-09 has been observed which are as follows:-

Paradip Refinery: Rs. 233.86 crore were spent against BE of Rs. 1000 crore. The Project was approved in February 2009 and expenditure is expected to pick up from 2009-10.

Panipat-Jalandhar LPG Pipeline: An amount of Rs. 52.37 crore was spent against BE of Rs. 80 crore and a saving in project cost was achieved.

Chennai-Bangalore product Pipeline: An amount of Rs. 18.47 crore was spent against BE of Rs. 50 crore due to delay in obtaining environmental clearance. Expenditure expected to pick up during 2009-10.

New Marketing Terminals at Jasidih and Ennore: Work could not be started in 2008-09 due to resistance from villagers/land disputes.

(f) HPCL

Actual expenditure is 98.68% of revised target. No major shortfall.

(g) BPCL

<u>Reasons for shortfall in expenditure –Major projects</u>

Capacity expansion cum modernisation Project - Kochi Refinery: An amount of Rs. 695.02 crore was spent against RE of Rs. 950 crore. The shortfall in progress of the project is mainly due to delay in detailed engineering activities, ordering & tendering activities by EIL and the consequent delays in downstream activities.

Investment in 100% Subsidiary - Bharat Petro Resources Ltd. : An amount of Rs. 400.04 crore was spent against RE of Rs. 750 crore. The Corporation has formed a 100% subsidiary 'Bharat Petro Resources Ltd.' (BPRL), to carry out exploration & production activities, to which the expenditure on Exploration & Production have been transferred.

Product Pipeline from Bina to Kota: An amount of Rs. 122.96 crore was spent against RE of Rs. 150 crore. Board Approval for the Project obtained on 27.07.07. Detailed route survey / Cadastral survey completed. Job of Geotech investigation completed. Exemption from MOE&F obtained. PMC awarded to M/s. EIL. Process design basis and P & IDs finalized technical bid.

(h) CPCL

Against RE of Rs. 336.49 crore, an expenditure of Rs. 422.96 crore was incurred in view of significant physical and financial performance towards the Revamp of NHT/CRU ND Auto Fuel Project for production of Euro IV products.

(i) NRL

Siliguri Marketing Terminal Project: An amount of Rs. 45.31 crore was spent against RE of Rs. 57 crore. Shortfall in expenditure is mainly on account of delay in submission / processing of final bills against a few contracts; retention of payments towards defect liability clause etc. The project has been commissioned and road as well as rail dispatches have commenced.

Diesel Quality Upgradation Project: An amount of Rs. 36.21 crore was spent against RE of Rs. 87 crore. Due to delay in finalization of major work contracts on account of poor/nil response from bidders and also due to projected delay in receipt of critical imported equipments at site, the project completion target has been revised to march 2010, which would be in line with the approved completion schedule.

(j) MRPL

The reduction in provision for Plan expenditure from Rs. 825 crore to Rs. 542 crore in Refinery Upgradation-cum-Expansion Phase-III and Revamping of CDU/VDU (Phase-1.3.69 MMTPA) Projects was mainly because the various vendors were seeking longer time to submit bids, due to which method of execution was changed from LSTK mode to Hybrid, EPCM, LSTK, OBE combin.

(k) BALMER LAWRIE & COMPANY

The Company has, from time to time, been reviewing its plan expenditure with a view to ensure that acceptable return/benefit accrues to the Company through such plan expenditure. The competitive situation prevailing in the market, has also led the Company to conserve cash and to examine more closely returns from the capital expenditure entailing deferment of plan expenditure.

(l) BIECCO LAWRIE LIMITED

Business and Financial restructuring of the company is under active consideration of the Ministry. Pending the same, the present financial position does not qualify the company to mobilise plan and non-plan funds".

1.19 In view of the stagnant oil production from indigenous sources, the Committee are concerned to note the under-performance of exploratory drilling by ONGC because as against 483985 meterage of Budget Estimates, the actual during 2008-09 were only 297146 meterage. Similarly, against the target of 162 well for exploratory drilling, the actuals during 2008-09 were only 106 wells. The Committee observe that drilling meterage achievement by ONGC was affected due to reasons such as non-availability of planned charter hired rigs/deep water rigs. Given the fact that more and more exploratory drilling work has to be undertaken by ONGC after awarding of bids under NELP VIII since ONGC has made bids for as many as 21 blocks, it is imperative for Government/ONGC to make an in-depth analysis of the situation and make concerted efforts to ensure that exploratory drilling work is not affected due to non-availability of desired rigs. The Committee, therefore, urge the Government/ONGC to take the requisite steps to ensure availability of adequate numbers of state of art deepwater rigs so that the planned targets for exploratory drilling during the 11th Plan Period do not go haywire. The Committee would like to be apprised of the action taken by the Government/ONGC in this regard.

1.20 As regards the development drilling, the Committee are constrained to note that against the targets of 514820 meterage by ONGC during 2008-09, the actuals were 477144 meterage with 218 wells completed as against the target of

232 wells. The Committee further note with disquiet that although 92.8% of the annual targets for development drilling could be achieved by ONGC during 2008-09, the actual utilization of funds was Rs. 4764.79 crore against the budget estimates of Rs. 3836.58 crore. Thus, though an additional expenditure of about Rs. 928 crore was incurred by ONGC, there was shortfall in achieving physical targets set for development drilling during 2008-09. Although, the Government in a post evidence reply furnished to the Committee have informed that the increase is mainly due to significant increase in drilling rigs day rates from Rs. 0.5 crore in 2007-08 (which was the basis for BE 2008-09) to Rs. 0.85 crore in 2008-09, the Committee have failed to understand as to why these escalations were not projected at Revised Estimates (RE) stage. The huge mismatch between the financial outlays and the physical targets achieved for development drilling point towards systemic flaws in the planning and implementation of exploratory work. The Committee, therefore, recommend that not only the physical as well as financial targets should be set realistically for exploratory works, but Government/ONGC should also monitor them periodically as per agreed performance parameters to ensure the prudent expenditure of the planned targets. The Committee further recommend that DGH being responsible for management of entire oil sector should effectively enforce performance parameters on PSUs as well as private companies engaged in oil exploration.

1.21 The Committee observe that against the approved outlays of Rs. 2230.67 crore (BE) and Rs. 1718.80 crore (RE), the actual expenditure by OIL during 2008-09 is Rs1601.13 crore. The Committee are unhappy to note the various reasons forwarded by the Government for shortfall in the plan expenditure by OIL such as deferment of entire 2D contractual Seismic Survey of 500 GLKM in Brahmaputra River Bed due to non availability of required Government clearances from Pollution Control Board of Assam, delay in respect of

Government permission for drilling in Arunachal Pradesh, frequent failure on account of old vintage of rigs deployed in Assam and Arunachal Pradesh, etc. The Committee feel that non-utilisation of budget amount for exploratory work by oil PSUs will adversely affect the future oil production programme in the country. The Committee are of the opinion that the reasons such as delay in Government permissions, non-availability of rigs, delay in finalization of contracts, etc., are foreseeable factors and as such could have been avoided if the Government/oil companies had initiated advance action. The committee, therefore, recommend that the Government/oil PSUs take care in finalization of their annual plan in future for various exploratory activities taking into account all the possible factors so that budget allocations are fully utilized. The Committee would like to be apprised of the action taken by the Government in advance to check these administrative problems.

1.22 As regards utilization of budget outlays by Indian Oil Corporation, the Committee note that although the actual expenditure at Rs. 9644.22 crore was 109.54% of Revised Estimates of Rs. 8800 crore, there were some major variations in the expenditure on some of the projects/activities of IOC. The Committee are unhappy to note that during 2008-09 against the budget estimates of Rs. 1000 crore for Paradip Refinery, the actuals were Rs. 233.86 crore and for Chennai-Banglore product pipeline, an expenditure of Rs. 18.47 crore was incurred against BE of Rs. 50 crore. The Committee note that the reasons for less expenditure than the projected expenditure by Paradip refinery has been attributed to delayed final investment approval of the project by Board of Directors and for Chennai-Bangalore product pipeline, it was due to delay in environmental clearances. The Committee feel that these projects should have been monitored at every stage so that budgetary allocations are fully utilized. The Committee expect the Government to take the desired steps to ensure that these projects are commissioned as scheduled.

1.23 The Committee note that the oil PSUs have been allocated activity wise budgetary allocation during XI Plan period. Although, the actual utilization for

Exploration & Production, Refinery and Marketing and Petrochemicals during 2008-09 were Rs. 42,477.58 crore (97.13%), Rs. 9,147.49 crore (97.43%) and Rs. 4,818.51 crore (111.81%) respectively, the actuals for engineering activities were Rs. 19.65 crore which were 25.19% of the Revised Estimates of Rs. 78 crore. The Committee further note that against the Budget Estimate of Rs. 95 crore for engineering activities during 2009-10, the actual upto 31.5.2009 were Rs. 1.28 crore i.e. only 1.35% of the plan outlays for the year due to low expenditure by two engineering companies viz. Balmer Lawrie and Company and Biecco Lawrie Limited. The Committee have been further informed that business and financial restructuring of Biecco Lawrie Limited is under active consideration of the Ministry. The Committee desire that an early decision should be taken by the Government in this regard to ensure that the Plan outlays for engineering activities are fully utilized during 2009-10.

C. CRUDE OIL & NATURAL GAS PRODUCTION

1.24 In view of the increasing demand of petroleum products and natural gas in the country, the Committee have desired to know the details about the current demand and supply position of crude oil and natural gas in India including the quantity of crude oil produced indigenously and the quantity imported to cater to domestic demand. In this connection, the Ministry of Petroleum and Natural Gas submitted the following information in a written note:-

"**Crude oil**

Crude oil production by Oil and Natural Gas Corporation Limited (ONGC), Oil India Limited (OIL) and Pvt/JV companies was 33.508 million metric tonnes (MMT) in 2008-09. The consumption of petroleum products in 2008-09 was about 133.4 MMT. The crude oil imported during 2008-09 was 128.1 MMT, worth Rs. 341887 crore. The petroleum products exported during 2008-09 were 36.931 MMT, with a value of Rs. 117458 crore. The net import was of the order of 109.510 MMT of petroleum products with crude oil imports worth Rs. 285323 crore in 2008-09. The import dependence in respect of crude oil to meet the domestic demand of petroleum products was about 80% in 2008-09. The estimated crude requirement by end of XI plan is about 149.558 MMT with import dependency of about 79%.

Natural Gas

In 2008-09, natural gas supply was of the order of 107 million metric standard cubic metres per day (MMSCMD). The supply of natural gas from domestic sources was about 82 MMSCMD. The remaining demand of about 25 MMSCMD was met through import of LNG.

The present total availability of natural gas in the country is around 141 MMSCMD. As against this, the total demand of natural gas during 2009-10, according to the Report of the Working Group on Petroleum and Natural Gas for the XI Plan, is 225.52 MMSCMD.

According to the XI plan document, the estimated demand in the terminal year of XI plan i.e., in 2011-12, is 241.86 MMSCMD against the estimated availability of 256.35MMSCMD".

1.25 When asked about the targets set for Oil and Natural Gas production during the 11th Plan and the actual production in the first two years of the 11th Plan period, the Ministry have informed the Committee as under:-

"During XI plan period, targets for domestic crude oil and natural gas production are 206.76 million metric tonne (MMT) and 255.76 billion cubic metre (BCM) respectively. The break-up of target vis-à-vis actual production of crude oil and natural gas in the first two years of XI plan is given as under:

Crude oil production during XI plan period

(MMT)

PSU	**2007-08**		**2008-09**	
	Plan Target	**Actual**	**Plan Target**	**Actual**
ONGC	27.16	25.945	28.00	25.366
OIL	3.50	3.100	3.55	3.468
Pvt./JV	10.57	5.087	10.78	4.674
Total	**41.23**	**34.132**	**42.33**	**33.508**

.

Natural gas production during XI plan period

(BCM)

PSU	**2007-08**		**2008-09**	
	Plan Target	**Actual**	**Plan Target**	**Actual**
ONGC	22.10	22.335	22.53	22.486
OIL	3.13	2.340	3.21	2.268
Pvt./JV	8.55	7.727	22.55	8.090
Total (BCM)	33.78	32.402	48.29	32.844

Total MMSCMD	**92.2**	**88.5**	**132.3**	**90**

1.26 The Committee have been informed that during XI Plan period, crude oil production is likely to increase 24.1% as against actual crude oil production during X Plan period.

1.27 When asked about the basis of this projection, the Ministry of Petroleum and Natural Gas have informed the Committee in a written reply as under:-

> "Crude oil production during X plan period was 166.599 MMT. The projected crude oil production during XI plan was 206.763 MMT, which is 24.1% higher than the actual production during X plan period. The Eleventh Plan envisages bringing more and more acreage under exploration especially those in the frontier areas/basins, adoption of state-of-the-art Exploration and Production (E&P) technology, faster development of discovered reserves, development of marginal fields, and continuation of IOR/EOR schemes. These efforts are likely to contribute additional oil and gas in the country. ONGC is likely to contribute 11.062 MMT higher during XI Plan period than the X Plan actual crude oil production. The increased contribution by OIL and Pvt/JV companies during XI plan period is 3.502 MMT and 25.64 MMT respectively. Thus, additional 40.204 MMT crude oil production is likely to be available during XI plan period as compared to X plan period. The additional crude oil production by ONGC and OIL is from the reserve accretion made during X Plan period in the operational areas in the country. The additional crude oil production by Pvt/JV companies is from Rajasthan, where crude oil production has commenced w.e.f. 29th August 2009".

1.28 As regards the shortfall in natural gas production by OIL, the Committee have been informed that Shortfall is mainly due to less withdrawal by all major consumers against commitments. While OIL has reached the level of 6.67 MMSCMD of natural gas production in Assam and Arunachal Pradesh, and production potential of 0.93 MMSCMD in Rajasthan, natural gas production during the years 2007-08 and 2008-09 had to be restricted to a large extent to suit market upliftment.

1.29 The shortfall of Natural gas by Pvt/JV companies has been reportedly due to delayed production from KG basin which commenced in April 2009 as against planned commencement in mid 2008.

1.30 The Committee have been further informed that the Current production of gas from KG-D6 block is about 38 MMSCMD. The plateau production as per approved development plan is 80 MMSCMD in the year 2011-12.

1.31 While observing low production of crude oil by ONGC and Private/JV Companies and low production of gas by OIL and Private/JV Companies during 2007-08 and 2008-09, the Committee have desired to know the role of Directorate General of Hydrocarbons (DGH) in monitoring the exploration by oil companies. In this regard, the Committee have been apprised of the following role of the DGH:-

> "The Directorate General of Hydrocarbons (DGH) was established under the administrative control of Ministry of Petroleum & Natural Gas by Government of India Resolution in 1993. Objectives of DGH are to promote sound management of the oil and natural gas resources having a balanced regard for environment, safety, technological and economic aspects of the petroleum activity. DGH has been entrusted with certain responsibilities concerning the Production Sharing Contracts for discovered fields and exploration blocks, promotion of investment and monitoring of E&P activities including review of reservoir performance of major fields. In addition, DGH is also engaged in opening up of new/unexplored areas for future exploration and development of non-conventional hydrocarbon energy sources".

1.32 The Committee are concerned to note the low crude oil production during 2007-08 and 2008-09, the first two years of XI Plan by oil PSUs as well as private/Joint Venture companies. Against the planned target of crude oil production of 27.16 MMT in 2007-08 by ONGC, the actuals were 25.945 MMT and during 2008-09 as well ONGC could not achieve the plan target of 28 MMT of crude oil production and only 25.336 MMT of crude oil was produced by it. The Committee are further unhappy to note the very low achievements of projected targets of crude oil by private/JV companies. Against the target of 10.57MMT and 10.78 MMT crude oil production for the years 2007-08 and 2008-09, the actual production was only 5.087MMT and 4.674MMT. The Committee note that despite the continuous shortfall in achieving crude oil production by both public and private oil companies in the X Plan Period and during 2007-08 and 2008-09, the Government has projected an additional production of 40.204 MMT

of crude oil during XI Plan amounting to an increase of 24% over X Plan . The enhanced projection is likely to be achieved by increase in production of 14.564MMT by ONGC and OIL from the reserve accretion made during X Plan Period in their operative areas in the country. But, the Committee find that major increase is projected to come from private/JV companies which is expected to contribute about 25.64 MMT of crude oil during XI Plan Period. The additional crude oil production by private/JV companies is to come from Rajasthan where oil production could commence only w.e.f. 29.8.2009 due to delayed evacuation facilities. The Committee feel that to achieve these targets which are fully within reach, there is need for oil companies to fine tune their production units and sort out their problems in the right earnest so as to ensure that production starts as per schedule.

1.33 The Committee note that there is major shortfall in achievement of XI Plan targets in natural gas production. Against a plan target of 8.55 BCM of natural gas production by private/JV companies only 7.227 BCM was achieved during 2007-08 and for 2008-09 against the plan target of 22.55 BCM, private/JV companies could produce only 8.090 BCM of natural gas. Further, natural gas production from KG-D-6 block which has commenced from April, 2009 at about 38 MMSCMD is very much below the target. In view of the low natural gas production by private/ JV companies during the last 2 years, the Committee recommend that the Government should ensure increased production of natural gas from the existing fields. Without going into the merits of the ongoing KG-D6 block gas dispute which is sub-judice, the Committee desire that the Government while taking necessary steps to keep the national interests above the business interests of the warring parties should resolve the dispute early to achieve the targeted production.

1.34 The Committee note that Directorate General of Hydrocarbon (DGH) is *inter-alia* entrusted with the responsibility to ensure proper and sound management of the oil and natural gas resources besides monitoring of E&P activities. The Committee, however, are unhappy to find shortfall in crude oil and gas production especially by private/JV companies despite regular

monitoring by DGH. The Committee, therefore, recommend that the Government should issue necessary instructions to the DGH to aggressively monitor the performance of all the oil companies whether public or private/joint venture to ensure that there are no slippages in the exploration projects. Besides taking timely remedial measures to achieve the targeted production of crude oil and natural gas, the Committee also desire that manpower in DGH should be strengthened so that DGH could fulfill its mandate and effectively monitor the E&P activities.

D. IMPORT DEPENDENCE

1.35 The Committee have desired to know the details of percentage of import dependence in respect of crude oil to meet the domestic demand of petroleum products at the terminal year of 10th Plan and at present. In this regard, the following data was furnished by the Ministry:-

"The percentage of import dependence in respect of crude oil to meet the domestic demand of petroleum products is given below.

(Thousand Metric Tonnes)

		2006-07	2008-09	2011-12
1	Consumption/Demand of petroleum products	120749	133400	141793**
2	Availability of petroleum products from fractionators	3996	4191	4200
3	Production required from refineries (1-2)	116753	129209	137593
4	Estimated crude requirements (3/0.92) *	126905	140444	149558
5	Indigenous crude processed	30160	28769	31400
6	Imported crude requirement (4-5)	96746	111675	118158
7	Import dependence (6/4)	76%	80%	79%

* Considering fuel & loss of 8% of crude

** Considering upper case scenario of 11th Five Year Plan

Based on the above methodology, the percentage of import dependence in respect of crude oil to meet the domestic demand of petroleum products in the terminal year of the 10th plan (2006-07) was 76% and 80% in the year 2008-09 (Provisional) . The projected dependence in the terminal year of the 11th plan (2011-12) would be about 79%".

1.36 As regards the expenditure incurred on import of crude oil including other petroleum products and foreign exchange earned as a result of export of petroleum products during the last 5 years, the Ministry have furnished the following information:-

"Expenditure incurred on import of crude oil and petroleum products during the last 5 years is given below :

Year	**Expenditure**	
	Rs. Crore	**US$ Million**
2008-09 (P)	408,911	90,392
2007-08	333,699	83,115
2006-07	260,189	57,457
2005-06	199,673	45,078
2004-05	131,891	29,266

The amount of foreign exchange earned as a result of export of petroleum products during the last 5 years is given as under :

Year	**Foreign Exchange Earned**	
	US$ Million	**Rs. Crore**
2008-09 (P)	27,028	121,086
2007-08	27,555	110,789
2006-07	17,908	81,094
2005-06	11,232	49,974
2004-05	6,659	29,928

1.37 The Committee note that our import dependence percentage in respect of crude oil has been on continuous increase as it stood at 76% in 2006-07, the terminal year of 10th Plan and 80% in the year 2008-09. It is further projected to stand at 79% by the end of the 11th Plan i.e. during 2011-12, which in turn will commensurate with increased expenditure incurred on import of crude oil and petroleum products from Rs. 131891 crore in 2004-05 to Rs. 408911 crore in 2008-09. In view of the alarming increase in the demand of petroleum products in the country during the last 5 years and corresponding increase in expenditure on import of oil and gas, the Committee feel that the Government should aim at reducing our import dependence by way of marshalling our resources and the necessary technological upgradation. The Committee feel that this should be taken with utmost sincerity. At the same time, more focus by way of increased financial and technological support should be given to develop and harness alternate sources of fuel like coal bed methane, gas

hydrates, bio-fuels, coal liquification etc. The Committee urge the Government to make a comprehensive plan in this regard.

E. INFRASTRUCTURE STATUS TO HYDROCARBON SECTOR

1.38 The Standing Committee on Petroleum and Natural Gas in their 20th Report on Demand For Grants (2008-09) of the Ministry had observed that the provision for seven-year tax holiday, being enjoyed by the green field refineries and the companies producing oil and gas, was sought to be discontinued. The Committee had felt that it was a retrograde step taken by the Government and would adversely affect the refinery projects of Public Sector Undertakings/Joint Ventures under implementation. Besides, it would also prompt these companies to re-think their plans about setting up new refineries, thereby constraining the addition to the refining capacity in the years to come. Moreover, the move might also have a tendency to dissuade the reputed companies from making substantial investments in the E&P Sector. The Committee, had, therefore, recommended that this contentious provision/proposal should be withdrawn.

1.39 Asked about the steps taken by the Government to provide infrastructure status to the hydrocarbon sector, the Secretary, Ministry of Petroleum and Natural Gas enlightened the Committee during evidence:-

> "The next issue is about the infrastructure to this industry. We have been requesting the Finance Ministry at more or less each Budget's time to provide infrastructure status but the complete infrastructure status as such has not been provided to the entire industry. In bits and pieces many important concessions have come. One of the important concession which has come this year for gas industry is Section 35 (a) (d) of Income Tax Act has been amended to provide for full deduction of capital expenditure for a pipeline approved by the Petroleum and Natural Gas Regulatory Board and having 33 per cent excess capacity in the first year of operation. So, this will provide quite a substantial relief for investment in the pipelines and the gas pipeline grid that we are envisaging for which the scheme is under preparation".

1.40 The witness further added,

> "Another important concession which they have provided is; for NELP-VIII and CBM-IV, the Finance Minister agreed to provide complete income tax exemption".

1.41 The Committee note that although Government have not provided infrastructure status as such to the entire hydrocarbon sector, it has taken some steps like amendment of section 35(a)(d) of Income Tax Act providing full deduction of capital expenditure for a pipeline approved by the Petroleum and Natural Gas Regulatory Board and having 33% excess capacity in the first year of operation and income tax exemption to projects to be awarded under NELP-VIII and CBM-IV. In the opinion of the Committee, in order to attract more investments by the private sectors in E&P activities, refineries etc. it is necessary that complete infrastructure status be provided to the entire hydrocarbon industry.

F. New Exploration Licensing Policy (NELP)

1.42 The Government of India have approved the New Exploration Licensing Policy (NELP) in 1997 and it became effective in February, 1999. Since then licenses for exploration are being awarded only through a competitive bidding system and National Oil Companies (NOCs) are required to compete on an equal footing with Indian and foreign companies to secure Petroleum Exploration Licences (PELs).

1.43 The Committee have been informed that up to 7th deepwater blocks have been signed. As on 1st April 2009, investment commitment under NELP is about US$ 10 billion on exploration. The actual investment made by E&P companies under NELP has been of the order of US$ 4.7 billion including US$ 5.2 billion on development of oil and gas discoveries. Under NELP, 70 oil and gas discoveries have been made in 20 blocks. Presently oil and natural gas production is being made from 3 NELP blocks.

1.44 In the eighth round of NELP, 70 exploration blocks comprising of 24 deepwater blocks, 28 shallow water blocks and 18 onland blocks have been offered. These 70 blocks cover a sedimentary area of about 1.64 lakh sq.km., which is 5.2% of the

Indian sedimentary basinal area. 18 onland blocks are on offer. These 70 blocks cover a sedimentary area of about 1.64 lakh sq.km which is 5.2% of the Indian sedimentary basinal area. 18 onland blocks fall in the States of Assam (2), Gujarat (8), Haryana (1), Madhya Pradesh (3), Manipur (2) and West Bengal (2). As regards offshore blocks, 28 shallow water and 24 deepwater blocks fall in the Western, Eastern and Andaman offshore areas.

1.45 As regards the number of blocks offered and bids received under NELP VIII, the Secretary, Ministry of Petroleum and Natural Gas while deposing before the Committee has informed that out of a total of 70 blocks under NELP VIII for international bidding, 36 offers have come for NELP VIII and 8 out of which ONGC has given single bids for 21 blocks.

1.46 The Ministry of Petroleum and Natural Gas in a written reply have informed the Committee of the following details of blocks awarded to oil Public Sector Companies and Private Companies under VII rounds of NELP:-

"The details of block awarded to Oil Public Sector Companies & Pvt. Companies under NELP is as under:

Round	**Blocks Awarded**						
	ONGC	**OIL**	**IOCL**	**GAIL**	**GSPC**	**Pvt/Jv**	**Total**
NELP-I	9	1	-	-	-	14	24
NELP-II	15	2	-	-	1	5	23
NELP-III	12	1	-	-	1	9	23
NELP-IV	12	2	-	-	1	5	20
NELP-V	3	1	-	-	1	15	20
NELP-VI	24	6	-	-	3	19	52
NELP-VII	18	1	2	1	1	18	41"

1.47 On being asked about the oil and gas discoveries made by public and private sector companies in their respective blocks so far, the Ministry of Petroleum and Natural Gas have informed the Committee as under:-

"Under NELP 71 oil and gas discoveries have been made in 21 exploration blocks.

Company	No. of blocks	Oil and Gas Discoveries	
		Public/ State	Private
ONGC	6	15	-
RIL	8	-	37
NIKO	1	-	2
GSPC	4	15	-
JUBILIANT	2	-	2
TOTAL	**21**	**30**	**41**

1.48 Asked about the past performance of companies participating in bids, the Committee have been informed that past performance of the companies is not the part of the bid evaluation criteria. Therefore, it is not considered while evaluating the bids received under NELP rounds. At present, there is no proposal for considering past performance of the companies in bid evaluation for future rounds of NELP.

1.49 The Committee note that under New Exploration Licensing Policy (NELP), so far 71 oil and gas discoveries have been made in 21 blocks. The number of oil and gas discoveries by Public/Government companies is 30 whereas by private companies, it is reported to be 41. The Committee further note that out of 70 exploration blocks of NELP-VIII comprising of 24 deepwater blocks, 28 shallow-water blocks and 18 onland blocks, 76 bids have been received for 36 blocks by the Government by the closing date of October 12, 2009 which are under process of scrutiny and the licenses for exploration would be awarded after examining the bids as per the NELP terms and conditions. Although, the Committee observe that the Secretary, Ministry of Petroleum and Natural Gas was candid enough to admit that NELP-VIII was launched at a time when there was an international downturn and recession in some parts of the world and the minimum committed investment in these 36 blocks under NELP-VIII is estimated at 1.3 billion dollars, however, the fact remains that even the major domestic private players have kept themselves away from participating in the bids for the NELP-VIII round and single bids by ONGC for 21 blocks have been received by the Government. The Committee, thus, feel that the Government have failed to attract adequate response from both domestic and foreign companies under the

NELP-VIII. In view of the single bids received for various blocks, the Committee note that bidding is not competitive and the very purpose of NELP has been defeated. The Committee, therefore, strongly recommend the Government to analyse the situation and take corrective steps including making the NELP terms and conditions more attractive. The Committee, further, desire that the Government should make a comparative study of the various parameters followed in different countries in regard to such issues as pricing, marketing or royalty etc. under production sharing agreements to make future rounds of NELP more attractive.

1.50 The Committee note that under NELP while evaluating bids of the participants, the past performance of the bidder is never taken into consideration before awarding the contract. Consequently, a good consistent performer in production of oil and gas from the awarded blocks and a past penalty payer for the reason of not even completing the minimum exploration work are being placed on the same footing. The Committee, therefore, recommend that the Government while awarding blocks should give due weightage to previous performance records of the bidders and discourage the defaulters.

G. <u>RESEARCH & DEVELOPMENT ACTIVITIES</u>

1.51 In view of the significance of the Research and Development (R&D) activities, the Committee have desired to be informed of the percentage share of R&D expenditure of oil PSUs to their annual budget during the last 5 years. The PSU wise position as furnished by the Ministry of Petroleum and Natural Gas is as under:

<u>"Indian Oil Corporation Ltd. (IOCL)</u>

Percentage share of R&D Expenditure in respect of IOCL to its Annual Budget during the last five years is as under:

(Rs. Crore)

Year	Annual Budget	R&D Expenditure	% Share
2004-05	10649.51	107.73	1.01
2005-06	12741.18	89.83	0.71

2006-07	14496.17	80.42	0.55
2007-08	14041.59	122.12	0.87
2008-09	19462.07	173.37	0.89

Hindustan Petroleum Corporation Limited (HPCL)

The percentage share of R&D expenditure to the annual budget of HPCL during the last five years is indicated below:

(Rs. Crore)

Year	Annual Budget*	R&D Expenditure	% Share of Turnover
2004-05	2082.00	1.15	0.0018
2005-06	2310.00	3.31	0.0043
2006-07	4367.00	1.07	0.0011
2007-08	5230.00	5.22	0.0047
2008-09	4241.50	2.64	0.0020

*Includes Plan & Non-Plan.

Bharat Petroleum Corporation Limited (BPCL)

The details of R&D expenditure and the Plan Outlays of BPCL for the past five years are as follows:

(Rs. Crore)

Year	Annual Budget	R&D Expenditure	**% Share of Turnover**
2004-05	550.10	27.5	0.043
2005-06	1038.80	18.9	0.022
2006-07	1253.95	18.4	0.017
2007-08	1565.90	25.6	0.021
2008-09	1972.00	30.2	0.021

Oil India Limited (OIL)

The details of R&D expenditure and the Plan Outlays of OIL for the past five years are as follows:

(Rs. Crore)

Year	Annual Budget	R&D Expenditure	**% Share of Turnover**

2004-05	975.00	11.68	0.30%
2005-06	1,346.85	12.58	0.23%
2006-07	1,788.95	11.50	0.21%
2007-08	1,705.68	16.75	0.28%
2008-09	2,230.67	18.86	0.26%

Mangalore Refinery & Petrochemicals Limited (MRPL)

As far as MRPL is concerned, MRPL started spending in R&D activities after its acquisition by ONGC in March, 2003. R&D activity in MRPL is mainly towards Crude assay analysis, Spent Caustic treatment with Chlorine Dioxide, Storage stability of residual Fuel Oil, Characterization of Hydrocarbon degradable Micro organism present during bioremediation process of oily sludge and Bio-filteration technology for odour Control etc. The amount spent by MRPL for R&D during last 5 years is as under :

(Rs. In crore)

Year	Annual Budget	R&D Expenditure	% Share of Turnover
2004-05	142.97	0.44	0.002
2005-06	167.54	0.50	0.001
2006-07	187.88	0.72	0.002
2007-08	242.28	0.52	0.002
2008-09	308.92	0.80	0.002

Chennai Petroleum Corporation Ltd. (CPCL)

Percentage share of R&D Expenditure to the annual budget of CPCL during the last five years is as under:

(Rs. In crore)

Year	Annual Budget	R&D Expenditure	% Share of Turnover
2004-05	277.08	3.24	0.02
2005-06	176.59	6.04	0.02
2006-07	244.56	5.39	0.02
2007-08	350.49	6.25	0.02
2008-09	520.27	5.62	0.02

Oil & Natural Gas Corporation Limited(ONGC)

The details of R&D expenditure and the Plan Outlays of ONGC for the last five years are as follows:

(Rs. In Crore)

Year	Annual Budget	R&D Expenditure	**% Share of urnover**
2004-05	16558	105.26	0.22
2005-06	17207	125.75	0.25
2006-07	22507	134.63	0.23
2007-08	27251	184.67	0.30
2008-09	28868	207.50	0.32

Gail (India) Limited(GAIL)

The details of R&D expenditure and the Plan Outlays of GAIL for the last five years are as follows:

(Rs. in crore)

Year	Annual Budget	R&D Expenditure	**% Share of Turnover**
2004-05	1,407.38	1.11	0.01
2005-06	1,516.26	0.84	0.01
2006-07	2,632.26	0.30	0.00
2007-08	2,382.36	0.13	0.00
2008-09*	3,558.96	Nil	Nil

***** A separate R&D Department has been formed in GAIL in 2009

1.52 As regards the Committee's earlier recommendation (20th Report, 14th Lok Sabha) that Government should take effective steps for improvements in the shortfalls in R&D expenditure by OIL PSUs, the Committee have been apprised of the following status of implementation of the recommendation:-

"ONGC

The budget provision made for R&D including Institutes for 11th plan will be fully utilized in areas like Underground Coal Gasification. Basin Centered gas, Gas Hydrate exploration, Petroleum Biotechnology and Surface Coal Gasification during the plan period.

OIL

As far as Oil India Limited (OIL) is concerned, OIL plans an outlay of Rs. 216.99 crores on R&D activities in XI Plan period.

IOCL and HPCL

During the Eleventh Plan, IOCL plans to spend Rs.865 crore (Plan, Revenue and Non-Plan expenditure) in R&D, which is Rs.300 crore more than the allocation during the Tenth Plan.

During the first two years of the Eleventh Plan, viz 2007-08 and 2008-09, the actual expenditure has been Rs.295 crore. Including the expenditure to be incurred in the balance three years of the Eleventh Plan, it is expected that the entire R&D allocation of Rs. 865 crore (Plan, Revenue and Non –Plan expenditure) would be fully spent.

During the Eleventh Plan, HPCL plans to spend Rs.55 crore (Plan, Revenue and Non-Plan expenditure) in R&D, which is Rs.31.59 crore more than the allocation during the Tenth Plan.

During the first two years of the Eleventh Plan, viz 2007-08 and 2008-09, the actual expenditure has been Rs.7.86 crore. Including the expenditure to be incurred in the balance three years of the Eleventh Plan, it is expected that the entire R&D allocation of Rs. 55 crore (Plan, Revenue and Non –Plan expenditure) would be fully spent".

1.53 Asked about any guidelines issued by Ministry of Petroleum and Natural Gas to oil PSUs to allocate a certain percentage of their Annual Budget for R&D activities, the Committee have been informed in a post evidence reply as under:-

"No guidelines have been issued by Ministry of Petroleum and Natural Gas to oil PSUs to allocate a certain percentage of their Annual Budget for R&D activities. However, sufficient funds were made available for R&D projects undertaken by oil PSUs".

1.54 The Committee are dismayed to note that although promotion of Research and Development activities has been identified as one of the thrust areas of 11th Plan, the R&D expenditure by Hindustan Petroleum Corporation Limited(HPCL) and Oil India Limited(OIL) is only Rs. 2.64 crore and Rs. 16.75 crore respectively during 2008-09 against their total XI Plan allocations of Rs. 55 crore and Rs.216.19 crore. The Committee are amazed to note that there is 'NIL' expenditure by GAIL on R&D activities during 2008-09. The Committee further observe that no fixed percentage of annual budget outlays have been

earmarked by oil PSUs for R&D activities and their allocations vary from 0% to 1%. As R&D is the backbone of any oil company's institutional arrangement for induction of appropriate technology and in meeting the varied needs including increasing the yields of value added products, bringing down the costs engineering and construction work, safety and environment, the Committee feel that there is an urgent need for adequate allocation for R&D activities by all oil sector PSUs. The Committee would, therefore, like the Government to analyse the reasons for very low allocations and expenditure on R&D activities by oil PSUs and recommend the Government to issue necessary guidelines to oil PSUs to allocate a certain fixed percentage of their annual budget for R&D activities.

1.55 The Committee are, however, happy to note that ONGC plans to put in concerted efforts in R&D relating to a number of areas, such as Underground Coal Gasification, Basin Centered gas, Gas Hydrates exploration, Petroleum Biotechnology and Surface Coal Gasification. The Committee would like the other oil PSUs to emulate ONGC and take up projects in areas like shale gas exploration, economic and ecologically more safer ways to exploit gas hydrate resources and economic methods for converting coal to oil for making the process economically viable, etc.

H. CESS ON CRUDE OIL AND NATURAL GAS

1.56 The Oil Industry (Development) Act, 1974 provides for collection of cess as a duty of excise on indigenous crude oil and natural gas. The proceeds of this duty are credited to the Consolidated Fund of India and sums of moneys as Central Government thinks fit are made available to the Oil Industry Development Board (OIDB) after appropriation by Parliament. The rate of cess being collected since 2002 till March 2006 was Rs. 1800/- per tonne of crude oil produced in the country. Now, through the Budget (2006-07), this has been increased to Rs. 2500 per tonne. This increase in rate of cess is giving an additional amount of about Rs. 2200 crore per year to the Government. The amount of cess levied and collected on indigenous crude oil during the X Five Year Plan and the first two years of XI Plan is as under:

Tenth Five Year Plan		**Rate of Cess levied (Rs. per tonne)**	**Cess collected (Rs. in crore)**
Financial Year			
1	2002-03	1800	4501
2	2003-04	1800	5134
3	2004-05	1800	5248
4	2005-06	1800	5007
5	2006-07	2500	7034
	TOTAL		**26924**
Eleventh Five Year Plan			
1	2007-08	2500	7166
2	2008-09	2500	6632
	TOTAL		**13798"**

From the above, it is observed that during the first two years of Eleventh Five Year Plan (2007-08 and 2008-09), the cess collected on indigenous crude oil was Rs. 13,798 crore. For the year 2009-10, it is projected at Rs. 8,171 Crore.

1.57 As regards utilization of cess levied on crude oil, the Committee in their earlier report (20th Report, 14th Lok Sabha) had recommended that the whole issue of deployment/utilization of cess levied on crude oil/revenues collected from the Petroleum Sector vis-à-vis the amounts released to the Sector, should be referred to a Group of Ministers comprising the Union Ministers for Petroleum & Natural Gas, Finance, Law and Chemicals & Fertilizers and an early decision taken in the matter.

In a post evidence reply, the Committee have been informed as under:-

"The issue of deployment/utilization of Cess levied on crude oil/revenue collected from the petroleum sector being referred to a Group of Ministers was taken up again with the Ministry of Finance in August, 2009. The Ministry of Finance, have, however, offered no comments".

As regards creation of separate price stabilization fund, the Government in their Action Taken Reply to the recommendations contained in the 1st Report (14th LS) had informed as under:-

> "No Price Stabilisation Fund is required for petrol and diesel since the price band mechanism for these products has an inbuilt mechanism to allow variations in product prices in tandem with import parity prices".

1.58 In this context, the Ministry of Petroleum and Natural Gas have further stated that in the years 2005-06, 2006-07 and 2007-08, Oil Bonds to the extent of Rs. 11,500 crore, Rs. 24,121 crore and Rs. 20333.33 crore respectively (total Rs. 55,954.33 crore) were issued to Public Sector Oil Marketing Companies as part compensation for the under recoveries on the domestic sale of sensitive petroleum products, in addition to the Subsidy for LPG/kerosene and for Natural Gas sales in NE region amounting to Rs. 2682.95 crore, Rs. 2698.19 crore and Rs. 2820.14 crore respectively for the same period.

1.59 The Committee in their 20th Report (14th Lok Sabha) had expressed their displeasure over the fact that only a meagre amount is being released to the Oil Industry Development Board out of the cess proceeds for development of petroleum sector. They had recommended for referral of the entire issue of deployment/utilization of cess levied on crude oil/revenues collected from the petroleum sector vis-à-vis the amount released for development of oil sector to a group of Ministers comprising the Union Ministers for Petroleum and Natural Gas, Finance, Law and Chemical and Fertilizer. In a post evidence reply, the Ministry of Petroleum and Natural Gas have informed the Committee that Ministry of Finance had not commented upon the matter to refer the whole issue to a group of Ministers in spite of repeated reminders. The Committee take a very serious view on the whole issue and urge the Government to again take up the matter with the Ministry of Finance and progress in the matter be intimated to the Committee at the earliest. As regards creation of Price Stabilisation Fund, the Committee feel that the inbuilt mechanism to allow variation in prices of diesel and petrol as claimed by the Government is not sufficient. Therefore, the Committee reiterate their earlier recommendation for creation of Price Stabilisation Fund.

I. ***CAPACITY ADDITION IN OIL REFINERIES AND ITS IMPACT ON ENVIRONMENT***

1.60 The present installed refining capacity in the country is 177.97 Million Metric Tonnes Per Annum (MMTPA) comprising of 105.47 MMTPA by PSUs and 72.50 MMTPA in private sector. At present, there are 20 refineries operating in the country, out of which 17 are in public sector and 3 in private sector.

1.61 Asked about the refinery performance, the Committee have been informed that during the last 3 years PSU thruput grew at annual compound growth rate of 5% although the Private Sector thruput grew at 13.6% (as a result of commissioning of new refineries of Essar Oil and Reliance). Further, PSU capacity utilization was consistently more than 100% during the last 3 years.

1.62 As regards, the refining capacities of refineries as on 01.10.2009 and further proposed capacity additions planned up to March 2012, the committee have been informed as under:-

Refining Capacity (MMTPA)			
Company	**Capacity**	**Company**	**Capacity**
IOC		**BPC**	
Koyali	13.70	Mumbai	12.00
Panipat	12.00	Kochi	7.50
Mathura	8.00	Numaligarh (Subsidiary)	3.00
Barauni	6.00	**BPC Group**	**22.50**
Haldia	6.00	**ONGC/MRPL**	
Guwahati	1.00	Tatipaka	0.08
Digboi	0.65	Mangalore	9.69
Bongaigaon	2.35	ONGC Group	9.77
CPCL		**Total-Public Sector**	**105.47**
Chennai	9.50	RIL-Jamnagar	33.00
Narimanam	1.00	RIL-Jamnagar (SEZ)	29.00
IOC Group	**60.20**	Essar Oil	10.50
HPCL		**Total Private Sector**	**72.50**
HPC-Mumbai	5.50		
HPC-Visakh	7.50		
HPCL Group	13.00		

Capacity Addition up to March 2012					
Expansion			**New Refineries**		
Company	**Refinery**	**Capacity (MMTPA)**	**Company**	**Refinery**	**Capacity (MMTPA)**

IOC	Panipat	3.00	BPC	Bina	6.00
	Haldia	1.50	IOC	Paradip	15.00
CPCL	Chennai	1.60	HPC	Bathinda	9.00
HPC	Mumbai	2.40	NOCL	Cuddalore	6.00
	Visakh	2.50			
BPC	Kochi	2.00	**Total New Refineries**		**36.00**
MRPL	Mangalore	5.31	**Total Capacity Addition**		**77.81**
ONGC	Tatipaka	0.08	• **Public Sector**		**48.31**
Essar Oil	Vadinar	23.50	• **Private Sector**		**29.50**
Total Capacity under Expansion		41.81			

1.63 Asked about the on going Refinery Improvement Programmes, the Committee have been appraised as under:-

(i) Increased processing of low priced high sulphur crude (about 64%)
(ii) 04 SBMs set up to reduce crude transportation cost (Vadinar, Kochi, Jamnagar and Paradip)
(iii) Fuel quality up gradation projects taken up to provide quality fuels (Euro III/IV) w.e.f. 01.04.2010.
(iv) Distillate yield improvement through additional secondary processing facilities (FCCU, Hydrocracker, DCU)
(v) Petrochemical facilities being added to improve value addition (Panipat). Likely to be commissioned in Feb 2010.

1.64 When enquired about the total exports from the refineries, the Ministry of Petroleum and Natural Gas have informed the Committee that during 2006-07, 2007-08 and 2008-09, 33.6 MMT, 40.8 MMT and 38.6 MMT of different petroleum products were exported across the globe including Europe and US.

1.65 The Committee have been further apprised that Jam Nagar Refinery with 33 MMTPA and 29 MMTPA have been set up in private sectors. The Committee have desired to know whether there has been some adverse impact of oil refineries especially those set up in coastal areas on the climate of the area, the Secretary, Ministry of Petroleum and Natural Gas deposed before the Committee during evidence:-

> "With regard to pollution, I would like to say that no production starts unless they get pollution clearance under the relevant Acts and rules of the Central Government and the State Government".

1.66 The Committee note that the present refining capacity of the public and private sector refineries is 105.47 MMTPA and 72.50 MMTPA respectively. Further, the capacity expansion/addition planned by the public and private sector by the end of the 11th Plan (March, 2012) is 77.81 MMTPA – public sector 48.31 MMTPA and 29.50 MMTPA in private sector. The Committee are further informed that during the year 2006-07, 2007-08 and 2008-09, the petroleum products exported from the existing refineries stood at 33.6MMT, 40.8 MMT and 38.6 MMT. Although, the Committee are happy to note that the refining capacity expansion/addition programme of both the public and private sector oil companies has increased their export and profit margins, the Committee are also concerned about the adverse environmental impact of refineries. The Committee, therefore, desire the Government/DGH to effectively monitor and ensure that environmental norms are adhered to both by public and private sector refineries.

J. ETHANOL BLENDED PETROL PROGRAMME (EBP)

1.67 The Committee have been informed that Ministry of Petroleum and Natural Gas have directed Oil Marketing Companies to implement 5% Ethanol Blended Petrol Programme in the entire country except North-Eastern States, Jammu & Kashmir, Andaman & Nicobar Islands and Lakshdeep with effect from 1st November 2006, subject to the commercial viability of Ethanol Blended Petrol. Further, the Cabinet Committee on Economic Affairs (CCEA) had decided on 9.10.2007 to make 5% blending of ethanol with petrol mandatory with immediate effect across the country (except Jammu & Kashmir, North Eastern States and Island territories) and optional blending of 10% ethanol with petrol from October 2007 and thereafter mandatory blending from October, 2008.

1.68 The Committee have desired to know about the difficulties faced by OMCs in procuring ethanol for implementation of Ethanol Blended Petrol Programme. In this regard, the Committee in a written reply submitted by the Ministry of Petroleum and Natural Gas have been informed as under:-

> “At present 5% EBP programme is being implemented in 16 States and 3 UTs out of 20 States and 4 UTs identified for implementing the programme. OMCs have finalised tenders for ethanol in all these States. The requirement of ethanol for the three year period is 180 crore litres. The OMCs have been able to contract 146.6 crore litres. They have so far procured 57.33 crore litres under the programme (as on 15.08.2009). EBP releases have commenced in all the states except in Orissa, Chhattisgarh, West Bengal, Tamil Nadu, Kerala, Jharkhand And Puducherry where the programme has not taken shape due to non-resolution of issues like procedural problem and taxation policy affecting the commercial viability in the implementation of the programme.
>
> There is no uniformity in procedure/ taxation policy in the States/UTs in respect of ethanol. Also the availability of ethanol has not been in line with the requisite demand. These have affected the implementation of EBP Programme in certain states. The matter has been taken up by the Govt. of India with the concerned State Governments to reduce/remove the duties & taxes on ethanol meant for blending with petrol”.

1.69 In this regard, the Committee were further informed that the Oil Marketing Companies (OMCs) had explored the possibilities of acquiring sugarcane acreage and putting up ethanol manufacturing units in Brazil. The Project was found to be feasible and strategic for Indian Oil Industry. However, in view of economic slow down & resource crunch, OMCs are not contemplating any investment in Brazil to set up an ethanol project at present.

1.70 Further, HPCL have taken over two sick sugar mills, one at Sugauli in East Champaran and another at Louria in West Champaran in the State of Bihar for the purpose of producing ethanol for blending into petroleum fuels, through setting up of integrated sugar, ethanol and co-gen power plants, co-existensively. They are in process of revamping these two mills.

1.71 When asked about the implementation status of 10% ethanol blending scheme proposed by Cabinet Committee on Economic Affairs, the Ministry in a written note have submitted as under:-

> (i) “If blending is to be raised to 10% level across the country, it will have to be ensured that sufficient ethanol is available for the 10% EBP Programme in required quantities at all the notified locations and OMCs do not suffer any under recovery in sale of EBP. Further, issues relating

to compatibility of 10% EBP with auto engine and simplification and uniformity of different procedures adopted by different States/UTs in relation to procurement of ethanol and State duties need to be resolved.

(ii) In addition, Society for Indian Automobile Manufacturers (SIAM) has raised certain concerns about the compatibility of present in-use auto engines which are already on road including 2 & 3 wheelers with 10% EBP. To assess the suitability and acceptability of engines with E10, on the directions of MoPNG, OMCs have taken up a pilot study using 10% ethanol in Aonla Depot of UP and Desur Depot of Karnataka. A report on the pilot study is expected by September 2009".

1.72 In view of the non-availability of the required quantity of ethanol needed to implement even 5% ethanol blending programme, the Committee have desired to know the steps taken by the oil companies to implement the 10% ethanol blending decision of CCEA. In this regard, the Committee have been informed in post evidence reply as under:-

"The indigenous availability of ethanol on a sustainable basis to meet the requirement of this programme has been an issue ever since the programme was implemented throughout the nation in November, 2006. Ministry of Petroleum & Natural Gas is of the view that 5% ethanol blending programme has not stabilized due to non-availability of ethanol in required quantities and if the programme is made mandatory and adequate ethanol is not available than fuel supplies will stop in the market.
In view of non availability of ethanol in required quantity, this Ministry has submitted a proposal for the consideration/approval of the Cabinet Committee of Economic Affairs on 19th October, 2009, to defer the decision of making 5% and 10% EBP Programme mandatory, till the time supply of ethanol is ensured for the purpose".

1.73 Asked about whether oil companies have any plan to import ethanol from other countries, the Committee have been informed that the Government has no plan to import ethanol for blending with petrol from any other country.

1.74 The Committee note that Cabinet Committee on Economic Affairs (CCEA) had decided on 9.10.2007 to make 5% blending of ethanol with petrol mandatory with immediate effect across the country and optional blending of 10% ethanol with petrol from October 2007 and afterwards making it mandatory from October 2008. The Committee also note that at present 5% EBP programme is being

implemented in 16 States and 3 UTs out of 20 States and 4 UTs identified for implementing the programme. Further, against the requirement of ethanol for the three years period which is 180 crore litres, the OMCs have been able to contract 146.6 crore litres, out of which only 57.33 crore litres have been procured as on 15.8.2009. As current ethanol supply is not adequate to meet the demand of even 5% blending, the Ministry of Petroleum and Natural Gas have submitted a proposal for the consideration/approval of the Cabinet Committee on Economic Affairs on 19th October, 2009 to defer the decision of making 5% and 10% EBP programme mandatory till the supply of ethanol is ensured for the purpose. What follows from the above is that the 5% or 10% EBP was devised and implemented without considering its commercial and physical viability. The availability of adequate ethanol either indigenously or by way of imports is central to effective implementation of EBP. However, in the absence of any proper planning and now faced with an inevitable failure of the scheme, the Ministry has taken the easy option of requesting the Cabinet Committee on Economic Affairs to defer the scheme till supply of ethanol is ensured for the purpose. The Ministry has not indicated any action plan to increase the supply of ethanol to meet the requirement of EBP either in the short or long time. It means that the scheme will remain in abeyance for an indefinite period. Considering the present constraints and the fact that oil companies have been able to procure only 57.33 crore litre of ethanol, the Committee desire that 5% EBP may be implemented in a curtailed form in a few States to make it more relevant and effective and the Government to come up with a strategy to increase ethanol supply in a time bound manner instead of leaving the matter open ended without any time frame. The Committee would like to be apprised of the action taken by the Government in this regard.

K. BIO-DIESEL PURCHASE POLICY

1.75 To encourage production of bio-diesel in the country, the Ministry of Petroleum and Natural Gas has announced a Bio-diesel Purchase Policy in October, 2005, which became effective from 1.1.2006. Under this scheme Oil Marketing Companies will purchase bio-diesel for blending with High Speed Diesel (HSD) to the extent of 5% at identified purchase centers across the country. OMCs would buy bio-diesel at a uniform landed price, which is to be reviewed every six months. The purchase price of bio-diesel at present is at Rs. 26.50 per litre which was fixed on 22.8.2006.

1.76 Asked about the present status of the Bio-diesel blended programme, the Ministry have informed the Committee that 20 purchase Centres have been identified by the public sector Oil Marketing companies (OMCs) all over the country. The OMCs would purchase bio-diesel meeting the standards prescribed by the Bureau of Indian Standards (BIS) from those bio-diesel manufacturers who register with them after satisfying the technical specifications, at a specified delivered price. Depending upon need and preparedness, the OMCs could also open more purchase Centres.

1.77 The Committee are, however, informed that the Public Sector Oil Marketing Companies have not been able to purchase bio-diesel at the identified purchase Centres so far, as the parties which have expressed interest are not willing to supply at the declared price. Facilities are not yet ready with other parties who have expressed their interest.

1.78 The Committee in their 20th Report (14th Lok Sabha) on Demands for Grants (2008 09) of the Ministry had reasoned that some incentives were needed to be provided to the State Governments/farmers, at least in the initial phase, to enhance the bio-diesel production. They had, therefore, desired that concrete incentive proposals should be incorporated in the National Bio-fuel Policy and that the said policy should be put in place soon. Action Taken Reply furnished by the Government was silent on the above recommendation of the Committee.

1.79 Asked about the steps taken by the Government to implement the above recommendation of the Committee, the Committee have been informed in a written reply as under:-

"Oil Marketing Companies IOCL, BPCL & HPCL have been exploring the possibility of promoting green fuel with a view to protect the environment and reduce pollution. The following action has been taken by the OMCs:-

(i) BPCL has since completed the Jatropha Plantation at the vacant lane at various existing Oil depots and it has launched "PROJECT TRIPLE ONE", to set up a Bio Diesel Value Chain in the state of Uttar Pradesh. This project envisages Bio Fuel plantation in the land belonging to the Panchayats covering 10 lacks acres of waste land over a period of time. The Government of UP has accorded their approval for this project. The identification of wasteland suitable for Jatropha plantation is in progress. The plantation activities for above project are expected to commence shortly.

(ii) IOC has entered into a MOU with Indian Railways to study complete value chain of Bio-diesel. In line with that, IOC has taken up plantation on 62 hectares or Railway land at Surendranagar in Gujrat. About one lakh fifty thousand saplings of Jatropha have been planted at the site. This project is one of its kinds in the country, where every aspect of Jatropha Bio-diesel would be studied. This project had been started in 2004.

IOCL has also identified wasteland availability across states. Potential state governments have contacted for allotment of 30,000 ha. of wasteland to produce 1 lakh tonnes of Jatropha seeds to support a 100 TPD plant with 30,000 MTPA biodiesel output.

(iii) In Chattisgarh, JV agreement has been signed on 8th Oct. 2008 with Chattisgarh Renewable Energy Development Authority (CREDA). This JV will be allotted 30,000 hectares of Revenue waste land by state Government for energy crop plantation.

(iv) In Madhya Pradesh, 2000ha of revenue waste land has been allotted on 24th May 2008 in Jhabua district and preparations are underway to plant Jatropha on this land after possession of the same is made available. An application for allotment of additional 30,000ha of revenue waste land has been made to Government of MP on 14th January2008.

(v) In Rajasthan, on 5$^{th\ Nov}$. 2008 State Government has offered to IOC to undertake energy crop plantation in approximately 20,000 ha of degraded forest land in the district of Dungarpur. Feasibility study is underway for this project with the help of TERI.

(vi) In Uttar Pradesh, MoU has been signed by IOC on 10th December 2008 with M/s Ruchi soya Industries Ltd to explore the possibility of contract farming in the districts of Jhansi and Lalitpur with the help of Government of U.P. Detailed feasibility report of the project is being prepared for this purpose.

(vii) HPCL has signed MOU with GB Pant University, Pantnagar in Uttarakhand in January 2006 for cultivation of Jatropha & Allied activities. This is an experimental project and plantation of 5.8 lakh Jatropha has been already done at Pantnagar.

h. HPCL has also formed a Joint Venture Company (JVC) with Chhattisgarh Renewable Energy Development Agency (CREDA) for the plantation of Jatropha over 15,000 hectares of Waste land in the State of Chhattisgarh. The name of the Company is CREDA-HPCL Biofuels Ltd".

1.80 The Committee are concerned to note that the Bio-diesel purchase policy devised by Ministry of Petroleum and Natural Gas to encourage the production of biodiesel in the country has not made any substantial progress so far, as the 20 purchase centres have failed to purchase biodiesel from the registered manufacturers at specified decided price of Rs. 26.50 per litre. The Committee are, however, happy to note that Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) are engaged in exploring possibility of promoting green fuel with the aim to secure a safer and pollution free environment. For the purpose, BPCL has planted Jatropha plants at the vacant land of oil depots and has launched "project triple one", providing for bio-fuel plantation on 10 lakhs acres of land belonging to Panchayats, BPL families/SCs/STs/other Government beneficiaries with the permission of State Government of Uttar Pradesh. Like-wise, IOC has also entered into a MoU with Indian Railways to study complete value chain of Bio-diesel and consequently, about 150000 saplings of Jatropha have been planted at 62 hectares of railway land at Surender Nagar in Gujarat. IOCL has also identified wasteland availability across States. Potential State Governments have been contacted for allotment of 30,000 hectare of wasteland to produce 1 lakh tones of Jatropha seeds to support a 100 TPD plant with 30,000 MTPA biodiesel output. Besides this, States of Chhatisgarh, Madhya Pradesh and Rajasthan have also shown interest in energy crop plantation programme and accordingly lands have been acquired for the purpose. The Committee appreciate the efforts made by oil PSUs and State Governments for cultivation of Jatropha plants and impress upon the need that in view of the

lurking danger of the anticipated failure of bio-diesel programme envisaged in Bio-diesel Purchase Policy, the Government should encourage State Governments and private/public sector undertakings to plant the energy crops. The Committee, further desire that the "project triple one" of BPCL be completed in a time bound manner since the project has also received the go ahead from the Uttar Pradesh Government. Further, the study programme of IOCL with railway be fast-tracked to facilitate further steps for Jatropha cultivation programme. The Committee believe that the action plan prepared by the OMCs to implement the ongoing projects as well the projects which are to be finalized and launched for bio-diesel cultivation would not only help in protecting the environment and reduce pollution but would also reduce dependence on import of crude oil.

L. CITY GAS DISTRIBUTION PROJECTS

1.81 As regards the implementation of Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) projects in the country by Gas Authority of India Limited (GAIL), the Committee have been informed that GAIL has taken the initiative to introduce CNG to curb vehicular emission and PNG as clean & cheap burning fuel to reduce pollution from conventional fuels and has launched City Gas Distribution projects in cities of Delhi, Mumbai, Vadodara, Agra, Agartala, Kanpur and Lucknow. Further, GAIL has replicated the projects in other cities, namely, Pune, Ujjain, Indore and Hyderabad, where gas is available along with pipeline connectivity. Going ahead with its plan, GAIL has formed eight Joint Ventures for this purpose. GAIL has so far implemented city gas projects in 18 cities independently or through the JV route. The areas of operation of GAIL's JVCs are given below:

Existing JVCs of GAIL		
Sl.No.	**City / Geographical Area**	**Company**
1	Delhi	Indrarastha Gas Limited (IGL)
2	Noida	
3	Mumbai	Mahanagar Gas Limited (MGL)
4	Thane	
5	Mira Bhayandar	
6	Navi Mumbai	

7	Pune	Maharashtra Natural Gas Limited (MNGL)
8	Kanpur	Central UP Gas Limited(CUGL)
9	Bareilly	
10	Lucknow	Green Gas Limited (GGL)
11	Agra	
12	Vadodara	GAIL
13	Vijayawada	Bhagyanagar Gas Limited (BGL)
14	Hyderabad	
15	Rajahmundery	
16	Agartala	Assam Gas Company Limited.(TNGCL)
17	Indore	Avantika Gas Limited (AGL)
18	Ujjain	

1.82 In the second round of bidding, PNGRB invited bids for seven additional cities, namely, Ghaziabad, Allahabad, Jhansi, Rajahmundry, Yanam, Shahdol and Chandigarh. The last date for submission of bids was 25.06.2009. GAIL Gas Limited has participated in bidding for Ghaziabad, Allahabad, Jhansi and Chandigarh.

1.83 According to the Ministry of Petroleum and Natural Gas, GAIL Gas Ltd. will be bidding for cities for development of CGD projects, as and when PNGRB invites the bids.

1.84 Asked about the expansion of the Piped Natural Gas (PNG) network in Delhi, the Committee have been informed that IGL has already laid out its pipeline infrastructure in over 90 colonies, where nearly 1.5 lakh PNG connections have been provided. However, the network has the potential to provide upto 4 lakh PNG connections.

1.85 Petroleum & Natural Gas Regulatory Board (PNGRB) has segmented Delhi into 70 charge areas corresponding to 70 assembly constituencies. IGL is presently having network in 49 charge areas out of the above 70. IGL shall cover all the 70 charge areas by the year 2012, as mandated by PNGRB. With the expansion of PNG network into these 70 charge areas, endeavour would be made to provide PNG connections to residents of various areas falling in these charge areas/assembly constituencies. In the current financial year, IGL targets to add 50,000 new PNG connections.

1.86 When enquired about any roadmap to roll out city gas distribution projects to a greater number of cities in the country, the Committee have been informed that the Ministry of Petroleum & Natural Gas has finalized 'Vision- 2015' of the oil sector for "Consumer Satisfaction & Beyond", the vision would focus on providing better services to customers which in a way means all the citizens of the country, as each individual in some way or the other is a consumer of oil. This vision also covers CNG/ PNG, with a target to connect 200 cities with CNG/ PNG network by the year 2015.

1.87 Enquired about the total pipeline length and pipeline spreads per sq.km. of land in India at present and how does it compare with similar data relating to U.S.A., France and Asian countries, the Ministry of Petroleum and Natural Gas has furnished the following data:-

> "The total length of natural gas pipelines laid in India is 10800 km. Considering the area of India as 32, 87,240 sq. km. (Source- www.censusindia.gov.in), the spread of pipeline per 1000 sq. km in India works out to 3.29 km/ 1000 sq. km. Comparison of length and the spread of pipelines in India with similar data relating to US, France & Pakistan is given below:

Sl No.	Name of the Country	Area (in sq. km.)	Natural Gas pipeline (in km.)	Pipeline Spread km./ 1000 sq. km.
1	India	3287240	10800	3.29
2	USA	9161966	490800	53.57
3	France	674843	31717	47.00
4	Pakistan	796096	56400	70.85

1.88 The Committee note that to provide a clean and cheap burning fuel at the doorstep of the consumer and to reduce pollution from conventional fuel, Gas Authority of India Limited has so far launched City Gas Distribution Projects in 18 cities either independently or through the Joint Venture mode. Besides GAIL has also incorporated GAIL Gas Ltd. on 27th May 2008 to further expedite the implementation of these projects. In line with this, Petroleum and Natural Gas Regulatory Board has granted authorization to Gas Authority of India Limited (GAIL) to develop city gas distribution network in four metro cities (Kota, Dewas, Sonipat and Merut) in the first phase and GAIL would also be bidding for

the II phase of city gas distribution network development projects for seven other additional cities. The Committee are apprised that the Petroleum and Natural Gas Regulatory Board (PNGRB) has segmented Delhi into 70 charge areas corresponding to 70 assembly constituencies out of which Indraprastha Gas Limited is persently having network in 49 charge areas. The Committee are however, unhappy to note that against the present potential network to provide 4 lakh PNG connections in Delhi, only 1.5 lakh connections have been issued by IGL so far and 50,000 are targeted to be issued in the current financial year. Since IGL is unable to provide PNG connections in Delhi as per the present potential, Government/IGL's plan to cover all the 70 charge areas by the year 2012 does not carry conviction. The Committee, therefore, recommend that the Government in the first instance ensure that the present laid down network is fully utilized to its potential.

1.89 Further, the Ministry of Petroleum and Natural Gas has finalized 'Vision-2015' of oil sector for 'consumer satisfaction and beyond', focusing primarily on providing better services to consumers and it *inter-alia* envisages an establishment of PNG/CNG network to connect 200 cities by the year 2015. Although, the Committee appreciate the ambitious plan of the Government to cover 200 cities by 2015, the Committee feel that the project has yet to be started. The Committee further note that the total pipeline length and pipeline spread in India falls far behind the pipeline network of the developed countries like USA and France. The Committee, therefore, desire that the Government should take concerted efforts to frame a year-wise action plan to cover all the 200 cities for CNG/PNG network under 'Vision 2015'. The Committee would like to be apprised of the action taken by the Government in this regard.

M. <u>LPG DISTRIBUTION NETWORK IN RURAL AREAS</u>

1.90 The Committee have been informed that Public Sector Oil Marketing Companies (OMCs) viz., Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited are engaged in marketing of

LPG in the country. With increased availability of LPG, the number of LPG customers enrolled by them has also been increasing over the years. The number of LPG customers served by OMCs as on 31.03.2009 was about 1057 lakhs.

1.91 In their 20th Report on Demand For Grants (2009-10) of Ministry of Petroleum and Natural Gas the Committee had *inter alia* recommended the Ministry to assess the situation in rural and remote areas and release more LPG connections and strengthen the distribution network so that people living there could also had an access to cleaner fuel at affordable rates.

1.92 In their latest status report on implementation of the Committee's recommendation, the Ministry of Petroleum and Natural Gas has informed the Committee that OMCs have also introduced 5 kg domestic LPG cylinders in order to meet the demand of low-income groups in urban, semi-urban and rural pockets and also to extend the reach of LPG to hilly terrain and interior areas in the country on account of convenience in transportation. As on 01.07.2009, OMCs are serving 3.65 lakh 5 kg LPG cylinder customers in the country.

1.93 Asked about any programme of the Government to make LPG available to the rural population of the country to ensure the availability of LPG in rural areas, the Committee have been informed in a note as under:-

> "In order to increase rural penetration and to cover remote as well as low potential areas having potential of up to 600 refill sales per month, a new scheme of rural LPG distributor namely, 'Rajiv Gandhi Gramin LPG Vitrak Yojna (RGGLV) ' for small size LPG distribution agencies has been approved by the Government on 6th August 2009 and communicated to the Public Sector Oil Marketing Companies (OMCs) to take immediate follow up action for implementation of the scheme.
>
> As on 01.08.2009, there are about 9396 LPG distributors in the country serving a population of 10.87 crore LPG customers. Of these distributors, about 25% are serving rural areas.
>
> Under the Rajiv Gandhi Gramin LPG Vitrak Scheme distributorships commissioned at locations having potential of upto 600 refills per month. Proprietor himself with the help of two staff will operate it. The godown and the showroom would be much smaller in size compared to a normal distributorship. Distributorship will be awarded only to those who are in possession of requisite

land at the advertised location. Total capital expenditure will be about Rs. 3,21,000/-. With 600 refills there would be potential for a monthly earning of Rs. 7,664/- per month. The investment would be fully recovered by the time 1800 new connections are released @ Rs. 225/- per connection. The basic qualification for the distributor proposed is that he should be a resident of the gram panchayat in which location is identified for, the distributorship should have a plot of minimum size 20 mtr. X 24 mtr., minimum 10+2 pass, only individual applicants would be eligible and considered and not societies / partnerships, multiple dealership norms will apply etc. Copy of the approved scheme is enclosed".

1.94 In view of low accessibility of LPG in remote and rural areas, the Committee in their earlier Reports on Demands for Grants have recommended that the Ministry should assess the situation in rural and remote areas and release more LPG connections and strengthen the distribution network to ensure cleaner fuel at affordable rate to people living in those areas. The Committee are happy to note that the Government on 06th August, 2009 have approved Rajiv Gandhi Gramin LPG Vitrak Yojna for small size LPG distribution agencies to cover remote as well as low potential areas having potential of up to 600 refill sales per month. While appreciating the Government's initiative to increase rural penetration by OMCs, the Committee would like to know the details of the follow up action of all the OMCs to implement the scheme.

N. ADULTERATION OF PETROLEUM PRODUCTS

1.95 According to Ministry of Petroleum and Natural Gas, checking adulteration of Petroleum products is a continuous process and the Ministry has been reviewing steps taken to curb adulteration from time to time. In the process, several technological and institutional measures have been taken to contain adulteration. Further, the Marketing Discipline Guidelines (MDG) under which the oil marketing companies take penal actions against the erring dealers have been revised during August 2005 making the penal actions more stringent. As per MDG, 2005, a dealership would be terminated in the first instance of adulteration itself. The steps taken by the Ministry to curb adulteration of petroleum products are summarized below:-

(i) “Under the Control Orders issued by the Government to prevent fuel adulteration, under the Essential Commodities Act, 1955, State Governments are empowered to take action against those indulging in adulteration.

(ii) OMCs undertake regular and surprise inspections of Retail Outlets and also take action under Marketing Discipline Guidelines (MDG) and Dealership Agreements against those indulging in adulteration and malpractices. MDG provide for termination of dealership in the first instance of adulteration itself.

(iii) OMCs have introduced new tamper proof tank-truck locking systems to prevent en-route adulteration by transporters.

(iv) Keeping in view the misuse/diversion of SKO for adulteration, the import of SKO by private parties has been canalized through OMCs.

(v) As advised by the Government, Oil Marketing Companies (OMCs) have created a separate wing to report to a Director other than Director (Marketing), which will oversee and monitor all activities and operations to curb adulteration and specify norms and guidelines in this regard”.

1.96 Regarding implementation of Marketing Discipline Guidelines (MDG) 2005, the Secretary, Ministry of Petroleum and Natural Gas informed the Committee during evidence:-

> “In fact, the rules for terminating a licence have been made very severe. In fact, in the last three years, a large number of cancellations have taken place”.

1.97 To check the adulteration of Petroleum products, the Chairman, IOCL while deposing before the Committee during evidence on 22.10.2009 has stated as under:-

> “At every retail outlet we have something called a filter paper that we have introduced a marker system where we have doped the kerosene and the entire kerosene was marked. A lot of dealers were caught. The adulteration has reduced to some extent. The adulterated petrol will leave a stain. We take a sample for testing. The samples are immediately taken and sent to laboratory”.

1.98 In an earlier reply to a pointed query that the intended beneficiaries are not setting PDS Kerosene at subsidised rates, the Government had replied as under:-

> “The possibility of diversion of PDS Kerosene by some unscrupulous elements cannot be ruled out due to huge price difference between PDS Kerosene and petrol/diesel and the easy miscibility of these products with petrol/diesel. The Oil Marketing Companies (OMCs) undertake regular and surprise inspections

of their SKO dealers and take action against the defaulters under Marketing Discipline Guidelines".

1.99 Asked about the details of the penal action taken by different OMCs including termination of dealership since revision of Marketing Discipline Guidelines (MDG) in August, 2005, the Ministry of Petroleum and Natural Gas has informed the Committee in post evidence reply as under :-

"Details of the penal action taken by Indian Oil Corporation Ltd. (IOC), Hindustan Petroleum Corporation Ltd. (HPCL) and Bharat Petroleum Corporation Ltd. (BPCL) including termination of dealership since revision of MDG in August, 2005 are as under:-

Retail Outlet Malpractices report for last three years - IOCL

	2005-06	**2006-07**	**2007-08**	**2008-09**	**Apr-June 09**
No. of Inspections	**52021**	**63530**	**71877**	**94563**	**19353**
Malpractises					
No. of dealers indulged in malpractices	**451**	**1321**	**1251**	**1467**	**207**
Nature of malpractices detected:					
a) Discrepancy in Stock	66	162	82	89	9
b) Suspected adulteration or Failure of sample					
- Failure of MS/HSD sample	89	77	84	36	1
c) Overcharging	1	9	3	17	3
d) Unauthorized Sales	6	9	4	2	0
e) Short Delivery	156	497	416	505	94
f) Others (Non maintenance of record etc.)	319	800	662	818	100
Total	**637**	**1554**	**1251**	**1467**	**207**
Action Taken					
a) Termination	29	70	80	85	19
b) Suspension of sales and supplies	275	659	822	685	98
c) Explanation called for / show-cause or warning letter issued	72	368	151	357	64
d) Fine imposed	0	0	198	340	26
e) No punitive action taken on account of satisfactory reply from dealer	75	224	0	0	0
Total	**451**	**1321**	**1251**	**1467**	**207**

Retail Outlet Malpractices report for last three years - HPCL

	2005-06	2006-07	2007-08	2008-09	Apr-June 09
No. of Inspections	**18243**	**20065**	**20638**	**23771**	**4529**
Malpractises					
Irregularities / malpractices detected	**318**	**687**	**683**	**989**	**182**
Nature of malpractices detected:					
a) Discrepancy in Stock	33	32	16	22	05
b) Suspected adulteration or Failure of sample					
- Failure of MS/HSD sample	53	36	42	35	3
c) Overcharging	1	3	2	16	2
d) Unauthorized Sales	1	1	3	0	0
e) Short Delivery	142	243	245	351	92
f) Others (Non maintenance of record etc.)	88	372	375	565	80
Action Taken					
a) Termination	0	44	59	36	03
b) Suspension of sales and supplies	98	312	320	417	95
c) Explanation called for / show-cause or warning letter issued	180	294	257	423	81
d) Fine imposed	76	31	47	113	03
e) No punitive action taken on account of satisfactory reply from dealer	0	06	0	0	0
Total	**382**	**687**	**683**	**989**	**182**

BPC : SUMMARY OF MALPRACTICE / INSPECTIONS: RO

YEAR	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**April-June09**
Regular inspections	34758	37254	38684	31601	5886
QCC inspections	1288	1406	1325	1162	191
INSPECTIONS	**36046**	**38660**	**40009**	**32763**	**6077**
TYPE OF MALPRACTICES/IRREGULARITIES DETECTED					
Suspected Adulteration (MS/HSD)	45	41	71	40	9
Suspected Adulteration (Lubs)	22	19	12	0	0
Stock variation	37	40	24	27	6
Overcharging	1	1	1	2	0
Unauthorised sale	0	0	0	1	0

Short Delivery / seal tampering / DG fittings	244	254	246	169	26
Failure of density at Retail Outlets but sample passing subsequently	20	0	0	0	0
Others	681	407	347	790	164
Total No. of Malpractices	**1050**	**762**	**701**	**1029**	**205**
ACTION TAKEN					
Termination	30	37	37	17	0
Warning letter issued	822	365	277	540	46
Suspension of Sales with fine	153	322	280	233	30
No action required	36	18	17	7	0
Action pending (Under investigation)	3	13	74	228	129
Court Case	6	7	16	4	0
TOTAL	**1050**	**762**	**701**	**1029**	**205**

1.100 To further improve the quality assurance to customers, the Committee have been informed of the following initiatives taken by the Government/OMCs:-

"Automation of Retail Outlets: In order to monitor the activities at retail outlets by adopting the latest technological improvements, automation of retail outlets is being implemented. Ministry of Petroleum and Natural Gas has directed the oil marketing companies to complete automation of retail outlets selling more than 200 KL per month.

From the Annual Report (2006-07) of the Ministry of Petroleum and Natural Gas, the Committee find that the Ministry has directed the oil marketing companies to complete automation of retail outlets selling more than 200 KL per month by March, 2007. However, Annual Report (2008-09) of the Ministry states that out of 2357 Retail Outlets (ROs) selling more than 200 KL per month, 1233 Ros have already been automated by IOCL. The balance ROs are likely to be automated by April 2010. HPCL and BPCL have completed automation of all their 1135 ROs and 1602 ROs targeted in the first phase. In the 2nd phase, out of 600 ROs automation of 342 ROs have been completed by BPCL. The balance ROs are likely to be automated by November 2009.

The figures show that as on 31.03.2009, Public Sector Oil Marketing Companies (OMCs) have completed approximately 79% automation of ROs selling more than 200 KL per month.

Monitoring of movement of Tank Trucks through Global Positioning System (GPS): In order to prevent adulteration during transportation, OMCs have been directed to install GPS for complete monitoring of the movement of all the company owned/dealer owned/contractor owned tank trucks. Out of 19,600 Tank Truck (TTs) (Co. owned/dealer/contractor TTs), IOCL have completed the GPS system on 16555 TTs. The balance TTs are planned to be covered with GPS by September 2009.

As on 31.03.2009, Public Sector Oil Marketing Companies (OMCs) have completed the GPS system on approx 88% of the TTs.

Third Party Certification of Retail Outlets: OMCs have been directed to complete third party certification of all the retail outlets selling more than 100 KL per month and they have completed the third party certifications at all the ROs selling more than 100 KL per month as per their target in the 1st phase and 2nd phase.

Revising the Marketing Discipline Guidelines: The Marketing Discipline Guidelines (MDG) under which the oil marketing companies take penal actions against the erring dealers have been revised during August 2005 marketing the penal actions more stringent. As per MDG, 2005, a dealership would be terminated in the first instance of adulteration itself".

1.101 The Committee note that the Government as well as Oil Marketing Companies (OMCs) are taking several technological and institutional measures including regular and surprise inspections of retail outlets, tamper proof tank-truck locking systems, the import of SKO by private parties has been canalized through OMCs. The OMCs have created a separate wing to report to a Director other than Director (Marketing), who will be responsible for monitoring all activities and operations to curb adulteration. To contain adulteration further, Marketing Discipline Guidelines (MDG) have been issued in 2005 under which OMCs take penal action against the erring dealer. The Committee further note that the Government have not ruled out possibility of diversion of PDS Kerosene by some unscrupulous elements due to huge price difference between PDS Kerosene and petrol/diesel and the easy miscibility of these products with petrol/diesel. The Committee find that the number of dealers reported to have been involved in malpractices have increased from 451 in 2005-06 to 1467 in 2008-09 in case of IOCL, from 318 in 2005-06, to 989 in 2008-09 in case of HPCL and 1050 in case of BPCL during 2005-06 to 1029 cases during 2008-09. The Committee further observe that against the 1467 cases of malpractices in case of IOCL dealers during 2008-09, there were only 85 terminations and as regards 989 cases of malpractices by HPCL dealers, the cases where termination of dealership took place was only 36. Similarly, the cases of termination of dealership by BPCL were only 17 against a total 1029

cases reported during the year. In this regard, the Secretary, Ministry of Petroleum and Natural Gas during evidence on Demand for Grants (2009-10) has admitted that the rules for terminating a license have been made very severe and during the last three years, a large number of cancellations have taken place, the number of dealerships terminated is very small as compared to the malpractices reported. Despite the various corrective and preventive measures undertaken by OMCs against erring dealers, the Committee are surprised to note that the number of cases of malpractices have increased considerably over the last three years. The Committee express their serious concern that the action taken by the Government to prevent adulteration and other malpractices did not have the deterrent effect on erring dealers. The Committee, therefore, desire that oil companies should strictly enforce the MDG and also conduct more and more surprise inspections to curb the incidents of adulteration. The Committee strongly recommend that the Ministry should also monitor the situation regularly and devise stringent steps to stop rising trends of malpractices/adulteration including strict implementation of Marketing Discipline Guidelines (MDG), 2005 regarding cancellation of dealership in the first instance of adulteration so that dealers stop Indulging in adulteration and malpractices and consumers get the quality petrol/diesel. The Committee would like to know the steps taken by the Government to increase surprise inspections by OMCs.

1.102 The Committee have also been informed that filter papers, marker system, etc. are available at the retail outlets and consumer can also file complaints if they suspect some kind of adulteration in petroleum products. The Committee feel that in the absence of any public awareness programme, these initiatives taken by the Government/OMCs have not yielded the desired results. The Committee, therefore, recommend the Government to take necessary action to popularise the measures taken by way of adequate publicity in print and electronic media to alert the people at large and create public fear in the minds of erring dealers.

1.103 The Committee note that the automation of retail outlets is being done in phases and 79% of automation of retail outlets selling more than 200 KL per month has been completed as on 31st March, 2009. The Committee note with concern that although automation of retail outlets selling more than 200 KL per month was targeted to be completed by March, 2007, the same could not be completed as yet. Taking a strong note of the slothful approach in implementation of the automation of retail outlets by OMCs, the Committee recommend the Government/OMCs to take necessary steps so that automation of all the remaining retail outlets selling more than 200 KL is completed in the current financial year. The Committee further desire that an action plan for automation of remaining retail outlets selling less than 200 KL per day should also be prepared and implemented by the Government at the earliest.

O. STRATEGIC OIL STORAGE

1.104 In order to ensure the energy security of the country, the Government has given in principle approval for contracting strategic storage facility of crude oil of 15 MMT capacity of which the first phase of 5 Million Metric Tonnes (MMT) has been taken up at three locations, viz. Vishakhapatnam (Vizag) (1.00 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT). The capacity of Vishakhapatnam project has been subsequently enhanced to 1.33 MMT. This strategic storage would in addition to the existing storages of crude oil and petroleum products with the oil companies will provide an emergency response mechanism in case of short term supply disruptions.

1.105 When asked by the Committee about the present status of the project relating to strategic storage of crude oil, the Ministry of Petroleum and Natural Gas have furnished the following information:-

> “The construction of the proposed strategic storage facilities is being managed by Indian Strategic Petroleum Reserves Limited (ISPRL), a Special Purpose Vehicle of the Oil Industry Development Board (OIDB). The Engineers India Limited (EIL) has been appointed as Project Management Consultant (PMC) for all the three sites. The proposed Strategic Crude Oil Storage would be in underground rock caverns/concrete structure. The project involves a capital

cost of approximately Rs.2400 crore (at September 2005 prices) and Crude Oil cost of approximately Rs.9000 crore (calculated at an average crude oil cost of US$ 55 per barrel and exchange rate of 1US$=Rs.44, as estimated in September, 2005). Besides, operation and maintenance cost is estimated to be about Rs.90 crore per annum.

Crude oil from the reserves will be released by a Government-appointed inter-ministerial High Power Committee, in the event of any short-term disruption in Crude Oil in supplies, a natural calamity or any unforeseen global event, leading to an abnormal increase in crude oil prices".

The site-wise progress of Strategic storage facility of crude oil is as under:-

Visakhapatnam - The underground civil work has started. The evaluations of bids for aboveground work is under process and the work order to the qualified bidder is likely to be awarded shortly.

Mangalore – All the statutory clearances have been obtained. The underground civil work has since started. For the aboveground works, the bid qualifying criteria has been finalized and Notice Inviting Tender (NIT) for pre-qualification of bidders has been issued.

Padur- The matter of acquisition of about 161 acres of land for the project through the Karnataka Industrial Area Development Board (KIADB) is in the final stage and is likely to be completed shortly. Process for environmental clearance is in progress. Tender documents to the pre-qualified bidders for underground civil works have been issued".

1.106 On being enquired about the timely completion of the project, the Ministry have informed the Committee as under:-

"Strategic Storage of crude oil of 5 Million Metric Tonne (MMT) capacity are being set up at three locations; viz. Visakhapatnam, Mangalore and Padur. As per the Government's approval of the financing pattern of the projects, granted in January 2006, the projects were to be completed within 6 years i.e. by January 2012. The Visakhapatnam project is progressing as per schedule and will be completed by July 2011. The projects at Mangalore and Padur are delayed due to problems faced in land acquisition, which have since been resolved. These two projects are also likely to be completed by December 2012".

1.107 The Committee are given to understand that the Government in addition to the existing storages of crude oil and petroleum products with the oil companies have planned to construct a strategic storage facility of crude oil of

15 MMT capacity in three phases. The first phase is likely to be completed by December 2012 involving three projects sites at Visakhapatnam (1.00 MMT), Manglore (1.5MMT), Padur (2.5 MMT). The project involving a capital cost of Rs. 2400 crore (September, 2005 prices) is being managed by Indian Strategic Petroleum Reserves Limited (ISPRL), a special purpose vehicle of the Oil Industry Development Board (OIDB). The Committee are unhappy to note the long gestation period of 6 years for implementing Phase-I projects (2006-12) which were sanctioned in January, 2006. The Committee express its serious concern over the delay in implementation of projects at Mangalore and Padur which were hindered with the problem of land acquisition. While appreciating the visionary approach adopted by Government for setting up strategic storage facility in the country to cope with any short-term disruption in Crude Oil supplies, a natural calamity or any unforeseen global event, leading to an abnormal increase in crude oil prices, the Committee desire that not only Phase I of the programme should be expedited by the Government as originally targeted but also Phase II and III of the project should be initiated and completed at the earliest. The Committee would like to be apprised of the action plan framed by the Government in this regard.

P. SAFETY PERFORMANCE BY OIL COMPANIES

1.108 The Committee have been informed that there was a fire which broke out in Digboi Refinery on 13.05.2009 at around 6.35 AM. The Delayed Coking Unit (DCU) at Digboi Refinery of IOCL was under commissioning after scheduled M&I shutdown in the second week of May 2009. At around 6.35 AM on 13.5.2009, there was a fire in the discharge line of Fractionator bottom pump No. 07-PA-007A of the Unit. While attempting to put out the fire near Fractionator column bottom pumps, two persons, one operator of Digboi Refinery and one contract workman were engulfed in the fire and died on the spot. The fire was finally extinguished at 7.30 AM on the same day.

Asked about the cause of fire, the Committee have been informed as under:-

“The fire was due to rupture of a bend pipe of common discharge line of the Fractionator column bottom pumps followed by auto ignition of leaked hot hydrocarbon and the rupture was due to thinning down of the bend pipe due to metallurgy mix-up at project construction stage and wrong replacement of the identified bend during schedule maintenance shut down of Delayed Coking Unit in 2007”.

1.109 In a brief note on the incident of fire of POL depot of Indian Oil Corporation Limited (IOC) at Sanganer, Jaipur, the Ministry of Petroleum and Natural Gas have informed the Committee as under:-

“This terminal was commissioned in 1995 and is spread over 105 acres of land. The terminal has 11 storage tanks for Motor Spirit (MS), High Speed Diesel (HSD) and Superior Kerosene Oil (SKO). It is estimated that petroleum products worth approximate Rs. 146 crore were lost and the replacement cost of buildings and machinery would be approximate Rs. 160 crore. The product is insured and the time frame for rebuilding the infrastructure at the terminal would be about two years. 11 fatalities have been confirmed of which 6 are employees of IOC. 7 persons have suffered major injuries. IOCL announced an ex-gratia payment of Rs. 10 lakh to those who lost their lives and Rs. 2 lakhs to those who are seriously injured and Rs. 1 lakh to those who suffered minor injuries, in addition to the compensation offered by the State Government”.

1.110 As regards any inquiry on the above incident being conducted by the Government, the Committee have been informed as under:-

“On 30.10.2009, a seven member inquiry committee under the chairmanship of Shri M.B.Lal, Ex-C&MD of HPCL was constituted by the Ministry to inquire into the causes of the incident and to suggest remedial measures to prevent reoccurrence of such incidents. The Committee will submit its report within 60 days. Further, on the request of the Rajasthan Government, IOC announced an adhoc relief package amounting to Rs. 50 crore which has been released to Rajasthan State Industrial Investment Corporation (RIICO) as an interim relief for the small and medium industries adversely affected by the fire incident.

To review the safety and security at oil &gas installations in the country, the Ministry had convened a meeting on 3.11.2009, which was attended by CEOs of all public and private oil companies operating in the country. All the companies shared their own experience in dealing with such incidents, vowed to share information on the matter among themselves and also agreed to share resources/infrastructure in future in the vent of such unfortunate events. It was further agreed during the meeting that the following action will be taken:

1) All companies shall take measures to promote safety consciousness and training on safety requirement at all levels. The message of zero tolerance in matters of safety has to be conveyed to all concerned.
2) All oil and gas installations and transportation systems in the country will carry out self safety audit conforming to statutory norms and risk assessment including Oil Industry Safety Directorate (OISD) by 31.12.2009. Oil companies will submit the reports to OISD which in turn will submit a consolidated report of MOPNG.
3) The decision taken in the 27th Meeting of safety Council held on 18th September 2009 in MOPNG regarding empowerment of OISD with statutory status will be expedited. OISD will be strengthened with additional manpower from oil companies.
4) The Safety Council will be expanded to include private sector refineries and offshore & other installations.
5) All oil and gas companies in the country must update their standard operating procedures (SOPs) for operations and maintenance practices for all countrywide installations/setups under due technical supervision and attention, availing the benefit of best practices in the country and abroad. A strict implementation of such standard operating procedure (SOPs) will be ensured. All oil and gas companies will submit reports on SOPs and its due implementation to OISD by 31.12.2009.
6) All oil and gas installations will have their safety audit done on quarterly basis. All major as well as minor incidents in any such installations/setups in the country including that of private companies will be reported to OISD".

1.111 The Committee have been informed that the Oil Industry Safety Directorate (OISD) assists Safety Council under Ministry of Petroleum and Natural Gas (MOP&NG) headed by Secretary, P&NG as Chairman and includes Additional /Joint Secretaries, Advisors in Ministry of Petroleum and Natural Gas, Chief Executives of all public sector undertakings (PSUs) under the Ministry, Chief Controller of Explosives (CCE), Advisor (Fire) of Government of India, DGMS and the Director General of Factory Advice Service and Labour Institute, etc. as members.

1.112 Further, the OISD develops safety standards for hydrocarbon industry to keep them abreast of the latest design and operating practices in the areas of safety and fire fighting in the developed countries. OISD Standards are reviewed periodically to incorporate the latest technological developments, and experience gained in their implementation so as to update them in line with the current international practices. 1

new standards and complete review of 7 existing standards were approved by Safety Council in 2008. As on date, OISD has issued 111 safety standards.

1.113 According to the Ministry of Petroleum and Natural Gas External Safety Audits (ESAs) are carried out periodically to check compliance with respect to implementation of safety standards. ESA of 4 refineries, 4 Gas Processing and Petrochemical plants, 17 marketing locations i.e. POL terminal/Depot, LPG plants, 58 on land and 7 offshore Exploration and Production (E&P) installations and 1732 km cross country pipelines have been carried out in 2008-09. Additionally, pre-commissioning inspection of 6 new projects in refineries and 11 marketing locations and 1484 km of cross country pipeline has been carried out in line with approved methodology. In addition, surprise safety audit of 5 refineries and 2 Gas Processing Plants were also carried out.

1.114 The Committee note that OIL Industry Safety Directorate (OISD) has been set up by the Ministry of Petroleum and Natural Gas to assist the Safety Council headed by Secretary, P&NG as Chairman and includes Additional/Joint Secretaries, Advisors in Ministry of Petroleum and Natural Gas, Chief Executives of all public sector undertakings (PSUs) under the Ministry, Chief Controller of Explosives (CCE), Advisor (Fire) of Government of India, DGMS and the Director General of Factory Advice Service and Labour Institute, etc. as members. OISD develops standards for hydrocarbon industry to keep abreast of the latest designs and practices in the area of safety and fire fighting in the developed countries. Despite OISD which develops high standards in areas of safety and fire fighting, there had been regular reporting of incidents of fire in refineries/oil depots. The Committee are concerned to note the incident of fire in May, 2009 at Digboi Refinery of IOC where two persons were reportedly died due to fire. The Committee were given to understand that the fire was due to rupture of a bend pipe of common discharge line of the Fractionator column bottom pumps followed by auto ignition of leaked hot hydrocarbon and the rupture was due to thinning down of the bend pipe due to metallurgy mix-up at project construction stage and wrong replacement of the identified bend during

schedule maintenance shut down of Delayed Coking Unit in 2007. Further, the Committee are concerned to note that 11 persons have been reportedly died and oil worth hundred crores of rupees was burnt at Jaipur Depot in October this year. When the fire was raging at Jaipur Depot, the Government/oil companies had no fire fighting strategy except to let the oil stored in the depot to burnt out. It only indicates that there are no proper safety mechanism to prevent such major fire nor are there any technology/equipment to tackle such a devastating fire. It is, therefore, imperative that external safety audit of all the refineries/depots must be ensured periodically, as per safety standards. The Committee would like to know the details of the outcome of the investigation report of the Government/IOC into the fire at Jaipur and the remedial measures taken/proposed to be taken by the Government to avoid reoccurrence of such incidents in future. The Committee also like to be apprised of the monitoring mechanism available with OISD/Safety Council to check the implementation of safety standard approved by them and the steps taken by the Government to strengthen the monitoring mechanism to ensure safety of world standards in refineries/storage depots. In view of a large number of habitat areas that have come up/developed around oil storage depots, the Committee would like the Government to take a review of the locational hazards of these depots and desire that the Government must ensure adequate safeguards/shifting of these depots away from habitat areas.

New Delhi;
8 December, 2009
17 Agrahayana, 1931 (Saka)

ARUNA KUMAR VUNDAVALLI,
Chairman,
Standing Committee on
Petroleum & Natural Gas

STATEMENT OF CONCLUSIONS/RECOMMENDATIONS OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS

SI No.	Reference Para No. of the Report	Conclusions/Recommendations
1	1.9	The Committee note that the Non Plan Budget (2009-10) of Rs. 3144 crore of the Ministry of Petroleum and Natural Gas comprises mainly of subsidy for domestic LPG and PDS kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North Eastern Region and setting up of the Petroleum Regulatory Board. During 2009-10, an amount of Rs. 2840 crore has been allocated for subsidy on domestic LPG and PDS Kerosene to make them available to households at subsidized and affordable prices. The Committee further note that non-plan outlays of Rs. 243 crore have been allocated to the Ministry of Petroleum and Natural Gas to bear the difference between the producer price and the consumer price of natural gas supplied in the North Eastern region. In view of these non-plan outlays for the above referred schemes, the Committee are of the view that these non-Plan Demands of the Ministry of Petroleum and Natural Gas are in order and expect that the budgetary allocations during the year would be fully utilized as targeted.
2	1.10	The Committee are, however, not satisfied with the budgetary allocations (Plan) of Rs. 25 crore during 2008-09 and 2009-10 to Rajiv Gandhi Institute of Petroleum Technology (RGIPT) as the total budgetary support of Rs. 285 crore was proposed to be allocated to RGIPT during 11th Plan to meet the capital expenditure. The Committee note that original projection for budgetary support proposed for 2008-09 and 2009-10 were of Rs. 81 crore and Rs. 69 crore respectively for setting up infrastructure facilities like purchase of land, land acquisition, building, residences, other amenities like school, hospitals equipments, sports facilities. To their utter surprise, the Committee find that only Rs. 25 crore each for both the years have been actually allocated for the purpose. In the opinion of the Committee, the whole RGIPT project originally scheduled to be completed in 2011-12 would be badly affected due to certain bottlenecks like acquisition of additional land from UPSIDC and reduced budgetary allocations during 2008-09 and 2009-10. The Committee, therefore, recommend that the issues of land acquisition may be resolved at the earliest and all infrastructure facilities be established at RGIPT as scheduled by infusing the desired budgetary support.

3	1.11	The Committee find that although in their 20th Report on DFG (2008-09) of Ministry of Petroleum and Natural Gas (14th LS), they had recommended that the Government should act fast in setting up the Rajiv Gandhi Institute of Petroleum Technology (RGIPT) and make it functional from the academic year 2008-09, the Committee are concerned to note that only two B.Tech courses in Reservoir Engineering and Petroleum Refining at Rae Bareli and one MBA course in Petroleum and Energy Management at Noida from 5.9.2008 and 12.9.2008 respectively have commenced so far. The Committee, therefore, again stress that a detailed action plan be prepared by the Government to make the Institute at Rae Barelly fully functional in a time bound manner and would also like to know the action plan of all the professional courses to be started at the Institute. As regards the decision of the Board of RGIPT taken at a meeting held on 29.1.2009 to set up a centre of RGIPT at Assam, the Committee would like to be apprised of further progress made by the Government/RGIPT in this regard.
4	1.19	In view of the stagnant oil production from indigenous sources, the Committee are concerned to note the under-performance of exploratory drilling by ONGC because as against 483985 meterage of Budget Estimates, the actual during 2008-09 were only 297146 meterage. Similarly, against the target of 162 well for exploratory drilling, the actuals during 2008-09 were only 106 wells. The Committee observe that drilling meterage achievement by ONGC was affected due to reasons such as non-availability of planned charter hired rigs/deep water rigs. Given the fact that more and more exploratory drilling work has to be undertaken by ONGC after awarding of bids under NELP VIII since ONGC has made bids for as many as 21 blocks, it is imperative for Government/ONGC to make an in-depth analysis of the situation and make concerted efforts to ensure that exploratory drilling work is not affected due to non-availability of desired rigs. The Committee, therefore, urge the Government/ONGC to take the requisite steps to ensure availability of adequate numbers of state of art deepwater rigs so that the planned targets for exploratory drilling during the 11th Plan Period do not go haywire. The Committee would like to be apprised of the action taken by the Government/ONGC in this regard.
5	1.20	As regards the development drilling, the Committee are constrained to note that against the targets of 514820 meterage by ONGC during 2008-09, the actuals were 477144 meterage with

		218 wells completed as against the target of 232 wells. The Committee further note with disquiet that although 92.8% of the annual targets for development drilling could be achieved by ONGC during 2008-09, the actual utilization of funds was Rs. 4764.79 crore against the budget estimates of Rs. 3836.58 crore. Thus, though an additional expenditure of about Rs. 928 crore was incurred by ONGC, there was shortfall in achieving physical targets set for development drilling during 2008-09. Although, the Government in a post evidence reply furnished to the Committee have informed that the increase is mainly due to significant increase in drilling rigs day rates from Rs. 0.5 crore in 2007-08 (which was the basis for BE 2008-09) to Rs. 0.85 crore in 2008-09, the Committee have failed to understand as to why these escalations were not projected at Revised Estimates (RE) stage. The huge mismatch between the financial outlays and the physical targets achieved for development drilling point towards systemic flaws in the planning and implementation of exploratory work. The Committee, therefore, recommend that not only the physical as well as financial targets should be set realistically for exploratory works, but Government/ONGC should also monitor them periodically as per agreed performance parameters to ensure the prudent expenditure of the planned targets. The Committee further recommend that DGH being responsible for management of entire oil sector should effectively enforce performance parameters on PSUs as well as private companies engaged in oil exploration.
6	1.21	The Committee observe that against the approved outlays of Rs. 2230.67 crore (BE) and Rs. 1718.80 crore (RE), the actual expenditure by OIL during 2008-09 is Rs1601.13 crore. The Committee are unhappy to note the various reasons forwarded by the Government for shortfall in the plan expenditure by OIL such as deferment of entire 2D contractual Seismic Survey of 500 GLKM in Brahmaputra River Bed due to non availability of required Government clearances from Pollution Control Board of Assam, delay in respect of Government permission for drilling in Arunachal Pradesh, frequent failure on account of old vintage of rigs deployed in Assam and Arunachal Pradesh, etc. The Committee feel that non-utilisation of budget amount for exploratory work by oil PSUs will adversely affect the future oil production programme in the country. The Committee are of the opinion that the reasons such as delay in Government permissions, non-availability of rigs, delay in finalization of contracts, etc., are foreseeable factors and as such could have been avoided if the Government/oil companies had initiated advance action. The committee, therefore, recommend that the Government/oil PSUs take care in finalization

		of their annual plan in future for various exploratory activities taking into account all the possible factors so that budget allocations are fully utilized. The Committee would like to be apprised of the action taken by the Government in advance to check these administrative problems.
7	1.22	As regards utilization of budget outlays by Indian Oil Corporation, the Committee note that although the actual expenditure at Rs. 9644.22 crore was 109.54% of Revised Estimates of Rs. 8800 crore, there were some major variations in the expenditure on some of the projects/activities of IOC. The Committee are unhappy to note that during 2008-09 against the budget estimates of Rs. 1000 crore for Paradip Refinery, the actuals were Rs. 233.86 crore and for Chennai-Banglore product pipeline, an expenditure of Rs. 18.47 crore was incurred against BE of Rs. 50 crore. The Committee note that the reasons for less expenditure than the projected expenditure by Paradip refinery has been attributed to delayed final investment approval of the project by Board of Directors and for Chennai-Bangalore product pipeline, it was due to delay in environmental clearances. The Committee feel that these projects should have been monitored at every stage so that budgetary allocations are fully utilized. The Committee expect the Government to take the desired steps to ensure that these projects are commissioned as scheduled.
8	1.23	The Committee note that the oil PSUs have been allocated activity wise budgetary allocation during XI Plan period. Although, the actual utilization for Exploration & Production, Refinery and Marketing and Petrochemicals during 2008-09 were Rs. 42,477.58 crore (97.13%), Rs. 9,147.49 crore (97.43%) and Rs. 4,818.51 crore (111.81%) respectively, the actuals for engineering activities were Rs. 19.65 crore which were 25.19% of the Revised Estimates of Rs. 78 crore. The Committee further note that against the Budget Estimate of Rs. 95 crore for engineering activities during 2009-10, the actual upto 31.5.2009 were Rs. 1.28 crore i.e. only 1.35% of the plan outlays for the year due to low expenditure by two engineering companies viz. Balmer Lawrie and Company and Biecco Lawrie Limited. The Committee have been further informed that business and financial restructuring of Biecco Lawrie Limited is under active consideration of the Ministry. The Committee desire that an early decision should be taken by the Government in this regard to ensure that the Plan outlays for engineering activities are fully utilized during 2009-10.

9	1.32	The Committee are concerned to note the low crude oil production during 2007-08 and 2008-09, the first two years of XI Plan by oil PSUs as well as private/Joint Venture companies. Against the planned target of crude oil production of 27.16 MMT in 2007-08 by ONGC, the actuals were 25.945 MMT and during 2008-09 as well ONGC could not achieve the plan target of 28 MMT of crude oil production and only 25.336 MMT of crude oil was produced by it. The Committee are further unhappy to note the very low achievements of projected targets of crude oil by private/JV companies. Against the target of 10.57MMT and 10.78 MMT crude oil production for the years 2007-08 and 2008-09, the actual production was only 5.087MMT and 4.674MMT. The Committee note that despite the continuous shortfall in achieving crude oil production by both public and private oil companies in the X Plan Period and during 2007-08 and 2008-09, the Government has projected an additional production of 40.204 MMT of crude oil during XI Plan amounting to an increase of 24% over X Plan . The enhanced projection is likely to be achieved by increase in production of 14.564MMT by ONGC and OIL from the reserve accretion made during X Plan Period in their operative areas in the country. But, the Committee find that major increase is projected to come from private/JV companies which is expected to contribute about 25.64 MMT of crude oil during XI Plan Period. The additional crude oil production by private/JV companies is to come from Rajasthan where oil production could commence only w.e.f. 29.8.2009 due to delayed evacuation facilities. The Committee feel that to achieve these targets which are fully within reach, there is need for oil companies to fine tune their production units and sort out their problems in the right earnest so as to ensure that production starts as per schedule.
10	1.33	The Committee note that there is major shortfall in achievement of XI Plan targets in natural gas production. Against a plan target of 8.55 BCM of natural gas production by private/JV companies only 7.227 BCM was achieved during 2007-08 and for 2008-09 against the plan target of 22.55 BCM, private/JV companies could produce only 8.090 BCM of natural gas. Further, natural gas production from KG-D-6 block which has commenced from April, 2009 at about 38 MMSCMD is very much below the target. In view of the low natural gas production by private/ JV companies during the last 2 years, the Committee recommend that the Government should ensure increased production of natural gas from the existing fields. Without going into the merits of the ongoing KG-D6 block gas dispute which is sub-judice, the Committee desire that the Government while taking necessary

		steps to keep the national interests above the business interests of the warring parties should resolve the dispute early to achieve the targeted production.
11	1.34	The Committee note that Directorate General of Hydrocarbon (DGH) is *inter-alia* entrusted with the responsibility to ensure proper and sound management of the oil and natural gas resources besides monitoring of E&P activities. The Committee, however, are unhappy to find shortfall in crude oil and gas production especially by private/JV companies despite regular monitoring by DGH. The Committee, therefore, recommend that the Government should issue necessary instructions to the DGH to aggressively monitor the performance of all the oil companies whether public or private/joint venture to ensure that there are no slippages in the exploration projects. Besides taking timely remedial measures to achieve the targeted production of crude oil and natural gas, the Committee also desire that manpower in DGH should be strengthened so that DGH could fulfill its mandate and effectively monitor the E&P activities.
12	1.37	The Committee note that our import dependence percentage in respect of crude oil has been on continuous increase as it stood at 76% in 2006-07, the terminal year of 10th Plan and 80% in the year 2008-09. It is further projected to stand at 79% by the end of the 11th Plan i.e. during 2011-12, which in turn will commensurate with increased expenditure incurred on import of crude oil and petroleum products from Rs. 131891 crore in 2004-05 to Rs. 408911 crore in 2008-09. In view of the alarming increase in the demand of petroleum products in the country during the last 5 years and corresponding increase in expenditure on import of oil and gas, the Committee feel that the Government should aim at reducing our import dependence by way of marshalling our resources and the necessary technological upgradation. The Committee feel that this should be taken with utmost sincerity. At the same time, more focus by way of increased financial and technological support should be given to develop and harness alternate sources of fuel like coal bed methane, gas hydrates, bio-fuels, coal liquification etc. The Committee urge the Government to make a comprehensive plan in this regard.
13	1.41	The Committee note that although Government have not provided infrastructure status as such to the entire hydrocarbon sector, it has taken some steps like amendment of section 35(a)(d) of Income Tax Act providing full deduction of capital expenditure for a pipeline approved by the Petroleum and Natural

		Gas Regulatory Board and having 33% excess capacity in the first year of operation and income tax exemption to projects to be awarded under NELP-VIII and CBM-IV. In the opinion of the Committee, in order to attract more investments by the private sectors in E&P activities, refineries etc. it is necessary that complete infrastructure status be provided to the entire hydrocarbon industry.
14	1.49	The Committee note that under New Exploration Licensing Policy (NELP), so far 71 oil and gas discoveries have been made in 21 blocks. The number of oil and gas discoveries by Public/Government companies is 30 whereas by private companies, it is reported to be 41. The Committee further note that out of 70 exploration blocks of NELP-VIII comprising of 24 deepwater blocks, 28 shallow-water blocks and 18 onland blocks, 76 bids have been received for 36 blocks by the Government by the closing date of October 12, 2009 which are under process of scrutiny and the licenses for exploration would be awarded after examining the bids as per the NELP terms and conditions. Although, the Committee observe that the Secretary, Ministry of Petroleum and Natural Gas was candid enough to admit that NELP-VIII was launched at a time when there was an international downturn and recession in some parts of the world and the minimum committed investment in these 36 blocks under NELP-VIII is estimated at 1.3 billion dollars, however, the fact remains that even the major domestic private players have kept themselves away from participating in the bids for the NELP-VIII round and single bids by ONGC for 21 blocks have been received by the Government. The Committee, thus, feel that the Government have failed to attract adequate response from both domestic and foreign companies under the NELP-VIII. In view of the single bids received for various blocks, the Committee note that bidding is not competitive and the very purpose of NELP has been defeated. The Committee, therefore, strongly recommend the Government to analyse the situation and take corrective steps including making the NELP terms and conditions more attractive. The Committee, further, desire that the Government should make a comparative study of the various parameters followed in different countries in regard to such issues as pricing, marketing or royalty etc. under production sharing agreements to make future rounds of NELP more attractive.
15	1.50	The Committee note that under NELP while evaluating bids of the participants, the past performance of the bidder is never taken into consideration before awarding the contract. Consequently, a good consistent performer in production of oil and gas from the awarded blocks and a past penalty payer for the

		reason of not even completing the minimum exploration work are being placed on the same footing. The Committee, therefore, recommend that the Government while awarding blocks should give due weightage to previous performance records of the bidders and discourage the defaulters.
16	1.54	The Committee are dismayed to note that although promotion of Research and Development activities has been identified as one of the thrust areas of 11th Plan, the R&D expenditure by Hindustan Petroleum Corporation Limited(HPCL) and Oil India Limited(OIL) is only Rs. 2.64 crore and Rs. 16.75 crore respectively during 2008-09 against their total XI Plan allocations of Rs. 55 crore and Rs.216.19 crore. The Committee are amazed to note that there is 'NIL' expenditure by GAIL on R&D activities during 2008-09. The Committee further observe that no fixed percentage of annual budget outlays have been earmarked by oil PSUs for R&D activities and their allocations vary from 0% to 1%. As R&D is the backbone of any oil company's institutional arrangement for induction of appropriate technology and in meeting the varied needs including increasing the yields of value added products, bringing down the costs engineering and construction work, safety and environment, the Committee feel that there is an urgent need for adequate allocation for R&D activities by all oil sector PSUs. The Committee would, therefore, like the Government to analyse the reasons for very low allocations and expenditure on R&D activities by oil PSUs and recommend the Government to issue necessary guidelines to oil PSUs to allocate a certain fixed percentage of their annual budget for R&D activities.
17	1.55	The Committee are, however, happy to note that ONGC plans to put in concerted efforts in R&D relating to a number of areas, such as Underground Coal Gasification, Basin Centered gas, Gas Hydrates exploration, Petroleum Biotechnology and Surface Coal Gasification. The Committee would like the other oil PSUs to emulate ONGC and take up projects in areas like shale gas exploration, economic and ecologically more safer ways to exploit gas hydrate resources and economic methods for converting coal to oil for making the process economically viable, etc.
18	1.59	The Committee in their 20th Report (14th Lok Sabha) had expressed their displeasure over the fact that only a meagre amount is being released to the Oil Industry Development Board out of the cess proceeds for development of petroleum sector. They had recommended for referral of the entire issue of deployment/utilization of cess levied on crude oil/revenues collected from the petroleum sector vis-à-vis the amount released for development of oil sector to a group of Ministers comprising

		the Union Ministers for Petroleum and Natural Gas, Finance, Law and Chemical and Fertilizer. In a post evidence reply, the Ministry of Petroleum and Natural Gas have informed the Committee that Ministry of Finance had not commented upon the matter to refer the whole issue to a group of Ministers in spite of repeated reminders. The Committee take a very serious view on the whole issue and urge the Government to again take up the matter with the Ministry of Finance and progress in the matter be intimated to the Committee at the earliest. As regards creation of Price Stabilisation Fund, the Committee feel that the inbuilt mechanism to allow variation in prices of diesel and petrol as claimed by the Government is not sufficient. Therefore, the Committee reiterate their earlier recommendation for creation of Price Stabilisation Fund.
19	1.66	The Committee note that the present refining capacity of the public and private sector refineries is 105.47 MMTPA and 72.50 MMTPA respectively. Further, the capacity expansion/addition planned by the public and private sector by the end of the 11th Plan (March, 2012) is 77.81 MMTPA – public sector 48.31 MMTPA and 29.50 MMTPA in private sector. The Committee are further informed that during the year 2006-07, 2007-08 and 2008-09, the petroleum products exported from the existing refineries stood at 33.6MMT, 40.8 MMT and 38.6 MMT. Although, the Committee are happy to note that the refining capacity expansion/addition programme of both the public and private sector oil companies has increased their export and profit margins, the Committee are also concerned about the adverse environmental impact of refineries. The Committee, therefore, desire the Government/DGH to effectively monitor and ensure that environmental norms are adhered to both by public and private sector refineries.
20	1.74	The Committee note that Cabinet Committee on Economic Affairs (CCEA) had decided on 9.10.2007 to make 5% blending of ethanol with petrol mandatory with immediate effect across the country and optional blending of 10% ethanol with petrol from October 2007 and afterwards making it mandatory from October 2008. The Committee also note that at present 5% EBP programme is being implemented in 16 States and 3 UTs out of 20 States and 4 UTs identified for implementing the programme. Further, against the requirement of ethanol for the three years period which is 180 crore litres, the OMCs have been able to contract 146.6 crore litres, out of which only 57.33 crore litres have been procured as on 15.8.2009. As current ethanol supply is not adequate to meet the demand of even 5% blending, the Ministry of Petroleum and Natural Gas have submitted a proposal for the consideration/approval of the Cabinet Committee on Economic

		Affairs on 19th October, 2009 to defer the decision of making 5% and 10% EBP programme mandatory till the supply of ethanol is ensured for the purpose. What follows from the above is that the 5% or 10% EBP was devised and implemented without considering its commercial and physical viability. The availability of adequate ethanol either indigenously or by way of imports is central to effective implementation of EBP. However, in the absence of any proper planning and now faced with an inevitable failure of the scheme, the Ministry has taken the easy option of requesting the Cabinet Committee on Economic Affairs to defer the scheme till supply of ethanol is ensured for the purpose. The Ministry has not indicated any action plan to increase the supply of ethanol to meet the requirement of EBP either in the short or long time. It means that the scheme will remain in abeyance for an indefinite period. Considering the present constraints and the fact that oil companies have been able to procure only 57.33 crore litre of ethanol, the Committee desire that 5% EBP may be implemented in a curtailed form in a few States to make it more relevant and effective and the Government to come up with a strategy to increase ethanol supply in a time bound manner instead of leaving the matter open ended without any time frame. The Committee would like to be apprised of the action taken by the Government in this regard.
21	1.80	The Committee are concerned to note that the Bio-diesel purchase policy devised by Ministry of Petroleum and Natural Gas to encourage the production of biodiesel in the country has not made any substantial progress so far, as the 20 purchase centres have failed to purchase biodiesel from the registered manufacturers at specified decided price of Rs. 26.50 per litre. The Committee are, however, happy to note that Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) are engaged in exploring possibility of promoting green fuel with the aim to secure a safer and pollution free environment. For the purpose, BPCL has planted Jatropha plants at the vacant land of oil depots and has launched “project triple one”, providing for bio-fuel plantation on 10 lakhs acres of land belonging to Panchayats, BPL families/SCs/STs/other Government beneficiaries with the permission of State Government of Uttar Pradesh. Like-wise, IOC has also entered into a MoU with Indian Railways to study complete value chain of Bio-diesel and consequently, about 150000 saplings of Jatropha have been planted at 62 hectares of railway land at Surender Nagar in Gujarat. IOCL has also identified wasteland availability across States. Potential State

		Governments have been contacted for allotment of 30,000 hectare of wasteland to produce 1 lakh tones of Jatropha seeds to support a 100 TPD plant with 30,000 MTPA biodiesel output. Besides this, States of Chhatisgarh, Madhya Pradesh and Rajasthan have also shown interest in energy crop plantation programme and accordingly lands have been acquired for the purpose. The Committee appreciate the efforts made by oil PSUs and State Governments for cultivation of Jatropha plants and impress upon the need that in view of the lurking danger of the anticipated failure of bio-diesel programme envisaged in Bio-diesel Purchase Policy, the Government should encourage State Governments and private/public sector undertakings to plant the energy crops. The Committee, further desire that the "project triple one" of BPCL be completed in a time bound manner since the project has also received the go ahead from the Uttar Pradesh Government. Further, the study programme of IOCL with railway be fast-tracked to facilitate further steps for Jatropha cultivation programme. The Committee believe that the action plan prepared by the OMCs to implement the ongoing projects as well the projects which are to be finalized and launched for bio-diesel cultivation would not only help in protecting the environment and reduce pollution but would also reduce dependence on import of crude oil.
22	1.88	The Committee note that to provide a clean and cheap burning fuel at the doorstep of the consumer and to reduce pollution from conventional fuel, Gas Authority of India Limited has so far launched City Gas Distribution Projects in 18 cities either independently or through the Joint Venture mode. Besides GAIL has also incorporated GAIL Gas Ltd. on 27th May 2008 to further expedite the implementation of these projects. In line with this, Petroleum and Natural Gas Regulatory Board has granted authorization to Gas Authority of India Limited (GAIL) to develop city gas distribution network in four metro cities (Kota, Dewas, Sonipat and Merut) in the first phase and GAIL would also be bidding for the II phase of city gas distribution network development projects for seven other additional cities. The Committee are apprised that the Petroleum and Natural Gas Regulatory Board (PNGRB) has segmented Delhi into 70 charge areas corresponding to 70 assembly constituencies out of which Indraprastha Gas Limited is persently having network in 49 charge areas. The Committee are however, unhappy to note that against the present potential network to provide 4 lakh PNG connections in Delhi, only 1.5 lakh connections have been issued by IGL so far and 50,000 are targeted to be issued in the current financial year. Since IGL is unable to provide PNG connections in Delhi as per the present potential, Government/IGL's plan to cover all the 70 charge areas by the year 2012 does not carry conviction. The

		Committee, therefore, recommend that the Government in the first instance ensure that the present laid down network is fully utilized to its potential.
23	1.89	Further, the Ministry of Petroleum and Natural Gas has finalized 'Vision-2015' of oil sector for 'consumer satisfaction and beyond', focusing primarily on providing better services to consumers and it *inter-alia* envisages an establishment of PNG/CNG network to connect 200 cities by the year 2015. Although, the Committee appreciate the ambitious plan of the Government to cover 200 cities by 2015, the Committee feel that the project has yet to be started. The Committee further note that the total pipeline length and pipeline spread in India falls far behind the pipeline network of the developed countries like USA and France. The Committee, therefore, desire that the Government should take concerted efforts to frame a year-wise action plan to cover all the 200 cities for CNG/PNG network under 'Vision 2015'. The Committee would like to be apprised of the action taken by the Government in this regard.
24	1.94	In view of low accessibility of LPG in remote and rural areas, the Committee in their earlier Reports on Demands for Grants have recommended that the Ministry should assess the situation in rural and remote areas and release more LPG connections and strengthen the distribution network to ensure cleaner fuel at affordable rate to people living in those areas. The Committee are happy to note that the Government on 06th August, 2009 have approved Rajiv Gandhi Gramin LPG Vitrak Yojna for small size LPG distribution agencies to cover remote as well as low potential areas having potential of up to 600 refill sales per month. While appreciating the Government's initiative to increase rural penetration by OMCs, the Committee would like to know the details of the follow up action of all the OMCs to implement the scheme.
25	1.101	The Committee note that the Government as well as Oil Marketing Companies (OMCs) are taking several technological and institutional measures including regular and surprise inspections of retail outlets, tamper proof tank-truck locking systems, the import of SKO by private parties has been canalized through OMCs. The OMCs have created a separate wing to report to a Director other than Director (Marketing), who will be responsible for monitoring all activities and operations to curb adulteration. To contain adulteration further, Marketing Discipline Guidelines (MDG) have been issued in 2005 under which OMCs take penal action against the erring dealer. The Committee further note that the Government have not ruled out possibility of diversion

		of PDS Kerosene by some unscrupulous elements due to huge price difference between PDS Kerosene and petrol/diesel and the easy miscibility of these products with petrol/diesel. The Committee find that the number of dealers reported to have been involved in malpractices have increased from 451 in 2005-06 to 1467 in 2008-09 in case of IOCL, from 318 in 2005-06, to 989 in 2008-09 in case of HPCL and 1050 in case of BPCL during 2005-06 to 1029 cases during 2008-09. The Committee further observe that against the 1467 cases of malpractices in case of IOCL dealers during 2008-09, there were only 85 terminations and as regards 989 cases of malpractices by HPCL dealers, the cases where termination of dealership took place was only 36. Similarly, the cases of termination of dealership by BPCL were only 17 against a total 1029 cases reported during the year. In this regard, the Secretary, Ministry of Petroleum and Natural Gas during evidence on Demand for Grants (2009-10) has admitted that the rules for terminating a license have been made very severe and during the last three years, a large number of cancellations have taken place, the number of dealerships terminated is very small as compared to the malpractices reported. Despite the various corrective and preventive measures undertaken by OMCs against erring dealers, the Committee are surprised to note that the number of cases of malpractices have increased considerably over the last three years. The Committee express their serious concern that the action taken by the Government to prevent adulteration and other malpractices did not have the deterrent effect on erring dealers. The Committee, therefore, desire that oil companies should strictly enforce the MDG and also conduct more and more surprise inspections to curb the incidents of adulteration. The Committee strongly recommend that the Ministry should also monitor the situation regularly and devise stringent steps to stop rising trends of malpractices/adulteration including strict implementation of Marketing Discipline Guidelines (MDG), 2005 regarding cancellation of dealership in the first instance of adulteration so that dealers stop Indulging in adulteration and malpractices and consumers get the quality petrol/diesel. The Committee would like to know the steps taken by the Government to increase surprise inspections by OMCs.
26	1.102	The Committee have also been informed that filter papers, marker system, etc. are available at the retail outlets and consumer can also file complaints if they suspect some kind of adulteration in petroleum products. The Committee feel that in the absence of any public awareness programme, these initiatives taken by the Government/OMCs have not yielded the desired results. The Committee, therefore, recommend the Government to take necessary action to popularise the measures taken by way of

		adequate publicity in print and electronic media to alert the people at large and create public fear in the minds of erring dealers.
27	1.103	The Committee note that the automation of retail outlets is being done in phases and 79% of automation of retail outlets selling more than 200 KL per month has been completed as on 31st March, 2009. The Committee note with concern that although automation of retail outlets selling more than 200 KL per month was targeted to be completed by March, 2007, the same could not be completed as yet. Taking a strong note of the slothful approach in implementation of the automation of retail outlets by OMCs, the Committee recommend the Government/OMCs to take necessary steps so that automation of all the remaining retail outlets selling more than 200 KL is completed in the current financial year. The Committee further desire that an action plan for automation of remaining retail outlets selling less than 200 KL per day should also be prepared and implemented by the Government at the earliest.
28	1.107	The Committee are given to understand that the Government in addition to the existing storages of crude oil and petroleum products with the oil companies have planned to construct a strategic storage facility of crude oil of 15 MMT capacity in three phases. The first phase is likely to be completed by December 2012 involving three projects sites at Visakhapatnam (1.00 MMT), Manglore (1.5MMT), Padur (2.5 MMT). The project involving a capital cost of Rs. 2400 crore (September, 2005 prices) is being managed by Indian Strategic Petroleum Reserves Limited (ISPRL), a special purpose vehicle of the Oil Industry Development Board (OIDB). The Committee are unhappy to note the long gestation period of 6 years for implementing Phase-I projects (2006-12) which were sanctioned in January, 2006. The Committee express its serious concern over the delay in implementation of projects at Mangalore and Padur which were hindered with the problem of land acquisition. While appreciating the visionary approach adopted by Government for setting up strategic storage facility in the country to cope with any short-term disruption in Crude Oil supplies, a natural calamity or any unforeseen global event, leading to an abnormal increase in crude oil prices, the Committee desire that not only Phase I of the programme should be expedited by the Government as originally targeted but also Phase II and III of the project should be initiated and completed at the earliest. The Committee would like to be apprised of the action plan framed by the Government in this regard.
29	1.114	The Committee note that OIL Industry Safety Directorate (OISD) has been set up by the Ministry of Petroleum and Natural

		Gas to assist the Safety Council headed by Secretary, P&NG as Chairman and includes Additional/Joint Secretaries, Advisors in Ministry of Petroleum and Natural Gas, Chief Executives of all public sector undertakings (PSUs) under the Ministry, Chief Controller of Explosives (CCE), Advisor (Fire) of Government of India, DGMS and the Director General of Factory Advice Service and Labour Institute, etc. as members. OISD develops standards for hydrocarbon industry to keep abreast of the latest designs and practices in the area of safety and fire fighting in the developed countries. Despite OISD which develops high standards in areas of safety and fire fighting, there had been regular reporting of incidents of fire in refineries/oil depots. The Committee are concerned to note the incident of fire in May, 2009 at Digboi Refinery of IOC where two persons were reportedly died due to fire. The Committee were given to understand that the fire was due to rupture of a bend pipe of common discharge line of the Fractionator column bottom pumps followed by auto ignition of leaked hot hydrocarbon and the rupture was due to thinning down of the bend pipe due to metallurgy mix-up at project construction stage and wrong replacement of the identified bend during schedule maintenance shut down of Delayed Coking Unit in 2007. Further, the Committee are concerned to note that 11 persons have been reportedly died and oil worth hundred crores of rupees was burnt at Jaipur Depot in October this year. When the fire was raging at Jaipur Depot, the Government/oil companies had no fire fighting strategy except to let the oil stored in the depot to burnt out. It only indicates that there are no proper safety mechanism to prevent such major fire nor are there any technology/equipment to tackle such a devastating fire. It is, therefore, imperative that external safety audit of all the refineries/depots must be ensured periodically, as per safety standards. The Committee would like to know the details of the outcome of the investigation report of the Government/IOC into the fire at Jaipur and the remedial measures taken/proposed to be taken by the Government to avoid reoccurrence of such incidents in future. The Committee also like to be apprised of the monitoring mechanism available with OISD/Safety Council to check the implementation of safety standard approved by them and the steps taken by the Government to strengthen the monitoring mechanism to ensure safety of world standards in refineries/storage depots. In view of a large number of habitat areas that have come up/developed around oil storage depots, the Committee would like the Government to take a review of the locational hazards of these depots and desire that the Government must ensure adequate safeguards/shifting of these depots away from habitat areas.

PART II

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE TWENTIETH REPORT OF THE COMMITTEE ON DEMANDS FOR GRANTS (2008-09) OF MINISTRY OF PETROLEUM & NATURAL GAS

The Twentieth Report of the Standing committee on Petroleum & Natural Gas on 'Demands for Grants (2008-09) of the Ministry of Petroleum & Natural Gas' was presented to Lok Sabha on 23.04.2008.

2.2 There were 25 recommendations in this Report including 1 recommendation relating to status of implementation of recommendations contained in the earlier Report of the Committee on Demands For Grants (2007-08) of the Ministry of Petroleum and Natural Gas. These recommendations were regarding/containing Ministry's expenditure within the budgetary allocation, infrastructure status to E&P Sector and inclusion of ethanol in declared goods category, increasing fiscal subsidy rate on PDS kerosene and domestic LPG, timely implementation of projects by oil PSUs, shortfall in R&D expenditure, improvement of performance relating to seismic survey and drilling by ONGC and OIL, exploration activities in deep water areas, reduction in import dependency by adopting superior technology and through innovation, reconsideration of policy reform option by Government pertaining to selling of old oil fields to private sector, fixation of ethanol prices on yearly basis depending upon relevant factors prevalent at the time of fixation, acquiring sugar acreages in Brazil, finalization of National bio-fuel Policy, role of Petroleum Conservation Research Association in bio-crops plantation programme, early settlement of pending issues relating to underground coal gasification project, preparation of road map for systematic expansion of PNG network in the country, opportunity for setting up and implementation of oil/gas related projects in gas-rich countries for procuring LNG on a quid pro quo basis, SLR status to oil bonds issued to OMCs, moderation of taxes and duties on petroleum products, development/utilization of cess/revenue levied/earned on from petroleum sector, proper utilization of funds by Centre for High Technology, strengthening the LPG distribution system, reduction in input costs of oil refineries by enhancing crude processing capability, changes in Section 80 1B on Income Tax Act dealing with grant of 7 years tax holiday to OMCs and setting up of monitoring cell for checking diversion of subsidized kerosene.

2.3 The statement of the Hon'ble Minister for Petroleum and Natural Gas regarding implementation of recommendations contained in the Twentieth Report was laid in Lok Sabha on 11.12.2008 under Direction 73A of the Directions by the Speaker, Lok Sabha.

2.4 The Ministry of Petroleum & Natural Gas was requested to indicate the latest status of implementation of the recommendations contained in this Report. The various steps taken by the Ministry to implement these recommendations have been furnished to the Committee (column 4 of Annexure-I).

2.5 An analysis of the data furnished by the Government reveals that Eleven of the recommendations contained in the Twentieth Report have been fully/substantially implemented by the Government. These recommendations pertain to containing Ministry's expenditure within the budgetary allocation, improvement of performance relating to seismic survey and drilling by ONGC and OIL, exploration activities in deep water areas, reduction in import dependency by adopting superior technology and through innovations, opportunity for setting up and implementation of oil/gas related projects in gas-rich countries for procuring LNG on a quid pro quo basis, moderation of taxes and duties on petroleum products, proper utilization of funds by Centre for High Technology, strengthening the LPG distribution system, reduction in input costs of oil refineries by enhancing crude processing capability, changes in sec 80 1B on Income Tax Act dealing with grant of 7 years tax holiday to OMCs and setting up of monitoring cell for checking diversion of subsidized kerosene. Besides, 6 other recommendations contained in the Report are in the process of being implemented. These recommendations pertain to timely implementation of projects by oil PSUs, shortfall in R&D expenditure, finalization of National bio-fuel Policy, role of Petroleum Conservation Research Association in bio-crops plantation programme, early settlement of pending issues relating to underground coal gasification project and preparation of road map for systematic expansion of PNG network in the country. 7 recommendations of the Committee pertain to infrastructure status to E&P Sector and inclusion of ethanol in declared goods category, increasing fiscal subsidy rate on PDS kerosene and domestic LPG, reconsideration of policy reform option by Government pertaining to selling of old oil fields to private sector, fixation of ethanol prices on yearly basis depending upon relevant factors prevalent at the time of fixation, acquiring sugar acreages in Brazil, SLR status to oil bonds issued to OMCs and development/utilization of cess/revenue levied/earned from petroleum sector have not been implemented by the Government.

2.6 A statement containing the gist of operational portion of the recommendations contained in this Report, position indicated in Minister's Statement and the latest status of implementation of the recommendations is given in Annexure-I.

STATEMENT CONTAINING THE GIST OF OPERATIONAL PORTION OF THE RECOMMENDATIONS, POSITION INDICATED IN MINISTER'S STATEMENT AND THE LATEST STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE TWENTIETH REPORT OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS ON DEMANDS FOR GRANTS (2008-09) OF THE MINISTRY OF PETROLEUM AND NATURAL GAS

Sl. No.	Gist of operational portion of the recommendation	Position as indicated in Minister's Statement	Latest status of implementation of the recommendation
1	2	***3***	4
1	The Committee had desired that the Ministry should contain the expenditure during the year within the Budgetary allocation sanctioned. The Committee had also desired that the Government should act fast in setting up the Rajiv Gandhi Institute of Petroleum Technology (RGIPT) and make it functional from the academic year 2008-09. The Committee had further recommended that after the Institute is made functional, the Government should assist the RGIPT in setting up campuses/academic centres at various locations in the country having rich hydrocarbon reserves/potential.	The observations of the Committee regarding containing the expenditure within the Budget sanctioned for 2008-09 have been noted and steps will be taken to contain the expenditure within the sanctioned Budget. The process of faculty recruitment for RGIPT has progressed well. Shortlisting of the applicants has been finalized with the help of subject experts from IIT Kanpur and the call letters for interview have been ispatched to the shortlisted candidates. Interviews by Selection Committee were conducted from 30th June to 7th July 2008. Regarding recommendation for setting up campus/academic centers at various locations of the country having rich hydrocarbon reserves / potential, Clause 10(4) of the RGIPT Act, 2007 empowers the Board to establish campus and academic centres at any place within India. Presently, RGIPT Society is engaged in setting up the Institute at Rae Bareilly. On successful establishment of RGIPT, depending upon the requirement, the Institute would consider setting up of branches in other parts of the country. The preference for site location would be analyzed as per the need and demand prevailing at the time of setting up of such similar institute.	RGIPT has been progressing well. The courses running are: B.Tech (Petroleum Reservoir and Production Engineering; Petroleum Refining Engineering), M. Tech (Petroleum Engineering), M.B.A. (Petroleum and Energy Management). RGIPT has been successful in getting 18 faculty members with PhDs. and 1 with 38 years of experience with ONGC in exploration. Two of the faculty are currently with Chevron Corporation USA and Saudi Aramco, Saudi Arabia and will join in January 2010. Faculty members are doing research, publishing research papers and submitting research proposals for funding. One project on Process intensification has been approved to the tune of Rs.10.4 crores. Four laboratories have been set up. A library that meets the needs of all the students has been set up. For an internal development of all the students, a complete gym and several sports facilities have been setup. Additional land is being procured through UPSIDC. The expenditure on land and PMC fees has been approx. 7 crores, well within the budget. The Board of RGIPT has decided in its meeting held on 29.1.2009 to set up a centre of RGIPT in Assam.
2	The Committee recommended/reiterated that ethanol should be included in the 'declared Goods' category and infrastructure status accorded to the E&P sector.	<u>Grant of Infrastructure Status to Exploration and Production (E & P) Sector</u> The recommendation of the Committee on the issue of providing infrastructure status to the E&P sector was not accepted by the Ministry of Finance in the budget 2008-09. As recommended by the Committee, the issue of providing infrastructure status to E&P sector will be proposed for consideration in the next Budget. <u>Declared good status to ethanol used for blending with</u>	Infrastructure status to exploration and production sector was not granted by the Ministry of Finance in the recent budget also. The proposal for including ethanol under "Declared Goods" category for the purpose of blending with petrol has been dropped by MoPNG as suggested by Department of Revenue. Further, Cabinet Committee of Economic Affairs (CCEA) has deleted the relevant Para No.5.19 from the National Policy of Biofuel mooted by Ministry of

<table>
<tr>
<td></td>
<td></td>
<td>petrol and Bio-Diesel.
Currently, State Governments are levying taxes, apart from imposing levies such as import/export tax, entry tax etc., on the movement of bio-fuels namely Ethanol and Bio-Diesel from one State to another. Due to these taxes/ levies, the landed cost of bio-fuels at the blending plants of oil companies works out to be higher than the landed cost of the petrol or diesel.
Ministry of Consumer Affairs, Food & Public Distribution had made reference to the Department of Revenue, Ministry of Finance in November, 2007 relating to formulation of policy for promotion of ethanol as a bio-fuel on their part. This had included proposal for approaching the Cabinet Committee on Economic Affairs (CCEA) for a decision regarding amendment of the Central Sales Tax Act, 1956 so as to include denatured anhydrous alcohol of minimum 99% strength in the list of declared goods for the benefit of the ethanol blending programme in India.</td>
<td>New & Renewable Energy (MNRE), which reads :
“5.19 Biofuels, namely, bio-diesel and bio-ethanol, will be brought under the ambit of “declared goods” by the Government, which will help in unrestricted movement of biofuels within and outside the States. State Governments would also be advised to provide exemption from VAT, Sales Tax and any other taxes and levies for biofuels plant and machinery. etc.”</td>
</tr>
<tr>
<td>3</td>
<td>The Committee had desired that the rate of fiscal subsidy on PDS Kerosene and domestic LPG should be hiked substantially.</td>
<td>The provision of subsidy on PDS Kerosene and Domestic LPG has been made by the Government to protect the interests of the common man and the vulnerable sections of society. Government has extended the existing subsidy scheme “PDS Kerosene and Domestic LPG Subsidy Scheme 2002” and Freight Subsidy (For Far-Flung Areas) Scheme 2002” upto 31st March, 2010.
In addition to the subsidy on PDS Kerosene and Domestic LPG, the Government has issued Oil Bonds and Upstream Oil Companies have also contributed by offering discounts on crude oil and petroleum products to partially compensate the under-recoveries of the Public Sector Oil Marketing Companies (OMCs) incurred by them on sale of sensitive petroleum products as per details given below:
(Rs. Crore)
<table>
<tr><td></td><td>2005-06</td><td>2006-07</td><td>2007-08</td></tr>
<tr><td>Oil Bonds</td><td>11,500</td><td>24,121</td><td>35,289.50 #</td></tr>
<tr><td>Upstream Oil Companies contribution</td><td>14,000</td><td>20,507</td><td>25,708</td></tr>
</table>
Oil Bonds amounting to Rs.20333.33 crore for the period of April-Dec 2007 have already been issued to the OMCs.</td>
<td>International prices of crude oil and petroleum products have remained volatile in the recent past. In view of the high international prices of petroleum products and the subsidized prices of PDS Kerosene and Domestic LPG in the domestic market, the gap between the domestic prices and international prices has increased significantly over the years. During 2008-09, the total subsidy on PDS Kerosene and Domestic LPG was Rs.24.88/litre and Rs.257.46/ cylinder respectively, out of which Re.0.82/litre and Rs.22.58/ cylinder were met from the fiscal subsidy.

In addition to the subsidy on PDS Kerosene and Domestic LPG, the Government has issued Oil Bonds and Upstream Oil Companies have contributed by offering discounts on crude oil and petroleum products, to partially compensate the under-recoveries of the Public Sector Oil Marketing Companies (OMCs) suffered by them on the sale of sensitive petroleum products, as per details given below:

(Rs. crore)
<table>
<tr><td></td><td>2007-08</td><td>2008-09</td></tr>
<tr><td>Oil Bonds</td><td>35,290</td><td>71,292</td></tr>
<tr><td>Upstream Oil Companies contribution</td><td>25,708</td><td>32,000*</td></tr>
</table>
*In addition, the upstream oil companies have also contributed Rs.943 crores towards import losses of OMCs.</td>
</tr>
<tr>
<td>4</td>
<td>The Committee had desired that 8 Oil Companies, namely, HPCL, BPCl, CPCL, BRPL, NRL, MRPL, Balmer Lawrie and</td>
<td>In the case of Oil Public Sector undertakings, generally, the expenditure picks up during the second half of the year and fund utilization is maximum during the last quarter. Some of the reasons for substantial fund utilization taking place in the last quarter are as follows.</td>
<td>Outlay (BE & RE) and expenditure for the III and IV Quarters of 2008-09 are given below:
Rs. in crore
<table>
<tr><td>Year</td><td>Outlay (BE)</td><td>Outlay (RE)</td><td>Total exp. (%age of RE)</td><td>Expend. during III</td><td>Expend. during IV</td><td>Exp during Q.III</td></tr>
</table></td>
</tr>
</table>

<table>
<tr>
<td></td>
<td>Biecco Lawrie pull up their socks and ensure proper and timely utilization of the allocations so as to avoid time and cost overruns on their important projects.</td>
<td>Preparatory work, mobilization, tendering process, etc. take place during the initial months and the actual payments are made towards the end of the financial year based on the progress of work.
Exploration & Production activities account for the bulk of expenditure. Geological & geophysical Surveys take place only after the monsoon, i.e. from September onwards. Consequently, the payments relating to such work are made only from November onwards. Similarly, major contractual payments relating to Charter hire of rigs and Charter hire of Offshore Supply Vessels are normally made in the last quarter. Various construction activities also gear up after the monsoon. Therefore, major milestone payments fall due during the last quarter.
Deferment of Plan expenditure is sometimes resorted to by the Companies to take advantage of the competitive situation prevailing in the market with a view to maximizing returns.
In case of organizations like OVL, fund utilization cannot be linear to time and therefore its utilization is not amenable to quarterly allocations.

2. Total expenditure pattern for the years 2005-06, 2006-07 and 2007-08 are also given below:

<table>
<tr><th>Year</th><th>Outlay (RE)</th><th>Total exp.</th><th>Exp during III Quarter</th><th>Exp. during IV Quarter</th><th>Exp during Q.III & Q.IV as %age of total exp</th></tr>
<tr><td>2005-06</td><td>31322.85</td><td>26854.32 (85.73%)</td><td>5109.83 (19.02%)</td><td>10290.52 (38.32%)</td><td>15400.35 (57.34%)</td></tr>
<tr><td>2006-07</td><td>36863.65</td><td>31105.04 (84.37%)</td><td>6326.58 (20.34%)</td><td>10182.98 (32.74%)</td><td>16509.86 (53.08%)</td></tr>
<tr><td>2007-08</td><td>35724.55</td><td>30750.34 (86.08%)</td><td>8331.05 (27.09%)</td><td>9997.64 (32.51%)</td><td>18328.69 (59.60%)</td></tr>
</table>

It may be noted from the above table that while the total expenditure was about 86% of Outlay, the expenditure during III and IV quarters was 57.32%, 53.08% and 59.60% respectively during 2005-06, 2006-07 and 2007-08.

However, the observations of the Committee in the matter have been communicated to the Oil PSUs for compliance.</td>
<td>
<table>
<tr><th></th><th></th><th></th><th></th><th>Quarter</th><th>Quarter</th><th>& Q.IV as %age of total exp.</th></tr>
<tr><td>2008-09</td><td>46540.00</td><td>57509.75</td><td>56463.23 (98.07%)</td><td>13092.75 (23.18%)</td><td>26405.91 (46.76%)</td><td>39498.66 (69.95%)</td></tr>
</table>
It may be noted that against RE of Rs. 57509.75 crore for 2008-09, the Oil PSUs actually spent an amount of Rs. 56463.23 (98.07%). As stated earlier, the expenditure picks up during the second half of the year and fund utilization is maximum during the last quarter. Moreover, in 2008-09, the expenditure in the fourth quarter is against the enhanced RE outlay of Rs. 57509.75 crore which is 23.56% higher than BE 2008-09 of Rs. 46540 crore.

Details of Annual Plan Outlay (2009-10) and actual expenditure upto First Quarter of 2009-10, vis-à-vis, First Quarter of 2007-08 and 2008-09 are given below:

<table>
<tr><th>Year</th><th>Outlay (BE)</th><th>Expenditure during I Quarter (%age)</th></tr>
<tr><td>2007-08</td><td>38902.06</td><td>5420.13 (13.93%)</td></tr>
<tr><td>2008-09</td><td>46540.00</td><td>8372.93 (17.99%)</td></tr>
<tr><td>2009-10</td><td>57475.74</td><td>11735.26 (20.42%)</td></tr>
</table>

It may be noted that the proportionate expenditure during 1st quarter of 2009-10 has picked up compared to earlier years, 20.42% of Annual Outlay has been utilized during 1st Quarter of 2009-10 as against 17.99% and 13.93% during 1st Quarters of 2007-08 and 2008-09 respectively.</td>
</tr>
<tr>
<td>5</td>
<td>The Committee had desired that the reasons for shortfall</td>
<td>Upstream oil companies are carrying out R&D activities in order to find solutions for operational problems. No fundamental research is being carried</td>
<td></td>
</tr>
</table>

	in R&D expenditure by oil PSUs should be analyzed in detail and effective steps taken to bring in the requisite improvements.	out by E&P companies. Fundamental research and its application is being carried out by the service companies. The role of oil PSUs in R&D is limited to finding out suitability of appropriate technologies in E&P sector in order to enhance exploration and production efficiency specific to the area of operations. No R&D proposal has been rejected by ONGC and OIL due to lack of funds during X plan period. The details of R&D spending during XI plan period vis-à-vis X plan expenditure on R&D by ONGC and OIL are as under: ONGC During the X plan period (2002 -07), the overall budget utilization by the institutes has been Rs.724.99 crore. However, in the XI plan, ONGC plans to put in concerted efforts in R&D relating to a number of areas, such as Underground Coal Gasification, Basin Centered gas, Gas Hydrate exploration, Petroleum Biotechnology and Surface Coal Gasification. Keeping in view the above, the Budget planned for R&D including institutes has been kept at Rs. 833.67 crores which is Rs.108.68 crore more than the actual expenditure made during the X plan period. The spending for R&D and Institutes by ONGC is thus expected to increase in the XI plan period. OIL As far as Oil India Limited (OIL) is concerned, against the actual expenditure of Rs. 59.73 crores incurred by OIL on R&D activities during X Five Year Plan period (2002-03 to 2006-07), OIL plans an outlay of Rs. 216.99 crores on R&D activities in XI Plan period. IOCL and HPCL Details of expenditure on R&D during XI Plan period vis-a-vis X Plan by IOC and HPCL are given as under:- IOC : Against actual expenditure of Rs.451 crore during X Plan, total R&D investment for XI Five Year Plan is projected to be Rs.855 crore. Thus, there is increase in R&D expenditure by IOC. HPCL: An amount of Rs.23.41 crore was incurred by HPCL for R&D activities during X Plan whereas an amount of Rs.55 crore has been allocated during XI Plan for R&D Activities.	ONGC The budget provision made for R&D including Institutes for 11th plan will be fully utilized in areas like Underground Coal Gasification. Basin Centered gas, Gas Hydrate exploration, Petroleum Biotechnology and Surface Coal Gasification during the plan period. OIL As far as Oil India Limited (OIL) is concerned, OIL plans an outlay of Rs. 216.99 crores on R&D activities in XI Plan period. IOCL and HPCL During the Eleventh Plan, IOCL plans to spend Rs.865 crore (Plan, Revenue and Non-Plan expenditure) in R&D, which is Rs.300 crore more than the allocation during the Tenth Plan. During the first two years of the Eleventh Plan, viz 2007-08 and 2008-09, the actual expenditure has been Rs.295 crore. Including the expenditure to be incurred in the balance three years of the Eleventh Plan, it is expected that the entire R&D allocation of Rs. 865 crore (Plan, Revenue and Non –Plan expenditure) would be fully spent. During the Eleventh Plan, HPCL plans to spend Rs.55 crore (Plan, Revenue and Non-Plan expenditure) in R&D, which is Rs.31.59 crore more than the allocation during the Tenth Plan. During the first two years of the Eleventh Plan, viz 2007-08 and 2008-09, the actual expenditure has been Rs.7.86 crore. Including the expenditure to be incurred in the balance three years of the Eleventh Plan, it is expected that the entire R&D allocation of Rs. 55 crore (Plan, Revenue and Non –Plan expenditure) would be fully spent.
6	The Committee had desired that ONGC and OIL should assess their respective performance relating to seismic surveys, exploratory drilling meterage & exploratory well drilling and effect the much needed improvement in future.	As a strategy, exploration inputs are being optimized by oil PSUs based on risk-reward perception but, at the same time, it is invested optimally in different categories of basins requiring different levels of intellectual and physical inputs. Areas are prioritized both for exploration input planning and knowledge building for bringing more basins on the hydrocarbon map of India. Exploration acreage to National Oil Companies and Private/Foreign companies is allotted on competitive basis through NELP. No acreage is allotted on nomination basis to any company. At the time of formulation of five year plans, ONGC and OIL have certain assumptions of getting exploration acreages during the plan period, although it is on competitive basis. Thus, exploration targets during plan periods are indicative in nature, which may vary between ONGC, OIL and Private/JV companies. In exploration	ONGC ONGC is carrying out exploration in different categories of basins requiring different levels of intellectual and physical inputs. Areas are prioritized both for exploration input planning and knowledge building for bringing more basins on the hydrocarbon map of India. For improving the performance in exploratory drilling various actions have been taken by ONGC such as : • Rigs are being refurbished/ upgraded to cater to the need of different basins/assets for drilling of large number of exploratory/ development wells. • For improving the bit performance consignment based bits are being used where various types of bits will be warehoused by the vendors and order will be placed accordingly. • Balanced drilling fluids using Hollow Glass

		sector, total exploratory inputs put in by ONGC, OIL and Private/JV companies are on higher side as compared with previous years. With the rise in crude oil prices in the international market, exploration and production activities have also risen in tandem. Consequently, demand for E&P services all over the world is on the rise. To overcome constraints, corrective measures are being taken by oil PSUs. Some of the measures planned in this regard are: Long Term (2–3 years) integrated shot-hole drilling and seismic job services contracts are in force for 2D/3D seismic surveys on land Time charter long term 3D contracts for offshore survey work are under implementation. Thereby, the availability of the survey vessels are ensured upto field season 2009-2010. Long term 2D service contracts entered with service providers for deployment of two vessels for 2 years for deep water surveys in KG-Cauvery offshore. In order to ensure timely mobilization of land crews as well as offshore survey vessels, the mobilization date has been specified in all the outsourcing survey contracts. The targets are fixed taking into consideration environmental conditions and likely bad weather periods. Notwithstanding above, reserve replacement ratio has been targeted as more than one, which means reserves added in year are more than the oil and gas production during the corresponding period. Higher crude oil and natural gas production targets have been fixed during XI plan period. In addition, Government of India is offering higher acreages to E&P companies in order to achieve 80% exploration coverage of Indian Sedimentary Basinal area. The offering of higher exploration acreage is likely to enhance exploratory inputs in the country.	Spheres (HGS) has been planned for field trials of 3 wells in Mumbai off-shore. • 2 plants for Synthetic oil based mud (SOBM) 1 at East coast (Kakinada) and 1 at west cost (Mumbai) is planned to meet deepwater & HPHT well and other drilling requirements. • State of art drilling fluid services through integrated rig services concept in 11 rigs. For improved performance in the field of seismic data acquisition, several measures have been taken in 2008-09. These include long term service contract for shot hole drilling and seismic operations, time charter contracts for offshore seismic data acquisition and timely mobilization of departmental and contractual crews. This has resulted in the improved performance in 2008-09 vis-à-vis 2007-08. Annual targets in case of both 2D and 3D for 2008-09 have been achieved. The same strategies for achieving better performance are planned for the current year also. OIL As far as Oil India Limited (OIL) is concerned, OIL achieved the highest ever 3D seismic survey of 3,494.50 Sq. km.during the year 2008-09. As regards to exploratory drilling, OIL has enhanced its performance during the current year of 2009-10, registering an increase of about 112 % during the period from April to June, 2009 in comparison to the corresponding period in 2008-09.
7	The Committee had desired that ONGC should intensify its effort by inducting modern technology and making appropriate investments in view of the huge hydrocarbon potential in the deepwater areas of the country. The Committee had further desired that OIL should also attempt at exploration in deepwater areas.	<u>ONGC</u> Regarding intensifying efforts by inducting modern technologies, ONGC is also of the view that 'easy oil' has been found and that future discoveries are likely to be in harsh and inhospitable environment. ONGC is, therefore, utilizing the state-of-the-art technology for pursuing its E&P objectives to find new oil in deepwater/ultra deepwater areas and spending substantial sums of money for this purpose. The efforts are sometimes hampered due to lack of resources like availability of deepwater drilling rigs etc. However, new technologies have been inducted/being inducted to expedite the data acquisition, processing and interpretation. Some of these inter –alia include Q-Marine technology for Offshore seismic surveys and GX Technology initiation for data acquisition for regional studies in Eastern and Western offshore of India. <u>OIL</u>	ONGC ONGC currently (as on 01.07.2009) operates 31 deepwater NELP and 6 nomination acreages (including block KK-DW-12/17 which has been proposed for relinquishment) in addition to two PML areas. The blocks are spread over in various deepwater basins of India viz. KG, Cauvery, Mahanadi, Andaman, Kerala-Konkan, Kutch and Mumbai Offshore. ONGC has entered into strategic alliance with international majors and has assigned 15% of PI to Petrobras International Braspetro B.V. and 10% PI to Hydro Oil and Energy India (Indian subsidiary of Statoil Hydro) from its PI in KG-DWN-98/2. In block KG-DWN-98/4, awarded under NELP-I, PI of 30% has assigned to BGEPIL (Indian subsidiary of British Gas). This has been done to take benefit of their proven experience of exploration and development of deepwater fields along with latest

		Oil India Limited (OIL) is not operating any deepwater blocks. However, OIL has participating interest (PI) in 6 deepwater blocks alongwith ONGC under NELP. In view of the fact that OIL, on its own, is not eligible for bidding in deepwater blocks under NELP, OIL entered into an MOU on 12.10.2007 with M/s. BG Exploration and Production India Ltd (BGEPIL), an integrated global gas major having oil and gas assets around the world with excellent exploration track record, for jointly bidding in the designated deepwater areas in the forthcoming NELP – VII bidding round.	technologies available with them ONGC has also initiated the process of hiring 5th generation deepwater rigs with the latest technologies for working in the harsh environment of deepwater areas. Concerted efforts are being made by ONGC to bring the discoveries made in the deepwater in KG and Mahanadi Offshore on production at the earliest. In this context an aggressive approach has been adopted for hub development of the deepwater fields in KG Offshore. Discoveries made in the Mahanadi offshore are also under appraisal and first appraisal well in the area (MDW-6) has been drilled with encouraging results. Besides drilling exploratory/ appraisal wells data acquisition in the deepwater areas is also vigorously pursued. OIL Oil India Limited (OIL) is not operating any deepwater blocks. However, OIL has participating interest (PI) in 7 deepwater blocks alongwith ONGC under various rounds of NELP bidding (upto NELP-VII). In view of the fact that OIL, on its own, is not eligible for bidding in deepwater blocks under NELP, OIL entered into an MOU in the year 2007 with M/s. BG Exploration and Production India Ltd (BGEPIL), an integrated global gas major having oil and gas assets around the world with excellent exploration track record, for jointly bidding in the designated deepwater areas in the forthcoming NELP – VIII bidding round.
8	In view of the more or less stagnant production of crude oil and natural gas in the lat three years, the Committee had desired that ONGC and OIL should assess the situation and bring improvement through innovation, superior technology, optimal deployment of manpower in key areas, enhanced efforts in the NELP and CBM blocks, etc., which would help enhance their production and reduce the import dependence to some extent.	Any oil and gas field has a natural life cycle of about 15 years during which, after having attained a peak, it sets into a decline. The life-cycle includes a plateau period of 7-8 years during which it gives maximum production. For ONGC fields, decline of crude oil production is about 7-10%. At present, about 94% of ONGC crude oil production is from ageing fields, which are on production for more than 15 years. In order to augment oil and gas production from ageing fields of ONGC, there is a technical requirement to maintain the reservoir pressure at optimum level, so that crude oil and natural gas can flow through the existing wells. To do so, ONGC is implementing IOR/EOR schemes, in which, ONGC drills additional infill wells in producing fields, undertakes construction of surface facilities such as platforms and laying of pipelines, gas injection/water injection etc., in order to maintain optimum level of crude oil and natural gas production. Oil companies are also adopting all the necessary efforts in terms of adopting new technologies, continuous performance analysis, requisite remedial measures and IOR/EOR schemes etc to arrest the	ONGC ONGC has been employing the best-in-class technology for pursuing its objective of improving production from its oil fields/wells. These measures include application of state-of-art and cost-effective technology like horizontal drilling, drain hole, multilateral completion, slimholes, sub-sea completion, online simulation, water/gas shut-off by cross linked polymer etc. for lowering the front line development cost and improving the productivity. New technology adopted/being adopted for performance improvement: Advances in Drilling Technologies: Specialized drilling techniques like horizontal drilling, drain hole drilling, under balanced drilling, Extended Reach Drilling (ERD) and multilateral drilling to improve well productivity. This has been applied more extensively in offshore fields so far. The same concept is being extended in onshore fields also. Sidetracking of sick/sub-optimal wells for improved performance. The process often leads to conversion of a conventional well to a drain hole. Fine scale characterization for better understanding of the reservoir is key for improved performance. Fine scale Geocellular models have been prepared for major fields of ONGC and the field performance

		natural decline and enhance production. ONGC has identified different technologies / areas to engage different domain experts / service providers in different fields to enhance production from existing fields. These include: Greater emphasis on quality in work over /repair jobs on wells. Increasing efforts on well stimulation and artificial lift. Side tracking of old wells. Application of gel/polymer technology for profile modification and increased sweep efficiency. Massive hydro-fracturing and completion with non-damaging fluids are being adopted to improve well productivity. Engagement of international consultants/companies for review / remodeling of the old fields. Engaging consultants for better asset management by acting as advisors, mentors or facilitators to the Asset Managers, Asset Management Teams &/or Multi Disciplinary Teams (MDTs). Microbial enhancement of oil recovery. Fast track exploitation of marginal fields has also come into focus in view of prevailing hydrocarbon price. Performance of offshore marginal fields B-55, B-173A and D-1 has been very encouraging and above expectations. Learning curves generated from these have led to firming of exploitation strategies of more marginal fields through integration with major fields and cluster development concept. These are likely to start contributing to oil and gas production in the later half of the XI plan. Deepwater prospects of KG Offshore which have long lead time are also being planned for exploitation during end of XI plan or XII plan period. However, majority of these are mainly gas bearing prospects. To give more focus to CBM activities, a CBM Development Project office has been opened at Bokaro & a National entity dedicated to CBM activities has been created. Feasibility study for starting development work in 2 areas of Jharia & 2 areas of Bokaro Block is in progress. In Raniganj Block, prospective area for starting Pilot activities has been delineated and firming up of Pilot wells is in progress. An effort is on to sell CBM Gas (trial marketing) from existing wells of Jharia to avoid flaring of incidentally produced CBM during production testing of the wells. It is also prudent to bring forth that the fields being operated by Private/ JV Companies are relatively new fields or new finds. The development of new fields is associated with significant increase of initial production which reaches a plateau & stagnates and declines thereafter. To supplement the efforts of NOCs, Private/Foreign companies are participating in exploration and production sector and new proven technologies are being inducted by various companies depending upon	optimization is being done based on such models. e.g. Mumbai High, Heera, Neelam, Bassein, North Kadi, Balol, Santhal, Laiplingaon etc. Water & gas shutoff for controlling undesired fluid withdrawal is key to improving well productivity and is done on regular basis whenever problem wells are identified. EOR application: EOR processes to almost all types of oil i.e. heavy, medium, light and volatile have been formulated from lab to pilot to commercialization in whole field. Enhanced Oil Recovery (EOR) technologies already inducted in ONGC include : Thermal Methods: Insitu combustion in heavy oil fields of Balol and Santhal of Mehsana Asset which has led to significant rise in recovery in comparison to water flood. Similar scheme for Lanwa field has been prepared. Chemical Methods: Polymer flooding in Sanand field of Ahmedabad Asset which envisaged recovery of 36% from the target sand. ASP pilot has been conceptualized in fields of Kalol and Jhalora fields of Ahmedabad Asset. Gas Injection & Water Alternate Gas injection and Miscible hydrocarbon gas injection has been successfully applied in Gandhar (GS-12 sand) field of Ankleshwar Asset. A bold decision of temporarily stopping production from the target sand for about one and half years was taken to attain the Minimum Miscibility Pressure (MMP). This has given a quantum jump in well productivity as well as oil recovery from reservoir. The immiscible WAG pilot in GS-11 sand in Gandhar field has also given good results in terms of oil gain. ONGC has applied its indigenously developed technology of Microbial EOR process to increase production from sub-optimally flowing wells in fields of Ahmedabad, Mehsana and Assam assets. In addition to the above, revamping of infrastructure, particularly in producing fields of Assam Asset, are being vigorously pursued. CBM In Jharia, a prospective area of 6.5 Sq Km has been identified & a Pilot Project of drilling 14 hi-tech Horizontal Multilateral wells is being executed through a turn-key Contract awarded to Consortium led by a global CBM Service provider. Two horizontal multilateral-multiseam wells have been drilled with over 10,000m cumulative meterage in each well. OIL <u>Crude Oil</u> : Upto the year 2007-08, OIL faced a series of environmental problems in its fields in Assam. On completion of Barekuri crude oil pipeline during the year 2007-08, such environmental problems were mitigated to a large extent contributing to the highest ever production of 3.468 MMT in the year 2008-09, which is about 12% more than the production in the

		the operational requirements.	year 2007-08. OIL targets to produce 3.57 MMT of crude oil during the current year of 2009-10, thereby registering a further increase of about 3% over 2008-09. Natural Gas : Shortfall is mainly due to less withdrawal by all major consumers against commitments. While OIL has reached the level of 6.67 MMSCMD of natural gas production in Assam and Arunachal Pradesh, and production potential of 0.93 MMSCMD in Rajasthan, natural gas production during the years 2007-08 and 2008-09 had to be restricted to a large extent to suit market upliftment. OIL will surpass the natural gas production target of 2.528 BCM in the current year of 2009-10, subject to withdrawal of gas by the consumers as per commitments.
9	The Committee had desired that the Government should reconsider the issue relating to Policy Reform Option pertaining to oil sector which states "Sell old oil fields to private sector for application of Improved/Enhanced Oil Recovery Techniques" and withdraw the said Policy Reform option at the earliest.	Although in the Economic Survey 2007-08, the policy reform option pertaining to the oil sector stating 'Sell old oil fields to private sector for application of Improved/Enhanced Oil Recovery Techniques' was mentioned, it was not indicated in the budget proposals. Therefore, it is unlikely that sale of old oil fields will take place in the current year. However, Government of India awards exploration blocks to national oil companies and private/foreign companies through international competitive bidding process. In the seventh round of NELP, 57 exploration blocks are on offer, for which bid closing date is 30th June 2008.	Government of India awards exploration blocks to national oil companies and private/foreign companies through international competitive bidding process. Currently, no discovered field was awarded to any company by the Government. In the seventh round of NELP 41 exploration blocks were awarded. In eighth round of NELP, Government has offered 70 exploration blocks. The bid closing date is 12th October 2009.
10	The Committee had recommended that the price of ethanol should be fixed on yearly basis taking into account the relevant factors prevailing at the time of rate fixation. Besides, the Government should also consider the feasibility of enhancing the ethanol procurement price from the present level of Rs. 21.50 in order to augment the supply/procurement of the product.	As regards fixing of uniform purchase price of ethanol at Rs. 21.50 litre across the country, this Ministry would not be in a position to direct OMCs to purchase the ethanol at a pre-determined price since the purchase price is discovered and finalized by them through open tender system as per CVC guidelines. The landed cost of ethanol, thus arrived at, was compared with the landed cost of MS and the tenders were finalised wherever the landed cost of ethanol was equal to or lower than the landed cost of MS, subject to the condition that the quoted basic price of ethanol was not higher than Rs. 21.50/ ltr. During the tendering process, it was observed that certain parties had offered tenders at a basic price of ethanol, lower than Rs. 21.50/ltr due to the competitive factors prevailing in such States. OMCs finalised tenders on this basis since the basic purchase price of Rs. 21.50/ltr was considered to be as maximum price and by virtue of the tendering process, OMCs were entitled to accept tenders with quotations for basic price below Rs. 21.50/ltr. While floating tenders, OMCs have obtained prices valid for 3 years and accordingly tenders have been finalized. This measure gives an assured market for ethanol produced in the country for a period of 3 years.	Prior to CCEA's approval on 9th October, 2007 fixing a uniform ex-factory purchase price of Rs.21.50 for Ethanol, MoPNG had vide Notification dated 20th September, 2006 directed the Oil Marketing Companies to sell 5% Ethanol Blended Petrol subject to commercial viability in the States/UTs as notified. In pursuance of this Notification, OMCs issued public tenders and entered into contract for procurement of Ethanol for a period three years, keeping the landed cost of petrol as the benchmark. Tenders were finalised by lowest quotes offered by the bidders in the range of Rs.17.23 to Rs.21.50 per litre. 68% of the supplies were contracted at a rate of Rs.21.50 per litre while 32% supplies were at the rate lower than this. Around 99% of procurement of Ethanol was already contracted by the OMCs by the time decision of CCEA on fixing of uniform purchase price of Rs.21.50 for Ethanol was taken. Since the contract already entered was valid for three years, it would not have been possible for the OMCs to reverse the decisions arrived at through tendering process. Further, the landed price of ethanol was likely to change based on a number of factors such as freight

		If uniform purchase price of ethanol at Rs. 21.50 per litre across the country is to be fixed, the OMCs will have to be compensated as at that price is commercially not viable at certain locations. As against the 180 crore litres requirement of ethanol for the three year period, the OMCs have been able to contract 140.4 crore litres and have so far procured 29.5 crore litres under the programme (as on 31.03.2008). However, the levies/taxes on ethanol imposed in certain States has affected procurement of ethanol in those States as it becomes commercially unviable.	and levies. State Governments have been imposing levies such as import-export duty, sales tax etc. Because of these uncertainties it would not have been possible for OMCs to sustain a fixed basic purchase price of Rs.21.50 per litre (ex-factory) irrespective of the transportation cost, taxes and levies. Accordingly, for future procurement also, the OMCs need to be permitted to procure Ethanol following the tendering procedure and taking the purchase decision based on lowest delivered price subject to commercial viability. There is a price advantage of ethanol over petrol existing as on 1.7.2009. However, this advantage may not be firm in view of the volatility in international crude price while the ethanol price will be a firm contract for the period of the contract. The Government cannot specify a minimum price for purchase of ethanol and the decision is best left to the commercial judgment of the Oil Companies in view of the volatile international market.
11	As Brazil is highly suited for ethanol investments, the Committee had recommended that the Government should ask Oil Marketing Companies (OMCs) to speed up the activities on the venture and finalise the pending issues at the earliest as the proposed ethanol investments have the potential to result in attractive financial pay offs for the OMCs. The Committee had also recommended that the interests of the Indian farmers/small manufactures, engaged in ethanol production, are not jeopardised.	MoP&NG has directed the Oil Industry to look into the prospects of investments in ethanol acreage in Brazil, for sale in Brazil and exports. The industry is not contemplating to import ethanol into India for EBP programme to protect the interest of Indian farmers. Accordingly, the oil Industry team has carried out a 'Partner Search Study' to identify suitable local partners in Brazil. Following the discussions with top partnership candidates, as identified in the study, broad MOUs have been signed subject to due diligence, valuation and definite agreements to be agreed later. Additionally, BPCL has signed an MOU with Brazil's National Oil Company, Petroleo Brasileiro S.A – Petrobras on 30.8.2007. Under the objects of this MOU, both the parties endeavor to jointly undertake studies in matters related to: • The use and trading of fuel Ethanol globally. • Co-operation in areas of ethanol plant investments in Brazil in order to meet global demand of fuel ethanol • Extending cooperation to bio-diesel production and manufacturing process as well as R&D technology, including transfer of technology for ethanol. • Conduct joint studies on efficient means of transportation and joint investment in Logistics infrastructure for ethanol in Brazil.	Oil Marketing Companies (OMCs) had explored the possibilities of acquiring sugarcane acreage and putting up ethanol manufacturing units in Brazil. The Project was found to be feasible and strategic for Indian Oil Industry. However, in view of economic slow down & resource crunch, OMCs are not contemplating any investment in Brazil to set up an ethanol project at present.
12	For the development of bio-diesel plantations, the Committee had recommended that concrete incentive	IOC IOC (R&D) has optimized the synthetic processes for the plantation of bio-diesel meeting standard fuel specification (ASTM D 6751 or IS 15607) from various vegetable oils, which include oils from Jatropha Curcas, Karanjia, Palm, Rice bran, Sunflower etc. The	Apart from the initiatives given in Minister's earlier Statement, OMCs have taken following initiatives for implementation of Biodiesel Policy : IOCL IOCL has identified wasteland availability across states. Potential state governments have

	proposals should be incorporated in the National Bio-fuel Policy and that the said Policy should be finalised and put in place soon. The Committee had appreciated the efforts made by various State Government which would render immense benefits to these States and also the country as a whole in the coming years. The Committee had desired the Government to impress upon other potential States to go in for such activities in their States.	process has been scaled-up in a pilot plant at IOC (R&D) Centre and numbers of 60 kg batches of bio-diesel have been produced utilizing various vegetable oils. The developed technology was transferred to M/s Venus Ethoxyethers, Goa and M/s IKF Technologies Ltd, Kolkata on non-exclusive basis and on nominal technology fee and royalty sharing mechanism. IOC has entered into an MOU with Indian Railways to study complete value chain of bio-diesel. In line with that, IOC has taken up plantation on 62 hectares of Railway land at Surendranagar in Gujarat. About one lakh fifty thousand saplings of Jatropha have been planted at the site. This project is one of its kind in the country, where every aspect of Jatropha bio-diesel would be studied. This project was started in 2004. It is expected that production of Jatropha seeds will start from this year-end. IOC, jointly with Haryana Roadways launched field trials on 40 buses of Gurgaon depot in April 2004. Twenty buses were run on 5% bio-diesel-diesel blends of trial and their smoke, fuel efficiency and drivability were compared with another set of twenty reference buses. A reduction of 10-15% in smoke density has been observed by the use of bio-diesel. The tests have been conducted with 5%, 10% and 20% blends of Jatropha bio-diesel in diesel on 16 cylinders Alco Diesel Locomotive Engine for power, specific fuel consumption, firing pressures and exhaust gas temperatures. Trial runs of Shatabdi and Jan Shatabdi express trains have been carried out at 5% and 10% bio-diesel. It further planned to launch B10 trials on five pairs of trains running through Lucknow. IOC, jointly with TATA motors has completed a field trial run on 43 buses for transportation of their employees in Pune using 10% bio-diesel-diesel blends. IOC has planned to produce bio-diesel by initiating energy crop plantation. For this purpose, IOC has applied for 30,000 hectares of non-forest wasteland in Madhya Pradesh. So far, IOC has received allotment of 2,000 hectares in Jhabua district. IOC has signed MOU on 19.11.2007 with Government of Chhattisgarh for formation of Joint Venture for entering bio-diesel business in the State. BPCL BPCL has taken up Jatropha Plantation in the vacant land at its existing storage points across the country. An area of approx. 600 acres of Jatropha plantation has been completed and another 400 acres of land plantation is expected to be completed in the next few months. BPCL is in discussions with Uttar Pradesh and Chhattisgarh State Governments for setting up Bio-diesel Value Chain. HPCL HPCL has signed MOU with G.B. Pant University of Agriculture & Technology, Pantnagar, Uttrakhand State for the plantation of 10 lakh Jatropha, installation of Transesterification unit and Research on the development of Tissue Culture Technology for micropropogation of best variety of Jatropha. This collaborative R&D project is completely funded by	contacted for allotment of 30,000 ha. of wasteland to produce 1 lakh tons of Jatropha seeds to support a 100 TPD plant with 30,000 MTPA biodiesel output. Madhya Pradesh and Chhattisgarh state governments have shown positive response for allotment of revenue wasteland. UP Government offered National Rural Employment Guarantee Scheme funds for contract plantation on Panchayat wasteland. BPCL "Project Triple One" has been launched under National Rural Employment Guarantee (NREG) Scheme to setup biodiesel value chain in UP. This Project envisages biofuels plantation in the land belonging to the Panchayats/ BPL families/ SCs/STs/ Other Govt. beneficiaries. The project is being implemented through JV i.e. M/s Bharat Renewable Energy Ltd. (BREL). HPCL Pilot Plant installed at R&D centre to test various biofuels.

		HPCL and is in progress. HPCL has also planned shortly to sign an MOU with Govt. of Chhattisgarh & Chhattisgarh Renewable Rnergy Development Authority (CREDA) for plantation of Jatropha over 15000 hectares of land.	
13	The committee had desired the Petroleum Conservation Research Association (PCRA) to play a pro-active role in bio-diesel promotion by initiating measures for plantation of bio-crops.	PCRA 1. On 14. 01.05, PCRA has opened a National Biofuel Centre at its corporate office in New Delhi. It was inaugurated by the Secretary, Petroleum and Natural Gas. A 10 litre & 100 litre per day transesterification plant are kept at our National Biofuel Centre for demonstration. Large number of National & International delegation have visited it. 2. PCRA launched a new website on Bio-fuels: www. PCRA-biofuels, on which information on Bio-diesel is available. 3. PCRA sponsored & provided faculty support for seminars & workshops for dissemination of information on Bio-diesel across the country.	Apart from the initiatives given in Minister's earlier Statement, PCRA has taken following initiatives for the propagation of Biodiesel : PCRA has prepared films on Bio-diesel. These films are being shown by PCRA in workshops and seminars for the propagation of Bio-diesel and for the benefit of masses. During Petrotech 2009 Exhibition at Pragati Maidan, New Delhi, PCRA arranged for propagation of Bio-diesel by demonstration of transesterification process for preparation of Biodiesel from Jatropha at PCRA stall. The information on Biodiesel was provided to the National / International visitors. Visitors had shown keen interest in the transesterification process for preparation of Bio-diesel and had appreciated PCRA's efforts in the area. Recently, PCRA has sponsored following R&D Projects for promotion of Bio-diesel : (a) Studies on non-edible bio oil as fuel for durability and fuel economy by Indian Institute of Petroleum, Dehradun. (b) Studies on use of Biodiesel (B-100) in an automotive diesel engine for performance and emissions by Indian Institute of Petroleum, Dehradun. (c) Study on performance enhancement of diesel engines operating on Biodiesel and vegetable oils for on farm applications by Maharana Pratap University of Agriculture & Technology, Udaipur. (d) Pilot plantation of Jatropha, establishment of a Biodiesel production unit and demonstration on Automotive and Agricultureal CI-engines by Dayalbagh Educational Institute, Agra.
14	The Committee had desired that the National technology Missions for Coal Gasification and liquefaction projects be set up urgently involving all the concerned Ministries, technical institutions, etc, so that a co-coordinated approach could be adopted which will surely fast track the programme.	ONGC is making all efforts to expedite the execution of the UCG project. Seismic data has been acquired and is under processing. Skochinsky Institute of Mining (SIM), Russia is arranging for the agency to prepare detailed design. Identification of additional sites for UCG is underway. Ministry of Petroleum is continuously coordinating with Ministry of Coal in order to resolve the issues as and when they arise.	Seismic interpretation has helped in précising the UCG pilot layout. Detailed designing of pilot module is in final stage at OJSC, Dongiproshakht, Ukraine under the technical guidance of SIM. Mining lease application has been submitted afresh as per GOI guidelines vide letter No.34011/26/2006-CRC dated 13th July 2009. Public hearing for environmental clearance has been completed. Four identified additional sites were evaluated, and found suitable for UCG by SIM.
15	The Committee had desired that a road map should be prepared for	In order to promote investment from public as well as private sector for inter alia city/local natural gas distribution networks throughout the country, the Government of India has enacted 'The Petroleum and	The Ministry of Petroleum & Natural Gas has finalized 'Vision- 2015' of the oil sector for "Consumer Satisfaction & Beyond", which envisages connecting 200 cities with CNG/ PNG network by the year 2015.

<table>
<tr>
<td></td>
<td>systematic expansion of the PNG network in the country. The said road map should include the specific activities to be undertaken by implementing agencies on a yearly basis and the cities where such activities are to be carried out.</td>
<td>Natural Gas Regulatory Board Act, 2006' and notified the 'Policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks'. The Board has been constituted. The provisions of the Act (except Section 16) have been made effective from 1.10.2007. The Board has invited Expressions of Interest (EoIs) for implementing city/local natural gas distribution networks in many cities.

2. GAIL has formed eight Joint Venture Companies with OMCs and Strategic partners to implement city gas distribution projects. At present, PNG is being supplied or planned to be supplied by GAIL's JVCs in the following states/ cities:

<table>
<tr><th>S. No.</th><th>States</th><th>Name of city</th><th>Name of the Companies</th><th>Status</th></tr>
<tr><td>1</td><td rowspan="2">Maharashtra</td><td>Mumbai & suburb</td><td>M/s Mahanagar Gas Limited</td><td>PNG is being supplied</td></tr>
<tr><td>2</td><td>Pune</td><td>M/s Maharashtra Natural Gas Limited</td><td>PNG supply Under implementation</td></tr>
<tr><td>3</td><td>Delhi</td><td>Delhi & suburbs</td><td>M/s Indraprastha Gas Limited</td><td>PNG is being supplied in Delhi</td></tr>
<tr><td>4</td><td>Tripura</td><td>Agartala</td><td>M/s Tripura Natural Gas Limited</td><td>PNG is being supplied</td></tr>
<tr><td>5</td><td>Andhra Pradesh</td><td>Vijayawada, Hyderabad</td><td>Bhagyanagar Gas Limited</td><td>PNG supply under implementaion</td></tr>
<tr><td>6</td><td>Uttar Pradesh</td><td>Kanpur, Bareilly</td><td>Central UP Gas Limited</td><td>PNG supply under implementation</td></tr>
</table>
</td>
<td>In the 1st bidding round, PNGRB has issued authorization for CGD projects in six geographical areas, namely, Kota, Sonepat, Mathura, Kakinada, Meerut and Dewas to the successful bidder. Subsequently, PNGRB initiated second round of bidding in February 2009 for seven geographical areas, namely, Allahbad, Chadigarh, Ghaziabad, Jhansi, Rajamundry, Shadol and Yanam . The due date for submission of bids was 25th June, 2009.

Government has issued authorizations to GAIL for laying these trunk natural gas pipelines, namely, Dadri-Bawana-Nangal Pipeline, Chainsa-Gurgaon-Jhajjar-Hissar Pipeline, Jagdishpur-Haldia Pipeline, Dabhol-Bangalore Pipeline and Kochi-Kanjirkkod-Bangalore/Mangalore Pipeline. Similarly, Government has granted authorization to Reliance Gas Transportation Infrastructure Limited (RGTIL) for laying of these trunk pipelines, namely, Kakinada-Basudebpur-Howrah Pipeline, Vijaywada-Nellore-Chennai Pipeline, Chennai-Tuticorin Pipeline and Chennai-Bangalore-Mangalore Pipeline. These pipelines once commissioned will increase the number of cities with gas pipeline connectivity & where City Gas Development projects can be implemented in future.</td>
</tr>
</table>

<table>
<tr>
<td></td>
<td></td>
<td>
<table>
<tr><td>7</td><td></td><td>Lucknow, Agra</td><td>Green Gas Limited</td><td>PNG supply under implementation</td></tr>
<tr><td>8</td><td>Madhya Pradesh</td><td>Indore, Ujjain and Gwalior</td><td>Aavantika Gas Limited</td><td>PNG supply under implementation</td></tr>
</table>

3. Further, GAIL GAS LIMITED (GGL), a wholly owned subsidiary company of GAIL (India) Ltd., has been incorporated on 27.05.2008. GAIL Gas Ltd. has submitted Expressions of Interest (EOI) to PNGRB in June 2008 for 7 cities, namely, Kota, Gwalior, Dewas, Jhansi, Mathura, Ghaziabad and Sonipat. Implementation of City Gas Distribution projects would be taken up by GGL after getting authorization from PNGRB.

4. Apart from the above, the following Companies are also supplying PNG as detailed below:

<table>
<tr><th>S. No.</th><th>States</th><th>Name of city</th><th>Name of the Companies</th></tr>
<tr><td>1</td><td>Assam</td><td>Dibrugarh, Duliajan, Tinsukia, Naharkatia, Moran, Sivasagar, Nazia etc.</td><td>M/s Assam Gas Company Limited</td></tr>
<tr><td>2</td><td rowspan="5">Gujarat</td><td>Vadodara</td><td>M/s Vadodara Mahanagar Seva Sadan,</td></tr>
<tr><td>3</td><td>Surat, Ankeleswar, Bharuch</td><td>M/s Gujarat Gas Company Limited,</td></tr>
<tr><td>4</td><td>Hazira, Valsad, Vapi, Navsari, Rajkot, Nadiad, Chandkheda/ Motera etc.</td><td>M/s Gujarat State Petroleum Corporati Ltd.</td></tr>
<tr><td>5</td><td>Gandhinagar, Mehasana and Sabarkanta</td><td>M/s Sabarmati Gas Limited</td></tr>
<tr><td>6</td><td>Ahmedabad</td><td>M/s Adani Energy Limited</td></tr>
</table>
</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>In order to cater to the increasing LNG requirements of various sectors/consumers, the Committee had desired GAIL and Petronet LNG</td>
<td>During 2007-08, about 8.32 MMT LNG was imported in the country, which is more than 120% of the LNG imported in the country during 2006-07. This has to be viewed against the present regasification capacity of 7.5 MMTPA.

All possible efforts are being made to increase LNG import in the country. GAIL and PLL are in</td>
<td>All possible efforts are being made to increase LNG imports in the country. During 2008-09, about 8.02 mmt LNG was imported in the country against the available regaisificaiton capacity of 7.5 mmtpa. In the 3rd quarter of 2009-10, the supply of additional 2.5 mmtpa LNG from RasGas, Qatar will also commence. PLL has a contract with RasGas, Qatar and British Petroleum Gas Marketing, UK for supply of 1.125 mmt</td>
</tr>
</table>

	Limited to intensify their efforts to secure long-term contracts of LNG imports. They had also recommended that other Companies like ONGC, OIL and IOC should look for opportunities to set up/implement oil/gas related projects in the gas-rich countries and procure LNG on a quid pro quo basis.	discussions with various LNG suppliers for sourcing additional LNG on long-term basis. In addition, IOCL and ONGC are also making efforts for long-term tie up of LNG. Regarding setting up/implementing oil/gas related projects in gas-rich countries and procuring LNG on quid pro quo basis, Companies like OVL and IOCL have made attempts in this regard and the same have not resulted in any concrete project so far. The Companies are still making efforts in this direction.	LNG from January 2009 to September 2009 to meet the requirement of Ratnagiri Gas & Power Private Limited (RGPPL). In addition, PLL has executed Sale & Purchase Agreement (SPA) in August 2009 for supply of about 1.5 mmtpa LNG with a subsidiary of ExxonMobil from their share in Gorgon Project, Australia for 20-years term for Kochi LNG terminal. In addition to the above term-contracts, LNG is also being sourced from various countries through spot market by PLL and Hazira LNG Private Ltd. (HLPL). In order to handle increased LNG import, additional infrastructure is being created in the country. PLL's Dahej LNG terminal has been expanded from the current 5 million tonne per annum (mmtpa) capacity to 10 mmtpa capacity. The expanded facility has been commissioned on 15.7.2009. Dabhol LNG terminal is expected to be completed by October 2009. The terminal will, however, become fully operational only after completion of breakwater facilities in 2012. PLL is setting up an LNG terminal at Kochi which is planned to be commissioned in 2011-12. GAIL and PLL are in discussions with various LNG suppliers for sourcing additional LNG on long-term basis. In addition, IOCL and ONGC are also making efforts for long-term tie-up of LNG. Regarding setting up/implementing oil/gas related projects in gas-rich countries and procuring LNG on quid pro quo basis, all possible attempts are being made by the concerned Companies for the same.
17	The Committee had recommended that SLR status should be granted to the oil bonds already issued and proposed to be issued to the OMCs. The Committee had also desired that OMCs should go in for innovative and profitable business activities, away from their core competence, such as execution of renewable energy projects, manufacture of oil rigs, etc.	The matter was taken up with Ministry of Finance and they have stated that : Classification of Government Securities as SLR is made by the Reserve Bank of India (RBI) under the provisions of Banking Regulation Act. As a policy, RBI has been treating securities issued outside the borrowing programme (e.g. oil bonds, fertilizer bonds, etc.) as non-SLR securities. However, to compensate for the non-SLR status, a 20-25 bps spread above the g-sec rate of comparable maturity is being allowed in respect of such securities. The investment in these bonds by the Insurance Companies, Provident Funds, Gratuity Funds, Superannuation Funds etc. are treated as an eligible investment.	The matter of conferring SLR status to Oil Bonds, already issued and proposed to be issued to the OMCs, was again taken up with Ministry of Finance vide letter dated 28.8.2009. They have reiterated the stand earlier taken in the matter. As regards the recommendation regarding execution of innovative and profitable business activities by OMCs; the Public Sector Oil Marketing Companies (OMCs); namely, Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) have informed that they have taken various steps to develop non-conventional/ renewable resources of energy like bio-diesel, wind energy, solar energy and Hydrogen fuel cells in order to develop alternate sources of energy. The three OMCs have signed MoUs with the State Governments of Madhya Pradesh, Chhatisgarh and Uttar Pradesh to start energy crop plantations on their wastelands. IOC and HPCL have formed Joint Ventures (JV) with Government of Chhatisgarh and the Chhatisgarh Renewable Energy Development Agency for plantation of energy crops. Another MoU has been signed by HPCL with the G.B. Pant University in Uttar Pradesh for experimental plantation. IOC and BPC have started Projects for Wind Power and Solar Power in some States. On behest of MoP&NG, IOC has also initiated R&D Studies on Hydrogen as an

			alternate fuel. BPCL has developed a prototype for studying Hydrogen Fuel Cell Technology. The OMCs have also taken up various innovative initiatives as detailed below: (i) Launching of Kisan Seva Kendras (KSKs), which are low-cost, all-purpose retail outlets (ROs) by IOC, to tap the vast energy requirements of the rural sector. As many as 2,387 KSKs had been opened till 31.12.2008, which – besides dispensing fuels, also stock fertilizers, seeds, tractor spare parts, etc. BPCL has transformed their network of ROs into 'customer enabling business engines', with value added offerings to the customers. (ii) Launching of branded/ premium fuels. IOC's Xtra Premium is available at about 6,710 ROs. Their Xtra Mile is available at about 9,469 ROs. (iii) Encouraging the use of Auto LPG by commissioning more and more Auto LPG Dispensing Stations to meet the requirements of vehicles powered by LPG. (iv) Diversification into Natural Gas business by IOC. BPCL has also entered into upstream arena through its subsidiary company BRPL, which has acquired participating interests in 26 oil and gas blocks. (v) Direct chartering of vessels/ships, instead of going through Transchart under Ministry of Shipping, which has resulted in savings on freight charges. BPCL's new crude oil import facilities at Kochi have been commissioned where oil parcels can be received in very large crude carriers (VLCCs).
18	The Committee had opined that the taxes and duties being levied on petroleum products are too high which need to be moderated. Besides, the Committee had also desired that the varied rates of taxes on such products prevailing in various parts of the country, should be made uniform across the country. The Committee had further desired that the Ministry of Petroleum & Natural Gas should expeditiously take up these issues	The duties on sensitive petroleum products have been rationalized to mitigate the impact of high international oil prices on their retail selling prices. Government has reduced the Customs Duty on Crude Oil from 5% to Nil and on Petrol and Diesel from 7.5% to 2.5% with effect from 5.6.2008. The ad-valorem component of Excise Duty on unbranded Petrol and unbranded Diesel has been abolished with effect from 1.3.2008 and the Excise Duty on both has also been reduced by Re.1/litre with effect from 5.6.2008. Further, consequent to enactment of Finance Bill 2006, Domestic LPG has become a "Declared Good" under CST Act and the maximum Sales Tax/VAT rate is 4% effective 19.04.06 across all the States/ Union Territories. The subject matter of Sales Tax comes within the purview of the State Governments. However, on a request made by the Minister, Petroleum & Natural Gas to the Chief Ministers of States/UTs for reduction of Sales Tax/VAT on 5.6.2008, some State Governments such as Delhi and Andhra Pradesh have reduced their Sales Tax/VAT rates on petroleum products.	The Government has taken a number of measures to rationalize taxes and duties on Petrol and Diesel to keep the consumer prices of these sensitive petroleum products within reasonable limits. As per the announcement made in the Union Budget for 2009-10, the advalorem Excise Duty on branded Petrol and Diesel has been converted to specific Duty with effect from 7th July, 2009. After the price reduction of Petrol, Diesel and Domestic LPG effected from 29th January 2009 by the Central Government, various State Governments like West Bengal, Goa and Uttar Pradesh have increased the Sales Tax on Petrol and Diesel. State Governments of Andhra Pradesh has reduced the State subsidy on 14.2kg Domestic LPG cylinder from Rs. 50/cylinder to Rs.25/- cylinder effective 29.1.09. State Government of Goa has introduced VAT on Domestic LPG at 4%. State Governments of Chattisgarh and Assam have also increased Sales Tax on Petrol and Diesel in June 2009. State Government of Madhya Pradesh has increased VAT on PDS Kerosene effective 1st August 2009.

	with the appropriate authorities. The Committee had also recommended that the customs duty on crude oil should be scrapped in order to reduce the burden on the OMCs caused by the phenomenal increase in the crude oil prices.		Sales Tax/VAT comes under the purview of the State Governments. The matter regarding reduction in Sales Tax/VAT rates and rationalization in the structure of Sales Tax/VAT has again been taken up by MoP&NG with the State Governments and the Empowered Committee of State Finance Ministers, vide letter dated 23rd June 2009. The Government has constituted an Expert Group under the Chairmanship of Dr. Kirit S. Parikh, former Member, Planning Commission to examine, inter-alia, the current taxation structure on the sensitive petroleum products, with particular reference to Petrol and Diesel, and to make recommendations to rationalize the taxes levied by the Central and State Governments.
19	The Committee had felt that revenue collected from the petroleum sector through cess, customs and excise duties has been substantial, while amounts released through fiscal subsidy, oil bonds and releases to OIDB have been much lower. The Committee had recommended that the entire issue of deployment/utilization of cess levied on crude oil/revenues collected from the petroleum sector vis-à-vis the amounts released to the Sector, should be referred to a Group of Ministers comprising the Union Ministers for Petroleum & Natural Gas, Finance, Law and Chemicals & Fertilizers and an early decision taken thereon.	This recommendation of the Committee was again taken up with the Ministry of Finance who have reiterated that the amount collected by levying cess on indigenous crude has been utilized as per the statutory provisions contained in Section 2(k) of the Oil Industry (Development) Act, 1974 and that the allocations made out of the receipts from oil cess, whether classified as Capital or Revenue, are within the provision of the said Act. In this context, it is noteworthy that in the years 2005-06, 2006-07 and 2007-08, Oil Bonds to the extent of Rs.11,500 crore, Rs.24,121 crore and Rs.20,333.33 crore respectively (total Rs.55,954.33 crore) were issued to Public Sector Oil Marketing Companies as part compensation for the under recoveries on the domestic sale of sensitive petroleum products, in addition to the Subsidy for LPG/Kerosene and for Natural Gas sales in NE region amounting to Rs.2682.95 crore, Rs.2698.19 crore and Rs.2820.14 crore respectively for the same period. This itself is considerable when seen against the total cess collection of about Rs.74972.36 crore from July,1974 to March,2008. Regarding the issue of deployment/utilization of Cess levied on crude oil being referred to a Group of Ministers, the Ministry of Finance have offered no comments.	This recommendation of the Committee was again taken up with the Ministry of Finance who have reiterated that the amount collected by levying cess on indigenous crude has been utilized as per the statutory provisions contained in Section 2(k) of the Oil Industry (Development) Act, 1974 and that the allocations made out of the receipts from oil cess, whether classified as Capital or Revenue, are within the provision of the said Act. 2. In this context, it is noteworthy that during the year 2008-09, Oil Bonds to the extent of Rs.75,942 crore have been issued to Public Sector Oil Marketing Companies as part compensation for underrecoveries on the domestic sale of sensitive petroleum products. In addition, subsidy for LPG/Kerosene and for Natural Gas sales in NE Region amounting to Rs.2852.28 crore was provided from the Budget during 2008-09. On the other hand, collection from crude oil cess during 2008-09 is estimated to be Rs. 6680.94 crore and the revenue collection from Custom Duty and E Excise Duty is estimated to be Rs. 6299 crore and Rs. 54117 crore respectively. . 3. Regarding the issue of deployment/utilization of Cess levied on crude oil/revenue collected from the petroleum sector being referred to a Group of Ministers, the Ministry of Finance have again offered no comments.
20	The Committee had desired the Centre for High Technology to constantly monitor the utilisation of funds, improve expenditure and effect the desired	The steps taken by CHT for effective utilization of funds are as under : Utmost care has been taken and all aspects considered while preparing the budgets for 2008-09 and 2009-10 (RBE 2008-09 and BE 2009-10). Status of on-going projects will be closely monitored so that funds utilisation is in line with the budgeted	The status of on-going projects is being regularly monitored to ensure progress as per schedule and fund utilization/disbursement, to the extent feasible, in line with the budgeted allocation. Constraints faced in the execution of projects, if any, are brought to the notice of the Scientific Advisory Committee (SAC) of MoP&NG for advice and finalizing future course of action. SAL Project

	improvements in future.	figures. Constraints in the progress of the projects, if any, shall be brought to the notice of the Scientific Advisory Committee (SAC). One of the major ongoing project being funded by CHT / OIDB is Synthetic Aviation Lubricant (SAL) project. Its approved cost is Rs.1732.38 Lakhs, which is funded on 50:50 basis by CHT / OIDB and other participating organisations. So far, the funds by CHT / OIDB were being released on matching fund spending by participating organisations. However, since the participating organisations like CEMILAC and GTRE will be required to spend their funds towards the last phase of the project, CHT would release the funds as and when required. This will help in utilisation of CHT / OIDB funds besides avoiding the delays on account of shortage of funds. Besides this, expenses for the approved projects on Coal to Liquid (CTL) and Integrated Refinery Business Programme (IRBIP) is expected to be as per plan, which will improve the budget utilisation. Close coordination shall be maintained to ensure spending as per the Budget.	One of the major ongoing projects being funded by CHT/OIDB is Synthetic Aviation Lubricant (SAL) project. Out of the CHT's share of contribution of Rs. 844.9 lakh, CHT has released Rs. 646.64 lakh so far on equal contribution basis and no invoice is pending with CHT. The latest status of the project is as given below: The SVS-11 Base Oil produced at IICT, Hyderabad has been formulated jointly with IOCL (R&D Centre) and found meeting all the required specifications. Bearing test was conducted for the sample and same was found to meet the requirements. The samples are undergoing engine testing at GTRE and HAL for final evaluation. IICT has also produced another type of Base Oil, SVS-21. This was tested at IOCL R&D Centre, formulated with the required additives and found meeting all the required specifications. Bearing and engine tests will also be conducted on this sample as well. IOCL R&D Centre is exploring the possibility of commercialization of both the above products. Other projects The MOU for CTL (Coal To Liquid fuels technology development) has been signed between CHT, EIL & BPCL R&D in March 2009 with a time schedule of 45 months from the zero date. The 1st installment of Rs. 33 lakh has also been released. Integrated Refinery Business Improvement Prgramme (IRBIP Phase II) at PSU Refineries has been deferred to 2009-10 .
21	The Committee had recommended that the OMCs should maintain a permanent reserve/stock of LPG, especially for the winter months, to effectively deal with crisis situations. The Committee had desired the Ministry to assess the situation in rural and remote areas and release more LPG connections and strengthen the distribution network so that people living there can also have an access to cleaner fuel at affordable rates. The Committee had further recommended that the OMCs should make a thorough	OMCs have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors. OMCs have further reported that they have supplied 10302 TMT (Thousand Metric Tonnes) of domestic LPG in the country during the year 2007-08 as against 9761 TMT during the year 2006-07, showing a growth rate of 5.5%. OMCs have reported that as on 15th May 2008, the total LPG stock in the country is 394 TMT which is equivalent to about 12 days cover. OMCs have reported that as on 1.4.2008 they have provided 1009.9 lakh LPG connections in the country through their 9365 LPG distributorships. Government have advised OMCs to draw up Marketing Plan for covering semi-urban and rural areas. OMCs have finalized 1340 locations in the country for setting up of new LPG distributorships mainly in rural and urban-rural (semi-urban) locations. The advertisements for the same have been released. The enrolment of new LPG customers and release of new LPG connections is a continuous process. Public Sector Oil Marketing Companies (OMCs) have reported that at present, new LPG connections are available across the counter for genuine domestic customers on verification of documents as per laid	Public Sector Oil Marketing Companies (OMCs) have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors. OMCs have further reported that they have supplied 10636 Thousand Metric Tonnes (TMT) of domestic LPG in the country during the year 2008-09 as against 10307 TMT during the year 2007-08, showing a growth rate of 3.2%. OMCs have reported that as on 24.08.2009, the total LPG stock in the country is 385 TMT, which is equivalent to about 12 days cover. OMCs have reported that as on 01.08.09 they are serving 1087 lakh LPG connections in the country through their 9396 LPG distributorships. OMCs had advertised for 1340 distributorships in the country for setting up of new LPG distributorships mainly in rural and urban-rural (semi-urban) locations for which selection is in progress. As on 01.06.09, interviews for 847 distributorships have been completed and 235 Letter of Intents (LOI)'s have been issued out of which 22 distributorships have been commissioned. Also, in order to increase rural penetration and to cover remote as well as low potential areas for all the locations having potential of 600 and / or less refill

	survey of households having multiple LPG connections and cancel the extra connections. The Committee had also recommended that the OMCs should strengthen their delivery mechanism so as to reduce the gap between the booking and delivery of cylinders to 2 days in all eligible cases.	down procedure. OMCs have reported that they have released 64.9 lakh new LPG connections in the country during the year 2007-08 as against 53.9 lakh of new LPG connections during the year 2006-07. Apart from release of new connections, OMCs have also released 64.74 lakh DBCs since 2004-05 in the country. OMCs are striving hard and releasing new connections across the counter. The same is achieved on a continuing basis in most of the markets in the country. However due to non-availability of product and/or equipments, waitlists are generated at certain pockets temporarily which are cleared expeditiously. There is no perennial waiting list for release of new connections across the country, and any person can easily approach the nearest distributor for immediate release of new connection with the required documents. OMCs have also introduced 5 Kg domestic LPG cylinders with effect from August, 2002 in order to meet the demand of low-income groups in urban, semi-urban and rural pockets and also to extend the reach of LPG to the hilly terrain and interior areas in the country on account of convenience in transportation. Government has conveyed "in principle" approval to the OMCs for expanding the product line by way of introduction of composite cylinders for marketing domestic LPG, subject to there being no subsidy element in the LPG to be marketed through these composite cylinders. To start with, OMCs intend to import some cylinders by floating global tender and do test marketing in selected cities during 2008-09. The composite cylinders are translucent and will show the level of LPG present in the cylinder. Blocking of multiple connections and termination of the same is done as per provisions of the LPG (Regulation of Supply and Distribution) Order (Control Order). As per this Order, a person cannot hold more than one domestic LPG connection. OMCs have reported that they are trying to eliminate such multiple connections to control diversion on account of any such multiple connections and also to utilize the idling equipments for more connections in rural areas. Amendments to the Control Order relating to restriction of LPG connections on household basis are under consideration of the Government.	sales per month, a new scheme of rural LPG distributor namely, 'Rajiv Gandhi Gramin LPG Vitrak Yojna (RGGLV) ' for small size LPG distribution agencies has been approved by the Government on 6th August 2009 and communicated to the Public Sector Oil Marketing Companies (OMCs) to take immediate follow up action for implementation of the scheme. The enrolment of new LPG customers and release of new LPG connections is a continuous process. OMCs have reported that at present, new LPG connections are available across the counter for genuine domestic customers on verification of documents as per laid down procedure. OMCs have reported that they have released 53.2 lakh new LPG connections in the country during the year 2008-09. Apart from releases of new LPG connections, OMCs has also released 11.7 lakh DBCs during 2008-09. During April-July 2009, 24.3 lakh new connections and 12.1 lakh DBCs have been released by OMCs. OMCs are striving hard and releasing new connections across the counter. The same is achieved on a continuing basis in most of the markets in the country. However, due to non-availability of product and/or equipment's, waitlist are generated at certain pockets temporarily which are cleared expeditiously. There is no perennial waiting list for release of new connections across the country, and any person can easily approach the nearest distributor for immediate release of new connection with the required documents. OMCs have also introduced 5 kg domestic LPG cylinders with effect from August 2002 in order to meet the demand of low-income groups in urban, semi-urban and rural pockets and also to extend the reach of LPG to hilly terrain and interior areas in the country on account of convenience in transportation. As on 01.07.2009, OMCs are serving 3.65 lakh 5 kg LPG cylinder customers in the country. Government has conveyed "in principle" approval to the OMCs for expanding the product line by way of introduction of Composite Cylinders for marketing domestic LPG, subject to there being no subsidy element in the LPG to be marketed through these composite cylinders. The industry has obtained the approval from Chief Controller of Explosives (CCOE) for import of Composite Cylinders. OMCs intend to import some cylinders for which global tender has been called and was opened on 18.08.09. Only one party had responded. OMCs intend to do test marketing of composite cylinders in select cities of Bangalore, Chennai, Pune and Mumbai, on Pilot basis. The composite cylinders are translucent and will show the level of LPG present in the cylinder. However, a PIL has been filed by Shri Charanjit Singh Chanderpal, Advocate, against Union of India and 10 other parties including OMCs in Bombay High Court. In view of the PIL and single response to global tender, the finalisation of tender may get affected. Blocking of multiple connections and termination of the same is done as per provisions of the Liquefied Petroleum Gas (Regulation of Supply and

<table>
<tr><td></td><td></td><td></td><td>Distribution) Order (Control Order). As per this Order, a person cannot hold more than one domestic LPG connection. OMCs have reported that they are trying to eliminate such multiple connections to control diversion on account of any such multiple connections and also to utilize the idling equipment's for more connection in rural areas. OMCs have blocked around 15.1 lakh LPG connections. Amendments to the Control Order relating to restriction of LPG connections on household basis are under process in consultation with the Ministry of Law & Justice.</td></tr>
<tr><td>22</td><td>The Committee had recommended that CPCL refineries, HPCL's Mumbai refinery, BPCL's Kochi refinery and MRPL refinery should make concerted efforts to increase their high sulphur crude processing capability in the years to come so as to optimize their input costs.</td><td>CPCL processes mainly Masila crude from Yeman which is procured on competitive bidding along with other low sulphur crudes in the range of 0.2% to 0.5% sulphur content. Due to lower net realization (ie GRM/net back) of Masila crude compared to other low sulphur crudes , the Masila crude got replaced with other low sulphur category crudes in many tenders during 2006-07 and 2007-08 compared to 2005-06. In view of above, the processing of overall High Sulphur (i.e. >0.5%) has progressively reduced. This reduction was driven based on economic consideration i.e. higher refinery margins.
It may also be noted that overall Sulphur content of total crude basket of CPCL, Manali has gone up over the years as given below.

<table>
<tr><th></th><th>2005-06</th><th>2006-07</th><th>2007-08</th></tr>
<tr><td>Total Crude processed (TMT)</td><td>9680</td><td>9784</td><td>9802</td></tr>
<tr><td>% Sulphur content of total crude</td><td>1.55</td><td>1.61</td><td>1.64</td></tr>
</table>

Hindustan Petroleum Corporation Limited's (HPCL's) Mumbai Refinery has two Crude Distillation Units (CDUs), one designed for 3.5 MMTPA of High Sulphur Lube Bearing crude oils (63%) and the other designed for 2.0 MMTPA of Mumbai High crude oil.
During the year 2005-06, the refinery had a long shutdown for turnaround of the units as well as for low cost debottlenecking which resulted in higher than designed percentage of High Sulphur crude processing due to the effect of service factors of the two CDUs during the year.
During the year 2006-07, there was no major shutdown and the debottlenecked units' capacities were available throughout the year which resulted in total crude thruput going up from 6.2 MMTPA to 7.4 MMTPA and the percentage of High Sulphur crude processing was close to design.
Combined refinery thruputs and percentage of High Sulphur crude processing is optimised on corporation basis for profitability, while trying to meet the marketing requirement of products and High Sulphur crude percentage may vary marginally from year to year. If</td><td>The latest status of the recommendation in respect of Chennai Petroleum Corporation Limited (CPCL) is given below:

<table>
<tr><th></th><th>2008-09</th></tr>
<tr><td>Total crude processed (TMT)</td><td>9707</td></tr>
<tr><td>High Sulphur crude (%)</td><td>66.7</td></tr>
<tr><td>Sulphur content of total crude (%)</td><td>1.69</td></tr>
</table>

CPCL is continuously endeavouring to increase processing High Sulphur crude based on the economics.

CPCL is also considering implementation of a Resid Upgradation Project, which will substantially increase the capability for High Sulphur crude processing in the coming years.

Hindustan Petroleum Corporation Limited's (HPCL's) Mumbai Refinery has a capability of processing 60-65% high sulphur imported crude and balance Mumbai-High low sulphur crude. In order to enhance the high sulphur crude processing capability, Mumbai Refinery is implementing various initiatives as listed below:
• <u>Change in high sulphur crude</u> mix: Refinery has shifted the high'S' crude mix from predominantly Arab Light crude to heavier crudes like Basrah and Kuwait (sulfur content 2.6 to 2.9%).
• <u>Setting up of New Projects</u>: Setting up New FCCU and Diesel Hydrotreater (DHT) units, which will facilitate to process higher quantity of high sulfur feed streams.
• <u>Flue Gas Desulphurisation (FGD)</u> : Setting up of New FGD with higher capacity of caustic scrubbers, which will reduce the So2 emissions from the flue gases and will provide the flexibility to improve the High sulphur crude processing.
• <u>Solvent Deasphalting Unit (SDA)</u> : Project is being set up for bottoms upgradation which will also enhance the High sulphur crude processing capability..
• <u>Revamping of primary Units</u>: Primary units of CDU / VDU are being revamped to enhance high suphur crude processing.
• <u>Usage of LNG</u>: Refinery has started receipt of additional natural gas from GAIL. which is being used in various furnaces and captive power plant.</td></tr>
</table>

High Sulphur crude processing for HPCL's Mumbai and Visakh refineries are taken together like IOC refineries, then it can be seen that the overall percentage of High Sulphur crude processing has gone up from 57% in 2005-06 to 60% in 2006-07.

HPCL is undertaking a project to put up Delayed Coker in Visakh Refinery (this is not possible in Mumbai Refinery in view of space constraints), on completion of which, High Sulphur crude processing capability of the combined HPCL refineries will go up.

Bharat Petroleum Corporation Limited (BPCL) have informed that the crude mix for the refinery is determined so as to minimize the inputs costs required to meet product demand, thereby optimizing overall margins. High sulphur crude oils generate higher residual products(FO, LSHS) and lower light/middle distillates (MS/Kero/ATF/HSD). The proportion of low sulphur crude oils in 2006-07 has been marginally increased to meet the increased demand for MS, ATF and HSD. Hence the percentrage of High Sulphur crude processed by BPCL Kochi Refinery (BPC-KR) at 58.6% in 2006-07 was marginally lower as compared to 59.1% in 2005-06.

Mangalore Refinery & Petrochemicals Limited (MRPL) is capable of processing high sulphur crude to its full capacity. However, for the requirement of low sulphur fuel oil for internal consumption, MRPL requires low sulphur crude to the extent of LSHS requirement. The percentage of low sulphur crude also depends on the type and quality of low sulphur crude.

The percentage of high sulphur crude has progressively gone up from 71.70% in 2005-06 to 79.40% in 2007-08 and also for the current year. MRPL had also explored alternate option of replacing the low sulphur crude to meet the environmental regulations through import of low sulphur heavy stock , but the same was not found economically attractive. Therefore, MRPL is not continuing with the import of heavy low sulphur crude like Nile from Sudan, for meeting the LSHS requirement.

The actual crude quantity made available during the last three years is given in the table below:

(Figures in MMT)

Crude	2005-06	2006-07	2007-08
High Sulphur Crude	8.69	8.72	9.96
Low Sulphur Crude	3.36	3.79	1.80
Total Crude processed	12.12	12.53	12.55
%High Sulphur Crude	71.70%	69.55%	79.40%

This will reduce the emissions and consequently provides the flexibility of increasing the High sulphur crude processing.

The actions and projects initiated as above by Mumbai Refinery will facilitate to increase high sulfur crude mix upto 70% of processing capacity and capitalize Refinery profit improvement.

In the current year due to fluctuations in the crude oil cost, it has been observed that the Brent – Dubai differential was lower and was even negative . This has resulted in BPCL Kochi Refinery processing marginally higher LS crude oil when compared to the previous years for maximizing refinery margins. The HS crude oil processing at KR for 2007-08 and 2008-09 were 56.0% and 50.2% respectively.

For the long term , BPCL is evaluating the economic viability for setting up a Delayed Coker Unit . The Delayed Coker Unit will help KR to increase the High Sulfur Crude processing to 80%.

MRPL is capable of processing high sulphur crude to its full capacity. However, for the requirement of low sulphur fuel oil for internal consumption, MRPL requires low sulphur crude to the extent of LSHS requirement. The percentage of low sulphur crude also depends on the type and quality of low sulphur crude.

The percentage of high sulphur crude has progressively gone up from 71.70% in 2005-06 to 80.52% in 2008-09.

The actual crude quantity processed during the last four years is given in the table below :-

Qty in MMT

Crude	2005-06	2006-07	2007-08	2008-09
High Sulphur Crude	8.69	8.72	9.96	10.13
Low Sulphur Crude	3.36	3.81	2.59	2.45
Total	12.12	12.53	12.55	12.58
% High Sulphur Crude	71.70%	69.55%	79.40%	80.52%

MRPL has term contract for the year 2009-10 for 9.30 MMT high sulphur crude as detailed below :-

Qty in MMT

Company/ Country	Crude	2009-10
NIOC, Iran	Iran Mix (IL50:IH50)	4.40
NIOC, Iran	Iran Heavy	2.70
ADNOC, Abu Dhabi	Murban/Um	1.65

<table>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td>m Shaif/Lower Zakum/Upper Zakum</td><td></td></tr>
<tr><td>S. ARAMCO, Saudi Arabia</td><td>Arab Super Light/ Arab Extra Light</td><td>0.55</td></tr>
<tr><td>Total</td><td></td><td>9.30</td></tr>
</table>
</td></tr>
<tr><td>23</td><td>The Committee had recommended that the contentious provision/proposal regarding withdrawal of the provision for seven-year tax holiday (under Section 80-IB of the Income Tax Act), which is at present being enjoyed by the green field refineries and the companies producing oil and gas, should be withdrawn since they would affect the refinery projects of Public Sector Undertakings/Joint Ventures adversely.</td><td>Ministry of Finance vide Notification dated 30.5.2008 has notified the following undertakings being mineral oil refinery projects, for the purposes of the Section 80-IB(9) of the Income Tax Act 1961:

(i) 15 MMTPA capacity refinery project of Indian Oil Corporation Ltd. at Paradip, Orissa;
(ii) 6 MMTPA capacity refinery project of Bharat Oman Refineries Ltd. at Bina, Madhya Pradesh;
(iii) 9 MMTPA capacity (with thruput around 12 MMTPA) refinery project of HPCL – Mittal Energy Ltd. at Bhatinda, Punjab;
(iv) 3000 BOPD (387 TPD) capacity mini-refinery project of Oil & Natural Gas Corporation at CPF, Gandhar, Ankleshwar, Gujarat.
(v) 5.31 MMTPA capacity Phase-III refinery project of Mangalore Refinery and Petrochemicals Limited at Managalore, Karnataka;
(vi) 7.5 MMTPA capacity New Visakh refinery expansion project of Hindustan Petroleum Corporation Ltd. at Visakhapatnam, Andhra Pradesh;
(vii) 1500 BOPD (193 TPD) capacity unit II of mini-refinery project of Oil & Natural Gas Corporation Ltd., at Tatipaka, Rajahmundry, Andhra Pradesh; and
(viii) 3 MMTPA capacity Panipat refinery expansion project of Indian Oil Corporation at Panipat, Haryana.

The Notification of the above undertakings shall be subject to conditions that:

(i) the mineral oil refinery projects constitute a separate undertaking within the meaning of section 80-IB of the Income-tax Act;
(ii) the undertaking begins refining of mineral oil not later than the 31st day of March, 2012; and
(iii) the undertaking continues to be wholly owned by a public sector company or any other company in which a public sector company or companies hold at least forty-nine per cent of the voting rights.</td><td>In the Budget Speech 2009-10, it has been announced that Tax Holiday under Section 80-IB(9) of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, would be extended to natural gas. This tax benefit is to be made available to the Undertakings in respect of profits derived from the commercial production of mineral oil and natural gas from oil and gas blocks which are awarded under the NELP-VIII round of bidding.</td></tr>
<tr><td>24</td><td>The Committee had desired the Ministry to set up an exclusive cell to monitor the implementation of anti-diversion measures in respect of subsidized</td><td>Oil Marketing Companies (OMCs) have reported that regular/surprise inspections are carried out at their Retail Outlets (ROs)/ SKO-LDO dealers by their Field Officers/Senior Officers throughout the country including rural areas and small towns. Joint inspections by officers of OMCs are also carried out at ROs to identify instances of malpractices. After the closure of Anti Adulteration Cell, MOP&NG advised OMCs to set up the checks/inspections for prevention</td><td>Oil Marketing Companies had already reported that that regular/surprise inspection is carried out at their Retail Outlets (ROs)/ SKO-LDO dealers by their Field Officers/Senior Officers through out the country including rural areas and small towns. Joint inspections by officers of OMCs are also carried out at ROs to identify instances of malpractices.</td></tr>
</table>

	kerosene by various agencies, especially the State Governments. The Committee had further desired that the frequency of surprise inspections by the OMCs of their dealers should be increased substantially and the officials displaying exemplary courage/commendable performance during such inspections are rewarded	of adulteration and accordingly suggested for creation of a separate "Quality Control Wing" to oversee and monitor all activities/operations to curb adulteration and specify norms/guidelines in this regard. Consequently, an Anti Adulteration Cell was established by OMCs under Director (HR). The officials of Anti-Adulteration Cell carry out surprise inspections of ROs/SKO-LDO dealerships. Further, Marketing Discipline Guidelines (MDG) under which the OMCs take penal actions against the erring dealers have been revised during August 2005 making the penal actions more stringent. As per the MDG, 2005, a dealership would be terminated in the first instance of proven adulteration itself. The officials displaying commendable performance for any activity in marketing are suitably rewarded from time to time through a certificate of appreciation call as "Appreciation Cheques". Indian Oil Corporation has reported that an award has been instituted by them since the year 2006, in the memory of Late Shri Manjunath, who made supreme sacrifice by laying down his life for the cause of ensuring Quality and Quantity at ROs. The scheme is to acknowledge and reward the best performing Retail Divisional Office team of IOCL. The award is incentive driven, transparent & through a measurable system. The performance is evaluated on 12 key parameters, which includes Enforcement of Quality and Quantity measures by way of inspections. Best performing Retail Divisional Office team gets: (a) Manjunath Rolling Trophy. (b) Award of Rs 5 lakhs – to be shared equally amongst Retail Divisional Team. (c) Certificate. Runner - Up Division Office Retail Team gets equally shared award money of Rs 2 lakhs and a certificate. Bharat Petroleum Corporation has reported that such performance is recorded in the Annual Performance Appraisal of the officers and which forms the basis for Performance Linked Incentive Scheme payment as well as promotions/postings. Hindustan Petroleum Corporation has reported that surprise inspections by Mobile Labs are done regularly. As regards recommendation for rewarding officials of OMCs, they are of the opinion that it should be considered an integral part of the duties and responsibilities of the inspecting officers.	Further, as per the Marketing Discipline Guidelines (MDG), 2005, a dealership would be terminated in the first instance of proven adulteration itself. As regards, rewarding of the officials displaying exemplary courage/commendable performance during inspections, the status is same as stated earlier. The details of number of inspections carried out, malpractices detected and termination of retail outlets by the public sector Oil Marketing Companies during 2008-09 and 2009-10 (April – June, 2009) is as annexed. In addition, with the objective of ensuring that the benefit of the subsidy reaches the targeted consumers and to check leakage in supply of PDS kerosene and Domestic Liquefied Petroleum Gas (LPG), this Ministry has taken in principle decision to issue bio-metric Smart Cards to all users of PDS kerosene and Domestic LPG customers beginning with some large cities. The pilot project on Smart Card has initially been proposed to be launched in Pune in Maharashtra, Bangluru in Karnataka and Hyderabad in Andhra Pradesh. Modalities for launch of the scheme are being worked out by the Oil Marketing Companies. Depending upon the success of the pilot project, the scheme will be extended out to other parts of the country. In order to prevent adulteration during transportation, Oil Marketing Companies (OMCs) have been directed to install Global Positioning System (GPS) for complete monitoring of the movement of all the company owned / dealer owned / contractor owned tank trucks (TTs). The route which the trucks are required to take for delivering supplies of Petrol/Diesel from OMCs storage locations to Retail Outlets and direct customers are pre-determined and deviations if any can be monitored and investigated to establish the reasons for the same. As on 30.06.2009, Public Sector OMCs have completed the GPS system on 26255 TTs. In order to monitor the activities at retail outlets by adopting the latest technological improvements, automation of retail outlets is being implemented. MOP&NG has directed the oil marketing companies to complete automation of retail outlets selling more than 200 KL per month. As on 30.06.2009, Public Sector OMCs have completed the automation programmes in 4804 ROs.

ANNEXURE-II

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2009-10)

SECOND SITTING
(22.10.2009)

The Committee sat on Thursday, the 22 October 2009 from 1100 hrs. to 1330 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Smt. Santosh Chowdhary
3 Dr. Ratna De
4 Shri Mukesh B. Gadhvi
5 Shri Maheshwar Hazari
6 Shri Virendra Kumar
7 Shri Vikrambhai A. Madam
8 Dr. Thokchom Meinya
9 Shri Mahabal Mishra
10 Shri Kabindra Purkayastha
11 Shri K. Narayan Rao
12 Shri C.L. Ruala
13 Shri Uday Pratap Singh (Hoshangabad)
14 Shri Om Prakash Yadav

Rajya Sabha

15	Dr. Prabha Thakur
16	Shri B.K. Hariprasad
17	Shri Kalraj Mishra
18	Shri Tapan Kumar Sen
19	Shri Kamal Akhtar
20	Shri Sabir ali

Secretariat

1.	Shri J.P. Sharma	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri J.V.G. Reddy	-	Additional Director
4.	Shri Arvind Sharma	-	Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri R.S.Pandey	-	Secretary
2.	Shri S.Sundareshan	-	Additional Secretary
3.	Shri P.K.Sinha	-	Additional Secretary & FA
4.	Shri Sunil Jain	-	Joint Secretary (IC)
5.	Shri D.N. Narsimha Raju	-	Joint Secretary (E)
6.	Shri Apurva Chandra	-	Joint Secretary (M)

Representatives of Public Sector Undertakings and other organisations

1.	Shri R.S.Sharma	-	C&MD, ONGC
2	Shri S. Behuria	-	Chairman, IOCL
3.	Shri B.C. Tripathi	-	C&MD, GAIL
4.	Shri Arun Balakrishnan	-	C&MD, HPCL
5.	Shri Ashok Sinha	-	C&MD, BPCL

6.	Shri A.K. Purwaha	-	C&MD, EIL
7.	Shri S.K. Mukherjee	-	MD, Balmer Lawrie & Co.
8.	Shri D. Basu	-	MD, Biecco Lawrie Co.
9.	Shri T.K. Ananth Kumar	-	Director, Finance, OIL
10.	Shri Basudev Mohanty	-	Director, PPAC
11.	Shri V.K.Sibal	-	Director General (DGH)
12.	Shri Arun Kumar	-	Secretary, OIDB & ED, PCRA
13.	Shri D.N. Reddy	-	President, RGIPT

2. At the outset, Hon'ble Chairman welcomed the Secretary of the Ministry of Petroleum and Natural Gas and accompanying officials to the sitting of the Committee and explained the purpose of holding the sitting, i.e. oral evidence of the representatives of the Ministry and PSUs on Demands for Grants (2009-10).

3. After a power-point presentation by the representatives of the Ministry on various activities, policies and achievements of the Ministry and PSUs, the Secretary, Ministry of Petroleum & Natural Gas gave an overview of the activities of the Ministry and its PSUs, particularly touching on the aspects not covered in the power-point presentation in the context of Demands of Grants (2009-10) of the Ministry and Plan outlays of the oil PSUs..

4. Thereafter, the Members raised a number of queries on various issues. These issues mainly related to the static domestic production of crude oil during the last several years and the growing dependency on imports, the production and supply scenario of gas, reasons for poor response to auction oil blocks under NELP VIII and blocks under CBM, the position regarding gas availability and demand, expansion of pipeline and distribution facility to meet the demand for gas, the dispute between RIL, RNRL, NTPC and the Government over pricing of gas and the government policy on gas utilization and allocation, the tax reliefs given for investments made in the gas pipelines and under NELP VIII and CBM, deficiency of pipeline network in India, propriety of utilization of public funds for giving advertisements in the newspaper to

answer the question raised on the working of a government agency, the cost benefit analysis on importing crude oil and exporting value added petroleum products after refining the crude oil, the problem of rigs shortage in on-shore exploration of oil, the criteria for linking pricing of oil with international price of crude oil, action taken by the government on setting up price stabilization fund out of the cess collected to take care of volatility of prices of oil, progress in Cachar project and oil potential of the Barak valley, prospects of oil shale resources in Mizoram, supply of petroleum products at reasonable prices and problems in delivery mechanisms, efforts being made to contain pollution by oil refinery industry, the policy of distribution of gas to Industries and regularization of gas being used by Industries, moderation of price of petroleum products by bringing down tax component in every product, problems of adulteration in petrol pumps and the need for strict measures to control it, black marketing of LPG connections and Kerosene Oil, safety measures for labourers in Beena and Digboi refinery etc. and forms of compensation.

5. Due to paucity of time, only a few of the queries/issues raised in the meeting could be responded by the representative of the Ministry/PSUs. The Hon'ble Chairman directed the Secretary to furnish written replies to the remaining queries to the Secretariat latest by 30.10.2009.

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

The Committee then adjourned.

ANNEXURE-III

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2009-10)

THIRD SITTING (4.12.2009)

The Committee sat on Friday, the 4th December, 2009 from 1015 hrs. to 1045 hrs. in Committee Room No.'139', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Shri Anandrao Adsul
3 Smt. Santosh Chowdhary
4 Shri Mukesh B. Gadhvi
5 Shri Maheshwar Hazari
6 Shri Vikrambhai A. Madam
7 Dr. Thokchom Meinya
8 Shri Mahabal Mishra
9 Shri Kabindra Purkayastha
10 Shri C.L. Ruala
11 Shri Uday Pratap Singh (Hoshangabad)
12 Shri Om Prakash Yadav

Rajya Sabha

13 Shri B.K. Hariprasad
14 Shri Tapan Kumar Sen
15 Shri Sabir ali

Secretariat

1.	Shri J.P. Sharma	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri J.V.G. Reddy	-	Additional Director
4.	Shri Arvind Sharma	-	Deputy Secretary

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 (2009-10) of the Ministry of Petroleum and Natural Gas.

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

5. The Committee authorised the Chairman to finalise the Report in the light of modifications and make consequential changes, if any, arising out of the factual verification of the Report by the Ministry and present the same to both the Houses of Parliament during the current Session.

The Committee then adjourned.