Falling Oil and Gas Production in India

What is the issue?

- India's crude oil production fell by 5.25% and natural gas production by 8.1% in the FY21.
- While Covid-19 related delays are among the key reasons cited, India's crude oil and natural gas production have been falling consistently since 2011-12, and here is why.

What is the key reason for the falling production?

- Most of India's crude oil and natural gas production comes from ageing wells that have become less productive over time.
- So, producers would have to invest more in extracting oil and gas from more difficult fields.
- This is done using technologically intensive means such as ultradeepwater fields.

Who are the key players?

- Crude oil production in India is dominated by two major state-owned exploration and production companies, ONGC and Oil India.
- These companies are the key bidders for hydrocarbon blocks in auctions.
- They were the only successful bidders in the fifth and latest round of auctions under the Open Acreage Licensing Policy (OALP) regime.
- ONGC bagged seven of the eleven oil and gas blocks on offer and Oil India acquired rights for the other four.
- Interest from foreign payers in oil and gas exploration in India had been low.
- The government has asked ONGC to boost its investments in explorations and increase tie-ups with foreign players.
    - This is to have technological support in extracting oil and gas from difficult oil and gas fields.

Why is the lack of private participation?

- One of the key reasons for low private participation in India's upstream oil

and gas sector is the delays in the operationalisation of hydrocarbon blocks.

- This is again due to delays in major clearances including environmental clearances and approval by the regulator of field development plans.
- The government was reaching out to major foreign players to convey that the current system of auction and regulation was much more “open and transparent” than before.
- Reportedly, the government may consider providing fiscal incentives to attract foreign players to India’s upstream sector.
- Industry players have been calling for a reduction in the cess on domestically produced crude oil to 10% from the current 20%.
- Besides these, the internal maximum production levels set by oil and gas majors to address climate change had also lowered the interest by oil majors to expand operations in India.

What is the impact of low oil and gas production?

- Low domestic production of crude oil and natural gas makes India more reliant on imports.
- The share of imports as a proportion of overall crude oil consumption in India has risen from 81.8% in FY2012 to 87.6% in FY2020.

What is the recent move in this regard?

- Boosting oil and gas production has been a key part of the government’s Aatmanirbhar Bharat initiative.
- It has set a goal to boost the use of natural gas in India’s primary energy mix from the current 6.2% to 15% by 2030.

Source: The Indian Express

SHANKAR IAS PARLIAMENT
Information is Empowering