GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2950
ANSWERED ON:18.08.2011
AGREEMENT WITH PRIVATE COMPANIES FOR GAS SUPPLY
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government is aware that the system of Production Sharing Contracts (PSC) signed between the Government and private players in oil and gas exploration is faulty, causing loss to the Government ;

(b) if so, the details thereof;

(c) whether it is also true that at the heart of the PSC lies the Investment Multiple (IM) which defines the share of profit that goes to the Government;

(d) if so, whether the Government proposes to bring the amendments to remove this discrepancy; and

(e) if not, the reasons therefor ?

Answer

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

(a) & (b): The Production Sharing Contract (PSC) regime in India was introduced with a view to attract risk capital and technology in Exploration & Production (E&P) sector at no cost to the Government. This model is particularly suitable for a country like India, having large unexplored area requiring huge investment and infusion of latest technologies in E&P sector. Under this model, in addition to enhancing the domestic oil/gas production, Government receives royalty, Profit Petroleum and other applicable Statutory Levis, Fees and Taxes.

(c): Profit share between the Contractor and the Government is determined based on the Investment Multiple (IM) tranches defined in the respective PSCs. Investment Multiple also helps Government to earn a higher share of profit when windfall profit results from high petroleum prices and / or high production volumes realized due to reservoir surprises.

(d) & (e): The provisions of PSC are well defined and as such no discrepancy/ ambiguity exist.