



PUBLIC CONSULTATION- ENABLING OPERATING LEASE INCLUDING ANY HYBRID OF OPERATING AND FINANCIAL LEASE OF OILFIELD EQUIPMENT AS A FINANCIAL PRODUCT

Objective

March 07, 2025

1. The objective of this consultation paper is to seek comments/views/suggestions from the public on a proposal for the Authority to specify “oilfield equipment” in exercise of its powers derived from the Government of India notification No. SO 5199 (E) issued by the Department of Economic Affairs, Ministry of Finance, Government of India, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), dated December 14, 2021. Once specified, operating lease, including any hybrid of operating and financial lease, of ‘oilfield equipment’ shall be a financial product under the section S.3(1)(d)(vi) of the IFSCA Act, 2019. .
2. The oilfield equipment so leased out may be held by the financial institution in IFSC either on ownership basis or on lease-in-lease-out basis. The definition of the term “oilfield equipment” is proposed to be adopted from the list of relevant goods annexed to the table specified in the GST notification no. 3/2017-Central Tax (Rate) dt. 28-06-2017 [Concessional CGST rate for supplies to Exploration and Production]. The list of oilfield equipments proposed to be enabled for leasing as under the draft notification, is with the intent of allowing its usage both for the purpose of onshore as well as offshore Oilfield operations’
3. After examining the stakeholder feedback on point (2) above, if a case for doing so is found to exist, put in place the operational framework for enabling operating lease, including any hybrid of operating and financial lease, of oilfield equipment by a financial institution in IFSC.

Background

4. Oilfield¹ Equipment refers to any equipment used directly or indirectly in relation to all activities including incidental activities or operations or to provide support services or facilities in connection with prospecting for or extraction or drilling or mining or production of mineral oils or gas. Classification of the type of lease of such equipment undertaken is based on Indian Accounting Standards (Ind AS 116),
5. Internationally oilfield equipment leasing market accounts for approximately 6-7% of the overall equipment leasing market. As per latest research studies available, ²total volume of oilfield equipment leasing in 2022 was USD 85.9 billion. The segment is expected to grow at compound annual growth rate of 4.91% during the forecast period (2024 – 2032)

¹ Being any area where any operation for the purpose of obtaining natural gas and petroleum, crude oil, refined oil, partially refined oil and any of the products of petroleum in a liquid or solid state, is to be or is being carried on (Section 3(e) of the Oilfields (Regulation and Development) Act, 1948)

² Oilfield Equipment Rental Services Market Size, Share 2032 | MRFR (marketresearchfuture.com)

which is higher than the growth rate for the overall equipment leasing market. Oilfield equipment leasing models has been adopted not only by the developed nations like USA, UK, France, Germany, Italy etc. but also by the developing countries like China, to improve their overall productivity, cash management, input cost savings, access to cutting-edge tailor-made technology, etc. To meet this growing demand of leasing for oilfield equipment, countries in the Asia-Pacific region and specifically jurisdictions like Labuan in Malaysia, Singapore, Dubai etc have developed a thriving and robust oilfield equipment leasing and rental ecosystem. For example, in Malaysia the oil & gas equipment leasing market amounted to USD 370 million 2022. The regulators in these jurisdictions have put in place tax incentives, enabling regulatory framework and infrastructure support to develop and regulate this market.

6. India imported 87%³ of the crude oil it consumed in 2022-23. Further, India is heavily dependent on import of oilfield equipment for meeting its domestic requirement for production of oil and gas. To increase exploration and production activity within India and thereby reduce import dependency for oil exploration, the Indian government has taken various policy initiatives, like Hydrocarbon Exploration Licensing Policy (HELP) and the Open Acreage Licensing Program (OALP). As per studies, by 2030 Oil & Gas (O&G) exploration area in India is set to increase from 0.5 mn sq km (2025) to 1 mn sq km (2030)⁴. It is envisaged that to the abovementioned increase in exploration activities in India, would lead to enhanced demand for oilfield equipment that are required for exploration and other incidental activities connected with exploration and production of mineral oils, fossil fuels, etc.
7. Looking at the world statistics, international practice and stakeholder consultations, it is evident that leasing of the oilfield equipment would be an efficient strategy for the Indian companies vis-à-vis purchasing such equipment. Some of the stakeholders have approached the IFSCA enquiring about the permissibility of operating lease of oilfield equipment under the ship leasing framework issued by IFSCA, as the extant ship leasing framework allows leasing of off-shore drilling units which are also used in exploration of oil and gas in high seas. On examination of such requests, it is felt that enabling operating lease for oilfield equipment as distinct financial activity from IFSC can play a significant role in supporting the oil exploration activity within India and also develop GIFT-IFSC as the regional hub for oilfield equipment leasing services.
8. In order to capitalise on the growth potential, benefits to the Indian economy and developing GIFT IFSC as a regional hub for leasing of oilfield equipment it is proposed to notify operating lease including any hybrid of operating and financial lease of oilfield equipment as a financial product.

Public Comments

9. Comments and suggestions are invited from public on the following:
 - i. The draft notification as placed at Annex I which includes the proposed definition of 'oilfield equipment' for onshore and offshore usage.
 - ii. Additional regulatory enablement, if any, for required

³ Report of the Standing Committee on Petroleum and Natural Gas (Chair: Mr. Ramesh Bidhuri

⁴ Press release by Ministry of Petroleum and Natural Gas - [Press Release: Press Information Bureau](#)

- iii. Type and description of following category of equipment that may be considered by IFSCA for enablement under the extant regulatory framework of IFSCA.
 - a. Oilfield equipment that may be included in the proposed notification drawing reference to the source of similar public documents,
 - b. Other category of equipment that are frequently leased.
- iv. The information in part (iii), must be supported by rationale in line with the principles that have been adopted by the Authority for consideration of such proposal, as can be observed in the above background note.'

10. The comments may be sent by email to Mr. Sri Vishnucharan, Assistant Manager, at financecomp-queries@ifsc.gov.in with a copy to Ms. Riddhi Bhandari, General Manager at riddhi.bhandari@ifsc.gov.in with the subject line "Comments on the draft notification to enable operating lease including any hybrid of operating and financial lease of Oil Field Equipment in IFSC ; latest by March 28, 2025

11. The comments/feedback should be submitted in following format:

Name and Designation				
Contact No. and Email Adress				
Name of Organisation				
S. No.	Section no. of the draft Notification	Text of the section	Comments/ suggestion/ suggested modification	Detailed rationale

Draft Notification

**INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY
NOTIFICATION
Gandhinagar,**

No. IFSCA/ - In exercise of the powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 (50 of 2019) (hereinafter referred as the "said Act") read with notification number S.O. 5199(E) dated 14th December, 2021 issued by Ministry of Finance, Government of India, published in the Gazette of India, Extraordinary, Part II, Section3, Sub-section(ii), dated the 14th December, 2021, the Authority hereby specifies the following equipment:

- i. The set of goods mentioned in the list annexed to the table specified in the GST notification no. 3/2017-Central Tax (Rate) dt. 28-06-2017 [Concessional CGST rate for supplies to Exploration and Production] that will be utilised in the oilfield wherein, the expression 'Oilfield' shall be as defined in the Oilfields (Regulation and Development) Act, 1948.

Explanation: The aforementioned goods shall collectively be referred to as "Oilfield equipment"

2. This notification shall come into force on the date of publication in the Official Gazette

K. Rajaraman
Chairperson