Standing Committee Report Summary

Supply and Distribution of Natural Gas – Challenges and Prospects

- The Committee on Estimates (Chair: Dr. Sanjay Jaiswal) presented its report on the 'Supply and Distribution of Natural Gas – Challenges and Prospects' on August 7, 2026. The Committee examined issues related to the availability and supply of natural gas in the country. Natural gas is 6% of India's energy mix, less than the global average of about 24%. The government has set a target to increase the share of natural gas in the energy mix to 15% by 2030. Key observations and recommendations of the Committee include:
- **India's natural gas resources:** The Committee noted that the estimated natural gas reserves in India are 1,094 billion cubic metres (BCM), of which 55% is offshore. Natural gas production has increased from 34 BCM in 2014-15 to 36 BCM in 2024-25. It also observed that there was a 20-year gap between the last two resource assessments, which delayed the recognition of enhanced resource potential. The Committee recommended holding periodic assessments of hydrocarbon resources, and formulating a Natural Gas Action Plan, with yearly targets for production, imports, consumption, infrastructure expansion, and decarbonisation.
- **Import dependence:** The Committee noted that natural gas imports had increased from 13 million metric tonnes (MMT) in 2014-15 to 27 MMT in 2024-25. Further, India's liquefied natural gas (LNG) demand is projected to exceed 40 MMT per annum by 2030, increasing exposure to volatile global gas markets. It recommended that the government strengthen long-term LNG sourcing arrangements, and utilise spot procurement to respond to changing market conditions. It also recommended increasing domestic gas production while improving energy consumption efficiency.
- **Expediting exploration and production:** The Committee observed that there were several areas where natural gas resources have been established but commercial production has not started (Category II-basins), and areas which are unexplored, containing prospective resources (Category-III basins). Further, it noted that while 39% of India's sedimentary basin (where natural gas is found) lies in deep waters, only two deep-water blocks are currently in production. These blocks contribute about 31% of India's indigenous gas production. The Committee recommended expediting exploration and production in Category-II and III basins, and deep-water blocks, through financial incentives, risk-sharing mechanisms, and improving access to data and technology.
- **Diversification of domestic gas sources:** The Committee noted that alternative sources, such as compressed bio-gas (CBG), coal bed methane (CBM), and shale gas could supplement domestic availability of natural gas. However, production from these sources is limited. It noted that 78 CBG plants have been commissioned, against a target of 5,000. In 2024-25, India produced 756 million cubic metres of CBM, against estimated reserves of 2,600 BCM. There is no commercial shale gas or oil production. The Committee recommended: (i) operationalising more CBG plants, while addressing feedstock availability and markets for by-products, (ii) expediting development of CBM blocks, (iii) evaluating the viability of shale resources, and (iv) formulating gas offtake/marketing arrangements.
- **Taxation of natural gas:** Multiple taxes are currently levied on natural gas, as it is outside the GST framework. The Committee noted that this has led to higher costs for industrial and domestic consumers. It recommended including natural gas under GST at a suitable rate.
- **Utilisation in power sector:** The Committee noted that 39 out of 58 gas-based power plants are connected to the national gas grid. It also noted that high fuel costs had constrained supply to the power sector. It recommended that a flexible gas allocation framework be formulated to increase utilisation of gas-based power plants.
- **Domestic usage:** The Committee noted that high installation costs and a lack of subsidy support have discouraged households from adopting piped natural gas (PNG), despite its safety benefits. It recommended instituting mechanisms to make PNG more affordable for lower-income households.
- **LNG Infrastructure:** The Committee observed that LNG terminal infrastructure remains concentrated on the western coast. 23 LNG retail stations have been set up along National Highways. The Committee recommended promoting the geographically balanced development of LNG terminals, and accelerating the establishment of LNG stations, to reach the target of 1,000 stations.

Niranjana S Menon
niranjana@prsindia.org

September 1, 2026