

# OMC-ShipMin talks for making domestic large vessels pick up pace

## Ministry wants sectoral players to provide long-term contracts for shipowners

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As the government looks to finalise its national shipbuilding mission with a slew of incentives and policies, state-owned players in the oil & gas sector have already pushed for being given priority access to domestically manufactured large ships, according to multiple officials aware of the developments.

This has been requested at multiple inter-ministerial meetings between public sector oil & gas companies, the Ports, Shipping and Waterways Ministry (ShipMin), and the Petroleum and Natural Gas Ministry, according to an official.

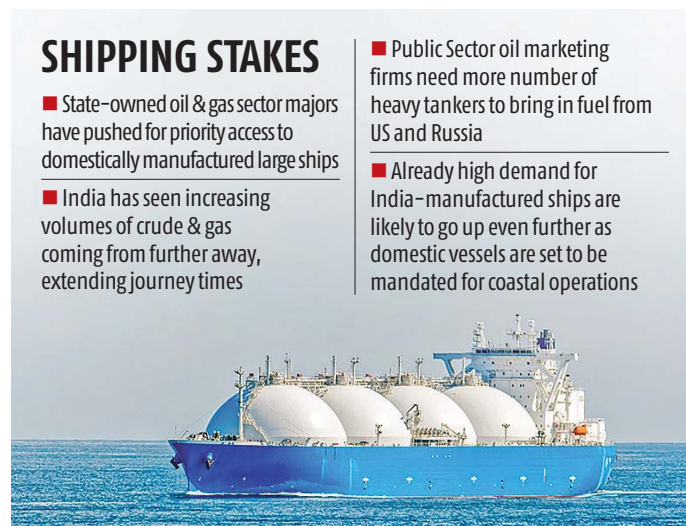
“The oil & gas sector requires a major number of ships in the coming years to accommodate the growing need to transport vast quantities of crude oil and gas, which are now increasingly coming from further away and the turnaround time for

delivered crude is increasing. Having these built in India would benefit the nation,” a petroleum ministry official said.

India has seen a major uptick in discounted crude oil from Russia in the past two years, and is expected to soon import an increasing amount of oil from the US. Historically, most imports have been from suppliers located closer in West Asia, such as Saudi Arabia, Iraq, and the United Arab Emirates (UAE).

State-owned ONGC has provided details of the ships it requires for operations to both the ministries, and is currently awaiting a response, its Director (Strategy and Corporate Affairs) Arunangshu Sarkar had recently told *Business Standard*.

The upstream player requires Offshore Support Vessels (OSVs), or specialised ships crucial for supporting exploration, exploitation, and production of offshore oil and gas resources, and Platform Support



Vessels (PSVs), which transport supplies, equipment, and personnel to offshore platforms and rigs, Sarkar had said.

“Around 40-50 such ships across both categories are in regular use. They are taken on a lease basis,” he had pointed out.

### SHIPPING STAKES

- State-owned oil & gas sector majors have pushed for priority access to domestically manufactured large ships
- India has seen increasing volumes of crude & gas coming from further away, extending journey times

- Public Sector oil marketing firms need more number of heavy tankers to bring in fuel from US and Russia
- Already high demand for India-manufactured ships are likely to go up even further as domestic vessels are set to be mandated for coastal operations

ONGC also needs a small number of ships to ferry crude from offshore oil fields like Mumbai High to coastal refineries, that has been communicated to the ministries, Sarkar said.

Meanwhile, public sector oil marketing companies (OMCs) like IOCL, BPCL, and HPCL are using heavy tankers to bring in crude from abroad. Preliminary talks have taken place on expanding the leasing of second-hand oil tankers from global sellers on a priority basis, given the rising demand, an OMC official said.

Last month, BPCL inked a memorandum of understanding (MoU) with the Shipping Corporation of India (SCI) to create a dedicated, efficient, and future-ready maritime infrastructure.

However, BPCL hasn't made it clear whether the deal will see the purchase or leasing of ships by SCI exclusively for the oil marketer's use.

Parallely, OMCs, SCI, and the ShipMin have been working on a joint venture — Ship Owning and

Leasing Entity (SOLE) — which will allow the entities to jointly own vessels for importing crude oil. Officials said that ordering of brand-new vessels under this would be in the medium term and status quo is likely to be maintained for the immediate future.

This model is based on a previous Shipping Corporation-Petronet collaboration, India LNG Transport Company. SCI currently operates a fleet of 13 crude oil tankers, including the massive Suezmax, Aframax and Very Large Crude Carriers (VLCCs).

Queries sent to ShipMin and petroleum ministry remained unanswered till the time of going to press.

Other sectors such as coal, iron ore, fertiliser, and railways are among the other key stakeholders that also figure in the ongoing talks.

### Long-term contracts

While India's shipbuilding output is minimal, several players can build small vessels, useful for domestic

and coastal operations. The government, with its budget initiatives like the ₹25,000 crore Maritime Development Fund, tax breaks, and a ship recycling credit note policy, wants to develop capabilities in India to build large vessels, which are prominently used in international trade.

“We have received these requests from OMCs and the ministry as well, but any long-term planning or commitment on the manufacturing of ships can only be done after the shipbuilding financial assistance policy is out and the market has absorbed the policy measures,” a senior ShipMin official said.

Based on feedback from the industry, the ministry has asked several sectors like oil & gas to place long-term shipping contracts with shipowners so that they are incentivised to order from domestic shipbuilders, he said. Presently, shippers buy second-hand vessels from Europe due to short service windows.