

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

RAJYA SABHA

QUESTION NO 02.03.2010

ANSWERED ON

ENHANCEMENT IN CAPITAL COST OF GAS PROJECT IN D KG BASIN

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Shri Sitaram Yechury

Will the Minister of COAL, HEALTH AND FAMILY WELFARE, INFORMATION AND BROADCASTING AND FINANCE be pleased to state :-

- (a) whether it is a fact that his Ministry was not consulted by the Ministry of Petroleum and Natural Gas or Directorate General of Hydro-Carbon while approving the enhanced capital cost to a private contractor in the D6 KG Basin gas drilling;
- (b) what will be the impact to the exchequer on this account since the capital cost is to be shared by the private contractor and Government; and
- (c) what action Government proposes to take against officials concerned for overlooking his Ministry, while deciding on such an important issue, which had a direct impact on Government revenue?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI NAMO NARAIN MEENA)

(a) to (c): The Production Sharing Contract (PSC) is signed between the Government and the contractor, with the intention to discover and exploit the petroleum resources which may exist in the territorial waters, the continental shelf, and the exclusive economic zone of India, in the overall interest of the country. The contracts are designed in accordance with Good International Petroleum Industry Practices.

The authority to approve the development plan/budget is assigned to Management Committee under Article 10.7 of the PSC of KG D-6 98/3 Block. No other approval or permission is required under the PSC for the Contractor to make this investment.

Under PSC, the Management Committee consists of representatives of Contractor and Government. The total investment is from the Contractor. The Government do not invest in the block nor does it provide any budgetary support. The approval of development plan by Management Committee is strictly in accordance with the New Exploration Licensing Policy (NELP) and Production Sharing Contract (PSC) placed before Parliament. However, the expenditure incurred by the contractor against the approved budget/development plan becomes eligible for cost recovery only when this expenditure is accounted in the Books of Account, in accordance with Accounting Standards, duly supported by vouchers and documents, and validated by Auditors.

Further, in the instant case of KG D6 98/3 Block, the enhanced capital expenditure will result in improved production resulting in increase in the Government take.