



Indian E&P Sector Financing Challenges and Policy Directions

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(views expressed are personal)

Pathbreaking changes have happened

PRADIGM SHIFT

Departure from Production Sharing Regime to Revenue Sharing Regime

Govt. Share part of Contractors' Topline

- No Cost Audits / Scrutiny by Govt.
- Revenue Audit of only the Annual Revenue by independent Auditor is required

DSF & HELP - The torch bearers of current Revenue Sharing Regime



HELP Bid Rounds

- Freedom to carve out acreages (Eol)
- Focussed on increasing Exploration
- Eol process round the year



DSF Bid Rounds

- Discovered Fields - No exploration risk
- Technical experience not required
- Gateway for new entrants/ start-ups

Promising Geoscientific Potential & Data Access | Policy Reforms | Fiscal Incentives

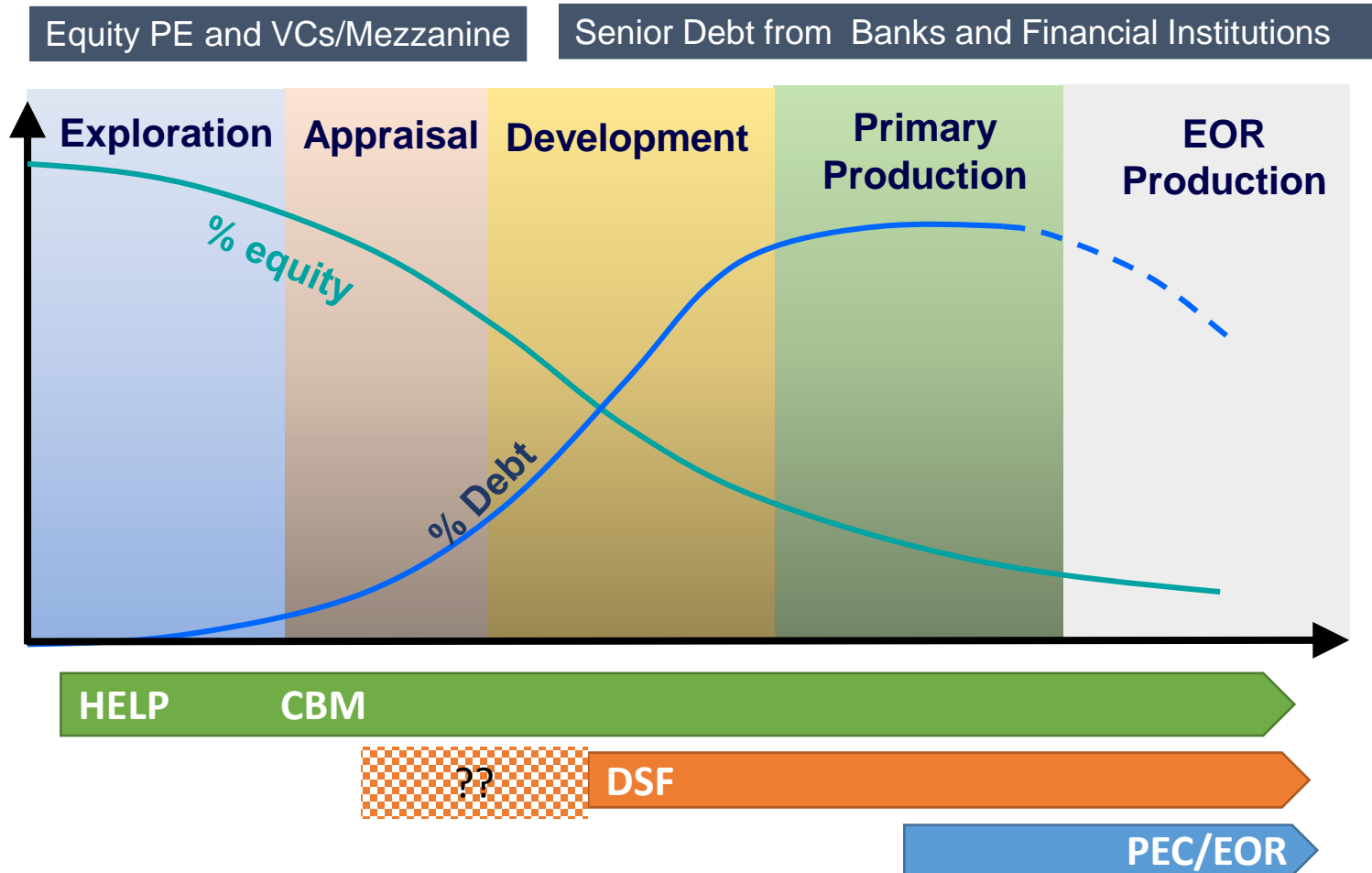
Ease of Doing Business

OALP: Open Acreage Licensing Programme

DSF: Discovered Small Fields

E&P Life Cycle: Stages of Financing

E&P Life Cycle offers multiple Investing opportunities with varying Equity and Debt Risks



Both HELP & DSF allows for investments through **Participatory Interest (PI)** in already awarded blocks

Challenges for Financing Indian E&P

High Risk-High Return

PE and VCs

Indian E&P specific PE funding: to fund Exploration in prospective basins
Extremely challenging
Balance sheet of established players

Medium Risk- Moderate Return

Mezzanine Funding

Financing pre-development project with proven prospectivity and funding EOR projects

Low Risk-Stable Returns

Senior Debt

Channeling more lending to development of discovered fields with approved Development Plans and producing EOR projects

Way Forward: Suggestions

High Risk-High Return

HELP Exploration

Create a policy environment where foreign investment in exploration is encouraged and accorded investor safeguards

Medium Risk- Moderate Return

DSF

Create a Mezzanine Funding Window for initial risk mitigation and funding of DSF
Once established refinance with bank finance

Low Risk-Stable Returns

Producing Fields

Incentivise bank funding with robust securitisation of producing fields and also funding producing EOR projects
Mitigate/ Rebalance contractual risks

Areas to focus

- Bringing in world class understanding in Indian E&P sector financing for risk mitigation and financing.
- Accelerate the Indian E&P sector through proactive financing tools.
- Mitigate contractual risks and enhance investor protection

Key Success Stories in E&P Sector

Post liberalization of E&P sector in late 1990s, India has seen significant participation from foreign and private players which has led to some very successful discoveries

Barmer, Rajasthan

- **Block:** RJ-ON-90/1
- **PI:** Cairn India (35%), CEHL (35%), ONGC (30%)
- **Recovery:** 131.62 MMT (O+OEG)
- **Investment:** USD 6.9 billion
- **Profitability:** Cum. Revenue and Profit of USD 36.77 billion and USD 17.24 billion respectively
- **Largest onshore hydrocarbon find in India in the last two decades** - discovered in January 2004

KG Offshore

- **Block:** KG-DWN-98/3
- **PI:** RIL (66.67%), and BP (33.33%)
- **Recovery:** 397.36 MMT (O+OEG)
- **Investment:** USD 14.65 billion
- **Profitability:** Cum. Revenue and Profit of USD 13.6 billion and USD 1.36 billion respectively
- Awarded in NELP-I and is the **biggest deepwater gas discovery in India**

Ravva

- **PI:** Cairn (22.5%) with ONGC (40%), Videocon (25%) and Ravva Oil Singapore (12.5%)
- **Recovery:** 54.55 MMT (O+OEG)
- **Investment:** USD 2.16 billion
- **Profitability:** Cumulative Revenue and Profit of USD 17.35 billion and USD 13.68 billion respectively
- As a first in India, **4D seismic technology (OBC Survey based) was deployed**

Hazira

- **PI:** GSPC (66.7%) and Sun Petro (33.3%)
- **Recovery:** 11.23 MMT (O+OEG)
- **Investment:** USD 328 million
- **Profitability:** Cumulative Revenue and Profit of USD 1.3 billion and USD 0.91 billion respectively
- Studies indicate possible further upside
- **One of the most prolific discoveries in Cambay basin**

CB-OS/2

- **PI:** Cairn India (40%), ONGC (50%) and Tata Petrodyne (Presently Inveniere Petrodyne) (10%)
- **Recovery:** 12.37 MMT (O+OEG)
- **Investment:** USD 1.06 billion
- **Profitability:** Cumulative Revenue and Profit of USD 3.95 billion and USD 2.89 billion respectively
- Studies indicate possible further upside
- **One of the most prolific discoveries in Cambay basin**

Looking Forward to Success Stories of the future?

