

# GOVERNMENT DRIVES BIG BANG REFORMS IN OIL & GAS SECTOR

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NITI Aayog

## Government Drives Big Bang Reforms in Oil & Gas Sector

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*Decision incorporates recommendations made by Committee on Enhancing Domestic Oil and Gas Exploration*

The Union Cabinet chaired by Prime Minister Shri Narendra Modi on Tuesday approved the Policy framework on reforms in exploration and licensing sector for enhancing domestic exploration and production of oil and gas.

The Cabinet decision was based on the recommendations of a High-powered Committee on Enhancing Domestic Oil and Gas Exploration chaired by Vice-Chairman NITI Aayog and including the Cabinet Secretary, CEO, NITI Aayog, Secretary, Ministry of Petroleum and Natural Gas, Secretary, Department of Economic Affairs and CMD, ONGC. The decision signals a paradigm shift in the core goal of the Government, moving from revenue-maximisation to production-maximisation, with focus on exploration. This will incentivise increased investment and production.

In Category I basins where potential is established and production is taking place, to give boost to further exploration in unexplored areas of these basins, the weightage of revenue sharing has been reduced from 50% to 30%. Also, in order to ensure that revenue sharing does not disincentivise higher production, the maximum revenue sharing has been capped at 50%.

In the less prospective Category II and Category III basins, revenue sharing has been totally dispensed with and allotment of basins would be solely based on the exploration work programme. On successful discovery, the production and full revenue will accrue to the operator, with Government asking for no share. This is apart from marketing and pricing freedom, which has been assured in all basins. Only in case there is windfall gain, and annual revenue exceeds USD 2.5 billion, government will take a share of additional revenue.

The Committee recommendations had focussed on liberalising exploration and production regime, enhancing production from existing producing fields of NOCs and simplifying the approval processes, all of which has been accepted by the cabinet.

The cabinet decision also gives complete marketing and pricing freedom to oil and gas production. In gas, it is also extended this to those fields whose first Field Development Plan (FDP) is yet to be approved. It also gives concession in the royalties in case the oil fields are brought to production earlier.

The production enhancement scheme for nomination field of National Oil Companies (NOCs) is likely to augment production by leveraging new technology, capital and management practices

through private sector participation. The NOCs will be held accountable for enhancing production through objective assessment of performance.

The cabinet also decided to give 66 fields of NOCs to private operators for increasing the production. NOCs will get share in the increased production apart from getting what was being produced by them.

Through this policy, a transparent, investor friendly and competitive policy framework is envisaged to accelerate exploration activities and provide impetus to expeditious production of oil and gas.

Integrating the recommendations of NITI Aayog, the cabinet decision focuses on enhancing exploration & production activities, which would have massive macro-economic benefits in terms of development of support services, employment generation, transfer of advanced technology etc.

Continuing reforms in the oil and gas sector includes further simplification of approval processes, with measures to be initiated for promoting ease of doing business through setting up coordination mechanism and simplification of approval of DGH, alternate dispute resolution mechanism etc.

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