

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

UNSTARRED QUESTION NO:1312
ANSWERED ON:02.03.2006
ACQUISITION OF ASSETS BY OIL PSUS ABROAD
Kurup Adv. Suresh

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

- (a) whether the Government proposes to strengthen the oil sector companies in acquiring assets abroad;
- (b) if so, the details thereof; and
- (c) the manner in which the Government will help these companies?

Answer

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

(a) to (c) : As per the decision taken by the Government in August 2005, the ceiling of equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad by the Navaratna PSEs, including the downstream oil companies, shall be 15% of their networth in one project limited to Rs. 1,000 crores. The overall ceiling on such investments in all projects put together shall be 30% of the networth of the PSE.

As regards the upstream sector, the Board of Directors of OVL, the subsidiary of ONGC, has powers to approve a project involving investment upto US\$ 75 million or Rs. 300 crore whichever is less. For projects involving investment beyond this, an Empowered Committee of Secretaries (ECS) considers the proposal of OVL before seeking the approval of the Government. In the case of Oil India Limited, powers to incur capital expenditure or form joint ventures/subsidiaries was limited to Rs. 150 crores only or equal to 50% of its networth, whichever is less. To extend support to the efforts of oil companies in acquiring equity oil and gas abroad, the Government have decided to permit Oil India Limited (OIL) to form project specific Special Purpose Vehicles (SPVs) with Indian Oil Corporation Limited (IOC) to undertake overseas projects beyond its financial powers. In the event, IOC is not interested, OIL can join hands with any other Navaratna downstream oil PSU. All such proposals for Exploration & Production (E&P) projects jointly to be undertaken by OIL and the Navaratna downstream oil Public Sector Undertakings (PSUs) would be brought for consideration before the Empowered Committee of Secretaries (ECS), under the same fast track mechanism as available to ONGC Videsh Limited (OVL). The ECS would then give its recommendations to the Government.