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**STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2008-09)**

FOURTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

**SUPPLY, DISTRIBUTION AND MARKETING OF
NATURAL GAS INCLUDING CNG AND LNG**

*[Action Taken by the Government on the recommendations contained in the
Sixteenth Report (Fourteenth Lok Sabha) of the Standing Committee on
Petroleum and Natural Gas (2007-08) on 'Supply, Distribution and Marketing of Natural
Gas including CNG and LNG']*

TWENTY-FOURTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2008/ Agrahayana, 1930 (Saka)

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Presented to Lok Sabha on 18.12.2008

Laid in Rajya Sabha on 18.12.2008



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2008/ Agrahayana, 1930 (Saka)

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(iii)

**COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS (2008-09)**

Dr. N. Janardhana Reddy - Chairman

Members

Lok Sabha

- 2 Shri M.Appadurai
- 3 Shri R. Dhanuskodi Athithan
- 4 Shri Ramesh Bais
- 5 Shri Kirip Chaliha
- 6 Dr. Tushar A. Chaudhary
- 7 Shri Lal Muni Choubey
- 8 Shri Jai Prakash (Hissar)
- 9 Adv. Suresh Kurup
- 10 Shri Sudam Marandi
- 11 Shri P. Mohan
- 12 Shri Sukdeo Paswan
- 13 Shri Nakul Das Rai
- 14 Lt. Gen. (Retd.) Tej Pal Singh Rawat (PVSM, VSM)
- \$15 Shri A. Indrakaran Reddy
- 16 Shri Lakshman Singh
- 17 Shri Ramjilal Suman
- 18 Shri Ratilal Kalidas Varma
- 19 Shri A.K.S. Vijayan
- 20 Shri Ram Kripal Yadav
- *21 Vacant

Rajya Sabha

- 22 Shri Ahmed Patel
- 23 Ms. Mabel Rebello
- 24 Shri Rajeev Shukla
- 25 Shri Ramdas Agarwal
- 26 Shri Amir Alam Khan
- 27 Shri Tapan Kumar Sen
- 28 Shri Subhash Prasad Yadav
- 29 Shri Satish Chandra Misra
- 30 Shri Dilip Singh Judev
- 31 Shri Sabir Ali

Secretariat

1. Shri J.P.Sharma - *Joint Secretary*
2. Smt. Anita Jain - *Director*
3. Shri P.C.Tripathy - *Deputy Secretary*

\$Nominated to the Committee w.e.f. 1.12.2008

*Dr. M. Jagannath ceased to be a Member of the Committee consequent upon his disqualification from the Membership of Lok Sabha w.e.f. 15.12.2008

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Twenty-Fourth Report on Action Taken by the Government on the recommendations contained in the Sixteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas on 'Supply, Distribution and Marketing of Natural Gas including CNG and LNG'.

2. The Sixteenth Report of the Standing Committee on Petroleum & Natural Gas was presented to Hon'ble Speaker on 21 October, 2007 and to Lok Sabha on 19 November, 2007. The Action Taken Replies of the Government to the recommendations contained in the Sixteenth Report were received on 26 November, 2008.

3. The Standing Committee on Petroleum & Natural Gas (2008-09) considered and adopted the Twenty-Fourth Report at their sitting held on 17.12.2008.

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

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

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

New Delhi;
17 December, 2008
26 Agrahayana, 1930 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

CHAPTER I

REPORT

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the Recommendations contained in the Sixteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas (2007-2008) on 'Supply, Distribution and Marketing of Natural Gas Including CNG and LNG' which was presented to Hon'ble Speaker on 21.10.2007 and to Lok Sabha on 19.11.2007.

2. Action Taken Notes have been received from the Government in respect of all the 16 Recommendations /Observations contained in the Report. These have been categorised as follows:-

- (i) Recommendations/Observations that have been accepted by the Government:- SI.Nos. 1, 2, 3 and 5
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- SI. No. 11
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- SI.Nos. 6, 7 and 15
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- SI.Nos. 4,8,9,10,12,13,14 and 16

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

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

A. Laying of natural gas pipelines

Recommendation (Sl. No. 4, Para No.4.4)

5. The Committee had been informed that requests had been received from the Krishna Godavari Gas Network Limited, Andhra Pradesh for grant of authorization for laying, building, operating and expanding common carrier natural gas pipelines in Andhra Pradesh and from the Reliance Fuel Resources Limited to build a natural gas pipeline from Kakinada, Andhra Pradesh to Dadri, Uttar Pradesh. They had been further informed that the Government had sought certain information pertaining to these projects. The Committee had desired that upon receipt of the desired information from the concerned authorities, the Government should take expeditious and befitting action on these proposals, keeping the interests of the inhabitants of the concerned States in view.

6. In response, the Ministry of Petroleum & Natural Gas has submitted as follows:-

“The Government of India has established the Petroleum and Natural Gas Regulatory Board (PNGRB) with effect from 01.10.2007 under ‘the Petroleum and Natural Gas Regulatory Board Act, 2006’ to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas excluding production of crude oil and natural gas. The PNGRB shall, inter alia, take up the authorization of entities to lay, build, operate and expand a pipeline as a common carrier or contract carrier, in accordance with the provisions of the PNGRB Act, 2006”.

7. **During the examination of the subject, the Committee had been informed that requests for grant of authorisation had been received from the Krishna Godavari Gas Network Limited to lay common carrier natural gas pipelines in Andhra Pradesh and from the Reliance Fuel Resources Limited to build a natural gas pipeline from Kakinada in Andhra Pradesh to Dadri in Uttar Pradesh. The Committee had recommended that the Government should take expeditious and befitting action on these proposals, considering the interests of the inhabitants of the concerned States. In its Action Taken Reply, the Government has, inter-alia stated that the Petroleum and Natural Gas Regulatory Board (PNGRB) shall take up the authorisation of entities to lay gas pipelines in accordance with the**

provisions of the PNGRB Act, 2006. The Committee are not at all happy with the response of the Government. In the opinion of the Committee, instead of simply stating that the PNGRB shall take up the matter in accordance with the PNGRB Act, 2006, the Government should have collected the relevant data from the PNGRB and furnished the same to the Committee. The Committee view this as lack of seriousness on the part of the Government to their important recommendations. They desire to be apprised of the present status of the proposals of the two companies.

B. Long-term perspective plan for gas pipeline network

Recommendation (Sl. No. 6, Para No.4.6)

8. The Government had notified the 'Policy for Development of Natural Gas Pipelines and City or Local Distribution Networks' on 20 December 2006 which was aimed at providing a policy framework for the future growth of pipeline infrastructure in the country. The said policy stipulated that the Government might prepare a long-term perspective plan for creating gas pipeline network in consultation with the various stakeholders. The Committee had desired to be apprised of the action taken by the Government for preparation of the said perspective plan as well as the time schedule by when the process was proposed to be completed. In this connection, the Committee had advised the Government to review the efficacy of the policy from time to time and effect appropriate changes in the same to ensure that the long-term perspective growth in the pipeline infrastructure in the country was not hampered. They had further desired that the job of developing a set of technical and safety standards of the highest order as well as a code for grid connectivity should be completed at the earliest.

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

"1. The following trunk pipelines have been authorized by the Central Government:

Sl. No.	Name of the Pipeline	State/Districts
1.	Dadri-Bawana-Nangal Pipeline (by GAIL)	The approximate length = 610 km. U.P.: Gautam Budh Nagar, Ghaziabad. Delhi: North East Delhi, North Delhi and North West Delhi.

		<p>Haryana: Sonapat, Panipat, Karnal, Kurushetra, Yamunanagar and Kaithal.</p> <p>Punjab: Sangrur, Bhatinda and Ludhiana.</p>
2.	Chainsa-Gurgaon-Jhajjar-Hissar Pipeline (by GAIL)	<p>The approximate length = 310 km.</p> <p>Haryana: Faridabad, Gurgaon, Jhajjar, Rohtak and Hissar.</p> <p>Rajasthan: Alwar.</p>
3.	Jagdishpur-Haldia Pipeline (by GAIL)	<p>The approximate length = 876 km.</p> <p>West Bengal: Puruliya, Bankura and Medinipur.</p> <p>Jharkhand: Hazaribagh and Bokaro.</p> <p>Bihar: Bhabhua, Rohtas, Aurangabad, Gaya.</p> <p>U.P.: Rae Bareli, Sultanpur, Jaunpur, Varanasi and Chandauli.</p>
4.	Dabhol-Bangalore Pipeline (by GAIL)	<p>The approximate length = 730 km.</p> <p>Maharashtra: Ratnagiri and Kolhapur.</p> <p>Karnataka: Belgaum, Dharwad, Haveri, Davanagere, Chitradurga, Tumkur and Bangalore.</p>
5.	Kochi-Kanjirkkod-Bangalore/Mangalore Pipeline (by GAIL)	<p>The approximate length = 822 km.</p> <p>Kerala : Ernakulam, Thrissur, Palakkad, Mallapuram, Kozhikode, Kannur and Kasargod.</p> <p>Tamil Nadu: Coimbatore, Erode, Salem and Dharmapuri.</p> <p>Karnataka: Dakshin Kannada, Chamarajnagar, Mandya, Bangalore.</p>
6.	Kakinada-Basudebpur-Howrah Gas Pipeline [by Reliance Gas Transportation Infrastructure Limited (RGTIL)]	<p>The approximate length = 400km.</p> <p>Orissa: Bhadrak, Baleshwar and Mayurbhanj.</p> <p>W.B.: East Medinipur, West Medinipur, Howrah and Hugli</p>
7.	Vijaywada-Nellore-Chennai Pipeline (by RGTIL)	<p>The approximate length = 445km.</p> <p>Andhra Pradesh: Krishna, Guntur, Prakasam, Nellore and Chittoor.</p> <p>Tamil Nadu: Thiruvallur and Chennai.</p>

8.	Chennai-Tuticorin Pipeline (by RGTIL)	The approximate length = 670km. Tamil Nadu: Thiruvallur, Vellore, Kanchipuram, Tiruvannamalai, Vilupuram, Salem, Namakkal, Karur, Dindigul, Virudunagar, Tuticorin, Tirunalveli, Ramanathapuram, Erode, Coimbatore, Dharmapur and Sivagana.
9.	Chennai-Bangalore-Mangalore Pipeline (by RGTIL)	The approximate length = 660km. Tamil Nadu: Thiruvallur, Vellore, Krishnagiri. Andhra Pradesh: Chittoor. Karnataka: Kolar, Bangalore Rural, Bangalore, Tumkur, Mandya, Mysore, Hassan, Chikmagalur, Dakshina Kannada.

As per the terms and conditions for granting of authorizations, the project must be commissioned within 36 months of the start of the project.

2. The following city/local natural gas distribution entities have been authorized by Central Government:

Sl. No	JVC	AREAS OF OPERATION
1	Mahanagar Gas Limited	Mumbai and District Thane including Navi Mumbai and Mira- Bhayender.
2	Indra -prastha Gas Limited	Delhi and its suburbs, viz. NOIDA (Gautam-budh Nagar), Gurgaon and Faridabad
3	Bhagya-nagar Gas Limited	Vijaywada and Hyderabad
4	Tripura Natural Gas Company Limited	Agartala, Tripura
5	Maharashtra Natural Gas Limited	Pune including Pimpri & Chinchward
6	Aavantika Gas Limited	Gwalior, Ujjain and Indore
7.	Sabarmati Gas Ltd.	Gandhinagar, Mehsana and Sabharkantha
8	Green Gas Limited	Lucknow, Agra
9	Gujarat Gas Company Limited	Surat, Bharuch and Ankleshwar
10	Central U P Gas Limited	Kanpur and Bareilly and cities of Eastern U.P..
11	GAIL (India) Ltd.	Vadodara

3. The Committee's advice regarding ensuring long-term growth in the pipeline infrastructure, would be borne in mind by the Government.
4. Oil Industry Safety Directorate (OISD) have developed comprehensive technical & safety standards for Cross Country pipelines and City Gas Distribution Networks, i.e., OISD-STD-226 – "Natural Gas Transmission Pipelines & City Gas Distribution Network". These standards have been forwarded to PNGRB. PNGRB is in the process of finalizing their regulations regarding technical and safety standards".

10. In their 16th Report (14th Lok Sabha), the Committee had desired to be apprised of the action taken by the Government for preparation of a long-term perspective plan for creating gas pipeline network in consultation with the various stakeholders, as stipulated under the Gas Pipeline Policy. They learn from the Action Taken Reply that authorisations have been granted by the Government to some trunk pipelines and city/local natural gas distribution entities. However, the Committee are constrained to express their displeasure that the Government has not informed about the steps taken in the direction of preparation of the perspective plan and consultations with the stakeholders. The Committee, therefore, impress upon the Government to apprise them of the specific steps taken by the Government so far in the direction of preparation of a long-term perspective plan for creating gas pipeline network.

C. Constitution of Gas Advisory Board

Recommendation (Sl. No. 7, Para No. 4.7)

11. The Committee had noted that the Gas Pipeline Policy inter-alia stipulated the constitution of a Gas Advisory Board (GAB) to advise the Government on matters relating to this policy. They had been informed that the constitution of the GAB would be considered after the Petroleum and Natural Gas Regulatory Board (PNGRB) started functioning. Since the PNGRB had already been established, the Committee had desired that the Government should put in place the GAB at the earliest.

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

“The Gas Advisory Board (GAB) has yet to be formed. The recommendations of the Committee would be borne in mind”.

13. In their 16th Report (14th Lok Sabha), the Committee had recommended that the Government should constitute a ‘Gas Advisory Board’ as stipulated under the Gas Pipeline Policy. They had been informed that the constitution of the said Board would be considered after the Petroleum and Natural Gas Regulatory Board (PNGRB) started functioning. The Committee are unhappy to note that the Gas Advisory Board has not yet been set up even though the PNGRB has been in operation for over a year. Since the mandate of the Board is of paramount importance, i.e. to give advice to the Central Government on the various aspects of promoting and developing gas pipeline network and city/local gas distribution networks in the country, the Committee desire that the Gas Advisory Board be put in place without any further delay.

D. CNG stations in Delhi and Mumbai

Recommendation (Sl. No. 8, Para No. 4.8)

14. The Committee had been informed that IGL had a compression capacity of 19.08 lakh kgs/ day which needed to be enhanced to 22 lakh kgs/ day to cater to the additional requirements likely to crop up in the near future in Delhi. For the purpose, the number of stations had to be increased from 146 to around 250 by 31 March 2008. The Committee had desired that concerted efforts should be made in the direction of acquisition of sites for these stations. Besides, tie-ups for sourcing additional gas should also be firmed up expeditiously. The Committee had also been informed that MGL had plans to increase the number of stations to 140 by mid-2007. The Committee had desired to know the success achieved in setting up the additional CNG stations by MGL.

15. In response to the recommendation, the Ministry of Petroleum & Natural Gas has submitted as under:-

“Presently, IGL has 163 CNG stations spread all over Delhi to meet CNG requirement of public transport and private vehicles. IGL is in the process of getting new lands from land owning authorities of NCT of Delhi and Central Government, viz., DDA, L&DO, Cantonment Board, MCD, etc. Further, existing CNG stations are being expanded by adding new compressors and/ or replacing existing low capacity compressors with high capacity compressors. New OMC outlets are also being added for providing CNG filling facilities.

MGL is operating 131 CNG stations in Mumbai and its suburbs. MGL plans to increase the number of CNG stations subject to availability of permissions from statutory authorities for laying of gas pipelines, availability of sites, site readiness from OMC's and allotment of plots by Government of Maharashtra.

Regarding sourcing additional gas, it has been decided that out of the first 40 mmscmd natural gas expected to be produced from RIL's KG D6 field, 5 mmscmd would be supplied to City Gas Distribution (CGD) Projects for supplying CNG for transport requirement and PNG to domestic sector. The requirement of natural gas from CGD entities, including IGL and MGL, has been ascertained by MOP&NG. Natural gas would be supplied to meet the requirement of CGD entities, including IGL and MGL, in accordance with the decision taken by EGoM”.

16. The Committee had recommended that in order to cater to the additional requirements, concerted efforts should be made to acquire sites for CNG stations so as to achieve the plan of increasing the number of such stations in Delhi from 146 to around 250 by 31st March, 2008. They are unhappy to note from the Action Taken Reply that presently the Indraprastha Gas Limited (IGL) has only 163 CNG stations spread over Delhi. Same is the case with the Mahanagar Gas Limited (MGL) in Mumbai. The MGL, which had plans to increase the number of CNG stations to 140 by mid-2007, is currently operating 131 CNG stations in Mumbai and its suburbs. Considering the heavy demand of CNG, the Committee desire that adequate number of CNG stations be set up in Delhi and Mumbai at a faster pace.

The Committee have also been informed that the IGL is in the process of getting additional land from different land owning agencies like DDA, L & DO, Cantonment Board, MCD, etc. They would like to be apprised of the success achieved in acquisition of land by the IGL.

E. CNG/PNG facilities in major cities

Recommendation (Sl. No. 10, Para No. 4.10)

17. Piped Natural Gas (PNG) has a number of advantages over Liquefied Petroleum Gas (LPG) such as continuous supply, low cost, safety, no storage problem, tamper proof, etc. Similarly, large scale use of CNG can also prove extremely beneficial in checking atmospheric pollution. However, in spite of these advantages, the Committee had found that the introduction of CNG/ PNG had been confined to only a few cities in the country. Considering the benefits of CNG & PNG, the Committee had reasoned that there was a great need to extend the CNG/ PNG network to all major cities in the country in a time-bound manner. They had, therefore, desired the Government to make a realistic assessment of the time limit by which such facilities could be provided in all major cities of the country and based on this assessment, prepare a road-map detailing various activities needed to be carried out for this purpose.

18. The Ministry of Petroleum & Natural Gas has submitted the following reply in this regard:-

“The Central Government has already authorized following city/local natural gas distribution entities for undertaking projects in the areas mentioned against each:

Sl. No	JVC	AREAS OF OPERATION
1	Mahanagar Gas Limited	Mumbai and District Thane including Navi Mumbai and Mira- Bhayender.
2	Indra -prastha Gas Limited	Delhi and its suburbs, viz. NOIDA (Gautam-budh Nagar), Gurgaon and Faridabad
3	Bhagya-nagar Gas Limited	Vijaywada and Hyderabad
4	Tripura Natural Gas Company Limited	Agartala, Tripura

Sl. No	JVC	AREAS OF OPERATION
5	Maharashtra Natural Gas Limited	Pune including Pimpri & Chinchward
6	Aavantika Gas Limited	Gwalior, Ujjain and Indore
7.	Sabarmati Gas Ltd.	Gandhinagar, Mehsana and Sabharkantha
8	Green Gas Limited	Lucknow, Agra
9	Gujarat Gas Company Limited	Surat, Bharuch and Ankleshwar
10	Central U P Gas Limited	Kanpur and Bareilly and cities of Eastern U.P.
11	GAIL (India) Ltd.	Vadodara

In addition, Petroleum and Natural Gas Regulatory Authority has invited Expressions of Interest for undertaking city/local natural gas distribution networks.

Government has decided that out of the first 40 mmscmd natural gas expected to be produced from RIL's KG D6 field, 5 mmscmd would be supplied to City Gas Distribution (CGD) Projects for supplying CNG to transport sector and PNG to domestic sector".

19. The Committee, in their original Report, had desired the Government to make an assessment of the time limit by which CNG/PNG facilities can be provided in all major cities of the country and based on the assessment, prepare a road-map detailing various activities needed to be carried out for this purpose. The Government, in its Action Taken Reply, has stated that the Petroleum and Natural Gas Regulatory Authority has invited Expressions of Interest for undertaking city/local natural gas distribution network. Besides, the said reply also mentions that the Government has authorised 11 city/local natural gas distribution entities for undertaking projects in a few cities. However, the Committee find that the Action Taken Reply does not explicitly mention about the assessment of the Government about extension of the CNG/PNG facilities to all major cities of the country, time schedule for implementation of these projects and preparation of a road-map for this purpose. The Committee do not approve of the casual approach of the Government towards their important recommendations. They desire the Government to furnish pointed replies to each of these points.

F. Declared goods/infrastructure status for natural gas/LNG projects

Recommendation (Sl. No. 15, Para No. 4.15)

20. The Committee had been informed that the Ministry of Petroleum & Natural Gas had raised some proposals pertaining to the LNG sector with the Ministry of Finance such as 'declared goods' status to natural gas, nil import/customs duty for LNG/capital goods for LNG and 'infrastructure' status for LNG projects. More or less similar proposals had also been moved by the Ministry of Power. The Committee had agreed with the proposals of these Ministries and desired that the status of 'declared good' and 'infrastructure' should be granted to natural gas/LNG projects in order to give a fillip to the LNG sector. They had further desired that import duty/customs duty on LNG/capital goods for LNG should be brought down to nil at the earliest.

21. In its Action Taken Reply, the Ministry of Petroleum & Natural Gas has submitted as under:-

“Matter was taken up by MoP&NG with Ministry of Finance for (i) declared goods status to Natural Gas under the Central Sales Tax Act, 1956, (ii) Zero percent duty on import of LNG instead of 5%, (iii) Zero percent custom duty on capital goods for LNG, and (iv) 'Infrastructure status' for LNG projects under Income Tax Act, 1961. Further, as required by the Ministry of Finance, additional information was also furnished. However, the same could not be included in the Budget”.

22. In their earlier Report, the Committee had desired that the status of 'declared goods' and 'infrastructure' should be granted to natural gas/LNG projects in order to give a fillip to the LNG sector. They had also desired that import duty/customs duty on LNG/capital goods for LNG should be brought down to nil. These matters were taken up with the Ministry of Finance by the Ministry of Petroleum and Natural Gas. The Committee learn from the Action Taken Reply of the Government that additional information relating to these matters, as desired by the Ministry of Finance, was also furnished to it by the Ministry of Petroleum and Natural Gas. However, the proposals could not be included in the Budget. The Committee are unhappy that their vital recommendations have been ignored by the Government without giving the reasons for the same. The

Committee, while expressing their displeasure over the negative approach of the Government, reiterate that the status of 'declared goods' and 'infrastructure' be granted to natural gas/LNG projects and import duty/customs duty on LNG/capital goods for LNG be brought down to nil.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 4.1)

The wide gap between demand and supply of natural gas in the country is a matter of great concern. The Committee have been informed that the estimated demand of natural gas in the country in 2010-11 would be 262.07 MMSCMD. Even though gas production is expected to increase substantially in the coming years because of discoveries made from fields awarded under the New Exploration Licensing Policy (NELP), the same would not be sufficient to cater to the requirements of various sectors. This fact has been accepted by the Ministry whose conservative and optimistic gas supply projections in the year 2010-11 have been pegged at 113.09 and 197.09 MMSCMD respectively. The Committee are of the view that in order to bridge the demand and supply gap, the Government has to act fast on both domestic and international fronts. On the domestic front, the Government should lay utmost emphasis on acceleration of indigenous E&P activities and exploitation of Coal Bed Methane resources, besides intensifying the R&D on sources like gas hydrates and coal gasification. On the international front, there is an urgent need to be part of the Trans-national Pipeline Projects so as to ensure a steady flow of gas in the country. Besides, emphasis should also be laid on procurement of LNG from abroad. The Committee desires the Government to take result-oriented approach in each of these areas.

REPLY OF THE GOVERNMENT

Government of India has adopted a multi-pronged strategy to augment gas supplies and bridge the gap between supply and demand for the domestic market. These cover:-

- (a) Intensification of domestic E&P activities;
- (b) Exploitation of unconventional sources like Coal Bed Methane (CBM);

- (c) Underground coal gasification;
- (d) Implementation of Natural Gas Hydrate Programme (NGHP) for evaluation of hydrate resources and their possible commercial exploitation;
- (e) LNG Imports
- (f) Gas sourcing through transnational gas pipelines.

2. The E&P activities have been intensified following the New Exploration Licensing Policy. So far, 6 bidding rounds have been successfully undertaken. A total of 162 blocks have been awarded in shallow water, deep waters and onland areas to PSUs, JVs and foreign companies till date. The initial results have been very encouraging, with gas discoveries in Cambay basin, KG offshore and Mahanadi basin. Similarly, significant oil reserves have been discovered in Rajasthan. It is expected that more hydrocarbon discoveries would materialize in the coming years as more and more investment is attracted in E&P activities. Government offered 52 Blocks under 7th bidding round of NELP. 181 bids have been received for 45 blocks. These blocks are being awarded shortly.

3. Government of India has also formulated CBM Policy and so far 3 bidding rounds have been successfully undertaken. A total of 26 contracts for CBM blocks have been signed with PSUs and private companies for exploitation of CBM gas. ONGC, RIL & GEECL have established 6 TCF in respect of four blocks. Commercial production of CBM has commenced in July 2007 in one of the blocks in West Bengal.

4. ONGC has carried out seismic survey and drilled 18 boreholes for detailed Underground Coal Gasification (UCG) site characterization in the selected Vastan mine block. The data is currently under analysis for identifying exact location for pilot UCG. Four new sites, one in Gujarat and 3 in Rajasthan, have also been identified.

5. The National Gas Hydrate Programme is being implemented with a scientific approach and a programme has been undertaken for exploratory drilling. Over the past few years, huge amount of seismic data and other data

has been collected and field studies have been undertaken to study the hydrate deposits and identify areas of prospectivity. Hydrate deposits are indicated both in the western as well as the eastern offshore areas of India. Reserves estimation is under process based on the drilling core samples collected.

6.1 Pursuant to LNG coming under 'OGL', a Joint Venture Company, viz., Petronet LNG Limited (PLL), promoted by ONGC, GAIL, IOCL & BPCL, was formed in order to import LNG and to set up an LNG regasification plant at Dahej. PLL signed a contract with RasGas, Qatar in July 1999 for import of 7.5 million metric tonnes per annum (mmtpa) LNG for a period of 25 years. As per the contract, supply of 5 mmtpa LNG commenced in 2004 and the supply of balance 2.5 mmtpa LNG would commence in 2009. Further, PLL has signed a contract with RasGas, Qatar in July 2007 for supply of 1.5 mmtpa LNG to meet the requirement of Ratnagiri Gas and Power Private Limited (RGPPL). It is valid till September 2009. However, the price of the gas provided under short term contract is valid only till December 2008. For supplies beyond December 2008, the price has to be re-negotiated. In addition to the above term-contracts, LNG is also being sourced from spot market by PLL and Shell. During 2007-08, about 8.32 mmt LNG was imported, which is equivalent to about 29 mmscmd of RLNG. Out of total LNG import of 8.32 mmt during 2007-08, the share of HLPL is about 2.02 mmt.

6.2. Concerted efforts are being made to augment the supply of LNG to the country. Regarding import of 5 MMTPA of LNG from Iran, the matter is being pursued with the Government of Iran. Minister (P&NG) discussed the issue with President of Iran at Shanghai in June 2006 and again during his recent visit to Tehran on April 25 and 26, 2007. PLL is at advanced stage of discussion with Gorgon, Australia for import of 2.5 MMTPA LNG for Kochi LNG Terminal. GAIL and PLL are exploring possibility of import of LNG from various potential suppliers.

6.3 In order to handle increased LNG import, additional infrastructure is being created in the country. PLL's Dahej LNG terminal is being expanded from the current 5 MMTPA capacity to 10 MMTPA capacity. The expanded facility is scheduled to be completed by January 2009. Hazira LNG Pvt. Ltd. (HLPL)'s LNG terminal is being expanded from 2.5 MMTPA to 5 MMTPA. Dabhol LNG terminal is expected to be completed by end of December 2008. The terminal will, however, become fully operational only after completion of breakwater facilities in 2011. PLL is setting up an LNG terminal at Kochi which is planned to be commissioned in 2012. In addition LNG terminals are planned to be set up by IOC and ONGC at Ennore and Mangalore respectively.

7. India is in a geographically advantageous position, because of huge gas deposits to its North-West in Russia and Central Asian Republics, in West Asia in Iran, Qatar and Abu Dhabi, and finally towards its South/South East in Myanmar and Bangladesh. These reserves are at distances that makes it economically viable to lay a gas pipeline. Discussions are presently underway with the Iranian Government for import of 30-90 MMSCMD gas through Iran-Pakistan-India (IPI) pipeline in 2 phases. India is also pursuing import of natural gas from Turkmenistan through TAPI Gas Pipeline Project. During the 10th Steering Committee Meeting of the Project held in April 2008 at Islamabad, India has been admitted as an official member of the Project.

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Recommendation (Sl. No. 2, Para No. 4.2)

The Committee note that at present the pricing of APM gas, which comes from the fields of ONGC and OIL given to them on nomination basis, is being decided by the Government, while the pricing of gas produced from the fields under Joint Venture/New Exploration Licensing Policy is being governed in terms of provisions of Production Sharing Contracts (PSC). The Committee further note that the share of APM gas, which forms about 60 per cent of the total gas available at present, is likely to come down to around 15-20 per cent by 2011-12

while the production from NELP/JV fields would go up to a considerable extent. Thus, it would be in the fitness of things to develop a suitable pricing mechanism for the gas produced from NELP/JV fields. As per the provisions of the PSC of the NELP rounds, the price of natural gas for sale to consumers is to be market-driven. The PSC also stipulates that prior approval of the Government has to be obtained for the formula or the basis on which the price is fixed. The PSC further states that while granting approval, the Government shall take into account the prevailing policy on pricing of natural gas and it may delegate or assign this function to a regulatory body as and when such an authority is in place. The Committee have been informed that a High Powered Pricing Committee has been constituted to prescribe a clear set of guidelines in order to ensure that the pricing is determined on a transparent basis. The Committee, while appreciating the constitution of the High Powered Pricing Committee, desire the Government to chalk out a gas pricing and utilization policy incorporating sufficient incentives for E&P companies and at the same time adequately addressing the concerns of the main consumers, i.e. the fertilizer and power industries. In this connection, the Committee would like the Government to make appropriate changes in the Production Sharing Contracts of the future NELP rounds so as to allocate some quantity of natural gas from new finds to power and fertilizer industries. Besides, the Government should also consider prescribing a minimum floor price to protect its revenue in terms of profit petroleum and a ceiling price to protect the consumer interest.

The Committee further understand that the pricing of gas to be produced from the KG basin D-6 block is yet to be finalized. They hope that the Government would give due weightage to all stakeholders such as the producer, consumer, concerned State Government, etc., while deciding on the pricing issue and settle the issue at an early date.

REPLY OF THE GOVERNMENT

Decisions regarding Pricing of natural gas produced under NELP:

The Government constituted Empowered Group of Ministers (EGoM) to examine and decide issues pertaining to pricing and commercial utilization of gas under New Exploration Licensing Policy (NELP). The EGoM after its deliberations decided the following:

It will not be in the country's interest to renege from the contractual provisions under the PSCs entered into in good faith under the NELP. Sanctity of the signed, legally binding contracts should be maintained.

The EGoM inter alia approved the price of natural gas for all NELP-I to NELP-VI contracts, which comes to US \$ 4.2/mmbtu for crude price greater or equal to US \$ 60/barrel. So the cap for crude price in the formula has been frozen at US \$ 60/barrel. The price of natural gas would come down to US \$2.5/mmbtu if crude price becomes \$ 25/barrel or lesser.

The price discovery process on arms length basis will be adopted in the future NELP contracts only after the approval of the price basis/formula by the Government. The price discovered through this process would be applicable to all the sectors, uniformly.

Decisions regarding commercial utilization of natural gas produced under NELP

It has been decided that the Contractor would sell gas produced under NELP to consumers in accordance with the marketing priorities determined by the Government. It has been decided that, out of the production of first 40 mmscmd from RIL's KG D6 field, gas would be sold to the following priority sectors:-

- (i) Existing gas based urea plants so as to enable full capacity utilization;
- (ii) Existing gas based LPG plants (3 mmscmd)
- (iii) Existing gas based power plants lying idle/under-utilized and likely to be commissioned during 2008-09, and liquid fuel plants, which are now running on liquid fuel and could switch over to natural gas (18 mmscmd).

- (iv) City Gas Distribution Projects for supply of Piped Natural Gas to households and Compressed Natural Gas to transport sector (5 mmscmd).
- (v) Any quantity after supplying to the above categories, to category (iii) above.

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Recommendation (Sl. No. 3, Para No. 4.3)

Indian Gas Market is still in its infancy with only one cross country pipeline (HBJ pipeline) catering to the large volume of gas transportation to different geographical markets. In the opinion of the Committee, the pipeline infrastructure needs to be developed expeditiously with simultaneous gas supply tie-ups. Besides, the Committee also note that most of the transmission infrastructure of GAIL (India) Ltd. has been installed in the North-West of India for transportation of gas to shore from the Western offshore fields and for transmission of this gas to end users. There exists regional gas grids of varying sizes in various States. Since substantial discoveries have also been made on the Eastern Coast in the recent years, the Committee desire that the Eastern and the Southern parts of the country should as well be urgently equipped with adequate transmission infrastructure. In order to expedite the transmission infrastructure, the Government should quickly decide on the pipeline projects pending before it for approval. While considering/approving the proposals, care should, however, be taken to avoid duplication of pipeline routes.

REPLY OF THE GOVERNMENT

GAIL is presently operating approximately 6778 km of pipeline network in the country with a capacity of around 142 Million Standard Cubic Metre Per Day (mmscmd) for transportation of natural gas. The details of the present pipeline network is at Annex –I. GSPL has an existing pipeline infrastructure of around 1070 km in Gujarat.

Dahej-Uran Pipeline (DUPL) and Dabhol-Panvel pipeline (DPPL) have been commissioned by GAIL on July 11, 2007. Kelaras-Malanpur, Vijaipur-Kota and Jagoti-Pitampur pipelines have been commissioned by GAIL in July 2006, January 2007 and March 2007 respectively.

Reliance Gas Transportation Infrastructure Limited (RGTIL) is constructing Kakinada- Hyderabad-Uran-Ahmedabad pipeline (1385 km) for evacuating gas from KG basin. Dadri-Panipat pipeline (133 km) is under implementation by Indian Oil Corporation (IOC).

The details of pipelines, for which authorizations have been issued recently, are at Annex –II. The approximate length of these pipelines is 6243 km, 3348 km in favour of GAIL and 1515km in favour of RGTIL. These pipelines must be commissioned within 36 months from the date of the start of the project, i.e., the date of publication in official gazette of notification pertaining to land relating to the pipeline, under sub-section (1) of Section 3 of the Petroleum & Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962. As can be seen from Annex-II, these pipelines would inter alia connect eastern and southern parts of the country, viz., West Bengal, Bihar, Jharkhand, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Orissa.

The proposed pipeline infrastructure takes into account availability of natural gas in Western offshore, Krishna Godavari basin, Mahanadi basin and Gujarat, as also availability of Regasified Liquefied Natural Gas (RLNG) from existing terminals at Dahej & Hazira and upcoming terminals at Dabhol & Kochi.

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Annexure – I**Existing Pipeline Network of GAIL**

Sl. No.	Pipeline Network	Updated Lengths
1.	DVPL	770
2.	HVJ	3397
3.	ASSAM	8
4.	TRIPURA	61
5.	GUJARAT REGION	742
6.	MAHARASHTRA REGION	125
7.	AP REGION	834
8.	TN REGION	260
9.	DUPL/DPPL	581
	TOTAL	6778

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Annexure - II

Authorizations Issued Recently

Sl. No.	Name of the Pipeline	State/Districts
1.	Dadri-Bawana-Nangal Pipeline (by GAIL)	The approximate length = 610 km. U.P.: Gautam Budh Nagar, Ghaziabad. Delhi: North East Delhi, North Delhi and North West Delhi. Haryana: Sonapat, Panipat, Karnal, Kurushetra, Yamunanagar and Kaithal. Punjab: Sangrur, Bhatinda and Ludhiana.
2.	Chainsa-Gurgaon-Jhajjar-Hissar Pipeline (by GAIL)	The approximate length = 310 km. Haryana: Faridabad, Gurgaon, Jhajjar, Rohtak and Hissar. Rajasthan: Alwar.
3.	Jagdishpur-Haldia Pipeline (by GAIL)	The approximate length = 876 km. West Bengal: Puruliya, Bankura and Medinipur. Jharkhand: Hazaribagh and Bokaro. Bihar: Bhabhua, Rohtas, Aurangabad, Gaya. U.P.: Rae Bareli, Sultanpur, Jaunpur, Varanasi and Chandauli.
4.	Dabhol-Bangalore Pipeline (by GAIL)	The approximate length = 730 km. Maharashtra: Ratnagiri and Kolhapur. Karnataka: Belgaum, Dharwad, Haveri, Davanagere, Chitradurga, Tumkur and Bangalore.
5.	Kochi-Kanjirkkod-Bangalore/Mangalore Pipeline (by GAIL)	The approximate length = 822 km. Kerala : Ernakulam, Thrissur, Palakkad, Mallapuram, Kozhikode, Kannur and Kasargod. Tamil Nadu: Coimbatore, Erode, Salem and Dharmapuri. Karnataka: Dakshin Kannada, Chamarajnagar, Mandya, Bangalore.

6.	Kakinada-Basudebpur-Howrah Gas Pipeline [by Reliance Gas Transportation Infrastructure Limited (RGTIL)]	The approximate length = 400km. Orissa: Bhadrak, Baleshwar and Mayurbhanj. W.B.: East Medinipur, West Medinipur, Howrah and Hugli
7.	Vijaywada-Nellore-Chennai Pipeline (by RGTIL)	The approximate length = 445km. Andhra Pradesh: Krishna, Guntur, Prakasam, Nellore and Chittoor. Tamil Nadu: Thiruvallur and Chennai.
8.	Chennai-Tuticorin Pipeline (by RGTIL)	The approximate length = 670km. Tamil Nadu: Thiruvallur, Vellore, Kanchipuram, Tiruvannamalai, Vilupuram, Salem, Namakkal, Karur, Dindigul, Virudunagar, Tuticorin, Tirunalveli, Ramanathapuram, Erode, Coimbatore, Dharmapur and Sivagana.
9.	Chennai-Bangalore-Mangalore Pipeline (by RGTIL)	The approximate length = 660km. Tamil Nadu: Thiruvallur, Vellore, Krishnagiri. Andhra Pradesh: Chittoor. Karnataka: Kolar, Bangalore Rural, Bangalore, Tumkur, Mandya, Mysore, Hassan, Chikmagalur, Dakshina Kannada.

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Recommendation (Sl. No. 5, Para No. 4.5)

The Committee, in their Seventh Report (14th Lok Sabha), had noted with concern that a number of fertilizer plants had been closed down or rendered unviable because of the increasing cost of naphtha which needed to be converted into gas based plants to make them viable. They had recommended that while laying the future gas pipelines, the Government should take into account the locations of such fertilizer units so as to facilitate their linking to the pipeline network. During oral evidence, the Committee have been informed that the Government is in the process of connectivity, for which the GAIL is preparing the pipeline grid blueprint. They have also been informed that as per the assessment of the Government, there is a shortfall of about 18/19 million cubic metres of gas for all the fertilizer units to be fully converted into gas based and that by 2010, all the fertilizer units in the country would operate only on gas. The Committee desire the Government / GAIL to finalize and put in place the grid connectivity in synchronization with procurement and allocation of gas to such units well in time. They further desire that year-wise targets for the linkage of such units and allocation of gas to them should be set with continuous monitoring of the progress by the Ministry. The Committee should also be kept apprised of the progress made in achieving the desired targets.

REPLY OF THE GOVERNMENT

The production of natural gas from RIL's KG D6 field is expected to commence soon. Government has taken a decision regarding the priority sectors to which the first 40 mmscmd natural gas to be produced from RIL's KG-D6 field would be supplied. It has been decided to accord the highest priority to existing gas-based urea plants, which are now getting gas below their full requirement, so as to enable them to operate at full capacity. Further, natural gas would be supplied to existing LSHS, fuel oil and naphtha based urea plants for their conversion to gas out of the additional production from RIL's KG-D6 field beyond 40 mmscmd.

The existing naphtha/Fuel Oil/LSHS based urea plants and closed units, which can be connected to gas pipeline network, are as below:-

Naphtha based urea plants:

1. ZUARI INDUSTRIES LTD.(ZIL), GOA could be connected through a spur line by GAIL's Dabhol – Bangalore pipeline for which authorization has been issued by MoP&NG.
2. FACT COCHIN can be connected through GAIL's proposed Kochi-Kanjirakkod-Bangalore/Mangalore pipeline for which authorization has been issued by MoP&NG.
3. SPIC, TUTICORIN could be connected by Reliance Gas Transportation Infrastructure Limited (RGTIL)'s Vijaywada-Nellore-Chennai pipeline and further Chennai-Tuticorin pipeline for which authorizations have been issued by MoP&NG.
4. MFL, CHENNAI could be connected by RGTIL's Vijaywada-Nellore-Chennai pipeline for which authorization has been issued by MoP&NG.
5. MCFL, MANGALORE could be connected by RGTIL's Vijaywada-Nellore-Chennai pipeline and further Chennai-Bangalore-Mangalore pipeline for which authorizations have been issued by MoP&NG.

FUEL OIL/LSHS BASED UNITS:

Nangal, Panipat and Bhatinda: Nangal and Bhatinda plants could be connected by GAIL's Dadri-Bawana-Nangal pipeline for which authorization has been issued by MoP&NG. The tender for linepipes and laying of pipelines for Dadri-Bawana Section has been issued by GAIL. Panipat plant could be connected through Dadri-Panipat pipeline being laid by IOCL, which is scheduled to be completed by January 2009.

CLOSED UNITS:

Ramagundam - RGTIL is laying Kakinada-Hyderabad-Uran-Ahmedabad pipeline. The pipeline is to be commissioned shortly. Ramagundam could be connected from this pipeline through a spur line.

Talcher - Talcher could be connected by RGTIL's Kakinada-Basudebpur-Howrah pipeline for which authorization has been issued by MoP&NG.

Sindri, Gorakhpur, Barauni, Durgapur and Haldia - These units could be connected through spur lines from GAIL's Jagdishpur-Haldia pipeline for which authorization has been issued by MoP&NG.

Korba – This unit was not commissioned. This unit is not on the proposed gas grid. Therefore, it does not have any chance of getting connectivity in the near future. Presently, this unit is not under consideration for revival.

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CHAPTER III

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

Recommendation (Sl. No. 11, Para No. 4.11)

The Committee note that different rates are charged from domestic, small commercial, medium commercial and large commercial consumers in Delhi for the use of PNG. While the rate charged from domestic consumers is Rs.13+4% VAT per SCM, the rates in case of small and medium commercial consumers are Rs.17.79+4% VAT and Rs.20.83+4% VAT per SCM, respectively. The Committee are surprised to note that large commercial consumers in Delhi (with consumption above 2100 SCM per day) were being allowed a preferential rate of Rs.12.23+4% VAT per SCM until 15 March 2007 when this preferential rate was withdrawn. In the opinion of the Committee, the withdrawal of this preferential rate for large commercial consumers is a step in the right direction. However, in the Committee's view this preferential rate should not have been granted to such category of consumers in the first instance. They would like to know the rationale behind giving this facility to large commercial consumers initially and the factors which prompted the Government to withdraw the same w.e.f. 15 March 2007.

REPLY OF THE GOVERNMENT

Up to 14th March, 2007, the price of Piped Natural Gas (PNG) supplied to large commercial consumers was Rs.20.83/- + 4% VAT per scm for consumption up to 2100 scmd and Rs.12.23 + 4% VAT per scm for consumption above 2100 scmd. This means that for a large commercial consumer consuming 2200 scm per day, the price of Rs.12.23/- + 4% VAT per scm was applicable only on 100 scm per day. For the balance quantity of 2100 scm per day, the customer was required to pay price of Rs.20.83/- + 4% VAT per scm.

The price of PNG for various categories of customers is based on pricing of alternate fuel / fuels being replaced at the time of switching over to PNG with correction for difference in calorific value of respective fuels. In case of small and medium commercial consumers, the fuels replaced normally were bulk LPG and LDO. In case of large commercial customers, the fuel replaced is electricity, which is cheaper than LPG and LDO. The price of PNG arrived at for competing with electricity was Rs.12.23 + 4 % VAT per scm nfor the incremental quantity above 2100 scmd. The discount slab was withdrawn w.e.f. 15th March, 2007 in view of limited availability of natural gas.

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CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 6, Para No. 4.6)

The Government has notified the 'Policy for Development of Natural Gas Pipelines and City or Local Distribution Networks' on 20 December 2006 which is aimed at providing a policy framework for the future growth of pipeline infrastructure in the country. The said policy stipulates that the Government may prepare a long-term perspective plan for creating gas pipeline network in consultation with the various stakeholders. The Committee would like to be apprised of the action taken by the Government for preparation of the said perspective plan as well as the time schedule by when the process is proposed to be completed. In this connection, the Committee would like to advise the Government to review the efficacy of the policy from time to time and effect appropriate changes in the same to ensure that the long-term perspective growth in the pipeline infrastructure in the country is not hampered. They further desire that the job of developing a set of technical and safety standards of the highest order as well as a code for grid connectivity should be completed at the earliest.

REPLY OF THE GOVERNMENT

1. The following trunk pipelines have been authorized by the Central Government:

Sl. No.	Name of the Pipeline	State/Districts
1.	Dadri-Bawana-Nangal Pipeline (by GAIL)	The approximate length = 610 km. U.P.: Gautam Budh Nagar, Ghaziabad. Delhi: North East Delhi, North Delhi and North West Delhi. Haryana: Sonapat, Panipat, Karnal, Kurushetra, Yamunanagar and Kaithal. Punjab: Sangrur, Bhatinda and Ludhiana.
2.	Chainsa-Gurgaon-Jhajjar-Hissar Pipeline (by GAIL)	The approximate length = 310 km. Haryana: Faridabad, Gurgaon, Jhajjar, Rohtak and Hissar. Rajasthan: Alwar.

3.	Jagdishpur-Haldia Pipeline (by GAIL)	The approximate length = 876 km. West Bengal: Puruliya, Bankura and Medinipur. Jharkhand: Hazaribagh and Bokaro. Bihar: Bhabhua, Rohtas, Aurangabad, Gaya. U.P.: Rae Bareli, Sultanpur, Jaunpur, Varanasi and Chandauli.
4.	Dabhol-Bangalore Pipeline (by GAIL)	The approximate length = 730 km. Maharashtra: Ratnagiri and Kolhapur. Karnataka: Belgaum, Dharwad, Haveri, Davanagere, Chitradurga, Tumkur and Bangalore.
5.	Kochi-Kanjirkkod-Bangalore/Mangalore Pipeline (by GAIL)	The approximate length = 822 km. Kerala : Ernakulam, Thrissur, Palakkad, Mallapuram, Kozhikode, Kannur and Kasargod. Tamil Nadu: Coimbatore, Erode, Salem and Dharmapuri. Karnataka: Dakshin Kannada, Chamarajnar, Mandya, Bangalore.
6.	Kakinada-Basudebpur-Howrah Gas Pipeline [by Reliance Gas Transportation Infrastructure Limited (RGTIL)]	The approximate length = 400km. Orissa: Bhadrak, Baleswar and Mayurbhanj. W.B.: East Medinipur, West Medinipur, Howrah and Hugli
7.	Vijaywada-Nellore-Chennai Pipeline (by RGTIL)	The approximate length = 445km. Andhra Pradesh: Krishna, Guntur, Prakasam, Nellore and Chittoor. Tamil Nadu: Thiruvallur and Chennai.
8.	Chennai-Tuticorin Pipeline (by RGTIL)	The approximate length = 670km. Tamil Nadu: Thiruvallur, Vellore, Kanchipuram, Tiruvannamalai, Vilupuram, Salem, Namakkal, Karur, Dindigul, Virudunagar, Tuticorin, Tirunalveli, Ramanathapuram, Erode, Coimbatore, Dharmapur and Sivagana.
9.	Chennai-Bangalore-Mangalore Pipeline (by RGTIL)	The approximate length = 660km. Tamil Nadu: Thiruvallur, Vellore, Krishnagiri. Andhra Pradesh: Chittoor. Karnataka: Kolar, Bangalore Rural, Bangalore, Tumkur, Mandya, Mysore, Hassan, Chikmagalur, Dakshina Kannada.

As per the terms and conditions for granting of authorizations, the project must be commissioned within 36 months of the start of the project.

2. The following city/local natural gas distribution entities have been authorized by Central Government:

Sl. No	JVC	AREAS OF OPERATION
1	Mahanagar Gas Limited	Mumbai and District Thane including Navi Mumbai and Mira- Bhayender.
2	Indra -prastha Gas Limited	Delhi and its suburbs, viz. NOIDA (Gautam-budh Nagar), Gurgaon and Faridabad
3	Bhagya-nagar Gas Limited	Vijaywada and Hyderabad
4	Tripura Natural Gas Company Limited	Agartala, Tripura
5	Maharashtra Natural Gas Limited	Pune including Pimpri & Chinchward
6	Aavantika Gas Limited	Gwalior, Ujjain and Indore
7.	Sabarmati Gas Ltd.	Gandhinagar, Mehsana and Sabharkantha
8	Green Gas Limited	Lucknow, Agra
9	Gujarat Gas Company Limited	Surat, Bharuch and Ankleshwar
10	Central U P Gas Limited	Kanpur and Bareilly and cities of Eastern U.P.
11	GAIL (India) Ltd.	Vadodara

3. The Committee's advice regarding ensuring long-term growth in the pipeline infrastructure, would be borne in mind by the Government.

4. Oil Industry Safety Directorate (OISD) have developed comprehensive technical & safety standards for Cross Country pipelines and City Gas Distribution Networks, i.e., OISD-STD-226 – "Natural Gas Transmission Pipelines & City Gas Distribution Network". These standards have been forwarded to PNGRB. PNGRB is in the process of finalizing their regulations regarding technical and safety standards.

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Comments of the Committee
(Please see para 10 of Chapter I of the Report)

Recommendation (Sl. No.7, Para No. 4.7)

The Committee note that the Gas Pipeline Policy inter alia stipulates the constitution of a Gas Advisory Body (GAB) to advise the Government on matters relating to this policy. They have been informed that the constitution of the GAB would be considered after the Petroleum & Natural Gas Regulatory Board (PNGRB) starts functioning. Since the PNGRB has already been established, the Committee desire that the Government should put in place the GAB at the earliest. Besides, efforts should also be made to avoid duplication of work by GAB and PNGRB.

REPLY OF THE GOVERNMENT

The Gas Advisory Board (GAB) has yet to be formed. The recommendations of the Committee would be borne in mind.

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Comments of the Committee
(Please see para 13 of Chapter I of the Report)

Recommendation (Sl. No.15, Para No. 4.15)

The Committee have been informed that the Ministry of Petroleum & Natural Gas has raised some proposals pertaining to the LNG sector with the Ministry of Finance such as 'declared goods' status to natural gas, nil import/customs duty for LNG/capital goods for LNG and 'infrastructure' status for LNG projects. More or less similar proposals have also been moved by the Ministry of Power. The Committee agree with the proposals of these Ministries and desire that the status of 'declared good' and 'infrastructure' should be granted to natural gas/LNG projects in order to give a fillip to the LNG sector. They further desire that import duty/customs duty on LNG/capital goods for LNG should be brought down to nil at the earliest.

REPLY OF THE GOVERNMENT

Matter was taken up by MoP&NG with Ministry of Finance for (i) declared goods status to Natural Gas under the Central Sales Tax Act, 1956, (ii) Zero percent duty on import of LNG instead of 5%, (iii) Zero percent custom duty on

capital goods for LNG, and (iv) 'Infrastructure status' for LNG projects under Income Tax Act, 1961. Further, as required by the Ministry of Finance, additional information was also furnished. However, the same could not be included in the Budget.

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Comments of the Committee

(Please see para 22 of Chapter I of the Report)

CHAPTER V**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES
OF THE GOVERNMENT ARE STILL AWAITED****Recommendation (Sl. No. 4, Para No. 4.4)**

The Committee have been informed that requests have been received from the Krishna Godavari Gas Network Limited, Andhra Pradesh for grant of authorization for laying, building, operating and expanding common carrier natural gas pipelines in Andhra Pradesh and from the Reliance Fuel Resources Limited to build a natural gas pipeline from Kakinada, Andhra Pradesh to Dadri, Uttar Pradesh. They have been further informed that the Government has sought certain information pertaining to these projects. The Committee desire that upon receipt of the desired information from the concerned authorities, the Government should take expeditious and befitting action on these proposals, keeping the interests of the inhabitants of the concerned States in view. The action taken in the matter may be conveyed to the Committee within three months from the presentation of this report .

REPLY OF THE GOVERNMENT

The Government of India has established the Petroleum and Natural Gas Regulatory Board (PNGRB) with effect from 01.10.2007 under 'the Petroleum and Natural Gas Regulatory Board Act, 2006' to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas excluding production of crude oil and natural gas. The PNGRB shall, inter alia, take up the authorization of entities to lay, build, operate and expand a pipeline as a common carrier or contract carrier, in accordance with the provisions of the PNGRB Act, 2006.

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Comments of the Committee
(Please see para 7 of Chapter I of the Report)

Recommendation (Sl. No. 8, Para No. 4.8)

The Indraprastha Gas Limited and Mahanagar Gas Limited are engaged in developing CNG infrastructure in Delhi and Mumbai respectively. As per data furnished to the Committee, there are 146 and 122 CNG stations in Delhi and Mumbai, respectively. The Committee have been informed that IGL has a compression capacity of 19.08 lakh kgs/ day which needs to be enhanced to 22 lakh kgs/ day to cater to the additional requirements which are likely to crop up in the near future in Delhi. For the purpose, the number of stations has to be increased from 146 to around 250 by 31 March 2008. The Committee desire that concerted efforts should be made in the direction of acquisition of sites for these stations. Besides, tie-ups for sourcing additional gas should also be firmed up expeditiously. The Committee have also been informed that MGL had plans to increase the number of stations to 140 by mid-2007. The Committee would like to know the success achieved in setting up the additional CNG stations by MGL.

REPLY OF THE GOVERNMENT

Presently, IGL has 163 CNG stations spread all over Delhi to meet CNG requirement of public transport and private vehicles. IGL is in the process of getting new lands from land owning authorities of NCT of Delhi and Central Government, viz., DDA, L&DO, Cantonment Board, MCD, etc. Further, existing CNG stations are being expanded by adding new compressors and/ or replacing existing low capacity compressors with high capacity compressors. New OMC outlets are also being added for providing CNG filling facilities.

MGL is operating 131 CNG stations in Mumbai and its suburbs. MGL plans to increase the number of CNG stations subject to availability of permissions from statutory authorities for laying of gas pipelines, availability of sites, site readiness from OMC's and allotment of plots by Government of Maharashtra.

Regarding sourcing additional gas, it has been decided that out of the first 40 mmscmd natural gas expected to be produced from RIL's KG D6 field, 5 mmscmd would be supplied to City Gas Distribution (CGD) Projects for supplying

CNG for transport requirement and PNG to domestic sector. The requirement of natural gas from CGD entities, including IGL and MGL, has been ascertained by MOP&NG. Natural gas would be supplied to meet the requirement of CGD entities, including IGL and MGL, in accordance with the decision taken by EGoM.

**(M/o Petroleum & Natural Gas
O.M. No. L-15016/6/07-GP dated 21.11.08)**

Comments of the Committee
(Please see para 16 of Chapter I of the Report)

Recommendation (Sl. No. 9, Para No. 4.9)

In order to promote the use of CNG by converting the existing taxies, heavy commercial and private vehicles into CNG mode, the Government is emphasizing on keeping the CNG cost lower than other types of fuel like petrol and diesel. The Committee have been informed that CNG costs approximately 66 per cent cheaper than petrol and 40 per cent cheaper than diesel in Delhi. As a result of the initiative taken by the Government to promote the conversion of vehicles into CNG mode and also the relatively lower cost of CNG, the number of CNG vehicles in the country are increasing rapidly. In order to meet the requirements of such vehicles, the Committee desire that CNG infrastructure in the country should be augmented alongwith tie-ups with gas companies so as to have ensured gas supply. The Committee further desire that the Government should consider the introduction of a subsidy scheme for the company-fitted CNG kits/ fitments so as to encourage more and more vehicle owners to go in for this environment-friendly fuel mode.

REPLY OF THE GOVERNMENT

Government has decided that out of the first 40 mmscmd natural gas expected to be produced from RIL's KG D6 field, 5 mmscmd would be supplied to City Gas Distribution (CGD) Projects for supplying CNG to transport sector and PNG to domestic sector. The requirement of natural gas from CGD entities is being ascertained by MOP&NG. Natural gas would be supplied to meet the requirement of CGD entities, in accordance with the decision taken by EGoM.

The Central Government has already authorized following city/local natural gas distribution entities for undertaking projects in the areas mentioned against each:

Sl. No	JVC	AREAS OF OPERATION
1	Mahanagar Gas Limited	Mumbai and District Thane including Navi Mumbai and Mira- Bhayender.
2	Indra -prastha Gas Limited	Delhi and its suburbs, viz. NOIDA (Gautam-budh Nagar), Gurgaon and Faridabad
3	Bhagya-nagar Gas Limited	Vijaywada and Hyderabad
4	Tripura Natural Gas Company Limited	Agartala, Tripura
5	Maharashtra Natural Gas Limited	Pune including Pimpri & Chinchward
6	Aavantika Gas Limited	Gwalior, Ujjain and Indore
7.	Sabarmati Gas Ltd.	Gandhinagar, Mehsana and Sabharkantha
8	Green Gas Limited	Lucknow, Agra
9	Gujarat Gas Company Limited	Surat, Bharuch and Ankleshwar
10	Central U P Gas Limited	Kanpur and Bareilly and cities of Eastern U.P.
11	GAIL (India) Ltd.	Vadodara

In addition, Petroleum and Natural Gas Regulatory Authority has invited Expressions of Interest for undertaking city/local natural gas distribution networks.

The recommendation of the Committee for introduction of a subsidy scheme for company-fitted CNG kits/fitments has been noted for further examination in consultation with concerned Ministries.

**(M/o Petroleum & Natural Gas
O.M. No. L-15016/6/07-GP dated 21.11.08)**

Recommendation (Sl. No. 10, Para No. 4.10)

Piped Natural Gas (PNG) has a number of advantages over Liquefied Petroleum Gas (LPG) such as continuous supply, low cost, safety, no storage problem, tamper proof, etc. Similarly, large scale use of CNG can also prove extremely beneficial in checking atmospheric pollution. However, in spite of these advantages, the Committee find that the introduction of CNG/ PNG has been confined to only a few cities in the country. Considering the benefits of CNG & PNG, the Committee feel that there is a great need to extend the CNG/ PNG network to all major cities in the country in a time-bound manner. They, therefore, desire the Government to make a realistic assessment of the time limit by which such facilities can be provided in all major cities of the country and based on this assessment, prepare a road-map detailing various activities needed to be carried out for this purpose.

REPLY OF THE GOVERNMENT

The Central Government has already authorized following city/local natural gas distribution entities for undertaking projects in the areas mentioned against each:

Sl. No	JVC	AREAS OF OPERATION
1	Mahanagar Gas Limited	Mumbai and District Thane including Navi Mumbai and Mira- Bhayender.
2	Indra -prastha Gas Limited	Delhi and its suburbs, viz. NOIDA (Gautam-budh Nagar), Gurgaon and Faridabad
3	Bhagya-nagar Gas Limited	Vijaywada and Hyderabad
4	Tripura Natural Gas Company Limited	Agartala, Tripura
5	Maharashtra Natural Gas Limited	Pune including Pimpri & Chinchward
6	Aavantika Gas Limited	Gwalior, Ujjain and Indore
7.	Sabarmati Gas Ltd.	Gandhinagar, Mehsana and Sabharkantha
8	Green Gas Limited	Lucknow, Agra

Sl. No	JVC	AREAS OF OPERATION
9	Gujarat Gas Company Limited	Surat, Bharuch and Ankleshwar
10	Central U P Gas Limited	Kanpur and Bareilly and cities of Eastern U.P.
11	GAIL (India) Ltd.	Vadodara

In addition, Petroleum and Natural Gas Regulatory Authority has invited Expressions of Interest for undertaking city/local natural gas distribution networks.

Government has decided that out of the first 40 mmscmd natural gas expected to be produced from RIL's KG D6 field, 5 mmscmd would be supplied to City Gas Distribution (CGD) Projects for supplying CNG to transport sector and PNG to domestic sector

**(M/o Petroleum & Natural Gas
O.M. No. L-15016/6/07-GP dated 21.11.08)**

Comments of the Committee
(Please see para 19 of Chapter I of the Report)

Recommendation (Sl. No. 12, Para No. 4.12)

Hon'ble Supreme Court has identified 13 cities as air polluted cities. These cities are Agra, Lucknow, Kanpur, Varanasi, Pune, Faridabad, Patna, Ahmedabad, Sholapur, Hyderabad, Bangalore, Kolkata and Chennai. The committee find that out of these 13 cities, joint venture companies have been established by GAIL in only 5 cities, viz. Agra, Lucknow, Kanpur, Pune and Hyderabad for implementation of City Gas Distribution Projects. In addition, MoU for formation of joint ventures has been signed for the city of Bangalore and MoU for the city of Kolkata is under progress. Thus, in case of a number of identified cities, the job of formation of joint venture companies still remains to be completed. The Committee desire that all out efforts should be made without any further delay to form joint venture companies in the remaining identified cities particularly those falling in NCR. Viz. Faridabad etc. The Committee also desire that the air pollution level in other cities adjacent to Delhi, viz. Noida, Gurgaon, Ghaziabad, Sonapat, Meerut, etc. may be carried out on a priority basis so that

setting up of joint venture companies there could also be considered. They further desire that the cities where joint venture has already been set up, subsequent work on the project such as acquisition of sites, obtaining of clearances, sourcing of gas, etc. should be taken up and executed in a time-bound manner. In the opinion of the Committee, the progress of the City Gas Distribution Project has not been to the optimum level. Considering the importance of the project, the Committee desire the Government to attach utmost importance to it and work on the same in a time bound and expeditious manner. They also desire the Ministry to constantly monitor the review of progress on the project.

REPLY OF THE GOVERNMENT

The Hon'ble Supreme Court has identified 17 cities, out of which two cities, viz., Jharia and Jodhpur, have been analyzed to have industrial and natural dust pollution respectively. In two cities, viz., Delhi and Mumbai, city gas distribution projects have already been implemented by IGL and MGL respectively. Out of the balance 13 cities, so far, 7 cities have been taken up for implementation of city gas distribution projects for supply of CNG/PNG to various consumers. In the remaining 6 cities, the city gas distribution projects have been conceptualized and are being planned with the up-coming pipelines. The status of the 13 city gas distribution projects is as given in the following table:-

S. No.	Name of the City	Name of the implementing agency	Status
1	Agra	Green Gas Limited, JV of GAIL & IOCL	No. of CNG stations: 3. PNG is being supplied.
2	Lucknow	Green Gas Limited, JV of GAIL & IOCL	No. of CNG stations: 4. PNG is being supplied
3	Kanpur	Central UP Gas Limited, JV of GAIL & BPCL	No. of CNG stations: 4. PNG is being supplied
4	Hyderabad	Bhagyanagar Gas Limited, JV of GAIL & HPCL	No. of CNG stations: 3.
5	Pune	Maharashtra Natural Gas Limited, a JV of GAIL and BPCL	1st CNG station expected to be commissioned soon with the completion of spur pipeline from Dahej-Uran pipeline (DUPL).
6	Faridabad	Indraprastha Gas Limited, JV of GAIL, BPCL & Govt. of NCT, Delhi.	IGL has been allocated 0.7 mmscmd of gas by the Government for Faridabad, Noida and Gurgaon to implement city

			gas distribution projects. Presently, IGL is supplying gas to M/s Haryana City Gas Company Limited through cascades following the direction given by the Hon'ble Supreme Court in W.P.No.13029 of 1985 (M.C. Mehta Vs. UoI & others).
7	Ahmedabad	MoU has been signed between GAIL & HPCL for formation of joint venture company.	CNG is being supplied by HPCL.
8	Varanasi	Central UP Gas Limited, JV of GAIL & BPCL	Project implementation is linked with completion of Jagdishpur - Haldia pipeline expected by 2010-11.
9	Patna	Yet to be formed.	Linked with completion of Jagdishpur - Haldia pipeline by 2010-11.
10	Sholapur	Maharashtra Natural Gas Limited, a joint venture of GAIL and BPCL.	Project will be taken up based on availability of pipeline and gas sourcing.
11	Bangalore	MoU has been signed between GAIL & BPCL for formation of joint venture company.	Linked with completion of Dabhol - Bangalore pipeline.
12	Kolkata	JVA has been executed between GAIL & IOCL for formation of joint venture company.	Linked with completion of Jagdishpur - Haldia pipeline by 2010-11.
13	Chennai	Yet to be formed.	Pipeline & gas source are not available in the vicinity of Chennai. However, Reliance Gas Transportation Infrastructure Limited (RGTIL) is laying Vijaywada-Nellore-Chennai pipeline and a decision on city gas distribution project will be taken up at the appropriate time.

To reduce air pollution levels in other cities adjacent to Delhi, viz., Noida, Gurgaon, Ghaziabad, Sonapat, Meerut, etc., implementation of city gas distribution projects are being planned. Government of India authorized IGL for Noida, Faridabad and Gurgaon. For other cities, PNGRB are taking necessary action in terms of the PNGRB Act, 2006

**(M/o Petroleum & Natural Gas
O.M. No. L-15016/6/07-GP dated 21.11.08)**

Recommendation (Sl. No. 13, Para No. 4.13)

India enjoys the advantage of being geographically closer to 4 gas-rich countries viz. Iran, Qatar, Saudi Arabia and Abu Dhabi. In the opinion of the Committee, the Government should cash in on this plus point and make concerted efforts to procure more and more LNG through long term agreements. In this connection, the Committee have been informed that PLL and GAIL are at advanced stages of discussion with Gorgon LNG, Australia and Sonatrach, Algeria for import of LNG. They desire that vigorous efforts should be made by the respective companies and the deals finalized at the earliest. The Committee further desire that the Government should closely monitor the steps being taken by oil PSUs in the direction of import of LNG and involve itself in the process, if the situation so demands. The success achieved by PLL, GAIL and other oil PSUs in procuring LNG from various sources should be conveyed to the Committee.

The Committee have been further informed that GAIL, IOCL and BPCL had signed contracts with the National Iranian Gas Export Company in June 2005 for import of 5 MMTPA LNG with effect from 2009. However, the Sale Purchase Agreement has not yet become effective because of lack of approval by the National Iranian Oil Company's Board. Though the matter has been pursued by the Indian authorities, the requisite approval has not yet been obtained. The Committee desire that the Government should take up this issue at the highest political level without any further delay.

REPLY OF THE GOVERNMENT

During 2007-08, about 8.32 MMT LNG was imported in the country, which is 20% more than the LNG imported in the country during 2006-07. This has to be viewed against the present regasification capacity of 7.5 mmtpa. Out of 8.32 mmt LNG imported during 2007-08, 6.3 mmt LNG was imported by Petronet LNG Ltd. (PLL) and the remaining 2.02 mmt LNG was been imported by Hazira LNG Pvt. Ltd. (HLPL).

Concerted efforts are being made to augment the supply of LNG to the country. PLL is at advanced stage of discussion with Gorgon, Australia for import of 2.5 mmtpa LNG for Kochi LNG Terminal. GAIL and PLL are exploring possibility of import of LNG from various potential suppliers. In addition, IOCL and ONGC also making efforts for long-term tie up of LNG for their proposed LNG terminals.

Regarding import of 5 mmtpa of LNG from Iran, the matter is being pursued with the Government of Iran. Minister (P&NG) discussed the issue with President of Iran at Shanghai in June 2006 and again during his visit to Tehran on April 25, 2007.

In order to handle increased LNG import, additional infrastructure is being created in the country. PLL's Dahej LNG terminal is being expanded from the current 5 mmtpa capacity to 10 mmtpa capacity. Hazira LNG Pvt. Ltd. (HLPL)'s LNG terminal is being expanded from 2.5 mmtpa to 5 mmtpa. Dabhol LNG terminal is expected to be completed by end of April 2009 without breakwater and by the year 2011 with breakwater facilities. PLL is setting up a 2.5 mmtpa capacity LNG terminal, expandable to 5 mmtpa, at Kochi. Implementation of the Project has commenced and the same is planned to be commissioned in first quarter of 2012.

**(M/o Petroleum & Natural Gas
O.M. No. L-15016/6/07-GP dated 21.11.08)**

Recommendation (Sl. No. 14, Para No. 4.14)

The Committee have been informed that the Petronet LNG Limited (PLL) is evaluating bids of lumpsum turn key contract for Engineering, Procurement and construction for the LNG terminal project at Kochi and that the contract for the same was likely to be awarded by June 2007. They hope that the said contract might have been finalized and awarded by now. The committee would like to be apprised of the details in this regard. They further desire that the project should be commissioned as per the target.

The Committee, in their previous Reports, have emphasized on the need for setting up of LNG terminals on the East Coast, especially at Krishnapatnam. They would like to know the plan of action chalked out by the Public Sector Oil Companies towards this end.

REPLY OF THE GOVERNMENT

Regarding implementation of Kochi LNG Terminal, all pre-project activities have been completed and requisite statutory approvals have been obtained. Site levelling work has been completed and construction of boundary wall has also been completed. Site grading work has commenced and is expected to be completed by January 2009. Project Management Consultant has been appointed. Work for construction of 2 LNG storage tanks has been awarded. Basic engineering of the Project is under progress. Contractors have already placed orders for long delivery items and have mobilized their personnel as well as construction equipments at site. Process for awarding work for other components has been initiated and the work is expected to be awarded by December 2008. PLL is at an advanced stage of discussions for supply of 2.5 mmtpa LNG from Gorgon Project, Australia for supply of LNG on long term basis. The project is planned to be commissioned in the first quarter of 2012.

Regarding setting up of LNG Terminal on the East Coast, it needs to be considered that recently there have been substantial finds of natural gas in the Krishna Godavari Basin. This coupled with the prevailing high LNG prices in the international market has impacted the viability of LNG terminals on the East Coast of the country.

**(M/o Petroleum & Natural Gas
O.M. No. L-15016/6/07-GP dated 21.11.08)**

Recommendation (Sl. No. 16, Para No. 4.16)

The Committee in their 14th Report (14th Lok sabha), had desired that the unresolved issues between India and Pakistan relating to the Iran-Pakistan-India Pipeline Project such as transportation tariff and transit fee should be sorted out quickly. They would like to know the status of settlement of these issues. Besides, other developments that have taken place on this project should also be

conveyed to the Committee. Similarly, regarding the procurement of Myanmar gas, the Committee, in the above-mentioned Report, had recommended that the Government should vigorously pursue the matter with the Government of Myanmar and clinch the issue in our favour. They would like to know the details of efforts made by the Government/GAIL in this regard, the outcome of such efforts and the future course of action proposed to be resorted to in the matter. The Committee further desire that besides these trans-national pipelines, the Government should also explore the possibility of participating in other trans-national pipelines such as trans-Sahara Pipeline.

REPLY OF THE GOVERNMENT

Government is making all possible efforts, including pursuing of transnational gas pipeline projects for import of natural gas, to enhance the energy security of the country. Status notes containing the latest position of Iran-Pakistan-India (IPI) Gas Pipeline Project and Indo-Myanmar gas pipeline projects are as under:

Iran-Pakistan-India (IPI) Gas Pipeline Project

India is pursuing the import of natural gas from Iran through Iran-Pakistan-India (IPI) Gas Pipeline Project. Various important issues, viz., pricing of gas, delivery point of gas and transportation tariff and transit fees for passage of natural gas through Pakistan territory are under discussion amongst the participating countries. Five meetings of India-Pakistan Joint Working Group (JWG) have been held. Three meetings of India-Iran Special JWG have been held. Six meetings of tripartite JWG of Iran, Pakistan and India have been held. Further, a Ministerial-level meeting between the Prime Minister and India and Pakistan on the IPI Project has also been held in Islamabad on April 25, 2008. The issue also came up for discussion during the meeting between the visiting Iranian President held on April 29, 2008 in New Delhi. The issue was also discussed during Iran-India Joint Commission Meeting held in Tehran during November 1-2, 2008.

Such multilateral projects involve protracted discussions, as all the aspects have to be carefully examined and deliberated upon to the satisfaction of the participating countries to protect each country's interests and to avoid any problems in the future in the successful operation of the Project.

Indo-Myanmar Gas Pipeline Project

In January 2005, Minister (P&NG) participated in a trilateral Ministerial meeting between the Oil Ministers of Bangladesh, Myanmar and India. In pursuance of the trilateral Joint Press Statement released after that meeting, a Techno-Commercial Working Committee (TCWC) of the representatives of the three countries was constituted. The first meeting of the TCWC was held in Yangon on February 24-25, 2005. The TCWC prepared a draft MoU to be signed by the three Oil Ministers after the approval of their respective Governments. However, the MoU could not be approved on account of differences between India and Bangladesh over one paragraph in the draft MoU. Minister (P&NG) even visited Dhaka on 5th September, 2005 to discuss issues relating to the draft MoU. However, no further progress could be achieved.

In view of the above, India pursued the option of a pipeline from Myanmar through North-Eastern States of India. Accordingly, GAIL prepared the Detailed Feasibility Report of the pipeline. The pipeline was projected to be routed through Mizoram, Assam, West Bengal and Bihar, with pipeline length of 1575 km within the Indian territory till Gaya in Bihar. Myanmar invited bids for selling natural gas from A1 and A3 offshore blocks. GAIL also submitted its bid. Subsequently, Government of Myanmar reviewed their decision to sell this gas through the pipeline route and asked for a bid for 3.5 MMTPA of Liquefied Natural Gas (LNG) project. GAIL submitted its bid to Myanmar in response to the same. The offers received under pipeline bid and the LNG bid were discussed during a meeting held at Nay Pyi Taw (NPT) on January 10, 2007. The Myanmar side indicated that out of the available gas of about 4.8 trillion cubic feet (tcf), their Government would like to earmark a portion for their domestic requirement. The balance gas would not have been sufficient for export. Myanmar informed that they had taken up drilling in A3 block and, based on the result of drilling and quantity of gas

available, they would take a decision on selling the gas through available options.

However, in a meeting held in February 2007 between Myanmar Government and PetroChina, Myanmar Government decided that the gas from A1 and A3 blocks would be sold to China through the pipeline route. This development was conveyed to the consortium partners by Myanmar Government during a meeting held at Nay Pyi Taw (NPT) on March 16, 2007. During this meeting, GAIL impressed upon other partners and Myanmar Government that GAIL's pipeline offer was still the most competitive and offered optimum value for them due to proximity of India to these fields. However, Myanmar Government continues with its decision to sell the gas to China.

Government has accorded priority for import of Natural Gas through Transnational Gas Pipeline Projects. Besides the above mentioned Gas Pipeline Projects pursued/being pursued by the Government, import of natural gas from Turkmenistan through Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project is also being pursued.

**(M/o Petroleum & Natural Gas
O.M. No. L-15016/6/07-GP dated 21.11.08)**

New Delhi;
17 December, 2008
26 Agrahayana, 1930 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

ANNEXURE I**EXTRACTS OF MINUTES****STANDING COMMITTEE ON PETROLEUM & NATURAL GAS****(2008-09)****FIFTH SITTING****(17.12.2008)**

The Committee sat on Wednesday, the 17th December, 2008 from 1030 hrs. to 1100 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. N. Janardhana Reddy - Chairman

MEMBERS**Lok Sabha**

- 2 Shri M.Appadurai
- 3 Shri Kirip Chaliha
- 4 Dr. Tushar A. Chaudhary
- 5 Shri P. Mohan
- 6 Shri Sukdeo Paswan
- 7 Shri Nakul Das Rai
- 8 Lt. Gen. (Retd) Tej Pal Singh Rawat (PVSM, VSM)

Rajya Sabha

- 9 Ms. Mabel Rebello
- 10 Shri Ramdas Agarwal
- 11 Shri Tapan Kumar Sen

Secretariat

1. Shri J.P.Sharma - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri P.C.Tripathy - Deputy Secretary

2. At the outset, the Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. Thereafter, the Committee took up for consideration the draft Action Taken Report on 'Supply, Distribution and Marketing of Natural Gas including CNG and LNG' and adopted the same without any modification.

4. The Committee authorised the Chairman to finalise the Report after making consequential changes, if any, arising out of the factual verification of the Report by the Ministry and present the same to both the Houses of Parliament.

5. **

The Committee then adjourned.

**Matters not related to this Report.

ANNEXURE II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SIXTEENTH REPORT (FOURTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2007-08) ON 'SUPPLY, DISTRIBUTION AND MARKETING OF NATURAL GAS INCLUDING CNG AND LNG'.

I	Total No. of Recommendations	16
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1,2,3 and 5)	4
	Percentage to Total	25%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's Reply (Vide Recommendation at Sl. No. 11)	1
	Percentage of Total	6.25%
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos.6, 7 and 15)	3
	Percentage of Total	18.75%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. Nos. 4,,8,9,10,12,13,14 and 16)	8
	Percentage of Total	50%