

Cabinet approves Policy Framework for exploration and exploitation of Unconventional Hydrocarbons

Cabinet

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the policy to permit exploration and exploitation of unconventional hydrocarbons such as Shale oil/gas, Coal Bed Methane (CBM) etc. It will be carried out under the existing Production Sharing Contracts (PSCs), CBM contracts and Nomination fields to encourage the existing Contractors in the licensed/leased area to unlock the potential of unconventional hydrocarbons in the existing acreages.

Benefits:

- This policy will enable the realization of prospective hydrocarbon reserves in the existing Contract Areas which otherwise would remain unexplored and unexploited.
- With this policy dispensation, new investment in Exploration and Production (E&P) activities and chances of finding new hydrocarbon discoveries and resultant increased domestic production thereof is expected.
- Exploration and exploitation of additional hydrocarbon resources is expected to spur new investment, impetus to economic activities, additional employment generation and thus benefitting various sections of society.
- This will lead to induction of new, innovative and cutting-edge technology and forging new technological collaboration to exploit unconventional hydrocarbons.

Background:

As per existing contractual regime of PSCs, existing Contractors are not allowed to explore and exploit CBM or other unconventional hydrocarbons in already allotted licensed/leased area. Similarly, CBM Contractors are not allowed to exploit any other hydrocarbon except CBM. Acreages held at present by various Contractors in PSCs and CBM blocks and National Oil Companies (NOCs) in nomination regime constitute a significant part of India's sedimentary basin.

In preliminary studies, 'in place' probable Shale gas resources in the range of 100-200 TCF in 5 Indian sedimentary basins have been assessed by various international agencies. Presence of Shale oil/gas has a strong possibility in basins such as Cambay, Krishna- Godavari (KG), Cauvery etc. where mature organic rich Shale exist. An area of 72,027 sq. km. held under PSCs of Pre-New Exploration Licensing Policy (NELP)/NELP regime and 5269 sq. km area under CBM contracts has been opened up for simultaneous exploration and exploitation of conventional or unconventional hydrocarbons. With the approval of this policy, there will be complete shift from 'One hydrocarbon Resource Type' to 'Uniform Licensing Policy' which is presently applicable in Hydrocarbon Exploration & Licensing Policy (HELP) and Discovered Small Field (DSF) Policy.

The fiscal and contractual terms of the policy provide for ring-fencing of Petroleum Operations and cost recovery of new hydrocarbon discoveries in PSC block. Additional 10% rate of Profit Petroleum/ Production Level Payment (PLP) in case of CBM contract, over and above the existing rate of Profit Petroleum/PLP is to be shared with Government on new discoveries. For nomination blocks, NOCs will be allowed to explore and exploit unconventional hydrocarbons under the existing fiscal and contractual terms of exploration/lease license.

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