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## Policy

❖ The **Union Government** is likely to commence the **first bidding round** under the new **Hydrocarbon Exploration Licensing Policy (HELP)** from **July 1, 2017**. The open acreage licensing policy (OALP) under HELP will allow the bidders to select the areas where they want to drill. The process will commence from July 1, 2017, where the interested parties can start submitting their Expressions of Interests (EoIs) for a particular area till November 2017. Then the EoIs will be evaluated and bids will be invited, based on the same. The blocks are likely to be awarded by January 2018. India has 26 sedimentary basins over 3.14 million square km (sq m), and crude oil and natural gas are being produced in seven basins. In the new rounds, 2.7 million sq km will be on offer, comprising 1.5 million sq km of onshore and 1.2 million sq km of offshore areas. The recently concluded first round of auctions for discovered small fields was also conducted under the HELP. Under OALP, operators will have the flexibility to choose between a petroleum operations contract and reconnaissance contract. The reconnaissance contract will be valid for three years and the petroleum operations contract will allow eight years for exploration and 20 years for development and production. There will also be an option to migrate from a reconnaissance contract to a petroleum operations contract after three years.

## Upstream

❖ The **Ministry of Environment, Forest and Climate Change (MoEFCC)** granted **environmental clearance (EC)** for **drilling of five wells for shale oil/shale gas in KG Basin**, East Godavari district in the state of Andhra Pradesh. Oil Natural Gas Corporation Limited (ONGC) has proposed the shale gas exploration project at a cost of Rs 2.17 billion. The five exploratory wells will be drilled in the on-land petroleum mining lease (PML) blocks in West Godavari, Bantumilli extension, Suryaraopeta, Mahadevapatnam and Mandapeta in Krishna, West Godavari and East Godavari districts of Andhra Pradesh to assess the hydrocarbon potential of the shale.

❖ **Reliance Industries Limited** has signalled that its **three operational wells** at the **Krishna-Godavari basin block** are **close to the end of their production** and the company is working on extending its life cycle until a time it can replace it with output from new wells. The company is scaling up its coal bed methane output as well to make up for the declining output from KG-D6. The company is also upbeat on its fuel retail business and aims to have a pan-India presence by the end of 2017-18. The company operated 1,221 fuel outlets at the end of 2016-17. While its target of having at least 1,500 outlets by March 2017 is delayed and likely to be achieved by December 2017, it has been able to increase sales from existing pumps.

## LNG

❖ **Swan Energy Limited** is likely to **raise funds** for the **Pipavav (Jafrabad) LNG Terminal Project in Gujarat** by **end-July 2017**. A lenders' consortium is likely to grant approval to raise funds for the project soon. The technical assessment of the floating storage and re-gasification unit (FSRU) has been completed and the commercial assessment is in progress. SBI Capital Markets Limited is the lead consultant for Swan LNG Private Limited (SLPL) for raising funds through the lenders' consortium. The project involves development of a liquefied natural gas (LNG) FSRU import terminal at Pipavav Marine facility at Rajula Taluk, Amreli district in Gujarat. The terminal will supply gas to the proposed LNG/ natural gas based power plant of capacity 1,050 MW at Pipavav in Gujarat. It will have a capacity of 5 million tonnes per annum (mtpa)

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and will be developed at an investment of about Rs 59 billion. The project is likely to be commissioned by the last quarter of 2019-20.

## Finance

❖ The **joint lenders forum** of 23 lenders, led by **State Bank of India (SBI)** and **ICICI Bank**, **approved and authorised** release of shares of **Essar Oil Limited (EOL)** to facilitate the sale of **98 per cent stake** to the Russian consortium comprising **Rosneft Oil Company, Trafigura** and **United Capital Partners (UCP)** at a cost of **Rs 861 billion**. With this approval, the takeover of India's EOL by Russia's largest oil producer Rosneft can now be considered as closed. EOL operates a 20 million tonne (mt) refinery at Vadinar in Gujarat, and the deal also involves transferring of over 3,500 oil retail outlets. The refinery accounts for almost 9 per cent of the country's total refining output. The plant also has a 1,010 MW captive power plant, and a 58-million tonne deep draft port that helps in importing crude and exporting finished products for the refinery.

❖ **Vedanta Limited** has **disclosed its plans to spend \$3 billion** over the **next three years** as it seeks to **expand oil reserves** and **nearly double output** from its **largest field**. The company plans to drill more wells at its Barmer block in the western Indian state of Rajasthan and other blocks in the eastern part of the country. The spending plan contrasts with global investments that are set to drop a third year after falling 24 percent to \$450 billion in 2016, following years of low oil prices. Vedanta is cutting production costs by about \$3 a barrel to \$7.50, which is believed to be among the lowest in the world. It aims to raise oil and gas output from the Barmer block to about 300,000 barrels of oil equivalent a day over next three years from a daily average of 161,571 barrels in the year ended March 2017. The company has also started reassessing reserves to find newer prospects in the block that stretches over more than 3,100 sq km (1,200 square miles). The company is aiming to increase its effective reserves through the new exploration by almost a quarter from its current 500 million barrels.

❖ **Reliance Industries Limited** has **refinanced \$2.3 billion** of **syndicate and club loans** resulting in substantial **interest savings**. The company had a gross debt of Rs 1,966.01 billion as on March 31, 2017, most of which was taken to fund its fourth- generation telecom venture, Reliance Jio. As per the annual report for 2016-17, the company invested Rs 1,147.42 billion (\$ 17.7 billion) during the fiscal, the highest ever by any corporate in India.

## Miscellaneous

❖ **Oil and Natural Gas Corporation** has **scrapped the initial agreements** it **signed with oilfield services providers Schlumberger** and **Halliburton** to **raise output** from its **ageing fields**. Instead, the company has now decided to go for competitive bids. In December, the state firm had signed agreements with Schlumberger and Halliburton for enhancement of production from its matured fields of Geleki in Assam and Kalol in Gujarat, respectively. ONGC has invited expression of interest from interested parties to enhance its production. Output at ONGC, which made up 57 per cent of country's crude production in 2016-17, has been stagnating for years, putting the company under tremendous pressure to look for innovative ways to raise output from its fields that are mostly old and witnessing a natural decline. To raise output, ONGC had partnered with Schlumberger and Halliburton, which were expected to bring in money and technology to the two fields of the state firm.