

ආයතනයේ නම - විදුලිබල හා බලශක්ති අමාත්‍යාංශය
(බලශක්ති අංශය)

පාර්ලිමේන්තුවේ රජයේ ගිණුම් පිළිබඳ කාරක සභාව විසින් සභාගත කරන වාර්තා සම්බන්ධයෙන් ස්ථාවර නියෝග අංක 119(4) යටතේ ගරු අමාත්‍යවරයාගේ නිරීක්ෂණ හා ගනු ලබන පියවර පාර්ලිමේන්තුව වෙත ඉදිරිපත් කිරීම.

නிறுவනத்தின் பெயர்
மின்சக்தி மற்றும் வலுசக்தி அமைச்சு (வலுசக்தி பிரிவு)

கௌரவ அமைச்சரின் அவதானிப்புக்களை சமர்ப்பித்தல் மற்றும் 119 (4) ஆம் இலக்க நிலையியல் கட்டளைகளுக்கிணங்க அரசு கணக்குகள் குழுவினால் சமர்ப்பிப்பிக்கப்பட்ட அறிக்கை தொடர்பாக நடவடிக்கைகள் எடுத்தல்

Name of the Institution
Ministry of Power and Energy (Energy Division)

Submission of observation of Hon. Minister and steps taken with regard to the reports tabled by the Committee on Public Accounts in terms of standing order No. 119(4)

Parliamentary Publications Series No 182
The first report of the Committee on Public Accounts
Investigations done from 22.03.2022 to 05.07.2022

Ministry of Energy

Date of investigation - 05th May 2022

S/No	Matters disclosed at the Committee	Action taken and present position
01	<p>Staff</p> <p>By the end of the year 2020, the approved cadre of the Ministry was 90 and the actual cadre was 72. Due to the prevalence of vacancies of Technical Officers, it was revealed at the Committee that the Ministry had failed to submit the technical reports.</p>	<p>The approved cadre of the Energy Division of the Ministry of Power and Energy is 93, and the permanent staff available as at 13.01.2013 was 75. While the number of vacancies available is 18, the number of posts in the technical grades is 02. That is, the post of Chief Engineer and Information Technology Assistant. By now, the post of Information Technology Assistant has been filled, and the only existing vacancy is for the post of Chief Engineer. The Ministry of Public Administration has been notified to provide the services of a qualified officer for this post from the Sri Lanka Engineers Service by my letter no. MPRD/ADM/2/5/6(IV) dated 06.12.2022.</p> <p>Further, a request has been made through the above request letter to also provide officers for the non-technical vacancies prevalent in the Ministry.</p> <p>Though facts are such, there are vacancies in the other posts by now due to the transfer of officers without successors made by the Ministry of Public Administration from time to time, on the exigencies of service.</p>
02	<p>Present position regarding the modernization of the Sapugaskanda Refinery</p>	<p>The possibility of developing and expanding the Sapugaskanda Oil Refinery jointly with the new refinery project for a model with a daily capacity of 100,000 barrels of fuel of the Euro 6 standard under a Build, Operate and Transfer model, has been looked into.</p>

		<p>Accordingly, after Cabinet approval, a feasibility study had been done in this respect through “Ms. KBC Advance Technologies Pvt Ltd, Singapore”, and the relevant report has been completed in January 2022</p> <p>This report contains the following facts:</p> <p>01. Feasibility study about a detailed report on the construction of a new refinery in the Sapugaskanda area with a capacity of 100,000 barrels per day.</p> <p>02. Document calling for unrevised proposals and the relevant model agreement to select an investor through international calling for tenders.</p> <p>These reports have been sent to the Minister of Power and the National Planning Department of the Treasury, and attention is being paid to calling for proposals to select a suitable investor. Further, the relevant party has been instructed to act in accordance with the government policy of non-acquisition of land anew.</p>									
03	<p>Establishment of the new oil refinery expected to be constructed.</p> <p>It was ordered that a report be submitted to the Committee, containing the relevant steps and the time periods involved for it.</p>	<p>The time frame of the Sapugaskanda Oil Refinery Development and Expansion Project (SORDER) has been submitted subject to implementation within the limits in accordance with government policies. Even though the original idea was the expansion and operation of the Sapugaskanda Oil Refinery through the acquisition of new land, attention has been paid to the modernization of the existing refinery, respecting the views and proposals of the local people.</p> <table border="1" data-bbox="792 1161 1982 1388"> <thead> <tr> <th data-bbox="792 1161 913 1206">Time</th> <th data-bbox="913 1161 1538 1206">Activity</th> <th data-bbox="1538 1161 1982 1206"></th> </tr> </thead> <tbody> <tr> <td data-bbox="792 1206 913 1297">01</td> <td data-bbox="913 1206 1538 1297">Supply of documents for calling of proposals to select an investor</td> <td data-bbox="1538 1206 1982 1297">20</td> </tr> <tr> <td data-bbox="792 1297 913 1388">02</td> <td data-bbox="913 1297 1538 1388">Study of proposals and the selection of an investor.</td> <td data-bbox="1538 1297 1982 1388">46</td> </tr> </tbody> </table>	Time	Activity		01	Supply of documents for calling of proposals to select an investor	20	02	Study of proposals and the selection of an investor.	46
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01	Supply of documents for calling of proposals to select an investor	20									
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		03	Obtaining environmental compliance and other compliance reports for the project.	24
		04	Engineer procurement and construction work	156
		05	Operations of the modernized refinery.	24
			Total time taken for the project	250 (05 years)
		Note: After attention is paid to the above matters, work will commence after Cabinet approval is received for the time taken to implement the project.		
04	Present position regarding the renovation of the dilapidated pipe line system.	<p>Even though the tender for the renovation of the dilapidated pipe line system had been approved in the year 2019, as a large amount of money has to be spent for it, renovation of the pipe line system commenced with the contribution of the Ceylon Petroleum Storage and Terminals Company. Accordingly, in the year 2019, the repair of the 12-inch diameter pipe line running from the Colombo Port to Kolonnawa was completed. Further, the repair of the 14-inch pipe line commenced in the year 2021, and by now around 70% of its repair work has been completed, and the escalation of the price of goods has affected the repair of the balance portion of the pipe line. Due to this reason, suppliers who outsourced work and raw materials suspended their supplies and requested the increase of contracted rates. Accordingly, balance repair work is being carried out under permissible new rates.</p> <p>Further, the necessity for a new 18 or 14 inch pipe line on the existing pipe line from Colombo Port to Kolonnawa exists, and for this purpose, the Ceylon Petroleum Storage and Terminals Company has commenced a root survey from Colombo Port to Kolonnawa. Once that activity is over, necessary steps will be taken to commence the construction of a new pipe line</p>		
05	Progress about fuel exploration activities in the Manaar Basin.	The Petroleum Development Authority of Sri Lanka (PDASL) which failed to attract suitable investors for the development of the exploration in the year 2017, due to the absence of a natural gas policy, took the initiative to prepare the National Policy on Natural Gas (NPNG).		

	<p>Accordingly, the National Policy on Natural Gas (NPNG) was proclaimed on 17th October, 2020.</p> <p>Even the small round of bids held in the year 2019 failed to find a competitive bidder to brief and develop the possibility of the exploration for natural gas in the Manaar Basin.</p> <p>Since the year 2018, entities affiliated to Schlumberger Company conducted a study to obtain, prepare and recast programmes in respect of multi-client seismographic data in order to identify future areas in the Manaar Basin and to assess the natural gas potential.</p> <p>During the period September 2021 to May 2022, a brief study had been done to identify strategic options to expedite the discovery of gas in the Manaar Basin.</p> <p>However, after a feedback review of the industry, it was realized that the allocation of large exploration tracts disregarding the specific interests of the investor and the licensing procedure regarding the distribution of traditional products, had been a failure to a great extent in attracting investors to the Manaar Basin.</p> <p>As such, in keeping with modern industrial trends, the Petroleum Development Authority of Sri Lanka took a strategic decision to reduce to 15 x 15 size uniform small lots of 25 square kilometer lots in place of large lots of thousands of square kilometers. A new off shore ground map comprising 921 small lots was prepared to cover Manaar, Cauvery and Lanka Basins. and it was published by a gazette notification dated 22nd July 2022. This gives a better flexibility for the investors to group small lots of their choice to be in line with their targeted exploration fields.</p> <p>A strategic policy decision was taken to offer all the above lots including the Manaar Basin on short term exploration programmes through joint study agreements.</p> <p>By now, action is ongoing to prepare documents necessary to call for proposals from qualified investors based on the procedures proclaimed in the Petroleum Resources (Joint Study Agreements) Regulation No 1 of 2023 and for evaluation.</p>
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07	Non recovery of rent from fuel sheds	<p>In accordance with instructions received from the Minister of Power and Energy to follow a reasonable procedure after holding discussions between the dealers and the Corporation regarding this levy, several rounds of discussions were held under the patronage of the Minister of Power and Energy. Accordingly, both parties had agreed to pay the discount of 2.75% being the discount payable to CODO fuel sheds, after reducing it to 2.5% with effect from 01.01.2023 in lieu of recovering from dealers the Monthly Utility Fee. Regarding the payment of the Annual Utility Fee for the period from year 2014 to 31.12.2022, it has been decided to obtain authority regarding the methodology to be followed to submit a Cabinet Memorandum.</p>

Ministry of Energy

Date of investigation – 22 June 2022

Ser No	Matters disclosed at the Committee	Action taken and present position
02	Making Sri Lanka competitive as a fuel zone	<p>Through a marketing campaign conducted by the Global Upstream News Source and Schlumberger Multiclient International Marketing in 2021, it has become possible to obtain further agreement from oil companies to explore the off shore exploration land area covering 25%. Technical and marketing teams of Schlumberger and Bell Geospace, being multi-client contractors, are engaged in marketing world wide data prepared through their international marketing network, and discussions have been held with several identified investors through their international network.</p> <p>The Petroleum Development Authority of Sri Lanka is engaged in developing the existing basin models with the new data to identify new fuel and gas potential in all three basins. The Petroleum Development Authority of Sri Lanka, along with the technical team and multi-client contractors, have physically and practically presented the results of the Sri Lankan fuel potential along with data analysis and basin model studies at several international conferences such as SEAPEX, EAGE etc.</p> <p>An opportunity had been given to present a technical paper jointly presented by the geologists of the Petroleum Development Authority of Sri Lanka and the Schlumberger technical team at the ensuing SEAPEX Exploration Summit (SEC 2023), and that summit would be an intersection uniting the upstream industry of the Asia Pacific zone. As this is a prestigious annual technical summit attracting the world’s foremost fuel and gas geo physicists, exploration managers and other</p>

		key stake holders, an opportunity would arise to present a potential methodology to promote worldwide the exploration and production of Sri Lankan fuel and gas
04	Staff for the Petroleum Development Authority of Sri Lanka	The Department of Management Services gave approval for 33 permanent posts in the Petroleum Development Authority of Sri Lanka on 25 th August 2022, and subsequently gave its approval for the scheme of recruitment on 31 st January 2023. As the Secretary to the Prime Minister has directed by letter dated 17.01.2023 to submit to the Cabinet appointed review committee information about urgent and essential recruitments made in accordance with government recruiting procedures, the preparation of that information is ongoing speedily.
06	New Fortress Energy Agreement	<p>According to the information obtained from the Ministry of Finance, Economic Stabilization and National Policies, all functions related to the agreement entered into with New Fortress Energy of the United States of America had been carried out by that Ministry. Accordingly, on 07.07.2021, a framework agreement and on 17.09.2021 a share purchasing and sales agreement had been signed between the Government of Sri Lanka and New Fortress Energy</p> <p>As such, as pointed out by the Committee in this respect, I would like to state that it would be more appropriate to obtain a report from the Ministry of Finance, Economic Stabilization and National Policies regarding the amendments to be made to the agreement and about advantages and disadvantages prevalent in the agreement. Further, our Ministry too has sent a letter to the Secretary of that Ministry to take action accordingly</p>

07	Gas Utilization Master Operations Committee	Due to the economic instability prevailing in the country, among main fields expected to utilize gas, entrepreneurs engaged in fields such as industries and transport mainly find it difficult to decide about long term use of their technical practices. As such, due to the difficulty in resolving the above practical problem, the procedure for the preparation of the natural gas utilization master plan has been suspended, until the economy of the country reaches some stable phase.
08	Entering into agreements with investors for the excavation of gas	By now the revised road map for the period 2022-2030 including the income model has been prepared, and forward action in this respect is under way.
09	Shortcomings in the recovery of rent from private fuel sheds and fuel sheds belonging to the Petroleum Corporation	In accordance with instructions received from the Minister of Power and Energy to follow a reasonable procedure after holding discussions between the dealers and the Corporation regarding this levy, several rounds of discussions were held under the patronage of the Minister of Power and Energy. Accordingly, both parties had agreed to pay the discount of 2.75% being the discount payable to CODO fuel sheds, after reducing it to 2.5% with effect from 01.01.2023 in lieu of recovering from dealers the Monthly Utility Fee. Regarding the payment of the Annual Utility Fee for the period from year 2014 to 31.12.2022, it has been decided to obtain authority regarding the methodology to be followed to submit a Cabinet Memorandum.
10	Loss incurred due to the commission paid for the sale of fuel.	Dealers had obtained an interim injunction from the courts against decision no 08/1231 dated 30.07.2019 of the Board of Directors, requesting that the commission payable to dealers be paid under maximum and minimum amounts, and this case is due to be called up on 13 th Feb 2023.

		Further, the decision of the Board of Directors no 05/1272 of 28.12.2022 had been to submit a Cabinet memorandum along with proposals to solve this problem regarding this commission
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M P D U K Mapa Pathirana

Secretary

Ministry of Power and Energy.