Oilfields Amendment Bill 2024

For Prelims: **Rajya Sabha**, **Hydrocarbons**, **Helium**, **Crude oil and natural gas**, **Petroleum and Natural Gas Board Regulatory Board**

For Mains: Oilfields (Regulation and Development) Amendment Bill 2024, Regulations in mineral oil extraction, India's Energy policies.

Source: IE

Why in News?

Recently, the **Oilfields (Regulation and Development) Amendment Bill, 2024** was passed by the **Rajya Sabha**, aiming to encourage domestic production of petroleum and mineral oils while attracting private investment.

- This bill seeks to **amend the existing Oilfields Act of 1948** by clearly delineating the governance of oil production from mining activities.

What are the Key Provisions of the Oilfields Amendment Bill?

- **Definition of Mineral Oil:** The Bill broadens the definition of **mineral oils** to include naturally occurring **hydrocarbons** (such as **petroleum and natural gas**), as well as **coal bed methane and shale gas/oil.**
    - The definition specifically excludes **coal, lignite, and helium,** likely due to their regulation under the **Mines and Minerals (Development and Regulation) Act, 1957.**
- **Petroleum Leases:** The Bill replaces the **term "mining leases"** with **"petroleum leases"**, which will govern activities like exploration, production, and disposal of mineral oils.
    - **Existing mining leases** granted under the Oilfields Act of 1948 **remain valid** and will not be altered.
- **Penalties for Violations:** Under the **Oilfields Act of 1948,** violations can result in up to six months of imprisonment, a fine of **Rs 1,000, or both.**
    - The new Bill replaces criminal penalties for violations of the Oilfields Act with financial penalties, increasing the maximum fine to Rs 25 lakh, with additional daily fines of up to Rs 10 lakh for ongoing violations.
- **Encouragement of Private Investment:** The Bill includes **measures to attract private investment** in petroleum production, clarifying that existing mining leases will remain valid without disadvantage to lessees.
- **Rule-Making Powers of the Central Government:** The Bill retains the central government's power to make rules on various aspects, including the **granting and regulating of leases,** setting terms and conditions(such as area and duration of leases), **conservation and development of mineral oils,** and **methods for producing oil along with the collection of royalties.**
    - Additionally, the Bill expands the central government's authority to include the merger of petroleum leases, sharing of facilities, lessees' obligations to protect the environment and

reduce emissions, and alternative dispute resolution mechanisms for petroleum lease grants.

- **Adjudication of penalties:** The central government will appoint an **officer of Joint Secretary rank or higher** to adjudicate penalties.
  - **Appeals against** the Adjudicating Authority's decisions will go to the **Appellate Tribunal** specified in the **Petroleum and Natural Gas Board Regulatory Board(PNGRB) Act, 2006**.
  - According to the PNGRB Act, 2006, appeals against the decisions of the **PNGRB are to be made before the Appellate Tribunal for Electricity,** which is constituted under the **Electricity Act, 2003.**

Petroleum and Natural Gas Board Regulatory Board

- The **PNGRB** was established under the Petroleum and Natural Gas Regulatory Board Act of 2006.
- **Nodal MInistry: Ministry of Petroleum and Natural Gas**
- Its objective is to protect consumer interests, regulate petroleum-related activities, and promote competitive markets.
- The **PNGRB** authorizes **City Gas Distribution (CGD) networks**, natural gas and petroleum product pipelines, sets tariffs, and establishes technical and safety standards.

What are the Concerns Regarding the Oilfields Amendment Bill, 2024?

- **Impact on State Rights:** The Bill's shift from **mining leases to petroleum leases** raises concerns that states may lose their taxation rights under **Entry 50 of the State List.**
  - A **Supreme Court of India** judgment in ***Mineral Area Development Authority & Anr v. M/S Steel Authority of India & Anr 2024*** confirmed that **states have exclusive power to tax mining activities under Entry 50 of the State List** in the Indian Constitution.
  - Critics argue that **Entry 53 of the Union List,** which grants the central government authority **over oilfields and mineral oils,** may increase central control, raising concerns about **federalism and potential disputes over jurisdiction and revenue.**
- **Environmental Concerns:** Increased involvement of private players may lead to weaker environmental safeguards.
  - There is apprehension that private companies **may prioritize profits over environmental protection**, potentially increasing emissions and ecological damage.
- **Penalties for Non-Compliance:** Replacing criminal penalties with fines raises accountability concerns, potentially reducing deterrence and compliance with safety and environmental standards.
- **Private Investment vs. Public Sector Priority:** Opposition parties argue that public-sector enterprises like the **Oil and Natural Gas Corporation (ONGC)** should be prioritized over private entities for resource exploration.
  - Critics fear private investment may weaken public-sector dominance and **prioritize profit over community welfare and sustainability.**

Way Forward

- **Jurisdictional Boundaries:** Establish clear boundaries between central and state authority to prevent jurisdictional disputes, ensuring a cooperative federal structure in resource governance.
- **Transparent Revenue Sharing:** Develop a transparent and **equitable revenue-sharing mechanism between the Centre and states** to ensure fair distribution of resources and reduce tensions over financial control.
- **Sustainable Practices:** Incorporate incentives for companies that prioritize sustainability, such as **tax rebates or reduced royalties** for reducing **carbon emissions** and investing in renewable energy technologies.
- **Strengthening Environmental Regulations:** Implementing **robust environmental safeguards** within the Bill can mitigate risks associated with increased private sector involvement

in oil production. This includes **mandatory environmental impact assessments** for new projects.

- **Public Awareness Campaigns:** Raising awareness about the benefits of domestic oil production and its implications for energy security can foster public support for the Bill while addressing misconceptions.

Drishti Mains Question

Critically analyze the implications of the Oilfields (Regulation and Development) Amendment Bill, 2024 on India's energy security and state rights.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. The term 'West Texas Intermediate', sometimes found in news, refers to a grade of (2020)

(a) Crude oil

(b) Bullion

(c) Rare earth elements

(d) Uranium

Ans: (a)

Q. According to India's National Policy on Biofuels, which of the following can be used as raw materials for the production of biofuels? (2020)

1. Cassava
2. Damaged wheat grains
3. Groundnut seeds
4. Horse gram
5. Rotten potatoes
6. Sugar beet

Select the correct answer using the code given below:

(a) 1, 2, 5 and 6 only

(b) 1, 3, 4 and 6 only

(c) 2, 3, 4 and 5 only

(d) 1, 2, 3, 4, 5 and 6

Ans: (a)

Mains:

Q. Access to affordable, reliable, sustainable and modern energy is the sine qua non to achieve Sustainable Development Goals (SDGs). Comment on the progress made in India in this regard. **(2018)**

PDF Refernece URL: https://www.drishtiias.com/printpdf/oilfields-amendment-bill-2024