



Govt may allow pricing freedom for gas produced in the North-East

Sharing of royalty and cess by contractors as per participating interest (PI) for blocks signed under the pre-New Exploration Licensing Policy (NELP) and allowing pricing freedom for gas produced in the north-east region if sold at an arm's length are among proposals under discussion within the government to enhance hydrocarbon exploration and production activity.

The Ministry of Petroleum and Natural Gas is working on these proposals which are also expected to improve ease of doing business by reducing delays and discretionary powers. With an aim to streamline production sharing contracts (PSCs), the proposals will be applicable on blocks signed during the NELP and pre-NELP regimes.

The government is of the view that current PSCs are very rigid in terms of time lines and there are ambiguities in several provisions affecting hydrocarbon exploration and production activities, said a government source.

One of the proposals under consideration is that royalty and cess under pre-NELP blocks should be shared by contractors as per their PI after recovering costs. The policy is expected to aid ONGC as for at least seven pre-NELP blocks, the explorer is liable for entire burden of royalty and cess.

However, for the Rajasthan block operated by Vedanta Cairn, both contractors have agreed to share royalty and taxes and the amount is recovered as part of contract cost. The proposals seeks to unify the provisions.

According to another government source, this issue has been hanging fire for years. "There are different issues with different institutions," the official said.

The government is also mulling to extend the exploration period in the north-eastern region and provide marketing and pricing freedom in case sale of gas is at an arm's length in the domestic market. However, in case the market determined price is lower than that notified by the Petroleum Planning and Analysis Cell (PPAC), the government's royalty will be on the basis of the latter.

The PPAC publishes prices for gas produced in the country which is applicable for six months starting April 1 and October 1 of every year. A similar provision of selling gas at market-determined price is applicable to coal bed methane (CBM) contractors to sell CBM in the domestic market.

For the north-eastern fields, the exploration period may be extended by two years and the appraisal period by a year. Under NELP, a period of seven years is allowed for onland and shallow water blocks as exploration period, whereas eight years are given for deep water and ultra-deep water fields.

The second government source cited above said these issues are under consideration though they have not been finalised. "They are still under discussion."

The government has signed PSCs for 26 discovered blocks, 28 exploration blocks under pre-NELP and 254 blocks under NELP. The government has now moved to revenue-sharing mechanism under the HELP regime. The first round of auction of hydrocarbon fields under the new regime saw explorers showing interest and bidding for 55 fields. The fields are yet to be awarded.

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).