

17

**STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2016-17)**

SIXTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

**FUNCTIONING OF DIRECTORATE GENERAL OF
HYDROCARBONS**

*[Action Taken by the Government on the recommendations contained in the
Thirteenth Report (Sixteenth Lok Sabha) of the Standing Committee on
Petroleum and Natural Gas (2015-16)]*

SEVENTEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2016/Agrahayana, 1938 (Saka)

SEVENTEENTH REPORT

**STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2016-17)**

SIXTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

**FUNCTIONING OF DIRECTORATE GENERAL OF
HYDROCARBONS**

*[Action Taken by the Government on the recommendations contained in the
Thirteenth Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum
and Natural Gas (2015-16)]*

Presented to Lok Sabha on 14.12.2016

Laid in Rajya Sabha on 14.12.2016



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2016/Agrahayana, 1938 (Saka)

CONTENTS

Page No.

COMPOSITION OF THE COMMITTEE (2016-17).....		4
INTRODUCTION		5
CHAPTER I	Report	6
CHAPTER II	Recommendations/Observations which have been accepted by the Government	17
CHAPTER III	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	20
CHAPTER IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	26
CHAPTER V	Recommendations/Observations in respect of which final replies of the Government are still awaited	31
ANNEXURES		
I.	Minutes of the fifth sitting of the Standing Committee on Petroleum and Natural Gas (2016-17) held on 07.12.2016.	32
II.	Analysis of the Action Taken by the Government on the Recommendations contained in the Thirteenth Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2015-16) on the subject 'Functioning of Directorate General of Hydrocarbons'.	34

LOK SABHA

- 2 Shri Rajendra Agrawal
- 3 Shri P. K. Biju
- 4 Shri Ravneet Singh Bittu
- 5 Shri Kalikesh N. Singh Deo
- 6 Smt. Rama Devi
- 7 Shri V. Elumalai
- 8 Shri Naranbhai Bhikhabhai Kachhadiya
- 9 Dr. Thokchom Meinya
- 10 Smt. Pratima Mondal
- 11 Shri Ashok Mahadeorao Nete
- 12 Dr. Ravindra Babu Pandula
- 13 Smt. Jayshreeben Patel
- 14 Shri A.T. Nana Patil
- 15 Shri Arvind Ganpat Sawant
- 16 Shri Raju Shetti
- 17 Dr. Bhola Singh (Begusarai)
- 18 Shri Kamakhya Prasad Tasa
- 19 Shri Rajesh Verma
- 20 Shri Om Prakash Yadav
- 21 Shri Laxmi Narayan Yadav

22	Shri Om Prakash Mathur
23	Shri Bhubaneshwar Kalita
24	Smt. Ranee Narah
25	Shri Dilipbhai Pandya
26	Shri Ahmed Patel
27	Shri V. Lakshmikantha Rao
28	Shri V. Vijayasai Reddy
29	Chaudhary Munvvar Saleem
30	Mahant Shambhuprasadji B. Tundiya
31	Shri A. Vijayakumar

1.	Shri A.K.Singh	-	Additional Secretary
2.	Dr. Ram Raj Rai	-	Director
3.	Shri H. Ram Prakash	-	Additional Director
4.	Shri Mohan Arumala	-	Committee Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Seventeenth Report on Action Taken by the Government on the recommendations contained in the Thirteenth Report (Sixteenth Lok Sabha) of the Committee on the subject 'Functioning of Directorate General of Hydrocarbons'.

2. The Thirteenth Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha on 06.05.2016. The Action Taken Replies of the Government to all the recommendations contained in the Thirteenth Report were received on 19.08.2016.

3. The Standing Committee on Petroleum & Natural Gas (2016-17) considered and adopted the Report at their sitting held on 07.12.2016.

4. An analysis of the action taken by the Government on the recommendations contained in the Thirteenth Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas is given in Annexure-II.

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

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

New Delhi;
8 December, 2016
17 Agrahayana, 1938 (Saka)

PRALHAD JOSHI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum and Natural Gas deals with the action taken by the Government on the Recommendations contained in the Thirteenth Report (Sixteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2015-16) on 'Functioning of Directorate General of Hydrocarbons', which was presented to Lok Sabha and laid in Rajya Sabha on 06.05.2016.

2. Action Taken Notes have been received from the Ministry in respect of all the 10 Recommendations/Observations contained in the Report. These have been categorized as per the following:-

- (i) Recommendations/Observations that have been accepted by the Government:- Reco. Nos. 4, 6 and 7 (Total 3)

(Chapter- II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- Reco. Nos. 8, 9 and 10 (Total 3)

(Chapter-III)

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 1, 2, 3 and 5 (Total 4)

(Chapter-IV)

- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Reco. No. NIL

(Chapter-V)

3. The Committee desire that the Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report and Final Replies in respect of the recommendations for which interim replies have been furnished by the Government (included in Chapter-V), should be furnished expeditiously.

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

Recommendation No.1

Need for an Independent and Statutory DGH

5. The Committee had noted that:

"With major discoveries in Mumbai High and Western offshore, the hydrocarbon sector received a big boost and after the adoption of liberalized economic policy in July 1991, the Government of India felt the need to deregulate and de-license this sector along with other measures. As a result, the hydrocarbon sector was opened to private and joint sectors. In this changed scenario, the expert committees appointed by the Government recommended the creation of an independent regulatory body. Accordingly, the Government of India set up Directorate General of Hydrocarbons (DGH) on 8 April, 1993 through a cabinet resolution. It was modelled as a technical arm of the Ministry on the lines of Norwegian model after studying and suitably modifying the structure, functions and responsibilities of various regulatory authorities with an objective to promote sound management of Indian petroleum and natural gas resources and also having a balanced regard for environment, safety, technological and economic aspects of petroleum activities. The functions assigned to DGH have been revised from time to time by the Government and it also includes safety related issues and monitoring of Production Sharing Contracts (PSCs).

The Committee observe that the private sector participation has significantly increased ever since the New Exploration Licensing Policy (NELP) was launched in 1998. Through nine NELP rounds 254 blocks have been awarded till date. The Committee, however, are anguished to note that the entire hydrocarbon sector is in limbo with the last round of NELP having begun almost four years ago. There have been several litigations and arbitration proceedings involving DGH and operators. As a result, it has not only dampened investment scenario in the country but also withheld investments in production and exploration activities. This situation perhaps has been created because the functions of DGH do not refer to 'regulation' in the name of DGH and decisions of the DGH do not lie in any appellate body or court which is the hallmark of an independent regulator.

In Committee's view, when there is a participation of public sector as well as private sector in hydrocarbon sector, it is necessary to have an independent regulator with certain statutory powers to adjudicate matters in line with the policy of the Government. The presence of independent regulators in sectors like telecom, power, financial services, etc. vested with statutory powers further supports the views of the Committee. Need of such regulator is also justified because the Petroleum and Natural Gas Regulatory Board (PNGRB) is a regulator in the Ministry of Petroleum and Natural Gas only for a small part of the downstream sector and the upstream sector does not have any regulator at all. Basically, the DGH carry out contract management and some of regulatory functions on behalf of Ministry of Petroleum and Natural Gas. The Committee, therefore, recommend that MoPNG should vest the regulatory functions being

performed by DGH with PNGRB so that it can be regulator for both upstream sector as well as for downstream".

Reply of the Government

6. The Ministry of Petroleum and Natural Gas has submitted the following reply in this regard:

"DGH was setup by a Resolution dated 8th April, 1993 by the Government of India, in the Ministry of Petroleum of Natural Gas, consequent upon approval of Cabinet. As per the Resolution the objective of DGH is to promote sound management of Indian Petroleum & Natural Gas resources, having a balance regard for environment, technological and economic aspects of petroleum activity. DGH provides advice to the Ministry of Petroleum and Natural Gas on technical and regulatory aspects of E&P activities.

The establishment of upstream regulator has been deliberated in the past also and it was felt that normally a regulator in any field is required when level playing field to all the parties (private / foreign & public) needs to be provided. In the upstream sector, policies such as NELP, CBM and newly formulated HELP provide a level playing field to all the companies. Therefore the Ministry is of the view that a separate independent regulator for upstream sector is not required in the present circumstances".

7. **The Committee had viewed that given the participation of both public and private sectors in hydrocarbon industry, it was necessary to have an independent regulator with certain statutory powers to adjudicate matters in line with the policy of the Government. The Committee had also observed in their report that PNGRB was a regulator, only for a small part of the downstream sector in petroleum industry and as such the upstream sector does not have any regulator at all. The Committee do not accept the view of the Government that policies such as NELP, CBM and newly formulated HELP provide a level playing field to all companies in the upstream sector. In this regard, the Committee reiterate their observation that there have been several litigations and arbitration proceedings involving DGH and other operators over disputes arising from the implementation of production sharing contracts under NELP rounds. The Committee also reassert their earlier view that legal battles have not only dampened investment scenario in the country but also withheld investments in exploration and production sector.**

The Committee, therefore, firmly believe that an independent and statutory status can only confer actual regulatory powers upon DGH. The Committee also opine that decisions of DGH must be reviewed by an appellate authority to ensure level playing field for both public and private companies in oil industry. The Committee also view that oil industry as one of the core sectors of the economy cannot afford to remain an exclusivist industry at a time when various other industries like telecom, power and financial sectors of the Government have appointed independent regulatory bodies for ensuring level playing field in their respective services for both public and private players. The Committee, therefore, reiterate their recommendation that MoPNG should vest the regulatory functions being performed by DGH and PNGRB with one single independent regulator for the entire hydrocarbon sector.

Recommendation No.2

Filling up of the post of Director General of Hydrocarbons

8. The Committee had noted that:

"The Directorate General of Hydrocarbon came into being in 1993 and there have been eight officials who have held the post of Director General of Hydrocarbons during the last 23 years. The previous DGH was from the Ministry who held the post as additional charge. The Committee have also noted that the post of DGH has been filled up by technical people in most of the cases. However, in June 2012, the government appointed an official from Indian Administrative Service to the post of DGH and the said official served for 21 months. The post of Director General of Hydrocarbons was lying vacant since July 2015 and the Committee are surprised to learn that one of the main reasons for inordinate delay in appointment is that there have been no recruitment rules for the post of Director General. Now, the Committee have been informed that the rules have been approved in consultation with DoPT and UPSC which provide for technical people with experience in the upstream sector only be eligible for the post of DGH. The process for the recruitment after framing new recruitment rules has been completed and the post has been filled recently.

The Committee have a strong view that the post of Director General of Hydrocarbons is a technical one and it should be filled up only by people who have considerable exposure and experience in upstream sector. The Committee, therefore, recommend that the Ministry should ensure that the post of Director General Hydrocarbons is not kept vacant or held as additional charge by senior

officials of the Ministry rather through advance action it should be filled up timely".

REPLY OF THE GOVERNMENT

9. The Ministry of Petroleum and Natural Gas has submitted the following reply in this regard:

"Ministry has formulated Recruitment Rules (RRs) to the post of DG, DGH in consultation with UPSC and DoPT which has been notified on 28th October, 2015. Based on the RR, circular inviting application for the post of DG, DGH was issued. However, after scrutiny of the received application it was observed that the officers who had been able to meet the minimum requirement were in the rank of General Manager in their respective organizations. The post of DG, DGH is an Additional Secretary level post and requires considerable administrative, personnel and technical skills for discharging the responsibilities smoothly. The responsibilities associated with the post include regulatory functions and involve high level responsibilities in the context of development of upstream sector in the country.

DGH has to perform technical, financial and legal functions in regulating the operations of various fields. The position has previously been manned by officers of All India Service as well as from the officers of senior management level in the Public Sector. Also, the organization structure is such that there are Deputy DGs who are in the rank of Executive directors and are reporting to DG. Therefore, it was viewed that the applications which had come out of the advertisement made by MoP&NG may create problems in reporting structure of the organization as well and may be detrimental to the overall functioning of the organization. Accordingly, Ministry informed DoPT requesting for appointment of a suitable officer to the post of DG, DGH

Presently the post of DG, DGH is being held by Shri Atanu Chakraborty w.e.f. 12.04.2016. His appointment to the post has been made with the approval of ACC".

10. The Committee were of the view that the post of DGH was a technical one and accordingly, in their report, had recommended to the Ministry to ensure that the post of DGH might not be kept vacant or held as an additional charge by any senior official of the Ministry and the post should be filled up by persons with considerable exposure and experience in the upstream sector.

The Ministry in its action taken reply has stated that on the basis of recruitment rules formulated in consultation with UPSC and DoPT, applications were sought for the post of DG, DGH. However, the officers who had been able to

meet the minimum requirement were in the rank of General Manager in their respective organizations and as such they were not eligible to be appointed to the post of DG, DGH as the post of DG was equivalent to an officer of Additional Secretary level in the Government. The applications which had come out of the advertisement might create problems in reporting structure and might become detrimental to the overall functioning of the organization. The Ministry has also intimated that the post of DG, DGH is being held by a new incumbent w.e.f. 12.04.2016 but there is no mention of experience and tenure of the new DG, DGH. It is also not convincing that this time they did not get officer meeting minimum requirement and thus the appointment was made through DoPT with the approval of ACC.

The Committee are aware that there is a tough competition among suitable officers whenever there is a vacancy to hold regulatory bodies in various sectors of the Government like TRAI, SEBI, RBI, IRDA and NHAI. But, it is surprising to note that no officer beyond the level of General Manager applied for the post of DG, DGH. As the functions of DGH are technical in nature, the post of DGH should be filled up by a candidate with appropriate technical qualifications and requisite experience in the upstream sector. The Committee, therefore, reiterate their recommendation and urge the Ministry to analyse the actual reasons for such poor response and if necessary widen the ambit of recruitment rules judiciously and notify once again fresh advertisement to seek applications from eligible and suitable officers for the post of DG, DGH.

Recommendation No. 3

Human Resources issues of DGH

11. The Committee had noted that:

"DGH has been entrusted with varying functions like carving of blocks for NELP, monitoring of PSCs, providing technical advice to Ministry on issues relevant to exploration and optimal exploitation of hydrocarbons, issuance of essentiality certificates, implementation of NELP and CBM Policies, etc. The Committee, further, note that as against the sanctioned staff strength of 255, the actual strength of DGH is 187 only. The Committee observe that the officers are

appointed on deputation at DGH on tenure basis in consultation with CEOs from various oil PSUs and 80% of them are from ONGC and 20% from remaining oil PSUs such as OIL, IOCL, GAIL, HPCL, etc.

The Committee observe that the officers of DGH on deputation may have conflict of interest in assessing the work of their own PSUs. There seems no effort or plan in the Ministry or DGH to create permanent cadre for DGH. The Committee observe that DGH has been advised to appoint an expert consultant on restructuring of DGH and it is in the process of hiring a consultant for this job.

The Committee believe that DGH should have its own cadre of employees for discharging its functions independently. The Committee, therefore, recommend that the hiring of consultant should be completed on priority basis within a reasonable time frame and DGH should be restructured suitably to develop it with permanent cadre of employees after the receipt of report thereon".

REPLY OF THE GOVERNMENT

12. The Ministry of Petroleum and Natural Gas has submitted the following reply in this regard:

"In terms of Government Resolution dated 08.04.1993 creating DGH, the Directorate is manned by staff drawn from oil industry on deputation/tenure basis mainly from upstream oil sector PSUs like ONGC and Oil India Ltd. Keeping in view the concerns regarding conflict of interest, the Issue of own cadre of employees for DGH has been under deliberations of the Government from time to time. It may be pertinent to mention that DGH requires oil industry experienced and trained staff with adequate onsite operational field experience in specialized disciplines like geology, geophysics, reservoir, production, drilling etc. Such requirement could be met through experienced staff drawn from oil sector PSUs only. Some of the issues that need to be considered while creating separate Cadre for DGH are as under:

- (i) Desirability of building a separate cadre, framing of rules/ regulations for recruitment, promotion and career growth for only a small number of DGH cadre staff which may be around 250-300 for the years to come.
- (ii) DGH being under the administrative control of Ministry of Petroleum & Natural Gas, the creation of DGH cadre within the broad frame work of Central Government emoluments/ pay structure including salary, wages, allowances and perks and career growth prospects which may not be comparable with the prevailing oil Industry levels including oil PSUs".

13. **The Committee were of the view that DGH should have its own permanent cadre of employees for discharging its functions independently and accordingly,**

in their report had recommended the Ministry to expedite the process of appointment of an expert consultant for restructuring of DGH.

The Ministry in its action taken reply has stated that in terms of Government Resolution dated 08.04.1993, the DGH is manned by staff drawn from oil industry on deputation. The Committee, however, are not satisfied with the reply of the Government and decry the way it has taken shelter under the Government resolution of 1993 w.r.t. the manning of DGH by the staff drawn from oil industry on deputation. The Committee observe that it has been more than twenty three years since DGH was created and during the last two decades the country's economy has undergone phenomenal transformation and accordingly, the functions of DGH have also been multiplied in tandem with an ever increasing requirements of the oil industry. The Committee are not in conformity with the Government's view that 'creating a small number of DGH staff of 250 to 300 may not be a desirable proposition'. Further, the Committee also do not accept the argument of Government that the creation of DGH cadre within the broader framework of Central Government's pay structure and emoluments would not be able to match with the prevailing levels of oil industry PSUs.

The Committee, therefore, reiterate their recommendation that DGH must set up its own cadre of employees for functional independence and regulatory autonomy. The Committee also emphasize that providing the permanent cadre of DGH with robust training in various specialized disciplines like geology, geophysics, reservoir, production and drilling activities and ensuring their constant association with upstream oil industry activities would certainly create a strong expertise in hydrocarbon sector in the long run. The Committee, therefore, urge the Government to initiate suitable modifications and amendments in the DGH resolution if necessary, to create its own permanent cadre of employees for overall betterment of the oil industry.

Recommendation No. 5

DGH and Production Sharing Contracts

14. The Committee had noted that:

"The Committee note that the Government had assigned the work relating to implementation of production sharing contracts (PSCs) under NELP to DGH and it has discharged the powers of Central Government where a contract or an agreement for exploration and production of hydro carbons has been signed by the Central Government. Under the PSC regime, all companies are required to submit their cost of production for the year in the beginning and this has to be approved by the Managing Committee. These are evaluated by the officers of DGH in line with the approved development plans and past performance. The Committee have noted that DGH has officers with different backgrounds like exploration, finance and legal etc., who vet, interpret and analyse all documents and other production signing contracts. DGH suggest mid course corrections wherever the production is lesser than the targets. The Committee note that there have been many instances of disputes arising out of execution of production sharing contracts between DGH and companies. Certain disputes have also led to court/arbitration proceedings in Indian and foreign courts. The Committee believe that companies have no choice but to approach courts for appeal against decisions of DGH as there is no appellate authority or other mechanisms where companies can appeal or challenge orders of DGH. As a result, companies have lost their precious time, costs and efforts and there has been delay in carrying out exploration activities. The Committee, therefore, observe that this may not be a good sign for development of hydro carbon industry and therefore, desire that Ministry should strive for setting up a regulatory authority as mentioned in recommendation No.1.

Therefore, the Committee recommend that Ministry should consult all stakeholders and other departments towards setting up of an authority to adjudicate or to hear review orders passed by DGH. The Committee also desire that the Ministry should review the existing production sharing contract system and bring out a more simplified forms of contracts with clear definitions and with less scope for misinterpretation in line with the stated objective of the Government i.e. "Ease of Doing Business" initiative".

Reply of the Government

15. The Ministry of Petroleum and Natural Gas has submitted the following reply in this regard:

"DGH has been delegated certain powers to perform functions under Production Sharing Contract on behalf of the Government while for addressing the issues where powers are vested with Ministry, the role of DGH is advisory in nature. Ministry takes decisions on the basis of merit of the proposal considering DGH's

advice. Even in many cases, where powers have been delegated to DGH, it acts on the advice of Management Committee. Further, for blocks having discoveries or where production has started, the decisions are taken by the Management Committee taking technical inputs from DGH. These MCs have representatives of the Ministry as well

Pursuant to approval of Cabinet on 10.03.2016, Government has formulated a new Hydrocarbon Exploration Licensing Policy (HELP) for award of hydrocarbon acreages. Salient features are as under:

- Single License for exploration and production of conventional as well as non-conventional hydrocarbon resources
- Open Acreage Policy-option to select the exploration blocks without waiting for formal bid round.
- Revenue Sharing Model-simple, easy to administer- no cost recovery - no micro-management by the Government - operational freedom to the operator
- Pricing and Marketing Freedom- a major incentive for investment".

16. The Committee had observed in their report that there have been several cases of disputes arising out of execution of production sharing contracts between DGH and companies and certain disputes had also led to court/arbitration proceedings in Indian and foreign courts. The Committee had also believed that companies had no choice but to approach courts for appeal against decisions of DGH since there was no appellate authority or mechanism to challenge decisions of DGH. Further, these litigations had resulted in time and cost overruns and also led to delays in exploration activities. The Committee, therefore, had recommended that the Ministry should consult all stakeholders for setting up of an authority to adjudicate review orders of DGH and also desired the Ministry to streamline the existing PSC regime without any ambiguity for realising the stated objective of the Government i.e. "Ease of Doing Business".

The Ministry in its reply has stated that certain powers have been delegated to DGH under production sharing contracts on behalf of the Government. However, the powers to address issues are lying with the Ministry as the role of DGH was just advisory in nature. Further, it has been stated that in many cases, where powers have been delegated to DGH, it acts on the advice of Management

Committee. In addition, for blocks having discoveries or where production has started, the decisions are taken by the Management Committee taking technical inputs from DGH.

The Committee are not satisfied with the reply of the Government. First of all, there is no mention in the reply on the core part of the recommendation i.e. appellate authority for adjudicating review decisions of DGH. Secondly, the Committee are very unhappy to note that as technical wing of the Ministry, the functions of DGH have remained mere advisory in nature and are not mandatorily binding on the Government and as such the Ministry of P&NG is the sole and final arbiter in all issues related to upstream activities of oil industry. The Committee are, therefore, strongly believe that as long as DGH remains without any independent regulatory status, the exploration and production sector in hydrocarbon industry of the country would find it difficult to attract desired levels of investments in the field.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 4

Budgetary Allocation for DGH

The Committee note that DGH is one of the most important technical wings of the Ministry assisted by an Advisory council and an Administrative council. As per DGH resolution, the expenditure of the DGH is fully funded by grants from Oil Industry Development Board (OIDB). The expenditure is incurred on Secretarial expenditure, E&P activities, promotion of hydrocarbon activities etc.

The Committee note that DGH is fully dependent on another arm of the Ministry namely OIDB for its funds. Even though it has been stated that the present funding arrangement is considered appropriate and adequate to carry out its various activities, the Committee do not treat this as a happy situation. The Committee observe that DGH has taken several initiatives like Survey of unapprised regions, reappraisal of hydrocarbon resources, multi-client speculative survey through service providers, National Data Repository etc. All these initiatives are very important for understanding and harnessing hydrocarbon potential of the country. The Committee, while concurring with the DGH resolution that its expenditure will be fully met from the grants of OIDB, hold the view that it would have been appropriate at the time of DGH formation but considering the new projects entrusted to it, it would be in fitness of things to review the funding mode and have its own budgetary allocation. The Committee, therefore, recommend that DGH gets suitable budgetary allocation prepared for it either through budgetary allocation or from the Ministry's budget. The Committee also expect that having vested with such an important role and functions, DGH should no longer depend upon OIDB for its funds.

Reply of the Government

DGH has been created by the resolution dated 8th April, 1993 by the Government of India and performing its activities as per mandate provided in the para 7 of the Resolution which states that the expenditure of the Directorate General will be fully funded by grants from the Oil Industry Development Fund.

Since then DGH has been receiving grants from OIDB which in turn provides this grant from a corpus built over years. OIDB's grant to DGH does not come out of any annual budgetary funding of OIDB received from Consolidated Fund of India. In fact, OIDB has not received any budgetary support for the last 22 years. Therefore, if DGH is to be funded from the budget of MoP&NG, then it would mean that the Ministry of Finance would have to provide an additional amount to MoP&NG to meet the annual funding needs of DGH. Considering the recommendations of the Standing Committee,

Ministry of Petroleum and Natural Gas will take up with Ministry of Finance for providing the requisite budget grant for functioning of DGH.

Recommendation No. 6

National Data Repository

The Committee note that National Data Repository has been established in DGH at Noida. The role of DGH in NDR is collection, uploading, preservation and dissemination of vast geo-scientific information available in the country. NDR has been entrusted with data population, quality checks and creation of database and once NDR is completed then DGH will coordinate with national and international companies by facilitating data viewing against requisite payment.

The Committee note that the data compilation for NDR is supposed to be completed by March 2016. The Committee also expect that in future all the geo scientific data collected by DGH from its various projects like reassessment of hydrocarbon resources and survey of un-apprised areas of Indian sedimentary basins will also be uploaded on NDR. The successful establishment and operationalization of NDR will help paving the way towards Open Acreage Licensing policy (OALP), which is the future objective of the Ministry.

The Committee, acknowledge the significance of a reliable E&P data base for an accurate analysis and assessment of hydrocarbon potential in the country and expect the Ministry to set up and maintain National Data Repository for better management of petroleum and natural gas reserves in the country. The Committee also expect that NDR will allow more transparency and effective dissemination of information regarding hydrocarbon resources and will also lead to better exploration and subsequently fulfilling energy requirements of the country. The Committee, therefore, recommend that the Ministry and DGH should ensure that work of data compilation in NDR is completed in time and the data is disseminated so that DGH can emerge as a key institution for data viewing for national and international companies.

Reply of the Government

National data repository has been established at DGH, OI DB Bhawan, Noida. Initial population phase of NDR project was completed on 02.03.2016. During initial population phase, G & G (Geology & Geophysical) data of relinquished blocks (Private Operators /NOCs), active NELP blocks was loaded. Operation phase of NDR project was started on 03.03.2016 wherein data loading pertaining to nomination blocks of NOCs is in progress. A total of thirty three (33) representatives of ten (10) E&P Operators (end-users) were trained on different NDR applications including online data order/purchase through NDR web portal. IT security audit completed by 25th May, 2016. NDR is ready and expected to be launched in near future.

Recommendation No. 7

Survey of Un-appraised areas of Indian sedimentary basins

The Committee note that ONGC and OIL have been entrusted with the task of surveying 48% of unappraised areas of the country. OIL has been assigned to carryout 2D seismic survey API of 7408 LKM falling in north eastern apart of India and ONGC has been assigned to carryout 2D seismic API of approx. 40835 LKM in inland part of 22 sedimentary basins in India. The proposed 2D seismic survey work is expected to start in March 2016 and will take five years to cover the entire area. The fund requirement for these projects would be to the tune of about Rs. 4375 crore and initially the expenditure will be made by these national oil companies. The Committee note that the Ministry has sent a proposal to Ministry of Finance for reimbursement of the same through oil industry development cess.

The Committee, however, have an apprehension as to whether ONGC and OIL would accord priority to these works and spend such huge funds for this work from their budget. The Committee also wonder as to why more agencies which may have better specialization in such works were not engaged through global tendering so as to complete the project more speedily and in a better manner. The Committee, therefore, opine that the survey of unappraised areas of Indian sedimentary basins is an important project and accordingly, would expect the DGH/Ministry to attach high importance and priority to this work and also desire that the national level committee headed by Petroleum Secretary which monitors and reviews the reassessment of hydrocarbon resources should also include this project for direct monitoring. The Committee also recommend that the Ministry should try to expedite completion of the project at the earliest and also seek funds from Ministry of Finance so that the project does not get delayed for want of funds.

Reply of the Government

Government has formulated a project to appraise all sedimentary basins of India where no / scanty data is available. ONGC and OIL have been entrusted with the task of surveying the “to be Appraised Areas” of on-land part. The project will be funded by OIDB (expenditure incurred on outsource agencies only). However, ONGC and OIL will incur the expenditure upfront and will seek reimbursement from OIDB. However, a proposal, with the consent of Ministry of Finance (MoF), for funding the project by Ministry of Finance through cess provided to OIDB, is being sent to Expenditure Finance Committee for approval.

ONGC and OIL have invited open global tender for conducting 2D seismic Survey in “to be appraised areas” of Indian sedimentary basins. This global tender is open for participation by all domestic and international interested companies. ONGC and OIL, have completed tender procedure for the most of the areas and work may start in coming field season 2016-17. The progress is being reviewed periodically by the Ministry.

CHAPTER III

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

Recommendation No. 8

Certification of Good International Petroleum Industry Practices (GIPIP)

The Committee note that the Government had constituted a Standing Committee on Petroleum Industry Practices on 27.12.2013 for identification and codification of Good International Practices in areas of exploration, discovery appraisal, field development etc,. The work was carried out by the consultant M/s Petro Tel Inc USA and the final report was submitted to the standing Committee on 14.07.2015. The project cost of US \$ 1.2 Million was funded through DGH budget. The Committee, further, note that this report is under review of afore mentioned standing Committee. The Committee consider the need for codification of Good International Petroleum Industry Practices (GIPIP) as a right step to move towards improving processes at par with global standards. The Committee, therefore, recommend that the report may be reviewed and actionable points to the concerned agencies may be issued so that this practice is put into use at the earliest.

Reply of the Government

Standing Committee on GIPIP has submitted its report titled “Good International Petroleum Industry Practices (GIPIP) - 2016” to MoPNG on 21.03.2016. Report has been examined and placed on MoP&NG’s website for information and compliance of all concerned. DGH has also circulated the report to all stakeholders.

Recommendation No. 9

Reassessment of Hydrocarbon Resources

The Committee are dismayed to note that out of 26 sedimentary basins and deep offshore areas upto Exclusive Economic Zone (EEZ), only 48 per cent of the basin area has been appraised. Therefore, currently, a large number of sedimentary basins have either no or scanty data and require additional geo-scientific data coverage and analysis for proper understanding. The Committee also note that the last assessment of hydrocarbon resources base in India was done for fifteen sedimentary basins and deep water areas more than twenty years ago. This shows all the policy makers in poor light especially DGH which has been providing technical advice to the Ministry for more than twenty years. The Committee, further, note that to address the same, some projects have been initiated by the Government through DGH recently.

To reassess the hydrocarbon resources in all sedimentary basins of India, a multi-organisational team has been formed for that purpose where DGH is a Member. The process of tendering for award of job is under progress through international competitive bidding. Similarly, another project for appraisal of unapprised areas of all

sedimentary basins has also been initiated which is to be completed in 5 years. DGH is monitoring the project as an interface between Oil India Limited and ONGC and MoPNG are also holding technical interaction with them.

Moreover, a new policy on non-exclusive multi-client speculative survey for unexplored sedimentary basins through service providers is also being implemented with an objective to acquire geophysical data in poorly explored and unexplored areas. DGH has been receiving and reviewing proposals and forwarding them for further necessary clearances. However, seven proposals have been forwarded to MoPNG till date.

The Committee welcome all these initiatives being taken by the Government/DGH and hope that these efforts will certainly help the country to know its hydrocarbon resources potential and henceforth devise policies and strategies to manage its exploitation. The Committee, however, desire that all the initiatives to reassess the hydrocarbon resources and appraisal of unappraised areas in all sedimentary basins of the country must be completed under a fixed time frame and by strictly adhering to the given timelines by using all the latest tools, techniques and technologies in the field.

Considering the stagnant domestic production, the Committee recommend that the Ministry should constitute a multi-organisational team to review thoroughly all the exploration activities in details being carried out by upstream PSU companies for each block, investment made, technology deployed, prospects, production, if any in respect of the exploration and production activities in the country.

Reply of the Government

Reassessment of Hydrocarbon Resources

Last assessment of Hydrocarbon Resources was carried out, by ONGC about 20 years back. With the increase in exploration spread and quantum jump in availability of geo-scientific data generated under NELP there is a need to re-visit the Hydrocarbon resource assessment of India in all the 26 sedimentary basins and Deep water areas of India.

Initially, project was planned to be carried out through international companies through competitive bidding. An open ICB tender was floated on 21.11.14 to hire expert agency / agencies to carry out the job at KDMIPE. Though thirteen agencies purchased the bid documents, only four bids were actually received, however, none of the bids could qualify the specified tender (BEC) conditions laid down. Accordingly, all the four bids were rejected due to deficient documents and non-qualifying tender conditions. None of the company was having basin level experience. Subsequently, Multi Organizational Team (MOT) decided following line of action:

- The job has been taken up by ONGC in association with OIL. DGH will provide G&G data support for other than ONGC and OIL operated areas. The project will be executed simultaneously at designated work centres of ONGC

- The project work has been started from September, 2015 and is likely to be completed in 27 months (by November, 2017)

Technical Monitoring Group (TMG) comprising members from ONGC, OIL and DGH was constituted to review and monitor the progress of the work in order to complete the project in the given time frame.

Present status: The work has been started for nine sedimentary basins at seven work centres of ONGC and the progress of the work is as per schedule. DGH is continuously monitoring the progress of the work.

Ministry has been continually monitoring both, projects 'Reassessment of Hydrocarbon Resources' and 'Appraisal of Unappraised Areas of all Sedimentary Basins of India'. MoP&NG monitors the progress of E&P activities in each blocks / fields from time to time by convening meeting of the DGH, ONGC & OIL. Further as per provision of PSC, there is a Management Committee comprising representatives of contractors, DGH and MoP&NG, for each blocks, to monitor progress of the work, investment made, expenditure etc. Government monitors all activities of each blocks through MC Meeting from time to time.

Recommendation No. 10

DGH and Alternate Sources of Energy

The Committee note that in addition to crude oil and natural gas, there are other sources of hydrocarbons which can supplement and enhance energy security of the country. Some of these sources are Coal Bed Methane, Shale gas, Gas Hydrates etc. The Committee note that the projected CBM resources in the country are about 92 TCF and there is a policy for its exploration and exploitation. The Government has so far awarded 33 CBM blocks to harness CBM potential. However, several problems like overlapping issues, land acquisition, low productivity of CBM per annum, delay in grant of PML/TEML from State Governments have been plaguing CBM block operators and as a result, it has hindered optimum exploitation of these non-conventional energy resources. The Committee, therefore, expect the Ministry/DGH to promptly address and resolve these issues in consultation with the agencies concerned and facilitate for exploitation of CBM as an alternate source of energy.

Similarly, Shale gas has emerged as the latest source of hydrocarbons with encouraging prospects. Shale gas exploitation is costlier and requires intensive technology than the oil. The Committee note that as per the policy guidelines announced in October 2013 that Shale gas development in the country will be carried out by national oil companies under nomination regime. Accordingly, ONGC and Oil India Limited (OIL) have been allotted 50 and 05 blocks respectively. Research in blocks allotted to ONGC and OIL has not yet begun. The Committee are concerned that there has been no progress since two years and ONGC/OIL should be held accountable for their work programme in the development of shale oil and gas. The Committee, therefore, would like to impress upon DGH to closely monitor Shale gas exploration projects so that these would be completed well in time.

The Committee also note that the Ministry of Petroleum and Natural Gas is steering National Gas Hydrate Programme (NGHP) in the country. Many national research institutions and national E&P companies are participating in this programme and the NGHP Expedition-02 has been completed recently. The Committee note that results have been encouraging and further expeditions for testing/exploiting these resources need to be carried out.

The Committee find that the progress in exploitation of alternate energy resources has been very tardy in the country. The Committee, therefore, emphasise that DGH should give due attention to all these programmes relating to alternative sources of energy i.e. CBM, Shale Gas and Gas Hydrates. Further, for better exploration and exploitation of these resources, all contentious issues that may arise in the process may be sorted out amicably so that hydrocarbon production of the country could be increased and energy security would be enhanced.

Reply of the Government

Shale Gas Exploration & Exploitation in India

In respect of Shale gas & Oil resources of India, US Energy Information Administration (US Department of Energy) in association with Advanced Resources International, INC, in May 2013, estimated a total of 584 Tcf of shale gas in-place for India. The technically recoverable shale gas resource is estimated at 96 Tcf in India. In addition, it was estimated that shale oil in-place for India 87 billion barrels. The technically recoverable shale oil resource is estimated at 3.8 billion barrels for India.

Presently, the National Oil Companies (ONGC and OIL) are carrying out Shale Gas exploration in their on-land Petroleum Exploration License (PEL) / Petroleum Mining Lease (PML) areas awarded under the nomination regimes. In India, Shale Gas is still in exploration stage. ONGC and OIL are required to undertake a mandatory minimum work programme in a fixed time frame for shale gas and oil exploration and exploitation. ONGC has identified and initiated shale gas and oil exploration activities in 50 PEL/PML areas and OIL has identified and initiated shale gas exploration activities in 6 PEL/PML areas. So far ONGC has drilled 18 assessment wells for Shale gas. G&G studies are in progress in the Blocks identified by OIL for shale gas exploration & exploitation.

Coal Bed Methane (CBM)

Enhancing CBM production is one of the priority areas identified by the Ministry to increase domestic gas production. Government is actively engaged in partnership of State Governments to remove impediments which hamper the development of CBM in the country such as getting statutory clearances, getting PEL/PML from the state governments and overlapping issues with coal bearing areas. During last one year, a number of initiatives have been taken to expedite exploration and production of CBM resources which can be listed as follows:

- i) CBM activities are reviewed in the Ministry periodically. Committee of Secretaries also reviewed the same.
- ii) A Core Group comprising officials from MoPNG, MoC, DGH, ONGC, DGMS and SAIL has been constituted. The Core group deliberated on the issue of Co-development of CBM & Coal in the same area with a view to finalize the Co-development agreement between coal miner and CBM Operator to resolve the issue of overlapping.
- iii) Further, to increase the area under CBM exploration, Government has issued a notification in November, 2015, allowing CIL and its subsidiaries to explore and produce CBM from the coal mining lease areas held by them.
- iv) A group of Officers from CIL, DGH, MoC & MoPNG are working to frame modalities for exploitation of CBM by CIL.
- v) At the instance of this Ministry a CBM workshop was organized by “Petrofed” wherein, issues related to CBM production were deliberated and discussed by all stakeholders viz. DGH, CBM Operators and CIL

Gas Hydrate

National Gas Hydrate Programme (NGHP) was formulated by the Ministry of Petroleum & Natural Gas (MoPNG). NGHP is a consortium of National E & P companies, namely ONGC, GAIL, OIL, IOC and national research institutions like NIO, NIOT and NGRI. National Gas Hydrate Programme is steered by the Ministry of Petroleum and Natural Gas and technically coordinated by Directorate General of Hydrocarbons (DGH). NGHP expeditions 01 & 02 have been completed. The details of NGHP expedition 02 are as under:

NGHP Expedition-02

NGHP Steering Committee approved NGHP-02 with the aim of identifying sand dominated depositional systems within the Gas Hydrate stability zone on the east coast of India within the Krishna Godavari and Mahanadi deepwater Basins. The cost of NGHP Expedition-02 is shared by OIDB (50%), ONGC (20%), OIL (10%), GAIL (10%) and IOCL (10%). NGHP-02 commenced on 3rd March 2015 and has been completed on 28th July 2015. During expedition-02 total of 42 gas hydrate wells have been completed in 147 days in area A,B,C and E at 25 sites. The initial results of NGHP-02 are encouraging. Area A in the Mahanadi deep water basin, which had several sand zones devoid of Gas hydrates.

Areas ‘B’ & ‘C’ have shown presence of sand reservoirs within Gas Hydrate Stability Zone. Two distinctive gas hydrate units one layer-type unit developed in sand-rich facies at depths of about 400 meters below sea floor, and the other accumulation is a

fracture-type unit at shallow levels. Fracture-type and Layer-type gas hydrates were observed in all areas B, C and E.

Future Plan for NGHP 03

The Expedition-02 has been completed. The data gathered in phase 2 will be analyzed and next course of action will be decided for taking the project forward. The plan for NGHP 03 is being worked out and is expected to be finalized in near future.

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No.1

Need for an Independent and Statutory DGH

The Committee note that with major discoveries in Mumbai High and Western offshore, the hydrocarbon sector received a big boost and after the adoption of liberalized economic policy in July 1991, the Government of India felt the need to deregulate and de-license this sector along with other measures. As a result, the hydrocarbon sector was opened to private and joint sectors. In this changed scenario, the expert committees appointed by the Government recommended the creation of an independent regulatory body. Accordingly, the Government of India set up Directorate General of Hydrocarbons (DGH) on 8 April, 1993 through a cabinet resolution. It was modelled as a technical arm of the Ministry on the lines of Norwegian model after studying and suitably modifying the structure, functions and responsibilities of various regulatory authorities with an objective to promote sound management of Indian petroleum and natural gas resources and also having a balanced regard for environment, safety, technological and economic aspects of petroleum activities. The functions assigned to DGH have been revised from time to time by the Government and it also includes safety related issues and monitoring of Production Sharing Contracts (PSCs).

The Committee observe that the private sector participation has significantly increased ever since the New Exploration Licensing Policy (NELP) was launched in 1998. Through nine NELP rounds 254 blocks have been awarded till date. The Committee, however, are anguished to note that the entire hydrocarbon sector is in limbo with the last round of NELP having begun almost four years ago. There have been several litigations and arbitration proceedings involving DGH and operators. As a result, it has not only dampened investment scenario in the country but also withheld investments in production and exploration activities. This situation perhaps has been created because the functions of DGH do not refer to 'regulation' in the name of DGH and decisions of the DGH do not lie in any appellate body or court which is the hallmark of an independent regulator.

In Committee's view, when there is a participation of public sector as well as private sector in hydrocarbon sector, it is necessary to have an independent regulator with certain statutory powers to adjudicate matters in line with the policy of the Government. The presence of independent regulators in sectors like telecom, power, financial services, etc. vested with statutory powers further supports the views of the Committee. Need of such regulator is also justified because the Petroleum and Natural Gas Regulatory Board (PNGRB) is a regulator in the Ministry of Petroleum and Natural Gas only for a small part of the downstream sector and the upstream sector does not have any regulator at all. Basically, the DGH carry out contract management and some of regulatory functions on behalf of Ministry of Petroleum and Natural Gas. The

Committee, therefore, recommend that MoPNG should vest the regulatory functions being performed by DGH with PNGRB so that it can be regulator for both upstream sector as well as for downstream.

Reply of the Government

DGH was setup by a Resolution dated 8th April, 1993 by the Government of India, in the Ministry of Petroleum and Natural Gas, consequent upon approval of Cabinet. As per the Resolution the objective of DGH is to promote sound management of Indian Petroleum & Natural Gas resources, having a balance regard for environment, technological and economic aspects of petroleum activity. DGH provides advice to the Ministry of Petroleum and Natural Gas on technical and regulatory aspects of E&P activities.

The establishment of upstream regulator has been deliberated in the past also and it was felt that normally a regulator in any field is required when level playing field to all the parties (private / foreign & public) needs to be provided. In the upstream sector, policies such as NELP, CBM and newly formulated HELP provide a level playing field to all the companies. Therefore the Ministry is of the view that a separate independent regulator for upstream sector is not required in the present circumstances.

Comments of the Committee (Please see Para No. 7 of Chapter-I)

Recommendation No.2

Filling up of the post of Director General of Hydrocarbons

The Committee note that the Directorate General of Hydrocarbon came into being in 1993 and there have been eight officials who have held the post of Director General of Hydrocarbons during the last 23 years. The previous DGH was from the Ministry who held the post as additional charge. The Committee have also noted that the post of DGH has been filled up by technical people in most of the cases. However, in June 2012, the government appointed an official from Indian Administrative Service to the post of DGH and the said official served for 21 months. The post of Director General of Hydrocarbons was lying vacant since July 2015 and the Committee are surprised to learn that one of the main reasons for inordinate delay in appointment is that there have been no recruitment rules for the post of Director General. Now, the Committee have been informed that the rules have been approved in consultation with DoPT and UPSC which provide for technical people with experience in the upstream sector only be eligible for the post of DGH. The process for the recruitment after framing new recruitment rules has been completed and the post has been filled recently.

The Committee have a strong view that the post of Director General of Hydrocarbons is a technical one and it should be filled up only by people who have considerable exposure and experience in upstream sector. The Committee, therefore, recommend that the Ministry should ensure that the post of Director General

Hydrocarbons is not kept vacant or held as additional charge by senior officials of the Ministry rather through advance action it should be filled up timely.

Reply of the Government

Ministry has formulated Recruitment Rules (RRs) to the post of DG, DGH in consultation with UPSC and DoPT which has been notified on 28th October, 2015. Based on the RRs, circular inviting application for the post of DG, DGH was issued. However, after scrutiny of the received application it was observed that the officers who had been able to meet the minimum requirement were in the rank of General Manager in their respective organizations. The post of DG, DGH is an Additional Secretary level post and requires considerable administrative, personnel and technical skills for discharging the responsibilities smoothly. The responsibilities associated with the post include regulatory functions and involve high level responsibilities in the context of development of upstream sector in the country.

DGH has to perform technical, financial and legal functions in regulating the operations of various fields. The position has previously been manned by officers of All India Service as well as from the officers of senior management level in the Public Sector. Also, the organization structure is such that there are Deputy DGs who are in the rank of Executive directors and are reporting to DG. Therefore, it was viewed that the applications which had come out of the advertisement made by MoP&NG may create problems in reporting structure of the organization as well and may be detrimental to the overall functioning of the organization. Accordingly, Ministry informed DoPT requesting for appointment of a suitable officer to the post of DG, DGH

Presently the post of DG, DGH is being held by Shri Atanu Chakraborty w.e.f. 12.04.2016. His appointment to the post has been made with the approval of ACC.

Comments of the Committee (Please see Para No. 10 of Chapter-I)

Recommendation No. 3

Human Resources issues of DGH

The Committee note that DGH has been entrusted with varying functions like carving of blocks for NELP, monitoring of PSCs, providing technical advice to Ministry on issues relevant to exploration and optimal exploitation of hydrocarbons, issuance of essentiality certificates, implementation of NELP and CBM Policies, etc. The Committee, further, note that as against the sanctioned staff strength of 255, the actual strength of DGH is 187 only. The Committee observe that the officers are appointed on deputation at DGH on tenure basis in consultation with CEOs from various oil PSUs and 80% of them are from ONGC and 20% from remaining oil PSUs such as OIL, IOCL, GAIL, HPCL, etc.

The Committee observe that the officers of DGH on deputation may have conflict of interest in assessing the work of their own PSUs. There seems no effort or plan in the

Ministry or DGH to create permanent cadre for DGH. The Committee observe that DGH has been advised to appoint an expert consultant on restructuring of DGH and it is in the process of hiring a consultant for this job.

The Committee believe that DGH should have its own cadre of employees for discharging its functions independently. The Committee, therefore, recommend that the hiring of consultant should be completed on priority basis within a reasonable time frame and DGH should be restructured suitably to develop it with permanent cadre of employees after the receipt of report thereon.

Reply of the Government

In terms of Government Resolution dated 08.04.1993 creating DGH, the Directorate is manned by staff drawn from oil industry on deputation/tenure basis mainly from upstream oil sector PSUs like ONGC and Oil India Ltd. Keeping in view the concerns regarding conflict of interest, the Issue of own cadre of employees for DGH has been under deliberations of the Government from time to time. It may be pertinent to mention that DGH requires oil industry experienced and trained staff with adequate onsite operational field experience in specialized disciplines like geology, geophysics, reservoir, production, drilling etc. Such requirement could be met through experienced staff drawn from oil sector PSUs only. Some of the issues that need to be considered while creating separate Cadre for DGH are as under:

- (i) Desirability of building a separate cadre, framing of rules/ regulations for recruitment, promotion and career growth for only a small number of DGH cadre staff which may be around 250-300 for the years to come.
- (ii) DGH being under the administrative control of Ministry of Petroleum & Natural Gas, the creation of DGH cadre within the broad frame work of Central Government emoluments/ pay structure including salary, wages, allowances and perks and career growth prospects which may not be comparable with the prevailing oil Industry levels including oil PSUs.

Comments of the Committee (Please see Para No. 13 of Chapter-I)

Recommendation No. 5

DGH and Production Sharing Contracts

The Committee note that the Government had assigned the work relating to implementation of production sharing contracts (PSCs) under NELP to DGH and it has discharged the powers of Central Government where a contract or an agreement for exploration and production of hydro carbons has been signed by the Central Government. Under the PSC regime, all companies are required to submit their cost of production for the year in the beginning and this has to be approved by the Managing Committee. These are evaluated by the officers of DGH in line with the approved development plans and past performance. The Committee have noted that DGH has

officers with different backgrounds like exploration, finance and legal etc., who vet, interpret and analyse all documents and other production signing contracts. DGH suggest mid course corrections wherever the production is lesser than the targets. The Committee note that there have been many instances of disputes arising out of execution of production sharing contracts between DGH and companies. Certain disputes have also led to court/arbitration proceedings in Indian and foreign courts. The Committee believe that companies have no choice but to approach courts for appeal against decisions of DGH as there is no appellate authority or other mechanisms where companies can appeal or challenge orders of DGH. As a result, companies have lost their precious time, costs and efforts and there has been delay in carrying out exploration activities. The Committee, therefore, observe that this may not be a good sign for development of hydro carbon industry and therefore, desire that Ministry should strive for setting up a regulatory authority as mentioned in recommendation No.1.

Therefore, the Committee recommend that Ministry should consult all stakeholders and other departments towards setting up of an authority to adjudicate or to hear review orders passed by DGH. The Committee also desire that the Ministry should review the existing production sharing contract system and bring out a more simplified forms of contracts with clear definitions and with less scope for misinterpretation in line with the stated objective of the Government i.e. “Ease of Doing Business” initiative.

Reply of the Government

DGH has been delegated certain powers to perform functions under Production Sharing Contract on behalf of the Government while for addressing the issues where powers are vested with Ministry, the role of DGH is advisory in nature. Ministry takes decisions on the basis of merit of the proposal considering DGH’s advice. Even in many cases, where powers have been delegated to DGH, it acts on the advice of Management Committee. Further, for blocks having discoveries or where production has started, the decisions are taken by the Management Committee taking technical inputs from DGH. These MCs have representatives of the Ministry as well

Pursuant to approval of Cabinet on 10.03.2016, Government has formulated a new Hydrocarbon Exploration Licensing Policy (HELP) for award of hydrocarbon acreages. Salient features are as under:

- Single License for exploration and production of conventional as well as non-conventional hydrocarbon resources
- Open Acreage Policy-option to select the exploration blocks without waiting for formal bid round.
- Revenue Sharing Model-simple, easy to administer- no cost recovery - no micro-management by the Government - operational freedom to the operator
- Pricing and Marketing Freedom- a major incentive for investment.

Comments of the Committee (Please see Para No. 16 of Chapter-I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

'NIL'

New Delhi;
8 December, 2016
17 Agrahayana, 1938 (Saka)

PRALHAD JOSHI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.

MINUTES**STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2016-17)****FIFTH SITTING****(07.12.2016)**

The Committee sat on Wednesday, the 7 December, 2016 from 1500 hrs. to 1630 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Sh. Pralhad Joshi - Chairperson

MEMBERS**LOK SABHA**

- 2 Dr. Ravindra Babu Pandula
- 3 Shri P. K. Biju
- 4 Shri Kalikesh N. Singh Deo
- 5 Smt. Pratima Mondal
- 6 Smt. Rama Devi
- 7 Dr. Thokchom Meinya
- 8 Smt. Jayshreeben Patel
- 9 Shri Rajendra Agrawal
- 10 Shri Arvind Ganpat Sawant
- 11 Shri Rajesh Verma
- 12 Shri Laxmi Narayan Yadav
- 13 Shri A.T. Nana Patil
- 14 Dr. Bhola Singh (Begusarai)
- 15 Shri Ashok Mahadeorao Nete
- 16 Shri Kamakhya Prasad Tasa

RAJYA SABHA

- 17 Shri V. Lakshmikantha Rao
- 18 Shri Dilipbhai Pandya
- 19 Shri V. Vijaysai Reddy

SECRETARIAT

1. Dr. Ram Raj Rai - Director
2. H. Ram Prakash - Additional Director
3. Shri Sujay Kumar - Under Secretary

2. xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx.

3. xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx.

4. Then, the Committee took up for consideration the draft Action Taken Report on the 13th Report on the subject 'Functioning of Directorate General of Hydrocarbons' adopted the same with some minor modifications. The Committee then authorised the Chairperson to present/lay the Reports to the Parliament.

5. xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx xxx.

The Committee then adjourned.

xxx: Matter not related to the subject.

Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTEENTH REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2015-16) ON 'FUNCTIONING OF DIRECTORATE GENERAL OF HYDROCARBONS'.

I	<u>Total No. of Recommendations</u>	10
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 4, 6 and 7)	3
	Percentage to Total	30%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's (Vide Recommendations at Sl. Nos. 8, 9 and 10)	3
	Percentage of Total	30%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 1, 2, 3 and 5)	4
	Percentage of Total	40%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. No. NIL)	NIL
	Percentage of Total	0