



**MINISTRY OF PETROLEUM  
RESOURCES DEVELOPMENT**

**ANNUAL PERFORMANCE REPORT 2015**



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## **ANNUAL PERFORMANCE REPORT 2015**

No. 80, Sir Ernest De Silva Mawatha  
Colombo - 07.



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# Message from the Hon. Minister of Petroleum Resources Development



It gives me great pleasure to present this report titled “Annual Performance Report - 2015” to Parliament on the activities carried out by the Ministry of Petroleum Resources Development together with Ceylon Petroleum Corporation (CPC), Ceylon Petroleum Storage Terminals Ltd (CPSTL), Petroleum Resources Development Secretariat (PRDS) and Polipto Lanka (Pvt) Ltd, which comes under the purview of my Ministry. The report describes the development activities performed during the year 2015 by the Ministry and its entities.

Energy is a fundamental requirement for the social and economic development of a nation. In Sri Lanka, petroleum is one of the key energy sources that have become very essential for the day-to-day life of each and every social group. With the bursting growth of world population, technology and economies, the overall demand for petroleum products has also increased continuously. As a result, supply of petroleum products to meet the growing demand has become a significant challenge to most of the countries in the world.

Development policies, plans and strategies along with guidelines on petroleum sector to be achieved for a sustainable energy development are being identified and implemented by the Ministry and its entities based on the upcoming energy requirements as a developing nation. Accordingly, several important policies, programs, and projects have been undertaken during the reporting year by the Ministry of Petroleum Resources Development and agencies under its purview to address the key challenges of petroleum sector in Sri Lanka.

In this context, the Ministry has taken several policy decisions and initiated programs from January to December 2015 to achieve its objectives within next 10-15 years in collaboration with other stakeholders. Moreover, decisions have been taken to improve/develop old infrastructure facilities such as increasing petroleum storage facilities centrally and regionally, petroleum products transfer pipelines and refurbishment and expansion of oil refinery at Sapugaskanda. In addition, discussions are being conducted in coordination with relevant institutions to introduce a transparent pricing formula for the petroleum products which will be more equitably applicable to Sri Lanka's economy, fuel consumers and the petroleum sector. Moreover, this Ministry extends its fullest co-operation towards the activities of oil exploration by PRDS. Polipto Lanka (Pvt) Ltd is a company under our purview has produced a new fuel from waste plastics with the financial support of the Government and in near future there is no doubt that it will definitely provide a solid proof for the current issue of plastic waste disposal in the country.

I wish to place on record my sincere gratitude for the commitment and the support extended to me by the Deputy Minister, Secretary to the Ministry and other officials, Chairmen, Board Members and officials of Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminals Limited and Polipto Lanka (Pvt) Ltd and Director General and officials of Petroleum Resources Development Secretariat to make the performance of the Ministry a success during the period of year 2015.

**Chandima Weerakkody, M.P.**  
**Minister of Petroleum Resources Development**

# Message from the Hon. Deputy Minister of Petroleum Resources Development



The Ministry of Petroleum Resources Development along with its institutions; Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminals Limited, Petroleum Resources Development Secretariat, Polipto Lanka (Pvt) Ltd coordinates with enormous functions, programs and activities in petroleum sector to make Sri Lanka an energy sustainable country.

At present, supply of petroleum products to the country is faced with various challenges in the international oil market due to oil price fluctuations and other connected issues. As around one third of the country's fuel requirement is fulfilled by petroleum products through refining of imported crude oil at the oil refinery and the rest is met by imported refined petroleum products by Ceylon Petroleum Corporation (CPC) and Lanka Indian Oil Company (LIOC).

The oil refinery at Sapugaskanda is the only refinery in the country to produce finished petroleum products. The Ceylon Petroleum Storage Terminals Limited handles the storage and distribution of petroleum products facilitating the fuel operations of CPC and LIOC. The country's economic and social development processes depend on the petroleum sector to a greater extent and therefore, the Ministry has been pursuing all necessary requirements and modalities for funding facilities for the refinery expansion and modification project which is one of the most profitable investment for our nation. As natural gas resources have been found in Mannar basin, the Ministry has been proceeding with the oil exploration activities with the Petroleum Resources Development Secretariat (PRDS).

I wish to remind with pleasure that the present Government has taken several steps to work out profitable proposals in petroleum sector with the assistance of other countries. I wish to further stress that taking into consideration the current financial status of the country, such proposals are being keenly studied and the decisions will be taken by the Ministry in par with the government policies. Also, some new policies are being formulated to secure and conserve our existing infrastructure facilities for the future which help to maintain sustainability in the energy sector of the country.

Finally, I emphasize that the Ministry of Petroleum Resources Development together with its entities CPC, CPSTL, PRDS and Polipto Lanka (Pvt) Ltd are always committed to take actions to uplift the quality of life of the people by ensuring sustainable energy supply.

**Anoma Gamage, M.P.**  
**Deputy Minister of Petroleum Resources Development**

# Preamble



It is the responsibility of all government agencies to submit an annual performance report on the progress achieved by the Ministries and respective agencies during the reporting year to Parliament. The Ministry of Petroleum Resources Development as a major policy making body in respect of both upstream and downstream petroleum industries of Sri Lanka presents this report titled “Annual Performance Report – 2015 for the above purpose.

The Ministry of Petroleum Resources Development is responsible for imports, exports, refining, blending, storage and distribution of petroleum products in Sri Lanka.

This report presents the performance of the activities carried out by the Ministry and the four agencies which come under its purview – the Ceylon Petroleum Corporation, the Ceylon Petroleum Storage Terminals Limited, Petroleum Resources Development Secretariat and Polipto Lanka (Pvt) Ltd during the period from January to December 2015. Ministry together with Ceylon Petroleum Corporation has streamlined oil procurements based on long-term contracts which help to reduce the cost of fuel importation and the risk of continuous fuel supply. The actions have been taken to introduce a transparent justifiable pricing formula for petroleum products with a view to offer benefits to all stakeholders. As a solution for very old inefficient infrastructure facilities, the Ministry has taken initiatives for rehabilitation/development of fuel transfer pipelines, storage tanks, bulk depots as well as refurbishment and expansion of oil refinery at Sapugaskanda. As the sole agency for providing aviation fuel to the aviation sector, Ceylon Petroleum Corporation under the guidance of the Ministry has taken initiatives to upgrade the fuel hydrant system and associated facilities under the Phase II of Bandaranayake International Airport expansion.

In addition to the downstream activities of petroleum sector, the Ministry is also responsible for managing upstream activities in collaboration with Petroleum Resources Development Secretariat. During the year 2015 necessary Cabinet approvals were obtained to carry out joint study programs for surveys on data acquisitions, marketing and reprocessing as well as a project on exploitation of two gas deposits already discovered in Mannar basin.

Finally, I appreciate the hard work and support extended to me by the staff of the Ministry as well as all Heads and their staff of four institutions which come under the purview of the Ministry in continuing the Ministry's services successfully.

**Sudharma Karunarathne**  
**Secretary**  
**Ministry of Petroleum Resources Development**

# MINISTRY OF PETROLEUM RESOURCES DEVELOPMENT

## VISION

“To make both upstream and downstream petroleum industry the foremost contributor to the National Economic Development of Sri Lanka”

## MISSION

“To manage the activities of downstream and upstream petroleum industry effectively and efficiently in a sustainable manner to meet the energy needs of the country and harness the petroleum resources of the country to the optimum”

## OBJECTIVES

- \* Make Sri Lanka an energy self-sufficient nation by 2030.
- \* Optimum production of domestic oil and natural gas by 2030.
- \* Meet petroleum product demand of the country through our own processing by 2030.
- \* Upgrade quality of Diesel and Gasoline to EURO III and EURO IV standards respectively by 2020.
- \* Storage and distribution of fuel more efficiently and safely.
- \* Minimize haphazard disposal of plastic waste to the environment by converting it into petroleum fuel.
- \* Enhance the quality and reliability of fuel supply
- \* Promote fuel conservation

## KEY FUNCTIONS OF THE MINISTRY

- ❖ Formulation of policies, plans and programs in respect of upstream and downstream petroleum activities.
- ❖ Enact the Petroleum Resources Act and the Ceylon Petroleum Corporation Act.
- ❖ Make necessary institutional arrangements to facilitate the operational activities of oil and natural gas exploration and exploitation of the country.
- ❖ Develop and upgrade the infrastructure facilities for exploration and exploitation, supply, storage and distribution of petroleum.
- ❖ Facilitate import, export, refine, store, distribute and sell petroleum based products.
- ❖ Facilitate the conversion of waste plastic into petroleum fuel

## MAIN DIVISIONS OF THE MINISTRY

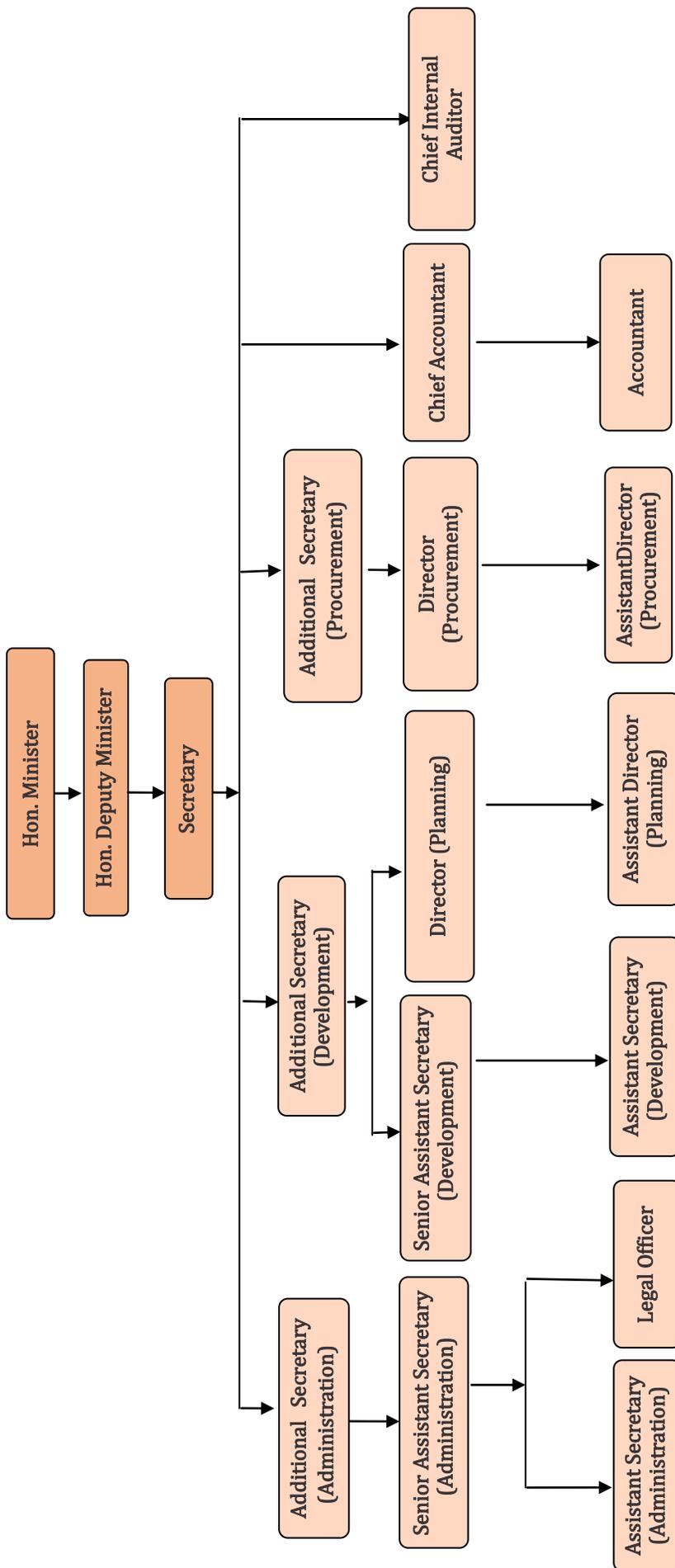
- ❖ **Administration Division**
- ❖ **Development Division**
- ❖ **Procurement Division**
- ❖ **Finance Division**

# **INSTITUTIONS UNDER THE PURVIEW OF THE MINISTRY**

By virtue of Government Extraordinary Gazette Notification No 1933/13 of the Democratic Socialist Republic of Sri Lanka dated September 21, 2015, the following institutions have been assigned to the Ministry of Petroleum Resources Development.

- ❖ **Ceylon Petroleum Corporation (CPC)**
- ❖ **Ceylon Petroleum Storage Terminals Ltd (CPSTL)**
- ❖ **Petroleum Resources Development Secretariat (PRDS)**
- ❖ **Polipto Lanka (Pvt) Ltd**

# ORGANIZATIONAL STRUCTURE



# MINISTRY CADRE - AS AT 31<sup>ST</sup> DECEMBER 2015

Position	Approved	Existing	Vacant
<b>Senior Level</b>			
Secretary	01	01	-
Additional Secretary	03	02	01
Chief Accountant	01	01	-
Senior Assistant Secretary	02	-	02
Chief Internal Auditor	01	-	01
Director	02	01	01
Assistant Secretary	02	01	01
Assistant Director	02	02	-
Accountant	01	-	01
Legal Officer	01	01	-
<b>Total</b>	<b>16</b>	<b>09</b>	<b>07</b>
<b>Secondary Level</b>			
Administrative Officer	01	01	-
Translator	01	-	01
<b>Total</b>	<b>02</b>	<b>01</b>	<b>01</b>
<b>Tertiary Level</b>			
Development Assistant	20	16	04
Public Management Assistant	27	19	08
Information Technology Assistant	02	02	-
Coordinating Secretary to the Secretary	01	01	-
Still Cameraman	01	-	01
Video Cameraman	01	-	01
<b>Total</b>	<b>52</b>	<b>38</b>	<b>14</b>
<b>Primary Level</b>			
Driver	13	11	02
Camera Helper	01	-	01
KKS	13	10	03
<b>Total</b>	<b>27</b>	<b>21</b>	<b>06</b>
<b>Total</b>	<b>97</b>	<b>69</b>	<b>28</b>

# 1. MINISTRY OF PETROLEUM RESOURCES DEVELOPMENT

## 1.1 Introduction

Recognizing the importance of having a policy making body separately in respect of upstream and downstream petroleum activities, the Ministry of Petroleum and Petroleum Resources Development was established under the Government Extraordinary Gazette Notification No. 1422/22 dated 08.12.2005. After that, the Ministry of Petroleum Industries was established under the Government Extraordinary Gazette Notification No. 1651/20 dated 30.04.2010 which was responsible only for downstream activities of the petroleum sector and upstream activities were under the Presidential Secretariat. By virtue of Government Extraordinary Gazette Notification No. 1897/15 dated 18.01.2015 the functions of the Ministry of Petroleum Industries were assigned to the Ministry of Power and Energy. In the meantime, the Ministry of Petroleum Resources Development which is responsible for upstream and downstream activities of petroleum sector was established by virtue of Government Extraordinary Gazette Notification No.1933/13 dated 21.09.2015.

The demand for the fuel consumption has increased due to rapid development taking place in the country at present. Based on the cross cutting features of upstream and downstream petroleum industry among all economic development sectors, the petroleum sector has to develop in order to ensure the fuel security of the country. In this endeavor, the Ministry of Petroleum Resources Development, as the policy making and the chief accounting body of the four entities namely the Ceylon Petroleum Corporation, the Ceylon Petroleum Storage Terminals Ltd, the Petroleum Resources Development Secretariat and Polipto Lanka (Pvt) Ltd plays an important role in formulation and implementation of all relevant policies, guidelines and development projects in achieving the set goals and targets while performing its duties and responsibilities of administration and management. There are four main Divisions namely; Administration, Development, Procurement and Finance in the Ministry under the supervision of three Additional Secretaries to support the Secretary and the Hon. Ministers in order to ensure the

efficient and effective decisions making. Accordingly, the main policy decision taken and projects formulated in cooperation with the relevant agencies and the tasks performed in respect of institutional administration and management during the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2015 are described in sections 1.2 and 1.3 below.

## 1.2 Policies, Programs and Projects

### a) Formulation of a Pricing Formula for Petroleum Products

The prices of petroleum products have a direct link with the cost of living and the living standards of the people and also significantly influence the economic growth and the development of the country. One of the challenges faced by many countries is to manage the petroleum prices in line with the economic development. Often, the private sector and the citizens of the country criticize the government for its inability to maintain the stabilized petroleum products' prices in the country. Many governments impose heavy taxes and levies on petroleum products since it is one of effective ways for revenue generation. The stability of the local oil prices is also affected by the fluctuations of the exchange rates of the countries like Sri Lanka which fully depend on the imported petroleum products. Approximately 25% of annual total imports cost of the country has to be spent for imports of the petroleum products which are required to meet the local demand and it will be 30-50% of the total export revenue.

The local retail prices of petroleum products have not been revised based on the fluctuations of prices in the world market or various taxes and levies imposed by the General Treasury. Therefore, in most instances the Ceylon Petroleum Corporation (CPC) is compelled to sell Petrol and Diesel at the lower prices than the imported cost. A severe unfavorable financial situation has risen due to various reasons faced by CPC and policies adopted by the successive governments from time to time for selling petroleum products on subsidy basis to the public has prevented CPC from investing on very urgent infrastructure developments such as rehabilitation/development of fuel transfer

lines, installation of Single Point Buoy Mooring (SPBM) system and refinery upgrading. Since the CPC does not have sufficient infrastructure for its operations, it has to incur heavy costs due to inefficient operations.

Having recognized this unfavorable situation faced by CPC, a decision was taken to jointly formulate a financially and economically justifiable fuel pricing formula for petroleum products by the Ministry of Finance and the then Ministry of Power and Energy at the sub-committee meeting on economic affairs which is headed by the Hon. Prime Minister held on 10.02.2015. Accordingly, a committee comprising professionals in various fields of expertise has formulated a pricing formula which is more equitably applicable to Sri Lanka's economy, fuel consumers as well as to the petroleum sector. A Cabinet Memorandum in this regard was submitted to the Cabinet of Ministers and a decision (No.15/0720/615//027 dated 17.06.2015) was taken to submit a Joint Proposal by the then Ministry of Power and Energy with the Ministry of Finance for the reconsideration to the Cabinet of Ministers. Accordingly the Ministry of Petroleum Resources Development in collaboration with Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminals Limited, Department of Fiscal Policy, Department of Public Enterprises and Department of National Planning developed a new pricing formula for petroleum products which is equitably favorable for the country's economy, fuel consumers as well as to petroleum sector. A Cabinet Memorandum No. 15/2038/746/011 dated 30.12.2015 was submitted to the Cabinet of Ministers for approval and as per the decision taken on 27.01.2016 it has been differed by the Cabinet of Ministers for further consideration.

#### **(b) Oil Procurements**

Ceylon Petroleum Corporation (CPC) is the largest petroleum products importer to the country. A careful purchasing mechanism has been established through a Special Standing Cabinet Appointed Procurement Committee and a Technical Evaluation Committee.

Oil import price consists of two elements i.e world market price and fixed premium. The volatile world oil market prices generally tend to create high premium levels for the spot purchases in comparison with the long term agreements. CPC has now turned to oil

procurements based on long term contracts to attain a stable premium level. The uninterrupted fuel supply is ensured through the procurements based on long term contracts and sometimes spot purchases where demand fluctuations arise. Measures were also taken to maintain adequate stock levels and thereby achieve fuel security.

#### **(c) Refurbishment and expansion of existing oil refinery**

The existing Sapugaskanda Oil Refinery built in 1969 is currently contributing approximately to 35%-40% of the national demand for petroleum products through refining the imported crude oil. In comparison with the prices of imported refined petroleum products with those of the locally produced, along with other benefits, there is a huge advantage in producing the petroleum refined products locally as it enhances energy security of the country while helping to boost the economy and also to reduce quality issues associated with imported refined products. It will also serve in the best interest of the country relieving partially of the burden on the economy imposed by the high cost on importing refined oil. Hence, it will be highly economically viable. However, it needs refurbishment and expansion of the existing CPC refinery at Sapugaskanda which is currently a basic hydro skimming type refinery without any heavy product upgrading units such as hydrocrackers which would help to enhance its operational profit margins while increasing the processing flexibility due to the possible widening of its crude range and enabling to process heavier crudes which are less expensive. This will improve its lower margin of operation and the limitation of refining only certain expensive and not so freely available types of crude oil such as Iranian Light, Saudi Light and Murban crude oil. This refurbishment is also very important and urgent to increase its production efficiency in view of issues such as United States' sanctions against Iran that resulted in CPC to seek alternative types of crude oil from other countries.

Having recognized the importance of refurbishment and expansion of the existing refinery, this matter was discussed at the Sub-Committee on Economic Affairs chaired by the Hon. Prime Minister. As per the instructions given at that committee meeting held on 10.03.2015 an expert committee was appointed to evaluate and

make proposals for a viable solution to upgrade the existing refinery. A Cabinet Memorandum No15/0958/615/036 dated 15.06.2015 was submitted to the Cabinet of Ministers along with the report which includes the recommendations of the committee and the Cabinet decision was granted on 15.07.2015 to submit a joint proposal with the Ministry of Finance. Accordingly, the onward actions are in progress.

#### **(d) Cross country pipeline project**

The Dolphin pier at the Colombo Port is equipped with loading arms and other facilities to unload imported petroleum products like Diesel, Petrol, Kerosene, Aviation Turbine Fuel (Jet A-1) and Furnace oil and to transport them through the existing three pipelines to the Kolonnawa Terminal which are about 40-70 years old and are in need of immediate replacement (or rehabilitation) for a continuous and uninterrupted operation in the future. These pipelines had been built in 1940s for the transport of petroleum products from the Colombo port to the Kolonnawa Installation out of which two pipelines have already been abandoned many years back due to the inability of carrying out maintenance and repairs as a result of the illegal encroachments on the pipeline terrace by squatters.

Two more pipelines had been constructed in 1969 along with the construction of Sapugaskanda Oil Refinery. The original 70 years old pipeline and the other two old pipelines which are about 43 years old are handling the total imports of finished petroleum products and crude oil whereas the design life span of such petroleum pipelines are only 25 years.

Renovation and modernization of these pipelines have been a very urgent need as a large quantity of the national requirement of the petroleum products is being transported into Kolonnawa fuel storage terminal through these deteriorated pipelines.

Expected Benefits:

- Fulfill national requirement of petroleum products
- Efficient transportation of petroleum products from Colombo port to Kolonnawa
- Maintain the quality of imported petroleum products until they reach end consumers

- Preparation for future demand and maintain continuous supply
- Reduce stock losses and reduce financial losses to CPC and CPSTL
- Reduce high maintenance cost of deteriorated pipelines

The Ministry coordinates all activities of the project with CPC and CPSTL. Almost all the preliminary steps of this project such as preliminary Topographical Surveys, Geographical Surveys, Initial Environmental Examination, identification of most suitable (feasible) pipe laying route, provision for compensation and remedies to the affected parties have been completed. Now it is in the process of finding funds and selecting a suitable contractor to implement the said project in time. This Ministry has taken several actions and policy decisions to implement this project.

As per the CPSTL Director Board decision dated 24.12.2015 the scope of this project will be to lay 01 new piggyback 14" dia. pipeline, to lay 01 new piggyback 18" dia. Pipeline and to lay three segments of 12" pipeline at shore, Dolphin pier & Orugodawatta main rail crossing including Terminal modifications at Kolonnawa Terminal & installation of loading arms at Dolphin Pier for three pipelines as an EPC contract for the entire project from Kolonnawa Terminal to Dolphin pier.

#### **(e) Project on upgrading and expansion of Fuel Hydrant System and Refueling Terminal at BIA, Katunayake**

The Ministry with the Ceylon Petroleum Corporation has taken necessary steps to enhance the aviation refueling terminal and fuel hydrant system at BIA in par with the Bandaranayke International Airport (BIA) Phase II, Stage 2 development project. The construction of additional storage facilities, expansion and modifications of the fuel hydrant system at BIA are the major components of this project. The total estimated cost of this project as per the engineering estimate is around USD 61 million and it has been planned to be carried out by the Ceylon Petroleum Corporation under the purview of this Ministry in collaboration with the Airport and Aviation Services Limited (AASL).

The Cabinet of Ministers at its meeting on 09.12.2015 has granted approval to cancel the bids already called as per the decision of SCAPC and to call new bids on the basis of ICB procedure in order to select a suitable EPC contractor. Accordingly, the onward actions are in progress.

**(f) Project on SPBM**

The Single Point Buoy Mooring (SPBM) facility used for unloading and supplying of crude oil to the refinery at Sapugaskanda had been installed in the year 1987 and has been in operation for over 28 years. This crude oil buoy is located in the sea, approximately 9 km away from the Colombo Port. The entire SPBM facility including the Product Distribution Unit (PDU) has to be overhauled once in every five years period of operation. A complete dry dock inspection and overhauling of the SPBM facility was carried out successfully in April 2015 at a total cost of Rs. 295 Million.

**(g) Project on improvements to Dolphin Pier and pipeline facility**

The Dolphin Pier loading/discharging facility belonging to SLPA is the only facility available to discharge imported refined petroleum products to the Kolonnawa oil storage terminal of the Ceylon Petroleum Storage Terminal Limited (CPSTL) which is the Common User Facility (CUF) available for petroleum companies in Sri Lanka.

This facility urgently needs a complete refurbishment as comprehensive assessment for repair and maintenance has not been carried out for a long period of time. Any failure of the facility due to lack of repair and maintenance will have a direct impact on the uninterrupted fuel supply to the country as the capacities and facilities available in other two alternative terminals (Muthurajawela CPSTL Terminal and China Bay LIOC Terminal) are not sufficient to handle the required quantities of imported petroleum products.

A Joint inspection was done with CPC, CPSTL and SLPA on pipelines and equipment on the platform at the Dolphin Tanker Berth (DTB) to assess their condition and identify immediate maintenance requirements. Action is being taken with SLPA to address immediate maintenance requirements with CPC funds to be recovered later from SLPA. Balance work related to the development should be carried out by SLPA and CPSTL which is being coordinated by CPC on priority basis.

**(h) Feasibility study on construction of Jet A-1 fuel transfer pipeline from Muthurajawela to BIA and associated facilities**

A Jet A-1 fuel pipeline from Muthurajawela to BIA, Katunayake has been proposed considering the present difficulties faced in fulfilling the ever increasing Jet A-1 fuel demand at the BIA due to limitation of present supply modes, quality issues related with to the existing fuel supply and possibility of reducing the associated costs to provide aviation fuel at a competitive price. Moreover the current expansion project of BIA is expected to increase the passenger turnover resulting further increase of Jet A-1 fuel demand at BIA. After conducting a preliminary study, Ceylon Petroleum Corporation under the guidance of the Ministry awarded the contract to Asprofos Engineering S.A. in order to carry out the detailed feasibility study of the proposed Jet A-1 pipeline and associated developments. The scope of work of the Consultant also includes Logistics Study on linking main fuel storage terminals in Colombo.

**(i) Project on expansion of bulk depot in Northern Province**

The bulk depot in Northern Province is located in the premises of Cement Corporation at Kankasanthurai. Cement Corporation has requested CPSTL to move out from their premises at the end of year 2011. Accordingly Ceylon Petroleum Storage Terminals Limited tried to find a suitable land to establish a new bulk depot with the capacity of Diesel 4500m<sup>3</sup>, Petrol 2500 m<sup>3</sup>, Furnace Oil 2500 m<sup>3</sup> and Kerosene 1000 m<sup>3</sup> along with other associated facilities. However, under the guidance of Hon. Minister, the discussions are being carried out with Cement Corporation to release the land facility and continue the existing facility of CPSTL.

Expected Benefits;

- Uninterrupted supply of fuel in the Northern Province
- Maintain required environment and safety conditions
- Provide continuous supply of fuel for industrial sector which shows rapid growth after the war in the Northern Province
- Reduce fuel transportation cost by using railway
- Customer satisfaction by providing quality products on continuous basis

### **1.3 Institutional Administration**

#### **(a) Matters related to Parliament**

The Ministry's parliamentary duties include to solve problems and issues that crop up when it performs its subject matters, submitting the bills in Parliament or resolving the problems that arise while implementing the Government Financial Regulations and Administrative Procedures.

#### **(b) Parliamentary Questions**

The Hon. Minister of the Petroleum Resources Development is responsible to give oral answers to the queries made by Hon. Members of Parliament within the scope of the Ministry and provide background reports connected thereto.

There were 12 queries during 2015 and all questions were answered by Hon. Minister and Deputy Minister.

#### **(c) Public Petition Committee**

This committee has been appointed in order to look into the grievances and complaints of different consumers as well as current and ex-employees of the Ministry of Petroleum Resources Development and the institutions that come under its purview. There were no petitions received during the year 2015.

#### **(d) Ombudsman**

There were three complaints received by the Ministry during the reporting period and the relevant reports to these complaints were submitted to the Ombudsman.

#### **(e) Dengue Eradication Program**

This program is implemented by the Ministry being an active partner for the national program launched by the Government to prevent dengue epidemic in the country. Accordingly, the Ministry has taken steps to identify and control mosquito breeding places within premises of Ministry and its agencies.

### **(f) Human Resource Management**

The following actions have been taken to achieve the objectives of the Ministry through formally managing the establishment and administrative matters of the staffs of the Hon. Minister, Hon. Deputy Minister and the Ministry.

#### **i. Staff recruitments**

Functions such as recruitments of the staff of the Hon. Ministers and Ministry, termination of the services, preparation of Scheme of Recruitments, maintenance of personal files of the staff, internal attachments and transfers are carried out under this subject.

#### **ii. Requirements of staff**

Activities relating to the pensions of the officers who are entitled for the pensions, activities relating to Employees Provident Fund, overtime allowances, transport allowances, other special allowances, concessionary train season tickets, loan on concessionary interest rates are carried out under this subject.

#### **iii. Capacity Building**

The opportunities have been granted to the existing staff to participate in various training programs in order to deliver a more effective and efficient public service through training to develop their knowledge, skills and attitudes. Training programs provided by the Ministry during the year 2015 are given in Table 1.1 below.

**Table 1.1 Training Programs Provided by the Ministry - 2015**

No.	Course Details	Institute	Number of Officers	Duration
<b>Local Trainings</b>				
01	Cash Flow and Control Management	Skill Development Fund Limited	01	2 Days
02	Certificate Course on Basic Tamil	Department of Official Languages	06	72 Hours
03	Course on Advance Tamil	Department of Official Languages	02	72 Hours
04	Course on Advance Sinhala	Department of Official Languages	01	72 Hours
05	Government Accounting Procedure	Sri Lanka Institute Development Administration	01	01 Day
06	Treasury Management and Budgeting	Sri Lanka Institute Development Administration	02	01 Day
07	Introduction to HRM	Sri Lanka Institute Development Administration	03	02 Days
08	Resource Sharing and Secure Networking	Sri Lanka Institute Development Administration	02	01 Day
09	Business Letters and Writing Skills	Sri Lanka Institute Development Administration	01	01 Day
10	Environment Management	Sri Lanka Institute Development Administration	01	02 Days
11	Self-Developing and Emotional Intelligence for Work Life Balance	Sri Lanka Institute Development Administration	01	01 Day
12	New Approach to Office Management	Sri Lanka Institute Development Administration	01	02 Days
13	Communication and Presentation Skills	Sri Lanka Institute Development Administration	01	01 Day
14	Office management	Sri Lanka Institute Development Administration	01	05 Days
15	Law Relating to Public Officers	Sri Lanka Institute Development Administration	01	01 Day
16	Certificate in English	Skill Development Fund Limited	01	72 Hrs
17	Losses, Loss Recoveries and Write off	Skill Development Fund Limited	03	01 Day
18	Salary Conversion	Skill Development Fund Limited	01	02 Days
19	Awareness Program for Drivers and Minor Employees General English	Skill Development Fund Limited	03	01 Days
20	General English	British Council	02	03 Months
21	Transportation, Environment and the Transportation Research	Uni-Consultancy Services (University of Moratuwa)	01	02 Days

<b>Foreign Trainings</b>					
22	Seminar on Sustainable Development of Electric Power Developing Countries	China		02	21 Days
23	Solar Energy Application for developing Countries	China		01	55 Days
24	International Program on Project Management	Singapore		02	12 Days
25	Seminar on Introduction & utilization of foreign capital of island region developing countries	China		01	24 Days

### 1.3 Accounts

**Table 1.2 Recurrent Expenditure – Office of Hon. Ministers 2015 (Rs. Million)**

Types of Expenditure	Budgetary Provisions 2014	Actual Exp. 2014	%	Budgetary Provisions 2015	Actual Exp. 2015	%
Personal Emoluments	16.81	16.73	99.53	12.5	12.1	97
Travelling Expenses	2.28	2.20	96.44	0.9	0.9	100
Supplies	13.79	13.74	99.64	7.5	7.5	100
Maintenance Expenditure	5.18	5.16	99.79	4.2	4.2	100
Services	18.08	17.97	99.44	16.3	16.3	100
Transfers	0.77	0.76	98.67	0.5	0.4	80
<b>Total</b>	<b>56.91</b>	<b>56.56</b>	<b>99.38</b>	<b>41.9</b>	<b>41.4</b>	<b>99</b>

**Table 1.3 Recurrent Expenditure – Ministry Administration 2015 (Rs. Million)**

Types of Expenditure	Budgetary Provisions 2014	Actual Exp. in 2014	%	Budgetary Provisions 2015	Actual Exp. in 2015	%
Personal Emoluments	32.49	32.34	99.54	34.1	33.8	99
Travelling Expenses	1.42	1.35	94.85	1.9	1.9	100
Supplies	9.11	8.96	98.33	6.9	6.9	100
Maintenance Expenditure	4.25	3.93	92.41	4.4	4.3	98
Services	27.90	27.61	98.96	24.9	24.7	99
Transfers	0.58	0.58	99.20	4.5	4.5	100
Deyata Kirula	0.86	0.86	99.96	-	-	-
<b>Total</b>	<b>76.61</b>	<b>75.62</b>	<b>98.72</b>	<b>76.7</b>	<b>76.1</b>	<b>99</b>

**Table 1.4 Capital Expenditure – Office of Hon. Ministers 2015 (Rs. Million)**

Types of Expenditure	Budgetary Provisions in 2014	Actual Exp. in 2014	%	Budgetary Provisions in 2015	Actual Exp. in 2015	%
Rehabilitation of Capital Assets	1.80	1.29	71.50	9.0	8.5	95
Acquisition of Capital Assets	21.30	18.42	86.48	4.0	3.3	83
<b>Total</b>	<b>23.10</b>	<b>19.71</b>	<b>85.31</b>	<b>13.0</b>	<b>11.8</b>	<b>91</b>

**Table 1.5 Capital Expenditure – Ministry Administration 2015 (Rs. Million)**

Types of Expenditure	Budgetary Provisions in 2014	Actual Exp. in 2014	%	Budgetary Provisions in 2015	Actual Exp. in 2015	%
Rehabilitation of Capital Assets	0.40	0.15	37.25	0.80	-	(100)
Acquisition of Capital Assets	7.40	7.39	99.87	2.00	1.9	100
Human Resource Development	1.80	1.77	98.58	2.00	2.0	100
Investment	1.35	1.31	96.80	2.2	-	(100)
<b>Total</b>	<b>10.95</b>	<b>10.62</b>	<b>96.99</b>	<b>7.0</b>	<b>3.9</b>	<b>56</b>

**Table 1.6 Government Officers Advance Accounts and Actual Expenses - 2015**

	2014			2015		
	Max. limit expenditure	Min. limit receipts	Max. debit limit	Max. limit expenditure	Min. limit receipts	Max. debit limit
Limit	3.0	1.8	12.5	3.5	0.02	20
Actual Expenditure	2.63	2.46	9.58	2.6	5.2	7.8

## 02. CEYLON PETROLEUM CORPORATION

### VISION

To be the premier customer driven, environmental friendly, enterprise in the petroleum and related industries in the region while contributing towards the prosperity of our nation.

### MISSION

To achieve excellence in refining, sales and marketing of high quality products and meet the expectations of the stakeholders through a dedicated team of professionals and a loyal & efficient dealer network and by providing total solutions and services exceeding customer expectations, while utilizing a high technology base for growth and development of the enterprise with total employee participation and innovation, by maintaining high ethical norms in all its activities and with highest concern for health, safety and environment.

### GOALS

- ❖ Retain highest level of market share
- ❖ Reach excellence in sales, marketing and operations to face a heavily competitive environment
- ❖ Maintain an economically viable refining sector
- ❖ Improve and maintain high level of professionalism at all levels of employees
- ❖ Institute structural changes to improve productivity and management
- ❖ Institute health, safety and environmental friendly measures to exceed the stipulated standards
- ❖ Uphold the national and social obligations for betterment of the community
- ❖ Ensure financial viability of the Corporation
- ❖ Retain Sri Lankan control in the petroleum downstream sector

## 2.1 Introduction

The Ceylon Petroleum Corporation is a public enterprise established under the Ceylon Petroleum Corporation Act No. 28 of 1961 managed by a Board of Directors. Import of refined petroleum products, as well as crude oil, refining the imported crude oil, distribution of petroleum products Island-wide etc are the main functions that are carried out by Ceylon Petroleum Corporation.

## 2.2 Performance

### 2.2.1 Distribution of demand for petroleum products marketed by CPC

Petroleum fuels make up almost one-third of the global energy demand. In Sri Lanka these

fuels primarily include gasoline, diesel, jet fuel, kerosene, naphtha and fuel oil. More than 55% of the demand for petroleum fuels in the country comes from the transport sector. The remaining 45% demand comes from industrial, agricultural and power generation sectors. In Sri Lanka petroleum product consumption is rising with the increasing population and change in their life patterns and attributable to some extent possibly to the improved standards of living and also, industrial development and other major reasons. Table 2.1 shows the total sales of petroleum products handled by CPC during the period from 2011 to 2015.

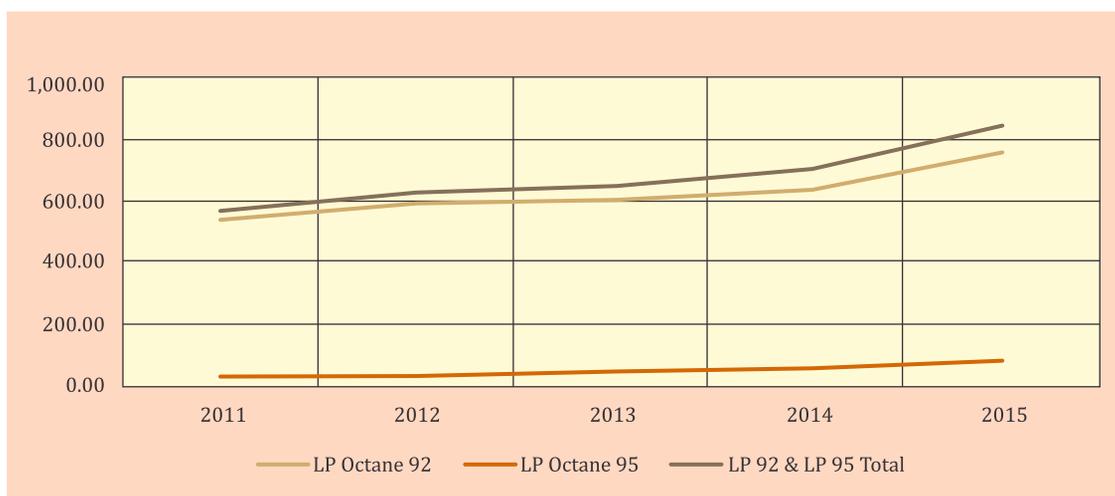
Table 2.1 Sales of Petroleum Products by CPC 2011-2015 (MT'000)

Fuel Type	2011	2012	2013	2014	2015
Petrol 92 Octane	541.51	593.32	602.99	638.45	763.14
Petrol 95 Octane	26.88	30.88	43.06	55.02	82.41
<b>Total Petrol</b>	<b>568.40</b>	<b>624.20</b>	<b>646.06</b>	<b>693.47</b>	<b>845.55</b>
Lanka Auto Diesel	1,825.76	1,923.29	1,553.44	1,751.12	1,573.56
Lanka Super Diesel	13.92	21.86	24.62	30.64	46.38
<b>Total Diesel</b>	<b>1,839.68</b>	<b>1,945.15</b>	<b>1,578.05</b>	<b>1,781.76</b>	<b>1,619.94</b>
Kerosene	147.48	126.17	112.27	109.26	122.77
Industrial Kerosene	22.10	17.27	14.41	13.06	7.42
<b>Total Kerosene</b>	<b>169.58</b>	<b>143.44</b>	<b>126.67</b>	<b>122.32</b>	<b>130.19</b>
Fuel Oil 800	53.62	60.89	59.31	51.53	231.18
Fuel Oil 1500_H	576.83	625.62	369.92	365.14	104.22
Fuel Oil 1500_L	195.60	273.70	89.92	130.69	56.83
Fuel Oil 3500	254.93	213.61	147.93	167.22	13.02
Jet-A1	315.09	325.86	359.73	389.99	381.23

Depending on the living standards of the people and availability of resources in different regions, the consumption varies

from region to region. Graph 2.1 shows CPC's sales of Gasoline 92 and 95 Octane from 2011 to 2015.

**Graph 2.1 CPC's Sales of Gasoline 92 and 95 Octane 2011-2015 (MT'000)**

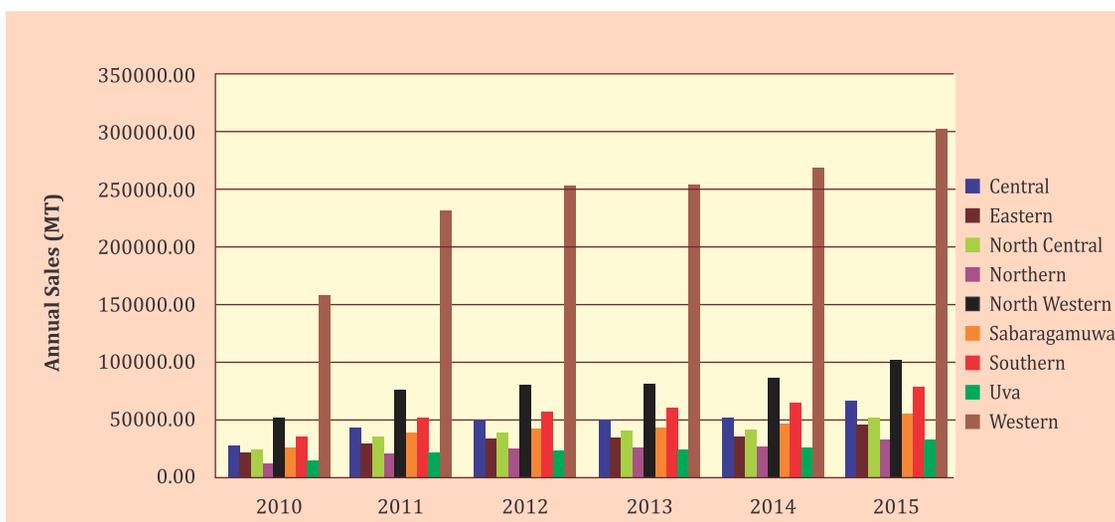


◆ **Gasoline - 92 Octane**

Gasoline 92 Octane is almost solely used by the transport sector. As shown in Graph 2.2 below there is an upward trend of Gasoline -92 Octane consumption in all provinces. The consumption of Gasoline 92 Octane is comparably very large in the Western Province due to increase in its vehicle population and rapid urbanization. The year 2015 has recorded an unusual increase of

consumption of Gasoline 92 Octane. Next to the Western province Central, Southern, and North Western provinces have the maximum population in Sri Lanka. Therefore, those four provinces have the maximum consumption since most of the people use Gasoline 92 for their day to day transport activities. Also other regions show an increase in consumption due to urbanization and population rise.

**Graph 2.2 Distribution of demand for Gasoline 92 Octane 2010-2015**

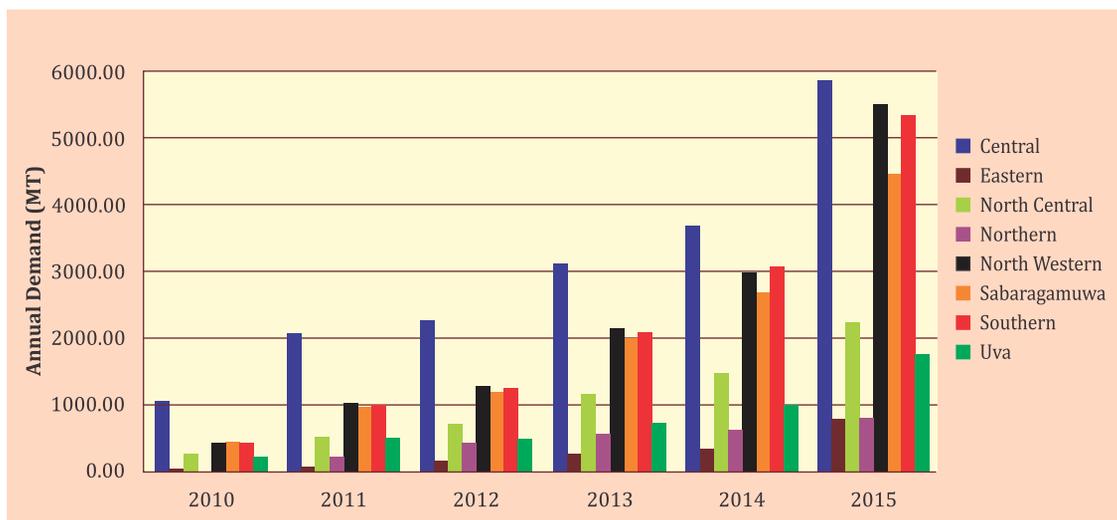


◆ **Gasoline-95 Octane**

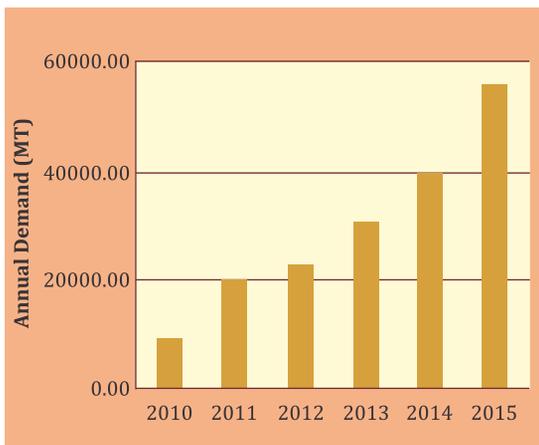
consumption from 2010 to 2015 is shown in Graph 2.3 below.

Gasoline 95 Octane is also solely used by the transport sector. The trend of Gasoline 95 Octane

**Graph 2.3 Distribution of demand for Gasoline 95 Octane 2010-2015**

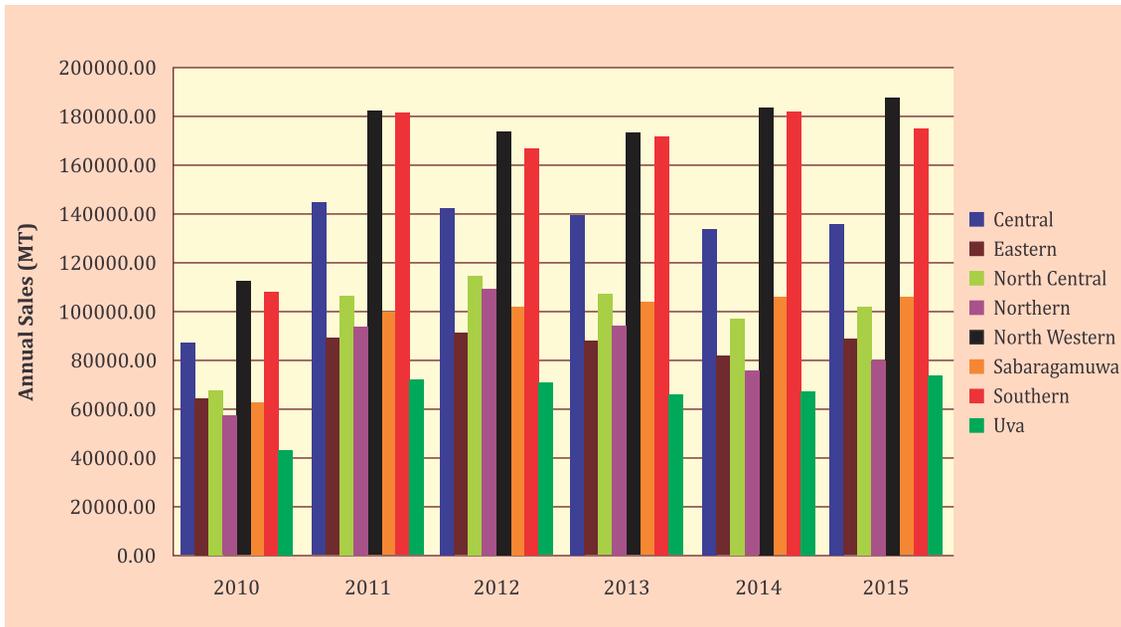


**Graph 2.4 Distribution of demand for Gasoline 95 Octane in Western Province 2010-2015**



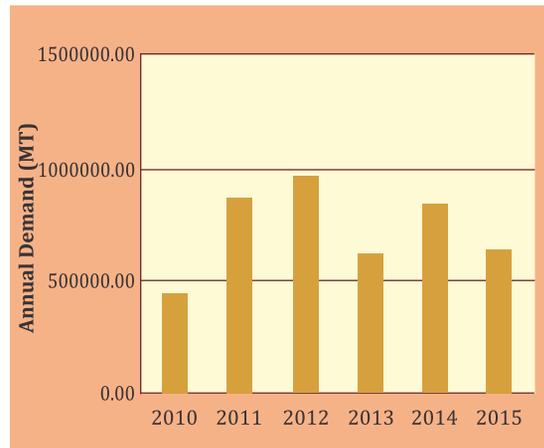
As in the previous case for Gasoline 92 Octane, consumption of Gasoline 95 Octane in the Western Province is comparatively higher than other provinces and also in general it is gradually increasing every year in all provinces. Although Eastern Province has the minimum consumption of Gasoline 95 Octane, it depicts an increasing trend. In comparison with the Northern Province, Eastern Province has a higher demand growth. Though Gasoline 92 Octane consumption is higher in North Western province, Gasoline 95 Octane consumption is higher in Central province.

Graph 2.5 Distribution of demand for Lanka Auto Diesel 2010-2015



Graph 2.6 Distribution of demand for Lanka Auto Diesel in Western Province 2010-2015

Lanka Auto Diesel (LAD) consumption in Sri Lanka is mainly in three sectors, namely transport (including Ceylon Transport Board (CTB) and Railways), security forces, power plants and the state and industrial sectors. Graph 2.5 illustrates the provincial wise consumption of LAD from 2010 to 2015. It does not show an exact upward or downward trend as in gasoline consumption but indicates flattening of demand with a slight negative growth. But demand by Ceylon Electricity Board (CEB) in the power generation sector plays a dominant role in this trend.



Consumption of Western province is different and significantly higher than other provinces because of the high industrial and transport boom. Also the Central, Southern, and North Western provinces show the next highest consumption.

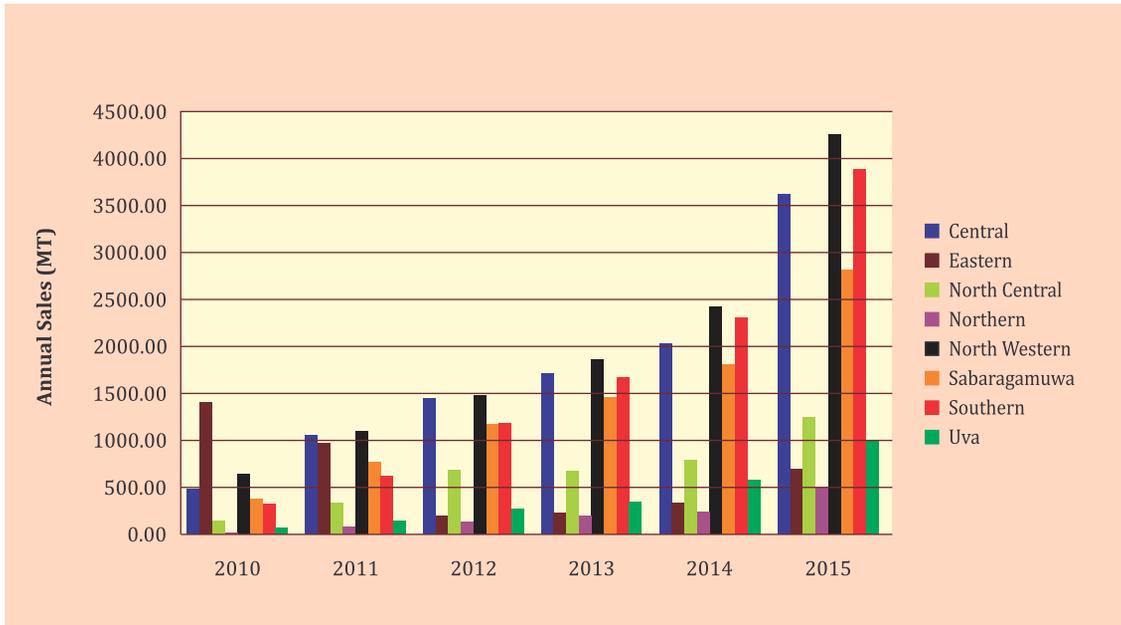
## ◆ Lanka Super Diesel Four Star

Super Diesel is mainly used in the transport sector. However due to the relatively high price of Super Diesel, the consumption is very much less than Auto Diesel.

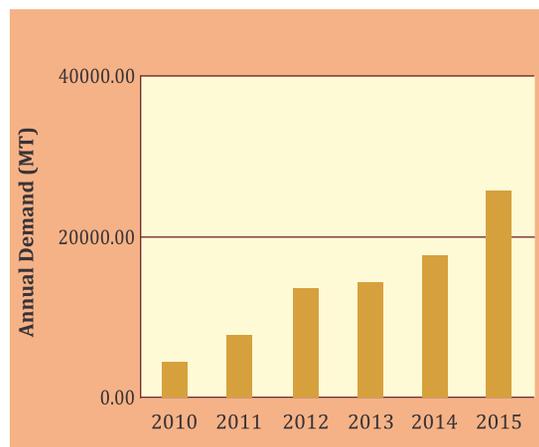
Comparing with 2010-2014 sales, there is a quick rise in 2015 sales in all provinces possibly due to import of modern diesel vehicles designed to run on low Sulphur diesel.

Sales of Super Diesel in all provinces is showing a gradual increasing trend (Graph 2.7).

**Graph 2.7 Distribution of demand for Lanka Super Diesel 2010-2015**



**Graph 2.8 Distribution of demand for Lanka Super Diesel in Western Province 2010-2015**

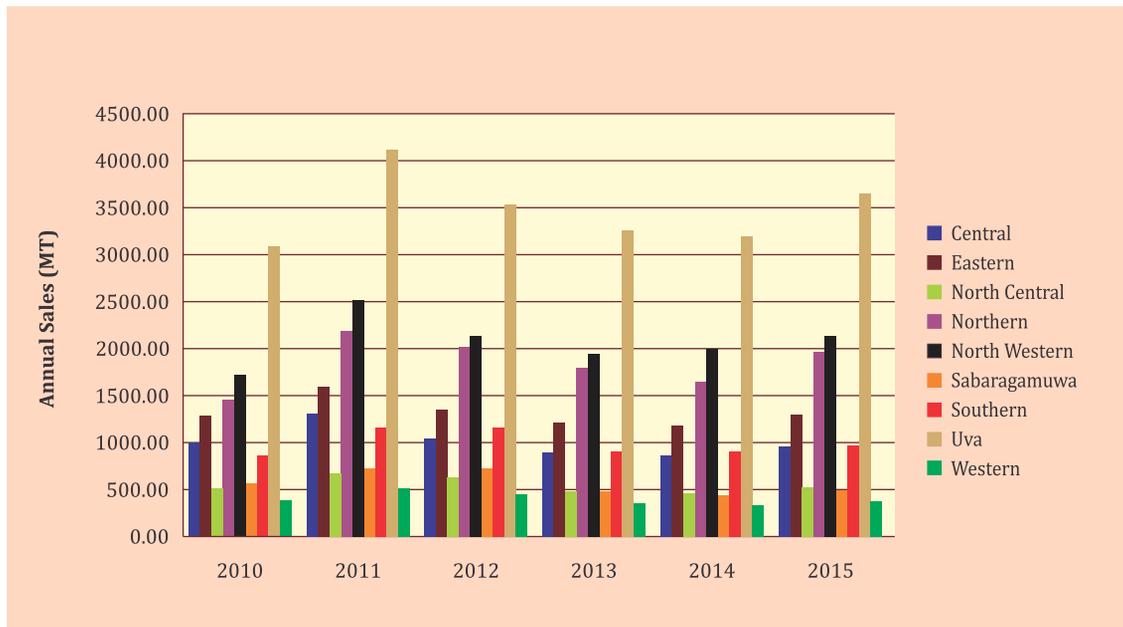


## ◆ Kerosena

The percentage of kerosene consumption of Western province is comparatively small with other petroleum products consumption, and also the percentage of Uva province kerosene consumption is much higher than other product consumption in Uva province. The reason perhaps is people in rural areas consume more kerosene than those in urban areas for their day to day life. Also kerosene is used for fisheries

activities and therefore, consumption of kerosene in coastal areas is comparably high. It can be seen that Eastern, Northern, North Western, Southern and Western provinces show a higher consumption of kerosene. Another cause for the high consumption of kerosene is that it is used for adulteration of petrol to be used in three wheelers for which the required Octane (RON) number is 87 – 88.

Graph 2.9 Distribution of demand for Kerosene 2010-2015

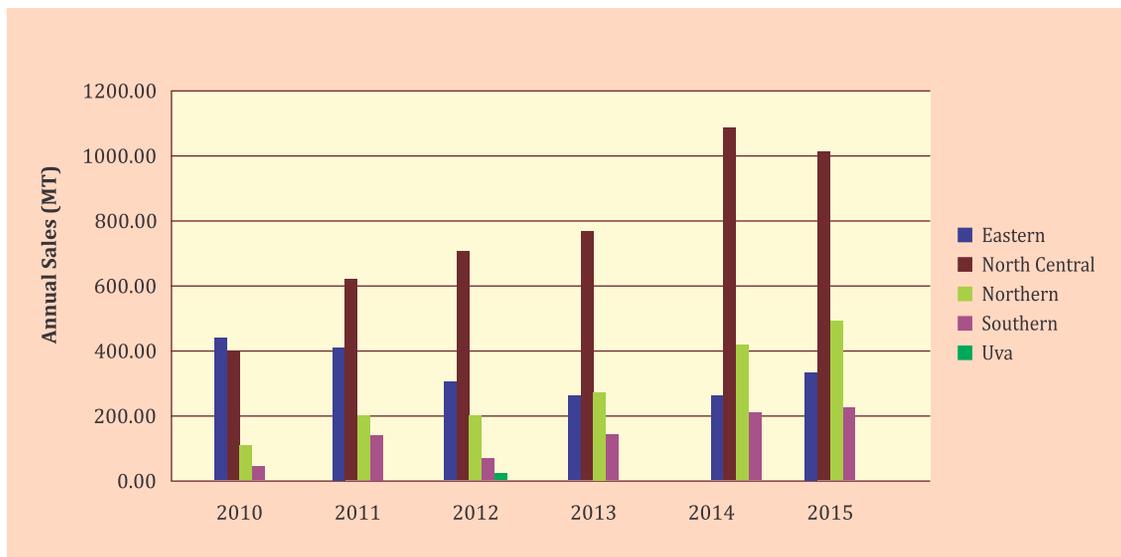


## ◆ Aviation fuel (JET A-1)

In Sri Lanka JET A-1 fuel is used for foreign, domestic and military aviation activities and industries such as tourism. In the Western Province JET A-1 fuel consumption is comparably higher than other provinces. It is mainly attributable to demand at

Bandaranayake International Airport and Rathmalana Airport. Except that other JET A-1 fuel consumption is mainly by military aviation. The CPC Aviation function has achieved a sales margin of approximately Rs.1 billion in year 2015.

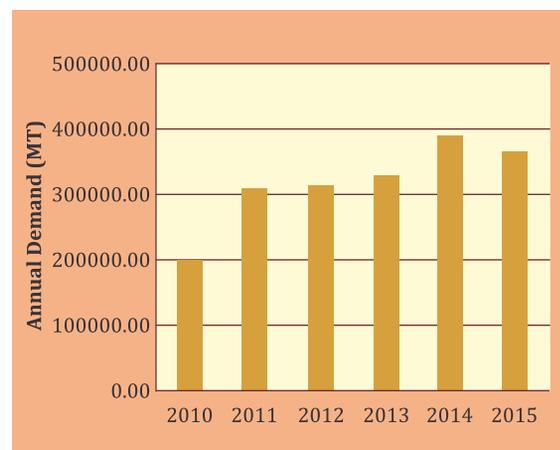
**Graph 2.10 Sales of Aviation Fuel 2010-2015**



**Graph 2.11 Sales of Aviation Fuel in Western Province 2010-2015**

In the aviation refueling industry, the maintenance of a high level of quality assurance and a quality control program are of paramount. In this importance regard CPC has taken every precautionary measure to ensure quality both in services and products in its supply chain up to the delivery point. The facilities are subjected to annual audit by many international organizations, which include Joint Inspection Group (JIG) of customer Airlines, Civil Aviation Authority, International Air Transport Association (IATA) and International Civil Aviation Organization.

It is important to note here that CPC has been able to achieve accreditation with the rate of “Good” (above average status) for the last two years 2014 and 2015 for aviation refueling terminal at BIA for the first time in 27 years of Sri Lankan aviation history.



## ◆ Lubricants

CPC continued to maintain its year 2014 market share of overall 11% in 2015 as well.

**Table 2.2 Imports of Lubricants and Greases - 2015**

Ref. No.	Lubricant Oil Qty. Litres	Value USD '000	Grease Qty (kg)	Value USD '000
LUB/01/2015	893,880	1,582.45	12,600	39,964.00
LUB/02/2015	1,423,640	2,395.26	36,300	115,916.40
LUB/03/2015	1,939,656	3,252.33	16,950	57,595.00
<b>Total Qty and Value</b>	<b>4,257,176</b>	<b>7,230.04</b>	<b>65,850</b>	<b>213,475.40</b>

### 2.2.2 Internal Audit

Main functions of the Internal Audit include assessing internal controls, identifying risk areas and verifying accuracy and completeness of transactions through audit procedures which were implemented through the Audit Plan approved by the Audit Committee at the beginning of the year. Audit queries were raised to highlight matters identified during the audit process.

In addition to the above, Internal Audit was engaged in special investigations to provide observations and recommendations to the management about various matters of importance, identification of risk related to the areas of product losses, revenue losses, matters of Auditor General's Reports and replies to Audit Queries and periodic review of Annual Audit Plan and the performance of Internal Audit Function & CPC based on actual works carried out.

The Audit Charter of the Committee has been prepared covering scope of responsibilities, authorities and specific duties stipulated in

Treasury Circular issued in relation of conducting Audit Committees in Public Commercial Enterprises.

During the year under review, four (04) Audit Committee meetings have been conducted to discuss duties entrusted to them as noted above. Work performed during the year 2015 are

- to discuss the Financial Statements for the year ended 31/12/2014.
- to review the adequacy of internal control system with the management, Auditor General and Internal Auditors.
- to discuss comprehensively on key strategic issues faced by CPC.
- to discuss Auditor General's Report on Financial Statements for the year ended 31/12/2014.
- to issue seventy (70) audit reports on special investigations conducted by the internal audit function during the year 2015

### **3. CEYLON PETROLEUM STORAGE TERMINALS LIMITED (CPSTL)**

#### **VISION**

To be the most efficient petroleum terminal operator in South Asia

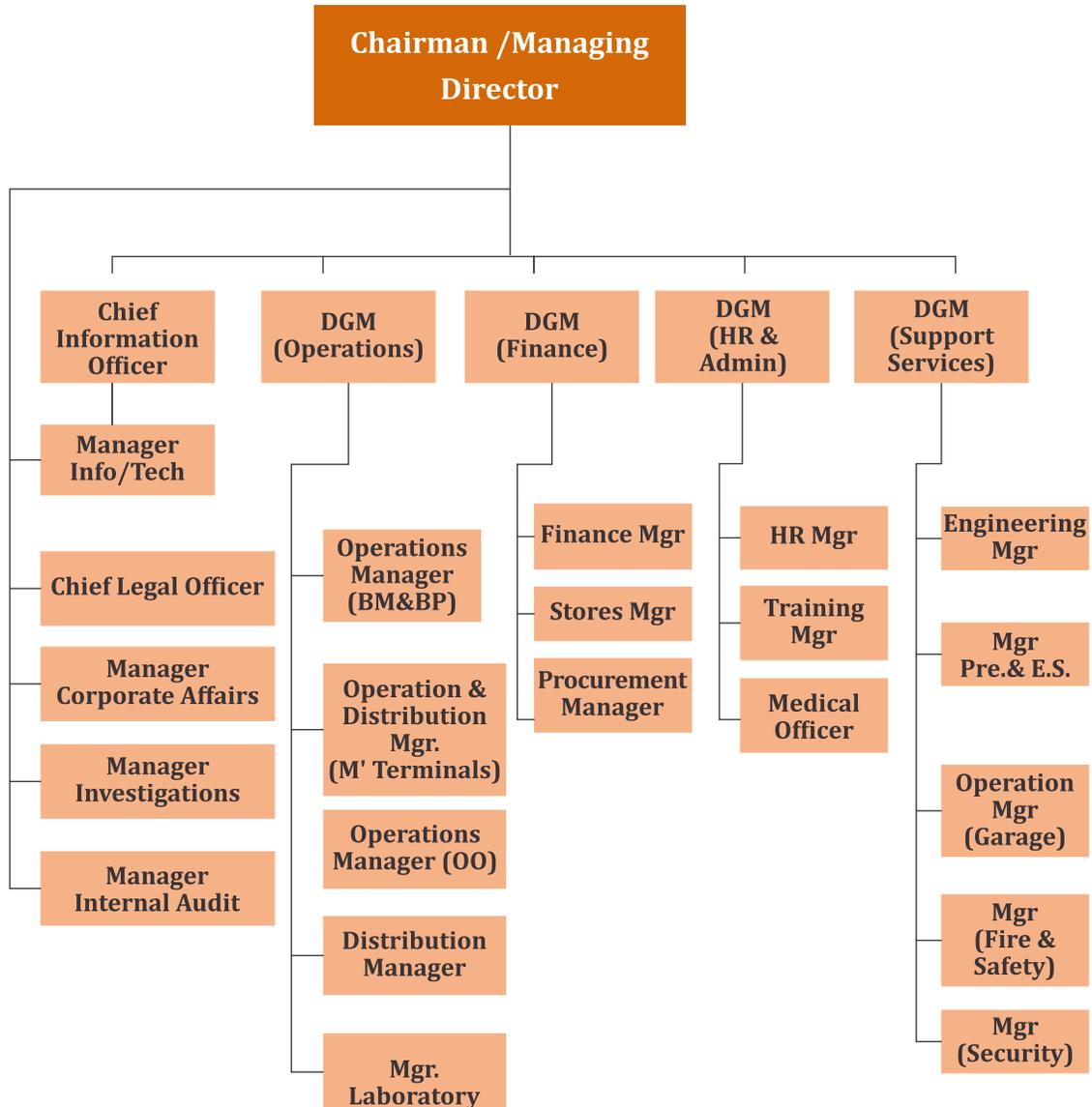
#### **MISSION**

To remain as the most efficient terminal operator in the island, meeting stakeholders' expectations and committed to make perceivable and continual improvement at the level of customer satisfaction, while preserving the quality and ensuring the exact quantity of the petroleum products being delivered to the terminal facility users/customers, honoring the health, environmental and safety standards in force through dedicated participation of a loyal, contended and well trained workforce, guided by the feedback of the customers and the general public.

#### **GOALS**

- ❖ Remain most efficient terminal operator in the country
- ❖ Improvement of facilities to store, maintain quality of petroleum products and deliver in the country to meet the future demand
- ❖ Improve level of satisfaction of customers in quality improvements and prompt deliveries to maintain uninterrupted supply in the country
- ❖ Institute health, safety and environmental friendly measures to exceed the stipulated standards
- ❖ Improve and maintain high level of professionalism at all levels of employees
- ❖ Introduce structural changes to improve productivity and management
- ❖ Ensure financial viability of the entity
- ❖ Uphold national and social obligations for the betterment of the community

# ORGANIZATIONAL STRUCTURE



## COMPANY CADRE AS AT 31.12.2015

Position	Approved Grade	Current Strength
<b>A Grade – Executive Staff 2-3</b>	<b>265</b>	<b>211</b>
Senior Managers (A 2/3 and above)	30	26
Middle Management (A 4 – A 5 )	86	52
Junior Executives ( A 6 – A 7)	149	133
<b>B Grade – Clerical and Supervisory Staff</b>	<b>1,156</b>	<b>1,152</b>
Technical Staff	106	106
Non- Technical Staff	1,050	1,046
<b>C Grades – Skilled &amp; Un-skilled minor staff</b>	<b>2,188</b>	<b>1,639</b>
Technical Staff	338	309
Non- Technical Staff	1,850	1,330
<b>Grand Total</b>	<b>3609</b>	<b>3006</b>

### 3.1 Introduction

Ceylon Petroleum Storage Terminals Limited (CPSTL) is a Company duly incorporated under the Companies Act No. 17 of 1982 and in terms of Section 2 (1) of the conversion of Public Corporations or Government owned business undertakings into Public Companies Act No. 23 of 1987, and re-registered under the Companies Act No.7 of 2007, owns the Common User Facility (CUF) consisting of Oil Terminals, Storage Facilities, Pipelines and the Bowser Fleet, more fully described in the Government Gazette extraordinary bearing No. 1310/8 dated 13<sup>th</sup> October 2003.

#### 3.1.1 Major Activities

- ❖ Planning and scheduling the fuel requirement of the country.
- ❖ Managing stock receipts from Refinery and import tankers, transfers and replenishments
- ❖ Loading & unloading of products via ships, pipelines, rail and road tankers and barrels
- ❖ Maintain adequate stocks at all locations.
- ❖ Quality assurance & loss control of products.
- ❖ Issue of products meeting customer requirements

#### 3.1.2 Operational Mechanism

- I. Estimation of country requirement of petroleum products and stock review in concurrence with marketing companies
- II. Receipt of products into installations
- III. Assurance of quality
  - ❖ Comparison of quality as per import specifications
  - ❖ Meet the country's specifications prior to issue to customers
- IV. Distribution of products using different modes
  - ❖ Pipelines
  - ❖ Road Tankers
  - ❖ Rail Bogies

- ❖ Coastal Tankers
- ❖ Drums

- V. Stock Review – Presently the stock review is conducted by Ceylon Petroleum Corporation as assigned by the Ministry of Petroleum Industries.
- VI. Receipt of products
  - ❖ From Refinery by pipelines
  - ❖ From imports
    - ❖ Tankers at the Dolphin Berth at the Colombo harbor
    - ❖ Tankers at the Buoy at Muthurajawela
- VII. Distribution execution to suit the orders placed by the respective companies.

### 3.2 Performance

#### 3.2.1 Institutional Administration

##### ❖ Human Resources Management and Development

Human Resource Development function focused especially on uplifting of knowledge and attitudes of the technical and non-technical employees of the CPSTL towards higher productivity, minimizing waste stage, build up protection pool of disciplined personal from labour grades to managerial level.

As our technology changes at an increasingly rapid pace, it requires new skills. The resulting changes in job description frequently blur boundaries between previously distinct jobs, producing greater demands for multi skilled staff.

Hence, during this year CPSTL has conducted following programmes & workshops for technical & non-technical staff of employees.

- Actions were taken to promote 86 officers who are in grades A, B and C.
- The details of training programs provided during the period from 01.01.2015 to 31.12.2015 are given in Table 3.1 below.

**Table 3.1 Training Programs Provided by CPSTL - 2015**

Name of Program	Training Institute	Training Period	No. of Employees participated
Leadership Tanning Program	STFTS- Maduru Oya	3 days	05
CILT International Conference 2015 - "Logistics to Power The World"	The Chartered Institute of Logistics & Transport Sri Lanka	1 day	03
MBA in Supply Chain	FDB (Pvt) Ltd	3 days	02
Personal Grooming	Training Function (CPSTL)	01 day	02
Budget & Cost Control	Training Function (CPSTL)	01 day	04
Super 5S as a Productivity Tool	Training Function (CPSTL)	01 day	09
Procurement Procedure- Bid Opening	Training Function (CPSTL)	01 day	15
Bidding Procedures from pre bid conference to bid opening	Training Function (CPSTL)	01 day	15
Positive Psychology & Stress Management	Training Function (CPSTL)	01 day	03

- For the academic year 2014/2015, 17 employees' children have been selected for the scholarships.

- During the year 2015 there were 129 scholarship cheques were issued for the children who have been selected for 2011/2012/2013/2014/2015 academic years of the Universities.

- 642 No. of service awards were issued for the employees who have completed their 20,25,30,35 and 40 years of service within the organization in order to appreciate their continuous service. The details of service awards are given in Table 3.2 below.

**Table 3.2 Service Awards - 2015**

Years of service completed	Type of Award	No. of employees
20 years' service	Rs. 10,000/-	411
25 years' service	Gold Coin – 02 pounds	165
30 years' service	Rs. 20,000/-	39
35 years' service	Rs. 25,000/-	26
40 years' service	Rs. 40,000/-	01
<b>Total</b>		<b>642</b>

❖ **Internal Audit**

50 nos. of audit quarries were completed out of 57 nos of audit quarries for the year 2015.

Accordingly, performance of 88% has been achieved during the reporting year. Table 3.3 below illustrates the details of those quarries.

**Table 3.3 Audit Quarries – 2015**

No	Subject	Relevant Function	Progress
1	Audit investigation on obtaining commission from bowsers	Distribution Function	Completed
2	Non - moving stock from 31.03.2010 to 31.10.2013	Stores Function	Completed
3	Establishing Proposed LBD Pallai	Distribution Function	Completed
4	Huge loss on transferring petroleum products to Lanka Bulk Depots in the year 2014	Distribution Function	Completed
5	Bulk stock variation of Lanka Bulk Depots of CPSTL	Distribution Function	Not completed
6	Audit investigation on purchasing of Complete Digital Combination Octane Rating Unit to the Kolonnawa main laboratory.	Main Laboratory	Completed
7	Special audit investigation of Kolonnawa Medical Center	Medical Center	Completed
8	Audit report on tank repair & maintenance - Year 2014	Engineering Function	Completed
9	Removing non - moving items in the uniform store	Stores Function	Completed
10	Bulk stock variation of Kolonnawa & Muthurajawela Terminal	Distribution Function	Not completed
11	Audit on advance payments - Goods & Services	Finance Function	Completed
12	Investigation on quarters	Engineering Function	Completed
13	Audit investigation on overtime payments to employees engaged in political activities	Finance Function	Completed
14	Audit investigation on auctioning of vehicles in the Auction Yard	Stores Function	Completed
15	Audit report on LBD Badulla	Distribution Function	Completed
16	Audit investigation on other income of distribution, lab & fire & safety factions from 01.01.2014 to 31.03.2014	Finance Function	Completed
17	Removing water gathered on storage tanks	Distribution Function	Not completed
18	Audit investigation of official quarters of CPSTL	Engineering Function	Completed
19	Audit investigation on excess use of own use	Distribution Function	Completed
20	Audit investigation on issuing fuel to vehicles of Ministry	Distribution Function	Completed
21	Audit report on the losses incurring in transferring products to Lanka Bulk Depots (LBD) Kotagala	Distribution Function	Completed
22	Audit on Lanka Bulk Depot, Kotagala	Distribution Function	Completed
23	Audit report on purchasing motor spare parts	Stores Function	Completed

24	Audit report on Oil Facilities Office	Distribution Function	Not completed
25	Audit investigation on unusable items in Muthurajawela Terminal	Muthurajawela Terminal	Completed
26	Audit investigation on hired bowsers attached to Muthurajawela Terminal	Muthurajawela Terminal	Completed
27	Audit report on tank no 03 of LBD Matara	Distribution Function	Completed
28	Audit investigation on repairs of vehicles in the Garage Function of Muthurajawela Terminal	Muthurajawela Terminal	Completed
29	Audit report on the efficiency of issuing petroleum products from Lanka Bulk Depots	Distribution Function	Completed
30	Audit report on own use of Muthurajawela Terminal	Muthurajawela Terminal	Completed
31	Cost saving on transferring products by wagons	Distribution Function	Not completed
32	Non - moving items of motor spare stores of CPSTL as at 31.12.2014	Stores Function	Completed
33	Audit report on CRN on the year 2014	Distribution Function	Completed
34	Audit report on cost of cleaning tanks of Muthurajawela Terminal	Muthurajawela Terminal	Completed
35	Audit report on recovering outstanding insurance claim of WPLH -4688	Corporate Affairs Function	Completed
36	Audit investigation on book advance & festival advance	Finance Function	Completed
37	Audit investigation on use of mobile phones of CPSTL	Engineering Function	Completed
38	Petty cash imprest check on Garage Function & Medical Center	Garage Function & Medical Center	Completed
39	Petty cash imprest check on Project Office & Engineering & Premises Function	Project Office, Engineering & Premises Function	Completed
40	Petty cash imprest check on Procurement Function	Procurement Function	Completed
41	Audit report on CRN of Kolonnawa Terminal	Distribution Function	Completed
42	Audit report on defects on Lanka Bulk Depots	Distribution Function	Not completed
43	Audit report on Medical Bonus	Finance Function	Completed
44	Audit report on obtaining full insurance for CPSTL vehicles & accidents of vehicles	Corporate Affairs Function	Completed
45	Audit report on LBD Sarasavi Uyana	Distribution Function	Completed
46	Audit report on LBD Magalle	Distribution Function	Completed
47	Audit report on LBD Peradeniya	Distribution Function	Completed
48	Audit on waste items & non - moving items in the Stores Function	Stores Function	Completed
49	Purchasing of air conditioners for LBD KKS	Distribution Function	Completed

50	Audit report on issuing fuel to water bowsers	Distribution Function	Completed
51	Analysis on productivity of LBD Sarasavi Uyana & LBD Peradeniya	Distribution Function	Completed
52	Audit investigation on LBD Kankasanthurai	Distribution Function	Completed
53	Monthly variation of LBD Badulla - year 2015	Distribution Function	Not completed
54	Petty cash imprest check on Salaries & Wages section	Salaries & Wages Function	Completed
55	Petty cash imprest check on Corporate Affairs Function	Corporate Affairs Function	Completed
56	Petty cash imprest check on Distribution & Control Function of Muthurajawela Terminal	Muthurajawela Terminal	Completed
57	Audit investigation on LBD Batticaloa	Distribution Function	Completed

### 3.2.2 Fuel Storage, Distribution and Sale

#### 3.2.2.1 Fuel Storage

CPSTL owns two main installations i.e. Kolonnawa and Muthurajawela and 11 bulk depots Island wide. Based on volumes handle and future expansion capability the bulk depots are categorized into two types.

##### **Grade I depots:**

Peradeniya, Galle, Kurunegala, Batticaloa, Anuradhapura, Badulla, & Kankasanthurai

##### **Grade II depots:**

Kotagala, Haputale, Matara, Sarasavi Uyana

Kolonnawa Installation handles following 12 petroleum products and its tank capacities are also given below;

Naphtha, Aviation Gasoline 100 octane, Gasoline 95 octane, Gasoline 92 octane, Illuminating Kerosene, Jet fuel, Industrial Kerosene, Special Boiling Point Products (SBP), Super Diesel, Auto Diesel, Fuel oil 800 Sec., Fuel oil (High Sulphur) 1500 Sec.

**Table 3.4 Tank Capacities at Kollonnawa**

Product Type	Storage Capacity (MT)
Naphtha	14,400
Gasoline 95 Octane	18,647
Gasoline 92 Octane	50,378
Illuminating Kerosene	10,488
JET A-1	30,400
Auto Diesel	56,009
Super Diesel	13,150
Fuel oil 800	52,680
Fuel oil 1500 H.S	0
Sp. Boiling Point (SBP)	902
Industrial Kerosene	1,564
<b>TOTAL</b>	<b>248,618</b>

Muthurajawela Installation handles following 04 petroleum products and its tank capacities are also given below;

Gasoline 92 octane, Kerosene, Auto Diesel, Low Sulphur fuel oil 1500 Sec.

**Table 3.5 Tank Capacities at Muthurajawela**

Product Type	Storage Capacity (MT)
Gasoline 92 Octane	45,390
Illuminating Kerosene	8,624
Auto Diesel	118,522
Fuel oil 1500 Sec. L.S	31,983
<b>TOTAL</b>	<b>204,519</b>

#### **Muthurajawela Petroleum Terminal**

Muthurajawela Petroleum Terminal consists of a Dual Path SPBM, two 18" Pipelines connecting Dual Path SPBM with on-shore facilities, 250,000 m<sup>3</sup> of Petroleum Product Storage capacity and 20 nos. of bowser loading bays.

Dual path SPBM is designed to accommodate 60,000 Dead Weight Tonnage (DWT) tankers and it is connected to on-shore facilities via two 18" Dia. & 7.5km long pipelines each pipeline catering for unloading of Light Petroleum products (Petrol, Diesel & Kerosene) and Heavy Petroleum Products (Low Sulfur Fuel Oil).

Pipelines could accommodate discharge pressure about 10 bars and discharge flow rate about 1250m<sup>3</sup>/hr. 250,000 m<sup>3</sup> of Petroleum Product Storage Capacity could accommodate 70,000m<sup>3</sup> of Petrol, 120,000m<sup>3</sup> of Diesel, 10,000m<sup>3</sup> of Kerosene and 50,000m<sup>3</sup> of Low Sulfur Fuel Oil. Bowser loading facility consists of 20 loading bays which can accommodate 20 bowsers at once and filling rate is about 1500l/min.

During the period from January to December 2015, Muthurajawela Terminal has delivered 409,205.9 m<sup>3</sup> of 92 Octane Petrol, 761,090.8 m<sup>3</sup> of Diesel, 74,385.652 m<sup>3</sup> of Low Sulfur Fuel

and 10424.720 m<sup>3</sup> of Lanka Kerosene. Above delivered amounts of petrol is 34% and Diesel is 44% of the total CPSTL sales.

Muthurajawela SPBM is able to accommodate 60,000 DWT tankers and it can be discharged within 48 hours through 18" pipelines. Advantage of discharging tanker in less time through Muthurajawela SPBM enables minimizing demurrage payable for delays. Also less discharging time makes consumption of less labour hours for the operation.

### 3.2.2.2 Fuel Distribution

Distribution Function of CPSTL undertakes deliveries of bulk products on behalf of two marketing companies i.e. Ceylon Petroleum Corporation (CPC) and Lanka India Oil Company

(LIOC). There are two main terminals at Kolonnawa and Muthurajawela. In order to carry out fuel distribution island-wide, CPSTL operates 11 outstation bulk depots & 01 Inland Rail side Depot (IRD) through rail bogies and road tanker trucks in Kolonnawa & Muthurajawela terminals. Aviation fuel is stored only at Kolonnawa terminal and transferred to BIA Katunayake on daily basis by rail bogies & road tanker trucks. Furnace oil at Kolonnawa terminal is transferred to power plants by pipeline & road tanker trucks.

Kolonnawa terminal receives bulk products from refinery and through imported tankers discharged at Dolphin Pier at Colombo Harbour. Muthurajawela terminal receives only imported cargo discharged through SPBM located approximately 06 km off Kerawalapitiya Coast.

**Table 3.6 Bulk products sales at Kolonnawa & Muthurajawela - 2015**

Products	Distribution Channel	Total Volume (KL)	Grand Total (KL)
Gasoline 92 Oct	Wagon(W)	0.00	722,766.00
	CPSTL(C)	155,895.30	
	Hired(H)	446,047.80	
	Collection(X)	120,822.90	
Lanka Auto Diesel(LAD)	W	38,368.35	1,104,829.28
	C	83,486.70	
	H	748,290.50	
	X	169,715.70	
	Pipe line (Power plant)	64,968.03	
Lanka Kerosene & Industrial Kerosene (LK& IK)	C	8,547.00	85,829.70
	H	60,852.00	
	X	16,430.70	
Lanka Furnace Oil (LFO)	W	395.55	223,187.72
	C	3,722.40	
	H	19,021.20	
	X	123,684.00	
	Pipeline (Power plant)	76,364.57	
Lanka Super Diesel (LSD)	CPSTL(C)	7,213.80	58,891.80
	Hired(H)	44,239.80	
	Collection(X)	7,438.20	
Gasoline 95 Oct	C	20,090.40	133,617.00
	H	100,907.40	
	X	12,619.20	
Jet A-1	W	0.00	5,044.30
	C	5,044.30	

<b>X Tra Mile</b>	H	0.00	78,934.20
	X	0.00	
	W	0.00	
	C	495.00	
	H	7,339.20	
	X	0.00	
<b>Lanka Solvent(SBP)</b>	W	0.00	1,557.60
	C	1,056.00	
	H	501.60	
	X	0.00	
<b>Total</b>	W	38,763.90	2,343,557.60
	C	285,550.90	
	H	1,427,199.50	
	X	450,710.70	
	Pipeline (Power plant)	141,332.60	

**Table 3.7 Bulk products sales at bulk depots - 2015**

Depots	Distribution Channel	Total Volume (KL)	Grand Total (KL)
	CPSTL(C)	61,274.40	
Anuradhapura	Hired(H)	56,073.60	134,026.20
	Collection(X)	16,678.20	
	C	29,911.20	
Badulla	H	33,396.00	66,514.80
	X	3,207.60	
	C	77,107.80	
Batticaloa	H	0.00	77,107.80
	C	0.00	
	C	77,741.40	
Galle	H	57,624.60	137,220.60
	X	1,854.60	
	C	32,775.60	
Happutala	H	27,911.40	60,687.00
	X	0.00	
	C	64,693.20	
Kankasanthurai	H	1,306.80	67,749.00
	X	1,749.00	
	C	53,895.60	
Kotagala	H	970.20	55,651.20
	X	785.40	
	C	52,872.60	
Kurunagala	H	101,996.40	183,869.40
	X	29,000.40	
	C	50,292.00	
Matara	H	81,213.00	135,636.60
	X	4,131.60	
	C	140,764.80	
Peradeniya	H	21,146.40	163,006.80
	X	1,095.60	
	C	22,367.40	
Sarasaviyana	H	46.20	22,413.60
	X	0.00	
	C	99.00	
IRD Vavuniya	H	25,396.80	25,495.80
	X	0.00	
Total	CPSTL(C)	663,795.00	1,129,378.80
	Hired(H)	407,081.40	
	Collection(X)	58,502.40	

### 3.2.2.3 Laboratory Services

CPSTL's Laboratory is responsible for quality controlling and quality assurance of all the petroleum products available in Sri Lanka. This will be carried out in accordance with international standards such as ASTM, IP, ISO & UOP.

- 1) Laboratory Income
  - i. Testing of Import Cargoes - Rs. 14.67 million
  - ii. Testing of Customer samples - Rs. 11.36 million
- 2)
  - i. No. of Import Cargoes tested
    - ❖ Imported by CPC - 53 Nos.
    - ❖ Imported by LIOC - 17 Nos.
    - ❖ Imported by JCT Oil Bank - 62 Nos.
  - ii. No. of Export Cargoes tested – 10Nos.
  - iii. No. of Shore Tank samples tested – 690 samples
  - iv. No. of After Cargo samples tested – 248 samples
  - v. No. of Muthurajawela samples tested – 209 samples
  - vi. No. of Customer samples tested – 244 samples
  - v. No. of other samples tested – 27 samples

In order to provide an advanced laboratory service, tenders were called for purchasing of new lab test equipment such as High Frequency Reciprocating Rig, Inductively Coupled Plasma Spectrophotometer and Sulphur Analyzer for Gas Oil 10 ppm.

### 3.2.2.4 Information Technology

Information Technology Function of Ceylon Petroleum Storage Terminals is the main IT hub for the downstream petroleum industry in Sri Lanka. It continues the highly important Enterprise Resource Planning (ERP) services to the three organizations Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminals Limited and Lanka IOC Pvt Ltd to carry out their business activities uninterrupted. Accordingly, CPSTL IT function had to carry out the following tasks successfully during the year 2015.

- Keeping the Data Centre Operations 24X7X365 hours active for business activities

- Provided ERP end-user support to users of CPC, CPSTL and LIOC
- Generated the permanent Payrolls and other payments of CPSTL and CPC for over 6,000 employees
- Generated the Casual Payrolls of CPSTL and CPC
- Provided continued user support for Desktops/Printers/Laptop/Network users of CPSTL
- Provided network communication infrastructure enhancements to user function requirements
- Provided new requirements for Desktops/printers/Laptops complying with latest technology for CPSTL
- Provided a solution to compute distances to marketing companies (CPC, LIOC) dealers from the delivery location accurately via Google maps thus saving considerable sum of money to marketing Companies
- Initiated the process of converting the manual CPC/CPSTL Thrift Society Financial Operations under the ERP system and completed 75% of work in year 2015
- Provided User training to ERP users of the 3 companies
- Maintained the Annual Maintenance Contracts with service providers in order to keep all critical Data Centre and end user equipment in optimum condition
- Initiated work on the Tri Party agreement for ERP services to CPC and LIOC
- Initiated work to resolve outstanding ERP issues faced by marketing companies
- Tendering process completed for the Disaster Recovery Management Centre (DRMC) solution for CPSTL Data Centre operations, but not successful in offering the contract

### 3.2.2.5 Current Developments

1. Conversion of Three Diesel Storage tanks into Petrol Storage Tanks  
Increase of Petrol Storage tanks has improved petrol storage capacity from 30000 m<sup>3</sup> to 60000m<sup>3</sup>. This conversion has improved enabled petroleum import and distribution flexibility.
2. Gantry Capacity Improvement  
Under the Muthurajawela gantry improvement program, gantry loading capacity will be revised to match with the current demand. Therefore Kerosene bowser filling facility which was lost under Stage 1 modifications will be

restored and Petrol and Diesel bowser filling capacity will be increased.

Above modifications will be able to bring following benefits.

- i. Delivering of product capacity can be increased and more Oil Tankers can be unloaded to Muthurajawela terminal which is cost effective for the country.
  - ii. Reintroduction of Kerosene Loading bays enables delivering products loads from Muthurajawela. This is essential for increasing flexibility of delivering products from Muthurajawela Terminal.
  - iii. Reintroduction of Kerosene Loading bays enables maximum utilization of storage tanks as existing Kerosene tanks will not be idled.
  - iv. Introduction of additional 4 nos. of diesel loading arms has increased diesel bowser filling capacity in 33%. (ex : about 32 nos. of 33,000 Litre capacity bowsers can be delivered in addition to existing deliveries within 8 hours period).
3. Infrastructure Improvements
- Infrastructure facilities in the Muthurajawela Terminal are in very limited amount and currently following actions have been taken to improve them to facilitate increase of petroleum product

deliveries from the Muthurajawela terminal. Estimated cost for the following developments will be 250 Million Rupees.

- i. Construction of Two Storey building to provide additional space for Material Stores, Mechanical Engineering Workshop, Civil Engineering Workshop, Conference hall etc.
- ii. Construction of Motor Bicycle and Car park to provide shelter for vehicles of employees.
- iii. Construction of shelter for CPSTL owned bowsers, Light vehicles and newly procuring vehicles including Boom Truck and Gully Bowser to protect them from blowing wind with moisture and salt.
- iv. Toilet facilities for CPSTL Staff, Customers and private bowser crew.
- v. Bachelors' quarters and family quarters for CPSTL staff as currently there is no such facilities.
- vi. Improvement of canteen building by increasing capacity and facilities.
- vii. Construction of roofs above Main gate, Bowser entrance gate and Bowser exit gate to enable vehicle and bowser inspection even on bad weather conditions.
- viii. Construction of elevated platforms connecting loading bays to improve bowser inspection efficiently.

## 3.2 Accounts

Table 3.8 **Income Statement**

	Unaudited as at 31.12.2015 Rs.	Audited as at 31.12.2014 Rs.
<b>Operating income</b>		
Throughput income	9,138,472,024	8,600,246,034
Direct expenses	(3,576,928,635)	(3,326,607,421)
Net throughput income	5,561,543,389	5,273,638,613
Net transport loss	(524,239,295)	(473,824,547)
Net bunkering income	986,062	80,817,933
<b>Gross profit</b>	<b>5,038,290,156</b>	<b>4,880,631,999</b>
Other income	487,425,876	478,401,111
	5,525,716,032	5,359,033,111
Administrative expenses	(3,799,843,154)	(3,199,260,439)
<b>Operating profit</b>	<b>1,725,872,878</b>	<b>2,159,772,671</b>
Finance income	25,810,176	28,697,145
Profit before taxation	1,751,683,053	2,188,469,816
Income tax expense	(247,871,195)	(275,168,370)
<b>Profit for the year</b>	<b>1,503,811,858</b>	<b>1,913,301,446</b>
<b>Other comprehensive</b>		
Actuarial gain/(loss) from retirement benefit		
obligation - net of tax	37,093,073	(39,997,151)
<b>Total comprehensive income for the year</b>	<b>1,540,904,931</b>	<b>1,873,304,295</b>
Basic earnings per share	2.01	2.55

Table 3.9 Balance Sheet - 2015

	Unaudited as at 31.12.2015 Rs.	Audited as at 31.12.2014 Rs.
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	16,687,409,916	17,288,424,791
Intangible assets	17,349,660	47,357,518
	16,704,759,576	17,335,782,309
<b>Current assets</b>		
Inventory	328,836,431	368,093,240
Amount due from related parties	6,242,682,261	7,550,620,192
Trade and other receivables	14,474,064	13,111,323
Deposits, prepayments and advances	945,017,724	744,584,308
Staff loans and advances	2,298,604,123	1,587,504,861
Current tax asset	39,789,882	173,408,613
Cash and cash equivalents	747,965,921	1,910,196,377
	10,617,370,405	12,347,518,915
<b>Total assets</b>	<b>27,322,129,981</b>	<b>29,683,301,223</b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Stated capital	7,500,000,000	7,500,000,000
Capital reserve	979,000,000	979,000,000
Retained earnings	13,043,765,510	11,502,860,579
<b>Total equity</b>	<b>21,522,765,510</b>	<b>19,981,860,579</b>
<b>Non-current liabilities</b>		
Retirement benefit obligation	1,385,634,331	1,342,304,309
Deferred tax	607,234,620	492,982,156
Interest bearing borrowings	1,398,850,855	2,172,355,481
	3,391,719,805	4,007,641,947
<b>Current liabilities</b>		
Amount due to related parties	617,488,508	3,703,463,451
Trade and other payables	1,008,496,031	920,427,952
Interest bearing borrowings	781,660,127	1,069,907,294
Current tax liability	-	-
	2,407,644,666	5,693,798,698
<b>Total equity and liabilities</b>	<b>27,322,129,981</b>	<b>29,683,301,223</b>
<i>Net assets per share (Rs.)</i>	<i>28.70</i>	<i>26.64</i>

## 4. PETROLEUM RESOURCES DEVELOPMENT SECRETARIAT

### VISION

To ensure that all Sri Lankans benefit from the petroleum resources of the country by managing the industry in an equitable, safe and environmentally sustainable manner.

### MISSION

Design and monitor fiscal regimes that meet the country's evolving economic needs, matching them with a stable, efficient regulatory framework that attracts investment and encourages knowledge transfer, until the last economic reserves are produced.

## Overview

Petroleum Resources Development Secretariat (PRDS) established under the Petroleum Resources Act No. 26 of 2003, is the administrator of petroleum exploration and production operations in Sri Lanka. The PRDS works under the policy directive of the Petroleum Resources Development Committee (PRDC) which is chaired by the Secretary to the Ministry of Petroleum Resources Development and comprising Secretaries of several Ministries and key institutional Heads.

The PRDS has been tasked by the Hon. Minister of Petroleum Resources Development with attracting and managing investment in the upstream oil and gas sector efficiently, effectively, transparently and equitably and with due consideration to the country's environmental and cultural heritage. Legislation is therefore being formed that will make the PRDS an independent and autonomous statutory body, empowered to regulate the country's growing upstream industry.

Cairn Lanka (Pvt) Ltd relinquished their exploration block in the Mannar basin on October 2015, after seven years of exploration partnership with the GoSL based on a policy decision taken by the parent company. They have already spent around US\$ 235 million for this project and left GoSL with valuable assets, including all petroleum data acquired by them in land block M2. In addition their local content component is exceeding 11% of the total exploration cost and they immensely contributed to develop local capabilities in the upstream petroleum sector.

Volumetric analysis of Cairn's two discoveries Dorado and Baracuda has indicated a combined potential reservoir capacity in excess of 2 TCF (trillion cubic feet) of natural gas and 10 million BBL (barrels) of condensate. Of the two discoveries, 300 BCF (billion cubic feet) natural gas and 2 million BBL condensate are found within the smaller and simpler Dorado reservoir, which leads itself to early production after appraisal. The larger Barracuda discovery needs further appraisal to refine.

As Cairn has already relinquished their block, the current challenge of the PRDS is to find a suitable investor to further explore and develop the identified oil and gas reserves. If this natural gas

potential is timely tapped and proven to be commercially viable, the commercial operations in the M2 block could be expected to commence in 2020.

If the natural gas commercialization programme is successful it will help Sri Lanka to reduce her dependency on imported fossil fuel to a great extent, and discussions are going on with relevant authorities to induct local gas and condensate into Sri Lanka's energy mix. The direct revenue streams with respect to domestic gas derived from the current fiscal regime are taxation, production share, equity participation, bonuses, levies & other fees and local expenditure by foreign companies etc.

### 4.1 Performance

#### Cabinet Approvals

During 2015, the PRDS was able to obtain the following important Cabinet approvals which will help to start the process of developing Cairn's natural gas discoveries and accelerating the exploration process in Mannar and Cauvery basins.

- Cabinet of Ministers has appointed a CANC and TEC to select a suitable investor to develop hydrocarbon discoveries in block M2 - The marketing round will be started in the 2<sup>nd</sup> quarter of 2016.
- Cabinet approval was granted to evaluate the bids received for the second Licensing Round which ended in November 2013 - The CANC and TEC appointed for this task expected to evaluate and negotiate the bids submitted for blocks C2 and C3 in the Cauvery basin on a priority basis after which GoSL plans to enter into a PRA (Petroleum Resources Agreement) with the contractor.
- Cabinet approval was also granted to enter into a Joint Study Agreement (JSA) with Total E & P Activites Petroliers, the French oil company, to carry out preliminary exploration studies in two ultra-deep water blocks located off the east coast - The terms and conditions of this agreement were negotiated and agreed during 2015 and it will be signed in February 2016.

- Cabinet approval was granted to enter into an agreement for modern reprocessing and imaging of Mannar 2D data with Western Geco Seismic Holdings Limited and an Airborne Gravity Magnetic Survey with ARKeX Ltd on multi-client basis – The onward actions are being taken to sign the agreements.

#### Other Activities

- **National Capacity Building** – Petroleum sector education development and local supply chain training have been given priority with a view to progressively increasing local participation in the country's upstream petroleum activities, by a variety of academic and curriculum building exercises resulting in new course modules in two Sri Lankan universities for 2015/16.
- **Environmental Protection** – An island-wide research study to gather marine environmental baseline data to support future petroleum activities (Desk Top Study) has been launched in conjunction with the National Aquatic Research Agency (NARA).
- **National Gas policy** – The policy is under formulation to induct as much domestic natural gas as possible into Sri Lanka's economy by targeting all sectors.
- **Legislation** – Continued with the documentation and discussions with respect to the final draft of the new petroleum bill with a view to improve governance and efficiency by clearly separating the functions of regulations, policy formulation and operation.
- **International Relations Front** – Several reputed international and national oil and service companies held discussions with the PRDS on potential exploration and investment collaborations. Several of them visited the PRDS data room during this period and some companies have

purchased various quantities of Sri Lankan data. In addition, several PRDS staff members were given the opportunity to represent the country at major global oil and gas conferences as panelists and speakers.

#### 4.2 Future Prospects in the Field of Oil and Gas Exploration

Up to now twenty offshore blocks have been demarcated in sedimentary basins around Sri Lanka for upstream petroleum operations, nine of which are located in the Mannar basin, five in the Cauvery Basin and six in the Eastern and Southern offshore areas. While the Cauvery basin is a proven producer on the Indian side, the PRDS is currently conducting in-house studies on evaluating the full potential of the Mannar basin. However, enhancing the PRDS data catalogue is essential to have a better understanding on our sedimentary basins in order to mitigate the technical risk. To overcome this constraint, the PRDS planned to acquire modern and technologically advanced data on a multi-client basis.

The PRDS will make arrangements to award the ex-Cairn M2 block by the end of 2016 to a suitable investor to develop the two gas discoveries, and carry out further exploration. At the same time the PRDS is planning to launch another marketing campaign to award the remaining exploration and Joint Study blocks to interested oil and gas companies. This exercise will help PRDS to increase upstream petroleum activity in Sri Lanka with the possibility of multiple blocks operated by a diverse group of exploration and production companies. The substantial growth of the industry will be beneficial for local offshore service providers immensely.

In order to build medium and long term technical capacity to meet the demand for geoscientists and petroleum engineers for the local and global petroleum industry, the PRDS and the UGC are jointly facilitating at least in two major Sri Lankan Universities to commence Petroleum Geosciences and Engineering courses at undergraduate and post graduate levels.

## 5. POLIPTO LANKA (PVT)LTD

### VISION

To be the most recognized waste to energy converting enterprise in Asia

### MISSION

To commercialize the novel Sri Lankan invention that enables the conversion of waste plastics to user friendly petroleum products simply, safely and profitably to conserve the environment and to reduce the cost of importing crude oil to Sri Lanka together with the exploring all avenues in promoting inventions in the related areas.

## OBJECTIVES

### PRIMARY OBJECTIVE

- To minimize the haphazard disposal of waste plastics to the environment by converting waste plastics to fuel

### SECONDARY OBJECTIVES

- To produce valuable ancillary petroleum products [as this fuel has been tested and approved for direct power generation & perceive probability with more research to develop as an economical fuel]
- To make a reduction in foreign exchange on imported petroleum fuel in the long run.
- Self-employment opportunities as waste plastic collectors apart from the direct employment opportunities.
- By recognizing an inventor with proper return for his invention and the intellectual property rights being converted to a national asset. The invention to be valued and marketed in the global arena.
- To take this new model to the younger generation to get more and more involved in innovative thinking and inventions.
- To conduct further research and development studies on the possibility of producing other ancillary petroleum products and on improving the fuel produced through the plastic-fuel conversion process to be used as an economical fuel on light motor vehicles.

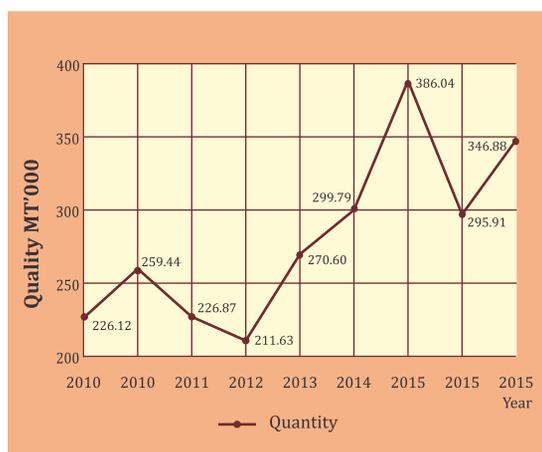
## KEY PERFORMANCE INDICATORS

- Stop releasing waste plastic to the environment at least by 660,000 kg per annum.
- Save import cost of fuel and save foreign exchange at least by Rs. 30 million per annum, if 0.8 liter of fuel can be extracted from one kilogram of plastic
- Provide at least direct 40 employment opportunities to the Sri Lankans and sustain 40 families during the 1<sup>st</sup> year of operations.

## 5.1 Introduction

Polipto Lanka (Pvt) Ltd is a limited liability company incorporated in year 2009 under the Companies Act No. 07 of 2007 as per cabinet decision taken on 30<sup>th</sup> July 2009 to carry out the project of Converting Unclean, Unsorted Waste Plastic into Petroleum Fuel. It's a national project approved by the Department of National Planning. The company is presently functioning under purview of the Ministry of Petroleum Resources Development.

**Graph 5.1 Plastic imported into the country**



According to the statistics available, Sri Lanka is annually importing around 350,000 metric tons of virgin plastic pellets out of which only 10 percent leaves the country in different types of exported goods. The other 90 percent remains in the island. Eventually more than 90% of this waste will be disposed haphazardly to the environment adding more problems to the already polluted environment while less than 10% is mechanically recycled. Graph 5.1 above depicts the statistics of plastics imported into the country. A report released by the International Business Times ranks Sri Lanka as the fifth largest polluter of plastic to the ocean in 2010 with large quantities dumped into the sea every year.

In Sri Lanka the local government authorities collect nearly 3500MT of garbage daily. The Colombo Municipal Council alone collects about 750MT daily. The waste plastic content in the garbage stream is around 6% to 7%. Therefore nearly 210MT to 245MT of plastics are disposed to the environment daily as garbage, eroding soil and as a threat to the bio diversity.

Even in the United States of America the scenario is not that different. 31 million metric tons of plastic waste was generated in 2010, representing 12.4 percent of total municipal solid waste out of which 7% is mechanically recycled and another 8% is being used for waste to energy projects. Hence USA too disposes over 26 million metric tons of plastics haphazardly to the environment annually.

## 5.2 Initialization of Polipto Lanka (Pvt) Ltd

National Post Consumer Plastic Waste Management Project of Central Environmental Authority (CEA) in year 2009 initiated the Plastic-Fuel Conversion Project in their endeavor to find solutions to the environment and social problems created within the country due to haphazard disposal of waste plastics into the environment. Mr. N W Ananda Withanage, an inventor from Yatiyanthota who had revolutionized a method to convert unclean unsorted waste plastics back to petroleum fuel which CEA was eager to proceed with. Progressing further on the concept, a team from CEA visited the Department of Chemical & Process Engineering (DCPE) of University of Moratuwa (UOM) and had a meeting with Head, Dr. Jagath Premachandra, Dr. Shantha Amarasinghe and Dr. Shantha Walpolage on 06<sup>th</sup> October 2008.

A team from DCPE who had capabilities and interests on a project of this nature visited Mr. Withanage's plant at Yatiyanthota on 08<sup>th</sup> October 2008 to study the process in detail. The process was examined comprehensively and a report was submitted, containing a summary of process description, technical and financial feasibility, safety and environment aspects, Research & Development (R&D) requirements and recommendations. It was observed that Mr. Withanage uses a special compound to aid the cracking and has the ability to change the composition of the products by controlling the time, temperature and the pressure. The consultants at UOM suggested carrying out a pilot project to verify the environmental feasibility, commercial viability, and chemical stability of the said process. Considering the sensitivity of the exposure to the intellectual property related issues, it was decided to sign a Joint Venture Agreement and to incorporate a limited liability company with the following shareholding structure.

- ❖ CEA/its successor - 60%
- ❖ Mr. N W Ananda Withanage - 30%
- ❖ University of Moratuwa - 10%

Accordingly a tri-party agreement was signed between CEA, UOM and Mr. Withanage in February 2009 embarking on a pilot project to fabricate a pilot plant that converts waste plastic into fuel. The proposal was to carry out the pilot project at a total cost of Rs.12.5 million embarking on the project and after successful completion of same a commercial venture to be implemented at a total cost of Rs. 100.0 million.

In July 2009 with the approval of the Cabinet of Ministers a limited liability company was incorporated by the name of Polipto Lanka (Pvt) Ltd comprising the above share structure and with the consent of the Treasury. The Board of Directors of the company comprised of representatives from CEA, UOM, Inventor, CPC and Treasury.

The pilot project was completed in December 2010 and consultants at the University of Moratuwa concluding the outcomes of the pilot project clearly indicated that the plastic-fuel conversion process invented by Mr. Withanage is technically, environmentally and economically viable but commercialization of the process needs to be done in two stages as in the case for many other well established chemical processes. As per the recommendation of the consultants at UOM a demonstration plant with about 10 times scaling factor to the pilot plant, was embarked as a semi commercial project. Due to the unique nature of the plant, setting up bench marks to forecast the costs of the project was not easy. Although the pilot plant was proposed to be completed with Rs.12.5 million by the time of completion the cost had arisen to Rs.26.0 million. Similarly, although the project cost of the commercial venture was forecast to be Rs.100.0 million, at the inception, with the experience gained at the pilot project, it was reasonably estimated that Rs.191.0 million would be needed to design and fabricate the semi commercial plant.

The project proposal was then submitted for approval for the Department of National Planning (NPD) and approval for the same was granted in April 2013. The NPD also approved the total project cost of Rs.217.0 million (i.e Rs. 26.0 million for the pilot project and Rs.191.0

**Table 5.1 Funds released from the Treasury**

Year	Amount in Rs. Million for semi commercial project
2011	17.2
2012	38.2
2013	20.0
2014	50.0
2015	50.0
<b>Total</b>	<b>175.40</b>

million for the semi commercial project). Depicted in Table 5.1 are the funds released from the Treasury for the semi commercial project.

Since this is a local invention and the total project is funded by the Government of Sri Lanka, the Board of Directors decided to hire two government entities to carry out the plant fabrication and the required infrastructure development. Accordingly the services of the Government Factory Kolonnawa and the State Development & Construction Corporation were obtained to carry out tasks respectively. Thereby the Company envisaged exhibiting to the country that as a nation we can invent modern technologies without getting the foreign consultancies as the Sri Lankan heritage has proved that we can stand on our feet as a nation.

The biggest challenge was to find a suitable location for the commercial operations, which included the refinery process. After obtaining the most difficult environmental protection certificate for a refinery process, the company managed to secure an 11 acre land plot from the Board of Investment at Export Processing Zone at Horana by July 2011. Then it took little over one year to complete the plant design and the engineers' estimate. One can argue why it took so long to make a plant design. The plant design being totally innovative with no comparative work to relate to, the company believes that this delay on the part of the UOM is excusable in the interests of caution and design perfection.

The semi commercial plant is expected to convert 1000 MT of unclean waste plastics per year into fuel and could be expanded to convert

6000 MT of haphazardly disposed waste plastics per year into fuel when the commercial plant is established.

The first batch trial of semi commercial plant was made on 07<sup>th</sup> May 2014, clearing any doubts and pre-conclusions amongst authorities that this conversion process is not possible because our technology is not freely available in the world. The Industrial Technology Institute (ITI) tested both liquid and gaseous fuel where the test results are very encouraging. However any further operations were not done until the essential safety requirements were installed at the plant.

### 5.3 Present Status

On 03<sup>rd</sup> September 2015 the semi commercial plant was inaugurated. This plant can be presented as an invention made as a Sri Lankan innovation. There are 31 components in the plant designed and fabricated locally. In fact, the company could not find any similar plant with similar components to be compared the world over. Each of these 31 components were carefully tested one by one before commencing operations. However this being an invention, if any issue arises the company has to find solutions mostly with design changes and modifications. Therefore the expert views are that the smooth and continued running may not take place at the initial stage and more development and upgrading would require.

- As per the final report from M/s. Uni Consultants of University of Moratuwa, It is suggested to proceed with a minimum of 3 years operation out of 5 years' operating program with the same conditions under close supervision and monitoring.

At the beginning of the year 2016 the new management inspected the plant and studied the

status. Consequently, the company made some tactical strategies to commence the plant and to proceed at least with a partial production with the prevailing conditions until it develops to the full capacity production.

At the commissioning of the plant on 03<sup>rd</sup> September 2015 and onwards, the total production was 7,000 liters until 31<sup>st</sup> December 2015. With the current operation of the semi commercial Plant [Demonstration Plant] 250 kg of the plastic-polythene waste is being used daily for conversion and producing approximately 800 liters of POLIPTO fuel from January 2016.

As to date – 8<sup>th</sup> May 2016 from 5<sup>th</sup> of January 2015, the total production of POLIPTO Fuel is 35,000 liters. After completing the ongoing upgrading modification [anticipated date to complete the modification at the end of June 2016] to the existing semi commercial plant, based on the recently found and based on some observation activities during the research & development action, it is expected to use 625Kg of the plastic-polythene waste daily and convert to 2000 liters of POLIPTO fuel.

With this production, the said conversion caters to approximately 1.2% of the Colombo Municipal Council collection of Plastic -Polythene waste quantity [i.e.,  $625\text{Kg} \div 7\% \text{ of } 750,000\text{Kg} \times 100$ ] which has been taken as the "Waste Plastic - Polythene content in the garbage stream is around 7%"; and the Colombo Municipal Council alone collects approximate garbage quantity of about 750MT [750,000 Kg] daily.

It is further observed with the experiences and acquaintances gained during the performance of on-going process that, to build a similar production capacity plant newly would not cost that much comparatively with the cost incurred on the establishment of existing plant.

## 5.4 Accounts

Table 5.2 **Income Statement 2015**

Description	2015 Rs.	2014 Rs.
<b>Revenue</b>	-	-
Cost of Sale	-	-
<b>Gross Profit</b>	-	-
Add:- Other Income	570.00	2,398.00
<b>Total Operating Income</b>	<b>570.00</b>	<b>2,398.00</b>
Less :- Operating Cost		
Administrative Cost	15,605,984.00	17,416,857.00
Distribution Cost	-	-
<b>Net Profit from Operation</b>	<b>15,605,984.00</b>	<b>17,416,857.00</b>
Finance Income	-	-
Finance Cost	8,375.00	5,250.00
<b>Net Profit Before Taxation</b>	<b>15,613,789.00</b>	<b>17,419,709.00</b>
Taxation	-	-
<b>Net Profit / Loss for the year</b>	<b>15,613,789.00</b>	<b>17,419,709.00</b>
<b>Earnings Per Share (E P S)</b>	<b>1,561,378.90</b>	<b>1,741,970.00</b>

Table 5.3 Financial Statement 2015

Description	2015 Rs.	2014 Rs.
<b>Assets</b>		
<b>Non-current assets</b>		
Property, Plant & Equipment	14,571,329.02	8,464,462.00
Intangible Assets	75,027,111.00	75,047,103.00
Work In Progress	73,032,917.00	58,412,606.00
	162,631,357.02	141,924,171.00
<b>Current Assets</b>		
Inventories	2,240,178.00	2,240,178.00
Deposits, Pre payments & Advances	7,094,761.93	2,411,277.00
Cash and cash equipments	8,206,575.00	4,703,428.00
	<b>17,541,514.93</b>	9,354,883.00
<b>Total Assets</b>	<b>180,172,871.95</b>	<b>151,279,053.00</b>
<b>Equity &amp; Liabilities</b>		
<b>Equity</b>		
Stated Capital	100	100.00
Capital Employed by Government	112,499,940.00	112,499,940.00
Capital Reserve	74,999,960.00	74,999,960.00
Retained Earnings	71,703,848.00	56,083,559.00
	115,796,152.00	131,416,440.00
<b>Non-Current Liabilities</b>		
Loan from Government	59,219,984.00	16,149,984.00
<b>Current Liabilities</b>		
Creditors & Accrued expenses	3,477,752.00	2,232,473.00
Retention/Deposits Payable	1,678,983.95	1,480,155.00
	5,156,735.95	3,712,628.00
<b>Total Equity and Liabilities</b>	<b>180,172,871.95</b>	<b>151,279,053.00</b>