

# SectorVector

December 2025

Reading the topical trends

## The flow tapers

Gas volume off peak amid normalisation of gas-based electricity generation, maintenance shutdowns and seasonal LNG swings

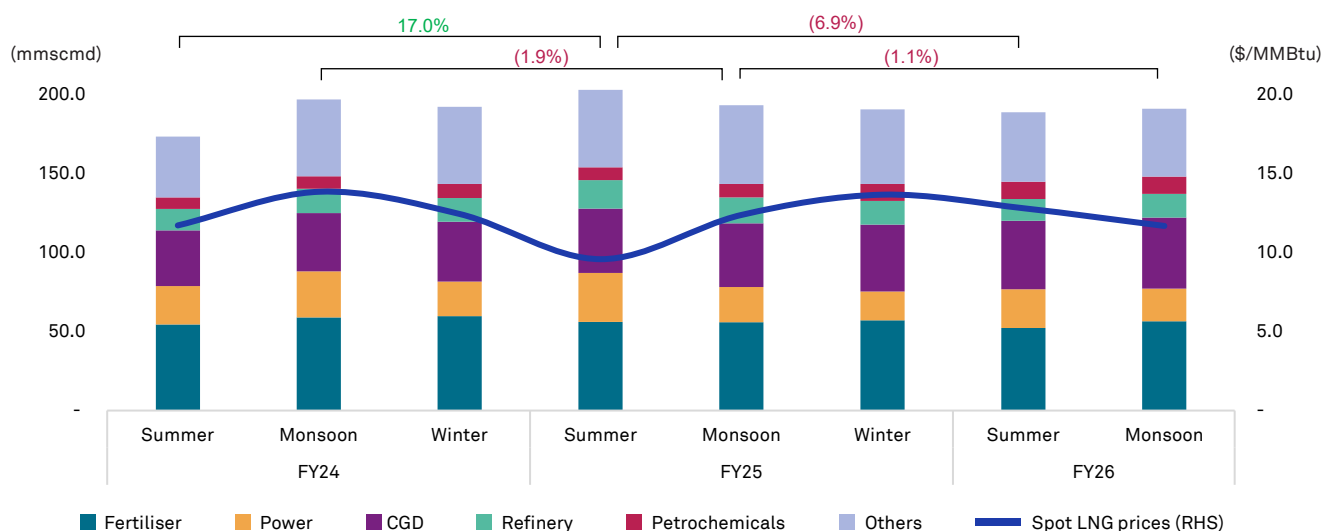
India's natural gas consumption averaged ~190 mmscmd during April-October this fiscal, 4.6% down compared with ~200 mmscmd in the same period last fiscal. Lower power sector offtake amid seasonal swings in liquefied natural gas (LNG) prices and planned maintenance shutdowns at refining and fertiliser units curtailed demand.

Gas consumption saw a pronounced decline in summer as an early onset of southwest monsoon reduced demand for cooling. That compares with a rise to ~203 mmscmd in the summer of last fiscal amid policy-driven rise in dispatches of gas-based power plants.

At the same time, spot LNG prices averaged ~\$13/MMBtu (up ~34% on-year), which pushed gas-based generation out of the merit order and limited incremental demand.

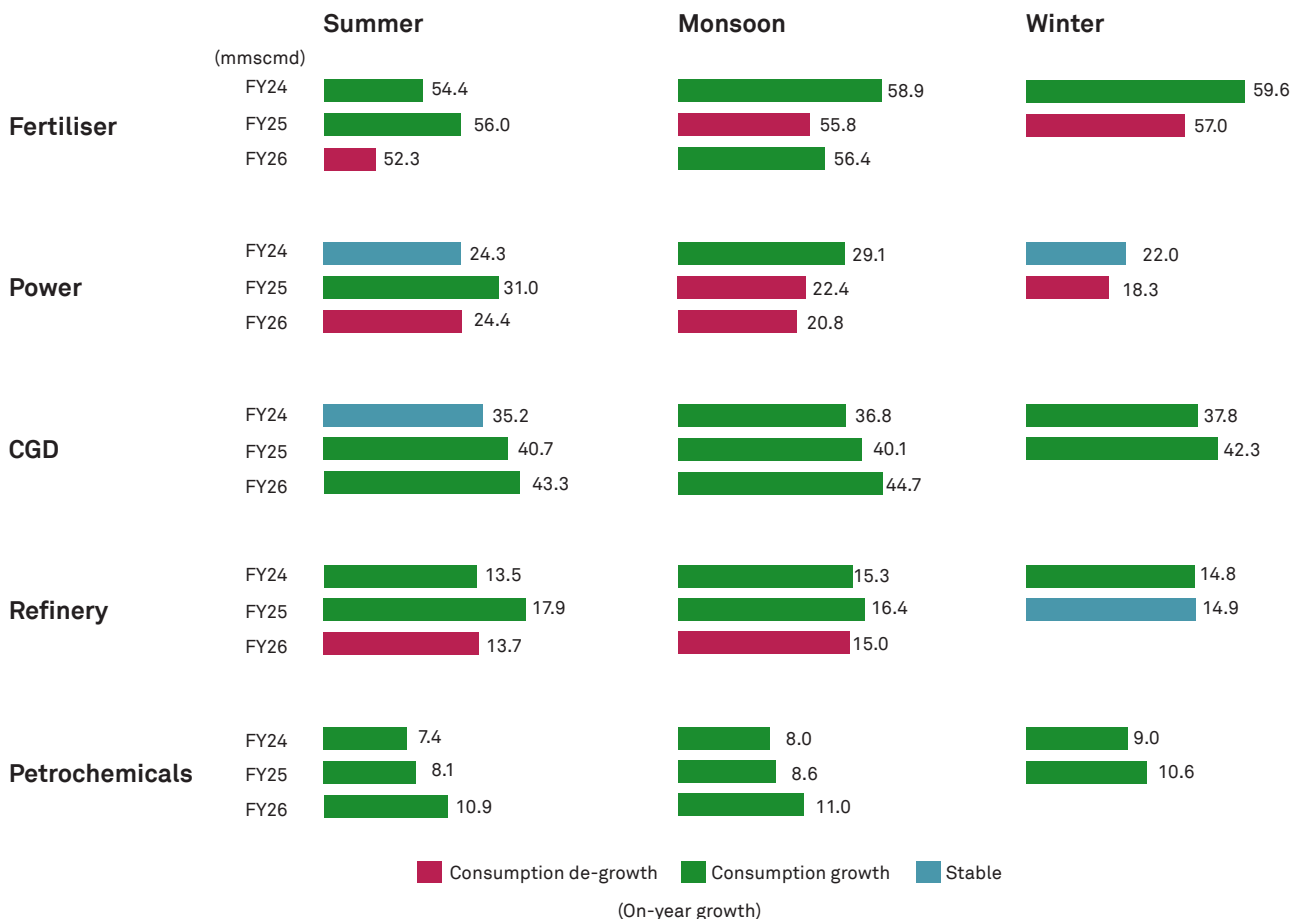
Demand found a floor during the monsoon. Consumption rose 1.2% compared with summer levels to ~191 mmscmd, supported by a ~9% correction in spot LNG prices and resumption of refinery and fertiliser operations. Policy intervention to avoid fertiliser plant shutdowns helped stabilise base demand, even as offtake from the power sector remained muted.

### Gas consumption moderates from last year's peak



Note: Other sectors include P/L system, agriculture (tea plantation), industrial, manufacturing, LPG shrinkage, sponge iron/steel  
Source: PPAC, Crisil Intelligence

## Seasonal patterns remain evident in gas consumption



Note: Summer months: March to July; monsoon months: August to October; winter months: November to February  
 Source: PPAC, Crisil Intelligence

## City gas consumption stays firm

City gas distribution (CGD) consumption flared up 8.8% year-to-date reaching ~44 mmscmd, even as overall gas consumption moderated. As a result, CGD's share in total gas demand rose to ~23% compared with ~20% last year, cushioning the effect of weaker consumption elsewhere.

Sustained infrastructure expansion anchored this resilience. The CGD network scaled up to 8,477 compressed natural gas (CNG) stations and 15.9 million domestic piped natural gas (PNG) connections, with 361 stations and 0.9 million domestic connections added till October, supporting steady growth in transport and household demand.

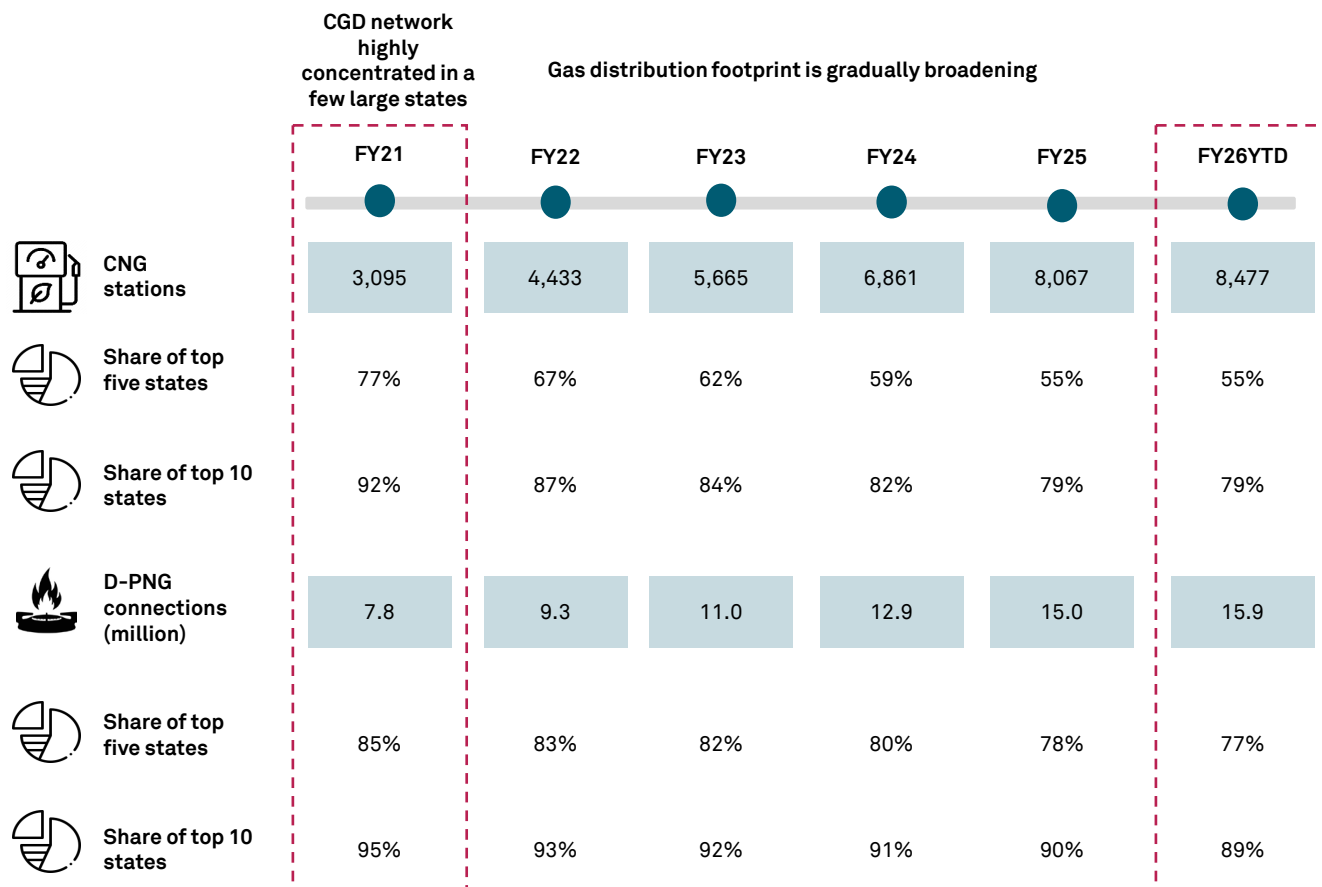
Geographic diversification has strengthened demand quality. Over the past five fiscals, incremental CNG

station additions skewed towards non-metros and Tier 2/3 cities, which reduced concentration risk.

Consequently, the share of the top five states in total CNG stations declined to 55% from 77%, while the share in domestic PNG (D-PNG) connections fell to 77% from 85%. Newer states (other than the top 10) accounted for ~10% of CGD volumes in fiscal 2026 YTD (vs 2% in fiscal 2021), broadening the demand base.

Simultaneously, supply-side and pricing changes altered sourcing without denting volumes. Allocation of administered price mechanism (APM) gas to CGDs declined to 35-40% of consumption from 55-65% last year, increasing dependence on new-well gas, HPHT gas and R-LNG. As a result, import dependence rose to ~36% during April-October from ~32% last year. However, calibrated retail price pass-through and demand stickiness limited volume impact.

**CGD infrastructure expansion is widening demand base**



Note: YTD refers to April-October period  
Source: PPAC, Crisil Intelligence

**Pipeline tariff reform supports CGD expansion**

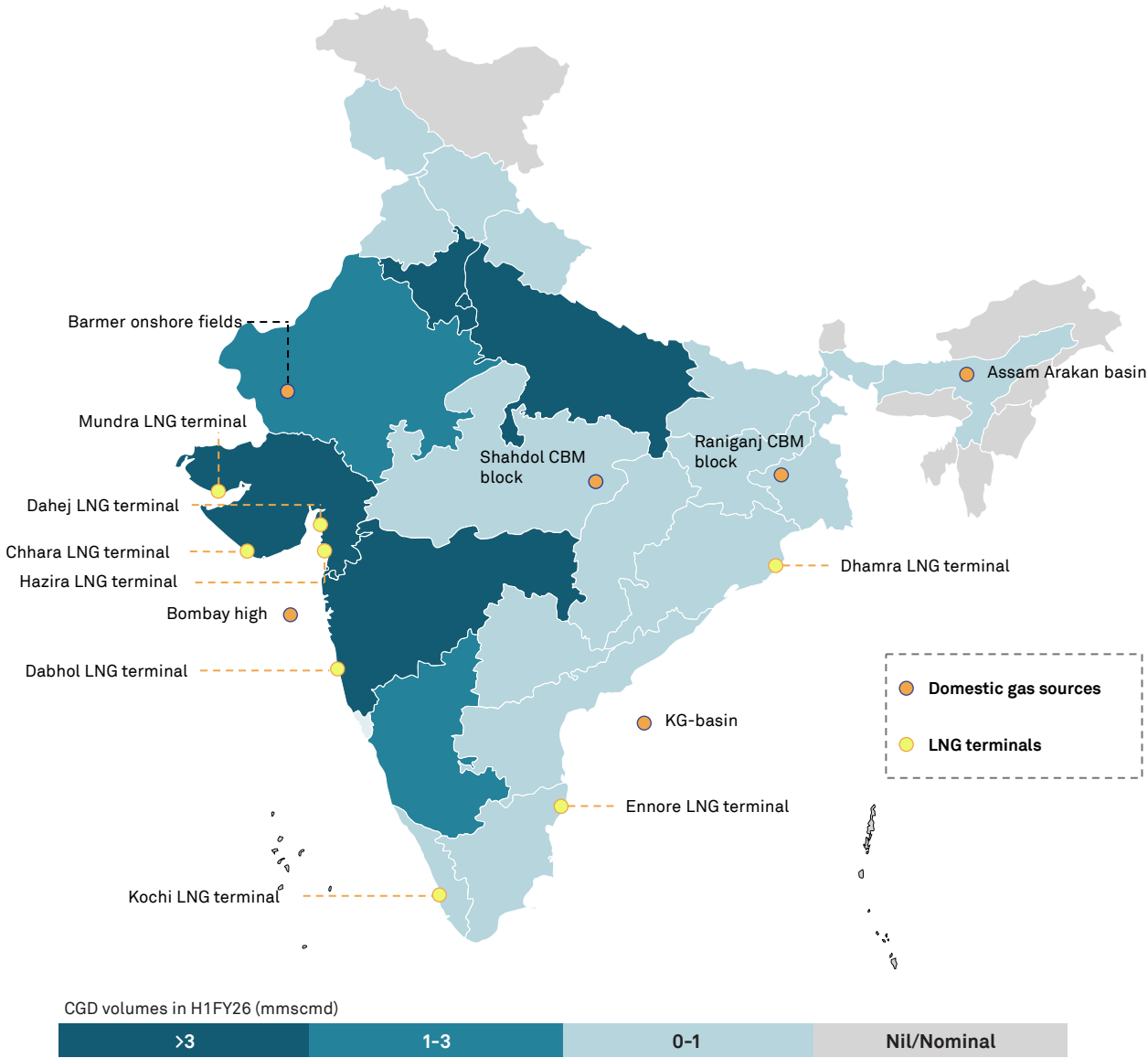
The Petroleum and Natural Gas Regulatory Board (PNGRB) has notified a refined pipeline tariff framework, shifting from a three-zone, distance-linked structure to a two-zone framework, effective January 1, 2026. Under the earlier regime, pipeline tariffs escalated with distance across Zone 1 (up to 300 km)/Zone 2 (300-1,200 km)/Zone 3 (beyond 1,200 km). The revised framework places tariffs into Zone 1 (up to 300 km) and Zone 2 (beyond 300 km), while priority CGD segments are under a single uniform tariff, irrespective of distance, as notified.

The change is timely, as CGD demand is now expanding beyond the legacy metro markets into geographically distant states.

Under the revised structure, far-end CGD markets transition from the higher distance-linked bands to the notified uniform CGD tariff (Rs 54.00/MMBtu), compared with Rs 80.08/MMBtu and Rs 106.77/MMBtu earlier, under Zone 2/Zone 3, respectively. As a result, transportation cost for distant CGD areas falls ~50%, which improves affordability of the delivered gas and supports volume ramp-up and network utilisation.

Transportation charges increase marginally for CGD entities closer to gas sources (up to 300 km) under the revised framework (from Rs 42.04/MMBtu to Rs 54.00/MMBtu), whereby entities may focus on sourcing optimisation and calibrated retail pricing, limiting material demand impact.

**CGD consumption remains concentrated near supply sources**



Note: Approximate location marked for major gas sources and terminals  
Source: PNGRB, PPAC, Crisil Intelligence

**CGD will support demand; pricing and policy to aid broader recovery**

Near-term gas demand is expected to remain range-bound, with CGD offsetting the impact of easing LNG prices. Any upside will depend on the weather trends and relative fuel economics, particularly for price-sensitive industrial segments.

Going ahead, policy support and pricing signals will shape demand outcome. The two-zone tariff with a uniform CGD rate improves demand visibility and reduces regional cost dispersion. Besides network expansion, this is expected to support demand momentum, reinforcing CGD’s position as a stable pillar of India’s gas demand.

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