



MEI INDIA DIGEST

(Thematic survey of major current developments)

No. 12

Wednesday, 6 October 2010

The Visit of Kuwaiti Oil Minister, September 2010

By

Nivedita Kapoor

Kuwait Petroleum Corporation (KPC) is expected to make a joint bid in the upcoming ninth round of New Exploration Licensing Policy (NELP) along with Oil and Natural Gas Corporation (ONGC)¹. This was revealed during the long-awaited visit of Kuwaiti Oil Minister Sheikh Ahmad al-Abdullah al-Sabah to India during 28-29 September 2010.

The KPC is reported to be keen on acquiring a stake in the forthcoming projects by the ONGC. Confirming this, the Chairman and Managing Director of the state-run energy corporation R S Sharma said, 'Kuwait is interested in acquiring stakes in ONGC's two joint venture petrochemical projects.'² These projects are the petrochemical project at Dahej, Gujarat at a cost of Rs 195 billion and another plant that is being developed at Mangalore at the cost of Rs 57.5 billion³. The former is under the control of the ONGC Petro-additions Ltd while the latter is being built by the ONGC Mangalore Petrochemicals Ltd.

¹ Kuwait Petroleum to tie up with ONGC, *Business Standard*, 29 September 2010.
<http://www.business-standard.com/india/news/kuwait-petroleum-to-tie-upongc/409593/>

² Kuwait Petroleum to tie up with ONGC, *Business Standard*, 29 September 2010.
<http://www.business-standard.com/india/news/kuwait-petroleum-to-tie-upongc/409593/>

³ ONGC May Partner Kuwait Firms to Bid for Oil, Gas Blocks, *The Wall Street Journal*, 28 September 2010.
http://online.wsj.com/article/SB10001424052748703882404575519602756591326.html?mod=googlenews_wsj

The visiting Kuwaiti Oil Minister also expressed his country's willingness to pick up a stake in another public sector company the Indian Oil Corporation (IOC) but conditioned it on economical viability. The Indian government is planning to divest about ten percent of its stake in the public sector undertaking⁴ and Kuwait is said it would be willing to step in as a 'strategic investor.'⁵ The preliminary steps in this direction were taken at the 12th International Energy Forum held in Cancun, Mexico, in March 2010 when Minister of Petroleum and Natural Gas Murli Deora met with Kuwaiti Oil Minister and extended an invitation to invest in up-coming petrochemical projects of ONGC and IOC at Mangalore and Paradip, respectively.

The ninth round of NELP is expected to begin on 15 October in which about 34 areas would be auctioned for exploration of oil and gas. Kuwait has expressed interest. The last round of auctions held 2009 attracted investments worth US\$1.34 billion for 36 blocks that received the final approval. 'In all 70 areas or blocks for exploration were offered in NELP-VIII, the largest licensing round in India.'⁶ A subsidiary of KPC called Kuwait Foreign Petroleum Exploration Company (KUFPEC) is expected to take part in the NELP-IX bidding.⁷

Kuwait has been the second largest supplier of crude oil and is expected to be an important player in India's plans to build on its existing strategic reserves of. During the meeting both sides discussed the possibility of increasing crude oil supplies. India currently imports 11.8 million tonnes of crude per annum from Kuwait. This development becomes more significant as reports suggest that 'Indian Strategic Petroleum Reserves Ltd, a subsidiary of the Oil Industry Development Board, is constructing three strategic storage facilities at Visakhapatnam, Mangalore and Padur with a combined capacity of five million tons.'⁸ Efforts are on to look for more locations for building similar sites.

During the Minister's visit, other issues like collaboration in research and development as well as oil and gas exploration also came up for discussion. 'The two sides further discussed the offer of ONGC-TERI (The Energy Research Institute) for bioremediation in Kuwait to clean up the soils

⁴ Kuwait oil min sees crude at \$75-\$80 in Q1 2011, *The Reuters*, 27 September 2010.
<http://in.reuters.com/article/idINDEL00346420100927>

⁵ Kuwait keen on strategic stake in Indian Oil, *The Hindu*, 27 September 2010.
<http://www.thehindubusinessline.com/2010/09/28/stories/2010092853530200.htm>

⁶ NELP-IX to be launched on Oct 15, *The Hindu*, 28 September 2010.
<http://www.thehindubusinessline.com/blnus/14281714.htm>

⁷ Kuwait Petroleum may bid in upcoming NELP round with ONGC, *The Economic Times*, 28 September 2010.
<http://economictimes.indiatimes.com/news/news-by-industry/energy/oil--gas/Kuwait-Petroleum-may-bid-in-upcoming-NELP-round-with-ONGC/articleshow/6642730.cms>

⁸ India oil reserves to meet 78 days' needs, *Livemint*, 14 July 2010.
<http://www.livemint.com/2010/07/13211325/India-oil-reserves-to-meet-78.html?type=tp>

affected by oil spills.’⁹ Opportunities for oil majors of both countries to invest jointly in third countries were also explored during the visit.

Nivedita Kapoor is a journalist with the Free Press Newspaper in Indore and can be reached at: kapoor.nivedita@gmail.com

As part of its editorial policy, the MEI@ND standardizes spelling and date formats to make the text uniformly accessible and stylistically consistent.

The views expressed here are those of the author and do not necessarily reflect the views/positions of the MEI@ND.

Editor, MEI India Digest: P R Kumaraswamy

⁹ India and Kuwait to Enhance Cooperation in Oil Sector, *PIB*, 28 September 2010.
<http://pib.nic.in/release/release.asp?relid=66041>