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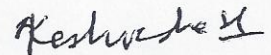
No. D(E)/ND/NELP/2015  
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To:

Chairperson  
Expert Committee on Regulatory Approvals  
Department of Industrial Policy & Promotion  
Ministry of Commerce & Industry  
Government of India.  
Room no. 218, Vigyan Bhawan Annexe, Maulana Azad Road,  
New Delhi

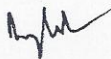
**Subject: Replacing multiple prior permissions with a pre-existing regulatory mechanism with safeguards - referring Finance Minister speech this year .**

Please refer letter dated 02.06.2015 on the above subject (Annex-1). For the above purpose Government of India has constituted an Expert Committee under the Chairmanship of Chairperson, Expert Committee on Regulatory Approvals, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, and Government of India to examine the possibility of replacing multiple prior permissions with a pre-existing regularity mechanism with safeguards. Please find attached herewith the suggestions and advice (Annex-2) on the above subject for your kind consideration.



( K.S.Shaktawat )

GM (G)-EO to Director ( E )





## **Replacing multiple prior permissions with a pre-existing regulatory mechanism with safeguards**

The E&P activities under NELP blocks are governed by 'The Oilfields (Regulations and Development Act, 1948)' and the 'Petroleum and Natural Gas Rules, 1959' as amended from time to time. The said Rule makes provision for regulation of Petroleum Operations and grant of Licences and Leases for exploration, development and production of Petroleum in India. Further, 'The Territorial Waters, Continental Shelf, Exclusive Economic Zone and Maritime Zones Act, 1976' provides for grant of a licence by the Central Government to explore and exploit resources of the continental shelf of exclusive economic zone (EEZ) and any petroleum operations to be carried out under licence granted by the Central Government. In case of onland area, the Licence and Lease are granted by concerned State Governments on recommendation of Central Government.

In respect of NELP blocks awarded by GOI under various rounds of bidding, the petroleum operation is carried out under a Production Sharing Contract (PSC) for oil and gas and under Coal Bed Methane (CBM) contract for CBM gas signed between an E&P contractor/operator (a Company or a consortium of companies) and the Government of India (GOI).

Presently, 'in principle' approvals are obtained by DGH/ MoPNG from various concerned agencies prior to the offer of these blocks. However, the operator has to seek fresh permission from each such agency once the blocks are awarded, Production Sharing Contract is signed and the Petroleum License is granted. E&P operators face various constraints during the life of petroleum operation from exploration to production, including meeting timelines for different activities suggested in PSC. Two key challenges faced by Operators are:

1. Delay in approval from concerned agencies /Ministries
2. Halting of E&P operations in some cases by Ministry of Defence

Operators face the problem of non-approval or an inordinate delay in getting these approvals from central /state government , which results in consequent delay in the commencement of the exploration activities. In certain cases even the State governments have expressed reservations on the grant of Petroleum Exploration Licenses (PEL), such delays not only escalate the cost for the operator, but in many cases the operator ends up paying penalty to the Government of India for delays in implementing time bound committed Work Programmes. This not only has a dampening effect on the potential investor but also at the same time puts a brake on the resource to reserves conversion process of this very essential commodity.

After getting PEL, the Operator has to obtain the environmental clearance from Ministry of Environment & Forest (MoEF) of GOI under 'Environment (Protection) Rules, 1986'. In addition to the Ministry of Petroleum and Natural Gas (MOP&NG), E&P operators are required to seek approvals /permissions from the following agencies .

1. **Ministry of Environment and Forest-** The clearances due to the presence of , Reserve Forest ,National Parks ,Eco fragile / Eco sensitive zones, Coastal Regulation Zones, in Block . EIA clearance (Environment Impact Assessment) is required for conducting seismic surveys and



drilling of wells. The clearance is also required from Pollution Control Board during E&P activities. All these clearances takes long time , therefore, permission /clearances should be provided expeditiously in a time bound manner

2. **Ministry of Home Affairs:** As petroleum operation is largely carried out by international service companies, the Operator is required to seek clearance from '**Ministry of Home Affairs**' for foreign nationals .Clearances for blocks located near international geographical boundaries are also required from the same ministry.
3. **Ministry of Defence:** The clearances include clearances from DRDO (Defence Research & Development Organisation), Naval Exercise areas ,Air force, Firing Ranges of Armed forces and Police (Ministry of Defence and concerned State Government)
4. **Deptt. of Space :** Permission required due to the Block areas falling in satellite testing zones and its trajectories.
5. **Deptt. of Telecommunication :** Permission required for the use of wireless systems during various E&P operations at drill sites and during seismic surveys.
6. **Ministry of Civil Aviation & (Director General of Civil Aviation (DGCA):** Permission is to be obtained from this ministry while conducting Gravity ,Magnetic and Airborne survey.
7. **Director General Safety and Mines (DGMS) :** Permission for keeping and using of explosives by Geophysical field parties and Well Logging operations should be provided in a fixed time frame.
8. **State Governments :** In case of onland area, the License and Lease are granted by concerned State Governments on recommendation of Central Government . The process of granting PEL, PML ,Land acquisition and SEZ (Special Economic Zone) and other related clearances by state government and local bodies takes longer time, which causes undue delays and it hampers the E&P (Exploration & Production) operations in awarded blocks . It should be made mandatory for the State government and local bodies to permit E&P operations once a PEL & PML has been granted by the concerned State Government. The PEL &PML should be treated as a single permit for carrying out E&P activities by all authorities falling under the State Government .

As lot of time and effort of the operator goes in pursuing the timely grant of these permissions, It is suggested that prior approvals or clearances should be obtained by DGH / MoPNG from the concerned Ministries /State Governments before the blocks are put on offer for bidding . Each case should be carefully evaluated by the concerned Ministries prior to giving consent and may highlight 'exceptions' or 'no-go areas'. The permissions / approvals which are granted by the various Ministries of Government of India should be honored unilaterally by the agencies falling under such Ministry's control as well as State governments . Under no circumstances, there should be a need to obtain re-approval by the operator.

These approvals need to be in place for the operator to start its exploration activities within a block whereas , the PSC is silent on these clearances and there are no timelines attached to these clearances. The petroleum operation commences from the date of issuance of PEL and in many



cases it has been observed that the operator is issued a PEL but does not have the necessary approvals from the concerned Ministries/State governments . All this leads to unnecessary delays for operators to begin their exploration activities within a block. Usually, the operator gets approval from MoPNG for such time loss as excusable delays. Even such excusable delays are granted after a considerable time, affecting the plans of the E&P operators.

**Existing system of grant of License and Lease:** The petroleum operation commences from the date of issuance of **Petroleum Exploration License (PEL)** for which purpose the operator/contractor of NELP block is required to apply for PEL for the awarded block to Central Government and State Government for the offshore and Onland block, respectively, as the case may be, within 15 days of signing of PSC.

Once the commerciality of hydrocarbon discoveries has been made and their commerciality established, the E&P operators are required to apply for **Petroleum Mining Lease (PML)** for development and production of oil & gas discoveries. Until such a Lease is granted, commercial production of the oil & gas can not commence. The Operator has to apply for PML to State Government in case of Onland blocks and to Central Government in case of offshore blocks after getting approval of Field Development Plan (FDP) for production and development of Petroleum Product (Oil & Gas). It has been the experience that while Central Government issues the License and Lease in time, State Governments take considerable time in issuing the same for Onland blocks.

### **Suggestions :**

At the central level, it would be better to have a single integrated entity under the Government of India to deal with all E&P related clearances/approvals/permission. Such an integrated entity would be in a position to strike a balance between these compelling needs of the country. e.g.

- Many countries, e.g., USA, UK, Brazil, Australia etc. has brought these roles under one government umbrella to facilitate regulation, investment and policy related decisions. Even the necessary safeguards would be ensured by this single entity for each case prior to grant of permission. In such a scenario, even the issues of overlapping of license areas being faced today by oil & gas, CBM, and Coal mining companies can be mitigated amicably as is practiced in countries like USA, China and Australia. Once permission is given by this integrated entity, the investor can concentrate on exploration rather than running to obtain various permissions from different agencies and solving disputes of overlapping areas with other operators. Such a regulatory framework exists in other countries such as USA (Bureau of Ocean Energy Management), UK (Oil & Gas Authority). The purpose of such regulator is to work proactively to provide effective stewardship and regulation of oil & gas industry.

In view of the above following points are suggested :

1. Directorate General of Hydrocarbons (DGH), technical arm of MOP&NG may be empowered with necessary powers to liaise with appropriate government agencies for necessary licenses, clearances and approvals , as may be required at the time of award of the block to start the E&P



operations and provide the same to E&P operators, once the operator submits the prerequisite documents through electronic media operator may be provided desired approvals in a expeditiously manner but not later than a month . In case of any other activity related approvals required during the exploration /development activity, necessary approvals may be provided to the operator within a short time not later than 15 days .

2. Provision for submission of applications electronically in the **prescribed format** with a provision for tracking the progress .These format should be made available on DGH site and similarly all approvals should be provided in the same manner in a fixed time frame.
3. Prescribing time limits for approvals. In case, the approvals are not granted in time, it should be deemed as approved.