



OILFIELDS (REGULATION AND DEVELOPMENT) AMENDMENT BILL, 2024 - POLITY

NEWS: Rajya Sabha on Tuesday (December 3) passed the Oilfields (Regulation and Development) Amendment Bill, 2024.

WHAT'S IN THE NEWS?

Background and Context

- **Historical Overview:**
 - The Oilfields (Regulation and Development) Act, 1948, initially enacted as the Mines and Minerals (Regulation and Development) Act, 1948, was designed as a single comprehensive framework to regulate all mining activities, including oilfields and minerals.
 - In 1957, the Mines and Minerals (Development and Regulation) Act was introduced, leading to the renaming of the 1948 Act to its current title, with its focus narrowed to regulating petroleum and mineral oils exclusively.
- **Problematic Areas in the Current Framework:**
 - The Act failed to define "mineral oil" comprehensively, causing regulatory ambiguities, particularly regarding the scope and jurisdiction over certain resources.
 - As the oil and gas sector evolved, the legislative framework required updates to better facilitate exploration, production, and private investment while ensuring environmental and operational compliance.

Key Objectives of the Amendment Bill

- **Reduce Import Dependency:**
 - The Bill seeks to encourage domestic production of petroleum and other mineral oils, thereby reducing India's reliance on imports for these critical resources.
- **Promote Private Investment:**
 - By creating a more investor-friendly regulatory environment, the government aims to attract significant private sector participation in the exploration and production of mineral oils.
- **Clarify Legislative Jurisdiction:**
 - A primary goal of the Bill is to delineate the regulatory boundaries between the Oilfields Act and the Mines and Minerals Act, ensuring that the former exclusively governs petroleum and mineral oil production.



Major Amendments Proposed

a. Comprehensive Definition of Mineral Oil

- **New Definition Introduced:**
 - Mineral oil is defined as "any naturally occurring hydrocarbon, whether in the form of natural gas, or in liquid, viscous, or solid form, or a mixture thereof."
 - The definition explicitly includes resources such as crude oil, natural gas, and petroleum.
- **Exclusions from Definition:**
 - Certain resources like coal, lignite, and helium, when found in association with petroleum or coal or shale, are excluded from this definition.
 - These exclusions are deliberate as coal and lignite fall under the regulatory scope of the Mines and Minerals Act.

b. Introduction of Petroleum Lease Concept

- **Shift from Mining Leases to Petroleum Leases:**
 - The Bill replaces references to "mining leases" with "petroleum leases" to better reflect the specific nature of oilfield operations.
 - A petroleum lease is newly defined to cover activities such as prospecting, exploration, development, production, refining, and transportation of mineral oils.
- **Regulation of Petroleum Leases:**
 - Provisions related to the grant and management of these leases, including the power to create rules, will fall under the purview of the Central Government.

c. Incentives for Private Sector Participation

- **Lease Stability Assured:**
 - The Bill clarifies that existing mining leases will remain valid, with no unfavorable alterations to their terms during the lease period.
 - This measure aims to provide security and predictability to private investors.
- **Encouragement for New Investments:**
 - By ensuring regulatory clarity and offering attractive leasing terms, the Bill is expected to foster increased participation from domestic and foreign private players.

d. Revised Penal Provisions

- **Replacement of Criminal Sanctions with Fines:**
 - Violations of the Act or its rules will no longer result in imprisonment.



- Instead, violators will face monetary penalties of up to ₹25 Lakh.
- **Escalating Fines for Continuing Violations:**
 - If violations persist, an additional penalty of ₹10 Lakh per day may be imposed from the date of the first penalty until compliance is achieved.

e. Environmental and Sustainable Development Measures

- **Expanded Rulemaking Powers for Environmental Oversight:**
 - The Central Government is empowered to frame rules to mitigate carbon and greenhouse gas emissions within oilfields.
 - Provisions are also made to promote the integration of renewable energy projects at oilfields.

Strategic Implications of the Bill

a. For Domestic Oil and Gas Sector

- **Enhanced Domestic Production:**
 - The amendments are expected to significantly boost domestic exploration and production capacities, reducing the country's energy import bill.
- **Attracting Foreign and Domestic Investors:**
 - By offering a stable and predictable regulatory environment, the Bill seeks to position India as an attractive destination for energy investments.

b. For Environmental Governance

- **Focus on Sustainable Development:**
 - The new provisions underline the government's intent to balance increased production with environmental sustainability, particularly through emission control measures and renewable energy projects.

c. For Federal Relations

- **Potential Constitutional Disputes:**
 - The shift in regulatory focus could spark fresh debates over the balance of power between the Union and State governments, particularly concerning resource taxation and revenue sharing.

Conclusion

The Oilfields (Regulation and Development) Amendment Bill, 2024, introduces significant reforms to modernize India's petroleum regulatory framework, encourage private sector participation, and boost domestic production. While it aims to position India for greater energy independence, the Bill



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has raised critical concerns about federalism, environmental risks, and the adequacy of enforcement mechanisms, which may require further deliberation and refinement.

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