

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

UNSTARRED QUESTION NO:4210

ANSWERED ON:06.09.2012

IRR FOR EXPLORATION

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

- (a) the normal Internal Rate of Return (IRR) for deep water oil and gas exploration development projects worldwide;
- (b) whether the IRR for joint venture and private oil and gas exploration companies in India are comparatively much higher;
- (c) if so, the details thereof along with the reasons therefor; and
- (d) if not, the IRR for oil and gas companies in India, company-wise?

Answer

Minister of state in the Ministry of PETROLEUM AND NATURAL GAS (SHRI R.P.N. SINGH)

(a) to (d) Under Production Sharing Contract (PSC) regime, Internal Rate of Return (IRR) is usually not used for evaluating the techno-economics of the Field Development Plans (FDPs) of oil and gas projects, since Government of India does not make any investments in these projects. Such projects are evaluated on the basis of Net Present Value (NPV) of the projects, which varies from field to field depending on several factors such as geographical location (onland, shallow water and deepwater) and size of the fields, geological and reservoir parameters, selected development concepts, oil/gas reserves, estimated production profile etc. and hence global bench-marking of IRR of such projects may not be feasible.