

SPEECH TO THE MINISTER P&NG FOR DEDICATION OF PRODUCT PIPELINE FROM CHENNAI TO BENGALURU ON 2ND JULY, 2010

Hon'ble Governor of Karnataka, Shri H.R. Bhardwaj, my friend and colleague Dr. Veerappa Moilyji, Minister of Law & Justice, Shri K.H. Muniyappa, MOS Railways, Government of India, Shri Bache Gowda, Minister, Government of Karnataka, Secretary, Petroleum, Chairman, Indian Oil Corporation, Senior Officers of the Government and Oil Companies, candidates present today to witness of the award of LPG Distributorships under Rajiv Gandhi Gramin LPG Vitrak Yojna (RGGLVY), Friends from Press & Media, Ladies & Gentlemen.

2. I am very happy to be here today, at the dedication of IOC's petroleum product pipeline from Chennai to Bengaluru by Excellency Shri H.R. Bhardwaj. I am also thankful to my friend Dr. Moilyji, who has agreed to be present here today on this important occasion.

3. Friends, as you know petroleum products plays an important role in the economy of the country. Oil Marketing Companies (OMCs) are performing the mammoth task of supplying petroleum products to every nook and corner of the country round the clock. The dedication of Chennai-Bengaluru product pipeline is yet another step to fulfill that aim.

4. Indian Oil Corporation (IOC) has built this pipeline to cater to the demand of petroleum products of Bengaluru and surrounding areas at a cost of Rs. 273 Crores. Before the commissioning of this pipeline, these products were transported by Rail/Road, which was time consuming and costly. The pipeline would ease pressure on Railways, roads and also help in decongestion of traffic of this great city. I am grateful to Hon'ble Governor of Karnataka for agreeing to dedicate this pipeline to the nation today.

5. The I.T. industry has given Bengaluru a unique identity. The Information Technological Revolution in the country has put it on the map of the world as Information Technological destination of India. The growing importance and business has increased the demand for energy exponentially. This pipeline would certainly go long way in meeting the ever increasing demand of energy of this city and surrounding areas.

6. I would like to mention that oil industry has a huge network of Depots/Dealerships/Distributorships of petroleum products across the Karnataka meeting the demands of the State. Currently, there are more than 3,500 Dealerships/Distributorships of petroleum products in the Karnataka. With the addition of Chennai – Bengaluru pipeline, the availability of products would be further augmented. I may also mention that apart from the Chennai-Bengaluru Product pipeline being inaugurated today, oil companies have planned several new marketing projects in Karnataka and will be spending more than Rs.1200 crore on these new projects. These include 359 Km long Mangalore-Bengaluru LPG Pipelines to be constructed by HPCL at cost of Rs.620 crore; establishment of a R&D Centre at a cost of about Rs.100 crore and creation of LPG Bottling plant enhancing storage capacity etc.

7. GAIL is laying 2500 Kms natural gas pipeline covering Karnataka, Kerala, Tamil Nadu and Maharashtra at an estimated cost of Rs.10,000 crore including Dabhol-Bengaluru Pipeline at an investment of Rs.5000 crore and Kochi-Bangalore Pipeline at investment of Rs.3782 crore. These gas pipelines would function as energy lifelines for the state of Karnataka. Natural Gas the cleanest fuel and is being planned as substitute for diesel and CNG corridor for city of Bengaluru. This will meet the energy requirement for all the fertilizers and gas based power plants in Karnataka. This will also provide gas for City Gas Distribution projects for all major cities/towns such as Bengaluru, Belgaum, Mysore, Manglore etc.

8. As you all aware that recently, Government has decontrolled the price of Petrol and partially decontrolled the price of Diesel recently. Marginal increase in the prices of PDS Kerosene and Domestic LPG has also been made keeping in view the overall economic scenario. The increase of price of PDS Kerosene by Rs. 3 per litre translates into a very small increase of 30 paise per day in the expenses of consumers. Also the increase of Rs. 35 per cylinder translates into only increase of less than one rupee one per day in the expenses of the consumers. Hon'ble Prime Minister recently stated that the increase of prices of these essential fuels was necessary considering the very large amount of subsidy in the pricing structure of these items. Hon'ble Prime Minister further remarked that Government had taken due care to ensure that the poorer sections of the society are affected to the least possible extent and that is why the Kerosene and LPG prices has been kept under regulation. This increase was necessitated because of the huge under-recoveries that the Government and Oil Companies were bearing. These under-recoveries hamper the growth and expansion plans of oil companies. In 2008-09, the under-recoveries of petroleum products was more than Rs. 1,00,000 Crores, which was shared by Government and Oil Companies. During 2010-11, before the increase was effected the under recoveries were estimated to be Rs. 72,000 Crores. Even after the increase in prices of these four petroleum products, the Government and Oil Companies would still be bearing the under recoveries of Rs. 53,000 Crores. However, let me assure you that the interest of "Aam Admi" is always kept in mind before any decision regarding change in prices of petroleum products is taken. You all may be aware that when the price of crude oil touched all time high of US \$ 142 per barrel in July, 2008. A marginal burden was passed on to the consumer. I may also mention that as soon the price of crude oil came down in the international market, Central Government immediately reduced the prices once in December, 2008 and again in January, 2009 to pass on the benefit to the consumers. I would like to assure you that Government would keep a close watch on the situation and if need arises, it would certainly intervene to protect the interest of consumers.

9. The one fact which I would like to bring to the notice of the State Governments is the high rate of State Taxes, which are levied on the petroleum products. We are all aware that the levying these taxes of petroleum products is the highest source of revenue for State Government. I have already written to all the Chief Ministers to look into the matter and bring down the incidences of the State Taxes, so as to provide relief to the consumers. In Karnataka, the VAT/Sales Taxes on petrol is 30% and on Diesel this is 23%. There is a scope for rationalizing the tax rates on these petroleum products, which will benefit the

consumers. I am sure that the State Governments will certainly consider taking these steps in the interest of the common man.

10. Friends, India's growth story is now appreciated world over. Even when there was an all around recession in the world, India's economy grew at the rate of 8 to 9% annually, which shows the success of policies for Government. It is important that the benefit of this should be passed on the common man. The Oil Companies have drawn elaborate plans for expansion and growth to meet the ever increasing demand of petroleum products. For achieving these targets, large amount of capital is required. It is equally important to note that being Navratna Companies, these oil companies do not get any Government support and have to generate their own resources to meet the capital expenditure. The changes effected in prices recently would give these companies much required capital to serve the country better.

11. Let me also mentioned that recently, the Government has signed Production Sharing Contracts (PSCs) for 31 blocks under New Exploration Licensing Policy (NELP) for exploring the hydrocarbon reserves in the Indian sedimentary basin. Till date Seven rounds of NELP has already been concluded and total investment of around 13.8 Billion Dollars have been made. The committed investment in NELP-VIII is US \$ 1.1 Billion.

12. Let me also add that Government's efforts under NELP has shown significant results in production of oil and gas in the country. Most significantly with the commencement of gas production from Off Shore KG Basin since April, 2009, natural gas production has doubled in the country. Also commercial production of crude oil from Barmer, Rajasthan has also commenced in 2009. As and when the production from Barmer reaches its peak, it would account for almost 25% of the total indigenous crude oil production in the country. This would contribute significantly in our quest to achieve energy security for the country.

13. Currently, OMCs are catering to more than 11 Crores LPG Customers in the country accounting for almost 50% of the population. The LPG cylinder is delivered at the door steps of the customers, which itself is a unique delivery system not available anywhere in the world. It is proposed to increase the customers population to 15 Crores by end of 2015 covering around 75% of the population of the country by Domestic LPG. As you are all aware that PDS Kerosene is meant for poor and vulnerable section of society in the country, living in rural areas and remote areas. They use Kerosene for both cooking and lighting purposes. Before the increase in Kerosene prices by Rs. 3 per litre recently, the price of Kerosene was Rs. 9 per litre for the last six years, which was even cheaper than the bottle of mineral water. Central Government in March, 2010 launched a scheme, named after our late Hon'ble Prime Minister, Shri Rajiv Gandhi, namely, Rajiv Gandhi Gramin LPG Vitrak Yojna (RGGLVY) to provide this modern fuel to our rural population. This was also a vision of our late Hon'ble Prime Minister Shri Rajiv Gandhi, who always wanted to make life our rural population better through use of modern means be it through energy, communication, transport, electricity etc. LPG being safe, convenient and reliable fuel has made the cooking much less cumbersome for the Indian housewives. Besides, eliminating the number of health hazards associated with use of conventional fuel, the increase of LPG would also substantially reduce deforestation and indiscriminate cutting of trees for fire

wood. So far LPG has been available in major Towns and Cities across the country. It is our endeavour not only to provide this clean convenient fuel to our rural womenfolk, but also to provide new employment opportunities for rural youth affording overall economic prosperity in rural areas. It may also be added that to provide transparency for the selection of Distributorships under the RGGLV Scheme, the Government has done away with the procedure of interview etc. Instead, selection of LPG Distributors is done through draw of lots publically in the presence of public representatives and Senior Officials of the Oil Companies. One such draw will be held today. I appeal to the selected candidates to take this venture as service to the society and provide quality services to the customers.

14. In the end, I am once again thankful to Shri H.R. Bhardwaj, Hon'ble Governor of Karnataka, my friend and colleague Dr. Veerappa Moilyji and other dignitaries for gracing the today's function with their august presence.

SPEECH TO THE MINISTER P&NG FOR INDUSTRY MEETING AT BENGALURU ON 2ND JULY, 2010 AT 1100 HRS

My colleague Shri Jitin Prasada, Shri Sundereshan, Secretary, CMDs of Oil Companies, Senior Officers of the Ministry and oi companies.

2. Friends, as you know petroleum products plays an important role in the economy of the country. Oil Marketing Companies (OMCs) are performing the mammoth task of supplying petroleum products to every nook and corner of the country round the clock. This enormous task is performed by huge network of more than 36,000 dealerships/distributorships across the country.

3. Recently, as part of structural reforms in petroleum sector, Government has decontrolled the price of Petrol and partially decontrolled the price of Diesel recently. Marginal increase in the prices of PDS Kerosene and Domestic LPG has also been made keeping in view the overall economic scenario. Also price of natural gas was increased. The increase of price of PDS Kerosene by Rs. 3 per litre translates into a very small increase of 30 paise per day in the expenses of consumers. Also the increase of Rs. 35 per cylinder translates into only increase of less than one rupee one per day in the expenses of the consumers. Hon'ble Prime Minister recently stated that the increase of prices of these essential fuels was necessary considering the very large amount of subsidy in the pricing structure of these items. Hon'ble Prime Minister further remarked that Government had taken due care to ensure that the poorer sections of the society are affected to the least possible extent and that is why the Kerosene and LPG prices has been kept under regulation. This increase was necessitated because of the huge under-recoveries that the Government and Oil Companies were bearing. These under-recoveries hamper the growth and expansion plans of oil companies. In 2008-09, the under-recoveries of petroleum products was more than Rs. 1,00,000 Crores, which was shared by Government and Oil Companies. During 2010-11, before the increase was effected the under recoveries were estimated to be Rs. 72,000 Crores. Even after the increase in prices of these four petroleum products, the Government and Oil Companies would still be bearing the under recoveries of Rs. 53,000 Crores. However, we have to keep in mind the interest of "Aam Admi" before any decision regarding change in prices of petroleum products is taken. You all may recall that when the price of crude oil touched all time high of US \$ 142 per barrel in July, 2008. A marginal burden was passed on to the consumer. But as soon the price of crude oil came down in the international market, Central Government immediately reduced the prices once in December, 2008 and again in January, 2009 to pass on the benefit to the consumers. I would also appeal to the OMCs that even after deregulation, whenever the situation arises, we must pass on the benefit to consumers so as to meet the objective of reforms. like to assure you that Government would keep a close watch on the situation and if need arises, it would certainly intervene to protect the interest of consumers.

4. The one fact which I would like to mention is the high rate of State Taxes, which are levied on the petroleum products. We are all aware that the levying these taxes of petroleum products is the highest source of revenue for State Government. I have already written to all

the Chief Ministers to look into the matter and bring down the incidences of the State Taxes, so as to provide relief to the consumers. In Karnataka, the VAT/Sales Taxes on petrol is 30% and on Diesel this is 23%. There is a scope for rationalizing the tax rates on these petroleum products, which will benefit the consumers. I am sure that the State Governments will certainly consider taking these steps in the interest of the common man.

5. Let me also mentioned that recently, the Government has signed Production Sharing Contracts (PSCs) for 31 blocks under New Exploration Licensing Policy (NELP) for exploring the hydrocarbon reserves in the Indian sedimentary basin. Till date Seven rounds of NELP has already been concluded and total investment of around 13.8 Billion Dollars have been made. The committed investment in NELP-VIII is US \$ 1.1 Billion.

6. Government's efforts under NELP has shown significant results in production of oil and gas in the country. Most significantly with the commencement of gas production from Off Shore KG Basin since April, 2009, natural gas production has doubled in the country. Also commercial production of crude oil from Barmer, Rajasthan has also commenced in 2009. As and when the production from Barmer reaches its peak, it would account for almost 25% of the total indigenous crude oil production in the country. This would contribute significantly in our quest to achieve energy security for the country.

7. Currently, OMCs are catering to more than 11 Crores LPG Customers in the country accounting for almost 50% of the population. The LPG cylinder is delivered at the door steps of the customers, which itself is a unique delivery system not available anywhere in the world. It is proposed to increase the customers population to 15 Crores by end of 2015 covering around 75% of the population of the country by Domestic LPG. As you are all aware that PDS Kerosene is meant for poor and vulnerable section of society in the country, living in rural areas and remote areas. They use Kerosene for both cooking and lighting purposes. Before the increase in Kerosene prices by Rs. 3 per litre recently, the price of Kerosene was Rs. 9 per litre for the last six years, which was even cheaper than the bottle of mineral water. Central Government in March, 2010 launched a scheme, named after our late Hon'ble Prime Minister, Shri Rajiv Gandhi, namely, Rajiv Gandhi Gramin LPG Vitrak Yojna (RGGLVY) to provide this modern fuel to our rural population. I would like to ask OMCs to take stringent measures to check the diversion of PDS Kerosene which is being used for adulteration. Also it is reported that there is huge diversion and black marketing of domestic LPG cylinders. Since these both products are heavily subsidized, it is duty of OMCs to prevent the same. OMCs shall involve all concerned agencies to check this menace.

8. As regards the reach of natural gas in the country, Government has envisaged that by 2015, more than 200 cities are to be covered by City Gas Distribution network. Therefore, we must have time bound plan to implement this project so that benefit of this clean and cheap fuel is reached to our household across the country.

9. In the end, I thank you for valuable suggestions which would help us to implement our project/plans in more effective manner.

Thank You.
