GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1882
ANSWERED ON:11.08.2011
CAIRN-VEDANTA DEAL
Shukla Shri Balkrishna Khanderao Balu Shukla;Tarai Shri Bibhu Prasad

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

(a) whether the conditions laid down in the Cairn-Vedanta deal regarding Barmer Oil Field in Rajasthan would lead to a loss of Rs. 5000 crore to the Government;

(b) if so, the details thereof;

(c) whether it is also true that the State owned Oil and Natural Gas Corporation (ONGC) has to suffer as it has to pay entire royalty though having 30 percent stake;

(d) if so, the details thereof;

(e) details of the corrective measures being taken by the Government in this regard; and

(f) the reasons for delay in granting approval to Cairn-Vedanta deal?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI R.P.N. SINGH)

(a) and (b): The Government of India (GOI) has approved the proposal of Cairn Energy Plc for transfer of 40% of equity shares of Cairn India Limited (CIL) to Vedanta Resources Plc by stipulating inter-alia a condition that the parties shall agree and give an undertaking that the royalty paid by Oil and Natural Gas Corporation(ONGC) in the RJ-ON-90/1 block is cost recoverable by ONGC as contract costs, as per the provisions of the Production Sharing Contract (PSC). As per projections made on the basis of assumptions on production, crude oil price, exchange rate, etc., in Net Present Value (NPV) terms the GOI's share of profit petroleum is reduced by Rs 5032 crore, that of Cairn's by Rs 6272 crore and ONGC by Rs.2688 crore over the life of the project i.e. till 2020 (calculated at 1 USD= Rs 45). However, in this situation, ONGC would recover the cost of royalty paid by them to the State Government on behalf of themselves and Cairn, amounting to Rs.13,995 crore in NPV terms, over the life of the project.

(c) and (d): No, Madam. As per the PSC, ONGC as licensee has the obligation to bear 100% royalty burden. However, as per the Accounting Procedure prescribed in the PSC, Royalty paid is cost recoverable by ONGC as contract costs.

(e): GOI granted consent to the proposed Cairn-Vedanta deal by stipulating a condition that the parties shall agree and give an undertaking that the royalty paid by ONGC in the RJ-ON-90/1 block is cost recoverable by ONGC as contract costs, as per the provisions of the Production Sharing Contract (PSC).

(f): Cairn Energy PLC had formally applied with all documents only by end November 2010. Thereafter, the matter was processed for consideration by CCEA and a decision was taken on 30th June 2011. There was no delay on the part of the GOI while granting approval to the Cairn-Vedanta deal.