



## Falling Oil and Gas Production in India

### What is the issue?

- India's crude oil production fell by 5.25% and natural gas production by 8.1% in the FY21.
- While Covid-19 related delays are among the key reasons cited, India's crude oil and natural gas production have been falling consistently since 2011-12, and here is why.

### What is the key reason for the falling production?

- Most of India's crude oil and natural gas production comes from ageing wells that have become less productive over time.
- So, producers would have to invest more in extracting oil and gas from more difficult fields.
- This is done using technologically intensive means such as ultradeepwater fields.

### Who are the key players?

- Crude oil production in India is dominated by two major state-owned exploration and production companies, ONGC and Oil India.
- These companies are the key bidders for hydrocarbon blocks in auctions.
- They were the only successful bidders in the fifth and latest round of auctions under the Open Acreage Licensing Policy (OALP) regime.
- ONGC bagged seven of the eleven oil and gas blocks on offer and Oil India acquired rights for the other four.
- Interest from foreign payers in oil and gas exploration in India had been low.
- The government has asked ONGC to boost its investments in explorations and increase tie-ups with foreign players.
  - This is to have technological support in extracting oil and gas from difficult oil and gas fields.

## Why is the lack of private participation?

- One of the key reasons for low private participation in India's upstream oil and gas sector is the delays in the operationalisation of hydrocarbon blocks.
- This is again due to delays in major clearances including environmental clearances and approval by the regulator of field development plans.
- The government was reaching out to major foreign players to convey that the current system of auction and regulation was much more "open and transparent" than before.
- Reportedly, the government may consider providing fiscal incentives to attract foreign players to India's upstream sector.
- Industry players have been calling for a reduction in the cess on domestically produced crude oil to 10% from the current 20%.
- Besides these, the internal maximum production levels set by oil and gas majors to address climate change had also lowered the interest by oil majors to expand operations in India.

## What is the impact of low oil and gas production?

- Low domestic production of crude oil and natural gas makes India more reliant on imports.
- The share of imports as a proportion of overall crude oil consumption in India has risen from 81.8% in FY2012 to 87.6% in FY2020.

## What is the recent move in this regard?

- Boosting oil and gas production has been a key part of the government's Aatmanirbhar Bharat initiative.
- It has set a goal to boost the use of natural gas in India's primary energy mix from the current 6.2% to 15% by 2030.

**Source: The Indian Express**



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