



SOCIETY FOR
PETROLEUM
PROFESSIONALS



Investment Outlook and Global Competitiveness - Attracting Direct Foreign Investment

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Broad Pointers:

- Definition & Single Petroleum Lease
- Stabilization Clause
- Unitization
- Foreign Direct Investment (FDI)
- Fiscal Snippet - Statutory & Contractual
- Miscellaneous - Dispute Resolution Mechanism & SRF

Definition & Single Petroleum Lease

- Definition of "mineral oils" extended to include a wider range of hydrocarbons including coal bed methane and shale gas/oil, allowing for exploration, prospecting, and production under a mining lease
- Petroleum Lease (PL) will be substitute the Petroleum License Fees (PEL) and Petroleum Mining Lease (PML). A single authorization for both exploration and mining would lead to less procedural burden and more freedom for investors
- This will promote Single License Window to operator and hassle free operation avoiding the statutory delay

Stabilization Clause

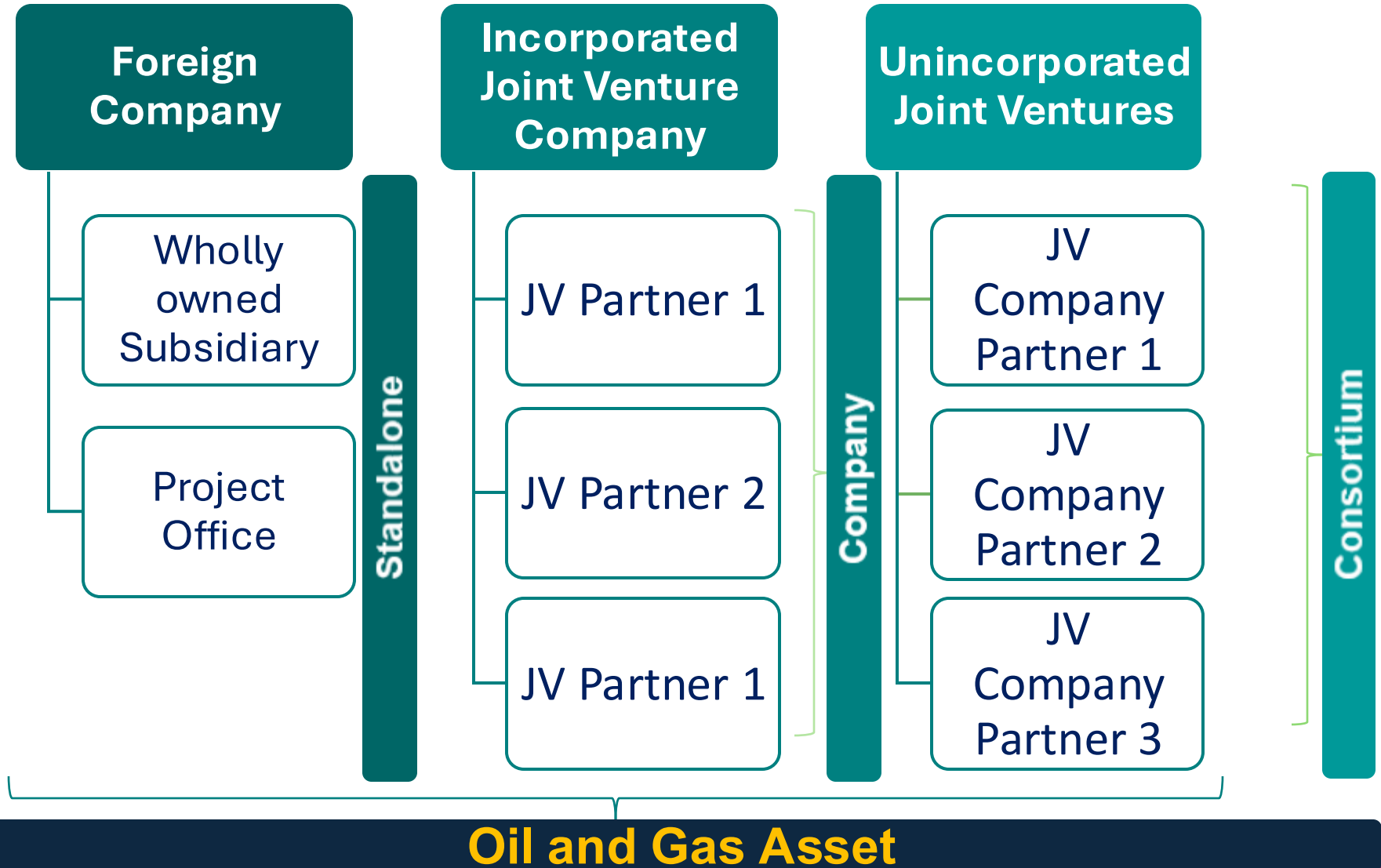
- The terms and conditions of a petroleum lease shall remain stable and shall not be altered to the disadvantage of lessee during the period of the lease.
- Contractor shall be allowed to share revenue with the Govt. at the rate quoted by the bidder at LRP for initial period of 4 (four) years in case of Onland Blocks (including CBM), 5 (five) years in case of Shallow Water Blocks and 7 (seven) years in case of Deep Water Blocks and Ultra Deep Water Blocks from the date of commencement of Commercial Production under a Petroleum Mining Lease (PML) granted for the Development Area, post submission of FDP of the block as per timelines and provisions of relevant Article of the existing Contract.
- Revenue Share at LRP for production under Early Monetization Plan during Exploration Phase.to incentivize early monetization of discoveries, the production from such discoveries (single or cluster) shall be treated as commercial production and the Contractor shall be allowed to share revenue with the Government calculated as LRP% of Revenue as determined in the relevant Article of the existing contract till the commencement of commercial production from the Contract Area granted for the approved Development Area.

Unitization

- Allow the sharing of production and processing facilities both on land and offshore, by two or more lessees for more efficient development of oilfields or production of mineral oils;
- Unitization of leases across States, Union territories and offshore leases, where there is reservoir continuity or connectivity, or for efficient exploration, development or production of mineral oils;

Foreign Direct Investment (FDI)

**100% FDI allowed
in
Indian E&P
through automatic
Route**



Fiscal Snippet - Statutory & Contractual

- Minimum Net worth for Financial Qualification Criteria at 2 (two) stages, i.e. Bidding qualification criteria & Evaluation criteria - Net Worth depending on number of Sectors of Block (pro-rated up to 1'x1' grids) & the higher of CWP or LD. Any shortfall in Net Worth is allowed to be supported by an equivalent Bank Guarantee in favour of the Government from a Scheduled Commercial Bank.
- Bid Evaluation Criteria – In case of Cat. – I, Tech. 65%, Financial 30% & Ori. 5%. However, Cat. II & III, NIL Financial Commitments.
- **Cat I revenue share:** The bidders will quote the percentage of revenue to be shared with the Government against Lower Revenue Point (LRP) and Higher Revenue Point (HRP). The Lower Revenue Point (LRP) is equal to USD 0.05 million of revenue per day and Higher Revenue Point (HRP) is equal to USD 7 million revenue per day subject to 50% ceiling at HRP.
- **Cat II & III revenue share:** The Exploration blocks in Category-II and Category-III will have no revenue or production sharing with Government except in case of a windfall gain. Windfall gain accrues to the Contractor when revenue net of royalty from the contract area exceeds USD 2.5 billion in a financial year.
- Method of computation of interest, which shall be simple interest, in case of delay in payment of Statutory dues viz. fees, rent, and royalties to the Government by the lessee.
- Audited statement of petroleum production, revenue and computation of Share of Revenue to Government is to be submitted to Management Committee only for information. Further all taxes related to production, sale and supply are allowed as deduction in computation of Revenue (except input taxes).

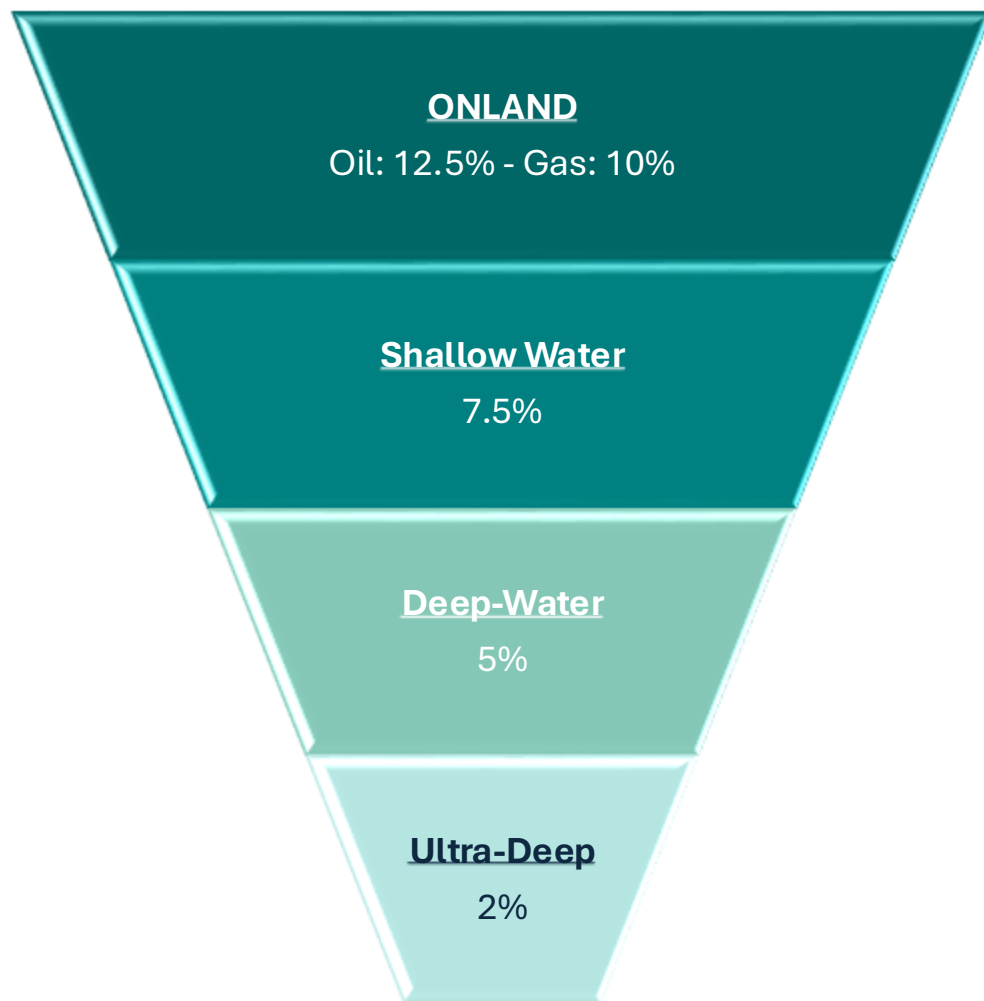


Royalty Structure under HELP



ROYALTY RATES

GRADED ROYALTY STRUCTURE



INCENTIVISED ROYALTY STRUCTURE



Incentive for Offshore Exploration
Reduced Royalty Rates in Offshore



Long Royalty Holiday period
7 Years for Deep & Ultra Deep Waters



Incentive for Gas & CBM –
2% Reduced Royalty rates for
Onland blocks

CONCESSIONAL ROYALTY

(Incentive for Early Production)



Category I Basins
10% Concession



Category II Basins
20% Concession



Category III Basins
30% Concession

Applicable on Commercial Production within 4 years in Onland & Shallow water;
Applicable on Commercial Production within 5 years in Deep & Ultradeep water;

Miscellaneous - Dispute Resolution Mechanism & SRF

- **Alternative dispute mechanism** - A Committee of external eminent persons/experts has been constituted for dispute resolution. The proceedings carried out by the Committee shall be governed by the Arbitration & Conciliation Act, 1996 as amended from time to time ("Arbitration Act").
- Site Restoration Fund Scheme notified in 1999 followed by introduction of Guidelines in 2018 & 2021 to protect environment with an utmost care on optimum financial obligation by way of providing maximum of 50% BG in lieu of Fund Creation by the Contractor.



Thank You