

Bill Summary

The Oilfields (Regulation and Development) Amendment Bill, 2024

- The Oilfields (Regulation and Development) Amendment Bill, 2024 was introduced in Rajya Sabha on August 5, 2024. The Bill amends the Oilfields (Regulation and Development) Act, 1948. The Act regulates the exploration and extraction of natural gas and petroleum.
- **Definition of mineral oils expanded:** The Act defines mineral oils to include petroleum and natural gas. The Bill expands the definition to include: (i) any naturally occurring hydrocarbon, (ii) coal bed methane, and (iii) shale gas/oil. It clarifies that mineral oils will not include coal, lignite or helium.
- **Introduction of petroleum lease:** The Act provides for a mining lease. The lease provides for various activities such as exploration, prospecting, production, making merchantable, and disposal of mineral oils. Prospecting is the initial stage in the search for oil and gas fields, involving assessment of potential petroleum accumulations across large areas. The Bill replaces the mining lease with a petroleum lease, which also covers similar set of activities. Existing mining leases granted under the Act will continue to be valid.
- **Rule making powers of the central government:** The Act empowers the central government to make Rules on several matters. These include: (i) regulating the grant of leases, (ii) terms and conditions of leases including the minimum and the maximum area and the period of lease, (iii) conservation and development of mineral oils, (iv) methods for producing oil, and (v) manner of collection of royalties, fees, and taxes. The Bill retains these provisions. It adds that the central government may also make Rules on: (i) merger and combination of petroleum leases, (ii) sharing of production and processing facilities, (iii) obligations of lessees towards protecting environment and reducing emissions, (iv) alternative mechanisms for resolving disputes in relation to the grant of petroleum leases.
- **Decriminalisation of offences:** The Act provides that violation of Rules will be punishable with imprisonment up to six months, a fine of Rs 1,000, or both. The Bill instead provides that the above offence will be punishable with a penalty of Rs 25 lakh. The Bill also adds following offences: (i) undertaking activities related to mineral oils such as exploring, prospecting, and production without a valid lease, and (ii) non-payment of royalty. These are also punishable with a penalty of Rs 25 lakh. Continued violation in case of all above offences will attract a penalty of up to Rs 10 lakh per day.
- **Adjudication of penalties:** The central government will appoint an officer of the rank of Joint Secretary or above for adjudication of penalties. Appeals against the decisions of the Adjudicating Authority will lie before the Appellate Tribunal specified in the Petroleum and Natural Gas Board Regulatory Board Act, 2006. The 2006 Act designates the Appellate Tribunal for Electricity, constituted under the Electricity Act, 2003, as the Appellate Tribunal.

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