

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

UNSTARRED QUESTION NO:4284
ANSWERED ON:26.08.2004
ONGC PROJECT IN RUSSIA
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether India's biggest overseas Oil & Natural Gas Project, Sakhalin-I in Russia has run into more than 45 percent cost over-run;
- (b) if so, the original cost and other details of the project and the latest revised cost thereof;
- (c) the stage-wise details of the implementation schedule and the delay incurred therein; and
- (d) the reasons for the delay and the cost over-run?

Answer

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

(a) & (b): ONGC Videsh Ltd.(OVL) has reported that though its upfront investment in the Sakhalin Project including carry to Russian partners before commencement of production, which was originally estimated to be US\$ 1741 million is likely to increase, the cost of all four phases of the project is not predicted to exceed the estimates submitted in the Development Programme and Budget approved by the Russian Government. The extent of increase in the upfront investment of OVL is being evaluated by OVL in consultation with its consultant and operator.

(c): The project was originally scheduled to commence production of oil from 2005 and gas from 2006. Now it is planned to commence production of gas for domestic sales from 3rd quarter of 2005 and oil from beginning of 2006. Production of crude oil at rated capacity is expected from the end of 2006.

(d): Factors such as externally driven cost pressures including world commodity price fluctuation, fall in value of dollar against other currencies, local inflation, the process required to be followed under the Russian System for obtaining approvals for development and construction of the project and also the lack of infrastructure and resources, have amongst other factors contributed to the cost and schedule pressures.