

12.06 hrs.

Title: Regarding guidelines for granting authorisation to Market Transportation Fuels - Laid.

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI RAM NAIK): Sir, with your permission, I beg to lay on the Table a statement regarding 'guidelines for granting authorization to market transportation fuels'.

@As the House is aware, Petroleum Sector has been under Administered Pricing Mechanism (APM) since 1976. The Government decided, in November, 1997, to introduce a phased programme of reforms in this sector. The complete deregulation of this sector including upstream and marketing is scheduled to be achieved by 31st March, 2002.

The Hon^{ble} Prime Minister, in March, 1999, had set up a Group of Ministers for working out a specific framework for developing "India Hydrocarbon Vision – 2025". The Group submitted its report to the Prime Minister on 23.3.2000. The report has inter-alia recommended that marketing rights for transportation fuels be made conditional to a company investing or proposing to invest Rs.2,000 crore in exploration or production, refining, pipelines or terminals. The report has also recommended to set up mechanisms to enable new entrants to establish own distribution networks for marketing without encroaching on the retail networks of the existing marketing companies.

In order to achieve the complete deregulation of the Petroleum Sector as per the phased programme of reforms laid down by the Government in November, 1997, it has been decided by the Government to grant authorization to market transportation fuels, namely, Motor Spirit (MS), High Speed Diesel (HSD) and Aviation Turbine Fuel (ATF) to the new entrants including the private sector. So It may be mentioned that the import and pricing of ATF has already been decontrolled with effect from 1.4.2001.

The guidelines have been approved by the Government on 27.2.2002 which, *inter-alia*, provide for the following -

- i. the companies investing or proposing to invest Rs.2,000 crore in exploration and production, refining, pipelines or terminals may be granted authorization to market transportation fuels, namely MS, HSD and ATF;
- ii. the eligible investment would be in setting up new refineries, expansion of the existing refineries, exploration and production of hydrocarbons including coal bed methane and associated facilities like crude oil/natural gas pipelines and processing plants, terminals for crude oil/LNG, common carrier natural gas/petroleum products/LPG pipelines, and investments in these activities for setting up additional assets for improvement of product quality to meet environmentally related norms;
- iii. the investment should be in the form of equity, equity like instruments or debt with recourse to the company and should result in the additionality to the existing assets and/or creation of new assets in the eligible activities;
- iv. in case of companies proposing to invest, a bank guarantee of Rs.500 crore will be obtained to ensure that they fulfil their commitment. Further the time frame for making investment in the eligible activities would be 10 years including the period of 5 years earmarked for financial closure;
- v. every eligible company would get only one authorization and it will not be transferable without permission of the Government. The applicant will be required to submit a scheme for marketing to the Government or the Regulatory Board and while granting authorization, the latter may impose conditions in public interest including the obligation to set up retail outlets in remote areas and low service areas and that the eligible company will not encroach upon the retail networks of existing marketing companies;
- vi. the companies who have already made in full the investment of Rs.2,000 crore in the eligible activities would be granted authorization during APM itself while the companies proposing to invest would be granted authorization only after the APM is dismantled.

It is expected that these guidelines will herald a new era of competition leading to better services for the customers.

* Placed in Library. See No. LT 5089/2002

@ Laid on the Table.
