

# Standing Committee Report Summary

## The Functioning of Directorate General of Hydrocarbons

- The Standing Committee on Petroleum and Natural Gas submitted its report on the functioning of the Directorate General of Hydrocarbons (DGH) on May 6, 2016. Key observations and recommendations of the Committee include:
  - **Regulator:** The Committee was of the view that with both public and private sector participation in the hydrocarbon sector, it is necessary to have an independent regulator with certain statutory powers (to adjudicate matters in line with the policy of the government). Currently the upstream sector (searching, exploration, and the production of oil) does not have a regulator. The Petroleum and Natural Gas Board (PNGRB) (under the Ministry of Petroleum and Natural Gas) regulates a small part of the downstream sector (refining, marketing, and distribution of petroleum products). Therefore, the Ministry must vest the regulatory functions performed by the DGH with the PNGRB. The PNGRB can be the regulator for both the upstream and downstream sector.
  - **Appeal provision:** The Committee observed that there have been multiple disputes with regard to execution of production sharing contracts (contract between a contractor and the government regarding production of petroleum). In the absence of an appellate authority, the disputes against the DGH have to be appealed before Courts. This leads to delay in exploration activities, etc. An adjudicatory authority must be set up through consultation to hear the review orders passed by the DGH. The Committee also stated that the Ministry must review the existing production sharing contract system and evolve simplified forms of contracts which include clear definitions and contain less scope for misinterpretation.
  - **Qualification:** The Committee observed that in most cases of recruitment, the post of the DGH has been filled by technical persons. However, in 2012, the post was occupied by an official from the Indian Administrative Services. Further, it observed that the post of the DGH had been lying vacant since July 2015. This was because the recruitment rules for the post had not been formulated. It noted that the post of the DGH is a technical one and it must be filled by persons who have considerable experience in the upstream sector (formulated recruitment rules provide for the same). It recommended that the post of the DGH must not be kept vacant.
  - **Human resources:** The Committee observed that against the sanctioned staff strength of 255, the actual strength of the DGH is 187. It observed that officers are appointed to the DGH on deputation from oil Public Sector Undertakings (PSUs). It noted that these officers may have a conflict of interest while assessing the work of their own PSUs. There is no effort made by the Ministry to create a permanent cadre of officers for the DGH. It noted that the DGH has been advised to hire consultants on the matter of restructuring the DGH. The Committee recommended that hiring of consultants must be done on a priority basis. It recommended that after receiving the report, the DGH should be restructured in order to develop a permanent cadre of employees.
  - **Reassessment:** The last assessment of hydrocarbon resource bases for fifteen sedimentary basins (and deep water areas) was carried out more than twenty years ago. The government has initiated some projects with regard to this. The appraisal of unapprised areas (areas not identified for discovery) must be completed under a fixed timeline. Considering the stagnant domestic production of hydrocarbons, a multi-organisational team must be set up to review all the exploration activities carried out by upstream PSUs.
  - **Survey and alternate fuels:** Companies such as Oil and Natural Gas Corporation Ltd. have been given the task to survey certain unapprised hydrocarbon areas. For this, the initial expenditure has to be borne by these PSUs. The Committee noted apprehension as to whether these PSUs would give priority to this work and spend funds from their budget. It recommended that the Ministry must seek funds from the Finance Ministry, so that these projects are not delayed due to fund requirements. It noted that this project should be brought under direct monitoring of the national level committee monitoring the reassessment of hydrocarbons. Progress made in exploitation of alternate energy resources (such as shale gas) has been very slow. Due attention must be given to programmes relating to alternate energy sources.

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