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Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
(FC Section)

Press Note No. 5 (2008)

Subject: Rationalisation of FDI Policy for the Petroleum & Natural Gas sector

The present policy on FDI in the Petroleum & Natural Gas sector vide Press Note 1(2004) and Press Note 4(2006) permits FDI up to 100% under the automatic route in exploration, petroleum product marketing, petroleum product pipelines, Natural Gas/LNG pipelines, and Petroleum refining in the private sector. FDI up to 26% is permitted with prior Government approval in petroleum refining by the Public Sector Undertakings (PSU). In the case of actual trading and marketing of petroleum products, FDI is allowed up to 100% with the condition that 26% foreign equity would be divested in favour of Indian partner/public within 5 years.

2. On a review of the extant policy for the Petroleum & Natural Gas sector, it has been decided to –

- i) delete the condition of compulsory divestment of up to 26% equity within 5 years for actual trading and marketing of petroleum products; and
- ii) allow FDI up to 49%, with prior approval of FIPB, in petroleum refining by PSUs without involving any divestment of dilution of domestic equity in the existing PSUs.

3. FDI Policy announced vide Annex to Press Note 4(2006) dated 10th February 2006 stands modified to the above extent.

Vibh/12/3/101
GOPAL KRISHNA

Joint Secretary to the Government of India

D/o IPP F.No. 5(10)/2006-FC dated 12th March, 2008

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