

Key Reforms in E&P Sector of India

A. Policy Reforms:

1) **“No-Go Area” Reduced:**

99% reduction in No-Go area thereby releasing additional 1 million sq.km. for E&P in EEZ.

2) **Single unified license:**

Enabling E&P operators to explore and extract all hydrocarbon resources.

3) **Freedom to carve out large acreages:**

Maximum Area that can be carved out in single EoI increased to double of the existing limit. i.e. . ~6700 /~13000/~20000 sq.km for onland, shallow and deep/ultra deep-water blocks respectively.

4) **Revised Qualification & Biddable Parameter for Cat-II/III basins:**

- No bidding for Revenue Share
- Biddable programme shall comprise seismic activities only.
- Marks for originator incentive increased from 5 to 10.

5) **Change in Consortium before bidding-** Allowed changing of consortium at any stage during Bidding/EOI, without changing of Operator

6) **Shallow Water operatorship experience** to qualify for all type of blocks.

7) **Basic G&G data** will be available free of cost to bidders for participation in bid rounds

8) **Reduced Bid/participation bond** from USD 150 thousands/ block to USD 20 thousands and cap thereof reduced from USD 1mn/USD 2mn to USD 200 thousands.

9) **Net-Worth** Criteria revised to incorporate modern means of finance in the computation of Net Worth.

B. Fiscal Reforms:

1) **Marketing and Pricing Freedom:**

- No Administrative Pricing Mechanism and allocation of Petroleum.
- Operators are free to market and sale petroleum produced from the block to get best price.

- 2) **Revenue Share in Category-II & III basins only** where annual revenue exceeds the threshold of \$ 2.5 billion.
- 3) **Minimal Royalty and Royalty Holiday Period:**
 - Low royalty rates in offshore blocks with additional concession for early production
 - No Royalty for first 7 years in Deep & Ultra Deep-water blocks.
 - Thereafter rate of royalty for entire contract period is 2% in Ultradeep, 5% in Deep water.
- 4) **Incentives for Early Monetization and Enhanced Recovery:**
 - **Early Monetization:** Concessional Royalty graded by basin-category
 - **Enhanced Recovery:** Concession in revenue share for adopting ER/IR technologies.
- 5) **Longer Stabilization Period- In category-I basins,** stabilization period increased to 4 years in onland block, 5 years in shallow water blocks and 7 years in deep/ultra deep-water blocks. Capping of revenue share rate at HRP reduced from 100% to 50%.
- 6) **In category-I basin,** share revenue at LRP rate for the production under early monetized discoveries.
- 7) **Option to submit Bank Guarantee for liability of contribution towards SRF**
- 8) **100% deduction for exploration & drilling exp.** for computing taxable income in the year of first production/ relinquishment or over the period of 10 years from first production.
- 9) **Concessional rate of GST for specified goods/service. EC not required.**

C. Data Reforms:

- 1) **NDR Upgradation:** Anytime and anywhere access of data. In transition to cloud-based platform.
- 2) **Government funded programs to accelerate exploration:**
 - Onshore:**
 - a) **National Seismic Program:** 2D Seismic API of ~47,000 LKM (Planned AGG of ~40,000 FLKM)
 - Offshore:**
 - b) **Andaman Survey:** 2D Seismic API of ~22,500
 - c) **EEZ Survey:** 2D Seismic API of ~82,000 LKM (94% completed)

- 3) **Ease of Access of Data:** Transport of Data for overseas processing and setting-up of Data Center in “Energy Capital of the world” Houston

D. Ease of Doing Business (EODB) Reforms:

- 1) **Empowered Coordination Committee:** Apex body for inter-ministry coordination and timely clearances.
- 2) **Urja Pragati Platform:** Online system to expedite statutory clearances in coordination with state government and other relevant ministries.
- 3) **Self-Certification:** Reduction of no. of approvals and submission on self-certification basis
- 4) **Online Contract Management System:** Online submission and approval to ensure hassle free and transparent contract compliance.
- 5) **Online Clearances:** Online clearances for Expats and Offshore Vessels by MoHA/MoD
- 6) **Upstream India Portal:** Collaboration amongst E&P stakeholders in terms of knowledge sharing, resource sharing and government facilitation.

E. Contractual Reforms:

- 1) **Longer Phased Exploration period for Cat-II/III basins:** Overall phased Exploration Period -7 years comprising:
 - a) **Phase-I:** 3 years dedicated to Seismic API and prospecting.
 - b) **Phase-II:** 4 years (split in two parts-A&B) for Exploratory Wells.
Operator may proceed to next phases by committing mandatory wells. Target Depth of wells to be proposed by Operator.
- 2) **Work Programme Flexibility-** Swapping of Committed seismic work programme with other types of work programme like re-processing, gravity-magnetic & wells, shall be allowed. In case of discovery, balance CWP can be set off against Exploratory/appraisal wells.
- 3) **Effective Date and Commencement Date-** Effective date of Contract to be date of signing of RSC. Commencement date of Expl. period will be grant of first License.
- 4) **Deduction of all Taxes for calculating Revenue Share & RBI/FBIL rate-** Deduction is allowed for all taxes on Sales, Production and Supply of Petroleum

except corporate income tax. Govt. Dues to be converted from USD to INR on remittance day only instead of day to day conversion.

- 5) **Retention Period-** For sub-commercial discoveries and insufficient market linkages, operator will get maximum retention period of 3 years on payment basis, for submission of FDP.
- 6) **Early Monetization Provisions & Arm's Length Sale-** Incorporated SOP for early monetization under Govt. O.M. in MRSC. Incorporated provisions of Gazette Notification. Contractor or its constituents may NOT participate in the transparent bidding process.
- 7) **Excusable Delay (ED)-** ED to extend contractual timelines for delay of all statutory clearances, permits, etc., limited to maximum 720 days.
- 8) **Removal of Dual LD for Development and Production Phase-** Only Single LD shall be applicable - for delay in Commercial Production
- 9) **Scope of Force Majeure (FM)-** Included Pandemics, national trade sanctions & embargoes, terrorism