Safeguarding interest of ONGC

893. SHRI JAI PRAKASH NARAYAN SINGH: Will the Minister of PETROLUEM AND NATURAL GAS be pleased to state:

(a) whether Government is considering a proposal of Vedanta to acquire Cairn India Ltd.;

(b) if so, the details in this regard;

(c) whether Government is aware that the Oil and Natural Gas Corporation (ONGC) has invested $ 1.3 billion in Rajasthan oilfields owned by Cairn India Ltd. which has reported to have recorded negative return; and

(d) if so, what measures Government proposes to take to safeguard the interest of ONGC in Vedanta-Cairn deal?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA): (a) Cairn Energy PLC informed the Ministry of Petroleum and Natural Gas *vide* letter dated 16.8.2010 about the proposed disposal of their 51% shareholding in Cairn India Limited (CIL) to Vedanta Resources PLC. This Ministry advised Cairn Energy PLC and its Subsidiaries (operators) that they have to seek the prior consent of the Government for the proposed transfer as required under the provisions of the Production Sharing Contract (PSC). Accordingly, certain subsidiaries of Cairn Energy PLC have applied *vide* letters dated 9.9.2010 seeking consent of the Government of India.

(b) The transaction details as submitted by Cairn Energy PLC are given in Statement (*See* below).

(c) The Block RJ-ON-90/1 is owned by the Government of India, wherein ONGC is the licensee and Cairn India Limited is the Contractor and Operator. The audited statements as on 31.3.2010 show accumulative investment of about US$ 2932.58 million (MM), out of which, ONGC and Cairn India Limited have invested US$ 691.45 MM and US$ 2214.13 MM, respectively.

(d) The matter is under examination and a decision would be taken by the Government on the basis of the PSC provisions.

Statement

Transaction Details

(1) **Share Acquisition** : The Vedanta Group have agreed to acquire from Cairn Energy PLC, through its wholly-owned subsidiary, Cairn UK Holdings Limited, equity shares of Cairn India being 51% of the equity share capital of CIL, as reduced by:

(a) the number of equity shares of Cairn India validly tendered in the Open Offer (as defined below) up to a maximum of 11% of the equity share capital of Cairn India provided that the shares sold shall in no event be reduced below 40% of the equity share capital of Cairn India pursuant to the adjustment under this clause (a);

(b) any transfer of equity shares of Cairn India by Cairn Energy PLC (other than the Sale Shares) for emergency funding reasons following severe financial difficulty prior to consummation of the sale and purchase of the equity shares in terms of the share purchase agreement;

Provided that the aggregate of equity shares of Cairn India to be acquired pursuant to the Open Offer and the share purchase agreement shall not be less than 51% of the equity share capital of Cairn India.

(2) **Non-compete**: In addition Vedanta Group will pay a non-compete fee to Cairn Energy PLC of Rs, 50 per Cairn India equity share. The non-compete fee will be paid in consideration for Cairn Energy PLC and its affiliates agreeing not to engage in the business of oil or gas extraction and/or transport or processing in India, Sri Lanka, Pakistan and Bhutan, or any other business which competes with the business of Cairn India and its subsidiaries, for a period of three years. If the non-compete fee and share purchase price were to be aggregated, Vedanta Group will, on closing, pay Rs. 405 for each Cairn India share it acquires.

(3) **Open Offer**: As a result of contracting to acquire in excess of 15 per cent of Cairn India's issued share capital from Cairn Energy PLC, Vedanta Group is required under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to make an open offer shareholders of Cairn India (other than Cairn Energy) (the "Open Offer") for 20% of the share capital of Cairn India.

(4) The Open Offer, at a price of Rs. 355 per share, has been jointly launched by Sesa Goa Limited ("SGL"), an Indian listed company and the Vedanta Group. SGL is a subsidiary of Vedanta Resources Plc. SGL is expected to make a strategic investment of 20% of Cairn India diluted share capital, SGL expects to acquire the 20% through a combination of share purchases from Vedanta Group or Cairn Energy PLC, less the number of Cairn India shares acquired under the Open Offer.

(5) **Put/Call Options**: Cairn Energy PLC and Vedanta Group have also entered into reciprocal put and call arrangements in relation to a portion of the shares in Cairn India that will be retained by Cairn Energy PLC. The put and call obligations relate to such number of Cairn India shares from time to time as are equal to 51% of the fully

diluted share capital of Cairn India at closing of the transaction minus the aggregate of: (i) the number of Cairn India shares actually acquired by Vedanta Group from Cairn Energy PLC, (ii) the number of shares acquired under the exercise of any such options from time to time, and (iii) the number of shares in Cairn India sold by Cairn Energy PLC. The put and call options are exercisable in two tranches of up to 5% of the issued share capital of Cairn India at the time of exercise, commencing on 31 July, 2012 and 31 July, 2013 for a six month period each.

Break even price of crude oil produced by ONGC

894. SHRI TAPAN KUMAR SEN: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the break even price of crude oil produced by the Oil and Natural Gas Corporation (ONGC) including and excluding cess and royalty; and

(b) the profitability in percentage when the selling cost is 50 dollar per barrel, 80 dollar per barrel and 100 dollar per barrel?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA): (a) Exploration and production (E&P) is a high risk business with uncertainty in outcomes, the break even price of crude oil is not calculated by ONGC. However, the per unit cost of production of crude oil for the year 2009-10 is as under:-

Particulars	Rs/MT
Operating cost	4,414
Recouped cost	3,361
Statutory levies	5,040
TOTAL COST OF PRODUCTION	12,815

(b) ONGC is required to share under-recovery of Oil Marketing Companies (OMCs) on sale of price sensitive petroleum products, the prices of which are modulated by the Government. The amount of subsidy burden to be borne by ONGC, which has a substantial impact on ONGC's profitability, is in-turn dependant on the following:-

(i) The retail price of sensitive petroleum products;

(ii) the international price of crude oil;

(iii) foreign exchange rate;

(iv) the burden sharing mechanism and the quantum of price discounts required to be given by ONGC on crude oil and petroleum products to public sector OMCs *viz.*