Government of India
Ministry of Petroleum and Natural Gas

***

Shastri Bhawan, New Delhi
Dated the 28th May, 2019

NOTICE

Subject: Review of guidelines for grant of market authorization to market fuels to oil companies - reg.

This is to inform that the Government of India had constituted an Expert Committee to look into various issues related to implementation of existing guidelines for the grant of Marketing Authorization to market transportation fuels i.e. Motor Spirit (MS)/High Speed Diesel (HSD)/ Aviation Turbine Fuels (ATF) issued vide Government of India Resolution dated 08.03.2002.

2. After due deliberations, the Expert Committee has now furnished its Report (copy enclosed) along with detailed recommendations pertaining to review of guidelines for granting authorization to market transportation fuels.

3. In view of the above, all the Stakeholders may furnish their views/comments in the matter for the consideration of this Ministry. The views/comments may be sent at the e-mail agrawal.ashish@gov.in or through post at the following address, within a period of two weeks from the date of issue of this Notice:

Shri Ashish Kumar Agrawal
Under Secretary (OMC)
Ministry of Petroleum & Natural Gas
Room No. 214, B Wing, Shastri Bhawan,
New Delhi- 110001.

(Ashish Kumar Agrawal)
Under Secretary to the Government of India
Report of the Expert Committee to review guidelines for granting authorisation to market transportation fuels

Ministry of Petroleum & Natural Gas
Government of India

April 2019
Report of the Expert Committee to review guidelines for granting authorisation to market transportation fuels

We the undersigned, Members of the Expert Committee to review guidelines for granting authorisation to market transportation fuels to oil companies, constituted by the Ministry of Petroleum & Natural Gas, Government of India vide Office Memorandum M-12029(11)/2/2018-OMC-PNG dated 5.10.2019 have adopted the Report and submitted it.

Dr Kirit Parikh
Member

Shri G.C. Chaturvedi
Member

Shri M.A. Pathan
Member

Dr Errol D’Souza
Member

Shri Ashutosh Jindal
Member Secretary
Table of Contents

Abbreviations ........................................................................................................... 6

1 Introduction ............................................................................................................. 10

1.1 Background ........................................................................................................ 10

   1.1.1 Existing guidelines ................................................................................. 10

   1.1.2 Eligible activities .................................................................................. 10

   1.1.3 Conditions for proposed investment ...................................................... 11

   1.1.4 Marketing scheme details ...................................................................... 11

   1.1.5 Manner of authorisation ........................................................................ 12

   1.1.6 Authorisations granted ........................................................................... 13

   1.1.7 Setting up of retail outlets (ROs) ........................................................... 13

1.2 Formation of the Expert Committee .................................................................. 14

2 Points for deliberation ........................................................................................... 18

3 Stakeholder interaction ......................................................................................... 22

4 Expert Committee’s deliberations ......................................................................... 28

4.1 Relevance of obtaining authorisation in today’s scenario ............................... 28

   4.1.1 Relevance of requirement of authorisation .......................................... 28

   4.1.2 Modifications required if any, in the extant criterion of granting authorisation .... 28

4.2 Creating level playing field for all players ....................................................... 38

4.3 Transportation Fuels included in Resolution dated 8th March 2002 ............... 39

4.4 Demand for enhancing flexibility in operationalizing the authorisation ............. 39

   4.4.1 Restrictions on operationalization of marketing authorisation ............... 39

   4.4.2 Restriction on dealership of more than one company .............................. 42

   4.4.3 Miscellaneous Points ............................................................................ 42

5 Recommendations ................................................................................................. 46

5.1 Manner of authorisation .................................................................................... 46

5.2 Authorisation for retail marketing ..................................................................... 46

   5.2.1 Eligibility criteria ................................................................................... 46

   5.2.2 Application process ............................................................................... 47

   5.2.2.2 Marketing plan .................................................................................. 48

   5.2.2.3 Remote area obligation .................................................................... 48

   5.2.2.4 Universal service obligation .............................................................. 49
5.2.3 Bank guarantee and penalties ................................................................. 49
5.2.5 Appointment of same person as dealer by multiple companies .......... 50

5.3 Authorisation for bulk marketing ............................................................ 51
5.3.1 Eligibility criteria .................................................................................. 51
5.3.2 Application process .............................................................................. 51
5.3.3 Bank guarantee and penalty ................................................................. 52

5.4 Applicability of new guidelines to existing authorised companies ....... 52
5.4.1 Retail marketing ................................................................................... 52
5.4.2 Bulk marketing .................................................................................... 54

5.5 Common points....................................................................................... 54
5.5.1 Applying for both retail and bulk authorisation ................................... 54
5.5.2 Submission of information .................................................................. 54
5.5.3 Application by a JV or subsidiary ......................................................... 55
5.5.4 Surrender of authorisation ................................................................. 55
5.5.5 Transfer of authorisation ................................................................. 55

5.6 Other recommendations ......................................................................... 55
5.6.1 Level playing field for PSU OMCs ....................................................... 55
5.6.2 Issues not related to the authorisation ............................................... 56

5.7 Authorisation guidelines at a glance ......................................................... 57
5.7.1 For new applicants ................................................................................ 57
5.7.2 Companies authorised to market transportation fuels under the previous guidelines .... 58
5.7.3 Existing PSU oil marketing companies (IOCL, BPCL and HPCL) ........ 58

Annexures .................................................................................................. 60
Annexure-1: Ministry of Petroleum Resolution P20012/29/97-PP dt. 22.11.1997 ...... 62
Annexure-2: Ministry of Petroleum Resolution P23015/1/2001-Mkt dt. 8.3.2002 .... 67
Annexure-3: Constitution of the Expert Committee by MoP&NG .................. 73
Annexure-4: MoP&NG notice dated 5.11.2018 seeking comments............... 74
Annexure-5: Views/suggestions received from stakeholders .................... 75
Annexure-6: Comments/suggestions made by stakeholders during presentations .......... 86
Annexure-7: Gazette Notification dated 5.8.2003 for notified districts for Remote Areas ....... 89
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>APM</td>
<td>Administered Pricing Mechanism</td>
</tr>
<tr>
<td>ATF</td>
<td>Aviation Turbine Fuel</td>
</tr>
<tr>
<td>BG</td>
<td>Bank Guarantee</td>
</tr>
<tr>
<td>BPCL</td>
<td>Bharat Petroleum Corporation Limited</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>CBM</td>
<td>Coal Bed Methane</td>
</tr>
<tr>
<td>CNG</td>
<td>Compressed Natural Gas</td>
</tr>
<tr>
<td>DG</td>
<td>Diesel Generating</td>
</tr>
<tr>
<td>E&amp;P</td>
<td>Exploration and Production</td>
</tr>
<tr>
<td>ESPP</td>
<td>ex-Storage Point Price</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographic Information System</td>
</tr>
<tr>
<td>HPCL</td>
<td>Hindustan Petroleum Corporation Limited</td>
</tr>
<tr>
<td>HSD</td>
<td>High Speed Diesel (Diesel)</td>
</tr>
<tr>
<td>IOCL</td>
<td>Indian Oil Corporation Limited</td>
</tr>
<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>KM</td>
<td>Kilometer</td>
</tr>
<tr>
<td>LNG</td>
<td>Liquefied Natural Gas</td>
</tr>
<tr>
<td>LOI</td>
<td>Letter of Intent</td>
</tr>
<tr>
<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
</tr>
<tr>
<td>LSA</td>
<td>Low Service Area</td>
</tr>
<tr>
<td>MMT</td>
<td>Million Metric Tonnes</td>
</tr>
<tr>
<td>MoP&amp;NG</td>
<td>Ministry of Petroleum &amp; Natural Gas</td>
</tr>
<tr>
<td>MS</td>
<td>Motor Spirit (Petrol)</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>MT</td>
<td>Metric Tonnes</td>
</tr>
<tr>
<td>NELP</td>
<td>New Exploration Licencing Policy</td>
</tr>
<tr>
<td>NH</td>
<td>National Highway</td>
</tr>
<tr>
<td>OMC</td>
<td>Oil Marketing Company</td>
</tr>
<tr>
<td>PSU</td>
<td>Public Sector Undertaking</td>
</tr>
<tr>
<td>RA</td>
<td>Remote Area</td>
</tr>
<tr>
<td>RO</td>
<td>Retail Outlet</td>
</tr>
<tr>
<td>SH</td>
<td>State Highway</td>
</tr>
<tr>
<td>UT</td>
<td>Union Territory</td>
</tr>
<tr>
<td>VGF</td>
<td>Viability Gap Funding</td>
</tr>
</tbody>
</table>
Introduction
1 Introduction

1.1 Background

The Government of India vide Resolution No. P-20012/29/97-PP dated 21st November 1997 (Annexure-1) decided on the phased dismantling of the Administered Pricing Mechanism (APM). Investments in the refining sector would be encouraged by providing reasonable tariff protection and making marketing rights for transportation fuels, viz. MS, HSD and ATF conditional on owning and operating refineries with an investment of at least Rs. 2,000 crores or exploration and production companies producing at least three million tonnes of crude oil annually.

Based on a report submitted by the Group of Ministers working out a specific framework for developing ‘India Hydrocarbon Vision-2025’ in March 2000, the Government of India decided to grant authorisation to market transportation fuels to the new entrants including the private sector vide Resolution no. P-23015/1/2001-Mkt dated 8th March 2002 (Annexure-2).

1.1.1 Existing guidelines

The broad guidelines for granting of authorisation to market transportation fuels are:

- Authorisation to market MS, HSD and ATF is available to a company investing or proposing to invest Rs. 2,000 crore in exploration and production (E&P), refining, pipelines or terminals. Exploration and production companies producing at least three million tonnes of crude oil annually are also entitled.

- In case of future investments, time frame would be considered as 10 years from grant of authorisation for marketing of transportation fuel for all projects taken up under this scheme.

- The financial closure of all the projects should be achieved in 5 years and projects completed in all respects within 10 years.

- All investments should result in the additionality to the existing assets and/or creation of new assets in the eligible activities.

1.1.2 Eligible activities

Investments in the following assets are considered eligible:

- Setting up of new grass root refineries and/or expansion of the existing refineries with facilities like crude oil receipt and transportation facilities.
– Exploration and production of hydrocarbons including CBM, and associated facilities like crude oil/ natural gas pipelines, crude oil and natural gas processing plants.

– Terminals for crude oil / LNG

– Common carrier natural gas/ petroleum products/ LPG pipelines

– Investment in above activities for setting up additional assets for improvement in quality of product to meet environmentally related norms.

Activities other than those specified above would not be eligible.

1.1.3 Conditions for proposed investment

The company proposing to make the specified level of investment will be required to sign an agreement containing conditions and milestones with the Central Government along with a bank guarantee of Rs. 500 crores. The Government shall review the progress of the project/ projects and if the investment up to Rs. 2,000 crores is delayed beyond ten years, then the bank guarantee may be invoked and other penalties as provided in the agreement may be imposed which may include withdrawal of the market authorisation.

1.1.4 Marketing scheme details

The company seeking authorisation shall make an application giving details of the scheme of marketing for which authorisation is sought. There would be no limit to the quantum and size of the scheme and the number of retail outlets (ROs) provided that no encroachments of the existing ROs would be allowed. The marketing scheme shall, by way of information, contain details of:

– The source of supply of products to be marketed;

– Tankage and other infrastructure with their capacity;

– Means of transportation of products to depots and to ROs;

– No. and locations of ROs proposed and details of storage and dispensing capacity;

– Total quantum and type of products to be covered;

– Mode of compliance relating to retail service obligations and marketing service obligations.
1.1.5 Manner of authorisation

The investments made or proposed to be made in the eligible activities would be in the form of equity, equity-like instruments e.g. convertible debentures (fully or partially), or debt with recourse to the company. The company seeking authorisation shall make an application in the specified form and the Government will issue the authorisation to market transportation fuels to the eligible companies as per the following details:

- Every eligible company will get only ONE authorisation either in its name or in the name of the company in which investment has been made or is proposed to be made.

- Authorisation to market transportation fuels may be exercised either by the eligible company itself or through its subsidiary or through its JV with other eligible company or through its JV with a PSU already marketing transportation fuels.

- The authorisation will not be transferable without permission of the Government.

After scrutinizing the application and the proposed marketing scheme, the Government may give authorisation to the eligible company imposing conditions in public interest which may include:

(a) Servicing remote areas (notified districts in the States of Himachal Pradesh, Jammu & Kashmir, North Eastern States, Sikkim, Uttarakhand, UTs of Andaman & Nicobar Islands, Lakshadweep Islands and any other area notified as such by the Central Government) and low service areas (an area not covered by NH/SH and not having any RO within 10 KMs or any other area notified by the Central Government) as declared by the Central Government by setting up ROs in proportion to the existing percentage of ROs at the beginning of the year of applying for authorisation.

(b) The eligible company shall not operate through a dealer with whom another marketing company has entered into an agreement for marketing of transportation fuels or from the existing retail outlet of another company.

(c) The applicant has the obligation of obtaining other clearances as required under the law, rules or regulations of a competent authority

The marketing authorisation once issued will not be withdrawn unless the conditions related to the authorisation are violated.
1.1.6 Authorisations granted

Till date, Government has granted authorisations to the following nine entities to market transportation fuels as per the Resolution dated 8th March 2002.

<table>
<thead>
<tr>
<th>Eligible company</th>
<th>Date of authorisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Oil and Natural Gas Corporation Ltd</td>
<td>27.5.2002</td>
</tr>
<tr>
<td>2. Numaligarh Refinery Ltd</td>
<td>27.5.2002</td>
</tr>
<tr>
<td>3. Reliance Petroleum Ltd</td>
<td>27.5.2002</td>
</tr>
<tr>
<td>(Changed to Reliance Petro Marketing Ltd)</td>
<td>28.2.2018</td>
</tr>
<tr>
<td>4. Essar Oil Limited</td>
<td>27.5.2002</td>
</tr>
<tr>
<td>(Changed to Nayara Energy Ltd)</td>
<td>16.7.2018</td>
</tr>
<tr>
<td>5. Mangalore Refinery and Petrochemicals Ltd</td>
<td>13.2.2004</td>
</tr>
<tr>
<td>6. Shell India Markets Private Ltd</td>
<td>30.7.2004</td>
</tr>
<tr>
<td>7. Nagarjuna Oil Corporation Ltd</td>
<td>16.5.2011</td>
</tr>
<tr>
<td>8. Haldia Petrochemicals Ltd</td>
<td>13.10.2016 (</td>
</tr>
<tr>
<td>(Authorisation kept in abeyance)</td>
<td>31.7.2018</td>
</tr>
</tbody>
</table>

1.1.7 Setting up of retail outlets (ROs)

The company-wise share of retail outlets as on 1st April 2019 in the country is given below:

<table>
<thead>
<tr>
<th>Company</th>
<th>As on 1.4.2019 (P)</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Indian Oil Corporation Limited</td>
<td>27,702</td>
<td>42.9</td>
</tr>
<tr>
<td>2. Hindustan Petroleum Corporation Limited</td>
<td>15,440</td>
<td>23.9</td>
</tr>
<tr>
<td>3. Bharat Petroleum Corporation Limited</td>
<td>14,802</td>
<td>22.9</td>
</tr>
<tr>
<td>4. Oil and Natural Gas Corporation Limited</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>5. Numaligarh Refinery Limited</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>6. Reliance Petro Marketing Limited</td>
<td>1,400</td>
<td>2.2</td>
</tr>
<tr>
<td>7. Nayara Energy Limited</td>
<td>5,128</td>
<td>7.9</td>
</tr>
<tr>
<td>8. Mangalore Refinery and Petrochemicals Ltd</td>
<td>7</td>
<td>0.01</td>
</tr>
<tr>
<td>9. Shell India Markets Private Limited</td>
<td>145</td>
<td>0.2</td>
</tr>
<tr>
<td>10. Nagarjuna Oil Corporation Limited</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>11. Haldia Petrochemicals Limited</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>12. BP Exploration (Alpha) Limited</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

Total 64,624
The expansion of ROs during the last five years is given below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Authorised companies:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRPL</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>ONGC</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>RIL</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
</tr>
<tr>
<td>NEL</td>
<td>1,400</td>
<td>1,382</td>
<td>1,491</td>
<td>2,100</td>
<td>3,499</td>
<td>4,473</td>
<td>5,128</td>
</tr>
<tr>
<td>Shell</td>
<td>92</td>
<td>98</td>
<td>77</td>
<td>82</td>
<td>85</td>
<td>108</td>
<td>145</td>
</tr>
<tr>
<td><strong>Total (Authorised)</strong></td>
<td>2,895</td>
<td>2,883</td>
<td>2,972</td>
<td>3,586</td>
<td>4,988</td>
<td>5,987</td>
<td>6,680</td>
</tr>
<tr>
<td><strong>IOC/BPC/HPC</strong></td>
<td>46,182</td>
<td>48,987</td>
<td>50,446</td>
<td>52,604</td>
<td>54,607</td>
<td>56,598</td>
<td>57,944</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>49,077</td>
<td>51,870</td>
<td>53,418</td>
<td>56,190</td>
<td>59,595</td>
<td>62,585</td>
<td>64,624</td>
</tr>
<tr>
<td><strong>Share of authorized companies</strong></td>
<td>5.9%</td>
<td>5.6%</td>
<td>5.6%</td>
<td>6.4%</td>
<td>8.4%</td>
<td>9.6%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

### 1.2 Formation of the Expert Committee

The Indian transportation fuel market is one of the fastest growing in the world and is clocking a CAGR of 8.6% for MS and 5.3% for HSD since 2002-03 till 2018-19. The combined CAGR for MS and HSD is 6.0%. In this same period, the total number of retail outlets increased from 18,848 (as on 1.4.2002) to 64,624 (as on 1.4.2019) at a CAGR of 7.5%. While the existing PSU oil marketing companies added 39,000 ROs during this period, the authorized companies added only about 6,700 ROs.

In order to further improve customer service levels in retail marketing by introducing more competition from private sector marketing companies, an Expert Committee has been constituted by the Ministry of Petroleum & Natural Gas (Annexure-3) to look at the various issues related to implementation of existing guidelines for grant of market authorisation to market fuels, viz. MS/HSD/ATF issued by Government of India vide its Resolution dated 8th March 2002. The composition of the Committee is as under:

(a) Dr Kirit Parikh, renowned Economist
(b) Shri G C Chaturvedi, retd. Secretary, Petroleum
(c) Shri M A Pathan, retd. Chairman, IOCL
(d) Dr Errol D’Souza, Director, IIM Ahmedabad
(e) Shri Ashutosh Jindal, Joint Secretary (M) – Member Secretary of the Committee
The terms of reference of the Expert Committee were:

- Review the existing architecture and extent of private sector participation in retail marketing of major transportation fuels in the country,
- Identify entry barriers, if any, for expansion of retail outlets for private marketing companies,
- To assess the need, if any, to further liberalize the Guidelines for authorisation of private sector marketing companies,
- To make specific recommendations on the nature of amendments, if required,
- Any other recommendations as deemed fit by the Committee.
Points for deliberation
2 Points for deliberation

In the first meeting of the Committee, considering the Resolution dated 8th March 2002, the Committee was confronted with the following questions that needed to be deliberated in order to address the terms of reference mentioned in the formation of the Committee:

(a) Whether there is a need for the Central Government to grant authorization for marketing of transportation fuels or the same should be made free for anyone to market in any manner they deem fit without any restrictions?

(b) How can the market be expanded to include new players?
   - Should the investment limit of Rs. 2,000 crores be reduced to bring in new players or be increased to allow participation by serious players only?
   - If an entity or number of entities in a JV has invested more than Rs. 2,000 crores, then should they be given multiple authorisations for every Rs. 2,000 crore invested?

(c) Should investment be restricted only to the oil and gas sector or should it include all investments made in the country?
   - Open it up for big retailers, hypermarts, etc.

(d) Is there an agency to monitor the compliance of the conditions imposed on the eligible company as per the Resolution dated 8th March 2002?
   - Whether they are adhering to the marketing service obligations and retail service obligations?
   - Whether private sector retail outlets are subjected to Marketing Discipline Guidelines as applicable to PSU retail outlets?
   - Whether there is a system of monitoring the malpractices done by the private sector ROs and penal action taken?
   - Whether they have appointed a dealer with whom another marketing company has entered into an agreement?

(e) Is the Resolution applicable for both retail and bulk marketing of transportation fuels?
   - What are the norms for RA and LSA for bulk marketing?
– Bulk marketing of diesel is for transportation (railways and state transport undertakings) and stationary equipment (DG sets and heavy construction/ mining machinery)

(f) Whether there can be other channels of marketing of transportation fuels, other than through conventional retail outlets?
Stakeholder interaction
3 Stakeholder interaction

In order to understand the expectations of the stakeholders/ general public and also the reservations they might have in entering the marketing of transportation fuel business, the Committee called for views/ suggestions in respect of the existing guidelines for grant of marketing authorisation to market transportation fuels through a public notice (Annexure-4).

Comments/ views/ suggestions were received from:

1. Federation of Indian Petroleum Industry (FIPI)
2. Federation of All India Petroleum Traders (FAIPT)
3. All India Petroleum Dealers Association (AIPDA)
4. Reliance Industries Limited (RIL)
5. Haldia Petrochemicals Limited (HPL)
6. Trafigura Pte Ltd
7. Shri Amresh Kapoor, Retired Executive Director, IOCL
8. Splendid Trading Co. (P) Ltd
9. ANB Fuels Private Limited
10. IMC Limited
11. Shell India

The detailed views/ suggestions from each of the above are placed in Annexure-5.

The summary of the comments/ suggestions received is tabulated below.

<table>
<thead>
<tr>
<th>Comments/ Suggestions</th>
<th>Stakeholder(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisation must include biofuels, hydrogen, CNG, LPG, LNG, charging points etc. along with conventional fuels</td>
<td>FIPI/ Shell</td>
</tr>
<tr>
<td>JV formation with other experts (digitization, electrical mobility, non-conventional fuels should be permissible)</td>
<td>FIPI</td>
</tr>
<tr>
<td>Separate guidelines for ‘Retail’ and ‘Bulk’ marketing</td>
<td>FIPI</td>
</tr>
<tr>
<td>Investment of Rs. 2,000 crore may be removed or diluted</td>
<td>FIPI, Trafigura, IMC, Amresh Kapoor, ANB Fuels</td>
</tr>
<tr>
<td>Systems and procedures to set up RO to be made simpler</td>
<td>FIPI/ Shell</td>
</tr>
<tr>
<td>Comments/ Suggestions</td>
<td>Stakeholder(s)</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Government land to be made available to set up RO</td>
<td>FAIPT</td>
</tr>
<tr>
<td>Common User Facilities for storage and distribution</td>
<td>FAIPT</td>
</tr>
<tr>
<td>Marketing function should be demerged from distribution</td>
<td>FAIPT</td>
</tr>
<tr>
<td>Total deregulation of all products including LPG</td>
<td>RIL</td>
</tr>
<tr>
<td>Retail and Marketing Service Obligations to be reviewed</td>
<td>RIL, IMC</td>
</tr>
<tr>
<td>Marketing guidelines should be for ‘Retail’ only. Producers (i.e. refineries) should be free to sell in bulk</td>
<td>RIL</td>
</tr>
<tr>
<td>There should be flexibility in selecting channel of distributions – conventional ROs, bulk sales to organized retailers or through chain of ROs of a wholesaler.</td>
<td>RIL, ANB Fuels</td>
</tr>
<tr>
<td>Single authorisation to be reviewed</td>
<td>RIL, Trafigura</td>
</tr>
<tr>
<td>Access to infrastructure (pipelines, terminals, airports)</td>
<td>RIL/ Shell</td>
</tr>
<tr>
<td>Include petrochemicals also as eligible investment</td>
<td>HPL, IMC and Trafigura</td>
</tr>
<tr>
<td>Remove the stipulation of Rs. 500 crores bank guarantee</td>
<td>Trafigura</td>
</tr>
<tr>
<td>Requirement of setting up ROs in low service/ remote areas to be reviewed</td>
<td>Amresh Kapoor/ Shell</td>
</tr>
<tr>
<td>The requirement that a new entrant shall not operate through an existing dealer of another company needs to be reviewed</td>
<td>Amresh Kapoor, ANB Fuels</td>
</tr>
<tr>
<td>Startups and Micro, Small &amp; Medium Enterprises (MSMEs) should be allowed to market transportation fuels</td>
<td>ANB Fuels</td>
</tr>
<tr>
<td>Innovative ideas that do not require traditional ROs (like fueling at doorstep) should be allowed</td>
<td>ANB Fuels</td>
</tr>
</tbody>
</table>

Based on the views/ suggestions, the Expert Committee called the following stakeholders for making presentations along with Bharat Petroleum Corporation Ltd., who is the industry coordinator for the PSU oil marketing companies.
1. Federation of Indian Petroleum Industry (FIPI)
2. Federation of All India Petroleum Traders (FAIPT)
3. Reliance Industries Limited (RIL)
4. Trafigura Pte Ltd
5. ANB Fuels Private Limited
6. Shell India

The detailed views/ suggestions made during the presentation from each of the above are placed in Annexeure-6.
Expert Committee’s deliberations
4 Expert Committee’s deliberations

After hearing the views/comments/suggestions of the stakeholders, the Expert Committee deliberated on the following issues:

4.1 Relevance of obtaining authorisation in today’s scenario

Whether authorisation from Central Government should be required for a company to enter into marketing of transportation fuels in the country? If authorisation is still required, then whether any modification is required in the existing guidelines?

4.1.1 Relevance of requirement of authorisation

**Extant criterion:**

a) Currently no person, other than those authorised by the Central Government, can market or sell MS and HSD to consumers and dealers. Whosoever desires to secure market authorisation is required to submit an application along with the applicable fees to the Central Government in a specified format provided in MS & HSD (Regulation of Supply, Distribution and Prevention of Malpractices) Order 2005. After scrutiny of the application, the Central Government, if it is satisfied with the details provided in the application and after requiring the applicant to furnish a bank guarantee, if required, issues authorisation to the applicant indicating the terms and conditions of the authorisation.

**Committee views**

a) Committee is of the view that MS/ HSD are sensitive, essential and safety related commodities and hence the supply and distribution of MS/ HSD does require some degree of control of the Central Government for ensuring compliance to safety, customer service and universal service obligations by all the market players. It also appears necessary to protect customers and other stakeholders from fly-by-night operators who may enter this segment in case there is complete absence of control. **Accordingly, the requirement of authorisation from Central Government to market transportation fuels should continue.**

4.1.2 Modifications required if any, in the extant criterion of granting authorisation

**Extant criterion:**

a) As per the Resolution of the Government of India dated 21st November, 1997, companies owning and operating refineries with an investment of at least Rs. 2,000
crore or oil exploration and production companies producing at least 3 million tonnes of crude oil annually, are entitled for marketing rights for transportation fuels. Further, as per Resolution No.P-23015/1/2001-Mkt of the Government of India dated 8th March 2002, authorisation to market transportation fuels, namely, motor spirit (MS), high speed diesel (HSD) and aviation turbine fuel (ATF) is also available to a company investing or proposing to invest Rs. 2,000 crore, in exploration and production (E&P), refining, pipelines or terminals. To be eligible, the company is required to make investments in the eligible activities. Investment in the following assets is considered eligible:

i. Setting up new grass root refineries and/or expansion of the existing refineries along with facilities like crude oil receipt and transportation facilities.

ii. Exploration and production of hydrocarbons including coal bed methane, and associated facilities like crude oil/natural gas pipelines, crude oil and natural gas processing plants.

iii. Terminals for crude oil/ LNG.

iv. Common carrier natural gas/ petroleum products/ LPG pipelines; provided in case of “common carrier pipelines”, the investor would be subject to all rules and regulations relating to a regulatory mechanism that may be laid down in future.

v. Investment in the above activities for setting up additional assets for improvement in quality of product to meet environmentally related norms.

The activities other than those specified above are not eligible.

4.1.2.1 Rationale behind extant criterion of authorisation and relevance in today’s scenario:

- The Government of India vide its Resolution No. 224 dated 21st November 1997 decided on the phased dismantling of Administered Pricing mechanism. In the aforesaid Resolution, it was envisaged to make marketing rights for transportation fuels, viz MS, HSD and ATF conditional to investing at least Rs. 2,000 crore in refining sector or producing 3 MMT of crude oil per annum with the purpose of encouraging investments in these sectors. Thereafter a Group of Ministers set up by Hon’ble Prime Minister in 1999 recommended in 2000 that marketing rights for transportation fuels be made conditional to a company investing or proposing to invest Rs. 2,000 crore in exploration or production, refining, pipelines or terminals. This implies that marketing right for transportation fuels was considered a premium item having the potential to incentivize big companies to make investment in oil refining and exploration/production sector.
The investment criteria was kept to incentivize companies to set up refineries in the country and also enhance domestic crude oil production as India was deficient both in refining capacity and domestic crude availability. Against a domestic consumption of 84.3 million MT during 1997-98, domestic crude oil production was 33.8 million MT while the installed refining capacity as on 1.4.1998 was only 62.6 million MT. During the last 21 years while the domestic consumption has increased to about 211.6 million MT by 2018-19 (at a CAGR of 4.5%), the installed refining capacity has increased at a much faster pace to 249.4 million MT by 1.4.2019 (at a CAGR of 7.1%). However, during this period the domestic crude oil production has just increased by 0.4 million MT (at a CAGR of 0.06%).

Due to rapid increase in refining capacity, since 2001-02, India has been a net exporter of petroleum products and continues to add more refining capacity each year for catering both to the domestic and export market. Against a projected demand of 335 million MT of petroleum products during 2029-30 (as per Trend scenario of the Working Group on enhancing refining capacity by 2040), the projected refining capacity of the existing players is 414.4 million MT, which disincentivises new players to set up additional refining capacity till 2030. Beyond 2030, due to technological breakthroughs expected in the near future, there is going to be a major shake-up in the transportation sector where a shift is expected from the conventional transportation fuels (MS and HSD) to non-conventional fuels (biofuels, methanol, hydrogen, etc.) and electric mobility. As setting up refineries are highly capital intensive with long gestation time, new players would be very cautious to make any fresh investments in this sector.

For enhancing domestic crude oil production, the Government had opened up the E&P sector in 1999 with the launch of New Exploration Licensing Policy (NELP) which generated a lot of positive response from private players. Over the years, the Government has been formulating more and more attractive policies which have kept new investors interested and many private companies today are actively involved in this sector. Apart from Cairn Energy, none of the private players has been able to produce more than 3 million MT of domestic crude.

Till now none of the private players in the E&P sector has shown much interest in marketing of transportation fuels. Apart from integrated multinational oil companies like Shell and BP, none of the other private companies who have invested or propose to invest more than Rs. 2,000 crores in the eligible activities have sought authorisation to market transport fuels. While BP has still not opened a
single RO since they received the authorisation in October 2016, Shell has opened up just 145 ROs since July 2004.

4.1.2.2 Retail outlets in remote areas (RA)

- Presently, the Indian transportation fuel business market is dominated by the PSU oil marketing companies (OMCs) and they cater to the fuel needs of the Indian consumers across the length and breadth of the country. They service even the remotest corners of the country which entail higher operational expenses. They are also called upon to assist the state/local governments at times of natural calamities and disasters and they have been fulfilling this obligation without any commensurate remuneration. The PSU OMCs are also required to fulfill the social objective aspirations of the Government while setting up new retail outlets and also during selection of dealers.

- PSU OMCs have represented that in order to insulate the hinterland and far-flung consumers from abnormally high product prices (due to cost of movement of products from coastal areas and refineries), they have adopted a uniform ex-Storage Point Price (ESPP) (i.e. Refinery Transfer Price + Inland freight + Depot & Terminal cost + marketing margin) all across the country. For this purpose, the freight and other costs are averaged out. While the PSU OMCs set the prices all across the country, the private sector matches these prices in their ROs. Considering that the private sector is supplying the product to their ROs from their coastal refineries or coastal locations, they tend to cater to only those markets which are nearer to their supply locations which entail lower costs and thereby derive additional margin due to average costs being considered by the PSU OMCs. This is the main reason that nearly all the ROs of the private sector are in the coastal states of Gujarat, Maharashtra, Tamil Nadu, Karnataka, Kerala, Odisha, Andhra Pradesh, West Bengal, Telangana and state like Rajasthan which is nearer to Gujarat.

- It is therefore imperative that all private players are also made responsible to fulfill the retail service obligations and be present in remote areas also. The Resolution dated 8th March 2002 mentioned that while the Government grants authorisation to an eligible company, it would be mandatory for the authorised company to set up ROs in low service (LSA) and remote areas (RA) failing which penalties as detailed in para 4.5 shall be imposed. However, presently no mechanism is in place to monitor the number of ROs set up in LSA and RA by the authorised entities.
4.1.2.3 Fuel Retailing Scenario in developed markets like US & UK and relevance to India

- In the US, UK and other developed countries, the marketing of transportation fuels has shifted from the traditional integrated oil companies to pure retailing companies like hypermarkets and convenience stores (C-stores) which source their fuel from either a fixed refiner or from any refiner. They then dispense the fuel from their forecourt either in their own brand or in the refiner’s brand name. As they are retailers of various other products, they find synergy in also retailing transportation fuels by offering their customers these products in their premises. In the case of US, nearly 83% of the outlets are of C-stores and they dispense about 80% of the total fuel sold. The traditional oil companies own about 13% of the ROs, they sell only 6.2% of the fuel, while the hypermarkets which own only 4% of the ROs sell 13.8% of the fuel. In the UK, while the hypermarkets own 15.8% of the ROs and are selling 43.5% of the fuel, the independent dealers (which are neither part of the oil company or hypermarkets) own 62% of the ROs but are selling 31.7% of the fuels. The rest are either owned or leased by the oil company.

- In India, the shopping malls, hypermarkets, retail chains, large business centres, etc. are coming up in large cities and towns and they provide an opportunity and convenience to customers to fuel their vehicles while they are shopping at these places. As these companies have made substantial investment for setting up these businesses, they can be considered for expansion of retail outlets by the private sector. However for including these players, the restrictive list of eligible activities would be required to be dispensed with.

**Committee views:**

*For the companies operating in the oil and gas sector who have made or propose to make large investments in this sector, marketing right for transportation fuels does not appear to be an incentive. Hence the continuation of extant investment criterion for marketing authorisation to only the oil and gas companies is likely to deprive the market of participation from companies which may not be making huge investments in oil and gas sectors but may have varied offerings to make the market more customer-oriented. Accordingly, the Committee is of the view that while investment criterion for grant of marketing authorisation should be done away with completely, it should be replaced with a criterion that only filters the applicants from the perspective of their credentials/ability to perform and the same may be supplemented with penalty clauses along with a bank guarantee that may be invoked in case of failure to perform as per submitted plan. Accordingly the new criterion of grant of marketing authorisation should include the following:*-
i. There is no distinction between bulk and retail marketing authorisation in the existing policy. However, considering that retail and bulk business of marketing of transportation fuels (MS and HSD) are different in nature, the Committee is of the view that companies desirous of marketing in both retail and bulk should make separate applications for retail and bulk.

ii. A suitable parameter to establish the credentials of the party. For example: the party should have a **minimum net worth of at least Rs. 250 crore (rupees two hundred fifty crore)** corresponding to each of the two types of business, i.e. retail and bulk at the time of making the application to the Central Government for grant of authorisation. Further the company would be required to ensure that its net worth does not fall below the above mentioned net worth at any point of time during the tenure of the authorisation. The company would be required to file an annual statement in this regard with the Central Government along with audited accounts statement. In case of a newly established company applying for authorisation which does not have audited accounts statement, a certificate from chartered accountant stating that the company has minimum net worth as mentioned above, would be accepted.

iii. Apart from the application fees, the company applying for retail authorisation would be required to specify the year-wise number of retail outlets it proposes to set up subject to a **minimum of 100 retail outlets** in the next 7 (seven) years from the year of grant of authorisation in the application itself. The 1st day of the next month after the grant of the authorisation would be reckoned as the start of the timeline. For example if a company is granted authorisation on 26th July 2019, then 1st August 2019 would be treated as the start of first year and 31st July 2020 as the end of 1st year.

iv. The authorisation would be contingent to the company undertaking to commission the required number of retail outlets in remote areas as mentioned in the table below in a time bound manner, undertake to pay specified penalty in case of default in proportion to default and pay a bank guarantee to the Central Government as a security towards payment of penalty.
<table>
<thead>
<tr>
<th>At end of Year</th>
<th>Minimum cumulative percentage of required remote area ROs (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>0</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>0</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>10</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>20</td>
</tr>
<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>40</td>
</tr>
<tr>
<td>6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>70</td>
</tr>
<tr>
<td>7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>100</td>
</tr>
</tbody>
</table>

* In case the number works out to be in decimals, the same would be rounded off to the next higher integer. (e.g. If the percentage works out to be 4.2, the same would be rounded off to 5)

v. The authorisation would be contingent to the company undertaking to comply with universal service obligations. The universal service obligations would include, inter alia, setting up of 5% of retail outlets in specified remote areas. As per Gazette Notification P-23015/1/2003-Mkt dated 5.8.2003 (Annexure-7), presently the list of notified districts for the purpose of “Remote Areas” are all the districts of Himachal Pradesh, Andaman & Nicobar Islands, Lakshadweep, Uttarakhand (except districts of Haridwar and Udhamsingh Nagar), Jammu & Kashmir (except districts of Jammu and Kathwa) and North Eastern States including Sikkim (except the districts in which Digboi, Guwahati, Bongaigaon and Numaligarh refineries are located). The Central Government may update the list of areas specified in remote areas from time to time keeping in mind the number of retail outlets set up by various OMCs so as to ensure coverage of all remote areas. However the retail outlet once commissioned in remote area, would continue to be counted under the company. Once sufficient numbers of retail outlets have been set up in a particular remote area, Central Government may notify exclusion of such area from the list which shall ordinarily be effective after 1 year of notification. Further, if the Government is of the view that certain areas of the country are still being overlooked by the oil marketing companies (OMCs) for setting up retail outlets, then the Government can incentivize OMCs by providing viability gap funding (VGF) through a bidding process utilizing the funds collected from penalties imposed on parties for not adhering to the approved plan as mentioned in the succeeding clauses.

vi. It is proposed to collect the bank guarantee @ Rs. 3 crore per remote area RO as a security towards the company meeting its commitment of commissioning remote area ROs as per timelines and fulfilling universal service obligations in
respect of these retail outlets. If the company fails to commission remote area RO as per approved timelines, Government would encash bank guarantee equivalent to Rs. 3 crore per remote area RO corresponding to shortfall in commissioning vis-à-vis targets for that year within 3 months of the end of that year. After the obligation of the company has been fulfilled in respect of all the remote area ROs either by the company having set up the RO itself or by paying the penalty of Rs. 3 crore per remote area RO, Government would release the balance bank guarantee, if any, to the company after deducting Rs. 0.50 crore per remote area retail outlet actually set up by it as a security towards the company meeting universal service obligations in respect of these ROs. However if the company does not want to set up any remote area RO, it may be given an option to pay Rs. 2 crore per remote area RO upfront at the time of application itself and in such case no bank guarantee would be taken from the company on account of commissioning and fulfilling universal service area obligations.

vii. In view of much relaxed entry barriers, it is expected that the market would witness participation from a large number of national and international market players thereby providing the customer with more choices and better value for his money. However, there is likelihood that some of these players may make false representation regarding their operations while inviting applications for dealerships. It is therefore proposed to collect a bank guarantee of Rs. 5 crore which may be encashed in case the company indulges in any such activity and fails to pay a penalty. This may be required to ensure that the players behave in a disciplined manner while operating their market authorisation. This would however not be applicable on PSU OMCs and existing authorised companies.

viii. All the companies already authorised vide Gazette notification dated 8.3.2002 guidelines shall be required to submit detailed marketing plan to the Central Government regarding number of retail outlets proposed to be set up by them after the date of notification of the new guidelines. They would also be required to provide 5% of the retail outlets in remote areas in proportion to the number of retail outlets to be set up by them after notification of the new guidelines. The timelines for setting up specific percentage of retail outlets would be the same as timelines provided for new companies (as mentioned in para (iii) above) and the date of approval by the Central Government of the new marketing plan submitted by the company would be treated as the start date for the purpose of counting of target dates. These companies would also be given both the options as available to new companies i.e. payment of Rs. 2 crore upfront per remote area RO or deposit of Rs. 3 crore bank guarantee per remote area RO.
ix. All already authorised companies would be required to submit a statement to the Central Government within one month of date of notification of new guidelines, the status of compliance in respect of commissioning of retail outlets in remote area ROs as per the terms of the earlier policy vide which they were granted authorisation. As per the existing guidelines (para XIV), if any conditions relating to the authorisation are violated (including shortfall in commissioning of ROs in remote areas), the authorisation can be withdrawn. However, it is proposed that in case there is any shortfall, they would be allowed to exercise one of the following two options within a period of two months from the date of notification of new guidelines to meet the remote area obligations of the past period:

a. Make an upfront payment of Rs. 2 crore per remote area RO of shortfall; or

b. Deposit a bank guarantee of Rs. 3 crore per remote RO of shortfall as a security towards setting up the remote area ROs within two years from the date of notification of the new guidelines. In case the company fails to set up these remote area ROs within two years, the bank guarantee @ Rs. 3 crore per remote RO of shortfall would be encashed at the end of the second year. The balance bank guarantee, if any, shall be returned to the company.

In case of violation of these conditions of authorisation, the company would be issued a notice why the marketing authorisation should not be withdrawn. However, in case a company presently has surplus number of retail outlets in remote areas, it would be allowed to set off the surplus with the future obligations.

x. As regards to PSU OMCs (i.e. IOC, BPCL and HPCL) which were already marketing transportation fuels prior to 2002 guidelines, they would also be required to commission 5% of the retail outlets in remote areas in proportion to the number of retail outlets to be set up by them whose Letter of Intents (LOIs) would be issued after notification of the new guidelines. The timelines for setting up specific percentage of retail outlets would be the same as timelines provided for new companies (as mentioned in para (iii) above) and the date of approval by the Central Government of the new marketing plan submitted by the company would be treated as the start date for the purpose of counting of target dates. These companies would also be given both the options as available to new companies i.e. payment of Rs. 2 crore upfront per remote area RO or deposit of Rs. 3 crore bank guarantee per remote area RO.
xi. The universal service obligations would also include:

- maintaining supplies of MS and HSD to retail consumers throughout the specified working hours and of specified quality and quantity.
- ensuring availability of minimum facilities as specified by the Central Government, to all the retail consumers at the retail outlet.
- maintaining minimum inventory levels of MS and HSD as specified by the Central Government from time to time.
- providing service to any person on demand within a reasonable period of time and on non-discriminatory basis.
- Availability of fuel to the customers at reasonable prices all the time.

xii. The company would furnish a quarterly return in the format as specified by the Central Government or an agency nominated by it, providing therein the details of commissioned retail outlets along with their GIS coordinates clearly indicating therein the details of the retail outlets commissioned in remote areas.

xiii. In order to monitor compliance of setting up of requisite number of retail outlets, the Central Government would set up an online public portal wherein all companies would upload their list of operating ROs (including remote area ROs) at the beginning of the financial year in a specified format along with GIS coordinates. This would act as a self-controlling mechanism whereby other players or the general public at large can view compliance by the companies. In case of non-compliance, the Government would impose monetary penalty as specified in para vi and vii above.

xiv. Low Service Area (LSA) is defined in the Resolution as an area not covered by national Highway/ State Highway (NH/SH) and not having any RO within 10 KMs or any other area notified as such by the Central Government. In the last 16 years as more than 44,000 ROs have been set along with exponential growth in the construction of NH/ SH all across the country, it would be administratively difficult to monitor the setting up of new ROs in LSA. Moreover, to identify an LSA in the rapidly expanding RO and NH/ SH network would be very subjective leading to unnecessary differences. It is therefore proposed to dispense with the obligation for setting up ROs in LSA as mandatory criteria.
4.2 Creating level playing field for all players

**Dealer Selection and Multiple Dealership Norms**

Envisaging that the new companies would enter the retail market with state of the art technologies, efficient delivery systems and entrepreneurial dealer network, the PSU OMCs would be at a disadvantage considering the restrictive guidelines for dealer selection applicable to them. Presently OMC PSUs can only appoint dealers who are selected by a lottery from amongst the applications received and also have to follow a stringent roster for reserved category locations. Therefore, when they are in competition with private players in the market, they are at a disadvantage as their dealers may not have the requisite business acumen which the private sector dealers are adept in. Further the private sector is permitted to appoint the same dealer for multiple locations (multiple dealerships) so that they can derive the benefit of economies of scale and a much greater commitment from the dealer to enhance their business by providing a much higher level of customer service at a competitive price and thereby deriving better margins.

PSU OMCs have contended that they are presently operating about 90% of the RO network in the country and making sure that the fuel demand of the Indian consumers are met to the fullest even in difficult areas and commercially loss making areas. While they are committed to the social objective programs and commitments of the Government, they need to be provided adequate flexibility to enable them to compete with the private parties on an equal footing who are free to devise their policies. Accordingly there appears to be a need to provide some flexibility to PSU OMCs in terms of appointment and retrenchment of dealer network.

**Committee views**

i. While meeting the social objectives of the Government, the PSU OMCs should also be provided flexibility in appointment of dealers. Committee is of the view that PSU OMCs may be allowed complete freedom in framing their own selection guidelines in respect of ‘Open’ category retail outlets, while they may continue to follow the Government guidelines for appointment of dealers in respect of reserved categories. The OMCs may therefore be provided flexibility in terms of appointment and retrenchment of dealer network selected under the ‘Open’ category.

ii. The Committee is of the view that as setting up of retail outlets is a bankable project and hence the decision to set up retail outlets as company-owned or dealer-owned should be guided solely by economic/business merits irrespective of the category of the retail outlet.

iii. The private sector is permitted to appoint the same dealer for multiple locations (multiple dealerships) so that they can derive the benefit of economies of scale and a
much greater commitment from the dealer to enhance their business by providing a much higher level of customer service at a competitive price and thereby deriving better margins. Committee is of the view that PSU OMCs may be allowed to appoint same dealer for multiple locations for ‘Open’ category dealerships.

4.3 Transportation Fuels included in Resolution dated 8\textsuperscript{th} March 2002

\textbf{ATF included as transportation fuel in Resolution dated 8\textsuperscript{th} March 2002}

The Resolution dated 8\textsuperscript{th} March 2002 covers all the three transportation fuels viz. MS, HSD and ATF. However, all other clauses that need to be complied by the company seeking authorisation are related to marketing of MS and HSD only. As the authorisation to market ATF has separately been notified under the Aviation Turbine Fuel (Regulation of Marketing) Order 2001 which was later amended in 2014, this Resolution should not include ATF.

\textit{Committee views}

\begin{enumerate}
  \item ATF may not be included in the marketing authorisation in view of reasons mentioned above
  \item There should be no bar on the company for adding other new generation alternate transport fuels like CNG and its variants, biofuels, LNG, auto LPG, electric vehicle charging points etc. subject to company complying with various other statutory guidelines (of PNGRB, CEA, PESO, etc.) as applicable. It may be noted that this provision does not provide any right to the company in respect of these other transportation fuels. It only states that this policy does not restrict them from adding these fuels/ facilities.
\end{enumerate}

4.4 Demand for enhancing flexibility in operationalizing the authorisation

4.4.1 Restrictions on operationalization of marketing authorisation

\textbf{Extant criterion:}

\textit{Para 3.x. of the Resolution dated 8\textsuperscript{th} March 2002 stipulates that the authorisation to market transportation fuels may be exercised either by the eligible company itself or through its subsidiary or through its Joint Venture (JV) company with other eligible company or through its JV company with a PSU already marketing transportation fuels.}

A few stakeholders have raised the issue that this clause is highly restrictive and needs to be made flexible to incentivize more and more players to enter the segment of marketing of transportation fuels. The various requests included:

- abolition of requirement of authorisation for bulk sales by producers and authorisation should be applicable for retail sales only;
• The authorised company should be allowed to exercise the authorisation through any number of joint venture companies. Further single authorisation criterion for an eligible company needs to be relaxed i.e. a company may be allowed to sell in bulk directly and in retail through a subsidiary/JV.

• The authorised company should be free to make joint venture company with any other company instead of only with other eligible company or PSU OMC. In this regard, it may be mentioned that Technology is disrupting businesses all across the spectrum. They are changing the way businesses were operated and technologies like Internet over Things (IoT), digitization, cutting edge materials, etc. are giving competitive edge to companies who are rapidly embracing them. The companies which are researching and developing these technologies are global in nature and operate in all sectors of the economy. These technologies not only provide operational excellence to the companies but also deliver high customer satisfaction and acceptability. These technology developers maintain their superiority by continuously upgrading their products and retain their leadership by not selling their technology, but by partnering with sector specific companies to implement their solutions in the companies’ businesses. The oil and gas sector is also not immune to the developing technologies as they have a potential to create efficiencies in the retail marketing trade and also create customer value by way of ensuring accurate and consistent product quality and service delivery. Para 3.x. of the Resolution dated 8th March 2002 stipulates that the authorisation to market transportation fuels may be exercised either by the eligible company itself or through its subsidiary or through its Joint Venture (JV) company with other eligible company or through its JV company with a PSU already marketing transportation fuels. In order to facilitate the authorised companies to partner with companies like technology developers, the above restrictive clause may be amended to replace the phrase “Joint Venture (JV) company with other eligible company” with “Joint Venture (JV) company with any other company”. This would provide flexibility to the eligible company to partner either with technology developers or even with strategic financial investors.

**Committee views**

i. A company which is a JV or subsidiary of another company and desires to obtain marketing authorisation would be considered a separate legal entity from its parent company. Accordingly, the credentials only of the company applying for marketing authorisation and not of its parent company would be taken into consideration while deciding the application.
ii. The JV or subsidiary company would be granted authorisation subject to meeting the eligibility criteria and thereafter meeting all the other requirements as stipulated as regards to commissioning of ROs in remote areas and furnishing of bank guarantee.

iii. The present guidelines do not distinguish between retail and bulk sales from the point of marketing authorisation. Considering that retail and bulk business of marketing of transportation fuels (MS and HSD) are different in nature, companies desirous of marketing in both retail and bulk should make separate applications for retail and bulk. For conducting the business in retail, the company shall follow all the guidelines as proposed above regarding commissioning of ROs (including in remote areas) as per plan and furnishing of bank guarantee along with fulfilling all universal service obligations.

iv. Bulk business is when a company supplies product (MS and HSD) directly in bulk (as per the present marketing practice of minimum 12,000 litres per delivery) to end users (for their own consumption and not for resale) and/or to other companies who have obtained marketing authorisation (for selling in either retail or bulk or both).

v. A company seeking authorisation to market transportation fuels in bulk should have a minimum net worth of Rs. 250 crores. As the company seeking authorisation to market transportation fuels in bulk only would be able to start its business without having to meet any obligations related to setting up ROs in remote areas, it would be required to pay upfront non-refundable authorisation fees of Rs. 10 crore, which is equivalent to setting up minimum 5 remote area ROs that a company seeking retail authorisation needs to set up. As there maybe likelihood that some of the newly authorised companies may make false representation to the prospective customers regarding their operations while operating their authorisation, it is proposed to collect a bank guarantee of Rs. 5 crore which may be encashed in case the company indulges in any such activity and fails to pay a penalty. This may be required to ensure that the players behave in disciplined manner while operating their market authorisation. A company which is applying for both retail and bulk authorisation would need to deposit only Rs. 5 crore bank guarantee towards meeting the above obligation of operating in a disciplined manner.

vi. If a company is seeking authorisation to market both in retail and in bulk, then it should have a net worth of Rs. 500 crores and they would have to fulfill obligations related to both the businesses (retail and bulk) separately.

vii. In case a company desires to surrender its authorisation at any point of time, it would be required to file an application with the Central Government stating reasons thereof in this regard. Government shall ordinarily grant permission and refund the bank guarantee to the party after settling all dues/disputes, if any.
4.4.2 Restriction on dealership of more than one company

**Extant criterion:**

Para XIII (b) states that the eligible company shall not operate with the authorisation granted to it through a dealer with whom another marketing company has entered into an agreement for marketing of transportation fuels or from the existing retail outlet of another company. However, there is no mechanism to monitor whether the same person is being appointed as dealer by another authorised company.

**Committee views**

Appointment of the same person as dealer by another company should be addressed in the dealership agreement. If any exclusivity is to be maintained then it should be based on commercial terms only and not addressed in the Resolution. However, it may be clarified that any authorised company will still not be allowed to market transportation fuels from the existing retail outlets of another company.

4.4.3 Miscellaneous Points

a. **Submission of information**

Companies so authorised would be required to furnish information in respect of their infrastructure, logistics, transfers, sales, imports/exports etc. in formats prescribed from time to time on monthly basis by the 7th day of the following month to PPAC and/or to any other agency nominated by the Central Government.

b. **Severance of non-performing RO Dealerships**

While it is observed that PSU OMCs can initiate action against non-performing retail outlet dealerships under their respective dealership agreements, it is reiterated that if required, PSU OMCs may be allowed more flexibility in respect of severance of non-performing dealerships.

c. **Issues not related to the authorisation**

Committee wishes to put on record that while interacting with various stakeholders on the subject, a number of points were raised by a number of stakeholders which were outside the purview of terms of reference of this Committee. Accordingly, the Committee has not covered the same in this report but a list of such issues is enumerated here for reference to the Government:
a. Allowing access to existing infrastructure to all the players

b. Central Government may take up with State Governments for expediting the process of granting ‘No Objection Certificate’ by District Magistrate to the applications for setting up of new retail outlets.
Recommendations
5 Recommendations

Based on the stakeholders’ interaction and subsequent deliberations, the Expert Committee makes the following recommendations:

5.1 Manner of authorisation

5.1.1 There is no distinction between bulk and retail marketing authorisation in the existing policy. However, considering that retail and bulk business of marketing of transportation fuels (MS and HSD) are different in nature, companies desirous of marketing in both retail and bulk should make separate applications for retail and bulk. Retail business is when a company sells product through the dispensing units installed in the retail outlets. Bulk business is when a company supplies product directly in bulk (minimum 12,000 litres per delivery) to end users (for their own consumption and not for resale) and/or to other entities who have obtained marketing authorisation (for selling in either retail or bulk or both).

5.1.2 The guidelines for grant of authorisation for each type of application have been outlined separately below.

5.1.3 While granting authorisation for retail marketing of MS and HSD, there would be no restriction on the company for adding other new generation alternate transport fuels like CNG and its variants, biofuels, LNG, auto LPG, electric vehicle charging points etc. subject to the company complying with various other statutory guidelines (of PNGRB, CEA, PESO, etc.) as applicable. It may be noted that this provision does not provide any right to the company in respect of these other transportation fuels. It only states that this policy does not restrict them from adding these fuels/ facilities.

5.2 Authorisation for retail marketing

Retail business is when a company sells product through the dispensing units installed in the retail outlets.

5.2.1 Eligibility criteria

5.2.1.1 The company seeking authorisation for retail marketing only should have a minimum net worth of at least Rs. 250 crore (Rupees two hundred fifty crore) at the time of making the application to the Central Government for grant of authorisation. Accordingly, the company would be required to submit the audited accounts statement of the previous financial year in support of its application. Further the company would be required to ensure that its net worth does not fall below Rs. 250 crore at any point of time during the tenure of the authorisation. Therefore, the company would be required to file an annual statement in this
regard with the Central Government along with audited accounts statement. In case of a newly established company applying for authorisation which does not have audited accounts statement, a certificate from a chartered accountant stating that the company has a net worth of Rs. 250 crore, would be accepted.

5.2.1.2 The authorisation for retail marketing would be contingent to the party undertaking to commission the authorised number of retail outlets in a time bound manner, undertaking to pay specified penalty in case of default in proportion to default, paying a bank guarantee to the Central Government as a security towards payment of penalty and complying with all the conditions as mentioned in the authorisation.

5.2.2 Application process

Companies seeking authorisation for retail marketing need to set up at least 100 retail outlets, out of which at least 5% of the proposed retail outlets shall be set up in the notified remote areas within 7 years of grant of authorisation as per timelines indicated in para 5.2.2.1. The cumulative percentage of authorised ROs as mentioned in para 5.2.2.1 below are the minimum numbers which the company would be required to set up by the end of that year. The 1st day of the next month after the grant of the authorisation would be reckoned as the start of the timeline. For example, if a company is granted authorisation on 26th July 2019, then 1st August 2019 would be treated as the start of the 1st year and 31st July 2020 as the end of the 1st year.

It is proposed to dispense with the obligation for setting up ROs in low service areas as defined in the earlier policy dated 8.3.2002.

5.2.2.1 Commissioning schedule of remote area retail outlets

The timelines for commissioning of minimum number of remote area retail outlets is as follows:

<table>
<thead>
<tr>
<th>At end of Year</th>
<th>Minimum cumulative percentage of required remote area ROs (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>0</td>
</tr>
<tr>
<td>2nd</td>
<td>0</td>
</tr>
<tr>
<td>3rd</td>
<td>10</td>
</tr>
<tr>
<td>4th</td>
<td>20</td>
</tr>
<tr>
<td>5th</td>
<td>40</td>
</tr>
<tr>
<td>6th</td>
<td>70</td>
</tr>
<tr>
<td>7th</td>
<td>100</td>
</tr>
</tbody>
</table>

*In case the number works out to be in decimals, the same would be rounded off to the next higher integer. (e.g. If the percentage works out to be 4.2, the same would be rounded off to 5)
5.2.2.2 Marketing plan

The company seeking authorisation for retail marketing shall make an application to the Central Government along with requisite application fee and marketing plan. The party would be required to specify the year-wise number of retail outlets it proposes to set up subject to a minimum of 100 retail outlets in the next 7 (seven) years from the date of grant of authorisation in the application itself. Apart from the above, the marketing plan would include:

- The source of supply of products to be marketed;
- Tankage and other infrastructure with their capacity;
- Means of transportation of products to depots and to ROs; and
- Year-wise number of ROs proposed.

5.2.2.3 Remote area obligation

5% of the proposed retail outlets shall be set up by the company in the notified remote areas within 7 years of grant of authorisation as per timelines indicated in para 5.2.2.1. Currently Remote Area (RA) is defined as the notified districts in the States of Himachal Pradesh, Jammu & Kashmir, North Eastern States, Sikkim, Uttarakhand, UTs of Andaman & Nicobar Islands, Lakshadweep Islands and any other area notified as such by the Central Government. The Central Government may update the list of areas specified in remote areas from time to time keeping in mind the number of retail outlets set up by various OMCs so as to ensure coverage of all remote areas. However, the retail outlet once commissioned in a remote area, would continue to be counted under the company. Once sufficient numbers of retail outlets have been set up in a particular remote area, the Central Government may notify exclusion of such area from the list which shall ordinarily be effective after one year of notification.

The following two options would be available to the company in respect of remote area retail outlets which they have to exercise at the time of application itself.

1. If the company does not want to set up any remote area retail outlet, then it shall have an option to pay upfront Rs. 2 crore per remote area RO to the Central Government at the time of grant of authorisation itself. Payment is to be made within one month of receipt of letter of consent from the Government to the company’s proposal for the above.

2. If the company decides to set up remote area retail outlets, then it shall deposit a bank guarantee of Rs. 3 crore per remote area RO to the Central Government within one month of receipt of letter of consent from the Government to the company’s proposal for the same. In case the company fails to set up remote area ROs as per the approved plan, the Government would encash bank guarantee equivalent to the shortfall in
remote area ROs @ Rs. 3 crore/ RO immediately at the end of the year of shortfall itself.

Central Government will utilize the funds received under both the options above for setting up retail outlets in remote areas using bidding process or through PSU OMCs.

Thereafter, the total number of authorised ROs that the company would be required to setup as per the schedule would be reduced by the number of ROs for which they paid upfront (option 1) or penalty (option 2) to meet the remote area obligation.

5.2.2.4 Universal service obligation

The universal service obligations for all authorised companies would also include:

- maintaining supplies of MS and HSD to retail consumers throughout the specified working hours and of specified quality and quantity
- ensuring availability of minimum facilities as specified by the Central Government, to all the retail consumers at the retail outlet
- maintaining minimum inventory levels of MS and HSD as specified by the Central Government from time to time
- providing service to any person on demand within a reasonable period of time and on non-discriminatory basis
- Availability of fuel to the customers at reasonable prices all the time.

5.2.3 Bank guarantee and penalties

It is proposed to collect a bank guarantee from the company at the time of grant of authorisation for retail marketing for meeting the following:

1. For commissioning remote area ROs as per approved timelines and fulfilling universal service obligations in respect of them for companies choosing option 2 mentioned in para 5.2.2.3 above.

It is proposed to collect the bank guarantee of Rs. 3 crore per remote area RO as a security towards the company meeting its commitment of commissioning remote area ROs as per timelines and fulfilling universal service obligations in respect of these retail outlets. If the company fails to commission any remote area RO as per approved timelines, Central Government would encash bank guarantee equivalent to Rs. 3 crore per remote area RO corresponding to shortfall in commissioning vis-à-vis targets for that year within 3 months of the end of that year. After the obligation has been fulfilled in respect of all the remote area ROs either by the company having set up the RO itself or by paying the penalty of Rs. 3 crore per remote area RO, Government would release
the balance bank guarantee, if any, to the company after deducting Rs. 0.50 crore per remote area retail outlet actually set up by it as a security towards the company meeting universal service obligations in respect of these retail outlets. However, in case the company has chosen the option of paying upfront Rs. 2 crore per remote area RO at the time of application, no bank guarantee would be taken from the company on account of commissioning and fulfilling universal service area obligations related to remote area.

2. For maintaining discipline in the operation of the authorisation by the company in terms of making proper representation about its operations to the public/dealers and providing high customer service standards through its retail outlets and providing information to the Central Government.

It is proposed to collect the bank guarantee of Rs. 5 crore (Rupees five crore) from the company at the time of grant of authorisation as a security towards the company displaying responsible conduct in terms of proper representation about its operations while inviting applications from the public for dealerships, providing high customer service standards through its retail outlets, furnishing data on infrastructure, sales, purchase etc. to the Central Government or any agency nominated by it in regular and timely manner. This BG would be collected from all the companies which have chosen either option 1 or option 2 as per 5.2.2.3 above. In case it comes to the notice of the Government that the company is not adhering to these norms, it may issue a show cause notice as to why penalty should not be imposed on the company. If the explanation is not found to be satisfactory, the company may be required to pay a penalty of Rs. 25 lakh per instance. If the party fails to pay the penalty in given time, Government would have the power to encash the bank guarantee for penalty value and the party would be required to replenish bank guarantee to the full value of Rs. 5 crore within a period of sixty days from the date of encashment of bank guarantee. In case of repeated instances of defaults, Government may issue an ultimatum to the party that the authorisation would be revoked in case of any further default.

These steps are necessary to ensure seriousness on the part of parties in complying with their obligations as per this policy.

5.2.5 Appointment of same person as dealer by multiple companies

The present Resolution prohibits an eligible company to operate its retail authorisation through a dealer of an existing marketing company, but there is no mechanism to monitor the same and therefore, appointment of the same person as dealer by another company should be addressed in the dealership agreement. If any exclusivity is to be maintained, then it should be based on
5.3 Authorisation for bulk marketing

Bulk business is when a company supplies product (MS and HSD) directly in bulk (minimum 12,000 litre per delivery) to end users (for their own consumption and not for resale) and/or to other entities who have obtained marketing authorisation (for selling in either retail or bulk or both). The authorisation to market in bulk would be for MS and HSD only.

5.3.1 Eligibility criteria

The company seeking authorisation for bulk marketing should have a minimum net worth of at least Rs. 250 crore (Rupees two hundred and fifty crore) at the time of making the application to the Central Government for grant of authorisation. Accordingly, the company would be required to submit audited accounts statement of the previous financial year in support of its application. Further, the company would be required to ensure that its net worth does not fall below Rs. 250 crore at any point of time during the tenure of the authorisation. Therefore, the company would be required to file an annual statement in this regard with the Central Government along with audited accounts statement. In case of a newly established company applying for authorisation which does not have audited accounts statement, a certificate from a chartered accountant stating that the company has a net worth of Rs. 250 crore, would be accepted. In case a company seeks authorisation for both bulk and retail marketing, it should have a net worth of Rs. 500 crores and it would have to fulfill obligations related to both the businesses separately.

5.3.2 Application process

Companies seeking authorisation for bulk marketing need to pay upfront at the time of grant of authorisation an amount of Rs. 10 crore (Rupees ten crore) as non-refundable authorisation fees as they are not required to set up the minimum 5 numbers of remote area ROs.

The company seeking authorisation for bulk marketing shall make an application to the Central Government along with requisite application fee and a marketing plan detailing the following:

- The source of supply of products to be marketed;
- Tankage and other infrastructure with their capacity;
- Means of transportation of products to depots and to bulk customers;
- Total quantum and type of products to be covered.
5.3.3 Bank guarantee and penalty

A bank guarantee of Rs. 5 crore is proposed to be collected from companies at the time of grant of authorisation for bulk marketing to ensure that the company maintains discipline in operation of its authorisation in terms of proper representation about its operations to the public/ customers and furnishing regular and timely information on its infrastructure, sales etc. to the Central Government or its nominated agency.

In case it comes to the notice of the Government that the company is not operationalising its authorisation in a disciplined manner, it may issue a show cause notice to the party as to explain within a month why penalty should not be imposed on the company. If the explanation is not found to be satisfactory, the company may be required to pay a penalty of Rs. 25 lakh per instance. If the party fails to pay the penalty within the given time, Central Government would have the power to encash the bank guarantee for penalty value and the party would be required to replenish bank guarantee to the full value of Rs 5 crore within a period of sixty days from the date of encashment of bank guarantee. In case of repeated instances of defaults, Central Government may issue an ultimatum to the party that the authorisation would be revoked in case of any further default.

These steps are necessary to ensure seriousness on the part of parties in complying with their obligations as per this policy.

A company which is applying for both retail and bulk authorisation would be required to fulfil its obligations related to both the businesses separately, however, it would be required to deposit only Rs. 5 crore bank guarantee instead of Rs. 10 crore towards meeting the above obligation in respect of maintaining discipline.

5.4 Applicability of new guidelines to existing authorised companies

The new guidelines would also be applicable to the existing PSU OMCs, i.e. IOCL, BPCL and HPCL and the existing companies who have been authorised to market transportation fuels under the previous guidelines of Gazette Notification dated 8.3.2002 in the following manner:

5.4.1 Retail marketing

5.4.1.1 Companies authorised to market transportation fuels under the previous guidelines of Gazette Notification dated 8.3.2002

i. All companies authorised to market transportation fuels shall be required to submit detailed marketing plan to the Central Government regarding the number of retail outlets proposed to be set up by them after the date of notification of the new guidelines. They would also be required to provide 5% of the retail outlets in
remote areas in proportion to the number of retail outlets to be set up by them after notification of the new guidelines. The timelines for setting up specific percentage of retail outlets would be the same as timelines provided for new companies (as mentioned in para 5.2.2) and the date of approval by the Government of the new marketing plan submitted by the company would be treated as the start date for the purpose of counting of target dates. These companies would also be given both the options as available to new companies i.e. payment of Rs. 2 crore upfront per remote area RO or deposit of Rs. 3 crore bank guarantee per remote area RO as detailed in para 5.2.3 (1).

ii. These companies would also be required to submit a statement to the Central Government within one month of the date of notification of new guidelines giving the status of compliance in respect of commissioning of retail outlets in remote areas as per the terms of the earlier policy vide which they were granted authorisation. In case of any shortfall, the company’s authorisation is liable to be withdrawn as per the existing guidelines in vogue. However, the company would be allowed to exercise one of the following two options within a period of two months of date of notification of new guidelines, to meet their remote area ROs obligations of the past period:

a) make an upfront payment of Rs 2 crore per remote area RO of shortfall; or

b) deposit a bank guarantee of Rs 3 crore per remote RO of shortfall as a security towards setting up the remote area ROs within 2 years from the date of notification of the new guidelines. In case the company fails to set up these remote area ROs within 2 years, the bank guarantee @ Rs 3 crore per remote RO of shortfall would be encashed at the end of the second year. The balance bank guarantee, if any, shall be returned to the company.

In case of violation of these conditions of authorisation, the company would be issued a notice why the marketing authorisation should not be withdrawn. However, in case a company presently has surplus number of retail outlets in remote areas, it would be allowed to set off the surplus with the future obligations.

5.4.1.2 Existing PSU oil marketing companies (IOCL, BPCL and HPCL)

i. After the date of notification of the new guidelines, PSU OMCs shall be required to submit detailed marketing plan to the Central Government regarding number of retail outlets proposed to be set up by them for which LOIs have not been issued as on the date of notification of the new guidelines. They would also be required to
provide 5% of the retail outlets in remote areas in proportion to the number of retail outlets whose LOIs will be issued after the date of notification of the new guidelines. The timelines for setting up specific percentage of retail outlets would be the same as timelines provided for new companies (as mentioned in para 5.2.2) and the date of approval by the Central Government of the new marketing plan submitted by the company would be treated as the start date for the purpose of counting of target dates. These companies would also be given both the options as available to new companies i.e. payment of Rs 2 crore upfront per remote area RO or payment of Rs 3 crore bank guarantee per remote area RO as detailed in para 5.2.3.

5.4.2 Bulk marketing

There is no distinction between bulk and retail marketing authorisation in the existing policy. Accordingly all companies already authorised to market transportation fuels are already authorised for both retail and bulk marketing. Hence authorisation fees of Rs. 10 crore and bank guarantee of Rs. 5 crore as being charged from new companies for bulk marketing shall not be applicable to them.

5.5 Common points

5.5.1 Applying for both retail and bulk authorisation

A company which desires to market transportation fuels for both retail and bulk business should make separate applications.

5.5.2 Submission of information

The companies would furnish a quarterly return in the format as specified from time to time, to the Central Government or an agency nominated by it, providing therein the details of commissioned ROs along with their GIS coordinates clearly indicating therein the details of the retail outlets commissioned in remote areas. In order to monitor compliance, the Government would set up an online public portal wherein all companies would upload their list of operating ROs at the beginning of every month in a specified format along with GIS coordinates.

Apart from the above, all authorised companies would be required to furnish information in respect of their infrastructure, logistics, transfers, sales, imports/exports etc. in formats prescribed from time to time on a monthly basis by the 7th day of the following month to the Central Government or to any other agency nominated by it.
5.5.3 Application by a JV or subsidiary

A company which is a JV or subsidiary of another company (which already has an authorisation) and desires to obtain authorisation would be considered a separate legal entity from its parent company. Accordingly, the credentials only of the company applying for authorisation and not of its parent company would be taken into consideration while deciding the application.

5.5.4 Surrender of authorisation

In case a company desires to surrender its authorisation at any point of time, it would be required to file an application with the Central Government stating reasons thereof in this regard. Government shall ordinarily grant permission and refund the bank guarantee to the party after settling all dues/disputes, if any.

5.5.4 Transfer of authorisation

The authorisation to market transportation fuels will not be transferable without permission of the Central Government.

5.6 Other recommendations

5.6.1 Level playing field for PSU OMCs

While meeting the social objectives of the Government, the PSU OMCs should also be provided flexibility in appointment of dealers. Committee is of the view that PSU OMCs may be allowed complete freedom in framing their own selection guidelines in respect of ‘Open’ category retail outlets, while they may continue to follow the Government guidelines for appointment of dealers in respect of reserved category locations. The OMCs may therefore be provided flexibility in terms of appointment and retrenchment of dealer network selected under the ‘Open’ category.

The Committee is of the view that setting up of retail outlets is a bankable project and hence the decision to set up retail outlets as company-owned or dealer-owned should be guided solely by economic/business merits irrespective of the category of the retail outlet.

The private sector is permitted to appoint the same dealer for multiple locations (multiple showrooms) so that they can derive the benefit of economies of scale and a much greater commitment from the dealer to enhance their business by providing a much higher level of customer service at a competitive price and thereby deriving better margins. The Committee is of the view that PSU OMCs may be allowed to appoint the same dealer for multiple locations for ‘Open’ category dealerships.
5.6.2 Issues not related to the authorisation

The Committee wishes to put on record that while interacting with various stakeholders on the subject, a number of points were raised by various stakeholders which were outside the purview of terms of reference of this Committee. Accordingly, the Committee has not covered the same in this report but the issues are enumerated below for reference of the Government:

i. Uniform access to existing infrastructure to all the players

ii. Central Government may take up with State Governments for expediting the process of granting 'No Objection Certificate' by District Magistrate to the applications for setting up of new retail outlets.
### 5.7 Authorisation guidelines at a glance

#### 5.7.1 For new applicants

<table>
<thead>
<tr>
<th>Authorisation sought</th>
<th>Eligibility</th>
<th>Obligations towards remote areas (Setting up of 5% of retail outlets in specified remote areas)</th>
<th>Discipline (For maintaining discipline in the operation of the authorisation by the company)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail only</strong></td>
<td>Minimum net worth of at least Rs. 250 crore</td>
<td><strong>Option 1</strong>: Upfront payment of Rs. 2 crore per remote area RO at the time of authorisation itself.</td>
<td>Bank guarantee of Rs. 5 crore. Penalty of Rs 25 lakh per instance. Repeated instances may lead to revocation of authorisation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Option 2</strong>: Deposit a bank guarantee of Rs. 3 crore per remote area RO that shall be encashed in the year of shortfall itself, if it occurs.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authorisation sought</th>
<th>Eligibility</th>
<th>Authorisation fees</th>
<th>Discipline (For maintaining discipline in the operation of the authorisation by the company)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bulk Only</strong></td>
<td>Minimum net worth of at least Rs. 250 crore</td>
<td>Upfront payment of non-refundable authorisation fees of Rs. 10 crore</td>
<td>Bank guarantee of Rs. 5 crore. Penalty of Rs 25 lakh per instance. Repeated instances may lead to revocation of authorisation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authorisation sought</th>
<th>Eligibility</th>
<th>Obligations towards remote areas (Setting up of 5% of retail outlets in specified remote areas) and authorisation fees</th>
<th>Discipline (For maintaining discipline in the operation of the authorisation by the company)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail and Bulk both</strong></td>
<td>Minimum net worth of at least Rs. 500 crore</td>
<td><strong>Bulk Marketing Authorisation</strong>: Upfront payment of non-refundable authorisation fees of Rs 10 crore</td>
<td>Bank guarantee of Rs. 5 crore. Penalty of Rs 25 lakh per instance. Repeated instances may lead to revocation of authorisation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Retail Marketing Authorisation</strong>: <strong>Option 1</strong>: Upfront payment of Rs. 2 crore per remote area RO to the Government at the time of authorisation itself.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Option 2</strong>: Deposit a bank guarantee of Rs. 3 crore per remote area RO to the Government that shall be encashed in the year of shortfall itself, if it occurs.</td>
<td></td>
</tr>
</tbody>
</table>
5.7.2 Companies authorised to market transportation fuels under the previous guidelines (of Gazette Notification dated 8.3.2002)

<table>
<thead>
<tr>
<th><strong>Obligations towards remote areas</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROs commissioned prior to date of new notification:</strong></td>
</tr>
<tr>
<td>In case of any shortfall in respect of commissioning of retail outlets in remote area ROs as per the terms of the earlier policy vide which they were granted authorisation, the company would be allowed to exercise one of the following two options within a period of 2 months of date of notification of new guidelines, to meet their remote area ROs obligations of the past period:</td>
</tr>
<tr>
<td><strong>Option 1:</strong> Make an upfront payment of Rs. 2 crore per remote area RO of shortfall; or</td>
</tr>
<tr>
<td><strong>Option 2:</strong> Deposit a bank guarantee of Rs. 3 crore per remote RO of shortfall as a security towards setting up the remote area ROs within 2 years from the date of notification of the new guidelines. In case the company fails to set up these remote area ROs within 2 years, the bank guarantee of Rs. 3 crore per remote RO of shortfall would be encashed at the end of second year. The balance bank guarantee, if any, shall be returned to the company.</td>
</tr>
</tbody>
</table>

| **ROs to be commissioned after date of new notification:** |
| **Option 1:** Upfront payment of Rs. 2 crore per remote area RO at the time of application itself; or |
| **Option 2:** Deposit a bank guarantee of Rs. 3 crore per remote area RO that shall be encashed in the year of shortfall itself, if it occurs. |

5.7.3 Existing PSU oil marketing companies (IOCL, BPCL and HPCL)

<table>
<thead>
<tr>
<th><strong>Obligations towards remote areas</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROs commissioned and/or new LOIs issued prior to date of new notification:</strong></td>
</tr>
<tr>
<td>These companies would be governed as per the existing norms applicable.</td>
</tr>
</tbody>
</table>

| **LOIs issued after date of new notification:** |
| **Option 1:** Upfront payment of Rs. 2 crore per remote area RO at the time of application itself. |
| **Option 2:** Deposit a bank guarantee of Rs. 3 crore per remote area RO that shall be encashed in the year of shortfall itself, if it occurs. |
Annexures
MINISTRY OF PETROLEUM & NATURAL GAS
RESOLUTION
New Delhi, the 21st November, 1997

NO.P-20012/29/97-PP — The existing system of pricing of petroleum products is based on the recommendations of Oil Prices Committee, 1976 as approved by the Government of India, Ministry of Petroleum vide its Resolution No P-20028/377-PPD (Vol II) dated December 16, 1977 and as amended by the Government of India, Ministry of Petroleum and Natural Gas vide order No P-20012/48/84-PP dated October 23, 1986 based on the recommendations of the Oil Cost Review Committee, 1984. Under the present system, Oil refineries, marketing companies and pipelines are compensated based on the retention concept and are allowed a return of 12% post tax on net worth. The price of indigenous crude oil is also based on cost plus formula wherein the PSU Oil producing companies are allowed operating cost and 15% post tax return on capital employed.

2. The Government of India, Ministry of Petroleum and Natural Gas vide its order No P-20029/21/94-PP dated January 18, 1995 had appointed a Strategic Planning Group on Restructuring of the Oil Industry (‘R’ Group) comprising of eminent experts from the Public Sector & Private Sector, distinguished Energy Experts and academicians to make recommendations to meet the policy objectives and initiatives required for restructuring the oil industry. The ‘R’ Group had recommended the gradual phasing out of APM and introduction of free marketing mechanism. The Government had decided on 1.9.97 to dismantle APM by introducing reforms in a phased manner based on the recommendations of the ‘R’ Group.

3. The Government of India, Ministry of Petroleum and Natural Gas vide its order No P-20029/21/95-PP dated June 25, 1996 had also appointed an Expert Technical Group to examine the impact on various sectors at different levels of duty structure in case of dismantling of APM. The Expert Technical Group has submitted its report which was under examination of the Government. The report has dealt with phased movement to Market Determined Pricing Mechanism and rationalisation of Custom Tariff & Excise duty rates in respect of dismantling of APM along with its impact on various other sectors.
4. The Government of India has now decided the details of phasing of dismantling programme of administered pricing mechanism and the duty structure for the terminal year i.e. 2001-02, after taking into account the recommendations of Expert Technical Group. The details are given below:

a) Dismantling of APM in the petroleum sector in phases as per sequence given in Annexure-I starting from 1998-99.

b) Cost-plus formula is withdrawn for indigenous crude oil producers, the price receivable by oil producers will be increased to international levels in a phased manner by paying a pre-announced increasing percentage of weighted average FOB price of actual imports of crude oil during the transition period.

c) The system of retention pricing is abolished for all (existing and new) refineries, and pricing of petroleum products at the refinery gate level will move towards import parity, however, Refinery Gate prices of controlled products viz MS, HSD, SKO, LPG and ATF will be fixed at "adjusted import parity" prices for the existing refineries during the transition period, all other products will be sold by the refineries at market driven prices.

d) Consumer prices of major petroleum products will be moved to market prices, price of HSD will be fixed on the principle of import parity pricing upto ex-storage point level with immediate effect, and prices of other major products, viz. LPG, ATF, SKO and MS, will be moved towards principle of import parity in a phased manner and pricing of Paraffin-Wax, Bitumen, Naphtha, FO and LSHS will be decontrolled.

e) The transition period will be utilised for servicing and amortising the Oil Bonds worth around Rs.18,200 crores, proposed to be issued by the Government to the Oil companies, the price of crude and petroleum products as mentioned above will be fixed by OCC with enhanced autonomous powers.

f) Imports and exports of all petroleum products, except crude (slop crude and crude condensate), NGL, ATF, MS and HSD will be decanalised during the transition period, however, sourcing and import of crude will be allowed to joint and private sector refineries under actual user licensing policy.

g) Duties on crude and petroleum products will be rationalised in a phased manner.
h) Investments in the refining sector will be encouraged by providing reasonable tariff protection and making marketing rights for transportation fuels viz MS, HSD and ATF conditional on owning and operating refineries with an investment of at least Rs.2000 crores or oil exploration and production companies producing at least three million tonnes of crude oil annually.

i) Cost-plus formula for shipping of crude oil is withdrawn and the rates will move towards market related rates.

j) Freight subsidy on supplies to far-flung areas will be met through the fiscal budget and

k) Establishment of a regulatory framework to oversee the functioning of and enforcing a competitive framework in the Hydrocarbon Sector.

5. The decisions herein contained will come into force with effect from 1.4.1998 onwards and will remain in force until further orders.

NIRMAL SINGH, Jt. Secy.

ORDER

Ordered that a copy of this Resolution be communicated to all the State Governments/Union Territory Administrations, Lok Sabha and Rajya Sabha Secretariat and the concerned Ministries and Departments of the Government of India.

Ordered also that the Resolution be published in the Gazette of India for general information.

NIRMAL SINGH, Jt. Secy.
## PHASED PROGRAMME OF REFORMS

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition Phase</td>
<td>4 years</td>
</tr>
<tr>
<td><strong>Year 1 (1998-1999)</strong></td>
<td></td>
</tr>
<tr>
<td>i) Removal of cost plus formula and payment to crude producers as a percentage of weighted average FOB price of actual imports</td>
<td>75 per cent</td>
</tr>
<tr>
<td>ii) Products to be controlled during transition period</td>
<td>MS, HSD, Kerosene, ATF and LPG</td>
</tr>
<tr>
<td>iii) Withdrawal of retention margin concept for the refineries and refinery gate prices for controlled products</td>
<td>Adjusted import parity prices to existing refineries and tariff adjusted import parity prices to new refineries.</td>
</tr>
<tr>
<td>iv) Products to be decontrolled</td>
<td>Naphtha, FO, LSHS, Bitumen, Paraffin wax</td>
</tr>
<tr>
<td>v) Exim Policy</td>
<td>Decanalisation of imports/exports of all petroleum products except crude (slop crude and crude condensate), NGL, ATF, MS and HSD</td>
</tr>
<tr>
<td>vi) Sourcing of crude</td>
<td>Sourcing of crude to be liberalised and import to be allowed for joint and private sector refineries under actual user licence</td>
</tr>
<tr>
<td>vii) Customs duties</td>
<td>Rationalisation done in a phased manner</td>
</tr>
<tr>
<td>viii) Increase in prices of:</td>
<td></td>
</tr>
<tr>
<td>Kerosene (PDS)</td>
<td>30 per cent of existing ex-storage point price</td>
</tr>
<tr>
<td>LPG(Domestic)</td>
<td>33 per cent of subsidy passed on.</td>
</tr>
<tr>
<td>ix) Freight and other under –recoveries</td>
<td>33 per cent to be passed on, in an equated manner</td>
</tr>
<tr>
<td>x) Shipping of crude oil</td>
<td>Withdrawal of cost plus formula for shipping of crude oil and move towards market related rates.</td>
</tr>
<tr>
<td>Particulars</td>
<td>Model</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>i) Payment to crude producers as percentage of weighted average FOB</td>
<td>77.5 per cent</td>
</tr>
<tr>
<td>ii) Increase in prices of: Kerosene (PDS)</td>
<td>30 per cent of revised ex-storage point price at the end of year 1</td>
</tr>
<tr>
<td></td>
<td>A further 33 per cent of subsidy to be passed on</td>
</tr>
<tr>
<td></td>
<td>A further 33 per cent to be passed on, in an equated manner</td>
</tr>
<tr>
<td>iii) Freight and other under-recoveries</td>
<td>To continue</td>
</tr>
<tr>
<td>iv) Rationalisation of duties</td>
<td></td>
</tr>
<tr>
<td><strong>Year 3 (2000-01)</strong></td>
<td></td>
</tr>
<tr>
<td>i) Payment to crude producers as percentage of weighted average FOB price</td>
<td>80 per cent.</td>
</tr>
<tr>
<td>ii) ATF</td>
<td>Deregulation of imports and pricing</td>
</tr>
<tr>
<td>iii) Increase in prices of: Kerosene (PDS)</td>
<td>20 per cent of the revised ex-storage point price at the beginning of the year.</td>
</tr>
<tr>
<td></td>
<td>Suitable adjustment in prices to reach subsidy level at 15% of import parity.</td>
</tr>
<tr>
<td></td>
<td>Balance subsidy to be passed on, in an equated manner</td>
</tr>
<tr>
<td>iv) Freight and other under-recoveries</td>
<td></td>
</tr>
<tr>
<td><strong>Year 4 (2001-2002)</strong></td>
<td></td>
</tr>
<tr>
<td>i) Payment to crude producers as percentage of weighted average FOB price</td>
<td>82.5%</td>
</tr>
<tr>
<td>ii) Increase in prices of: Kerosene (PDS)</td>
<td>Suitable adjustment in prices to reach subsidy level at 33.33% of the import parity.</td>
</tr>
<tr>
<td></td>
<td>Full Deregulation</td>
</tr>
<tr>
<td></td>
<td>Transfer of subsidy on SKO (PDS), LPG(Domestic) and freight subsidy on supplies to far flung areas to the fiscal budget of the Government.</td>
</tr>
</tbody>
</table>
MINISTRY OF PETROLEUM AND NATURAL GAS
RESOLUTION
New Delhi, the 8th March, 2002

No. P-23015/1/2001-Mkt.— The Government of India vide its Resolution No. 224 dated 21st November, 1997 decided the phased dismantling of Administered Pricing Mechanism (APM). In the aforesaid Resolution, it was envisaged that investments in the refining sector will be encouraged by providing reasonable tariff protection and making marketing rights for transportation fuels viz. MS, HSD and ATF conditional on owning and operating refineries with an investment of at least Rs. 2000 crore or oil exploration and production companies producing at least three million tonnes of crude oil annually.

2. The Prime Minister, in March, 1999, had set up a Group of Ministers for working out a specific framework for developing “India Hydrocarbon Vision - 2025”. The Group submitted its report on 23.3.2000. The report has inter-alia recommended that marketing rights for transportation fuels be made conditional to a company investing or proposing to invest Rs. 2000/- crore in exploration or production, refining, pipelines or terminals. The report has also recommended to set up mechanisms to enable new entrants to establish own distribution networks for marketing without encroaching on the retail networks of the existing marketing companies.

3. The Government of India have now decided to grant authorization to market transportation fuels, namely, MS, HSD and ATF to the new entrants including the private sector, after taking into account the recommendations of the Report “Indian Hydrocarbon Vision – 2025”. The guidelines for granting of authorization to market transportation fuels are given below:

I. As per the Resolution of the Government of India dated 21st November, 1997, companies owning and operating refineries with an investment of at least Rs. 2,000 crore or oil exploration and production companies producing at least 3 million tonnes of crude oil annually, are entitled for marketing rights for transportation fuels.

II. Now, authorization to market transportation fuels, namely, motor spirit (MS), high speed diesel (HSD) and aviation turbine fuel (ATF) is also available to a company investing or proposing to invest Rs. 2,000 crore, in
exploration and production (E&P), refining, pipelines or terminals. The valuation of the investments for the above purposes will be got done by the Government to its satisfaction.

III. In case of future investments, the time frame for making such investments in the eligible activities would be counted as ten years from the date of grant of authorization for marketing of transportation fuels for all projects taken up under this scheme. Within the overall time frame of ten years for making investment of Rs. 2,000 crore in the eligible activities, financial closure should be achieved within five years, and the project/projects completed in all respects within ten years. The aforesaid period of ten years includes the period earmarked for financial closure. To be eligible, the company will be required to make such investments as would result in the additionality to the existing assets and/or creation of new assets in the eligible activities.

IV. Investment in the following assets is considered eligible:

(a) Setting up new grass root refineries and/or expansion of the existing refineries along with facilities like crude oil receipt and transportation facilities.
(b) Exploration and production of hydrocarbons including coal bed methane, and associated facilities like crude oil/natural gas pipelines, crude oil and natural gas processing plants.
(c) Terminals for crude oil/LNG.
(d) Common carrier natural gas/petroleum products/LPG pipelines;

Provided in case of “common carrier pipelines”, the investor would be subject to all rules and regulations relating to a regulatory mechanism that may be laid down in future.

(e) Investment in the above activities for setting up additional assets for improvement in quality of product to meet environmentally related norms.

The activities other than those specified above would not be eligible.

V. The requirement of the specified amount of actual or proposed investment would be applicable to the total of the various investments/proposed investments by the company in the eligible activities and would not be restricted to any single activity.

VI (a) The company proposing to make the specified level of investment in the eligible activities or a company which has already made Rs. 2,000 crore of investment in the eligible activities but is yet to complete the project/projects will be required to sign an agreement containing conditions and milestones, with the Government in the Ministry of Petroleum and Natural Gas (MoP&NG)/Regulatory Board.

(b) The agreement would, inter-alia, have specific provisions for bank guarantee of Rs. 500 crore for the proposed investment. The guarantee,
where imposed, would be discharged on completion of the investment of Rs. 2,000 crore but the obligation of the applicant to complete the project would continue till final completion of the project.

VII. The Government/Regulatory Board shall review the progress of project/projects periodically with the concerned parties to satisfy itself that the conditions and milestones given in the agreement are being fully complied and there is no slippage therein. If the investment up to Rs. 2000 crore is delayed beyond ten years, then the bank guarantee may be invoked and any other penalty as provided in the agreement imposed including the cancellation of authorization to market transportation fuels. In cases where after investment of Rs. 2000 crore the project remains incomplete beyond the period, specified by the applicant in his scheme, the market authorisation can be withdrawn.

VIII. The investments made or proposed to be made in the eligible activities would be in the form of equity, equity like instruments e.g. convertible debentures (fully or partially), or debt with recourse to the company.

IX. Every eligible company would get only one authorization i.e. the company that has invested or proposes to invest in the eligible activities either in its name or in the name of the company in which investment has been made or is proposed to be made.

X. The authorization to market transportation fuels may be exercised either by the eligible company itself or through its subsidiary or through its Joint Venture (JV) company with other eligible company/companies or through its JV company with a Public Sector Undertaking already marketing transportation fuels.

XI. The authorization to market transportation fuels will not be transferable without permission of the Government.

XII. The company seeking authorization to market transportation fuels will be required to make an application in the specified form, accompanied by such fees as may be specified, giving details of the scheme of marketing for which authorization is sought. There shall be no limit to the quantum and size of the scheme and the number and location of retail outlets (ROs) in the scheme provided that no encroachments on the existing retail outlets will be allowed. However, the marketing scheme shall, by way of information, contain details of:

(a) the source of supply of products to be marketed;
(b) tankage and other infrastructure established/proposed to be established along with their capacity;
(c) means of transportation of products to depots and to ROs;
(d) the number and locations of ROs proposed to be established and details of their storage and dispensing capacity;
(e) the total quantum and type of products to be covered under the marketing scheme.
The scheme will specifically outline the mode of compliance volunteered by the eligible company relating to retail service obligations and marketing service obligations as may be laid down by the Government/Regulatory Board.

XIII After scrutinizing the scheme, the Government or the Regulatory Board as the case may be, may give authorization to the eligible company imposing conditions in public interest which may include:-

(a) servicing remote areas and low service areas as may be declared by the Central Government from time to time, by setting up ROs in such areas at least in proportion to the existing percentage of ROs in the remote areas and low service areas respectively at the beginning of the year of applying for authorization.

The Government/Regulatory Board shall have the power to cancel the marketing authorization if the eligible company fails to set up retail outlets in the remote and low service areas as directed by the Government/Regulatory Board while issuing authorization.

Provided that the eligible company may choose to discharge this obligation by entering into suitable commercial agreement(s) with the existing marketing companies as mentioned in para 3(X).

Explanation:

(i) 'Marketing service obligations' mean obligations laid down by the Government/Regulatory Board and include obligations to set up marketing infrastructure including retail outlets in remote areas and low service areas as may be declared by the Central Government from time to time, not to close down retail outlets in monopoly markets, remote areas and low service areas without prior permission of the Government/Board, to maintain minimum inventory levels of petroleum products as specified by the Central Government, to provide service to any person on demand within a reasonable period of time and on a non-discriminatory basis, and to follow codes and standards laid down by the Board and/or any other prescribed authority.

(ii) 'Retail service obligations' for retail outlets mean obligations laid down by the Government/Regulatory Board and include the obligations for maintaining supplies of MS and HSD to retail consumers through out the specified working hours and of specified quality and quantity and ensuring that minimum facilities as laid down by the Government/Board are available to the retail consumers at retail outlets.

(iii) 'Remote areas' in this scheme mean the notified districts in the States of Himachal Pradesh, J&K, North Eastern States, Sikkim, Uttanchal, Union Territories of Andaman & Nicobar Islands, Lakshadweep Islands and any other area notified as such by the Central Government.
(iv) ‘Low service area’ in this scheme means an area not covered by National Highway/State Highway and not having any retail outlet within 10 KMs or as may be notified by the Central Government from time to time.

(b) the eligible company shall not operate with this authorization through a dealer with whom another marketing company has entered into an agreement for marketing of transportation fuel(s) or from the existing retail outlet of another company.

(c) the Government/Regulatory Board shall not normally suggest major alterations in the proposed scheme except relating to the servicing of remote areas and low service areas. The Government/Regulatory Board shall endeavour to issue authorization within three months of the receipt of the application.

XIV The marketing authorization once issued will not be withdrawn unless the conditions relating to the authorization are violated. In any case, this shall not be done without a notice to the applicant and without full enquiry into the violations.

XV The applicant shall inform the Government/Regulatory Board of major change(s) in his scheme of marketing, if any. The marketing authorization does not discharge the applicant from the obligation of obtaining other clearances as required under law, rules or regulations of a competent authority.

XVI Till the Regulatory Board is formed, the Government will approve the scheme for marketing transportation fuels and issue all authorizations in this regard.

XVII. Authorization to market transportation fuels would be granted by the Government up to 1.4.2002 or till the dismantling of APM and the setting up of a functioning Regulatory Mechanism. During APM, the authorization will be given to those who have made in full the specified investment in the eligible activities. Companies who propose to invest the specified amount, would be eligible for grant of authorization to market transportation fuels only after the APM is dismantled. The new entities who are granted authorization to market transportation fuels during the APM will be entitled to compensation from the oil pool account for such of their marketing infrastructure which is specifically approved to be eligible to be compensated from the oil pool account at the time of grant of authorization. Out of the infrastructure mentioned above, the compensation from the oil pool account would be given only for the terminals/depots that are actually used and to the extent they are used for storage/distribution of petrol and diesel as per the OCC plans. For this purpose, an agreement regarding compensation from the oil pool account and allied matters will be entered into by the company with the Government.
XVIII. In case of any doubt or dispute as regards any of the provisions of these guidelines, decision of the Government will be final and binding.

4. The decisions herein contained will come into force at once and will remain in force until further orders.

S. VIJAYARAGHAVAN. Jt. Secy.
No.M-12029(11)/2/2018-OMC-PNG
Government of India
Ministry of Petroleum and Natural Gas
Shastri Bhavan, New Delhi
Dated the 5th October, 2018

OFFICE MEMORANDUM

Subject: Review of guidelines for granting market authorization to market transportation fuels to oil companies - reg.

The undersigned is directed to say that it has been decided to constitute an Expert Committee to look at the various issues related to implementation of existing guidelines for grant of market authorization to market fuels i.e. MS/HSD/ATF issued by Govt. of India vide its Resolution dated 06.03.2002. The composition of the Committee is as under:

(a) Dr. Kirit Parikh, renowned Economist,
(b) Shri G.C. Chaturvedi, retd. Secretary, Petroleum,
(c) Shri M.A. Pathan, retd. Chairman, IOC,
(d) Director, IIM Ahmedabad,
(e) Joint Secretary (Marketing) – Member Secretary of the Committee.

2. The Committee will furnish its report within a period of 60 days after due consultations with stakeholders. The terms of reference of the Expert Committee are given below:

(a) Review the existing architecture and expert of private sector participation in retail marketing of major transportation fuels in the country,
(b) Identify entry barriers, if any, for expansion of retail outlets for private marketing companies,
(c) To assess the need, if any, to further liberalize the existing Guidelines for authorization of private sector marketing companies,
(d) To make specific recommendations on the nature of amendments, if requires,
(e) Any other recommendations as deemed fit by the Committee.

3. Petroleum Planning & Analysis Cell (PPAC) will provide all secretarial assistance to the Expert Committee. The expenditure towards TA/DA, sitting fee etc. will be borne by PPAC.

(Ardheen Kumar Mehta)
Under Secretary to the Govt. of India
Phone: 011-23386119

To,
1. All members of the Expert Committee,
2. DG, PPAC
NOTICE

Subject: Review of guidelines for granting marketing authorization to market Transportation fuels to oil companies – regarding,

This is to inform that the Government of India has constituted an Expert Committee to look into various issues related to implementation of existing guidelines for the grant of Marketing Authorization to market transportation fuels i.e. Motor Spirit (MS)/ High Speed Diesel (HSD)/ Aviation Turbine Fuels (ATF) issued vide Government of India Resolution dated 08.03.2002. The composition of the Committee is as under:-

(i) Dr. Kirit Parikh, Renowned Economist;
(ii) Shri G.C. Chaturedi, Retd. Secretary, MoP&NG;
(iii) Shri M. A. Pathan, Retd. Chairman, IOCL;
(iv) Prof. Errot D'souza, Director, IIM Ahmedabad; and
(v) Shri Ashutosh Jindal, Joint Secretary, MoP&NG.

2. First meeting of the Committee was held on 02.11.2018 and the Committee desired to have the views/suggestions of all the Stakeholders/General Public.

3. Accordingly, all the Stakeholders/General Public may furnish their views/suggestions, in the matter, for the consideration of the Expert Committee. The Views/Suggestions may be sent at the e-mail vinaykumar73@nic.in or through post at the following address within a period of two weeks from the date of issue of this Notice:

Shri Vinay Kumar,
Under Secretary (OMC),
Ministry of Petroleum & Natural Gas,
Room No.200(b), C. Wing, Shastri Bhawan,
New Delhi – 110001.

(Vinay Kumar)
Under Secretary to the Govt. of India
Annexure-5: Views/ suggestions received from stakeholders

The views/suggestions provided by the stakeholders/Petroleum Dealers’ Associations/ General Public are given below in brief for consideration by the Expert Committee:

(1) FEDERATION OF INDIAN PETROLEUM INDUSTRY (FIPI):
   - The authorization policy must encompass the new breeds of transport fuels (bio-fuels, hydrogen cell, CNG and its variants, LNG, LPG, Charging Points for EVs...... etc.) along with conventional fuels (MS, HSD and ATF).
   - Policy may be restricted in respect of JVs formation:
     (a) JV formation with domain expert companies who otherwise do not qualify for marketing rights (digitalization, electrical mobility, non-conventional fuels etc.) should be permissible to harness their expertise and provide quality service.
     (b) Companies with marketing authorisation may be permitted to form multiple JVs to attract investment, where necessary. This is subject to approvals under other applicable laws.
   - Current policy though does not differentiate between ‘Bulk’ and ‘Retail’ marketing, it is perceived and practiced for “Retail” segment only. Policy guidelines must address both the segments specifically in separate framework. This will help authorized OMCs in developing respective channel infrastructure.
   - OMCs may have open access to supply chain infrastructure storage and distribution at a reasonable tariff structure to the satisfaction of all stakeholders. The current regulatory frameworks need to be effectively implemented to achieve a level playing field in terms of infrastructure.
   - With opening up of transport fuels retailing, new players not having sourcing in state, will have to purchase products from local OMCs which will attract 2% CST. Until these fuels are included in GST, levy of 2% CST should be eligible for input tax credit or these fuels are exempted from CST.
   - The criteria of initial investment (Rs.2000 crore in prescribed facilities) may be reviewed afresh and reframed to attract genuine investors in large numbers. This criterion may be diluted by including more scope for facilities in investment (like in product terminals). Alternatively, this criterion may be replaced by some other safeguards like previous experience, financial strength of a company etc.
   - Systems & procedures to setup retail outlets must be made easier. MoP&NG has already taken up some of the issues with concerned Ministries/ Departments. All such
issues must be addressed, in parallel, along with policy review to improve the speed of implementation. Without this, investment by OMCs will remain slow in spite of authorisation.

(2) **FEDERATION OF ALL INDIA PETROLEUM TRADERS:**

- Since 2002 the price of real estate in metro cities has gone through the roof and even then the land for setting up the petrol pumps is just not available. The challenge here is to find a solution on a government to government contact so that land may be made available for petrol pumps.

- The installation of vapour recovery system advocated by the environment lobby at Petrol Pumps is being done without there being any pilot project which could have established the usefulness or otherwise of vapour recovery system being installed.

- The land owning agencies which have leased out the land to the oil marketing companies are today demanding exorbitant high rent for the land they have leased to the oil companies. This is a direct consequence of the unimaginable increase in the real estate price.

- Each oil marketing company has set up its own storage and distribution network in all parts of the country. This is certainly resulting in duplication of effort as even one storage facility in a certain area would be sufficient to cater to the need of all oil companies.

- The marketing functions of OMCs should be demerged from supply and distribution which would tremendously reduce the need for manpower and would also release the costly real estate which is otherwise locked in duplication of such facilities.

- The state land owning agencies must consider continued allotment of land for petrol pumps at subsidized rates.

- The competition of setting up of retail outlets indiscriminately by all oil companies just to put and applaud their own achievements in setting up of new retail outlets should be avoided as it locks up scare capital resource in new retail outlet without corresponding benefits.
(3) **ALL INDIA PETROLEUM DEALERS ASSOCIATION (Regd.) [AIPDA]:**

- AIPDA is a frontline stakeholder in the matter and craves to be associated with the forming and firming up of any change/revision in the policy. It may be appropriate that the brief of the issues that has generated need to review the existing policy on marketing authorisation to market transportation fuels to oil companies 2002 is shared with the Association which will enable the Association to give the relevant and appropriate views/suggestions/feed-back on the issue and will go a long way to address the issues in the correct perspective.

(4) **RELIANCE INDUSTRIES LIMITED (RIL):**

- All major petroleum products are currently in surplus, except LPG. With adequate import facilities for all products, including LPG, product availability is no longer a concern to meet domestic demand. Total deregulation of all products, including LPG is desired for the benefit of consumers, as even for LPG the intended subsidy is credited directly into consumers’ bank account. Government only needs to safeguard the interest of the consumers by formulating safety norms, right quality & quantity standards and fair enforcement. Retail and Marketing Service obligations specified in marketing control orders need to be reviewed and where essential made applicable to all marketing channels. Marketing and selling is a natural right of the producer and need not be subject to any distribution control. Regulations, if any, on marketing are required only for retail sales through conventional outlets. Refineries should be free to sell in bulk either directly or through its subsidiaries or JV (not just eligible holders of marketing rights).

- To reduce costs and improve services to consumers, it is desirable to give total freedom to the companies to set up any of the following channels of distribution:
  - Conventional company owned outlets where product is sold at RSP set by the company and under the ‘brand’ of the marketing company.
  - Bulk sales to a subsidiary/holding company/JV and/or direct bulk sales with organized retailers/Departments stores as in Europe (not just eligible holders of marketing rights), where selling prices and brand are set by the Retailer/Store.
  - Bulk Sales through a chain of Ros of a wholesaler as in USA, selling to customers at his own price and under his brand.
  - The notification on granting authorisation to market and associated Control Orders have become obsolete over a period of 16 years and need to be re-written. Because of unintended or ambiguous choice of phrases/interpretation,
even a company having marketing authorisation finds it difficult to sell in retail and bulk separately through a subsidiary or JV. Single (only one) authorisation for an eligible company needs to be reviewed and relaxed to enable marketing freedom.

- Large infrastructure including Pipeline systems, Terminals and Airport Hydrant systems and the Feeder Pipeline System are controlled by the Public Sector Oil Companies. In the absence of clear rules for un-bundling, these become natural monopolies and barriers to entry for new players. Government can focus on bringing transparency and promote access to infrastructure to all players at tariffs to be controlled by a regulator (say PNGRB). Existing petroleum regulator is unable to intervene in the event of aberrations in product pricing (predatory pricing, over pricing etc.) or setting of tariff for infrastructure sharing because the government is yet to notify MS, HSD and ATF for regulation by PNGRB.

(5) **HALDIA PETROCHEMICALS LIMITED (HPL)**:

- HPL proposes amendment of the existing investment/eligibility criteria of MoP&NG Resolution No.P-23015/1/2002-Mkt. dt. 8th March, 2002, to:
  - Include ‘Petrochemical Industry producing Hydrocarbons’ with investments exceeding Rs. 2000 crores as a qualifying investment criterion.
  - Build in provisions to encourage Region-wise private sector representation, especially where such players enjoy existing competitive advantages relevant to transportation fuel marketing and are thus capable of achieving deeper geographic penetration.
  - Revised Policy should include mechanism to provide suitable relief (as provided to PSUs) to private sector players to compensate for MS/HSD under-recoveries in Retail Marketing (account benefit to general public), if any, especially when the Ministry requires private players, as part of marketing obligations, to open more than 10% of outlets in potentially un-remunerative ‘remote and low serve areas’.
  - In this case allow exercise of such authorisation through HPL’s wholly owned subsidiary, **HPL Go Pvt. Ltd.**, in line with Clause X of the said Resolution.
  - Based on amendments as proposed above, and by virtue of having adequately fulfilled the suggested changes in criteria, **marketing authorisation for transport fuels be given to HPL**, especially in view of MS authorization already granted in October, 2016.
(6) **TRAFIGURA PTE LTD:**

Trafigura, one of the world’s largest independent commodity trading and logistics house, especially for oil and petroleum products would like to draw the following aspects for the consideration by the Expert Committee:

- It is evident from the clause 3(ii) of the Resolution 2002 that the intent is to attract investments across the oil and gas value chain while allowing only the committed and financially strong players to develop fuel-retailing network in the country.

- However, clause 3(ix) in the extant regulations states that “Every eligible company would get only one authorisation i.e. the company that has invested or proposes to invest in the eligible activities either in its name or in the name of the company in which investment has been made or is proposed to be made.” This clause contradicts clause 3(ii) which enables players who have invested Rs. 2,000 crores.

- It needs to be appreciated that most of the large projects (especially in oil and gas) are developed with multiple equity partners. Thus, the Committee may clarify in the ‘eligibility guidelines’ that each equity investment of Rs. 2,000 crore or more will be considered eligible for grant of fuel marketing rights even if the investment is for the same asset or project. At times, there is a fallacious reasoning made that equity investment in an existing asset does not result in “additionality” to the investments. The committee may note that many times, such equity infusion is required for the organization to reduce its leverage and thus enables it to continue its operations or plan for additional capex as may be required. Thus, the suggested change will authorize large investments (commonly done as syndicates of investors) and provide access to the retail market either via a separate licence or investing under the single licence but as separate brands. As a corollary, if an entity has existing fuel retail license and another investor acquires this entity then fuel retail license should get transferred to the new buyer.

- Proposed investment in developing “fuel retail infrastructure” and any investment in O&G value chain should also be included under ‘eligible activities’:
  - Clause 3(iv) of the 2002 resolution provides a list of eligible activities, whereby investment or proposed investment of Rs. 2,000 crore in any of these will be considered eligible or grant of marketing rights. This includes exploration and production, refining, pipelines or terminals.
  - It may be noted that Clause 3(iv) does not specify proposed investment towards developing of the retail infrastructure is as ‘eligible’. At present, the country has a reasonable refinery capacity with mix of public and private investment and there is a need to augment the retail infrastructure with increased investment.
In the current context, a long-term business plan to foray into fuel retailing in India would entail setting up of large number of retail outlets, depot/terminals and transport fleet. This itself is a significant investment and investment in fuel retail infrastructure should also be included in the list of eligible activities. Further, investment in Petrochemical complex or in augmenting refinery operations i.e. existing investment should be considered as eligible investments or investments that create additionally to existing investment.

Replacing the stipulation of Rs. 500 crore bank guarantee with mandatory obligations having underlying termination provisions will result in creation of retail infrastructure:

- Clause 3(vi) (b) states that when a company is proposing to invest in the eligible activity, it will need to furnish a Bank Guarantee of Rs. 500 crores for the proposed investment. The current provision of Rs. 500 crore Bank Guarantee (for underlying 10 years investment span) does not necessary guarantee investment on-the-ground in the near term after obtaining the license.

- It is submitted that retailing of fuels does not tap into hydrocarbon resources of the country and thus allowing serious players with retail expertise to participate in the market will only lead to increase in customer convenience (new retail formats, more retail stations, servicing of underpenetrated markets, discounts, greater technology integration etc.) and employment generation.

- Thus rather than bank guarantee mechanism, the Committee can consider the following:
  - An automatic mechanism to cancel fuel retail license of the entity, if it doesn’t meet 50% (as may be appropriately defined) of its commitment for 3 consecutive years. Thus, the licensee would need to sell its assets post cancellation of the license. However, the nation and consumers would benefit in terms of infrastructure access even if partial infrastructure is set up.
  - Alternatively, if the entity does not meet 50% (as may be appropriately defined) of its commitment for 3 consecutive years, impose bank guarantee (equivalent to 3 years commitment) for fulfilling investment in an extended period (say 18 months). Post the extended period, the bank guarantee shall be forfeited.

- A market structure that opens up the value chain for specialized players/investors will eventually result in cost effective product flows at the point of sale thereby benefiting customers.
Currently, the value chain of fuel broadly starts from refinery gate and it is delivered to customers through pipelines, third party logistic providers and retail outlets wherein national oil companies have predominant share.

In other geographies, the value chain comprises of specialized entities such as domestic refiners, importers, terminals operations, pipeline operators, logistics providers and point of sales entities (includes hypermarkets, oil cos, independent retailers). Thus, each player brings efficiency of operations. A structure that enables physical import of product also results in ensuring that refinery operations are run in the most efficient manner.

We can meet the Committee in case a clarification is required on our suggestions.

(7) SHRI AMERSH KAPOOR, RETD. EXECUTIVE DIRECTOR, INDIANOIL:

It is imperative that more efforts are required to not only encourage the existing private players in playing an enhanced role in the sector, but also reduce entry barriers for new incumbents in the sector. Facilitating their entry would greatly benefit the sector via the expected business practices brought by them.

The Government resolution dated 8th March, 2002 primarily stipulated an investment of Rs. 2,000 crore in petroleum sector activities and infrastructure. Since 2002, substantial stipulated infrastructure in line with the requirements has been put in place.

The investment threshold of Rs. 2,000 crores was a substantial amount in 2002 for ensuring that only serious players entered the sector. Today considering that all future activity/ infrastructure in the sector will have to be of a minimum economic configuration, the resultant investments would make the present threshold limit insignificant.

Time has come to delink marketing rights with threshold investments in the sector as hitherto. For enhancing the quality of business in the retail sector there is a need to permit additional players with credentials on standalone basis for which fresh guidelines not linked to any threshold investment would be advisable.

With the current focus on enhancing the contribution of Natural Gas in the energy mix, the City Gas Distribution (CGD) activity has been given impetuous. This activity also entails setting up CNG outlets and connected infrastructure which can be said to be akin to foray into petroleum retailing with the main difference between the two being that while CGD rights are awarded thru a bidding process, marketing rights are given on nomination basis on meeting the eligibility criteria. However, there is substantial commonality in the execution process and hence some of the relevant processes of
award of CGD authorisation can be relied upon for firming up the new eligibility guidelines for petroleum retailing.

- For financial standing, the entity should have a net worth of Rs. 5 00 cr.

- Mandatory network of minimum 500 outlets can be considered as reasonable sized for business. However, the entity will be mandated to set up minimum 10%, 15% and 20% RO in the 3rd, 4th and 5th year of operation and achieve the stipulated number of 500 ROs in 7 years. The first 2 years after grant of rights is to be utilized for setting up the authorisation, infrastructure and product arrangements. The entity will have to advise the year wise and state wise commissioning numbers along with year wise product requirements in the application seeking grant of rights.

- For firmed up product sourcing, the entity has option to set own storage facilities and product sourcing arrangement (indigenous source or imports) to cover their product requirements in line with the stipulated outlet commissioning plan and advise the location wise, storage capacity and product input plans in their application.

- Alternatively, the entity has an option to tie up product sourcing from one of existing refining and marketing companies. Here again they will have to execute the product sourcing agreement covering the year wise, state wise requirement based on the commissioning plan and advise the details in the application.

- The product sourcing agreement should cover a minimum period of 5 years requirements from the date of grant of marketing rights.

- The eligible entity would furnish a performance guarantee for Rs. 100 crore valid for a period of 5 years from the date of the right. After completion of 5 years if all conditions of the grant of marketing rights have been fulfilled the bank guarantee can be returned without further renewal.

- In 2002 when the de-control of the sector was introduced, the stipulation of para XII was relevant as the PSU companies were emerging from a totally controlled environment to a free market situation. However, now the PSU companies between April 2002 to 2018 have augmented their network by 227% (from 17,310 to 56,598) spread across all the market in the country. There is a feeling in the industry that the PSU companies have gone overboard in augmenting the network which has not only led duplication of locations but also impacted the average volumes per location.

- The provision of para XIII (a) was made to ensure that the new entrants do not only concentrate in the lucrative markets but also set up outlets in the Low service/Remote areas like the PSU companies who had been mandated by the Government. These
stipulated areas have over the years also been adequately covered by the PSU companies and would not generally require further outlet augmentation.

- Over the years the stipulation of para XIII (b) had been circumvented by the Pvt. Players by awarding a dealership to a relative/ associate of the existing dealer. This provision is against the spirit of a free market working as Multi brand franchising is now a common practice in business. If removed this would also help the new entrants in augmenting their overall network and presence.

- Shri Amresh Kapoor has indicated that he would be very pleased to provide any further clarification in person on his paper. He may be given a days’ notice on phone in the matter.

(8) SPLENDED TRADING CO. (P) LTD:

- In our country 60% Retail Outlets are “B” sites where dealer owns the land, building and other fixed asset. It also holds the dealership for fixed period. This seems fair, until we understand clause 59a which gives right to the company to acquire the site held by the dealer during the currency of the agreement or within 3 months of the termination.

- As per existing clause in the agreement, the company will have a right to buy your land for a sum equivalent to such amount which dealer has paid for acquiring the site. To give an example, let us supposed that land was purchased at a price of Rs. Ten thousand during the year 1970. Today, if for whatever reason the dealership is terminated by the either side or dealership tenure has expired and dealer does not want to continue further, the company has the right to acquire the land from dealer at the same price of Rs. Ten thousand even though it may be currently valued at Rs. 1 crore. This helps Oil company to monopolise the trade.

- It is anti-competitive clause as per regulation of the Competition Commission of India. This clause should be abolished and dealer should have choice to choose the Oil Company. In that case Oil Company should remove their outfit within certain time frame or existing Oil Company should be compensated of their investments in their outfit at the current Book Value of Oil Company.

- Cancellation of above clause will help in increasing the competition amongst the Oil Company to provide better service to customers and also to retain good dealer.

- It will also help private sector to enter into the retail marketing of major transportation fuel in India as they will get ready infrastructure and site.
(9) **ANB FUELS PRIVATE LIMITED:**

- As on today, authorisation to market Petrol & Diesel is provided to those companies who have significantly big pockets and can commit to invest minimum of Rs. 2,000 crore in Petroleum Sector as per GoI Resolution dated 08.03.2002. The order grants authorisation to market transportation fuels be made conditional to a company investing or proposing to invest at least Rs. 2,000 crores in exploration or production, refining, pipelines or terminals. The order restricts authorisation to new entrants meeting the above criteria to establish their own distribution networks for marketing without encroaching on the retail networks of the existing marketing companies.

- Probably the intent behind this restriction is to limit authorisation to only larger companies however, this huge barrier completely eliminates the option for small entrants to participate in this sectors. This restriction not only flourishes the monopoly of few selected large players but largely suppress innovation which would be brought by small and young players who are eager to participate in this Oil Marketing sectors such as start-ups like MyPetrolPump.

- The need of opening up the authorisations (a free market for fuel) was identified by all developed nations such as USA, UK, Australia, European Union etc. with whom we benchmark ourselves and they had abolished the minimum requirement or authorisation to market to fuel to allow the new and small players to participate in Oil marketing business several decades ago. In those countries, a retailer doesn’t have to be a franchisee of a large Oil Company and can open his/her own fuel station or setup portable storage and buy and sell Petrol & Diesel freely at the market determined competitive prices.

- The Government initiative of removing the APM to sell fuel at market determined competitive prices is highly appreciable but the real benefits of competitive pricing can only be achieved when the fuel marketing is open to small players as well such as MSME who could also independently buy market fuels without being under the mercy of a large oil company. When, we are encouraging small and medium business to flourish in India then why we should not open up the fuel market as well for these MSMEs. Startups also, who are developing the tech & business innovations to improve the India Petroleum sectors are also punished not having freedom to test their prototypes, sell their products & service and importantly scale their business operations independently.

- Today, India has approximately 65,000 fuels stations and require additional 100,000 (almost double the number we have) fuels stations to solve the exponentially rising demand of fuel. The consequence of which can be seen i.e. Congested fuel stations, people waiting in long queues to fill. USA which has 1/3rd the population India, operates
160,000 fuel stations (3 times the number India has) clearly explain the desperate need to open up new fuel stations in India. Unfortunately, due to limited land availability and rising real estate costs, it would not be possible to open up so many new fuel stations and therefore we should think of innovative alternatives to fill the demand of fuel, an innovative idea as envisaged by MyPetrolPump ‘On demand mobile service at doorsteps’ could solve the problems of requirement of opening brick & mortar fuel stations. However, this is not possible if marketing authorization is limited to few large Oil Companies only.

- There are over 100,000 retailers in USA, over 10,000 retailers in UK and over 50,000 retailers in Europe alone who are not franchisees of any large oil companies. They independently buy and sell fuel at their fuel stations without being under the mercy of large companies. These retailers compete the shoulder to shoulder with large company outlets such as Shell, BP etc. which not only encourages competitive pricing for customers but also foster better service at the fuel stations. Disproportionately high oil market share in India lies with very few large companies who control the price of fuel sold at their franchisee retail outlets. When such huge of market share is just with few oil companies, we will only be fooling ourselves when we envision of a competitive market.

- The benefit from the innovation in oil marketing sector & encourage new players, Govt. must abolish the Control Order and requirement to invest minimum Rs. 2,000 crore to market fuel. This will not only open the door for MSME and start-ups to participate in this sector but also generate the additional revenue to Government. History is the witness that over 90% of the innovations developed in last 100 years are not from large companies but from small ones or individuals!

(10) **IMC LIMITED:**

IMC Ltd. submits the following inputs in short:

- Elimination of entry barrier of Rs. 2,000 crores for opening up the market for more private players.

- Open access into plane assets at all Airports for supply of ATF to Airlines.

- Waiver of Service obligations in Remote area for new players for a certain period.

- Having assets like Terminals for Petroleum/ Petrochemical storage and Port Jetties for handling liquids may be made as eligible criteria.

- IMC Ltd. request a meeting the Expert Committee on the subject to present their case in person.
### Annexure-6: Comments/suggestions made by stakeholders during presentations

<table>
<thead>
<tr>
<th>Party</th>
<th>Points mentioned during the stakeholder presentations</th>
</tr>
</thead>
</table>
| BPCL                   | a. Investment criterion of Rs. 2,000 crore should continue as India still needs capital investment to create infrastructure.  
b. OMCs price their product on basis of weighted average RTP so as to provide fuel to remote areas at reasonable rates whereas private players sell only in coastal areas where RTP is lesser than weighted average RTP.  
c. PSU OMCs do not have level playing field in dealer selection policy vis a vis private players. Moreover multiple dealership norms are not there for private players.  
d. There should be semblance in policy framework of PSU OMCs and private so that they can compete on equal footing.  
e. PSU OMCs carry Govt. agenda of environmental friendly fuels whereas there are no obligations on bio-diesel; ethanol blending in MS (ethanol price is more than MS).  
f. PSU OMCs lose a lot of money in LPG marketing (as input costs have not been updated for many years) but they are able to sustain because of some gains in MS/HSD. If PSU OMCs lose share in MS/HSD, then it would be difficult for them to sustain LPG marketing.  
g. The policy may include bundling of products so that private players do not cater only to profitable segments or products but are forced to play in areas giving lesser returns.  
h. PSU OMCs are also incentivizing digital payments.  
i. Private sector has not invested in creation of infrastructure like pipelines/terminals etc. |
| FIPJ                   | a. Policy should also include other transport fuels like biofuels, CNG, H-CNG, EVs etc.  
b. Rs. 2,000 crore investments should also include marketing terminals, etc.  
c. Retail and Bulk marketing should have different policies.  
d. Eligible company should have flexibility to select JV partners like specialized service providers (digital/ automation players) or multiple JVs with different equity investors.  
e. Open access to infrastructure should be given. |
| FAIPT                  | a. PSU OMCs should be given more autonomy and should be freed from administrative control of Central Government. |
| ANB Fuels Pvt Ltd      | a. Present policy is restrictive as it encourages on large players with limited competition.  
b. This sector should be opened up for smaller players who can bring in innovation and digitization. (Remove Rs. 2000 crore investment stipulation)  
c. Innovative models of distribution and selling without actually building retail |

Report of the Expert Committee to review guidelines for granting authorisation to market transportation fuels | 86
<table>
<thead>
<tr>
<th>Party</th>
<th>Points mentioned during the stakeholder presentations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>outlets.</td>
</tr>
<tr>
<td></td>
<td>d. Permit portable fuel stations and mobile delivery (e-commerce).</td>
</tr>
<tr>
<td></td>
<td>e. Ensure safety, quality and quantity by leveraging technology.</td>
</tr>
<tr>
<td>RIL</td>
<td>a. Issues related to four aspects only namely pricing de-regulation, Infrastructure cess, distribution controls, caveats on market authorisation.</td>
</tr>
<tr>
<td></td>
<td>b. Entry of private sector in early 2000 infused competition in PSU OMCs resulting in better offerings and customer service.</td>
</tr>
<tr>
<td></td>
<td>c. Since MS, HSD and ATF are no longer scarce products, they should be removed from Essential Commodities Act and other Control Orders.</td>
</tr>
<tr>
<td></td>
<td>d. In case Govt. decides to regulate MS/HSD prices, then it should give subsidy for those retail sales of private players which have been done from their automated retail outlets for which entire trail is available for Govt. to check.</td>
</tr>
<tr>
<td></td>
<td>e. Bulk marketing by the producer (i.e. a refinery) should not require any market authorisation. RIL has proposed to use the retail marketing rights through its subsidiary, Reliance Petro Marketing Ltd (RPML).</td>
</tr>
<tr>
<td></td>
<td>f. The concept of Common User has remained on paper only as normally out of entire chain, only one or two component of the entire chain is on common user thereby rendering the concept impractical. Example: While there is common user facility at aviation stations, there is no common user facility to bring product up to aviation station thereby making the policy of aviation station on CUF as very less effective. Unbundling of infrastructure needs to be done.</td>
</tr>
<tr>
<td></td>
<td>g. OMCs should allow access to infrastructure at tariff basis.</td>
</tr>
<tr>
<td></td>
<td>h. CUF pipelines are of no use until players have access to tap off point terminals.</td>
</tr>
<tr>
<td></td>
<td>i. It is difficult to identify low service areas.</td>
</tr>
<tr>
<td></td>
<td>j. PNGRB has been an ineffective regulator in view of MS/HSD/ATF still being out of mandate of PNGRB.</td>
</tr>
<tr>
<td></td>
<td>k. Door step delivery of fuel should be encouraged either through mobile refueler /packed containers</td>
</tr>
<tr>
<td>Trafigura</td>
<td>a. Trafigura has invested more than USD 3.8 billion for picking up nearly 24% equity stake in Nayara Energy. However, there is only one market authorisation given to Nayara.</td>
</tr>
<tr>
<td></td>
<td>b. All equity partners (who have invested more than Rs. 2,000 crores) should be granted authorisation.</td>
</tr>
<tr>
<td></td>
<td>c. Investment in petrochemicals, retail outlets and POL terminals should be considered in eligible activities</td>
</tr>
<tr>
<td></td>
<td>d. The limit of Rs. 500 crore of bank guarantee is too much and it should be reduced to around 10 million USD.</td>
</tr>
<tr>
<td>Party</td>
<td>Points mentioned during the stakeholder presentations</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Shell India</td>
<td>a. PNGRB notice declaring common carrier pipelines to be notified for implementation.</td>
</tr>
<tr>
<td></td>
<td>b. Access to pipeline/ allied infrastructure be allowed on non-discriminatory tariff to ensure free &amp; competitive access to all players.</td>
</tr>
<tr>
<td></td>
<td>c. OMCs allowed to access petroleum/ products based on regional demand/ supply balances.</td>
</tr>
<tr>
<td></td>
<td>d. Amend formula to remove distortions in ex-refinery pricing enabling larger investments to wider network footprint and consequently more jobs.</td>
</tr>
<tr>
<td></td>
<td>e. DS Regulator should publish Platt price as reference benchmark with adjustments for quality premium and companies can accordingly price.</td>
</tr>
<tr>
<td></td>
<td>f. Remove surcharge ushering level playing field mirroring tax structure applied for domestic production, enabling larger investments to wider network footprint and consequently more jobs.</td>
</tr>
<tr>
<td></td>
<td>g. Review norms regarding retail stations in LSA.</td>
</tr>
<tr>
<td></td>
<td>h. Investment in any social activity under CSR plan in lieu of RSA obligations.</td>
</tr>
<tr>
<td></td>
<td>i. Usher single window system for Central &amp; State permits &amp; licences for ease of setting up of ROs.</td>
</tr>
<tr>
<td></td>
<td>j. Existing retail licence to cover range of retail energy options which might come up in future.</td>
</tr>
<tr>
<td></td>
<td>k. Develop nationwide emergency response mechanism to mitigate damages/ accidents involving petroleum tankers.</td>
</tr>
<tr>
<td></td>
<td>l. Relax norms for NFR.</td>
</tr>
<tr>
<td>Common suggestions</td>
<td>a. Rs. 2,000 crore investment criteria should continue.</td>
</tr>
<tr>
<td></td>
<td>b. Rs. 2,000 crore investment criteria should also include marketing activities and petrochemicals.</td>
</tr>
<tr>
<td></td>
<td>c. Rs 2,000 crore investment criteria should be abolished.</td>
</tr>
<tr>
<td></td>
<td>d. Eligible company should have freedom to choose JV partner.</td>
</tr>
<tr>
<td></td>
<td>e. Separate policy should be there for ‘retail’ and ‘bulk’ marketing.</td>
</tr>
<tr>
<td></td>
<td>f. PSU OMCs should have freedom in dealer selection and operations of retail outlets.</td>
</tr>
<tr>
<td></td>
<td>g. Permit portable retail outlets and door delivery of transportation fuels.</td>
</tr>
<tr>
<td></td>
<td>h. Common user facilities and common carriers should be made available to private players at regulated tariff.</td>
</tr>
</tbody>
</table>
Annexure-7: Gazette Notification dated 5.8.2003 for notified districts for Remote Areas

MINISTRY OF PETROLEUM AND NATURAL GAS

NOTIFICATION

New Delhi, the 5th August, 2003

No P-23015/1/2003-Mkt.- The Government of India vide its Resolution No. 60 dated 8th March, 2002 have laid down the guidelines for granting of authorization to market transportation fuels to the new entrants. In the resolutions it has been inter alia explained in Para 3-XII(a)-(iii) that "Remote Areas" in this scheme means the notified districts in the States of Himachal Pradesh, J&K, North Eastern States, Sikkim, Uttaranchal, Union Territories of Andaman & Nicobar Islands, Lakshwadweep Islands and any other area notified as such by the Central Government. It is now clarified that following areas will constitute the "Remote Areas" for the purpose of the aforesaid resolution:—

(i) All the districts of North Eastern States including Sikkim, except the districts in which Digboi, Guwahati, Bongaigaon and Numaligarh refineries are located;

(ii) All the districts of the State of Jammu & Kashmir excluding districts of Jammu & Kathwa;

(iii) All the districts of Himachal Pradesh;

(iv) All the districts of Uttaranchal, excluding the districts of Haridwar and Udhaman Singh Nagar;

(v) All the districts of Andaman & Nicobar Islands; and

(vi) All the districts of Lakshwadweep Islands. 

S. VIJAYARACHANVAN, Jt. Secy.