

**Revised Foreign Direct Investment (FDI) Policy for the Petroleum & Natural Gas Sector effective from 1<sup>st</sup> April,2011 as circulated by Department of Industrial Policy & Promotion vide 'Circular 1 of 2011' dated 31.03.2011**

<b>5.2.19</b>	<b>Petroleum &amp; Natural Gas Sector</b>		
5.2.19.1	Exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum product pipelines, natural gas/pipelines, LNG Regassification infrastructure, market study and formulation and Petroleum refining in the private sector, subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the policy of the Government on private participation in exploration of oil and the discovered fields of national oil companies.	100%	Automatic
5.2.19.2	Petroleum refining by the Public Sector Undertaking (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs.	49%	Government

The relevant sectoral policy/regulations for FDI in the Petroleum & Natural Gas sector are as follows:

***For Exploration & Production Activities:***

- Statutes governing the upstream sector, viz the Oil Field (Regulation and Development) Act, 1948 and Petroleum and Natural Gas Rules 1959 which govern grant of Petroleum Exploration Licenses and Mining Leases, royalty etc.
- New Exploration Licensing Policy (NELP) - allotment of exploration blocks only through international competitive bidding.
- Coal Bed Methane (CBM) Policy – allotment of coal blocks for extraction of methane gas from coal seams through international competitive bidding.

**For Marketing Activities:**

- As per the petroleum & Natural Gas (PNGRB) Act, 2006 the Board is inter-alia responsible for giving authorizations of building natural gas trunk pipelines and City Gas Distribution (CGD) networks. Further, any entity desirous of establishing or operating a LNG terminal is required to get itself registered with PNGRB.
- Marketing rights for transportation fuels, namely, MS, HSD and ATF granted for any company whether national or foreign should satisfy the conditions laid down in the Resolution dated 08.03.2002.
- The marketing regulations prescribe that for gaining marketing rights for transportation fuel by the private investors, including for foreign investment, a threshold of investment (Rs.2000 crore) should have been made and/or be committed to make.
- Statutes governing industrial production, viz The Industries (Development And Regulation) Act, 1951, and rules framed there under, and the Petroleum Act, 1934, which relate to import, transport, storage, production, refining and blending of petroleum.
- A number of specific product-wise regulations and rules framed under the Petroleum Act, 1934, all of which have a thrust on controlling adulteration and ensuring quality of the product.
- Considering the vastness of Indian transportation fuel market, it is necessary to adhere to conditions for opening of retail outlets in remote and no service areas, so as to prevent a situation where private marketing company concentrate on large volume market leaving the remote and no service areas to the Government PSUs, which will not be equitable.

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