

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

STARRED QUESTION NO:563
ANSWERED ON:05.05.2005
INVESTMENT IN OVERSEAS PROJECTS
Chinta Mohan Dr. ;Singh Shri Uday

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

- (a) whether the Government has decided to invest several million dollars abroad keeping in view the need for uninterrupted supply of petroleum products in the country;
- (b) if so, the details thereof; and
- (c) the measures taken by the Government to ensure uninterrupted availability of petroleum products at reasonable prices to the consumers in the country?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (c) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (c) OF THE LOK SABHA STARRED QUESTION NO. 563 BY DR. CHINTA MOHAN AND SHRI UDAY SINGH TO BE ANSWERED ON THE 5TH MAY, 2005 REGARDING INVESTMENT IN OVERSEAS PROJECTS.

(a) & (b) : In keeping with the Energy Security objectives of the National Common Minimum Programme, Government have directed ONGC Videsh Ltd. (OVL), the wholly owned subsidiary of ONGC engaged in E&P activities abroad as well as other national oil companies such as Indian Oil Corporation Ltd. (IOC), Oil India Ltd. (OIL) and Gail (India) Ltd. (GAIL) to pursue opportunities for acquisition of equity oil and gas abroad, as well as acquisition of exploration acreages and producing properties. These companies have Participating Interests in oil and gas projects located in Vietnam, Sudan, Russia, Iraq, Iran, Myanmar, Libya, Syria, Australia, Ivory Coast, Qatar and Egypt. At present, committed investment overseas by these companies is of the order of \$ 5 billion.

OVL, in association with other oil sector PSUs, is aggressively scouting for E&P opportunities in countries perceived to be hydrocarbons-rich.

(c): The requirement of petroleum products in the country is being met by indigenous refining and, to the limited extent required, through imports. While, however, the country is virtually self sufficient in petroleum products, and, indeed, exported nearly Rs. 25,000 crores of petroleum products in 2004-2005, it is over 70 per cent dependent on imports for its crude oil requirements, a figure likely to increase to 85% over the next 20 years. Thus, international crude prices impact heavily on domestic prices and have to be factored in when determining the domestic pricing policy for sensitive petroleum products such as petrol, diesel, LPG and Kerosene. Public Sector Oil Marketing Companies (OMCs) have, therefore, been restrained from passing on the full increase in international prices to domestic consumer prices of these products. Petrol, diesel and LPG prices have not been revised since November, 2004; kerosene prices have remained frozen since April, 2002. Government too have been repeatedly revising customs and excise duties since June, 2004 to moderate the impact of the spike in international prices on domestic consumers. Moreover, although with effect from 1 August 2004, Government had authorized a price band mechanism allowing OMCs freedom to revise the prices of petrol and diesel within the prescribed price band, the steep and volatile increase in the international prices of crude oil resulted in the ceiling of the price band being breached within weeks of its being made operational. Therefore, the mechanism has since been held in abeyance.