

NOC-IOC Cooperation: Guidelines for Successful Partnership

5th IEBF: Tuesday, 13 March 2012; 15:15- 16:45

Chair:	H.E. Per Rune Henriksen, Deputy Minister, Ministry of Petroleum and Energy, Norway
Co-Chair:	Mr. Gertjan Lankhorst, CEO, GasTerra
Panel:	Mr. Sudhir Vasudeva, Chairman and Managing Director, ONGC
	Mr. Christoph de Margerie, Chairman and CEO, TOTAL
	Mr. Mehmet Uysal, President and CEO, TPAO
	Mr. Eelco Hoekstra, CEO, Vopak

His Excellency, Per Rune Henriksen, Deputy Minister, Ministry of Petroleum & Energy, Norway

Fellow Panelists, Ladies and Gentlemen,

Good Afternoon!

At the outset, let me convey warm Indian greetings to each one of you... *Namaskar*

On behalf of ONGC, the premier National Oil Company of India and also the largest market-cap public sector company, I must thank IEBF for giving this first time opportunity to Oil and Natural Gas Corporation Ltd. (ONGC) to present its views on this platform.

After the huge global economic recession in 2008, IEF's laudable initiative of launching NOC-IOC forum in 2009 only underline the vital importance of NOC-IOC cooperation.

The last two NOC-IOC conferences of IEF and other NOC-IOC fora on other platforms have agreed to a common agenda that is – to face the common challenges of the oil and gas industry and to usher in an era of affordable and ample energy for all stakeholders, especially in the developing economies, it is imperative to bring together the distinctive competencies of NOCs and IOCs.

All of us know the common challenges of the industry. The days of easy oil from on-land giant reserves are gone. All major producing fields in the world are matured and declining at an average rate of 6-8% per annum. Success Ratio of new finds is waning.

Success is being found mostly in deepwaters, ultra-deepwaters and logistically challenging frontiers, where apart from cost effectiveness and technology, safety has become a prime concern after the Macondo well incident in Gulf of Mexico.

The upcoming 'big crew change' is another big concern. Next generation is demanding a cleaner and greener development of projects. Further, considering the spiraling costs, the energy intensity has to be optimized.

In this context, we also know that NOCs are rich in resource holding; about 80% global reserves are held by them, whereas, the IOCs are known for their technological prowess, strong R&D and financing capabilities. Thanks to surging oil prices, today most of the NOCs are also financially healthy except few who have to bear some additional burden of social charters in terms of various subsidies. Therefore, it is only logical that for an efficient exploitation of reserves, the partnership between the two would be immensely useful.

The issues that often stand in the way of such partnership are broadly three pronged: first, balance-sheet orientation of IOCs to protect the interest of their shareholders against the compulsions of NOCs to protect the interest of their most important and normally the biggest stakeholder which is the Govt. besides others.

Second, the technical aspects like the resource quality and quantity and third, the geo-political dynamics of the country to which the NOC belongs to.

Whereas the first two issues are within the compass of business purviews of the partnering companies, the third one is beyond their control.

Therefore, when two partners, an NOC and an IOC, look for an effective partnership for a project, they must ensure a win-win situation as far as the first two issues are concerned. The emergent aspects of successful partnership in present circumstances demand a compromise at the balance-sheet level in the larger interest of the SOCIETY which rightfully looks for a share of the profit from the business.

Thus the proposed IOC-NOC partnerships should work as a '**PARTNER IN PROGRESS**' for the country where they are operating in. The country could be the one the NOC belongs to or it could be another country where an NOC and an IOC have forged a tie in a particular project.

ONGC, the company I have privilege to head, has a rich experience in this regard. After the globalization and liberalization of Indian economy in early 90s, Govt of India launched NELP- New Exploration Licensing Policy for giving impetus to hydrocarbon exploration through 100% FDI participation by private sector including foreign investment.

Considering the fact that Indian Sedimentary Basins are not naturally very well endowed (prognosticated resources of only about 0.6% of world's hydrocarbon reserve), Govt. of India offered various lucrative sops to the bidders. So far in nine rounds of NELP, 274 blocks have been awarded out of which ONGC has won about 120 blocks.

In exploring these blocks, we have gone for all kinds of partnerships; NOC-NOC (domestic), NOC-Private (domestic), NOC-NOC (overseas) as well as NOC-IOC. We have successfully partnered with IOCs like British Gas, Cairn etc.

In exploring CBM, we have forged a partnership with Arrow Energy of Australia. For Geothermal Energy we have entered into an agreement with Talboom, Belgium. We have technological partnership with many companies like SHELL, Schlumberger, Weatherford etc.

Our hundred percent subsidiary overseas arm, ONGC Videsh Limited (OVL) is currently operating in 15 countries with 33 projects. Except 6 projects where OVL has 100% stake, all other projects are being pursued through some kind of partnership with IOCs or NOCs.

We have been able to foster effective partnerships in all these overseas projects, thanks to our '**Partner in Progress**' philosophy that has been subscribed by our partners as well in the respective countries. Keeping ourselves always distanced from the local politics; we have focused on the business while maintaining a socio-economically healthy and transparent relationship with our business partners as well as the stakeholders.

In the last ten years OVL has expanded from 1 project in 1 country to 33 projects in 15 countries. Within this short span of time, it is producing 18.5% of India's total O+OEG production with an investment of over USD 14 Billion. OVL's Net Profit has zoomed from about USD 13 million in 2003-04 to over USD 585 million in 2010-11.

ONGC as well as its overseas arm OVL always look forward for healthy tie-ups with not only NOCs but also with IOCs in domestic as well as overseas ventures. While we assure an equitable return, we also guarantee a win-win partnership.

Welcome to India!

Thank you.