

Open Acreage Licensing Policy (OALP)

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Context: The Directorate General of Hydrocarbons (DGH) had recently announced the completion of the first round of bidding under its new Open Acreage Licensing Policy (OALP), a part of its revamped Hydrocarbon Exploration and Licensing Policy (HELP) unveiled in March 2016.

What is OALP?

The policy was brought out in June 2017 and marked a departure from the previous regime in terms of the geographical area that could be explored, the number of licences required, the manner in which proceeds are to be shared with the government, and the procedure to sell what is extracted. OALP is a part of HELP, which itself was a replacement to the New Exploration and Licensing Policy.

Key features of the new policy:

- The ‘open acreage’ in OALP refers to the fact that potential investors are now able to choose exactly which areas they want to explore and develop. Under OALP, investors choose the exact areas they are interested in, convey their interest to the government, which then places just those blocks up for bidding, typically twice a year.
- Under the new policy, developers don’t need to apply for separate licences for each of the hydrocarbons they want to extract from the block. They can obtain a single unified license that will allow them to extract and market oil, gas, coal bed methane, shale oil and shale gas.
- The new policy also does away with the earlier provision for a profit-sharing model with the government. Profit sharing as a policy led to a number of delays and complications over what exactly constituted the cost, and therefore profit, of the firm doing the exploring. The new policy hinges on revenue-sharing, doing away with this ambiguity.

What was the need for the new Hydrocarbon Exploration and Licensing Policy (HELP)?

India is the 3rd largest consumer of crude oil and petroleum products with oil and gas contributing 34.4% to primary energy consumption. In 2015-2016, India’s crude oil import dependence rose to 81% from 78.5%. In last five years, India has seen overall decline in exploration and production of conventional resources. New Exploration Licensing Policy (NELP) created in 1997 ended the state dominance and created a competitive environment leading to liberalization of oil and gas exploration and production industry. However, it failed to keep the momentum of production growth and attracting the foreign investment.

Bureaucratic hurdles like multiple approvals and sanctions, cost overruns, and disputes led to some oil majors leaving their awarded blocks and exit from the space.

What’s important?

- For Prelims: OALP and HELP.
- For Mains: Need for HELP and its significance.

To be looked in UPSC Paper 2 Topic : Government policies and interventions for development in various sectors and issues arising out of their design and implementation.