

Consultation paper to invite comments from stakeholders on new fiscal & contractual regime for award of hydrocarbon acreages

1. Government of India has been reviewing policies from time to time for exploration activity and investment there in. Over the years, there has been a shift in the E&P policy, from nomination acreage to competitive bidding. New Exploration and Licensing Policy (NELP) and Coal Bed Methane (CBM) Policy were issued in late '90s as it was considered necessary to step up level of investment in exploration to enhance the pace of reserve accretion which can serve as a base for higher level of domestic production. These policies were formulated within a framework of progressive de-regulation in the hydrocarbon sector. Recently Government has approved policy for auctioning of 69 marginal fields of ONGC/OIL. Government has attempted many reforms in the E&P management through this policy in tune with government's goal of 'ease of doing business'.
2. Now the Government proposes to award future acreages under a new fiscal and contractual regime. Some fundamental changes proposed under future awards are:

- i. **Uniform Licensing Policy (ULP)**

A uniform licensing policy to enable E&P operators to explore and extract all hydrocarbon resources covered under the Oilfields Regulation and Development (ORD) Act, 1948, and Petroleum and Natural Gas (PNG) Rules, 1959 under one PEL/PML, and one contractual regime will replace the NELP and CBM regime for the Contracts to be awarded in future. The uniform licence will enable the contractor to explore conventional and unconventional oil and gas resources including CBM, shale gas/oil, tight gas, gas hydrates and any other resource to be identified in future which fall within the definition of "Petroleum" and "Natural Gas" under PNG Rules, 1959.

- ii. **Open Acreage Licensing Policy (OALP)**

As per this policy on availability of exploration acreages, an offer system is to be put into place which is continuous in nature and allows the companies to submit bids for areas of their choice. Directorate General of Hydrocarbon (DGH) has demarcated the entire sedimentary area of 3.14 million sq km into sectors of size 10' (minute) x 10' (minute). Each sector measures approximately 336 sq km and there are 9300 such sectors in India. Upon Receipt of Expression of Interest (EOI) from the interested bidders and while demarcating the proposed blocks, DGH will exercise application of its own available Geological & Geophysical (G & G) data to validate authenticity of the submitted EOI for an area and shall carve out the block. After obtaining the necessary clearances, the Bids from all the interested companies, including those which submitted the EOIs, would be invited as per contractual & fiscal terms under ULP.

- iii. **Revenue Sharing Contract (RSC)**

Present fiscal system of production sharing based on Pre-Tax Investment Multiple (PTIM) and cost recovery /production linked payment will be replaced by a revenue sharing model. In this model it is proposed that the bidders will bid the percentage of revenue that they will share with the Government against two revenue scenarios i) when revenue is less than or equal to the Lower Revenue point and ii) when revenue is more than or equal to Higher Revenue point. The percentage Government Revenue Share at revenue points falling between the lower and higher Revenue points will be interpolated on a linear scale. Revenue, net of royalty (as applicable) will be shared between the Contractor and the Central Government based on revenue accrued for oil and gas on a monthly basis.

iv. **Pricing and Marketing of Natural Gas Produced from the areas to be awarded under the new contractual and fiscal regime:**

In the recently announced marginal field policy mentioned in Para 1 above, the Government has provided pricing and marketing freedom for the natural gas. On the similar lines, it is proposed to provide pricing and marketing freedom for the natural gas to be produced from the areas to be awarded under the new contractual and fiscal regime in order to incentivise production from these areas.

3. Views/comments from the stakeholders are invited for the new contractual and fiscal regime on following issues-

- i. Operationalising open acreage licensing, modalities and standard procedure thereof
- ii. Work Programme- mandatory or biddable- weightage in bid evaluation
- iii. Pricing and marketing of natural gas produced from the areas to be awarded under the new contractual and fiscal regime.
- iv. Technical Qualification- weightage in bid evaluation
- v. Incentivising E&P in the unconventional hydrocarbon
- vi. Role of DGH and Management Committee to align with the Government's goal of 'minimum government-maximum governance'.
- vii. Methodology for calculation of cost of unfinished work programme
- viii. Timely implementation of Field Development Plans submitted by the operator
- ix. Environmental and social issues in exploration and production of oil and gas
- x. Any other issue

4. The views/comments may be forwarded on following address

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And/ Or

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on or before 30th November 2015.

