

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

UNSTARRED QUESTION NO:4486
ANSWERED ON:17.12.2009
RECOVERY OF CAPITAL COST
Sudhakaran Shri K.

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

- (a) whether the provisions have been made by the Government to recover the capital cost from the contractor under the New Exploration Licensing Policy (NELP) scheme, in case the contractor abandons the project midway;
- (b) if so, the details thereof; and
- (c) if not, the remedies available to the Government to penalize the contractor for his failure to execute the contract within the time frame?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI JITIN PRASADA)

- (a) & (b) Under the Production Sharing Contract (PSC) regime, Government does not make any investment. Hence, the question of recovery of capital cost by the Government from the Contractor does not arise. The Contractor invests money in exploration activities and can recover his investment from the sale of petroleum produced and saved from that Block. In case, there is no discovery, the Contractor loses his investment in the Block.
- (c) For the exploration blocks under the PSC regime, Provisions exist for recovery of Cost of Unfinished Work Programme as committed by the Contractor for Exploration at the time of bidding. Further, PSC provides for submission of Financial cum Performance guarantee by the Parent Company or by the bidding company itself, which can be invoked by the Government in case Contractor does not fulfill his commitment made under the PSC.