

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:732

ANSWERED ON:23.02.2006

INDO- CHINA COOPERATION IN HYDROCARBON SECTOR

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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether a high level delegation had visited China recently;

(b) if so, whether any consensus has been reached between India and China regarding cooperation in the hydrocarbon sector to ensure the energy security for the two Asian giants;

(c) if so, the details thereof; and;

(d) the benefits likely to be accrued to India as a result thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) Yes, Sir.

(b) A Memorandum for Cooperation in the field of Oil and Natural Gas between the National Development & Reforms Commission of the Peoples` Republic of China and the Ministry of Petroleum and Natural Gas of the Republic of India was signed on 12th January, 2006. In addition, GAIL (India) Ltd. have signed three MOUs with SINOPEC, CNOOC (International) Limited and Beijing Gas Company Ltd., respectively, while the Directorate General of Hydrocarbons has signed an MOU with the Research Institute of Petroleum Exploration and Development (RIPEDE) of China to enhance cooperation on oil and gas related issues of mutual interest and to exchange information on the development of policy on oil and gas exploration and production. Again, OVL have signed an agreement with CNODC Ltd., the international arm of the National Oil Company, CNPC Ltd., for co-operation in the field of E&P activities in third countries.

(c) &(d):- The details are given at annex.

ANNEX

ANNEX REFERRED TO IN REPLY TO PARTS (c) & (d) OF THE LOK SABHA UNSTARRED QUESTION NO.732 BY SHRI ANANDRAO V. ADSUL, SHRI BASUDEB ACHARIA, SHRI UDAY SINGH AND SHRI BRAJA KISHORE TRIPATHY TO BE ANSWERED ON 23.2.2006 REGARDING `INDO-CHINA COOPERATION IN HYDROCARBON SECTOR.`

The areas of cooperation envisaged in the Memorandum of Cooperation entered into between the two Governments are as follows:-

(i) promote cooperation between the companies and organisations of both countries in oil and natural gas production, execution of large engineering projects, and manufacturing, up-gradation and supply of drilling equipment and petrochemical processing units;

(ii) encourage bilateral cooperation for undertaking joint exploration and production initiatives for oil and natural gas resources in third countries;

(iii) encourage cooperation on basic and applied R&D ;

(iv) encourage bilateral cooperative relationship in the areas of crude oil trade and transportation and to study the development of the Asian crude oil and oil products markets, and the measures required to stabilize the Asian oil markets with the aim of enhancing the influence of both nations in the world crude oil pricing mechanism and promoting a stable supply and demand mechanism in the Asian energy market ;

(v) encourage exchange of information and experience on commercial stockpiling of oil between the companies and organizations of both countries;

(vi) encourage collaboration between the companies and organisations of both countries in heavy oil;

(vii) encourage cooperation in areas such as coal bed methane, underground coal gasification and gas hydrates; and

(viii) exchange of information on policies and programmes on the sustainable development of oil and natural gas industries.

The memorandum provides for the setting of a Joint Working Group at official level to identify and pursue these areas of cooperation. On the basis of the bilateral Government-to-Government MOU and the company-to-company MOUs which have been finalised or are presently under consideration, India and China, as principal consumers of hydrocarbon resources in Asia, have committed themselves to a long-term and substantial partnership to enhance each others` capabilities and resources and to jointly pursue their interests at the international, regional and bilateral fora. In this endeavour, the two countries are bringing together their technical, financial and human resources in order to obtain their common interests of serve their national energy security interests.

The specific areas in which this cooperation will manifest itself in the coming years are:-

- i) participation in upstream and downstream projects in each others` countries;
- ii) pursue investment opportunities in third countries by submitting joint bids for equity participation in oil producing fields or seeking E&P contracts;
- iii) enhancing domestic capabilities and resources through joint pursuit of R&D proposals particularly in the areas of increased oil recovery and enhanced oil recovery in order to boost domestic production;
- iv) mobilise national capabilities in the areas of Engineering and Petroleum services through joint ventures both in each others` countries and in third countries;
- v) bring together their significant position in the international oil market by exploring the possibility of joint purchases of crude oil and gas;
- vi) pursue studies jointly to bring about important changes in the organisation and functioning of the Asian Oil Markets in order to make them more transparent and more reflective of the realities of the contemporary oil scenario in which Asian consuming countries are the consumers of the bulk of Asian oil production and yet have to function in a market environment that is non-transparent and iniquitous ;
- vii) pursue research and technology development projects in the area of un-conventional energy resources such as the development of Coal Bed Methane (CBM) and Gas Hydrates;
- viii) participate in transnational oil and gas pipelines projects to transport hydrocarbon resources from Asian producing centres to the principal Asian consuming countries; and,
- ix) pursue joint projects in the areas of conservation and development of environment friendly fuels.

The proposed cooperation between India and China in the hydrocarbon sector is wide ranging and promises to yield enormous benefits to the two countries on account of their pulling together their formidable resources and acting jointly in pursuit of their common interests.