



RAJEEV CHANDRASEKHAR
MEMBER OF PARLIAMENT
RAJYA SABHA

Member of Standing Committee on Information Technology
Member of Consultative Committee on Finance
Member of Parliamentary Forum on Youth
Co-Chairman, Vigilance & Monitoring Committee, Bangalore Urban District

26 November, 2010

Dear Shri Deora,

I understand that the proposed Acquisition by Vedanta of Cairn India's Rajasthan oil blocks is under consideration by your Ministry.

As you are no doubt aware, these oil blocks which were opened up for private investments in exploration many years ago, have an unequal financial royalty commitment between the private sector and the Government entity ONGC, who are the partners in this venture – with ONGC bearing a disproportionate part of the Royalty outflow. I understand that ONGC has been expecting that the Government of India will reimburse it for this loss, which to date has not happened. Regardless of whether that happens or not, you will appreciate that this additional outflow is essentially being borne by the Indian taxpayer / Exchequer.

The justification for this disproportionate sharing of Royalty in the earlier years was, no doubt, the need to promote private investment. However, you would agree that since these are now fully producing blocks and highly profitable for the private investor, there is no need for the Government to continue this unequal royalty model.

I would, therefore, urge that you use this request for approval as an opportunity to renegotiate the royalty structure to ensure equal sharing between the private investor and the public sector partners going forward, and not accord any approval unless this current unfair royalty burden on ONGC, a Navratna PSU, is removed.

This will save ONGC and the people of India thousands of crores of rupees over the period of the concession which can then be reinvested into further exploration and other pressing areas of Energy Security which need funding.

Yours Sincerely,


RAJEEV CHANDRASEKHAR

Shri Murli Deora
Hon'ble Minister of Petroleum & Natural Gas
Government of India
New Delhi