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Analysing developments impacting business

POLICY FRAMEWORK FOR EXPLORATION AND EXPLOITATION OF UNCONVENTIONAL HYDROCARBONS

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The Union Cabinet on 1 August 2018 approved the policy framework (Policy) for the exploration and exploitation of unconventional hydrocarbons.

Uniform Licensing Policy for pre-HELP blocks

By way of background, the exploration and production regime of New Exploration Licensing Policy (NELP), Coal Bed Methane Policy (CBM Policy) and nomination regime did not permit the contractors to exploit unconventional hydrocarbons in previously allotted licensed or leased areas. For instance, companies operating coal bed methane (CBM) blocks under the CBM Policy were not permitted to exploit any hydrocarbon other than CBM. The Hydrocarbon Exploration and Licensing Policy (HELP) and Discovered Small Field Policy brought about a paradigm shift in the approach of the Government of India towards upstream oil and gas sector, in as much as the Government of India permitted companies to exploit any hydrocarbon based on one single license. Now, the Government of India has extended the uniform licensing policy to blocks for which contracts were awarded under the NELP, CBM Policy and nomination regime. Thus, existing contractors under these regimes will be permitted to tap the unused unconventional hydrocarbons such as shale oil / gas, CBM, in previously licensed and leased areas.

Change in fiscal and contractual terms

For new discoveries in CBM blocks, companies are required to share with the Government of India, 10% profit petroleum / production level payment over and above the existing rate of profit petroleum / production level payment. For nomination blocks, the Policy envisages national oil companies to explore and exploit unconventional hydrocarbons pursuant to the prevailing contractual and fiscal terms of exploration licences and mining leases. Further, the Policy envisages ring-fencing of petroleum operations and cost recovery of new hydrocarbon discoveries in blocks for which production sharing contracts are in existence.

Comment

The Policy paves way for simultaneous exploration and exploitation of conventional and unconventional hydrocarbons for the pre-HELP blocks. Further, the Policy is likely to boost exploitation of unconventional hydrocarbons which were hitherto untapped because of the 'one hydrocarbon resource type' licensing policy. The Policy becomes

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more relevant considering the preliminary studies indicating probable shale gas resources in the range of 100 - 200 trillion cubic feet in five sedimentary basins. This is a welcome step for incentivising domestic production of hydrocarbons and for achieving the objective of Hydrocarbon Vision 2025 to assure energy security by achieving self-reliance through increased indigenous production.

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