

# The Great Indian Gas Robbery

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*We are publishing here excerpts from an article appeared on the pages of EPW, December 5 issue. This article shows how the big bourgeoisie in India thrives on robbing the public assets and the character of Indian big bourgeoisie as not only comprador but also bureaucratic.*

- Editor

It is a dispute without any precedent, at least not in this country. India's largest public sector company and the biggest producer of oil and gas, the Oil and Natural Gas Corporation (ONGC), has accused the country's biggest privately-owned company, Reliance Industries Limited (RIL), of stealing gas from one of its reservoirs located beneath the ocean bed in the Bay of Bengal off the coast of Andhra Pradesh along the basin of the Krishna and Godavari Rivers. What is worse, the Ministry of Petroleum and Natural Gas (MoPNG) in the Government of India has been accused of being complicit in the alleged theft.

The dispute between ONGC and RIL is more than two years old. After months of legal wrangling, the warring companies agreed on an independent consulting firm based in the United States (US) which would give its technical findings in the dispute. This consultant, DeGolyer and MacNaughton (D&M) based out of Dallas, Texas, in the US, submitted an interim report on 9 October which stated that natural gas worth \$1.7 billion or over Rs 11,000 crore had been extracted by RIL in an unauthorised manner from an area on the ocean bed where gas extraction was supposed to be controlled by ONGC.

Earlier, in May 2014, ONGC had alleged in the Delhi High Court that gas worth almost \$5 billion or around Rs 30,000 crore had been stolen by RIL in violation of the production sharing contract that the company had signed with the Government of India represented by the MoPNG. Whereas the last has not yet been heard about this dispute, it is the biggest one of its kind in India and an important link in a long series of controversies relating to the Reliance Group's operations to extract gas in the Krishna–Godavari (KG) basin.

The interim report of D&M on the technical aspects of the dispute between ONGC and RIL stated that around nine billion cubic metres (bcm) of natural gas may have flown out from ONGC's block in the KG basin to RIL's adjoining reservoir. It was claimed that RIL had drawn 58.67 bcm from the wells up to 31 March 2015, of which around 9 bcm, or 15%, may have belonged to ONGC. This gas at \$4.2 per million British thermal unit (mBtu) was worth more than Rs 11,000 crore.

D&M submitted the interim report to all involved in the dispute, that is, the Directorate-General of Hydrocarbons (DGH), the regulatory authority which also acts as the technical wing of the MoPNG, as well as to the two companies for their comments before compilation of the final report. The two companies which are supposed to work under the "supervision" of the DGH had appointed D&M to "establish the continuity of reservoirs across the ONGC and RIL offshore deep water blocks/areas in (the) KG Basin."

## Findings of the Report

In its 553-page report, the US consultant has stated that reservoirs KG-DWN-98/2 (KG-D5) and the Godavari Producing Mining Lease (PML) are connected with Dhirubhai-1 and Dhirubhai-3 (D1 and D3) fields located in the KG-DWN-98/3 (KG-D6) block of RIL. (The blocks where RIL operates have been named after the founder of the Reliance group, Dhirubhai Ambani.) According to a detailed article put out by the Press Trust of India (PTI) on 22 November, the D&M report stated:

As of 31 March 2015, the FFRM (Full Filled Reservoir Model) estimated a gas migration of approximately 11.122 billion cubic metres from the Godavari-PML and KG-DWN-98/2 contract areas to KG-DWN-98/3.

The US consulting firm is of the view that there exists a single large gas reservoir several metres below the ocean bed that extends from Godavari-PML and KG-D5 to KG-D6. Of the 58.68 bcm of gas produced by RIL from the KG-D6 block from 1 April 2009 over the following six years, 49.69 bcm of gas belonged to RIL while 8.981 bcm could have come from the side where ONGC is supposed to operate. At the then officially administered price of natural gas of \$4.2 per mBtu, the total value of the gas belonging to ONGC which RIL has extracted has been estimated at \$1.7 billion or Rs 11,055 crore at the then prevailing exchange rates.

Why did ONGC's decision to move court on 15 May 2014 surprise so many? The company was under pressure from the very beginning not to act in the manner that it did. The outgoing minister of petroleum and natural gas in the United Progressive Alliance (UPA) government at that time was Veerappa Moily. He shot off a note to the then Secretary in the MoPNG, Saurabh Chandra, calling for an enquiry as to why ONGC had dared to initiate legal action against its biggest shareholder. (Roughly 70% of ONGC's shares are owned by the Union government through the MoPNG.)

What is especially noteworthy is the fact that Moily's note, dated 22 May 2014, was written almost a week after the UPA government was voted out of power in the general elections and just four days before Narendra Modi was sworn in as Prime Minister on 26 May. In a statement dated 15 May, RIL said that all its operations had been undertaken in accordance with the PSC and the development plan approved by the management committee which had government representatives holding veto powers. It added that all well locations and their profiles had been specifically reviewed and approved by the committee. Moreover, RIL said that there had been "constructive engagement" with ONGC on sharing of data and on appointing an "independent third party expert" at a meeting held on 9 May 2014.

### **Ministry Opposition**

The MoPNG and DGH filed a counter-affidavit in the dispute in August 2014 claiming that the allegations of ONGC were "frivolous," that the issues raised by the PSU had been looked into and sought dismissal of the petition. The 70%owner of ONGC was, in effect, stating that its offspring should not have gone to court alleging theft of gas by RIL. The MoPNG said that ONGC had not raised any "issue on connectivity of reservoirs and channels" when the mining lease of G4 block was granted to it six years earlier in 2008 nor when production of gas from the KG-D6 block by RIL started in April 2009.

The ministry's submission said that ONGC "woke up from (its) slumber only in July 2013, when it requested the government to provide the G&G (geological and geophysical) data and that too to analyse the continuity of the pool." The MoPNG said ONGC's writ petition had become "infructuous pursuant to the appointment of the independent agency," that is, D&M.

The fact that D&M would be chosen as the independent agency to resolve the dispute between ONGC and RIL had been first suggested in a 16 July 2014 report in the *Hindu Business Line*. The two companies and the government agreed that D&M would be appointed as the independent agency to investigate possible reservoir connectivity across undersea gas blocks. Thereafter, from 25 September 2014 onwards, both ONGC and RIL began sharing data with D&M.

On 26 November, the current Minister of State for Petroleum and Natural Gas, Dharmendra Pradhan, told Parliament that D&M would submit a report by June 2015 on whether a company controlled by RIL "stole" natural gas from the wells where ONGC is contracted to operate in the KG basin, as alleged by the government-owned company. The minister said that the two companies under the "supervision" of the DGH in the MoPNG should have appointed a "third party" or an independent agency "earlier" to "establish the continuity of reservoirs across the ONGC and RIL offshore deep water blocks/areas in KG Basin."

### **Postscript**

On 2 December 2015, newspapers reported that the final report had been submitted by D&M. According to the details given in the news, it appears that the final report is very similar, if not exactly the same, to the interim report discussed here.