



Department of Industrial Policy and  
Promotion

Ministry of Petroleum  
& Natural Gas

# Oil & Gas Sector

Achievements Report

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**MAKE IN INDIA**

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# Oil and Gas Sector

Oil & Gas sector is a key contributor to India's economy. India is the **third largest consumer** of crude oil and petroleum products globally accounting for 4.5 % of world oil consumption in 2015, behind US and China. **India's refining capacity is 230 MMTPA** (Million Metric Tonnes Per Annum). Refining **capacity of India expanded by 15 MMTPA with the commissioning of Paradip Refinery in February 2016**. The country has 635 Million Metric Tonnes (MMT) of proven oil reserves, 54 Trillion Cubic Feet (TCF) of proven natural gas reserves and 96 TCF of estimated shale gas reserves (estimated at the beginning of 2015). With 48% of the country's sedimentary area yet to be explored, the oil & gas sector provides tremendous opportunities for investment.

In line with the Government's vision for reducing oil imports by 10% by 2022, several measures have been taken including policy interventions, capacity expansion, fast tracking of projects etc. during 2014-16 to turn India into a refining hub.

## Policy Initiatives & Investments

### FDI Policy

- **100% FDI is allowed** through **automatic route** for exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum products' pipelines,

natural gas pipelines, LNG regasification infrastructure, market study, formulation and petroleum refining in private sector, subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the policy of the Government or private participation in exploration of oil and the discovered fields of natural oil companies.

- FDI upto 49% is permitted through automatic route for Petroleum refining by PSUs, without any disinvestment or dilution of domestic equity in the existing PSUs.

### Hydrocarbon and Exploration Licensing Policy (HELP)

Notified on March 30, 2016, it unveiled a series of reforms that will revitalize the upstream sector.

- **Uniform licensing system**, which will cover all hydrocarbons, i.e. oil, gas, coal bed methane etc. under a **single license and policy framework**.
- **Revenue Sharing Model**: Contracts will be based on biddable revenue sharing and not the current cost recovery model
- **Open Acreage Licensing Policy (OALP)**, oil and gas acreages will be available round the year instead of cyclic bidding rounds as in New Exploration Licensing Policy (NELP). A bidder may apply to the Government seeking exploration of any block not already covered by exploration and if found suitable Government will call for competitive bidding.



— **Concessional Royalty regime introduced whereby** deep water and ultra-deep water areas shall not have any royalty for the first seven years, and thereafter shall have a concessional royalty of 5% (in deep water areas) and 2% (in ultra-deep water areas). In shallow water areas, the royalty rates has been reduced to 7.5% from 10%.

— **Marketing and pricing freedom allows explorers to sell gas** produced from geologically difficult, high risk / high cost areas with a ceiling price

— **Extension granted for Production Sharing Contracts (PSCs)** of 28 small, medium sized and discovered fields

#### **Discovered Small Field (Marginal Field) Policy**

Announced in **October 2015 to reduce dependency on import of hydrocarbons**, the policy provides for a single uniform license for producing all kinds of hydrocarbons. Also, no cess on oil production, moderate royalty structure, **customs duty exemptions on import of goods and services for petroleum operations**, complete marketing and pricing freedom for the sale of produced crude oil and natural gas, upto 100% FDI participation by foreign companies, joint ventures, and no restriction on exploration activity during contract period are other elements of the policy.

- The Discovered Small Field (DSF) Bid Round 2016 held in May 2016, offered 46 contract areas in 67 oil and gas fields, across 9 sedimentary basins, for development.
- 134 e-Bids for the 34 contract areas were received by Directorate General of Hydrocarbons (DGH). Out of the total 134 e-bids received, 120 e-bids were received for onland areas and 14 e-bids for offshore areas. As many as 42 companies (Individually or as member of the bidding consortium) participated in the bid round.

#### **Policy on Testing Requirements for discoveries in NELP blocks**

Approved on **April 29, 2015**, this policy will help in the monetization of 10 discoveries in 5 NELP blocks by resolving long pending disputes associated with testing requirements. The policy provides option to the contractors with regards to discoveries which are stuck on account of testing requirement. The reserves associated with these discoveries are expected to get monetized to the tune of 3 trillion cubic feet (TCF) with an associated value of around INR 90,000 crore.

#### **Policy framework for Relaxations, Extensions and Clarifications at the Development and Production stage under PSC regime**

-Aimed at early monetization of hydrocarbon discoveries and approved by the Government on **November 20, 2014**, this policy addresses the rigidities in the timelines of the PSC allowing contractors to start production at the earliest.



Some of the salient features of the reform measures are:

- **Extension of Appraisal period** for submission of Declaration of Commerciality (DOC)
- **Extension of time period for submission of Field Development Plan (FDP)**
- **Permission for drilling of Appraisal Wells** after submission of DOC
- **40 cases have already been resolved under this policy framework. This has also led to the development of 5 discoveries with associated resources of USD 5 billion.**

### Major Investments & FDI Inflows

FDI equity inflows during April 2014-March 2016 increased by 261% to USD 1.18 billion from USD 327 million during the same period in 2012-14.

Major investments during the two year period until September 2016 are provided in the table.

### Fiscal Incentives

Basic Customs duty and Countervailing Duty exemption on specified goods imported for petroleum exploration under various types of licenses or mining leases, pre-NELP contracts, NELP contracts, Marginal Fields Policy and the Coal Bed Methane Policy have been **merged into a single exemption, with unified list of goods and conditions.**

Foreign Company	Country	Indian Company	FDI Equity Inflows (USD million)
Relay B.V.	Netherlands	United Spirits Ltd	998.2
Praxair Pacific Limited	Mauritius	Praxair India Private Ltd	48.43
Jubilant Energy N.V	Netherlands	Jubilant Offshore Drilling Pvt Ltd, Jubilant Oil & Gas Pvt Ltd(Ear Jubilant)	27.36
Jubilant Oil & Gas India Ltd.	Cyprus	Jubilant Offshore Drilling Pvt Ltd, Jubilant Oil & Gas Pvt Ltd	20.08
Various Investors As Per List	U.S.A	Gujarat Gas Ltd	18.7
Cvcigp li Employees Rosehill Ltd.	Mauritius	Shiv-Vani Oil & Gas Exploration Services	15.21
Samara Capital Partners Fund I Limited	Mauritius	Oilmax Energy Pvt Ltd	14.88
Gulf Petrochem FZC	UAE	Gulf Asphalt Private Limited (Ear:Aspam)	13.9
Superior Energy Services Pvt Ltd.	Netherlands	Ses Energy Services India Pvt Ltd	10.33



Exemption has been **extended on imports of goods required for exploration & production of hydrocarbon activities** undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999. **(March 1, 2016).**

### Infrastructure Creation

- IOCL refinery with a capacity of 15 MMTPA and state-of-the-art refining technology at Paradip, Odisha with an approximate cost of INR 34,555 crore was **commissioned in February 2016**. It will lead to development of downstream industries in the region including petrochemical units & help Paradip emerge as the Energy Hub of eastern India.
- The second unit of 726 MW gas based thermal power project of ONGC Tripura Power Company (OTPC) at **Palatana, Tripura was inaugurated on December 1, 2014**.

**Strategic Crude Oil Reserves:** Crude oil strategic storage of 5.33 MMT capacity was built at three locations viz. Visakhapatnam (1.33 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT). The project at Visakhapatnam has already been commissioned.

- Approval granted to GAIL (India) Limited on February 25, 2016 for augmenting the capacity of Jamnagar-Loni LPG pipeline from 2.5 MMTPA to 3.25 MMTPA and to Hindustan Petroleum Corporation Limited (HPCL) on December 1, 2015 for expansion of Mundra-Delhi petroleum and petroleum products pipeline from 5.0 MMTPA to 6.9 MMTPA.

### ▪ Development of Pipeline Infrastructure:

**Urja Ganga Gas Pipeline Project:** In October 2016, the Government laid the foundation for the gas pipeline project, at Varanasi.

- The 2540 km long Jagdishpur – Haldia & Bokaro – Dhamra Natural Gas Pipeline Project (JHBDPL) under Urja Ganga when completed will supply natural gas to Uttar Pradesh, West Bengal, Bihar, Odisha and Jharkhand and will benefit around 20 lakh families.
- In September 2016, the Government approved viability gap funding / partial capital grant at 40% ( INR 5,176 crore) of the estimated capital cost of INR 12,940 crore to GAIL for development of JHBDPL project.



## Initiatives in North-East

- The **Hydrocarbon Vision 2030** for North-East India was **released on February 9, 2016**, and focuses on doubling oil & gas production by 2030 and leveraging the hydrocarbons sector for social and economic development along with promoting cooperation with neighboring countries such as Bangladesh, Myanmar, Nepal & Bhutan. **To incentivize exploration & production in the North East, a 40% subsidy on gas operation has been extended to private companies operating in the region.**

## Innovation & Technology

- **INDMAX (Indane Maximization) technology** has been developed to maximize light distillates from refinery residue by IOCL R&D.
- A **novel Separation Technology** for gas processing called **HP HiGAS** has been developed by HPCL and a demonstration unit commissioned at Visakh Refinery.
- HPCL has indigenously developed **Engine oil for Arjun Tank**, oil for **high mast for defence use**, **Grease for rock breaker** attachment in Heavy earth moving machinery (HEMM).
- The **first ever indigenously built** and fabricated **Four Ball Test Machine** was purchased and installed by HPCL.
- BPCL has developed **Gasoline Corrosion Inhibitor additive** to control corrosion.
- BPCL **been accredited as First Reference Material Producer and First Proficiency Testing (PT) Provider** in India by NABL.
- **BPCL has indigenously developed the following products which were imported earlier:** Light liquid paraffinic oil for use in cosmetic applications, Viscosity Modifiers for Hydraulic fluids, Phenolic antioxidants for lubricant formulations, Viscosity Index Improver Polymer, Thermic fluid.
- ONGC and Pan-IIT entered into a Memorandum of Collaboration on January 19, 2015 to work towards a collective R&D Programme. **16 research projects have been approved for implementation** at an approx. cost of INR 34 crores. An R&D collaborative project worth INR 68 crores was signed on October 15, 2015 between ONGC and a company promoted by professors of IISc Bangalore.
- Every PSU under the Ministry of Petroleum and Natural Gas (MoPNG) has constituted a **specialized Indigenization Development Group (INDEG)** to promote indigenization and are actively involved in organizing regular vendor meets to promote the idea of 'Make in India,' and identification of equipment and products that can be **indigenously manufactured such as LNG ships.**



## Other Initiatives

- In a move that will help reduce losses for public sector petroleum refiners on sale of regulated petroleum products and (LPG and PSD kerosene), **diesel prices were fully deregulated w.e.f. October 19, 2014.**
- **Direct Benefit Transfer (DBT) in PDS Kerosene Scheme (DBTK)** is being implemented on pilot basis in 33 districts of 9 States w.e.f. April 1, 2016.

**Under Pradhan Mantri Ujjwala Yojana (PMUY) scheme** launched on May 1, 2016, **5 crore LPG connections will be provided to BPL families** with a support of Rs.1600 per connection in the next 3 years. **INR 8000 crore has been allocated** towards the implementation of the scheme.

As of December 2016, **656 districts have been covered** and **1.6 crore BPL LPG connections have been released.**

**PAHAL, the world's largest Direct Benefit Transfer scheme**, launched on January 1, 2015, directly transfers LPG subsidy to consumers all over the country.

**As of January, 2016, 17.20 crore LPG consumers** have joined the scheme and an amount of **INR 39711 crore** has been transferred into the bank accounts of LPG consumers.

The scheme has resulted in **savings of INR 14,818 crore in FY 2014-15** and an estimated savings of **INR 6443 crore in FY 2015-16.**

## Provision of clean fuel

- As per recommendation of the Expert Committee contained in Auto Fuel Vision & Policy - 2025, MOPNG has issued orders for supply of BS-IV auto fuels in the entire country by April 1, 2017 in a phased manner. As part of the 1st phase, supply of BS-IV auto fuels has commenced in the northern part of the country w.e.f. April 1, 2015. Oil marketing companies have also been advised to be ready to switch over directly from BS-IV to BS-VI fuel standards by April 1, 2020.
- **Ethanol Blended Petrol (EBP) Programme**
  - To Help Reduce Emission, in December, 2014,** the Government has allowed procurement of ethanol at a fixed delivered price ranging between Rs.48.50 to Rs.49.50 per litre (including all taxes and transportation cost).
  - Ethanol produced from other non-food feedstocks besides molasses have been allowed to be procured.
  - Excise duty has been waived on ethanol supplies to OMCs for EBP by sugar mills during 2015-16.**

## Promotion of Start Ups

ONGC announced an INR 100 crore "ONGC Startup fund" on August 14, 2016. The ONGC – Startup portal was launched in December 2016





## Ease of Doing Business Initiatives

### ▪ **Facilitating Supply of Natural Gas to Fertilizer and Power Sector:**

- The Government has approved supply of pooled Natural Gas at uniform delivered price to all grid connected gas based fertilizer plants for urea production w.e.f March 31, 2015.
- It has also approved the scheme for utilization of stranded gas based power generation capacity, which was a joint proposal from MoPNG and Ministry of Power and will help in revival of 16000 MW stranded gas based power plants
- Government has allowed the sale of Bio-diesel (B100) by private manufacturers to bulk consumers like Railways, State Transport Corporations and other bulk consumers w.e.f. August 10, 2015. As on September 30, 2016, 2.32 crore litres of biodiesel (B100) has been procured.
- **Extraction of Coal Bed Methane (CBM):** In November, 2015, Government permitted Coal India Limited & its subsidiaries to explore coal-bed methane gas from the coal mining lease areas held by them. This will help in augmenting CBM gas production in the country.

## Skill Development

- With the participation of all the major companies in the oil industry, the Hydrocarbon Sector Skill Council (HSSC) has identified 134 roles (QPs) pertaining to the Upstream, Midstream and Gas, Downstream as well as Construction and Services sub-sectors.
- The HSSC roadmap for Skill Development provides for 19.27 lakh persons to be trained and certified by empanelling 500 institutions and training 1250 trainers.
- Skill development institutes (SDIs) have been set up by PSUs at Nagaram, Bhubaneswar and Vishakhapatnam. IOCL SDI in Bhubaneswar was inaugurated on May 9, 2016 and the first batch of industrial welding and electrician courses kicked off on June 30, 2016 with 45 students per course.
- **Indian Institute of Petroleum and Energy (IIPE)** was set up in Visakhapatnam in October, 2016. 96 students have already joined in two undergraduate programmes, viz., Petroleum Engineering and Chemical Engineering.

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