

Meeting of the Second Working Group on hydrocarbon sector under Indo-EU Energy Panel held on 26th November, 2007

The second meeting of the Working Group on cooperation in hydrocarbon sector constituted under the India-EU Energy Panel was held in Hotel Taj Palace, New Delhi on 26th November, 2007. The meeting was chaired by Mr. Prabh Das, Joint Secretary, Ministry of Petroleum & Natural Gas from the Indian side and co-chaired by Mr. Cristóbal Burgos, DG TREN European Commission from the European side. The list of the participants (Annex-I) included representatives from the Government of India, Oil PSUs, subsidiary organisations of the Ministry of Petroleum & Natural Gas and representatives of the Industries representing European Union.

2. At the outset, Mr. Prabh Das as the co-chair and the host welcomed the delegates to the Working Group meeting. He began his introductory remarks by drawing attention of the delegates to the first meeting for the Working Group held at Brussels on 25th January, 2007 when the different areas for cooperation were identified and coordinating the institutions/individuals from the Indian as well as EU side were decided. He mentioned that the concern nodal persons for different groups are coordinating with each other since the last meeting. This was followed by the welcome remarks of Mr. Cristóbal Burgos, while agreeing to Mr. Das mentioned that this meeting is being organised with the purpose of providing a forum for interaction amongst the industry representatives from both sides so that the areas of mutual interest and cooperation could be identified as well as

allow exchange of information on recent policy developments, both in India and in the EU, in the areas of interest to the Working Group.

3. Mr. Ajay Agarwal, Sr Mgr, ONGC, made a detailed presentation on 'exploration and production of natural gas and oil in India'. He identified the major activities being undertaken for exploration of oil fields in India including natural gas as well as equity participation being made in oil fields abroad to ensure better oil security for the country.

4. Mr. Prabh Das highlighted that the 7th round of New Exploration Licensing Policy (NELP) would be announced soon. He mentioned that it provides non-discriminatory opportunities for participation of companies for exploration of oil fields in India with huge financial stakes. He requested the European companies to participate in NELP. He further mentioned that the India provides great opportunities in service sector where presence of EU companies is still not relevant.

5. Mr. Burgos mentioned that in Europe the scenarios developed have shown a reduction of production capacities. However the high prices and new technologies for enhanced recovery and for deep water exploration activities could change somehow this picture. The EU companies have the technology that can be useful in India. A number of EU companies are already investing in India (BP, BG, ENI, Norsk Hydro..) some of them present in the meeting.. Mr. B.P. Singh, GM, British Gas India made mention of the activities of British Gas highlighting its long presence in India as the country provides a level playing field for the various companies. Mr. Burgos highlighted the legislation on exploration in European countries and invited the

companies in India to participate in the non-discriminatory environment provided under the legislation.

6. Mr. P.K. Borthakur, ED, ONGC mentioned that EU has edged over others as there exist a lot of opportunities and better technologies for extracting the maximum oil through exploration activities. The Indian companies would look forward to acquire those technologies so as to maximise their deep exploration activities. Mr. Burgos seconded the observations of Mr. Borthakur and mentioned that the technologies could be a point of discussion in a future meeting.

7. Mr. S.K. Srivastava, Deputy Directorate General, DGH invited for the larger presence of European companies for E&P activities in India where huge amounts are at stake. He observed the reduced interest so far from European companies in India. He further highlighted the huge presence of qualified E&P professionals in India who can be exploited and can be trained by European companies.

8. Taking up the refinery sector, Mr. Dependra Pathak, Director, Ministry of Petroleum & Natural Gas made a presentation on the refining status and future plans of Indian refineries and potential implications for export market. He highlighted the increasing refining capacity and the value addition to the crude in the form of petroleum products and said that with the production of world class high specification (Euro III/IV) petroleum products being much in excess of the local consumption, India has great potential as exporter of petroleum products by 2011-12. He further highlighted the congenial Indian economic and regulatory scenario for refining sector

emphasising upon the deregulated/decontrolled refining sector with FDI policy. This was further supplemented by Mr. Prabh Das when he mentioned that the refining sector provides a huge potential with 90 MMT of new capacity envisaging export potential of more than \$ 40 million at the end of 2011-12. He said that as the refining sector has been de-licensed and deregulated, it provides huge opportunities for European companies to set up new refineries as well as for upgrading the capabilities of the existing refineries with EURO-IV products. He further mentioned that India produces a lot of good quality petrol and diesel and there is a need for long-term contract to lift our products. European countries must come forward to explore this opportunity.

9. Mr. Dillip Vaswani, Managing Director, Total Oil, France made a presentation highlighting the overall growth in consumption of petroleum products as well as its production. He observed that India and China together have a huge growth potential and with 2/3rd of growth coming from developing economies in Asia. He also observed that the European markets are presently stable and significant export to the United States. Mr. Burgos added that no new refineries are being planned in EU countries and the existing refineries are either expanding or are being upgraded. He mentioned that the new EU and Indian objectives for bio-fuel production, is another opportunity for cooperation between India and EU. Mr. B.N. Bankapur, Director (Refineries), IOCL mentioned about the geo-political advantage of investment in India as crude is closest from Middle East. He also lamented the poor presence of European companies in the service sector. On the research and development, he suggested that the need

for exploring possibilities of collaboration of newer technologies beyond Delayed Coker expansion.

10. Mr. R.K. Singh, Director (Refineries), BPCL mentioned that while export has major potential in India, it is presently through the traders in Singapore. He observed that if the consumers in EU countries could directly procure from the Indian companies through long-term contract, the middlemen could be removed with advantage to the cost. Further, he felt the need for collaboration with EU companies on ethanol production.

11. Reacting to the presentation made by Total Oil, Mr. Prabh Das mentioned that there is a wrong perception in the market about the growth of consumption in India. He said that the growth in India has been around 2.3% with a much smaller base as compared to the many developed countries making actual growth very less as compared to many countries having higher consumption base as on today. He further said that despite the fact that India is not a major consumer, it is paying heavily for the import of crude. He also mentioned that unlike other major countries of the world, India has been sincere to its projections and have made substantial investments. On the issue of bio-fuel also India soon will be moving from 5% to 10% blending of ethanol. However, on the aspect of bio-fuel, he observed that there is a need for cooperation from the European countries and agreed with Mr. Burgos.

12. Mr. B.D. Ghosh, Director, CHT mentioned about hydrogen as a fuel and control of SOX, NOX etc. as two areas of mutual interest and cooperation.

13. Mr. Manu Srivastava, Director (Gas Division), Ministry of Petroleum & Natural Gas made a presentation on the availability of natural gas in India and its major expansions as potential for EU markets. He highlighted the FDI policy, which provides 100% participation through FDI. He also highlighted the newly implemented gas pipeline policy which provides that every proposing company must provide 33% additional capacity. With the growing network of City Gas Distribution there exists enough opportunities for investment and participation from EU companies. Mr. Prabh Das mentioned that with the availability of expertise of gas use in the EU countries India can provide a lot of opportunities for the EU industry.

14. This was followed by a presentation of Petroleum and Natural Gas Regulatory Board (P&NGRB) made by Mr. Rajeshwara Rao, OSD in the P&NGRB. He explained that the provisions of the Act has been drawn from the experience of such legislations of the world.

15. Mr. S.K. Ghosh corporate representative, Gaz de France, New Delhi mentioned the participation of Gaz de France in Petronet Ltd. a LNG import terminal at Dahej right from the inception. He also drew the attention of similarities between India and Europe in terms of gas. He further felt the need for a gas utilization policy in India with power sector consuming the major portion of the gas field economics have to

be well served. He also mentioned the need for developing storage for gas both commercial and strategic.

16. Mr. Burgos thereafter made a presentation on the EU Commissions new proposals for legislations (3rd package) and the possibilities of cooperation and collaboration including in regulatory issues. He agreed with the representative of GDF that economic aspects and particular tariffication policies are important to give incentive and attract the necessary investments in the sector infrastructures.

17. Mr. Ranjan Kumer Pillai, CEO, ISPRL apprised the delegates on the initiative taken by India and developing 5 MMT of strategic storage of crude to deal with unforeseen disruptions in crude supply.

18. Summing up the discussions, Mr. Prabh Das and Mr Burgos agreed that in addition to the existing topics which were identified during the first meeting at Brussels three more areas have been identified during the course of the discussions of the second meeting:-

- (i) Investment in oil and gas sector;
- (ii) regulations in oil and gas; and
- (iii) Bio-fuel.

19 Further he mentioned that there is a need for providing correct situation analysis to the market, it envisages the need for exchange of information on how other countries are managing so that this could be followed by the partners under Indo-EU collaboration framework.

20. Finally, Mr Prabh Das and Mr Burgos thanked the delegates for their participation and contribution to the meeting.
