

New Exploration Licensing Policy (NELP)

Government of India formulated a policy called New Exploration Licensing Policy in 1997. The main objective was to attract significant risk capital from Indian and Foreign companies, state of art technologies, new geological concepts and best management practices to explore oil and gas resources in the country to meet rising demands of oil and gas. This policy, NELP was approved in 1997 and it became effective in February, 1999. Since then licenses for exploration are being awarded only through a competitive bidding system and National Oil Companies (NOCs) are required to compete on an equal footing with Indian and foreign companies to secure Petroleum Exploration Licences (PELs). Nine rounds of bids have so far been concluded under NELP, in which production sharing contracts for 254 exploration blocks have been signed. The salient features of NELP are as under:

- i) 100% FDI is allowed under NELP
- ii) No mandatory state participation through ONGC/OIL or any carried interest of the Government.
- iii) Blocks to be awarded through open international competitive bidding.
- iv) ONGC and OIL to compete for obtaining the petroleum exploration licenses on a competitive basis instead of the existing system of granting them PELs on nomination basis.
- v) ONGC and OIL to get the same fiscal and contract terms as private companies.
- vi) Freedom to the contractors for marketing of crude oil and gas in the domestic market.
- vii) Royalty at the rate of 12.5% for the onland areas and 10% for offshore areas.
- viii) Royalty to be charged at half the prevailing rate for deep water areas beyond 400 m bathymetry for the first 7 years after commencement of commercial production.
- ix) Cess to be exempted for production from blocks offered under NELP.

- x) Companies to be exempted from payments of import duty on goods imported for petroleum operations.
- xi) No signature, discovery or production bonuses.
- xii) A Model Production Sharing Contract (MPSC) which is reviewed for every NELP round.
- xiii) Contracts to be governed in accordance with applicable Indian Laws.