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**STANDING COMMITTEE ON CHEMICALS &
FERTILIZERS (2018-19)**

SIXTEENTH LOK SABHA

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

*[ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS /
RECOMMENDATIONS CONTAINED IN THE 49TH REPORT OF THE
STANDING COMMITTEE ON CHEMICALS AND PETROCHEMICALS (2017-
18) ON THE SUBJECT 'ASSAM GAS CRACKER PROJECT ' PERTAINING TO
THE DEPARTMENT OF CHEMICALS AND PETROCHEMICALS OF THE
MINISTRY OF CHEMICALS AND FERTILIZERS.]*



FIFTY THIRD REPORT

**LOK SABHA SECRETARIAT
NEW DELHI**

JANUARY, 2019 /PAUSHA, 1940 (SAKA)

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(2018-19)**

(SIXTEENTH LOK SABHA)

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

***[ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS / RECOMMENDATIONS
CONTAINED IN THE 49TH REPORT OF THE STANDING COMMITTEE ON CHEMICALS AND
PETROCHEMICALS (2017-18) ON THE SUBJECT 'ASSAM GAS CRACKER PROJECT'
PERTAINING TO THE DEPARTMENT OF CHEMICALS AND PETROCHEMICALS OF THE
MINISTRY OF CHEMICALS AND FERTILIZERS.]***

Presented to Lok Sabha on 07 January, 2019

Laid in Rajya Sabha on 07 January 2019

**LOK SABHA SECRETARIAT
NEW DELHI
JANUARY, 2019 /PAUSHA, 1940 (SAKA)**

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2018-19)

Shri Anandrao Adsul - Chairperson

MEMBERS
LOK SABHA

2. Shri Sarfaraz Alam
3. George Baker
4. Shri B.N. Chandrappa
5. Shri Pankaj Chaudhary
6. Shri Sankar Prasad Datta
7. Dr. (Smt.) Ratna De (Nag)
8. Smt. Veena Devi
9. Shri R.Dhruvanarayana
10. Shri Innocent
11. Shri K. Ashok Kumar
12. Dr. (Prof.) Azmeera Seetaram Naik
13. Shri Chhedi Paswan
14. Smt. Kamla Devi Patle
15. Sushree Sadhvi Savitri Bai Phoole
16. Shri S. Rajendran
17. Dr. Kulamani Samal
18. Dr. Uma Saren
19. Dr. Krishna Pratap Singh
20. Smt. Rekha Arun Verma
21. Vacant

RAJYA SABHA

22. Shri Biswajit Daimary
23. Shri Prem Chand Gupta
24. Shri B.K. Hariprasad
25. Shri Ranvijay Singh Judev
26. Shri Sanjay Dattatraya Kakade
27. Shri Elamaram Kareem
28. Dr. Sanjay Singh
29. Shri Vijay Pal Singh Tomar
30. Shri Abdul Wahab
31. Vacant

SECRETARIAT

- | | | | |
|----|-------------------------|---|---------------------|
| 1. | Shri V.K. Tripathi | - | Joint Secretary |
| 2. | Shri C. Kalyanasundaram | - | Additional Director |
| 3. | Shri N. Amarathiagan | - | Under Secretary |

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2018-19) having been authorized by the Committee to submit the Report on their behalf, present this Report (16th Lok Sabha) on Action Taken by the Government on the Observations / Recommendations contained in the 49th Report (16th Lok Sabha) on the subject 'Assam Gas Cracker Project' pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).

2. The 49th Report (16th Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2017-18) on the subject 'Assam Gas Cracker Project' was presented to Lok Sabha on 31 July, 2018. The Action Taken Replies of the Government in respect of all the observations / recommendations contained in the 49th Report (16th Lok Sabha) were furnished by the Department of Chemicals and Petrochemicals (Ministry of Chemicals and Fertilizers) on 12-10-2018.

3. This Action Taken Report of the Committee is based on the Action Taken Replies of the Government and the Report was considered and adopted by the Committee at their sitting held on 02-01-2019.

4. An analysis of the Action Taken by the Government on the observations / recommendations contained in the 49th Report (16th Lok Sabha) of the Committee is given Appendix-II.

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

New Delhi
03 January, 2019
13 *Pausha*, 1940 (Saka)

ANANDRAO ADSUL
Chairperson
Standing Committee on
Chemicals and Fertilizers

CHAPTER - I

This Report of the Standing Committee on Chemicals and Fertilizers deals with the action taken by the Government on the Observations/Recommendations contained in the Forty-ninth Report (Sixteenth Lok Sabha) of the Committee on the subject 'Assam Gas Cracker Project' pertaining to the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) which was presented to Lok Sabha on 31.07.2018. The Committee had made 15 Observations / Recommendations in the Forty-ninth Report.

1.2 Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) was requested to furnish replies to the Observations / Recommendations contained in the Forty-ninth Report within three months from the date of presentation of the Report, i.e., by 31.10.2018. The Action Taken Replies of the Government in respect of all the 15 Observations/ Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) vide their O.M. No. 13017/1/2017-PC-1 (V0I.II) (FTS:11767) dated 12-10-2018. These Replies have been categorized as follows:-

- (i) Observations / Recommendations that have been accepted by the Government :-
Sl. Nos. 1, 3, 4, 5, 11, 13 and 14. (Total = 07)

These may be included in Chapter-II of the Report.

- (ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply :-
Nil (Total =Nil)

- (iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee :-
Sl.No. 12 and 15. (Total = 02)

This may be included in Chapter-IV of the Report.

- (iv) Observations / Recommendations in respect of which final replies of the Government are still awaited:-
Sl.No. 2, 6, 7, 8, 9 &10 (Total = 06)

These may be included in Chapter -V of the Draft Report.

1.3 The Committee desire that the Action Taken Notes on the Observations / Recommendations contained in Chapter-I and Final Action Taken Replies in respect of the observations / recommendations included in Chapter-V of this Report should be furnished expeditiously.

1.4. The Committee will now deal with action taken by the Government on all the Observations/Recommendations which still require reiteration or merit comments.

(RECOMMENDATION NO. 2)

Project Cost and Capital Subsidy

1.5 The Standing Committee on Chemicals and Fertilizers in their 49th Report (16th Lok Sabha) had taken note that the delay in release of balance amount of capital subsidy of Rs.449.45 crore to the Brahmaputra Cracker and Polymer Limited was affecting the performance of the company and therefore had recommended as under :-

" The Committee note that the Assam Gas Cracker Project was approved by Cabinet Committee on Economic Affairs (CCEA) with a cost of Rs. 5460.61 crore on 18.04.2006. However, the completion of the project got delayed and CCEA on 16.11.2011 approved the Revised Cost Estimate (RCE-I) of Rs. 8920 crore to commission it in December, 2013 with revised funding pattern consisting of Capital Subsidy of Rs. 4690 crore, Debt Rs.2961 crore and Equity Rs. 1269 crore. However, owing to further increase in project cost on account of time and cost overruns, BCPL's Board of Directors recommended Revised Cost Estimate (RCE- II) of Rs.9965 crore with revised funding pattern consisting of Capital Subsidy of Rs. 5239.45 crore, Debt of Rs. 3307.88 crore and Equity of Rs. 1417.67 crore and commissioning by December, 2015. The estimated increase of Rs.1045 crore was proposed to be met by capital subsidy of Rs.549.45 crore, equity of Rs.148.67 crore and debt of Rs. 346.88 crore. As advised by the Ministry of Finance (Department of Expenditure) and Project Appraisal and Management Division of, NITI Aayog, RCE-II of the project was appraised by FA and approved by the Minister-in-charge of the Administrative Ministry.

The company as on 31 March, 2016, received the total sanctioned amount of Capital Subsidy of Rs.4,708.95crore (including net interest earned thereon) from the Government of India. Based on the approval of RCE-II and additional capital subsidy of Rs. 549.45 crore (RCE-II), Ministry of Finance was approached which has allocated Rs. 100 crore under BE 2017-18, which has been released in May / June

2017. The balance amount of Rs. 449.45 crore is yet to be released. No budgetary allocation has been made in BE 2018-19 for AGCP. At present, M/o Finance, D/o Expenditure has forwarded the matter to Budget Division, D/o Economic Affairs (DEA). Regarding impact of delay in release of balance amount of capital subsidy, the Committee were informed inter-alia that BCPL has not been able to make payments to the vendors / suppliers/ consultants etc. not able to purchase critical spares in time. Further, the possibility of litigation by the vendors also cannot be ruled out. The Committee find that the BCPL is in a very vulnerable situation as far as its financial health is concerned and hold the view that early release of balance of subsidy to BCPL will definitely improve the financial conditions of the plant. They therefore, recommend that the matter of release of balance amount of capital subsidy be taken up at appropriate level and if necessary approval of the Cabinet Committee on Economic Affairs be obtained so that no further delay in release of the balance amount of Rs. 449.45 crore is avoided. The Committee desire to know the outcome of the steps taken by the Ministry of Chemicals and Fertilizers to resolve the issue. "

Action Taken Report

1.6 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :-

" The enhanced amount of capital subsidy of Rs. 549.45 crore already stands approved by the Minister (Chemicals and Fertilizers) in July 2016. Out of this an amount of Rs. 100 crore was released in the 1st quarter of 2017-18. After constant persuasion and requests by Department of Chemicals and Petrochemicals to Ministry of Finance, an amount of Rs. 200 crore has finally been released by the Ministry of Finance in supplementary Demands for Grants for 2018-19, towards balance amount of subsidy for AGCP. The same has been disbursed to Brahmaputra Cracker & Polymer Limited (BCPL), Assam in September, 2018. Further action will be taken regarding the balance Capital Subsidy of Rs.249.45 crore (Rs.449.45 cr – Rs.200.00 cr) after the funds released are utilized by BCPL."

COMMENTS OF THE COMMITTEE

1.7 The Committee are happy to note that the Department of Chemicals and Petrochemicals pursued the matter of balance amount of capital subsidy due to Brahmaputra Cracker and Polymer Limited (BCPL) and as a result an amount of Rs.200/- crore has been released by the Ministry of Finance for the purpose and the amount has been disbursed to the company in September, 2018. The Committee have been further informed that action for release of remaining balance capital subsidy of Rs.249.45 crore will be taken up after utilization of Rs.200/- crore by BCPL.

In this regard, the Committee would like to point out that the outstanding liabilities of BCPL as on 31 March, 2018 was stated to be Rs.9,290.66 crore i.e., equal to company's assets then. As such the timely release of balance of capital subsidy will certainly enable the CPSU to perform better and stabilise its operations. The Committee therefore, strongly recommend that expeditious steps may be taken for release of remaining balance amount of capital subsidy of Rs.249.45 crore during the current financial year itself.

(RECOMMENDATION NO. 3)

Capacity Utilization

1.8 Taking note of lower capacity utilization by BCPL during 2016-17 & 2017-18, the Committee in their Original Report (49th Report / 16th LS) had made the following observations / recommendations :

" The Committee note the Assam Gas Cracker Project took nearly 8 months for stabilization after commissioning on 02.01.2016. Soon after stabilization, the plant operation got affected due to issues like inadequate supply of natural gas both in terms of quantity and quality by M/s OIL, erratic, unassured and low supply of naphtha by M/s NRL and non-availability of adequate quantity of Butene- 1. Capacity utilization, of BCPL was 37% in 2016-17 and, the plant operated at average capacity utilization of 78% during the financial year 2017-18. The maximum capacity utilization was noticed in the month of March (118%) and the minimum capacity utilization was 71% in February during the calendar year. The capacity utilization has remarkably improved since February, 2017 and the company has been able to book cash profits. The plant achieved 100% capacity utilization during August 2017 and March, 2018. The Committee have also been informed that to achieve optimum capacity utilization, the issues relating to inadequate supply of feed stock has been taken up with concerned oil companies and Ministry of Petroleum & Natural Gas (MoP&NG) through Department of Chemicals and Petrochemicals (DCPC). The Committee do hope that all the stakeholder will put in their best efforts to address the issue of adequate supply of feedstock. They thus, strongly recommend that the issue must be taken up on priority basis to resolve the same within a stipulated timeline. "

Action Taken Report

1.9 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :-

" The recommendation of the Committee have been noted for compliance. Under the framework of the Coordination Committee set up by the Department with all the

stakeholders, efforts will be made to ensure that BCPL achieves its optimum capacity utilization. "

COMMENTS OF THE COMMITTEE

1.10 The Committee while appreciating the initiatives of Department of Chemicals and Petrochemicals in setting up of Coordination Committee of stake holders to improve capacity utilization by BCPL, would like to know about improvements in feedstock supply arrangements and capacity utilization by BCPL after September, 2017 to till date. Further, any other specific steps taken towards improving capacity utilization and the achievements made by BCPL thereon may also be furnished.

(RECOMMENDATION NO. 4)

Financial Performance of BCPL

1.11 Regarding the financial performance of BCPL, the Committee in their Original Report (49th Report / 16th LS) had observed / recommended as under :-

" The BCPL which has been set up with an investment of more than Rs. 9,900 crore, was commissioned on 02.01.2016. This company has earned a revenue of Rs. 1.69 crore less excise duty in 2015-16 and Rs. 778.49 crore in 2016-17. According to the company, it is earning profit on its operations. However, as per the overall financial performance of the company during the period of three months in 2015-16, it incurred a loss of Rs. 270.23 crore with a turnover of Rs. 1.69 crore. The BCPL sought revenue subsidy of Rs. 26 crore for the initial one year of production to maintain Debt Service Coverage Ration (DSCR-1) During the year 2016-17, the company incurred a net loss of Rs. 547.60 crore with a turnover of 778.49 crore and the company has sought a one time revenue subsidy of Rs. 678.74 crore from the Government of India. The Committee are of the strong view that inadequate supply of feedstock, non-release of balance amount of capital subsidy, debt-servicing, low capacity utilization during initial phase, etc. might be the critical reasons for dismal financial performance of BCPL during 2015-16 and 2016-17. The committee do hope that the company will put in all out efforts to improve its performance to resolve all the constraints through establishing an integrated and coordinated mechanism. '

Action Taken Report

1.12 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :-

" The recommendation of the Committee have been noted for compliance. BCPL is taking all possible steps to improve its financial performance by taking timely action on the feedstock related issues. Besides, the Department of Chemicals and Petrochemicals is also constantly monitoring the situation. As earlier informed through the mechanism of Coordination Committee the feedstock related issues are taken with the stakeholders, the release of balance amount of capital subsidy is also being pursued with the Ministry of Finance and appropriate is being taken on other proposals received from BCPL."

COMMENTS OF THE COMMITTEE

1.13 The Committee, taking into account the dismal financial performance by the BCPL during 2015-16 and 2016-17 had expressed hope that the company would put in all out efforts to improve its financial performance. In this connection, it has inter-

alia been stated that all possible steps are being taken to improve the financial performance of BCPL. While appreciating the steps taken by the Government in this regard, the Committee are of the view that continuous and concerted efforts should be made by BCPL and the Ministry of Chemicals and Fertilizers for the strong financial performance of this CPSU. In this regard, the Committee would like to be informed about the financial performance of BCPL in 2017-18 and in the subsequent quarterly periods during the financial year 2018-19 to assess the extent of success achieved by BCPL.

(RECOMMENDATION NO. 6)

Arrangements for adequate supply Natural Gas to BCPL

1.14 The Committee having taken note of the fact that inadequate availability of natural gas to BCPL during 2016-17 & 2017-18 was affecting the company severely, had made observations / recommendations as under in their 49th Report (16th Lok Sabha) :

" BCPL requires 7 Million Metric Standard Cubic Meter per Day (MMSCMD) of rich gas daily for the operation of the plants. The company has entered into an agreement with M/s Oil India Limited (OIL) and ONGC for getting natural gas supply as approved by the Cabinet Committee on Economic Affairs (CCEA). As per agreement made with M/s OIL in 2007, the OIL is to supply natural gas of 6 MMSCMD with average C2+ content of 7.11% to BPCL which is about 85.71% of the total gas required but the natural gas supply by M/s OIL constitutes around only 61% of the total feed for the plant. BCPL has a C2+ extraction unit at Lakwa which produces C2+ liquid which is then sent to ethylene cracker unit of BCPL at Lepetkata. The feed from Lakwa unit contributes to around 7% of total feed. Natural gas for the Lakwa plant which was commissioned on 04.12.2016 is received from ONGC. BCPL has entered into a long term agreement with ONGC in 2007 for the supply of rich natural gas stream by the latter to its C2/C3 Recovery Plant at Lakwa. As per the agreement, BCPL is to return entire lean gas to ONGC after extraction of C2+ and CO2 components. The Committee find that the BCPL is getting required quantity of natural gas for its Lakwa plant albeit a nagging issue of ONGC imposing penalty @ 1.5 times the price for the excess quantity of natural gas used for internal consumption over and above the agreed quantity. The imposition of penal-charge has additional implication of around Rs.13 crore per annum for BCPL and although the matter was taken up by BCPL with ONGC and the Ministry of Petroleum and Natural Gas for allotment of required additional natural gas to the tune of 0.2 MMSCMD for internal consumption at the Lakwa plant at normal rate, the issue remains unresolved.

The Committee observe that due to inadequate supply of natural gas by M/s OIL to BCPL for its main complex at Lepetkata has adversely impacted the capacity

utilization of BCPL leading to production loss. The shortfall in supply of natural gas by M/s OIL was approximately 41% during 2016-17 and 20% during 2017-18 than that of agreed supply. As a result of which BCPL has suffered production losses of 67752 MT and 33050 MT of polymer during 2016-17 and 2017-18 respectively. In the current year, the average supply of natural gas by M/s OIL is 5.3 MMSCMD with C2+ content of 6.4 % against the contractual supply quantity of 6 MMSCMD with C2+ content of 7.1%. In this regard, M/s OIL has expressed their helplessness stating inter-alia that the quantity natural gas extracted from Tinsukia and Dibrugarh fields has gone down and the percentage of its C2+ content the natural gas from 7.11% in 2007 to 6.4% at present. The Committee also take note that the natural gas production by OIL in 2016-17 was 2705 MMSCM from Assam and Arunachal Pradesh and the natural gas production by ONGC from the domestic operated fields in 2016-17 was 22.09 BCM. Moreover, during the year 2017-18, M/s Hindustan Oil Exploration Company Ltd (HOEC) has added natural gas to OIL's grid to the tune of 0.3 MMSCMD to 0.5 MMSCMD.

Taking into account, the foregoing and the fact that shortage of natural gas is severely affecting sustainability and viability of BCPL, the Committee strongly recommend that urgent steps be taken for improving the supply of natural gas so as to enable BCPL to get stable supply of 6 Million Metric Standard Cubic Meter per Day (MMSCMD) with average C2+ content of 7.11% through M/s OIL and / or other agencies in order to save the Assam Gas Cracker Project from falling into the category of loss making Central Public Sector Enterprises. The Committee also recommend that the Ministry of Petroleum and Natural Gas be convinced of the need for allotment of required additional natural gas to the tune of 0.2 MMSCMD for internal consumption at the Lakwa plant at normal rate to enable BCPL to attain financial stability during initial period of operations. Action taken in the matter may be informed to the Committee. "

Action Taken Report

1.15 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

" In the meeting the Coordination Committee noted that there is improvement in supply of natural gas to BCPL in first quarter of the current financial year as OIL could supply around 5.44 MMSCMD of gas with average C2+ content of 6.7%. It was noted that OIL reduced the throughput to its LPG plant at Duliajan from 2.2 MMSCMD to 1.6 MMSCMD over a period of time to facilitate better supply to BCPL. Further, OIL has carried out modification in rich gas line in such a way that 90 % of rich gas is diverted to BCPL. In addition, OIL has made sure that entire production of around 1.0 MMSCMD of gas by M/s HoEC is diverted to BCPL. The Coordination Committee decided that OIL will try to maintain the current level of supply to BCPL subject to production and logistics constraints.

The C2+ Recovery Unit, Lakwa of BCPL was converted from erstwhile LPG Recovery Plant of GAIL to produce C2+ liquid which is sent to BCPL Lepetkata as a feed in ethylene cracker unit. For operating the Lakwa unit, gas to the tune of 0.2 MMSCMD is required for internal consumption as fuel. This requirement is in addition to the gas required for shrinkage (for recovery of C2+ liquid) in the plant. BCPL had entered into a long term agreement with ONGC for supply of gas to its C2/C3 Recovery Plant, Lakwa. The agreement has provision of shrinkage for production of C2/C3 liquid; however, the same does not have provision for internal consumption (fuel). Further, the agreement has penal provision @1.5 times the price applicable for excess gas drawn by BCPL over and above the shrinkage. It was observed during the Coordination Committee meeting that the gas consumed at Lakwa plant for internal consumption is not a new development as the same gas was consumed in the erstwhile LPG plant of GAIL and the levy of penalty is unjustifiable. Accordingly, the Coordination Committee decided that ONGC shall examine the request of BCPL for 0.2 MMSCMD lean gas for internal consumption in terms of Government policy and guidelines. "

COMMENTS OF THE COMMITTEE

1.16 The Committee had *inter-alia* recommended that urgent steps be taken to arrange for stable natural gas supply of 6 Million Metric Standard Cubic Meter per Day (MMSCMD) with average C2+ content of 7.11% to Lepetkata plant of BCPL. Further, the Committee had also recommended for taking steps to arrange for charging of normal rate of cost by ONGC for additional quantity natural gas required for internal consumption at the Lakwa plant of BCPL to the tune of 0.2 MMSCMD. The Committee while expressing satisfaction on the steps taken by the Government in this regard, would like to know about improvements in natural gas supply to BCPL in quantitive and percentage terms from January, 2018 onwards. Moreover, ONGC be persuaded to examine the request of BCPL for 0.2 MMSCMD lean gas for internal consumption in a time bound manner and also to give their consent for charging of normal rate of cost for additional quantity of natural gas required for internal consumption at the Lakwa plant of BCPL.

(RECOMMENDATION NO. 7)

Arrangements for adequate supply of Naptha to BCPL

1.17 The Committee, in their 49th Report (16th Lok Sabha), had made the following observations / recommendations in regard to functioning of Naptha supply arrangements for BCPL:

" BCPL requires 1,60,000 MT of naphtha annually to attain full capacity. M/s Numaligarh Refinery Limited is the supplier of naptha for BCPL as approved by the Cabinet Committee on Economic Affairs (CCEA). As per project approval, NRL was to receive crude supplies of 3 MMT p.a. and it was required to supply 160,000 MT of Naphtha to BCPL. However, NRL has failed to supply the agreed quantity of naphtha to BCPL. The BCPL was commissioned on 02-01-2016 and during the initial phase of operations in 2015-16 (January, February and March months), NRL did not supply naptha to BCPL. During the period of from 2016-17 & 2017-18, NRL supplied only around 15800 MT of naphtha from their refinery till August, 2017. The Shortfall in supply of naphtha by M/s NRL is around 69% during 2016-17. Thereafter, NRL did not supply Naphtha from its own refinery in utter disregard and violation of its agreement but offered to supply naphtha from external sources on 50:50 freight sharing basis to which BCPL had to agree to sustain the plant operations. Even then, NRL was not able to supply the required quantity of naphtha. Under the circumstances of acute shortage of naphtha, BCPL made arrangement with M/s HPCL and sourced naphtha from their Vizag refinery. The Committee take note that even with the externally sourced naphtha, the shortfall in supply during 2016-17 was to the tune of 61 % and that capacity utilization of BCPL was severely affected due to inadequate supply of naphtha in 2016-17.

The Committee also note that, the capacity utilization of NRL was more than 85% in terms of crude processing since 2015-16 and NRL has been receiving average supplies of 2.7 MMT of crude during the last three years and at this level it should have supplied at least upto 120,000 T of Naphtha to BCPL. However, NRL failed to supply the required quantity of naptha to BCPL. NRL has stated reasons inter-alia that at the timing of signing of the agreement in 2010, NRL was producing Naphtha and planned to produce petro chemical grade Naphtha and as such offered to supply Naphtha to BCPL project. However, commissioning of BCPL plant was delayed by almost 3 years (original commissioning April 2012) and naphtha available at NRL at that time had to be sold outside the region at a substantial freight under recovery. Moreover, the demand for Motor Spirit (MS), an auto fuel in North East has grown substantially and to meet this demand, NRL started producing this auto fuel, which was more essential by converting its Naphtha. NRL has also stated that towards its commitment to BCPL, it floated tender for sourcing naphtha from other sources and ensured transporting the same directly to BCPL. NRL reimbursed BCPL

the differential cost for the Naphtha sourced from 3rd parties and BCPL was compensated for naphtha procured from alternate sources. In March 2018, NRL & BCPL has agreed to share the freight cost for sourcing of naphtha in the ratio 60 : 40, where NRL will bear the higher share of the cost. NRL has further stated that supply of Naphtha between NRL and BCPL is a commercial agreement and as such concerned parties shall take a commercial decision depending upon techno-commercial viability. In this regard, the Ministry of Petroleum and Natural Gas has submitted that the agreement between BCPL and NRL has the standard Take-or-Pay conditions. Keeping in the spirit of the above and to honour the commitment, NRL is supplying naphtha to BCPL by sourcing from other sources by reimbursing the differential cost to BCPL. There is no specific clause in the said agreement on how, when and where to source the naphtha from and supplied to BCPL. Further, the present model of sharing of transportation cost has been agreed mutually by both NRL and BCPL with due consideration of financial impact to both the parties. The Committee, having taken a look at the turn of events relating to functioning of naphtha supply agreement between BCPL and NRL, are deeply concerned over the lack of commitment on the part of NRL and Ministry of Petroleum and Natural Gas to honour the agreement. The Committee therefore, strongly recommend that the matter of naphtha-supply-agreement be given a revisit by all the concerned parties in close consultation and mediation by Cabinet Secretary at the earliest. "

Action Taken Report

1.18 Action Taken Reply of Department of Chemicals and Petrochemicals is as under :

"The inadequate supply of naphtha by NRL was taken up by the Department of Chemicals and Petrochemicals with the Ministry of Petroleum and Natural Gas. The Coordination Committee noted that NRL is converting its naphtha to MS which brings them better realization even after arranging naphtha for BCPL from elsewhere. However, BCPL is made to bear additional transportation cost of around Rs. 19 crore per annum. In addition, BCPL still has to source 40,000 MTPA of naphtha by its own as NRL has agreed to supply only 120,000 MTPA against agreement quantity of 160,000 MTPA.

As per the inputs received from MoP&NG, NRL has informed that in line with the commitment made by NRL towards supply of naphtha to BCPL and as has been stated in the Naphtha Supply Agreement, NRL has been striving to meet its commitment. In the current year, NRL has entered into a contract with M/s HMEL for purchase of 120 TMTA naphtha for supply to M/s BCPL. Under the agreement NRL is arranging 10,000 tonnes of naphtha per month from M/s HMEL to BCPL in line with the commitment. Supply of naphtha is taking place smoothly. As agreed between the parties, NRL will also absorb 60% of the freight from HMEL, Bhatinda to BCPL, Dibrugarh.

The above arrangement was reviewed at the meeting of the Coordination Committee held on 16.07.2018, where it was decided that the freight sharing for naphtha may be discussed and reviewed at appropriate time with mutual agreement. "

COMMENTS OF THE COMMITTEE

1.19 The Committee note that NRL, which is the designated supply agency for supplying Naphtha to BCPL, is presently supplying 1,20,000 MTPA against the agreed quantity of 1.60,000 MTPA. BCPL has to source 40,000 MTPA of Naphtha on its own. In this regard, the Committee recommend that the coordination Committee should review at least once in a quarter the Naphtha supply position to BCPL from NRL and it should be ensured that the present quantum of 10,000 tonnes of Naphtha per month is arranged by NRL to BCPL without fail. In this regard, the Committee may be furnished of the details of actual quantum of Naphtha supplied by NRL to BCPL during the last one year. Moreover, NRL should also assist BCPL in meeting rest of agreed quantum of 40,000 MTPA of Naphtha. The Committee also note that NRL will absorb 60% of the cost of freight from HMEI, Bhatinda to BCPL, Dibrugarh. In this regard, the Coordination Committee has decided that freight sharing for Naphtha may be discussed and reviewed at appropriate time with mutual agreement. Since BCPL is a relatively new CPSU striving to establish itself, the Committee recommend that Coordination Committee should ensure that cost of freight sharing is favourable to BCPL. Coordination Committee also explore the possibilities of obtaining Naphtha from a nearer source so as to save the freight cost.

(RECOMMENDATION NO. 8 and No.9)

Need for Captive Production of Butene-1 and a captive plant for production of Hydrogenated Pyrolysis Gasoline

1.20 The observations / recommendations of the Committee in their 49th Report (16th Lok Sabha) regarding Butene-1 requirement of BCPL are as under :-

" The Committee have been informed that "Butene-1 is a raw material required as co-monomer for production of various grades of polymers for 220 KTPA LLDPE / HDPE Swing Unit. Based on the figures of annual consumption as per design, the total requirement of Butene-1 is estimated to be in the range of 8900 MT to 22,800 MT per

annum depending upon the quantum of various kinds of polymers produced by BCPL. Currently Butene-1 requirement is catered by sourcing it from GAIL, Pata/ Reliance / HPL/ OPaL. However, highly erratic supply of Butene-1 in the past put BCPL into a precarious situation hampering the operations of the entire complex. In order to reduce dependency on external sources and for self-reliability, BCPL has proposed setting up of a captive Butene-1 plant of at least 10 KTPA and submitted detailed proposal (costing Rs. 243.06 crore) for the approval of the Department of Chemicals & Petrochemicals (DCPC). The funding of the project is proposed from debt and internal accruals and no budgetary support has been requested from Government. Since the availability of Butene-1 will have a positive impact on the operations of BCPL, the Committee hope that the proposal be considered expeditiously considering the exigency and requirement. The Committee may be informed of the action in the matter. "

1.21 The observations / recommendations of the Committee in their 49th Report (16th Lok Sabha) regarding the proposal of BCPL for captive production of Hydrogenated Pyrolysis Gasoline are as under :

" The Committee note that BCPL produces a by-product known as Raw Pyrolysis Gasoline (RPG), which is partially hydrogenated to form Hydrogenated Pyrolysis Gasoline (HPG). The HPG produced at BCPL has high Benzene content due to which it cannot be directly used as raw material for Motor Spirit (MS) blending. At present BCPL has made interim arrangements with small hydrocarbon processors for evacuation of HPG at a lower realization. For sale of HPG, BCPL do not have any institutional customer for bulk evacuation due to high Benzene content of the product. For a long term solution for safe and convenient evacuation of HPG along with better realization, BCPL has proposed setting up of 2nd Stage HPG plant at Lepetkata based on a Detailed Feasibility Report (DFR) prepared by M/s Engineers India Limited (EIL) at an estimated cost of Rs.116.74 crore. The proposal is presently with the Department of Chemicals & Petrochemicals (DCPC) for its approval. The funding of the project is proposed from debt and internal accruals and no budgetary support has been requested from Government. Having taken into account the fact that since the BCPL is yet to attain physical and financial stability in its operations, the Committee strongly feel that the Department of Chemicals and Petrochemicals may consider the proposal at the earliest after thoroughly weighing the pros and cons of the project proposal in a time bound manner. Decision taken by the Department in the matter may expeditiously be intimated to the Committee at the earliest. "

Action Taken Report

1.22 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

" The request for approval of setting up of a Butene-1 and 2nd stage HPG plant at Lepetkata has been received from BCPL. The proposal is being examined. "

COMMENTS OF THE COMMITTEE

1.23 The Committee note that these two proposals for setting up of a Butene-i and 2nd stage HPG plant at Lepetkata are pending with the Department of Chemicals and Fertilizers for some time now. The Committee may be informed of the reasons for delay in considering these proposals by the Government. The Committee are of the firm view that development project proposals should be examined in a time bound manner. Any inordinate delay at examination stage may result in cost escalation of the Projects. The Committee, therefore, recommend that pros and cons of these two project proposals be examined by the Department expeditiously for decisions in these two cases and the action taken reply be furnished within three months.

(RECOMMENDATION NO. 12)

Technology Upgradation

1.24 The Committee, in their 49th Report (16th Lok Sabha) had made following observations / recommendations on the need for the development of indigenous technology for Petrochemicals sector:-

" The plant of the BCPL is designed to process Natural Gas and Naphtha to produce 2,20,000 Tons per annum (TPA) of LLDPE / HDPE (Linear Low Density Polyethylene/High Density Polyethylene) & 60,000 Tons per annum (TPA) of PP (Poly-propylene). Other products of BCPL include Hydrogenated Pyrolysis Gasoline and Pyrolysis Fuel Oil. The BCPL has entered into contracts with foreign Licensors for import of technology for its different units. Technology for Ethylene Cracker Unit has been imported from LUMMUS TECHNOLOGY, USA at a license fee of \$ 25,25,000/- ; technology for LLDPE /HDPE Swing Unit has been imported from INEOS, UK at a cost of \$ 1,60,60,412/- and the technology for Polypropylene Unit is from LUMMUS NOVOLLEN, GERMANY at a cost of € 2,400/-. According to BCPL the technologies used in BCPL are state of the art technologies of international standards and the licensors were appointed through International Competitive Bidding by considering their efficiency, economy and productivity. In this context, the Committee while expressing the view that the company shall continuously strive to attain technology upgradation to effect maximum efficiency and economy in plant operations, would also like to know the reasons for importing of the technology. Keeping into account the huge cost of imported technology in terms of rare foreign currency, the Committee would impress upon the Department of Chemicals and Petrochemicals and Ministry of Petroleum and Natural Gas to take necessary steps for development of indigenous technology needed in petrochemicals sector

particularly in oil / gas processing to produce polymers so that the country becomes self-reliant and foreign exchange outgo on this count is minimized. The Committee would like to be informed of the action taken in the matter. "

Action Taken Report

1.25 Action Taken Reply of Department of Chemicals and Petrochemicals is as under :

" Since no indigenous technology for petrochemicals sector is available, the licensors for BCPL's Ethylene Cracker Unit, LLDPE/HDPE Unit and Polypropylene Unit were selected through International Competitive Bidding. However the recommendation of the Committee have been noted."

COMMENTS OF THE COMMITTEE

1.26 The Committee note that licenses of BCPL's Ethylene Cracker Unit, LLDPE/HDPE Unit and Polypropylene Unit were selected through International Competitive Bidding. In this regard, the Committee recommended that necessary steps be taken for development of indigenous technology for Petrochemicals sector. The Committee is not satisfied with the reply of the Govt. in this regard. Merely noting this important recommendation is not enough. The Ministry should flung into swift action to set up a very strong Research and Development facility for this sector in the country. It is very much necessary to go in for indigenous technology for this sector as this sector has to cater to the day-to-day needs of huge population of this vast country. The Committee, therefore, reiterate the earlier recommendation and hope that the Ministry would initiate effective measures in this regard.

(RECOMMENDATION NO. 15)

Viability of Assam Gas Cracker Project

1.27 Regarding viability of the Assam Gas Cracker Project, the Committee, in their 49th Report (16th Lok Sabha) had made the following observations / recommendations :

" Petrochemicals, comprising of plastic and numerous other chemicals, are basically hydrocarbons derived primarily from crude oil and natural gas as feedstock and Petrochemicals constitute a very important segment of world chemicals market. The Indian petrochemical industry has witnessed a significant growth and is expected to grow at a rate of 9% to reach \$ 44 Bn by FY 2020. There are presently five naphtha and five gas based cracker complexes in the country with a combined annual ethylene capacity of 5.1 million MT. There are six aromatic complexes with a combined Xylene capacity of 4.45 million MT. Besides, there are six Petro Fluid

Catalytic Cracking Units with a combined propylene capacity of 1.7 million MT. However, the per capita polymer consumption in India is as low as 8 kg compared to the global average of 28 kg. The Committee also take note that a large quantity of polymers are imported into the country and in the year 2016-17 the country imported 43,93,226 MT of polymers. The import of major Petrochemicals has also increased from 21,59,886 MT in 2009-10 to 44,52,258 MT in 2016-17. In value terms, the imports have increased from Rs. 11,88,440 lakh in 2009-10 to Rs. 32,67,230 lakh in 2016-17. At present, polymers are certainly high value added products as compared to other usage of hydrocarbon as fuels etc. Moreover, various initiatives are being taken towards development of downstream plastic processing units in the North East region. The polymer market of North East Region (NER) is in nascent stage and the overall demand of polymer is way below the national level demand. At present, there are around 187 plastic processing units in NER with major concentration in the state of Assam. The plastic processing units are mostly located in and around Guwahati. Joint efforts are being made by Ministry of Chemicals and Fertilizers, Department for Development of North-Eastern Region (DONER), Ministry of Micro, Small & Medium Enterprises (MSME), Government of Assam, GAIL and BCPL for development of the downstream industries for overall development of the North East region and judicious utilization of the higher fractions of Natural Gas for value addition.

The Committee have been informed that the product of BCPL has been well accepted in the market. BCPL uses the established marketing network of GAIL for marketing of its products and by-products. However, the cost of feedstock, is relatively high for producers in India including BCPL as compared to their competitors in the Middle East countries. The Committee have been informed that in the current economic scenario, the plant is viable and is capable of generating value for its stakeholders. The plant has already mitigated its operational and stabilization risk and is now following an upward trajectory as far as production efficiency is concerned. As the plant is of sub-optimal capacity, the fixed cost of operation is on higher side and therefore, the plant shall be able to generate value only when it operates at higher capacity utilization. To achieve this objective, the requisite feedstock is extremely important to be made available to the plant. Thus the viability of BCPL project which is heavily funded by Government of India depends on adequate and timely feedstock supply. Moreover, the BCPL also has the diversification option to produce Hydrogenated Pyro Gasoline (HPG) and Pyrolysis Fuel Oil as by-products from its Ethylene Cracker Unit in future subject to availability of additional Feed Stock.

The Committee have been further apprised that the matter regarding transfer of BCPL to the Ministry of Petroleum and Natural Gas is actively under consideration of the government to ensure adequate and regular supply of feedstock as the feedstock suppliers and promoters GAIL, OIL, ONGC and NRL entities are under the administrative jurisdiction of the Ministry of Petroleum and Natural Gas.

The Committee after taking into account all factors, are convinced that unless the issues such as non-release of balance amount of capital subsidy, loan-liabilities, low-capacity utilization and most importantly the non-availability of adequate and quality feedstock are resolved, the BCPL project cannot progress well as far as its viability is concerned. The Committee are of the strong view that the BCPL which is a sacrosanct project in terms of huge and rare national resources invested therein can never be afforded to be unviable. The Committee, therefore, strongly recommend that first priority must be accorded to arrange a more reliable feedstock arrangement for BCPL to save the project in the national interest and simultaneously other alternatives/options be explored including identification and exploration of new gas/naphtha resources, search of foreign markets and setting up North East Gas Grid and the transfer of administrative jurisdiction. "

Action Taken Report

1.28 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

"The recommendation of the Committee have been noted and also forwarded to MoPN&G for taking further action. "

COMMENTS OF THE COMMITTEE

1.29 The Committee are not satisfied with the reply given by the Ministry. Merely noting the recommendation and forwarding it to the other Ministry cannot constitute an action taken reply to the recommendation made by the Committee. The Committee made this recommendation in the interest of BCPL which is a relatively new Public Sector Undertaking striving hard to establish itself. Reliable feed stock arrangement, exploration of new gas/naphtha resources, setting up of North East Gas Grid, transfer of administrative jurisdiction, etc. would be very much helpful for the success of BCPL. The Committee, therefore, reiterate the earlier recommendation and hope that the Ministry would examine these recommendations in consultation with the Ministry of Petroleum & Natural Gas and would take concrete steps thereon.

CHAPTER – II

OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

(RECOMMENDATION NO. 1)

Commissioning of Assam Gas Cracker Project

2.1 The observations / recommendations of the Committee are as under :-

" The Assam Gas Cracker Project, which was an outcome of the Assam Accord, has the objective of overall socio-economic development of the North East Region. The committee are happy to note that the Government of India have fulfilled their commitment given to the people of Assam in particular and North Eastern Region in general as per the Assam Accord signed with All Assam Students Union (AASU) and All Assam GanaSangramParishad (AAGP) on 15th August, 1985. The Committee note that due to the risks involved endangering the viability of the project, the Government had to face many hurdles and constraints at the initial stage of its planning and execution before it was finally commissioned on 02nd January, 2016. The committee take note that the Reliance Assam Petrochemicals Ltd. (RAPL) which was formed in May 1994 for the implementation of the project, opted out of the venture. The RAPL felt that the project was not viable for a capacity below 200 KTPA of Ethylene and they insisted on adequate availability of feedstock to undertake the project. Later on, the Cabinet Committee on Economic Affairs approved implementation of Assam Gas Cracker Project with a cost of Rs.5,460.61 on 18-04-2006 after almost 21 years the date of the accord i.e. 15th August 1985. The Brahmaputra Cracker and Polymer Limited (BCPL), a joint venture company, was incorporated on 08-01-2007 as Central Public Sector Enterprise under the Department of Chemicals and Petrochemicals for the implementation of the project. The Gas Authority of India Limited (GAIL) was assigned the role of the main promoter of BCPL having 70% equity participation and the remaining 30% equally shared by Oil India Limited (OIL), Numaligarh Refinery Limited (NRL) and Govt. of Assam. The revised project cost of BCPL is estimated to be Rs.9,965/- crore as the implementation of the project incurred much cost and time overruns and it was dedicated to the nation by Hon'ble Prime Minister on 05-02-2016. The Committee appreciate that the Government of India fully supported the cause of the people of the North East Region by ensuring implementation of Assam Gas Cracker Project at an estimated cost of Rs.9,965/- crore. The Committee hope that the project is able to fulfill the socio-economic objectives including development of North East Region as envisaged in the Assam Accord. This project was finally dedicated to the nation on 05.02.2016 with a final estimated cost of Rs. 9965 crore. To ensure the viability of the project the Union Government infused a substantial component of capital subsidy of Rs. 5239.45 crore which is 52.58 percent of the total cost.

The Committee appreciate the contribution and the support extended by the Union Government and finally commissioning the project on 2nd January 2016. Keeping into account heavy capital intensiveness of the project and unpredictable nature of supply of feedstock both in term of adequate quantity and quality and moreover, longer gestation period to stabilize, the Committee are of the strong view that the project in question will have to be accorded top priority for supporting the supply of requisite feedstock, energy and adequate working capital till the gestation period required for optimum utilization and stabilization of operation is over and the project finally start making profit. The Committee, therefore, strongly recommend that the Government must accord top priority to ensure timely and easy availability of feedstock, energy and other requirements needed for the project. They are of the considered view that the support extended to this project will go a long way in fulfilling the commitments and socio-economic objectives envisaged in the political accord signed in 1984 for the development of Assam in particular and N-E region in general."

Action Taken Report

2.2 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

" In compliance with the recommendations, a Coordination Committee of stakeholders has already been constituted to resolve the feedstock and energy related issues faced by BCPL with Secretary, Department of Chemicals and Petrochemicals as Chairman and Secretary, MoP&NG as co-chairman. The first meeting of the Coordination Committee was held on 16.07.2018. The outcome of the Coordination Committee meeting is as detailed under ATR to Recommendation no.5."

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(RECOMMENDATION NO. 3)

Capacity Utilization

2.3 The observations / recommendations of the Committee are as under :-

" The Committee note the Assam Gas Cracker Project took nearly 8 months for stabilization after commissioning on 02.01.2016. Soon after stabilization, the plant operation got affected due to issues like inadequate supply of natural gas both in terms of quantity and quality by M/s OIL, erratic, unassured and low supply of naphtha by M/s NRL and non-availability of adequate quantity of Butene- 1. Capacity utilization, of BCPL was 37% in 2016-17 and, the plant operated at average capacity utilization of 78% during the financial year 2017-18. The maximum capacity utilization was noticed in the month of March (118%) and the minimum capacity utilization was 71% in February during the calendar year. The capacity utilization has remarkably

improved since February, 2017 and the company has been able to book cash profits. The plant achieved 100% capacity utilization during August 2017 and March, 2018. The Committee have also been informed that to achieve optimum capacity utilization, the issues relating to inadequate supply of feed stock has been taken up with concerned oil companies and Ministry of Petroleum & Natural Gas (MoP&NG) through Department of Chemicals and Petrochemicals (DCPC). The Committee do hope that all the stakeholder will put in their best efforts to address the issue of adequate supply of feedstock. They thus, strongly recommend that the issue must be taken up on priority basis to resolve the same within a stipulated timeline. "

Action Taken Report

2.4 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :-

" The recommendation of the Committee have been noted for compliance. Under the framework of the Coordination Committee set up by the Department with all the stakeholders, efforts will be made to ensure that BCPL achieves its optimum capacity utilization. "

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COMMENTS OF THE COMMITTEE

(Please see Para No.1.10 of Chapter-I of the Report)

(RECOMMENDATION NO. 4)

Financial Performance of BCPL

2.5 The observations / recommendations of the Committee are as under :-

" The BCPL which has been set up with an investment of more than Rs. 9,900 crore, was commissioned on 02.01.2016. This company has earned a revenue of Rs. 1.69 crore less excise duty in 2015-16 and Rs. 778.49 crore in 2016-17. According to the company, it is earning profit on its operations. However, as per the overall financial performance of the company during the period of three months in 2015-16, it incurred a loss of Rs. 270.23 crore with a turnover of Rs. 1.69 crore. The BCPL sought revenue subsidy of Rs. 26 crore for the initial one year of production to maintain Debt Service Coverage Ration (DSCR-1) During the year 2016-17, the company incurred a net loss of Rs. 547.60 crore with a turnover of 778.49 crore and the company has sought a one time revenue subsidy of Rs. 678.74 crore from the Government of India. The Committee are of the strong view that inadequate supply of feedstock, non-release of balance amount of capital subsidy, debt-servicing, low capacity utilization during initial phase, etc. might be the critical reasons for dismal financial performance of BCPL during 2015-16 and 2016-17. The committee do hope that the

company will put in all out efforts to improve its performance to resolve all the constraints through establishing an integrated and coordinated mechanism. '

Action Taken Report

2.6 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :-

" The recommendation of the Committee have been noted for compliance. BCPL is taking all possible steps to improve its financial performance by taking timely action on the feedstock related issues. Besides, the Department of Chemicals and Petrochemicals is also constantly monitoring the situation. As earlier informed through the mechanism of Coordination Committee the feedstock related issues are taken with the stakeholders, the release of balance amount of capital subsidy is also being pursued with the Ministry of Finance and appropriate is being taken on other proposals received from BCPL."

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COMMENTS OF THE COMMITTEE

(Please see Para No.1.13 of Chapter-I of the Report)

RECOMMENDATION NO. 5)

Feedstock Requirement for BCPL

2.7 Regarding feedstock arrangement for BCPL, the Committee in their 49th Report (16th Lok Sabha) had made the following observations / recommendations :

" The feedstock for BCPL project is natural gas and naphtha. The plant is designed to operate on feedstock which would constitute of 68% gas and 32% naphtha. The plant requires 7 MMSCM of rich gas daily and 1,60,000 MT of naphtha annually to attain full capacity. As per agreement, Numaligarh Refinery Limited (NRL) was to supply 1,60,000 Tonnes of naphtha to BCPL. As for supply of natural gas, BPCL entered into an agreement with M/s Oil India Limited (OIL) as per which M/s OIL is to supply natural gas of 6 Million Metric Standard Cubic Meter per Day (MMSCMD) with average C2+ content of 7.11% to BPCL. The plant took nearly 8 months for stabilization after commissioning on 02-01-2016. The Committee find that the capacity utilization of BCPL in 2016-17 was 37% and it rose to nearly 78% in 2017-18. However, the plant operation got affected due to inadequate availability of natural gas, naphtha and also Butene-1. The BCPL is presently suffering due to inadequate supply of feedstock especially natural gas and naphtha. According to BCPL the best model for its profitability would be to operate the plant at 80:20 ratio of gas and

naphtha as gas is 2.4 times cheaper feed as compared to naphtha. However, due to design constraints, the same could be done to some extent only that too with availability of more quality gas for the plant. Moreover, shortfall in gas supply by M/s OIL has resulted in higher rate of naphtha consumption leading to higher cost of production. M/s OIL and M/s NRL have expressed their inability to arrange higher quantity of feedstock to BCPL stating inter-alia their commitment to other consumers and techno- commercial viability. The land-locked location of the project is also another hurdle for easy availability of arranging feedstock for the plant. The Committee are also given to understand that the BCPL has operative profit and that petrochemical complexes of little above one million tonnes only are considered viable nowadays. The Committee are also aware that Reliance Assam Petrochemicals Ltd. (RAPL) opted out to implement the Assam Gas Cracker Project reportedly for the reasons of low capacity of the plant and inadequate availability of feedstock. Taking into account the facts, the Committee strongly recommend that the issues relating to feedstock arrangement for the BCPL be looked into on highest priority by the Government and a workable mechanism be evolved in a time bound manner to enable BCPL to attain full capacity utilization and stabilization with feedstock of 68% gas and 32% naphtha so as to ensure sustainability and viability of the project. The Committee would like to be informed of the project to ensure sustainability and viability of the project. The Committee would like to be informed of the action taken in the matter. "

Action Taken Report

2.8 Action Taken Reply of Department of Chemicals & Petrochemicals is as under :-

"The matter of inadequate feedstock supply to BCPL was discussed in the sitting of the Parliamentary Standing Committee during oral evidence of the representatives of Department of Chemicals and Petrochemicals (DCPC) on 24.01.2018. The Parliamentary Standing Committee recommended for setting up of Coordination Committee of stake-holders to sort out the problems being faced by BCPL. Accordingly, a Coordination Committee was constituted under the chairmanship of Secretary (CPC) with Secretary (PNG) as co-chairman. The 1st meeting of the Coordination Committee was held on 16.07.2018.

The Coordination Committee in its meeting noted the following:

- a. There is improvement in supply of natural gas to BCPL in the current financial year as OIL could supply around 5.58 MMSCMD of gas with average C2+ content of 6.8 %. It was noted that OIL reduced the throughput to its LPG plant at Duliajan from 2.2 MMSCMD to 1.6 MMSCMD over a period of time to facilitate better supply to BCPL. Further, OIL has carried out modification in rich gas line in such a way that 90 % of rich gas is diverted to BCPL. In addition, OIL has made sure that entire production of around 1.0 MMSCMD of gas by M/s HoEC is diverted to BCPL. The Coordination Committee decided

that OIL will try to maintain the current level of supply to BCPL subject to production and logistics constraints.

- b. With regard to Naphtha supply, the Coordination Committee noted that as per advice of MoP&NG, a meeting between GAIL, BCPL, NRL and BPCL was convened on 23.03.2018 to discuss on the issue of Naphtha supply to BCPL by NRL. During the meeting, NRL agreed to supply 120,000 Tonnes per annum (TPA) of Naphtha henceforth to BCPL on 60:40 (60 by NRL and 40 by BCPL) freight sharing basis. The above was agreed as an interim arrangement. The estimated additional implication to BCPL due to the arrangement of freight sharing is to the tune of Rs. 19 crore per annum. The Coordination Committee decided that the freight sharing for naphtha may be discussed and reviewed at appropriate time with mutual agreement.
- c. Regarding requirement of gas for internal consumption as fuel for Lakwa unit, BCPL had entered into a long term agreement with ONGC for supply of gas to its C2/C3 Recovery Plant, Lakwa. The agreement has provision of shrinkage for production of C2/C3 liquid. However, the same does not have provision for internal consumption (fuel). Further, the agreement has penal provision @1.5 times the price applicable for excess gas drawn by BCPL over and above the shrinkage. It was observed that the gas consumed at Lakwa plant for internal consumption is not a new development as the same gas was consumed in the erstwhile LPG plant of GAIL and the levy of penalty is unjustifiable. Accordingly, the Coordination Committee decided that ONGC shall examine the request of BCPL for 0.2 MMSCMD lean gas for internal consumption in terms of Government policy and guidelines. "

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(RECOMMENDATION NO. 11)

Transfer of land

2.9 The observations / recommendations of the Committee are as under :-

" The Committee take note that transfer of lease deed in the name of Company for 959 bighas of leased hold land and transfer of title deed for 505 bighas of freehold land belonging to GAIL's Lakwa unit remained pending due to non-execution of Assets Transfer Agreement. Further, issue of land document (pattas) for the 3581 bighas of land acquired by the company through Government of Assam is not complete. The Committee would like to emphasize that since one of objectives of Assam Gas Cracker Project is socio-economic upliftment of people of North East Region, thus, the smooth and successful running of the company and its service to the public by the way of Corporate Social Responsibility as well, is very essential for achieving the socio-economic objectives of the project. The Committee therefore, recommend that BCPL, in close coordination with Assam Government should resolve

the issues relating to company's land in a time bound manner and if required the Department of Chemicals and Petrochemicals should take up the issue with the Government of Assam at highest echelon. The Committee feel that state Government should be forthcoming in this regard as the projects is for development of NE region including Assam and accordingly the action taken in the matter may be invariably be informed to the Committee. "

Action Taken Report

2.10 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

The matter for transfer of entire land of GAIL's erstwhile Lakwa unit, including Township at Sivasagar, in the name of BCPL has been taken up with concerned District Authorities of Sivasagar and Charaideo. BCPL is in continuous follow up with the concerned Authorities for execution of the same at the earliest.

BCPL has 3653 Bighas of land (including Duliajan unit), out of which 3522 Bighas are private land and 131 Bighas are Govt land. BCPL has already obtained periodic pattas for 3522 Bighas of private land. Out of 131 Bighas of Govt land, 122 Bighas has already been settled. For settlement of remaining 9 Bighas of land, Deputy Commissioner, Dibrugarh has been requested for initiating proposal for approval of Revenue Department, Govt. of Assam..

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(RECOMMENDATION NO. 13)

North East Gas Grid

2.11 The observations / recommendations of the Committee is as under :-

"During the course of examination of the subject, the Committee learnt from the representatives of Ministry of Petroleum and Natural Gas that there was a proposal in the Ministry of Petroleum and Natural Gas to bring Gas grid upto upper part of Assam. The first gas pipeline from Barauni-Bihar to Guwahati-Assam being built by GAIL is expected to be completed by December, 2020. They were further informed that GAIL, ONGC, OIL, etc. are trying to form a joint venture to set up North East Gas Grid. The Committee, in this regard would express their view that although setting up of North East Gas Grid may require huge investment and the project may not be economically viable at initial stages, yet such Gas-Grid has very high potential for development and viability of the project based on gas in the long run considering the topography of the North Eastern region. This Gas- grid will give enormous advantages to BCPL as far as its viability is concerned by ensuring adequate

feedstock. The Committee, therefore, recommend that necessary impetus be given to the proposal for setting up of North East Gas Grid and suggest that a special purpose vehicle arrangements may be formed for this purpose by GAIL, OIL, ONGC etc. preferably in close coordination and support of the Ministry of North East Region for planning and execution of the project. "

Action Taken Report

2.12 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

" BCPL has informed that a joint venture company amongst GAIL, ONGC, OIL, NRL& IOCL has been formed for development of Natural Gas Pipeline grid in the North Eastern states with equal equity from all participant companies i.e. 20% each. The JV Company has been registered in August, 2018 under the name Indradhanush Gas Grid Limited (IGGL). "

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(RECOMMENDATION NO. 14)

Employment Potential And High Attrition Rate

2.13 The observations / recommendations of the Committee are as under :-

"The Committee have been informed that BCPL has generated direct employment for around 627 personnel and 2600 staff/manual workforce on outsourced basis. The demands for employment from Project Affected Persons (PAPs) and locals have been addressed effectively in the interest of the project. The total sanctioned manpower in Brahmaputra Crackers and Polymers Limited is 700 including 491 executives and 209 non-executives and the employee strength of the company as on 31 March 2017 was 576 including 389 executives and 187 non-executives. 68.8% of the employees have been employed from the north-eastern region. Further, 66 executives were on deputation from the holding company Gas Authority of India Limited (GAIL). Apart from this, employment generation is expected to get a boost through setting up of downstream plastic processing industries & ancillaries in the Northeast region. The Committee have also been informed that there is high attrition among employees of BCPL as in the recent past more than 100 trained and experienced employees have left the company primarily due to comparative higher pay package in other similar PSUs, and less attractiveness of remote location of the project in the North Eastern region, etc. While appreciating that the Company has already started the process of taking remedial measures to arrest the high attrition rate among its employees and upgraded the pay-scales of executives and approved the superannuation benefit scheme for the employees, the Committee are still eager

to know about the details regarding persons affected by the BCPL project and the measures taken for their rehabilitation. The Committee are of the view that successful running of the BCPL would depend on the overall performance on all fronts and thus strongly recommend that let not the huge public investment made be allowed to go waste and as such the conducive work environment with better perks and amenities be created in order to control brain drain and skilled workers and effective rehabilitation measures be taken for the persons affected by BCPL project. "

Action Taken Report

2.14 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

" Persons affected by the BCPL project were paid suitable compensation as decided by the Govt.of Assam. Further, BCPL has engaged members of affected families under various contractual jobs through its contractors, at different skill categories."

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CHAPTER – III

OBSERVATION / RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Nil.

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

(RECOMMENDATION NO. 12)

Technology Upgradation

4.1 The Committee, in their 49th Report (16th Lok Sabha) had made following observations / recommendations on the need for the development of indigenous technology for Petrochemicals sector:-

" The plant of the BCPL is designed to process Natural Gas and Naphtha to produce 2,20,000 Tons per annum (TPA) of LLDPE / HDPE (Linear Low Density Polyethylene/High Density Polyethylene) & 60,000 Tons per annum (TPA) of PP (Poly-propylene). Other products of BCPL include Hydrogenated Pyrolysis Gasoline and Pyrolysis Fuel Oil. The BCPL has entered into contracts with foreign Licensors for import of technology for its different units. Technology for Ethylene Cracker Unit has been imported from LUMMUS TECHNOLOGY, USA at a license fee of \$ 25,25,000/- ; technology for LLDPE /HDPE Swing Unit has been imported from INEOS, UK at a cost of \$ 1,60,60,412/- and the technology for Polypropylene Unit is from LUMMUS NOVOLLEN, GERMANY at a cost of € 2,400/-. According to BCPL the technologies used in BCPL are state of the art technologies of international standards and the licensors were appointed through International Competitive Bidding by considering their efficiency, economy and productivity. In this context, the Committee while expressing the view that the company shall continuously strive to attain technology updation to effect maximum efficiency and economy in plant operations, would also like to know the reasons for importing of the technology. Keeping into account the huge cost of imported technology in terms of rare foreign currency, the Committee would impress upon the Department of Chemicals and Petrochemicals and Ministry of Petroleum and Natural Gas to take necessary steps for development of indigenous technology needed in petrochemicals sector particularly in oil / gas processing to produce polymers so that the country becomes self-reliant and foreign exchange outgo on this count is minimized. The Committee would like to be informed of the action taken in the matter. "

Action Taken Report

4.2 Action Taken Reply of Department of Chemicals and Petrochemicals is as under :

" Since no indigenous technology for petrochemicals sector is available, the licensors for BCPL's Ethylene Cracker Unit, LLDPE/HDPE Unit and Polypropylene Unit were

selected through International Competitive Bidding. However the recommendation of the Committee have been noted."

COMMENTS OF THE COMMITTEE

(Please see Para No.1.26 of Chapter-I of the Report)

(RECOMMENDATION NO. 15)

Viability of Assam Gas Cracker Project

4.3 Regarding viability of the Assam Gas Cracker Project, the Committee, in their 49th Report (16th Lok Sabha) had made the following observations / recommendations :

" Petrochemicals, comprising of plastic and numerous other chemicals, are basically hydrocarbons derived primarily from crude oil and natural gas as feedstock and Petrochemicals constitute a very important segment of world chemicals market. The Indian petrochemical industry has witnessed a significant growth and is expected to grow at a rate of 9% to reach \$ 44 Bn by FY 2020. There are presently five naphtha and five gas based cracker complexes in the country with a combined annual ethylene capacity of 5.1 million MT. There are six aromatic complexes with a combined Xylene capacity of 4.45 million MT. Besides, there are six Petro Fluid Catalytic Cracking Units with a combined propylene capacity of 1.7 million MT. However, the per capita polymer consumption in India is as low as 8 kg compared to the global average of 28 kg. The Committee also take note that a large quantity of polymers are imported into the country and in the year 2016-17 the country imported 43,93,226 MT of polymers. The import of major Petrochemicals has also increased from 21,59,886 MT in 2009-10 to 44,52,258 MT in 2016-17. In value terms, the imports have increased from Rs. 11,88,440 lakh in 2009-10 to Rs. 32,67,230 lakh in 2016-17. At present, polymers are certainly high value added products as compared to other usage of hydrocarbon as fuels etc. Moreover, various initiatives are being taken towards development of downstream plastic processing units in the North East region. The polymer market of North East Region (NER) is in nascent stage and the overall demand of polymer is way below the national level demand. At present, there are around 187 plastic processing units in NER with major concentration in the state of Assam. The plastic processing units are mostly located in and around Guwahati. Joint efforts are being made by Ministry of Chemicals and Fertilizers, Department for Development of North-Eastern Region (DONER), Ministry of Micro, Small & Medium Enterprises (MSME), Government of Assam, GAIL and BCPL for development of the downstream industries for overall development of the North East region and judicious utilization of the higher fractions of Natural Gas for value addition.

The Committee have been informed that the product of BCPL has been well accepted in the market. BCPL uses the established marketing network of GAIL for marketing of its products and by-products. However, the cost of feedstock, is

relatively high for producers in India including BCPL as compared to their competitors in the Middle East countries. The Committee have been informed that in the current economic scenario, the plant is viable and is capable of generating value for its stakeholders. The plant has already mitigated its operational and stabilization risk and is now following an upward trajectory as far as production efficiency is concerned. As the plant is of sub-optimal capacity, the fixed cost of operation is on higher side and therefore, the plant shall be able to generate value only when it operates at higher capacity utilization. To achieve this objective, the requisite feedstock is extremely important to be made available to the plant. Thus the viability of BCPL project which is heavily funded by Government of India depends on adequate and timely feedstock supply. Moreover, the BCPL also has the diversification option to produce Hydrogenated Pyro Gasoline (HPG) and Pyrolysis Fuel Oil as by-products from its Ethylene Cracker Unit in future subject to availability of additional Feed Stock.

The Committee have been further apprised that the matter regarding transfer of BCPL to the Ministry of Petroleum and Natural Gas is actively under consideration of the government to ensure adequate and regular supply of feedstock as the feedstock suppliers and promoters GAIL, OIL, ONGC and NRL entities are under the administrative jurisdiction of the Ministry of Petroleum and Natural Gas.

The Committee after taking into account all factors, are convinced that unless the issues such as non-release of balance amount of capital subsidy, loan-liabilities, low-capacity utilization and most importantly the non-availability of adequate and quality feedstock are resolved, the BCPL project cannot progress well as far as its viability is concerned. The Committee are of the strong view that the BCPL which is a sacrosanct project in terms of huge and rare national resources invested therein can never be afforded to be unviable. The Committee, therefore, strongly recommend that first priority must be accorded to arrange a more reliable feedstock arrangement for BCPL to save the project in the national interest and simultaneously other alternatives/options be explored including identification and exploration of new gas/naphtha resources, search of foreign markets and setting up North East Gas Grid and the transfer of administrative jurisdiction. "

Action Taken Report

4.4 The Action Taken Reply of the Department of Chemicals and Petrochemicals is as under :-

" The recommendation of the Committee have been noted and also forwarded to MoPN&G for taking further action. "

COMMENTS OF THE COMMITTEE

(Please see Para No.1.29 of Chapter-I of the Report)

CHAPTER – V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE STILL AWAITED

(RECOMMENDATION NO. 2)

Project Cost and Capital Subsidy

5.1` The Committee in their 49th Report (16th Lok Sabha) had made the following observations / recommendations in regard to project cost and capital subsidy for BCPL :

" The Committee note that the Assam Gas Cracker Project was approved by Cabinet Committee on Economic Affairs (CCEA) with a cost of Rs. 5460.61 crore on 18.04.2006. However, the completion of the project got delayed and CCEA on 16.11.2011 approved the Revised Cost Estimate (RCE-I) of Rs. 8920 crore to commission it in December, 2013 with revised funding pattern consisting of Capital Subsidy of Rs. 4690 crore, Debt Rs.2961 crore and Equity Rs. 1269 crore. However, owing to further increase in project cost on account of time and cost overruns, BCPL's Board of Directors recommended Revised Cost Estimate (RCE- II) of Rs.9965 crore with revised funding pattern consisting of Capital Subsidy of Rs. 5239.45 crore, Debt of Rs. 3307.88 crore and Equity of Rs. 1417.67 crore and commissioning by December, 2015. The estimated increase of Rs.1045 crore was proposed to be met by capital subsidy of Rs.549.45 crore, equity of Rs.148.67 crore and debt of Rs. 346.88 crore. As advised by the Ministry of Finance (Department of Expenditure) and Project Appraisal and Management Division of, NITI Aayog, RCE-II of the project was appraised by FA and approved by the Minister-in-charge of the Administrative Ministry.

The company as on 31 March, 2016, received the total sanctioned amount of Capital Subsidy of Rs.4,708.95crore (including net interest earned thereon) from the Government of India. Based on the approval of RCE-II and additional capital subsidy of Rs. 549.45 crore (RCE-II), Ministry of Finance was approached which has allocated Rs. 100 crore under BE 2017-18, which has been released in May / June 2017. The balance amount of Rs. 449.45 crore is yet to be released. No budgetary allocation has been made in BE 2018-19 for AGCP. At present, M/o Finance, D/o Expenditure has forwarded the matter to Budget Division, D/o Economic Affairs (DEA). Regarding impact of delay in release of balance amount of capital subsidy, the Committee were informed inter-alia that BCPL has not been able to make payments to the vendors / suppliers/ consultants etc. not able to purchase critical spares in time. Further, the possibility of litigation by the vendors also cannot be ruled out. The Committee find that the BCPL is in a very vulnerable situation as far as its financial health is concerned and hold the view that early release of balance of subsidy to BCPL will definitely improve the financial conditions of the plant. They

therefore, recommend that the matter of release of balance amount of capital subsidy be taken up at appropriate level and if necessary approval of the Cabinet Committee on Economic Affairs be obtained so that no further delay in release of the balance amount of Rs. 449.45 crore is avoided. The Committee desire to know the outcome of the steps taken by the Ministry of Chemicals and Fertilizers to resolve the issue. "

Action Taken Report

5.2 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :-

" The enhanced amount of capital subsidy of Rs. 549.45 crore already stands approved by the Minister (Chemicals and Fertilizers) in July 2016. Out of this an amount of Rs. 100 crore was released in the 1st quarter of 2017-18. After constant persuasion and requests by Department of Chemicals and Petrochemicals to Ministry of Finance, an amount of Rs. 200 crore has finally been released by the Ministry of Finance in supplementary Demands for Grants for 2018-19, towards balance amount of subsidy for AGCP. The same has been disbursed to Brahmaputra Cracker & Polymer Limited (BCPL), Assam in September, 2018. Further action will be taken regarding the balance Capital Subsidy of Rs.249.45 crore (Rs.449.45 cr – Rs.200.00 cr) after the funds released are utilized by BCPL."

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COMMENTS OF THE COMMITTEE

(Please see Para No.1.7 of Chapter-I of the Report)

(RECOMMENDATION NO. 6)

Arrangements for adequate supply Natural Gas to BCPL

5.3 The Committee in their 49th Report (16th Lok Sabha) had made the following observations / recommendations in regard to natural gas supply arrangements to BCPL :

BCPL requires 7 Million Metric Standard Cubic Meter per Day (MMSCMD) of rich gas daily for the operation of the plants. The company has entered into an agreement with M/s Oil India Limited (OIL) and ONGC for getting natural gas supply as approved by the Cabinet Committee on Economic Affairs (CCEA). As per agreement made with M/s OIL in 2007, the OIL is to supply natural gas of 6 MMSCMD with average C2+ content of 7.11% to BPCL which is about 85.71% of the total gas required but the

natural gas supply by M/s OIL constitutes around only 61% of the total feed for the plant. BCPL has a C2+ extraction unit at Lakwa which produces C2+ liquid which is then sent to ethylene cracker unit of BCPL at Lepetkata. The feed from Lakwa unit contributes to around 7% of total feed. Natural gas for the Lakwa plant which was commissioned on 04.12.2016 is received from ONGC. BCPL has entered into a long term agreement with ONGC in 2007 for the supply of rich natural gas stream by the latter to its C2/C3 Recovery Plant at Lakwa. As per the agreement, BCPL is to return entire lean gas to ONGC after extraction of C2+ and CO2 components. The Committee find that the BCPL is getting required quantity of natural gas for its Lakwa plant albeit a nagging issue of ONGC imposing penalty @ 1.5 times the price for the excess quantity of natural gas used for internal consumption over and above the agreed quantity. The imposition of penal-charge has additional implication of around Rs.13 crore per annum for BCPL and although the matter was taken up by BCPL with ONGC and the Ministry of Petroleum and Natural Gas for allotment of required additional natural gas to the tune of 0.2 MMSCMD for internal consumption at the Lakwa plant at normal rate, the issue remains unresolved.

The Committee observe that due to inadequate supply of natural gas by M/s OIL to BCPL for its main complex at Lepetkata has adversely impacted the capacity utilization of BCPL leading to production loss. The shortfall in supply of natural gas by M/s OIL was approximately 41% during 2016-17 and 20% during 2017-18 than that of agreed supply. As a result of which BCPL has suffered production losses of 67752 MT and 33050 MT of polymer during 2016-17 and 2017-18 respectively. In the current year, the average supply of natural gas by M/s OIL is 5.3 MMSCMD with C2+ content of 6.4 % against the contractual supply quantity of 6 MMSCMD with C2+ content of 7.1%. In this regard, M/s OIL has expressed their helplessness stating inter-alia that the quantity natural gas extracted from Tinsukia and Dibrugarh fields has gone down and the percentage of its C2+ content the natural gas from 7.11% in 2007 to 6.4% at present. The Committee also take note that the natural gas production by OIL in 2016-17 was 2705 MMSCM from Assam and Arunachal Pradesh and the natural gas production by ONGC from the domestic operated fields in 2016-17 was 22.09 BCM. Moreover, during the year 2017-18, M/s Hindustan Oil Exploration Company Ltd (HOEC) has added natural gas to OIL's grid to the tune of 0.3 MMSCMD to 0.5 MMSCMD.

Taking into account, the foregoing and the fact that shortage of natural gas is severely affecting sustainability and viability of BCPL, the Committee strongly recommend that urgent steps be taken for improving the supply of natural gas so as to enable BCPL to get stable supply of 6 Million Metric Standard Cubic Meter per Day (MMSCMD) with average C2+ content of 7.11% through M/s OIL and / or other agencies in order to save the Assam Gas Cracker Project from falling into the category of loss making Central Public Sector Enterprises. The Committee also recommend that the Ministry of Petroleum and Natural Gas be convinced of the need for allotment of required additional natural gas to the tune of 0.2 MMSCMD for

internal consumption at the Lakwa plant at normal rate to enable BCPL to attain financial stability during initial period of operations. Action taken in the matter may be informed to the Committee.

Action Taken Report

5.4 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under

In the meeting the Coordination Committee noted that there is improvement in supply of natural gas to BCPL in first quarter of the current financial year as OIL could supply around 5.44 MMSCMD of gas with average C2+ content of 6.7%. It was noted that OIL reduced the throughput to its LPG plant at Duliajan from 2.2 MMSCMD to 1.6 MMSCMD over a period of time to facilitate better supply to BCPL. Further, OIL has carried out modification in rich gas line in such a way that 90 % of rich gas is diverted to BCPL. In addition, OIL has made sure that entire production of around 1.0 MMSCMD of gas by M/s HoEC is diverted to BCPL. The Coordination Committee decided that OIL will try to maintain the current level of supply to BCPL subject to production and logistics constraints.

The C2+ Recovery Unit, Lakwa of BCPL was converted from erstwhile LPG Recovery Plant of GAIL to produce C2+ liquid which is sent to BCPL Lepatkata as a feed in ethylene cracker unit. For operating the Lakwa unit, gas to the tune of 0.2 MMSCMD is required for internal consumption as fuel. This requirement is in addition to the gas required for shrinkage (for recovery of C2+ liquid) in the plant. BCPL had entered into a long term agreement with ONGC for supply of gas to its C2/C3 Recovery Plant, Lakwa. The agreement has provision of shrinkage for production of C2/C3 liquid; however, the same does not have provision for internal consumption (fuel). Further, the agreement has penal provision @1.5 times the price applicable for excess gas drawn by BCPL over and above the shrinkage. It was observed during the Coordination Committee meeting that the gas consumed at Lakwa plant for internal consumption is not a new development as the same gas was consumed in the erstwhile LPG plant of GAIL and the levy of penalty is unjustifiable. Accordingly, the Coordination Committee decided that ONGC shall examine the request of BCPL for 0.2 MMSCMD lean gas for internal consumption in terms of Government policy and guidelines.

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COMMENTS OF THE COMMITTEE

(Please see Para No.1.16 of Chapter-I of the Report)

(RECOMMENDATION NO. 7)

Arrangements for adequate supply of Naptha to BCPL

5.5 The Committee in their 49th Report (16th Lok Sabha) had made the following observations / recommendations in regard to Naphtha supply arrangements to BCPL :

" BCPL requires 1,60,000 MT of naphtha annually to attain full capacity. M/s Numaligarh Refinery Limited is the supplier of naphtha for BCPL as approved by the Cabinet Committee on Economic Affairs (CCEA). As per project approval, NRL was to receive crude supplies of 3 MMT p.a. and it was required to supply 160,000 MT of Naphtha to BCPL. However, NRL has failed to supply the agreed quantity of naphtha to BCPL. The BCPL was commissioned on 02-01-2016 and during the initial phase of operations in 2015-16 (January, February and March months), NRL did not supply naphtha to BCPL. During the period of from 2016-17 & 2017-18, NRL supplied only around 15800 MT of naphtha from their refinery till August, 2017. The Shortfall in supply of naphtha by M/s NRL is around 69% during 2016-17. Thereafter, NRL did not supply Naphtha from its own refinery in utter disregard and violation of its agreement but offered to supply naphtha from external sources on 50:50 freight sharing basis to which BCPL had to agree to sustain the plant operations. Even then, NRL was not able to supply the required quantity of naphtha. Under the circumstances of acute shortage of naphtha, BCPL made arrangement with M/s HPCL and sourced naphtha from their Vizag refinery. The Committee take note that even with the externally sourced naphtha, the shortfall in supply during 2016-17 was to the tune of 61 % and that capacity utilization of BCPL was severely affected due to inadequate supply of naphtha in 2016-17.

The Committee also note that, the capacity utilization of NRL was more than 85% in terms of crude processing since 2015-16 and NRL has been receiving average supplies of 2.7 MMT of crude during the last three years and at this level it should have supplied at least upto 120,000 T of Naphtha to BCPL. However, NRL failed to supply the required quantity of naphtha to BCPL. NRL has stated reasons inter-alia that at the timing of signing of the agreement in 2010, NRL was producing Naphtha and planned to produce petro chemical grade Naphtha and as such offered to supply Naphtha to BCPL project. However, commissioning of BCPL plant was delayed by almost 3 years (original commissioning April 2012) and naphtha available at NRL at that time had to be sold outside the region at a substantial freight under recovery. Moreover, the demand for Motor Spirit (MS), an auto fuel in North East has grown substantially and to meet this demand, NRL started producing this auto fuel, which was more essential by converting its Naphtha. NRL has also stated that towards its commitment to BCPL, it floated tender for sourcing naphtha from other sources and ensured transporting the same directly to BCPL. NRL reimbursed BCPL the differential cost for the Naphtha sourced from 3rd parties and BCPL was compensated for naphtha procured from alternate sources. In March 2018, NRL &

BCPL has agreed to share the freight cost for sourcing of naphtha in the ratio 60 : 40, where NRL will bear the higher share of the cost. NRL has further stated that supply of Naphtha between NRL and BCPL is a commercial agreement and as such concerned parties shall take a commercial decision depending upon techno-commercial viability. In this regard, the Ministry of Petroleum and Natural Gas has submitted that the agreement between BCPL and NRL has the standard Take-or-Pay conditions. Keeping in the spirit of the above and to honour the commitment, NRL is supplying naphtha to BCPL by sourcing from other sources by reimbursing the differential cost to BCPL. There is no specific clause in the said agreement on how, when and where to source the naphtha from and supplied to BCPL. Further, the present model of sharing of transportation cost has been agreed mutually by both NRL and BCPL with due consideration of financial impact to both the parties. The Committee, having taken a look at the turn of events relating to functioning of naphtha supply agreement between BCPL and NRL, are deeply concerned over the lack of commitment on the part of NRL and Ministry of Petroleum and Natural Gas to honour the agreement. The Committee therefore, strongly recommend that the matter of naphtha-supply-agreement be given a revisit by all the concerned parties in close consultation and mediation by Cabinet Secretary at the earliest. "

Action Taken Report

5.6 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :

"The inadequate supply of naphtha by NRL was taken up by the Department of Chemicals and Petrochemicals with the Ministry of Petroleum and Natural Gas. The Coordination Committee noted that NRL is converting its naphtha to MS which brings them better realization even after arranging naphtha for BCPL from elsewhere. However, BCPL is made to bear additional transportation cost of around Rs. 19 crore per annum. In addition, BCPL still has to source 40,000 MTPA of naphtha by its own as NRL has agreed to supply only 120,000MTPA against agreement quantity of 160,000 MTPA.

As per the inputs received from MoP&NG, NRL has informed that in line with the commitment made by NRL towards supply of naphtha to BCPL and as has been stated in the Naphtha Supply Agreement, NRL has been striving to meet its commitment. In the current year, NRL has entered into a contract with M/s HMEL for purchase of 120 TMTA naphtha for supply to M/s BCPL. Under the agreement NRL is arranging 10,000 tonnes of naphtha per month from M/s HMEL to BCPL in line with the commitment. Supply of naphtha is taking place smoothly. As agreed between the parties, NRL will also absorb 60% of the freight from HMEL, Bhatinda to BCPL, Dibrugarh.

The above arrangement was reviewed at the meeting of the Coordination Committee held on 16.07.2018, where it was decided that the freight sharing for naphtha may be discussed and reviewed at appropriate time with mutual agreement. "

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COMMENTS OF THE COMMITTEE

(Please see Para No.1.19 of Chapter-I of the Report)

(RECOMMENDATION NO. 8)

Need for Captive Production of Butene-1

5.7 The Committee in their 49th Report (16th Lok Sabha) had made the following observations / recommendations regarding the proposal of BCPL for captive production of Butene-1 :

" The Committee have been informed that "Butene-1 is a raw material required as co-monomer for production of various grades of polymers for 220 KTPA LLDPE / HDPE Swing Unit. Based on the figures of annual consumption as per design, the total requirement of Butene-1 is estimated to be in the range of 8900 MT to 22,800 MT per annum depending upon the quantum of various kinds of polymers produced by BCPL. Currently Butene-1 requirement is catered by sourcing it from GAIL, Pata/ Reliance / HPL/ OPaL. However, highly erratic supply of Butene-1 in the past put BCPL into a precarious situation hampering the operations of the entire complex. In order to reduce dependency on external sources and for self-reliability, BCPL has proposed setting up of a captive Butene-1 plant of at least 10 KTPA and submitted detailed proposal (costing Rs. 243.06 crore) for the approval of the Department of Chemicals & Petrochemicals (DCPC). The funding of the project is proposed from debt and internal accruals and no budgetary support has been requested from Government. Since the availability of Butene-1 will have a positive impact on the operations of BCPL, the Committee hope that the proposal be considered expeditiously considering the exigency and requirement. The Committee may be informed of the action in the matter. "

Action Taken Report

5.8 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :

" The request for approval of setting up of a Butene-1 and 2nd stage HPG plant at Lepetkata has been received from BCPL. The proposal is being examined. "

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COMMENTS OF THE COMMITTEE

(Please see Para No.1.23 of Chapter-I of the Report)

(RECOMMENDATION NO. 9)

Need for Captive Plant for Production of Hydrogenated Pyrolysis Gasoline

5.9 The Committee in their 49th Report (16th Lok Sabha) had made the following observations / recommendations regard their proposal of BCPL for captive production of Hydrogenated Pyrolysis Gasoline :

" The Committee note that BCPL produces a by-product known as Raw Pyrolysis Gasoline (RPG), which is partially hydrogenated to form Hydrogenated Pyrolysis Gasoline (HPG). The HPG produced at BCPL has high Benzene content due to which it cannot be directly used as raw material for Motor Spirit (MS) blending. At present BCPL has made interim arrangements with small hydrocarbon processors for evacuation of HPG at a lower realization. For sale of HPG, BCPL do not have any institutional customer for bulk evacuation due to high Benzene content of the product. For a long term solution for safe and convenient evacuation of HPG along with better realization, BCPL has proposed setting up of 2nd Stage HPG plant at Lepetkata based on a Detailed Feasibility Report (DFR) prepared by M/s Engineers India Limited (EIL) at an estimated cost of Rs.116.74 crore. The proposal is presently with the Department of Chemicals & Petrochemicals (DCPC) for its approval. The funding of the project is proposed from debt and internal accruals and no budgetary support has been requested from Government. Having taken into account the fact that since the BCPL is yet to attain physical and financial stability in its operations, the Committee strongly feel that the Department of Chemicals and Petrochemicals may consider the proposal at the earliest after thoroughly weighing the pros and cons of the project proposal in a time bound manner. Decision taken by the Department in the matter may expeditiously be intimated to the Committee at the earliest. "

Action Taken Report

5.10 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :

"The request for approval of setting up of a Butene-1 and 2nd stage HPG plant at Lepatkata has been received from BCPL. The proposal is being examined. "

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COMMENTS OF THE COMMITTEE
(Please see Para No. 1.23 of Chapter I of the Report)

(RECOMMENDATION NO. 10)

Corporate Governance of BCPL

5.11 The Committee in their 49th Report (16th Lok Sabha) had made the following observations / recommendations in regard to corporate governance of BCPL :

" The Brahmaputra Cracker and Polymer Limited (BCPL) is an unlisted Government owned joint venture company formed for the implementation of Assam Gas Cracker Project. Ministry of Chemicals and Fertilizers is the administrative Ministry of the Central Public Sector Undertaking. Promoters of the company are Gail (India) Limited with 70% equity and the remaining 30% is equally shared by Oil India Limited (OIL), Numaligarh Refinery Limited (NRL) and Govt. of Assam. The Board of Directors of the Company as on 31 March, 2017 consisted of nine Directors including the Chairman and Managing Director of GAIL being the ex-officio Chairman of the Company, two functional Directors, five promoter Directors and one Independent Director. The Committee are concerned to note that as per the Corporate Governance Compliance Certificate furnished by the Company Secretary of BCPL in June, 2017, the Composition of the Company's Board did not have the required number of Independent Directors. The number of nominee directors in the Board of Company exceeded the maximum number of Directors permitted under DPE guidelines. Further, the Composition of the Audit Committee did not have two-third of members as Independent Directors. The Committee having noted all these points express their displeasure over the imbalanced composition of Board of Directors and recommend that company should fulfill the requisite number of independent Directors in the company's Board and limit the number of nominee Directors in order to bring transparency in the corporate governance. "

Action Taken Report

5.12 In its Action Taken Reply with reference to the above recommendation of the Committee, the Department of Chemicals and Petrochemicals, has submitted as under :

" BCPL has been asked to place the matter before its Board and provide view of the Board of Directors keeping in view of the present status of the project, DPE's

guidelines on Corporate Governance 2010 and the Companies Act, 2013. Further progress will be informed in due course. "

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)
OM No. 13017/1/2017-PC-I (Vol.II) (FTS: 11767) dated 12.10.2018]

New Delhi

03 January, 2019
13 Pausha, 1940

(ANANDRAO ADSUL)
Chairperson
Standing Committee on Chemicals
and Fertilizers

**MINUTES OF THE FOURTH SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS**

(2018-19)

The Committee sat on Wednesday, the 02 January, 2019 from 1500 hrs. to 1800 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT Shri Anandrao Adsul - Chairperson MEMBERS LOK SABHA	
2.	Shri B. N. Chandrappa
3.	Shri R. Dhruvanarayana
4.	Smt. Kamla Devi Patle
5.	Dr. Kulamani Samal
6.	Smt. Rekha Arun Verma
RAJYA SABHA	
7.	Shri Elamaram Kareem
8.	Shri Abdul Wahab
9.	Shri Ranvijay Singh Judev
10.	Shri B. K. Hariprasad
11.	Shri Vijay Pal Singh Tomar

SECRETARIAT

1. Shri Vinod Kumar Tripathi - Joint Secretary
 2. Shri C. Kalyanasundaram - Additional Director
 3. Shri N. Amarathiagan - Under Secretary
2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee.
 3. The Committee thereafter took up for consideration and adoption the draft Action Taken Report on subject 'Assam Gas Cracker Project' pertaining to Department of Chemicals and Petrochemicals.
 4. After deliberations the Draft Report was adopted by the Committee unanimously without any changes/amendments. The Committee authorised the Chairperson to finalize and present the report to the Parliament.

x. xxxxx xxxxx xxxxx xxxxx

The Committee then adjourned.

Appendix –
(Vide Para 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FORTY NINTH REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND PETROCHEMICALS (2017-18) ON THE SUBJECT 'ASSAM GAS CRACKER PROJECT' PERTAINING TO THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF CHEMICALS AND PETROCHEMICALS).'

I	Total No. of Recommendations	15
II	Observations / Recommendations which have been accepted by the Government: (Vide Recommendation Nos. 1, 3, 4, 11, 12, 14 & 15)	07
Percentage of Total		46.66%
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply:- Nil	Nil
Percentage of Total		--
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:- (Vide Recommendation No. 12 & 15)	2
Percentage of Total		13.33%
V	Observations / Recommendations in respect of which final replies of the Government are still awaited: (Vide Recommendation Nos. 2, 6, 7, 8, 9 & 10)	6
Percentage of Total		40%