

1. How the recently launched Hydrocarbon Exploration and Licensing Policy (HELP) would tackle the legacy issues facing the hydrocarbon sector? Analyze the impact of low crude oil prices on the HELP.

Answer:

India is amongst the least intensively explored countries. The production of oil and gas has as a result stagnated in recent years. Government recently launched Hydrocarbon exploration and licensing policy to overhaul of the oil and gas exploration sector. It replaces the existing NELP (New Exploration Licensing Policy) which was introduced in 1999.

Tackling Legacy Issues:

HELP tries to overcome the bottlenecks created by NELP & resolve the long pending conflicts created by older policy.

- HELP introduce the concept of "open acreage". This will allow companies to define the contours of the block they wish to explore. Under Nelp, this delineation was done by the director general of hydrocarbons.
- It establishes the principle of market-related pricing. This will replace the de facto policy of administered pricing. It gives companies the freedom to market the products. Hitherto marketing rights were circumscribed by bureaucratic intervention.
- Facilitates Ease of Doing Business under Uniform licensing policy covering all conventional & unconventional hydrocarbons. Unconventional hydrocarbons like shale oil & shale gas were not covered under NELP & it was heving fragmented licence regime. Thus, Help not only plugs the existing policy gaps but also removes inefficiencies in exploiting natural resources due to a fragmented policy framework and the ubiquitous red tape.
- the production-sharing contract between government and contractors would henceforth be governed by a revenue-sharing model instead of a profit-sharing one. Thus it will resolve the issues like inflating cost to artificially depress profits, delayed exploration and disputes & litigation which hampered the progress of most of the exploration projects.
- Incentives for investment in high risk areas with concessional royalty regime, which leads to reduction in cost.

However the bottoming of oil prices has created the new challenges for the policy.

Challenges & Concern raised:

- Due to downfall in crude oil prices globally, the profits of oil companies have shrunken. In such scenario a shift from production sharing to revenue sharing will discourage the new investors as it will prolong the time to recover the cost.
- Fall in oil price along with new policy may aggravate the challenges of new exploration. As it involve huge risk & investment.
- Balance sheets of oil companies are in bad shape so banks are hesitating to give credit easily to such projects given their high gestation periods and the rising NPAs.
- If the gas prices are set too high, sectors like power, fertilizers etc. may be affected.

HELP is the most significant policy change for the upstream sector since 1998, and signals the government's desire to promote the sector and ease doing business in India. Its success will be driven by the attractiveness of Indian basins and how well these policies are implemented. Resolving legacy issues will also encourage existing and new entrants in the sector to participate in helping achieve the government's vision of enhanced domestic hydrocarbon production in India.

PRACTICE QUESTIONS

Answer the following Questions

1. The “Paris-Delhi-Canberra axis” should become an established regional structure, reflecting an Indo-Pacific “geo-strategic reality in the making”. Discuss. (250 words)
2. A multi-pronged strategy needs to be adopted to drive the behavioural change in farmers’ community for extracting more value out of the farm waste. Discuss in the light of the NITI Aayog’s report on biomass management. (250 words)