

# Oil Ministry calls for freeing up gas pricing in future auctions

Move will boost production: Ministry

OUR BUREAU

New Delhi, November 16

The Ministry of Petroleum and Natural Gas proposes to provide pricing and marketing freedom to hydrocarbon exploration & production firms in the forthcoming auction rounds.

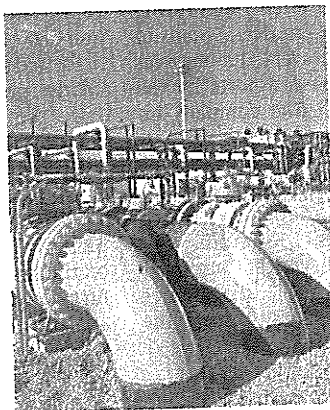
In the consultation paper on new fiscal and contractual regime for award of areas, the Ministry has proposed marketing and pricing freedom for natural gas production.

Inviting stakeholder comments and consultations on the proposed changes, the Ministry said that providing marketing and pricing freedom will 'incentivise production'.

The recently approved mechanism for marginal fields had set the tone for allowing more marketing and pricing freedom for gas production.

Till now, while crude oil pricing is market linked, natural gas prices are announced by the government and the fuel is sold to the sectors identified by the government.

"The government has been reviewing policies from time to time for exploration activity



and investment...Now the government proposes to award future acreages under a new fiscal and contractual regime," the Ministry said.

Further, the Ministry also proposes to introduce a revenue sharing model to replace the existing cost recovery/production linked payment, the auctions under a uniform licensing policy, and also offer open acreage licensing policy - where the developer has a choice to cherry pick the area.

"Revenue, net of royalty (as applicable) will be shared between the contractor and the Centre based on the revenue accrued for oil & gas on a monthly basis," the Ministry said.

"In this model it is proposed that the bidders will bid the percentage of revenue that they will share with the government in two scenarios - one when the revenue is less than or equal to the lower revenue point and two when the revenue is more than or equal to the Higher Revenue point," it added.

Under the proposed Open Acreage Licensing Policy, companies can submit bids for areas of their choice.

"Upon receipt of the Expression of Interest, the Directorate General of Hydrocarbon will exercise its own available data and shall carve out the block," the Ministry said.

The Ministry has sought comments from stakeholders on operationalising the open acreage licensing, work programme weightage in bid evaluation, pricing and marketing of natural gas and incentivising E&P in unconventional hydrocarbon.

Views have also been sought on the role of Directorate General Hydrocarbon and Management Committee, methodology of calculation of cost for unfinished work programme, timely implementation of field development plans and environmental & social issues.

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