

Unconventional Hydrocarbons – *Magnifying Opportunities*

Cabinet approves Exploration and Exploitation of Coal Bed Methane (CBM) from areas under Coal Mining Lease allotted to Coal India Limited (CIL) and its Subsidiaries

Status:

The Cabinet Committee on Economic Affairs chaired by the Prime Minister has given its approval for issuing a notification amending clause 3(xiii) of the notification dated 03.11.2015 issued by the Ministry of Petroleum & Natural gas under Section 12 of the Oil Fields (Regulation and Development) Act, 1948 (ORD Act, 1948).

Due to this amendment, relaxation is granted under the Petroleum & Natural Gas Rules 1959 (PNG Rules, 1959), to Coal India Limited (CIL) and its subsidiaries for not applying for grant of license/lease under the PNG Rules, 1959 for extraction of Coal Bed Methane (CBM) under their Coal Bearing Areas.

Good news for Investors:

- The decision is in line with the Government's initiatives of 'Ease of Doing Business' & reducing the hydrocarbon import. It will expedite the exploration and exploitation of CBM, enhance the availability of natural gas and reduce the gap in demand and supply of natural gas.
- The increased development activities for exploration and exploitation of CBM gas reserves in-and-around the block will generate economic activities which in turn has potential to create employment opportunities in CBM operations and in the industries.

Policy Framework for exploration and exploitation of Unconventional Hydrocarbons

Approval of Policy framework for exploration & exploitation of unconventional hydrocarbon is under the final stage. This policy framework will permit exploration and exploitation of

unconventional hydrocarbons such as Shale oil/gas, Coal Bed Methane (CBM) etc. It will be carried out under the existing Production Sharing Contracts (PSCs), CBM contracts and Nomination fields to encourage the existing Contractors in the licensed/ leased area to unlock the potential of unconventional hydrocarbons in the existing acreages.

Good news for Investors:

- This policy will enable the realization of prospective hydrocarbon reserves in the existing Contract Areas which otherwise would remain unexplored and unexploited.
- With this policy dispensation, new investment in Exploration and Production (E&P) activities and chances of finding new hydrocarbon discoveries and resultant increased domestic production thereof is expected.
- Exploration and exploitation of additional hydrocarbon resources is expected to spur new investment, impetus to economic activities, additional employment generation and thus benefitting various sections of society.
- This will lead to induction of new, innovative and cutting-edge technology and forging new technological collaboration to exploit unconventional hydrocarbons.

Policy framework for Relaxation, Extension & Clarification in existing CBM contract areas for early monetization of CBM

Government of India has till date awarded 33 CBM blocks. Owing to various impediments in current contractual provisions, the monetization of CBM hasn't been at par with conventional oil and gas. Since unconventional hydrocarbons like CBM have higher breakeven prices and to usher renewed exploration and production activities in CBM blocks, the policy exempts CBM from existing pricing and allocation policy and provides pricing and marketing freedom to CBM contractors and provision to sell CBM to affiliates. This is in tune with Government's policy of "Ease of Doing Business". Further, Government has been empowered to discharge cases and condone delays on basis of technical merit and reasonable endeavour exercised by contractor. The new policy includes the following features:

Pricing and marketing freedom to sell CBM in domestic market arm's length.

Provision to reduce CBM contract areas or relinquish contracts with proportionate reduction in work program for contractors with overlap issues in coal blocks, conventional oil and gas, PEL/PML areas etc.

Easy exit option for CBM blocks subject to certain conditions.

Entry into subsequent phase, after paying cost of unfinished MWP.

Provision for extension and excusable delay in Development phase on account of getting Government Approvals/ Permits etc.

Provision to sell CBM to affiliates of existing CBM contractors.

Relaxation of Notice Period for submissions as per CBM Contract.

Resolution of CBM contractual issues under ECS.

Good news for Investors:

- The policy is expected to boost CBM production to 6 MMSCMD by 2018- 19 and generate new avenues of employment and increased investment in CBM blocks. It is also envisaged that 14 CBM blocks which are under relinquishment will be provided an easy exit option under the policy.

Policy framework for development of Underground Coal Gasification in coal and lignite bearing areas

A policy framework for development of Underground Coal Gasification (UCG) in coal and lignite bearing areas in the country was approved by the Government. UCG is a method of extraction of energy from coal/ lignite resources which are otherwise regarded as uneconomical to work

through conventional mining methods. For this purpose, a policy on lines broadly similar to the existing policy for Coal Bed Methane (CBM) development on revenue sharing basis is to be adopted for offering the blocks through competitive bidding.

The policy is expected to work towards the larger goal of Energy Security.

Please refer our Annual Report for more details...