

1. In order to attract more investment in the Hydrocarbon sector, the government has replaced Production Sharing Mechanism with Revenue Sharing Mechanism. Explain the differences between both of these models. Will the Revenue Sharing Model be able to solve the issues related to the earlier method? Discuss. (150 Words)

**Answer:**

- The government has recently announced a radical overhaul of the oil and gas exploration policy. It has launched Hydrocarbon exploration and licensing policy to replace the existing NELP, which was introduced in 1999. Under the New policy Production sharing Mechanism have been replaced by the Revenue sharing mechanism.

**Difference between the 2 models**

- Under the production sharing contract (PSC), the contractor first recovers his expenditure before sharing profit.
- Under the Revenue sharing model, companies would have to pay the Government an agreed amount, depending on the level of output, and not on the investment in the exploration block.

**How Revenue sharing Model will solve the issues related to the earlier method?**

- In profit sharing method contractors gold-plated (fake increase) their costs to artificially depress profits. This not only led to disputes and litigation, but also caused project delays as government pored over each decision by the contractor to check for possible fraud.
- Other problems of production sharing method included fewer revenues for the government. No continuous supply of oil and gas during the times of low oil prices was secured and this method was also criticized by Ashok Chawla committee on pricing of natural resources of favoring the private sector at the cost of government. CAG report too highlighted about some irregularities.
- Such problems are less likely to occur under revenue-sharing, the Government will not be concerned with the cost incurred and will receive a share of the gross revenue from the sale of oil, gas etc. This is in tune with Government's policy of "Ease of Doing Business."
- Government revenue would definitely increase under the revenue sharing method as they will have to share revenue with the government from day 1, unlike Production sharing method where they will only get revenue once the cost of contractor is met.
- Revenue sharing mechanism would increase transparency and would reduce the government intervention in the sector, since government would not face the burden of scrutinizing the cost of the firms involved in the sector. This is in tune with the government motto of minimum government maximum governance.
- However, many experts believe that Revenue sharing model is not good for oil and gas exploration sector as the companies will not feel confident about investing huge

capital with significant costs under circumstances in which their recovery is not guaranteed.

- It may be possible that the oil and gas production might suffer in the unforeseeable future rendering the investment recovery in danger.

Thus even though Revenue sharing model will bring in more transparency in the Hydro carbon sector and reduce Government interference in the sector In a country like India where 2/3rd of the oil and gas blocks remains undiscovered/ underdeveloped moving to RSC is not a good idea as in such blocks PSC is preferred because of the high investment and risk involved.

Instead government could have opted for the continuation of the older method along with strengthening regulations and monitoring over such projects and streamlining the blockades like red-tapism, weak contracts, etc in order to ensure adequate revenues along with continuous oil and gas supply.

## PRACTICE QUESTIONS

### **Answer the following Questions**

1. Discuss the obstacles in women's access to science education in India and also suggest remedial measures to overcome these obstacles. (150 words)
2. With the help of examples from various fields discuss the achievements and limitations of India's performance in indigenisation and development of new technology. Also, comment on the significance of MSME sector in achieving indigenisation of technology. (150 words)