

MAKE DECISIONS WITH CONVICTION

For full access to real-time updates, breaking news, analysis, pricing and data visualization subscribe today.

[Subscribe Now](#)

ENERGY TRANSITION | NATURAL GAS | OIL | PETROCHEMICALS — 15 May 2023 | 05:07 UTC

INDIA CEO SERIES: Cairn says imperative to tap foreign, private firms to realize upstream dream



Author **Sambit Mohanty** ✉
Editor **Wendy Wells** ✉
Commodity **Energy Transition, Natural Gas, Oil, Petrochemicals**
Topic **Industry Views**

HIGHLIGHTS

Nurturing ambition to raise production share from 25% to 50%

Rajasthan block main cash cow, has ample unexplored potential

India needs realistic approach to energy transition goals

Powered by [Trinity Audio](#)

The S&P Global Commodity Insights India CEO Series is a compilation of exclusive interviews by Asia Energy Editor Sambit Mohanty with top government and industry leaders in India's oil and gas sector. Get insights on how those companies are planning to strike a balance between traditional and new businesses at a time when energy transition is changing the industry's landscape, while geopolitical turbulence is throwing up new challenges.

Not registered?

Receive daily email alerts, subscriber notes & personalize your experience.

[Register Now](#)

India's promising growth outlook for oil and gas demand in coming years is increasingly opening up opportunities for private and foreign players in the upstream sector, but they will need support through a more investor-friendly policy framework, Cairn Oil & Gas CEO Nick Walker told S&P Global Commodity Insights in an exclusive interview.



“We support the need to transition to low-carbon sources, but we must be realistic about the pace at which it will unfold. Fossil fuels will remain important.”

He said that India, which imports 85% of its oil requirements, had rich hydrocarbon potential, and oil and gas would continue to play a critical role in meeting the country's energy needs and supporting economic growth despite the increased talk of energy transition altering the energy landscape.

"In the near term, India's oil and gas demand will get a boost due to population growth as well as urbanization and economic development. To cater to this demand, investment in exploration and production of new resources, as well as in the infrastructure required to support transportation and distribution, will be necessary," Walker said.

"But in the longer term, while India is likely to see a shift towards a more diversified energy mix, oil and gas will continue to play an important role in meeting the country's energy self-dependency push," he added.

Cairn, part of Vedanta Resources, currently contributes about 25% to India's domestic oil and gas production. It has set a target to raise its share to 50% as the upstream investment climate has improved, with many procedural complexities having been sorted in the upstream oil & gas sector by the government. But more on the policy front still needs to be done if New Delhi wants to achieve its ambitions to reduce energy imports to 50% of its energy basket by 2030.

"For this journey to be successful, attracting correct investments and foreign players will be important. And for that, the ease of doing business in the oil and gas sector will be crucial," Walker said.

He added that in addition to exploration, even production processes need further simplification, while levies and taxes on the upstream sectors need to come down.

"It ultimately boils down to creating a more conducive policy environment that prioritizes hydrocarbon expansion. The government has done well to reduce tax burdens, introduce production-linked incentive schemes and more. I strongly believe similar initiatives for the oil and gas sector could play a vital role in attracting large-scale foreign investments," Walker said.

Sky is the limit

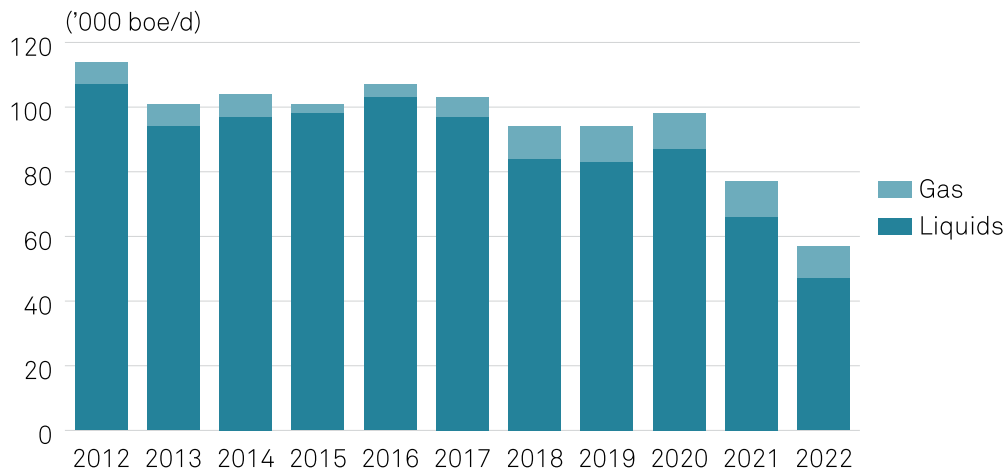
Walker said that India had huge untapped oil and gas resource potential; in existing basins yet-to-find resources are estimated at 30 billion barrels of oil equivalent and including frontier un-explored areas, this figure could be significantly greater.

"In moving towards actualizing this, a crucial component will be to incentivize current producing blocks for ramping up production through the deployment of enhanced recovery techniques," Walker said.

Cairn has interest in a total of 62 blocks in India. In 2004, Cairn made the largest onshore discovery in more than two decades in Mangala, Rajasthan. In its 20 years of operations, Cairn has opened four frontier basins with numerous discoveries and 38 in Rajasthan alone, which is its largest producing onshore oil block.

The company's current total production capacity stands at 147,000 boe/d, with the Rajasthan block contributing 120,000 boe/d, or nearly 82% of total production. Cumulatively, the block has produced over 700 million boe in the last decade.

Production trend at Cairn Oil and Gas in India



Source: S&P Global Commodity Insights

Cairn said in October 2022 that it signed a 10-year production sharing contract for its oil and gas block exploration works in the western state of Rajasthan with the Indian petroleum and natural gas ministry. The contract extension would be applicable from May 2020.

According to S&P Global, the Rajasthan assets are the company's main cash cow and positions the company to remain highly liquids-weighted as compared to a general E&P-wide push toward gas-weighted assets. Cairn's portfolio is an attractive dollar hedge for the government.

"Although the Rajasthan block has been producing for 14 years, we have until now produced 12% of hydrocarbons in place. And that's because a lot of the untapped resources are in more difficult reservoirs and unconventional shale targets," Walker said, adding that new technologies would help to unlock the opportunities in a profitable way.

Realistic carbon goals

Walker said that there was a need to fully support the transition to lower carbon sources of energy and produce fossil fuels in a more responsible manner, but the country must be realistic about the pace at which this can unfold.

"For India especially, fossil fuels will remain important. Cairn's skill and focus is as an oil and gas explorer and producer and that is what we will continue to focus on to meet India's energy needs, but it is important that we do that in a responsible way," Walker said.

He added that Cairn had set a target to become net carbon zero by 2050 in the production of its barrels. "We are taking real action to achieve this -- for example, meeting our energy needs through investment in renewables. It is our aim to accelerate these initiatives as much as possible."

Cairn not only operates the world's longest continuously heated and insulated pipeline and the biggest enhanced oil recovery polymer flood project, it is also working on the longest horizontal well in India, as well as some of the biggest jet-pump operations, Walker said.

"We are constantly on the lookout for innovative technologies, great ideas that will help us find and develop new resources as well as state-of-the-art innovations that will improve efficiency and make our operations more cost-effective," Walker said.

More from the series:

[Essar says for upstream investments to flow, it's now or never](#)

[Oil India sees time ripe for upstream sector to bask in glow of high oil prices](#)

[IOC's refining expansion landscape will reflect a shade of green](#)

[India's crude strategy a cushion for both global, domestic prices, says Puri](#)

Recommended for You