

**SPEECH BY SHRI MURLI DEORA, HON'BLE MINISTER OF PETROLEUM AND NATURAL GAS AT THE MEETING OF THE CONSULTATIVE COMMITTEE OF MEMBERS OF PARLIAMENT FOR THE MINISTRY OF PETROLEUM AND NATURAL GAS IN NEW DELHI ON THURSDAY, THE 10<sup>TH</sup> DECEMBER, 2009**

My colleague in the Ministry, Shri Jitin Prasada Ji, Hon'ble Members of the Consultative Committee, Secretary, Additional Secretary, officers of the Ministry and Chief Executive officers of Oil Public Sector Undertakings, I welcome you all to the 1st meeting of the Consultative Committee. I especially extend a warm welcome to Hon'ble Members of Parliament who have joined the petroleum fraternity.

2. To facilitate Members of Consultative Committee to have a better perspective and understanding of petroleum sector, the topic of today's meeting is **"Oil and Natural Gas Sector in India - an overview"**. Before initiating the discussion on the topic, I would like to share with you the important developments that have taken place in the Ministry of Petroleum and Natural Gas.

3. As per the **"Vision-2015"** adopted for Ministry of Petroleum & Natural Gas in June 2009 as road map for development of hydrocarbon sector in India, it is envisaged to increase the LPG coverage to 75% of the population of the country which at present is 50%. It is also envisaged to increase the LPG Customers from present 11 Crores to 16 Crores consumers in next five years. To achieve the target as envisaged in Vision 2015, Ministry has launched a new scheme called Rajiv Gandhi Gramin LPG Vitrak (RGGLV) for setting up small size LPG distribution agencies in order to increase rural penetration and to cover remote as well as low potential areas for all the locations having potential of 600 refill sales per month. The Scheme was launched in 8 States covering over 1200 locations where the reach of LPG is below 50% of the national average of LPG coverage. The Scheme will also provide new employment opportunities for the rural population leading to overall economic prosperity. However, to ensure that growth of LPG usage is evenly spread, Oil Marketing Companies will be assessing/identifying location under the new scheme in rural/low potential areas in all States/Union Territories so as to achieve target growth of at least 50% LPG population coverage in each district and at least 60% overall LPG coverage in each State over the next five years.

4. It is the endeavor of this Ministry to make available petroleum products of the right quality and at the right prices throughout the country. This objective is being met through the approximately 35,500 Retail Outlets (ROs), 9,400 LPG distributorships and 6,600 SKO dealerships belonging to the Public

Sector OMCs. In addition, there are approx. 2,800 Retail Outlets belonging to the private oil marketing companies.

5. For the conveniences of customers, especially for those living in non-metropolitan areas, OMC have been setting up of low cost rural ROs known as Kisan Sewa Kendras (KSKs), in addition to the regular ROs, to cater to rural/agricultural market in order to reach petroleum products, predominantly diesel and non-fuel products (seeds, fertilizers, pesticides, etc.) at the *Kisan's* doorstep.

6. Various other measures taken by OMCs for the conveniences of customers include;

(1) Opening of ATM, Fast Food Counters, Convenience Stores, Ticket Booking, Money Transfer, Insurance Services, etc. at the ROs.

(2) Measures for ensuring the right quality and quantity of products at the RO by extensive use of the latest technology by:-

- i. Installation of Global Positioning System (GPS) for complete monitoring of the movement of all the tank trucks,
- ii. Automation of retail outlets to monitor various activities in the high selling ROs,
- iii. Third party certification of ROs,

(3) Introduction of SMS booking / LPG stoves with thermal efficiency ratings / portability of LPG connection for LPG customers,

(4) Pilot projects on desired time delivery/anti theft device/multifunction regulators for LPG customers, etc.

7. The Empowered Group of Ministers (EGoM) has been constituted to consider and decide issues of commercial utilization of gas under NELP and other related matters met on 27.10.2009. The EGoM had earlier taken decisions regarding the commercial production of initial production of 40 mmscmd. The EGoM took decisions regarding commercial utilization of further production from KG D-6 field. Accordingly, an allocation of 31.165 mmscmd on firm basis and 12 mmscmd on fall back basis has been made to power and 15.508 mmscmd on firm basis to fertilizer sectors have been made. Similarly, an allocation of 4.19 mmscmd on firm basis to steel, 5.00 mmscmd on firm basis and 6.00 mmscmd on fall back basis to refinery and 1.918 mmscmd on firm basis to petrochemical sectors have been made. Further, an allocation of 3.0 mmscmd on firm basis for LPG plants has been made. Also an allocation of 0.83 mmscmd on firm basis and 2.00 mmscmd on fallback basis for City

Gas Distribution (CGD) has been made. Provision of 10 mmscmd has also been made for captive power plants on the recommendation of Ministry of Power.

8. Since more than 75% of the country's crude oil requirement is met through imports, international oil prices play a decisive role in the domestic pricing of petroleum products. The international oil prices have seen unprecedented rise and volatility in the recent past. During 2008, the price of the Indian basket touched \$142 per barrel in July before crashing to \$35 per barrel in December 2008.

9. I am happy to inform that the Government took adequate measures to insulate the consumer from the inflationary impact of high international oil prices during 2008-09. It had provided subsidy support of Rs.74,000 Crores to ensure the essential fuels remained within the reach of the common man. The upstream oil PSUs also provided support of Rs.32,000 Crores. Therefore, the Public Sector Oil Marketing Companies (OMCs), namely, IOC, BPC and HPC had to be given a financial support totaling Rs.1,06,000 Crores. However, this kind of subsidy support is not sustainable in the long run.

10. Today, the public sector OMCs incurs an under-recovery of Rs.3.10/litre of Petrol, Rs. 2.55/litre of Diesel, Rs. 17.30/litre of PDS Kerosene and Rs. 241.00 on each 14.2 kg cylinder of Domestic LPG at Delhi. Based on the Refinery Gate Prices of the first fortnight of December 2009, the OMCs are projected to suffer under-recoveries of Rs.45,478 crore on the four sensitive petroleum products during 2009-10. We have requested the Finance Ministry for issue of Oil Bonds of Rs.20,871 Crores for compensating the OMCs' under-recoveries on PDS Kerosene and Domestic LPG for the first three quarters of the current financial year but are yet to receive the same. The delay in compensation through Oil Bonds is reflecting on their financial performance. For the second quarter of 2009-10, IOC reported a meager profit of Rs.284 Crores. However, BPCL and HPCL reported losses of Rs.159 Crores and Rs.137 Crores respectively. You would all agree that the OMCs are the backbone of the country's energy security and, hence, their financial health is a cause of concern for us.

11. The Government has constituted an Expert Group under the chairmanship of Dr. Kirit Parikh, former Member, Planning Commission to suggest a viable and sustainable pricing policy for petroleum products. The Group is expected to submit its recommendations during January, 2010, in light of which the Government will consider suitable pricing policy initiatives.

12. In order to increase the exploration and production of oil and gas in the country, New Exploration Licensing Policy (NELP) was notified by the Government in February, 1999. NELP provides a level playing field to both public and private sector companies to bid for exploration blocks on

transparent bid evaluation criteria through international competitive bidding. So far seven rounds of NELP have been concluded in 9 years from 2000 to 2008, wherein 85 exploration blocks have been awarded to private companies 55 to Indian private companies & 30 to foreign companies, and 118 blocks to public sector companies. Thus, a total of 203 Production Sharing Contracts (PSCs) have been signed. The committed investment is of the order of USD 10 billion for Exploration against which an expenditure of USD 5.5 billion has already been incurred. In addition expenditure on development of discoveries of the order of USD 6.4 billion has also been incurred.

13. Under NELP, 73 oil and gas discoveries have been made in 21 Blocks in Cambay onland, North East Coast and Krishna-Godavari deepwater areas, for which, development plans by the operators, viz., Cairn, RIL and Niko are in progress. First crude oil production from deepwater in KG basin has commenced w.e.f. 17<sup>th</sup> September 2008, which is currently at about 9200 barrels of oil per day. Natural gas production from KG basin has commenced in April 2009, which is currently being produced at the rate of 42 MMSCMD likely to further increase to 80 MMSCMD by March, 2010. Hon'ble Prime Minister inaugurated the crude oil production from Pre-NELP Block in Rajasthan on 29<sup>th</sup> Aug, 2009 at the initial production rate of 3,500 barrels per day. This production is likely to peak at 1,75,000 barrels per day by 2011 on completion of transport pipeline.

14. We are committed to bring 80% of sedimentary basin under exploration coverage by the end of XI Plan (2011-2012). In addition, we are pursuing oil diplomacy aggressively for equity oil & gas abroad. Towards this end, recently on 7-8 December, 2009, India-Africa Hydrocarbon Conference was organized in New Delhi. This is to forge cooperation with African Nations, who are endowed with rich hydrocarbon reserves, to meet our energy demands. The response of African Companies was very encouraging. Our National oil companies are making efforts to arrest the decline of production from the existing oil fields by employing Improved Oil Recovery (IOR) and Enhanced Oil Recovery. Efforts are on to develop alternate sources of fuels. Commercial production of Coal Bed Methane gas has already commenced in Raniganj, West Bengal. A reserve of about 8 Trillion Cubic Feet (TCF) has already been established in 5 CBM Blocks. Our endeavour is to commercially extract other alternative fuels such as Underground Coal Gasification (UCG) and Gas Hydrate.

15. I would also like to wish all present best wishes for New Year 2010.

16. Coming to the agenda for today's meeting, I would invite your valuable suggestions on the subject.

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