

(To be published in the Gazette of India, Part I, Section I)

Government of India

Ministry of Petroleum and Natural Gas

Shastri Bhawan, New Delhi

Date: 11th April, 2017

NOTIFICATION

Policy Framework for Early Monetization of Coal Bed Methane(CBM)

No. O-19018/7/2016/ONG-I – To develop alternate sources of natural gas including Coal Bed Methane (CBM) and promoting gas economy, Government has decided to provide marketing and pricing freedom for Coal Bed Methane (CBM), and streamline the operational issues. The Government of India hereby notifies the Policy Framework for Early Monetization of CBM Gas as hereunder:

1. Marketing and Pricing Freedom

1.1 It has been decided to provide marketing and pricing freedom to the Contractors of CBM blocks to sell the CBM at Arm's Length Price in the domestic market. While discovering the market price for Arms Length Sales, the Contractor has to ensure a fully transparent and competitive process for sale of CBM with the objective that the best possible price is realized, to the benefit of all parties to this Contract, without any restrictive commercial practices. An advertisement / Notice Inviting Tender (NIT) / e- Tender should be notified widely by the Contractor, in at least one local language daily newspaper and one English language national daily newspaper and other suitable electronic media, mentioning inter-alia the quality and quantity of CBM available for sale. Detailed information on the evaluation criteria to be used along with broad salient features of sale agreement to be executed by the buyer shall also be made known and at least 15 days time is to be allowed to ensure maximum participation of all likely buyers in this process. The information regarding the final agreement reached with the buyer shall be hosted on the Contractor's / Operator's website and also communicated to DGH / Government.

1.2 In the event of market discovered price being less than the price notified by the Petroleum Planning Analysis Cell (PPAC) under the New Domestic Natural Gas Pricing Guidelines, 2014, the royalty and Production Level Payment (PLP) shall be paid on the basis of the latter.

1.3 On notification of these guidelines, the New Domestic Gas Pricing Guidelines, 2014 and the Gas Utilization Policy announced earlier from time to time shall not be applicable to CBM gas.

1.4 These provisions regarding marketing and pricing freedom along with the minimum price for determining the 'Government take' shall also be applicable to the blocks where pricing formula/basis has been approved earlier by the Government. Any order issued earlier not in consonance with this policy will be treated as withdrawn.

1.5 Sale of CBM to any Affiliate of the Contractor is permitted, in the event the Contractor cannot identify any buyer following the procedure as stipulated in para 1.1. The information regarding the reasons for sales to Affiliate and the final agreement reached with the Affiliate shall be hosted on the Contractor's / Operator's website and also communicated to DGH/ Government.

2. Contractual Issues

Director General, Directorate General of Hydrocarbons (DG,DGH) is empowered for condoning the delays in notice periods, annual work program and budgets and to approve the excusable delays regarding clearances from State and Central Government. The DG, DGH will dispose such cases within the time-limits below:

2.1 Entry into subsequent Phase, after paying cost of Unfinished Minimum Work Programme (MWP)

Contractor is allowed to carry out MWP of second phase of exploration after paying the cost of unfinished work program of previous phase of exploration period to the Government.

2.2 Condoning delays in submission of notice for entering into next phase or for the Extension of Phase in Phase-I to Phase-III

DGH is empowered to condone delays up to a period of 90 days for giving notice for entering into the next phase, for reasons to be recorded by the Contractor. However, such condonation shall not be construed as Extensions of Phase.

2.3 Condoning delays in submission of Annual Work Program and Budget

DGH is empowered to condone delays up to a period of 90 days for submission of Annual Work Program & Budget from which reasons are to be recorded by the Contractor. However, such condonation shall not be construed as extension of a phase.

2.4 Excusable delay in development phase due to land acquisition / force majeure issues or any other such matter beyond the control of Operator

DGH is empowered to approve the excusable delays, without set off from subsequent Phases, in development phase due to Land Acquisition / Force Majeure condition or any other such matter beyond the control of Operator after confirming demonstrable delays.

2.5 Reduction in minimum work programme

DGH is empowered to reduce Minimum Work Programme (MWP) in proportion to the contract area if contract area is reduced by Government for any reason. If the Contractor decides not to accept any reduction in contract area, the Contractor would be permitted to exercise exit option from the contract without payment of Cost of Unfinished Work Programme (COUWP).

2.6 Effective date of the contract

If delay in grant of Petroleum Exploration License (PEL) exceeds two (2) years from the State Governments in any Block, the Contractor if exercises exit option from the CBM Block, will be permitted to exit without paying cost of unfinished work program.

2.7 Non-grant or delayed permission of clearances by State Government and Central Government.

In cases of inordinate delays in granting clearances i.e. beyond two (2) years in any block, the Contractor if exercises is exit option, will be permitted to exit from the contract without paying Cost of Unfinished Work Programme. DGH is empowered to review and examine such cases and approve exit option exercised by the Contractor from the CBM Contract.

2.8 Calculation of Cost of Unfinished Work Program

For Calculation of Cost of Unfinished Work Program, a fixed amount of USD 0.25 Million per corehole and USD 0.6 Million per test well as well as pilot well shall be considered as Cost of Unfinished Work Program irrespective of depth and will be uniformly applicable for all CBM Blocks. In case of low prospectivity observed in CBM block after drilling of core holes, then it is not required to drill test/pilot wells in the block. In such cases, DGH is authorized to waive off the cost of test/pilot wells depending upon technical requirement. 'Other works' and tests/studies as indicated in Article 5 of the Contract ' as part of MWP' shall not be considered for calculation of cost of unfinished work program of Phase-I and Phase-II as

the value of 'Other works' has been factored in the computation of COUWP for Core hole and Test Well and Pilot well.


2.9 Relaxation of Notice Period for submission as per CBM Contract

DGH is empowered to review and examine delays in submission of various notice periods in CBM Contracts.

2.10 Extended Role for Empowered Committee of Secretaries (ECS) for resolution of operational issues in implementation of CBM Contracts.

The role of ECS comprising of Secretary (Petroleum & Natural Gas), Finance Secretary, Secretary (Coal) and Secretary (Law) is extended for approving the matters relating to CBM blocks as and when referred to ECS.

3.0 This Notification shall be effective immediately.



11.04.2017
(Amar Nath)

Joint Secretary to the Government of India

ORDER

Ordered that a copy of this notification be communicated to all the State Government/Union Territory Administration, Lok Sabha Secretariat and the concerned Ministries and Department of the Government of India.

Ordered also that the notification be published in the Gazette of India for information.


4.04.2017
(Amar Nath)

Joint Secretary to the Government of India

To,

The Manager
Government Of India Press
Faridabad