



OIL AND NATURAL GAS CORPORATION LIMITED

SECRETARIAT

Regd. Office : Pandit Deendayal Upadhyaya Urja Bhawan, 5, Nelson Mandela Marg,
Vasant Kunj, New Delhi-110070

CIN: L74899DL1993GOI054155 Website: www.ongcindia.com Email: secretariat@ongc.co.in

ONGC/ CS/SE/2017

28th July, 2017

BSE Limited Corporate Relationship Department Phiroze Jeejeebhoy Towers Dalal Street, Fort MUMBAI – 400 001 BSE Security Code No. 500312	National Stock Exchange of India Ltd. Listing Department Exchange Plaza Bandra-Kurla Complex Bandra (E) MUMBAI – 400 051 Symbol-ONGC; Series - EQ
--	---

Sub: Reply to clarification on media report, "RIL, Shell, ONGC asked to pay \$3 B in Penalty"

Sir/Madam,

This has reference to your e-mail dated 18th July, 2017 on the captioned subject. In this connection, we would like to submit herewith the reply to clarification sought by stock exchange(s).

Thanking you,

Yours faithfully,
For Oil and Natural Gas Corporation Ltd.


(M E V Selvam)
Company Secretary

Encl: as above

Subject: News Clarifications/Verification-July 18, 2017 Oil & Natural Gas Corporation Ltd.

This is with reference to the emails dated 18th July 2017 from NSE and BSE (Copy at Annexure-I) on the news appearing in Economic times in respect of the FPA (Final Partial Award) in the ongoing PMT arbitration case.

In this regard, the point-wise replies are furnished below:-

Q1) Whether such event stated in published news were taking place? If so, you are advised to provide the said information along with the sequence of events in chronological order.

Reply

1. ONGC, with 40% Participating Interest (PI), is a Joint Operator in Panna-Mukta and Mid and South Tapti Fields along Reliance Industries Limited (RIL) and BG Exploration and Production India Limited (BGEPIIL), each having 30% PI. The Production Sharing Contracts (PSCs) with respect to Panna & Mukta and Mid & South Tapti Contract Areas were signed between the Contractors and the Government on 22nd December 1994 for a period of 25 years.
2. In December 2010, RIL & BGEPIIL invoked an arbitration proceeding against the Union of India in respect of certain disputes, differences and claims arising out of or in connection with the Panna-Mukta and Mid & South Tapti PSCs pursuant to the provisions of Article 33 of the PSCs and UNCITRAL Rules, 1976. The Ministry of Petroleum Natural Gas (MoP&NG), vide letter dated 4th July 2011, advised ONGC not to participate in the arbitration initiated by RIL and BGEPIIL under Pana-Mukta & Tapti PSCs. However, in case of an arbitral award, same will be applicable to ONGC also as a constituent of the contractor for both the PSCs.
3. On 12th October 2016, a Final Partial Award (FPA) was pronounced by the Tribunal in the arbitration matter between RIL, BGEPIIL and Union of India. However, details in this regard are not known to ONGC since ONGC is not a party to this arbitration.
4. Directorate General of Hydrocarbons (DGH), vide letter dated 25th May 2017 (received by ONGC on 30th May 2017) addressed to the Joint Venture Partners (RIL, BGEPIIL & ONGC) of Panna-Mukta and Tapti PSCs, has informed that based on the FPA dated 12.10.2016 and subsequent 'Clarification Decision' dated 28.12.2016 given by the Arbitral Tribunal, DGH has determined that around USD 3.9 billion is payable by the PMT JV to the Government as GOI share of Profit Petroleum and Royalty and asked the JV to remit the same to MoP&NG.
5. In response to the letter dated 25th May 2017 of DGH addressed to PMT JV, M/s RIL and BGEPIIL have replied to DGH vide their letters dated 16th June 2017 (with copies to ONGC) that the award has been challenged before the English Commercial Court.



Q2) The material impact of this Article on the Company.

Reply

First of all, it may be mentioned that the alleged demand of the GOI in respect to contractual issues originating from number of disputes, differences and claims under the two PSC's can't be construed as 'Penalty' as reported by the media.

It may be pertinent to mention that in response to the letter dated 25th May 2017 of DGH addressed to PMT JV, M/s RIL and BGEPIIL have replied to DGH vide their letters dated 16th June 2017 (with copies to ONGC) stating the following :-

- i. DGH's requests in the letters are premature and that no payments are currently due as the award does not make any money award in favour of GOI that gives rise to any debt or other liability owed by the Claimants to the GOI.
- ii. Various findings in the award are currently being challenged before the English Commercial Court.
- iii. The re-computation of the accounts and the consequential determination of any amount due and payable by the Contractor are to be determined during the final stage of the arbitration proceedings hence the quantification stage has not been reached through this FPA. Until such a stage is reached and the quantification proceedings are finally concluded, it is neither necessary nor possible to engage in a re-computation of the accounts and determine any Profit Petroleum adjustments between the Parties.

In view of above, it may be noted that it is pre-mature to quantify any material impact on ONGC at this stage based on FPA since the FPA has been challenged before the English Commercial Court.

Q3) As per Regulation 30 of the Listing Regulations, all listed companies are required to intimate to the Exchanges all the events, information etc. that have bearing on the operation/performance of the company which include all price sensitive information etc. In addition, all listed companies are also required to furnish to the Exchanges on request, such information concerning the company as may be reasonably required.

Reply

ONGC, with 40% Participating Interest (PI), is a Joint Operator in Panna-Mukta and Mid and South Tapti Fields along with Reliance Industries Limited (RIL) and BG Exploration and Production India Limited (BGEPIIL), each having 30% PI. The Production Sharing Contracts (PSCs) with respect to Panna-Mukta and Mid and South Tapti contract areas were signed between the Contractors and Government of India on 22nd December 1994 for a period of 25 years. In December 2010, RIL & BGEPIIL invoked an arbitration proceeding against the Union of India in respect of certain disputes, differences and claims arising out of or in connection with both the PSCs in respect to Panna-Mukta and Mid and South Tapti



contract areas pursuant to the provisions of Article 33 of the PSCs and UNCITRAL Rules, 1976. The Ministry of Petroleum and Natural Gas (MoP&NG), vide letter dated 4th July 2011, had advised ONGC not to participate in the arbitration initiated by RIL and BGEPIL under Pana-Mukta & Tapti PSCs. However, in case of an arbitral award, the same will be applicable to ONGC also as a constituent of the contractor for both the PSCs. On 12th October 2016, a Final Partial Award (FPA) was pronounced by the Tribunal in the arbitration matter between RIL, BGEPIL and Union of India. However, details in this regard are not known to ONGC since ONGC is not a party to this arbitration. Directorate General of Hydrocarbons (DGH), vide letter dated 25th May 2017 marked to all Joint Venture Partners (RIL, BGEPIL & ONGC) has asked for payment of differential GOI share of Profit Petroleum and Royalty alleged to be payable by contractor pursuant to Governments interpretation of the FPA (40% share of ONGC amounting to US\$ 1.57 Billion equivalent to 10,195 Crore). However, in response to letter dated 25th May 2017 of DGH, RIL and BGEPIL the JV partners have stated that demand of DGH is premature as the FPA does not make any money award in favour of GOI as quantification of liabilities are to be determined during the final proceedings of the arbitration and the same has been challenged before the English Commercial Court. Pending final quantification of liabilities by the Arbitration Tribunal and decision of English Commercial Court, the company is not liable to implement the FPA being pre-mature.

