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Three Deep Sea Blocks : Govt likely to raise Statoil's gas price

Manjurul Ahsan | The New Age :The government is likely to increase financial benefits for Norwegian company Statoil including the price of gas the company would own in three deep sea blocks under pressure from the company.

In doing so, state-run Oil, Gas and Mineral Resources Corporation, Petrobangla, would need to amend the model Production Sharing Contract- 2012, under which Statoil, along with it's the then joint-venture partner ConocoPhillips, submitted bids on January 12, 2014.

'We are going to appoint a consultant in this month to examine the legal aspects of proposed amendment to the PSC-2012 to enable us to sign a contract with Statoil in short time,' a Petrobangla official told New Age on Monday.

The negotiation with Statoil has been stuck for several months and Petrobangla wants to facilitate oil and gas exploration in the deep sea blocks in a short time as the onshore gas reserve is being exhausted fast, Petrobangla chairman Istiaque Ahmad said.

He said that the amendment to the PSC would raise no question as Statoil was the lone bidder.

Bangladesh University of Engineering and Technology petroleum engineering department professor M Tamim, however, said that the move was not acceptable as the company had made the bid in accordance with the terms and conditions of the PSC.

The amendment might encourage other international oil companies, operating a number of gas fields under different production sharing contracts, to pressurise the government for such amendments to obtain more benefits.

The country's bidding process might become meaningless, as some companies might go for making dubious bids to win the bidding and then to ensure their financial benefits through amendments to the production sharing contracts, he said.

Statoil with ConocoPhillips began pressurising the government to enhance the financial benefits including an increase in the gas price immediately after Petrobangla in February 2014 recommended the joint-venture to be awarded the contract.

In a letter in December 2014, the company wanted the government to increase the price of gas, which the government would buy from it, in every year from the date of the signing of the production sharing contract.

The company also demanded that the gas price be increased to about \$9.5 per thousand cubic feet or unit from \$6.5 per unit set in the PSC- 2012. The letter also said that the authorities concerned should allow a third party to install pipelines to deliver gas from the production ends

to the mainland under a separate contract.

Petrobangla, following pre-bid meeting with a number of international oil companies including the joint venture, amended the model PSC- 2012 increasing gas price by \$1 from \$5.5 per unit and cost recovery to 70 per cent from 55 per cent. Among other financial facilities, Petrobangla also agreed to pay taxes on behalf of the companies under the amended PSC- 2012.

In April 2015, ConocoPhillips pulled out of the joint venture with Statoil.

Conoco also relinquished deep sea blocks 10 and 11 on October 25, 2014, three years and a half after signing contracts.

Petrobangla on June 16, 2011 signed the two contracts with ConocoPhillips for oil and gas exploration in the two blocks under the model PSC 2008.

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- › Access To Information (a2i) (<http://a2i.pmo.gov.bd/>)
- › National Web Portal of Bangladesh (<http://www.bangladesh.gov.bd/>)
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- › Infokosh (<http://www.infokosh.gov.bd/>)
- › Post Code (<http://www.bangladeshpost.gov.bd/PostCode.asp>)

SERVICES

- › Gas Bill (<https://www.titasgas.org.bd/>)

GENERAL REPORT

- › Daily Gas Production (<http://www.petrobangla.org.bd/daily%20gas%20product.pdf>)

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✉ info@mpemr.gov.bd (<mailto:info@mpemr.gov.bd>)

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