

LIBERALISATION IN THE FOREIGN DIRECT INVESTMENT (FDI) POLICY IN THE PETROLEUM AND NATURAL GAS SECTOR

The Government has approved, on 30.1.2008, the following liberalisation in the FDI policy in the petroleum and natural gas sector:

I. Deletion of compulsory divestment condition for marketing of petroleum products

For quite some time, 100% FDI under automatic route has been permissible for all activities in the petroleum and natural gas sector, other than the refining activity (for which a separate FDI policy was prescribed). However, for actual trading and marketing of petroleum products, although FDI up to 100% was allowed through the automatic route, such an approval was subject to the condition of divestment of 26% equity in favour of the Indian partner/public within 5 years.

The Government has now approved deletion of the conditionality of compulsory divestment of 26% equity within 5 years for actual trading and marketing of petroleum products.

II. FDI Policy for Refining in the Public Sector

FDI up to 100% is allowed through the automatic route for refining activity in the private sector, but for refining activity in the public sector, infusion of FDI has been permitted only up to 26%, and with the prior approval of Foreign Investment Promotion Board (FIPB).

The Government has now approved that infusion of FDI for refining activity in the public sector will henceforth be permitted up to 49%, and with the prior approval of the FIPB.

However, the decision does not envisage or contemplate disinvestment or dilution in the existing public sector undertakings.