

“National Monetisation Pipeline Policy”

ATTACK AND IMPACT ON PETROLEUM SECTOR



NOGEN CHUTIA

General Secretary

A Publication

**PETROLEUM AND GAS WORKERS'
FEDERATION OF INDIA**



“National Monetisation Pipeline Policy” Attack and Impact on Petroleum Sector

**Nogen Chutia, General Secretary
Petroleum and Gas Workers’ Federation of India**

NMP is a permanent privatisation process :

Overcoming and bypassing all previous modes of privatisation, NMP is going to be a permanent privatisation process through which national assets will be clipped regularly for privatisation without any cabinet decision, parliament approval or dictation in the budget. It is nothing but a blatant attempt of the Modi Government to hand over public assets to its corporate cronies and obviously a very serious matter before the public sector lovers as well as true country lovers. Here, we are going to highlight the **NMP in Petroleum Sector** and its consequences in future.

NMP in Petroleum Sector :

Govt has declared that during FY 2022-2025, total assets considered for monetisation is Rs.22,503 crores in petroleum sector. The following is the summary-

Assets considered for monetisation: in phased manner
(Product and LPG pipeline) Fig in Rs. Crores.

Sl. No	Asset type	FY22	FY23	FY24	FY25	Total
1	Petroleum product pipeline	2,697	1,873	4,164	4,164	12,898
2	LPG pipeline	0	40	183	183	405
3	Hydrogen generation plants	600	600	-	-	1,200
4	ESG assets	2,000	2,000	2,000	2,000	8,000
	Total	5,297	4,513	6,347	6,347	22,503

Following are the assets listed for monetisation :

- Petroleum Product Pipelines.
- LPG Pipelines
- Hydrogen generation plants.
- ESG assts (Effluent treatment plants, sulphur recovery units, flare gas recovery systems.

Phases of assets identified for monetisation :

Sl. No	Asset Type	FY22	FY23	FY24	FY25	Total
1	Petroleum product pipeline (KM)	755	629	906	906	3196
2	LPG Pipeline (KM)	-	141	296	296	733
3	Hydrogen Generation plants (Nos.)	1	1	-	-	2
4	ESG assets	-	-	-	-	-

NATURAL GAS PIPELINES :

3930 KM	23%	Rs.22,503 crores	4 %
Monetisation over FY 22 to FY 25 (Km)	Assets Monetisation as % of assets base over FY 22-25 (%)	Value in FY 22-25 (Rs/Crore)	Share in overall NMP in value terms (%).

MONETISATION OF PETROLEUM PRODUCT PIPELINE AND OTHER ASSETS:

3930 KM	23%	Rs.22,503 crores	4 %
Monetisation over FY 22 to FY 25 (Km)	Assets Monetisation as % of assets base over FY 22-25 (%)	Value in FY 22-25 (Rs/Crore)	Share in overall NMP in value terms (%).

Assets targeted for monetisation:

- a) Gas pipeline: 8154 Km (7928 KM existing pipeline and rest is under construction.
- b) During FY22, two pipelines with a length 2229 Km will be monetised.
 - Dabhol – Bangalore pipeline (1414 Km & 16 mmscmd capacity)
 - Dahej-Uran-Panvel-Dabhol pipeline (815KM & 20 mmscmd capacity) (Million Metric Standard Cubic Meter per Day)
 - HPCL's Mangalore-Hassan LPG Pipeline during FY23.

How monetisation will be done :

- The existing capacity utilisation of the pipeline network.
- Potential demand, especially based on connected regions
- Estimating indicative value based on pipeline tariff, utilisation, peak utilisation, ramp up etc.
- The average value asserting monetisation is considered at Rs. 3.0 crores per KM of pipeline.

Operational Natural Gas Pipeline of GAIL :

Sl. No	Network/Region	Length (KM)
1	Hazara-Vijaipur-Jagdishpur & Gas Rehabilitation and Expansion Project & Dahej-Vijaipur Pipeline Network.	5030
2	Dehej-Vijaipur Pipeline (ii) & Vijaipur-Dadri Pipeline Network	1290
3	Tripura Network	60
4	Cauvery Basin	242
5	Chhainsa-Jhajjar-Hissar Pipeline Network	304
6	Dahej-Uran-Panvel-Dabhal Pipeline Network	935
7	Dadri-Bawana-Nangal Pipeline Network	868
8	Dabhol-Bengaluru Pipeline Network	1148
9	Gujarat Regional Pipeline Network	663
10	Jagdispur Haldia & Barauni Guwahati pipeline Network	1098
11	KG Basin Pipeline Network	889
12	Kochi-Koottanad_Bangaluru-Mangaluru Pipeline Network	504
13	Mumbai Regional Network	125
14	Dedicated Network	233
	Total Length	13,389

Comments :

The Kakinda-Bharuch pipeline was given to a private company in 2019 and the reference valuation of this asset was about Rs.10 crores per KM. Now, under monetisation, same amount has been reduced to 3 crores per KM. So, it will be a big loot of national property. It exhibits the manifestation of the neoliberal regime in which public wealth is transferred to private corporate. Practically

the huge money invested by the public sectors to install a pipeline will never be returned. The actual owner of the pipelines CPSE will remain as be the sponsor only though NITI Aayog is mentioning that the transaction will be on PPP model. Moreover, the term concession is there in the monetisation project and PNGRB will decide the amount of concession time to time. Therefore, we must understand the hidden agenda behind the policy. By reducing the actual value of the pipeline, offering concession and tariff determination by PNGRB (Petroleum and Natural Gas Regulatory Board), the Modi Govt is trying to hand over the valuable gas and product pipelines of the CPSE to the private corporates.

Potential pipeline assets of Petroleum Sector :

Presently, pipelines are operated by the CPSEs namely Indian Oil Corporation Ltd.(IOCL), Hindustan Petroleum Corporation Ltd.(HPCL) and Gas Authority of India (GAIL).]

- Length of LPG and Product pipelines in India is 17,432 KM.
- Total Length of 43 Nos of Product Pipelines is 14063 KM.
- Total Length of 06 Nos of LPG Pipelines is 3369 KM.
- IOCL operates a network of more than 14,600 KM long Crude oil, petroleum product and gas pipeline with a throughput capacity of 94.42 MMTPA (Million Metric Tone per Annum) of Oil and 21.69 mmscmd of gas. Utilisation level is more than 100%.

How the Tariff of pipeline transportation is determined :

The tariff of petroleum and petroleum product pipelines (other than those awarded through bidding process) is determined under PNGRB (petroleum and petroleum products pipeline Transportation Tariff Regulation, 2010). So, the tariff determination and revenue collection is done by the central Govt only. Now, in the monetisation processes, Govt may reduce the tariff in the initial stage

for the benefit of the private corporates. This is also going to be abolished in course of time. It has been made clear that the corporate will have the authority to decide the service charges. We can't expect more revenue collection from monetisation process and the nation will have to face huge losses in terms of revenue collection as the government will remain a junior partner, sharing a small part of the revenue earned out of these assets by the corporate. On the other hand, the asset valuation mechanism is also defective and reduced rate has been fixed with extra concession. So, it is clear that, in one hand assets will be transferred to private corporate for a long period (more than 30 years) in a grossly undervalued rate and on the other less revenue will come from monetisation. Will there be any profit for the Nation??

Monetisation of HYDROGEN PLANT :

In the monetisation list, two Hydrogen generation plants have been included. Both plants belong to IOCL's Gujarat Refinery and its indicative estimated monetisation value is Rs. 1200 crores. The question is why Hydrogen plants are included in the monetisation process. We know that Hydrogen will be the next generation fuel and demand of hydrogen will be tremendous in near future. In every country, attempts are being made to generate hydrogen fuel instead of fossil fuel. Modi Govt is frequently announcing green hydrogen production. Use of hydrogen in defence air weapons depends on Hydrogen including space vehicles (cryogenic). Therefore, knowing the importance of hydrogen in the coming days, two hydrogen plants are included in monetisation to benefit the corporate cronies.

Gujarat refinery is a public sector refinery run by IOCL. There is no private entity inside the refinery and permanent employees are operating the plants. Hydrogen is generally used in refinery Hydrotreater plants for production of diesel and kerosene and wax hydro finishing unit for production of Paraffin Wax. So, it is an

important supplement for a refinery. If Hydrogen plants are monetised, the following effects will be seen-

- In a public sector refinery, hydrogen plants will be operated by the private parties.
- Generation and supply of Hydrogen will depend on private parties.
- Sometime the refinery will suffer for shortage and irregular supply of hydrogen.
- After monetisation of hydrogen plants, other plants will be put for monetisation and it will be a process for privatisation of refineries.
- The permanent employees who are attached with the hydrogen plants will soon be removed and replaced by contract fix term employees.

Monetisation of ESG assets :

In Petroleum Sector, ESG (effluent treatment plants, Sulphur recovery units, and Flare gas recovery system) has been planned for monetisation over the NMP period with an estimated indicative value of Rs.8000-10,000 crores. Presently, PSU refineries operate these and huge money is budgeted every year for obvious reasons. Sulphur is an important product used by different industries. By monetising Sulphur recovery units, private parties will earn huge money. Effluent control system has an impact on pollution and public in general. There are so many example of closer of industry for not controlling pollution in the effluent system. So, such important activity if taken out of the PSU refineries and doled out to Private owners will have serious impact on the functioning of the core activities of the refineries and the society as a whole will also be badly affected, as it is a general phenomena that private entrepreneurs are never careful in pollution control.

Present Tariff and revenue earning-mismatch calculation :

Presently, PSUs are paying revenues to the Govt as per the tariff fixed by the PNGRB (Petroleum and Natural Gas Regulatory Board). As have already been stated this is going to be abolished in course of time and the corporate will have the authority to decide the service charges. There is every possibility of revision of the charges upward, once the property is doled out. Being a junior partner the government through this monetisation process will have to remain satisfied with the share of a small part of the total revenue collected. The assets which will be put for monetisation for long term lease, will thus be grabbed by the private parties. Present properties/assets, particularly pipeline assets was earned by the public sector companies by acquisition of land by paying land value, construction of pipeline in difficult areas and regular monitoring and maintenance are also done. Construction of pipeline is a big and difficult job; it is not a construction of a plant on a land. Now, through monetisation, Modi Govt is ready to hand over these to the private parties for the benefits of the corporate. As a result, not only the public sectors will lose all these infrastructural assets but it will again be the common people who will suffer, since prices of piped petroleum products will increase causing hike in the end products utilising them as feedstock or fuel.

The probable problems/results after monetisation :

- 1) Now PSU oil companies have their own crude, Gas and Product pipelines and are self dependent. As per their requirement, they utilise the pipelines and planning is done accordingly. Now, after monetisation of pipelines, oil companies shall be bound to depend on private operators. Sometime, private operators may create problem by not timely pumping the products causing the refineries to cut their throughput. This way, the performance of the refineries shall be damaged.

- 2) The permanent employees including officers presently engaged in pipeline duties shall have to leave the jobs after the monetisation. The private parties will never keep these set up of manpower by paying handsome salaries. They will engage casual/contract/fix term workers instead of present set up of workforce. So, job loss of permanent posts will occur. Presently, some thousands of permanent workers and officers of IOCL, HPCL and GAIL are working in pipeline duties.
- 3) Instead of paying revenue as per the PNGRB (Petroleum and Natural Gas Regulatory Board) norms, the oil PSUs shall have to pay huge money to the private parties for transporting their products. This will increase the expenditure budget of the PSUs.
- 4) Safety and other matters: Safety is an important matter in pipeline services. There are hundreds of example of fire and accident in different petroleum pipelines. PSU oil companies maintain standard safety measures in their pipeline services. After monetisation, we can't expect standard safety precautions from the private parties in pipeline operations. For maintenances of pipeline, huge amount of money is needed. Otherwise, full utilisation can't be possible. It is in dark who will bear the cost of regular maintenance job of pipelines after monetisation. As a result, the life of the pipelines may be abridged. The private parties will not take care of the above for earning more money.

Appeal before the petroleum sector workers :

After the decision of selling of BPCL, now Modi Govt is going ahead to sell the valuable and important assets of petroleum sector in the name of NMP. If pipelines are monetised, retail outlets are given to private parties, what will be left to oil PSUs? If hands and legs are cut, a man will be functionless. So, the petroleum sector workers must come forward to resist the anti PSU and anti national

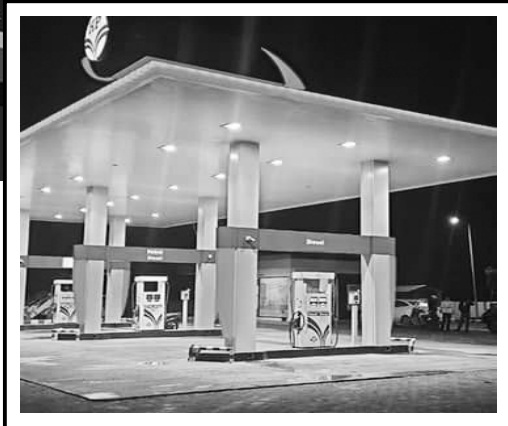
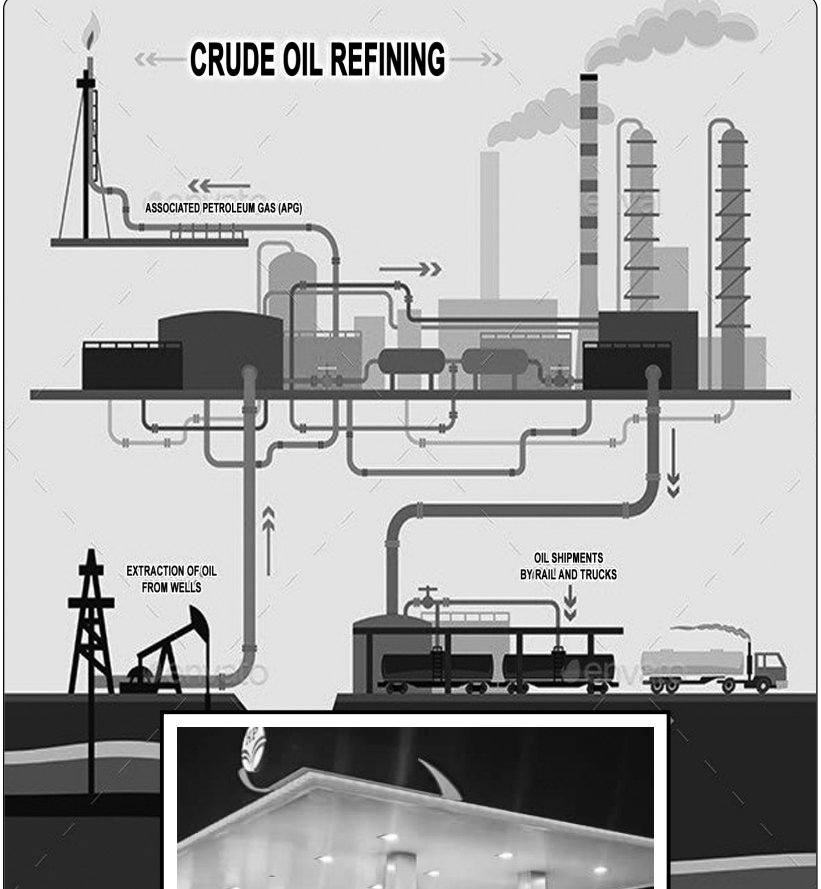
Monetisation pipelines by participating anti privatisation movement that is gearing up in our country. It is also to be taken note of that apart from monetisation, Petroleum Ministry issued letter to ONGC to handover 60% activity of Bombay High to foreign companies. Also, allowed 100% FDI in refinery sector. Instead of marginal oil field, major oil fields will now be put for auction. Anti privatisation movement of BPCL needs to be geared up. So, all round attack is going on in petroleum sector.

The two days strike on 23rd and 24th February 2022 called by all the central trade unions and national federations must be made successful. The fight against the government policies to save the people & save the nation and to develop decisive and determined resistance to the aggressive design of National Monetisation Pipeline must continue.

X X X



CRUDE OIL REFINING



January 2022

Published by : NOGEN CHUTIA, General Secretary;
Petroleum and Gas Workers' Federation of India at Digboi,
Assam, Pin Code-786171