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Reforms in Exploration and Licensing Policy: Oil & Gas

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Why in News

The **Cabinet Committee on Economic Affairs** (CCEA) chaired by the Prime Minister has approved the **Policy framework** on reforms in the exploration and licensing sector for enhancing domestic exploration and production of oil and gas.

Key Points

- **Objectives:**
 - Attract new **investment** in Exploration and Production (E&P) Sector.
 - Intensification of **exploration** activities in unexplored areas.
 - **Liberalizing** the policy in producing basins.

- **Four Focus Areas:**

- **Increasing Exploration Activities in Unexpected Areas:**

- Bidding out **uncommercialized basins** to contractors without them having to share revenue or production with the Government and only paying royalties/levies.
- For **unallocated/unexplored areas**, the bidding to be based on a revenue-sharing basis but more weightage to work programme to be given.
- Shorter exploration period and **fiscal incentives**.

- **Marketing and Pricing Freedom:**

- To incentivize enhanced gas production, marketing and pricing freedom to be granted for those new gas discoveries whose **Field Development Plan (FDP)** is yet to be approved.

FDP is the evaluation document of multiple development options for a field and selecting the best option based on assessing tradeoffs.

- **Fiscal incentive on additional gas production** from domestic fields over and above normal production.

- **Preparation of Enhanced Production Profile:**

- Public sector Undertakings like **Oil and Natural Gas Corp (ONGC) and Oil India Ltd (OIL)** will prepare an enhanced production profile to enhance production from their existing fields.
- For production enhancement, bringing new technology, and capital, No Objection Certificates (NOCs) will be allowed to **induct private sector partners**.

- **Promoting Ease of Doing Business:**

Measures like setting up coordination mechanism and simplification of approval, alternate dispute resolution mechanism etc. to be taken.

- **Background:**
 - **Domestic production of oil and gas was declining, import dependence was rising and investment in E&P activities was reducing.** Thus, policy reform in this sector was needed.
 - Earlier, the government between 2016 and 2019 had given pricing freedom for all fields except those given to state-owned ONGC and OIL on a nomination basis.
 - But, there were **restrictions on marketing** like a ban on affiliates of producers buying the fuel etc. This **restricted competition** kept **prices artificially low.**
 - The **Hydrocarbon Exploration and Licensing Policy or HELP** was approved in March 2016, aimed at increasing the transparency and decreasing the administrative discretion in granting hydrocarbon licenses. It replaced the **New Exploration Licensing Policy (NELP), 1997.**
 - Recently, India also launched its first gas exchange which has been named as the **Indian Gas Exchange (IGX).**
- **Benefits:**
 - Development of support services.
 - Employment generation.
 - Transfer of advanced technology.
 - Reducing import dependence.
 - Improve **energy security** of the country.
 - Save the precious foreign exchange on imports.

Petroleum

- Crude petroleum occurs in **sedimentary rocks** of the tertiary period.
- It consists of **hydrocarbons of liquid and gaseous states** varying in chemical composition, colour and specific gravity.
- It is an essential source of energy for all internal combustion engines in automobiles, railways and aircraft.
- Its numerous by-products are processed in petrochemical industries such as fertiliser, synthetic rubber, synthetic fibre, medicines, vaseline, lubricants, wax, soap and cosmetics.
- Venezuela, Saudi Arabia, Canada, Iran, Iraq, Kuwait, Russia are some **major countries with the largest oil reserves.**
- Digboi, Naharkatiya and Moran in **Assam**, Ankleshwar, Kalol, Mehsana, Navagam, Kosamba and Lunej in **Gujarat**; Mumbai High in **Maharashtra** are important **oil-producing areas in India.**

Natural Gas

- Natural gas is found with petroleum deposits and is released when crude oil is brought to the surface. It can be used as a domestic and industrial fuel.
- **Russia, Norway, UK and the Netherlands** are the major producers of natural gas.
- In **India**, Jaisalmer, Krishna Godavari delta, Tripura and some areas offshore in Mumbai have natural gas resources.
- The **Gas Authority of India Limited** was set up in 1984 as a public sector undertaking to transport and market natural gas.

Oil and Natural Gas Corporation

- Oil and Natural Gas Corporation (ONGC) is a **Maharatna** Public Sector Undertaking (PSU) of the Government of India.
- It was set up in 1995 and is under the **Ministry of Petroleum and Natural Gas**.
- It is the **largest crude oil and natural gas company in India**, contributing around 70% to Indian domestic production.

Way Forward

- The production enhancement scheme for the nomination field of NOCs is likely to **augment production** by leveraging new technology, capital and management practices through private sector participation.
- It would bring **uniformity to the bidding process** across various contractual regimes and policies to avoid ambiguity and contribute towards **ease of doing business**.
- The move is in line with India's goal of becoming self-reliant as envisaged in the **Atmanibhar Bharat initiative**. It will help India develop into a **gas-based economy**.

Source: PIB