

CONCLUSION & RECOMMENDATIONS

A performance audit of ONGC's hydrocarbon exploration efforts (2007-08 to 2010-11) was conducted ***to ascertain whether ONGC's exploration efforts had been taken up with proper planning and executed efficiently and effectively to achieve the nation's and its own envisioned hydrocarbon goal.***

7.1 CONCLUSION:

Audit noted that ONGC did not place the desired emphasis on its core exploration activity. Coupled with the low priority on exploration are the anomalies in MOU target setting and reporting as well as performance measurement (through RRR) which can potentially mislead the stakeholder. The Company showcases a healthy RRR, while production continues to remain static. ONGC was also tardy in monetizing its discoveries which contributed to low production. While external benchmarking of performance was not done, nationally ONGC had among the lowest efficiency in drilling compared to private as well as CPSE (OIL) which led to non-achievement of work commitments and payment of liquidated damages. Several deficiencies in operations (procurement, hiring, contracting, etc.) were also noticed. The Company had adequate financial resources which it could not utilize and sustained heavy attrition in core manpower which led to operational challenges. Though ONGC operates in a field of cutting edge technology, it did not have a system of independent assessment of its technical capacity which fails to assure its stakeholders.

ONGC mainly operates in its producing fields to meet both, reserve accretion and production targets. Lack of adequate efforts and results in new fields, coupled with the ageing of producing fields, is a matter of concern for future.

7.2 RECOMMENDATIONS:

MOPNG and ONGC should ensure that ONGC's exploratory efforts/activities which is the core concern for Company's sustenance receives its due attention as recommended below:


- *A review of Reserve Replacement Ratio (RRR) as a performance parameter for ensuring performance in exploration efforts is warranted.*
- *Audit reiterates its recommendation that ONGC should formulate Basin wise norms for the API cycle. It is further recommended that these norms should have a link with the performance parameters. This is particularly relevant in a performance driven scenario where the Basins are paid performance related pay and ONGC has to pay*

liquidated damages if it does not fulfill its work commitments within a given time frame.

- *ONGC should speed up its processes for placement of survey contracts to ensure timely completion of exploration commitments, focused planning and efficient co-ordination to bridge the gap between requirement and availability/ utilisation of the equipment and services procured to meet its exploration goals.*
- *ONGC should leverage its experience and resources to be able to operate in the competitive regime and bid aggressively for highly prospective blocks. The Company should adhere to the work commitments schedule so as to fully explore the blocks within the given phases and also to avoid liquidated damages.*
- *A regime of closer coordination with oversight bodies is essential for smooth implementation of exploration programmes under NELP.*
- *MOPNG should ensure the availability of clearances for carrying out the exploratory activities before awarding the blocks.*
- *Considering its hydrocarbon success in Nomination blocks and the non likelihood of extension for exploration in these blocks, ONGC should explore the potential in the other Nomination blocks presently with it to accrete maximum hydrocarbon reserves.*
- *Urgent action is recommended to set right the manning deficiencies to ensure better efficiency of exploration.*
- *The Company should introduce transparency and competitive tension in the process of hiring consultants/experts.*
- *Closer watch on utilization of the budget is called for to avoid shortfalls particularly in view of the high cost of funds.*
- *ONGC should carry out an early independent assessment of technology to assure the stakeholders that its technological capabilities are up-to-date.*
- *ONGC should drive performance to meet the ambitious strategic objective that it has communicated to its stakeholders.*
- *MOPNG/ ONGC ought to do a de-novo review of MOU targets placing desired emphasis on performance parameters directly linked to exploration. It should also be ensured that such targets and achievements are measured and reported on a appropriate basis to avoid misleading the stakeholders.*

- *ONGC should take suitable initiatives to institutionalize internal peer benchmarking across the organization and draw suitable linkages to target setting and performance evaluation based on the benchmarks. As the regulator of the upstream sector, DGH may be the body which is ideally positioned to standardize performance parameters and benchmarks for the E&P industry.*

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