

Latin America - Energising India (Comment)

By Deepak Bhojwani: 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, along with Central America and the Caribbean (LAC), and their Exclusive Economic Zones (EEZ) are rich in oil and gas, with probable, and even proven, estimates of reserves rising every year.

In Venezuela, whose hydrocarbon reserves, as per latest estimates of the OPEC, at 296.5 billion barrels exceed those of Saudi Arabia, ONGC Videsh Ltd (OVL) signed a joint venture (JV) agreement with Venezuela's state oil company PdVSA, acquiring a 40 percent share in the San Cristobal oil field. In May 2010, three Indian public sector companies acquired 18 percent (OVL 11 percent; Indian Oil Corporation 3.5 percent and Oil India Ltd 3.5 percent) in a JV with PdVSA, Repsol and Petronas, to exploit the gigantic Carabobo-I heavy oilfield with estimated reserves of 27 billion barrels in place.

The total Indian investment in Venezuela so far is about USD 3 billion and production from all fields is expected to cross 500,000 barrels per day (bpd) by 2016, with option for our companies to transfer up to 70,000 bpd to India, over a licence term of 25 years, extendable by a further 15 years.

In Brazil's rich offshore basin, OVL has obtained four concessions, envisaging investment commitments exceeding USD 1 billion. Indian companies BPCL and Videocon in consortium acquired a 40 percent share in 10 offshore Brazilian blocks in September 2008.

In Colombia, in consortium with China's Sinopec, OVL acquired a 50 percent share in Mansarovar Energy Colombia Ltd (MECL) which operates a cluster of oilfields in central Colombia producing over 30,000 bpd, along with a 189-km pipeline.

In September 2007, OVL acquired 40 percent and 50 percent shares in three offshore gas fields and in December 2008, it acquired 50 percent and 100 percent respectively in two blocks in eastern Colombia. OVL's overall investment till date in Colombia amounts to over USD 600 million.

In December 2007, Reliance Industries Limited was awarded two blocks off the

Colombian Pacific coast. Another Indian company, Assam Oil, set up an office in Colombia in 2010.

In Cuba, OVL acquired a 30 percent share, in consortium with Repsol and Petronas, in seven deep water exploration blocks spread over almost 12,000 sq. km. in May 2006 in Cuba's EEZ with estimated reserves in excess of four billion barrels. In September 2006, OVL entered into a production sharing contract with CUPET, Cuba's state oil company, for two offshore blocks. Investment by OVL in Cuba till mid 2011 was over USD 70 million. Cuba is estimated to have between five billion and 20 billion barrels of oil reserves offshore.

In Trinidad and Tobago (T and T), Gas Authority of India Ltd. (GAIL) is actively negotiating a USD 1 billion investment with NGL for the supply of liquefied natural gas. In 2011 Reliance signed an MOU with T and T for a plant to make synthetic crude from hydrocarbon residue which will be used by Reliance in India to make bitumen.

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 focussed on the possibility of concluding term contracts at fixed, reasonable rates, a prospect that appears increasingly difficult now, given the recent and foreseeable volatility in crude prices. Today, the focus is on participation in exploration and exploitation. OVL has secured billions of barrels of reserves which it can safely exploit over the next decades, while other state and private Indian companies are following its example.

Reliance has been importing oil from Brazil from 2000 in exchange for supplying diesel, accounting for over 40 percent of bilateral trade between India and Brazil over the past decade. Combined with a lesser volume purchased by Essar, total crude purchases by India from Venezuela in 2010 amounted to USD 5.167 billion.

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) 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 LACs 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 examining the economics of shipping coal to India and the assurance of supply has 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.

(21.06.2012 - Deepak Bhojwani has served as India's ambassador to Venezuela, Colombia and Cuba among other postings in Latin America. He can be contacted at deepakbhojwani@hotmail.com) (IANS)

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