

Remarks of Shri Murli Deora, Hon'ble Minister (P&NG)
At US-India Business Council Meeting in New York
On 1st April, 2010

Ladies and gentlemen,

1. I take this opportunity to apprise you the remarkable achievements in India the upstream and downstream sectors in the recent past. For a geographical region thought to be devoid of any significant hydrocarbons potential, the production of Natural Gas in the Krishna Godavari basin has come as a shot in the arm for the country. Against our earlier production of natural gas of around 75 mmscmd, we have added a further production of over 60 mmscmd from KG basin. This production, which started from April 2009, is expected to be ramped up to 80 mmscmd shortly, thus doubling our indigenous gas production.

2. Another happy development in India's upstream sector is the commencement of crude oil production from the Mangala fields in Rajasthan, in August 2009. Currently producing 20,000 barrels a day, at peak production of 1,75,000 barrels a day, the field will contribute about 25% of the country's domestic oil production and will help reduce India's crude oil import bill by about 8% at the current prices.

3. The key pre-conditions for attracting investments are: strengthening macro economic and fiscal stability, improving transparency and the rule of law, promoting contract stability, minimizing policy induced uncertainties and ensuring a stable, legal and regulatory framework. India has sought to provide these conditions under the New Exploration Licensing Policy (NELP), which was introduced in the year 1997-98. NELP provides a level playing field to all players, Indian or foreign, by giving them the same fiscal and contractual terms for the offered acreages. Even India's National Oil Companies have to bid competitively for the exploration blocks.
4. Under 7 rounds of NELP, 68 oil and gas discoveries have been made, including in the deep water areas. Apart from oil and gas, NELP also offers Coal Bed Methane (CBM) exploration blocks. So far contracts for 23 CBM exploration blocks have been signed. Under NELP VIII, award of 33 blocks has been approved, with an investment of about US\$ 1.1 billion. We have targeted that by 2012, about 80% of India's sedimentary basin would be under exploration. By 2015, we hope to achieve 100% coverage.
5. India has not only opened up its hydrocarbon sector for foreign investment on equal terms, but is also making its fair share of investments in the oil sector worldwide. Indian companies are present in more than 21 countries, producing around 8 MMT of oil and gas annually. ONGC Videsh Limited has made an investment

commitment of over US\$ billion and is targeting annual production of 20 MMT by 2020.

6. Recently, a consortium of OVL, IOC and OIL has won the bid for taking an 18% Participating Interest in Carabobo Project 1 in Venezuela, with an investment of about US\$ 2.1 billion. Recoverable reserves over 25 years are estimated at 3 billion barrels of which share of Indian consortium is 540 million barrels.
7. India's downstream sector has witnessed a silent revolution in the past decade. Today, the world's largest single refining complex is not in the United States or the Middle East but in the Indian state of Gujarat, at Jamnagar. With an investment-friendly pricing policy in place, the country's installed refining capacity has gone up from 62 MMT to 182 MMT in 2010.
8. Presently, four new grassroots refineries are under construction at Bathinda, Bina, Paradip and Cuddalore with a combined capacity of 36 MMTPA, which are expected to be commissioned by the end of March 2012. Apart from these, the ongoing capacity expansion programmes in different refineries are projected to contribute another 37 MMTPA capacity by the year 2012. Thus, the refining capacity in 2012 is projected to be 255 MMTPA against a projected demand of around 148 MMTPA.

9. Over the last 5 years, India has emerged on the global map as a major refining hub, and has turned into a net exporter of petroleum products. Export of petroleum products during 2008-09 contributed earnings of \$26.2 billion, making finished petroleum products the highest foreign exchange earner for the country, in the 'merchandise' category. During 2009-10, we expect our exports to touch 45 MMT and earn the country foreign exchange of more than \$30 billion.

10. We recognize that Natural Gas, for its multiple benefits, will play an increasingly important role in addressing our energy needs. To promote Natural Gas, besides the existing pipelines of 8,296 km, we have given authorizations for laying gas pipelines of 6,243 km. CNG is also being promoted in India as a transport fuel and as a household fuel, replacing LPG. The Delhi Transport Corporation operates the world's largest CNG-run road transport system. City Gas distribution has grown at a rate of 84% during the last two years mainly in the metropolitan cities, and we propose to expand its coverage to 200 more cities by the year 2015.

11. To secure the country's crude oil supplies, Strategic Crude Oil Storage projects of 5.33 Million Metric Tonnes are under construction at Visakhapatnam, Mangalore & Padur and are expected to be in place by December, 2012. These reserves will enable the country to deal with any eventuality arising out of a sudden disruption in crude

oil imports on account of a global event, or natural calamity or abnormal spike in prices.

12. As a developing country eager to maintain its high growth rate, and in order to protect the economy from the inflationary impact of international oil prices, we have been constrained to modulate the retail prices of Petrol, Diesel, LPG and Kerosene (supplied under the Public Distribution System). However, these subsidies have entailed a huge financial burden for the Government. During the year 2009-10, this burden was of the order of around 12 billion dollars. At the current level of international oil prices, this is likely to double during 2010-11. We are aware that this kind of Government intervention is unsustainable in the long run. Recently, a high-level expert group set up by the Government to review the pricing of petroleum products has recommended that the pricing of Petrol and Diesel be made market-determined, and the subsidies on Kerosene and LPG be gradually reduced. Pricing of the essential fuels is a serious challenge for the Government and we are currently looking at several options to put in place a pricing system that is viable and sustainable in the long run.

13. These are very exciting and happening times in the oil and gas sector in India. As an economy of 1.1 billion people growing at more than 8% annually, India offers ideal conditions as an investment destination. A multi-cultural society and the world's largest democracy, India's institutions such as an independent judiciary, free press and a liberalized economy are sure signs of a stable and secure investment destination. I invite you to take a closer look at the

attractive business opportunities that India offers. Your decision to invest in India will prove to be the right one.