

ADDRESS BY SHRI MURLI DEORA, MINISTER OF PETROLEUM & NATURAL GAS AT THE LAUNCH OF SEVENTH ROUND OF NEW EXPLORATION LICENSING POLICY (NELP-VII) AT NEW DELHI ON 13TH DECEMBER, 2007

Shri M.S. Srinivasan, Secretary (Petroleum & Natural Gas), senior officials from the Government, distinguished participants, friends from press and media, ladies and gentlemen.

2. I welcome you for the launch of the seventh round of NELP. To consolidate the experiences and the advantages gained in the first six rounds, the Government in NELP-VII is offering the highest number of exploration blocks ever, i.e., 57 blocks covering a sedimentary area of about 1.71 Lakhs Sq. Km. The offered blocks include - 19 deepwater blocks, 9 shallow water blocks and 29 onland blocks.

3. The development of E&P sector has been significantly boosted through NELP which permitted 100% FDI and thus opened the sector for private and foreign investment. Before implementing new exploration licensing policy (NELP), 11% of Indian sedimentary basins area was under exploration. At present, after concluding six rounds of NELP, area under exploration has increased four times. During XI plan period, area under exploration has been targeted at 80% of total Indian sedimentary basins area.

4. Under NELP, licenses for exploration are being awarded only through a competitive bidding system and National Oil Companies (NOCs) are required to compete on an equal footing with Indian and foreign companies to secure Petroleum Exploration Licences (PELs). Six rounds of bids have so far been invited under NELP, in which, 162 exploration blocks have been awarded in a transparent manner.

5. The exploration work is progressing well in the NELP blocks and new oil and gas discoveries are being reported. Under NELP, 49 oil and gas discoveries have already been made in 15 exploration blocks (5 blocks in NELP I, four blocks each in NELP II and NELP III, and two in NELP IV). Hydrocarbon reserves accretion has already been more than 600 Million Metric Tonne of oil equivalent. Two NELP blocks in Gujarat have entered the Production phase having natural gas of 3 lakh cubic metres per day and 750 barrels of crude oil per day. Under NELP regime, natural gas production in KG basin is likely to commence from July, 2008 at the rate of 40 MMSCMD with peak production of 80 MMSCMD. As you all are aware, this will increase domestic availability of gas by nearly 40%.

6. Based on the experience gained in the previous six rounds and inputs from E&P companies, the Government undertook its most extensive consultation process to date with various stakeholders such as E&P companies, industry bodies – CII and Petrofed. The views of various stakeholders have been factored into the bid documents for NELP-VII which contain extensive positive amendments in the bid evaluation criteria and PSC. I would like to highlight some of these:

- A new type of blocks called Type-S, covering small area upto 200 kilometres has been introduced to attract small investors for exploration by providing special dispensation in the form of waiver of Technical Capability criteria.

- In order to encourage small and medium size E&P companies for exploration by providing a level playing field and allowing them to compete with big operators, Technical Capability for onland and shallow water blocks has been made a pre-qualification criterion and no weightage would be assigned for its evaluation.

- In deepwater areas exploration requires infusion of state-of-the-art technology and business practices. Most of the 19 deepwater blocks offered under NELP-VII are in less explored basins and to achieve desired level of success, advanced technology and operators having experience in deepwater need to be encouraged and our Indian companies need to be technically strengthened in this area. Accordingly, we have introduced a new Consortium sub-criterion for deepwater blocks under technical capability parameter.

- Government share of profit petroleum would be biddable against two tranches of pre-tax investment multiple (PTIM), i.e. “less than or equal to 1.500” and “Equal to 3.500 or above”. Other shares of profit petroleum to Government corresponding to achieving PTIM between 1.500 and 3.500 would be worked out on a linear scale with a positive slope depending upon the exact PTIM achieved in each of the preceding year. This would ensure higher Government share of profit petroleum with increasing PTIM.

7. The bid closing date for NELP-VII is 11th April, 2008. Government is committed to complete evaluation, award and signing of Production Sharing Contracts in a strict time frame. As demonstrated in the past rounds of NELP, transparency under NELP has reached such a level that bidders themselves will be able to know after submitting their bids whether they are winning or losing the blocks.

8. As in the previous rounds, we will be holding roadshows at important oil and gas locations in the world and opening data centres as well. A dedicated website is being opened today for this bidding round which will be an interactive one. We have appointed an international agency to market the blocks and we will

be taking all necessary measures to make this round a success. We have provided sufficient time for companies to review and analyse data at various data viewing centres with a view to decide to bid either on their own strength or in consortium.

9. I invite all E&P companies as well as investor companies whether small or big to participate in the NELP-VII bidding process and become partners in our efforts to enhance the energy security of the country and be part of the ever growing energy market of India. I wish you all the best in your endeavors to take up exploration activities under NELP-VII. Let me conclude by thanking all the participants including press and media friends. Jai Hind !
