

Latin America – Energising India

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Latin America has remained at the periphery of Indian political and economic strategy, having presented no significant challenges, received marginal Indian migration (mainly in the Caribbean/Atlantic), and, depending on the country, having limited or no historic or cultural connections with India.

In this century, however, economic exchanges, particularly in the energy sector have been significant. The South American continent, which in the Ministry of External Affairs is clubbed with Central America and the Caribbean, is rich in oil and gas, with probable, and even proven, estimates of reserves rising every year.

Recognising the need for a coordinated and concentrated effort in this area, the Ministry of External Affairs in 2007 set up the Energy Security Division, which is responsible for coordinating India's energy diplomacy all over the world in close coordination with the Ministry of Petroleum and Natural Gas (P&NG) and Indian oil companies.

Indian diplomacy has been very active in Latin America in the energy sector. The past decade has been studded with high level visits:

- India's Minister P&NG visited Brazil in 2001 to discuss collaboration in hydrocarbons and alternative fuels (in both areas Brazilian companies have been collaborating extensively with India).
- President Chavez visited India in 2005 and oversaw a bilateral agreement between Venezuela's State giant Petroleos de Venezuela S.A (PdVSA) and India's ONGC Videsh Limited (OVL).
- Prime Minister Dr. Manmohan Singh's visit to Cuba in September 2006 for the NAM Summit, during which he also met President Chavez, was instrumental in finalising energy cooperation with both countries.
- India's Minister P&NG visited Venezuela in April 2008 and again in May 2010 to finalise two joint ventures between PdVSA and Indian oil companies.
- Ecuador's Foreign Minister visited India in 2006 during which a bilateral MoU was signed between PETROECUADOR and India's OVL.
- Colombia's Energy Minister visited Delhi in September 2008 to sign a bilateral MoU on Cooperation in Energy and India's Minister of Mines visited Colombia in June 2011 to sign a bilateral MOU on Mining Cooperation.

In **Venezuela**, whose hydrocarbon reserves, as per latest estimates of the OPEC, at 296.5 billion barrels, exceed those of Saudi Arabia, Indian energy diplomacy had a slow start, mainly on account of political, and consequent juridical developments in the hydrocarbon sector. Nevertheless, on April 08, 2008 in the presence of the Petroleum Minister of India in Caracas, OVL signed a joint venture (JV) agreement with Venezuela's state oil company PdVSA, acquiring 40 % Participating Interest (PI) in the San Cristobal oil field in the heavy oil belt of Venezuela with initial investment of US\$ 446 million, for a concession over 25 years. The field is currently understood to be producing over 35,000 barrels per day (bpd), with OVL getting 15,000 bpd as its share in 2010-11.

OVL had been asked by the Venezuelan government, in 2004, to carry out a study to quantify and certify oil reserves in the gigantic Orinoco (river) belt. In May 2010, three Indian public sector companies acquired 18 percent PI (OVL – 11%; Indian Oil Corporation and Oil India Ltd – 3.5% each) in a JV with PdVSA, Repsol and Petronas to exploit the gigantic Carabobo-I heavy oilfield with estimated reserves of 27 billion barrels oil in place. The Indian investment is envisaged at US\$ 2.18 billion and by 2016 production is expected to reach 400,000 to 480,000 bpd, with option for our companies to transfer upto 70,000 bpd to India, over a licence term of 25 years, extendable by a further 15 years.

Indian diplomacy played an especially vital role in President Chavez's political decisions to form these JVs, starting with his State Visit to India in March 2005. Diplomatic intervention also played a role in establishing an enduring contact between Reliance Industries Limited and PdVSA. Minister P&NG in May 2010 explored possibilities for JVs to build refineries in Venezuela and India to process Venezuelan crude, as well as pipelines and shipping connections.

OVL's expertise in deep water oil drilling was recognised by joint venture partners Petrobras of **Brazil** and others who intend to exploit wells from 700 meters to 2500 meters depth. OVL obtained, through its wholly owned subsidiary ONGC Campos Ltd., the following concessions in JVs in Brazil's offshore Exclusive Economic Zone (EEZ):

- 15% PI in BC-10 producing field in 2006 with investment of US\$ 548 million (OVL's share in 2010-11 was 11,000 bpd).
- BM-S-73 (43.5% PI with US\$ 42 million investment) and BM-ES-42 (100% PI with US\$ 25 million investment)
- BM-SEAL-4 (25% PI) and BM-BAR-I (25% PI) [total investment of US\$ 56 million]
- BM-S-74 (43.5% PI)

Indian companies BPCL and Videocon in a consortium known as IBV acquired 40% PI in ten offshore Brazilian blocks in JV with Petrobras in September 2008. The first oil discovery was made in October 2010.

Regular summits at Prime Minister/President level with Brazil have resulted in a strategic partnership, bolstered by frequent exchanges at ministerial level. Petrochemicals is another by-product of this cooperation, with HPCL and Essar in discussion with Brazil's Braskem.

In **Colombia**, in consortium with China's Sinopec, OVL acquired a 50% PI with an investment of US\$ 437 million in Mansarovar Energy Colombia Ltd (MECL) which operated a cluster of oilfields in central Colombia, which by 2010 was producing 30,000 bpd, along with a 189 km pipeline. In 2010-11, OVL's share in production was 9000 bpd.

In September 2007, OVL acquired 40% and 50% PI in three offshore gas fields, tendered by the Colombian government, in consortium with Petrobras and Colombia's Ecopetrol. In December 2008, it acquired 50% PI and 100% respectively in two blocks in JV with Pacific Stratus Energy and Petrodorado South America in the Llanos basin in eastern Colombia. OVL's overall investment till date in Colombia amounts to over US\$600 million.

In December 2007, Reliance Industries Limited signed up to commence exploration of two offshore oilfields off the Colombian Pacific coast, with an estimated investment of US\$50mn, in collaboration with Ecopetrol. Another Indian company, Assam Oil has set up an office in Colombia in 2010.

In **Cuba**, OVL acquired a 30 % PI in consortium with Repsol and Petronas, in seven deep water exploration blocks in May 2006, spread over almost 12000 sq. km. in Cuba's EEZ with estimated reserves in excess of four billion barrels. In September 2006, OVL with 100% PI entered into a production sharing contract as operator with CUPET, Cuba's state oil company, for two

offshore exploration blocks, understood to have considerable hydrocarbon reserves. Investment by OVL in Cuba till mid 2011 was over US\$ 70 million.

In **Trinidad and Tobago (T&T)**, the OVL joint venture with Mittal Investments (OMEL), is understood to have run into trouble largely on account of OVL's collaborator Mittals backing out of the collaboration for its own reasons. Gas Authority of India Ltd. (GAIL) is close to finalising a US\$ 1 billion investment with NGL of T&T for a JV for LNG supply. In July 2011 Reliance signed an MOU with T&T for a plant to make synthetic crude from hydrocarbon residue which will be used by Reliance in India to make bitumen.

In **Ecuador**, the Embassy of India in Bogota had to make strenuous efforts to reactivate the MoU signed in 2006 between OVL and Petroecuador, and with the conclusion of the requisite Confidentiality Agreement, OVL seems set to commence business in Ecuador, provided the terms for foreign oil firms are not too severe.

Reliance is understood to have acquired four hydrocarbon blocks in **Peru**. Jindal, another Indian conglomerate, has also been granted concessions in Peru, while it has discovered gas in southern **Bolivia**, where it is exploiting large iron ore deposits.

In **Argentina**, OVL has signed an MOU with ENARSA for possible oil exploration.

Energy Security earlier focused on the possibility of concluding term contracts at fixed, reasonable rates, a prospect increasingly difficult given the recent and foreseeable volatility in crude prices. Today, the focus is on participation in exploration and exploitation. OVL, despite being a public sector enterprise, has shown remarkable versatility and efficiency in a highly competitive environment. It has secured billions of barrels of reserves which it can safely exploit over the next four decades.

Despite the distance, Reliance has been importing oil from Brazil from the year 2000 in exchange for supply of diesel. This exchange alone has constituted over 40% of bilateral trade between India and Brazil over the past decade, amounting to over US\$ 3 billion in 2010. Reliance finalised a contract for supply of Venezuelan heavy crude in 2006 and its purchases have grown exponentially. Combined with a lesser volume purchased by Essar, **total crude purchases by India from Venezuela in 2010 amounted to US\$ 5.167 billion**. Reliance has also started purchasing Colombian crude since 2009 – (6 million barrels). Essar also contracted Colombian crude oil supplies starting 2010. Reliance has been importing heavy Mexican crude in past years and is understood to have annual contracts around US\$ 1 billion. Essar also commenced imports from Mexico in 2009 (The Mexican government's standing policy of total nationalisation of the hydrocarbons industry has prevented any Indian venture in crude exploration so far).

Another dimension of India's energy partnership with Latin America lies in **alternative fuels**. Although collaboration in solar, wind and nuclear energy (supply of uranium etc.) is yet to come on the drawing board, joint ventures and even import of ethanol and bio-diesel from Brazil, including transfer of technology, are a reality. India has donated solar energy panels to a few LAC countries in the past years. The considerable landmass available in Latin America for cultivation of sugarcane, *jatropha* and other sources of alternative fuels, offers exciting possibilities in the future.

Latin America is also a rich source of **coal**. Several private Indian companies are exploring possibilities in this area. The economics of shipping coal to India and the assurance of supply have

to be worked out before this sector can be added to hydrocarbons as an area of significant interest, though there have been some shipments of thermal coal to India from Colombia.

Recognising the need for integration of E&P activities, transportation to markets and downstream activities in the energy business, the Ministry of External Affairs and embassies in the region have been increasingly active in coordinating and focusing India's strengths to present proposals for railway lines for transportation of coal in Colombia, pipelines in Venezuela and even shipping contracts for transportation of crude to India, working actively with relevant economic ministries – P&NG; Coal, Renewable Energy, and others, as well as public and private sector companies in the energy sector.

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