



# Open Acreage Licensing Programme

## Why in News

In an attempt to **boost domestic hydrocarbon production**, the petroleum and natural ministry launched the sixth bid round under the liberal **Open Acreage Licensing Programme (OALP)**.

- Earlier, the Cabinet Committee on Economic Affairs (CCEA) approved the [Policy framework on reforms](#) in the exploration and licensing sector for enhancing domestic exploration and production of oil and gas.

## Key Points

### ▪ About:

- 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 (EOI)** for any area throughout the year but such **interests are accumulated thrice in a year**. The areas sought are then offered for bidding.
- This policy is **different from the past** where the government identified areas and offered them for bidding.

### ▪ Need of the Policy:

- India is **one of the fastest growing major economies** in the world and the **third largest consumer of petroleum products** after the US and China.
- India is heavily **dependent on import of crude oil** to meet its energy needs.
- **Net imports of crude oil** have increased from 111.50 metric tons during 2006-07 to 202.85 metric tons during 2015-16.
  - In this backdrop, **India has set a target** to reduce dependence on crude oil imports by **10% by 2022**.

### ▪ Benefits:

#### ◦ Increase in Exploration:

- The successful roll-out of the **HELP regime**, followed by **OALP Bid Rounds**, has led to an **increase in exploration acreages in India**.

#### ◦ Removing Red-Tapism:

- The OALP has helped in removing red-tapism and brought in a **quantum jump in the Exploration & Production sector**.

### ▪ Concerns:

- **Fails to Attract Investors:**

- The new policy has failed to **attract interest from major players in the sector.**

- **Onerous obligations:**

- The OALP provides for discretionary powers to the **Directorate General of Hydrocarbon (DGH)** to accept the area for which EOI has been submitted or alter/modify the area after due evaluation.
  - It oversees upstream oil and gas production.
- However, the **basis for exercise** of such discretion is **not provided under the OALP.**

## About HELP

- The Hydrocarbon Exploration & Licensing Policy (HELP), which adopts the **Revenue Sharing Contract model**, is a giant step towards improving the **'Ease of Doing Business'** in the Indian **Exploration and Production (E&P) sector.**
- It comes with attractive and liberal terms like reduced royalty rates, no Oil Cess, marketing and pricing freedom, round the year bidding, freedom to investors for carving out blocks of their interest, a single license to cover both conventional and unconventional hydrocarbon resources, exploration permission during the entire contract period, and an easy, transparent and swift bidding and awarding process.
- **Bid Round-IV onwards**, bidding rounds are being carried out under the further **liberalized policy terms**, which focused on production maximization with higher weightage to Committed Work Programme in Category I basin and no revenue share bids required for less explored Category II & III basins.
- Category-I basins have established reserves and fields that are already producing while Category-II basins are ones that have contingent resources pending commercial production. Category-III basins are ones that have prospective resources awaiting discovery.

## Way Forward

- Government should consider **rationalising Taxation and Cess.**
- Also the **government should consult different stakeholders** to understand their concerns.
- **Private and Foreign Players** should be **incentivised** to bring in better technology.

**Source: PIB**