Open Acreage Licensing Policy

Why in news?

\n\n

The government has replaced the New Exploration and Licensing Policy (NELP) with the Open Acreage Licensing Policy (OALP).

\n\n

What is Open Acreage Licensing?

\n\n

\n
- OALP gives an option to a company to **select the exploration blocks on its own,** without waiting for the formal bid round from the Government.
\n
- Under OALP, a bidder intending to explore hydrocarbons may apply to the Government seeking exploration of any new block which was not already covered by exploration.
\n
- The Government will examine the interest and if it is suitable for award, then the govt will call for competitive bids after obtaining necessary environmental and other clearances.
\n
- OALP was introduced as part of the new fiscal regime in exploration sector called Hydrocarbon Exploration and Licensing Policy (HELP).
\n
- So that, it will enable a **faster survey and coverage** of the available geographical area which has potential for oil and gas discovery.
\n
- Successful implementation of OALP requires building of National Data Repository on geo-scientific data.
\n

\n\n

What are the positives of OALP over NELP?

\n\n

\n

- By placing **greater discretion** in the hands of explorers and operators, the OALP attempts to address a major drawback in the NELP that forced energy explorers to bid for blocks chosen by the government.
\n
- Companies can now apply for particular areas they think is attractive to invest in, because in the past, the blocks chosen by the government often had only a small fraction of hydrocarbon reserves.
\n
- By offering companies the freedom to choose exactly the areas they want to explore, and their size, the government has a better chance to woo serious energy investors.
\n
- The govt also introduced **National Data Repository (NDR).**
\n
- It is envisaged as a centralised database of geological and hydrocarbon information that will be available to all.
\n
- It will allow potential investors to make informed decisions and **will open up a new sector in India.**
\n
- There are a number of companies that simply explore hydrocarbon basins and sell the information they gather. Thus via NDR, the govt seeks to incentivise such prospectors.
\n
- Companies may also submit applications through the year and not just at designated and often infrequent points, as was the case earlier.
\n
- Also, from now on, the auctions will be held twice a year. This, will lend more flexibility to the industry.
\n

\n\n

What are the concerns with OALP?

\n\n

\n
- The policy awards an extra five points to bidders for an acreage if they have already invested in the exploration and development of that area.
\n
- But, it is highly doubtful **if this is an acceptable incentive,** since the investment needed to simply explore is significant.
\n
- Also, **no such preference is given to mineral explorers** while auctioning mining rights.

\n
- Instead, a revenue-share from mining operations is their recompense for exploration efforts.
\n
- Another concern is **whether India can attract enough investment** to meet the government’s objective of reducing oil imports by 10% by 2022, since there are already proven reserves in other parts of the world.
\n

\n\n

\n\n

Source: The Hindu

\n