GOVERNMENT OF INDIA

MINISTRY OFPETROLEUM AND NATURAL GAS

RAJYA SABHA

QUESTION NO02.03.2010

ANSWERED ON

PROFIT AND CAPITAL COST SHARING AGREEMENT ON KG BASIN

561 Shri Sitaram Yechury

Will the Minister of COALHEALTH AND FAMILY WELFAREINFORMATION AND BROADCASTINGPETROLEUM AND NATURAL GAS be pleased to state :-

(a) what is the percentage of profit and capital cost sharing agreement signed between the private contractor and Government for KG (D6) basin;

(b) whether any increase in capital cost proposed by the private contractor would result in proportionate increase in the profit being shared by Government;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

ANSWER

MINISTER OF PETROLEUM AND NATURAL GAS

(SHRI MURLI DEORA)

(a) Under the Production Sharing Contract (PSC) regime, Government does not make any investment. The Capital Expenditure is made exclusively by the Contractors. The surplus revenue over expenditure, i.e. the Profit will be shared by Contractor with Government of India based on Investment Multiple (IM) as per the PSC of KG-DWN-98/3 block (Reliance Industries Ltd., - NIKO) is given as under: Investment Multiple Share of Govt. Profit Petroleum (%) Less than 1.5 10% Equal to and more than 1.5 but less than 2 16% Equal to and more than 2 but less than 2.5 28% Equal to and more than 2.5 but less than 3 85% Equal to and more than 3 but less than 3.5 85% Equal to and more than 3.5 85%

(b), (c) and (d): Under the PSC, the contractor is entitled to recover the capital cost incurred in the project subject to verification and audit of these costs. The increase in capital cost under KG D-6, which is accompanied by increase in production, would result in increase in profit being shared by Government. -