



**STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2022-23)**

(SEVENTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Seventeenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2022-23) on the subject "Review of Implementation of CBG (SATAT)"]

TWENTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August 2023/Shravana, 1945 (Saka)

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PETROLEUM & NATURAL GAS
(2022-23)****(SEVENTEENTH LOK SABHA)****MINISTRY OF PETROLEUM & NATURAL GAS**

[Action Taken by the Government on the recommendations contained in the Seventeenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2022-23) on the subject 'Review of Implementation of CBG (SATAT)']

Presented to Lok Sabha on 01.08.2023

Laid in Rajya Sabha on 01.08.2023

**LOK SABHA SECRETARIAT****NEW DELHI**

August 2023/ Shravana 1945 (Saka)

CONTENTS

COMPOSITION OF THE COMMITTEE (2022-23).....		(iii)
INTRODUCTION		(iv)
CHAPTER I	Report	1
CHAPTER II	Recommendations/Observations which have been accepted by the Government	
CHAPTER III	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	
CHAPTER IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	
CHAPTER V	Recommendations/Observations in respect of which final replies of the Government are still awaited	
ANNEXURES		
I.	Minutes of the fifteenth sitting of the Standing Committee on Petroleum and Natural Gas (2022-23) held on 27.07.2023.	
II.	Analysis of the Action Taken by the Government on the Recommendations contained in the Seventeenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2022-23) on the subject 'Review of Implementation of CBG (SATAT)'.	

**COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM &
NATURAL GAS (2022-23)**

**Sl. No. Names of Members
LOK SABHA**

Shri Ramesh Bidhuri – Chairperson
2 Dr. Ramesh Chand Bind
3 Shri Pradyut Bordoloi
4 Shri Girish Chandra
5 Smt. Chinta Anuradha
6 Shri Dilip Saikia
7 Shri Topon Kumar Gogoi
8 Shri Naranbhai Bhikhabhai Kachhadiya
9 Dr. Kalanidhi Veeraswamy
10 Shri Santosh Kumar
11 Shri Rodmal Nagar
12 Shri Mitesh Rameshbhai Patel
13 Shri Unmesh Bhaiyyasaheb Patil
14 Shri M.K. Raghavan
15 Shri Chandra Sekhar Sahu
16 Shri Gajanan Chandrakant Kirtikar
17 Dr. Bharatiben Dhirubhai Shiyal
18 Shri Janardan Singh Sigriwal
19 Shri Lallu Singh
20 Shri Vinod Kumar Sonkar
21 Shri Ajay Tamta

RAJYA SABHA

22 Shri Shaktisinh Gohil
23 Smt. Kanta Kardam
24 Shri Mithlesh Kumar
25 Shri Pabitra Margherita
26 Shri Rambhai Harjibhai Mokariya
27 Shri Surendra Singh Nagar
28 Dr. Sasmit Patra
29 Shri Subhas Chandra Bose Pilli
30 Dr. V. Sivadasan
31 Shri Ravichandra Vaddiraju

SECRETARIAT

1	Shri Y.M. Kandpal	Joint Secretary
2	Shri H. Ram Prakash	Director
3	Shri Gurpreet Singh	Committee Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Twentieth Report on Action Taken by the Government on the recommendations contained in the Seventeenth Report (Seventeenth Lok Sabha) of the Committee on the subject 'Review of Implementation of CBG (SATAT)'.

2. The Seventeenth Report of the Standing Committee on Petroleum & Natural Gas was presented to Lok Sabha/ laid on the table of Rajya Sabha on 21.12.2022. The Action Taken Replies of the Government to all the recommendations contained in the Seventeenth Report were received on 20.04.2023.

3. The Standing Committee on Petroleum & Natural Gas (2022-23) considered and adopted the Report at their sitting held on 27.07.2023.

4. An analysis of the action taken by the Government on the recommendations contained in the Seventeenth Report (Seventeenth 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;
27 July, 2023
5 Shravana, 1945 (Saka)**

**RAMESH BIDHURI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.**

REPORT

CHAPTER I

This Report of the Standing Committee on Petroleum and Natural Gas deals with the action taken by the Government on the recommendations contained in the Seventeenth Report (Seventeenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2022-23) on the subject 'Review of Implementation of CBG (SATAT)' of the Ministry of Petroleum and Natural Gas, which was presented to Lok Sabha and laid in Rajya Sabha on 21.12.2022.

2. Action Taken Notes have been received from the Ministry on 20.04.2023 in respect of all the 20 Recommendations/Observations contained in the Report. These have been categorized as per the following:

- (i) Recommendations/Observations that have been accepted by the Government:-
Reco. Nos. 1, 2, 3, 4, 5, 7, 10,11,12, 13, 14, 15, 16, 18, 19 and 20 (Total -16)
(Chapter- II)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:- Nil
(Chapter- III)
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- Reco. Nos. 6 and 9 (Total - 02)
(Chapter- IV)
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:- Reco. Nos. 8 and 17 (Total-02)
(Chapter- V)

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 by the Government on some of their recommendations.

Recommendation No. 1

Implementation of SATAT

5. The Committee in its original Report (Reco. No. 1) had recommended as under:

“The Committee note that India is one of the fast-growing economies in the world and energy availability is a major component for any growing economy. Considering that the country is dependent to a large extent on import of crude oil for its hydrocarbon needs, it is vulnerable to the volatility of crude oil prices in the international market and this necessitates the nation to develop a strategy to insulate the economy by developing domestically produced alternative fuels. The Government of India has planned to promote usage of natural gas and to increase the share in energy mix from the current level of around 6.7 percent to 15 percent by 2030.

The Committee further note that the National Policy of Bio fuels 2018 aims to increase the role of Bio fuels in the energy and transport sector of the country and that the Ministry of Petroleum and Natural Gas has launched the Sustainable Alternative Towards Affordable Transportation (SATAT) initiative in October 2018 which envisages developing 5000 CBG plants with total production capacity equivalent to 54 MMSCMD of gas by 2023-24. SATAT offers an investment potential of Rs. 1.75 lakh crore and generate about 75,000 direct employments.

The initiative promotes use of Compressed Bio Gas (CBG) in the CNG (transport) and PNG (Piped Natural Gas) sector of City Gas Distribution (CGD) supplies and is produced from agriculture residues, animal dung, food waste, municipal Solid waste (MSW) and sewage water. This initiative also integrates the other objectives of the government namely doubling of farmer’s income, import reduction, employment generation, waste to wealth creation, etc., and which can help the country in meeting the commitments.

The Committee however note with regret that out of an ambitious target of developing 5000 CBG plants by 2023-24, only about 40 CBG plants have been set up so far which indicates that lots of ground need to be covered under SATAT scheme which is burdened by lack of clarity, procedural hurdles and has not enthused the investors/entrepreneurs to come forward to establish CBG plants so far. The Committee while observing that MoPNG is approaching this scheme as a waste to energy or waste Management initiative for agricultural residue, desire that the Ministry should change its vision of SATAT as an initiative to produce natural gas domestically in a green and clean form.

The Committee, appreciate SATAT as a path breaking and transformational initiative of the Ministry and hope that if successfully implemented, SATAT would strengthen self-reliance to meet the energy demands of the country. The Committee would, however, caution the Ministry not to rest on its laurels on the success in Ethanol Blended Petrol (EBP) program but take proactive steps and be responsive to make the SATAT initiative successful too and recommend that it should ensure successful implementation by reviewing the progress at regular intervals and address various impediments that pulls back achieving of targets set under this initiative”.

6. In this regard, the Ministry has submitted the following reply:

“CBG sector is in developing stage in the country. Due to various constraints CBG projects are not being established at a desired rate. Since the inception of SATAT

initiative this Ministry has coordinated with other Ministries, State Governments and other stake holders. Some of the key initiative taken by Government for expediting the progress of CBG projects are as under:

- (i) Revision in CBG procurement price and indexing the same with CBG Retail Selling Price (RSP) which will be at par with CNG RSP.
- (ii) MoPNG has issued policy guidelines for co-mingling of CBG with Natural Gas in CGD network.
- (iii) Under synchronization scheme procurement price of biogas is Rs. 1470/MMBTU excluding GST w.e.f. 1.12.2022. In addition, Rs. 8/kg of compression charge for supply of CBG on retail outlet and for CBG supply in pipeline Rs. 2/kg of pipeline injection charge would be paid extra.
- (iv) MNRE is providing "Central Financial Assistance" of Rs. 4.0/- Cr. per 4800 kg/day of installed capacity of CBG plants (Maximum CFA up to Rs. 10/-Cr./project) under "Waste to Energy Programme".
- (v) State Bank of India, Bank of Baroda, Canara Bank and some other banks have developed exclusive loan product for financing of CBG projects. Canara Bank has been nominated as Nodal Banker under SATAT.
- (vi) Department of Fertilizers have issued letter to Fertilizer companies for mandatory offtake of FOM with chemical fertilizers as a "Basket approach".
- (vii) To avoid cascading of taxes on blended compressed natural gas, excise duty on amount of GST-paid on compressed bio gas contained in the blended CNG has been exempted.

This Ministry is reviewing the progress of SATAT initiative on regular basis. CBG projects are also being reviewed and monitored by Inter Ministerial Task Force for GOBARdhan formed under the Chairmanship of Secretary, Department of Drinking Water and sanitation. This Ministry is coordinating with other Ministries, Departments, State Governments and stakeholders for expeditious development of CBG projects".

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

7. The Committee in its original Report had recommended that the Ministry should ensure successful implementation of SATAT initiative by reviewing the progress at regular intervals and address various impediments that pulls back achieving of targets set under this initiative.

The Ministry in its action taken reply have submitted that due to various constraints CBG projects are not being established at a desired rate. Further, the Ministry are reviewing the progress of SATAT initiative on regular basis and coordinating with other Ministries, Departments, State Governments and

Stakeholders for expeditious development of CBG projects that are also being reviewed and monitored by Inter Ministerial Task Force for GOBARdhan formed under the Chairmanship of Secretary, Department of Drinking Water and Sanitation.

The Committee while noting the initiatives being taken to implement the SATAT initiative expect that the Ministry being the nodal agency for implementing the scheme have a paramount responsibility to closely monitor that the targets for the projects are achieved and to ensure that the obstacles/difficulties being faced by the investors/entrepreneurs are addressed without any delay by necessary action. If the CBG projects are not being established at a desired rate, it becomes all the more important that Ministry should have a relook in its approach and explore some out of the box solutions to help grow CBG sector and achieve its full potential.

Recommendation No. 2

Review of Letter of Intents

8. The Committee in its original Report (Reco. No. 2) had recommended as under:

“The Committee note that under the SATAT initiative, the production of CBG would have multiple benefits *vis-a-vis* reduction of natural gas import, reduction of Greenhouse Gas (GHG) emissions, reduction in burning of agriculture residues, effective waste management, etc. The Committee further note that Oil and Gas Marketing Companies (OGMCs) invite Expression of Interest (EOI) from potential investors/entrepreneurs to procure CBG for further selling to automotive and commercial customers. Indian Oil Corporation is the nodal company for SATAT coordination.

The Committee have been informed by the Ministry that as on 1st June 2022, a total of 3263 Letter of Intents (LOIs) have been issued by the Oil PSU's. Number of cases where land has been finalized is 328 and 97 LOIs have achieved financial closure. The Committee observe that 35 CBG plants have been commissioned so far and around 40 plants are expected to be commissioned by March 2023.

The Committee observe that the same entrepreneur/investor has been issued a large number of Letters of Intents (LOIs) and the reason given for issue of such multiple LOIs is that the project involves getting clearances, approvals and many other supply chain issues and the plant can be set up as and when the necessary approvals are available in a given location. However, the Committee have been informed by the entrepreneurs that the banks are not extending loans for more than one project to the entrepreneur who is holding multiple Letters of Intents (LOIs). The Department of Financial Services state that PSU Banks would like to see the execution of a few CBG plants to which they have already extended the loan.

However, the Committee suspect that the PSUs had issued multiple Letters of Intents (LOIs) just to show that the targets under SATAT are on course of being achieved as it is evident that the same entrepreneur will not get finance for different projects from banks without providing adequate security and guarantees. The fact that out of 3263 Letters of Intents (LOIs), hardly 40 plants have been commissioned with less than 24 months to go speak volumes of the progress made. Therefore, the Committee desire that there should be proper guidelines for issuance of Letters of Intents (LOIs) to entrepreneurs including at multiple locations

The Committee deplore MoP&NG / PSU's for such deceptive methods to mislead about the targets and show that the progress under SATAT is good. The Committee while acknowledging the impact of COVID, would like the Ministry to review the letters of Intents (LOIs) issued so far in terms of progress made and take all corrective actions and aggressively attract new investors / entrepreneurs. The Committee, therefore recommend that the Ministry should set up a committee to review the Letters of Intents (LOIs) issued and also to frame guidelines for issue or fresh Letters of Intents (LOIs)".

9. In this regard, the Ministry has submitted the following reply:

"LOIs have been issued to interested and eligible entities who have submitted the relevant documents for setting up of CBG plants under the SATAT initiative, after evaluation as per extant guidelines.

Getting a LOI issued has been the very basic and initial step towards implementing the CBG project for such entrepreneurs as the LOI is being reproduced by these parties to various banks and statutory bodies, basis which they receive NOC and sanction of loan.

This Ministry has advised OGMCs to review the selection criteria for Lol issuance so that only serious applicants are selected and also to withdraw the Lols issued to non performing entrepreneurs. Accordingly, OGMCs are reviewing the Lol issued and giving notices for cancellation of Lols of non-serious Lol holders. Lols of 87 non-serious candidates have been cancelled so far".

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

10. The Committee while expressing their apprehension regarding the method for issuing Letters of Intents (LOIs) to entrepreneurs/investors, had recommended in their original report that the Ministry should set up a committee to review the LOIs issued and also to frame guidelines for issue of fresh LOIs by Oil and Gas PSUs (OGMCs).

The Ministry in their action taken reply have submitted that they have advised OGMCs to review the selection criteria for Lol issuance so that only serious applicants are selected and also to withdraw the Lols issued to non performing entrepreneurs. Accordingly, OGMCs are reviewing the Lols issued and giving notices for cancellation of Lols issued to non-serious Lol holders. Eighty seven non-serious candidates/LOIs have been cancelled so far.

The Committee appreciate the efforts made by the Ministry/OGMCs to review the selection criteria for Lol issuance and cancellation of Lols issued to eighty seven non-serious candidates. However, the reply is silent about steps being taken towards review of guidelines regarding issuing of Lols.

The Committee, therefore, reiterate their earlier recommendation to set up a committee to review the Lols issued so far from time to time and to tweak the guidelines so as to overhaul the selection criteria for issuing of Lols by Oil and Gas PSUs to only serious candidates. The Ministry may also apprise the Committee about the action taken in the matter within three months of presentation of this report.

Recommendation No. 3

NBCC Coordination Mechanism

11. The Committee in its original Report (Reco. No. 3) had recommended as under:

“The Committee note that the Ministry of Petroleum and Natural Gas is implementing the National Policy of Bio Fuels 2018 which aims to increase use of bio fuel in the country. The Committee also note that the success of CBG (SATAT) scheme is very much contingent on the well-coordinated efforts among various Ministries/Stakeholders/Organizations by resolving the challenges and bottlenecks in a time bound manner. This can be achieved by establishing a two-way communication between stakeholders and Govt. and within govt. bodies. There are roles for several Ministries for successful implementation of the CBG project and coordination amongst different Ministries is essential.

The Committee observe that the National Bio Fuel Coordination Committee (NBCC) is already in place as a coordination mechanism which has representatives from various Ministries and headed by the Hon'ble Minister of Petroleum and Natural Gas to provide overall coordination, effective end-to- end implementation and monitoring of bio fuels. The Committee, however, find it surprising to note that since its inception, NBCC has held only one meeting till date which reflects the lack of seriousness by the Ministry to this mechanism for SATAT initiative. The Committee would, therefore, recommend that the MoPNG should convene meetings of NBCC at regular intervals to sort out issues in implementation of the programme and may also form sub committees involving the concerned Ministries to sort out specific and pointed issues”.

12. In this regard, the Ministry has submitted the following reply:

“During the budget speech it has been announced that a 5 per cent CBG mandate will be introduced for all organizations marketing natural and bio gas. MoPNG has initiated process to convene the meeting of NBCC to discuss the issues related to implementation of SATAT as well as introduction of CBG blending mandate.

Under National Policy of Bio fuels, a “Working Group on Biofuels” comprising of eminent experts in the field of bio fuels, technical experts from research and academic institutions in the field of bio fuels, representatives from relevant Ministries/Departments, OMCs, PCRA, representatives/ experts from the Industry, CSIR Lab, National Sugar Institute & Bio fuel Associations etc. has been formed. Issues related to CBG projects are also discussed in the Working Group of Bio fuels.

In addition, CBG projects are also being reviewed and monitored by Inter Ministerial Task Force formed under GOBARdhan scheme. Further, MoPNG is part of committee formed by Department of Agriculture and Farmers Welfare regarding the supply of raw material for CBG plants and the use of bio manure produced by CBG plants”.

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

- 13. The Committee in their original report had recommended that the MoPNG should convene meetings of NBCC at regular intervals to sort out issues in implementation of the programme and also to form Sub-Committees involving the concerned Ministries to sort out specific and pointed issues.**

The Ministry in their action taken reply have submitted that they have initiated process to convene the meeting of NBCC to discuss the issues related to implementation of SATAT as well as introduction of 5 per cent CBG mandate. Further, under National Policy on Bio fuels, a Working Group comprising of eminent experts in the field of bio fuels, technical experts from research and academic institutions, representatives from relevant Ministries/Departments, OMCs, PCRA, representatives/experts from the Industry, CSIR Lab, National Sugar Institute & Bio fuel Associations etc. has been formed to discuss issues related to CBG projects. They are also being reviewed and monitored by Inter Ministerial Task Force formed under GOBARdhan scheme. Further, the Ministry have been made part of Committee formed by Department of Agriculture and Farmers Welfare regarding the supply of raw material to CBG plants and the use of bio manure produced by CBG plants.

The Committee are satisfied to note that a Working Group on Biofuels has been formed and the Ministry have made an initiative to convene the meeting of NBCC to discuss the issues related to CBG projects. However, details regarding date of notification for constituting Working Group and its achievement so far in facilitating entrepreneurs/investors has not been mentioned in the reply. The Committee would exhort the Ministry not to be complacent about these initiatives and rather it should actively strive towards holding the meetings at regular intervals so that issues plaguing successful implementation of CBG SATAT initiative are sorted out. Besides, the Committee would expect the Ministry to apprise them about the action taken in the matter within three months of presentation of this report.

Recommendation No. 5

Central Financial Assistance (CFA)

14. The Committee in its original Report (Reco. No. 5) had recommended as under:

“The Committee note that Ministry of New & Renewable Energy (MNRE) was implementing a scheme called Central Financial Assistance (CFA) for extending support to new and renewable energy projects. The Committee note that since April 2021, the Central Financial Assistance program for biogas/CBG projects has been discontinued and this has served as a major setback to the industry. The Committee have learnt that the CBG plants fall under new and renewable energy category and hence these plants are entitled for CFA. However, as the scheme is not in place, this facility is denied to entrepreneurs who come forward to set up CBG plants. The Committee strongly feel that to mainstream the industry, which is still in its introductory/nascent stage, the continuation of CFA scheme is important. The Committee recommend that MOPNG should take up with MNRE and Ministry of Finance for reintroduction of this Central Financial Assistance Scheme to incentivize and enthuse entrepreneur to set-up of CBG plants in the country.

The Committee also desire that MoPNG may consider to move towards Generation Based Incentive (GBI) instead of Capex-based subsidy for CBG plants which will provide incentives for producing gas and keep the plants running and functional rather than just setting up the plant. The Committee would like determination of appropriate GBI (price/per Kg of CBG) under different feedstocks to be estimated by the Ministry in this regard”.

15. In this regard, the Ministry has submitted the following reply:

“Ministry of New and Renewable Energy (MNRE) has accorded administrative approval for implementation of “Waste to Energy Programme” on 2.11.2022 for the duration 2021-22 to 2025-26 under the Umbrella Scheme of National Bio energy Programme. Under Waste to Energy Programme MNRE *inter-alia* provides “Central Financial Assistance” of Rs. 4.0/- Cr. per 4800 kg/day (for Bio CNG generation from new biogas plant) and Rs 3.0 Cr per 4800 kg/day (for Bio CNG generation from existing Biogas plant) with a maximum CFA of Rs. 10.0 Cr/project for both cases.

Further, for development of CBG projects enablers like introduction of 5 per cent CBG mandate for all organizations marketing natural gas, fiscal support for collection of bio-mass and distribution of bio-manure has been announced in budget speech.

Besides, MoPNG is also exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network.

With the implementation of above enablers, a market driven ecosystem will be developed to support CBG sector on long term basis.

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

16. The Committee in their original Report had recommended to the Ministry to take up the issue for reintroduction of Central Financial Assistance Scheme and also to consider moving towards Generation Based Incentive (GBI) instead of Capex-based subsidy for CBG plants.

The Ministry in their action taken reply have submitted that under Waste to Energy Programme, the Ministry of New and Renewable Energy (MNRE) *inter-alia* provides Central Financial Assistance of Rs. 4.0 Cr. per 4800 kg/day (for Bio CNG generation from new biogas plant) and Rs. 3.0 Cr per 4800 kg/day (for Bio CNG generation from existing Biogas plant) with a maximum CFA of Rs. 10.0 Cr/project for both cases. Further, for development of CBG projects enablers like introduction of 5 per cent CBG mandate for all organizations marketing natural gas, fiscal support for collection of bio-mass and distribution of bio-manure has been announced in budget speech. The Committee note that the MoPNG is also exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network.

The Committee appreciate the various steps being taken by the Ministry to facilitate the CBG sector entrepreneurs/investors. However, the Committee would expect the Ministry to make all out efforts to implement the announcements made regarding introduction of 5 per cent CBG mandate, fiscal support for collection of bio-mass and distribution of bio-manure and providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network. The Committee feel that a little hand holding by the Ministry will go a long way in creating suitable eco system for supporting CBG sector, which is currently

at nascent stage. The Committee would also recommend that a robust mechanism for coordination with other Ministries and concerned agencies as well as to address the difficulties/obstacles being faced by the stakeholders may also be developed at the Ministry level. The Committee may also be apprised about the action taken in the matter within three months of presentation of this report.

Recommendation No. 6

Financial Institution for Petroleum Sector

17. The Committee in its original Report (Reco. No. 6) had recommended as under:

“The Committee note that there are many projects which are being implemented by the MOPNG to enhance the energy security of the country in the hydro carbon area including bio fuel projects for blending with petrol, diesel and gas. The Committee feel that with the plethora of initiatives being taken up by the Ministry, there is a need for financing these activities particularly at the initial stage by understanding the risks and reward associated with the project for which the expertise is available in the Oil PSUs who are operating for a long time in this sector. The Committee, therefore desire that the Oil PSUs which have strong cash flows and healthy balance sheets and consistently profit making should come forward to setup a financial institution for financing all bio-fuel and clean energy projects that are launched or likely to be launched in the future by the Ministry.

There are institutions like Power Finance Corporation (PFC), Rural Electrification Corporation (REC), Housing & Urban Development Corporation (HUDCO), Indian Renewable Energy Development Agency (IREDA) etc. in different Ministries of the Government for financing and monitoring specific sector projects. The Committee would desire the MoPNG should nudge the petroleum sector oil PSUs to establish a financial institution owned and managed by them as shareholders which will focus on clean, green and renewable energy bio fuel projects taken up by Ministry of PNG like Ethanol production for Ethanol Blended Petrol (EBP), Bio-diesel Projects, CBG projects, etc. The Committee, therefore, recommend that Ministry should set up a PSU financial institution for funding oil and gas sector project under its administrative control”.

18. In this regard, the Ministry has submitted the following reply:

“This Ministry is coordinating with Banks and existing financial institutions viz Power Finance Corporation (PFC), Indian Renewable Energy Development Agency (IREDA), Small Industries Development Bank of India (SIDBI) etc. to provide easy finance for CBG sector. This Ministry is also working with World Bank and SIDBI for development of mechanism for financing of CBG projects.

Department of Food and Public Distribution (DFPD), Government of India has notified the "Scheme for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up distilleries for producing 1st Generation (1G) ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet, etc.” vide Gazette Notification No.128 dated 14 January 2021. National Bank for Agriculture and Rural Development (NABARD) has been appointed as the Nodal Bank for interacting with DFPD and managing interest subvention under the scheme.

At this juncture, existing banks and financial institutions may be used to finance CBG and other Bio fuel projects. Once this sector attains a level of maturity and requires support for further scaling, this ministry will examine the need for establishment of financial institutions for specific sector”.

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

19. The Committee in their original Report had recommended that the Ministry of MoPNG should nudge the petroleum sector oil PSUs to establish a financial institution owned and managed by them as shareholders which will focus on clean, green and renewable energy bio fuel projects like Ethanol production for Ethanol Blended Petrol (EBP), Bio-diesel Projects, CBG projects, etc. The Ministry while replying to the recommendation have stated that they are coordinating with banks and other financial institutions like Power Finance Corporation, Indian Renewable Energy Development Agency, Small Industries Development Bank of India (SIDBI), World Bank, National Bank for Agriculture and Rural Development (NABARD) etc. for development of mechanism for financing of CBG projects. Further, the Ministry have also stated ‘once this sector attains a level of maturity and requires support for further scaling’, this Ministry will examine the need for establishment of financial institutions for specific sector.

The Committee are dissatisfied with the reply of the Ministry and reiterate their earlier recommendation for setting up a PSU financial institution for funding oil and gas sector projects particularly the new initiatives under bio-fuel and Climate Change concerned mitigation projects. The Committee, therefore, recommend that the Ministry should prepare a detailed road map at the earliest in consultation with Oil and Gas PSUs to setup a financial institution for financing all bio-fuel and clean energy projects.

Recommendation No. 7

Bio Fuel Infrastructure Fund

20. The Committee in its original Report (Reco. No. 7) had recommended as under:

“The Committee note that the SATAT scheme is a laudable and ambitious initiative of the Government which can help the country to meet its energy requirements and strengthen the energy security. However, the action taken by the Ministry of Petroleum & Natural Gas to implement the scheme have been very lukewarm and indifferent The Committee would still give the benefit for doubt to the Ministry as the country was fighting the Covid pandemic during the last two years. However, as the

situation has improved to a considerable extent and economic activities have picked up, the Ministry should now focus on taking necessary steps to see that the SATAT initiative is implemented and all objectives and targets are met.

The Committee note that a scheme that may be replicated in this regard is the AIF (Agriculture Infrastructure Fund) facilitated by NABARD and the Ministry of Agriculture. In this regard, the Committee are of the view that a fund in the name of Bio Fuel Infrastructure fund in the Ministry of Petroleum and Natural Gas may be created in a suitable way either from Oil Industry Development Board (OIDB) funds or budgetary allocations for development of this sector quickly and without waiting for other government agencies to finance them. Ministry may furnish the action taken in this regard”.

21. In this regard, the Ministry has submitted the following reply:

“For ethanol projects DFPD is already providing financial assistance through NABARD. In line with the budget announcement this ministry is preparing a proposal for providing fiscal support for biomass collection of biomasses for CBG projects. In addition, this Ministry is also exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network. MoPNG is also coordinating with banks and other multilateral financial institutions to provide financing for CBG projects.

Aforesaid steps will help in expeditious development of CBG sector. This Ministry will assess the need for setting up Bio Fuel Infrastructure Fund in due course”.

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

22. The Committee in their original Report had recommended that the Ministry should explore the possibility of creating Bio Fuel Infrastructure fund taking cue from the Agriculture Infrastructure Fund facilitated by NABARD and the Ministry of Agriculture, in a suitable way either from Oil Industry Development Board (OIDB) funds or budgetary allocations for development of this sector quickly and without waiting for other government agencies to finance them.

The Ministry in their action taken reply have stated that they will assess the need for setting up Bio Fuel Infrastructure Fund in due course alongwith exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network. Besides, the Ministry have also stated to be coordinating with banks and other multilateral financial institutions to provide financing for CBG projects.

While appreciating the efforts being made by the Ministry to coordinate with banks and other multilateral financial institutions to provide financing for CBG

projects, the Committee feel that when a National Bio Fuel Fund/PM - Jivan Yojana fund has been established by the Ministry, it should be properly funded and utilized for the objectives set out. The Committee, therefore, recommend the Ministry to make all out efforts for seeking adequate funds for bio fuel projects under National Bio Fuel Fund/PM - Jivan Yojana and to expedite the development of CBG sector.

Recommendation No. 9

Investment in CBG Projects by Oil PSUs

23. The Committee in its original Report (Reco. No. 9) had recommended as under:

“The Committee note that CBG projects are being implemented with the expectation that private entrepreneurs and investors will come forward and the role of oil PSUs shall be to provide support to these projects in the form of assured off take of CBG produced from these plants. The Committee observe that IOC has invested in 5 CBG projects and GAIL and HPCL in one each whereas the upstream PSUs like ONGC and OIL which have specific mandate relating to production of natural gas and marketing of natural gas respectively have not invested in any project so far. The Committee find it surprising to note that PSUs are not interested in setting up of CBG projects on their own despite domestic natural gas production being a mandate of the upstream oil PSUs. The Committee, therefore, would like Oil PSUs to aggressively enter into CBG sector through company owned company operated (COCO) model or joint ventures with other OMCs/entrepreneurs.

Further, the OMCs also have a responsibility to meet the LPG demand in the country both in domestic and commercial sector and a large part of their LPG requirement is imported to meet the demand. These companies have restricted themselves to buy the Bio- gas from the CBG projects. The Committee feel this is unacceptable and want all the PSUs to invest and promote CBG projects seriously with their own investment. The Committee also expect that the Ministry should persuade the oil PSUs particularly upstream oil PSU's like ONGC, OIL and GAIL in particular to set up a good number of CBG projects in the country as this fall within their mandate of producing natural gas. The PSUs with their professional and project management competence should set aside sizeable fund for investment in these projects and able to execute the projects in time bound and efficient manner. This will also demonstrate the viability of these projects and will give confidence to investors. This will also allow the PSUs and the Ministry to gain valuable experience to sort out various issues and put in place required policy measures to ensure that the CBG initiative is successfully implemented and enhance the energy security of the nation. Therefore, the Committee recommend that all the OIL PSUs should seriously look into SATAT initiative and invest in CBG plants with their own funds”.

24. In this regard, the Ministry has submitted the following reply:

“OGMCs have been investing in creating and maintaining infrastructure for promotion of CBG projects which include development of Retail Outlet, laying of pipeline, purchase of equipment, etc. Further, they are also investing in establishment of CBG plants. The list of CBG projects with OGMC's investment are as under:

S	OGMC	Location	Status of project
1	IOCL	Namakkal, Tamil Nadu	Sale of CBG initiated in May 2020
2	IOCL	Hingonia, Jaipur, Rajasthan	Mechanical Completion
3	IOCL	Gorakhpur, Uttar Pradesh	Work in progress
4	IOCL	Gwalior, Madhya Pradesh	Work in progress
5	HPCL	Budaun, Uttar Pradesh	Work in Progress
6	HPCL	Jalore, Rajasthan	Work in Progress
7	GAIL	Ranchi, Jharkhand	Work in Progress

In addition, IOCL has also commissioned cattle dung to Biogas Plants in Betul & Hoshangabad in Madhya Pradesh and Gorakhpur in Uttar Pradesh.

Other Oil PSUs and CGD entities are also being encouraged invest in establishment of CBG plants”.

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

25. The Committee while observing that PSUs were not setting up CBG projects on their own despite domestic natural gas production being a mandate of some of the upstream oil PSUs, had recommended in their original Report that the Ministry should prevail upon Oil PSUs to aggressively enter into CBG sector either on their own or through joint ventures so as to demonstrate the viability of the CBG projects and instil confidence among the investors/entrepreneurs.

The Committee are not satisfied with the reply of the Ministry as it does not mention any new measure taken by Oil PSUs in this regard and has rather resorted to mislead the Committee by furnishing the details of the CBG projects that are already being undertaken by IOCL, HPCL and GAIL. The Committee are not happy with this lack of seriousness being exhibited by the Ministry and Oil and Gas PSUs. Besides, the Committee are concerned to note that the Ministry have not shown any interest to issue orders to Oil and Gas PSUs for investing in creating and maintaining infrastructure for promotion of CBG projects which create a doubt that the Ministry itself is skeptical about the viability and success of the CBG projects. The Committee feel that unless Oil and Gas PSUs shed their reluctance and come forward in investing in a few CBG projects, which can come out as effective model, it will be difficult to persuade private entrepreneurs and investors to come forward

and invest in the CBG Sector. The Committee, therefore, reiterate their earlier recommendation and want the Ministry to persuade the Oil and Gas PSUs to consider and make investments in new CBG projects with their own funds and seriously pursue their implementation. The Ministry may also apprise the Committee about the action taken in the matter within three months of presentation of this report.

Recommendation No. 10

Establishing a Credit Guarantee Fund (CGF)

26. The Committee in its original Report (Reco. No. 10) had recommended as under:

“The Committee note the Entrepreneurs are facing huge problems in getting financial assistance for CBG plants. The Committee feel that lack of credit is one of the major factors due to which not many CBG plants have come up and therefore there is an urgent need to address access to credit by evolving innovative financial mechanisms/products. The Committee suggest that there should be a Credit Guarantee Fund (CGF) established for CBG project financing, like the one launched under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) by Small Industries Development Bank of India (SIDBI) and Government of India for stimulating collateral-free lending to Micro Small and Medium Enterprises (MSME) borrowers and the same can be thought for CBG projects as well. This shall enable risk reduction of and instill confidence in the Financial Institutions for undertaking credit exposure in the CBG industry.

The Committee also recommend that there can be refinancing of loans by Indian Renewable Energy Development Agency Limited (IREDA) under MNRE that can directly enter into MoU with Public Sector Banks wherein every CBG project that meets certain basic needs (for being qualified as a potent project) would be provided the benefit of concessional rate lending by IREDA via the bank/NBFC for onward lending”.

27. In this regard, the Ministry has submitted the following reply:

“MoPNG is working with World Bank and SIDBI to explore the possibilities for concessional credit for CBG projects. World Bank has submitted a proposal to MoEFCC for seeking US\$15 million funds through the non-grant instrument under the current Global Environment Facility (GEF) 8th cycle for implementing RSF facility for CBG projects under SATAT initiative and the same has been endorsed by the MoEFCC. Further, MoPNG is also coordinating with IREDA to provide concessional loans for CBG projects”.

Ministry of Petroleum and Natural Gas
No. L-16023/7/2020-GP-I(E: 38363) dated 20.04.2023

Comments of the Committee

28. The Committee while noting the difficulties being faced by the entrepreneurs in getting financial assistance for CBG plants, had in their original Report recommended for establishing Credit Guarantee Fund (CGF) for CBG project financing, like the one Credit Guarantee Fund Trust for Micro and Small Enterprises by Small Industries Development Bank of India (SIDBI) and Government of India for stimulating collateral-free lending to Micro Small and Medium Enterprises (MSME) borrowers. Besides, the Ministry were also asked to explore the possibility of refinancing of loans by Indian Renewable Energy Development Agency Limited (IREDA) under MNRE to facilitate setting up CBG plants.

The Committee are satisfied to note that the MoPNG is working with World Bank and SIDBI to explore the possibilities for concessional credit for CBG projects and are also coordinating with IREDA to provide concessional loans for CBG projects. However, there seem to be no reference in the reply about specific steps taken towards establishing Credit Guarantee Fund exclusively for CBG projects. The Committee, therefore, reiterate their earlier recommendation and exhort the Ministry to make all out efforts towards establishing Credit Guarantee Fund so as to improve accessibility of credit to CBG projects.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 1

Implementation of SATAT

The Committee notes that India is one of the fast-growing economies in the world and energy availability is a major component for any growing economy. Considering that the country is dependent to a large extent on import of crude oil for its hydrocarbon needs, it is vulnerable to the volatility of crude oil prices in the international market and this necessitates the nation to develop a strategy to insulate the economy by developing domestically produced alternative fuels. The Government of India has planned to promote usage of natural gas and to increase the share in energy mix from the current level of around 6.7 percent to 15 percent by 2030.

The Committee further note that the National Policy of Bio fuels 2018 aims to increase the role of Bio fuels in the energy and transport sector of the country and that the Ministry of Petroleum and Natural Gas has launched the Sustainable Alternative Towards Affordable Transportation (SATAT) initiative in October 2018 which envisages developing 5000 CBG plants with total production capacity equivalent to 54 MMSCMD of gas by 2023-24. SATAT offers an investment potential of Rs. 1.75 lakh crores and generate about 75,000 direct employments.

The initiative promotes use of Compressed Bio Gas (CBG) in the CNG (transport) and PNG (Piped Natural Gas) sector of City Gas Distribution (CGD) supplies and is produced from agriculture residues, animal dung, food waste, municipal Solid waste (MSW) and sewage water. This initiative also integrates the other objectives of the government namely doubling of farmer's income, import reduction, employment generation, waste to wealth creation, etc., and which can help the country in meeting the commitments.

The Committee however note with regret that out of an ambitious target of developing 5000 CBG plants by 2023-24, only about 40 CBG plants have been set up so far which indicates that lots of ground need to be covered under SATAT scheme which is burdened by lack of clarity, procedural hurdles and has not enthused the investors/entrepreneurs to come forward to establish CBG plants so far. The Committee while observing that MoPNG is approaching this scheme as a waste to energy or waste Management initiative for agricultural residue, desire that the Ministry should change its vision of SATAT as an initiative to produce natural gas domestically in a green and clean form.

The Committee, appreciate SATAT as a path breaking and transformational initiative of the Ministry and hope that if successfully implemented, SATAT would strengthen self-reliance to meet the energy demands of the country. The Committee would, however, caution the Ministry not to rest on its laurels on the success in Ethanol Blended Petrol (EBP) program but take proactive steps and be responsive to make the SATAT initiative successful too and recommend that it should ensure successful implementation by reviewing the progress at regular intervals and address various impediments that pulls back achieving of targets set under this initiative.

REPLY OF THE GOVERNMENT

CBG sector is in developing stage in the country. Due to various constraints CBG projects are not being established at a desired rate. Since the inception of SATAT initiative this Ministry has coordinated with other Ministries, State Governments and other stake holders.

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REPLY OF THE GOVERNMENT

CBG sector is in developing stage in the country. Due to various constraints CBG projects are not being established at a desired rate. Since the inception of SATAT initiative this

Ministry has coordinated with other Ministries, State Governments and other stake holders. Some of the key initiative taken by Government for expediting the progress of CBG projects are as under:

- (viii) Revision in CBG procurement price and indexing the same with CBG Retail Selling Price (RSP) which will be at par with CNG RSP.
- (ix) MoPNG has issued policy guidelines for co-mingling of CBG with Natural Gas in CGD network.
- (x) Under synchronization scheme procurement price of biogas is Rs. 1470/MMBTU excluding GST w.e.f. 1.12.2022. In addition, Rs. 8/kg of compression charge for supply of CBG on retail outlet and for CBG supply in pipeline Rs. 2/kg of pipeline injection charge would be paid extra.
- (xi) MNRE is providing "Central Financial Assistance" of Rs. 4.0/- Cr. per 4800 kg/day of installed capacity of CBG plants (Maximum CFA up to Rs. 10/-Cr./project) under "Waste to Energy Programme".
- (xii) State Bank of India, Bank of Baroda, Canara Bank and some other banks have developed exclusive loan product for financing of CBG projects. Canara Bank has been nominated as Nodal Banker under SATAT.
- (xiii) Department of Fertilizers have issued letter to Fertilizer companies for mandatory offtake of FOM with chemical fertilizers as a "Basket approach".
- (xiv) To avoid cascading of taxes on blended compressed natural gas, excise duty on amount of GST-paid on compressed bio gas contained in the blended CNG has been exempted.

This Ministry is reviewing the progress of SATAT initiative on regular basis. CBG projects are also being reviewed and monitored by Inter Ministerial Task Force for GOBARdhan formed under the Chairmanship of Secretary, Department of Drinking Water and sanitation. This Ministry is coordinating with other Ministries, Departments, State Governments and stakeholders for expeditious development of CBG projects.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 7 of Chapter 1)

Recommendation No. 2

Review of Letter of Intent

The Committee note that under the SATAT initiative, the production of CBG would have multiple benefits *vis-a-vis* reduction of natural gas import, reduction of Greenhouse Gas (GHG) emissions, reduction in burning of agriculture residues, effective waste management, etc. The Committee further note that Oil and Gas Marketing Companies (OGMCs) invite Expression of Interest (EOI) from potential investors/entrepreneurs to procure CBG for further selling to automotive and commercial customers. Indian Oil Corporation is the nodal company for SATAT coordination.

The Committee have been informed by the Ministry that as on 1st June 2022, a total of 3263 Letter of Intents (LOIs) have been issued by the Oil PSU's. Number of cases where land has been finalized is 328 and 97 LOIs have achieved financial closure. The Committee observe that 35 CBG plants have been commissioned so far and around 40 plants are expected to be commissioned by March 2023.

The Committee observe that the same entrepreneur/investor has been issued a large number of Letters of Intents (LOIs) and the reason given for issue of such multiple LOIs is that the project involves getting clearances, approvals and many other supply chain issues and the plant can be set up as and when the necessary approvals are available in a given location. However, the Committee have been informed by the entrepreneurs that the banks are not extending loans for more than one project to the entrepreneur who is holding multiple Letters of Intents (LOIs). The Department of Financial Services state that PSU Banks would like to see the execution of a few CBG plants to which they have already extended the loan.

However, the Committee suspect that the PSUs had issued multiple Letters of Intents (LOIs) just to show that the targets under SATAT are on course of being achieved as it is evident that the same entrepreneur will not get finance for different projects from banks without providing adequate security and guarantees. The fact that out of 3263 Letters of Intents (LOIs), Hardly 40 plants have been commissioned with less than 24 months to go speak volumes of the progress made. Therefore, the Committee desire that there should be proper guidelines for issuance of Letters of Intents (LOIs) to entrepreneurs including at multiple locations

The Committee deplore MoP&NG / PSU's for such deceptive methods to mislead about the targets and show that the progress under SATAT is good. The Committee while acknowledging the impact of COVID, would like the Ministry to review the letters of Intents (LOIs) issued so far in terms of progress made and take all corrective actions and aggressively attract new investors / entrepreneurs. The Committee, therefore recommend that the Ministry should set up a committee to review the Letters of Intents (LOIs) issued and also to frame guidelines for issue or fresh Letters of Intents (LOIs).

REPLY OF THE GOVERNMENT

LOIs have been issued to interested and eligible entities who have submitted the relevant documents for setting up of CBG plants under the SATAT initiative, after evaluation as per extant guidelines.

Getting a LOI issued has been the very basic and initial step towards implementing the CBG project for such entrepreneurs as the LOI is being reproduced by these parties to various banks and statutory bodies, basis which they receive NOC and sanction of loan.

This Ministry has advised OGMCs to review the selection criteria for Lol issuance so that only serious applicants are selected and also to withdraw the Lols issued to non performing entrepreneurs. Accordingly, OGMCs are reviewing the Lol issued and giving notices for cancellation of Lols of non-serious Lol holders. Lols of 87 non-serious candidates have been cancelled so far.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 10 of Chapter 1)

Recommendation No. 3**NBCC Coordination Mechanism**

The Committee note that the Ministry of Petroleum and Natural Gas is implementing the National Policy of Bio Fuels 2018 which aims to increase use of bio fuel in the country. The Committee also note that the success of CBG (SATAT) scheme is very much contingent on the well-coordinated efforts among various Ministries/Stakeholders/Organizations by resolving the challenges and bottlenecks in a time bound manner. This can be achieved by establishing a two-way communication between stakeholders and Govt. and within govt. bodies. There are roles for several Ministries for successful implementation of the CBG project and coordination amongst different Ministries is essential.

The Committee observe that the National Bio Fuel Coordination Committee (NBCC) is already in place as a coordination mechanism which has representatives from various Ministries and headed by the Hon'ble Minister of Petroleum and Natural Gas to provide overall coordination, effective end-to- end implementation and monitoring of bio fuels. The Committee, however, find it surprising to note that since its inception, NBCC has held only one meeting till date which reflects the lack of seriousness by the Ministry to this mechanism for SATAT initiative. The Committee would, therefore, recommend that the MoPNG should convene meetings of NBCC at regular intervals to sort out issues in implementation of the programme and may also form sub committees involving the concerned Ministries to sort out specific and pointed issues.

REPLY OF THE GOVERNMENT

During the budget speech it has been announced that a 5 per cent CBG mandate will be introduced for all organizations marketing natural and bio gas. MoPNG has initiated process to convene the meeting of NBCC to discuss the issues related to implementation of SATAT as well as introduction of CBG blending mandate.

Under National Policy of Bio fuels, a "Working Group on Biofuels" comprising of eminent experts in the field of bio fuels, technical experts from research and academic institutions in the field of bio fuels, representatives from relevant Ministries/Departments, OMCs, PCRA, representatives/ experts from the Industry, CSIR Lab, National Sugar Institute & Bio fuel Associations etc. has been formed. Issues related to CBG projects are also discussed in the Working Group of Bio fuels.

In addition, CBG projects are also being reviewed and monitored by Inter Ministerial Task Force formed under GOBARdhan scheme. Further, MoPNG is part of committee formed by Department of Agriculture and Farmers Welfare regarding the supply of raw material for CBG plants and the use of bio manure produced by CBG plants.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 13 of Chapter 1)

Recommendation No. 4

Single Window Clearance

The Committee note that the Compressed Bio-Gas (CBG) plants need various approvals and clearances from different agencies of Central, State Govt. and local administration. The Committee note that the implementation of CBG (SATAT) has been delayed due to multiplicity of agencies involved in granting clearances and permissions. Self-certification and undertaking may also be studied for feasibility in place of mandatory approvals and NOCs etc. as the case may be.

The Committee exhort the Ministry to consider issuing a blanket approval or with a half-yearly/yearly reconciliation mechanism and a forum for joint consultative mechanism involving elected representatives from local and state/district level should be evolved to iron out all the differences arising among various agencies and in this regard, there can be an "Infrastructure Approvals Committee" at State/District level which can take up such clearances and fast track them. The Committee observe that the Ministry should Coordinate with various Government Departments/Agencies including Financial Institutions, State Governments and other stake holders to arrange and implement various enablers for development of CBG sector and Expeditious allocation or land to CBG producers by the State Government would be helpful in developing CBG Projects.

CBG (SATAT) is of national importance and therefore, there is a need to bring uniformity in permissions and clearances from various central / state / local bodies / departments to lay pipeline network. In order to streamline the process of approvals, the Committee desire that deemed approval mechanism should be put into place so that the necessary clearances and NOCs may be obtained in a defined time period. The Committee, therefore, recommend that the Ministry should strive for a single-window mechanism for a fast-track system or obtaining approvals and clearances which will help in reducing the time to process such permissions.

REPLY OF THE GOVERNMENT

For single window clearance there is requirement to form State level SATAT Committees on state level enablers and approvals.

State level SATAT Committees have been formed by the State Governments of Haryana, Punjab, Uttar Pradesh, Chhattisgarh, Andhra Pradesh, Tripura & West Bengal through which various state specific enablers have been sought. Govt. of Uttar Pradesh have created Bio-Energy policy to facilitate CBG Plants in the State.

This Ministry is coordinating with other State Governments to form State Level committee for implementation and monitoring of SATAT initiative.

For expeditious implementation of SATAT initiative existing and upcoming CBG projects are being mapped on National Master Plan portal.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

Recommendation No. 5

Central Financial Assistance (CFA)

The Committee note that Ministry of New & Renewable Energy (MNRE) was implementing a scheme called Central Financial Assistance (CFA) for extending support to new and renewable energy projects. The Committee note that since April 2021, the Central Financial Assistance program for biogas/CBG projects has been discontinued and this has served as a major setback to the industry. The Committee have learnt that the CBG plants fall under new and renewable energy category and hence these plants are entitled for CFA. However, as the scheme is not in place, this facility is denied to entrepreneurs who come forward to set up CBG plants. The Committee strongly feel that to mainstream the industry, which is still in its introductory/nascent stage, the continuation of CFA scheme is important. The Committee recommend that MOPNG should take up with MNRE and Ministry of Finance for reintroduction of this Central Financial Assistance Scheme to incentivize and enthuse entrepreneur to set-up of CBG plants in the country.

The Committee also desire that MoPNG may consider to move towards Generation Based Incentive (GBI) instead of Capex-based subsidy for CBG plants which will provide incentives for producing gas and keep the plants running and functional rather than just setting up the plant. The Committee would like determination of appropriate GBI (price/per Kg of CBG) under different feedstocks to be estimated by the Ministry in this regard.

REPLY OF THE GOVERNMENT

Ministry of New and Renewable Energy (MNRE) has accorded administrative approval for implementation of "Waste to Energy Programme" on 2.11.2022 for the duration 2021-22 to 2025-26 under the Umbrella Scheme of National Bio energy Programme. Under Waste to Energy Programme MNRE *inter-alia* provides "Central Financial Assistance" of Rs. 4.0/- Cr. per 4800 kg/day (for Bio CNG generation from new biogas plant) and Rs 3.0 Cr per 4800 kg/day (for Bio CNG generation from existing Biogas plant) with a maximum CFA of Rs. 10.0 Cr/project for both cases.

Further, for development of CBG projects enablers like introduction of 5 per cent CBG mandate for all organizations marketing natural gas, fiscal support for collection of bio-mass and distribution of bio-manure has been announced in budget speech.

Besides, MoPNG is also exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network.

With the implementation of above enablers, a market driven ecosystem will be developed to support CBG sector on long term basis.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 16 of Chapter 1)

Recommendation No. 7

Bio-Fuel Infrastructure Fund

The Committee note that the SATAT scheme is a laudable and ambitious initiative of the Government which can help the country to meet its energy requirements and strengthen the energy security. However, the action taken by the Ministry of Petroleum & Natural Gas to implement the scheme have been very lukewarm and indifferent. The Committee would still give the benefit for doubt to the Ministry as the country was fighting the Covid pandemic during the last two years. However, as the situation has improved to a considerable extent and economic activities have picked up, the Ministry should now focus on taking necessary steps to see that the SATAT initiative is implemented and all objectives and targets are met.

The Committee note that a scheme that may be replicated in this regard is the AIF (Agriculture Infrastructure Fund) facilitated by NABARD and the Ministry of Agriculture. In this regard, the Committee are of the view that a fund in the name of Bio Fuel Infrastructure fund in the Ministry of Petroleum and Natural Gas may be created in a suitable way either from Oil Industry Development Board (OIDB) funds or budgetary allocations for development of this sector quickly and without waiting for other government agencies to finance them. Ministry may furnish the action taken in this regard.

REPLY OF THE GOVERNMENT

For ethanol projects DFPD is already providing financial assistance through NABARD. In line with the budget announcement this ministry is preparing a proposal for providing fiscal support for biomass collection of biomasses for CBG projects. In addition, this Ministry is also exploring possibilities for providing fiscal support for development of pipeline infrastructure for connecting CBG projects with CGD network. MoPNG is also coordinating with banks and other multilateral financial institutions to provide financing for CBG projects.

Aforesaid steps will help in expeditious development of CBG sector. This Ministry will assess the need for setting up Bio Fuel Infrastructure Fund in due course.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 19 of Chapter 1)

Recommendation No. 10

Establishing a Credit Guarantee Fund (CGF)

The Committee note the Entrepreneurs are facing huge problems in getting financial assistance for CBG plants. The Committee feel that lack of credit is one of the major factors due to which not many CBG plants have come up and therefore there is an urgent need to address access to credit by evolving innovative financial mechanisms/products. The Committee suggest that there should be a Credit Guarantee Fund (CGF) established for CBG project financing, like the one launched under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) by Small Industries Development Bank of India (SIDBI) and Government of India for stimulating collateral-free lending to Micro Small and

Medium Enterprises (MSME) borrowers and the same can be thought for CBG projects as well. This shall enable risk reduction of and instill confidence in the Financial Institutions for undertaking credit exposure in the CBG industry.

The Committee also recommend that there can be refinancing of loans by Indian Renewable Energy Development Agency Limited (IREDA) under MNRE that can directly enter into MoU with Public Sector Banks wherein every CBG project that meets certain basic needs (for being qualified as a potent project) would be provided the benefit of concessional rate lending by IREDA via the bank/NBFC for onward lending.

REPLY OF THE GOVERNMENT

MoPNG is working with World Bank and SIDBI to explore the possibilities for concessional credit for CBG projects. World Bank has submitted a proposal to MoEFCC for seeking US\$15 million funds through the non-grant instrument under the current Global Environment Facility (GEF) 8th cycle for implementing RSF facility for CBG projects under SATAT initiative and the same has been endorsed by the MoEFCC. Further, MoPNG is also coordinating with IREDA to provide concessional loans for CBG projects.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 28 of Chapter 1)

Recommendation No. 11

Assured Bio-Manure Offtake

The Committee note that one of the major by-products of the CBG plants is the Bio-manure and there is no assurance for off take of bio manure or any other long term supply agreements at a reasonable and marketable price. The CBG plants cannot sustain themselves solely through production and marketing of Bio-gas and hence sale of bio manure will enhance the financial viability of CBG plants. The Committee also note that this bio- manure can solve the problems of nutrients of soil and also improve the soil health bringing innumerable benefits to the agriculture sector also. The Committee feel that a holistic view must be taken off the CBG plants and Bio-manure must be seen as revenue stream of CBG projects. The Committee further desire that in order to promote and popularize use of organic manure there should be clear earmarking 'Production date' and 'Best used before date, safety measures and means to prevent nutrient loss during transportation and similar other measures to educate and create awareness in the public domain so that there is no apprehension regarding their use.

MOPNG in coordination with Ministry of Agriculture through its agricultural extension machinery including Krishi Vikas Kendras (KVK), FPO, etc. must make special efforts to propagate utilization of 'Organic Ferment Manure' on farmland. The Committee therefore recommend that MoPNG should devise a mechanism in consultation with Dept of Agriculture and Dept of Fertilizers to ensure assured off-take of bio-manure of entire quantity of CBG with long term agreement including the price and agencies assigned for purchase of bio manure to attract investment in this sector.

REPLY OF THE GOVERNMENT

Bio manure produced from CBG projects has been included as Fermented Organic Manure (FOM) and Liquid Fermented Organic Manure (LFOM) under Fertilizer Control Order 1985 to regularize its marketing. Department of Fertilizers (DoF) have issued letter on 27.05.2022 to fertilizer companies for mandatory off take of FOM with chemical fertilizers as a “Basket approach”.

Further, following announcements made during the budget speech on 1.2.2023 will *inter-alia* promote the offtake of FOM:

- For distribution of bio-manure, appropriate fiscal support will be provided.
- Over the next 3 years, 1 crore farmers shall be facilitated to adopt natural farming.
- “PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth” will be launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.

This Ministry has requested Department of Fertilizers to develop modalities for assured off take of FOM and to provide Market Development Assistance for FOM marketing. Creation of market ecosystem for FOM / LFOM.

Besides above, DAFW has also been requested to advise their Research Institutions/ Centers/ Central Agricultures Universities, State Agriculture Universities and Krishi Vigyan Kendras to conduct research and extension activities for promotion of FOM/LFOM. Recently, ICAR has initiated a study on utilization of bio manure produced from CBG projects.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

Recommendation No. 12

Quota for Biomethane Injection in Natural Gas Grid

The Committee feel that Ministry should reorient its approach and the various facets of the scheme must be fully addressed and utilized. As the sources of CBG are diverse and scattered, the CBG plants must be seen as decentralized gas fields. The Committee feel that this will enhance the domestic gas production as the targets under CBG (SATAT) are equal to the current domestic natural gas production. The success of SATAT for sure will reduce dependence on import of natural gas and simultaneously generating new sources of income and employment within the country.

The Committee desire that the CBG plants with varying capacities must be channelized / synchronized with National Gas Grid. The Committee has learnt that Gas Utility major, GAIL (India) limited is already in the process of finalizing the operational modalities for the supply of CBG co-mingled with domestic gas. The Committee suggest that while the process for the same may be expedited, there should be a uniform price of City gas/ PNG across all CGD entities (private PSUs). One such mechanism to arrive at a uniform gas price may be through a gas pool pricing mechanism, as is presently applicable for Natural Gas supply to Fertilizer plants.

The Committee also recommend that there should be phase-wise (short term and long term) blending quota/mix of co-mingled CBG in the total domestic gas supply to the CGD

sector. The success of ethanol blended petrol and diesel has already laid the precedent and the same may be adopted in this case as well.

REPLY OF THE GOVERNMENT

MoPNG has issued guidelines for comingling of CBG generated under SATAT initiative with the natural gas in CGD network. GAIL has operationalized CBG-CGD synchronization scheme.

The Union Budget speech of 2023 has included that in due course, a 5 per cent CBG mandate will be introduced for all organizations marketing natural and bio gas. MoPNG has initiated the process for implementation of budget announcement.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

Recommendation No. 13

CBG Off-Take Price

The Committee note that the CBG plants have very low internal rate of return (IRR) and the CBG pricing needs to be remunerative to the marketing companies. The Committee appreciate the efforts made by the Ministry in raising the CBG prices to Rs. 54/kg plus GST and also pegging CBG prices with that of CNG this is expected to provide a cushion to marketing companies. The Committee however, are concerned to observe that this pricing does not take into account the feedstock by which CBG is produced. The Committee have learnt that this uniform pricing incentivizes certain feedstocks while discouraging others. The present benchmarking of CBG prices under SATAT to the CNG prices is a much-appreciated initiative towards achieving fair pricing of CBG. However, the pricing needs to be more robust and flexible upon factoring in the cost economics of a CBG plant for different feed stocks as well.

The Committee desire that a guideline needs to be issued by MoPNG in coordination with various agencies w.r.t. appropriate Market price for CBG that ensures the viability of a CBG plant, creating transparency in rational price discovery and promoting long-term investment plans of investors/promoters. The Committee further recommend that the Ministry should establish the pricing mechanism of CBG produced from different types of feed stocks and cues can be taken from the differential pricing (FRP) mechanism for bio ethanol from different grades of molasses and a similar approach can be replicated in the case of CBG sector as well.

REPLY OF THE GOVERNMENT

Under SATAT initiative CBG projects are being commissioned across the country. CBG Plants may use single or multiple feed stocks depending on their plant design and availability. The ratio of different feed stock may vary from plant to plant and within the plant due to seasonal availability of feeds stocks, cost and other factors which cannot be monitored. Therefore, feed stock based CBG procurement price would not be suitable for most of the CBG plants.

CBG is an alternate of CNG, thus its retail selling price must be aligned with CNG selling price. Therefore, OGMCs have indexed procurement pricing of CBG with retail selling price of CNG.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

Recommendation No. 14

Market Development Assistance for Bio Manure

The Committee note that in the CBG plants, one of the revenue streams is selling of Bio-manure which is a by product in the production of CBG. The Committee further note that the OGMCs under the MoPNG have already announced the price for purchase of CBG. The Ministry of Chemical and Fertilizers has also issued notification under Fertilizer Control Order (FCO) to treat the Bio-slurry as organic Bio-manure. The Committee note that the market development assistance was provided by the Department of Fertilizers for promotion and consumption of city compost has been discontinued after 30th September 2021. Therefore, the MoPNG should take the matter with Department of Fertilizers/Department of Expenditure for continuation of market development assistance for off take of fermented Bio-manure to ensure balance and integrated nutrient management for the crops. The Committee therefore recommend that the MoPNG to persuade Ministry of Finance for MDA for incentivizing CBG entrepreneurs.

REPLY OF THE GOVERNMENT

MoPNG has requested Department of Fertilizers to provide Market Development Assistance (MDA) for FOM marketing and to develop modalities for assured off take of FOM.

This year's budget announcements *inter-alia* has mentioned that appropriate fiscal support will be provided for distribution of bio-manure. Accordingly, Department of Fertilizers has moved an EFC Note which *inter-alia* provides MDA for FOM. MoPNG has supported the proposal.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

Recommendation No. 15

Feedstocks Issues for CBG Production

The Committee note that the Biomass sources like municipal solid waste, sewage treatment plant waste, cattle dung, sugarcane press mud, agricultural residue etc. are some of the feedstocks to produce Biogas through the process of aerobic decomposition. The availability of these feedstocks is varied in nature as the municipal solid waste and sugarcane press mud are available for most of the year, whereas, agriculture residue would be available only for couple of months in a year. This necessitates that CBG plants which use agricultural residue as feedstock may also need huge land parcel to store the agriculture residue for the remaining part of the year as the residue is available only during harvest period.

Entrepreneurs who appeared before the Committee stated that there is huge uncertainty over the supply and price of agriculture residue as the farmers demand a higher price to supply to the CBG plant. The entrepreneur has limited choice as the feedstock has to be sourced from neighboring region and transportation from longer distances will add the cost of feedstock. The entrepreneurs demand support from State Governments in the form of assured raw material supply and also land availability at concessional price for long term to store the feedstocks. However, the Committee note in the case of municipal solid waste there are no such problems as most of the cities and towns have huge landfills with the municipal wastes. Similarly, the sugar factories also has sugar press mud.

Therefore, the Ministry should focus on municipal solid waste and sugar press mud as the preferred feedstock for setting-up of CBG plant all over the country which the Committee feel is a low hanging fruit. The MoPNG should hold consultation/discussions with Ministry of Urban Development for nudging urban local bodies to setup CBG plant with the support of Oil PSU's / State Governments and use Municipal Solid Waste as feedstock. The CBG from these plants can be used for urban transport and City Gas Distribution (CGD) network in these cities. Similarly, the Ministry of Petroleum and Natural Gas should discuss with concerned Ministry/Indian Sugar Mills Association (ISMA)/ Sugar mills to encourage them to invest in CBG plants as well, and sell them to OMCs with whom they already have good relationship due to ethanol blending programme, The Committee, therefore recommend that MoPNG should prioritize its focus on municipal solid waste and sugarcane press mud as feed stocks to promote the CBG projects and make it a reality and successful rather than focus on agriculture residue which is saddled with problems.

The Ministry may also rope in urban municipal bodies, agriculture mandis, cooperative sector, fertilizer companies, Farmers' Producer Organizations (FPOs), Krishi Vigyan Kendra (KVK), NAFED etc. to promote CBG projects in their area of operations.

The Committee recommend the MOPNG to hold consultations with State Governments and endeavor to constitute State level coordination Committee in all states and to try to impress upon them to fix price for different types of bio mass so that there shall be no uncertainty about pricing and availability of biomass for the CBG plants.

REPLY OF THE GOVERNMENT

MoPNG is working in line with the recommendation of Standing Committee.

During the Budget speech it has been mentioned "500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting circular economy. These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants at total investment of ` 10,000 crore." The 75 plants in urban areas mentioned in budget speech are MSW based CBG plants. This Ministry is coordinating with Ministry of Housing and Urban Affairs to facilitate setting up MSW based CBG projects.

OGMCs participating in SATAT are in contact with Indian Sugar Mills Association (ISMA) and National Federation of Cooperative Sugar Factories Limited (NFCSF) and also with individual sugar mills to persuade them for utilization of press mud for production of CBG.

Budget speech also mentions that for collection of bio-mass appropriate fiscal support will be provided. MoPNG has initiated stakeholder consultation to explore possibilities for providing fiscal support for collection of biomass for CBG projects.

Further, MoPNG has also requested States to constitute State Level State level coordination Committee for implementation of SATAT initiative. State Level Committees

for implementation and monitoring of SATAT initiative have been constituted in Assam, Andhra Pradesh, Chhattisgarh, Haryana, Punjab, Uttar Pradesh, Tripura and West Bengal). Issue of biomass supply chain has been raised in State Level Committee meetings. Recently, Uttar Pradesh has announced “Uttar Pradesh Rajya Jaiv Urja Niti-2022” wherein enablers like in addition to the 50% subsidy on biomass aggregation equipment under SMAM scheme 30 % subsidy on purchase of baler raker and trolley etc. have been provided by UPNEDA. Policy also mentions about constitution of district level committee to make paddy straw available for entrepreneurs at market price.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

Recommendation No. 16

GST Issues in CBG

The Committee note that the Compressed Bio Gas under SATAT is basically used for bio CNG in transport sector and PNG in the domestic sector. The Ministry has also permitted the CBG produced from the CBG plants to be injected into the CGD network under the CBG-CGD Synchronization Scheme and the responsibility of connecting the CBG plant to the CGD network within a distance of 10 kms would lie with bio gas producers.

The Committee note that at present various petroleum products are coming under different tax regimes. Bio gas is under GST and CNG is under excise duty and when CBG is mixed with CNG which is permitted, then it attracts double taxation as VAT is also levied in addition to excise duty. This cascading tax structure create confusions and the same gas attracts different tax application which may create complications and litigations and increase the burden and end price. The Committee desire that there is a need to have uniformity in the tax structure on the products likely CBG, CNG, PNG and when CBG is mixed with as a CNG or PNG. The Committee, therefore, recommend that the Ministry of Petroleum and Natural Gas should hold consultations with Department of Revenue for clarity, rationalizing the tax structure and determination of applicable tax and if required, approach GST Council where required.

REPLY OF THE GOVERNMENT

The Union Budget speech of 2023 has included the following:-

“To avoid cascading of taxes on blended compressed natural gas, it has been proposed to exempt excise duty on GST-paid compressed bio gas contained in it. Central excise duty exemption is being provided to blended Compressed Natural Gas from so much of the amount as is equal to the GST paid on Bio Gas/Compressed Bio Gas contained in the blended CNG.”

Ministry of Finance vide Notification No. 05/2023 -Central Excise dated 01.02.2023 has notified the following:-

“the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts Compressed Natural Gas (hereinafter referred to as ‘CNG’), falling under tariff item 2711 21 00 of the Fourth Schedule to the Excise Act, when blended with Biogas or Compressed Biogas (hereinafter referred to as ‘CBG’), from so much of the duty of excise leviable thereon the amount of central tax, State tax, Union territory tax or integrated tax, as the case may be, paid on the Biogas or CBG contained in such blended CNG, subject to fulfilment of certain conditions specified in the order.

Further, this Ministry is also pressing upon the need for bringing Natural Gas under the ambit of GST as long-term solution.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

Recommendation No. 18

Awareness and Trained Manpower

The Committee note that the CBG sector is still in its infancy and there are many risks involved in the business leading to a lot of hardships being faced by entrepreneurs and promoters. There is a lack of credit supply to the CBG sector and it is also plagued by structural constraints and not yet in a position to come up with a definite revenue stream. The Committee therefore feel that there is an urgent need to create awareness among financial institutions regarding the viability and potentialities of CBG sector in generating employment and income opportunities, however, the gestation period is not fully developed or understood. The Committee also desire that all the bottlenecks and challenges facing the industry must be identified and modalities and solutions to them be properly identified and disseminated to the various stakeholders in a coordinated and time bound manner. The Committee therefore recommend that a proper plan has to be formulated to train the Financial Institution Officials (across the hierarchy) to dispel the notion of the undue inherent risk associated with CBG industry.

The Committee further note that the sector is still evolving and there is a lack of sufficient trained manpower and recommend that MoPNG in consultation with Ministry of Skill Development should prepare a curriculum/training module to impart skills in the sector to take care of the future manpower needs.

REPLY OF THE GOVERNMENT

In order to create awareness among financial institutions and to “Training Program on Fundamentals of Compressed Biogas Plants and their Techno-commercial Assessment” was organised for bank officials in coordination with World Bank on 11th and 12th November, 2022. The programme covers fundamental understanding of a compressed biogas plant, technical aspects of a CBG plant, the policy and regulatory aspects of the sale of the key products and by-products of a CBG plant along with field visit of CBG plant. More such training programme will be conducted in future.

In addition to that OGMCS participating in SATAT have also conducted training sessions for banks, financial institutions, global financial intuitions, entrepreneurs, etc. on technological and commercial aspects of CBG Plants.

A dedicated portal on SATAT scheme (<https://satat.co.in>) has been prepared. The portal has details on SATAT initiative documents, financing of CBG Plants, technology providers, enablers on CBG, Government Policies, Frequently Asked Questions, details on manure marketing. The portal has detailed learning modules on CBG technology and financing. Entrepreneurs can pose questions on the portal for clarification on SATAT initiative.

CBG projects are also being reviewed and monitored by Inter Ministerial Task Force formed under GOBARdhan scheme. Ministry of Skill Development and Entrepreneurship is a member of the task force is assessing the training need for biogas and CBG sector to impart skills in the sector to take care of the future manpower needs.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

Recommendation No. 19

Carbon Trading

The Committee note that CBG (SATAT) scheme has immense potential in waste management in the country. CBG plants have a potential for an efficient management of stubble burning which causes immense environmental damage and consequently damaging the image of the country as a whole. An important feature of the CBG plants is that it converts bio-gas out of multiple feedstocks including waste material and therefore can contribute immensely towards Swachh Bharat Mission as well.

The Committee recommend that MoPNG in coordination with the MNRE should evolve a mechanism whereby they assess the carbon footprint that would be generated had CBG plants not managed the waste material. This will help the nation in achieving India's commitments of carbon net zero by 2070 made at COP-26 Glasgow. The carbon credits so generated by CBG plants can be monetized and improve its financial viability and revenue stream accordingly which provides a win-win situation for all the stakeholders.

REPLY OF THE GOVERNMENT

During this year's budget speech has given thrust on 'Green Credit Programme' and announced that

"For encouraging behavioural change, a Green Credit Programme will be notified under the Environment (Protection) Act. This will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities."

The Parliament has passed the Energy Conservation (Amendment) Bill, 2022 and the same has come into effect from 1st January 2023. This includes provisions to "Specify the carbon credit trading scheme". Design of carbon trading scheme is to be prescribed through Rules after consideration of all relevant aspects, including transition of existing schemes of tradable certificates to single national framework. Any registered entity, in accordance with these Rules, shall be entitled to purchase or sell the carbon credit certificate"

MoPNG will coordinate with stakeholder Ministeries viz. MoP, MoEFCC and MNRE to facilitate the CBG producers in availing the benefits of carbon credit trading scheme.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

Recommendation No. 20

Global Cooperation on Bio-fuels

The Committee note that India is the third-largest consumer and importer of oil in the world. The Committee note that the Government has announced National Policy on Biofuels 2018 to promote and include biofuels in the country's energy basket to target climate change concerns and also to reduce dependence on import of crude oil. The NPB-2018 envisages production and blending of ethanol, biodiesel and CBG as alternative fuels with traditional fuels like Petrol, Diesel and Natural Gas.

The Committee appreciate the efforts in achieving the 10 per cent ethanol blended petrol and hope that with a slew of measures being undertaken the target of 20 per cent blending can be achieved by 2024-25. This is expected to give a general boost to Biofuels which will also help achieve carbon reduction goals and commitments made at CoP26, Glasgow.

The Committee note that many of the countries like Brazil, US, Indonesia, China and Germany produce biofuels. It is hoped an alliance among such countries would create an ecosystem for fuel standards and engines as well as cooperation for a quicker adoption of latest state of the art technologies. This will pave way for global cooperation, funding and technology development which will help other countries also to fight carbon emission and climate change concerns. The Committee, therefore, recommend that India should pitch for a global cooperation on Biofuels on the lines of The International Solar Alliance (ISA).

REPLY OF THE GOVERNMENT

India is already engaged with various global agencies viz. International Energy Agency (IEA) Bioenergy, IEA Advanced Motor Fuels (AMF), Bio future Platform under Clean Energy Ministerial (CEM) etc.

Further, Ministry of Petroleum and Natural Gas, is working to develop a Global Biofuels Alliance of India and other interested countries along with leading biofuel producers and consumers i.e. Brazil and the United States. This Alliance will be aimed at facilitating cooperation and intensifying the use of sustainable biofuels, including in the transportation sector. It will place emphasis on strengthening markets, facilitating global biofuels trade, development of concrete policy lesson-sharing and provision of technical support for national bio fuels programs worldwide.

The contours or the scope of the Global Biofuel Alliance will be made keeping in view various considerations such areas inadequately covered by existing platform and which require new impetus for achieving true potential of Biofuels such as collaborative R&D, equitable access to technology and financing; ease of access / acquiring membership; etc.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

CHAPTER III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE GOVERNMENT DO NOT
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

- Nil -

CHAPTER IV**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE****Recommendation No. 6****Financial Institution for Petroleum Sector**

The Committee note that there are many projects which are being implemented by the MOPNG to enhance the energy security of the country in the hydro carbon area including bio fuel projects for blending with petrol, diesel and gas. The Committee feel that with the plethora of initiatives being taken up by the Ministry, there is a need for financing these activities particularly at the initial stage by understanding the risks and reward associated with the project for which the expertise is available in the Oil PSUs who are operating for a long time in this sector. The Committee, therefore desire that the Oil PSUs which have strong cash flows and healthy balance sheets and consistently profit making should come forward to setup a financial institution for financing all bio-fuel and clean energy projects that are launched or likely to be launched in the future by the Ministry.

There are institutions like Power Finance Corporation (PFC), Rural Electrification Corporation (REC), Housing & Urban Development Corporation (HUDCO), Indian Renewable Energy Development Agency (IREDA) etc. in different Ministries of the Government for financing and monitoring specific sector projects. The Committee would desire the MoPNG should nudge the petroleum sector oil PSUs to establish a financial institution owned and managed by them as shareholders which will focus on clean, green and renewable energy bio fuel projects taken up by Ministry of PNG like Ethanol production for Ethanol Blended Petrol (EBP), Bio-diesel Projects, CBG projects, etc. The Committee, therefore, recommend that Ministry should set up a PSU financial institution for funding oil and gas sector project under its administrative control.

REPLY OF THE GOVERNMENT

This Ministry is coordinating with Banks and existing financial institutions viz Power Finance Corporation (PFC), Indian Renewable Energy Development Agency (IREDA), Small Industries Development Bank of India (SIDBI) etc. to provide easy finance for CBG sector. This Ministry is also working with World Bank and SIDBI for development of mechanism for financing of CBG projects.

Department of Food and Public Distribution (DFPD), Government of India has notified the "Scheme for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up distilleries for producing 1st Generation (1G) ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet, etc." vide Gazette Notification No.128 dated 14 January 2021. National Bank for Agriculture and Rural Development (NABARD) has been appointed as the Nodal Bank for interacting with DFPD and managing interest subvention under the scheme.

At this juncture, existing banks and financial institutions may be used to finance CBG and other Bio fuel projects. Once this sector attains a level of maturity and requires support for further scaling, this ministry will examine the need for establishment of financial institutions for specific sector.

O.M. No. L-16023/7/2020-GP-I (E: 38363)
Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 19 of Chapter 1)

Recommendation No. 9

Investment in CBG Projects by Oil PSUs

The Committee note that CBG projects are being implemented with the expectation that private entrepreneurs and investors will come forward and the role of oil PSUs shall be to provide support to these projects in the form of assured off take of CBG produced from these plants. The Committee observe that IOC has invested in 5 CBG projects and GAIL and HPCL in one each whereas the upstream PSUs like ONGC and OIL which have specific mandate relating to production of natural gas and marketing of natural gas respectively have not invested in any project so far. The Committee find it surprising to note that PSUs are not interested in setting up of CBG projects on their own despite domestic natural gas production being a mandate of the upstream oil PSUs. The Committee, therefore, would like Oil PSUs to aggressively enter into CBG sector through company owned company operated (COCO) model or joint ventures with other OMCs/entrepreneurs.

Further, the OMCs also have a responsibility to meet the LPG demand in the country both in domestic and commercial sector and a large part of their LPG requirement is imported to meet the demand. These companies have restricted themselves to buy the Bio- gas from the CBG projects. The Committee feel this is unacceptable and want all the PSUs to invest and promote CBG projects seriously with their own investment. The Committee also expect that the Ministry should persuade the oil PSUs particularly upstream oil PSU's like ONGC, OIL and GAIL in particular to set up a good number of CBG projects in the country as this fall within their mandate of producing natural gas. The PSUs with their professional and project management competence should set aside sizeable fund for investment in these projects and able to execute the projects in time bound and efficient manner. This will also demonstrate the viability of these projects and will give confidence to investors. This will also allow the PSUs and the Ministry to gain valuable experience to sort out various issues and put in place required policy measures to ensure that the CBG initiative is successfully implemented and enhance the energy security of the nation. Therefore, the Committee recommend that all the OIL PSUs should seriously look into SATAT initiative and invest in CBG plants with their own funds.

REPLY OF THE GOVERNMENT

OGMCs have been investing in creating and maintaining infrastructure for promotion of CBG projects which include development of Retail Outlet, laying of pipeline, purchase of equipment, etc. Further, they are also investing in establishment of CBG plants. The list of CBG projects with OGMC's investment are as under:

S No.	OGMC	Location	Status of project
1	IOCL	Namakkal, Tamil Nadu	Sale of CBG initiated in May 2020
2	IOCL	Hingonia, Rajasthan Jaipur,	Mechanical Completion
3	IOCL	Gorakhpur, Uttar Pradesh	Work in progress
4	IOCL	Gwalior, Madhya Pradesh	Work in progress
5	HPCL	Budaun, Uttar Pradesh	Work in Progress
6	HPCL	Jalore, Rajasthan	Work in Progress
7	GAIL	Ranchi, Jharkhand	Work in Progress

In addition, IOCL has also commissioned cattle dung to Biogas Plants in Betul & Hoshangabad in Madhya Pradesh and Gorakhpur in Uttar Pradesh.

Other Oil PSUs and CGD entities are also being encouraged invest in establishment of CBG plants.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

COMMENTS OF THE COMMITTEE

(Please see para no. 25 of Chapter 1)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation No. 8

Collateral Security for CBG Projects

The Committee note that Reserve Bank of India has included CBG projects under Priority Sector Lending and public sector banks are extending loans to CBG plants. Canara Bank has been nominated as Nodal Banker under S ATAT. State Bank of India, Bank of Baroda, Canara Bank and some other banks have developed exclusive loan product for financing of CBG projects. World Bank, ADB and JICA are working for Detailed Project Report for multilateral cheaper credit to CBG plants.

However, the Committee note that the banks are not extending loans for more than one project to the same entrepreneur who is holding multiple LOI issued by Oil and Gas Marketing (OGMCs) companies. The Department of Financial Services state that they would like to see the execution of these plants to which they have already extended the loan. One of the hurdles faced by entrepreneurs is that the banks seek collateral security for financing the projects. The Committee have been informed by the entrepreneurs that the gas purchase agreement between the Oil and Gas Marketing Companies (OGMCs) and CBG plant operators for taking up the entire off-take of the gas at pre-determined price should also be taken into consideration by the Banks as a means of security and if required an escrow account between the three parties namely, CBG Plants Management, OGMCs and banks can be entered into where the banks may get their loan service from this account. The Committee are of the view that there is merit in this suggestion and recommend that MOPNG should hold consultation with Ministry of Finance on this issue and ease the collateral security burden on the entrepreneurs as in done under Ethanol Blended Petrol (EBP) Programme.

REPLY OF THE GOVERNMENT

MoPNG has taken up the matter of easing of collateral security burden with Department of Financial Services at various occasions. Recently the issues have also been raised in the meeting held on 23.3.2023.

CBG has been included under priority sector lending by Reserve Bank of India. Escrow account provisions have been made in the commercial agreements. In addition, there are clauses on Substitution rights, intimation to lenders, etc. in the commercial agreement between CBG Plant and OGMCs to facilitate the lending process.

Canara Bank has been nominated as Nodal Banker under SATAT. State Bank of India, Punjab National Bank, Canara Bank, Union Bank and Bank of Baroda, etc. have launched products on financing of CBG Plants under SATAT scheme. A coordination committee on CBG Projects Finance has been constituted under the leadership of Canara Bank. Various issues related to financing of CBG Projects including collateral issue has been discussed during the meetings of the committee.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

Recommendation No. 17

Tax Issues for CBG Plants

The Committee note that Section 80JJA or the Income-tax Act, 1961 provides for deduction of 100% from the profits and gains derived from the business of collecting and processing or treating of biodegradable waste for generating power or producing bio-fertilizers, bio-pesticides or other biological agents or for producing bio-gas or making pellets or briquettes for fuel or organic manure for a period of five consecutive assessment years beginning with the assessment year in which such business commences.

The Committee feel that CBG plants must be seen as a sunrise industry and recommend that special concessions must be provided at nascent stage and unambiguous continuation of the 80JJA scheme under the new sections in the IT amendment shall be provided for the ten years which will serve as the much-needed impetus, particularly to the entrepreneurs/ Start-Ups foraying into the industry.

The Committee observe that the GST Council recently notified of escalation of GST slab from 5% to 12% for biogas plant-related equipment and their parts. This is expected to provide incentive to the domestic industry to avail the input tax credit under GST regime. However, the Committee note that, due to these ambiguities, clarifications are sought by Indirect Tax Officials from CBG plants.

The Committee note that clarity in tax issues goes a long way in attracting investments in a sector. The disparity in tax structure for CBG Plants needs to be bridged with uniformity in the taxation of Goods and Services for all procurements in CBG projects. The Committee therefore recommend that these issues should be addressed by MoPNG in consultation with Department of Revenue.

REPLY OF THE GOVERNMENT

Providing of tax benefits like income tax waiver and accelerated depreciation shall assist in propagation of CBG Plants. MoPNG is considering the issue for taking up the same with Department of Revenue.

O.M. No. L-16023/7/2020-GP-I (E: 38363)

Dated: 20.04.2023

**New Delhi;
27 July, 2023
05 Shravana, 1945 (Saka)**

***RAMESH BIDHURI,
Chairperson,
Standing Committee on
Petroleum & Natural Gas.***

MINUTES
STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS
(2022-23)

FIFTEENTH SITTING
(27.07.2023)

The Committee sat on Thursday, the 27 July, 2023 from 1530 hrs. to 1600 hrs. in Committee Room '1', Extension to Parliament House Annexe (EPHA), New Delhi.

PRESENT

Shri Ramesh Bidhuri - Chairperson

MEMBERS

LOK SABHA

2. Dr. Ramesh Chand Bind
3. Shri Dilip Saikia
4. Shri Topon Kumar Gogoi
5. Shri Naranbhai Kachhadiya
6. Dr. Kalanidhi Veeraswamy
7. Shri Mitesh Rameshbhai Patel
8. Dr. Bharatiben Dhirubhai Shiyal
9. Shri Janardan Singh Sigriwal
10. Shri Vinod Sonkar
11. Shri Ajay Tamta

RAJYA SABHA

12. Smt. Kanta Kardam
13. Shri Mithlesh Kumar
14. Shri Surendra Singh Nagar
15. Shri Sasmit Patra
16. Shri Ravichandra Vaddiraju

SECRETARIAT

1. Shri Y. M. Kandpal - Joint Secretary
2. Shri H. Ram Prakash - Director
3. Shri Brajesh Kumar Singh - Deputy Secretary

2. At the outset, the Hon'ble Chairperson welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the draft Action Taken Report on the recommendations contained in the Seventeenth Report (17th Lok Sabha) on 'Review of implementation of CBG (SATAT) of MoP&NG' and adopted the same without any modifications.

The Committee then authorised the Chairperson to present/lay the reports in both the Houses of Parliament.

The Committee then adjourned

Annexure II

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTEENTH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2022-23) ON 'REVIEW OF IMPLEMENTATION OF CBG (SATAT)'.

I	<u>Total No. of Recommendations</u>	20
II	Recommendations/Observations which have been accepted by the Government (Vide Recommendations Nos. 1, 2, 3, 4, 5, 7, 10,11,12, 13, 14, 15, 16, 18, 19 and 20)	16
	Percentage to Total	80.00%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's (Vide Recommendations No. Nil)	00
	Percentage of Total	00
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations Nos. 6 and 9)	02
	Percentage of Total	10.00%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited (Vide Recommendation No. 8 and 17)	02
	Percentage of Total	10.00%