

India: Maximising output, while facilitating imports



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As the world's fourth largest oil importer, and as a major refining hub, India's role in the world's energy markets is growing. With an economy of 1.2 billion people growing annually at 8 per cent or more, India's energy needs are growing, and to secure these needs the country is taking a multi-pronged approach.

We have taken several steps to increase domestic production of oil and gas. The New Exploration Licensing Policy (NELP) launched in the year 1997-8 has seen investments of US\$14.2bn and has resulted in 87 oil and gas discoveries, with three blocks in production. NELP offers all the necessary ingredients of a favourable investment climate: macro-economic and fiscal stability, transparency and the rule of law, contract stability, minimal policy-induced uncertainties, and ensures a stable legal and regulatory framework. We have just completed the 9th round of NELP covering a sedimentary area of about 88,000 sq km, which saw participation by 37 companies including eight foreign ones.

The Mangala fields in Rajasthan have shattered the misperception that India was devoid of hydrocarbon potential. These fields, which commenced production in August 2009, are the biggest discovery since "Bombay High" in the 1970s, and at peak production will contribute about 25 per cent of the country's domestic oil production. Similarly, the KGD-6 gas field, which commenced production in 2009, has led to a 75 per cent increase in India's domestic production of natural gas. BP's recent decision to buy a 30 per cent stake in the KGD-6 gas field for US\$7.2 bn, one of the largest foreign direct investments in India, is a concrete example of the tremendous opportunities.

In petroleum refining, India has witnessed a silent revolution and has emerged as a major export hub in the recent years. During 2010-11, India exported 56m tonnes of petroleum products valued at about US\$40 bn, making petroleum products our largest foreign exchange earner in the merchandise category. With three new greenfield refineries coming up at Bina, Bathinda and Paradip in the year ahead, India will have an even larger exportable surplus of petroleum products. We look forward to forging close trade ties with countries looking for refined products.

Presently, natural gas accounts for around 10 per cent of India's primary energy basket as against the world average of 24 per cent. As natural gas is a more versatile fuel besides being environmentally benign, the Government has embarked on a path of increasing the use of this fuel in the country's energy basket. The Government has initiated gas pricing policy

reforms, to incentivise production of natural gas. Alongside, to cater to the huge demand for LNG, the country is investing heavily in the creation of LNG re-gasification facilities. With new RLNG terminals coming up at Dahej, Kochi and Dabhol, the country's current import capacity of 12.5m tonnes a year is set to increase to 20m tonnes a year by 2012-13.

We are keen to diversify our source of LNG supplies and are looking to LNG exporters across the globe for tying up our growing requirement of LNG imports. Recently, we have signed a long-term contract with an Australian company for supply of LNG over the next 20 years. We are interested in not only buying additional quantities of LNG, but also seek to have equity participation in existing and upcoming LNG liquefaction projects globally. We are also keen to explore farm-in opportunities in producing oil and gas blocks whenever they may be available. To transport natural gas to different parts of the country, we have launched an ambitious pipeline development programme. GAIL (India) alone is expanding its existing pipelines by 5,000 kms in the four years ahead. Private operators are adding another 5,000 kms.

We are seriously pursuing the development of shale gas. We have undertaken the mapping of India's shale gas resources and are working to put in place a regulatory regime for licence rounds by December 2013. We are also harnessing coal bed methane: so far, we have held four licence rounds, and commercial production has commenced at Raniganj in West Bengal. As India has one of the world's largest coal reserves, we want to work with international companies having the requisite experience and expertise in coal seam gas.

While we have significant achievements under our belt in the petroleum sector, there are huge challenges before us: our dependence on crude oil imports has grown to the extent of around 75 per cent of our requirement. Naturally, being the fourth largest oil importer in the world, we are deeply impacted by a rise in the international oil prices. As an emerging economy, India can ill-afford growing budgetary deficits or high inflation; and high international oil prices can lead to both. Hence, as a leading player in the International Energy Forum, we have been vocal about our demand for greater transparency and stability in the price formation of oil.

India firmly believes that enhanced energy security for the world can only come through inter-dependence among the producer, consumer and transit countries. We need greater investments in the upstream sector if more oil and gas are to be brought to the international markets. ■