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From: [S40 – Personal information](UKTI SG)

Sent: 08 October 2010 11:07

To: [S40 – Personal information](UKTI IG); [S40 – Personal information][FCO GSI New Delhi]

Cc: Porteous Margaret (UKTI SG); [S40 – Personal information](UKTI SG); [S40 – Personal information](UKTI IG); [S40 – Personal information](UKTI IG); [S40 – Personal information](UKTI IG); [S40 – Personal information](UKTI SG)

Subject: UK/INDIA: LUNCH WITH THE INDIAN MINISTER FOR PETROLEUM AND NATURAL GAS

[S40 – Personal information]&[S40 – Personal information] cc: as above

I duly attended lunch on 7 October with the Indian Minister for Petroleum and Natural Gas, Murli Deora. The other main attendees were the leaders of a number of Indian energy companies, senior energy civil servants, Richard Heald (UK IBC) and a strong team from Cairn, both Bill Gammell and the Indian CEO of Cairn India. Many thanks for the brief. Main points as follows.

I spoke privately to the Minister about the prospects for the Cairn/Vedanta deal. He asked for the British government's view. I said that while I understood that the issue was sensitive in India, providing India's normal regulatory requirements were respected, the deal should be allowed to proceed. The Minister agreed: he thought that it would go through. The Indian energy regulator, who also attended, said the same to me. I later passed this on to Bill Gammell and the CEO of Cairn India.

I asked the Cairn India CEO what would happen to the company if the deal went through. He said that, in theory, not much. Ownership would transfer, but Cairn's operation would continue. The structure of the board (3 Cairn India executives, 3 independent directors and 3 from the parent Cairn company) would obviously change to reflect Vendanta's ownership; but that at present seemed likely to be about it.

Separately, I had a long talk with the Cairn India CEO about how British companies could gain greater success in the energy sector. Cairn had, of course, led the way. Part of the trouble was the (small) size of the licensing

blocks. But the problem also seemed to go deeper than this, including the difficulties of dealing with Indian bureaucracy, including for our SMEs, who had limited financial staying power.

The Cairn India CEO (who said he knows Dickie Stagg well) said that he recognised all of this. Nonetheless, he shared a perception that British companies were less aggressive in seeking business than eg their US counterparts. Cairn India, for example, had a roughly \$1bn supply chain. \$800bn of this was of lower value (the cost of labour etc) on which UK companies could not compete realistically. But that still left some \$200m where they could. He would be glad to talk through with [S40 – Personal information] and his team how UK companies might do better in addressing Cairn India's requirements.

The PUS equivalent at the Ministry underlined for his part the excellent prospects for the ninth licensing round (which will be let in Delhi later this month, but be launched here tomorrow). India had now brought its energy prices closer to world market levels; and the success rate from those blocks granted were amongst the highest in the world: only Norway was comparable. He and his Minister hoped, however that more British companies would compete: BP, Shell, BG, Premier Oil were all there, but less involved in classic upstream operations. This needed to change: the prospects for the Indian market were very exciting. I said that BP, for one, were interested.

Comment: While it was clear from discussions throughout the lunch that the High Commission and DHCs are already well in touch with Cairn and others in the energy sector, it would be worth following up the Cairn India CEO's offer to examine how British companies could get a greater share of Cairn's high value supply chain. [S40 – Personal information] has properly pointed out how much British companies already do in a low profile manner, of which senior decision makers may not be well aware. But we could always do better, and the Cairn India CEO (who lived in London for 10 years as a banker) clearly wants to be helpful.

Edward Oakden