

ONGC Led Consortium Signs Strategic Agreements for sourcing LNG from Iran

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ONGC/OVL, in association with Hinduja Group & Petronet LNG have entered into two broad enabling Agreements with Iranian authorities on Tuesday, the 1st December, 2009, for participation in development of gas fields and liquification facilities in Iran, in return for assured minimum 6 million tonne LNG per annum on long term basis.

A high level Iranian delegation, led by the Deputy Oil Minister and Managing Director of National Iranian Oil Company (NIOC), H.E. Mr. Seifollah Jashnsaz visited New Delhi from 30th November 2009 to 1st December 2009, on invitation of ONGC/OVL and ALPS (a Hinduja Group Company). The delegation comprised of CEOs and other senior functionaries of Oil and Gas organizations of Iran.

Following two days of intense deliberations and negotiations, two sides inked two strategic agreements as under.

- OVL and ALPS to have in aggregate 40% participating interest for development of South Pars 12 gas field;
- ONGC, OVL, ALPS and Petronet LNG to take 20% equity in aggregate in the liquification facilities of Iran LNG, with possible enhancement of equity upto 40%.

Investments in above ventures are to be securitized through deposit of sovereign funds of Iran with Indian banks. Alternatively, the sale proceeds of crude oil supplies to Indian refineries may be used by the Iran for such securitization as collaterals.

Indian participation in above projects would entitle supply of LNG up to a minimum of 6 MMTPA on long term basis. This would be in addition to supply of condensate and other products as means for payback of Indian investment.

Both sides agreed to make best endeavors to carryout necessary due diligence, independent third party valuation, conclude pricing discussions and finalise relevant terms within 4 months.

Iranian side, in addition, agreed to consider OVL's proposal to develop the field and bring the gas produced from Farsi block discovered by OVL to India either

through pipeline, LNG or swap arrangement and agreed to resume detailed discussion on technical, commercial and contractual issues within 3 weeks in New Delhi.

ONGC/OVL & Hinduja Group (through their group company Ashok Leyland Projects Services Ltd. (ALPS) have strategic MoUs for jointly participating in oil and gas investment opportunities in specified countries, including Iran. The association of Petronet LNG is to leverage their expertise in LNG business. The inter-se arrangements between ONGC/OVL, ALPS and Petronet LNG are to be finalized in due course relating to sharing of the investments, risks and returns.