

ENERGY TALK ON

ENHANCING GAS MARKETS DEVELOPING INDIA AS A GAS HUB

EVENT SUMMARY AND HIGHLIGHTS

10th January 2025 | New Delhi

Event Overview

The Indian Gas Exchange (IGX), India's first and only authorised natural gas trading exchange, hosted the "**Energy Talk**" event, centered on the theme

Enhancing Gas Markets: Developing India as a Gas Hub

It witnessed participation from over 300 distinguished professionals, including regulators, policymakers, and industry leaders, who came together to deliberate on strategies for transforming India into a dynamic and liquid gas hub.

The event's primary objective was to highlight the importance of developing India as a gas hub and the road map required to achieve the same.

In his opening address, **Mr. Rajesh K Mediratta**, MD & CEO of IGX, emphasised IGX's pivotal role in driving transparency, competition, and flexibility in the gas market. He reaffirmed IGX's mission, as envisioned by the Ministry of Petroleum and Natural Gas (MoPNG) in 2020, to create a free and transparent, equitable gas market, establish a domestic benchmark price, and felt the need to develop infrastructure, bring more liquidity by removing barriers to trade through policy and regulatory interventions.

He added, "To develop India's own Gas Hub, we must strengthen the three key layers that define its functioning. The first is the hub layer, which includes a robust pipeline network, diverse sources of supply, and necessary regulations to ensure non-discriminatory third-party access. The second is the market layer, anchored by a transparent and competitive spot market facilitated by a gas exchange like IGX. And finally, the financial layer, which provides instruments like derivatives for risk management and a forward price curve. While the market layer is already well-established through IGX, the foundational hub layer needs immediate regulatory interventions."

Dr. Anil Jain, IAS, Chairperson, PNGRB graced the event as the chief guest. Delivering the keynote address, he stressed that transition and gas-based economy cannot happen without having a vibrant and transparent gas market. He underscored the importance of a well-incentivised pipeline system, expanded storage facilities, and diverse participation to create a thriving gas ecosystem. Dr. Jain reaffirmed PNGRB's commitment to

facilitating the development of a transparent and efficient gas hub, which is essential to support India's energy transition.

He also emphasised that India has already laid a strong foundation with ample gas supply, authorised CGD networks and a regulatory framework to enhance the gas consumption in the country. PNGRB is actively working towards, expanding trunk lines and connecting inter and intra CGD networks to ensure seamless access. Remarkably, in past 8-9 months, gas-based power has surged by 20% positioning gas as potential swing fuel in India's energy mix.

Adding a global perspective, **Dr. Jan Haizmann**, CEO of ZETA and Former EFET Board Member, shared valuable insights on the essential elements of a successful gas hub, drawing on the example of the Central European Gas Hub (CEGH). His analysis provided a blueprint for India to emulate best practices and attract global investments into its gas sector.

The event also witnessed a dynamic panel discussion moderated by **Shri Puneet Goel** and featuring prominent leaders such as **Shri Anjani Kumar Tiwari**, Member, PNGRB; **Shri Kamal Kishore Chatiwal**, Managing Director, IGL; **Shri Sandeep Jain**, Director (Gas), IOCL; **Shri Akhil Mehrotra**, Managing Director & CEO, PIL; **Shri Amit Mehta**, Senior EVP, RIL; and **Shri Nakul Raheja**, Country Head, Shell Energy India. The panel explored critical topics such as infrastructure expansion, long-term contracts, open access to pipelines, and flexible exchange mechanisms to stabilise supply and attract global players to India's gas market.

Overall, the event served as a significant platform to align industry stakeholders on the need for market reforms, infrastructure development, and policy interventions to transform India into a dynamic and globally competitive gas hub. The discussions during the event, primarily revolved around the critical importance of collaboration, innovation, and robust policy frameworks in driving the sector's growth and transformation.

Key Insights



Dr. Anil Jain
Chairperson, PNGRB

Gracing the Energy **Talk on Enhancing Gas Markets: Developing India as a Gas Hub**, as the Chief Guest, Dr. Anil Jain, Chairperson, PNGRB, posed a critical question:

_"Can India accelerate its progress, reduce emissions, and move towards net-zero targets without a vibrant gas market?"

Dr. Jain emphasised that a thriving gas market is fundamental, with key pillars being:

- Transparent price discovery to reflect market dynamics.
- Multiple producers and buyers fostering competition.
- Adequate storage facilities to ensure supply stability.
- Incentivised pipeline systems enabling seamless connectivity.

India's Progress So Far:

- A strong foundation with ample gas supply and sanctioned CGD networks.
- Robust regulatory framework supporting market development.
- Surge in gas-based power generation by 10% in the past 8-9 months, establishing gas as a swing producer in India's energy mix.

Dr. Jain highlighted PNGRB's active role in:

- Connecting all CGD networks to ensure seamless access across the country.
- Driving collaboration to achieve India's vision of a gas-based economy.

His insights underscored the need for collective action and robust infrastructure to establish India as a global gas hub and support its net-zero ambitions.

Key Insights



Dr. Jan Haizmann

CEO of ZETA and
Former EFET Board Member

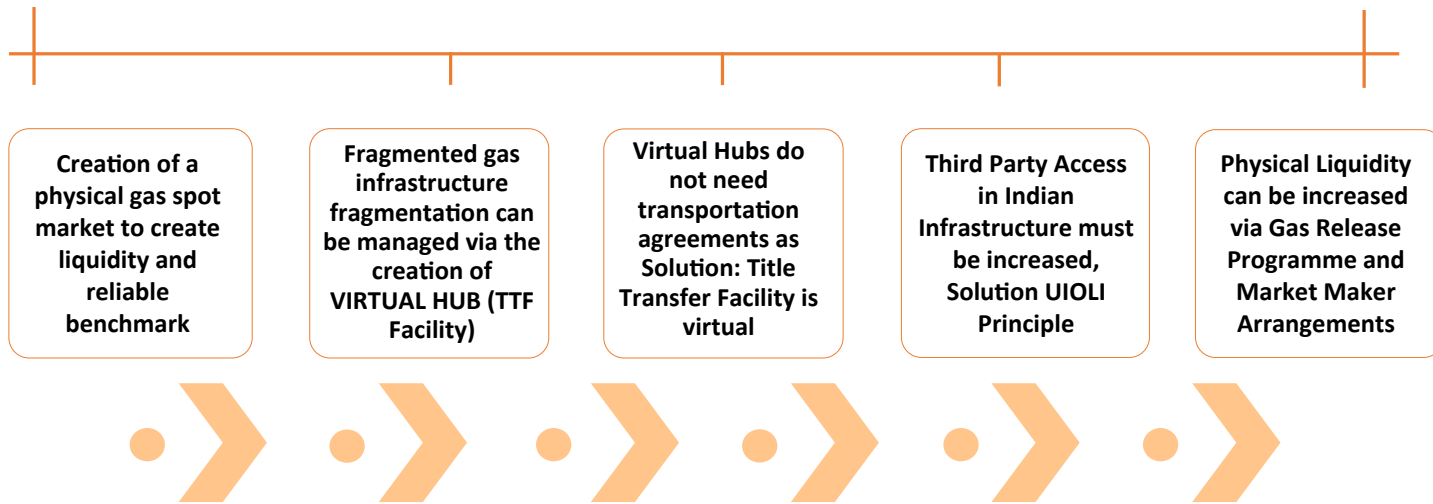
A. Elements of a Good Gas Hub

- **Underlying Conditions for Trade:** A well-functioning hub requires multiple buyers and sellers, diverse gas supplies (including storage), access to capacity for gas transport, and participants Counterparties with imbalances to encourage trade and market-based balancing.
- **Good Hub Design:** An effective hub must ensure title transfer facilities, free price disclosure, standardised & well-designed trading terms, transparent network access terms, harmonised with interconnected systems, and mechanisms like backup/back down for firmness and the incumbent's clear role in trading support.
- **Enabling Legislation:** Strong legal frameworks should include customer eligibility, fair and transparent network access, governance for stability, lack of cross-subsidisation between monopoly and competitive businesses.
- **Network Access Terms:** Access must include secondary capacity markets, transparent balancing terms, emergency procedures, title transfer points, and a clear definition of Force Majeure to ensure reliability and fairness.

B. Recommendations for Building a Gas Hub in India

- **Physical Market Requirements:** Establishing a Virtual Hub would help overcome limitations related to physical infrastructure, allowing for more flexible gas movement. In India, there is a need to implement an Entry-Exit transportation tariff regime. Additionally, there is a need to exempt the wholesale gas market from taxation, including VAT to protect trading margins. Europe has exempted the wholesale trading from taxation and shifted tax burden to end customer level. Lastly, introducing daily balancing and transparent cash-out rules would enhance market efficiency, ensuring a more stable and responsive system.
- **Financial Market Development:** Establishment of a liquid physical market and a reliable benchmark price will serve as the foundation for financial derivative products. Further, the Indian financial products in gas would evolve alongside physical products. Additionally, the financial products require clearing and enable scaling volume of trades along with offering risk hedges in volatile markets.

High-Level Roadmap for Virtual Hub



Physical Virtual Hub enables Indian Financial Market



Key Insights

from the **panel discussion featuring**
following eminent panellists



Mr. Anjani Kumar Tiwari

Member, PNGRB

Mr. Anjani Kumar Tiwari, Member, PNGRB, during a panel discussion on **Developing India as a Gas Hub** at IGX's annual event, emphasised the need to address various 'knots' for the creation of a gas hub in India. He outlined key steps, including unbundling of trading and transmission activities, ensuring third-party access, implementing a unified tariff followed by entry-exit system, and developing a secondary energy market.

He also highlighted the importance of open access to regasification terminals and providing incentives for domestic production to enable price discovery and improve market maturity, paving the way for India to become a global player in the energy market.

He emphasised that collaborative efforts among all stakeholders are essential to overcome legal and operational challenges, promote competitive pricing, and prioritise consumer interests. With the right regulatory reforms, market dynamics, and cooperation, we can achieve price discovery, enhance infrastructure, and position India as a significant player in the global energy market.



Mr. Sandeep Jain

Executive Director (Gas) at IOCL

Mr. Sandeep Jain, Executive Director (Gas) at IOCL, during the panel discussion addressed key issues in the gas and energy sectors, focusing on the role of gas procurement, infrastructure, liquidity, and storage. He highlighted the significant contribution made by IOCL in utilising the Gas Exchange for their gas procurement. He emphasised that **IGX has played a crucial role in bridging the gap between supply and demand of gas, through its competitive and transparent platform**, making it increasingly lucrative for companies to source gas through the platform. Mr. Jain also underscored the need for increasing the country's storage capacity to leverage low prices and manage volatility. He pointed out that as the CGD sector grows and more industries convert to gas, IGX will become a vital platform for securing affordable gas. Looking forward, he expressed confidence that the liquidity on IGX will continue to increase.



Mr. Nakul Raheja

Country Head of Shell Energy India

Mr. Nakul Raheja, Country Head of Shell Energy India, outlined priorities for India's gas market, stressing the need for a **robust infrastructure, independent regulation, and reduced government intervention**. He called for **expanding pipelines, LNG terminals, and last-mile networks** to meet rising gas demand. Strong, transparent regulators and skilled professionals are vital for market confidence. **Promoting exchange-based transactions, price risk management through derivatives, and a consistent GST framework** will boost liquidity and attract global players. By fostering market-driven pricing and a competitive ecosystem, Mr. Raheja believes India can unlock its vast potential, creating opportunities for domestic and international stakeholders while ensuring long-term growth.

He highlighted that global traders cannot create market alone and India must improve infrastructure, taxation policies, and build market mechanisms. For example, sectors should utilise exchange for gas transactions instead of relying on inefficient processes.

He further pointed out that the government should gradually step back from deciding how gas flows and allow market forces to drive pricing based on supply and demand, fostering a more competitive and efficient market.



Mr. Amit Mehta

Sr. EVP, RIL

Mr. Amit Mehta, Sr. EVP, RIL, highlighted the challenges in India's gas sector, including market fluctuations, storage inadequacies, and price discovery for domestic gas. He emphasised the need for **robust storage infrastructure and free-market mechanisms for domestic gas** to foster a sustainable and efficient ecosystem. He added that allowing certain amounts of domestic gas to be traded on the exchange without any price restriction will help in maximising the availability of domestic gas and would bring some volume into the market ultimately help discover prices organically.

Mr. Mehta also highlighted that exchange has helped in mitigating historical challenges of curtailing domestic gas production during demand fluctuations. He also highlighted the need for (commercial storage facilities and for gradual policy shifts to facilitate price discovery and market liquidity. He also outlined a phased approach to a fully functional gas market, aiming to emulate global practices while leveraging domestic resources.



Mr. Kamal Kishor Chatiwal

MD, IGL

Mr. Kamal Kishor Chatiwal, MD, IGL emphasised the importance of an efficient gas exchange system for the City Gas Distribution (CGD) sector and the broader gas market. He highlighted the challenges faced by operators due to fluctuating gas allocations and the need for flexibility in procurement mechanisms. Mr. Chatiwal emphasised the role of exchanges in providing price transparency and market access, and the need for larger players to participate to narrow the price gap. He also highlighted the need for a transparent price discovery mechanism, market liquidity, regulatory risk reduction, product availability, and more large sellers to improve market dynamics. He also added the role of financial futures market to provide forward price curve based on country's own fundamentals and also as price-hedging instrument. Mr. Chatiwal called for big sellers to step up as market makers and drive the creation of a reliable domestic benchmark price, reducing India's reliance on global indices.

He added that the introduction of 3–6-month Long Duration Contracts on IGX will be a key development.



Mr. Akhil Mehrotra

MD, PIL

Mr. Akhil Mehrotra, MD, PIL, highlighted the need for a phased and structured approach to reforming India's energy market. He emphasised the importance of developing foundational infrastructure, such as pipeline density and storage solutions. He stressed on incentivising new pipelines to enable increased gas share and trading. He also highlighted the need for open access to pipelines, gradual unbundling, and regulatory clarity to facilitate market growth and encourage gas trading volumes.

He further added that we need steps like unbundling transportation and molecules. Even small steps, such as separating GSA and GTA contracts, can ensure non-discriminatory access for all market players. With proper access code, clear rules for capacity bookings and seamless interfaces between pipeline operators, trading hurdles can be avoided. All these measures will strengthen India's journey towards becoming a gas hub.

Summary: Developing India as a Gas Hub

1. Need for a Gas Hub

- A Gas Hub will bring immense benefits to stakeholders. For customers, it offers improved liquidity, competitive pricing, and the ability to procure gas based on an indigenous price index reflecting local demand-supply dynamics.
- Helps enhance risk management and open avenues for derivative products based on the hub index.
- Short term markets provide flexibility to manage demand and supply volatility.
- Transparent, liquid and competitive markets lead to robust price discovery and price benchmarks leading to liquid gas hub.

2. Infrastructure Development as a Foundation

- Diverse buyers, sellers, pipeline connecting all types of sources, namely domestic- APM, HPHT, new well and pricing freedom gas like CBM, DSF and RLNG.
- Expanding pipeline density, LNG terminals, and commercial storage capacity is essential to meet rising demand and ensure efficient resource utilisation.
- Seamless connectivity across networks and integration of CGD systems are pivotal for reliable gas supply nationwide.
- Expanding CGD network for all types of end customers including CNG, PNG, commercial & industrial customers.

3. Regulatory and Policy Reforms

- Part of HPHT gas to be sold on Exchange with complete pricing freedom
- Part of APM & long-term contract gas to be sold on Exchange.
- Above mentioned reforms are aligned to Parikh Committee's recommendations of moving towards a market-based pricing.
- Transparent and neutral access to infrastructure including pipeline network and LNG terminals.
- Steps like separating GSA and GTA contracts can ensure fair access and remove trading hurdles. A consistent GST framework and clear rules for capacity bookings strengthen market dynamics.
- Adoption of entry-exit tariff or postage stamp tariff systems and exchange-based transactions can address supply-demand gaps effectively.
- Independent System Operator to manage country's pipeline network on non-discriminate basis.
- Market-based Balancing Mechanism & cash-out of imbalances on daily basis.
- Open access to pipeline infrastructure and seamless interfaces between operators are vital for market growth.
- Gradual unbundling of transportation and trading activities promotes non-discriminatory market access.

4. Leveraging Natural Gas as a Flexible Energy Source

- Gas-based power generation has shown significant growth, demonstrating its potential as a flexible energy solution.
- Strategic use of domestic gas through exchanges without price restrictions can maximise availability and organic price discovery.

Aligning infrastructure development with the ambition of becoming a gas hub will attract global players and enhance market sustainability.



Connect with us

+91-120-4648100

@ info@igxindia.com

www.igxindia.com

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Corporate Office: Indian Gas Exchange

Plot No. C-001/A/1, 6th Floor, Office-D, Max Towers, Sector 16B, Noida, Gautam Buddha Nagar, Uttar Pradesh – 201301

Registered Office:

First Floor, Unit No. 1.14(b), Avanta Business Centre, Southern Park, D-2, District Centre, Saket, New Delhi – 110017