

Government to incentivize growth in local content in goods and services in O&G Sector by policy for providing Purchase Preference to the manufactures/services providers (linked with local content) – PP LC

Progressively increasing targets of Local Content stipulated for procurement of goods, services and EPC contracts for O&G business activities

Manufacturers/service provider who meet local content targets & whose quoted price is within 10% of lowest valid price bid, would be eligible for 10% purchase preference for a stipulated portion of the purchase order, on matching such price

PPLC policy is to encourage suppliers and service providers to progressively adopt 'Make in India' practices and add value to their goods and services

Indo Bangladesh Hydrocarbon cooperation is comprehensive and deep; FoU to promote energy trade and integration of oil and gas grids of the two countries

Framework of Understanding shall remain in force for a period of five years; shall be automatically renewed thereafter for a period of every five year

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved signing of Framework of Understanding (FoU) on Cooperation in the Hydrocarbon Sector with Bangladesh, setting up of Indian Institute of Petroleum and Energy (IIPE) at Visakhapatnam in Andhra Pradesh as "an Institute of National Importance" through an Act of Parliament and also approved the Policy to provide Purchase Preference (linked with Local Content PP-LC) in all Public Sector Undertakings under Ministry of Petroleum & Natural Gas on 12th April, 2017.

The Secretary for Petroleum and Natural Gas, Shri K D Tripathi held a press conference and briefed the media on the various cabinet decisions taken for the Ministry.

The Secretary said that the 'Make in India' initiative was launched by Prime Minister in September, 2014 as part

of a wider set of nation-building initiatives devised to transform India into a global design and manufacturing hub. In tune with the campaign, the Government has decided to incentivize the growth in local content in goods and services while implementing oil and gas projects in India through a policy for providing Purchase Preference to the manufactures/services providers who meet the local targets in oil and gas business activities.

Under the policy, progressively increasing targets of Local Content are being stipulated for procurement of goods, services and EPC contracts for oil and gas business activities. The manufacturers/service provider who meet the local content targets and whose quoted price is within 10% of lowest valid price bid, would be eligible for 10% purchase preference for a stipulated portion of the purchase order, on matching such price. For example, Drilling/Workover Rigs/WSS units construction in the onshore sector the local content would be pegged at 50% in the first year and progressively increased to 60% in the next two years and they to 70% in last two years. Similarly, for premium bids as wells as specialized drilling and completion services the local content stipulated is 10% in the first year and progressively increased to 15% in the next two years and then to 20% in the last 2 years.

He added that the policy is expected to encourage suppliers and service providers to progressively adopt 'Make in India' practices and add value to their goods and services within the country. It will facilitate growth of activities related to manufacturing, services and EPC in the Indian economy. This will boost productivity and help in growth of employment at all levels in the oil and gas sector.

Shri Tripathi said that this policy is applicable to all the Public Sector Enterprises and their wholly owned subsidiaries under the Ministry of Petroleum and Natural Gas; Joint Venture that have 51% or more equity by one or more Public Sector Enterprises under the Ministry of Petroleum and Natural Gas; attached and subordinate offices of MoPNG.

The Cabinet had approved a Framework of Understanding on Cooperation in the Field of Hydrocarbons. This was first discussed during the visit of Petroleum Minister Shri Dharmendra Pradhan to Dhaka in April 2016 with the objective to work as an umbrella framework to initiate, monitor and pursue activities of mutual interest in the oil and gas sector. It will give an institutional mechanism for our engagement with Bangladesh in the Hydrocarbon sector.

Salient Features of the proposed Framework document include -

- Promotes the energy trade and integration of oil and gas grids of the two countries
- Promotes investments in each other's countries as well as in third countries, technology transfer, R&D, conducting joint studies and capacity building of human resources.
- Provides increased trans-border economic cooperation and connectivity.
- Promotes bilateral cooperation at the sub-regional and regional levels
- Exchange of information to energy policy formulation in the region.
- This Framework of Understanding shall remain in force for a period of five years, and shall be automatically renewed thereafter for a period of every five year.

The visit of PM Sheikh Hasina which took place on April 8-10 has given a further impetus to the Indo Bangladesh relations, as 22 documents were signed, including many in the field of oil and gas. Minister of State (I/C) for Petroleum and Natural Gas, Dharmendra Pradhan had visited Bangladesh during 18-19 April, 2016 and in the last two years there have been at least 7 meetings between him and his counterpart in Bangladesh. There is an institutionalised Energy Dialogue at the level of Secretary which met last month in Dhaka.

The comprehensiveness of the relationship between India and Bangladesh comes from the fact that we are already engaged in Supply of HSD from Siliguri to Parbatipur, Setting up LNG Terminal at Kutubdi island, Setting up LPG Terminal in Chittagong / Kutubdi island, Providing gas for the Khulna Power plant in Bangladesh, Working of gas grid connectivity, Refurbishment of refineries, Building of pipelines and Upstream activity in Bangladesh by Indian companies etc.

India and Bangladesh have signed three Documents: Sale Purchase Agreement between Numaligarh Refineries Ltd (NRL) and Bangladesh Petroleum Corporation for supply of High Speed Diesel to Bangladesh; Setting up of an LNG terminal in Kutubdia Island by Petronet LNG Ltd and Setting up of an LPG Terminal by IOCL in partnership with Petrobangla. In addition to these Hon'ble Prime Minister Shri Narendra Modi along with Prime Minister of Bangladesh flagged off the Rail Rake carrying 2200 MT of HSD from Radhikapur in India to Parbatipur in Bangladesh. The rail rake travelled on the newly constructed rail route. The length of the new route is around 260 kms, almost half of the old route.

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