

The Oil and Natural Gas Corporation: Charting a New Course?

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Significance of the ONGC to India's energy needs

- Oil comprises 34 percent of India's current total energy consumption.
- India is the world's sixth largest consumer of energy and imports close to 70 percent of its energy needs.
- Extrapolating from current rates of growth and consumption India is projected to become the fourth largest consumer of energy in 2010.
- India's needs are projected to grow dramatically as its economic growth continues to surge.



Significance of the ONGC to India's energy needs

- In the last quarter the Indian economy grew at the rate of 9.2 percent.
- The state-owned, Oil and Natural Gas Corporation (originally the Oil and Natural Gas Commission) dominates the energy sector.
- It employs nearly 40,000 workers and produces 77 percent of India's domestic petroleum and 81 percent of its natural gas.



Historical background

- The ONGC was created in 1956 as an arm of the Geological Survey of India.
- Converted into an autonomous entity in 1959.
- Created during the heyday of India's embrace of import-substituting industrialization.
- Converted into the Oil and Natural Gas Corporation in 1994 as India fitfully embraced the market.



Structure and Scope

- Controls 57 percent of the country's hydrocarbon acreage.
- The Government of India is the principal stakeholder controlling nearly 85 percent of the ONGC.
- Its largest offshore oilfield, Bombay (Mumbai) High generates 14 percent of India's total oil requirements and 38 percent of all domestic production.
- The company is increasingly getting involved in downstream activities in collaboration with both domestic and foreign players.



Relations with the National Government

- The corporation lacks fiscal and organizational autonomy.
- Subjected to fiscal restraints and pricing policies.
- Labor laws prevent the shedding of redundant workers.

External Strategies

- Creation of ONGC (Videsh) in 1996.
 - Limited success in obtaining foreign oil and gas fields.
 - Acute competition with the PRC.
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Future

- The privatization of the ONGC is unlikely.
- It will remain subject to governmental interference.
- Controversial projects with Iran, Myanmar and Sudan will continue.

