



# Oil and Natural Gas Corporation

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File No: ONGC/JRT/HSE/KSAC/Cost Benefit Analysis

Date: 15.06.2021

## Sub: Clarification Cost Benefit Analysis

Two new wells KSDF, KSDG and KSDG are to be drilled for production of crude oil and natural gas. Where Cost Benefit analysis is not Applicable as per the prevailing guidelines ***“All categories of proposals involving forest land upto 20 hectares in plains and upto 5 hectare in hills”***. The Diversion area involved in this proposal is only 2.55 ha, which is with in the exemption limit.

Therefore, Cost Benefit Analysis is not applicable on this proposal.

(Niva Moni Tamuli)

Head HSE, Jorhat Asset

### Conducting cost-benefit analysis for projects involving forest diversion

- (i) While considering proposal for diversion of forest land for non-forestry use, it is essential that ecological and environmental losses and eco-economic distress caused to the people who are displaced are weighted against economic and social gains.
- (ii) Whenever the forest land is involved in the development projects, the cost of ecosystem services and fragmentation of habitat of wildlife and economic distress caused to people dependent on forests and the cost of settlement of people dependent on forest should also be added as the cost of forest diversion in addition to the standard project cost which would have been incurred by the user agencies without involvement of forest land while conducting the cost benefit analysis of the project. Similarly, the benefits from the project accruing due to diversion of forest land and used in the project should also be accounted for in the benefits component in addition to the standard benefits of the project which would have been accrued without involvement of forest land while conducting the cost benefit analysis and determining the benefit and cost ratio (BC ratio).
- (iii) The cost of compensatory afforestation and its maintenance in future and soil & moisture conservation at present discounted value and future benefits from such Compensatory Afforestation accruing over next 50 years monetized and discounted to the present value should be included as cost and benefits respectively of compensatory afforestation while conducting the cost benefit analysis and determining the benefit and cost ratio (BC ratio).
- (iv) **Table-A** lists the details the types of projects involving forest land for which cost-benefit analysis will be required. **Table-B** lists the parameters according to which the cost aspect of forest land diverted for the development projects will be determined, while **Table-C** lists the parameters for assessing the benefits accruing to the project using of forest land.
- (v) A cost-benefit analysis as above should accompany the proposals sent to the Central Government for forest clearance under the Forest Conservation Act.

**Table-A: Cases under which a cost-benefit analysis for forest diversion are required**

S. No.	Nature of proposal	Applicable/ not applicable	Remarks
1	All categories of proposals involving forest land upto 20 hectares in plains and upto 5 hectare in hills.	Not applicable	These proposals may be considered on a case-to-case basis and value judgment.
2	Proposal for defence installation purposes and oil prospecting (prospecting only).	Not applicable	In view of national Priority accorded to these sectors, the proposals would be critically assessed to help ascertain that the utmost minimum forest land is diverted for non-forest use.