

# The introduction of crude oil industry economics essay

[Economics](#)



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A mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Depending upon the characteristics of the crude stream, it may also include 1. Small amounts of hydrocarbons that exist in gaseous phase in natural underground reservoirs but are liquid at atmospheric pressure after being recovered from oil well (casing head) gas in lease separators and are subsequently comingled with the crude stream without being separately measured. Lease condensate recovered as a liquid from natural gas wells in lease or field separation facilities and later mixed into the crude stream is also included; 2. Small amounts of non-hydrocarbons produced with the oil, such as sulfur and various metals; 3. Drip gases, and liquid hydrocarbons produced from tar sands, oil sands, gilsonite, and oil shale. Liquids produced at natural gas processing plants are excluded. Crude oil is refined to produce a wide array of petroleum products, including heating oils; gasoline, diesel and jet fuels; lubricants; asphalt; ethane, propane, and butane; and many other products used for their energy or chemical content.

**[http://www.indexmundi.com/energy.aspx?country=](http://www.indexmundi.com/energy.aspx?country=lk)  
[lk](http://www.indexmundi.com/energy.aspx?country=lk)][uct= oil&graph= consumption**

**Profile, Vision & Mission, Milestones, Founder of the selected companies:**

**Ceylon Petroleum Corporation**

**Brief profile:**

The Ceylon Petroleum Corporation was set up as a state enterprise by Act. No. 28 of 1961 in Parliament and further amendments carried out

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subsequently. The main objectives of the Ceylon Petroleum Corporation are the following: To carry on business as an importer, exporter, seller, supplier and distributor of Petroleum products. To carry on business of exploring for the exploiting, producing, and refining of Petroleum and to carry on any such business as may be incidental or conducive to the attainment of the objectives.

## **Vision**

To be the premier customer driven, environmental friendly, enterprise in the petroleum and related industries in the region while contributing towards the prosperity of our nation.

## **Mission**

To achieve excellence in refining, sales and marketing of high quality products and meet the expectations of the stakeholders through a dedicated team of professionals and a loyal & efficient dealer network and by providing total solutions and services exceeding customer expectations, while utilizing a high technology base for growth and development of the enterprise with total employee participation and innovation, by maintaining high ethical norms in all its activities and with highest concern for health, safety and environment.

## **Management Body of the company:**

Chairman: Mr. Tilak Collure Chief Executive officer: Ashroffomar Director:

Aslamomar Director: Firozomar Director: AjitJohnpillai Directoe:

Udena Wickremasooriya Finance Director: Trevine Jayasekara Director (Non-Executive): Priyan Fernando <http://www.ceypetco.gov.lk/index.html>

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## **Lanka Indian Oil Corporation Limited**

### **Brief Profile**

Lanka IOC PLC is an overseas venture of Indian Oil Corporation Ltd., India which is a Fortune 500 company with a ranking of 98th on the Fortune Global 500 listing (2011). The company is principally engaged in operating retail petrol stations. The company is engaged in importing, exporting, storing, distributing, selling and supplying petroleum products. LIOC primarily markets petroleum products in bulk supply to industrial consumers, building and operating storage facilities at the Trincomalee Tank farm. The company's product portfolio includes Auto Fuels, Branded Fuels, Industrial and Marine Fuels and Feed Stock, Servo Lubricants and Greases, Petro Chemicals and Specialties, and Rubber Process Oils. Moreover, the company holds one third of the share in Ceylon Petroleum Storage Terminals Ltd. for storage and distribution of petroleum products. The company is headquartered in Colombo, Sri Lanka. Lanka IOC PLC is a public liability company listed in the Colombo Stock Exchange with a turnover of SL Rs. 51.74 billion for the year 2010-11. Lanka IOC PLC has been ranked as No. 1 amongst corporate in Sri Lanka by LMD (Lanka Monthly Digest - a business magazine) for 3 consecutive years.

### **Vision**

A major integrated Energy Company, with a strong environment conscience playing a national role in oil security.

**Mission**

To achieve international standards of excellence in all aspects of petroleum with focus on consumer delight through value of products and services and cost reduction. To maximize creation of wealth, value and satisfaction for the stakeholder. To attain leadership in developing, adopting and assimilating state of the art technology for competitive advantage. To provide technology and service through research and development. To foster a culture of participation and innovation for employee growth and contribution. To cultivate high standard of business ethics and total quality management for a strong corporate identify and brand equity. To help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience.

## **Key Employees**

**Rajanie Balakrishanan Secretary**

**S. S. Pandita Senior Vice President - Engineering**

**G. C. Daga Chairman**

**V. Sakthivel Senior Vice President - Lubes Marketing & Production**

**C. M. Chandrakandan Senior Vice President - Ops & LBP**

**H Manshani Senior Vice President - Operations and Hr**

**K. R. Suresh Kumar Director, Managing Director**

**H S Bedi Director**

**N K. Modi Vice President - Finance**

**Lakshman R. Wattawala Director**

**Jaliya Medagama Director**

**P K Goyal Director**

**<http://www.lankaioc.net/>**

**Cairn Lanka Private Limited**

## **BRIEF PROFILE**

Cairn Lanka (Private) Limited is a wholly owned subsidiary of Cairn India Limited. Cairn Lanka has interest in block SL 2007-01-001, which lies in the North West Sri Lanka Offshore. Cairn Lanka is the operator with 100.00% participating interest. Cairn India is one of the largest private exploration and Production Company currently operating in India. The story began in 1979, when Sir Bill Gammell, our former chairman, founded Cairn Energy PLC. In

1988, the company was listed on the London Stock Exchange. As the Indian oil and gas market deregulated in the early 1990s, Cairn's focus turned to this region, acquiring Command Petroleum Ltd in 1996, an Australian-quoted company with interests in South Asia. Cairn has been operating in India for more than 15 years and has played an active role in developing the oil and gas resources in the country. Ravva in eastern India was the first offshore oil and gas field to be developed, followed by the Lakshmi gas field in western India, which was discovered in 2000 and commenced production in 2002. In January 2004, Cairn added the Mangala oil field in Rajasthan to its assets and this, along with the other discoveries in Rajasthan, now form the core of the future growth strategy of Cairn in India. On 9 January 2007, Cairn India Limited was listed on the Bombay Stock Exchange and the National Stock Exchange of India. In FY2010-11, Cairn Energy PLC agreed to sell a substantial part of its shareholding in the Company to Vedanta Resources plc and its subsidiaries. In FY2011-12, Vedanta Resources plc along with its subsidiaries became the majority shareholders of the Company. Thus, Cairn India is now part of the Vedanta Group, a globally diversified natural resources group with wide ranging interests in aluminium, copper, zinc, lead, silver, iron ore, etc.

### **Cairn India's Vision is:**

Become a global, world class E&P company  
Establish a diversified & sustainable portfolio  
Deliver long term value to host Governments, Local Communities and all stakeholders

## Value

PIONEERING SPIRIT TEAM WORK RESPECT OWNERSHIP  
 Founder of the Cairn Lanka Private Limited SIR BILL GAMMELL

## Key Employees

Navin Agarwal Chairman  
 P Elango Interim CEO and Whole Time Director  
 Edward Story Non-Executive and Independent Director  
 Naresh Chandra Non-Executive and Independent Director  
 Aman Mehta Non-Executive and Independent Director  
 Dr. Omkar Goswami Non-Executive and Independent Director  
 Tarun Jain Non-Executive Director  
 Priya Agarwal Non-Executive Director

## BRIEF HISTORY OF PETROLEUM INDUSTRY IN SRI LANKA

Commercial energy (petroleum and electricity) intensity is an indicator of a country's energy Utilisation with respect to the national output (measured in terms of Gross Domestic Product- GDP). Low commercial energy intensity would suggest stringent use of energy for economic activities. In 2007, commercial energy intensity reduced to 13. 12 toe/GDP LKR Million from previous year's figure of 13. 19 toe/GDP LKR Million, and it is the lowest recorded commercial energy intensity after year 2000. This can be noticed from the improvements of commercial energy intensity index. High energy prices, energy conservation promotion and autonomous energy efficiency improvement can be mentioned as probable reasons for this improvement. The national level energy conservation programs launched in 2006 was continued during the year. The indices discussed above aptly reflect the achievements of these programs. In 1961, the Government of Sri Lanka  
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under the Ceylon Petroleum Corporation Act No. 28 of 1961 established the Petroleum Corporation with the following general objectives in mind: " To carry on business as an importer, exporter, seller, Supplier or distributor of petroleum, to carry on the business of exploring for, the exploiting, producing and refining of petroleum to carry on any such business as may be incidental or conducive to the attainment of these objectives" The corporation entered the business of importing and marketing petroleum products in April 1962, in competition with Shell, Esso, and Caltex Oil Companies, who were operating in the country at the time of the formation of the Corporation. As the Companies were unable to import products at cheaper prices, the Corporation by Government decision took over the business of import and internal distribution of oil in 1964. To ensure regular supplies and conserve foreign exchange, the corporation built a refinery in 1968, at a cost of Rs 175 Million and commenced production in 1969. Another important project that was completed in the same year was the Lubricating Oil Blending Plant was privatized in December, 1992, and it is now owned and operated by the Lanka Lubricants Limited. Oil Companies in 1971 and 1972 respectively, and with this the right to import, export, sell, supply or distribute petroleum of any class was exclusively vested in the corporation. The bunkering business is now being carried out by the Lanka marine services (Pvt) Ltd., which is own by the Ceylon Petroleum Corporation. The corporation entered the agro chemical business in 1969, in competition with the private sector, with a view to market Agro - chemical product at reasonable prices. The GOSL decided to liberalize the petroleum sector in 2003 and invited the Government of India to enter into the

downstream retail marketing of petroleum by offering China Bay tank farm on long lease. The basis of liberalization was to limit the marketing companies to three for an initial period of five years and the formation of Common User Facility company called "Ceylon Petroleum Storage Terminals Limited" (CPSTL) to manage the storage and distribution infrastructure of CPC comprising Kolonnawa and Muthurajawella Installations, all bulk depots island wide.

## **1. 2 Role in the Economy of Selected Country**

### **1. Contribution of GDP and GNP of crude oil Industry in Sri-Lanka**

YearGDP (in %)YearGDP (in %)20023. 2520072. 5820033. 1120083.

0920042. 8520093. 0120052. 7920102. 8220062. 8720113. 01The Gross Domestic Product (GDP) in Sri Lanka was worth 59. 17 billion US dollars in 2011. The GDP value of Sri Lanka represents 0. 10 percent of the world economy. GDP in Sri Lanka is reported by the the World Bank. Historically, from 1960 until 2011, Sri Lanka GDP averaged 11. 4 USD Billion reaching an all time high of 59. 2 USD Billion in December of 2011 and a record low of 1. 4 USD Billion in December of 1960. The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. This page includes a chart with historical data for Sri Lanka GDP. [http://kushnirs.org/macroeconomics/gdp/gdp\\_sri\\_lanka.html](http://kushnirs.org/macroeconomics/gdp/gdp_sri_lanka.html)

## **Contribution of GNP of crude oil Industry in Sri-Lanka:**

**Year**

**GNP(Billion)**

**Year**

**GNP(Billion)**

1982\$14. 11996\$38. 21984\$16. 11998\$43. 61986\$19. 12000\$49.

81988\$21. 22002\$53. 41990\$24. 72004\$631992\$28. 82006\$76. 41994\$14.

12008\$89. 9Gross National Product (GNP) is the total value of all final goods

and services produced within a nation in a particular year, plus income

earned by its citizens minus income of non-residents located in the country.

GNP measures the value of goods and services that the country's citizens

produced regardless of their location. GNP is one measure of the economic

condition of a country, under the assumption that a higher GNP leads to a

higher quality of living, all other things being equal. Gross National Product

in Sri Lanka increased to 6470617 LKR Million in 2011 from 5534327 LKR

Million in 2010. Gross National Product in Sri Lanka is reported by the Central

Bank of Sri Lanka. Historically, from 1950 until 2011, Sri Lanka Gross

National Product averaged 840878. 18 LKR Million reaching an all time high

of 6470617 LKR Million in June of 2011 and a record low of 4115 LKR Million

in June of 1950. This page includes a chart with historical data for Sri Lanka

Gross National Product. [http://www. tradechakra.](http://www.tradechakra.com/economy/sri-lanka/gnp-of-sri-lanka-339.php)

[com/economy/sri-lanka/gnp-of-sri-lanka-339. php](http://www.tradechakra.com/economy/sri-lanka/gnp-of-sri-lanka-339.php)

## **Contribution in National Income of selected country**

Particular 2010 2011 GNI (\$ Billion) 4959 GNI Per capita income 23492804 Share in the world GNI, (in %) 0.770.84 Growth rate of GNI, % 119.5120.4

### **3. Contribution in Budget Income of selected country:**

The budgeted income of the Sri-Lanka of last Budget is \$8.495 billion

### **Contribution in Foreign Investment of selected country:**

Investment policies in Sri Lanka have been restructured to attract foreign investment. In addition, Sri Lanka was one of the longest democratic traditions in the region and over the past 20 years, successive governments have followed free market policies and continued to liberalize the economy. There are no restrictions on the repatriation of earnings, profits, and capital proceeds. Sri Lanka offers an attractive package of fiscal incentives to foreign and local investment. Foreign investment is encouraged in enterprises, which involve extensive use of foreign capital or sophisticated technology, in export-oriented manufacturing, and in large-scale infrastructure projects. Sri Lanka's foreign direct investment (FDI) flows in the first six months of 2008 reached 425 million US dollars. According to Board of Investment estimates, in 2008, the services sector attracted 362.3 million dollar worth of investments, with telecom leading with 290.7 million dollars followed by power generation with 46 million dollars. Property development had brought in 7.2 million dollars, hotels 2.07 million, other services 7.5 million and business process outsourcing (BPO) and information technology 9.05 million dollars. Sri Lanka expects foreign direct investment to more than quadruple to \$4 billion by 2012.

## **2. 1 Organization Structure or Industry Structure**

### **1. Unorganized or organized (Proportion, trend Etc.):**

In Oil industry organized and unorganized sectors are as under: The oil industry is totally organized structure.

#### **Organized Structure Type**

##### **Oil Industry**

##### **Percentage**

##### **Unorganized**

##### **Organized**

100%

### **2. Type of Organization Structure:**

In Oil industry types of organized structure as under: The oil industry is having centralized organization structure.[1]the centralized structure is one where organization is having one point for control and policy. It benefits the organization by improving efficiency, reducing cost and giving constant policies and procedures.

#### **Type of Structure**

##### **Oil Industry**

##### **Centralized**

##### **Decentralized**

<https://www.wikipedia.org>