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## DEALS WITH ROSNEFT: A STEP TOWARDS DEEPENING INDIA-RUSSIA ENERGY COOPERATION

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In March 2016, Indian Consortium comprising the Oil India Limited (OIL), the Indian Oil Corporation Limited and the Bharat PetroResources Limited (BPRL), signed agreements with Rosneft. These agreements include: 1) Purchase of 23.9 percent stake in Vankorneft (A Rosneft subsidiary that carries project in Vankor field). 2) A deal to increase the Oil and Natural Gas Corporation Videsh Limited's (OVL) stake from the present 15 percent to 26 percent in Vankorneft. 3) A deal with Rosneft to purchase a 29.9 percent stake in Taas-Yuryakh Neftegasodobycha.<sup>1</sup> The Vankor field is situated in the northern region of Eastern Siberia; the recoverable reserves are estimated at 182 billion cubic meters of gas and 500 million tons of oil.<sup>2</sup>

The agreements are clear examples of developing a joint partnership in the energy sector by both countries, as it was acknowledged by Rosneft Chairman Igor Sechin when he said:

"The signed documents literally mark the turning of a new leaf in the cooperation between Russia and India in the energy sector, reached in continuation of the agreements, achieved at the highest level between the President of the Russian Federation Vladimir Putin and the Prime Minister of India Narendra Modi. The cooperation formula, designed at the corporate level, is aimed at the creation of vertically integrated model, allowing India [sic] partners to participate in the upstream sector, whilst opening the growing India [sic] market to Rosneft. The reached agreements represent a shift from energy dependency to energy partnership of both countries."<sup>3</sup> These agreements might facilitate in opening new areas of opportunities between India and Russia in midstream and downstream field in the future.

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## The India-Russia Energy Cooperation

If we examine the British Petroleum (BP) data, global energy consumption is expected to rise by 34 percent between 2014 and 2035. Among various energy types, oil and gas will remain the dominant fuel.<sup>4</sup> Since 2000, India's energy use has been increased twofold, and fossil fuels fulfill three-quarters of its energy demand. India's energy production domestically is lower than its consumption needs, and by 2040, it is anticipated that more than 40 percent of primary energy supply will be imported. The agency assumed that India's oil imports will increase to 9.3 Mb/d by 2040 for which it will rely on the Middle-East. Similarly, gas imports will be used to bring balance in demand despite its rise in production to 90 bcm in 2040.<sup>5</sup> Despite Middle East's contribution in fulfilling India's energy requirements, the latter needs to diversify its energy (oil and gas) imports. As it is necessary for India to be ubiquitous in other energy-related fields, these deals opened up venues for the Indian and Russian oil and gas companies to consociate their resources for future energy projects.

The Russian Energy Strategy document observed a decline in the European energy's share in the Russian energy market because of export diversification to progressing eastern economies of China, South Korea, Japan, and countries of Asia-Pacific region. The share of Eastern energy markets is viewed to grow in Russian energy market from 6 to 25 percent (oil) and from 0 to 20 percent (natural gas).<sup>6</sup>

Therefore, we can see the recent deals as a repercussion of Russia's desire for export diversification and India's desire for import diversification. India and Russia's seriousness regarding enhancing energy cooperation was evident when both countries held their first meeting of the Joint Study Group on November 6, 2015, to examine the possibility of the hydrocarbon pipeline system connecting Russia and India. The British Petroleum projected that Russia will be among the world's leading fossil fuels producers as it will contribute over 10 percent of global production. Though oil production will stay stable at about 11Mb/d through 2035, its gas production will increase by 30 percent by 2035.<sup>7</sup> Acknowledging Russia's enormous oil and gas production in the future, India is required to toil extensively on gaining hold in Russian energy (oil and gas) sector. At present, India has assets only in Sakhalin 1 (20 percent) and Imperial Energy (100 percent) of Russia.<sup>8</sup> India's approach towards Russia's energy (oil and gas) sector is very gradual as it is visible in the acquisition timeline of Sakhalin-1 in 2001 and later, the Imperial Energy in 2009. The deal with Rosneft is an evidence of confidence among Indian and Russian partner companies. The deal is a significant step towards securing its energy security, and considering energy appetite India should proceed with many more joint partnership agreements in future.

*(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily*

*reflect the position of the Centre for Air Power Studies [CAPS])*

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## Notes

<sup>1</sup> Rosneft, “Rosneft Strengthens its Positions at the Key Markets of the Asia-Pacific Region”, URL: <http://www.rosneft.com/news/today/18032016.html>, accessed on March 5, 2016.

<sup>2</sup> Rosneft, “Vankorneft”, URL: [http://www.rosneft.com/Upstream/ProductionAndDevelopment/eastern\\_siberia/vankorneft/](http://www.rosneft.com/Upstream/ProductionAndDevelopment/eastern_siberia/vankorneft/), accessed on March 5, 2016.

<sup>3</sup> N.1

<sup>4</sup> The British Petroleum, “Outlook to 2035 – Energy use to rise up by a third”, URL: <http://www.bp.com/en/global/corporate/energy-economics/energy-outlook-2035/energy-outlook-to-2035.html>, accessed on March 5, 2016.

<sup>5</sup> International Energy Agency, “World Energy Outlook 2015 Fact Sheet: India”, URL: <http://www.iea.org/media/news/2015/press/FactsheetIndia.pdf>, accessed on March 5, 2016.

<sup>6</sup> Ministry of Energy of the Russian Federation, “Energy Strategy of Russia for the Period up to 2030”, URL: [http://www.energystrategy.ru/projects/docs/ES-2030\\_\(Eng\).pdf](http://www.energystrategy.ru/projects/docs/ES-2030_(Eng).pdf), accessed on March 5, 2016.

<sup>7</sup> The British Petroleum Energy Outlook, “Country and regional insights – Russia”, URL: <http://www.bp.com/content/dam/bp/pdf/energy-economics/energy-outlook-2016/bp-energy-outlook-2016-country-insights-russia.pdf>, accessed on March 5, 2016.

<sup>8</sup> The Ministry of Petroleum and Natural Gas, “Annual Report: 2015-16”, URL: [http://www.petroleum.nic.in/docs/Annual\\_Report/AR15-16.pdf](http://www.petroleum.nic.in/docs/Annual_Report/AR15-16.pdf), accessed on March 5, 2016.