

04:05 PM 12 OCT EOD	Sponsored Mutual Funds ★★★★★ DSP BlackRock Opportunities Direct Plan-Growth	NAV ₹217.94	Day Change -1.42 (-0.65%)	Class:Equity Category:Multi Cap	1M -0.93	6M 9.2	1Y 18.98	3Y 18.75	START SIP <small>For regulatory disclaimers, click here.</small>
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Government wins award against Reliance Industries in arbitration case

BY **SANJEEV CHOUDHARY**, ET BUREAU | UPDATED: OCT 08, 2017, 11.20 PM IST

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NEW DELHI: The [government](#) has won the award in an [arbitration case](#) against [Reliance Industries \(RIL\)](#), which had disputed the quantum of penalty to be paid for not finishing the promised 'work programme' in four oil blocks, according to sources familiar with the matter.


The promised 'work programme' is a commitment to undertake surveys and exploratory [drilling](#). This commitment, along with the percentage of profit that a company offers to share with the state, are key factors in deciding which bidder wins an auctioned exploration block.

The award ends another dispute between RIL and the government, which have been engaged in several legal battles. Reliance Industries declined to comment on this matter.


The arbitration award means RIL will lose tens of millions of dollars in penalty. About six years back, RIL invoked arbitration as it disagreed with the quantum of fine the government had imposed on the company for not meeting the work programme targets. RIL, however, paid the penalty as demanded but was hoping a favourable arbitration award would help it get some money back, sources said. The original penalty considered by the government was in the region of \$90 million but the [Directorate General of Hydrocarbons \(DGH\)](#), the upstream regulator, recommended that it should be reduced to \$26 million in 2006. How much RIL ultimately paid as penalty couldn't be ascertained but sources said it was much higher than \$26 million.

The case relates to four blocks namely KG-OSN-97/3, KG-OSN-97/4, MB-OSN-97/3 located off the eastern coast, and GK-OSN-97/1 in the western part of the country.

RIL had won these blocks in an auction under the New Exploration and Licensing Policy (NELP) more than a decade back. Under the policy, failure to meet the committed 'work programme' allows the government to penalise winners by recovering an amount equal to the unfinished work programme from them. The award in this arbitration follows recent withdrawal of natural gas price related arbitration by RIL a few months back. Last year, the company withdrew another arbitration challenging the government order to relinquish about 80% of the KG-D6 block.



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The arbitration related to government demand of higher revenue from the Panna Mukta Tapti fields resulted in an award last year in favour of the state. But this has been challenged by RIL and partner Shell in a UK court.

Two arbitration cases are still underway. One relates to how much cost RIL can recover from its existing fields in the KG-D6 block and the other concerns the penalty on RIL for producing gas from the adjacent fields of state-run Oil and Natural Gas Corp in the KG Basin.

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