

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

UNSTARRED QUESTION NO:4487

ANSWERED ON:25.08.2005

INVESTMENT PATTERN OF OIL PSUs

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

(a) whether the investment pattern of oil Public Sector Undertakings (PSUs) indicates that instead of building upon core competencies, they are all aiming to vertically integrate operations from upstream exploration and production to downstream retail activities;

(b) if so, whether there is a need to review the investment programme of each Public Sector Oil Company;

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

(d) the steps taken by the Government in this regard?

Answer

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

(a): In its Mid Term Review of the Tenth Plan, the Planning Commission have stated, inter-alia, that instead of building upon their core competence, Oil Public Sector Undertakings (PSUs) are aiming to vertically integrate operations from upstream exploration and production to downstream retail activities.

(b) & (c) : Yes, there is need to review the investment programmes of Oil PSUs. While, of course, oil PSUs are authorized to take investment decisions based on their business and commercial considerations and from out of their own internal resources, for its part, Government is obliged to ensure that such decisions are consistent with the long term interests of the country. Therefore, Government Directors on the Boards of these companies act as the channel of communication in this regard between the Government and these companies. Overall and in general, Oil PSUs invest both in projects aimed at strengthening their core competencies and diversify and expand into related business segments depending upon the commercial viability and profitability of the projects.

(d) Apart from approving Oil PSUs Annual Plan outlays, the Government also intervenes to ensure that the investment focus remains on core competencies, avoids unhealthy competition between PSUs and is oriented towards optimal investments in the oil and gas sector as a whole.