



## **Cabinet approves Policy framework for streamlining the working of Production Sharing Contracts (PSCs) in Pre-NELP and NELP Blocks**

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The Cabinet Committee on Economic Affairs chaired by Prime Minister Shri Narendra Modi has approved the policy framework for streamlining the operations of Production Sharing Contracts (PSCs) for increased domestic production of hydrocarbon resources. The policy framework includes:

**a) Special dispensation for E&P activities in North Eastern Region (NER).**

Based on recommendations in 'Hydrocarbon Vision 2030 for North East', Government has extended timelines for exploration and appraisal period in operational blocks of North Eastern region of India considering geographical, environmental and logistical challenges. The exploration period has been increased by two years and appraisal period by one year. Further, to stimulate natural gas production in NER, Government has also allowed marketing including pricing freedom for natural gas to be produced from discoveries which are yet to commence production as on 1st July, 2018. PSC blocks in NER will be benefited from this special dispensation.

**b) Sharing of Royalty and Cess in Pre-NELP Exploration Blocks.**

Government has created an enabling framework for sharing of statutory levies including royalty & cess in proportion to the participating interest of the Contractor in Pre-NELP Exploration Blocks, and same has been made cost recoverable with prospective effect. This will benefit Pre-NELP Exploration Blocks in which fresh investment for additional development & production activities is expected as sharing of royalty and cess, and cost recoverability of same will help in making additional investment commercially viable for Licensee company; ONGC/OIL.

**c)** Extending tax benefits under Section 42 of Income Tax, 1961 prospectively to operational blocks under Pre-NELP discovered fields for the extended period of contract under PSC extension policy dated 28th March, 2016. Section 42 of Income Tax allows the companies to claim 100% of expenditure incurred under a PSC as tax deductible for computing taxable income in the same year. While signing PSC of Pre-NELP discovered fields, 13 contracts out of 28 contracts did not have provision for tax benefit under Section 42 of Income tax Act. Now, this will bring uniformity and consistency in PSCs and provide incentive to contractor to make additional investment during the extended period of PSC.

**d)** Relaxing the timeline from 7 days to 15 days for giving written notice to notify the occurrence of a Force Majeure event in the PSCs.

The approval is expected to help in ensuring expeditious development of hydrocarbon resources.

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**AKT/SNC/SH**

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