

**MOU between N.T.P.C. and Oman Oil Co. Limited**

\*402. SHRI V. NARAYANASAMY : Will the Minister of POWER be pleased to state :

(a) whether Government are aware that N.T.P.C. has signed the MOU with Oman Oil Company Limited, wholly owned by the Sultanate of Oman, with the intention to promote a joint venture for setting up gas based power projects in India ; and

(b) if so, the terms and conditions of the MOU and the estimated cost of the joint venture and financial liability of N.T.P.C. for the purpose ?

THE MINISTER OF POWER (SHRI N. K. P. SALVE) : (a) and (b) A Statement is laid on the Table of the House.

**Statement**

(a) Yes, Sir.

(b) The terms and conditions of the Memorandum of Understanding (MOU) signed on 25th March, 1994, broadly are :—

- (i) The MOU outlines the intention of the parties to set up power projects with equity participation from both sides with the approval of the Government.
- (ii) The MOU records the capabilities of the parties in providing services to the Joint Venture Company.
- (iii) During the currency of the MOU, National Thermal Power Corporation (NTPC) and Oman Oil Company (OOC) have mutually agreed not to exclude each other by entering into any understanding with any other entity for setting up joint venture gas based power projects utilising the gas to be supplied by OOC.
- (iv) The MOU also includes a provision that apart from the gas that may be available from the proposed Oman-India gas pipeline, Oman Oil Company can also arrange for the supply of gas and/or liquid fuels for the power projects from other sources.

(v) The period of the validity of the MOU is one year.

Neither a joint venture is formed nor a project identified for execution so far in terms of the M.O.U. As such the estimated cost of the joint venture or the financial liability cannot be indicated at this stage. National Thermal Power Corporation (NTPC)'s participation in equity of the proposed joint venture would be on a minority basis.

SHRI V. NARAYANASAMY : Sir, the hon. Minister has broadly referred to the terms and conditions to which they have agreed in the MOU which was signed by the NTPC and the Oman Oil Company, saying that the NTPC would provide technical services, would do identification of sites, would provide feasibility studies, promoter's agreement, environmental impact studies, etc. As far as the Oman Oil Company is concerned, it will build, operate and own the gas-based power plants. That was the specific understanding arrived at by the parties.

Sir, though the nodal Ministry for the purpose of signing it was the Petroleum and Natural Gas, the NTPC comes into operation because the gas is being supplied to NTPC by the Oman Oil Company. Sir, the hon. Minister, in para 3 of the Memorandum of Agreement, has stated that the Oman Oil Company is at liberty to negotiate with any party after this gas is supplied to NTPC in other areas also, and it may also involve themselves with the private sector for the purpose of power generation for setting up the power plants. Sir, the option has been given to the Oman Oil Company to have power plants with the participation of the private sector in India also. Sir, the priority should be fixed for the NTPC so that if the NTPC is not going to use the excess gas, then it can go to the other private sector. I want to know whether such a clause has been there in the MOU or not. Secondly, this MOU is only for one year. Now, the agreement has been signed, and it will take a minimum of two to three years for the gas to reach India from Oman. This agreement will lapse in one year. What will happen then ? Are you going to renegotiate with them after one year or not ?

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI P. V. RANGAYYA NAIDU) : Mr. Chairman, Sir, the whole thing is in a very preliminary stage. As the hon. Member has rightly put it, basically the agreement is between the Oman Oil Company and the Ministry of Petroleum and Natural Gas to bring the natural gas through a submarine pipeline from Oman to the West Coast of India. After it comes, the gas becomes the property of the Gas Authority of India. So, the Oman Oil Company may take a part of the gas and have a joint venture with NTPC. The question of private parties getting this gas does not arise at this stage. As regards the validity, that is only a mutual exclusiveness that is provided in any agreement.

SHRI V. NARAYANASAMY : I am sorry for interruption. You kindly go through clause 3 of the terms of agreement. It clearly says that they are at liberty. I will read only one sentence : "...have mutually agreed not to exclude each other by entering into any understanding with any other entity for setting up a joint venture." What is the reply for it ?

SHRI P. V. RANGAYYA NAIDU : That is what I am saying. That period is only for one year. Within one year, neither the NTPC nor the Oman Oil Company should enter into any agreement with any other company. So, this MOU can be extended further. That is common in any MOU so that they do not go here and there before the expiry of one year period.

MR. CHAIRMAN : Second supplementary.

SHRI V. NARAYANASAMY : Sir, the hon. Minister has not replied to my question clearly. I wanted to know whether they would exclude the Oman Oil Company from negotiating with other private parties for setting up the power plants.

MR. CHAIRMAN : He has said that for a period of one year, they will not be negotiating.

SHRI JAGESH DESAI : After one year, what will happen ?

SHRI V. NARAYANASAMY : What will happen after one year ? He has not answered that.

MR. CHAIRMAN : He has explained it.

SHRI V. NARAYANASAMY : Sir, he has explained that within one year, we will not prohibit them from negotiating. That is what the hon. Minister said. I want to know whether it will be carried for the next year also—that is my question—and whether it has to be eternal.

MR. CHAIRMAN : You want to answer ?

SHRI P. V. RANGAYYA NAIDU : Sir, the question is hypothetical.

SHRI V. NARAYANASAMY : It is not hypothetical. I am very sorry, Sir. Without even the gas coming into India, you enter into a negotiation with them. Therefore, Sir, they should have a clear understanding.

MR. CHAIRMAN : Actually, after the MOU only, the gas will come. This agreement has to be implemented. And whether it would be extended for another year is something which they will consider after the end of the year. They cannot tell now.

SHRI V. NARAYANASAMY : Within one year, Sir, if some private parties are willing to negotiate with the Oman Oil Company, they are at liberty to do so for other areas. They are at liberty. According to clause 3 of the terms of the agreement, within one year, they can do without the gas even coming in.

MR. CHAIRMAN : The hon. Minister is replying.

SHRI N. K. P. SALVE : Sir, at this stage, it is plenty of gas, nothing more than that ! The position is, a very ambitious project is being taken to transmit gas all the way from Oman to the shores of India. It will take four to five years' time. In the meanwhile, depending on these projections, depending on these calculations, an MOU has been entered into between the NTPC and the Oman Oil Company to put up our power plants.

This is a very normal clause which is put in, that during the period of one year, by which time the whole project will strive a little more, we will not enter into any agreement. This is the most normal type of agreement and there is nothing for my friend to be worried about. If after one year something else happens, there is total transparency and it will be there for the House to know; it will be there for the whole country to know.

**SHRI V. NARAYANASAMY :** My second supplementary is...

**MR. CHAIRMAN :** No, he has already answered. The Minister has answered it.

**SHRI V. NARAYANASAMY :** Sir, I have to put my second supplementary. It is a very important question. At the time of entering into the M.O.U., they should have thought of the total project cost and they should also have prepared the feasibility report. When you sign an M.O.U., you know how you are going to implement it. You should have thought of the total cost of the joint venture. The reply has not come. Sir, my submission is, in the Southern States, a Southern gas grid has been widely publicised and through that gas grid, they are planning to get the supply of gas from the Oman Oil Company and also from Iran on the basis of an agreement signed by the Government of India with them. The NTPC has not concentrated on creation of power in the Southern parts of the country. Therefore, I would like to know whether the gas which is coming from Oman will be used for the purpose of power generation in the Southern States.

**SHRI P. V. RANGAYYA NAIDU :** As I have already said, once the gas pipeline is constructed and gas comes, it becomes the property of the Gas Authority of India. They can distribute it anywhere in India, including the South and there is no difficulty about it.

**SHRI V. NARAYANASAMY :** I asked about the gas grid.

**SHRI P. V. RANGAYYA NAIDU :** I said anywhere in India, including South India.

**SHRI V. NARAYANASAMY :** I asked a specific question whether the NTPC is going to concentrate on gas grid. Sir, the Minister has not replied to it.

**MR. CHAIRMAN :** They say it will include South India also.

**SHRI V. NARAYANASAMY :** Very evasive reply.

**श्री जगदीश प्रसाद माथुर :** सभापति महोदय, यह जो पाठे नी पैरा पांचवे में कहा गया है कि,

The period of validity of MOU is one year.

तो मंत्री महोदय ने बहुत आसानी से कह दिया कि हम अन्य किसी के साथ बात नहीं कर सकते, मैं पूछना चाहूंगा पहला हिस्सा यह है कि किस तिथि से और कब तक लागू होगा, क्योंकि अभी तो प्रारम्भ ही नहीं किया है तो यह जो आप को एक साल की अवधि है

When does it start and when does it end ?

इसी के साथ में यह आपने लिखा है कि, "NTPC's participation in equity of the proposed joint venture would be on minority basis."

सामान्यतः हमारी नीति यह रही है कि कोई भी विदेशी कंपनी 50 प्रतिशत से ज्यादा इक्विटी नहीं रखेगी, तो यह आपने उनको मैजोरिटी इक्विटी देने का निर्णय इस प्रकार का क्यों किया ? नामेली स्थिति यह है कि 50 परसेंट से ज्यादा इक्विटी विदेशी कंपनी को नहीं देंगे तो इसमें अपने उनको मैजोरिटी इक्विटी देने की बात कैसे स्वीकार की और क्यों स्वीकार की ?

**SHRI P. V. RANGAYYA NAIDU :** The hon. Member is right that the project may take some more time to fructify but we are told by the Ministry of Petroleum and Natural Gas that negotiations are in the final stages and the final agreement is likely to be signed very soon. By the time the gas pipeline is completed and this one year's period expires, both parties will consider whether to extend it or think of an alternative. It is not possible to say anything now.

**SHRI JAGDISH PRASAD MATHUR :** From which date does it begin ? Does it begin after a year or from this day because it will take a few years, not one year, to bring the line here ?

**SHRI P. V. RANGAYYA NAIDU :** One year from the date of the agreement, that is, 25th March, 1994.

श्री जगदीश प्रसाद माधुर : तब तक पाइप लाइन आएगी नहीं ।

**SHRI P. V. RANGAYYA NAIDU :** If it does not come, it has to be extended or cancelled. It is a normal thing in any MOU. It is between two parties, the OOC and NTPC. Regarding equity, there is no restriction because under the new liberalised policy, even 100 per cent foreign equity is permitted. So, the Hon. Member's objection does not hold good.

**SHRI DIPANKAR MUKHERJEE :** Sir, the location of the project has not been identified. My question is, without identifying the location of the project, would the Hon. Minister assure that the cost of the gas per tonne of oil equivalent—I am asking a specific question—at the project site would be less than the cost of coal or the cost of the imported oil even ?

Secondly, Sir, we have 142 billion tonnes of coal reserve in our country. Is it a fact that only 56 per cent of it is being used for meeting our energy needs ? Does it mean that our fuel policy is tilted towards importing more from outside rather than using the resources available within the country ?

**SHRI P. V. RANGAYYA NAIDU :** Mr. Chairman, Sir, we have to utilise our resources in a judicious manner. For example, as far as coal is concerned, we would like to preserve it and get other available resources from outside—either coal or gas from outside—and balance our ... (*Interruptions*). Our reserve has to be preserved. The coal that we have...

**SHRI MD. SALIM :** They want to preserve it and spend foreign exchange ! (*Interruptions*)

**SHRI P. V. RANGAYYA NAIDU :** Sir, as you know, thermal power projects, power projects based on coal, have environmental problems. Therefore, we cannot increase the number of projects which are based on coal. We have, necessarily, to go in for oil or natural gas which are more environment-friendly. That is why we are not going in for... (*Interruptions*)

**SHRI E. BALANANDAN :** What is the foreign exchange outgo ?

**SHRI P. V. RANGAYYA NAIDU :** There is no harm ... (*Interruptions*)

**SHRI DIPANKAR MUKHERJEE :** Sir, China uses 77 per cent of its coal for the purpose of energy needs (*Interruptions*)

**SHRI P. V. RANGAYYA NAIDU :** Let me complete my answer. Sir, there is no harm in getting oil or gas from outside. As regards the cost of production, if we find that the cost is much more, we will not take up the project. If the cost of power is going to be much more than what it is here, by making use of the internal resources, we will not go in for this project at all.

**SHRI DIPANKAR MUKHERJEE :** Sir, my question was technical. I would like to have a specific assurance from the Hon. Minister. I would like to know whether, in case at the project site, the cost of gas per tonne of oil equivalent is going to be much more than the cost of coal or imported oil even, would the Government still proceed with the project ? This was my question.

**SHRI P. V. RANGAYYA NAIDU :** Sir, it is a basic business principle which the Hon. Member is talking about. I am sure the National Thermal Power Corporation, or any other Company, would take this into consideration before finalising the project. Moreover, we have also the Central Electricity Authority which will examine the project from the techno-economic point of view. If we find that the cost of production is much more...

**SHRI DIPANKAR MUKHERJEE :** Sir, let us say, we are getting gas at a particular point...

**MR. CHAIRMAN :** Mr. Mukherjee, when you are deciding on a project, there is not only one consideration. There are several other considerations. The cost is there. The environmental factor is there. Then, the question of conserving our internal resources is also there. It is a balance. (*Interruptions*)

**SHRI DIPANKAR MUKHERJEE :** Sir, the cost of transportation has also to be taken care of. If I am getting gas at a particular point, the cost of transportation is also there. The Hon. Minister was talking about taking the gas to the

North, South, East, etc. My question is, would not the cost of transportation of the gas be added to the cost of the gas per tonne of oil equivalent?

**SHRI N. K. P. SALVE :** Mr. Chairman, Sir, the question of rationale of the import of oil and gas is not within the jurisdiction of my Ministry. It is for the Gas Authority of India. Therefore, if you ask as to why we are importing gas when there is so much coal here, I would say that this is a matter which is actually outside my authority and jurisdiction. This is one point.

Secondly, the techno-economic viability of any power project has to be gone into by the Central Electricity Authority, under the law. They would evaluate and they would determine as to whether this kind of a gas-based power project is techno-economically viable or not. Then only it would come. At this stage, as I said, it is only plenty of gas.

**MR. CHAIRMAN :** Mr. Murasoli Maran.

**DR. BIPLAB DASGUPTA :** Mr. Chairman, Sir, ...

**MR. CHAIRMAN :** You cannot ask him about everything. He can only answer questions concerning his Ministry.

**DR. BIPLAB DASGUPTA :** Sir, when the Hon. Minister is talking about gas...

**MR. CHAIRMAN :** I have called Mr. Murasoli Maran.

**SHRI MURASOLI MARAN :** Mr. Chairman, Sir, the reply by the Hon. Minister is disappointing, especially, to the people of South India. It has been loudly proclaimed that the gas from Oman and Iran would be used for forming the Southern Gas Grid. In this connection, recently, the Hon. Minister of Petroleum and Natural Gas, Captain Satish Sharma, held a meeting with the Chief Ministers of the Southern States, at Bangalore. There, he said that the gas from Oman and Iran would be used for forming the Southern Gas Grid and that necessary planning for this purpose had been formulated. Now the Minister's reply says, "Neither a joint venture is formed nor a project identified for execution so far in terms of the M.O.U." That is why I said that it is greatly dis-

appointing. And this MOU was signed only recently, on 25th March 1994. The conference also was held very recently, only two months before. That is why I want to know from the Hon. Minister whether he has left out the Southern Gas Grid from the gas that we will get from Oman. Secondly what is the position of this MOU regarding the Southern Gas Grid?

**SHRI P. V. RANGAYYA NAIDU :** Sir, this MOU has nothing to do with the Southern Gas Grid. There are two Ministries involved in this. I have already explained that the Ministry of Petroleum and Natural Gas is concerned with bringing the gas from Oman to India. As I said, it becomes the property of the Gas Authority of India, and it is for them to decide how much will go to the Southern Gas Grid. Having promised to give some of this Oman gas, they will definitely earmark some gas out of this for the Southern Gas Grid, about which I cannot give an answer because the Hon. Member is referring to an assurance given by the Hon. Minister of State for Petroleum and Natural Gas.

**SHRI MURASOLI MARAN :** Who will identify the project?

**SHRI V. NARAYANASAMY :** I want to know whether they would bring the Oman gas for the power plants under the Southern Gas Grid. Have you identified the areas?

**SHRI P. V. RANGAYYA NAIDU :** Not yet. Once the gas comes, we will identify.

**SHRI SANJAY DALMIA :** I would like to know what is the total quantity of gas which is going to come out of that pipeline, how much of that is going to be used for power projects, how much power is going to be generated out of that and how many power projects are going to be set up and where they are going to be set up.

**SHRI P. V. RANGAYYA NAIDU :** Sir, the two pipelines will transport 28.3 million standard cubic metres per day. This is the estimated quantity. As regards the other question as to how much gas will be utilized for different projects, it has not yet been finalized. That will be decided after the gas is actually received.

**SHRI SANJAY DALMLIA :** According to the MOU when you know how many power projects you want to set up, what is the total quantity of power?

**MR. CHAIRMAN :** Please. Yes, Mr. Swell.

**SHRI G. G. SWELL :** Sir, I think the Minister, Mr. Salve, has given the proper answer: He says the MOU is a lot of gas. It is flameless, it is tubeless, you can enter into an agreement with any party. There is no venture form, there is no project. Now, may I know whether an American firm, ENRON, is setting up a gas-based project at Dabol in Maharashtra and has agreed to supply power to the Maharashtra State Electricity Board at the cost of Rs. 2.50 per unit? Now I would like to know from where ENRON is bringing this gas, how it is bringing this gas, how it is going to jell with what the Minister of State has said—that any gas coming to India is the property of the Gas Authority of India. Is this gas being brought by ENRON, part of the Gas Authority of India? That is No. 1. No. 2: The Minister must have read that the Chief Minister of Haryana has entered into an MOU—he is shaking his head; that means he hasn't read that—with an Israeli tycoon, Eisenberger, by which this tycoon has given an undertaking to supply gas to India at Rs. 1.92 per unit. In view of the offer of Eisenberger, are you going to scrap the ENRON project at Dabol?

**MR. CHAIRMAN :** A very important question.

**SHRI P. V. RANGAYYA NAIDU :** Mr. Chairman, Sir, both these questions are outside the purview of the main question. I require notice for these... *(Interruptions)*

**SHRI G. G. SWELL :** What, what? Sir, he has not prepared. That is all. This is my charge to the Government.

**SHRI CHIMANBHAI MEHTA :** This is a very very important question.

**SHRI P. V. RANGAYYA NAIDU :** It is an important question, but I need notice for it. I am not questioning the

importance of the question... *(Interruptions)*

**SHRI G. G. SWELL :** You have got the whole retinue of officials with you... *(Interruptions)*

**MR. CHAIRMAN :** Hon. Member, strictly speaking, the question is about Oman gas. You can ask the question another time if you like.

**DR. BIPLAB DASGUPTA :** Sir, I see a certain consistency in the policies of the Government as far as the Oman agreement is concerned. Here the Government is using the foreign exchange to bring gas all the way from Oman, across the sea, for the benefit of the customers in the Western and Southern parts of India. At the same time, in the Eastern part of India you have a lot of Indian gas, not foreign gas, for which you do not require to spend foreign exchange. That is being flared up because you do not have immediate use. Similarly, in Tripura some gas deposits have been discovered, but they have not been properly developed. So, there are important indigenous gas reserves, gas deposits which are not being utilised, but we are using foreign exchange for bringing in foreign gas.

If you ask for even foreign gas, there is a country called "Bangladesh" not very far from Calcutta, the main industrial centre in the eastern part. Huge gas reserves are available there also. There could have been arrangements with them to bring gas through pipelines and all that.

I am asking this of the Minister. While I am very happy that so much effort has been made to bring gas all the way from Oman, what arrangements are being made to ensure that the energy needs of the industries in the eastern region would be met with gas deposits already located within India and also those located not very far from India, just across the border in Bangladesh?

**SHRI P. V. RANGAYYA NAIDU :** Mr. Chairman, I submit that the hon. Member should put this question to the Minister of Petroleum and Natural Gas. I am not in a position to answer this question.