

## CAIRN INDIA FV TOOL CASE STUDY

### Background

Cairn India is one of the largest oil and gas exploration and production companies in India. Cairn places significant emphasis on business risk management and stakeholder engagement in order to better understand, identify and manage environmental, social and economic issues that matter to their local stakeholders. In 2010 IFC and Deloitte worked with Cairn, using the FV Tool to quantify the financial value of their existing community investment portfolio

As part of this process, practitioners from multiple business functions were brought together to better align the company's CSR strategy with the project's environmental and social risks and explore cash saving opportunities through productivity gains and cost efficiencies.

### The Projects

Cairn India predominantly operates in the state of Rajasthan and at the time was developing up to 20% of India's oil production. The Rajasthan project is the world's longest continuously heated and insulated pipeline. The pipeline travels 670 km through remote rural areas in the state and provides access to more than 75% of India's refining capacity. The FV tool was specifically used to assess the value of two of Cairn's community investment initiatives attached to the pipeline.

#### 1) Farmer SMS text program in partnership with Reuters Market Light

Through the calculations of the tool, Cairn quantified an unforeseen return on their investment in an SMS text program reaching 10,000 remote farmer families living along the pipeline route. The program was developed in response to pipeline-related concerns expressed by farmers, including improper soil restoration, impact on heated pipeline on soil productivity and restoration plan in case of pipeline leaks.

The FV Tool identified **value protected** from the investment as early warning system against pipeline sabotage and potential leaks. :

In one year, access to mobile phone technology enabled farmers to inform the company via text message of five cases of pipeline sabotage.

This allowed Cairn to react quickly and avoid pipeline damage that could have resulted in environmental damage, and the interruption of crude flow at a cost of U.S. \$2 million / day.

The project **created value** for the company through:

- Reduced pipeline security spend.
- Direct text message contact with farmers increased the speed and resolution of project related grievances, creating cost savings and goodwill.
- Reduced the logistical challenges of engaging with widely dispersed, rural families and convening communities along a 670 km pipeline creating cost savings.

The FV Tool identified **value creation** for the Farmers as:

- Text information on good agricultural practices, such as seed selection, fertilizers and soil preparation lead to improved farming techniques, higher crop yields and increased revenues ranging from Rs 500 – Rs 400,000.
- Two-way communication channels enabled faster company response to requests for soil restoration and irrigation pipeline assistance.
- Information on market crop prices enabled the selling of produce to market at better rates.

## **2) Mobile health clinics to provide curative and preventive healthcare**

Two mobile health vans were purchased to provide primary health care services to over 300,000 people living across 64 remote villages along the pipeline route. Using the FV Tool, the costs and benefits of this program were evaluated against an alternative scenario of setting up 15 permanent health clinics to service the same population.

The exercise demonstrated that the mobile option quantified savings to Cairn and as a result the company decided to scale up the program and purchase seven additional mobile health vans. Additional cost savings of \$15,000 to the company came from a reduction in 5 annual sick days among village workers receiving health care services.

*"The FV Tool implementation helped us realize that each program has both value creation and value protection potential."*

Manu Kapoor  
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Cairn Energy India.