



An aerial view of the China Bay Oil Tank Farm.



An abandoned tank at the Trincomalee Oil Storage Facility.

# INDIA-SRI LANKAN DEAL ON OIL TANKS HAILED AS 'HISTORIC'

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**P. K. BALACHANDRAN**

**S**ri Lanka and India on Thursday signed a fresh agreement on the 99 giant oil tanks in Trincomalee to supersede the controversial one signed 19 years ago in 2003.

Through the new agreement, 85 of the 99 tanks will be under the control of Sri Lanka, either directly or indirectly, the latter being through a joint venture with India in which Sri Lanka will have a 51% share. Each tank can hold 12,000 mt of oil.

The Sri Lankan Energy Minister Udaya Gammanpila described the new agreement as "historic" and the Indian High Commission tweeted to say that it is "a milestone in India-Sri Lanka economic and energy partnership." The High Commission's tweet further said: "Congratulations to all parties on signing the Agreement to develop Trincomalee Oil Tank Farm. Sincerely appreciate the guidance from leadership of India and Lanka and support from all Ministers and officials concerned."

It is reliably learnt that the Presi-

dent Gotabaya Rajapaksa, acknowledged the unique role played by Minister Udaya Gammanpila in arriving at this agreement and said that only Gammanpila could have brought it about. The Minister is an outspoken Sri Lankan nationalist, and with him working out the agreement, it is expected to go down well with the island's nationalists, who have been wanting Sri Lanka to retrieve the tanks given to India by an agreement in 2003. "What no Government could do in 19 years has been achieved now," Minister Gammanpila said on TV with satisfaction.

## New joint venture

In the annexure of the India-Lanka Accord of 1987, India had proposed to run the tanks through a joint venture with Sri Lanka, which the latest agreement envisages.

The signatories to Thursday's agreement were the Sri Lankan Treasury Secretary, the Commissioner General of Lands, the Ceylon Petroleum Corporation (CPC), the

Lanka Indian Oil Corporation (LIOC), and the Trinco Petroleum Terminal Ltd, the new joint venture company formed to run the tank farm.

At a press conference held earlier, the Minister said that the State-owned Ceylon Petroleum Corporation (CPC) will get 24 tanks to develop and use independently of the Lanka Indian Oil Corporation (LIOC); 14 of the tanks, currently used by the LIOC, will be leased to the LIOC for another 50 years; and the balance of 61 tanks will be managed by the Trinco Petroleum Terminal Ltd., (TPTL) a joint venture of the CPC and LIOC to be launched soon. In the TPTL, the CPC will own 51% of the shares and the LIOC will hold 49%. The TPTL will thus be a subsidiary of the CPC.

In effect, 85 out of the 99 tanks will be under the control of the CPC directly or indirectly. And the LIOC will manage only 14 tanks, Minister Gammanpila said.

## Controversial tank farm issue

Tracing the history of the controversial tank farm issue, Minister Gammanpila said that by the India-

Sri Lanka Accord of July 29, 1987, the two countries were to jointly develop the tanks. India's interest in these 99 tanks, each of which could hold 12,000 metric tons of oil, was more strategic than economic. India was wary about the tanks going into the hands of other countries inimical to India. It therefore desired the development of the tanks by an Indo-Lankan joint venture.

However, no joint venture was formed and the unused tanks continued to gather dust. But on February 7, 2003, the Ranil Wickremesinghe government handed over all the 99 tanks to India on a 35-year lease. The Lanka Indian Oil Corporation (LIOC), a subsidiary of the Indian Oil Corporation (IOC), developed some tanks and has been using 14 of them after refurbishing them at a cost of US\$ 1 million per tank. As a lease payment, LIOC has been giving US\$ 100,000 per year.

In 2017, when Ranil Wickremesinghe was back in power as Prime Minister, an attempt was made by his government to take a part of the tank farm on lease from the LIOC. But this move was unsuccessful.

Asked if the CPC, which is a loss-making public sector undertaking,



Indian Foreign Secretary Shri Harsh Vardhan Shringla visited the Trincomalee Oil Tank Farm premises in October last year during a four-day visit to Sri Lanka.

has the money to refurbish the tanks it will take over, the Minister said that all the tanks will not be refurbished and used at one go. It will be done step by step and added that the cost of refurbishment per tank, is not unbearable. "It costs US\$ 1 million per tank, and that is affordable," he said.

Asked if the renovated tanks can be used at this juncture, given the dire state of the Sri Lankan economy, Gammanpila said that the tanks can be used to store non-petroleum products also. They can also be rented out to parties wanting storage space, as so many countries do. They can

be used to store oil purchased when the international prices go down.

There are indications from the Sri Lankan government, that in view of the security concerns India has *vis-a-vis* the oil tanks, Colombo will give a "written assurance" that nothing will be done in regard to the tanks which will endanger India's Security interests in the region.

(P. K. Balachandran is a senior Indian journalist working in Sri Lanka for local and international media and has been writing on South Asian issues for the past 21 years)