

**F.No.2/30/2015-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
(PPP Cell)**

New Delhi the, January 5, 2016

**OFFICE MEMORANDUM**

**Subject: Record of Discussions of the 75<sup>th</sup> Meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), held on December 29, 2015**

Please find enclosed the Record of Discussions of the 75<sup>th</sup> Meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC) chaired by Secretary, Economic Affairs held on **December 29<sup>th</sup>, 2015.**

*Encl: as stated*

  
(Abhilasha Mahapatra)  
Director (PPP)  
5.1.2016

To,

1. Secretary, Department of Expenditure, North Block, New Delhi.
2. CEO, NITI Aayog, Yojana Bhawan, New Delhi.
3. Secretary, Ministry of Shipping, Transport Bhawan New Delhi.
4. Secretary, Department of Legal Affairs, Shastri Bhavan, New Delhi.
5. Secretary, Ministry of Environment & Forest, Indira Paryavaran Bhavan, New Delhi

Copy to:

Shri Prarvir Krishn, Joint Secretary, Ministry of Shipping, Transport Bhawan, New Delhi.

Copy also to:

1. PSO to Secretary, Economic Affairs
2. Sr. PPS to AS (Inv)
3. Sr. PS to JS (Infra.)
4. PS to Director (PPP)

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**Public Private Partnership Appraisal Committee**

**75<sup>th</sup> Meeting held on December 29, 2015**

**Record Note of Discussion**

The 75<sup>th</sup> meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on December 29, 2015. The list of participants is **annexed**.

2. It was noted that the PPPAC would consider one proposal in the port sector from the Ministry of Shipping (MoS) for grant of final approval.

**Agenda Item I: Proposal from Ministry of Shipping for grant of final approval: Setting up of Floating Storage and Re-gasification Unit (FSRU) in Mumbai Harbour on DBFOT Mode.**

**Estimated Project Cost: Rs. 2690 crore; Concession Period: 30 years including 3 years of construction period.**

**Land status:** No land acquisition (LA) is needed

**Status of Clearances:** Environmental, CRZ Clearances and Security Clearances - to be obtained. Approval from GAIL - to be obtained

**Major development works:** Setting up of Floating Storage and Re-gasification Unit of 5 MMTPA capacity along with following facilities:

- FSRU vessel with storage capacity of 170,000 cubic meter and 5MMTPA re-gasified LNG production capacity
- Marine terminal- berthing and mooring facilities for FSRU and LNG carriers, offloading and transfer, riser systems for gas send-out
- Sub-sea pipeline for onshore connectivity
- Dredging to cater Q-Max vessels (12.5m draft) with design depth of about -12.5m CD in Turning Circle and Approach Channel and with design depth of -14m CD at the berth.
- Landfall point facilities for metering station
- Pilotage will be provided by the Port authorities.

3. Joint Secretary, DEA informed the PPPAC that there is a single proposal for consideration of the PPPAC from the Ministry of Shipping. The proposal is for



setting up of a Floating Storage and Re-gasification Unit (FSRU) with 5 MMTPA production capacity for re-gasified LNG with supporting infrastructure.

4. A presentation on the proposal was made by Dy. Chairman, MoPT who explained that the facilities to be developed also include berthing and mooring facilities, riser systems, sub-sea pipeline for onshore connectivity, etc., LNG supply can be handled round the year and there is no requirement for breakwaters. The Estimated Project Cost is Rs. 2690 crore and the operating cost would be Rs. 158 crore per annum. The estimated minimum revenue to the MbPT would be Rs. 90.36 crore per annum consisting of port dues/ pilotage of Rs. 36.96 crore. The estimated minimum Royalty is Rs. 52.56 crore calculated @ Rs. 150 PMT with escalation of 2 percent annually and Licence Fee of Rs. 0.84 crore. The project is viable with Project IRR of 17.23%, Equity IRR of 22.44% and Average DSCR of 2.42.

5. Dy. Chairman, MoPT informed the PPPAC that as per RFQ response, four bidders submitted bids and 3 bidders are provisionally qualified. MoPT has modified the RfP and DCA based on the comments / suggestions received from the NITI Aayog, Department of Economic Affairs and Department of Expenditure.

6. To a query from Additional Secretary DEA with respect to the demand for LNG, the Dy. Chairman, MoPT informed the PPPAC that the total availability of LNG is 145.7 MMSCMD consisting of domestic natural gas production of 101.1 MMSCMD and LNG imports of 44.6 MMSCMD. Thus, the overall demand is projected to grow from 226.70 MMSCMD (in 2012-13) to 358.06 MMSCMD (in 2016-17). At present, there is a supply deficit of about 40%, the present Terminal Capacity is 90 MMSCMD in 2015-16 and about capacity of 35.5 MMTPA is being planned on the eastern and western coasts of India by different entities.

7. Additional Secretary, DEA indicated that though there is a huge demand of gas, import of gas is very costly. Dy. Chairman, MoPT responded that there is pressure on the supplier to supply the Gas at competitive rates. Secretary, MoS also indicated that the present proposal is on PPP basis and bidders would ascertain the market considering the price of imported gas and supply to Indian market before submitting the bids.

8. The Chair inquired whether design flexibility would be given to the Concessionaire and the source of data for the demand and supply estimated by the Port Authorities. Dy. Chairman, MoPT responded that design flexibility for setting up of FSRU is available to the Concessionaire. As regards the data, all statistical data indicated has been taken from Petroleum & Natural Gas Regulatory Board (PNGRB).

9. The Chair further inquired about the location of the onshore capacity where the LNG gas would be supplied. Dy. Chairman, MoPT responded that supply of gas would be made to Gas Authority of India Limited (GAIL) whose gas pipeline is about 7 km from the sea shore. Chair inquired whether all approvals have been obtained from GAIL without which the whole project would be jeopardised. Dy. Chairman, MoPT clarified that MoPT has conducted internal surveys, however formal approval from GAIL is to be obtained. Secretary, MoS indicated that the project may be considered subject to approval from the GAIL and synchronising competition of the pipeline with this project's CoD. This was agreed to.

*(Action: MoS/MoPT)*

10. Clarifying a point raised by Joint Secretary, DoE, Dy. Chairman, MoPT stated that the bid parameter is the maximum Royalty payable to the MoPT as per the terminology used for the revenue share to be quoted by the bidders as is being done for all port sector PPP projects. Joint Secretary, DoE indicated that maximum royalty as bid parameter may result in increasing the price of the gas to the consumers. Secretary, MoS responded that maximum royalty payment is considered the best option and that the market forces would determine the gas price. This was agreed to.

11. The Chair desired to know the status of the Cabinet Note for abolition of TAMP proposed by the MoS. Secretary, MoS responded that Cabinet Note is under approval of the Minister, Shipping. It is expected to circulate the same in a week's time. Chair indicated that a clause should be inserted in the documents indicating that on approval from the Cabinet, abolition of TAMP would also be applicable to the present proposal. This was agreed to.

*(Action: MoS/MoPT)*

12. Advisor, NITI Aayog stated that the project DCA provides for Minimum Guaranteed Cargo (MGC) of 2 million metric tonnes which is 40% of the total capacity; this may be reviewed upto 70%. He further stated that clause 7.1 (a) (x) of the DCA may be revised to include the latest guidelines of Ministry of Home Affairs and MoS regarding provision of additional security personnel at the site by the Concessionaire. Secretary, MoS responded with respect to the MGC that normally the maximum capacity utilisation in similar facilities across India is in the range of 60-70%. The capacity utilization of a new LNG re-gasification facility is likely to remain in the range of 20-60% in the first 4-5 years of operations with the fluctuation in the import prices of the LNG and construction / expansion of similar facilities in the vicinity and therefore the MGC may be kept between 35-45% of the capacity. Further, unless there is a mala fide intention, the MGC would have no meaning as the Concessionaire would be making huge investments and unless the project is not utilising its optimal capacity, the same would not be viable. On the issue related to



security personnel, Dy. Chairman, MoPT responded that the DCA has been revised to include the MoS Circular dated 4.10.2013. This was agreed to.

**13. The PPPAC recommended the proposal of MoS for setting up of Floating Storage and Re-gasification Unit (FSRU) in Mumbai Harbour for TPC of Rs. 2690 crore for grant of final approval subject to fulfilment of the following conditions:**

- 13.1. MoS shall issue Request for Proposal (RFP) only after obtaining the formal approval from GAIL for gas evacuation from the project and issuance of formal notification of TAMP.
- 13.2. MoS shall award the project only after obtaining the environment and CRZ clearances for the project.
- 13.3. MoS shall on, approval from the Cabinet, incorporate in the project documents applicability of the provision on TAMP.
- 13.4. MoS shall incorporate the observations of NITI Aayog, Department of Expenditure, Ministry of Environment & Forest and Department of Economic Affairs with respect to the project DCA as agreed to by MoS in their responses.
- 13.5. MoS shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents and the final DCA shall be shared with short-listed bidders.
- 13.6. MoS shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- 13.7. MoS shall circulate the revised documents to the members of the PPPAC for record.

**(Action: MoS/MoPT)**

**14. The meeting ended with a vote of thanks to the Chair.**

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**Public Private Partnership Appraisal Committee**

**75<sup>th</sup> Meeting on December 29, 2015**

**List of Participants**

**I. Department of Economic Affairs, Ministry of Finance**

- i. Shri Shaktikanta Das, Secretary, Economic Affairs (In Chair)
- ii. Shri Ajay Tyagi, Additional Secretary ( Inv)
- iii. Ms. Sharmila Chavaly, Joint Secretary( Infra)
- iv. Ms. Abhilasha Mahapatra, Director (PPP)

**II. Department of Expenditure, Ministry of Finance**

- v. Shri Arunish Chawla, Joint Secretary,PF-II

**III. NITI AAYOG**

- vi. Shri Praveen Mahto, Advisor

**IV. Department of Legal Affairs**

- vii. Shri M. Khandelwal, Ad.G.A/ Director

**V. Ministry of Shipping**

- viii. Shri Rajive Kumar, Secretary
- ix. Shri Pravir Krishn, Joint Secretary
- x. Shri A.R. Sengupta, Under Secretary

**VI. Mumbai Port Trust (MbPT)**

- xi. Shri Yashodhan Wanage, Dy. Chairman
- xii. Shri Keshav Sundar H.K., Dy. Chief Engineer (Project)
- xiii. Shri K.G.Nath, FA & CAO
- xiv. Shri G.P.Rai, Chief Engineer

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