



PETROFED

Ref. No. PF/9
January 5, 2016

To.

1. Sh. K.D. Tripathi
Secretary
Ministry of Petroleum & Natural Gas
Shastri Bhawan, New Delhi - 110001
2. Dr. Hasmukh Adhia
Revenue Secretary
Ministry of Finance, Department of Revenue
128-A, North Block, New Delhi - 110001

Sub. : Increase in Excise of Petroleum & Diesel and Cess on Crude

Dear Sir,

As you would appreciate Petrofed had written to the MoPNG and MoF for reducing the Cess levy on crude (copy attached).

Since our submission, the crude oil price has fallen further. At the current range of crude oil prices, the Cess burden is around US\$ 10 per barrel which is equivalent to 26% of the Brent price.

However, as you would appreciate, Indian players don't get this price and their crude is sold at a significant discount to the Brent price. The burden to the Indian players therefore works out to be more than 33% of the realized price. This punitive rate is hampering development and sustenance of existing production.

At 8% ad-valorem rate of Cess, GOI stands to lose about 8,000 crore on an annual basis. This loss however is significantly less than the revenue generated through levies of additional excise duties over the last more than one year.

Increases in excise on petrol and diesel from November 2014:

Time	Petrol per litre	Diesel per litre
12 November 2014	1.50	1.50
3 December 2014	2.25	1.00
2 January 2015	2.00	2.00
17 January 2015	2.00	2.00
7 November 2015	1.60	0.40
16 December 2015	0.30	1.17
2 January 2016	0.37	2.00
Total	10.02	10.07

Cont.. 2

Petroleum Federation of India

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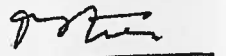
On the conservative side, even if we assume 20 million KL sales for petrol and 80 million KL for diesel on an annual basis, through these consistent increases, GOI has managed to increase its revenue by around Rs. 75,000 crore, according to our estimate, in this fiscal year.

As GOI is increasing excise duty on account of lower oil prices, respite on the Cess may also be given as requested. You are kindly requested to consider the matter at the earliest.

We further request you to ensure that the realization of the additional excise may be used for the development of the oil industry e.g. for support in terms of customs and excise relief for BSV/VI fuel quality upgradation projects of the refineries.

Thanking you,

Yours faithfully,



Dr. R.K. Malhotra
Director General

Encl. as above



PETROFED

Ref. No. : PF/9
September 15, 2015

To

1. Sh. Kapil Dev Tripathi
Secretary
Ministry of Petroleum & Natural Gas
Shastri Bhavan, New Delhi - 110 001
2. Dr. Hasmukh Adhia
Revenue Secretary
Ministry of Finance, Department of Revenue
12B-A, North Block, New Delhi - 110 001

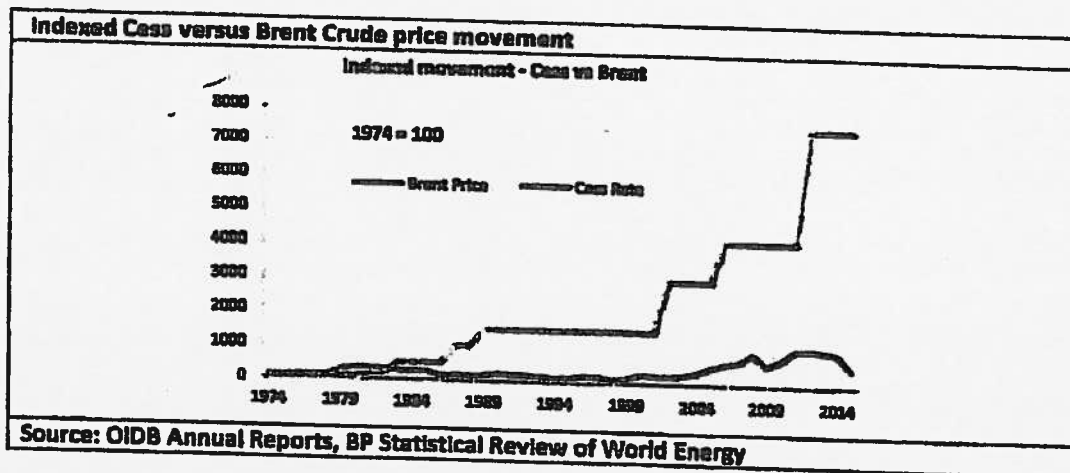
Sub. : **OID Cess on Crude Oil produced in India**

Dear Sir,

The Petroleum Federation of India (PetroFed) is an apex Society of entities in the hydrocarbon sector and acts as an industry interface with Government, regulatory authorities etc. It helps in resolution of issues and evolution of policies and regulations. It represents the industry on Government bodies, committees and task forces and has been submitting recommendations to the Government on behalf of the industry on various issues.

The Oil Industry (Development) Act, 1974 provides for collection of Cess as a duty of excise on indigenous crude oil. This Cess is a production Cess which is not a pass-through and has to be borne by the oil producers. This Cess on crude oil moved to a refinery was levied at Rs. 60 per tonne in July 1974 and subsequently revised from time to time. During 2005-06, when the crude oil prices had increased from an average of USD 40 per barrel to USD 60 per barrel, OID Cess was increased from Rs. 1,800 to Rs. Rs. 2500 per tonne from March 1, 2006. Again, when the crude oil prices increased to over USD 100 per barrel, the rate of Cess was increased by Government to Rs.4500 per tonne (USD 10 per barrel) w.e.f. March 17, 2012 in the Union Budget 2012-13.

It is clear from the above that the Government has effectively linked the Cess rate to prevailing crude oil prices in the past.



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The majority of India's crude oil production, which is from pre-NELP and nomination blocks, is liable for payment of Cess. Cess incurred by producers is not recoverable from refineries and thus forms part of cost of production of crude oil. It is pertinent to mention that, in case of pre-NELP discovered blocks (e.g. PMT and Ravva), OID Cess is payable at specific rate prescribed in respective PSCs i.e. Rs. 900/MT whereas NELP blocks are exempted from payment of OID Cess.

The crude oil prices have now been for some time around USD 40 to 50 per barrel while the Cess continues at the same rate as prevailing when crude oil was around USD 100 per barrel. In a low crude oil price regime, Cess imposes a significant economic burden on producers. Currently, the Cess rate constitutes about 20% of the Brent crude oil price, which has severely impacted several small discoveries and marginal fields making many of the schemes/projects unviable. In the low crude oil price environment several Governments across the world, including U.K., USA, Colombia, Russia and China have changed fiscal systems to increase production and promote investments.

It is, therefore, submitted that there is an urgent need to reduce the rate of Cess in parity with prevailing crude oil prices. Keeping in view the volatility in crude prices, it would be prudent that OID Cess may be levied at ad-valorem basis linking it to the realized crude oil prices which would be about 8% of the same. This shall provide some predictability to oil producers. This would also be in line with the historically followed policy by the Government.

We seek your urgent intervention in the matter.

Thanking you in anticipation.

Yours faithfully,

Dr. R.K. Malhotra
Director General



PETROFED

Ref. No. PF/9
December 28, 2015

Joint Secretary (Transportation)
Ministry of Road Transport & Highways
5th Floor, Transport Bhawan,
1, Parliament Street,
New Delhi - 110001

Sub. : Membership of the Committee for Development of Emission Standards

Dear Sir,

At the outset, I would like to introduce the Petroleum Federation of India (PetroFed), an apex Society of entities in the hydrocarbon sector which acts as an industry interface with Government and regulatory authorities. It helps in resolution of issues and evolution of policies and regulations. It represents the industry on Government bodies, committees and task forces and has been submitting recommendations to the Government on behalf of the industry on various issues.

I am aware that your Ministry is engaged in an important task of developing Vehicular Emission Standards and test procedures thereof. PetroFed can contribute towards the formation of such standards as the Reference fuels and also the Commercial fuels play a major role in overall vehicular standards. We, therefore, request you to provide membership to PetroFed in SCOE committee.

I had been earlier working on fuel quality and vehicular emissions at IndianOil R&D Centre where I spent 37 years. After my superannuation as Director (R&D) from IndianOil in 2014, I was adviser to Emission Control Manufacturer Association for one year before joining PetroFed. I was earlier associated with Dr. Mashelkar Committee which had formulated the Auto Fuel Policy. I also had been the member of Dr. Saumitra Chaudhuri committee which had submitted its report last year on 'Auto Fuel Vision & Policy 2025'.

I understand you are considering setting up of an expert group to advice your Ministry on Vehicular Emission policy related matters. I would be very happy to contribute in the same as the subject is of interest to me.

I, therefore would request to consider giving membership to PetroFed in SCOE as well as consider myself to be a member of the Advisory/ Expert group which your Ministry proposes to constitute for formulation of Emission Standards.

Thanking you,

Yours faithfully,

Dr. R.K. Malhotra
Director General

Petroleum Federation of India

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