



# Ministry of Mines invites suggestions on draft Offshore Areas Mineral (Development and Regulation) Amendment Bill 2017 seeking to amend the Offshore Areas Mineral (Development and Regulation) Act 2002

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The Ministry of Mines has prepared the draft Offshore Areas Mineral (Development and Regulation) Amendment Bill, 2017 seeking to amend the Offshore Areas Mineral (Development and Regulation) Act, 2002.

As part of the Pre-Legislative Consultation Policy, the draft Bill along with an Explanatory Note explaining the provisions of the proposed draft Bill are available on the website of the Ministry at **[www.mines.gov.in](http://www.mines.gov.in)** and are made available below as well. **Comments/suggestions are invited from the general public, Governments of States and Union Territories, Mining Industry, Stake Holders, Industry Associations, and other persons and entities concerned, on the draft Bill.** The last date for receipt of the comments/ suggestions is **30 September 2017**.

The comments/ suggestions may be sent by e-mail in MS Word to the following ID: [pv.kumar70@nic.in](mailto:pv.kumar70@nic.in)

The subject of the e-mail should be **"Comments/suggestions on OAMDR (Amendment) Bill, 2017"**.

Alternatively, comments/ suggestions may be sent by post also to the following address:

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New Delhi -110 001

The envelope may kindly be super scribed on the top with: **"Comments/suggestions on OAMDR (Amendment) Bill, 2017"**.

	THE OFFSHORE AREAS MINERAL (DEVELOPMENT AND REGULATION) AMENDMENT BILL, 2017	
	A BILL <i>further to amend the Offshore Areas Mineral (Development and Regulation) Act, 2002.</i>	
	BE it enacted by Parliament in the Sixty-eighth Year of the Republic of India as follows:—	

<p><b>1.</b> (1) This Act may be called the Offshore Areas Mineral (Development and Regulation) Amendment Act, 2017.</p> <p>(2) It shall be deemed to have come into force on the day of its publication in the Official Gazette.</p>	<p>Short title and commencement.</p>
<p><b>2.</b> In the Offshore Areas Mineral (Development and Regulation) Act, 2002 (hereinafter referred to as the principal Act), in section 4,--</p> <p>(i) after clause (e), the following clause shall be inserted, namely:--</p> <p style="padding-left: 40px;">‘(ea) “exploration licence-cum-production lease” shall mean a two stage process pursuant to which an exploration licence shall be granted under sub-section (1) of section 12, with a right to receive one or more production lease(s) in accordance with sub-section (6) of section 12;’</p> <p>(ii) in clause (o), after the words “exploration licence,”, the words “or an exploration licence-cum- production lease,” shall be inserted; and</p> <p>(ii) clause (h) shall be omitted.</p>	<p>17 of 2003.</p> <p>Amendment of section 4.</p>
<p><b>3.</b> In section 5 of the principal Act, in sub-section (2), after the word “lessee”, the words “or the entities mentioned in the proviso to sub-section (1) or an agency authorised by the Central Government under the proviso to sub-section (1)” shall be inserted.</p>	<p>Amendment of section 5.</p>
<p><b>4.</b> For section 6 of the principal Act, the following section shall be substituted, namely:--</p> <p style="padding-left: 40px;">“(1) The Central Government shall not grant an operating right to any person unless such person is a company as defined in clause (20) of section 2 of the Companies Act, 2013 (18 of 2013) or a consortium of two or more companies registered under the Companies Act, 2013 with joint and several liabilities and satisfies such conditions as may be prescribed.</p> <p style="padding-left: 40px;">(2) No production lease shall be granted unless it is satisfied that there is evidence to show the existence of mineral contents in accordance with such parameters as may be prescribed by the Central Government in this regard:</p>	<p>Amendment of section 6.</p> <p>18 of 2013</p>

	<p>Provided that no production lease for atomic minerals or prescribed substances as per the Atomic Energy Act, 1962 may be granted without consultation with the Department of the Government of India dealing with the Atomic Energy.”.</p>	
Amendment of section 7.	<p><b>5.</b> In section 7 of the principal Act,-</p> <p>(i) in sub-section (1), after the word “thereof”, the words “, resulting in termination of the reconnaissance permit and/or exploration licence and/or production lease, as the case may be” shall be inserted; and</p> <p>(ii) sub-section (3) shall be deleted.</p>	
Amendment of section 8.	<p><b>6.</b> In section 8 of the principal Act, in sub-section (1), the words “purposes of”, shall be substituted by the words “purposes prescribed by”.</p>	
Amendment of section 10.	<p><b>7.</b> In section 10 of the principal Act, sub-sections (2) and (3) shall be omitted.</p>	
Amendment of section 11.	<p><b>8.</b> In section 11 of the principal Act,-</p> <p>(i) in sub-section (3), after the words “such grant”, the words “ and on an application made by the holder of the reconnaissance permit three months before its expiry requesting for such renewal” shall be inserted;</p> <p>(ii) for sub-section (4), the following sub-section shall be substituted:</p> <p>“(4) A reconnaissance permit shall be granted over such area and subject to such conditions as may be prescribed in this regard.”; and</p> <p>(iii) after sub-section (5), the following sub-section shall be inserted, namely:--</p> <p>“(6) On an application made by the holder of a reconnaissance permit granted under sub-section (1) and subject to fulfillment of conditions prescribed under sub-section (4), the</p>	

	administering authority may grant an exploration licence-cum-production lease to any person who fulfils the eligibility conditions as specified in this Act, who shall be selected through competitive bidding, including e-auction, conducted on the basis of such terms and conditions, and bidding parameters as may be prescribed.”.	
Amendment of section 12.	<p><b>9.</b> For section 12 of the principal Act, the following section shall be substituted, namely:--</p> <p>“12. (1) Where there is inadequate evidence in any offshore area to show the existence of mineral contents for grant of production lease as required by sub-section (2) of section 6 and in respect of which no operating right is granted and subsisting, the administering authority may grant an exploration licence-cum-production lease to any person who fulfils the eligibility conditions as specified in this Act, who shall be selected through competitive bidding, including e-auction, conducted on the basis of such terms and conditions, and bidding parameters as may be prescribed.</p> <p>(2) The period for which an exploration licence granted in sub-section (1) shall not exceed four years and the licensee shall complete the exploration operation satisfactorily within such term.</p> <p>(3) The administering authority may, on an application made by a licensee in such form as may be prescribed, three months before the lapse of exploration licence for reasons to be recorded in writing and subject to such conditions as may be prescribed, grant an extension of up to two years to the licensee for completion of the exploration operation.</p> <p>(4) A licensee, upon being granted an exploration licence in sub-section (1) shall commence and carry out exploration in such manner and subject to such terms and conditions as may be prescribed including the establishment of existence of mineral contents as prescribed under sub-section (2) of section 6.</p> <p>(5) The area that may be granted under exploration licence in sub-section (1) shall not exceed a block of thirty minutes latitude by thirty minutes longitude:</p>	

Provided that if the administrative authority is of the opinion that in the interest of the development of any mineral, it is necessary so to do, it may, for reasons to be recorded in writing, permit any person to acquire an area in excess of the area specified in this sub-section.

(6) The holder of an exploration licence-cum-production lease, who completes the exploration operations in the manner under sub-section (4) and establishes the existence of mineral contents as required by sub-section (2) of section 6 in the exploration area or part thereof to the satisfaction of the administering authority, shall be required to apply for a production lease for such area and shall have a right to obtain one or more production lease(s) in respect of contiguous blocks each of an area of one minute latitude by one minute longitude in the exploration area and thereafter undertake production operations in accordance with the provisions of this Act:

Provided that the holder of the exploration licence-cum-production lease has not committed any breach of the terms and conditions of the exploration licence; nor has become ineligible under the provisions of this Act; nor has failed to apply for grant of production lease within six months of completion of the exploration operations.

(7) All rights and interests in the parts of the exploration area, in respect of which no production licence is granted pursuant to sub-section (6), shall, upon expiry of the exploration licence, vest in the Central Government and the licensee shall relinquish his limited right to use all data, reports, samples and other information in respect of or collected pursuant to the exploration operation undertaken in such exploration area or part thereof.”.

**10.** For section 13 of the principal Act, the following section shall be substituted, namely:--

“13. (1) Where there is adequate evidence to show the existence of mineral contents in any offshore area for grant of

Amendment  
of section 13.

production lease in terms of sub-section (2) of section 6 and in respect of which no reconnaissance permit or exploration licence or production lease is granted and subsisting, the administering authority may grant a production lease to any person who fulfils the eligibility conditions as specified in this Act, who shall be selected through competitive bidding, including e-auction, conducted on the basis of such terms and conditions, and bidding parameters as may be prescribed:

Provided that a licensee who has been granted an exploration licence-cum-production lease under sub-section (1) of section 12 shall have a right to grant of a production lease(s) over such part of the offshore area covered by his exploration licence in terms of sub-section (6) of section 12.

(2) The period for which a production licence may be granted shall not exceed fifty years and upon expiry of such term, all rights and interests in the production area shall vest in the Central Government.

(3) The area under a production lease shall not exceed a block of fifteen minutes latitude by fifteen minutes longitude:

Provided that if the administering authority is of the opinion that in the interest of the development of any mineral, it is necessary so to do, it may, for reasons to be recorded in writing, permit any person to acquire an area in excess of the area specified in this sub-section.

(4) A lessee, having acquired a production lease in accordance with sub-section (1), shall commence and carry out production in the production area in such manner and subject to such terms as may be prescribed.

(5) Where the holder of a production lease fails to commence production operations within a period of six years after the date of grant of the production lease, the production lease shall lapse on expiry of the period of six years:

Provided that the administering authority may, on an application made by the holder of such production lease six months before it lapses and on being satisfied, that such reasonable progress has been made as prescribed or that it will not be possible for the holder of the production lease to commence production operations for reasons beyond his control, make an order, subject to such terms and conditions as may be prescribed, to the effect that such production lease shall not lapse upto a further period of two years.

(6) Where the holder of a production lease having commenced production operations, has discontinued the same for a period of two years, the production lease shall lapse on expiry of the period of two years from the date of discontinuance of the production operations:

Provided that the administering authority may, on an application made by the holder of such production lease three months before it lapses and on being satisfied that it will not be possible for the holder of the production lease to undertake production operations for reasons beyond his control, make an order, subject to such terms and conditions as may be prescribed, to the effect that such production lease shall not lapse for a further period of two years.”.

Insertion of new sections

13A and 13B.

Total area limits.

Transfer of exploration licence-cum-production

**11.** After section 13 of the principal Act, the following sections shall be inserted, namely:--

“13A. Notwithstanding anything contained in sub-section (4) of section 12 or in sub-section (3) of section 13, the total area acquired and held by a person, whether as exploration area and/ or as production area, shall not exceed an area admeasuring in aggregate forty five minutes latitude by forty five minutes longitude.

13B. A holder of an exploration licence-cum-production lease granted under sub-section (1) of section 12 or the holder of a production lease granted under sub-section (1) of section 13 may transfer his exploration licence-cum-production lease or the production lease, as the case may be, in such manner as may be prescribed

lease and production lease.	<p>by the Central Government to any person eligible to hold such exploration licence-cum-production lease or the production lease in accordance with the provisions of this Act and rules made thereunder:</p> <p>Provided that no such transfer of an exploration licence-cum-production lease or the production lease, shall be made in contravention of any conditions subject to which the exploration licence-cum-production lease or the production lease was granted.</p> <p><i>Explanation:</i> For the purpose of this section transfer may include one or more production leases (s), granted pursuant to one exploration licence.”.</p>	
	<b>12.</b> Section 14 of the principal Act, shall be omitted.	Amendment of section 14.
	<p><b>13.</b> In section 16 of the principal Act, after sub-section (2), the following sub-section shall be inserted, namely:--</p> <p>“(3) The holder of a reconnaissance permit or exploration licence or production lease, shall pay to the Central Government such other amounts as may be prescribed.”.</p>	Amendment of section 16.
	<p><b>14.</b> After section 16 of the principal Act, the following section shall be inserted, namely:--</p> <p>“16A. (1) The Central Government shall, by notification, establish a non-lapsable fund, to be called the Offshore Area Mining Fund, under the public account of India.</p> <p>(2) The object of the Offshore Area Mining Fund shall be to work for the purposes mentioned below and to be used in such manner as may be prescribed by the Central Government in this regard, namely,--</p> <p>(a) research, administration, studies and related expenditure with respect to offshore areas and mitigation of any adverse impact that may be caused to the ecology in the offshore area, due to operations undertaken pursuant to this Act;</p> <p>(b) providing relief upon the occurrence of any disaster in the offshore area;</p>	<p>Insertion of new section 16A.</p> <p>Establishment of Offshore Area Mining Fund.</p>



	<p>(c) the purposes of exploration in the offshore area; or</p> <p>(d) such other purposes as may be prescribed.</p> <p>(3) The composition and functions of the Offshore Area Mining Fund shall be such as may be prescribed by the Central Government.</p> <p>(4) The holder of a production lease shall, in addition to the royalty, pay to the Offshore Area Mining Fund, an amount which is equivalent to twenty per cent. of the royalty paid in terms of the First Schedule, in such manner as may be prescribed.”.</p>	
	<p><b>15.</b> In section 23 of the principal Act--</p> <p>(i) in clause (a) of sub-section (1), for the words “fifty thousand rupees”, the words “five lakh rupees, per block area admeasuring one minute latitude by one minute longitude which in no case shall be less than two lakh rupees per said block area” shall be substituted;</p> <p>(ii) in clause (b) of sub-section (1), for the words “twenty five thousand rupees”, the words “two lakh rupees, per block area admeasuring one minute latitude by one minute longitude which in no case shall be less than one lakh rupees per said block area” shall be substituted;</p> <p>(iii) in clause (d) of sub-section (1), before the words “or with both”, the words “which in no case shall be less than twenty five lakh rupees” shall be inserted;</p> <p>(iv) in sub-section (2), for the words “fifty thousand rupees”, the words “five lakh rupees, which in no case shall be less than two lakh rupees” shall be substituted; and</p> <p>(v) in sub-section (3), after the words “one crore rupees”, the words “, which in no case shall be less than fifty lakh rupees” shall be inserted.</p>	Amendment of section 23.
	<p><b>16.</b> In section 28 of the principal Act, in sub-section (1), in clause (b), for the words “one lakh rupees and which may extend to ten lakh rupees”, the words “five lakh rupees and which may extend to fifty lakh rupees.” shall be substituted.</p>	Amendment of section 28.

<p>Amendment of section 35.</p>	<p><b>17.</b> In section 35 of the principal Act, in sub-section (2),--</p> <p>(i) clauses (a) to (f) shall be substituted by the following clauses, namely:--</p> <p>“</p> <p>(a) the terms and conditions of a reconnaissance permit, exploration licence or production lease under sub-section (1) of section 5;</p> <p>(b) conditions for grant of a reconnaissance permit, exploration licence, exploration licence-cum-production lease, or a production lease under sub-section (1) of section 6;</p> <p>(c) parameters of existence of mineral contents under sub-section (2) of section 6;</p> <p>(d) purposes of reservation under sub-section (1) of section 8;</p> <p>(e) terms and conditions for grant of reconnaissance permit under sub-section (4) of section 11;</p> <p>(f) terms and conditions, and bidding parameters of competitive bidding for grant of exploration licence-cum-production lease under sub-section (1) of section 12;</p> <p>(g) manner, terms and conditions of exploration and purposes connected therewith under sub-section (4) of section 12;</p> <p>(h) terms and conditions, and bidding parameters of competitive bidding for grant of production lease under sub-section (1) of section 13;</p> <p>(i) manner, terms and conditions of production and purposes connected therewith under sub-section (4) of section 13;</p> <p>(j) manner and terms and conditions for transfer of exploration licence-cum-production lease and production lease under sub-section (1) of section 13B;</p> <p>(k) Additional payments to made by holder of operating rights under sub-section (3) of section 16;</p> <p>(l) The manner of usage of funds accrued to the Offshore Area Mining Fund and the prescribed purposes of the said Fund under sub-section (2) of section 16A;</p> <p>(m) Composition and functions of the Offshore Area Mining Fund under sub-section (3) of section 16A;</p>
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(n) Manner of payment to the Offshore Area Mining Fund under sub-section (4) of section 16A;” and

(ii) the clauses (a) to (q) shall be renumbered from (a) to (u).

## **Explanatory Note on Offshore Areas Mineral (Development and Regulation) (Amendment) Bill, 2017**

The Offshore Areas Mineral (Development and Regulation) Amendment Bill, 2017 is designed to put in place mechanisms for:

- i. Grant of composite licence ‘exploration licence-cum-production lease’ or ‘production lease’ on the basis of auction through competitive bidding for the sake of introducing a transparent and non-discriminatory regime for grant of operating rights in the offshore areas. The scheme of composite licence envisages that the successful bidder will conduct the exploration work at his own cost and risk, to establish mineralisation required for grant of production lease. On successful completion of exploration, the licensee will have a right to get a production lease.
- ii. Easy transferability of ‘production lease’ and ‘exploration licence-cum-production lease’ to encourage and attract private investment and induction of the state-of-art technology in offshore production.
- iii. Establishment of ‘Offshore Area Mining Fund’ for the purposes of research, administration, studies and related expenditure with respect to offshore areas and mitigation of any adverse impact that may be caused to the ecology in the offshore area, due to operations undertaken pursuant to the OAMDR Act; providing relief upon the occurrence of any disaster in the offshore area; exploration in the offshore area; and other prescribed purposes.
- iv. Stricter penal provisions to check various offences/contravention of terms and conditions.
- v. Assured tenure of fifty years for Production Lease to do away with the concept of renewal and to remove discretionary powers.
- vi. Restricting eligibility to any person who is a company as defined in clause (20) of section 2 of the Companies Act, 2013 (18 of 2013) or a consortium of two or more companies registered under the Companies Act, 2013 with joint and several liabilities and satisfies prescribed conditions. It is felt that undertaking offshore operations by an individual may not be appropriate considering: (a) the high costs of offshore operations; and (b) the propriety of allowing only Company registered under the Companies Act which has a comprehensive body of statutory compliances not only under the Company law but also in respect of compliances under all other applicable laws.

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