

Hydrocarbon sector seeks cut in cess & regulatory reforms

RUN-UP TO THE
BUDGET
2025-26

ARUNIMA BHARADWAJ
New Delhi, January 16

THE OIL AND gas industry has sought supportive regulatory reforms to compensate for losses incurred by downstream companies on the sale of auto fuels, and a cut in the cess on crude oil production.

“The oil marketing companies expect adequate budgetary provision to compensate for losses incurred on the sale of auto fuels and sensitive products — LPG and kerosene,” said Prashant Vasisht, senior vice president & co-group head - corporate ratings, Icra.

The upstream industry has been demanding a downward revision in the cess on crude oil production and the exemption of exploration and development activities, cost petroleum, profit petroleum and royalty from the levy of GST, he said. While the government’s recent initiatives like the open acreage licensing programme and the contracts for discovered small fields and production enhancement have strengthened collaborations between companies in the public and the private sectors, the industry expects more such initiatives for a further boost.

The energy sector also hopes to see streamlining of gas pricing formulas to optimise gas marketing alongside the inclusion of hydrocarbon products under the ambit of GST. However, any final decision on the inclusion will be decided the Centre-State GST Council.

“The industry is looking forward to the Oilfields Amendment Bill, already passed in Rajya Sabha, being passed in Lok Sabha as well during the Budget session of Parliament. The changes proposed in the Bill will greatly enhance ease of doing business by streamlining regulatory clearances and arbitration processes, and the biggest benefits will be seen

FUELLING GROWTH



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in unconventional hydrocarbons like shale oil and coalbed methane,” said Kapil Garg, chairman & managing director, Oilmax Energy Private Ltd.

In addition, the midstream industry wants the customs duty of 2.5% on liquefied natural gas (LNG) imports to be scrapped, which would promote the use of natural gas as a fuel. “The GST on regasification of LNG remains high at 18% and there is a request from the industry to reduce the GST rates,” Vasisht said.

Raju Kumar, partner and energy tax leader at EY India, highlighted that GST reforms, including reducing GST on hydrogen, bringing natural gas under the GST framework, and ensuring uniform rates for renewable energy equipment, will simplify tax structures and lower project costs. Policy measures to bolster domestic oil and gas exploration and green hydrogen infrastructure can further enhance energy security and sustainability, Kumar said.

Oil minister Hardeep Singh Puri had said the focus of the new government would be on boosting oil and gas exploration and production.