

Real Estate Update

January 30, 2004

100% FDI IN PETROLEUM SECTOR NOTIFIED

The Ministry of Commerce and Industry (the "**Ministry**") has notified further relaxations in the Foreign Direct Investment ("**FDI**") policy vide Press Note No.1 (2004) dated 28th January 2004, which modifies the relevant provisions of Press Note No. 2 (2000). The Ministry has revised the sectoral guidelines and equity cap on FDI, including investment by Non-Resident Indians and Overseas Corporate Bodies. The relaxations are primarily aimed at the petroleum sector. The salient relaxations introduced are as follows:

- FDI upto 100 % is now permitted via the automatic route in oil exploration in both small and medium sized fields subject to and under the policy of the government on private participation in (a) exploration of oil and (b) the discovered fields of national oil companies. Earlier 100 % FDI was permitted only in small oil fields and FDI upto 51% was allowed for incorporated joint ventures with a No Objection Certificate for medium size fields, subject to prior government approval.
- FDI upto 100 % is now permitted via the automatic route on petroleum product marketing. FDI for this segment would be subject to the existing sectoral policy and regulatory framework in the oil-marketing sector. The earlier limit in this regard was capped at 74 % with prior government approval.
- FDI upto 100 % is now permitted through the automatic route for petroleum product pipelines subject to and under the government policy and regulations thereof. This marks an increase from the earlier limit of 51 % in this area subject to prior government approval.
- FDI upto 100 % is also permitted for Natural Gas/LNG Pipelines with prior government approval.

The FDI policy governing the refining segment remains unchanged, with FDI upto 100% of the equity of private Indian companies being permitted under the automatic route and up to 26% in Public Sector Units subject to prior government approval.

Source: Ministry of Commerce and Industry

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