

Open Acreage Licensing Policy

Why in news?

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

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What is Open Acreage Licensing?

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- 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.

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- 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.

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- 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.

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- OALP was introduced as part of the new fiscal regime in exploration sector called Hydrocarbon Exploration and Licensing Policy (HELP).

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- So that, it will enable a **faster survey and coverage** of the available geographical area which has potential for oil and gas discovery.

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- Successful implementation of OALP requires building of National Data Repository on geo-scientific data.

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What are the positives of OALP over NELP?

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- 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.
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- 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.
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- 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.
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- The govt also introduced **National Data Repository (NDR)**.
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- It is envisaged as a centralised database of geological and hydrocarbon information that will be available to all.
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- It will allow potential investors to make informed decisions and **will open up a new sector in India**.
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- 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.
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- Companies may also submit applications through the year and not just at designated and often infrequent points, as was the case earlier.
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- Also, from now on, the auctions will be held twice a year. This, will lend more flexibility to the industry.
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What are the concerns with OALP?

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- 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.
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- But, it is highly doubtful **if this is an acceptable incentive**, since the investment needed to simply explore is significant.
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- Also, **no such preference is given to mineral explorers** while auctioning mining rights.

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- Instead, a revenue-share from mining operations is their recompense for exploration efforts.

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- 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.

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Source: The Hindu

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