

# Energy security & sustainability

## INTERVIEW WITH MURLI DEORA

MINISTER OF PETROLEUM & NATURAL GAS, INDIA



**MURLI DEORA**

is Minister of Petroleum and Natural Gas. He was born in 1937 in Mumbai. Between 1977-8 he was Mayor of Mumbai and has held a wide variety of political posts culminating in the Chairmanship of Parliamentarians for Global Action. He is also a Vice President of the International Federation of the Red Cross and Red Crescent Societies.

### **How are you addressing the key issue of energy security, given the economic growth rates enjoyed by India, while minimising the environmental impacts?**

I am delighted to share my thoughts with you on these important topics. India, as you say, is poised to achieve a sustained GDP growth rate of 8 per cent this year, and may be even higher in the future. Even with this rapid pace of growth, India consumes only a third of the world's average annual per capita energy at 520 kg of oil equivalent. The country's total primary energy requirements, which are close to 360 million tons of oil equivalent per annum, are projected to go up to 1.6 billion tons of oil equivalent by 2030.

Nearly the entire need of our commercial energy is met by fossil fuels namely coal and hydrocarbons. Oil and gas currently account for nearly 45 per cent of the primary commercial energy requirements of the country, and their share is likely to remain high in future, with gas providing for a larger share than at present. Our focus is therefore to give top priority to our energy security concerns. This was underlined by our Honourable Prime Minister when he stated that: "the search for an integrated policy with an appropriate mix of energy supplies is central to the achievement of our broader economic or social objectives". We are drafting an integrated energy policy to provide a road map to augment and meet our growing energy need in an environmentally sustainable manner.

### **How will you apply this strategy specifically to the oil and gas sector?**

Oil and gas represents my specific area of responsibility and it is projected that demand will grow steadily during 2005-2025, at a rate of 4.3 per cent and 7.3 per cent respectively. At current levels domestic production meets only 25 per cent of the country's oil needs which are at around 2.6 million barrels per day (mbpd). This demand is expected to increase to 7.5 mbpd when India may need to import almost 85 per cent of its oil requirements unless major new exploratory successes are reported in our as yet unexplored basins. We expect the demand for natural gas during the same period to increase from 150 million standard cubic meters per day (mmscmd) to about 390 mmscmd.

India has crafted a multi-pronged strategy to rise to the challenge of fuelling economic growth. This strategy includes a conscious shift to promote larger public-private participation in oil and gas. Our policy has been carefully

evolved to create a level playing field for all the participants in the sector. The recently passed Petroleum and Natural Gas Regulatory Board Bill establishes agencies to regulate the mid- and down-stream sectors. The Director General of Hydrocarbons fulfils this role for upstream.

### **Will your oil and gas policy cope with high price volatility in the oil and petroleum products markets?**

While the price of crude oil and petroleum products have been extremely volatile in the international markets, our policy in this regard has been calibrated with extreme care to insulate our economically weaker sections and to ensure their access to the most basic energy requirements. This has been done through a carefully evolved equitable sharing of the burden of high prices by all stakeholders, namely government, oil companies and the consumers. Energy efficiency and energy conservation are two vital areas of energy management. While the energy intensity in the Indian economy has registered a considerable decline over the past 15 years or so, making our industrial sector globally more competitive, we are not complacent in this regard. Newer and better ways of enhancing efficiency of energy use are continuously being employed in our economic activity. This is particularly important in the context of globalisation.

### **Given your focus on energy security, what is your international strategy with regard to oil and gas assets?**

An important component of our oil and gas security is to acquire equity oil and gas assets outside India. Indian companies have established a significant foothold in 14 countries producing about 100,000 barrels per day of oil and oil equivalent gas in Sakhalin I, Sudan and Vietnam. Our emphasis is to further expand overseas activities and secure a significant portion of our domestic requirements through the equity route.

In addition to accelerating efforts at home and through international participation, India sees enhancement in its energy security through building energy corridors for the supply of oil and gas across and within its borders.

### **How important is technology transfer to the process of sustainable development?**

To ensure steady supplies of energy, it would be prudent to enable developing economies to use new technologies to enhance their energy security. This will not only enable efficient and more productive use of their resources, but

**Trends in energy consumption indicate that by 2030 the world could be consuming 70 per cent more energy than today**

would also help the world to make many technologies viable through higher and larger commercial usage. Technologies in the fields of gas hydrates, coal gasification, gas to liquids, coal bed methane, ultra deep exploration and production are lesser known in the developing world. The time has now come for the world to collectively share the responsibility for sustainable development and the improvement in the quality of life of the masses.

India is exploring the possibility of meeting its energy requirements from various sources of energy – through fossil fuels, thermal power, hydro-electric, nuclear power or renewables. We seek a meaningful exchange of information and a forum to help us in planning and implementing our agenda for energy security.

**How important is cooperation between producers and consumers – the so-called producer-consumer dialogue?**

I would like to see greater co-operation between producing and consuming nations to ensure sustainable development and to meet the Millennium development goals leading to better lives for the global population. High oil prices will mean our import bill is likely to rise from about US\$21 billion in 2003-04 to about US\$66 billion in 2006-07. Collectively we would have paid an additional US\$45 billion in 2006-07 for oil imports. This could have been used to fund primary education, improving maternal health, eradicating poverty and hunger and reducing child mortality. Which brings me back to the need for a global partnership to ensure stability.

**What is your current policy on inward investment and what is the role for foreign companies in India?**

We welcome anybody coming to India investing in the oil and gas industry. There is no restriction on foreign direct investment. Indeed we allow up to 100 per cent foreign ownership in both the upstream and downstream sectors.

**Please outline the current status of the latest Licensing Round NELP-VI.**

NELP-VI presents a giant step in achieving our objective

of assessing the hydrocarbon potential of our entire sedimentary areas. India, a vastly under explored country, has trebled the physical area under active exploration. So far, 30 hydrocarbon discoveries have been made and the in-place reserves assessed in just 16 of these discoveries are about 4 billion barrels of oil and oil equivalent gas. Some of these are world class gas discoveries. However large areas remain unexplored or poorly explored in a country of 3.14 million sq kms or 4 per cent of the world's sedimentary basins with less than a fifth of this area properly explored and with one of the lowest drilling densities in the world.

We have now launched the biggest round (NELP-VI) offering 55 blocks covering a sedimentary area of about 353 thousand sq km which is 11 per cent of the total sedimentary basin area of India. This lies in 24 deepwater blocks, 6 shallow water blocks and 25 onshore blocks.

This round has been launched not only in the backdrop of a series of hydrocarbon discoveries made in the last few years in the KG basin and Rajasthan, but also the fact that 26 foreign and 23 Indian companies, including oil majors such as BP, Petrobras, BG, Petronas and Kufpec participated in the NELP – V round. The gas reserves of the country in the last 3-4 years have risen by around 60 per cent.

As demonstrated in the past, the Government will complete evaluation, award and signing of Production Sharing Contracts in a strict time frame. We expect to finalise the awards by 15th November 2006 and signing of Production Sharing Contracts by 15th January 2007, i.e. a total timeframe of 4 months from receipt of bids.

This presents a challenge to all of us as we consolidate and build upon the excitement that has been generated in the Bay of Bengal and Rajasthan. I invite your readers to participate in the NELP-VI bidding process and become partners in our efforts to enhance the energy security of the country and be part of the ever-growing energy markets of India. **F**

