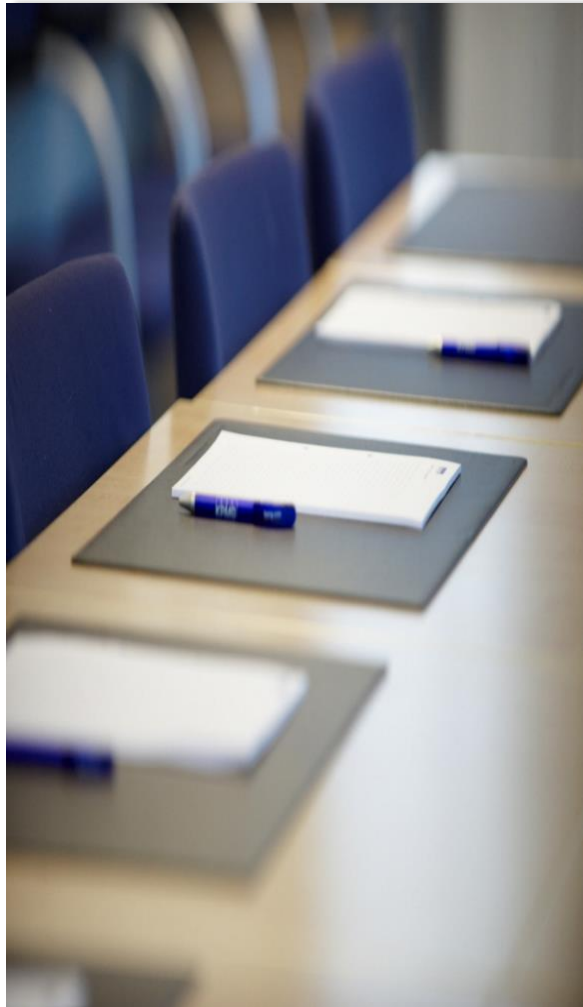


The background of the slide is a photograph of an offshore oil and gas platform. The platform is a complex structure of yellow steel beams and pipes, supported by several legs in the water. In the center of the platform, there are several tall, cylindrical towers. The sun is setting on the horizon, creating a bright orange and yellow glow that reflects on the dark blue water. The sky is filled with soft, grey clouds. The overall scene is industrial and serene.

Salient Features of Policy Reforms in Indian E&P Sector

Agenda



I Background

II Changes relating to Expression of Interest (Eoi)

III Categorization of Sedimentary Basins

IV Change in Bid Evaluation Criteria (BEC)

V Change in Fiscal Regime

VI Exploration Period

VII Changes in FDP, Development and Production timelines

VIII Alternate Dispute Resolution Mechanism

IX Other Miscellaneous Changes

I-Background

- ❑ **Hydrocarbon Exploration and Licensing Policy (HELP) announced in March 2016.**
 - ✓ Single license for both conventional and unconventional hydrocarbons.
 - ✓ Open Acreage Licensing Programme (OALP) allows carving out of EoIs based on available G&G data.
 - ✓ Fiscal regime- Transition from cost recovery mechanism to Revenue Sharing mechanism
 - ✓ Low Royalty Rates.
 - ✓ Pricing and marketing freedom
 - ✓ Exploration rights on all retained area for full contract life.

- ❑ **Three rounds of OALP have been carried out under HELP.**
 - ✓ 87 Blocks covering an area of 1,18,280 Sq.Km. awarded to leading E&P Companies.

- ❑ **Government notified further Policy Reforms on February 28, 2019 :**
 - ✓ To increase exploration activities and attract domestic and foreign investment in unexplored/unallocated areas of sedimentary basins.
 - ✓ Policy Reforms are applicable from OALP Bid Round-IV onwards.

II-Changes relating to Expression of Interest (Eol)

- ❑ Eols will be accepted throughout the year in 3 (three) windows-

Eol Window	Timeline
I	1st April to 31st July
II	1st August to 30th November
III	1st December to 31st March

- ❑ Eol Application fee/tender fee fixed at INR 75,000.
- ❑ Option of Reconnaissance Contract has been abolished.
- ❑ Separate Eol applications are to be submitted for non-contiguous areas and for different category of basins.

III - Categorization of Sedimentary Basins:

- ✓ 26 sedimentary basins of India have been classified into 3 categories.
- ✓ **Category-I Basins:** having **proven producing reserves** with established commercial production.
- ✓ **Category-II Basins:** having **contingent resources** which are yet to be converted to recoverable reserves and commercial production.
- ✓ **Category-III Basins:** having **prospective resources** with no hydrocarbon discovery and few exploration inputs and data.
- ✓ The Category-wise list of Sedimentary Basins of India is as under:

Category-I	Category-II	Category-III	
1. Krishna -Godavari Basin	1. Saurashtra Basin	1. Kerala -Konkan Basin	8. Narmada Basin
2. Mumbai Offshore Basin	2. Kutch Basin	2. Bengal-Purnea Basin	9. Spiti -Zanskar Basin
3. Assam Shelf Basin	3. Vindhyan Basin	3. Ganga-Punjab Basin	10. Deccan Syncline Basin
4. Rajasthan Basin	4. Mahanadi Basin	4. Pranhita-Godavari Basin	11. Cuddapah Basin
5. Cauvery Basin	5. Andaman-Nicobar Basin	5. Satpura-South Rewa-Damodar Basin	12. Karewa Basin
6. Assam-Arakan Fold Belt Basin		6. Himalayan Foreland	13. Bhima -Kaladgi Basin
7. Cambay Basin		7. Chhattisgarh Basin	14. Bastar Basin

IV-Change in Bid Evaluation Criteria (BEC):

✓ *BEC for Category-I Basins and CBM Blocks:*

- More weightage to Work Programme i.e. 70% against 30% weightage to Revenue share
- Government Share of Revenue at HRP is capped at 50%.

✓ *BEC for Category-II and III Basins:*

- Total elimination of Revenue Share from BEC.
 - 100% weightage to Work Programme
-
- ✓ Within exploratory Work Programme more weightage to Exploratory wells (80%) against 20% weightage to seismic survey.
 - ✓ Core analysis for shale resources has been removed from bid evaluation criteria.
 - ✓ Originator incentive of five (5) marks is being retained in all category of basins.

Bid Evaluation Criteria (BEC) Previous Policy vis-à-vis Revised Policy:

Sl. No.	Parameters	Previous Policy	Revised Policy
1	Basin Category	BEC was same for all categories of the basins	Basin specific Bid Evaluation criteria
2	Weightage & Scoring Pattern		
	A-Category-I Basins & CBM Blocks		
	Category-I Basins		
	2D and 3D Seismic	25	13
	Exploratory Wells	15	52
	Core Analysis for shale	5	NIL
	Originator Incentives:	5	5
	Revenue Share:	50	30
	CBM Blocks		
	Number of Core Holes	25	35
	Number of Test Wells	20	30
	Originator Incentives	5	5
	Revenue Share	50	30

Bid Evaluation Criteria (BEC) Previous Policy vis-à-vis Revised Policy:

Sl. No.	Parameters	Previous Policy	Revised Policy
	B) Category-II & III Basins		
	2D and 3D Seismic	25	19
	Exploratory Wells	15	76
	Core Analysis for shale	5	NIL
	Originator Incentives:	5	5
	Revenue Share:	50	NIL
3	Revenue Share cap at HRP (Category-I Basins and CBM Blocks)	No cap	Cap at 50%
4	Weightage of 2D and 3D Seismic Surveys	Onland Blocks: 2D-12.5% & 3D- 87.5% Offshore Blocks: 2D-25% & 3D-75%	Same as Previous Policy
5	Time spread for completion of Work Programme	Not required	Required however non-biddable

V- Change in Fiscal Regime

A. Revenue Sharing with Government:

- ✓ Revenue share for Category-I Basins and CBM Blocks:
 - Payable as per the provisions of MRSC based on the rates quoted by contractor at the time of bidding.
 - Payable from the first day of production.

- ✓ Revenue share for Category-II and III Basins
 - Revenue Sharing at predetermined rates if annual revenue crosses USD 2.5 billion i.e. “Windfall Gain”.
 - Rates of revenue share will be as under:

Revenue (Net of Royalty & taxes on sales) (in billion USD) in a Financial Year	GoI SHARE (%)
Up to 2.5	Nil
>2.5 <=5.00	10%
>5.00 <=10.00	30%
>10	50%

Change in Fiscal Regime-

B. Concessional royalty rates for early commercial production.

- ✓ Prerequisite : Commercial Production commence within
 - 4 years for Onland and shallow water blocks and
 - 5 years for deep water and ultra deep water blocks from the effective date of the Contract.

- ✓ Existing royalty rates will be reduced by:
 - 10% for Category-I Basins
 - 20% for Category-II Basins and
 - 30%, for Category-III basins

Royalty & Concessional Royalty Rates

Existing Royalty Rates- for all types of Blocks (Notification S.O. 367 (E) dated 14-01-2019):

Type of block	Duration	Royalty rates (Oil)	Royalty rates (Gas & CBM)
Onland	-	12.5%	10.0%
Shallow Water	-	7.5%	7.5%
Deep Water	First 7 years	No Royalty	No Royalty
	After 7 years	5%	5%
Ultra Deep Water	First 7 years	No Royalty	No Royalty
	After 7 years	2%	2%

Concessional Royalty Rates (Notification S.O.1597(E) dated 11th April, 2019)

Crude Oil							Natural Gas/CBM					
Basin Category	Onland	Shallow Water	Deep Water		Ultra Deep Water		Onland	Shallow Water	Deep Water		Ultra Deep Water	
	Through out	Through out	First 7 Years	After 7 Years	First 7 Years	After 7 Years	Through out	Through out	First 7 Years	After 7 Years	First 7 Years	After 7 Years
Category-I (-10%)	11.25%	6.75%	Nil	4.50%	Nil	1.80%	9%	6.75%	Nil	4.50%	Nil	1.80%
Category II (-20%)	10%	6%	Nil	4%	Nil	1.60%	8%	6%	Nil	4%	Nil	1.60%
Category III (-30%)	8.75%	5.25%	Nil	3.50%	Nil	1.40%	7%	5.25%	Nil	3.50%	Nil	1.40%

VI- Exploration Period

- ✓ 3 years for Onland/shallow water/CBM blocks with a provision of 9 months extension.
- ✓ 4 years for deep/ultra deep water blocks with a provision of 18 months extension.
- ✓ No provision for subsequent exploration phase.
- ✓ Exploration Period as per Policy reforms is as under:

Type of Block	Exploration Period as per Revised Policy	
	Exploration Period	Extension
Onland/Shallow Water/CBM	3 Years	9 months extension (Extension fee: USD 25,000 per month or part thereof)
Deep Water/Ultra Deep Water	4 Years	18 months extension (Extension fee: USD 50,000 per month or part thereof)

- ✓ Extension will be **automatic**. Approval of the Government is not required.
- ✓ Extension can be sought to complete **Committed Work Programme only**.
- ✓ Additional Work Programme can also be performed during the extended period.

VII- Change in Discovery, Development and Production Provisions: (Article 10 of MRSC)

- ✓ Timelines for **Appraisal Period and FDP submission period** have been merged and milestone set for submission of FDP.
- ✓ Adequate **flexibility to revise FDP**. FDP can be revised multiple times within the timelines prescribed for commencement of production .
- ✓ Approval of the Management Committee for **FDP** and **revision to FDP** not required.
- ✓ Change in timelines for commencement of Production.
- ✓ **Liquidated damages** have been **fixed** for delays in commencement of development and production operations.
- ✓ Penalty for delay in completion of development wells and creation of infrastructure is being done away with.
- ✓ Various approvals of Management Committee have been done away with like approvals relating to FDP, Notification of Discovery, program quantity etc.
- ✓ Obligation to run **Drill Stem Test** has been removed.
- ✓ Liberal freedom to transfer/exit the blocks.

Field Development Plan Approvals and timelines (Article-10 of MRSC)

Parameters	Previous Policy	Revised Policy
Notification of Discovery (NOD) and Potential Commercial Interest (PCI)	Notify/submit to Management Committee for approval	Notify/submit with Government
Drill Stem Test w.r.t Exploration well	Compulsorily Required	Run tests as per GIPIP
Appraisal Programme submission timelines	<ul style="list-style-type: none"> Onland and shallow Blocks : 6 Months Deep/Ultra Deep Blocks: 12 Months from the date of PCI submission. 	<ul style="list-style-type: none"> Onland and shallow Blocks : 6 Months Deep/Ultra Deep Blocks: 12 Months from the date of PCI submission.
Appraisal Period	<ul style="list-style-type: none"> Onland Blocks: 24+6 (Extension) Months Offshore Blocks: 36 + 12 (Extension) Months 	No separate timelines given for appraisal activities. Merged with FDP submission timelines

Field Development Plan Approvals and timelines (Article-10 of MRSC)

Parameters	Previous Policy	Revised Policy
FDP Approval/Submission	MC Approval of <ul style="list-style-type: none"> Part-A of FDP i.e.detailed technical assessment report (TAR) Part B the detailed work plan for commercial development of the Field submitted Part C:Estimated costs and budget for the commercial production, does not require approval. 	<ul style="list-style-type: none"> Submit Part A, Part B and Part C of FDP to Government for information. Approval not required Approval of Development Area required for grant of PML
FDP submission timelines	<ul style="list-style-type: none"> Petroleum other than CBM- 365 days of notification of FDP submission intent. CBM-60 days or earlier before completion of Subsequent Exploration Phase 	<ul style="list-style-type: none"> Petroleum other than CBM- <ul style="list-style-type: none"> ❖ Onland Blocks: within 36 months of PCI Notice + 6 months extension ❖ Offshore Blocks: within 48 months of PCI Notice+12 months extension CBM -60 days prior to expiry of Assessment Period

Field Development Plan Approvals and timelines (Article-10 of MRSC)

Parameters	Previous Policy	Revised Policy
Extension in FDP submission timelines	<ul style="list-style-type: none"> Onland Blocks: 3 months Offshore Blocks: 6 months 	<ul style="list-style-type: none"> Onland Blocks: 6 months Offshore Blocks: 12 months
Approval for extension in FDP submission & Extension fee/LD	<p>MC approval required</p> <p>LD = maximum of 3 times annual PEL fee applicable for contract area at the time of application prorated for the period of extension sought</p>	<p>Automatic extension on payment of extension fee</p> <p>Extension Fee : USD 15000 per month or part of the month</p>
Revision in FDP	Allowed with the approval of Management Committee	Allowed without approval . Contractor can revise FDP multiple time within the time limits prescribed for commencement of Commercial Production

Development Phase and timelines to commence Development Operations (Article-10)

Parameters	Previous Policy	Revised Policy
Development Phase	<ul style="list-style-type: none"> • Begins with FDP approval • Ends with commencement of commercial production 	<ul style="list-style-type: none"> • Begins with FDP submission • Ends with commencement of commercial production
Liquidated damages for delay in completion of development wells and creation of infrastructure	<ul style="list-style-type: none"> • Delay up to a period of 1 year beyond the timelines specified in FDP: Penalty equal to 0.025% of estimated exp. to be incurred to complete the unfinished TAR commitments subject to cap of 5%. • Delay beyond 1 year: material breach of the Contract. 	No such provision.
Consequences of delay in commencement of Development operations	<p>If Development Operations not commenced within 1 year from the later of the following:</p> <ol style="list-style-type: none"> approval of the TAR having been received grant of petroleum mining lease. <ul style="list-style-type: none"> • Penalty = USD 100,000 + USD 250/day 	<ul style="list-style-type: none"> • If Development Operations not commenced within 1 year from the grant of PML. • Liquidated Damages= <ul style="list-style-type: none"> ➤ Onland blocks=USD 1,000,000 ➤ Offshore blocks=USD 5,000,000 <li style="text-align: center;">+ <li style="text-align: center;">USD 250 per day
	<ul style="list-style-type: none"> • If Development Operations not commenced within 2 years. • Penalty + relinquish rights to develop discovery area+ such area to be excluded from contract area 	<ul style="list-style-type: none"> • If Development Operations not commenced within 2 years. • Relinquish rights to develop discovery area+ such area to be excluded from contract area

Timelines to commence Commercial Production (Article-10)

Parameters	Previous Policy	Revised Policy
<p>Consequences of delay in commencement of Commercial Production</p>	<ul style="list-style-type: none"> • If Commercial production not commenced within: <ul style="list-style-type: none"> ➤ Onland blocks: 3 years ➤ Shallow water blocks: 5 years ➤ Deep water /ultra deep water: 7 years from the later of the following: <ul style="list-style-type: none"> • approval of the TAR having been received • grant of Petroleum Mining Lease (PML) • Penalty = USD 500,000 + USD 2000/day 	<ul style="list-style-type: none"> • If Commercial production not commenced within: <ul style="list-style-type: none"> ➤ Onland blocks: 2 years ➤ Shallow water blocks: 3 years ➤ Deep water /ultra deep water: 5 years. from the date of PML grant <ul style="list-style-type: none"> • Liquidated Damages= <ul style="list-style-type: none"> ➤ Onland blocks=USD 2,000,000 ➤ Offshore blocks=USD 10,000,000 <li style="text-align: center;">+ USD 2000 per day
	<ul style="list-style-type: none"> • If Commercial production not commenced within: <ul style="list-style-type: none"> ➤ Onland blocks: 5 years ➤ Shallow water blocks: 7 years ➤ Deep water /ultra deep water: 9 years • Penalty + relinquish rights to develop discovery area+ such area to be excluded from contract area 	<ul style="list-style-type: none"> • If Commercial production not commenced within: <ul style="list-style-type: none"> ➤ Onland blocks: 4 years ➤ Shallow water blocks: 5 years ➤ Deep water /ultra deep water: 7 years • Material breach and Contract is liable to be terminated

VIII-Alternate Dispute Resolution Mechanism

- An alternate simple method for dispute resolution has been introduced.
- Parties may submit dispute to the Committee of Experts notified by the Government for mediation/ conciliation/both before submitting it to Arbitration.
- Proceeding carried out by committee shall be governed by Arbitration & Conciliation Act, 1996 as amended from time to time.
- Arbitration Proceedings can not be invoked for disputes settled by the Committee. Settlement agreement shall be final and binding on the parties.
- Dispute may be referred to arbitration if it is not resolved by the committee.

IX- Other Miscellaneous Changes

- ❑ The definition of **Effective Date** has been modified to address the issue if Contract Area falls in the jurisdiction of two or more Governments.

- ❑ **Approval of Management Committee for following matters is now not required:**
 1. Notification of discovery
 2. Part A of FDP
 3. Program Quantity (3 years projection figures for production)
 4. Determination of area within the Contract area to be relinquished.
 5. Methodology for measurement of Petroleum
 6. Abandonment plan/site restoration
 7. Audited statement of Petroleum production, revenue and computation of share of revenue

- ❑ However, Management Committee may provide the observations on above stated matters within a maximum period of seven (7) days after the Management Committee Meeting.

Thank you

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