



# MINISTRY OF PETROLEUM RESOURCES DEVELOPMENT



**Performance Report - 2016**



**Ministry of Petroleum Resources  
Development**

**PERFORMANCE REPORT  
2016**



# CONTENTS

	Page No.
<b>Message from the Hon. Minister of Petroleum Resources Development</b>	<b>v</b>
<b>Message from the Hon. Deputy Minister of Petroleum Resources Development</b>	<b>vii</b>
<b>Preamble by Secretary to the Ministry of Petroleum Resources Development</b>	<b>ix</b>
<b>1. Policies, Programs and Projects</b>	<b>1</b>
<b>2. Imports of Petroleum Products</b>	<b>8</b>
<b>3. Storage and Distribution of Petroleum Products</b>	<b>10</b>
<b>4. Sales of Petroleum Products</b>	<b>14</b>
<b>5. Infrastructure Development</b>	<b>22</b>
<b>6. Petroleum Exploration and Development</b>	<b>26</b>
<b>7. Conversion of Waste Plastics into Fuel</b>	<b>29</b>
<b>8. Pricing of Petroleum Products</b>	<b>31</b>
<b>9. Institutional Administration</b>	<b>35</b>
<b>10. Accounts</b>	<b>44</b>



# Message from the Hon. Minister of Petroleum Resources Development



It gives me great pleasure to present the “Performance Report – 2016” to Parliament on 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 come under the purview of my Ministry. This report describes the development activities conducted during the year 2016.

The prime objective of the Ministry is to ensure uninterrupted fuel supply to the consumers. For that purpose, several important policies, programs, and projects have been initiated during the reporting period addressing key challenges of petroleum sector in Sri Lanka under the guidance of former Hon. Minister.

As the Minister newly appointed for the subject of Petroleum Resources Development, I assure that all necessary and vital actions will be taken to develop the upstream and downstream petroleum industry in a sustainable manner during my tenure while continuing already planned activities. Initially, the steps will be taken to improve/develop infrastructure facilities such as increasing petroleum storage facilities centrally and regionally, petroleum products transfer pipelines and refurbishment and expansion of oil refinery at Sapugaskanda which are the top priorities to ensure the energy requirement of the country. In addition, endeavors will be taken to change the accumulated loss-making situation by strengthening the financial capability of Ceylon Petroleum Corporation as a strategic public enterprise by introducing different profit-making business ventures.

I presume that Hon. Deputy Minister, Secretary to the Ministry and other officials, Heads of institutions and their officials and Boards of Directors will extend their fullest co-operation to uplift the performance of the petroleum sector to a remarkable stage.

**Arjuna Ranatunga, 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 and Polipto Lanka (Pvt) Ltd coordinates the functions, programs and activities in petroleum sector to make Sri Lanka an energy sustainable country. I am very happy to note here that timely important decisions were taken and projects/activities could be implemented during the year 2016 in order to develop the petroleum sector.

Several effective decisions with regard to strengthening institutional capacities, human resources and financial capabilities and implementation of delayed projects were taken to ensure the efficiency and effectiveness of the organizations. I take this opportunity to extend my gratitude to former Minister Hon. Chandima Weerakkody, former Secretary, Mrs. Sudharma Karunaratne for their dedicated support towards the development of the petroleum sector. Moreover, I am sure that newly appointed Minister Hon. Arjuna Ranatunga would extend his fullest co-operation by providing guidance and advice for the development of the upstream and downstream petroleum industry.

Finally, I emphasize that the Ministry of Petroleum Resources Development together with its entities CPC, CPSTL, PRDS and Polipto Lanka (Pvt) Ltd is 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 industry in Sri Lanka presents this report titled “Performance Report – 2016” for the above purpose.

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 year 2016.

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. As the new Secretary to the Ministry of Petroleum Resources Development, it is observed that several productive decisions in the fields of finance, human resources, administration and establishment, auditing, legislation and development have been taken and implemented during the reporting year. Considering the sensitivity of the petroleum sector with the day to day activities of the people and the economy of the country, it is required to handle the activities in a committed and accountable manner.

I hope to carry out the planned activities for 2017 with the blessings of Hon. Minister and Hon. Deputy Minister and expect that the staff of the Ministry as well as the staff of four institutions which come under the purview of the Ministry would extend their continued support to achieve the Ministry’s objectives successfully.

**Upali Marasinghe**  
**Secretary**  
**Ministry of Petroleum Resources Development**



# 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 five main Divisions namely; Administration, Development, Procurement, Finance and Internal Audit 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.



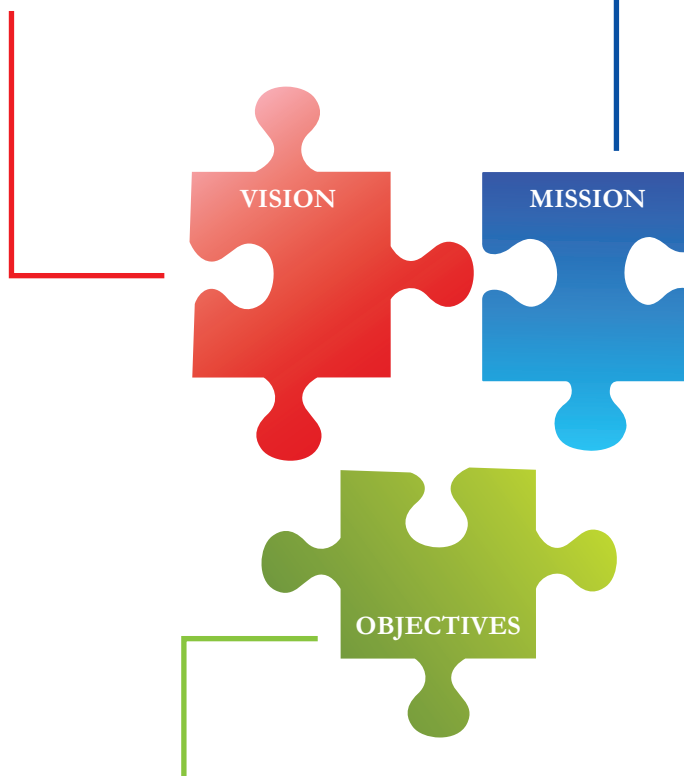
# MINISTRY OF PETROLEUM RESOURCES DEVELOPMENT

## 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.



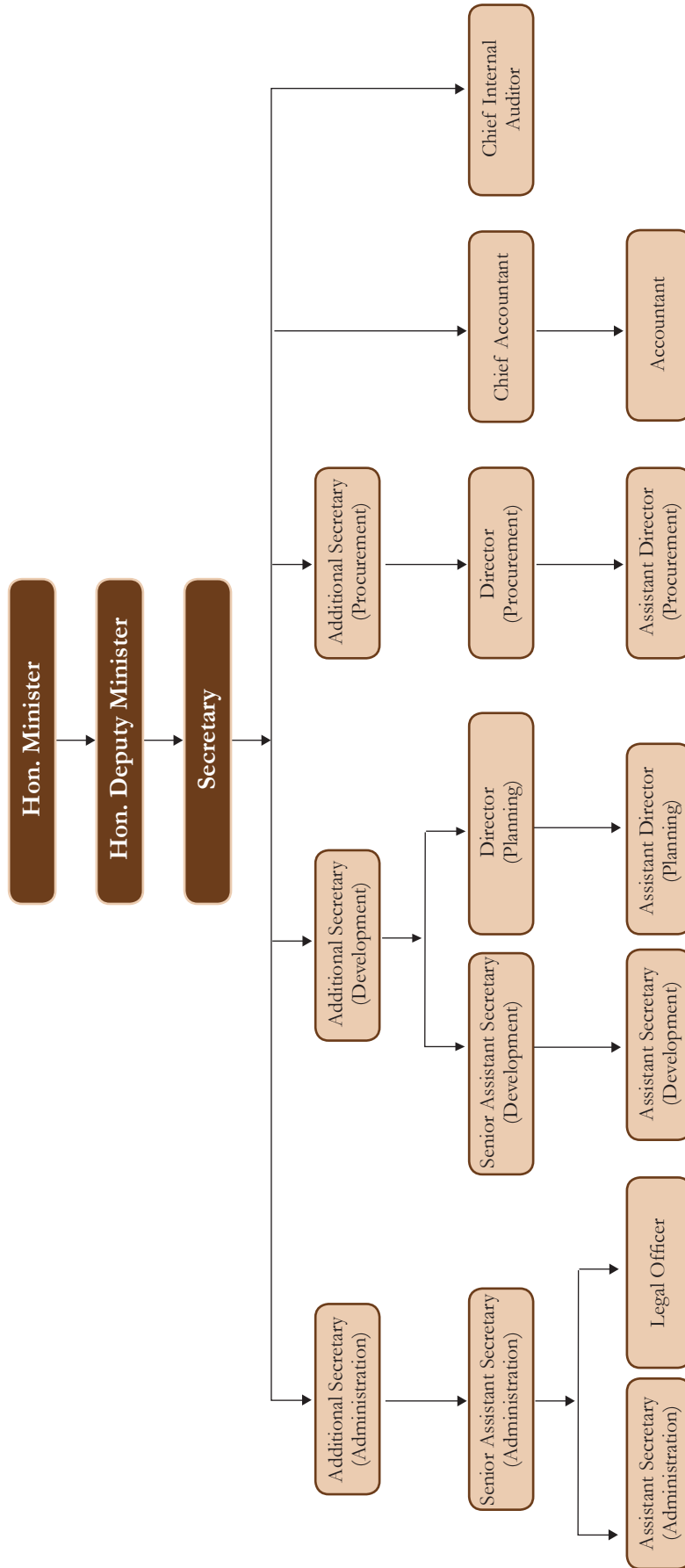
## OBJECTIVES

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





# ORGANIZATIONAL STRUCTURE





## MINISTRY CADRE - AS AT 31<sup>ST</sup> DECEMBER 2016

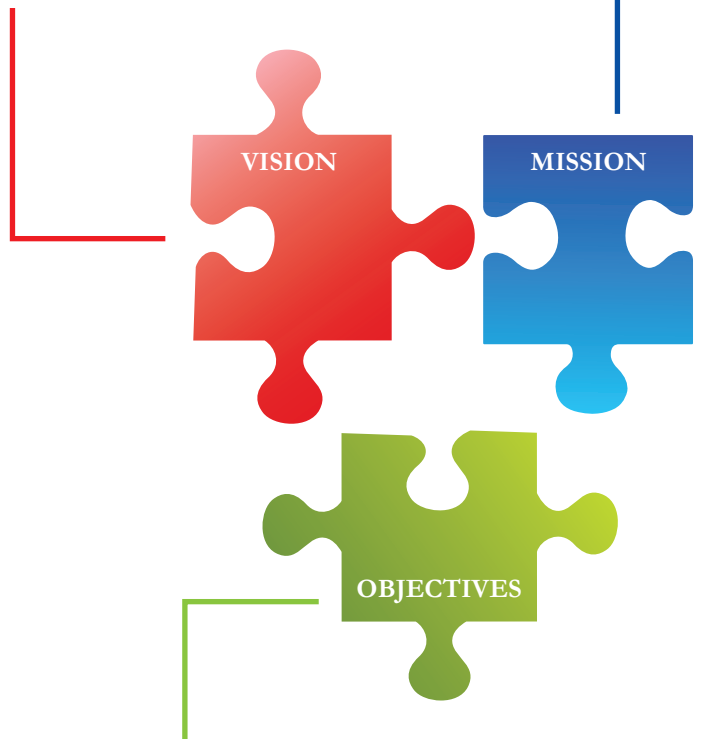
Position	Approved	Existing	Vacant
<b>Senior Level</b>			
Secretary	01	01	-
Additional Secretary	03	03	-
Chief Accountant	01	01	-
Senior Assistant Secretary	02	-	02
Chief Internal Auditor	01	01	-
Director	02	02	-
Assistant Secretary	02	01	01
Assistant Director	02	02	-
Accountant	01	-	01
Legal Officer	01	01	-
<b>Total</b>	<b>16</b>	<b>12</b>	<b>04</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/Officer	20	15	05
Public Management Assistant	27	15	12
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>34</b>	<b>18</b>
<b>Primary Level</b>			
Driver	13	09	04
Camera Helper	01	01	-
KKS	13	10	03
<b>Total</b>	<b>27</b>	<b>20</b>	<b>07</b>
<b>Total</b>	<b>97</b>	<b>67</b>	<b>30</b>



# 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 & 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 & development of the enterprise with total employee participation & innovation, by maintaining high ethical norms in all its activities & with highest concern for health, safety & environment.

## OBJECTIVES

- Retain highest level of market share
- Reach excellence in sales, marketing & 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



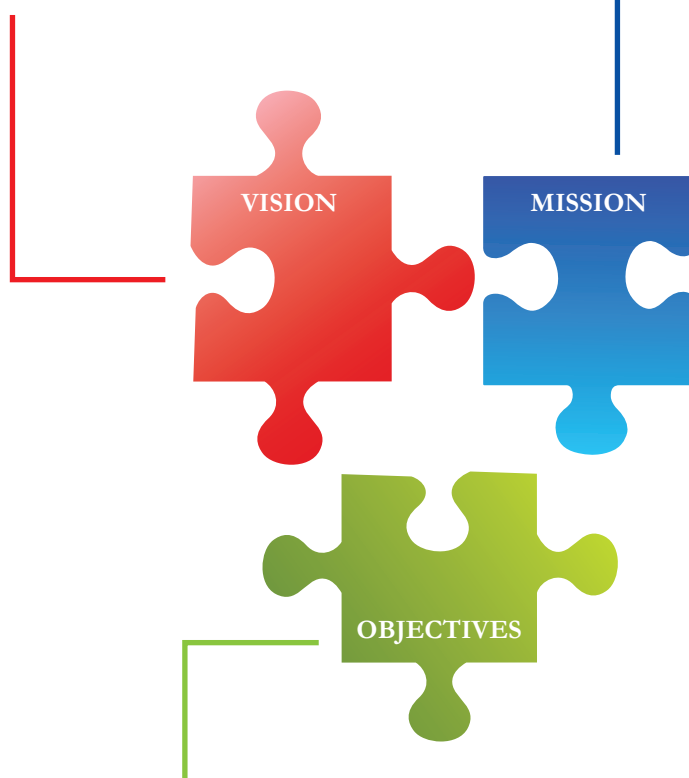
# CEYLON PETROLEUM STORAGE TERMINALS LIMITED (CPSTL)

## 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



## OBJECTIVES

- 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
- Uphold national & social obligations for the betterment of the community
- Institute health, safety & environmental friendly measurement 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.





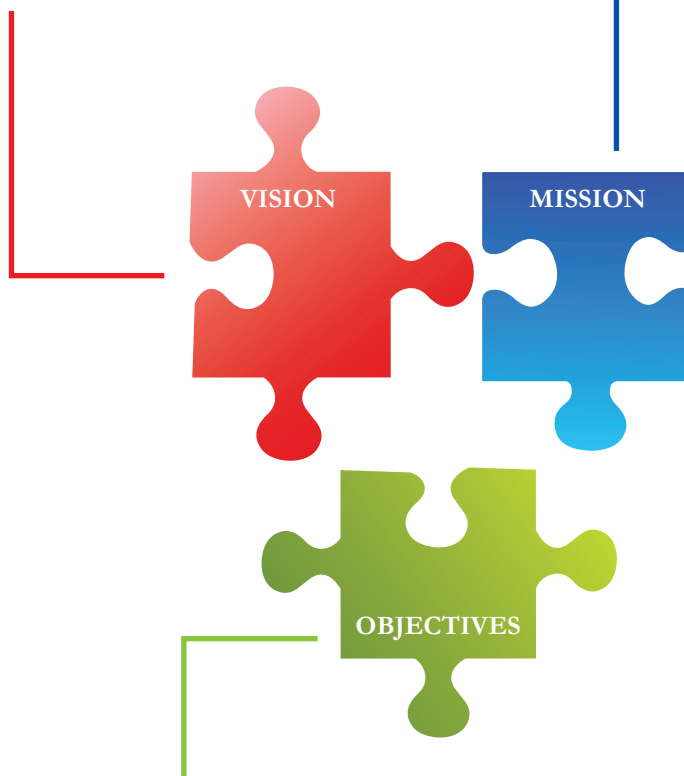
# PETROLEUM RESOURCES DEVELOPMENT SECRETARIAT

## 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



## OBJECTIVES

Exploitation of indigenous oil and gas resources and there by contribution to the tasks of socio - economic development and national energy security attainment.



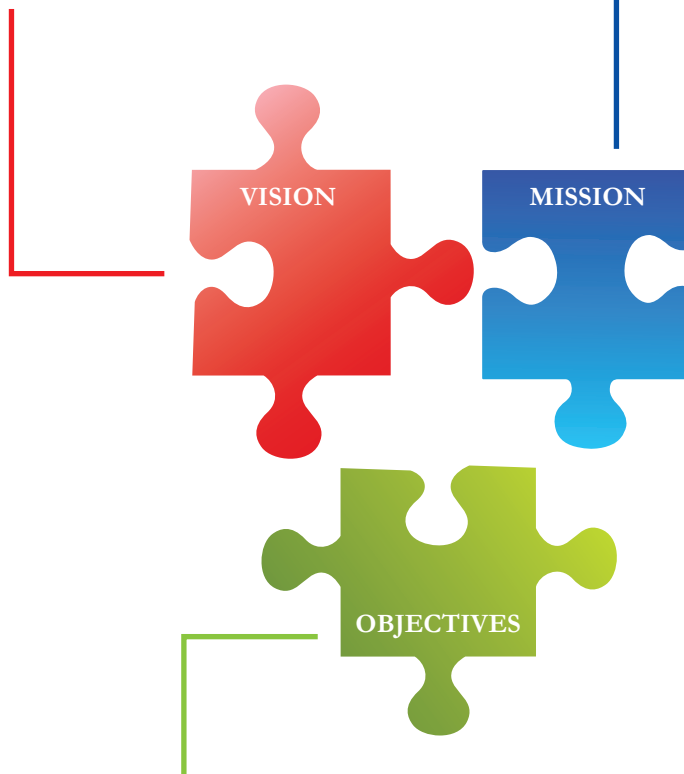
# POLIPTO LANKA (PVT)LTD

## 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

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



## 1. Policies, Programs and Projects

### a) **Formulation of a cost reflective 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 the 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 is around 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 have prevented CPC from investing on very urgent infrastructure developments such as rehabilitation/development of fuel transfer pipe lines, replacement 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 Cabinet 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 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 by 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 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 was deferred by the Cabinet of Ministers for further consideration.

Later on, this matter was taken up for the discussion at Cabinet Committee on Economic Management and a Committee chaired by the Secretary to the Ministry of Finance was appointed by the said Committee at its meeting on 24.08.2016 to study the financial position of CPC and submit a report to the CCEM for further consideration. It is in progress accordingly.

#### **b) Oil procurements**

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

Oil import prices consist 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 purchasing through long-term agreements in most cases. 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 are done where demand fluctuations arise. Measures were also taken

to maintain adequate stock levels and thereby achieve fuel security of the country.

#### **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 oil range and enabling to process heavier crude oil 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 the issues such as United State's 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 Cabinet Committee on Economic Management chaired by the Hon. Prime Minister. As per the instructions given at the said 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 No.15/0958/615/036 dated 15.06.2015 was submitted to the Cabinet of Ministers along with the report which included 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, a Cabinet Memorandum on “Refurbishment and expansion of the existing oil refinery at Sapugaskanda” No.16/0868/746/009 dated 10.05.2016 was submitted to the Cabinet of Ministers and it was referred to the CCEM for its recommendations. The said matter was discussed comprehensively at several CCEM meetings and a committee was appointed at its meeting on 10.08.2016 to study the financial viability of the proposed project. The works are in progress accordingly.

#### **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 piggable 14” dia. pipeline, to lay 01 new piggable 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.

Subsequent to a Cabinet Memorandum No. 16/0785/746/002-I dated 28.04.2016 based on the said scope of work, Cabinet decision dated 10.05.2016 has been granted to proceed with the project on G-G method with 100% financing on EPC turnkey basis by obtaining only one comprehensive proposal from each country of United States of America, People’s Republic of China, Republic of India and Government of Malaysia recommended by the respective Emabassy/ High Commission.

Accordingly, the procurement process is in progress and Request for Proposals received from those countries are being evaluated. In the meantime, a Cabinet Memorandum No. 16/2108/746/002-II dated 05.10.2016 has been submitted to the Cabinet of Ministers to allocate sufficient funds from the Consolidated Fund required for relocation of squatter families occupied the railway reservations.

#### **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) of Sri Lanka.

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. Procurement process by appointing CAPC and TEC is in progress accordingly.

**f) Project on development of upper oil tank farm at Trincomalee**

Trincomalee harbor is the world's second deepest natural harbor which has received the world attention for its strategically important geographic location in the Indian Ocean. It was used as the centre of British Naval Fleet in the region during the colonial times and towards the end of the first world war. British government built the tank farm in the late 1930's where the entire facility originally contained 102 reveted tanks each having a capacity of 12,500 m<sup>3</sup>. Currently, 14 tanks are being used by Lanka India Oil Company (LIOC) in the lower tank farm for their operations and there are 85 tanks in upper tank farm abandoned without utilization due to various reasons.

CPC being the main player in downstream petroleum operations in the country is currently exploring profit oriented business opportunities. For CPC to expand their current business activities such as bunkering, bitumen, lubricants and LPG operations, it should have sufficient infrastructure facilities with storage facilities, efficient discharging facilities, transfer pipelines and other associated facilities.

Fuel can be imported and distributed from Trincomalee tank farm to filling stations and other bulk consumer locations in Eastern, Northern, North Central and North Western Provinces saving transport costs and reducing traffic congestion. Also, it is possible to carry out oil operations under any weather condition at the Trincomalee port without any disturbance. The ability to use rail transport is also an added advantage. Increased revenue through lower costs & enhanced sales and less jetty and pipeline

charges are benefits which could be gained by CPC.

Also, when considering the geographical location of Sri Lanka, there is a good opportunity to use the said tank facility as an oil trading platform not only in the region but also globally.

In view of the business ventures which can bring more foreign exchange, increased technical capacities and creation of more employment opportunities in the country, a Cabinet Memorandum No16/0786/746/008 dated 28.04.2016 was submitted to the Cabinet of Ministers for seeking its approval to hand over the ownership of 16 nos of tanks including lands in the Trincomalee upper tank farm to Ceylon Petroleum Corporation to proceed with rehabilitation/development and to formulate a suitable mechanism for development of other remaining tanks at upper tank farm by CPC and Lanka India Oil Company jointly.

In the meantime, subsequent to a Cabinet Memorandum on "Handing over the operations of the Trincomalee upper tank farm to a joint venture formed by the Ceylon Petroleum Corporation and the Lanka Indian Oil Company" No16/1062/702/042 dated 06.06.2016 submitted by the Hon. Prime Minister, a Cabinet decision dated 07.06.2016 has been granted

- i. to hand over the operations of the Trincomalee upper tank farm, consisting of 84 tanks, to a joint venture formed by the Ceylon Petroleum Corporation and the Lanka Indian Oil Company PLC and to develop 30 tanks at a time, with a time bound Action Plan

- ii. to request the Hon. Prime Minister to decide on a suitable mechanism for the implementation of the (i) above, in association with the Minister of Petroleum Resources Development, the Minister of Development Strategies and International Trade and other relevant authorities and inform same to the Cabinet of Ministers.

At the CCEM held on 13.07.2016, its approval has been granted to appoint a consultant to develop a mechanism for a joint venture. Accordingly, the proposal received from a consultancy firm is being evaluated.

#### **g) Establishment of a lubricant blending plant**

Ceylon Petroleum Corporation has been successfully engaging in lubricant business and currently holds 11 percent of the market share. CPC is one of the three major competitors in the local lubricant market and two others are Chevron Ceylon Limited and Lanka Indian Oil Company. The top two market share holders have captured their share with all production benefits gained through their local blending plants. However, the CPC has been able to reach the third place of the lubricant market by selling only imported finished lubricant products. The average annual turnover of Rs. 2.5 billion is about 0.5 percent of the turnover from the lubricant business of the CPC and this could be considered as a separate profitable business arm of the Corporation.

In view of the above, CPC under the guidance of this Ministry has taken steps to establish a state-of-the-art lubricant blending plant at Muthurajawela in collaboration with Hyrax Oil SDN BHD, Malaysia under the

BOT model (Build, Operate and Transfer) to cater to the local market as well as to the export market. The plant has been designed to build with the total production capacity of approximately 72,000MT of lubricant and transformer oil per annum to ensure smooth supply to the customer. The total estimated cost of this project is USD 13 million and it will be fully invested by the contractor.

With the establishment of the lubricants blending plant, price reductions would be expected in the lubricant market in the country in addition to benefits such as increasing profitability for CPC due to increased market share, foreign direct investment, enhance support services to CPC and its dealer network, create employment opportunities, saving foreign exchange, technical trainings and technology transfer, capturing export market, uninterrupted supply of quality lubricants without stock holding cost, opportunities for auxiliary industries and ability to cover up the losses of CPC.

The relevant agreements have been signed by Ceylon Petroleum Corporation with Hyrax Oil SDN BHD, Malaysia on 6th May 2016 and the construction works have already been initiated. This plant is expected to be commissioned in the 3<sup>rd</sup> quarter of 2017.

#### **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 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. The report of feasibility study has already been submitted by the consultant and the Department of National Planning has conceptually agreed to implement the project with a suitable funding mechanism. Onward actions are in progress accordingly.

#### **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

#### **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 and Eastern Provinces
- Reduce fuel transportation cost by using railway
- Customer satisfaction by providing quality products on continuous basis

However, under the guidance of Hon. Minister, several discussions were carried out with Ceylon Cement Corporation to release the land facility and continue the existing facility of CPSTL. Accordingly, a Cabinet Memorandum on “Acquisition of the land block at Kankasanthurai where the regional Bulk Depot of Ceylon Petroleum Storage Terminals Limited is situated, for the Ceylon Petroleum Corporation and develop the same” No.16/1891/746/001-I dated 13.09.2016 was submitted. Since there is an issue regarding the ownership of the said land block, actions are being taken to settle the issues as per the Cabinet decision.

## 2. Imports of Petroleum Products

CPC is significantly contributing to the development of the country via the importation and distribution of petroleum products. CPC always ensures the importation of quality and innovative products enabling to enhance the customer satisfaction. Table 2.1 shows the details of refined petroleum products imported during 2015 and 2016.

Products	2015		2016	
	Quantity		Quantity	
	Barrels '000	MT '000	Barrels '000	MT '000
Auto Diesel	7,725	1,038	9,070	1,220
Super Diesel	273	36	493	66
Petrol- 92 Octane	5,208	613	5,393	622
Petrol- 95 Octane	818	96	931	107
Jet A-1	2,138	271	2,671	333
Low Sulphur Fuel Oil	-	-	1,131	170
<b>Total</b>	<b>16,162</b>	<b>2,054</b>	<b>19,689</b>	<b>2,518</b>

Table 2.2 below indicates the imports of crude oil from 2013 to 2016.

Year	Quantity (MT'000)	Value of Imports (CIF) Rs. Million
2013	1,743	182,064
2014	1,824	187,760
2015	1,763	100,578
2016	1,685	590,130 (DES)



The Table 2.3 below shows the details on demand forecast of CPC for the petroleum products in 2017. Lanka Auto Diesel will be considered as the highest demanded product (quantity wise) in 2017. Forecast figures show that there is an increase for the Super Diesel and Gasoline 95 than in 2016.

Naphtha import will not be forecast by CPC in 2017 and Refinery produced Naphtha will be sufficient for domestic consumption. The consumption of Industrial Kerosene is gradually reducing with the supply of electricity to rural areas.

**Table 2.3 Demand forecast of Petroleum Products by CPC–2017 (Quantity in MT)**

Product name	Total sales forecast	Refinery production	Quantity to be imported (MT)
Petrol 92 Octane	894,980	189,840	705,140
Petrol 95 Octane	136,237	-	136,237
Lanka auto diesel	1,868,409	618,065	1,250,344
Lanka super diesel 4 star	76,740	-	76,740
Fuel oil	673,200	594,300	78,900
Naphtha	-	131,250	-
Jet A-1	418,528	280,525	138,003
Industrial Kerosene	318	-	318
Bitumen	28,474	-	28,474

**Table 2.4 Government Taxes imposed on Petroleum Products (as at 01 /01/2016)**

Product	H/S Code	CID	VAT	EXCISE	PAL	CESS	NBT
Gas Oil	2710.19.40	Rs. 15 (Per Liter)	Free	Rs.13 Per Liter	7.5% (Invoice Value)	-	Nil
Gasoline	2710.12.20	Rs.35 (Per Liter)	Nil	Rs. 27 Per Liter	7.5% (Invoice Value)	-	Nil
Jet A-1	2710.19.20	Nil	Nil	Nil	0%	-	Nil
Fuel Oil	2710.19.60	Nil	Nil	Nil	7.5% (Invoice Value)	-	Nil
Crude Oil	2709.00.10	Free	Free	Free	2.5% (Invoice Value)	-	Free
Bitumen	2713.20	Free					

### 3. Storage and Distribution of Petroleum Products

#### 3.1 Fuel Storage

CPSTL owns two main installations i.e. Kolonnawa and Muthurajawela and 11 bulk depots Island wide. Based on the volumes handled 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 12 petroleum products i.e 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. and its tank capacities are given in Table 3.1 below;

Product Type	Storage Capacity (MT)
Naphtha	13,570
Gasoline 95 Octane	18,570
Gasoline 92 Octane	47,900
Illuminating Kerosene	16,700
JET A-1	30,000
Auto Diesel	49,065
Super Diesel	12,940
Fuel oil 800	53,870
Sp. Boiling Point (SBP)	770
Industrial Kerosene	1,564
<b>Total</b>	<b>244,949</b>

Muthurajawela Installation handles 04 petroleum products i.e Gasoline 92 octane, Kerosene, Auto Diesel, Low Sulphur fuel oil 1500 Sec. and its tank capacities are given in Table 3.2 below;

Product Type	Storage Capacity (MT)
Gasoline 92 Octane	53,829
Illuminating Kerosene	4,225
Auto Diesel	112,814
Fuel oil 1500 Sec. L.S	51,904
<b>Total</b>	<b>222,772</b>

#### 3.2 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 and 01 Inland Rail Side Depot (IRD) through rail bogies and road tanker trucks from Kolonnawa & Muthurajawala 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.

CPSTL's sales from respective locations from 1st January to 31st August 2016 are given in Tables 3.3 and Table 3.4 below. Total sales of petroleum products by CPSTL's locations during the reporting period is 3,906,094 million kiloliters. 50% out of total products sales at Kolonnawa and Muthurajawela terminals have been

transported by hired bowsers. 10% products sales have been transported by pipelines and CPSTL's owned bowsers each. 18% sales have been transported by railway wagons while remaining 12% through collection by the customers themselves. Out of total products sales at bulk depots island-wide, 54% sales have been channeled through CPSTL's owned bowsers. 41% sales have been channeled through hired bowsers while remaining 5% through collection by consumers themselves.

<b>Table 3.3 Bulk products sales at Kolonnawa &amp; Muthurajawela Terminals - 2016</b>			
<b>Products</b>	<b>Distribution Channel</b>	<b>Total Volume (KL)</b>	<b>Grand Total (KL)</b>
<b>Gasoline 92 Octane</b>	Wagon(W)	0.00	820,976.90
	CPSTL(C)	172,979.00	
	Hired(H)	525,082.80	
	Collection(X)	122,915.10	
<b>Lanka Auto Diesel(LAD)</b>	W	39,355.00	1,476,731.19
	C	91,984.20	
	H	812,928.60	
	X	205,543.80	
	Pipe line(Power plant)	326,919.59	
<b>Lanka Kerosene&amp; Industrial Kerosene (LK&amp; IK)</b>	C	13,035.00	96,178.50
	H	68,343.00	
	X	14,800.50	
<b>Lanka Furnace Oil(LFO)</b>	W	791.10	247,529.60
	C	1,254.00	
	H	74,012.40	
	X	48,411.00	
	Pipe line(Power plant)	123,061.08	
<b>Lanka Super Diesel(LSD)</b>	CPSTL(C)	9,444.00	84,981.00
	Hired(H)	66,785.40	
	Collection(X)	8,751.60	

Gasoline 95 Oct	C	27,918.00	182,523.00
	H	140,230.20	
	X	14,374.80	
Jet A-1	W	-	5,730.90
	C	5,730.90	
	H	-	
	X	-	
X Tra Mile	W		7,312.80
	C	561.00	
	H	6,751.80	
	X	-	
Lanka Solvent(SBP)	W	-	1,188.00
	C	719.40	
	H	468.60	
	X		
Total	W	40,146.10	2,923,151.80
	C	323,625.50	
	H	1,694,602.80	
	X	414,796.80	
	Pipe line(Power plant)	449,980.60	

Table 3.4

## Bulk products sales at Bulk Depots in Island-wide - 2016

Depots	Distribution Channel	Total Volume (KL)	Grand Total (KL)
Anuradhapura	CPSTL (C)	62,997.00	145,468.00
	Hired (H)	65,839.00	
	Collection (X)	16,632.00	
Badulla	C	33,046.20	71,022.60
	H	34,993.20	
	X	2,983.20	
Batticaloa	C	78,137.40	78,137.40
	H	-	
	X	-	

<b>Galle</b>	C	71,438.40	140,824.20
	H	66,924.00	
	X	2,461.80	
<b>Haputale</b>	C	43,032.00	69,577.20
	H	26,545.20	
	X	-	
<b>KKS</b>	C	66,462.00	68,950.20
	H	1,683.00	
	X	805.20	
<b>Kotagala</b>	C	59,221.80	59,802.60
	H	52.80	
	X	528.00	
<b>Kurunegala</b>	C	44,297.40	190,468.40
	H	113,738.60	
	X	32,432.40	
<b>Matara</b>	C	48,292.20	152,836.20
	H	94,663.80	
	X	9,880.20	
<b>Peradeniya</b>	C	145,239.60	171,171.00
	H	24,367.20	
	X	1,564.20	
<b>Sarasaviyana</b>	C	20,565.60	20,618.40
	H	52.80	
	X	-	
<b>IRD Vavuniya</b>	C	-	32,359.80
	H	32,359.80	
	X	-	
<b>Total</b>	<b>CPSTL(C)</b>	<b>672,729.60</b>	<b>1,201,236.00</b>
	<b>Hired(H)</b>	<b>461,219.40</b>	
	<b>Collection(X)</b>	<b>67,287.00</b>	

## 4. Sales of Petroleum Products

### 4.1 CPC's Sales

An average of 20% price reduction has been made for all petroleum products with effect from January 2015 and as a result, sudden increase in demand has been observed. However, this increase is significant in Petrol 92 Octane and 95 Octane. This trend has continued for the year 2016. CPC has recorded a sale of 739.43 million litres of Petrol 92 Octane and the growth rate is about 20% for the parallel period of year 2016 against the year 2015.

With the increased number of hybrid vehicles of which fuel economies exceed that of the diesel driven vehicles, the demand for Lanka Auto Diesel is almost stagnate and it has been marginally increased for the period of 2015-2016. This has affected retail sales as well as consumer sales of Diesel. More than 55% of the demand for petroleum products in the country comes from the transport sector. CPC's island-wide sales of petroleum products are shown in Table 4.1 below.

Type of Product	Retail Sales			Consumers Sales			Total Sale		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Lanka Petrol - 92 Octane	627,777	751,466	850,105	4,915	4,809	4,793	632,692	756,275	854,898
Lanka Petrol - 95 Octane	50,090	77110	105,698	4,435	4,556	4,546	54,525	81,666	110,244
Lanka Auto Diesel	1,251,422	1,269,120	1,322,812	505,906	310,017	552,557	1,757,328	1,579,137	1,875,369
Lanka Super Diesel	30,340	46,583	62,962	632	308	214	30,972	46,891	63,176
Lanka Kerosene	108,108	121,680	130,954	694	578	554	108,802	122,258	131,508
Lanka Industrial Kerosene	1,234	778	586	11,723	6,573	4,840	12,957	7,346	5,426
Lanka Chemical Naptha	-	-	-	93,855	99,227	120,187	93,855	99,227	120,187
Lanka Fuel Oil 800 Sec.	-	-	-	52,533	235,687	504,973	52,533	235,687	504,973
Lanka Fuel Oil 1500 Sec (High Sulphur)	-	-	-	368,744	105,249	37,384	368,744	105,249	37,384
Lanka Fuel Oil 3500 Sec.	-	-	-	168,870	13,174	-	168,870	13,147	-
Lanka Fuel Oil 1500 Sec (Low Sulphur)	-	-	-	131,984	57,388	83,185	131,984	57,388	83,185

Jet A 1	-	-	-	370,668	370,864	414,010	370,668	370,864	414,010
Lanka Solvents (SBP)	-	-	-	2,496	1,221	884	2,496	1,221	884
<b>Total</b>	<b>1,503,971</b>	<b>2,266,737</b>	<b>2,473,117</b>	<b>1,917,455</b>	<b>1,209,651</b>	<b>1,728,127</b>	<b>3,786,426</b>	<b>3,476,356</b>	<b>4,201,244</b>

## 4.2 Sales Outlets

The number of filling stations has been increased by 37 nos. during the year 2015 whereas the construction letters have been issued during 2014 for the filling stations and those are under construction. These new filling stations are equipped with more facilities than at existing filling stations and the availability of CPC products has been increased during 2015-2016. Further, these

new filling stations will offer the facility of Petrol 95 and Super Diesel to consumers as most of the modern vehicles run on these advanced fuels. Petroleum products sales outlets belonging to CPC as at the end of 2016 are given in Table 4.2 below. Moreover, approval has been recently granted to open 46 nos. of new filling stations island-wide by CPC.

No	Province	CPC Outlets
01	Western Province	295
02	Central Province	100
03	Southern Province	139
04	Northern Province	179
05	Eastern Province	141
06	North Western Province	178
07	North Central Province	79
08	Uva Province	49
09	Sabaragamuwa Province	72
	<b>Total</b>	<b>1,232</b>

## 4.3 Sale of Fuels to Power Sector

Due to prevailing average weather conditions and moderate increase of the demand for electricity by industries as well as domestic

consumers, fuel sales for energy sector does not show any significant growth during the reporting period. CPC's sales to power plants are shown in Table 4.3 below.

Table 4.3

## Sales to Power Plants 2011-August 2016

Year	Ceylon Electricity Board						Independent Power Producers				Grand Total	
	Lanka Auto Diesel		Naphtha		Fuel Oil		Lanka Auto Diesel		Fuel Oil		Vol. Ltr '000	Value Rs. Mn
	Vol. (Ltr '000')	Value (Rs. Mn)	Vol. (Ltr '000')	Value (Rs. Mn)	Vol. (Ltr '000')	Value (Rs. Mn)	Vol. (Ltr '000')	Value (Rs. Mn)	Vol. (Ltr '000')	Value (Rs. Mn)		
2011	184,476	14,340	67,131	4,512	202,797	8,112	171,087	14,009	772,204	33,388	1,397,695	74,361
2012	251,599	27,693	89,701	7,491	203,315	12,655	213,443	21,094	881,606	57,831	1,639,664	126,764
2013	39,650	4,778	104,019	9,362	153,240	12,832	28,823	3,436	401,668	33,889	727,400	64,297
2014	191,105	23,113	136,091	12,248	165,423	14,992	138,579	16,828	455,518	46,653	1,086,716	113,834
2015	25,511	2,438	143,879	10,735	18,461	1,522	58,589	5,647	213,249	17,214	459,689	37,556
2016	141,006	13,395	174,270	12,896	258,643	20,691	223,968	21,250	156,968	12,711	954,855	81,213

## 4.4 Sale of Lubricants

In spite of the shrinking market of lubricants in the automobile sector mainly due to the lubricants with long drain intervals, and hybrid vehicles which consume less lubricants, CPC has been able to maintain its lubricant business market share and has recorded an increased market penetration even with the absence of high demand for lubricants by industrial sector. Table 4.4 shows the details of sales of lubricants by CPC during the period of 2011 – 2016 below.

Table 4.4 CPC's Sales of Lubricants 2011 – 2016 (KL)

Year	Volume (KL)	Value (Rs. Million)
2011	5,146	1,593
2012	5,602	1,986
2013	5,520	2,086
2014	5,687	2,384
2015	5,326	2,244
2016	5,445	2,296

## 4.5 Sales of Agrochemicals

The CPC's agrochemical business has faced the worst ever crisis in its history after the banning of products namely Dimethoate, Carbaryl, Chlorpyrifos, Carbofuran, 3-4 DPA, Glyphosate during year 2015 by the government. These banned products, especially Glyphosate, contributed to about 60% volume and recorded highest turnover of this function. This situation has been further deteriorated due to the absence of reputed suppliers of agrochemicals with whom CPC has tied up exclusively.

Further, steps have been taken to introduce several new products during year 2016 namely, Abamactine, Pretiachlor and Tebuconazole and CPC could expect growth in this sector after introduction of the said new products. Action has been taken to register more new products with relevant authorities for the year 2017. The quantity of agrochemicals imported during the period from 2014 to 2016 is shown in Table 4.5 below.

Table 4.5

## CPC's Imports of Agrochemicals from 2014 - 2016

Product	Quantity		Value (US\$)	Value -Rs Million (Local Purchases)
	Litre	Kg		
<b>2014</b>				
C.O.C. 50% WP	-	1,000	-	0.87
Captan 50%	-	10,000	51,200	-
Mancozeb 80% WP	-	14,000	38,500	-
Acephate 75%	-	7,200	58,680	-
Glyphosate 36%	144,000	-	364,000	-
MCPA 60%	10,000	-	-	6.47
Diuron 80%	-	28,000	-	-
<b>Total -2014</b>	<b>154,000</b>	<b>60,200</b>	<b>512,380</b>	<b>7.34</b>
<b>2015</b>				
Glyphosate	508,000	-	171,880	-
Profenophos	5,000	-	28,250	-
Phenthathe 50%	5,000	-	37,750	-
M.C.P.A. 60%	5,000	-	-	3.42
<b>Total -2015</b>	<b>91,000</b>	<b>-</b>	<b>237,880</b>	<b>3.42</b>
<b>2016</b>				
B.P.M.C.50%	10,000	-	36,700	-
Acephate 75%	-	14,400	151,200	-
Captan 50%	-	3,000	16,800	-
Diuron 80%	-	28,000	130,200	-
M.C.P.A. 60%	10,000	-	-	7.03
<b>Manocozeb 80% WP</b>	<b>-</b>	<b>14,000</b>	<b>41,300</b>	<b>-</b>
<b>Total 2016</b>	<b>20,000</b>	<b>59,400</b>	<b>376,200</b>	<b>7.03</b>

#### 4.6 Sale of Aviation Fuel

Aviation Function of Ceylon Petroleum Corporation provides its services at three refueling terminals namely Aviation Refueling Terminal at Bandaranaike International Airport (BIA), Aviation Refueling Terminal at Mattala Rajapakse International Airport (MRIA) and refueling unit at Rathmalana Airport.

The Ceylon Petroleum Corporation, being a state organization, and the sole supplier of aviation fuel in Sri Lanka, is responsible for ensuring that required demand of aviation fuel by the customer airlines are fully met, efficiently and effectively complying with stringent international standards. Aviation refueling is given the highest priority and consideration all over the world to ensure the safety in the air among all other factors,

since a large number of human lives are at high risk than on ground. The CPC Aviation function has achieved a sales margin of approximately Rs.1 billion in the year 2015.

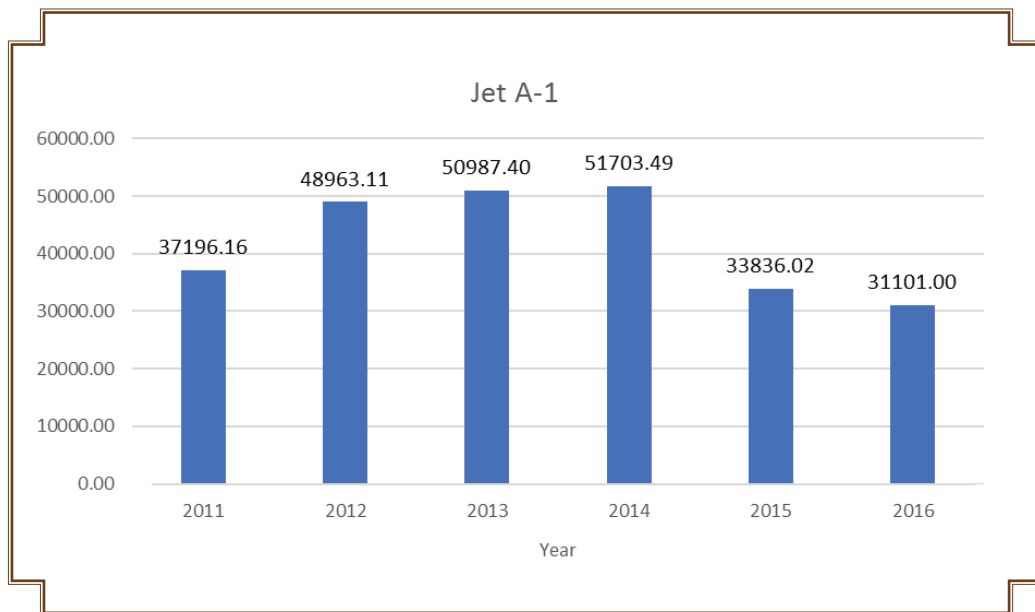
In the aviation refueling industry, the maintenance of a high level of quality assurance and a quality control program are of paramount importance. In this regard CPC has taken every precautionary measure to ensure quality both in services and products in its supply chain up to the delivery point. The facilities are subject to annual audit by

many international organizations, which include Joint Inspection Group (JIG) of customer Airlines, Civil Aviation Authority of Sri Lanka, International Air Transport Association (IATA) and International Civil Aviation Organization.

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

Graph 4.1

Sales Income of Aviation Fuel (Jet A-1) 2011 – 2016 (Rs. Million)





Aviation Function sometimes operates with huge risk at times with falling of usable stocks at BIA to alarming low levels as a result of the physical and human resource issues in connection with road and rail transportation arrangements currently in place. Following are the few problems and issues encountered during the past.

1. Difficulties on operating with maximum capacity by railway tank wagon sets per day.
2. Issues due to the Department of Sri Lanka Railway. (Idling of railway tanks/ bogies due to leakage of valves and dust caps, unavailability of proper engines, unavailability of railway staff, labor strikes, derailments, unexpected repairs and maintenance works of the railway tracks, financial constraints, etc.)
3. Unexpected refinery shutdowns.
4. No significant facility improvements at Kolonnawa Terminal to implement the recommendations given by international auditors due to the financial constraints faced by CPSTL.
5. Imported product quality related issues e.g.: not complying with the required specifications on arrival.
6. Product delivery at BIA is delayed due to long weekends.

Ceylon Petroleum Corporation is serving around 50 airline customers and third-party fuel marketing companies around the globe with average sale of 1.6 million liters per day.

Some of the major Airline customers are as follows.

- Sri Lankan Airlines - Airline customer

- Emirates - Airline customer
- Turkish Airlines- Airline customer
- Saudi Arabian Airlines- Airline customer
- Air Arabia-Airline customer (Budget airline)
- Cargo Air Chartering- Third party player
- Oman Air- Airline customer
- Jetex Flight Support - Third party player
- Aster Jet fuel Pvt Limited - Third party player
- MoonJet Flight Support - Third party player
- Thai Airways - Airline customer
- UVair- Third party player
- ENOC - Third party player
- Aviation Service Management - Third party player
- Kuwait Airlines- Airline customer
- World Fuel Service - Third party player
- Qatar Airways- Airline customer
- Hadid Fuel Operations Department - Third party player
- Mihin Lanka- Airline customer
- Aurora Aviation - Third party player
- Rotana - Airline customer
- United Aviation Services - Third party player

Reducing the prices of jet fuel by offering more concessions has to be carefully examined considering the answers for the following questions.

- i. Is it possible to retain the existing monopoly in the long run even if concession rates will not be offered?
- ii. Is there a possibility of entering different / multiple in-to plane operators?

- iii. How adequate is the existing infrastructure to cater to the future demand?
- iv. How long will current capacity last?
- v. What are long term infrastructure needs?
- vi. How price-sensitive is demand?
- vii. How competitive are airport fuel costs?

Aviation Function can retain its monopoly as long as maintaining international standards and meeting customer demands. Existing infrastructure is becoming inadequate with the growing demand and reaching its threshold limit in very near future. It has been predicted that the current capacity in

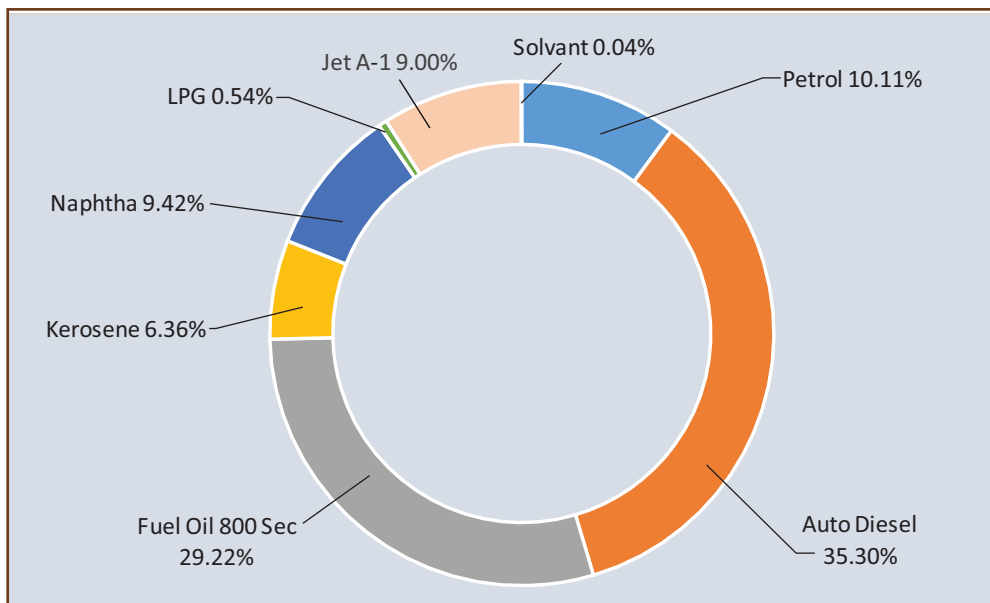
connection with the available infrastructure may cater to the demand only up to year 2020. Charter flight movements have increased significantly when the prices have come down.

#### 4.7 Refinery Production

CPC's refinery at Sapugaskanda contributes to approximately one third of petroleum oil requirement of the country. Table 4.7 below shows oil production by CPC's refinery for the period from 2005 to July 2016 while the Graph 4.2 shows the percentage of refinery production.

Graph 4.2

Refinery Production (Percentage) – 2016



**Table 4.7 Oil Production by CPC's Refinery from 2005 to 2016 (Mt'000)**

Year	Crude Oil Input	Output														
		Petrol	Auto Diesel	Super Diesel	Furnace oil					Kerosene	Chemical Naphtha	Bitumen	LPG	Jet A-1	Solvent	Total output
					500 sec	800 sec	1000 sec	1500 sec	3500 sec							
2005	1,977,751	160,684	571,169	7,190	20,580	37,408	68,054	336,271	236,749	142,092	113,308	51,785	13,047	113,831	4,044	1,876,212
2006	2,140,132	193,585	628,210	-	16,510	35,135	88,063	372,985	253,533	143,930	109,175	55,386	14,721	130,926	5,878	2,048,037
2007	899,078	163,291	444,593	-	-	100,934	4,505	393,850	272,380	97,409	91,768	35,197	16,237	171,043	4,559	1,795,766
2008	1,868,346	163,702	451,132	-	-	18,801	-	468,002	244,402	111,133	100,416	45,450	16,208	154,433	2,562	1,776,241
2009	1,014,850	179,096	485,302	-	-	35,901	-	462,577	282,048	82,513	105,159	41,588	24,348	195,406	972	1,894,910
2010	1,752,715	157,972	441,545	-	-	47,918	-	396,034	241,930	92,775	84,289	34,945	22,927	126,407	2,734	1,649,474
2011	2,003,561	206,466	501,122	-	-	54,283	-	480,854	244,758	92,924	80,011	46,062	24,150	155,357	3,814	1,889,766
2012	1,596,059	151,536	394,161	-	-	66,953	-	364,607	217,240	74,909	69,841	26,548	17,437	93,159	3,699	1,480,090
2013	1,643,218	143,959	389,717	-	-	56,011	-	521,224	146,550	57,297	86,505	5,025	22,168	124,544	2,987	1,555,979
2014	1,760,170	152,261	495,983	-	-	52,011	-	419,579	169,037	65,195	120,116	-	28,116	168,481	2,514	1,673,293
2015	1,765,466	165,148	532,555	-	11,373	344,156	-	204,847	-	78,360	148,247	-	10,457	164,314	1,594	-
2016	1,746,180	165,782	578,657	-	-	478,901	-	-	-	104,244	154,467	-	8,837	147,525	635	1,639,047

## 5. Infrastructure Development

### 5.1 Ceylon Petroleum Corporation

#### a) New tank automation system at Sapugaskanda tank farm

A project has been commenced to upgrade the tank automation system at Sapugaskanda tank farm, the existing software and its associated equipment and some instrumentation which have become now obsolete. A tender document was prepared and tenders were called to order and install equipment and associated software including commissioning. The activities are in progress as planned and will be completed at the end of July 2017.

#### b) Installation of new steam boiler at refinery

This project was initiated with the intention of replacing one discarded boiler and to enhance the reliability of process steam required for refinery operations. The tender has been awarded to a Company in Italy and manufacturing process is in progress as per the agreed terms and conditions and the boiler will be installed in the early part of the year 2017.

#### c) Installation of Air Compressor with a motor at refinery

The objective of this project is to improve the reliability of instrument air system which is vital for the refinery operations. An order has been placed for the air compressor units with all instrumentation, relief valves and accessories. Structural materials and roof materials for the compressor hut have been received. A separate tender has been called for the construction of foundation. Installation

of new air compressor will be taken place at the early part of the year 2017.

### 5.2 Ceylon Petroleum Storage Terminals Limited

#### a) Installation of Closed Circuit Television (CCTV) Camera System at CPSTL oil installation, Kolonnawa

CPSTL Oil Installation, Kolonnawa is a vulnerable location with respect to security aspects and it is essential to have a CCTV camera system to monitor online as well as to store data for forensic purposes. Further, tank farm, pump houses and other important locations are also needed to be monitored online and also for forensic purposes. Therefore, a reliable effective CCTV system has to be installed at oil installation at Kolonnawa for this purpose. As per the preliminary study conducted, about 66 nos. of different types of cameras are to be installed within the oil installation.

Total estimated cost for installation of 66 Nos. of different types of cameras and laying a fiber optic backbone with servers and other equipment is estimated as Rs. 50 million approximately. The tenders received are being evaluated.

#### b) Development of existing bulk depot at Anuradhapura

It is required to upgrade bulk depot at Anuradhapura to cater to the future requirements of fuel with enhancing of storage and gantry filling capacity, improve pump house, piping system and firefighting

system, shifting of administration building and rest rooms etc. Total estimated cost is Rs. 300 million. Soil investigation is in progress and to be completed by 15th January 2017. Approval of the Archeological Department has been obtained for excavation. Tender process has been commenced.

**c). Civil works at CPSTL Muthurajawela terminal**

CPSTL Muthurajawela terminal was commissioned in year 2004 to deliver 500MT of three petroleum products namely Diesel, Fuel Oil and Kerosene per day with a total staff of 52 nos. Due to the increased demand of fuel in the country in addition to above three products, petrol delivery had to be started and presently about 6,000 MT of fuel is delivered per day from the Muthurajawela Terminal with 272 nos. of staff. Therefore, it is necessary to develop the infrastructure facilities enabling to continue with the present quantity delivered from Muthurajawela Terminal without any obstacle. Total estimated project cost is Rs. 182 million and the project period is one year. Consultant's final proposal in this regard has been received and tenders are to be called.

**d) Design, construction & supply of a state-of-the-art petroleum laboratory at Kolonnawa Installation**

The current petroleum laboratory at the CPSTL was designed and built in 1962 by Shell Company. Except for some building modifications and additions to the laboratory, it has not been upgraded to meet the latest standards for testing as well the guidelines for health, safety and environment. The equipment currently available at the laboratory is very old since 1961 compared with a present state-of-the-art laboratory.

The scope of the proposed project includes construction of laboratory building with latest technologies/equipment enabling to provide more accurate and efficient services to the customers. Total estimated project cost is Rs. 625 Million and project period is 08 months. Procurement process by appointing a CAPC and TEC is in progress.

**e). Construction of a new 15,000 m3 capacity storage tank for Petrol at Kolonnawa Terminal**

It is urgently required to construct a new 15,000 m3 capacity storage tank due to the limited storage at Kolonnawa Terminal for Gasoline. With the average 5% -7% increase of annual demand for petrol at present in Sri Lanka, there should be sufficient storage facilities for petrol to maintain uninterrupted operations in the country. The construction period of the proposed project will be 18 months. Total estimated project cost is Rs. 495 Million. Tenders received are being evaluated.

**f) Restructuring and facility improvements at Oil Installation, Kolonnawa through Consultancy Services obtained from the Urban Development Authority**

Oil installation Kolonnawa was peopelized in year 1962 by incorporating three multi-national companies in Sri Lanka. Oil installation Kolonnawa consists mostly the infrastructure facilities used by the said companies at respective locations. Hence, it is the main reason that infrastructure facilities of Oil Installation Kolonnawa are unplanned.

Restructuring and facility improvement are to incorporate existing infrastructure facilities

such as parking, enhancing appearance by introducing plants, ponds, pavings and turning points etc. Total estimated cost of the project is Rs. 100 Million and project period is 06 months. Procurement process is in progress.

**g) Installation of 12” dia. pipeline segments at Road, Rail Crossings and Mahawatte**

The 12” dia. pipeline is now being refurbished from South Jetty inside the Colombo Port to Kolonnawa terminal and about 2,471 m (out of the total 6,166 m) have already been replaced by CPSTL adopting the open cut trenching methodology. For the balance replacement, new pipes have already been delivered to CPSTL stores and about 3,111 m of the balance has been planned to be replaced with new pipes using the open cut trenching methodology. Total estimated cost of the project is Rs. 900 Million. Procurement process by appointing a CAPC and TEC is in progress.

**h) Intelligent pigging inspection of two 18” dia. Pipelines**

The petroleum product transferring pipelines from harbour to Kolonnawa and 02 No. 18” pipelines from Single Point Buoy Mooring (SPBM) to Muthurajawela tank farm belong to CPSTL providing facilities for ship unloading, which is a main responsibility of CPSTL. One of the 18” pipeline from SPBM to Muthurajawela tank farm, which is used to unload the fuel oil was temporary abundant from 31st December 2015 due to notification of product leakage from the pipeline owing to corrosion. The pipeline is partly subsea and other part is running deep underground via environmentally sensitive

areas. Therefore, it was decided to carry out an intelligent pigging inspection before re-use for oil discharging, as any further leakage may result a huge bad impact to the environment.

Since the mobilization cost of this kind of inspection is very high due to involvement of high-tech equipment/methodology which are not available in Sri Lanka, it was decided to carry out the pigging inspection for other 18” dia. off shore pipeline at the same time since the pipeline is now 15 years old and ensuring the condition of the same is very important for reliable and safe operation.

Total Estimated cost of this project is USD 2.211million which includes the cost of inspection of four other on shore pipelines belonging to CPC. Expression of Interests (EOI) was called and the bids received are being evaluated. Initially the project was at the limit of MPC level and when the financial bid of the technically qualified bidder was opened, the cost is higher than the MPC limit. Therefore, a request has been made to appoint a CAPC and works are in progress accordingly.

**i) Disaster Recovery & Management Centre (DRMC) for CPSTL Data Centre**

The DRMC project of CPSTL is to support 24x7 ERP system operations of CPSTL, CPC and LIOC throughout the year for their business activities during a disaster to the CPSTL Data Centre due to accidental or intentional disruption. All three organizations cannot run their business activities without the System. The project includes the upgrading of Hardware in the primary

Data Centre, migration of Software to New Hardware from existing Server Systems and the setting up of the DRMC Hardware and Software at a designated hosting site which will be selected via the tender process after the determination of the party for DRMC

project. Total estimated cost of the project is Rs. 300 million and project period is 06 months. Tender was awarded for the successful bidder and works are in progress accordingly.



## 6. Petroleum Exploration and Development

### 6.1 Joint Study in the Eastern Coast (JS5 and JS6 Blocks)

Marking a historic milestone in the oil and gas exploration history of Sri Lanka, the Government signed a joint exploration agreement on 18th of February 2016 with French super-major Total E & P Petroliers Activites, to explore two ultra-deep water blocks (JS5 & JS6) off the east coast of Sri Lanka. The objective of this study is to explore the two offshore blocks (JS5 & JS6) off the east coast for hydrocarbon prospects by conducting geological, geophysical and technical surveys, analyzing and interpreting the acquired data, and ultimately assessing the presence of commercially viable oil and gas.

This study involves extensive collaboration and technical knowledge transfer without a production commitment, and will contribute extensively to train Sri Lankan technical and academic staff on modern data acquisition and interpretation methods. In addition, the Sri Lankan Government will receive a ground rental of USD 1 per Sq Km for the entire acreage of the Joint Study Area, valued at approximately LKR 7 million per annum and this amount has already received in April 2016 for the first year of operation. The Total has just completed the process of selecting a suitable seismic contractor to carry out a detailed seismic study in their blocks, and is planning to commence these surveys in 2017.

### 6.2 Natural Gas Commercialization (M2 Block in the Mannar Basin)

The Cabinet of Ministers has approved the re-engagement of Sri Lanka's 2013 Bid round marketing consultant IHS to select an investor for the development of two gas discoveries in the Mannar Basin. The government is working to market the area, and developing the marketing strategy, documentation for bidding and criteria for partner selection in collaboration with IHS.

The government of Sri Lanka has already invited expressions of interest from partners. The block will be offered for licensing this year, including the Barracuda and Dorado gas-cond discoveries. The Expressions of Interest (EOIs) have already been requested from experienced operators, to undertake the appraisal and development of gas discoveries and prospects in the 2,924-sq km offshore (ex-Cairn SL 2007-01-001) block M2 in the Mannar Basin.

The marketing campaign was launched in Houston and discussions were held in Houston on 6 to 10 March 2017 and London on 13 and 14 March 2017 to hold with interested parties. PRDS expects that a new licence for M2 hopes to be awarded by end of 2017.

If successful, it will help Sri Lanka to reduce her dependents on imported fossil fuel to a greater extent and discussions are in progress at present with relevant authorities to introduce local gas and condensate to



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 and other fees and local expenditure by foreign companies etc

### **6.3 Mannar Basin Legacy 2D Seismic Data Reprocessing, Imaging & Marketing and Sales**

The PRDS has entered into an agreement on multi-client basis with Western Geco (seismic reprocessing company) in February 2016 for reprocessing 2D seismic data acquired in 2001- 2005 by TGS NOPEC. A set of reprocessed data has now been received by the PRDS and has been uploaded to the PRDS servers. Western Geco has made a sale to Husky Energy of Canada of which the PRDS has received its share of revenue amounted to LKR 13 million approximately.

### **6.4 Oil exploration at Cauvery C2 and C3 Blocks**

The Cabinet of Ministers has recently approved the conditional award of Cauvery basin blocks C2 and C3 to Bonavista who submitted bids during the 2013 Licensing Round, with a validity period of 12 months for completing their consortium and signing a Petroleum Resources Agreement (PRA). The total investment for the project is US\$ 48 million and work plan includes drilling of 5 exploration wells and several thousand KM of 2D data over an 8 year contract period.

### **6.5 Schlumberger Umbrella Multi-client Data Acquisition Project**

The Cabinet of Ministers at its meeting on 06.09.2016 has given approval for the Government of Sri Lanka to enter into an agreement with Eastern Echo DMCC, a 100 percent owned subsidiary of the world's largest oilfield services company-Schlumberger to collect data on "multi-client" basis enabling several data acquisition projects, including 2D and 3D seismic in selected areas around Sri Lanka at no cost to the Government. The agreement also covers the provision of training on petroleum systems modeling & interpretation of the new data and further integration with the existing geotechnical database. The total investment under this agreement will be a minimum of USD 50 million for data and specialist training and is an essential precursor to future licensing rounds. In addition, this investment will enable and foster knowledge transfer to local geo-scientists, access to leading edge technology and build in-country expertise in technical, financial and economic modeling areas. In addition, the Government will also receive a share of future data sales revenue. As per the said Cabinet decision, onward actions are in progress.

### **6.6 Gravity/Gradiometry and Magnetic data acquisition surveys over Mannar and Cauvery Basins**

In the first half of 2016, Expressions of Interest were called from geophysical exploration companies to conduct Gravity/Gradiometry and Magnetic surveys over

the offshore Mannar and Cauvery basins of Sri Lanka on a multi-client basis. The four bids received by PRDS are currently being evaluated by an Expert Committee, and a recommendation will be made to the Petroleum Resource Development Committee (PRDC) shortly.

### **6.7 Marine Environmental Baseline Survey (MEBS)**

An island-wide research study to gather marine environmental baseline data to support future petroleum activity specific environmental assessments has been launched in conjunction with the

National Aquatic Resources Research and Development Agency (NARA). NARA has already completed the collection of environmental data covering eastern coast giving priority on request to facilitate environment clearance procedure for the proposed Joint Study Programme. NARA is planning to complete the project before the end of 2016 and they have completed 85% of data collection according to their latest reports. The expected outcome of the MEBS is to initially maintain a repository of scientifically collected marine environmental baseline data with a provision to develop an online accessible Marine Environmental Baseline Information Network (MEBIN).

## 7. Conversion of Plastic Wastes in to Fuel

Under a tri-party agreement signed between Central Environment Authority, University of Moratuwa and Mr. Ananda Withanage, inventor of the plant, in February 2009, the plant which convert the plastic wastes into fuel was established. The first batch trial of semi commercial plant was made on the 07th May 2014, clearing any doubts and pre-conclusions amongst authorities that this conversion process is not possible because this 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. The semi commercial plant is expected to convert 750MT of unclean waste plastics per year into fuel and could be expanded to convert 6000MT of haphazardly disposed waste plastic per year into fuel when the commercial plant is established. The funds received from the year 2011 up to 2016 under the Consolidated Fund are given in Table 7.1 below.

<b>Year</b>	<b>Amount Rs. Million</b>
2011	17.2
2012	38.2
2013	20.0
2014	50.0
2015	50.0
2016	55.0
<b>Total</b>	<b>230.4</b>

On 03rd September 2015, the semi commercial plant was inaugurated. This plant can be presented as an invention made by a Sri Lanka Inventor. There are 31 components in the plant designed and fabricated locally. In fact, no one could 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.

From early January 2016, the semi commercial production was commenced with a production of 800 liters of liquid fuel per day. Up to end of 2016, 40,457 litres could be produced. The storing capacity of fuel collecting tank is 45,000 Liters. The production was stopped due to this limiting stock capacity and the selling process of fuel has been started. Out of said production, 39,600 litres were sold and a sum of Rs. 1,584,000 income was generated. At the same time modifications to the plant were done. These modifications had to be done considering the safety aspects of the process. The modifications such as (a) Automatic feeding system of waste plastic to reactors, (b) Sludge removal system, and (c) Fuel distribution system were completed at the end of June 2016.

Test reports regarding the quality of the fuel produced at the polipto plant have been obtained from the CPC Refinery laboratory and from CPSTL laboratory. These reports confirmed that the standard of Polipto fuel is equivalent to the standard of furnace oil produced by CPC's refinery.

Research work has been commenced to generate electricity using this product. A Diesel engine has already been installed at the Horana factory site, and installing a generator is being done. The diesel engine was successfully driven using this fuel. Approval will be obtained from Sustainable Energy Authority to connect the electricity generated by the said diesel engine to the national grid of the Ceylon Electricity

Board. At a meeting held between the Ministry of Power and Renewable Energy and the Ministry of Petroleum Resources Development with the participation of officials of Sustainable Energy Authority, SEA initially agreed to purchase the power generated by Polipto Lanka (Pvt) Ltd. It has been planned to supply power to the national grid in year 2017.

## 8. Local Market Price Movements

When considering the pricing of fuels over the past in Sri Lanka, it is clear that the price revisions have taken place during a number of times, sometimes more than one time even in the same year. Table 8.1 shows the retail

selling prices of major petroleum products as at 31st December 2005 to up to date while Graph 8.1 shows the price revision trend for the three major products; Petrol of 92 Octane, Auto Diesel and Kerosene.

**Table 8.1** Retail Sale Prices of Petroleum Products as at 31st December 2005 – 2015 (Rs/Litre)

Year	Type of Products							
	90 Octane Petrol (a)	95 Octane Petrol	Auto Diesel	Super Diesel (b)	Kerosene	Furnace Oil		
						1000 Sec	1500 Sec	3500 Sec
2005	80.00	83.00	50.00	55.30	30.50	31.40	30.30	26.00
2006	92.00	95.00	60.00	65.30	48.00	44.40	43.30	41.00
2007	117.00	120.00	75.00	80.00	68.00	52.70	51.70	46.65
2008	120.00	133.00	70.00	85.30	50.00	33.90	31.70	25.00
2009	115.00	133.00	73.00	88.30	51.00	34.90	32.70	26.00
2010	115.00	133.00	73.00	88.30	51.00	42.20	40.00	40.00
2011	137.00	155.00	84.00	106.30	71.00	52.20	50.00	50.00
2012	159.00	167.00	115.00	142.00	106.00	92.20	90.00	90.00
2013	162.00	170.00	121.00	145.00	106.00	92.20	90.00	90.00
2014	150.00	158.00	95.00	110.00	81.00	92.20	90.00	90.00
2015	117.00	128.00	95.00	110.00	49.00	82.20	80.00	80.00

**Note:** (a) Introduction of Petrol 92 Octane took place in place of Petrol of 90 Octane with effect from 1st January 2014 and  
 (b) Introduction of Lanka Super Diesel Four Star (10ppm) took place in place of Super Diesel with effect from 22nd August 2014.

Graph 8.1

Retail Sale Prices of Petroleum Products as at December 2005 - 2015

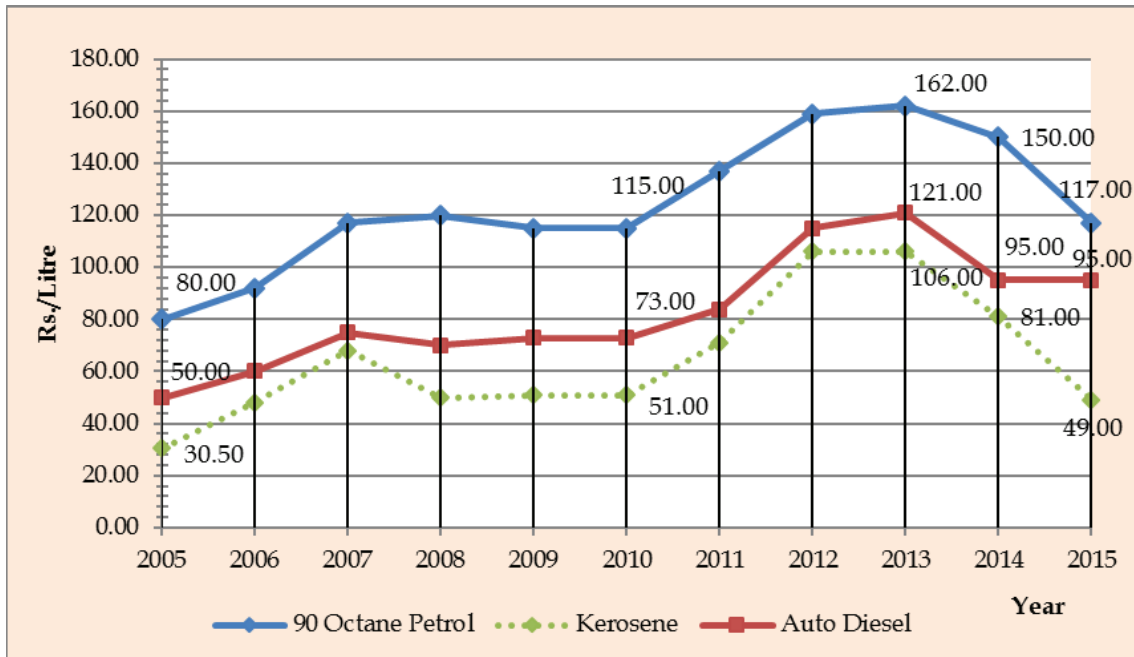


Table 8.2 Monthly Platts Prices of Refined Petroleum Products - 2016

Month	90 Octane Petrol			95 Octane Petrol			Auto Diesel			Super Diesel			Kerosene			Ex. Rate US \$ 1= Rs.
	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	
Jan.	47.10	6,878.01	43.29	50.42	7,362.83	46.34	35.90	5,242.48	32.99	37.58	5,487.81	34.54	37.91	5,536.00	34.84	146.03
Feb.	41.40	6,051.85	38.09	44.51	6,506.47	40.95	38.30	5,598.69	35.23	40.23	5,880.82	37.01	41.01	5,994.84	37.73	146.18
Mar	49.62	7,308.03	45.99	52.77	7,771.97	48.91	45.30	6,671.78	41.99	46.45	6,841.16	43.05	47.38	6,978.13	43.92	147.28
April	51.52	7,564.68	47.61	54.59	8,015.45	50.44	47.80	7,018.47	44.17	49.51	7,269.55	45.75	49.53	7,272.49	45.77	146.83
May	56.02	8,277.52	52.09	59.16	8,741.48	55.01	54.57	8,063.26	50.74	56.16	8,298.20	52.22	55.17	8,151.92	51.30	147.76
June	56.52	8,359.31	52.61	59.14	8,746.81	55.05	57.85	8,556.02	53.85	59.08	8,737.93	54.99	58.29	8,621.09	54.25	147.90
July	49.72	7,355.58	46.29	51.94	7,684.00	48.36	54.02	7,991.72	50.29	54.93	8,126.34	51.14	54.39	8,046.46	50.64	147.94
Aug.	51.57	7,599.36	47.82	54.23	7,991.33	50.29	53.25	7,846.92	49.38	54.07	7,967.76	50.14	53.51	7,885.23	49.62	147.36
Sep.	55.43	7,969.17	50.15	58.05	8,345.85	52.52	54.38	7,818.21	49.20	55.25	7,943.29	49.99	55.04	7,913.10	49.80	143.77
Oct.	60.08	8,719.41	54.87	63.03	9,147.54	57.57	60.82	8,826.81	55.55	61.66	8,948.72	56.32	61.00	8,852.93	55.71	145.13
Nov.	56.49	8,271.83	52.06	59.09	8,652.55	54.45	56.27	8,239.62	51.85	57.14	8,367.01	52.66	56.59	8,286.47	52.15	146.43
Dec.	64.32	9,479.48	59.66	66.22	9,759.50	61.42	62.46	9,205.35	57.93	64.19	9,460.32	59.54	64.14	9,452.95	59.49	147.38
Aver. Price	53.32	7,819.52	49.21	56.10	8,227.15	51.78	51.74	7,589.94	47.77	53.02	7,777.41	48.95	52.83	7,749.30	48.77	146.67

Table 8.3 Monthly Platts Prices of Refined Petroleum Products - 2015

Month	90 Octane Petrol			95 Octane Petrol			Auto Diesel			Super Diesel			Kerosene			Ex. Rate US \$ 1= Rs.
	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	US \$ / bbl	Rs./ bbl	Rs./ Litre	
Jan.	54.66	7,321.73	46.08	57.42	7,691.33	48.40	62.17	8,328.19	52.41	63.84	8,552.03	53.82	63.66	8,527.79	53.67	133.96
Feb.	67.06	9,025.30	56.80	70.46	9,482.49	59.68	70.86	9,536.77	60.02	72.37	9,739.38	61.29	73.40	9,878.30	62.17	134.58
Mar.	70.34	9,473.55	59.62	73.84	9,945.18	62.59	70.26	9,463.20	59.55	72.46	9,759.26	61.42	70.01	9,428.74	59.34	134.68
April	73.07	9852.50	62.00	75.50	10,179.75	64.06	71.84	9,686.34	60.96	73.89	9,962.61	62.70	72.08	9,717.87	61.16	134.83
May	81.10	11044.12	69.50	83.73	11,402.26	71.76	77.47	10,549.40	66.39	80.11	10,908.42	68.65	77.69	10,578.95	66.58	136.17
June	81.03	10997.03	69.21	83.97	11,395.79	71.72	74.27	10,079.76	63.43	77.01	10,452.02	65.78	74.56	10,118.60	63.68	135.72
July	72.52	9809.49	61.73	75.95	10,272.51	64.65	64.68	8,748.37	55.06	68.18	9,222.52	58.04	65.81	8,901.34	56.02	135.26
Aug.	61.95	8412.66	52.94	66.00	8,962.68	56.40	56.69	7,697.20	48.44	60.67	8,238.50	51.85	57.08	7,750.23	48.77	135.79
Sep.	61.59	8696.60	54.73	65.24	9,211.71	57.97	59.00	8,331.15	52.43	61.21	8,643.29	54.39	58.99	8,330.24	52.42	141.21
Oct.	60.55	8662.03	54.51	63.39	9,068.63	57.07	58.60	8,383.46	52.76	60.94	8,718.14	54.87	59.28	8,479.83	53.37	143.05
Nov.	56.42	8137.13	51.21	59.12	8,527.44	53.67	56.90	8,206.58	51.65	58.99	8,508.61	53.55	57.46	8,287.43	52.15	144.24
Dec.	52.84	7690.05	48.40	55.66	8,100.34	50.98	46.37	6,748.93	42.47	48.11	7,001.84	44.06	47.66	6,936.55	43.65	145.54
Aver. Price	66.09	9093.52	57.23	69.19	9,520.01	59.91	64.09	8,813.28	55.46	66.48	9,142.22	57.53	64.81	8911.32	56.08	137.92



## 9. Institutional Administration

### 9.1 Ministry of Petroleum Resources Development

#### (a) Matters related to Parliament

The Ministry's parliamentary duties include solving 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.

##### i. 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 11 queries during the period from January to December 2016 and all questions were answered by Hon. Minister and Hon. Deputy Minister.

##### ii. Parliamentary Sectoral Oversight Committee

16 Sectoral Oversight Committees (SOC) were formed as per the approval of the Cabinet of Ministers dated 19.12.2015. The sectoral oversight committee on "Energy" has been established comprising the Ministry of Power and Renewable Energy and this Ministry. The inquiring powers on all subjects in terms of Acts, proposals, agreements, reports and other matters under purview of the respective SOC have been assigned to the said SOC. Three such committee meetings relating to this Ministry have been conducted up to end of 2016..

#### (b) Human Resource Management

The action has been taken to achieve the objectives of the Ministry through formally managing the establishment and administrative matters of the staff of the Hon. Minister, Hon. Deputy Minister and the Ministry.

Further, co-ordination of the establishment activities of the agencies coming under the purview are also carried out by the Administration Division of the Ministry. Accordingly, the Ministry's service is provided for the activities such as preparation of schemes of recruitments, getting approval for the recruitments from relevant authorities and approving foreign leave for the officials

##### 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.

At present, the actions have been taken to recruit 250 officials for "A" Grade, 175 officials for "B" Grade and 111 officials for "C" Grade of the Ceylon Petroleum Corporation. The actions in terms of recruiting for "A" Grade have been completed and activities in terms of "B" and "C" Grade are in progress.

As per the Government Extraordinary Gazette Notification No. 13/1933 dated 21.09.2015, the approved cadre for the Ministry of Petroleum Resources Development is 97.

A staff grade officer has obtained the transfer from the Ministry and 05 staff grade officers has assumed duties in the Ministry on transfer basis. 08 non-staff grade officers have obtained transfers from the Ministry 03 non-staff grade officers have assumed duties in the Ministry on transfer basis. Also, 03 Management Assistants, 03 KKS on substitutional basis and a Video Cameraman and a Camera Assistant on casual basis were newly recruited.

### ii. Fulfilling the 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 were carried out under this subject.

### iii. Capacity Building

Opportunities have been provided to the existing staff to participate at various training programs in order to deliver a more effective and efficient public service through trainings to develop their knowledge, skills and attitudes. Training programs provided by the Ministry during the period from January to December 2016 are given in Table 9.1 below.

Table 9.1		Training Programs Provided by the Ministry - 2016		
No.	Course Details	Institute	Number of Officers	Duration
<b>Local Training</b>				
01	Cash Management	Skills Development Fund Limited (SDFL)	01	02 Days
02	Microsoft Project 2016	Sri Lanka Institute of Development Administration (SLIDA)	01	02 Days
03	Salary Conversion	SDFL	02	02 Days
04	Finance Essentials for Junior Accounting Personnel	SDFL	01	02 Days
05.	How to minimize the Internal Audit Problems in Government Sector	SDFL	01	02 Days
06.	Advanced Tamil Course	Department of Official Languages	04	6 Months
07.	Enhance Attitudes and Abilities of KKS	National Institute of Labour Studies (NILS)	04	02 Days
08.	Telephone Courtesy and Customer Services	SDFL	03	02 days
09.	Telephone Skills and Etiquette Training	SDFL	02	02 Days

10.	Development of Attitude & Professional Qualifications of Drivers	SDFL	02	02 Days
11	Maintenance of vehicles	NILS	01	02 Days
12	Effective usage of Personal Files	NILS	01	01 Day
13	Diploma in Procurement	SLIDA	01	One Year from 08.05.2016
14	Diploma in English	SLIDA	01	One Year from 17.01.2016
<b>Foreign Trainings, Seminar and Conferences</b>				
15	IHS Energy Cera week	USA	01	04 Days
16	Offshore Technology Conference Asia	Malaysia	01	04 Days
17	11 <sup>th</sup> Asia Clean Energy Forum	Philippines	01	07 Days
18	Seminar on Integrated Rural and Urban Development and Poverty Reduction for Asian Countries -2016	China	01	21 days
19	Seminar on Trade facilitation for Countries along the Belt & Road 2016	China	01	21 days
20	Public Sector Leadership Program	Singapore	01	06 Days
21	Seminar on Development and Utilization of Clean Energy and Renewable Energy for developing countries	China	02	21 Days
22	Knowledge sharing workshop on Deman-side Energy Efficiency	Korea	01	07 Days
23	Advance Natural Gas	Japan	01	13 Days
24	Trade and Sustainable Development	India	01	21 Days
25	Toyota Fleet Owner Tour	Thailand	01	06 Days

In addition to the above local and foreign trainings, seminar and conferences, a two day out bund training was conducted for the whole staff of the Ministry at the Rathnasiri Wickramanaya Training Center, Kandy with a view to give an exposure to improve their

knowledge and develop the team spirit for the betterment of the institute. Further, actions were taken to conduct awareness programs for the staff of the Ministry on various subjects such as office management, office system, establishment procedures,

public finance management, procurement, filling, losses under FR104 and MS-Word which are very important to improve their working capacities by getting the assistance of external resource persons.

### **(c) 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.

A supervisory committee has been formed by the Ministry and the dengue eradication activities are being successfully carried out on weekly, monthly and quarterly basis in addition to daily cleaning activities.

## **9.2 Ceylon Petroleum Corporation**

Human Resource management (HRM) Function of CPC handles its main objective of empowering, motivating and developing the manpower of 2,562 permanent employees and 02 contract employees as at the end of 2016. In addition, HRM Function handles all other HRM issues such as recruitments and promotions, performance appraisals, disciplinary actions, leave records pertaining to salaries and increments, service assessments, loan facilities, service awards, employment benefits at the retirements or termination of service etc.

Maintaining high professionalism among all levels of employees at CPC is the prime concern of the HRM Function and the objective of right person at the right place

has received highly paid attention. According to the Action Plan – 2016, the following actions were implemented during the period from January 2016 up to date.

### **(a) Introduction of revised Manpower Plan**

Following a proper job analysis, the manpower strength was determined and a new cadre has been prepared. The revised manpower plan will be implemented once the approval from the Management Services Department is received.

### **(b) Introduction of a Succession Plan**

With the new cadre position arrangement, most important succession positions are identified and the succession plan will be implemented.

### **(c) Implementation of Scheme of Recruitment and Promotions (SORAP)**

Scheme of Recruitment and Promotions has already been sent to the Salaries & Cadre Review Committee to get the approval. The approval is awaited. The promotion scheme is developed based on performance appraisal and merit which will facilitate to promote the best employee while the revised recruitment scheme will facilitate to hire the people with high potential to the Corporation.

### **(d) Training and Development**

The competency directory for all the positions and mapping the required skills are being done accordingly. The training needs of the staff are identified. Appropriate training programs are being conducted in-house and at external training institutions. The training programs are mainly based on the immediate improvement for better

performance and to prepare the staff for the future responsibilities and to prepare the successors. During the year 2016, employees were given local and overseas training.

#### i. Local training

- Workshops and Seminars conducted at external institutions

Grade	No. of Officials from CPC Head Office	No. of Officials from Refinery
A Grade - Executive level	269	30
B Grade - Clerical and Allied	235	18
C Grade – Skilled and Semi -skilled	184	-

- Academic courses sponsored by CPC

Grade	Officials from A Grade	Officials from B Grade	Officials from C Grade
Certificate level	6	8	30
Diploma level	1	3	-
Degree/ Post Graduate	7	-	-

- In-house training courses – CPC Head Office
  - One day workshop on Personal Grooming, Business & Social Ethics – 70 employees
  - Awareness program on World Smoke Free Day & Drug Prevention – 100 employees
  - Workshop on Physical Sports and fitness promotion – 100 employees

- A workshop was organized by CPC at SLIDA for 31 officers at managerial level in infrastructure development needs and implementation at CPC.

- In-house training courses – Refinery
  - First-Aid training programs for two groups of 46 employees each by the Sri Lanka Red Cross Society
  - Monthly fire training program was held for 32 non-executive staff.
- Industrial visits
  - Half-day industrial visit by the Sri Lanka Navy was conducted for 50 participants.
  - Two half-day industrial visits by NDT (Chemical) students of University of Moratuwa was conducted for 67 participants.
  - Half-day industrial visit by CPSIL Kolonnawa Fire Department was conducted for 35 participants.
  - Half-day industrial visit by Sri Lanka Air Force was conducted for 18 participants.

#### ii. Foreign training

Corporate management identified the overseas training needs and proceeded with the approval of the top management. Foreign training/tours were given to nearly 72 officials during the year 2016 in the fields of witness inspections, EPC contracts, Management, Risk management in the oil field, Shipping, Arbitration, Plant visits, Pipeline technology and other related aspects of oil etc.

### (e) Recruitment & Promotions

- During the year 2016, 4 professionals were hired for the organization to strengthen the professionalism at the middle level management. 5 employees were hired for B grade positions while 85 C grade employees were recruited during the year 2016 up to date.

### (f) Welfare activities

- i. Scholarships were granted for 22 children of CPC employees who were selected to enter state Universities during the year 2016.
- ii. In-plant, on-the-job industrial training opportunities were given to nearly 175 students from National Universities and other government institutions as a part of their course requirement. CPC consider this as a Corporate Social Responsibility (CSR) activity to support the quality education of the students.
- iii. Service Awards were offered to employees who have rendered a meritorious service to the CPC as follows.
  - 20 years' service - 265 employees
  - 25 years' service - 135 employees
  - 30 years' service - 35 employees
  - 35 years - 11 employees
- iv. The loans granted during the reporting period are as follows.
  - Housing loans - 56
  - Motor vehicle loans - 09
  - Motor bike/Three-wheelers loan - 50
  - Housing Repair Loan - 21
- v. Under the Medical Assistance Scheme of CPC, Rs.20,000/= to each employee has been given by CPC in the year 2016 whereas employee's family unit is entitled to medical facility worth of Rs. 400,000/=.

### 9.3 Ceylon Petroleum Storage Terminals Limited

- Human Resources Management and Development

Human Resource Development Function of CPSTL focuses especially on uplifting of knowledge and attitudes of the technical and non-technical employees of the organization towards higher productivity, minimizing wastage, build up a pool of disciplined personnel from labour grades to managerial level.

As the 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.

- The cadre of the CPSTL which was last updated in 2008 was revised/updated and implemented with effect from 1st May 2016.
- The designations in the present cadre has been upgraded to meet the present HR needs of the organization.
- Process of introducing a new Scheme of Recruitment and Promotion in place of

the recruitment criteria which was last updated in 1991-1992, is in progress.

41 local training programs on various fields to improve the capacities of the staff and changing attitudes were provided and 32 officials have been attended on foreign

trainings and inspection. A summary of the local training programs provided during the period from January to December 2016 are given in Table 9.2 below while Table 9.3 is giving a summary of details on foreign trainings and inspections for the same period.

Table 9.2 / Local Training Programs – 2016		
Training period	No. of Trainings	No. of participants
½ Day	5	386
1 Day	33	1,628
2 Day	2	50
6 Day	1	174
<b>Total</b>	<b>41</b>	<b>2,238</b>

Table 9.3 / Foreign Training Programs – 2016		
Program	Category	No. of Participants
Training on "Corporate Management for Sri Lanka"	Training	4
Visit Ukrain High Commission in India to Obtain Ukraine Visa & Witness the testing perform on the New Pipes	Witness	2
"CFO Summit 2016"	Training	1
Course on "Strategic Workforce Planning"	Training	1
Workshop on "HR Audit Excellence"	Training	1
Programme on "Business Planning for South Asian MSME'S"	Training	2
"On Job Aviation Fuel Handling Training Programme"	Training	3
International Programme on Project Management	Training	2
Workshop on "Office Administration Management for Executives & Managers"	Training	1
Workshop on "Lean Warehousing Excellence"	Training	2
International Programme on "Project Financial Modelling"	Training	2



Workshop on "Loading Master Certification for Oil, Gas & Petrochemical Terminals"	Training	1
Pre-shipment Inspection of 10 Units of Prime Mover Machines	Pre-Inspection	2
Familiarization visit to Bentham Factory	Factory visit	2
Pre-shipment Inspection of 10 Nos. Brand New Japanese Tank Lorries/Fuel Bowsers	Pre-Inspection	2
Training Course on "Bulk Liquid Storage Tank Management"	Training	1
Workshop on "Procurement Risk Management"	Training	2
Advanced Training Programme on "Supply, Install, Commission & Calibrate the Complete Digital Combination Octane Rating Unit"	Inspection	1
Total No. of Witness and Pre-Inspection Tours		05
Total No. of Trainings		14
Total No. of Participants		32

➤ Internal Audit  
45 nos. of audit quarries out of 52 nos. of quarries were completed during the period from January to December 2016. Replying for 07 nos. of quarries are in progress. Accordingly, performance of 79% has been achieved during the reporting period.

## 9.4 Petroleum Resources Development Secretariat

### 9.4.1 Amendment of PRDS Act and Introduction of New Regulations

Consequent to the two natural gas discoveries in the Mannar Basin, the PRDS is drafting specific petroleum regulations and accompanying revisions to the Petroleum Resources Act. The objectives of this task are to establish a robust regulatory framework, design to protect fiscal and environment

interests while improving efficiency and transparency for petroleum operations. The amended Petroleum Bill is at its final stage of obtaining approval and certification from Hon. Attorney General.

### 9.4.2 Capacity Building of the Upstream Petroleum Sector

#### a) Develop Petroleum Education in Sri Lankan Universities

PRDS continued providing guidance and assistance to four national universities in order to enhance upstream petroleum knowledge in Sri Lanka for the benefit of students who intend to continue their higher studies and seek employment opportunities in both local and global Petroleum sectors. The following are some key activities offered since the beginning of 2016 to date.



- Offered Industrial training opportunities for 6 undergraduates at the PRDS.
  - Rendered assistance to develop petroleum related software application facility for students' field applications in the Department of Earth Resources at the University of Moratuwa.
  - Provided supervision and mentoring for academic research in four Universities – Peradeniya, Ruhuna, Moratuwa and Sri Jayawardenapura.
  - Training sessions and guest lectures by the PRDS expert staff were provided to undergraduates on oil and gas exploration, development and commercial aspects of gas.
- b) Local and foreign trainings**
- i. Hands on training on the use of a petroleum industry specific economic modelling software, has been a vital requirement in order to assess the economic viability of long term projects undertaken by the state. In view of this, the PRDS purchased an economic modelling software “Merak Peep” and conducted a 5 day training program in July 2016 for PRDS staff and a few other government personnel inclusive of Central Bank, Ministry of Petroleum Resources Development, Treasury, PUCSL to learn the fundamental functions of this software facilitating petroleum economic modelling forecasting and decision making.
  - ii. Provided opportunities for senior officials and decision makers of the upstream petroleum sector to expose themselves at few international oil and gas conferences and interact with global oil and gas regulators and players to promote investment opportunities in Sri Lanka.
  - iii. Advisor in Marine Environmental attended a 2 day Global Workshop on Oil Spill Preparedness and Response in New Orleans, USA
  - iv. Petrophysicist participated at a Petroleum Exploration Development and Production training session in early 2016 which was organized by the International School for Geo-science Resources in Korea held at the Institute of Geo-science and Mineral Resources.

## 10. Accounts

### 10.1 Ministry of Petroleum Resources Development

**Table 10.1** Recurrent Expenditure – Office of Hon. Ministers (Rs. Million)

Types of Expenditure	Budgetary Provisions 2015	Actual Exp. 2015	%	Budgetary Provisions 2016	Actual Exp. 2016	%
Personal Emoluments	12.5	12.1	97	23.46	23.26	99
Travelling Expenses	0.9	0.9	100	5.22	5.22	100
Supplies	7.5	7.5	100	11.52	11.50	99
Maintenance Expenditure	4.2	4.2	100	5.45	5.44	99
Services	16.3	16.3	100	16.31	16.10	98
Transfers	0.5	0.4	80	0.98	0.97	99
<b>Total</b>	<b>41.9</b>	<b>41.4</b>	<b>99</b>	<b>62.94</b>	<b>62.49</b>	<b>99</b>

**Table 10.2** Recurrent Expenditure – Ministry Administration (Rs. Million)

Types of Expenditure	Budgetary Provisions 2015	Actual Exp. 2015	%	Budgetary Provisions 2016	Actual Exp. 2016	%
Personal Emoluments	34.1	33.8	99	39.73	39.55	99
Travelling Expenses	1.9	1.9	100	3.37	3.36	99
Supplies	6.9	6.9	100	7.25	7.21	99
Maintenance Expenditure	4.4	4.3	98	4.55	4.51	99
Services	24.9	24.7	99	16.14	15.92	98
Transfers	4.5	4.5	100	0.71	0.70	99
<b>Total</b>	<b>76.1</b>	<b>76.1</b>	<b>100</b>	<b>71.75</b>	<b>71.25</b>	<b>99</b>

**Table 10.3** Capital Expenditure – Office of Hon. Ministers (Rs. Million)

Types of Expenditure	Budgetary Provisions 2015	Actual Exp. 2015	%	Budgetary Provisions 2016	Actual Exp. 2016	%
Rehabilitation of Capital Assets	9.0	8.5	95	10.8	10.8	100
Acquisition of Capital Assets	4.0	3.3	83	74.6	68.0	91
<b>Total</b>	<b>13.0</b>	<b>11.8</b>	<b>91</b>	<b>85.4</b>	<b>78.8</b>	<b>92</b>

Table 10.4 Capital Expenditure – Ministry Administration (Rs. Million)						
Types of Expenditure	Budgetary Provisions 2015	Actual Exp. 2015	%	Budgetary Provisions 2016	Actual Exp. 2016	%
Rehabilitation of Capital Assets	0.80	-	(100)	0.4	0.4	100
Acquisition of Capital Assets	2.00	1.9	100	4.7	4.7	100
Capacity Building	2.00	2.0	100	1.6	1.5	94
Petroleum Sector Development Framework	2.2	-	(100)	1.0	0.9	99
<b>Total</b>	<b>7.0</b>	<b>3.9</b>	<b>56</b>	<b>7.7</b>	<b>7.5</b>	<b>97</b>

Table 10.5 Recurrent & Capital Expenditure – Public Institutions			
Types of Expenditure	Budgetary Provisions 2016	Actual Exp. 2016	%
Petroleum Resources Development Secretariat	80.0	79.8	99
<b>Recurrent Expenditure</b>	<b>80.0</b>	<b>79.8</b>	<b>99</b>
Petroleum Resources Development Secretariat	80.0	50.7	63
Polipto Lanka (Pvt) Ltd	55.0	55.0	100
<b>Capital Expenditure</b>	<b>135.0</b>	<b>105.7</b>	
<b>Total Expenditure</b>	<b>215.0</b>	<b>185.5</b>	<b>86</b>

Note : In 2015, Petroleum Resources Development Secretariat and Polipto Lanka (pvt) Ltd came under the purview of the Ministry of Power Energy.

Table 10.6 Government Officers Advance Accounts and Actual Expenses - 2016						
	2015			2016		
	Max. limit expenditure	Min. limit receipts	Max. debit limit	Max. limit expenditure	Min. limit receipts	Max. debit limit
Limit	2.0	0.02	20	3.5	2.0	12.0
Actual Expenditure	2.0	5.2	7.8	3.4	2.1	8.5

## 10.2 Ceylon Petroleum Corporation

Table 10.7 CPC Income Statement		
Description	2015 (Restated) Rs. Mn	2016 Rs. Mn
Revenue	376,734.487	423,134.067
Cost of Sales	(337,118.644)	(326,440.767)
<b>Gross Profit</b>	<b>39,615.843</b>	<b>96,693.300</b>
Other Operating Income	4,233.981	3,588.439
Selling & Distribution Expenses	((13,401.137)	(14,411.946)
Administrative Expenses	(3,591.512)	(4,383.873)
<b>Operating Profit</b>	<b>26,857.175</b>	<b>81,485.920</b>
Exchange Rate Variation	(32,841.590)	(8,828.798)
Finance Income	5,011.670	8,367.428
Hedging Expenses	(3,864.375)	-
Finance Expenses	(15,048.660)	(11,404.537)
<b>Profit / (Loss) before tax</b>	<b>(19,885.780)</b>	<b>69,620.013</b>
Tax Expense /Special Fee	(634.384)	(26,632.055)
<b>Profit/(Loss) for the year</b>	<b>(20,520.164)</b>	<b>42,987.958</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified to Profit or Loss:</b>		
Re-measurement gain/(loss) on Retirement Benefit plan	(167.186)	120.866
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Net Gain/(Loss) on available-for-sale financial assets	6.500	(10.000)
<b>Other comprehensive loss for the year</b>	<b>(160.686)</b>	<b>110.866</b>
<b>Total comprehensive Income attributable to :</b>		
Owners of the entity	(20,680.850)	43,098.824
Non-controlling interests	-	-
	<b>(20,680.850)</b>	<b>43,098.824</b>

Table 10.8

## CPC Financial Statement

Description	2015 (Restated) Rs. Mn	2016 Rs. Mn
<b>ASSETS</b>		
<b>Non - Current Assets</b>		
Property, Plant & Equipment	13,871.821	13,505.655
Investment Property	43.022	41.575
Intangible Assets	-	-
Investment in Subsidiary	5,000.000	5,000.000
Non-Current Financial Assets	36,725.282	35,595.461
Trade & Other Receivables	11,675.654	10,326.708
	<b>67,315.779</b>	<b>64,469.399</b>
<b>Current Assets</b>		
Inventories	41,035.111	35,476.885
Trade & Other Receivables	26,859.315	58,472.793
Income Tax Receivable	-	-
Short term Investments	12,704.860	28,065.844
Cash and Cash Equivalents	51,058.236	14,579.410
	<b>131,657.522</b>	<b>136,594.932</b>
<b>Total Assets</b>	<b>198,973.301</b>	<b>201,064.331</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Contributed Capital	28,487.125	28,487.125
Capital Reserve	4,992.686	4,992.686
Retained Earnings	(262,464.604)	(219,365.780)
Non-Controlling Interest	-	-
<b>Total Equity</b>	<b>(228,984.793)</b>	<b>(185,885.969)</b>
<b>Non - Current Liabilities</b>		
Retirement Benefits Obligation	861.114	753.561
Deferred Tax	-	-
Loans & Borrowings	341.817	265.858
	<b>1,202.931</b>	<b>1,019.419</b>
<b>Current Liabilities</b>		
Trade and Other Payables	159,171.227	192,209.267
Current portion of Loans & Borrowings	361.664	37.980
Short term Borrowings	267,222.272	193,683.634
Tax Payable	-	-
	<b>426,755.163</b>	<b>385,930.881</b>
<b>Total Equity and Liabilities</b>	<b>198,973.301</b>	<b>201,064.331</b>

### 10.3 Ceylon Petroleum Storage Terminals Limited

Table 10.9 CPSTL Income Statement		
Description	As at 31st December 2015 (Audited) Rs.	As at 31st Dec. 2016 (Unaudited) Rs.
<b>Operating income</b>		
Terminal charges, operating income and net interest income	9,138,472,024	10,057,176,021
Direct expenses	(3,576,928,635)	(3,635,283,922)
Net throughput income	5,561,543,389	6,421,892,098
Net transport loss	(524,239,295)	(583,804,917)
Net bunkering income	986,062	(385,722)
<b>Gross profit</b>	<b>5,038,290,156</b>	<b>5,837,701,459</b>
Other income	454,821,413	688,743,879
	5,493,111,569	6,526,445,339
Administrative expenses	(3,803,275,275)	(4,355,040,997)
<b>Operating profit</b>	<b>1,689,836,294</b>	<b>2,171,404,342</b>
Finance income	25,810,176	79,441,625
<b>Profit before taxation</b>	<b>1,715,646,470</b>	<b>2,250,845,967</b>
Income tax expense	(341,662,709)	(246,207,651)
<b>Profit for the year</b>	<b>1,373,983,761</b>	<b>2,004,638,315</b>
<b>Other comprehensive Actuarial income/ (expenses)</b>		
<b>Actual loss from retirement benefit</b>		
Obligation - net of tax	33,383,766	251,765,756
<b>Total comprehensive income for the year</b>	<b>1,407,367,527</b>	<b>2,256,404,071</b>

Table 10.10

## CPSTL Financial Statement

Description	As at end of 31st December 2015 (Uadited) Rs.	As at end of 31st December 2016 (Unaudited) Rs.
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	16,687,409,916	16,492,256,583
Intangible assets	17,349,660	7,609,018
	<b>16,704,759,576</b>	<b>16,499,865,600</b>
<b>Current assets</b>		
Inventory	328,836,431	400,662,072
Trade and other receivables	14,474,064	4,869,510,736
Amount due from related parties	6,242,682,261	15,100,824
Staff loans and advances	2,285,032,939	2,388,063,920
Deposits, prepayments and advances	946,013,687	1,245,466,168
Cash and cash equivalents	747,965,921	2,292,542,168
	10,565,005,303	11,211,345,887
<b>Total assets</b>	<b>27,269,764,880</b>	<b>27,711,211,448</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	12,910,228,105	14,679,132,176
<b>Total equity</b>	<b>21,389,228,105</b>	<b>23,158,132,176</b>
<b>Non-current liabilities</b>		
Retirement benefit obligation	1,385,634,331	1,258,646,489
Deferred tax	608,969,586	617,674,278
Interest bearing borrowings	1,398,850,855	912,850,855
	<b>3,393,454,771</b>	<b>2,789,171,622</b>
<b>Current liabilities</b>		
Trade and Other payables	1,007,099,590	892,636,022
Amount due to related parties	642,346,312	260,935,363
Interest bearing borrowings	781,660,127	486,000,000
Current tax liability	55,975,974	124,336,305
	<b>2,487,082,003</b>	<b>1,763,907,691</b>
<b>Total equity and liabilities</b>	<b>27,269,764,880</b>	<b>27,711,211,489</b>