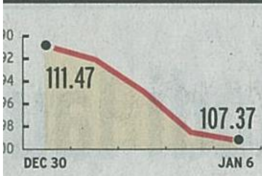
Bussiness Line Date : 10.09.2014



BUSINESS

56 new oil and gas blocks will be offered under NELP X

Special Correspondent

NEW DELHI: India will showcase 56 new oil and gas blocks to international investors and world leaders at the international oil and conference, Petrotech 2014, to be held here from January 12. These blocks are likely to be put on offer during the X round of the New Exploration Licensing Policy (NELP).

Talking to reporters here on Monday, Petroleum Secretary Vivek Rae said the Ministry would seek to profile 56 blocks at the conference. However, the notice for inviting bids for auction of these oil and gas blocks would be issued sometime next month.

Petrotech is a biennial platform for national and international experts in the oil and gas industry to exchange views and share knowledge, expertise and experiences.

Mr. Rae said the NELP round X would require bidders to quote the amount of oil or gas output they were willing to offer to the government from the first day of production.

The terms were the same as those recommended by the panel, headed by Prime Minister's Economic Advisory Council Chairman C. Rangarajan, for awarding future oil and gas blocks. The company offering the highest share of oil or gas produced from the field would get the block, he added.

Vivek Rae

At present, oil companies can recover costs of exploration and production before sharing profit with the government.

The Comptroller and Auditor General (CAG) had criticised this system on the grounds that it encouraged companies to increase capital expenditure and delay the government's share of profit petroleum.

Revenue-sharing model

"We are proposing to move to the revenue-sharing model from the current production-sharing scheme. There will be no profit petroleum, no cost recovery, no investment multiple," he said. The shift from the production-sharing contract (PSC) regime, where operators are first allowed to recover costs, to a revenue-sharing model will be decided by the Cabinet.

"We will be approaching the Cabinet shortly for approval of the production-linked payment regime for NELP-X," he said.

The production-linked payment regime is considered more transparent, requiring less intervention in routine exploration and development activities. However, the new regime is being opposed by some operators, including Reliance Industries, as they claim that riskier deep-water exploration would be best suited if the government were to guarantee that all sunk costs will be first recovered from any oil or gas produced.

"The ultimate call on the issue will be taken by the Cabinet," he said.

Though a shift to the new regime may not result in additional revenue for the government, it will ensure that if companies earn more, the government gets progressively higher revenue. It will also safeguard the government's interests in case of a windfall arising from a price surge or a surprise discovery. This will create greater transparency, and foster a hassle-free operational environment.