



# Open Acreage Licensing Programme

## Why in News?

Recently, the Government of India has launched the OALP Bid Round-VIII, offering 10 blocks for International Competitive Bidding.

## What do we know about OALP?

- **The Hydrocarbon Exploration and Licensing Policy (HELP)** replacing the erstwhile **New Exploration Licensing Policy (NELP)** was approved in March 2016 and the **Open Acreage Licensing Policy (OALP)** along with the **National Data Repository (NDR)** were launched in June 2017 as the key drivers to accelerate the Exploration and Production (E&P) activities in India.
- Under OALP, **companies are allowed to carve out areas they want to explore oil and gas in**. Companies can put in an expression of interest for any area throughout the year but such interests are accumulated thrice in a year. The areas sought are then put on auction.

## What do we know about HELP?

- **About:**
  - It stands for **Hydrocarbon Exploration and Licensing Policy**.
  - The new policy promises simpler rules, tax breaks, pricing and marketing freedom and is part of a government strategy to double oil and gas output by 2022-23.
- **Functions of HELP:**
  - **Uniform Licensing**
    - HELP provides for a uniform licensing system that will cover **all hydrocarbons** such as **oil, gas**, and coal bed methane.
      - Under NELP, separate licenses were issued for exploring different types of hydrocarbons.
      - This leads to additional costs, as a separate license is required if a different type of hydrocarbon is found while exploring a certain type.
  - **Revenue Sharing Model**
    - HELP **provides for a revenue sharing model**, the government will receive a share of the gross revenue from the sale of oil, and gas, etc and will not be concerned with the cost incurred.
      - The NELP was **profit sharing model**, where profits are shared between Government and the contractor after recovery of cost.
      - Under NELP, it became necessary for the Government to scrutinize cost details of private participants and this led to many delays and disputes.
  - **Pricing**
    - HELP has marketing and pricing freedom.
      - Before HELP, contracts were based on production sharing with the possibility of gold plating (**incorporation of costly and unnecessary features**) the investment and causing loss to the government by 'manipulating profit'.
      - To reduce the complexity of handling contracts, it was changed to revenue sharing.
    - Under the new system, a graded system of royalty rates were introduced.

- Under this system the royalty rates will decrease from shallow water **(where cost of exploration and risks are lower)** to deep water **(where cost and risks are higher)** to ultra-deep water areas.

## What are the Advantages of HELP?

- It provides for marketing freedom for crude oil and natural gas produced from these blocks. This is in tune with the Government's policy of “Minimum Government -Maximum Governance”.
- Under NELP, it became necessary for the Government to scrutinize cost details of private participants and this led to many delays and disputes. HELP is in tune with the Government's efforts to promote ‘Ease of Doing Business’.
- HELP marks the biggest transition from an era of government control to government support for upstream E&P (exploration, development and production) in India.
  - OALP removes restrictions on exploration by giving companies both the data and the discretion to explore areas of their choice.

Source: PIB

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