

OIL FIELDS AMENDMENT BILL - POLITY

NEWS: Recently, Lok Sabha passed the Oilfields (Regulation and Development) Amendment Bill.

WHAT'S IN THE NEWS?

Introduction of the Bill

1. The Bill was introduced in the Rajya Sabha on August 5, 2024.
2. It seeks to amend the Oilfields (Regulation and Development) Act, 1948, which governs the exploration and extraction of petroleum and natural gas in India.
3. The Ministry of Petroleum and Natural Gas is the nodal ministry responsible for implementing the amendments proposed in the Bill.

Objectives of the Bill

1. To modernize the legal framework governing oil and gas exploration and production in India.
2. To attract more investment by creating a business-friendly environment and reducing regulatory complexities.
3. To align with the government's long-term vision of "Viksit Bharat by 2047," ensuring energy availability, affordability, and security for sustainable economic growth.

Key Reforms Introduced

1. Simplification of Licensing Process

- The Bill eliminates the requirement for obtaining multiple licenses for different types of hydrocarbons (petroleum, natural gas, coal bed methane, shale gas, etc.).
- It introduces a single permit system called "petroleum leases," which simplifies regulatory compliance and enhances ease of doing business.

2. Separation of Mining and Petroleum Operations

- Previously, the same set of regulations applied to both mining (coal, minerals) and petroleum exploration.
- The Bill delinks these sectors, allowing oil and gas exploration to be regulated separately, ensuring better oversight and efficiency.

3. Encouraging Investment and Ease of Doing Business

- The Bill establishes a stable and predictable legal framework to boost investor confidence.
- A faster dispute resolution system is introduced, enabling quick resolution of conflicts between companies and regulators.
- The Bill aims to reduce regulatory burdens and promotes a more collaborative approach between the government and private contractors.

4. Promotion of Advanced Technologies and Energy Innovation

- The Bill encourages the adoption of new energy technologies to improve efficiency and sustainability in the oil and gas sector, including:
 - Carbon Capture, Utilization, and Sequestration (CCUS) to reduce carbon emissions.
 - Green Hydrogen Projects to support India's transition to cleaner energy sources.

5. Support for Small Oil Operators

- Post-2014, the Indian government accelerated oil and gas monetization to improve domestic production.
- The Discovered Small Fields (DSF) Policy, 2015 allowed small operators to develop previously unutilized or underutilized oil and gas fields.
- The Bill introduces resource-sharing provisions between different operators, allowing them to share infrastructure and improve the economic viability of small projects.

6. Stronger Penalties and Enforcement Mechanisms

- The Bill introduces stricter penalties for violations of petroleum regulations:
 - Fines increased to ₹25 lakh for major infractions.
 - Additional penalties of ₹10 lakh per day for continued non-compliance.
- A new adjudication authority and appellate mechanism is established to handle violations and penalties more efficiently.

7. No Impact on States' Rights

- The Bill maintains the principle of cooperative federalism, ensuring that states retain their existing rights.
- States will continue to grant petroleum leases and collect royalties and revenue shares as per existing laws.

Oilfields (Regulation and Development) Act, 1948 vis i vis Oilfields (Regulation and Development) Amendment Bill

Aspect	Oilfields (Regulation and Development) Act, 1948	Oilfields (Regulation and Development) Amendment Bill.
Purpose	Regulates the exploration and extraction of natural gas and petroleum	Updating framework to align it with the modern energy needs.
Lease terms	This act provides for a mining lease .	Bill replaces the mining lease with a petroleum lease
Mineral oils	Limited to petroleum and natural gas .	The bill expanded and comprises (i) any naturally occurring hydrocarbon, (ii) coal bed methane, and (iii) shale gas/oil
Decriminalisation	Provision of a fine of Rs 1,000, or both in case of violation of rules.	Provision of penalty of Rs 25 lakh. Continued violation will cause Rs 10 lakh per day.

Impact of the Bill

1. Simplifies oil and gas regulations by replacing outdated systems with a streamlined approach, reducing red tape.
2. Encourages investment by establishing a transparent and investor-friendly framework, attracting both domestic and foreign investments.
3. Strengthens environmental accountability by introducing stricter oversight of petroleum operations.
4. Ensures a more efficient penalty and dispute resolution system by replacing criminal penalties with financial penalties and structured mechanisms for conflict resolution.

Shortcomings of the Bill

1. **Lack of a Clear Vision for Energy Independence**
 - The Bill does not outline long-term strategies to reduce India's dependency on oil imports.
 - There is no clear roadmap for boosting domestic crude oil and gas production.
2. **No Incentives for Small Oil and Gas Explorers**
 - Unlike large corporations, smaller independent oil and gas companies receive no specific incentives.

- This might discourage new entrants in the sector, limiting competition and innovation.

3. Untapped Potential of Shale Oil and Gas

- India has significant reserves of shale oil and gas in regions like Cambay, Krishna-Godavari, and Kaveri Basins.
- However, the Bill does not include a detailed plan for their exploration and utilization.

4. Minor Adjustments Instead of Major Reforms

- While the Bill modernizes licensing and penalty mechanisms, it does not introduce bold policy changes to revolutionize the industry.
- The reforms focus on technical adjustments rather than transformational changes in production and exploration strategies.

5. Lack of a Comprehensive Energy Strategy

- The Bill does not integrate oil, gas, and renewable energy into a unified national energy policy.
- There is no mention of how India will ensure long-term energy security beyond 2050 or 2060.

Expansion of the Definition of "Mineral Oils"

1. The Bill expands the definition of mineral oils to include:

- Naturally occurring hydrocarbons
- Coal bed methane (CBM)
- Shale gas and shale oil

2. However, it excludes the following from the definition:

- Coal
- Lignite
- Helium

This revision aligns India's petroleum laws with global industry standards and clarifies which resources fall under petroleum regulations.

Conclusion

The Oilfields (Regulation and Development) Amendment Bill, 2024 is a significant step toward modernizing India's oil and gas sector. It simplifies licensing, enhances investor confidence, and strengthens environmental accountability. However, the Bill falls short of providing a long-term energy strategy and lacks bold reforms for boosting domestic oil and gas production. While it addresses regulatory bottlenecks, further amendments may be needed to maximize India's energy independence and sustainability efforts.